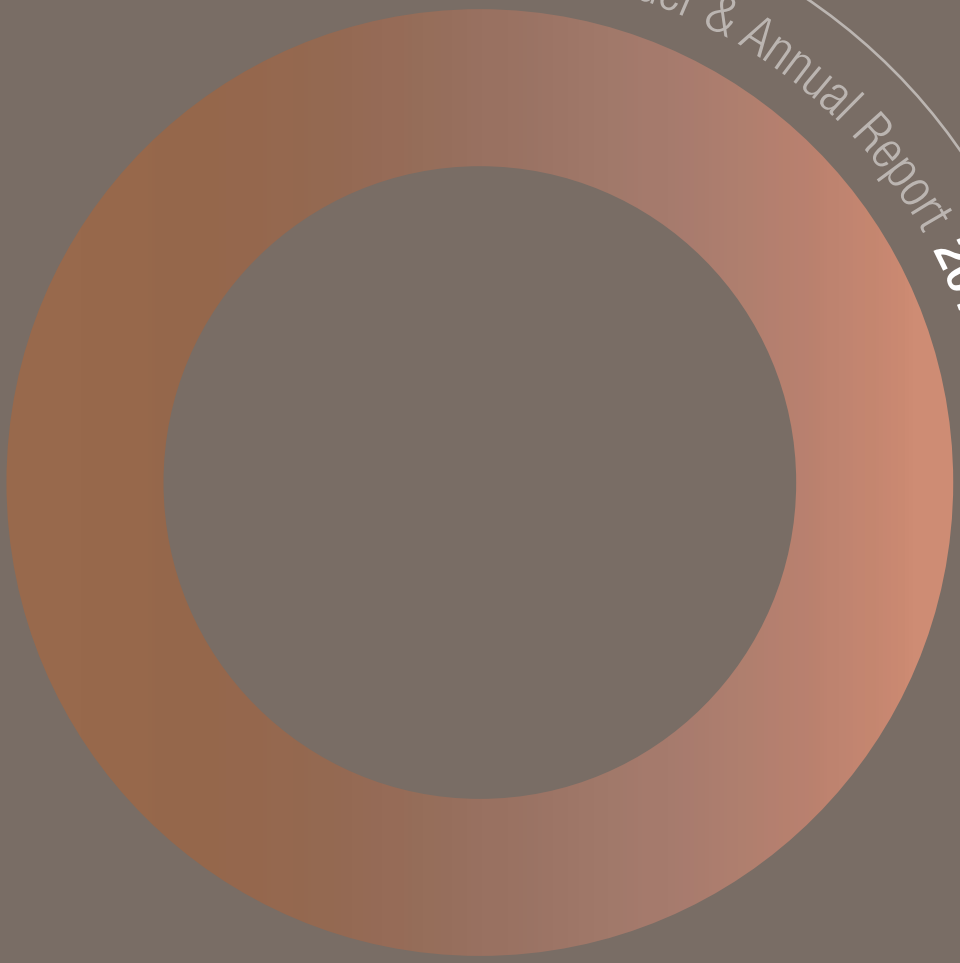
ipb insurance

Stakeholder & Annual Report 2013



IPB 360º

OUR VISION

WE ARE COMMITTED TO DELIVERING INNOVATIVE, WORLD-CLASS BUSINESS PRACTICES UNDERLINED BY OUR ETHICAL APPROACH AND OUR CLEAR VISION.

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OUR MISSION

TO BUILD A WORLD-CLASS BUSINESS THAT PUTS YOU AT THE CENTRE OF OUR ORGANISATION AND SOCIETY AT THE HEART OF OUR GOALS.

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FOREWORD

Ronan Foley Chief Executive

"It gives me great pleasure to present our third annual combined Stakeholder and Annual Report, IPB 360.

Last year, we produced the combined Report to firmly communicate our commitment to all who hold a stake in the wellbeing and success of IPB Insurance. The sheer scale and diversity of our Stakeholder audience is the reason we have titled this Report IPB 360, representing our Members at the centre of our Mutual through to our Members' ultimate Stakeholders, the Irish public."

FOREWORD

"This is about building long-term relationships. It is not just about buying from us, its about buying into us."

In my Report to you last year I expressed my conviction that business leaders have in my view a responsibility to ensure that success in business should be measured not just by financial performance but by they way they engage with, and benefit, wider society. For our part, the board and executive of IPB are commited to this leadership challenge. Within the financial services sector there is an opportunity for strong leadership in the area of governance, operational excellence and social engagement. We hold a unique position as the only wholly Irish owned general insurance company in the market and therefore we must provide leadership. Additionally as the only indigenous mutual we have the sole responsibility within the Irish market to promote the ethos of our organisation, one of inclusivity and accountability.

To facilitate greater participation within the corporate sector, we announced a partnership with Ireland's largest monthly business magazine, Business Plus, to provide a dedicated page to recognise businesses operating in Ireland that are making a difference in society. IPB has also supported the redevelopment and re-launch of Ireland's national CSR Directory so that the conversation around social responsibility and engagement can be progressed.

I believe there is a need to create channels to inform the Irish public of the great work being done because this will provide heightened awareness of corporate responsibility among consumers particularly when making purchasing decisions. There is a mutual benefit to society when the public supports companies that have a clear and unconditional commitment to giving back. This is only one small step and there is a lot more to do but I am confident that there is now significant momentum and a solid foundation from which to build on.

I am pleased to report that we have seen significant expansion of our social reach and the scale of activity within our Corporate Social Engagement ("CSE") Framework. I am also delighted to confirm that we have now activated all five CSE strands across Diaspora, Education, Sport, Youth & Community and Business Innovation. Many of the strands' initiatives are fully operational and being delivered on the ground through our CSE Framework.

Highlights of the year

Notwithstanding the scale and impact nationally of The IPB Gathering Fund over the past year, we have also achieved significant progress in activating our CSE activity across all five themed strands. A noteworthy development during the year included our decision to, once again, partner with our Members and Government through the Department of Transport, Tourism and Sport along with our local authority Members to create SportNation, a new initiative that will see an investment of €3 million in sporting facilities in every county in Ireland. These capital investments will provide facilities for people of all ages to enjoy recreational sports and promote increased community involvement in sports.

Looking ahead, we are excited about the further roll-out of our CSE Framework for 2014 and beyond. This year will see increased activity in the areas of Education, Sport, Youth & Community and Business Innovation as we seek to develop new and existing relationships with leading organisations. On behalf of our Local Authority and ETB Members we look forward to making a difference to communities nationwide on their behalf. I hope you enjoy reading this Report and I look forward to reaching out to even more worthy groups and communities in the coming year.

Ronan Foley
Chief Executive

OUR VISION

"We understand that our progress is dependent on all our Stakeholders including Members at the centre, our staff, our customers, our partners and peers, right through to the wider Irish community."

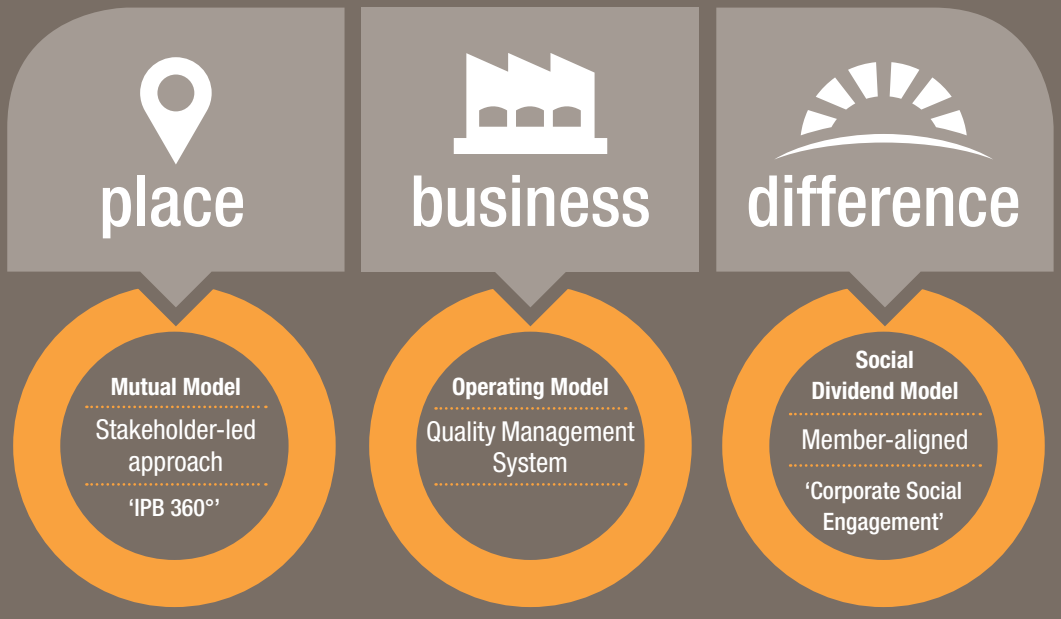
At IPB we share a mutual vision, this means that the future of IPB is built on the proud tradition of our mutuality. Our 360 degree Stakeholder approach reflects our ethos as a mutual, one which is about inclusion and long term relationships. By stating that we recognise all those in society as Stakeholders we are setting out our vision for a new way of doing business.

IPB 360º Stakeholder Model

OUR APPROACH

"Our ambition is to be a leading place to work, attracting the best people possible, working with all our other Stakeholders to build a successful world-class business."

Place Business Difference (PBD) forms part of the overarching approach to IPBs corporate strategy. Place refers to IPBs aim to create a great workplace environment and culture among our people. Business defines our primary mission to build a world class company characterised by ethical practices, transparent reporting and application of the best technologies to deliver for our customers. Difference is the final pillar and refers to our Social Dividend model that funds our CSE Framework. We have a firm belief in the values and ethos of mutuality and by creating a great working environment and culture amongst our employees we can ensure that we deliver on our core objective to build a successful world-class business worthy of our Members and all our customers. As we succeed in achieving our goals and reaching our targets this success will drive our CSE Framework, which in turn starts the cycle again in a sustainable motion.



GREAT PLACE

Ingredients to achieving our objective of creating a great place to work delivering for our Members and all our valued Stakeholders.

Our Governance

The Board provides oversight of the business, setting the business strategy and ensuring that risk and compliance are properly managed.

Our Stakeholders

IPB must continue to increase support and services to Members and engage more with all Stakeholders.

Our People

We will continue to nurture our staff to cultivate and develop high performing teams, model leadership behaviours and competence in individual and collective ownership of the vision for the business. This is being achieved by creating an atmosphere that breeds innovation and excitement and where all Stakeholders appreciate that they have a leading part to play.

Our Culture

We believe in fostering a culture of fairness, trust, honesty, respect, fun, professionalism and core values embedded as an integral part of how we do business aligned to our mutual philosophy.

Our Environment

Create a working environment that recognises effort, motivates and educates in an atmosphere that breeds innovation, excitement and where all our Stakeholders appreciate that they have a key part to play.

Excellence

Exceed expectations, develop and maintain distinctive capabilities and establish clear metrics across all parts of the business in order to achieve a sustainable, world-class performance and service excellence.

A COMMITMENT TO QUALITY

IPB is committed to not only reaching the standards set for it but more importantly exceeding these standards and setting new ones.

Over the past three years IPB has created open and transparent reporting, communications and feedback structures placing primary emphasis on increased engagement with all our identified Stakeholder groups including:

IPB360	Combined Stakeholder & Annual Report
MSI	Members Satisfaction Index
MCF	Members Consultative Forum
CSE	CSE Steering Group
CCMA	CEO Annual Strategic and Business Plan Update to Membership County and City Managers
Board	Four sub-committees including; Audit, Risk, Investment and Remuneration & Nomination Committee

IPB received national recognition for the IPB Gathering Ireland Fund at the national CSR Awards. The Fund was awarded under the most popular category 'Community Initiative by A Large Indigenous Company'. The company also received the public sector excellence award in September 2013.

We have been recognised for our work in the area of Stakeholder engagement for Governance Reporting, CSE and Service to our Membership.

- Winner of 'Annual Report of the Year 2013'
- Special Commendation Award presented at the National CSR Awards 2013
- 'Public Service Award for Excellence' 2013

ISO 9001

At IPB, we are committed to achieving the highest standards in all of our business practices. One way in which we measure our performance is by demonstrating compliance with ISO 9001, the International Standard for Quality. Another way in which we seek to demonstrate our commitment to quality is in the area of Stakeholder communications.

We initially registered our quality management system to ISO 9001 in 2002 and have successfully retained our registration ever since. The National Standards Authority of Ireland ("NSAI") undertook the annual surveillance audit of the Quality Management System ("QMS") on 17 October 2012.

ISO 9001 is the foremost quality management standard in the world and it is used by hundreds of thousands of organisations around the globe. It sets out the essential requirements of a practical and effective QMS, which is ultimately a system for minimising risks and maximizing opportunities. ISO 9001 sets out eight key principles of an effective QMS including aspects that are part of our overall corporate philosophy, including customer focus,

leadership, staff engagement and fact-based pragmatic decision making.

The focus of the standard is to foster an organisational culture of continual improvement, identifying challenges and opportunities, both real and potential, and responding appropriately. At IPB, we feel one of the primary benefits is the confidence that we are always working to the highest international standards, which is nothing less than you deserve.

Global Reporting Initiative

GRI welcomed IPB as a new Organisational Stakeholder (OS) in October. According to the GRI the Organisational Stakeholders perform a key function for GRI:

- they contribute their expertise
- play an important governance role
- invest in the GRI through the OS Membership contribution

Stakeholder Report

As part of IPBs programme of reaching out to all Stakeholders, the Board of Directors produces an annual combined Stakeholder and Annual Report as a statement of our ongoing commitment to high standards of governance and high quality Stakeholder relations.

IPB has been recognised with a national CSR award for community initiative. The company also received the public sector excellence award in September 2013.

OUR MEMBERS

Putting Members at the Centre of our Business

Our mutuality and our Members' ethos are at the centre of our business, and by insuring our Member organisations and their assets we are also protecting their communities.

Board Membership Initiatives

In 2013, IPB undertook many varied initiatives to reflect our approach in achieving our mission objective, namely to put Members at the centre of the mutual. These are just some of the initiatives established over the past 12 months:

Local Authorities & ETBs

- The Annual CEO presentation of IPBs operational and strategy update to our Member's Management
- Commercial Dividend paid to Members in 2013
- Rates reduced and will be maintained at this level into 2014
- CSE Framework built around our Members and their communities
- A quarterly Member's newsletter, MyMutual
- Supporting and fostering closer links between Local Authorities north and south of the border
- Providing feedback mechanisms through research and Stakeholder forums
- Members Satisfaction survey results delivered a 97.6% overall satisfaction rating from our Members
- The Gathering Ireland 2013
- IPB Pride of Place 2013 Awards (see page 12)
- Enhancing our services and improving our communication channels to include Value-For-Money Reports for Members
- The **SAFE**@WORK Smartphone Risk App for Local Authority staff
- Support for Local Authorities through sponsorship of the Electronic Safety Management System
- Official partner to the Limerick City of Culture national initiative
- New Organisational structure and investment in headcount to enhance service delivery in core services and value added relationship management and advisory
- Introduction of Water Services Training for Members

ETB branding and web portal development

IPB was delighted to provide senior marketing advisory resources along with sponsorship in supporting our education Members, the ETBs, in rebranding the newly founded Education and Training Boards and umbrella organisation, the ETBI, along with the web development of a sectoral portal and individual Members websites.

"IPBs support has been incredible. Through their financial and expert support we have been able to deliver a high quality brand and web presence for the sector and individual ETBs. I want to thank IPB for their phenomenal support and over the past year, contributing to the positive transformation experience for all involved"

Cynthia Deane, CEEOA deputy Chair and CEO of Kilkenny Carlow ETB

Members' Ethos

Over the coming years, we will seek to enhance our engagement with Members, placing them firmly at the centre of the organisation. This continued focus will see us grow our relationship and change our corporate philosophy to reflect the societal role our Members play in support of their communities across the country.

Our corporate philosophy is reflected in this Stakeholder Report, comprising of three distinct elements:

This structure embeds IPBs Mutual ethos and our CSE model into the overall business strategy. The business strategy structure also, crucially, has been designed around the Membership profile and will become even more evident in the way the business evolves over the next phase of development and beyond. We are reaching out to Members with new initiatives to build closer links and to increase involvement in their Mutual and how it operates.

IPB is committed to delivering new services and features of Membership, including increased accessibility through enhanced online and digital tools. This will allow Member staff greater access to product information, policy details and claims progress inot the future. The progression of technology-based tools include the recent launch of a Health & Safety mobile phone app for smartphones. The Member's newsletter is now into its ninth issue, informing Members across a range of issues relevant to their needs. We will be developing the newsletter further to act as a useful source of risk management news and guidance on best practice.

IPB continues to commit its support for Member events. Combined, IPB hosts and sponsors in excess of 15 Member events every year, more than one every month.

Member Research

The Member Satisfaction Index ("MSI") was undertaken in March 2013 to extrapolate valuable feedback from Members and to benchmark performance annually in terms of Members' overall satisfaction with products, operational and value added services and the overall relationship with the Mutual. The annual study is in addition to scheduled frequent on-site appointments as well as planned annual reviews.

2013 MEMBERSHIP SATISFACTION RESULTS

Continuous improvement Satisfaction Survey 2013

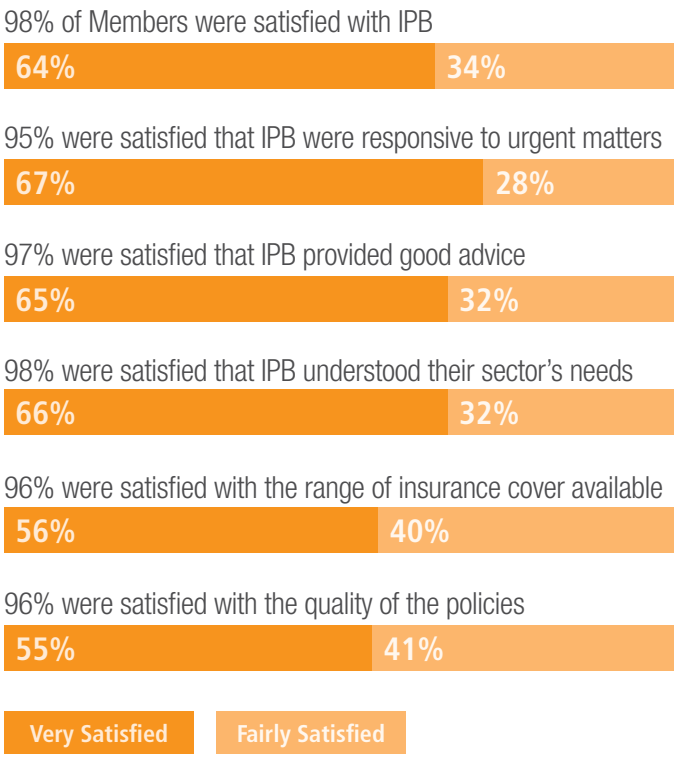
In March 2013, Red C Research conducted an online survey of both senior and front-line staff in our Member's organisations to measure satisfaction levels with IPB Insurance.

The results were exceptional:

- Members are particularly satisfied:
  - – that we are responsive to urgent matters.
  - – that we provide good advice.
  - – with the range of cover available.
  - – with the quality of the policies.
- Members highly value our Risk Management and Advisory service.
- They regard IPB as being trustworthy, open and transparent.
- The claims experience is very positive, with 90% finding the process easy.
- The Net Promoter Score, i.e. the likelihood to recommend IPB, is extremely strong.

Overall, the results provide welcome confirmation of Member's satisfaction with the overall direction of their Mutual.

Members were asked to rate their satisfaction levels with key service elements. The results were as follows:



The independent, on-line survey was conducted by Red C Research between Tuesday 5 March and Friday 29th March 2013. 36% of IPB Insurance Members who were issued with the survey responded.

SUPPORTING MEMBERS AND THEIR COMMUNITIES

IPB Pride of Place 2013

LAMA (Local Authority Members Association) Awards 2013

Membership Deliverables in 2013

Sample of Highlights

- €10 million dividend issued
- €3 million social dividend issued
- Member-led CSE initiatives

We are delighted to report that 2013 marked the first year whereby all five of IPBs CSE Framework themes were active. The roll out across all five themed strands is another example of the solid progress being achieved in delivering on IPBs Corporate Strategy. More importantly we continue to allocate the majority of resources through our Members direct to their communities. The highlights for 2013 include The Gathering, SportNation and the Youth & Community Fund;

- Partnered with Members and the Department of the Environment, Community and Local Government to deliver a combined €3 million regional sports fund called SportNation
- €1 million IPB Youth & Community Fund promoted through the Local Authorities
- Successful roll-out of the joint partnership €2 million IPB Gathering Ireland Fund supporting Members with flagship Gathering events as well as grant-aiding local community events.

IPB Pride of Place 2013

2013 saw IPB increase significantly both its financial and participative activity within the Pride of Place Awards. As title partners there has been a significant enhancement of these all-island awards including the promotion of winning communities to the world LivCom finals. Ireland's community spirit and volunteerism compares favourably to any country in the world and this is highlighted by the performance of our representatives in 2013 who all achieved very high commendations. In particular there was major celebration for County Galway as the Aran island of Inis Oirr won 2 awards, scooping one of the most prized awards. A delegation from the island collected the Special Overall award in the Healthy Lifestyles category and then took the overall award in the category for places with a population of up to 20,000 people. The awards focus on International Best Practice regarding the management of the local environment.

Community and Council Awards

In association with the Local Authority Members Association ("LAMA"), IPB has increased its engagement through sponsorship of the newly titled Community and Council Awards. IPB also sponsors the Council of the Year category and were delighted to present the award to Louth County Council.

Minister Michael Ring at the launch of In Humbert's Footsteps as part of The Gathering 2013 in Co. Mayo. The event remembered the French invasion of 1798.

THE GATHERING IRELAND

INSIGHT

The Gathering

We have supported our Members in the successful execution of the Gathering initiative. The Fund demonstrates the commitment we have to support you in your responsibility to deliver strategic national projects at a regional level. The success of the Gathering is an endorsement of the local government approach. The estimated 7% uplift in tourism numbers has directly injected an estimated €170 million to the Irish economy.

Diaspora

'The provision of the €1 million IPB Insurance Fund was a welcome boost and addressed an important gap in The Gathering events programme and funding needs at county level. Similarly, the Gathering Community Events Fund, financed from the Gathering budget and administered by Local Authorities, provided an innovative and flexible solution to the micro-funding requirements of local and community events.'

– The Gathering Ireland Final Evaluation Report

"I am heartened by the success of the Gathering Ireland initiative and the impact of the IPB Gathering Fund. The public private partnership approach supporting our Members efforts in leveraging the global Irish Diaspora has prompted us to further develop this approach to partnering with our Members. That is why we have introduced additional initiatives including the Youth & Community Fund and SportNation."

IPB Gathering Ireland Fund

The following is a summary of the main conclusions and recommendations arising from The Gathering Ireland 2013.

Overall Impact

The Gathering succeeded in achieving its ambitious goal of engaging the people of Ireland to invite diaspora and friends to attend over 5,000 special Gathering events right across the country. The power of personal invitations was one of the great successes of The Gathering.

Preliminary estimates by independent consultants show that the project delivered at least 250,000 to 275,000 additional tourists in 2013 that would not have visited Ireland but for The Gathering. The additional revenue generated by these tourists is estimated conservatively to be €170 million.

In addition to the economic value, The Gathering has delivered a social dividend with a very positive impact on communities in every part of Ireland and has helped to bring about a renewed sense of community spirit.

Citizen and Community Engagement

The model used by The Gathering for citizen and community activation worked extremely well. The active support of the Local Authorities in setting up a collaborative framework for The Gathering that would enable effective local roll-out was a critical success factor. The Gathering Coordinators played a pivotal role at a county / city level.

The eager adoption of The Gathering by citizens and local communities, especially in rural Ireland, vastly exceeded expectations. The enormous voluntary effort in making The Gathering a success is evidence of the on-going power of community and had a significant impact on generating 5,000 national events, many in counties that would not typically be regarded as tourist destinations.

IMPACT

84,960*

The number of additional overseas visitors as a result of the IPB Gathering Ireland Fund

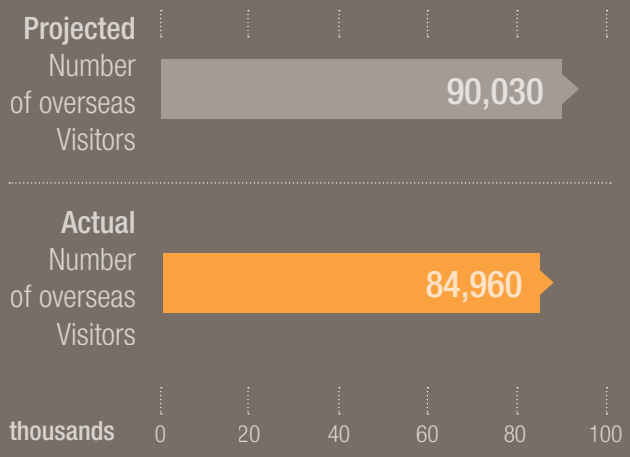
€50m**

The estimated contribution to the Irish economy from IPB Gathering Ireland Fund projects

The IPB Gathering Ireland Fund

We have now received evaluations from 63 of 81 flagship events. The anticipated incremental tourist figures are extremely positive resulting in 84,960 overseas visitors from the 63 assessed IPB Gathering flagship events. The results are very encouraging even when compared against the projected 90,030 visitors (for these 63 of 81 events). These figures indicate that the IPB Gathering Fund and our Local Authority Membership generated at least 30% of the total incremental tourism figure for 2013 or an estimated minimum contribution of €50 million to the Irish economy. The initiative has now received over 80% of evaluation reports from flagship project partners and a full report on the overall performance of the Fund will be reported later in 2014.

IPB Gathering Ireland Fund Statistics for Flagship Events – To Date



The above represents 63 of the 81 Gathering events Supported by IPB, on average these events attracted 94.37% percent of their target projected overseas visitors.

"The provision of the C1 million IPB Insurance Fund was a welcome boost and addressed an important gap in The Gathering events programme and funding needs at county level. Similarly, the Gathering Community Events Fund, financed from the Gathering budget and administered by local authorities, provided an innovative and flexible solution to the microfunding requirements of local and community events."

The Gathering Final Report, December 2013
Fáilte Ireland

* Figure based on feedback from 63 of 81 flagship events.

** The €50 million estimated contributionto the economy is based on available flagship visitor numbers and on an average estimated contribution of €550 per visitor.

OUR PEOPLE

EMPOWERING PEOPLE

Central to the creation of a great place to work, is the importance placed on developing, empowering and recognising our employees. The company is now actively seeking employees' opinions and feedback regarding the development of the IPB workplace and move to new offices.

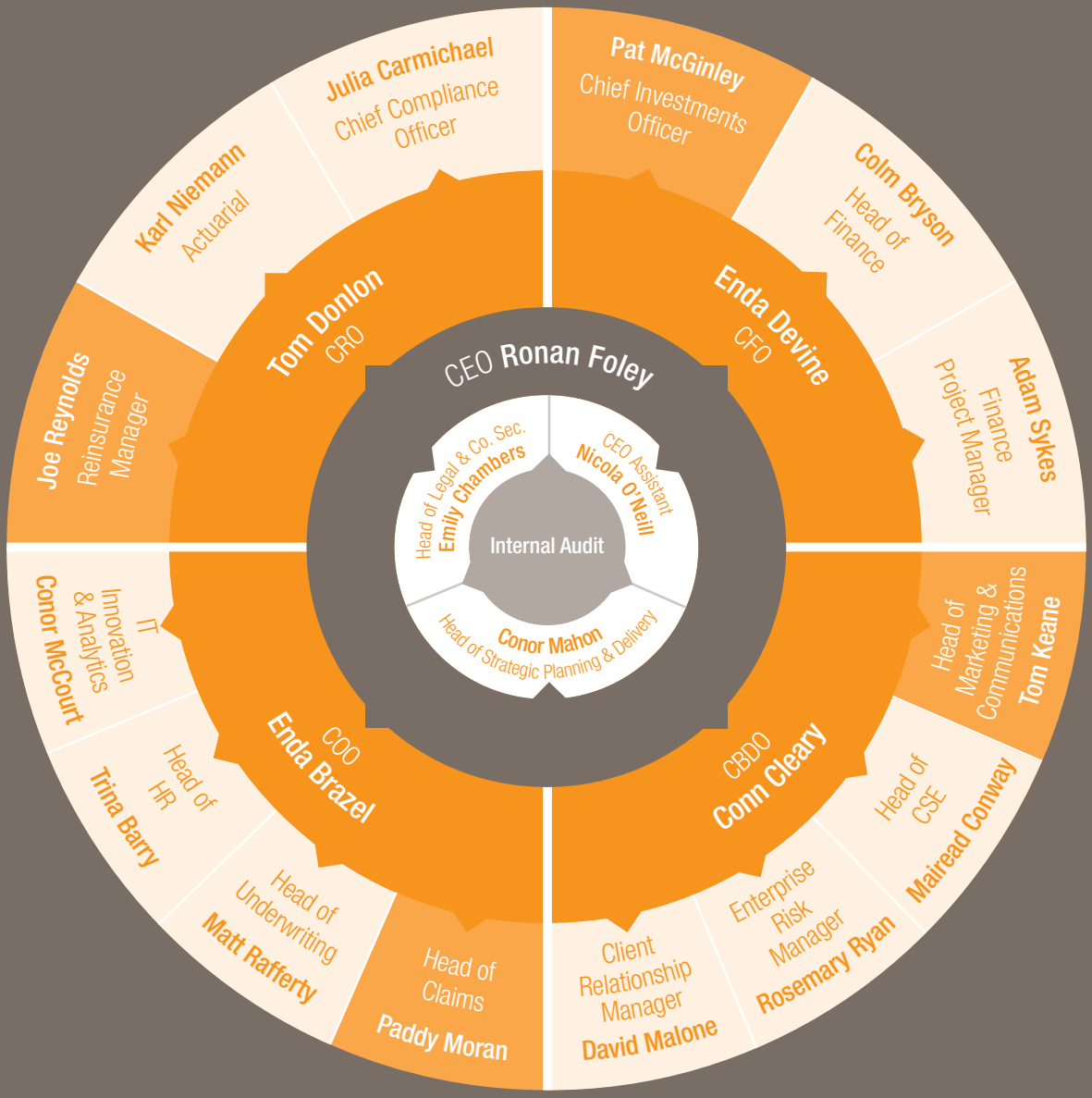
There has been significant employee engagement across all platforms from our quarterly staff events, online surveys and newsletters. The featured employee interviews (see page 018) capture the positivity of our workforce following the recent structural changes.

Volunteerism

The IPB team have been actively involved in charitable activity and internal volunteering in support of IPBs CSE initiatives. Over 1/3 of all employees volunteered to assist in the reviewing and assessing applications to the IPB Youth & Community Fund. The incredible involvement of so many staff members who gave up on average 6 hours of their own personal time is testament to the spirit of volunteerism that exists within IPB. This is an important aspect of fostering the culture of inclusivity and ethical standards that as a mutual we strive to reach.

Volunteerism is a growing feature among IPBs employees. 28 employees signed up to the Docklands 5K charity run (pictured left). In January of this year, over 300 hours of employee extra-curricular time was generously donated by IPB employees to assist in the adjudication of grant applications under the Youth & Community CSE initiative.

IPBs New Structure



The new structure follows the acquisition of our outsource partners and the assimilation of all IPB personnel under one management. It is designed to deliver on our commitment to invest in Members services. Additional resources are being provided across core business activities and Member services management.

MICHELLE CROWLEY
COMPLIANCE

MICHELLE RICE
FINANCE

ADRIAN LEONARD
UNDERWRITING

What motivates you in your job?

MC Our company ethos is to deliver a world class service to our customers. Applying this standard, we seek to embed quality and efficiency into everything we do and deliver a first-class service to our customers.

MR I've always been motivated by the desire to do a good job at whatever position I'm in. I want to excel and to be successful in my job, both for my own personal satisfaction and career progression.

AL What motivates me is having the opportunity to develop and apply my technical capabilities to ensure that IPB are the market leader in their field

What do you find most challenging about your role?

MC Our greatest challenge to-date has been the implementation of a new Compliance Framework. The Framework effectively introduced a new way of evaluating and managing our regulatory requirements to protect our customers, maintain the confidence of our Stakeholders, and allow us to conduct our business affairs with integrity and in a prudent manner.

MR My role as Investment Accountant involves the analysis and management of financial accounts that are involved in investments. The biggest challenge for me is grasping an understanding of the investment markets in order to gain a more complete insight into the area of investments.

AL The most challenging aspect of my role is meeting the goals and deadlines that I have either set myself or that are required by the business, whether that be developing a policy wording or enhancing an existing product. But there is great satisfaction in seeing a project through to the end and living to tell the tale!

What do you find most challenging about your role?

MC No matter what the task at hand our aim is always to do the right thing when helping the business to succeed and in so doing help protect our customers and Stakeholders.

MR I enjoy the various different challenges – I find the area of investments a constant learning curve.

AL The thing I enjoy most about the role is that, because of the diverse needs of our customers, there is always something new that we crossing our paths and it gives team a great opportunity to brainstorm. There is never a dull day and that is great for my own self development.

What is your experience of the change currently under way?

MC n 2013, IPB Insurance effectively brought all services in-house. The transition of people and services was remarkably seamless, helped, no doubt, by the already close working relationship enjoyed by both parties in recent years.

MR My experience to date has been positive. I am looking forward to the company operating from one floor as I believe it gives a sense of unity. There has also been a sense of staff involvement through employee surveys, promotions and events.

AL Change is good and while it brings its challenges it also bring its own rewards. The needs of our customers is constantly evolving and IPB Insurance must also evolve to keep pace to meet their needs.

What was the highlight of 2013 for you and why?

MC The biggest highlight for me was the significant effort, support and buy-in from all business areas involved in delivering the new Compliance Framework. The outcome of this effort is already being realised across the business, with greater transparency and understanding of our regulatory requirements and their effective management as part of our day-to-day activities.

MR For me, the highlight was The Ireland Funds Young Leaders Christmas Reception in the US Ambassador's Residence in the Phoenix Park. It was very enjoyable and an honour to be given the opportunity to attend such an event.

AL The highlight of 2013 for me was when I given the responsibility to develop a new unit within Underwriting where I now focus specifically on the technical aspects of our products to ensure we deliver the best possible solution to all our customers.

What is your main ambition for 2014 and beyond?

MC To continue to support the business in its pursuit of service excellence for its customers and to do so in a way that is prudent, effective and ethically sound.

MR I have currently completed 12 out of 14 ACCA professional exams. My main ambition for the near future is to complete the remaining exams and aim to achieve the relevant performance objectives in order to gain the ACCA qualification.

AL My main goal for 2014 is to fully embed the new unit within underwriting so that is a core support to our underwriters and IPB overall.

IPB EMPLOYEE ENGAGEMENT

The Employee Referral Scheme aims to engage and empower employees to have a say in the future of their company through active participation in the recruitment of new personnel.

Under the new unified employee group within IPB, there is a focus on ensuring employees are engaged, receive frequent communication and that the spirit and values of mutuality are encouraged with the staffing body. There are three areas where significant progress has been made;

- IPB Employee Referral Scheme (ERS)
- Employee Communications & Events
- CSE and Employee Volunteerism

ERS

As part of developing a strong team ethic at IPB and attracting candidates for new job vacancies IPB introduced an Employee Referral Scheme. The approach is based on recruiting new employees that share the same positive characteristics and values of existing staff. The Employee Referral Scheme aims to engage and empower employees to have a say in the future of their company through active participation in the recruitment of new personnel.

The programme launched with a seasonal promotional self-standing poster on every employee's desk along with a voucher for a free coffee, which could only be presented when accompanied by a colleague. The key message communicated the importance of working together. The internal promotion is hoped to demonstrate that all employees have a voice and role to play in the future of the company. The promotion was supported through the internal staff newsletter 'Our Place' as well as an incentive programme for those who referred successful candidates.

All members of the IPB team are encouraged to refer and nominate candidates for new positions that are being created to provide the recommended investment in client services, operations and Members value added services and advisory. Employees have the added incentive of being rewarded if one of their nominated candidates is successful. This recruitment promotion empowers and engages staff and from a HR perspective it is a highly effective and efficient form of recruitment.

Empowering our people IPB have introduced an employee referral scheme as part of IPBs employee engagement

Pictured at IPBs quarterly employee engagement event were from left to right: Jonny Cooper, Dublin Gaelic Footballer, IPB CEO Ronan Foley, Claire Whelehan, DCU and sports commentator Marty Morrissey.

Sports commentator Marty Morrissey hosts IPBs Employee Engagement event where a number of CSE initiatives were showcased on the evening. Pictured with Marty is IPBs CEO Ronan Foley talking about Corporate Social Engagement.

IPB host quarterly employee engagement events based on themes relating to the company's mutual ethos. Pictured at the November event is IPB CRO Tom Donlon speaking with Conor Mahon, Head of Strategic Planning & Delivery.

In December, The Ireland Funds Young Leaders and friends gathered to kick off the Christmas season at the U.S. Ambassador's Residence in Phoenix Park. A delegation of IPB employees joined with IPBs Executive to enjoy the festivities.

IPB EMPLOYEE COMMUNICATIONS & EVENTS

Quarterly Employee Business Briefings

On Thursday 14 November, the second quarterly IPB Employee Business Briefing event was held to announce a number of key developments within the business. IPB CEO Ronan Foley gave a special presentation outlining recent business activity and performance and outlined the new internal organisational structure. It was also announced IPB would be moving to the Docklands at the end of April 2014.

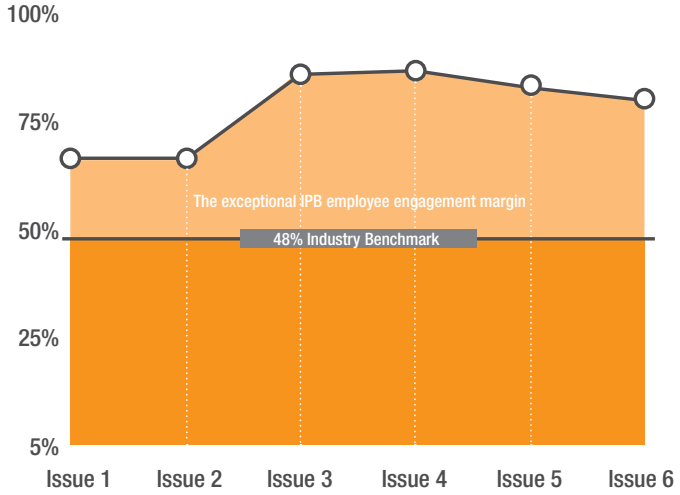
The professional setting of the Circle Club in the Bord Gáis Energy Theatre was a fitting location to announce the new building launch with its spectacular views of Grand Canal Square, provided the perfect location for the official announcement of IPBs new home in a neighbouring building.

As a part of our engagement with one of our key Stakeholders, our people, it was decided to host a special CSE (Corporate Social Engagement) themed reception assisted by a number of special guests who volunteered their time to recognise the efforts of IPB and all employees. Following the formal business presentation all staff were invited for some refreshments and surprise entertainment. Sports commentator and TV presenter Marty Morrissey was introduced as MC for the evening. With informalities out of the way, Marty called Dublin Footballer and DCU GAA Scholarship recipient Jonny Cooper to the stage along with the Sam Maguire. As one of 12 members of this year's All-Ireland winning Dublin Panel to have benefitted from the GAA Scholarship programme at DCU, Jonny is a living representation of the powerful impact being made through the DCU Access Programme that IPB supports.

Employee Newsletter – Our Place

Employee engagement has been excellent and the communications with staff continues to record very high levels of readership and responsiveness. Below we have detailed the findings of the online statistical reports that details the comparative success of the employee communications.

Employee Newsletter Readership



New intranet

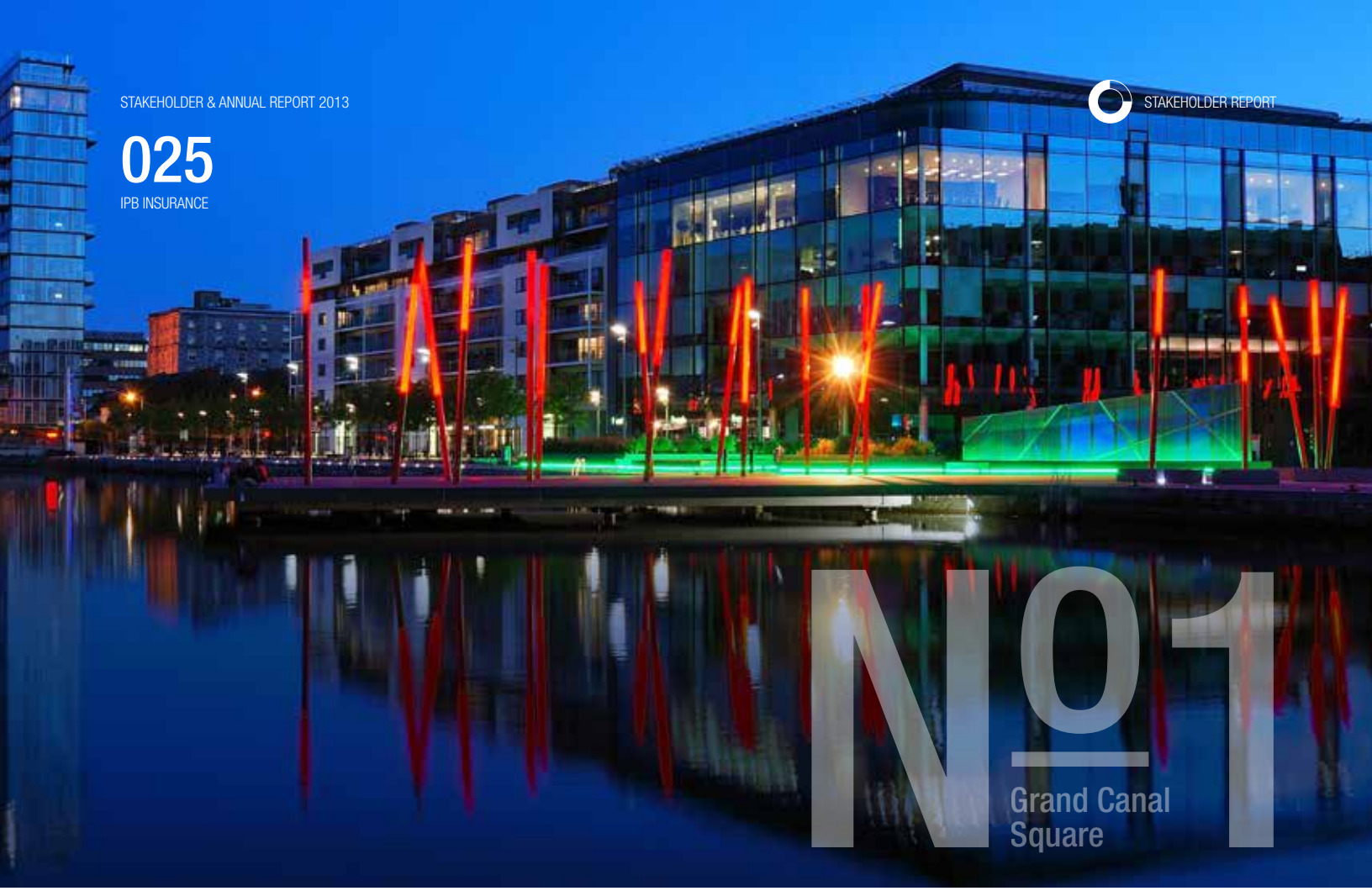
Staff competition to name new intranet

IPB has introduced a host of new online communication channels and tools. A prominent feature of IPBs increased Stakeholder engagement has led to both Members and staff experience new communication formats including online newsletters, social media channels and mobile apps.

As part of the move to a new office location IPB is launching an intranet facility to assist in the internal communications amongst all staff. This new shared platform is part of a new future for IPB that will see heightened engagement between employees and support our mission to be a world-class business. The ongoing engagement with employees includes a competition to name the new platform.

'Our Place' Newsletter / Ezine

In July of 2013 IPB introduced a new monthly employee electronic newsletter titled 'Our Place' to keep all employees informed of developments within the company. The electronic communication is structured around the company's corporate strategy based on the PBD (Place, Business, Difference) Grading system which incorporates the work place, business operations and the company's social engagement.



A NEW PLACE

IPB moves to new offices at No. 1 Grand Canal Square, a new city centre location that will:

- provide a **great working environment** for our people
- **welcome and host you**, our Members
- support our mission to **build a world class business**

As part of the evolution of IPB, through the acquisition of Brennan Insurances during the year, we now require the space to grow our headcount as part of our commitment to invest in developing existing and new Members products and services.

23 Thousand Square Feet

12 Meeting Rooms

1 Floor

LEADERSHIP

INSIGHT

The Board

Governance

Corporate responsibility is a key part of IPBs strategy and is managed within a framework of internal control, governance and risk-management processes. The Board of Directors is responsible for setting the tone for a culture of integrity and compliance throughout IPB. The Board oversees management, considers and approves strategic plans and approves all major strategy and policy recommendations.

The Corporate Social Engagement Steering Committee discusses IPBs corporate responsibility strategy with management and reviews the Corporate Responsibility Report and Public Accountability Statement. On behalf of the Board, Chief Executive Officer Ronan Foley has primary responsibility for ensuring IPB acts as an exemplary corporate citizen.

Governance Manual

As a regulated financial service provider, IPB Insurance is required to adopt and maintain internal controls, policies and procedures to ensure compliance with legal and regulatory requirements. The IPB Insurance Governance Manual aims to act as a single point of reference for employees and Stakeholders in relation to the internal controls and risk management framework in place in IPB Insurance.

The Manual serves to demonstrate how IPB Insurance has translated its universe of legal and regulatory requirements into specific operational rules which allow IPB Insurance to continue to provide excellent standards of service.

EXCEEDING STANDARDS

Compliance Charter

In order to demonstrate IPBs commitment to comply with all laws, regulations, and codes of conduct and standards of good practice, the Board of Directors has adopted a Compliance Charter. The Compliance Charter governs the mission, role, duties, deliverables and structure of the Compliance Function.

The Compliance Function strives towards providing the highest quality compliancy services and advisory, assisting IPB manage its compliance risk. The Function provides guidance on compliance with applicable laws and regulations, ensuring that the company achieves its mission to deliver the highest standard of corporate governance.

The Function extends its role to provide support to the business lines with regard to various regulatory inquiries, examinations or themed inspections. It also provides guidance on new product and services sign off, review of marketing materials and other relevant activities involving regulatory requirements assistance.

The Compliance Function also works closely with IPB Insurance Internal Audit and External Audit to monitor compliance of the business units and it employees with applicable laws and regulations.

The Compliance Function will also consider recommendations on effective implementation of compliance activities and will monitor regulatory issues raised by them.

Business Compliance Co-Ordinators

In order to ensure that legal and regulatory obligations are fully embedded in business processes, IPB Insurance has appointed Business Compliance Co-Ordinators (BCCs) in each department who act as the point of contact for Compliance within each department. The objective of the BCC is to ensure that the Compliance Function is connected to the business. The main duties of the BCC include the following:

- Ensure the continuing maintenance of the departmental Obligation Register.
- Immediate reporting of incidents / complaints / errors and any other items which compliance ought to be aware.
- Aid in the communication and understanding of Compliance requirements within each department.
- Conduct assessments of compliance obligations in respect of their business/ support units;
- Monitor and report on compliance;
- Provide day to day support to the business/ support unit on compliance matters as they arise;
- Support the delivery of compliance training to business units;
- Liaise with the Chief Compliance Officer and with other BCCs from other business and support units

Business Code of Conduct

In order to promote a respectful, diverse and challenging environment, it is important that the Business Code of Conduct is clear in its fundamental objective of maintaining and protecting IPBs employees and reputation, through the implementation of the highest possible ethical standards. The IPB Business Code of Conduct (Code of Conduct) provides a framework on how to deal with each other as colleagues, our Stakeholders, customers, communities, suppliers and competitors.

Throughout the Code of Conduct, IPB Insurance provides a single point of reference setting out IPBs expectations in relation to matters such as conflicts of interests, gifts and benefits, related party transactions and disclosure of interests. Employees are supported with annual training on the Code of Conduct and are required to declare that they understand and will adhere to the standards therein.

Fitness & Probity & Minimum Competency Code Policy

IPB Insurance has always been committed to ensuring its employees are of the highest calibre. The Fitness & Probity & Minimum Competency Code Policy illustrates the commitment of IPB Insurance to adopt and embrace the letter and spirit of legal and regulatory requirements in relation to the engagement of personnel. The Policy also reinforces the philosophy of IPB Insurance to ensure all employees perform their duties with integrity and a strong sense of ethical responsibility.

Whistleblowing Policy

IPB Insurance is committed to fostering and maintaining a culture of openness, transparency and accountability. The IPB Insurance Whistleblowing Policy provides a mechanism for IPB employees to raise concerns in relation to any specific knowledge, or any properly grounded suspicions, that they may have about actual, or potential, material irregularities in relation to the running of IPB Insurance or the activities or behaviour of colleagues or customers. The Policy aims to provide reasonable immunity and protection to employees who make such disclosures in good faith.

IPB Insurance has also engaged the services of Expolink to provide a forum for employees to report concerns anonymously should they so wish.

OUR CUSTOMERS

IPB is transforming. Through a new operational grading system IPBs offering and approach will be defined by its innovation, the best use of technology and our ethical approach to doing business.

We are convinced that with the best business offering in our markets, we can achieve lasting sustainability underpinned by our CSE Framework, giving back to society. We will be regularly measuring our customers' satisfaction to ensure that we keep on track and that we meet the expectations our customers set for us and our people.

IPB is undertaking a range of new initiatives to reach out to customers and keep them informed of the latest developments and products. We are increasing our focus on product development and service delivery by investing in our systems, including the recent instalment of our new IT system, Phoenix.

We have delivered a Commercial and a separate Social Dividend to fund our CSE model, which will be themed around our core markets by giving back to society and supporting social initiatives within the market segments in which we operate. We are developing a customer service charter to reflect our vision to be a world-class business driven by innovation, technology and an ethical approach to doing business. We are acutely aware that our success relies on our customers' loyalty and we believe that supporting them in managing their risk is one of the key elements of our offering.

We have developed a customer newsletter, CoverStory, which is designed to inform our customers of new products and services as well as provide updates on our CSE activities and issues of direct concern to them. We are also developing our website to provide additional information and resources to assist customers in doing business with us and increase accessibility. IPB will continually work to create new features and tools for customers in improving our relationship and assisting in generating feedback to aid service development.

We will grow our customer base outward from our core market segment, the Local Authority Members, targetting those organisations that provide services to the public in education, sport, health, community, charity and socially-focused services.

Over the past year, IPB has secured customers from across the spectrum of community-based initiatives as well as national organisations and representative bodies. We have also developed a footprint in local government in Northern Ireland and cemented our role as the insurer of local government and public bodies across the island of Ireland.

PROTECTING OUR CUSTOMERS

INSIGHT

"I was very impressed with the response from IPB Insurance and the speed at which they reacted to the incident"

Tomás Ó Donnagáin,
Príomhoide at Coláiste Cois Life

Following the adverse weather conditions over the 2013 Christmas holiday period a large area (1000m^2) of roofing at Colaiste Cois Life was blown away by storm force winds. The school experienced severe structural damage on the two-storey section of the building. This placed a real doubt over the schools ability to open after the Christmas break. Temporary repairs were carried out with a view to preventing further damage arising and also to prevent the real possibility of the building collapsing and causing further serious damage.

Immediate steps were taken to ensure temporary facilities were in place in order to ensure the school could reopen for the new school term on the 6th January 2014. A professional specialist company was appointed quickly to ensure damage control and begin the salvage operation. Additionally, arrangements were put in place to hire 8 portacabins to be installed on the campus with fully connected services in advance of the schools reopening and while construction and reinstatement works could be carried out.

This work commenced within days of the weather event. IPB acted quickly to ensure that access to interim funds was available to assist the school in respect of costs associated with the temporary accommodation and repairs.

IPB were keen to ensure that prompt action be taken to progress salvage operations and provide the necessary temporary accommodation. The speed of response led to the School re-opening to all students as scheduled on 6 January. The school and Dublin Dun Laoghaire ETB expressed their appreciation for the emergency service provided by IPB following this loss. The immediate requirement of securing the timely opening of the school has been achieved and IPB are currently working with their appointed loss adjuster to progress the tendering process for full reinstatement.

Speaking about IPBs claims response Paddy Lavelle, CEO of Dublin and Dún Laoghaire Education and Training Board said, "IPBs quick response and support allowed Colaiste Cois Life to open without delay following significant storm damage to its roof over the Christmas period. This meant that the College, students and teachers could continue with limited adverse effects and ultimately without losing any time in school. DDLETB were delighted that IPB provided the necessary resources, specialist assistance and swift action to facilitate the opening of the College without delay, and this indeed was realised."

OUR PARTNERS

At IPB we are proud of our network of suppliers. We see all our partners as key Stakeholders in working to achieve our ambition to innovate and transform IPB into a truly world-class sustainable business. Our partners include advisers, brokers, representative bodies, reinsurers and social and charitable institutions.

We have partnered with a range of private businesses, state organisations and not-for-profit bodies to work towards achieving on our ambitious objectives both commercial and social. We recognise the interdependency of all three organisational pillars; private, public and not for profit bodies and the contribution they make not only to IPBs success but also crucially to national economic and social progress.

We continue to develop relationships with a wide range of representative organisations across our Membership base and the wider market as well as public, social and commercial organisations, to ensure we are positioned to meet the needs of our clients and provide, where possible, assistance in their efforts to promote their sectors and social initiatives.

We see our suppliers and brokers as partners in working to meet the needs of our Stakeholders and we are setting new ethical standards for all those who work with us in creating a sustainable business model. Most importantly, we aim to create shared values among all our partners in understanding our objectives to deliver on our promise to all our Stakeholders.

For that reason, we expect our suppliers to share our values, to be ethical and to demonstrate the same commitment to giving back for social good. We must understand our responsibilities and act on them through social engagement.

OUR GOVERNMENT

As a Mutual Insurer comprising of Local Authority Members it is not surprising that our relationship with both Government and our regulatory bodies is of great importance. Understanding the needs of our Members means that we must continually foster and nourish relationships with our regulatory and governmental partners.

We have a clear understanding of our responsibilities. We are committed to achieving and exceeding the regulatory requirements and standards as set out by the Central Bank and all relevant State authorities above and beyond the minimum.

Our CSE Framework aims to involve all our Stakeholders. The Government initiative, The Gathering Ireland 2013, served to underline the strong relationship IPB has with our Government departments and bodies. IPB, through a 50:50 funding partnership with the Government, created a fund of €2 million for local community and regional flagship events to celebrate the coming home of the Irish Diaspora. The IPB Gathering Fund was administered and delivered through IPBs Members, the Local Authorities.

We continue to work to develop this social model of public private partnership that leverages the variety of strengths that both the Government and private businesses can bring to a socially focused partnership approach. This approach has proven very successful to date with future PPP social initiatives planned for 2014.

The second PPP initiative undertaken by IPB involved a tripartite arrangement working with our local authority Members and the Department of Transport, Tourism and Sport to introduce a €3 million fund to support the development of sporting facilities in every local authority area in the Republic of Ireland. The initiative titled SportNation aims to enhance facilities at a local level encouraging greater participation in sporting activity.

We hope that our approach with Government and our Members will encourage greater collaboration between private business and the State in serving to meet the social needs of communities.

OUR PEERS

We recognise that as a leading Irish financial services business there is an onus on us to contribute to the improvement in standards within our industry. IPB is an active Member of Insurance Ireland with key executives such as our Chief Compliance Officer Julia Carmichael participating actively in numerous committees.

IPB is also the only mutual insurance member of the Association of Financial Mutuals (AFM) trading in the Republic of Ireland. As Ireland's only indigenous Mutual Insurer it is important that we engage and work with like-minded organisations internationally to incorporate best practice and to keep informed on issues of concern to mutual bodies.

INSIGHT

Providing Leadership in Social Engagement

As part of our commitment to our ethical approach to business we have a clear commitment to provide leadership in the area of Corporate Social Engagement. In May of 2013 IPB approached Business Plus magazine, Ireland's largest selling and leading business magazine with a view to partnering with the publication by recognising and highlighting the work being done in communities.

The page was formally launched when published in the September edition and now provides a platform for businesses that contribute to society by independently recognising their work.

There is a now a waiting list of organisations seeking profiling within the page and the success of the publication has led to the publishers and IPB looking at other means to serve this demand.

On average, over 40,000 business people read the magazine every month and the audience profile fits within IPBs own target for peer to peer review.

Business Plus and IPB Insurance have partnered to provide a regular feature profiling companies that are commited to supporting their communitites and wider society.

OUR SOCIETY

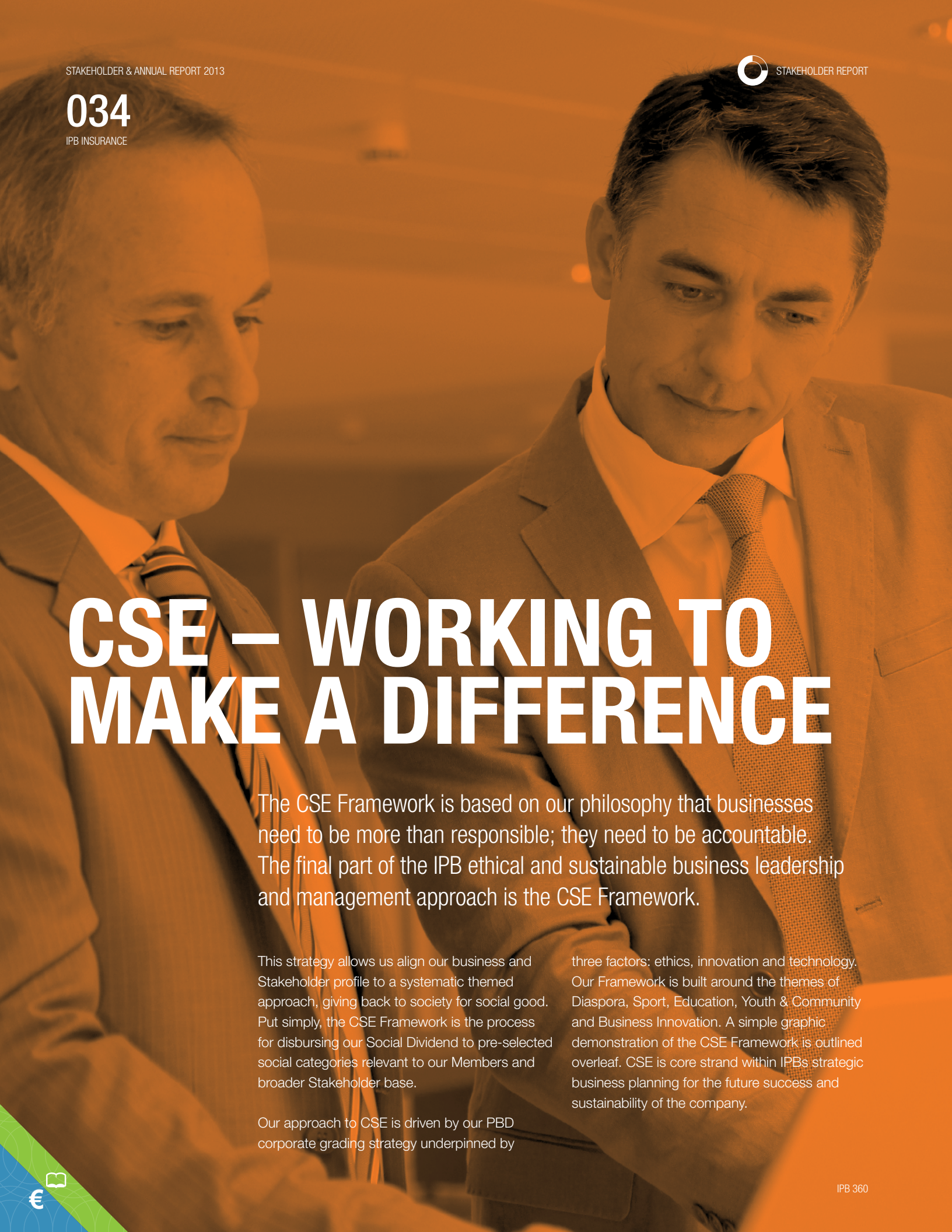
"I am absolutely convinced that there is a better way of doing business, and for me, that means delivering both commercially and socially. I believe that a truly sustainable business must look to recognise and engage with all Stakeholders. That is why I believe we must all take individual and collective responsibility for our actions in how we conduct our business." **Ronan Foley,** Chief Executive

The continuing challenges presented by adverse economic conditions are a significant risk to societal development. At IPB we understand that we have a social responsibility and, more importantly, we know that only through active CSE can we truly make a difference. We are committed to building a long-term culture of CSE with our internal Stakeholders and work to influence our external Stakeholders towards building a more inclusive and mutually beneficial way of doing business.

Our corporate vision is founded on the proud history of our mutual ethos and this means that we see all of us in society as the ultimate Stakeholders. Last year we embarked on a programme of corporate development. At IPB there is a growing realisation and optimism that the efforts we make to succeed commercially can and will make a difference to many people in society who do not enjoy the same privileges that we take for granted.

This vision is about full engagement. We have built our social engagement approach into our business model and that means that all our resources have a part to play, from our people through to our financial resources. As the first Company in Ireland to formally adopt a system of allocating a dividend to society, it is our wish that we will be in a position to continue this commitment for as long as the Company is in a financial position to do so.

The IPB CSE Framework is active and being delivered in the name of our Members, Ireland's Local Authorities, ensuring communities and their young people across the country enjoy the social benefits generated by this Framework.



CSE – WORKING TO MAKE A DIFFERENCE

The CSE Framework is based on our philosophy that businesses need to be more than responsible; they need to be accountable. The final part of the IPB ethical and sustainable business leadership and management approach is the CSE Framework.

This strategy allows us align our business and Stakeholder profile to a systematic themed approach, giving back to society for social good. Put simply, the CSE Framework is the process for disbursing our Social Dividend to pre-selected social categories relevant to our Members and broader Stakeholder base.

Our approach to CSE is driven by our PBD corporate grading strategy underpinned by three factors: ethics, innovation and technology. Our Framework is built around the themes of Diaspora, Sport, Education, Youth & Community and Business Innovation. A simple graphic demonstration of the CSE Framework is outlined overleaf. CSE is core strand within IPBs strategic business planning for the future success and sustainability of the company.

CSE Framework
Working to make a difference

The CSE Framework is based on our philosophy that businesses need to be more than responsible; they need to be accountable. The final part of the IPB ethical and sustainable business leadership and management approach is the CSE Framework. This strategy allows us align our business and Stakeholder profile to a systematic themed approach, giving back to society for social good.

The CSE Framework sets out the process of disbursing the IPB Social Dividend. The entire framework is based on our Members remit reflected in the five funding strands.

The funding programme is allied to pre-selected social categories relevant to our Members and broader Stakeholder base.

Our approach to CSE is driven by our mutual Membership and the five funding themes reflect this incorporating Diaspora, Sport, Education, Youth & Community and Business Innovation. As mentioned in the introduction, IPB has now activated all five themes with the three of the five strands being directly partnered with our Local Authority Members.

DIASPORA

The IPB Gathering Ireland Fund 2013

Every New Year brings with it a certain level of excitement and anticipation for the twelve months ahead. The arrival of the Gathering in 2013 brought with it a bigger lift to communities and it is inconceivable that there is anyone in Ireland who did not hear about the Gathering or one of its event during the course of the past year. It is officially the single biggest tourism event in the history of the State.

The initiative, a partnership between Local Authorities and the Government, was a perfect fit for IPB, as it reached out to every community in Ireland through the local government network. Driven regionally through our Members, the Local Authorities, the breadth and scale of the events targeting the Irish Diaspora was unprecedented. As one of our five themed target sectors for CSE, The Gathering is a reflection of the sheer scale of the Irish Diaspora that is now estimated at over 70 million people worldwide. The Gathering provided an added incentive for people with an ancestral link to Ireland to make 2013 the year they came to visit.

One of the core objectives of The Gathering was to boost tourism numbers by bringing an additional 325,000 tourists into the country. The year-long celebration of festivals and events including Irish music, art, literature, dance, culture, heritage, sport, film and food gives each of us the opportunity to look, with fresh eyes, at what our country has to offer. The Gathering reminds us of all the things that make Ireland great.

Throughout 2013, Gathering events were held across the country, from bigger and better St. Patrick's Day celebrations and summer festivals to school and family reunions and céilís in the local sports hall. The success of The Gathering is a story of community spirit and the drive of people to get involved.

CSE Framework

YOUTH & COMMUNITY

Youth & Community Fund

A key objective of our CSE Framework is to support local communities around Ireland, the Youth and Community Fund was designed to specifically target the smaller local and voluntary groups in villages and towns throughout the country to promote social inclusion through the stimulation and support of local organisations and initiatives.

The Fund was open to all local community and voluntary groups, clubs or associations as well as not-for profit and charitable organisations operating at a local level within the Republic of Ireland. Applications were categorised under six specific activities; Arts and Culture, Community Development, Environment, Elderly, Physical Activity & Sport and Youth. Organisations were invited to apply for funding of between €2,500 and €7,000 or between €10,000 and €15,000, depending on their needs. IPB chose to allocate the fund in this way for two reasons.

Firstly, by keeping the amount of individual funding awards relatively low, we knew we would be able to support a large and diverse range of applications.

Secondly, we know that it has been harder than ever for smaller local community and voluntary groups to raise the funds they need in recent years and we also know that a relatively small lump sum can make all the difference.

Using an on-line application tool IPB made the process readily accessible and could be completed quickly and conveniently anywhere. An incredible 1,987 applications were received for funding from the €1 million IPB Youth and Community Fund, the third large-scale initiative to be launched under IPBs Corporate Social Engagement (CSE) Framework. Applications had been steadily coming in over the past few weeks but there was a major surge in the number of applications in the last couple of days before the Fund closed to new applications at 5pm on Friday 17 January. Applications were received from a huge variety of organisation for all kinds of projects from almost every town and county in the country.

All applications are being reviewed against set criteria before funding awards will be made. Over 30 members of staff across all departments were part of the process and all applicants were notified of the outcome on 28 February.

Positive Media Commentary for the IPB Youth & Community Fund

Sunday Independent 19 January 2014

As one door opened on Friday at noon, another closed five hours later. IPB Insurance put aside €1m and invited community and voluntary groups to make a submission for a share of this money. In stark contrast to what happened at the CRC, this is an extraordinary venture for a company to undertake. IPB says it sees this as a social dividend, reaching right down into the heart of communities where there are plenty of willing volunteers but very little money. The idea is to help groups get projects off the ground - a small bit of money can make a big difference. Grants of up to €10,000 will be made which IPB hopes will get worthy projects started.

IPB, which late last year also pledged €50,000 to help the FAI expand its groundbreaking late night league programme, opted not to shout from the rooftops about this fund – choosing instead to communicate directly with groups via Local Authorities and other outlets – and yet when Friday's 5.0pm deadline expired, an incredible 1,987 submissions had been lodged by community groups.

This shows us two things: firstly, that the spirit of community and volunteerism is still extremely strong in Ireland, even in the face of all that has happened in the last five years; and, secondly, that there is a huge need within communities in making every effort to keep community resources available at a time when they are limited.

Many members of the IPB team commented on the satisfaction that they have learned from the whole project evaluation process. Catherine Hayes, Marketing Manager at IPB said, "The level of passion, enthusiasm and community spirit evident in the applications was truly inspiring. With so much doom and gloom in the media you can forget how much great work is being done at a local level round Ireland. On a personal note, being involved in the evaluations gave me a huge sense of pride to be working for a company that is giving back to society and making a difference in a tangible way."

SPORT

Sport has long played a pivotal role in community development, affording an opportunity to bring people together and is a major contributor to personal development especially in young people. As obesity continues to present a real health issue for our population the investment in sport makes both social and economic sense.

Sportnation

SportNation is a unique tripartite partnership between our local authority Members, the Department of Transport, Tourism and Sport and IPB created to provide sporting facilities to communities across Ireland.

The initiative is a real endorsement of the importance of sport in Irish communities and the opportunity for development of the public private partnership model for social engagement.

The initiative will;

- Deliver long term benefits to communities throughout Ireland
- Increase access and exposure to people of a wider array of sports
- Yield benefits through fostering future generations of sporting heroes
- Act as an example to other corporates in Ireland demonstrating how they can support local communities in a meaningful way working with their Local Authorities, our Members

The SportNation Fund of €3 million, comprising of a €1million commitment each is a ringing endorsement of the local authority model for the provision of sporting infrastructure. In the year ahead we will see the development of new sporting facilities and upgrading of additional facilities right across the country resulting in an increase of participation in sport and recreational activities at all levels.

Pictured at the launch of the Youth & Community announcement of Awardees are dancers from the Cois Ceim voluntary group.

IPB have announced support for the Late Night Leagues in conjunction with the FAI and An Garda Síochána.

IMPACT

Late Night Leagues

IPB Insurance commits to support national roll-out of FAI Late Night Leagues. The Late Night Leagues (LNL) programme is a unique and innovative approach to tackling the problem of anti-social behaviour being run by the FAI in partnership with Dublin's four Local Authorities since 2008. The programme has been incredibly successful in Dublin with 1,100 young footballers taking part in 2013.

Garda research has suggested that sub-divisions that deploy the LNL programme see a 26% reduction in anti-social related calls into local stations versus sub-divisions where LNL aren't deployed.

The LNL was targeted because we understand the huge importance sport plays at a community level. The LNL programme is a perfect example of what can be achieved through sport. As the scheme is already working with our Members on the ground in Dublin, it was felt that we could get behind the initiative and roll it out nationally to the benefit of Members communities nationwide. To roll out the programme nationally, a commitment of €50,000 was required and agreed with the FAI in association with their partners, An Garda Síochána.

The aim of the LNL programme is to encourage at-risk young people from disadvantaged areas to participate in meaningful activities at times deemed to be prime anti-social hours, thus reducing levels of anti-social behaviour. The programme was initially aimed at young people in the 16-19 year old age bracket and was so successful that it has since grown to encompass 12-15 year olds as well. The programme and its positive effect was noticed by community Gardaí and in 2010 the Garda Assistant Commissioner for the Dublin Region formally announced that An Garda Síochána would be becoming an official partner of the LNL programme. As well as giving the kids involved a focus for their weekends, the involvement of the Gardaí in the programme has meant they also gain a better understanding of, and respect for, the role of the Gardaí in their local communities.

The LNL operates during winter months when kids have few other social options. In 2013 the programme catered for 1,100 young footballers from 19 centres around Dublin, all in areas deemed to be disadvantaged. The competition drew to an exciting close at the finals which were played in Irishtown Stadium on Friday 6 December. 450 young people took part in games across 10 pitches and the stands were packed as local communities turned out in force to cheer on their teams. The atmosphere created on that night alone was proof of the huge impact the LNL programme is having.

The roll-out beginning in March 2014 with Late Night Leagues being established in a minimum of 32 centres across the country.

Media

Sunday Independent November 13th 2013

"Part of the ethos of the LNL is to reward good citizenship. There are extra points on offer for teams who don't curse, shake hands and encourage their team-mates. Of course running the LNL costs money. The lottery funding and sponsorship from the ESB are vital, but with big plans to expand the project, the news that IPB Insurance are coming on board as a sponsor was a big boost.

"We are delighted to support the national roll out of the Late Night Leagues and I look forward to working with the FAI, the Local Authorities and An Garda in building on its success," said IPB CEO Ronan Foley who was in attendance on the night. A Steering Group, consisting of the FAI, Local Authorities, the Department of Youth and Children's Affairs and the Gardai, meet four times a year to plan and review.

Breathe is an initiative between ETBI and the Gaeity School of Acting that aims to de-stigmatise suicide and to confront the issue through the medium of art and role play. Pictured at the ETBI national conference were Ger Canning, Cork ETB and Breathe with Minister for Education Ruairi Quinn T.D.

Identifying raw talent like Ashley Tubridy was no ordinary task for IPB but for Ashley to capture her songwriting on an EP was something that IPB was able to support. This young talented singer/ songwriter has the ability to capture an audience and blow them away with her songwriting and performance.

IPB continued to assist in the development of the IPB Pride of Place awards in association with Cooperation Ireland. The all island initiative has grown from strength to strength promoting community initiative across the island of Ireland.

Pictured at the announcement of the first IPB LIT Access Scholarship Award were successful candidates from Limerick City. The fund amounts to an initial bursary of €55,000

Ronan Foley pictured with LIT President Maria Hinfelaar presenting the IPB LIT Access Scholarship Award to Karen Fitzpatrick

EDUCATION

40 percent of all students dropping out cited financial reasons.

Increasing access to Education

IPB Insurance is absolutely committed to supporting greater access to third level education for young adults from disadvantaged areas or backgrounds that may not present the opportunity to access third level education.

IPB is a firm believer that education is the great social equalizer, unlocking seemingly impossible poverty traps. IPBs Mutual ethos fundamentally recognises everybody's right to have a chance, an opportunity to realise their potential. IPB has now extended its support to increase greater access to third level. Through the CSE Framework under the education theme, IPB has formed its second third level Access Programme partnership with Limerick IT (LIT), as a commitment to promoting, equitable access to and successful participation in higher education for all members of society.

The IT is the fourth largest Institute of technology in Ireland and provides courses for over 6000 students across 4 campus locations and three centres based throughout the province of Munster. Committed to promoting equitable access and successful participation in higher education for all members of society, IPB are proud to assist LIT follow in DCUs pioneering footsteps by being the first third level institute outside Dublin to introduce the Access programme concept. What is particularly poignant is that IT is located within a DEIS area meaning that the very people growing up in the neighbourhood of the IT did not see it as a viable option.

LITs proven social engagement record boasting a high level of social inclusivity amongst students and their sense of responsibility to their own community is a key reason for the collaboration. In 2013, LIT approached IPB with an idea to set up their own Access programme, initially targeting existing students within the college. A key aim is to increase the successful participation rates among students who have the ability to succeed academically but lack the economic or necessary social supports and encouragement.

LIT proposed this programme in response to the rise in the number of applicants for their student assistance fund as applications rose by 148% in the 2011-12 academic year. Also in the same year the college conducted research that found 40 percent of all students dropping out cited financial reasons.

The programme consists of a comprehensive induction and orientation programme, financial and academic supports and facilitated workshops for first year students. The programme also aims to:

- Generate a first point of contact for issues related to non-attendance and risk withdrawing
- Refer students at risk of withdrawing to the appropriate advisory professional
- Ensure students wishing to withdraw complete exit interviews to address their decision
- Prevent students at risk of dropping out through the GIVE volunteer programme
- Monitor/Provide individual and group support to students experiencing financial hardship
- Assistance to gain extra tuition if and when experiencing academic difficulties.

INSIGHT

Fighting Words

Fighting Words is a creative writing centre co-founded by Roddy Doyle and Séan Love located beside Croke Park. Since opening in 2009 Fighting Words has hosted over 40,000 students.

They believe that writing changes lives, that giving children a real dedicated chance and space to explore the limitlessness of their imaginations does great things. It allows them to dream; to imagine the words that they want and to speak up abut it and make it happen.

They have been providing free tutoring and mentoring in creative writing to everyone on an equal basis with the morning sessions held for primary school students with second level students attending afternoon sessions. Coinciding with this fighting words also host dedicated sessions for children and adults with special needs, ranging from mental health issues to intellectual/physical disability and social marginalisation. Endeavouring to reach as many people as possible, Fighting Words also send teams of tutors out to people who cannot attend the centre, for example children's hospitals and homes for the elderly. Along with this, Fighting Words also leases the Irish Film Institutes Cinemobile, a mobile 100 seater cinema which allows the team to run classes outside of Dublin.

Throughout 2013 Fighting Words located the Cinemobile in locations north and south of the border including Armagh, Cork, Donegal, Dundalk, Galway and Omagh. This allowed the teams of tutors to reach an additional 1,800 children and young adults. At the workshops each primary school student that attends leaves with their own personalised book containing their story. Fighting Words prints and hands out 6,000 of these books a year. Along with this Fighting Words also publish compilations of the short stories written by participants.

The sixth anthology of these stories was published in 2013. "Blank Pages" was written by 24 Transition Year students from Killester who were guided by Roddy Doyle, John Banville (internationally acclaimed author and screenwriter) and 8 other volunteers over the course of the year. Coinciding with the projects above, Fighting Words also have entered a number of creative collaborations with companies such as Athena Media and Brown Bag Films. These collaborations have earned Fighting Words accolades from Social Entrepreneurs Ireland, The Irish Playwrights and Screen Writers Guild, Children's Books Ireland and The Ireland Funds. In September 2013 Fighting Words successfully applied for funding from IPBs CSE Framework. The funding which has been granted will allow Fighting Words to lease the Cinemobile again in 2014, train an extra 100 volunteers and as a by-product of these advances, bring their workshops to a further 2,000 children.

Pictured at the ETBI National Congress announcing details of the Breathe initiative were from left to right; Ted Ownes CEO Cork ETB, Ger Canning, Cork ETB, Minister for Education Ruairi Quinn TD, Michael Moriarty General Secretary ETBI, Ronan Foley CEO IPB, Noel O'Connor, President ETBI

BREATHE

Breathe is an initiative between the ETBI and the Gaiety School of Acting that aims to de-stigmatise suicide and to confront the issue through the medium of art and role play. In fact, Breathe is an extremely professional response to the ever-increasing suicide trend among young people, specifically 15-19 years of age. The aim of the programme is to promote positive mental health through raising the issues confronting youth in community today.

This programme sees young people, parents and teachers take part in participative drama-based workshops focusing on 5 key words: communication, re-engagement, community, transformation and well-being. In these workshops, skills are taught informally using the creative arts in a non-threatening environment. Following a detailed submission, IPB agreed to fund phase 1 of the Breathe programme with an investment of €25,000. Due to the phenomenal success and demand from ETB Members, their schools and communities, IPB have committed an additional €147,000 to enable children and young adults in schools nationwide to benefit from the Breathe programme.

Ensuring that we make a real difference and bring successful localised initiatives to the wider national Membership is a key component of our CSE philosophy and this is an initiative that has the scope to really make an impact in tackling youth suicide.

CSE Activation across all five strands

AT A GLANCE
SOME ADDITIONAL CSE INITIATIVES SUPPORTED BY IPB DURING THE YEAR

Diaspora

- Partnership with **Ireland Inc** supporting Ireland Day.

Youth & Community

- **Cuan Mhuire** treats individuals suffering from additional and are the largest voluntary addiction treatment service provider in Ireland. It caters for over 60% addiction services in Ireland and is mainly run by two elderly nuns and volunteers.

- **Carrick N.S.** is building an Astro Turf Pitch alongside the existing school. The current playground is no longer sufficient in size for the growing number of students. 50% of the Carrick N.S. students are refugees from war torn countries, school and sport is now an important part of their life and adjustment. The school would like to progress in field sports and recognise that most schools have a green area for children to play in. The pitch will be used by other groups in the area and is fully supported by the local GAA and Soccer club. Other groups will benefit from the project include Active Retired, Foróige, Youth club and Brother of charity.

- Part of The Gathering 2013, **The Spirit of Place** project, a partnership between Mayo Co Co and Professor Travis Professor Travis Price, of the Catholic University of America, symbolises the cross-millennial spiritual and cultural history of the Inishturk island, which is conceptualised as 'a centre of gravity' and 'a locus' for the gathering spirit of the Irish Diaspora. A new sculpture, 'The Tale of the Tong's commemorating the past and present culture and community of the island was erected during the year. The sculpture encapsulates the sense of welcome from the home-fires set in this unspoiled landscape.

Sport

- Supporting **Local Authority sporting initiatives** during the year; IPB supported a range of initiatives in Members communities including funding for additional resources across sporting disciplines including boxing and field sports.

Education

- IPB continues to support the **DCU Access Programme** and the **DCU Sports Scholarship programme** including an endowment scholarship, providing funding into perpetuity.

Business Innovation

- **Bizworld** is about cultivating entrepreneurial skills in students at primary school level and training primary school teachers to be creative and innovative. It's mission is to challenge and engage children (10-14 years of age) through learning programmes that teach the basics of business, entrepreneurship and money management.

  This year in addition to their standard training programs they would like to add "Social Entrepreneur of the Year – Primary Schools" Competition.

- **Kildare Tourism Economic Pilot Project**. IPB supported the roll out of a pilot programme that aims to increase overnight visitors to Kildare in partnership with local businesses.

- **Questum Centre**. IPB supported Tipperary County Council and LIT partnership in development of Enterprise Centre to promote entrepreneurship regionally.

CONCLUSION

2013 was a hugely significant year for IPB both in terms of further developing our Stakeholder reach, delivering on our business objectives resulting in a very solid financial performance for the year and the successful activation of all five CSE strands.

Engaging with our Stakeholders

IPB has rolled out a broad range of new stakeholder initiatives and supports during the year. We have deepened our relationships with both our Members and our Employees. We have considerably increased its engagement among Our Members, Our People and Our Society.

One of the most recent Member initiatives will, we hope, assist our Local Authority Members' and their employees improve safety in the workplace. Working with our Members through the Health & Safety Technical Working Group, chaired by Joe Crockett, Manager Kilkenny County Council. IPB, in conjunction with the Health and Safety Technical Working Group, developed and launched a health and safety mobile app called **SAFE**@WORK that it is hoped will assist in improving the welfare of our Members employees and the public in the safe delivery of their local service duties.

The bringing together of all IPBs staff and the imminent move to new premises on one floor at the heart of Dublin city's vibrant docklands is a significant move and aims to assist in creating a strong team culture, underpinned by enthusiasm to serve our Members and wider Stakeholder base.

Finally, the CSE Framework is now fully activated and this has been achieved in a relatively short period. Our CSE activity, particularly in partnership with our Members, and additionally through Government PPP's, has proven highly successful. This is a model that IPB is delighted to have developed and look forward to new and exciting CSE initiatives in the coming year and beyond.

REPORT OF THE BOARD AND EXECUTIVE

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CHAIRMAN'S STATEMENT

George Jones Chairman

2013 was a year of further transformation at IPB as we continued to embrace the changes brought about due to consolidation of the local government sector. The changes currently being implemented at local authority level are presenting Members and their Mutual with an array of challenges particularly in terms of consolidation of the sector.

€2m
IPB Gathering Ireland Fund

€50m+
Plus of Income Generated by IPB Gathering Fund for the Irish Economy

1,300+
Recipient Communities

81
Flagship Events

84,960
Overseas Visitors

The past 12 months has seen the gradual end of a long and sustained period of economic contraction. Indeed, 2013 will be remembered as the year that Ireland regained full fiscal sovereignty following the bailout by the Troika in November 2010. It is also the year that property prices, particularly in the greater Dublin area, began to recover, albeit from a very low base. At a national economic level, the orderly exit of the bailout programme without the need for a financial safety net suggests strong international confidence for a full economic recovery over time. This has been reflected by improved market sentiment to Ireland, helping both the Sovereign and our indigenous banking sector regain access to market funding at increasingly competitive rates.

Due to the open nature of the Irish economy, any recovery is largely dependent on wider international market conditions and any growth must be greeted with a certain amount of caution. The economic prospects for our nearest and most important trading partner, the United Kingdom, suggests that there is certainly room for optimism. At home, GDP for 2013 showed a decrease of 0.3%, although Central Bank forecasting suggests GDP growth will accelerate to a projected 2.1% for 2014 and a solid 3.2% in 2015.[1]

In light of recent economic indicators, particularly in the second half of 2013, and continuing favourable Irish Sovereign bond margins, I am confident that the Irish economy is set for a period of regeneration.

MEMBERS

Local Government

As mentioned earlier, our Local Authority Members continue to work through the reforms brought about by the restructuring of local government over the past year. The primary reforms within the 'Putting People First' programme[2] are now nearing completion and this will see significant reduction in our overall Membership base and in the number of nominees attending our Annual General Meeting.

The establishment of Irish Water during the year was undoubtedly one of the most significant developments in local government in recent years. I am delighted that as the Mutual insurer to Local Authorities we successfully acquired the insurance business of Irish Water, effectively maintaining our position as the insurer to one of Ireland's most strategically important national infrastructural assets.

Education

For our educational authority Members, 2013 has seen one of the most significant reforms of the vocational education sector since its foundation. The establishment of the Education and Training Boards through the amalgamation of VECs and the transfer of the FÁS training remit to SOLAS is a major restructure and realignment of the sector. The reduction in the number of educational sector Members from 33 to 16 further reduces the nominee headcount at our Annual General Meeting.

Government

We continue to work with Government through public-private partnership (PPP) initiatives across a variety of Government departments. Through our Corporate Social Engagement Framework, and in collaboration with our Members, we have delivered national youth and community group funding programmes. I am delighted with the level of engagement from our Members and our Member nominees who have actively promoted our €1 million Youth & Community Fund across the country. Their support has ensured that we attracted applications from almost 2,000 youth and community voluntary groups.

The PPP approach taken with The Gathering Ireland and our local authority Members in the €2 million IPB Gathering Ireland Fund has delivered an estimated €15 million[3] plus to the Irish economy as more than 1,300 recipient communities delivered their own Gathering events. The initiative, promoted on behalf of

€10m
Dividend for Members

and delivered by our Local Authority Members, successfully managed over 81 flagship events in 2013.

Corporate Governance and Compliance

In recent years, we have seen an unprecedented level of change in the regulatory environment, which relates to our business. During the year, we engaged in the implementation of a number of initiatives in adherence to the Corporate Governance, Minimum Competency and Consumer Protection Codes. Overall, the current Board continues to ensure that IPB operates at the highest level to meet the strict regulatory requirements of the Central Bank of Ireland ("CBI").

Insurance Sector

The Irish general insurance market continues to experience downward movement in premium income, with the sector posting an almost 4% reduction year-on-year to less than €2.7 billion.[4]

The shrinkage is somewhat mitigated by the fact that weather-related losses have not returned to the scale previously witnessed in 2009 and 2010, although weather events at the end of the year and into early 2014 may impact the claims environment for the year ahead.

Looking Ahead

There is unprecedented change taking place within the Local Authority sector that will require our focus in delivering necessary efficiencies as our Members consolidate. We continue to oversee considerable organisational and operational changes at IPB to position the company to meet the growing needs of all our Stakeholders. Our future growth and development must be built on our proven track record in protecting our Members. We will do this by ensuring that we maintain and strengthen further our position as the insurer to Local Authorities and public bodies while developing the Mutual into complementary market segments defined by their organisations roles in serving the public and delivering localised services.

We know we must do more for our Members, it is in fact the very essence of Mutuality and for in this context, I am pleased to announce, on behalf of the Board, that the Company is in a position to approve a dividend to Members at the maximum amount allowable of €10 million.

Conclusion

There are clearly huge challenges ahead for us and for our Members as we seek to deliver further efficiencies and continue to add value to our products and services. The brightening horizon and projected expansion of the economy is encouraging and any sustained domestic growth will require a strong financial services sector with an identifiable Irish presence. I believe that IPB Insurance, as the only wholly Irish-owned general insurance company, can provide a unique offering in the market and unequalled leadership in the sector and demonstrate the importance of our Mutuality which empowers us to do more for our Members, clients and all our Stakeholders.

Notwithstanding the continuing process of reform that the sector is currently undergoing I am convinced that there is a period of stability ahead within the foreseeable future and we will be working harder than ever to ensure all our Members are fully supported in getting through the transformation.

George Jones
Chairman

1 Source: Central Bank of Ireland Quarterly Bulletin, 29 January 2014
2 Putting People First – Action Programme for Effective Local Government, October 2012.
3 Source: Formal Local Authority post-event Gathering reports, 63 of 81 flagship events.
4 Source: Insurance Ireland Annual Report 2012

DIRECTORS' REPORT

The Directors have pleasure in submitting the **IPB 2013 Annual Stakeholder Report** and the **audited financial statements** for the year ended 31 December 2013.

Directors' Responsibilities Statement

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the Parent Company and the Group financial statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and comply with Irish statutes comprising the Companies Acts, 1963 to 2013. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Post-Balance Sheet Events

There were no events since the year end that warrant disclosure in the financial statements or notes thereto.

Results for the Year, Dividends and Financial Statements

The Company became part of a Group for the first time in June 2013. This is therefore the first year the Company is required to produce consolidated results. The Consolidated Statement of Comprehensive Income for the year ended 31 December 2013 and the Consolidated Statement of Financial Position as at 31 December 2013 are set out in the Management Analysis and Financial Statements section of this Report. The profit on ordinary activities before taxation amounted to €93m (2012: profit of €110m). After a taxation charge of €14m (2012: €14m) and a dividend of €10m, the increase in retained earnings is €69m (2012: €86m). The Company-only profit before taxation for the year ended 31 December 2013 was €92m.

The Board is delighted to be able to confirm that a €10m Dividend was paid to Members during 2013 in addition to the commitment to Members of a Social Dividend in the sum of €3m.

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€93m
Profit on Ordinary Activities Before Taxation

€68m
Increase in Retained Earnings

€3m
Social Dividend Fund

2013 in addition to the commitment to Members of a Social Dividend in the sum of €3m.

On 18 June 2013 IPB Insurance, through its 100% subsidiary Paean Limited, acquired 100% of the shares in Lelantos (formerly Brennan Insurances). Paean Limited paid consideration of €24.5m (plus stamp duty of €0.245m) for 100% of the shares in Lelantos (formerly Brennan Insurances). The brokerage business was sold to Herrongrove Limited on 31 October 2013 for €0.925m, while the activities of the outsourcing business and the related assets were transferred into IPB Insurance. Further details in relation to these transactions are included in note 29.

The Directors consider it appropriate that these financial statements are prepared on a going concern basis. No Directors were involved in any transactions with the business during the year other than those outlined in the Directors' Remuneration Report in the Report of the Board and Executive section of this Report. There were no important events since the year end that warrant disclosure in the financial statements or notes thereto.

Principal Activities, Business Review and Future Developments

The principal activity of the Group continues to be the provision of a comprehensive insurance and risk management service to its Members and customers. The Chairman's Statement and Chief Executive Review in the Report of the Board and Executive section of this Report provides an overview of the performance for the year and future strategy for the business.

Principal Risk and Uncertainties

Information on the principal risks and uncertainties in the business is required by the European Accounts Modernisation Directive (2003/51/EC). The principal risks and uncertainties that the Group faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The Group seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the Group's performance in the short term. Whilst considerable judgement is involved, the Directors adopt a prudent approach to the provision and valuation of insurance reserves, with annual support and certification being provided by an external actuary.

Another risk facing the Group is the prevailing economic environment and its impact on the value of assets held to support the technical reserves. The Group manages its capital requirements by assessing its required solvency margins on a regular basis. The Board reviews the capital structure of the Group on an on-going basis to determine the appropriate level of capital required to pursue the business strategy.

The Management Analysis section of this Report provides some sensitivity information on the possible impacts of these scenarios.

Risk Management

The Directors regularly consider the principal risk factors that could materially and adversely affect the future operating profits or financial position of the Group. The Group's risk management and compliance, and regulatory management frameworks, are outlined in the Report of the Board and Executive section of this Report. Details of the key risks are outlined in Risk Management note 27 in the financial statements. With regard to the financial risk management objectives and policies of the Group, please refer to the financial statements.

Directors and their interests

The present Directors of the Group, together with their respective biographies, are identified in the Report of the Board and Executive section of this Report. The Directors of IPB do not have any

The Group manages its capital requirements by assessing its required solvency margins on a regular basis. The Board reviews the capital structure of the Group on an on-going basis to determine the appropriate level of capital required to pursue the business strategy.

interests in the Group, either during or at the end of the year, as defined through the holding of shares or any share capital, other than being remunerated for the undertaking of their roles appropriately as Directors of IPB and/or as Chairmen of Sub Committees of the Board.

Accountability and Audit

The Directors are responsible for the preparation of the financial statements and a statement detailing the full extent of these responsibilities is set out in this Report.

Going Concern

The financial statements have been prepared on a going concern basis and, as required by the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2013, the Directors have satisfied themselves that the Group is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the Group's budget for 2014 and forecasts for 2015 which take account of reasonably foreseeable changes in trading performance, the key risks facing the business and the medium-term plans approved by the Board in its review of IPB's corporate strategy.

Books and Accounting Records

The Directors are responsible for ensuring that proper books and accounting records, in compliance with Section 202 of the Companies Act, 1990, are kept by the Group. To achieve this, the Directors have appointed experienced accounts personnel who report to the Board and ensure that the requirements of Section 202 of the Companies Act, 1990 are complied with. These books and accounting records are maintained at the Group's premises at 12–14 Lower Mount Street, Dublin 2.

Appointment of New Auditor

The Audit Committee recommended that the provision of external audit services be put to tender in 2012. Following a transparent and competitive tender, including presentations from all candidate firms and discussions with Management, the Audit Committee recommended to the Board of Directors that Deloitte & Touche be appointed to replace Ernst & Young as IPB's external auditor commencing with the 2013 financial year. This appointment was approved by the Members at the Company's AGM on 17 May 2013.

Approval of Financial Statements

The financial statements were approved by the Board on 27 March 2014.

On behalf of the Board

Directors

CHIEF EXECUTIVE'S REVIEW

Ronan Foley Chief Executive

Over the past twelve months IPB has undergone unprecedented change and transformation, specifically in terms of the company's operational and management structure. These changes are part of the planned development of the Mutual to meet the challenges of the future and I believe puts us in the strongest possible position to meet the new challenges facing our Members, their sector and the wider insurance market.

I am pleased with the overall performance of the company in what has been a year of significant change for IPB. We have managed to record a very solid financial performance in what remains a very challenging economic and political environment. During the year, significant progress was achieved by the successful acquisition of the company's outsource partners, bringing all IPBs people under one management.

Additionally, a host of Member-led developments have been introduced over the intervening twelve months, particularly in terms of Stakeholder engagement, product and service delivery, and governance.

Financial Performance

As international markets stabilised in 2013, IPB delivered another exceptional financial performance for the year, recording a Group surplus before tax (SBT) of €93m (after acquisition costs). This very solid financial performance is due to a combination of another excellent investment result together with a solid underwriting result for the year.

Underwriting

The Company recorded a strong underwriting performance for the year. Gross Written Premium for the year remained flat at €89 million as Members' premium rates continued to fall, the fifth year in the past seven for rate reductions. The falling premium income from Members is now primarily being met by non-Member new business as we aim to replace lost revenue from related market segments. The overall underwriting result is strengthened by the release of prior year claims reserves of €15 million for the period.

Investments

The 6% investment return for the year represents a very strong performance, primarily driven by equity gains. IPB continues to follow a low-risk investment strategy underpinned by a high-quality portfolio, the focus of which is on secure bonds and cash, with limited holdings in equities and property. IPB continued to take action to mitigate falling yields, whilst maintaining the overall high credit quality and diversification of the portfolio.

Claims

Claim numbers have risen by 10% between 2012 and 2013. The majority of this increase is due to an increase in the volume of smaller claims as a result of some Members reducing or eliminating the excess levels on their policies. IPBs full year total claims paid amounted to €74m to and on behalf of our Members and clients in 2012.

Claim costs overall are up in 2013 due to an increase in the costs of personal injury claims. Again, the industry has benefitted from an overall favourable weather outcome for the year and no spike in property claims. The continuing benign claims result is further supported by a reduction in the incidence of large claims, limited economic activity and benefits of road safety measures reducing risk in the market.

Operations

Acquisition of Brennan Insurances

I am pleased to report that following a full operational review of the Mutual, the Board determined the optimal operating model for the future and approved the option to acquire our outsource providers, Brennan Insurances. Following a review of the previously outsourced functions, these now for the first time form part of the internal operations of the Mutual. In what might be rightly regarded as the most transformative period in IPBs history, the company has successfully negotiated the acquisition of Brennan Insurances.

Strategic Development

Significant progress has been made in achieving key strategic goals. The acquisition was a significant and important development and delivered ahead of schedule.

Our continued concentration in focus on Stakeholder engagement is built around our Membership and our people. IPB introduced a new corporate identity and clear vision for the future based on putting Members at the centre of the business and society at the heart of its goals. IPB now needs to invest for the future by expanding its services to members and developing the optimum operating model.

Standard & Poor's Rating

Standard & Poor's assigned IPB a Financial Strength Rating of BBB+/Stable/- in February 2013. The stable outlook reflects on the upgrade to the Republic of Ireland rating (BBB+/Stable/A-2) following Ireland's Promissory Notes Exchange deal. The Republic of Ireland rating effectively caps the IPB Financial Strength Rating.

Solvency II

Standard & Poor's have noted the capital and financial strength aspect of IPB's rating as 'AAA'. With excellent financial strength, IPB is well capitalised and prepared for the enhanced requirements of Solvency II. In this regard, IPB is well positioned to comfortably meet the requirements of the new solvency levels.

MEMBERS

Consolidation

There has been significant progress in the reform of the Local Government sector over the past year. The local property tax (LPT) is now firmly in place, following on from the household charge and the activation of Irish Water. The transfer of assets from Local Authorities to the new semi state body are both examples of the pace and scale of reforms. Another consideration for IPB is the abolition of Town Councils, which will take place in May, and the resulting reduction in membership numbers that will see smaller attendances at Annual General Meetings in the future. During the year we also saw the establishment of the Education and Training Boards (formerly VECs), which will further reduce our nominee numbers as the newly established ETBs number only 16, down from the previous 33 VECs.

Additional challenges lie ahead for IPB and its Membership as further reforms loom. As national Government continues its quest for reduced expenses and greater value for money there is increasing emphasis on collaboration towards group procurement. As a Mutual insurer to Local Authorities and education boards, IPB is well placed to face this challenge. In fact, as a mutual we were established as a collaboration of public bodies to reduce the cost of insurance by working together. A clear objective for IPB is the reiteration of this fact and the reality that IPB has been a great success for Members almost nine decades on from our establishment, when other financial institutions have fallen by the wayside over the years.

This will require an increased concentration of resources towards our Members coupled with enhancements to products and services and a focus on value for money. To do this, we know that we must further increase efficiencies, broaden our covers and add value to both fundamental and value-added services.

We are now progressing our strategy for the next phase of development that will provide a clear roadmap for sustainable growth and development of the Mutual into the future.

Listening to Members

In last year's report I advised that we would listen more to our Members. In this regard, we established an annual Members Satisfaction Index (MSI) to guide us on where improvements

could be made and identify possible new issues and requirements of the Membership. I am delighted to report that the findings of the MSI survey conducted by Red C recorded exceptional satisfaction levels of 98.4% while also providing indicators for possible improvement in certain areas of the business. We are also committed to continuing to increase our engagement with Member nominees and executives and are doing this through formal presentations and Member relationship services meetings.

Members Dividend

A key feature of our mutuality lies in the fact that we can make decisions in the interests of our Members especially in times of difficult economic and financial circumstances. For this reason IPB was able to change its Articles of Association at an EGM to allow for the payment of dividends to Members. IPB has a firm commitment to Members to continuously seek to do more and at all times act in their best interests and to build on our mutual ethos by making a difference to our Members and their communities, setting us apart within the insurance sector in Ireland.

Social Dividend

Last year, we issued a social dividend of €3 million, the third consecutive contribution to Irish society. The issuing of a Social Dividend by IPB was the first for an Irish company and further underlines the ethos and values of Mutuality by recognising the importance of giving back to society in the name of our Members. The current allocation of funds for social and community initiatives from the CSE Framework is in excess of €5m and growing delivered through direct supports, strategic partnerships with Government and our network of Members.

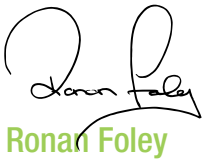
Conclusion

Overall, I'm satisfied that in a year of significant transformation, restructuring and a continuing challenging market that IPB has delivered one of its strongest financial performances in its history. We now have all our business functions operating under one management, we have invested in a new world class working environment and are developing the necessary resources and tools to deliver tailored products and service excellence.

I believe that we have now positioned IPB for sustainable growth. IPB has an enviable offering. We are the only Irish mutual insurer and we are the only wholly Irish owned insurance company remaining in the market. As we change to meet the new challenges that lie ahead we will maintain continue to evolve to introduce innovative Stakeholder activities with our Members through to social engagement with the wider Irish public.

The indications of a gradual return to economic growth are tempered with the reality that our Members continue to address the challenges of limited resources; however, I am confident that our unique position in the Irish marketplace as the only wholly Irish-owned insurance Company and leading public sector insurer will assist us in achieving sustainable profitable growth into the future.

Looking ahead, I believe IPB's future is very bright and under our new structure we are presented with a challenging but exciting opportunity to build our Mutual to even greater heights with the values of mutuality, sustainability, ethics and social engagement playing a pivotal role in our future success.



Ronan Foley
Chief Executive

THE BOARD OF DIRECTORS

GEORGE JONES
Chairman and Group Non-Executive Director

GEORGE HAS SPENT approximately 39 years working in the insurance industry, during which he held management positions in the areas of Corporate, Personal, Commercial and Human Resources. George is an independent Chairman of the RSA Pension Scheme Ireland.

Spending over 35 years as an elected Member of Wicklow County Council and Greystones Town Council, he has been elected to the position of Chairman of Wicklow County Council on four occasions and to the position of Mayor of Greystones on six occasions. He is currently Chairman of the Wicklow County Development Board and he chairs the Greystones Home Help Company, Wicklow – Wurzburg Partnership Committee and the La Touche Legacy Committee.

George is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland and he became an elected Group Non-Executive Director of the Board of IPB in 2006. George was appointed to the role of Chairman in 2010 and he is a Member of IPB's Remuneration and Nomination Committee. George was appointed to the role of Chairman of Lelantos (formerly Brennan Insurances) following its acquisition by IPB in 2013 as detailed on page 169 of this Report and he reports regularly to the Board of IPB in this capacity as a Director of Lelantos (formerly Brennan Insurances).

RONAN FOLEY
Chief Executive and Executive Director

RONAN JOINED IPB from Ecclesiastical Insurance Group, where he held the role of Managing Director in Ireland for over four years, during which time he led the Company to significant profitable growth. Prior to this, he held a number of senior management positions within Chubb Insurances Company of Europe S.A., including his roles as Vice President and Regional Manager for England South East.

Ronan is a Director of The Ireland Funds, a member of the Institute of Directors in Ireland and a Graduate Member of the Marketing Institute of Ireland ("MMII"). In 2013 he undertook the Insurance Institute of Ireland's Certified Insurance Director Programme.

His appointment in 2011 to the role of Executive Director of the Board of IPB signified the establishment of the first Executive Directorship of IPB in its history. Ronan is a Member of both IPB's Risk Committee and its recently re-established Investment Committee.

Ronan was appointed in 2013 to the role of Chairman of Paean Limited, an entity established to effect IPB's acquisition of Lelantos (formerly Brennan Insurances) in the context of which he was also appointed as a Director of the Board of Lelantos and Chief Executive of the business.

MICHAEL MCGREAL
Deputy Chairman and Group Non-Executive Director

MICHAEL HAS BEEN a Member of Roscommon County Council since 1985 and he is a Member and former Chairman of the West Regional Authority.

Michael is a graduate of UCD's Michael Smurfit Business School where he completed the Diploma in Corporate Governance programme in 2009. He is a member of the Corporate Governance Association of Ireland and the Institute of Directors in Ireland and he is currently pursuing the Institutes' Chartered Director Programme, having completed the Certificate in Company Direction.

Michael has been a Group Non-Executive Director of the Board of IPB since 2005 and he is Chairman of IPB's Remuneration and Nomination Committee and a Member of IPB's Audit Committee.

GARRY CULLEN
Independent Non-Executive Director

GARRY HAS OVER 40 years' experience in the insurance industry, both locally and internationally.

His career ranges from risk surveyor and underwriter with RSA Group through to broking with Willis.

In later years, his career has taken him through the Irish Financial Services Centre ("IFSC") where, in conjunction with the Irish Development Authority ("IDA") and the Department of Finance, he brought the first captive insurance operation to Dublin. As the former Chief Executive of Aon's international operations in Ireland, he has contributed to numerous conferences and seminars.

A founding member of the Dublin Insurance and Management Association ("DIMA"), he is also a Chartered Insurer, an Associate of the Chartered Insurance Institute and a member of the Institute of Directors in Ireland. He currently holds a number of Non-Executive Directorships of insurance and reinsurance companies for both Irish and international operations.

Garry has been an Independent Non-Executive Director of the Board of IPB since 2011, and he is Chairman of IPB's Risk Committee and a Member of its re-established Investment Committee.

ENDA DEVINE
Executive Director

ENDA HAS HELD a number of Senior Executive and Board level positions for over ten years in a number of leading global financial services organisations, including Scotiabank (Ireland) Limited, Postbank and EBS Building Society. Enda was Chief Financial Officer at Postbank and Head of Finance and Head of Strategic Planning in EBS Building Society. He is a Non-Executive Director in Bizworld Ireland Foundation Limited.

Enda is a qualified accountant and a Fellow of the Association of Chartered Certified Accountants. He is also a Fellow of the Institute of Bankers and a member of the Institute of Directors in Ireland, and holds a Diploma in Information Systems from Trinity College.

Enda joined IPB as Chief Financial Officer in November 2011 and he is an Executive Director of the Board of IPB and a Member of IPB's recently re-established Investment Committee. In addition, upon IPB's acquisition of Lelantos (formerly Brennan Insurances) in June 2013, Enda was appointed as a Director of the Boards of both Lelantos (formerly Brennan Insurances) and Paean Limited.

TOM DONLON
Executive Director

TOM JOINED IPB from AIG Ireland where he held the role of Executive Director and "Signing Actuary" and had responsibility for Risk Management and Actuarial Services. He worked for several years as an actuarial consultant with the non-life insurance practices at Ernst & Young (London), Deloitte (Sydney) and Quantum-EMB (Dublin), having started his career as a student actuary with the Prudential UK in 1995.

Tom is a Chartered Enterprise Risk Analyst ("CERA"). He is a Fellow of the Society of Actuaries in Ireland, a member of its Enterprise Risk Management Committee and a Fellow of the Institute and Faculty of Actuaries, UK. Tom is also a member of the Institute of Directors in Ireland.

Tom joined IPB as Chief Risk Officer in 2012 and he is an Executive Director of the Board and a Member of IPB's Risk Committee.

MICHAEL FITZGERALD
Group Non-Executive Director

MICHAEL IS A Tipperary County Councillor of 33 years and he has served as Chairman of his own Local Authority on three occasions, chaired the South East Regional Authority and was President of the Association of County and City Councils.

Michael is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland.

He has been a Group Non-Executive Director of the Board of IPB since 2008 and he is a Member of IPB's Risk Committee. Michael is also a Member of IPB's Corporate Social Engagement Steering Committee which provides recommendations to the Board in respect of IPB's CSE Framework and he was appointed as Chairman of the Committee in January 2014 on endorsement by the Board.

DERMOT GORMAN
Independent Non-Executive Director

A FELLOW OF the Chartered Insurance Institute and affiliate member of the Society of Actuaries in Ireland with over 30 years' experience in the insurance industry, Dermot has recently been awarded Chartered Director status by the Institute of Directors having attained its Certificate and Diploma in Company Direction.

He is an Independent Non- Executive Director of a number of insurance institutions based in Ireland serving both domestic and international markets. He previously held senior positions at HSBC's insurance operations and worked with FBD in the local market.

Dermot has been an Independent Non-Executive Director of the Board of IPB since 2011 and he is Chairman of IPB's Audit Committee and a Member of its Risk Committee.

SEAN O'GRADY
Group Non-Executive Director

SEAN HAS 32 years' experience in the insurance industry and now pursues a full full-time career in public life. A former Mayor of Killarney, Sean has been an elected Member of the Killarney Town Council since 1974.

He serves on many community associations and devotes considerable time to helping young people in their fight against substance and alcohol misuse. In April 2010, he was appointed Chairman of the Joint Policing Committee.

Sean is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland and he has brought his considerable knowledge of the insurance industry to the Board of IPB since 2008 when he was appointed to the role of Group Non-Executive Director. Sean is a Member of IPB's recently re-established Investment Committee, having previously held the role of Committee Chairman.

JOHN SMYTH
Independent Non-Executive Director

John is a professional corporate governance specialist with extensive experience in Ireland, the United Kingdom and Europe. He is a Chartered Director and Chartered Secretary and he has been conferred with post graduate Diplomas in Corporate Governance and Company Direction. He is a past President of the Institute of Directors and Chairman of the Consultative Committee, which produced a Code of Practice for Corporate Governance Assessment in Ireland in March 2010.

Former Chief Executive of First National Building Society / First Active plc., Director of various companies and Chairman of the Audit and Risk Management Committee at the Department of Education, Northern Ireland, John brings a strong and broad knowledge of Corporate Governance to the Board of IPB, to which he was appointed as an Independent Non-Executive Director in 2011.

John was appointed as Chairman of IPB's Investment Committee upon its re-establishment in 2013 and he is a Member of the Audit Committee and the Remuneration and Nomination Committee.

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1 **Michael McGreal**
Deputy Chairman and Group Non-Executive Director

2 **George Jones**
Chairman and Group Non-Executive Director

3 **Sean O'Grady**
Group Non-Executive Director

4 **Michael Fitzgerald**
Group Non-Executive Director

5 **Tom Donlon**
Chief Risk Officer and Executive Director

6 **Enda Devine**
Chief Financial Officer and Executive Director

7 **John Smyth**
Independent Non-Executive Director

8 **Dermot Gorman**
Independent Non-Executive Director

9 **Ronan Foley**
Chief Executive Officer and Executive Director

10 **Garry Cullen**
Independent Non-Executive Director

THE MEMBERS CONSULTATIVE FORUM

Mr. Pat Gilmore

Cllr. Denis Foley

Cllr. Bobby O'Connell

Cllr. Dermot Lacey

Cllr. Donal Marren

Cllr. Mags Murray

Mr. Eddie Sheehy

Ms Fiona Lawless

The Members Consultative Forum (MCF) was established by the Board of IPB Insurance at the AGM of June 2012 as a direct result of an idea proposed by Cllr. Dermot Lacey at the EGM of June 2011.

Terms of Reference were prescribed by the Board to regulate the activities conducted by the Forum and it was agreed that it would be comprised of one appointed member from the City and County Managers' Association (CCMA), one appointed member from the Heads of Finance and five Local Authority representative members (i.e. one representing Connaught/Ulster, one representing Leinster, one representing Munster and two representing the Dublin European Electoral Region).

MCF Members elected at 2012's AGM to serve on the Forum for the following three years are:

Local Authority Representatives:
Connaught/Ulster: **Mr. Pat Gilmore**, Galway County VEC
Leinster: **Cllr. Denis Foley**, Carlow VEC
Munster: **Cllr. Bobby O'Connell**, Kerry County Council

Dublin Regional Electoral Region Representative:
Cllr. Dermot Lacey, Dublin City Council Nominee
Cllr. Donal Marren, Dun Laoghaire VEC Nominee
Cllr. Mags Murray, Fingal County Council Nominee

CCMA Representative: **Mr. Eddie Sheehy**, Wicklow County Council County Manager

Heads of Finance Representative: **Ms Fiona Lawless**, Meath County Council Head of Finance

At the inaugural MCF Meeting, Mr Pat Gilmore was elected Chairman and Cllr. Denis Foley was elected Deputy Chairman whilst in July 2013 Cllr. Foley was elected Chairman and Cllr. O' Connell was elected Deputy Chairman. Upon election, Cllr. Marren and Cllr. Murray agreed to share roles with Cllr. Marren taking the first half of the three year term for which they were appointed and Cllr. Murray took on the role of Dublin Regional Electoral Region Representative from January 2014. Nine Meetings have been held since the MCF's inception and it was decided that the Chief Executive should be invited to MCF Meetings as a representative of the Board and Heads of Function from IPB Management should be invited in accordance with instances in which their involvement is required.

Agenda Items which have arisen for consideration include legislative changes in the education sector owing to the Qualifications and Quality Assurance (Education and Training) Act, the Education and Training Board's Bill and the Further Education and Training Board's Bill (Solas), the impact of local government reform, IPB Insurance's Corporate Social Engagement endeavours and Gathering initiatives, the IPB Insurance Dividend, the implications of the establishment of Irish Water, IPB Insurance's Members Satisfaction Survey and the IPB Insurance Personal Accident Policy.

CORPORATE GOVERNANCE LEADERSHIP STATEMENT

The commitment to high standards of corporate governance standards is led by the Chairman, the Board of IPB and all staff working to achieve this requirement for the business.

IPB is not classified as a major institution under the Code of Corporate Governance for Credit Institutions and Insurance Undertakings 2010 and is required to meet the relevant requirements of that Code. IPB ensures compliance with Article 10(3) of the European Communities (Non-Life Insurance) Framework Regulations 1994 (S.I. No. 359 of 1994) and Regulation 20 of the European Communities (Reinsurance) Regulations 2006 (S.I. No. 380 of 2006). The Corporate Governance Leadership Statement outlines the manner in which IPB has worked to effectively comply with the Code during 2013, implementing it as one of the key tools to a better way of doing business both ethically and structurally.

With its Membership at the heart of its operations, IPB has worked relentlessly to provide assurance that regulatory control and changes have been adopted where required and that this has been adopted by the IPB Board of Directors in a clear and transparent manner. IPB has accordingly re-established the Investment Committee of the Board in order to ensure the Board's discharge of its oversight responsibilities in respect of the conduct of IPB's investment management operations within the approved investment policy and risk parameters.

The annual assessment of the Board and its skills and expertise has ensured that a fresh approach to all Board matters has continued. In this regard, following the addition of two new Executive Directors in 2012 and the ensuing contribution of fresh skills and experience to its offering, the Board now enjoys a balanced composition of four Group Non-Executive Directors, three Independent Non-Executive Directors and three Executive Directors.

Board and Board Committee Composition

during the financial year ended the 31 December 2013

Name	Appointment Date	Board Role	Term on the Board in Yrs	Audit Committee	Investment Committee	Remuneration & Nomination Committee	Risk Committee
George Jones	25-May-06	Chairman	7.7	–	–	Member	–
Michael McGreal	26-May-05	Deputy Chairman	8.7	Member	–	Chairman	–
Garry Cullen	25-July-11	Non-Executive	2.5	–	Member	–	Chairman
Enda Devine	02-May-12	Chief Financial Officer	1.7	Invitee	Member	–	Invitee
Tom Donlon	15-Nov-12	Chief Risk Officer	1.1	Invitee	Invitee	–	Member
Michael Fitzgerald	31-May-07	Non-Executive	6.7	–	–	–	Member
Ronan Foley	21-Dec-11	Chief Executive	2	Invitee	Member	–	Member
Dermot Gorman	25-Jul-11	Non-Executive	2.5	Chairman	–	–	Member
Sean O' Grady	29-May-08	Non-Executive	5.7	–	Member	–	–
John Smyth	25-July-11	Non-Executive	2.5	Member	Chairman	Member	–

Role of the Board

The key role of the Board is leadership and oversight of the implementation of the business strategy by the Chief Executive in a transparent and effective manner. There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman leads the Board and is responsible for ensuring that each Director participates fully as a Member. The positive and constructive challenges by the Board to Management are a critical function to provide assurance to IPB's Members that the business and its Executive Management Team achieve appropriate governance standards whilst meeting the business goals and objectives.

Composition of the Board

Based on the revised Code and regulatory control requirements, the current Board is comprised of three Independent Non-Executive Directors, four Group Non-Executive Directors and three Executive Directors, i.e. the Chief Executive, Chief Financial Officer and the Chief Risk Officer. As the year progresses, Board Membership may also be adapted to ensure the continued development of its skills and expertise to meet business demands. The biographies of each of the individuals who have accepted the role of IPB Director have been outlined towards the start of this corporate governance analysis. The skills provided by each of the Independent Non- Executive Directors assist the business during a time of development, whilst the Group Non-Executive Directors ensure that both the

experience and continuity of the strong legacy of IPB are maintained. The Board, following the amendments to its Membership in 2011 & 2012, confirm that they have the required skills and experience to meet the current objectives in the role of IPB Director effectively. A comprehensive programme of training and development has been agreed by all of the Directors to ensure continuous learning and skills enhancement.

Terms of Reference And Reserved Powers – Responsibility

The Board meets regularly or as often as required to meet its responsibilities and has clear terms of reference outlining its authority and responsibility, with a detailed schedule of matters reserved as its agenda for discussion, debate, and decision.

The Board will resolve to formally approve the strategy of the business and the internal Risk/ Regulatory Management Framework and all other systems of control within the business. The Board will also engage in the process of the appointment and removal of key roles within the Board Membership or executive management. This provides the Board with the required oversight of the activity of the business to inform its consideration of the risk appetite for the business.

Conflicts Of interest

In advocating a requirement for transparency at all levels of the business, the Board has elected at each of its Meetings or any of its Sub-Committees to require a declaration of conflict of interests, if appropriate, by any of its Members as a standing agenda item. This is to ensure that the issue of a potential conflict of interest is foremost in each of the Directors' thoughts as they engage with the business. In support of this objective, a detailed Conflict of Interest Policy features as part of the Business Code of Conduct Policy which has been approved by the Board as part of its responsibilities and this Policy was further enhanced during 2013 following a review by the Audit Committee of the Board.

The Board requires its Directors to act in the best interests of the business and to be independent of any other institution, management, political interests or inappropriate outside interests, including their own, to facilitate that requirement. Each of the Directors is expected to act with integrity and to work both ethically and compliantly in the discharge of their duties whilst representing the business.

The Directors have confirmed during 2013 that they have met the requirements of independence, as specified under the Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010, the Fitness and Probity Standards (issued under Section 50 of the Central Bank Reform Act 2010) and also in adherence to the CBI's requirements.

Board Meeting Protocol

Prior to each Board meeting, each Board Member is provided with all of the relevant papers in a timely fashion to ensure that the Board can operate in an effective manner, giving them the appropriate time to consider the matters at hand. Where a Board Member requires additional expertise or guidance they can, with the agreement of the Chairman of the Board, seek external expertise whilst also relying on the information provided to them by the expertise within the Executive Management Team.

The Executive Management Team or any other Member of the Management Team may be called upon by the Board to provide briefings, either orally or by written report as required. The Company Secretary acts as the central point for the co-ordination of Board Meetings and documentation, and ensures the compliance of Board procedures with all required regulatory controls as specified.

Board Performance

The Board undertakes an annual evaluation of its performance, the performance of its Directors and its Committees through a written evaluation and discussion. This is recorded by the Company Secretary and where deficiencies are identified, actions are agreed to remediate these as quickly as possible through the Board and with the assistance of the Chief Executive as appropriate. The position of Chairman is elected on an annual basis and each Director's role is reviewed through the annual evaluation process or at a minimum every three years. Following the conduct of the 2013 evaluation process, changes were made to the composition of the Sub-Committees of the Board in order to facilitate an enhanced engagement by Directors in contributing to matters of relevance to their skillsets.

THE BOARD SUB COMMITTEES

Introduction

Authority to manage the business has been delegated by the Board to the Chief Executive and in effect to the Executive Management Team.

The Board has, taking into account the size and complexity of IPB as a business, also delegated authority to four Board Sub-Committees to complete separate programmes of work on its behalf whilst ensuring that they report on a regular basis with a clear terms of reference and understanding of their commitment to meet them. The Investment Sub-Committee of the Board was subsumed to the Board during 2012 in order to provide the Board with sufficiently frequent opportunities for the assessment of the high level asset allocation strategy and investment activities of the business, the consideration of investments which may involve reputational risk and the monitoring of the implementation of IPB's Investment Policy and IPB's compliance with legislation, codes and/or regulatory requirements as appropriate to the nature of the investments made on behalf of IPB.

The Board subsequently re-established the Investment Sub-Committee and this decision was endorsed by the Remuneration and Nomination Committee at a Committee Meeting held on 21st March 2013, following which the Investment Committee held its first Committee Meeting since May 2012 on 24th April 2013. The Investment Committee is charged with the assessment of the high level asset allocation strategy and investment activities of the business, the consideration of investments which may involve reputational risk and the monitoring of the implementation of IPB's Investment Policy and IPB's compliance with legislation, codes and/or regulatory requirements as appropriate to the nature of the investments made on behalf of IPB.

The four Sub-Committees are as follows:

- The Audit Committee
- The Investment Committee
- The Risk Committee
- The Remuneration and Nomination Committee

Each Sub-Committee has in place agreed terms of reference. The terms of reference applicable to each Sub-Committee are accessible on www.ipb.ie and they are reviewed regularly as required by each Sub-Committee.

The Audit Committee

As required by the Corporate Governance Code for Credit Institutions and Insurance undertakings 2010, membership of the Audit Committee consists in the majority of Independent Non-Executive Directors, one of whom, Dermot Gorman, is the Committee Chairman. The Chief Executive, the Chief Financial Officer, the Chief Compliance Officer and the Chief Risk Officer attend Committee Meetings by invitation as required in conjunction with the external and internal auditors. In During 2013, the Committee oversaw the transition to a new external auditor and Deloitte took office following approval at the 2013 AGM. In addition, the Committee oversaw a tender of the Internal Audit function and KPMG was appointed as IPB Internal Auditor following a robust selection process.

Audit Committee Terms of Reference

The Committee remit is outlined in detail in its terms of reference and includes but is not limited to:

- Monitoring the integrity of IPB's financial statements and the judgments contained therein;
- Reviewing the annual and interim financial statements for recommendation to the Board;
- Reviewing the terms of engagement and independence of the external auditors, including making recommendations regarding reappointment or removal of the external auditors as appropriate;
- Reviewing the annual internal audit plan for approval by the Board
- Reviewing the risks highlighted through the internal audit plan;
- Reviewing the statement on internal controls within IPB;
- Where appropriate, assessing and/or approving Internal Audit function resources; and
- Reviewing and considering the escalation process for employees as per the Whistleblowing Policy outlined in the Ethics Policy for IPB and the matters raised through this process.

The Chairman has outlined his role and the Committee objectives over the coming year as: "providing leadership to the business in enhancing its control environment, providing the Board with assurance that appropriate progress is being made in this area, and ensuring the integrity of financial reporting to Members and other Stakeholders. The Committee has been very active during 2013 and this momentum will continue during 2014. Our priorities include the further development of our internal audit programme, continuing the implementation of appropriate Internal Control frameworks and ensuring the continued high standards of the external audit function".

Dermot Gorman

The Risk Committee

The Risk Committee is chaired by Garry Cullen, an Independent Non-Executive Director. Following a review in 2013 of the composition of all Sub-Committees of the Board, Dermot Gorman, an Independent Non-Executive Director, joined the Risk Committee in lieu of John Smyth, an Independent Non-Executive Director who now chairs the re-established Investment Committee whilst Michael Fitzgerald, a Group Non-Executive Director, remains a Member. Committee Membership also includes two Executive Directors, i.e. the Chief Executive Officer and the Chief Risk Officer. Meetings are attended by the Chief Financial Officer, Chief Business Development Officer, Chief Operations Officer, Chief Compliance Officer, Chief Investment Officer, Head of Underwriting, Head of Claims and others upon invitation as required.

The Committee oversees the management of risk in the Company, and its duties include oversight of the Risk Management Function, advising the Board on risk strategy, risk policy and risk appetite and other duties as prescribed in its terms of reference.

Risk is an integral part of insurance business and results in both better-than-expected and worse-than-expected outcomes. Risk Appetite is the overall level of risk the Company is prepared to accept and this is expressed by the Board in the Company's Risk Appetite Statement, which enables the Company to accept measured risk in pursuit of its strategic objectives. The Risk Management Function is responsible for monitoring adherence to Risk Appetite. A system of alerts and proximity warnings is used to ensure that pre-emptive action is taken well in advance of a limit breach.

Throughout 2013 there has been a continued evolution of the Company's Risk Framework, particularly in relation to the articulation of risk appetite at the level of specific operating limits. Risk monitoring and reporting has continued to evolve, underpinned with improved capabilities in the areas of risk quantification and stress testing.

Additional risk related policies were introduced in 2013 to supplement existing policies, which themselves continue to evolve. This was recognised by Standard &Poor's Rating Services during the course of the year and resulted in an improved "Enterprise Risk Management" rating.

The Company's Solvency II Steering Group continued with its preparations to deliver the Company's own Solvency II Programme throughout 2013, despite uncertainty at the European level. The Company welcomes recent clarity on Solvency II timelines and is well prepared to deliver the varied and challenging requirements involved. The Company sees the Forward Looking Assessment of Own Risks ("FLAOR") as being central to the business and a critical part of the Risk Framework.

The Chairman has expressed his views and articulated the Committee objectives over the coming year as:
'The acquisition of Lelantos (formerly Brennan Insurances) during the course of 2013 has provided direct control of key functions, increasing operational efficiencies and reducing operational risk. As one of the key control functions, the Risk Management Function will continue to evolve throughout 2014 and it will continue to identify, measure, monitor, report and manage the risks to which the Company is or may be exposed. The Risk Committee will continue to closely monitor adherence to Risk Appetite and to take pre-emptive action in advance of risk emergence. It will continue to strengthen risk governance and control systems and position the Company to withstand unexpected and unfavourable events as they arise. The Committee will continue to oversee the day- to-day management of risk resulting from strategic threats, regulatory change, operational change, reserving uncertainty, natural catastrophes and other emerging risks.

Garry Cullen

The Investment Committee

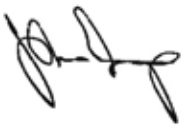
The Investment Committee is chaired by John Smyth, an Independent Non-Executive Director whilst the Committee Members include Garry Cullen, an Independent Non-Executive Director and Seán O'Grady, a Group Non-Executive Director and the Chief Executive and Chief Financial Officer in their roles as Executive Directors. Committee Meetings are attended by the Chief Risk Officer, Chief Investment Officer and others upon invitation as required.

The Committee is responsible for the assessment of the high level asset allocation strategy and the investment activities of the business and in this context; it reviews investment performance from both the short and long term perspective with reference to market, peers and the level of risk. It also considers investments that may involve reputational risk to the business and ensures the application of appropriate governance requirements in the investment of funds.

The Committee remit is outlined in detail in its terms of reference and includes but is not limited to:

- Regularly reviewing the IPB investment policy and monitoring its implementation within the guidelines determined by the Board and in recognition of any constraints imposed by regulatory authorities or recommended by the Risk Committee or Actuarial function with regard to solvency requirements;
- Ensuring that Company assets are invested appropriately within the risk appetite determined by the Board, to produce the best possible returns consistent with a prudent approach to secure Stakeholders' interests;
- Reviewing and agreeing internal processes regarding transactional procedures concerning IPB's investments;
- Monitoring compliance with legislation, codes and regulatory requirements relevant to IPB's investments;
- Assessing investment or divestment proposals with recommendations to the Board on the investment strategy for IPB, highlighting any potential ethical matters that may arise from investment activities;

The Chairman has expressed his views on the development of the Committee and its activities as follows:
'The Investment Committee will enhance the extent of its review of the investments made on behalf of IPB in the coming year, with a view to consolidating the consistent level of investment growth achieved to date and working with management in effectively supporting satisfaction of the oversight requirements for the Board'.



John Smyth

The Remuneration & Nomination Committee

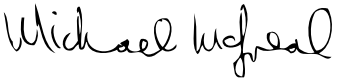
The Remuneration and Nomination Committee is chaired by Michael McGreal, a Group Non-Executive Director whilst the Committee Members include George Jones, a Group Non-Executive Director and John Smyth, an Independent Non-Executive Director. Committee Meetings are attended by the Chief Executive and the Head of HR and others upon invitation as required.

The Committee is responsible for approving the Company's Remuneration Policy and considering and approving the remuneration of the Chief Executive, Executive Directors and Executive Management who report directly to the Chief Executive. The Committee is also accountable for recommending to the Board the fee structure for Group and Independent Non-Executive Directors together with the remuneration of the Chairman of the Board and Committee Chairman as appropriate.

In discharging its duties, the Remuneration and Nomination Committee aims to ensure that remuneration packages are competitive and that they will serve to attract and retain individuals of the quality required and motivate them to perform in the best long term interests of the organisation. The Committee uses the services of external independent consultants to provide Committee Members with advice on remuneration related matters as per their requirements.

The Remuneration and Nomination Committee, in conjunction with the Company Secretary and the Head of HR, is responsible for the Fitness and Probity Process regarding the seeking of approval of the CBI for the nomination of appropriate applicants to the Board and the appointments of any Head of Control Functions and the removal of any Director or Head of Control Function. In this context, it ensures compliance with the Corporate Governance Code and it also conducts the annual review of Fitness and Probity requirements of current Board Members and Heads of Control Functions in order to satisfy required standards.

The Chairman has commented on the engagement by the Committee in performing its duties as follows:
"The Committee has embraced the efforts by the Chief Executive in conjunction with the Board in expanding the organisational structure following the acquisition by the Company of Lelantos (formerly Brennan Insurances) during the course of 2013. The Committee is charged with ensuring the continued development and assessment of Board Members' skills and experience and following successful implementation in 2013 of a programme of continuous professional development for Executive and Non-Executive Directors. The Committee is looking forward to overseeing the delivery of further opportunities for learning and development throughout the Company during 2014'.



Michael McGreal

Attendance at Board and Board Committee Meetings during 2013

	Board		Audit		Remuneration & Nomination		Risk		Investment*	
Name	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
George Jones (Chairman)	9	9	5	1	5	5	4	–	3	–
Michael McGreal (Deputy Chairman)	9	9	5	5	5	5	4	–	3	–
Garry Cullen	9	9	5	–	5	–	4	4	3	3
Enda Devine	9	9	5	5	5	–	4	4	3	3
Tom Donlon	9	9	5	5	5	–	4	4	3	3
Michael Fitzgerald	9	9	5	–	5	–	4	4	3	–
Ronan Foley	9	9	5	5	5	2	4	4	3	3
Dermot Gorman	9	9	5	5	5	–	4	1	3	–
Sean O'Grady	9	8	5	–	5	–	4	–	3	2
John Smyth	9	9	5	5	5	5	4	3	3	3

A – the number of meetings held during the year.

B – the number of meetings attended during the year as a Board or Committee Member

*The Investment Committee was re-established at the REMCO Meeting held on 21st March 2013

Notes:

- George Jones attended one meeting of the Audit Committee in his capacity as Chairman of the Board
- Ronan Foley attended two meetings of the Remuneration and Nomination Committee in his capacity as an invitee
- Dermot Gorman replaced John Smyth on the Risk Committee and attended the scheduled meeting following his appointment
- In addition to the above scheduled Meetings, the Board held one strategy and planning away day session during 2013

DIRECTORS REMUNERATION

Directors' Remuneration Details

Details of the total remuneration of the Directors in office during 2012 and 2013 are shown in Note 7(b).

Executive Directors' Remuneration

The various elements of the remuneration package for Executive Directors comprises of fixed and performance-related remuneration.

Fixed Remuneration

Base salaries and benefits: The salaries of Executive Directors are set by the Remuneration Committee and are reviewed annually having regard to individual performance, Company performance and competitive market practice. No fees are payable to Executive Directors. In addition to base salaries, the remuneration package of the Executive Directors includes a motor and health insurance allowance.

Performance-Related Remuneration

Annual bonuses are payable to the Executive Directors in respect of each financial year and are subject to the achievement of clear performance targets. These targets are reviewed and set by the Remuneration Committee annually so as to ensure as far as possible the alignment of Management interests with those of Stakeholders.

The performance targets vary by individual and are based on both performance and contribution, but in each case the required contribution by the individual is targeted towards those initiatives within the individual's control and/or influence that directly support the Board's strategic initiatives for the growth of IPB.

Pension Benefits

IPB operates a defined contribution scheme to which contributions are made by the Company at an agreed fixed rate. Non-Executives Directors do not participate in the Company's pension plan.

Non-Executive Director Remuneration

The remuneration of the Non-Executive Directors is determined by the Board, and reflects the time commitment and responsibilities of their role. In setting the level of this remuneration, the Board has full regard to the fees payable to the Non-Executive Directors of the other similar Irish organisations. The Company reviewed the fee structure of the Non-Executive Directors and Chairman of the Board in 2013, taking account of any changes in responsibilities and benchmarking data on the level of fees in a range of comparable Irish organisations.

REPORTING

Relations with Members

The Board gives high priority to communications with Members. Through its Stakeholder and Annual Report and regulatory announcements during the year, IPB provides a review of its performance and prospects. The IPB website **www.ipb.ie** provides the full text of its Stakeholder and Annual Reports for ease of reference of its Stakeholders.

The Chief Executive, Chief Financial Officer, and other Senior Executives meet with Members on an on-going basis and also at the time of the release of annual results.

Throughout the year, the Company responds to letters and email communications received from Members. Members also have access to the Chairman and, if required, to other Board Members. The establishment of the Members Consultative Forum provides an additional avenue of access in this regard.

Members General Meetings

The Company holds its Annual General Meeting ("AGM") in Ireland each year and Notice of the AGM, together with the Stakeholder and Annual Report, is sent to Members at least 21 business days in advance. All Members*are entitled and encouraged to attend the AGM, at which they can meet the Chairman, Sub-Committee Chairmen, Directors and Senior Executives. A separate resolution is proposed on each substantially separate issue, including a particular resolution relating to the Directors' Report, financial statements and the re-election of the Group Non-Executive Directors.

All other General Meetings are called Extraordinary General Meetings ("EGMs"). In the instance where an EGM is called to pass a Special resolution, 21 clear days' notice must be provided to all Members.

A quorum for a General Meeting of the Company is constituted by 20 or more Members entitled to vote in person or by proxy. Resolutions, other than Special Resolutions require a simple majority, whilst Special Resolutions require at least 75% of votes.

All Members have the right to attend, speak, ask questions and vote at General Meetings.

Annual General Meeting

The Annual General Meeting of the Company will be held at the Convention Centre Dublin on 25th April 2014.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the principle objects and powers of the Company. The Articles of Association detail the provisions applicable to the holding of and voting at General Meetings of the Company and appointment, removal, remuneration and re-election of Directors together with their duties and powers. The Company's Articles of Association can only be amended by the passing of a Special Resolution by Members (requiring a majority of at least 75% of the votes cast) at an Annual or an Extraordinary General Meeting of the Company.

Internal Control

The Board is responsible for IPB's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather

than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement and or loss.

In accordance with the revised Corporate Governance Code for Credit Institutions and Insurance Undertakings 2010, the Board confirms that there is an on-going process for identifying, evaluating and managing any significant risks faced by IPB. It also notes that this process has been in place for the year under review and up to the date of approval of the financial statements and that this process is regularly reviewed by the Board. The key risk management and internal control procedures include;

- Skilled and experienced management and staff
- An organisation structure with clearly defined lines of responsibility and authority
- A comprehensive system of financial control incorporating budgeting, periodic financial reporting and variance analysis
- The operation of approved risk management policies in the areas of underwriting, reinsurance, claims reserving, investment and treasury
- An internal control comprising Senior Management whose main role is to identify, keep under review and manage significant internal control risks facing IPB
- A Risk Committee, comprising Senior Management whose main role is to establish, document, and devolve throughout the Company a comprehensive risk management
- An Audit Committee whose formal terms of reference include responsibility for assessing the significant risks facing IPB in the achievement of its objectives and the controls in place to mitigate those risks
- An Internal Audit function

The annual budget is reviewed and approved by the Board. Financial results with comparisons against budget are reported to the Executive Directors on a regular basis and to the Board at each Board Meeting. Forecasts are updated regularly to reflect changes in circumstances.

Outsourcing

For the first half of 2013, IPB had outsourced certain operational functions to Brennan Insurances; however IPB announced its acquisition of Lelantos (formerly Brennan Insurances) on the 20th June 2013, bringing all of these outsourced functions in-house.

In 2013, IPB tendered its Internal Audit function resulting in KPMG undertaking the role of IPB Internal Audit from July 2013 onwards. KPMG are implementing a schedule of internal audits and reviews across all functions, including the Board as part of their remit. The Internal Audit function provides assurance to the Board, IPB Management, and its Members that a robust internal control framework is in place, whilst constantly striving to independently recommend enhanced operational controls if required.

Proper Books and Records

The Company has taken appropriate measures to ensure that proper books of account have been maintained through the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems.

RISK MANAGEMENT FRAMEWORK

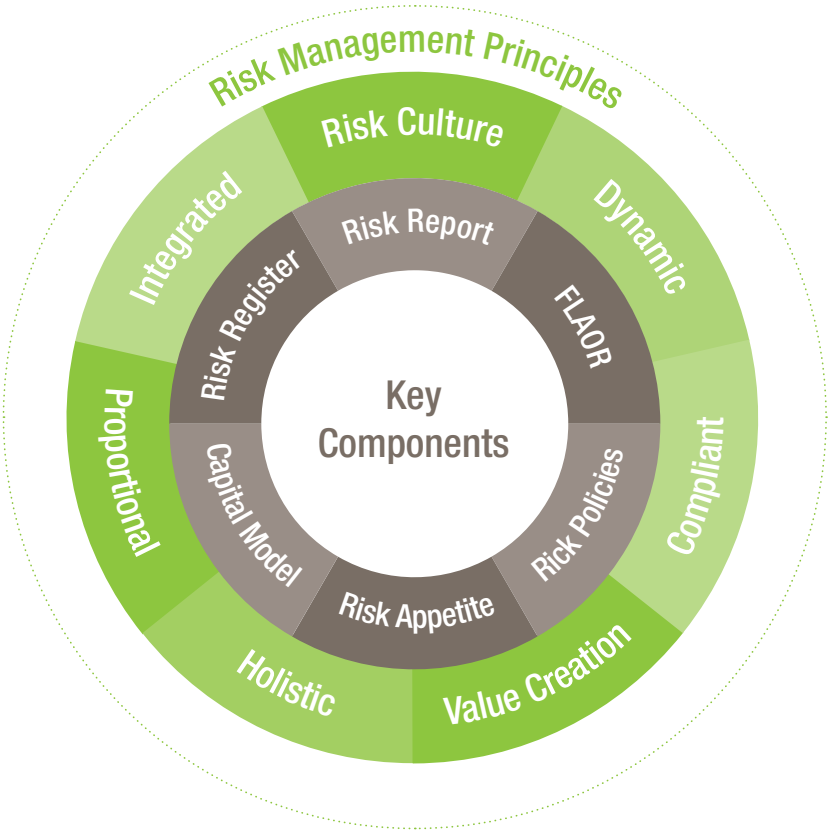
Risk Management And Internal Governance

Risk management is central to safeguarding the promise IPB makes to its policyholders.

The Board is responsible for ensuring that risk is effectively managed by those involved in running the Company on a day- to- day basis. The Board sets the Company's appetite for risk and establishes prudent and effective controls to assess and manage risks.

The Risk Committee assists the Board with its oversight of risk and risk management. The Risk Committee follows a structured approach which covers all key risk types within the business, including emerging and strategic risks. The Risk Committee is advised by subject matter experts on risk management, underwriting, claims, investments and compliance.

Regular training, both internal and external, is a fundamental requirement for staff and Directors alike.



The Risk Framework

The Risk Framework provides the Company with a comprehensive and efficient system to identify, measure, monitor and manage risk in the business. It ensures that risk management is aligned with the Company's strategic objectives and it is guided by seven key principles.

Implementation of the Risk Framework relies on a system of integrated risk management tools that promote a risk culture throughout the Company.

Risk Appetite

The Board defines Risk Appetite in order to ensure the solvency of the Company at all times. Risk Appetite is ultimately expressed in terms of detailed operational limits that guide the day-to- day activities of those entrusted to run the business. This enables the Company to pursue

its strategic objectives whilst limiting risk in a clear and structured manner.

All risks are monitored regularly and certain risk types are monitored daily. Procedures are in place to reduce risk levels should operational risk limits be threatened.

Risk Policies

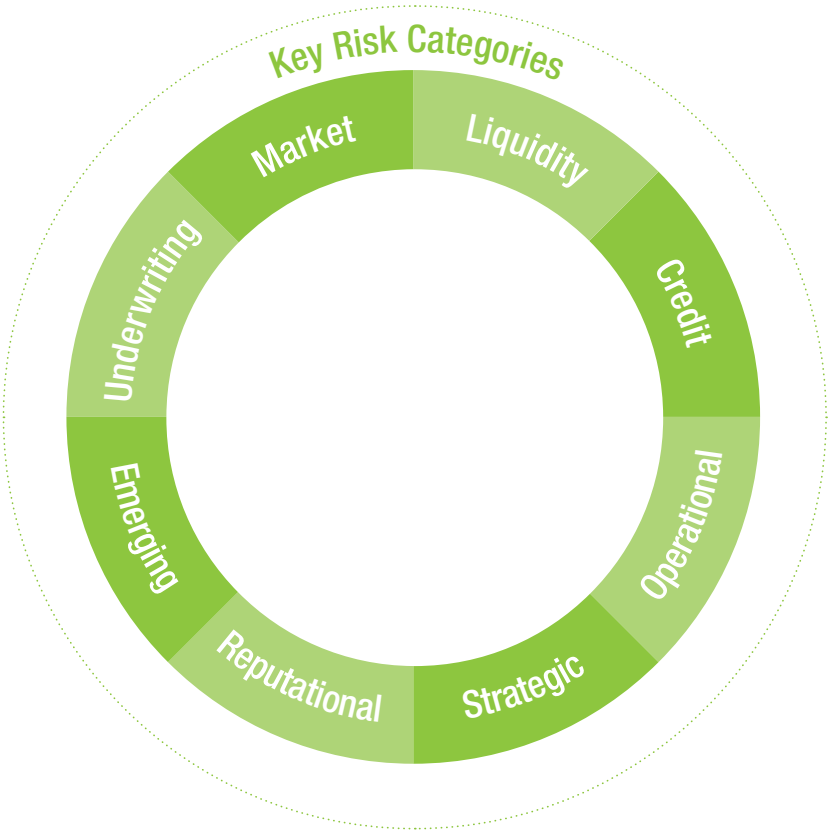
Risk Policies define the formal risk management and control requirements of the Company. The effectiveness of policies and controls is regularly reviewed and tested.

Risk Reporting And Risk Registers

The Risk Committee and Board are regularly informed by a comprehensive Risk Report that covers all risk types. The Report includes detailed data on key risk exposures and risk metrics, as well as specific information on the key individual risks.

A dynamic operational risk register is the key tool in the management of operational risk. Workshops are completed with staff at all levels to provide a detailed understanding of the various operational risks to which the Company is exposed.

The management of risk is further facilitated by the prompt reporting and analysis of events that result in an actual loss, impair the efficient running of the Company or damage the Company's good name.



Capital Model

The Capital Model is used to quantify risk in the business. The Company uses the Solvency II Standard Formula for this purpose and its appropriateness is regularly assessed. The Capital Model is used to quantify the capital impact of key events and key management actions.

Forward Looking Assessment of Own Risk

The Forward Looking Assessment of Own Risks ("FLAOR") is the entirety of the processes and procedures employed to identify, assess, monitor, manage and report the risks the Company faces. It considers the overall capital needs of the Company with reference to a range of stressed scenarios. It also considers other risks that may be outside the scope of the Capital Model. The Company continues to evolve the FLAOR in line with Solvency II guidelines.

Risk Profile

The Company is exposed to a number of risk categories.

The key risk for the Company is Underwriting Risk. Underwriting Risk arises from uncertainty in the occurrence, amounts and timing of insurance obligations.

The Company is also exposed to Market Risk, which arises from financial instruments such as bonds and equities. It also includes uncertainty arising from interest rates and foreign exchange rates.

Liquidity Risk arises when assets may not be available to settle financial obligations when they fall due, or where assets can only be liquidated at a material cost.

Credit Risk arises from an unexpected default or deterioration in the credit standing of counterparties and debtors, particularly in relation to cash and reinsurance.

Other key risks for the Company include Strategic Risks and Operational Risks.

Progress in 2013

IPB has continued with significant developments in risk management throughout 2013, including the evolution of the Risk Framework to a Solvency II standard, and beyond. The acquisition of Lelantos (formerly Brennan Insurances) during 2013 has simplified operations and reduced operational risk.

The Company has moved to its third generation Risk Appetite Statement and increased the granularity of Operational Risk Limits. Risk reporting evolved to include enhanced risk metrics in relation to investments, interest rate risk, compliance risk, asset volatility, underwriting risk metrics, reserve development variance metrics and stress testing. The Operational Risk Register was enhanced to include increased granularity of risks and controls. Communication of the Register was improved using trending metrics and dashboards. Significant progress has been made in the management of operational, emerging and strategic risks.

The Capital Model is used to analyse the change in risk profile from one quarter to the next and continues to be further embedded in the business.

Plans for 2014

Stakeholders interests will continue to be protected within the constraints of a clearly articulated risk appetite. Preparations for Solvency II remain a key focus and continue to drive change in risk management practices. Key areas of focus include the FLAOR, further “industrialisation” of the Capital Model and delivery of the Quantitative Reporting Templates.

SOLVENCY II

Introduction

The Solvency II Directive, already adopted, creates a modern and risk-based prudential regime for insurance undertakings. The purpose of Solvency II is to unify a single EU insurance market and to enhance policyholder protection. It is a risk-based system requiring undertakings to hold capital consistent with their underlying risks. Solvency II is based on a "market-consistent" principle where the value of assets and liabilities are consistent with observable markets.

Solvency II encourages companies to manage their financial position within a risk management framework and to measure, monitor, remediate or transfer risk as appropriate. It is underpinned by a "three pillar" approach. Pillar 1 covers the quantitative requirements. Pillar 2 sets out requirements for the governance and risk management of insurance companies, as well as for the effective supervision of insurance companies. Pillar 3 focuses on disclosure and reporting requirements.

1

QUANTITATIVE REQUIREMENTS
- Risk-based
- Market-consistent

2

GOVERNANCE & SUPERVISION
- Internal controls
- Risk management
- FLAOR
- Supervisory review process
- Capital add-ons

3

MARKET DISCIPLINE
- Transparency
- Public disclosure
- Solvency reporting
- Report to supervisors

Key Developments in 2013

Solvency II negotiations continued throughout 2013 between the European Commission, the European Parliament and the European Insurance and Occupational Pensions Authority ("EIOPA").

In September EIOPA released final Guidelines relating to preparations for Solvency II. These guidelines are aimed at assisting supervisors and companies to progress with their preparations. In October the Commission proposed an application date of the Solvency II Directive of 1 January 2016, with assurances that this date will not be changed. Agreement was also reached on the Omnibus II Directive, which modifies the Solvency II Directive with regard to insurance products with long-term guarantees, in particular.In November the CBI published its own Guidelines for Solvency II implementation, largely based on the EIOPA Guidelines.

The Company's "Solvency II Steering Group", which was established by the Board in 2012, continues to make preparations following a detailed plan and an approved budget. Key activities during the year included:
- the delivery of the Company's first Actuarial Function Holder Report
- the creation of a Legislative Obligations Register
- the introduction of new policies, and continued enhancements to existing policies
- the evaluation of systems to support regulatory reporting requirements

Plans for 2014

In 2014 the Company will focus mainly on complying with the CBI's Guidelines for Solvency II implementation. The Company will place specific emphasis on the Forward Looking Assessment of Own Risks (FLAOR) and the quality of data underpinning Solvency II requirements.

COMPLIANCE AND REGULATORY FRAMEWORK

Compliance and Regulatory Framework

Compliance management is the effective implementation of regulatory and compliance requirements within the business to ensure that IPB provides its Stakeholders and staff with the relevant assurance. It ensures that IPB operates within a transparent, controlled, and compliant environment.

IPB strives to provide its Members, clients and staff with confidence that the appropriate regulatory controls are embedded within its business to allow staff to manage each of their individual roles. This ensures that the Company continues to provide consistent standards of service to its Members in a positive and commercially competitive manner. In the current regulatory environment, compliance is a clear driver for the success of IPB in the market and as such, IPB will continue to invest in its processes, policies and people to maintain a high level of compliance in every aspect of its business.

Compliance Governance Structure

The IPB Compliance and Regulatory Governance structure clearly outlines the manner in which compliance and regulatory matters are deliberated throughout the business at all levels, ensuring a clear understanding of the implications of non-compliance. The Chief Compliance Officer reports to the Board directly on a regular basis or as required into Sub-Committees.

Whilst the Board has delegated the day-to-day compliance oversight activities to the Compliance Department, it still exercises oversight over it. The Chief Compliance Officer reports directly to the Board on all regulatory matters, and it has therefore been mandated to provide training to the Company on all significant legislative, regulatory issues and compliance risk management controls. It also undertakes periodic reporting on compliance statistics, risk analysis, action plans and significant issues to the Board and its Sub-Committees.

The key objective of the relationship between the Board and the Chief Compliance Officer is to ensure effective escalation is in place where required, leading to effective decision-making and a continued acknowledgement of the regulatory responsibilities of IPB as a business and of its Directors.

The IPB Compliance Framework strives to embed its objectives through the methodologies and tools within the business.

The three core aspects of the Compliance Department are:

- Compliance and Regulatory Governance Structure
- Compliance Management Framework
- Compliance Control Monitoring and Awareness Programmes

Key External Stakeholder Relationship

IPB is regulated by the CBI and as such the CBI is a recognised Stakeholder in the success of the business. The Compliance Department is responsible for the management of the relationship with the CBI; however, there is a

clear understanding across the business that the CBI will engage at a level appropriate to its objectives.

Compliance Management Framework

Compliance And Regulatory Strategy And Statement

This strategy is prepared and reviewed on an annual basis and articulated in the Annual Compliance Plan as the oversight document for the management and implementation of Compliance within IPB. It resonates through the following Compliance tools:

- Detailed Business Compliance Manual
- Detailed annual Compliance Plan
- Detailed policies and procedures
- Annual Statement of compliance

IPB Compliance Objectives

- Identification,
- Assessment,
- Management and,
- Controlled implementation of compliance and regulatory requirements

IPB Compliance Principles

- IPB will ensure that Compliance is core to our business and central to our decision-making processes
- IPB will conduct our business with due care, skill and diligence
- IPB will work with Regulatory Authorities in a transparent and co-operative manner
- IPB will ensure that our business is conducted in accordance with the highest standards of market conduct

IPB Compliance Framework Implementation and Methodology

- Risk based compliance and regulatory control assessments
- Incident management and recording
- Governance structures and reporting
- Compliance and regulatory training and awareness programmes at all levels. During 2013, a detailed programme of review has been agreed by the IPB Board for completion by the Compliance Department within IPB to ensure that IPB as a business continues to operate to the highest compliance and regulatory standards possible. This is only achievable with the direct involvement of staff, Management and the Board as leaders of the business.

Compliance and Ethics

Compliance is not limited to the embedding of regulatory requirements to ensure compliance as a financial institution; rather, IPB seeks to operate from a position of a positive and clear ethical background. In order to support the people of the business in their day-to-day management of situations that may cause any ethical concern to them, the Compliance Department has worked with Human Resources in developing the Employee Handbook during 2013.

This is a resource to staff and includes key policies such as whistleblowing processes, management of third parties and parties personally known to staff, standards of staff behaviour and general policies concerning receipt of gifts or expressions of thanks from clients in a positive manner.

Ethics within IPB can be defined as the application by the individual of a code of conduct to the strategic and operational management of the business. It is set by the IPB Board and driven by all staff, all Management and the Board. Ethics within IPB takes shape in three ways:

- Within the industry in which it operates
- Its corporate social engagement with the communities it engages itself in
- Its reliance on the people who work within it

In essence IPB's commercial objectives seek to go hand in hand with the needs of our Members, our employees and all other Stakeholders in an appropriate and considered manner.

MANAGEMENT ANALYSIS, FINANCIAL STATEMENTS & OTHER INFORMATION

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MANAGEMENT ANALYSIS

MARKET CONTEXT

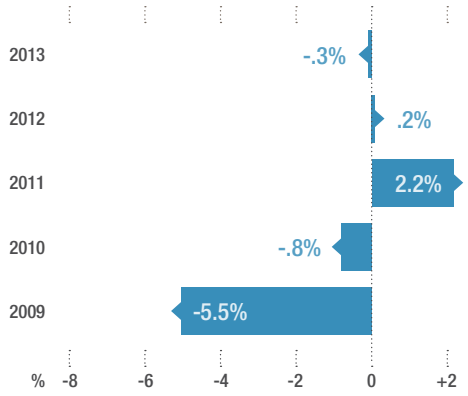
Economic factors remain challenging; however, the claims environment remains relatively stable.

Economy

Gross Domestic Product Growth

-.3%

Represents a decrease of .5% from 2012



- Weak GDP skewed by sector specific issues in the large multinational sector.
- Economic uncertainty has reduced but domestic demand has shown limited growth so far.
- The central Government initiative to consolidate local Government reduces the potential for growth in insurable risks in the Company's core market.

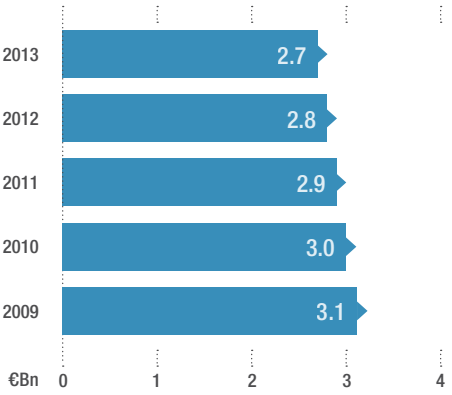
Source: CSO

Industry

Irish Non-Life Insurance Market

€100m

The estimated decrease in value of the Irish non-life Insurance market from 2012

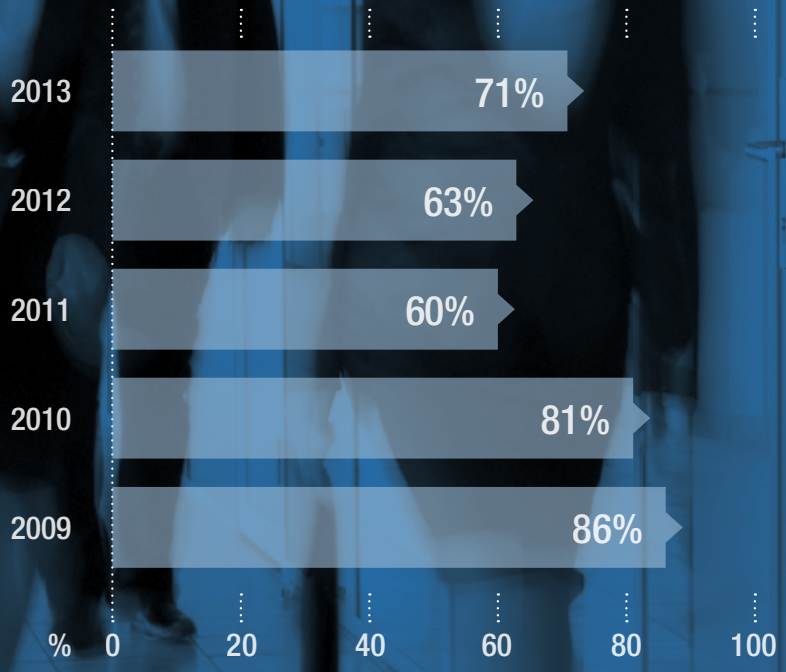


- Irish non-life insurance market remained flat in 2013 with only €100m movement from 2012.
- Continued reductions in insurable risks and values outweigh any rate increases.
- Lower investment returns – a "new norm" for premium pricing.

Source: Insurance Ireland Factfile 2012, plus estimates.

MANAGEMENT ANALYSIS (CONTINUED)

Claims Environment
Market Gross Loss Ratio



- Claim costs are up in 2013 due to an increase in the costs of personal injury claims.
- Industry benefited throughout 2013 from favourable weather conditions and no spike in property claims although weather events at the end of the year and into early 2014 may impact the claims environment for the year ahead.
- Reduction in the incidence of large claims.
- Economic activity and road safety measures reducing risk in the market.

Note: Market Gross Loss Ratio % = Gross Claims Incurred / Gross Earned Premium %
Source: Insurance Ireland Factfile 2012, plus estimates.

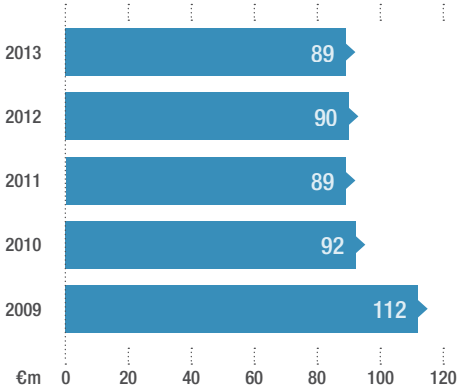
FINANCIAL HIGHLIGHTS

The Company's financial position remains strong and the sustainability of its earnings continues to be underpinned by strong financial management.

Gross Written Premium

99%

Retention rate



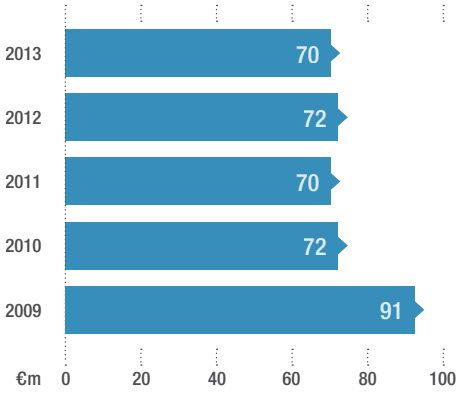
- Gross written premium flat over the last few years due to a combination of price reductions to members offset by new business.
- Solid overall performance in a reduced market.
- Retention rates of circa 99%.

2011 and prior results are restated under IFRS on a best estimate basis.

Net Written Premium

€70m

Net written premium in 2013 largely unchanged



- Prudent reinsurance policy in place.
- Reinsurance profile largely unchanged year on year.

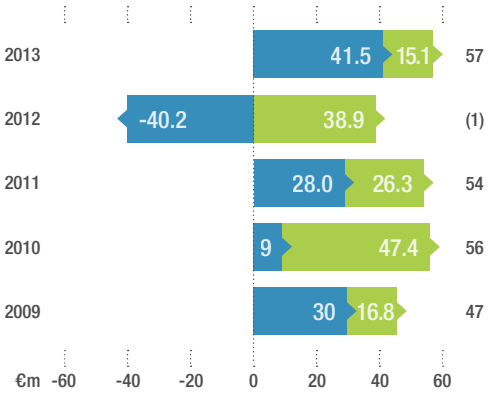
2011 and prior results are restated under IFRS on a best estimate basis.

FINANCIAL HIGHLIGHTS (CONTINUED)

Technical Underwriting Result – Net

€42m

Technical underlying underwriting result – net in 2013



Technical underlying underwriting result – net
Prior year releases and real yield adjustment

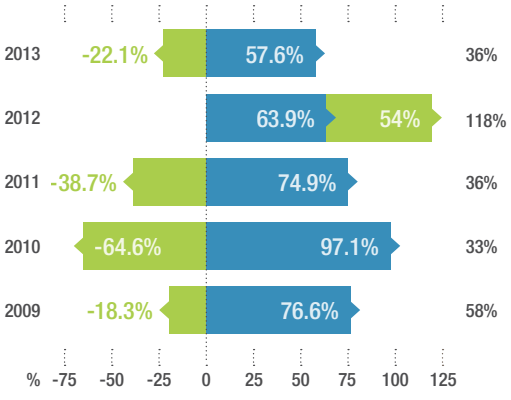
- Excellent underwriting performance 2009 to 2013; however, the reported underwriting result is boosted by prior year provision releases.
- Underlying underwriting profits achieved over the past 5 years.
- The reported underwriting profit in 2013 is due to a solid underwriting result combined with a reduced actuarial estimate for the cost of the real yield provision made in 2012.

Note: Excludes allocated investment income and operating costs. Prior year results are restated under IFRS on a best estimate basis.

Net Combined Ratio

58%

Underlying net combined ratio



Net combined ratio excluding real yield
Prior year releases and real yield adjustment

- Strong underwriting results, with underlying net combined ratio of 58%.
- A conservative reinsurance programme is maintained.
- The reserving policy is to create a 'best estimate' provision for claims and then add a provision for uncertainty.
- 2013 includes a €15m release net of reinsurance in respect of a potential fall in the discount rates used in pricing bodily injury awards. See note 3 in the financial statements for more detail.

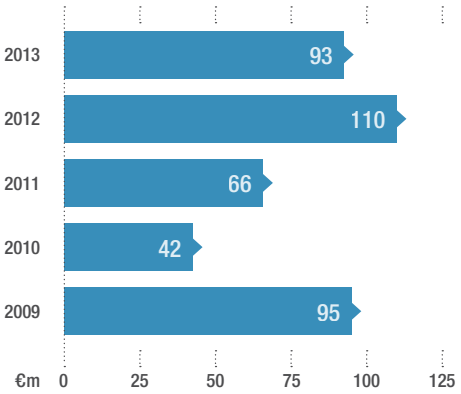
2011 and prior year results are restated under IFRS on a best estimate basis.

FINANCIAL HIGHLIGHTS (CONTINUED)

Surplus Before Tax

€93m

Surplus before tax in 2013



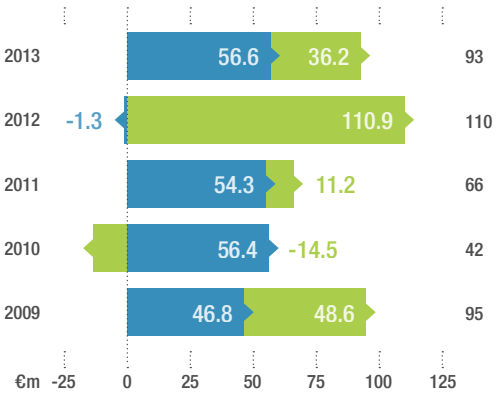
- A strong result in difficult times.
- The surplus before tax in 2013 is primarily driven by a strong investment result of €70m.

Note: The surplus before tax = profit before tax. 2011 and prior year results are restated under IFRS on a best estimate basis.

Surplus Before Tax Components

€57m

Technical underwriting result – net



Technical underwriting result – net
Investment result less operating costs

- The surplus before tax components over the past five years are shown in this chart.

Note: The surplus before tax = profit before tax. 2011 and prior year results are restated under IFRS on a best estimate basis.

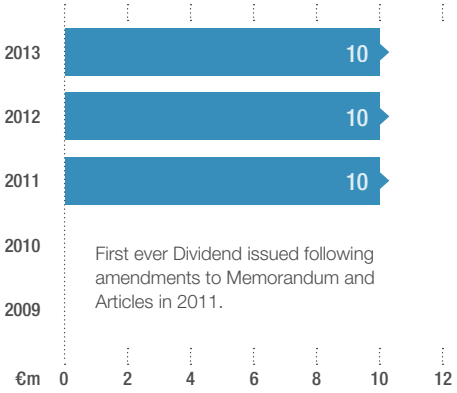
FINANCIAL HIGHLIGHTS (CONTINUED)

The solid financial position has allowed IPB to make a real difference to key stakeholders through its Members' Dividend and Social Dividend Fund.

Members' Dividend

€10m

Members dividend paid out for the past three years

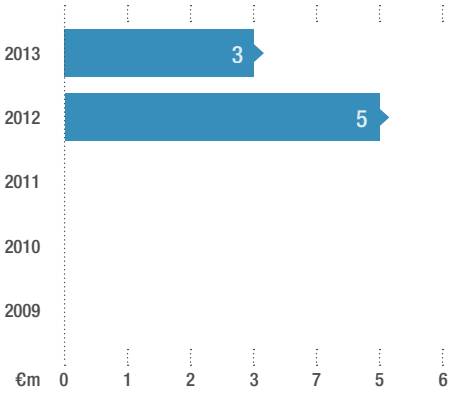


- The Members' Dividend of €10m in 2011, 2012 and 2013 underlines the Company's commitment to Members.

Social Dividend Fund

€3m

Social dividend fund for 2013



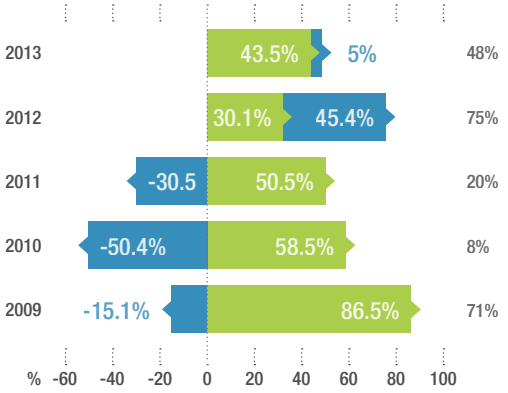
- A Social Dividend of €3m was allocated in 2013 (2012: €5m).
- The Social Dividend underlines the IPB commitment to make a real difference in the communities in which its Members operate.
- The total value of the Social Dividend Fund at the year-end is €6.4m.

CLAIMS AND LOSSES

Claims Gross Loss (Incurred) Ratio

43.5%

Underlying gross loss (incurred) ratio up from 30.1% in 2012



Gross loss (incurred) ratio prior year releases and real yield adjustment
Gross loss (incurred) ratio underlying

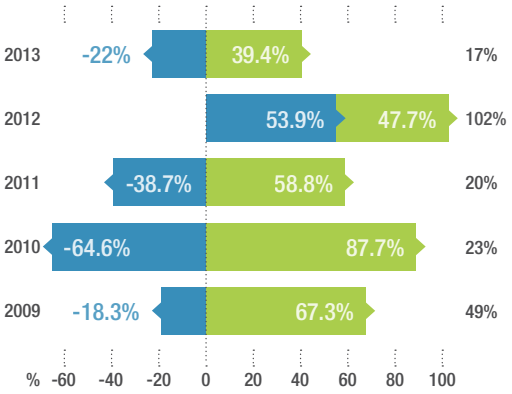
- The profile of the book is significantly weighted towards long term exposures.
- The Group only writes business which is within the risk appetite approved by the Board.
- 2013 includes a €4m gross of reinsurance provision in respect of a potential fall in the discount rate used in the pricing of bodily injury awards.

2011 and prior year results are restated under IFRS on a best estimate basis.

Claims Net Loss (Incurred) Ratio

39.4%

Underlying claims net loss (incurred) ratio shows a drop from 47.7% in 2012

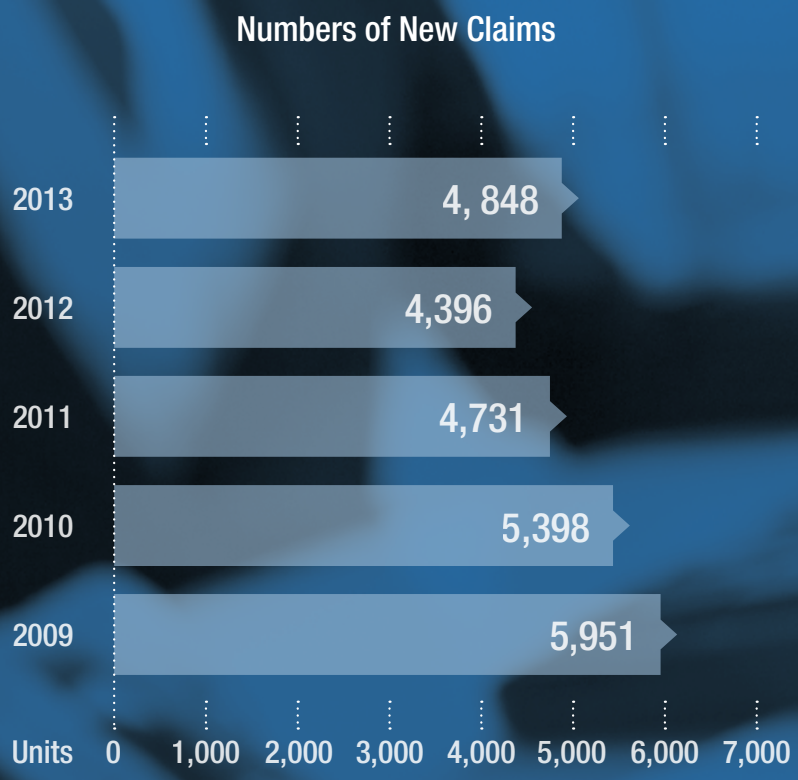


Net loss (incurred) prior year reserve releases and real yield adjustment
Net loss (incurred) ratio underlying

- The Group has benefited from settling large claims below the original provision levels in recent years.
- The reported net loss ratio decreased to 17% from 102% in 2012. This is primarily due to the impact of movements in the provision in respect of a potential fall in the discount rate used in the pricing of bodily injury awards and prior identification of additional reinsurance receivables which had not been fully recovered.
- The underlying net loss ratio has fallen to 39.4% from 47.7% in 2012.

2011 and prior year results are restated under IFRS on a best estimate basis.

CLAIMS AND LOSSES (CONTINUED)



- Claim numbers have risen by 452 (10%) to 4,848 between 2012 and 2013.
- Majority of this increase is due to an increase in the volume of smaller claims as a result of some members reducing or eliminating the excess levels on their policies.

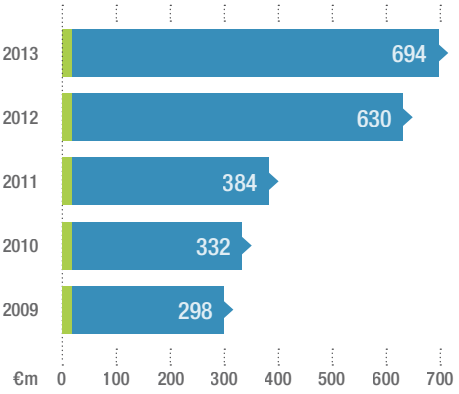
SOLVENCY

Very strong capital adequacy and prudent reserving.

Solvency I – Required Margin & Excess of Assets over Liabilities

€694m

Significant surplus capital under Solvency I



S I (Surplus Capital – €m's)
S I – Calculated Solvency Margin + 150% add on

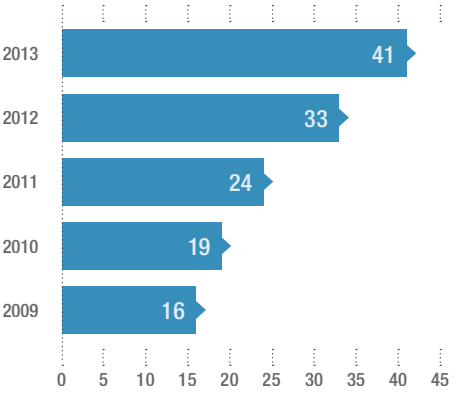
- The Group holds significant surplus regulatory and economic capital as well as holding sufficient capital to:
  – Cover latent risks inherent in its business.
  – Deliver on its strategic objectives.
  – Cover the additional capital required under Solvency II in the future.

2011 and prior year results are not restated under IFRS.

Solvency I: Required Margin Cover

41

Times the capital required under Solvency I



- The Group's reinsurance programme enables it to minimise volatility in earnings from large losses and catastrophic events.
- The overall solvency margin continues to remain strong with the cover representing 41 times the capital required under Solvency I.
- The Group's credit rating from Standard & Poor's is BBB+ with a stable outlook.
- The Group has set the minimum credit rating for reinsurers with which it transacts at A.

2011 and prior year results are not restated under IFRS.

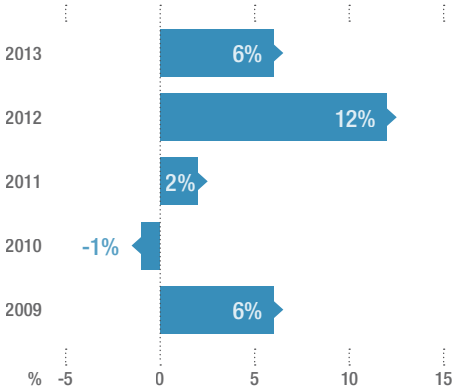
INVESTMENTS AND ASSET ALLOCATION

Strong, positive cash flows and a liquid portfolio.

Investment Returns

6%

Investment return represents a very strong performance for 2013



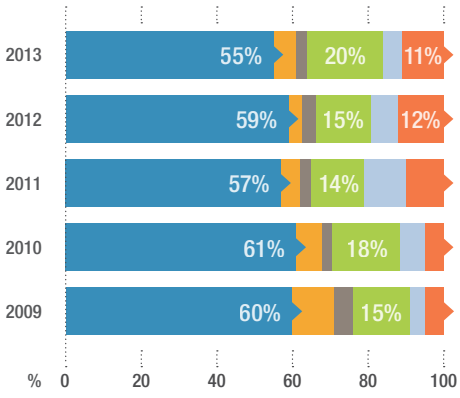
- The 6% investment return for the year represents a very strong performance. This return has been primarily driven by equity gains.
- The market value of the investment portfolio is €1.1bn.
- Investment returns reflect the volatility in the financial markets.
- An exceptional investment return of 12% was recorded in 2012.

2011 and prior year results are restated under IFRS on a best estimate basis.

Analysis of the Investment Portfolio

55%

of the portfolio invested in sovereign debt



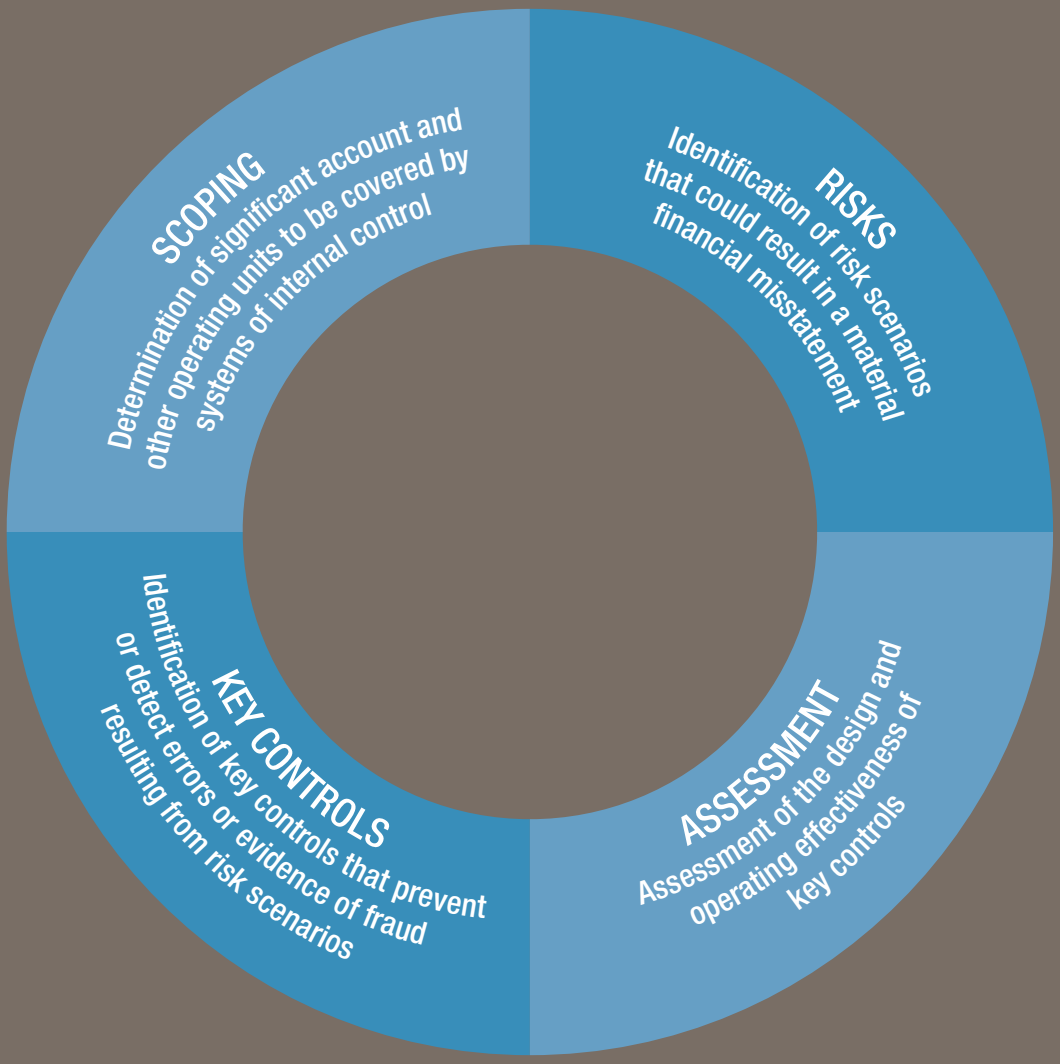
Loan and receivables and other
Cash and cash equivalents
Equity
Local Authority Loans
Corporate Bonds
Sovereign Debt

- The Group follows a high quality, low risk investment strategy.
- The Group focus is on high quality bonds and cash, with limited holdings in equities and property.
- The Group continued to take action to mitigate falling yields, whilst maintaining the overall high credit quality and diversification of the portfolio.

2011 and prior results are restated under IFRS on a best estimate basis.

CONTROLS AND ACCOUNTING POLICIES

Internal controls approach



CONTROLS AND ACCOUNTING POLICIES

Controls and procedures

It is Management's responsibility to produce the financial information contained in this report, which was recommended to the Board by the Audit Committee and approved by the Board.The Group's controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to the Group's Management. This includes the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO), Chief Business Development Officer (CBDO) and Chief Operating Officer (COO), as appropriate, to allow timely decisions regarding required disclosure.

Internal control over financial reporting

Management of the Group is responsible for establishing and maintaining adequate internal control over financial reporting. These controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions, acquisitions and disposals of the assets of the Group;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorisations of Management and Directors of the Group; and
- provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Group's Management acknowledges that its internal control over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, Management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Changes in internal control over financial reporting

There have been no significant changes that have materially affected the Group's internal control over financial reporting during the year ended 31 December 2013.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IRISH PUBLIC BODIES MUTUAL INSURANCES LIMITED

We have audited the financial statements of Irish Public Bodies Mutual Insurances Limited for the year ended 31 December 2013 which comprise the Group Financial Statements: the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Financial Statements: the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes 1 to 31. The financial reporting framework that has been applied in the preparation of the Group financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Director's Responsibilities Statement, the Directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances

FINANCIAL STATEMENTS

Independent Auditor's Report (continued)

and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the Group's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- the parent Company statement of financial position gives a true and fair view, in accordance with IFRSs, as adopted by the European Union, of the state of the parent Company's affairs as at 31 December 2013 and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2013.

Matters on which we are required to report by the Companies Acts, 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of accounts have been kept by the parent Company.
- The parent Company Statement of Financial Position is in agreement with the books of account.
- In our opinion the information given in the Directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts, 1963 to 2013 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Brian O'Callaghan
For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Audit Firm
Dublin
27 March 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

Approved by the Board
on 27 March 2013
Directors

Name	Note	2013 €'000	2012 €'000
Gross written premiums	4	88,692	90,125
Premiums ceded to reinsurers	4	(18,481)	(17,744)
Net written premiums		**70,211**	**72,381**
Change in the gross provision for unearned premiums	4	(1,765)	2,058
Change in the reinsurance provision for unearned premiums	4	–	–
Net earned premiums		**68,446**	**74,439**
Commission income	5	8,205	4,430
Net investment return	6	69,671	127,661
Other revenue		**77,876**	**132,091**
Total revenue		**146,322**	**206,530**
Gross claims paid	4	(73,680)	(76,880)
Claims ceded to reinsurers	4	3,131	13,786
Claims paid net of reinsurance		**(70, 549)**	**(63,094)**
Gross change in contract liabilities	4	31,562	7,347
Change in contract liabilities ceded to reinsurers	4	27,094	(19,945)
Net claims incurred		**(11,893)**	**(75,692)**
Operating expenses	7	(22,182)	(21,223)
Other Costs	29	(19,452)	–
Total claims and other expenses		**(53,527)**	**(96,915)**
Profit before tax		**92,795**	**109,615**
Tax expense	8	(14,255)	(13,887)
Profit for the year		**78,540**	**95,728**
Total comprehensive income for the year		**78,540**	**95,728**
Profit attributable to:			
Members		78,540	95,728

Consolidated Statement of Financial Position
As at 31 December 2013

Approved by the Board
on 27 March 2013
Directors

	Note	2013 €'000	2012 €'000
Assets			
Intangible assets	10	699	–
Property, plant and equipment	11	576	125
Investment properties	12	25,800	–
Financial assets			
Derivative financial instruments	13	625	126
Financial assets at fair value through profit or loss	14	895,427	854,237
Loans and receivables	14	121,476	165,106
Insurance assets	15	22,984	21,203
Reinsurance assets – Claims outstanding	16	63,075	35,982
Deferred tax assets	22	2,930	–
Current tax assets	8	1,295	–
Insurance receivables	17	6,260	4,797
Other receivables	18	987	21
Prepayments and accrued income	20	11,175	16,346
Cash and cash equivalents	21	47,742	65,546
Total assets		**1,201,051**	**1,163,489**
Equity			
Retained earnings		698,543	630,003
Total equity		**698,543**	**630,003**
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	16	18,089	16,324
Claims outstanding	16	465,139	496,701
Derivative financial instruments	13	1,051	57
Deferred tax liabilities	22	–	6,620
Current tax liabilities	8	–	320
Insurance payables	23	7,852	5,104
Trade and other payables	24	10,377	8,360
Total liabilities		**502,508**	**533,486**
Total equity and liabilities		**1,201,051**	**1,163,489**

Consolidated Statement of Changes In Equity

As at 31 December 2013

Approved by the Board
on 27 March 2013
Directors

	Note	Retained Earnings €'000	Total equity €'000
At 1 January 2013		**630,003**	**630,003**
Profit for the year		78,540	78,540
Total comprehensive income		**78,540**	**78,540**
Dividends paid during the year	9	(10,000)	(10,000)
At 31 December 2013		**698,543**	**698,543**
At 1 January 2012		**544,275**	**544,275**
Profit for the year		95,728	95,728
Total comprehensive income		**95,728**	**95,728**
Dividends paid during the year	9	(10,000)	(10,000)
At 31 December 2012		**630,003**	**630,003**

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

Approved by the Board
on 27 March 2013
Directors

	Note	2013 €'000	2012 €'000
Operating activities			
Gross premiums received		93,571	95,458
Reinsurance premiums paid		(18,723)	(17,861)
Commission received on reinsurance premiums paid		6,727	4,162
Claims paid gross		(72,980)	(75,360)
Claims reinsurance recoveries		3,036	19,413
Interest received		27,082	30,467
Dividends received		5,451	4,582
Operating expenses paid		(18,646)	(16,012)
Premiums paid to brokers		(4,139)	(1,665)
Commission earned on premiums paid to brokers		809	268
Cash generated from operating activities		**22,188**	**43,452**
Taxation paid		(24,074)	(13,372)
Net cash flows from operating activities		**(1,886)**	**30,080**
Investing activities			
Loans repaid by local authorities		3,966	3,489
Purchase of investments designated as fair value through profit or loss		(467,798)	(662,585)
Proceeds from sale of investments designated as fair value through profit or loss		459,283	644,011
Deposit paid on investment property		–	(2,380)
Purchase of investment property		(22,417)	–
Property rental income		2,124	–
(Decrease)/Increase in loans and receivables on deposit with credit institutions		39,703	(46,631)
Purchase of property and equipment		(490)	–
Purchase of subsidiary		(24,745)	–
Cash from Lelantos (formerly Brennan Insurances)		4,456	–
Net cash flows from/(used in) investing activities		**(5,918)**	**(64,096)**
Financing activities			
Dividends paid		(10,000)	(10,000)
Net cash flows from/(used in) financing activities		**(10,000)**	**(10,000)**
Liabilities			
Net (decrease)/increase in cash and cash equivalents	21	(17,804)	(44,016)
Cash and cash equivalents at 1 January	21	65,546	109,562
Cash and cash equivalents at 31 December	**21**	**47,742**	**65,546**

Company Statement of Financial Position
As at 31 December 2013

Approved by the Board
on 27 March 2013
Directors

	Note	2013 €'000	2012 €'000
Assets			
Intangible assets	10	699	–
Property, plant and equipment	11	576	125
Investment properties	12	25,800	–
Financial assets			
Derivative financial instruments	13	625	126
Financial assets at fair value through profit or loss	14	895,427	854,237
Loans and receivables	14	121,476	165,106
Insurance assets	15	22,984	21,203
Reinsurance assets – Claims outstanding	16	63,075	35,982
Deferred tax assets	22	2,930	–
Current tax assets	8	1,507	–
Insurance receivables	17	6,260	4,797
Other receivables	18	4,430	21
Prepayments and accrued income	20	11,175	16,346
Cash and cash equivalents	21	45,980	65,546
Total assets		**1,202,944**	**1,163,489**
Equity			
Retained earnings		697,834	630,003
Net cash flows from operating activities		**697,834**	**630,003**
Liabilities			
Insurance contract liabilities			
Provision for unearned premiums	16	18,089	16,324
Claims outstanding	16	465,139	496,701
Derivative financial instruments	13	1,051	57
Deferred tax liabilities	22	–	6,620
Current tax liabilities	10	–	320
Insurance payables	23	7,852	5,104
Trade and other payables	24	12,979	8,360
Total liabilities		**505,110**	**533,486**
Total equity and liabilities		**1,202,944**	**1,163,489**

Company Statement of Changes in Equity

As at 31 December 2013

Approved by the Board
on 27 March 2013
Directors

	Note	Retained Earnings €'000	Total Equity €'000
At 1 January 2013		**630,003**	**630,003**
Profit for the year		77,831	77,831
Total comprehensive income		77,831	77,831
Dividends payable/paid during the year	9	(10,000)	(10,000)
At 31 December 2013		**697,834**	**697,834**
At 1 January 2012		**544,275**	**544,275**
Profit for the year		95,728	95,728
Total comprehensive income		95,728	95,728
Dividends paid during the year	9	(10,000)	(10,000)
At 31 December 2012		**630,003**	**630,003**

Company Statement of Cash Flows

For the year ended 31 December 2013

Approved by the Board
on 27 March 2013
Directors

	Note	2013 €'000	2012 €'000
Operating activities			
Gross premiums received		90,230	95,458
Reinsurance premiums paid		(18,723)	(17,861)
Commission received on reinsurance premiums paid		6,727	4,162
Claims paid gross		(72,979)	(75,360)
Claims reinsurance recoveries		4,305	19,413
Interest received		27,069	30,467
Dividends received		5,451	4,582
Operating expenses paid		(19,424)	(16,012)
Premiums paid to brokers		(1,531)	(1,665)
Commission earned on premiums paid to brokers		294	268
Cash generated from operating activities		**21,419**	**43,452**
Taxation paid		(24,074)	(13,372)
Net cash flows from operating activities		**(2,655)**	**30,080**
Investing activities			
Loans repaid by local authorities		3,966	3,489
Purchase of investments designated as fair value through profit or loss		(467,798)	(662,585)
Proceeds from sale of investments designated as fair value through profit or loss		459,283	644,011
Deposit paid on investment property		–	(2,380)
Purchase of investment property		(22,417)	–
Property rental income		2,124	–
Increase in loans and receivables on deposit with credit institutions		39,703	(46,631)
Purchase of property and equipment		(490)	–
Purchase of subsidiary		(24,745)	–
Cash from Lelantos (formerly Brennan Insurance)		3,463	–
Net cash flows from/(used in) investing activities		**(6,911)**	**(64,096)**
Financing activities			
Dividends paid		(10,000)	(10,000)
Net cash flows from/(used in) financing activities		**(10,000)**	**(10,000)**
Liabilities			
Net (decrease)/increase in cash and cash equivalents	21	(19,566)	(44,016)
Cash and cash equivalents at 1 January	21	65,546	109,562
Cash and cash equivalents at 31 December	**21**	**45,980**	**65,546**

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

Irish Public Bodies Mutual Insurances Limited, trading as IPB Insurance ("the Company"), is a Mutual Company, limited by guarantee, incorporated and domiciled in Ireland. The Company along with its two subsidiary companies Lelantos and Paean Ltd. together are referred to as "the Group" in these financial statements. The principal activities of the Group continue to be the provision of a comprehensive insurance and risk management service to its Members and customers.

The consolidated financial statements were authorised in accordance with a resolution of the Directors on 27 March 2014.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Acts, 1963 to 2013 applicable to companies reporting under IFRS.

The consolidated statements have been prepared for the first time and therefore the comparatives are not consistent.

The Group elected to avail of the Section 148 (8) exemption which exempts Group companies from presenting a separate company only Statement of Comprehensive Income.

The financial statements have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value through the profit and loss.

The financial statements are prepared in euro and all values are rounded to the nearest thousand (€'000) except where otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra Group transactions, balances, income and expenses are eliminated on consolidation.

Judgements, estimates and assumptions

The Group's accounting policies are integral to understanding and interpreting the financial results reported in the financial statements. Some of these policies require Management to make estimates and subjective judgements that are difficult and complex, and often relate to matters that are inherently uncertain. The policies outlined below are considered to be particularly important to the presentation of the Group's financial position and results, because changes in the judgements and estimates could have a material impact on the financial statements. Judgements and estimates are adjusted in the normal course of business to reflect changes in underlying circumstances.

(a) Judgements

For certain accounting policies, there are different accounting treatments permitted under IFRS that would have a significant influence on the basis on which the financial statements are reported. In the process of applying the Group's accounting policies, Management have made judgements, apart from those involving estimations and assumptions, which have a significant effect on the amounts recognised in financial statements. These are discussed below.

(i) Fair value of financial instruments using valuation techniques

The Directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In the current market environment, such price information is typically not available for all instruments and the Group uses valuation techniques to measure such instruments. These techniques are "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Group estimates the non-market observable inputs used in its valuation models.

For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument.

Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

(b) Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Insurance contract liabilities

The classes of business written by the Group give rise to a significant degree of uncertainty concerning the ultimate cost of claims. Uncertainty arises for the following reasons in respect of the majority of policies written by the Group:

- Whether an event has occurred that would give rise to a policyholder suffering an insured loss;
- The extent of policy coverage and limits applicable;
- The amount of insured loss suffered by the policyholder;
- The timing of a settlement to the policyholder; and
- The costs associated with handling claims.

Estimates have to be made both for the expected cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be determined with certainty.

The Group uses estimation techniques, based on statistical analysis of past experience and future estimates, to calculate a range of estimated cost of claims outstanding at the reporting date, which is subjected to sensitivity analysis. These techniques take into account the characteristics of the Group's business. Provisions are calculated gross of any reinsurance recoveries. A separate provision is made for the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(ii) Fair value of financial assets and liabilities

The determination of fair value for financial assets and liabilities for which no observable market price requires the use of valuation techniques as described in note 14. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Assumptions

The main assumption is that the development pattern of the current claims will be consistent with previous experience while considering the likely future costs. Qualitative judgement is used to assess the extent to which past trends may not apply in future. These changes or uncertainties may arise from issues such as the effects of one-off occurrences, changes in external or market factors such as public attitudes to claiming, levels of claims inflation and the legal environment, or internal factors such as business mix and claims handling procedures. This leads to the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. Changes in assumptions about these factors could affect the reported fair value of insurance contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Insurance contracts

(a) Product classification

Insurance contracts are those contracts under which one party, the insurer, accepts significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insurance event, adversely affects the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. All insurance contracts entered into by the Group meet the definition of insurance contracts.

Reinsurance contracts are those contracts issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. All reinsurance contracts entered into by the Group meet the definition of reinsurance contracts.

(b) Premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in gross written premiums.

Premium adjustments for retrospectively rated policies are recognised as accrued income when the related losses are paid. A provision for premium adjustments for retrospectively rated policies is recognised when provision is made for the related losses.

Reinsurance premiums comprise the total premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts. Reinsurance premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

The reinsurer's share of premium adjustments for retrospectively rated policies is recognised as an insurance payable when the related losses are paid. A provision for the reinsurer's share of premium adjustments for retrospectively rated policies is recognised when provision is made for the related losses.

(c) Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on the twenty-fourths basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

(d) Claims incurred

Gross claims incurred include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

claims, a reduction for the value of salvage and other recoveries, and any adjustment to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claims are recognised according to the terms of the relevant reinsurance contract.

(e) Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for unearned premium, a provision for unallocated loss adjustment expenses, and, if required, the provision for premium deficiency.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred less any payments on account or part payments at the reporting date, whether reported or not, together with related claims handling costs. In addition, provision is made in respect of the Group's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland.

Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is calculated.

The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. The calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant technical provision. If these estimates show that the carrying amount of the unearned premiums is inadequate, the deficiency is recognised in the statement of comprehensive income by setting up a provision for premium deficiency.

(f) Reinsurance assets

Reinsurance assets represent balances due from reinsurance companies. Reinsurance assets include the reinsurance outstanding claims provision, and the reinsurers' share of the provision for unearned reinsurance premiums.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Reinsurance assets are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

(g) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, the carrying amount of insurance receivables approximate to their fair value.

Insurance receivables are derecognised when derecognition criteria for financial assets have been met.

(h) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration paid or payable less directly attributable transaction costs. Subsequent to initial recognition, insurance payables are measured at fair value.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

(i) Commission income

Commission income receivable on outward reinsurance contracts is deferred and earned on a straight line basis over the term of the reinsurance contract.

Insurance agency commissions, which do not require the provision of further services, are recognised as revenue on the effective commencement or renewal date of the related insurance policies.

Financial instruments

(a) Financial assets

Initial recognition and measurement

On initial recognition, financial assets may be categorised into one the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held to maturity financial assets; or
- Available for sale financial assets.

The classification depends on the purpose for which the investments were required. Management determines the classification of its investments at initial recognition.

The Group designates investments in equity and debt securities at fair value through profit or loss. This is in accordance with its investment strategy, under which the investment return is internally managed and evaluated on the basis of the total return on the investment.

Other financial investments consist of loans to Local Authorities and deposits with credit institutions with a maturity date in excess of three months. These investments are designated as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Financial assets arising from non-investment activities include cash and short-term deposits and insurance and other receivables.

A financial asset is initially recognised at fair value on the date the Group commits to purchase the asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in a marketplace are recognised on the trade date. In the case of all financial assets not classified at fair value through profit or loss, transaction costs are directly attributable to its acquisition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value, with changes in fair value recognised in net investment return in the statement of comprehensive income. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method (EIR),

Investment income is recognised in the statement of comprehensive income as part of the net investment return. Dividends on equity investments are recognised on the date at which the investment is priced 'ex-div'. Interest income on debt securities is accrued and recognised in the statement of comprehensive income using the coupon rate. Interest income on loans and receivables is recognised using the effective interest rate method.

Gains and losses arising on financial assets are recognised in net investment income in the statement of comprehensive income.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the investment have expired or have been transferred and when the Group has substantially transferred the risks and rewards of ownership of the asset.

(b) Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are designated as at fair value through profit or loss and recognised initially at fair value.

Subsequent measurement

Financial liabilities are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. Gains or losses are recognised in the statement of comprehensive income.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

(c) Derivative financial instruments

The Group uses forward currency contracts to limit its exposure to foreign currency transactions. These derivative financial instruments, which are designated as held for trading, are typically entered into with the intention to settle in the near future.

Derivatives are initially measured at fair value on the date the contract is entered into, and subsequently re-measured at fair value. Each derivative is carried as a financial asset when the fair value is positive and as a financial liability when the fair value is negative.

Gains or losses on assets or liabilities held for trading are recognised in net investment income in the income statement.

(d) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and cash in hand and short-term deposits with an original maturity of three months or less in the statement of financial position.

(e) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted exit price, without any deduction for transaction costs.

For financial assets and liabilities not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

(f) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Where there is objective evidence that an impairment loss has been incurred for financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit losses that have not yet incurred. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised as an expense in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the carrying amount of the asset is increased or decreased to the revised estimate of its recoverable

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

amount, but only to a level that does not exceed the carrying amount that would have been determined had the impairment not been recognised.

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Investment property

Investment property, comprising freehold and leasehold land and buildings is held for long term rental yields and is not occupied by the Group, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the value of investment property are included in the investment return in the income statement for the period in which they arise.

Business Combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associated or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill was acquired on the acquisition of Lelantos (formerly Brennan Insurances).

Investment in Subsidiary

Investments in subsidiaries held by the Company are carried at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Taxation

(a) Current tax

Tax assets and liabilities, for the current and prior periods, are measured at the amount expected to be recovered from or paid to the taxation authorities, using tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the statement of comprehensive income.

Current tax assets and liabilities are offset where a legally enforceable right exists to set off the recognised amounts and the Company intends to settle on a net basis, or to release the asset and settle the liability simultaneously.

(b) Deferred tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The exception to this is where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside the statement of comprehensive income is recognised outside of the statement of comprehensive income in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority.

Retirement Benefits

(a) Defined benefit scheme

The Company participated in an externally funded defined benefit pension scheme covering a former employee of the Company and other employees in participating employers until the acquisition of Lelantos (formerly Brennan Insurances) in June 2013.

(b) Defined contribution scheme

Contributions to defined contribution schemes are charged to the income statement on an accruals basis.

Dividend policy

The payment of a dividend in any year is at the sole discretion of the Board. The dividend is payable to current Members in proportion to the gross premium income derived from them in the most recent financial year less any commissions paid to third parties in respect of this business.

Dividends are recognised as a liability when approved by the Board.

Other accounting policies

(a) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives as follows:

- IT software – 20% per annum

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(b) Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and/or accumulated impairment losses, if any.

An item of equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the asset, and is taken into the income statement in the period the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, at each reporting date.

(c) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount for the individual asset. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. This impairment loss shall be recognised immediately in the statement of comprehensive income in the expense category consistent with the nature of the impaired asset.

An assessment is made, at each reporting date, as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount of that asset. The carrying amount of the asset shall be increased to its recoverable amount. This increase is a reversal of an impairment loss and shall not exceed the carrying amount that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior periods. The reversal of an impairment loss for an asset shall be recognised immediately in the statement of comprehensive income, unless it is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(d) Foreign currency translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

(e) Provisions including social dividend

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(f) Adoption of new or revised IFRS Accounting Standards and Interpretations:

As permitted under Irish Company Law, the Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The IFRS adopted by the EU and applied by the Company are those that were effective at 31 December 2013. These have been applied for the preparation of these financial statements. The following list provides a brief outline of the impact of new and amended IFRS interpretations that the Company has not yet adopted:

Standards issued, but not yet effective

Standards issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt the standards when they become effective.

Listing of Accounting standards that have amendments that are not yet effective	Mandatory for accounting periods starting on or after	Likely Impact
Amendments to IAS 19 – Nov 2013: Defined Benefit Plans: Employee Contributions	Not yet known	Not applicable as the Company does not operate a define benefit pension scheme
Amendments to IAS 39 – June 2013: Novation of Derivatives and Continuation of Hedge Accounting	01/01/2014	Limited impact on the Company
Amendments to IAS 36 – May 2013: Recoverable Amount Disclosures for Non-Financial Assets	01/01/2014	Limited impact on the Company
IFRIC 21: Levies	Not yet known	Limited impact on the Company
Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012): Investment Entities	01/01/2014	Limited impact on the Company
Amendments to IAS 32 – Dec 2011: Offsetting Financial Assets and Financial Liabilities	01/01/2014	Limited impact on the Company
IFRS 12: Disclosure of Interests in Other Entities	01/01/2014	Limited impact on the Company
IFRS 11: Joint Arrangements	01/01/2014	Limited impact on the Company
IFRS 10: Consolidated Financial Statements	01/01/2014	Limited impact on the Company
IAS 28 (revised May 2011): Investments in Associates and Joint Ventures	01/01/2014	Limited impact on the Company
IAS 27 (revised May 2011): Separate Financial Statements	01/01/2014	Limited impact on the Company

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

3. Change in Accounting Estimate

The Directors anticipate that the adoption of the other Standards and Interpretations listed above will have no material impact (other than on presentation and disclosure) on the financial standards of the Company in future periods.

3. Change in Accounting Estimate

An accounting estimate – impact of claim provisions of a real yield fall

Current Irish practice in relation to bodily injury awards are based on the use of a discount rate (real yield) of approximately 3% per annum, which was determined in the Boyne Judgement in 2002. However, real yields underlying the pricing of financial investments are currently running significantly below this level.

Future loss of earnings might be expected to increase in line with earnings inflation while future cost of care might be expected to increase in line with medical costs inflation. Historically, both earnings inflation and medical costs inflation have exceeded consumer price inflation, and we consider that this pattern is likely to continue in future.

This implies the following approximate increase in claims reserves as at 31 December 2013 if real yields reduce immediately from 3% per annum to the levels shown:

New real yield level % p.a.	Increase in projected reserves (gross) € million	Increase in projected reserves (net) € million
2.5	7.0	5.2
2.0	15.1	10.9
1.5	24.5	16.9
1.0	35.5	23.5
0.5	48.6	30.8
0.0	64.3	39.4
(0.5)	83.4	49.3
(1.0)	106.9	60.9
(1.5)	136.2	74.8
(2.0)	173.2	91.1

The figures in the table above are subject to a substantial degree of uncertainty and are intended to be indicative of the approximate change in case estimates which might be caused by a reduction in the applicable discount rate.

The provision for the real yield is based on a probability weighted average of all future scenarios. This has resulted in a net provision at year-end of €33.2m (2012: €48m) which equates to an effective discount rate of 0.3% at year-end (2012: 0.5%).

The amount of the effect in future periods is not disclosed because estimating it is impractical due to the lack of available market evidence.

NOTES TO THE FINANCIAL STATEMENTS

3. Change in Accounting Estimate (continued)

The table below provides an overview of the impact on the statement of comprehensive income and the statement of financial position of the accounting estimate change in respect of the real yield.

Analysis of the real yield provision change on the statement of comprehensive income	2013 €'000	2012 €'000
Gross of reinsurance – increase to claims incurred	(4,310)	(41,800)
Net of reinsurance – increase to net claims incurred	15,127	(39,900)

Analysis of the real yield provision change on the statement of financial position	2013 €'000	2012 €'000
Gross of reinsurance – increased gross claim provisions	4,310	41,800
Net of reinsurance – increased/(decreased) net claim provisions	(15,127)	39,900
Total provision gross of reinsurance	**55,710**	**51,400**
Total provision net of reinsurance	**33,173**	**48,300**

Change in accounting estimate – Useful lives and residual values of Intangible assets

During the current year the Directors determined that the estimated useful lives of IT software should be shortened from 10 years to 5 years. The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to increase the consolidated amortisation expense in the current financial year and for the next 4 years, by the following amounts:

Impact on future profit	€'000
2014	118
2015	118
2016	109
2017	4

NOTES TO THE FINANCIAL STATEMENTS

4. Analysis of Underwriting Result

4. Analysis of Underwriting Result

Analysis of underwriting result 2013	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	55,624	23,942	6,022	3,104	88,692
Premium ceded to reinsurers	(3,949)	(13,912)	(404)	(216)	(18,481)
Change in the gross provision for unearned	(1,394)	(292)	(91)	12	(1,765)
Changes in the reinsurance provision for unearned premiums	–	–	–	–	–
Net earned premiums	**50,281**	**9,738**	**5,527**	**2,900**	**68,446**
Gross claims paid	(59,850)	(7,489)	(5,629)	(712)	(73,680)
Claims recovered from reinsurers	(520)	3,652	(1)	–	3,131
Gross change in contract liabilities	24,188	6,049	2,836	(1,511)	31,562
Change in contract liabilities recovered from reinsurers	24,013	3,150	(69)	–	27,094
Net claims incurred	**(12,169)**	**5,362**	**(2,863)**	**(2,223)**	**(11,893)**
Technical underwriting result – net	**38,112**	**15,100**	**2,664**	**677**	**56,553**
Commission income	5,146	2,215	557	287	8,205
Operating expenses	(12,031)	(5,178)	(1,302)	(671)	(19,182)
Net underwriting result	**31,227**	**12,137**	**1,919**	**293**	**45,576**
Net investment return	43,695	18,807	4,731	2,438	69,671
Other operating expenses	(1,882)	(810)	(204)	(104)	(3,000)
Other costs	(12,199)	(5,251)	(1,321)	(681)	(19,452)
Profit before taxation	**60,841**	**24,883**	**5,125**	**1,946**	**92,795**
Net insurance liabilities	**384,166**	**10,542**	**21,720**	**3,725**	**420,153**

Other operating expenses relate to the social dividend (see note 7 (e)). Other costs relate to the goodwill impairment on acquisition of Lelantos (formerly Brennan Insurances) and the gain on sale of the brokerage business (see note 29). The allocation of commission income, net investment return, operating costs and other costs is based on gross written premium.

NOTES TO THE FINANCIAL STATEMENTS

4. Analysis of Underwriting Result (continued)

Analysis of underwriting result 2012	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	56,101	24,654	6,308	3,062	90,125
Premium ceded to reinsurers	(3,676)	(13,460)	(396)	(212)	(17,744)
Change in the gross provision for unearned premiums	1,446	82	520	10	2,058
Net earned premiums	**53,871**	**11,276**	**6,432**	**2,860**	**74,439**
Gross benefits and claims paid	(58,759)	(11,859)	(5,865)	(397)	(76,880)
Claims recovered from reinsurers	6,688	7,098	–	–	13,786
Gross change in contract liabilities	(4,412)	10,120	2,062	(423)	7,347
Change in contract liabilities recovered from reinsurers	(8,896)	(8,663)	(2,386)	–	(19,945)
Net claims incurred	**(65,379)**	**(3,304)**	**(6,189)**	**(820)**	**(75,692)**
Technical underwriting result – net	**(11,508)**	**7,972**	**243**	**2,040**	**(1,253)**
Commission income	2,757	1,212	310	151	4,430
Operating expenses	(10,099)	(4,438)	(1,135)	(551)	(16,223)
Net underwriting result	**(18,850)**	**4,746**	**(582)**	**1,640**	**(13,046)**
Net investment return	79,467	34,922	8,935	4,337	127,661
Other operating expenses	(3,113)	(1,368)	(350)	(169)	(5,000)
Profit before taxation	**57,504**	**38,300**	**8,003**	**5,808**	**109,615**
Net insurance liabilities	**432,250**	**18,156**	**24,396**	**2,241**	**477,043**

Other operating expenses relate to the social dividend (see note 7 (e)). The allocation of commission income, net investment return, operating costs and other costs is based on gross written premium.

NOTES TO THE FINANCIAL STATEMENTS

5. Commission Income

6. Net Investment Return

5. Commission Income

Analysis of commission income	2013 €'000	2012 €'000
Commission income	1,478	268
Reinsurance commission income	6,727	4,162
Total commission income	**8,205**	**4,430**

Commission income is earned by the Group on contracts where the Group places insurance contracts with another insurance company, rather than underwriting the business itself. Reinsurance commission reflects the amounts allowed by the Group's reinsurers to cover administration and other expenses.

6. Net Investment Return

Analysis of net investment return 2013	Investment income €'000	Net realised gains/ (losses) €'000	Net unrealised gains/ (losses) €'000	FX gains/ (losses) €'000	Investment expenses €'000	Total Investment return €'000
Investment properties	1,729	–	1,003	–	–	2,732
At fair value through profit or loss						
Debt securities	21,873	15,852	(17,229)	(6,567)	–	13,929
Equity securities	5,544	16,028	27,119	(1,580)	–	47,111
Loans and receivables						
Loans to local authorities	508	–	–	–	–	508
Deposits with credit institutions	3,521	–	–	–	–	3,521
Cash and cash equivalents	169	–	–	(11)	–	158
Derivatives	–	–	–	2,479	–	2,479
Investment expenses	–	–	–	–	(767)	(767)
Total net investment return	**33,344**	**31,880**	**10,893**	**(5,679)**	**(767)**	**69,671**

NOTES TO THE FINANCIAL STATEMENTS

6. Net Investment Return (continued)

Analysis of net investment return 2012	Investment income €'000	Net realised gains/ (losses) €'000	Net unrealised gains/ (losses) €'000	FX gains/ (losses) €'000	Investment expenses €'000	Total Investment return €'000
Investment properties	–	–	–	–	–	–
At fair value through profit or loss						
Debt securities	23,503	12,496	55,135	1,833	–	92,967
Equity securities	4,667	(11,101)	36,511	27	–	30,104
Loans and receivables						–
Loans to local authorities	672	–	–	–	–	672
Deposits with credit institutions	4,029	–	–	–	–	4,029
Cash and cash equivalents	679	–	–	(118)	–	561
Derivatives	–	–	–	(142)	–	(142)
Investment expenses	–	–	–	–	(530)	(530)
Total net investment return	**33,550**	**1,395**	**91,646**	**1,600**	**(530)**	**127,661**

Investment income includes interest earned on debt securities and cash and cash equivalents, interest income calculated using the effective interest rate on loans to Local Authorities and deposits with credit institutions for a period of three months or more, and dividends receivable on equity securities. Investment expenses are also included in net investment return, these expenses were included in operating expenses in 2012.

NOTES TO THE FINANCIAL STATEMENTS

7. Total Operating Expenses

7. Total Operating Expenses

7(a) Operating Expenses

Analysis of other operating expenses	2013 €'000	2012 €'000
Outsourcing costs – Brennan Insurances (note 29)	7,618	10,139
Directors remuneration (note 7(b))	1,412	1,000
Employee benefits expense (note 7(c))	4,588	2,059
Amortisation on intangibles (note 10)	118	–
Depreciation on equipment (note 11)	39	38
Auditors' remuneration (note 7(d))	227	242
Deferred expenses (note 19)	–	78
Social dividend fund (note 7(e))	3,000	5,000
Legal and professional fees	2,569	913
Marketing	711	335
Other expenses	1,900	1,419
Total operating expenses	**22,182**	**21,223**

Investment expenses were previously included under operating expenses however during 2013 it was decided to include these in the net investment return result. This change has been reflected in both 2013 and 2012.

7(b) Directors' remuneration

An analysis of the Directors' remuneration is outlined in the Directors' Remuneration report. Directors' remuneration is as follows:

Analysis of directors' remuneration	2013 €'000	2012 €'000
Directors' remuneration – salaries, benefits and fees	1,335	909
Directors' remuneration – pensions	77	65
Directors' remuneration – compensation for loss of office or retirement	–	26
Total directors' remuneration	**1,412**	**1,000**

Directors' remuneration includes salaries paid to Executive Directors during the period. The 2013 Directors remuneration includes the full year costs for the CFO and CRO. In 2012 the cost reflects the amounts payable from the date that both were appointed as Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

7. Total Operating Expenses (continued)

7(c) Employee benefits expense

Analysis of employee benefits expense	2013 €'000	2012 €'000
Staff costs – salaries and benefits	4,449	1,274
Staff costs – social welfare	592	211
Staff costs – pensions (note 25)	(453)	574
Total employee benefits expense	**4,588**	**2,059**

The increase in the 2013 wages and salaries is due to the acquisition of Lelantos (formerly Brennan Insurances) and the transfer of staff to the Company. The average number of full-time equivalents employed by the Group in the financial year was:

Employee numbers	2013	2012
Permanent staff	115	8

The actual number of full time equivalents employed by the business at 31 December 2013 was 103 (2012: 8). The increase in staff is due to the acquisition of Lelantos (formerly Brennan Insurances) in June.

7(d) Auditors' remuneration

An analysis of the auditors' remuneration is set out below:

Analysis of auditors' remuneration	2013 €'000	2012 €'000
Fees and expenses paid to our statutory auditors are analysed as follows:		
Audit of the financial statements	114	120
Other assurance services	113	65
Tax advisory	–	57
Total auditors' remuneration	**227**	**242**

The 2012 audit fees relate to the fees paid to Ernst & Young as auditors whereas the 2013 figures relate to Deloitte only. Auditors' remuneration (excluding value added tax) in 2013 for audit services is €0.114m (2012: €0.120m) and for non-audit services is €0.113m (2012: €0.122m). The non-audit services relate to internal audits carried out prior to the appointment of Deloitte as auditors. The Board and the Audit Committee review on an on-going basis the level of fees and are satisfied that they have not affected the independence of the auditors.

NOTES TO THE FINANCIAL STATEMENTS

7. Total Operating Expenses (continued)

8. Tax Charge on Profit on Ordinary Shares

7(e) Social dividend

At the AGM in 2013, the Company announced its commitment to a €3m (2012: €5m) Social Dividend Fund, as part of its Corporate Social Engagement (CSE) framework. To guide the development, implementation and management of the CSE framework, a Steering Group has been formed, reporting to the Board of Directors.

8. Tax Charge on Profit on Ordinary Activities

8(a) Current tax year charge

Tax charge on profit on ordinary activities	2013 €'000	2012 €'000
Analysis of charge for year:		
Tax charge based on the results for the year is as follows:		
Current tax:		
Taxation on foreign dividends	861	(300)
Tax charge	(13,528)	(15,453)
Adjustment in respect of prior years	(10,836)	(50)
Total current tax charge	**(23,503)**	**(15,803)**
Deferred tax:		
Origination and reversal of timing differences	9,248	1,916
Total deferred tax (charge) credit (note 22)	**9,248**	**1,916**
Tax charge on profit on ordinary activities (note (8b))	**(14,255)**	**(13,887)**

Trading income is subject to corporation tax at the rate of 12.5%.

NOTES TO THE FINANCIAL STATEMENTS

8. Tax Charge on Profit on Ordinary Shares (continued)

9. Dividends Paid and Proposed

8(b) Tax Charge on Profit on Ordinary Activities

The tax assessed for the year is higher than the standard rate of corporation tax due to the differences as explained below:

Tax charge on profit on ordinary activities analysis	2013 €'000	2012 €'000
Profit on ordinary activities before tax	92,795	109,615
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	11,599	13,702
Effect of:		
Expenses not deductible for tax purposes	405	418
Disallowable loan write off	2,547	–
Adjustment in respect of prior years	733	50
Chargeable gain on sale of brokerage business	263	–
Income taxed at higher rate	17	–
Taxation on foreign dividends	(861)	300
Income not subject to tax	(448)	(583)
Tax charge	**14,255**	**13,887**

The total tax charge in future periods will be affected by any changes in the corporation tax rate.

Current tax assets and liabilities

The current tax assets relate to withholding tax amounts which are refundable to the Group of €0.9 million and a corporation tax refund of €0.4 million which is due to the Group. The current tax liabilities relate to amounts which are payable by the Company.

9. Dividends paid and proposed

Dividend paid and proposed *Group and Company*	2013 €'000	2012 €'000
Declared and payable during the year:		
Interim dividend	10,000	10,000
Total dividends paid in the year	**10,000**	**10,000**

The payment of a dividend in any year is at the sole discretion of the Board. Payment in any one year does not entitle Members to payment in subsequent years. Any dividend payment respects the sanctity of the financial strength of the Group. The proposed interim dividend for approval at the 2014 AGM is not recognised as a liability in the 2013 financial statements.

NOTES TO THE FINANCIAL STATEMENTS

10. Intangible Assets

10. Intangible Assets

Intangible assets *Group and Company*	IT software €'000	Total €'000
Cost		
Balance at 1 January 2012	–	–
Additions	–	–
Balance at 1 January 2013	–	–
Additions	–	–
Acquisitions through business combinations	817	817
Balance at 31 December 2013	**817**	**1,183**
Amoritisation		
Balance at 1 January 2012	–	–
Amoritisation for the year	–	–
Balance at 1 January 2013	–	–
Amoritisation for the period	(118)	(118)
Balance at 31 December 2013	**(118)**	**484**
Carrying amounts		
Balance at 31 December 2011	–	–
Balance at 31 December 2012	–	–
Balance at 31 December 2013	**699**	**699**

NOTES TO THE FINANCIAL STATEMENTS

11. Property, Plant and Equipment

12. Investment Properties

11. Property, Plant and Equipment

Property, Plant and Equipment *Group and Company*	Fixtures & Fittings €'000	IT hardware €'000	Construction in progress €'000	Total €'000
Cost				
Balance at 1 January 2012	154	13	–	167
Additions	–	–	–	
Balance at 31 December 2012	154	13	–	167
Additions	7	–	483	490
Balance at 31 December 2013	**161**	**13**	**483**	**657**
Depreciation				
Balance at 1 January 2012	(3)	(1)	–	(4)
Depreciation for the year	(34)	(4)	–	(38)
Balance at 31 December 2012	(37)	(5)	–	(42)
Depreciation for the year	(35)	(4)	–	(39)
Balance at 31 December 2013	**(72)**	**(9)**	**–**	**(81)**
Carrying amounts				
Balance at 1 January 2013	117	8	–	125
Balance at 31 December 2013	**89**	**4**	**483**	**576**

12. Investment Properties

Investment properties *Group and Company*	2013 €'000	2012 €'000
Balance at 1 January	–	–
Additions	24,797	–
Unrealised gains/(losses)	1,003	–
Balance at 31 December	**25,800**	**–**
Rental income derived from investment properties	1,729	–
Income for the period	**1,729**	**–**

NOTES TO THE FINANCIAL STATEMENTS

13. Derivative Financial Instruments

13. Derivative Financial Instruments

The Group is exposed to currency risks arising from the foreign currency investments it holds, mainly Norwegian debt securities and Sterling denominated equity securities. The Group enters into forward currency agreements, normally for a six month period to reduce foreign currency risk. These derivative instruments are held for trading and not as hedging instruments.

The following table shows the fair value of derivative financial instruments, recorded as net assets or liabilities on an individual contract basis, together with their underlying principal.

Derivative financial instruments – held for trading *Group and Company*	**Assets €'000**	**Liabilities €'000**	**Underlying principal '000**
Balance at 31 December 2013			
Forward foreign exchange contracts	371	135	NOK 250,000
Forward foreign exchange contracts	–	848	STG 37,500
Forward foreign exchange contracts	165	–	USD 10,000
Forward foreign exchange contracts	80	43	SEK 80,000
Forward foreign exchange contracts	–	25	CHF 5,000
Forward foreign exchange contracts	9	–	DKK 115,000
Total financial instruments held for trading	**625**	**1,051**	
Balance at 31 December 2012			
Forward foreign exchange contracts	97	–	NOK 80,000
Forward foreign exchange contracts	29	15	STG 8,000
Forward foreign exchange contracts	–	42	USD 3,000
Total financial instruments held for trading	**126**	**57**	

The presentation has been amended for reporting the foreign currency forward derivatives that the Group hold for the purposes of hedging the exposure to foreign currency movements. Previously the Group showed all forward purchases as liabilities and all forward sales as assets resulting in large gross numbers (€23.04m and €22.97m at the end of 2012). The Group now just record these as assets or liabilities depending on whether the net result of each forward contract (a sale and a purchase at a future date) results in the Group making a gain or a loss depending on current market prices. There is no net effect of this change on the P&L, but there is a change in the total level of assets and liabilities shown.

NOTES TO THE FINANCIAL STATEMENTS

14. Other Financial Assets and Liabilities

14. Other Financial Assets and Liabilities

Financial instruments other than derivative financial instruments are summarised by the following categories:

Other financial assets *Group and Company*	**2013 €'000**	**2012 €'000**
Designated as at fair value through profit or loss		
Debt securities	680,131	695,240
Equity securities	215,296	158,997
Total financial assets designated as at fair value through profit or loss	**895,427**	**854,237**
Loans and receivables		
Loans to local authorities	30,510	34,328
Deposits with credit institutions	90,966	130,778
Total loans and receivables at amortised cost	**121,476**	**165,106**
Total other financial assets	**1,016,903**	**1,019,343**

The Group ceased providing new loans to Local Authorities in 2009 (see note 29). Balances outstanding are monitored on a monthly basis.

Determination of fair value and the fair value hierarchy

The Group held the following financial instruments carried at fair value: debt securities, equity securities and derivatives.

The Group held the following loans and receivables at amortised cost: Loans to local authorities and deposits with credit institutions.

The valuation technique for determining and disclosing the fair value hierarchy of financial instruments is as follows:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets and liabilities,
- Level 2 – other techniques, including prices received from brokers, for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly,
- Level 3 – techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS

14. Other Financial Assets and Liabilities (continued)

The following tables provide an analysis of financial assets that are measured subsequent to initial recognition at fair value grouped into Level 1 to 3 based on the degree to which the fair value is observable.

Fair value hierarchy *Group and Company* 2013	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial assets	–	625	–	625
Financial assets designated at fair value through profit or loss				
Debt securities	626,968	53,163	–	680,131
Equity securities	213,139	2,156	1	215,296
Loans and receivables				
Loans to local authorities	–	–	30,510	30,510
Deposits with credit institutions	–	–	90,966	90,966
Total assets	**840,107**	**55,944**	**121,477**	**1,017,528**
Derivative financial liabilities	–	1,051	–	1,051
Total liabilities	**–**	**1,051**	**–**	**1,051**

Fair value hierarchy *Group and Company* 2012	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial assets	–	126	–	126
Financial assets designated at fair value through profit or loss				
Debt securities	645,360	49,880	–	695,240
Equity securities	150,661	8,320	16	158,997
Loans and receivables				
Loans to local authorities	–	–	34,328	34,328
Deposits with credit institutions	–	–	130,778	130,778
Total assets	**796,021**	**58,326**	**165,122**	**1,019,469**
Derivative financial liabilities	–	57	–	57
Total liabilities	**–**	**57**	**–**	**57**

NOTES TO THE FINANCIAL STATEMENTS

14. Other Financial Assets and Liabilities (continued)

Prior Year Presentation Changes

The presentation has been amended for reporting the foreign currency forward derivatives that the Group hold for the purposes of hedging the exposure to foreign currency movements. Previously the Group showed all forward purchases as liabilities and all forward sales as assets resulting in large gross numbers (€23.04m and €22.97m at the end of 2012). The Group now just record these as assets or liabilities depending on whether the net result of each forward contract (a sale and a purchase at a future date) results in the Group making a gain or a loss depending on current market prices. There is no net effect of this change on the P&L, but there is a change in the total level of assets and liabilities shown.

Movement in Level 3 financial instruments measured at fair value

The table below shows a reconciliation of Level 3 fair value measurement of financial assets.

Reconciliation of level 3 measurement of financial instruments *Group and Company*	**2013 €'000**	**2012 €'000**
Balance at 1 January	165,122	120,696
Transfer from level 1	–	9
Movements in loans and receivables balances	(43,630)	44,736
Unrealised gains/(losses)	(15)	(319)
Balance at 31 December	**121,477**	**165,122**

Level 3 financial instruments consist mainly of equities which no longer have an active market and loans and receivables which are measured at amoritised cost.

During 2012, the Company transferred certain financial instruments from Level 1 to Level 3 of the fair value hierarchy, as per the table below. The reason for the change in level is that the market for these securities had become inactive, which has led to a change in the method used to determine fair value Prior to transfer, the fair value for Level 1 securities was determined using quoted prices in active markets. Since transfer, those assets have been valued using valuation models incorporating non-market observable inputs.

Transfers from level 1 to level 3 *Group and Company*	**2013 €'000**	**2012 €'000**
Financial assets designated at fair value through profit or loss		
Equity securities	–	9

There have been no transfers from Level 2 to Level 3 in 2012 or 2013.

NOTES TO THE FINANCIAL STATEMENTS

14. Other Financial Assets and Liabilities (continued)

15. Insurance Assets

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The assumption used for level 3 investments is that they relate to securities in liquidation and securities carried at amortised cost and this is why they are classified as level 3. The Group assumes that all loans and receivables are fully recoverable. The following table shows the impact on the fair value of Level 3 instruments of using reasonable possible alternative assumptions by class of instrument:

Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions *Group and Company*	2013 Carrying amount €'000	2013 Effect of reasonable possible alternative assumptions (+/-)	2012 Carrying amount €'000	2012 Effect of reasonable possible alternative assumptions (+/-)
Financial assets designated at fair value through profit or loss				
Equity securities	1	(1)	16	(1)
Loans and receivables	121,476	–	165,106	–
Balance at 31 December	**121,477**	**(1)**	**165,122**	**(1)**

15. Insurance Assets

Insurance assets relate to retro rated premiums that will become due from customers once certain claims are settled. Retro rated premiums arise under an insurance risk financing plan under which the insured pays a premium based on actual loss experience incurred during the policy period. The premium adjustments made over the life of the plan are based on incurred losses, which takes into consideration the outstanding reserves and expenses of the claims in addition to the actual paid indemnity and medical costs.

Insurance assets *Group and Company*	2013 €'000	2012 €'000
Insurance assets – retro rated premiums	22,984	21,203

NOTES TO THE FINANCIAL STATEMENTS

16. Insurance Liabilities

16. Insurance Liabilities

(a) The following table show an analysis of the insurance contract liabilities.

Contract liabilities *Group and Company*	2013 Insurance contract liabilities €'000	2013 Reinsurance Assets €'000	2013 Net €'000	2012 Insurance Contract Liabilities (+/-)	2012 Reinsurance Assets €'000	2012 Net €'000
Provision for reported claims by policyholders	356,025	37,610	318,415	385,089	28,593	356,496
Provision for claims adverse deviations	109,114	25,465	83,649	111,612	7,389	104,223
Outstanding claims provision	**465,139**	**63,075**	**402,064**	**496,701**	**35,982**	**460,719**
Provision for unearned premiums	18,089	–	18,089	16,324	–	16,324
Total contract liabilities	**483,228**	**63,075**	**420,153**	**513,025**	**35,982**	**477,043**

(b) The following table shows the movement in the gross and reinsurance claims provision.

Movements in gross outstanding claims provision *Group and Company*	2013 €'000	2012 €'000
Carrying amount at 1 January	**496,701**	**504,047**
Increase in estimated claim losses and expenses incurred in the current year	94,457	88,526
Decrease in estimated claim losses and expenses incurred in prior years	(56,649)	(60,819)
Change in provision for real yield	4,310	41,827
Incurred claims losses and expenses	**42,118**	**69,534**
Less		
Payments made on claims incurred in the current year	(5,073)	(2,610)
Payments made on claims incurred in prior years	(68,607)	(74,270)
Claims payments made in the year	**(73,680)**	**(76,880)**
Carrying amount at 31 December	**465,139**	**496,701**

NOTES TO THE FINANCIAL STATEMENTS

16. Insurance Liabilities (continued)

(c) The following table shows the movement in the reinsurance recoverable provision.

Movements in reinsurance recoverable *Group and Company*	2013 €'000	2012 €'000
Carrying amount at 1 January	**35,982**	**55,926**
Increase in estimated reinsurance recoverable in the current year	5,904	4,406
(Decrease)/increase in estimated reinsurance recoverable incurred in prior years	4,883	(12,506)
Change in provision for reduction in real yield	19,437	1,942
Incurred claims losses and expenses	**30,224**	**(6,158)**
Less		
Reinsurance recovered on claims incurred in the current year	(720)	(315)
Reinsurance recovered on claims incurred in prior years	(2,411)	(13,471)
Claims payments made in the year, net of recoveries	**(3,131)**	**(13,786)**
Carrying amount at 31 December	**63,075**	**35,982**

(d) Provision for unearned premiums.

The following changes have occurred in the provision for unearned premiums during the year.

Provision for unearned premiums *Group and Company*	2013 €'000	2012 €'000
Carrying amount at 1 January	**16,324**	**18,382**
Gross premium written during the year	88,692	90,125
Gross premium earned during the year	(86,927)	(92,183)
Changes in unearned premium recognised as income	**1,765**	**(2,058)**
Carrying amount at 31 December	**18,089**	**16,324**

(e) Assumptions.

Please refer to the risk management note 27 for a description of the assumptions used to calculate insurance liabilities. See note 3 in relation to the changes in the reserving policy as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

17. Insurance Receivables

18. Other Receivables

19. Deferred Expenses

17. Insurance Receivables

Insurance receivables *Group and Company*	2013 €'000	2012 €'000
Due from policyholders	3,856	2,488
Due from reinsurers	2,404	2,309
Total current receivables	**6,260**	**4,797**

18. Other Receivables

	Company		Group	
Insurance receivables *Group and Company*	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Other receivables	4,430	21	987	21
Total	**4,430**	**21**	**987**	**21**

19. Deferred Expenses

Deferred expenses *Group and Company*	2013 €'000	2012 €'000
Balance at beginning of reporting year	–	78
Amoritisation	–	(78)
Balance at end of reporting year	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

20. Prepayments and Accrued Income

21. Cash and Cash Equivalents

20. Prepayments and Accrued Income

Prepayments and accrued income *Group and Company*	2013 €'000	2012 €'000
Retrospective premium receivable	1,739	3,797
Interest on debt securities	8,960	10,037
Interest on cash and cash equivalents	33	6
Cash deposits paid to purchase investment property	–	2,380
Dividends	219	126
Prepayments	224	–
Balance at end of reporting year	**11,175**	**16,346**

21. Cash and Cash Equivalents

	Company		Group	
Cash and cash equivalents	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Cash at banks and on hand	10,934	22,589	12,684	22,589
Short-term deposits	35,046	42,957	35,058	42,957
Total	**45,980**	**65,546**	**47,742**	**65,546**

	Company		Group	
Movement in cash and cash equivalents	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Balance at beginning of reporting year	65,546	109,562	65,546	109,562
Balance at end of reporting year	45,980	65,546	47,742	65,546
(Decrease)/increase in cash and cash equivalents	**(19,566)**	**(44,016)**	**(17,804)**	**(44,016)**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

22. Deferred Tax Assets / Liabilities

23. Insurance Payables

22. Deferred Tax Assets / Liabilities

Deferred taxation (assets) / liabilities *Group and Company*	2013 €'000	2012 €'000
Balance at 1 January	6,620	8,536
Income statement (note 8)	(9,248)	(1,916)
Acquired on business combination	(302)	–
Balance at 31 December	**(2,930)**	**6,620**
Tax deferred on adjustments arising on conversion to IFRS	(2,930)	(3,908)
Tax deferred on Social Dividend	–	(207)
Tax deferred on adjustments arising from change in accounting policy and prior year adjustment	–	10,735
Balance at 31 December	**(2,930)**	**6,620**

Valuation adjustments arising on the conversion from Irish GAAP to IFRS resulted in additional assets and liabilities to tax. The additional liabilities which arose in 2012 were required to be paid to the Revenue Commissioners in full during 2013. The remaining tax assets will be released to current tax in four equal annual instalments.

23. Insurance Payables

Insurance payables *Group and Company*	2013 €'000	2012 €'000
Due to policyholders	6,121	4,427
Due to reinsurers	1,691	665
Due to insurance brokers	40	12
Total	**7,852**	**5,104**

NOTES TO THE FINANCIAL STATEMENTS

24. Trade and Other Payables

25. Pension Costs

24. Trade and Other Payables

	Company		Group	
Trade and other payables	2013 €'000	2012 €'000	2013 €'000	2012 €'000
Trade creditors	1,394	861	1,529	861
Amounts due for outsourcing costs – Brennan Insurances (Note 29)	–	1,133	–	1,133
Amounts due to intercompany's	3,420	–	–	–
Amounts due on sale of BI	–	–	683	–
Prepayment – Property Rental Income	395	–	395	–
Social dividend payable	6,383	4,914	6,383	4,914
Short-term employee benefits	894	1,310	894	1,310
Accruals	493	142	493	142
Total	**12,979**	**8,360**	**10,377**	**8,360**
Tax and social welfare included in accruals:				
PAYE	390	87	390	87
Social Welfare	77	53	77	53
VAT	26	2	26	2
Total	**493**	**142**	**493**	**142**

25. Pension Costs

As part of the acquisition of Lelantos (formerly Brennan Insurances) the defined benefit scheme did not transfer to the IPB Group. This included the liability obligation held by IPB which was transferred to Brennan Insurance Services. No further contributions or obligations existed since the acquisition date.

The Group participates in defined contribution pension schemes.

2013 employers contributions for the employees' defined contribution pension schemes amounted to €0.322m (2012: €0.573m). There was also a release in 2013 of a pension accrual of €0.775m. Contributions of €0.048m were outstanding as at 31 December 2013 (2012: €0.78m).

2013 contributions for the Directors' defined contribution pension schemes amounted to €0.0m (2012: €0.017m). There were no contributions outstanding at the end of the period (2012: €0m).

NOTES TO THE FINANCIAL STATEMENTS

26. Capital Management

26. Capital Management

The Central Bank of Ireland requires the Group to maintain an adequate regulatory solvency position. The minimum solvency margin required under the European Communities (Non-Life Insurance) Framework (Amendment) Regulations 2004 is €16.9m (2012: €19.4m). The capital position is reviewed frequently by the Board of Directors. As at 31 December 2013, the Group had admissible assets to cover the required solvency margin of €694m (2012: €630m). Compliance with regulatory capital requirements is continuously assessed.

The Group targets capital far in excess of regulatory standard to meet the risks of the business with a high degree of confidence. The Group currently enjoys capital levels that are consistent with the highest credit rating agency financial strength levels.

The Group has developed risk metrics to quantify the risks to which the business is exposed. A capital model is used to quantify the risks of the business taking into account diversification effects. This is done in the context of the Group's Own Risk and Solvency Assessment ("ORSA"), which continues to evolve in parallel with Solvency II guidelines. The Group considers overall solvency needs including risks that are beyond the scope of the capital model. This is achieved using a range of sensitivity tests and scenario analysis. The appropriateness of the capital model is regularly assessed. The Group considers capital requirements and capital efficiency in the context of profitability, expenses and market position relative to peers.

During 2013, the Group paid a dividend to its Members of €10m (2012: €10m). The payment of a dividend in any year is at the sole discretion of the Board. Payment in any one year does not entitle Members to payment in subsequent years. Any proposed dividend payment must, prior to payment, be made known to the Central Bank of Ireland. Any dividend payment respects the sanctity of the financial strength of the Group. The Board operates the following restrictions on dividend payments:

- No Members dividend should be payable should the impact of the dividend payment be to reduce the solvency cover below 1500% of the Minimum Required Solvency Margin (Solvency II). In this case, "solvency cover" is defined as the total of available assets at market value less all technical provisions and other liabilities.
- No Members dividend payment in any year should be more than the profit after tax in the previous financial year or €10m, whichever is the lesser.
- No Members dividend should be payable where an underwriting loss, defined as premium earned (including other technical income) less claims incurred less commission and expenses (all elements to be net of reinsurance), has been made in the previous financial year. The Board may override this restriction if they are satisfied that the underwriting loss does not impact the current or future solvency of the business in a material way.

The Group maintained its robust capital position and complied with all regulatory solvency margin requirements throughout the year under review and in prior years. The Group's overall capital management objectives remain unchanged from 2012.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management

27. Risk Management

The Group recognises the critical importance of effective and efficient risk management. In accordance with the Group's policies, Key Management personnel have primary responsibility for the effective identification, management, monitoring and reporting of risks. The Board ensures that the monitoring processes are followed. The major risks the Group faces are described below.

Strategic risk

Strategic risk arises from adverse business strategies, failure to implement business strategies and unanticipated changes in the business environment.

The Group takes its strategic direction from the Board. The business plan is reviewed annually and is subject to Board approval. The Board monitors progress against the business plan. The Group monitors changes in the business environment and considers their impact on the business. The Group also considers the implications that changes in the operating model might have for the quality and efficiency of the service that is provided to Members and other policyholders. Other strategic considerations relate to the efficient use of capital and the Group's ability to raise capital in the medium to long term.

Underwriting risk

Underwriting risk arises from uncertainty in the occurrence, amounts and timing of non-life insurance obligations. The key risk associated with any insurance contract is the possibility that an insured event occurs and that the timing and amount of actual claim payments differ from expectations. The principal lines of business covered by the Group include public liability, employer's liability, motor and property. The Group manages underwriting risk through its underwriting strategy, claims handling and reinsurance arrangements.

The Board-approved underwriting policy establishes the underwriting strategy and principles. It defines underwriting limits, risk selection, authorities, escalation procedures and actuarial review requirements. The underwriting policy is implemented by means of underwriting guidelines. The Group has developed its underwriting strategy to diversify the type of insurance risks written and within each of the types of risk, to achieve a sufficiently large population of risks to reduce the variability of the expected outcome. The underwriting strategy includes the employment of appropriately qualified underwriting personnel, the targeting of certain types of business, constant review of pricing policy using up-to-date statistical analysis and claims experience and the surveying of risks carried out by experienced personnel.

The frequency and severity of claims can be affected by several factors, most notably the level of awards, inflation on settling claims and the subsequent development of long-term claims. The history of claims development is set out below, both gross and net of reinsurance.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Before the effect of reinsurance, the loss development table is:

Gross of Reinsurance Underwriting Year	Before 2010 €'000	2010 €'000	2011 €'000	2012 €'000	2013 €'000	Total €'000
At end of underwriting year	–	105,682	87,868	88,526	94,457	–
One year later	–	97,518	85,313	79,462	–	–
Two years later	–	95,077	75,842	–	–	–
Three years later		84,027	–	–	–	
Cumulative claims incurred	**1,390,889**	**84,027**	**75,842**	**79,462**	**94,457**	**1,724,677**
Underwriting year						
At end of underwriting year	–	(8,577)	(4,875)	(3,891)	(5,073)	–
One year later	–	(24,301)	(13,395)	(12,008)	–	–
Two years later	–	(32,435)	(22,552)	–	–	–
Three years later		(41,213)	–	–	–	
Cumulative payments to date	**(1,178,692)**	**(41,213)**	**(22,552)**	**(12,008)**	**(5,073)**	**(1,259,538)**
Total gross non-life insurance outstanding claims provisions per the statement of financial position	**212,197**	**42,814**	**53,290**	**67,454**	**89,384**	**465,139**

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

After the effect of reinsurance, the loss development table is:

Net of Reinsurance Underwriting Year	Before 2010 €'000	2010 €'000	2011 €'000	2012 €'000	2013 €'000	Total €'000
At end of underwriting year		92,272	85,939	84,120	88,553	–
One year later		79,258	83,744	73,965	–	–
Two years later		78,204	71,266	–	–	–
Three years later		65,020	–	–	–	–
Cumulative claims incurred	**1,162,599**	**65,020**	**71,266**	**73,965**	**88,553**	**1,461,403**
Underwriting year						
At end of underwriting year		(5,095)	(2,433)	(3,515)	(4,352)	–
One year later		(12,659)	(9,796)	(10,883)	–	–
Two years later		(19,340)	(20,625)	–	–	–
Three years later		(28,169)	–	–	–	–
Cumulative payments to date	**(995,310)**	**(28,169)**	**(20,625)**	**(10,883)**	**(4,352)**	**(1,059,339)**
Total net non-life insurance outstanding claims provisions per the statement of financial position	**167,289**	**36,851**	**50,641**	**63,082**	**84,201**	**402,064**

The Board-approved reinsurance policy establishes the reinsurance strategy and principles. The reinsurance program reduces the variability of the underwriting result. For its motor, employer's liability and public liability business, the Group has in place excess of loss reinsurance treaties. For its property business, the Group operates quota share and catastrophe reinsurance treaties.

A primary objective of the Group is to ensure that sufficient reserves are available to cover liabilities. The Group uses independent actuaries to assist with the estimation of liabilities to ensure that the Group's reserves are adequate. Should the reserves be deemed to be inadequate, any deficiency is recognised immediately in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Most of the underwriting risk is concentrated in the Republic of Ireland. This geographical concentration may increase the risk from adverse weather events such as windstorm, flood and freeze. Business is also concentrated by line of business, being predominately public liability and employers liability. The other significant insurance risk concentration relates to the fact that the Group primarily insures public sector organisations.

While keeping the insurance needs of Members at the top of the agenda, the Group endeavours to apply core underwriting competencies to further diversify the insurance portfolio into complementary lines and policyholders. In any case, all concentrations are significantly mitigated by an appropriate reinsurance program. There are no other significant underwriting risk concentrations.

Credit risk

Credit risk arises from an unexpected default or deterioration in the credit standing of counterparties and debtors, including reinsurance and premium receivables. The Group is exposed to credit risk from its operating activities, primarily customer and reinsurer receivables, from cash deposits from the investment portfolio and from its loans to Local Authorities.

The Risk Appetite Statement sets out the operating limits for each reinsurance counterparty, cash counterparty and other credit exposures. The Risk Appetite Statement is regularly assessed for appropriateness and is approved by the Board annually.

The Risk Appetite Statement requires diversification by reinsurance counterparty. In particular, no reinsurance counterparty may exceed 15% of the total reinsurance asset. This limit is increased to 25% for reinsurance counterparties with the very highest credit ratings, typically equivalent to S&P AA- or better. The limits are monitored on a regular basis, and exposures and breaches are reported to the Risk Committee. At each reporting date, the Group performs an assessment of creditworthiness, and considers whether its reinsurance assets are impaired.

Cash balances with credit institutions are generally with financial institutions that have a strong credit rating or benefit from a Government guarantee. Balances may also be maintained with other institutions for operational reasons and these balances are kept to minimum levels. The minimum requirements and exposure limits for each counterparty are set out in the Risk Appetite Statement. The limits are monitored on a regular basis and exposures and breaches are reported to the Risk Committee. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum credit exposure.

Trade and other receivables are balances due from customers. The recoverability of trade and other receivables is monitored on a monthly basis and provision for impairment is made, where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

The following table shows the carrying value of assets that are neither past due nor impaired, the aging of assets that are past due but not impaired and assets that have been impaired.

2013	Neither past due nor impaired €m's	Past due less than 30 days €m's	Past due 31 to 60 days €m's	Past due 61 to 90 days €m's	Past due more than 90 days €m's	Carrying amount €m's
Debt securities	680,131	–	–	–	–	680,131
Other investments	215,296	–	–	–	–	215,296
Reinsurance assets (outstanding claims and receivables)	65,050	322	–	43	64	65,479
Loans and receivables	121,476	–	–	–	–	121,476
Insurance receivables	2,084	188	82	1,392	110	3,856
Cumulative claims incurred	**1,084,037**	**510**	**82**	**1,435**	**174**	**1,086,238**

2012	Neither past due nor impaired €m's	Past due less than 30 days €m's	Past due 31 to 60 days €m's	Past due 61 to 90 days €m's	Past due more than 90 days €m's	Carrying amount €m's
Debt securities	695,240	–	–	–	–	695,240
Other investments	158,997	–	–	–	–	158,997
Reinsurance assets (outstanding claims and receivables)	36,047	–	509	–	1,735	38,291
Loans and receivables	165,106	–	–	–	–	165,106
Insurance receivables	521	849	230	385	503	2,488
Cumulative payments to date	**1,055,911**	**849**	**739**	**385**	**2,238**	**1,060,122**

The Group has the following provisions for doubtful debts at the reporting date. The reinsurance debtors provision is a probability weighted estimate of the likelihood of future reinsurer counterparty default over the lifetime of a claim, combined with an allowance for the likelihood of possible reinsurance disputes. No actual bad debt expense has occurred in the current year or in 2012. The reinsurance debtor provision below is included in the claims outstanding balance, whereas the other debtors balance is included in insurance receivables.

Bad debt provisions	2013 €'000	2012 €'000
Reinsurance debtors	1,420	1,300
Other debtors	193	270
Total	**1,613**	**1,570**

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

The following table shows aggregated credit risk exposure for assets with external credit ratings. The credit rating for debt securities is included under spread risk.

Reinsurance assets are reinsurer's share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability,

Loans and receivables from policyholders and intermediaries generally do not have a credit rating.

Market risk exposure by credit rating 2013	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	CCC €'000	C €'000	Not rated €'000	Total €'000
Derivative Financial Instruments	–	–	–	–	–	–	–	–	625	625
Equity Securities	–	15,721	42,349	42,477	8,378	1,662	–	–	104,709	215,296
Investment Property	–	–	–	–	–	–	–	–	25,800	25,800
Reinsurance assets (outstanding claims and receivables)	–	40,797	23,987	670	–	–	–	–	25	65,479
Loans and receivables	–	–	5,206	85,760	–	–	–	–	30,510	121,476
Insurance receivables	–	–	–	–	–	–	–	–	3,856	3,856
Cash and cash equivalents	–	4,804	39,205	3,733	–	–	–	–	–	47,742
Total	**–**	**61,322**	**110,747**	**132,640**	**8,378**	**1,662**	**–**	**–**	**165,525**	**480,274**

Market risk exposure by credit rating 2012	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	CCC €'000	C €'000	Not rated €'000	Total €'000
Derivative Financial Instruments	–	–	–	–	–	–	–	–	126	126
Equity Securities	–	11,224	35,121	24,527	3,187	1,138	–	–	83,800	158,997
Investment Property	–	–	–	–	–	–	–	–	–	–
Reinsurance assets (outstanding claims and receivables)	–	20,968	10,937	436	–	–	–	–	5,950	38,291
Loans and receivables	–	–	40,524	90,254	–	–	–	–	34,328	165,106
Insurance receivables	–	–	–	–	–	–	–	–	2,488	2,488
Cash and cash equivalents	–	9,836	53,792	1,918	–	–	–	–	–	65,546
Total	**–**	**42,028**	**140,374**	**117,135**	**3,187**	**1,138**	**–**	**–**	**126,692**	**430,554**

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Market risk

Market risk arises from financial instrument market price volatility. It reflects the structural mismatch between assets and liabilities, particularly with respect to duration. It includes interest rate risk, equity risk, property risk, spread risk, currency risk and asset concentrations. Asset concentrations arise where there is a lack of diversification, e.g. by issuer.

The Board-approved investment policy outlines how market risks are managed. Investments are limited to assets whose risks can be properly identified, monitored and managed. The Group employs appropriately qualified and experienced personnel to manage the investment portfolio. Assets held to cover insurance liabilities are invested in a manner appropriate to the nature and duration of the insurance liabilities.

The Risk Appetite Statement is reviewed and approved annually by the Board of Directors. It defines the extent of permissible market risk exposures in terms of specific operational limits.

Compliance with policy and risk appetite is monitored daily and exposures and breaches are reported to the Risk Committee.

Currency risk

Currency risk relates to the sensitivity of the value of assets and liabilities to changes in currency exchange rates. The Group's liabilities are mostly denominated in Euro. The Group holds investment assets in foreign currencies, which gives rise to exposure to exchange rate fluctuations. The Group is only exposed to high quality currencies including Sterling (GBP) and Norwegian Krone (NOK). Currency risk is mitigated using currency forward contracts.

The carrying amount of the Group's foreign currency denominated assets at the reporting date is as follows:

The carrying amount for the company's foreign currency denominated assets 2013	Foreign Currency Assets €'000	Foreign Currency Derivatives (Nominal Value) €'000	Net €'000
Sterling	59,198	44,188	15,010
Norwegian Krone	46,719	30,004	16,715
Danish Krone	16,253	15,438	815
Swedish Krona	15,808	9,064	6,744
Swiss Francs	9,766	4,057	5,709
US Dollars	8,139	7,422	717
Total	**155,883**	**110,173**	**45,710**

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

The carrying amount for the company's foreign currency denominated assets 2012	Foreign Currency Assets €'000	Foreign Currency Derivatives (Nominal Value) €'000	Net €'000
Norwegian Krone	46,240	10,903	35,337
Sterling	38,310	9,863	28,447
Swedish Krona	13,752	–	13,752
US Dollars	8,322	2,275	6,047
Danish Krone	4,774	–	4,774
Swiss Francs	4,478	–	4,478
Total	**115,876**	**23,041**	**92,835**

The net foreign exchange exposure after currency hedges is €45.7m (2012: €92.8m).

The increase in foreign currency denominated assets over the course of 2013 served to mitigate against the risk of a euro zone economic crisis, such as a currency redenomination. The significant reduction in the net foreign exchange exposure after currency hedges over the course of 2013 reflects greater utilisation of currency forward contracts.

Interest rate risk

Interest rate risk relates to the sensitivity of the values of assets and liabilities to changes in the term structure of interest rates. The Group faces a significant interest rate risk due to the nature of its investments and liabilities. Interest rate risk arises primarily from the Group's investments in fixed interest debt securities and from insurance liabilities.

Asset Liability Matching is used to minimise the impact of an unintended mismatch between assets and liabilities. The characteristics of assets are matched to the characteristics of liabilities as far as possible, including by amount, type, duration and currency. The Risk Committee regularly reviews the appropriate level of exposure to interest rate risk.

The interest rate stresses are based on an immediate shock to IPB's portfolio of a change in the interest rate or yield curve. The results show the impact of an increase in interest rates of 100 basis points and a decrease of 25 basis points. The numbers have been calculated in accordance with the methodology prescribed by Solvency II with the yield curve based on swap rates.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

At the reporting date, the Group held the following assets which are exposed to interest rate risk:

Financial assets subject to interest risk rate	2013 €'000	2012 €'000
Debt securities		
Irish government fixed interest bonds	131,256	149,644
Other government fixed interest bonds – Euro	382,453	427,561
Other government fixed interest bonds – non-Euro	74,527	56,887
Corporate bonds	74,150	50,191
Loans and receivables		
Loans to local authorities and deposits with credit institutions	409	550
Total	**662,795**	**684,833**

The duration profile of the fixed interest earning investments is analysed in the table below. The table excludes non-interest earning investment assets such as equities, managed funds, property and amounts held on short-term deposits with credit institutions, and is categorised by maturity date:

Investments Analysis	2013 Market Value €'000	2013 Weighted Average Interest rate %	2012 Market Value €'000	2012 Weighted Average Interest rate %
In one year or less	63,552	3.53	25,802	5.57
In more than one year, but less than two years	111,296	3.54	118,172	3.61
In more than two years, but less than three years	62,600	2.53	87,328	3.29
In more than three years, but less than four years	100,444	2.80	70,503	3.85
In more thsn four years, but less than five years	101,409	3.31	86,335	2.45
More than five years	223,494	4.17	296,693	4.27
Total	**662,795**	**3.51%**	**684,833**	**3.84%**

The Board-approved investment policy sets out the requirements of Asset Liability Matching. The primary objective of the "Matched Portfolio" is to ensure that the Group meets policyholder obligations as they fall due. This implies high quality, secure, liquid and local investments with characteristics that approximately match those of the liabilities.

The Board-approved Risk Appetite Statement defines detailed operating limits to limit the extent of mismatch between asset and liabilities.

Spread risk

Spread risk mainly relates to changes in the market value of bonds due to changes in the credit standing of the issuer. The Group limits the credit quality of bonds in which the Group may invest.

The table below provides information regarding the market risk exposure of the Group by classifying debt securities by credit rating:

Market risk exposure by credit rating 2010 to 2013	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	CCC €'000	C €'000	Not rated €'000	Total €'000
Financial assets at fair value through profit or loss										
Debt securities										
2013	251,860	226,617	2,021	154,327	–	17,768	–	–	27,538	680,131
2012	211,173	288,429	1,750	152,331	1,005	–	–	14,201	26,351	695,240

In 2012 one security has been reclassified from BBB+ to "Not Rated" based on its own rating as opposed to the parent rating.

The Risk Appetite Statement requires diversification within the fixed interest bond portfolio. In particular, no individual sovereign may exceed 25% of the total sovereign bond portfolio, by market value. Diversification requirements also exist for corporate bonds. Quoted debt securities comprise of €252m (2012: €211m) of Government bonds which carry an AAA rating and €2m (2012: €2m) of corporate bonds which are not rated. Given the rating of its Government bond portfolio, the Company deems this level of concentration risk to be acceptable.

There are no other significant concentrations of risk.

Equity risk

Equity risk relates to the volatility of equity market prices. This volatility may be caused by factors specific to the individual financial instrument, factors specific to the issuer or factors affecting all similar financial instruments traded in the market. Equity risk excludes changes due to currency movements, which is considered as a separate risk type. The Group is subject to equity risk due to changes in the market values of its holdings of quoted shares, unquoted shares and managed funds.

Equity risk is managed in line with the Board-approved Investment Policy. The Risk Appetite Statement places operating limits on the size of any single share-holding and on exposure to certain sectors. This imposes a diversification discipline within the equity portfolio. Consequently, there are no significant equity risk concentrations.

Other market risks

Property risk relates to the volatility of real estate market prices.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Liquidity risk

Liquidity risk arises where sufficient assets exist on a financial position basis, but those assets are not available to settle financial obligations when they fall due. Liquidity risk also arises where assets can only be liquidated at a material cost. The Group is exposed to daily calls on its cash resources, mainly for claims and other expense payments.

The Investment Policy sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Risk Committee. The policy is reviewed annually. Guidelines are set for asset allocations, portfolio limit structures and maturity profile of assets in order that sufficient funding is available to meet insurance contract obligations. Asset liquidity is such that it is sufficient to meet cash demands under extreme conditions. Localisation of assets is such that it ensures their availability. The Investment Policy specifies a Contingency Funding Plan should a liquidity shortfall arise.

The Group has mitigated much of its liquidity risk through assets and liability matching. The tables below show the maturity analysis of financial assets and financial liabilities based on the remaining undiscounted contractual obligations, including interest receivables or where relevant on the following assumptions:

- Loans and other receivables – Cash flows for loans to Local Authorities and deposits with credit institutions are based on agreed principal and interest repayment schedules and are assumed to be repaid on the contracted maturity date.
- Financial assets at fair value through profit or loss – Debt securities are assumed to be repaid on the contractual maturity date. However, the Company sells debt securities prior to maturity to take advantage of yield curve opportunities. The maturity analysis is based on the assumption that debt securities redeem at par or the gross value in the case of index linked bonds. Coupon payments are not reflected. Equity securities are assumed to have no maturity date.
- Insurance contract liabilities – Maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.
- Cash and cash equivalents – Cash flows include interest earned to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Maturity analysis (contracted undiscounted cash flow basis) 2013	Carrying value €'000	Within 1 year €'000	Within 1 to 5 years €'000	After 5 years €'000	No maturity date €'000	Total €'000
Financial assets						
Derivative financial instruments	625	625	–	–	–	625
Financial assets at fair value through profit or loss						
Debt securities	680,131	62,400	359,586	189,898	29,999	641,883
Equity securities	215,296	–	–	–	215,296	215,296
Loans and receivables						
Loans to local authorities	30,510	2,883	10,660	19,878	–	33,421
Deposits with credit institutions	90,966	18,796	77,994	–	–	96,790
Insurance assets	22,984	3,693	9,134	7,029	–	19,856
Reinsurance assets						
Claims outstanding	63,075	11,732	29,015	22,328	–	63,075
Insurance receivables	6,260	6,260	–	–	–	6,260
Other receivables	987	987	–	–	–	987
Cash and cash equivalents	47,742	47,774	–	–	–	47,774
Total	**1,158,576**	**155,150**	**486,389**	**239,133**	**245,295**	**1,125,967**
Financial liabilities						
Insurance contract liabilities						
Claims outstanding	465,139	86,516	213,964	164,659	–	465,139
Derivative financial instruments	1,051	1,051	–	–	–	1,051
Insurance payables	7,852	7,852	–	–	–	7,852
Trade and other payables	10,377	10,377	–	–	–	10,377
Total	**484,419**	**105,796**	**213,964**	**164,659**	**–**	**484,419**

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Maturity analysis (contracted undiscounted cash flow basis) 2012	Carrying value €'000	Within 1 year €'000	Within 1 to 5 years €'000	After 5 years €'000	No maturity date €'000	Total €'000
Financial assets						
Derivative financial instruments	126	126	–	–	–	126
Financial assets at fair value through profit or loss						
Debt securities	695,240	25,311	342,901	255,876	30,038	654,126
Equity securities	158,997	–	–	–	158,997	158,997
Loans and receivables						
Loans to local authorities	34,328	4,165	10,558	24,095	–	38,818
Deposits with credit institutions	130,778	55,039	83,865	–	–	138,904
Insurance assets	21,203	3,291	8,535	9,377	–	21,203
Reinsurance assets						
Claims outstanding	35,982	6,890	14,957	14,135	–	35,982
Insurance receivables	4,797	4,797	–	–	–	4,797
Other receivables	21	21	–	–	–	21
Cash and cash equivalents	65,546	65,552	–	–	–	65,552
Total	**1,147,018**	**165,192**	**460,816**	**303,483**	**189,035**	**1,118,526**
Financial liabilities						
Insurance contract liabilities						
Claims outstanding	496,701	77,084	199,947	219,670	–	496,701
Derivative financial instruments	57	56	–	–	–	56
Insurance payables	5,104	5,104	–	–	–	5,104
Trade and other payables	8,360	8,360	–	–	–	8,360
Total	**510,222**	**90,604**	**199,947**	**219,670**	**–**	**510,221**

2012 Debt Securities have been restated to reflect the inflation element of Index Linked Bonds held. Index Linked Bonds redeem at their grossed up value.

Operational risk

Operational risk arises from inadequate or failed internal processes, from personnel and systems, or from external events. Operational risk includes legal and regulatory compliance risk but excludes strategic and reputational risk. In particular, the Group's operational risk includes outsourcing risks, including bankruptcy of the service providers, disruption of services and failure to achieve standards.

The Group regularly reviews all major operational risks. The Risk Committee reviews the risk assessment to ensure that all operational risks are identified and evaluated. Each operational risk is assessed by considering the potential impact and the likelihood of the event occurring. The effectiveness of internal controls on controlling operational risk is also measured.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Compliance monitoring is carried out on an on-going basis, according to an annual compliance plan which is approved by the Audit Committee.

Internal audit is carried out on a continuous basis, in accordance with a rolling internal audit plan approved by the Audit Committee. The Internal Audit Findings Register is updated on a monthly basis, and circulated to the Board.

The Group has a Business Continuity Plan for the restoration of function should critical business processes be disrupted.

The Group outsources certain functions to service providers. Outsourced arrangements are governed by Service Level Agreements. Service providers are required to adhere to Group and Company policy. Service providers are subject to detailed reporting requirements.

Other risks

The scope of the Group Risk Framework covers all risk types. For example:

- Reputational risk – Risk arising from negative perception of the business amongst Members, customers, the Central Bank of Ireland, counterparties, business partners and other Stakeholders, and
- Emerging risk – Risks that may emerge in the future and have the potential to materially affect solvency.

Correlations between risks

Risk categories and specific risks are correlated to each other to a greater or lesser extent. Risks are correlated where an unfavourable outcome in one risk tends to be accompanied by an unfavourable outcome in another risk. For example, equity risk and property risk are correlated in the sense that a fall in property values can often be accompanied by a fall in equity values.

Risks have little correlation where it is unlikely that both risks will experience an unfavourable outcome at the same time. Such risks are said to be largely uncorrelated, or independent.

The result is a “diversification benefit”. For example, Lapse Risk may be somewhat independent of Premium Risk as lapse rates are unlikely to increase when premium rates are inadequate.

As the same capital resources are used to manage many different sources of risk, it is necessary to manage risk as a portfolio. An isolated change in risk in one part of a portfolio will also influence the capital required to finance other risks, due to correlations. Consequently, it is necessary to explicitly model the correlations between risks. The quantification of correlations is highly uncertain and the capital model relies on the “dependency structure” defined in the Solvency II Standard Formula Technical Specification.

The Risk Report includes quantification of the diversification benefits assumed in the capital model. It also considers key correlations between certain specific risks, often quantitatively, but sometimes in a qualitative manner.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Sensitivity Analysis

The tables below provide sensitivity analysis on the Group's key risks. The impact of a change in a single factor is shown, with other assumptions left unchanged, for each of the risk types.

Risk	Risk methods and assumptions used in preparing the sensitivity analysis
Underwriting risk	The impact of an increase in net loss ratios for general insurance business by 5%.
Currency risk	The impact of a change in foreign exchange rates by ± 10%.
Interest rate risk	The impact of a change in the yield curve on IPB's fixed interest portfolio by 100 basis points and negative 25 basis points. The stress excludes the impact of the change in cash-flows from floating rate notes and perpetual instruments The underlying yield curve is based on prevailing swap rates as at year end 2013.
Equity risk	The impact of a change in equity market values by ±10%.

The above sensitivity factors have the following impacts on profit before tax and equity:

Sensitivity analysis Impact on profit before tax		2013 €'000	2012 €'000
Underwriting risk	5.00%	(3,422)	(3,722)
Currency risk	10.00%	4,571	9,284
Currency risk	-10.00%	(4,571)	(9,284)
Interest rate risk	1.00%	(21,274)	(30,594)
Interest rate risk	-0.25%	5,545	8,014
Equity risk	10.00%	21,530	15,900
Equity risk	-10.00%	(21,530)	(15,900)

Sensitivity analysis Impact on equity		2013 €'000	2012 €'000
Underwriting risk	5.00%	(2,995)	(3,257)
Currency risk	10.00%	4,000	8,123
Currency risk	-10.00%	(4,000)	(8,123)
Interest rates	1.00%	(18,615)	(26,770)
Interest rates	-0.25%	4,852	7,012
Equity risk	10.00%	18,838	13,912
Equity risk	-10.00%	(18,838)	(13,912)

In addition, the impact of changes in the assumptions used to calculate general insurance liabilities and sensitivities are indicated in the table below. The gross impact in the table below is calculated by multiplying the gross Incurred But Not Reported (IBNR) reserve by 10%, while the net impact is estimated at 80% of the gross figure.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

Sensitivity analysis 2013	Change in assumptions (note 27)	Increase in gross technical reserves €'000	Estimated increase in net technical reserves €'000	Impact on profit before tax €'000	Reduction in equity €'000
Third party liability and other	10.00%	4,996	3,997	(3,997)	(3,497)
Motor	10.00%	240	192	(192)	(168)
Fire and other damage to property	10.00%	(98)	(78)	78	68
Total		**5, 138**	**4,111**	**(4,111)**	**(3,597)**

Sensitivity analysis 2012	Change in assumptions (note 27)	Increase in gross technical reserves €'000	Estimated increase in net technical reserves €'000	Impact on profit before tax €'000	Reduction in equity €'000
Third party liability and other	10.00%	4,677	3,742	(3,742)	(3,274)
Motor	10.00%	361	289	(289)	(253)
Fire and other damage to property	10.00%	17	14	(14)	(12)
Total		**5,055**	**4,045**	**(4,045)**	**(3,539)**

It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Reserve projections are subject to a substantial degree of uncertainty and should be viewed as only part of a wider range of possible values produced by alternative assumptions. Particular areas of uncertainty in the projections include:

- The possibility of a future reduction in the level of real yields underlying the determination of Irish bodily injury awards as outlined in Note 2 Judgements, estimates and assumptions;
- The extent to which any adverse trends in respect of Irish bodily injury awards will be maintained or deteriorate in the future;
- The possible emergence of new types of latent claims, which are not allowed for in the projections;
- The potential for stress claims to arise significantly more frequently in the current economic climate than past data would suggest;
- Projections in respect of cerebral palsy claims and
- Projections in respect of abuse claims.

The methods used for deriving sensitivity information did not change from the previous period.

Limitations of sensitivity analysis

The tables in this section demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the Group's assets and liabilities are actively managed.

NOTES TO THE FINANCIAL STATEMENTS

27. Risk Management (continued)

28. Contingencies and Regulations

29. Related Party Disclosures

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risks that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty and the assumption that all interest rates move in an identical fashion.

28. Contingencies and Regulations

28(a) Capital Commitments

The Group has no capital commitments at the reporting date.

28(b) Legal proceedings and regulations

The Group is not involved in any material legal proceedings other than proceedings which relate to the settlement of claims.

The Group is subject to insurance regulation in Ireland and has complied with these regulations. There are no contingencies associated with the Group's compliance or lack of compliance with such regulations.

29. Related Party Disclosures

The Group enters into transactions with related parties in the normal course of business. Transactions with related parties are at normal market prices. Details of significant transactions carried out during the year with related parties are outlined below.

Key Management personnel

For the purpose of the disclosure requirements the term "Key Management personnel" (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly) comprises of the Board of Directors and Executive Management who manage the business and affairs of the Group. Disclosure in relation to the 2013 and 2012 compensation entitlements of the Board of Directors is provided in the Report on Directors' Remuneration. There were no loans outstanding between the Group and its Directors at any time during the year, nor is it the policy of the Group to engage in such transactions.

Lelantos (formerly Brennan Insurances)

In the normal course of business, the Company entered into transactions with Brennan Insurances, a party related through its key Management.

Under a long-term agreement (1 September 1997 to 31 December 2020) between the Company and Brennan Insurances, the latter provided underwriting and related insurance services to the Company, subject to the control and direction of the Board of Directors of the Company.

Brennan Insurances was remunerated by an annual insurance underwriting commission, the cost of which was €7.6m in 2013 (2012: €10.1m), of which none (2012: €1.1m) was due at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

29. Related Party Disclosures (continued)

Outstanding balances at the 2012 reporting date were unsecured and interest-free.

The contract with Brennan Insurances was terminated by IPB Insurance following its purchase of Brennan Insurances on 18 June 2013.

Acquisition of Lelantos (formerly known as Brennan Insurances)

On 18 June 2013 IPB Insurance through its 100% subsidiary Paean Limited acquired 100% of the shares in Lelantos (formerly Brennan Insurances). Paean Limited paid consideration of €24.5m (plus stamp duty of €0.245m) for 100% of the shares in Lelantos (formerly Brennan Insurances).

IPB Insurance provided Paean Limited with an intercompany loan to finance the purchase of Lelantos (formerly Brennan Insurances). This loan was immediately impaired by €20.4m by both IPB Insurance and Paean Limited to reflect the impairment of the Goodwill acquired on the acquisition of Lelantos (formerly Brennan Insurances).

Lelantos (formerly Brennan Insurances) owned an outsourcing business which provided exclusive underwriting services for IPB Insurance and a commercial brokerage business. The brokerage business was sold to Herrongrove Limited on 31 October 2013 for €0.925m, while the activities of the outsourcing business and the related assets were transferred into IPB Insurance. The proceeds of the sale were recognised as a gain on the statement of comprehensive income.

Brennan Insurances changed its name to Lelantos and transferred the business trading name Brennan Insurances to Herrongrove Limited following the sale of the brokerage business on 31 December 2013.

The net assets acquired by IPB Insurance (through its 100% subsidiary Paean Limited) were as shown in the table below. There was no contingent consideration.

Net assets acquired by IPB Insurance on 18 June 2013	€'000	€'000
Purchase Consideration (full and final settlement)	24,500	
Stamp duty costs on the acquisition of shares	245	
Total	**24,745**	**24,745**
Represented by:		
Net fixed assets acquired	817	
Brokerage Net Assets (disposed of for cash to Herrongrove Limited)	249	
Debtors (including deferred tax of €0.302m)	748	
Creditors	(909)	
Cash	3,463	
Net assets acquired	**4,368**	
Goodwill impaired on acquisition	20,377	
Total	**24,745**	**24,745**

NOTES TO THE FINANCIAL STATEMENTS

29. Related Party Disclosures (continued)

Analysis of other costs in the Statement of Comprehensive Income	2013 €'000
Goodwill – impairment	(20,377)
Gain on disposal of brokerage business	925
Other costs for the period	**(19,452)**

Loans to Local Authorities

The Company issued a number of loans to Local Authorities for the purpose of developing local community initiatives (including Local Authority premises, roads and amenities). The Company ceased providing these loans with effect from 2009, therefore there were no loan advances made to Local Authorities during the year. Loan capital repayments and interest made by Local Authorities during the year amounted to €3.9m (2012: €3.5m). Loan balances outstanding at year end amounted to €30.5m (2012: €34.3m).

All loans were issued unsecured and with interest rates at normal commercial terms. During the period interest income on these loans totalled €0.6m (2012: €0.7m) and is treated as investment income and recognised in the Statement of Comprehensive Income. Interest is payable by the Authorities on a bi-annual basis. The loans are reviewed for impairment at each reporting date and the Directors do not recommend any impairment provisions as of 31 December 2013 or 2012. No loans were past due at the period end.

Members

The percentage of total gross premiums written with Members in 2013 was 84% (2012: 87%). Please refer to page 173 for details of our Members.

NOTES TO THE FINANCIAL STATEMENTS

30. Shares in Group Undertakings

31. Approval of Financial Statements

30. Shares in Group Undertakings

Shares in Group Undertakings – IPB Insurance	2013 €'000
At 1 January	**–**
Purchase of a subsidiary	24,745
Goodwill – impairment	(20,377)
At 31 December	**4,368**

Principal subsidiary undertakings:

All subsidiaries are 100% subsidiaries.

(i) IPB Insurance holds 1 €1 ordinary shares in Paean Limited incorporated in the Republic of Ireland. The Company trades as an investment holding company. The registered address of the Company is 12-14 Lower Mount Street, Dublin 2.

(ii) Paean Limited holds 1,000 €1.25 ordinary shares and 4,500 €1.25 A ordinary shares in Lelantos (formerly known as Brennan Insurances) an unlimited company incorporated in the Republic of Ireland. The Company traded as an outsourced Underwriting Services business for IPB Insurance and a brokerage business. The Company is now dormant following the Brokerage business sale which closed on 31 December 2013. The registered address of the Company is 12-14 Lower Mount Street, Dublin 2.

31. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2014.

OTHER INFORMATION

OUR MEMBERS

Our Members

For the purpose of registration the number of Members of the Group is declared not to exceed 250 (two hundred and fifty), but an increase in the number of Members may be subsequently registered. “Local Authority” has the meaning assigned to it by the Local Authorities (Mutual Assurance) Acts, 1926 to 1935.

The Group’s Members must all be Local Authorities (as defined by the 1926 to 1935 Local Authorities (Mutual Assurance) Acts) and no Local Authority shall be capable of becoming a Member unless insured, or about to be insured, either against Fire Risk or Employers’ Liability Risk or in respect of any other risk normally insured against by the Group and the act of insuring against any such risk is deemed to constitute Membership. If a Local Authority ceases to be insured against Fire Risk or Employers’ Liability Risk or in respect of any other risk normally insured against, so that it is no longer insured with the Company against any of such risks, it shall ipso facto immediately cease to be a Member.

Legal Status of the Company

The Group is limited by guarantee and does not have any share capital. This guarantee is provided by its Members. However, the Members’ guarantee is limited based on the following rule:

“Every Member of the Company undertakes to contribute to the assets of the Company in the event of its being wound up while he is a Member, or within one year afterwards, for payment of the debts and liabilities of the Company contracted before he ceases to be a Member, and of the costs, charges and expenses of winding-up, and for adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding Twelve Euro and Seventy Cents (€12.70)”.

Source: Irish Public Bodies Mutual Insurance Limited Memorandum and Articles of Association – 16 June 2011.

OTHER INFORMATION

Our Members (continued)

List of Members during the financial year ended 31 December 2013

County Councils

Carlow County Council
Cavan County Council
Clare County Council
Cork City Council
Cork County Council
Donegal County Council
Dublin City Council
Dun Laoghaire Rathdown County Council
Fingal County Council
Galway City Council
Galway County Council
Kerry County Council
Kildare County Council
Kilkenny County Council
Laois County Council
Leitrim County Council
Limerick City Council
Limerick County Council
Longford County Council
Louth County Council
Mayo County Council
Meath County Council
Monaghan County Council
North Tipperary County Council
Offaly County Council
Roscommon County Council
Sligo County Council
South Dublin County Council
South Tipperary County Council
Waterford City Council
Waterford County Council
Westmeath County Council
Wexford County Council
Wicklow County Council

ETBs

Cavan and Monaghan ETB
City of Dublin ETB
Cork ETB
Donegal ETB
Dublin and Dun Laoghaire ETB
Galway and Roscommon ETB
Kerry ETB
Kildare and Wicklow ETB
Kilkenny and Carlow ETB
Laois and Offaly ETB
Limerick and Clare ETB
Longford and Westmeath ETB
Louth and Meath ETB
Mayo, Sligo and Leitrim ETB
Tipperary ETB
Waterford and Wexford ETB

Town Councils

Ardee Town Council
Arklow Town Council
Athlone Town Council
Athy Town Council
Balbriggan Town Council
Ballina Town Council
Ballinasloe Town Council
Ballybay Town Council
Ballyshannon Town Council
Bandon Town Council
Bantry Town Council
Belturbet Town Council
Birr Town Council
Boyle Town Council
Bray Town Council
Buncrana Town Council
Bundoran Town Council
Carlow Town Council
Carrickmacross Town Council
Carrick-on-Suir Town Council
Cashel Town Council
Castlebar Town Council
Castleblayney Town Council
Cavan Town Council

OTHER INFORMATION

Our Members
(continued)

Clonakilty Town Council
Clones Town Council
Cobh Town Council
Cootehill Town Council
Droichead Nua Town Council
Dundalk Town Council
Dungarvan Town Council
Edenderry Town Council
Ennis Town Council
Enniscorthy Town Council
Fermoy Town Council
Gorey Town Council
Granard Town Council
Greystones Town Council
Kells Town Council
Kilkee Town Council
Killarney Town Council
Kilrush Town Council
Kinsale Town Council
Leixlip Town Council
Letterkenny Town Council
Listowel Town Council
Longford Town Council
Loughrea Town Council
Macroom Town Council
Mallow Town Council
Midleton Town Council
Monaghan Town Council
Mountmellick Town Council
Muinebheag Town Council
Mullingar Town Council
Naas Town Council
Navan Town Council
Nenagh Town Council
New Ross Town Council
Passage West Town Council
Portlaoise Town Council
Shannon Town Council
Skibbereen Town Council
Templemore Town Council
Thurles Town Council
Tipperary Town Council
Tralee Town Council
Tramore Town Council
Trim Town Council
Tuam Town Council
Tullamore Town Council
Westport Town Council
Wicklow Town Council
Youghal Town Council

Borough Councils

Clonmel Borough Council
Drogheda Borough Council
Kilkenny Borough Council
Sligo Borough Council
Wexford Borough Council

Regional Authorities

Border Regional Authority
Dublin Regional Authority
Mid-East Regional Authority
Midland Regional Authority
Mid-West Regional Authority
South East Regional Authority
South West Regional Authority
West Regional Authority

Other

Ballinamore/Ballyconnell Joint Drainage Committee
Barrow Drainage Board
Border Midland and Western Regional Assembly
Burrin Joint Drainage Committee
Dundalk Joint Burial Board
Dungar Joint Burial Board
Goul & Kilbride Joint Drainage Committee
Loughs Oughter & Gowna & River Erne Drainage District Joint Committee
Portarlington Joint Burial Board
River Suck Joint Drainage Committee
Southern & Eastern Regional Assembly
The Health Service Executive
Tipperary Joint Libraries Committee

GLOSSARY

Glossary

Below is a simple explanation of some of the key technical terms used within this report and in the industry generally.

Term	Definition
Capacity	Largest amount of insurance available from a company. Can also refer to the largest amount of insurance or reinsurance available in the marketplace.
Capital	The money invested in the Company. This includes the money invested by Members and profits retained within the Company.
Claims Frequency	Average number of claims per policy over the year.
Claims Handling Expenses	The administrative cost of processing a claim (costs of running claims centres, etc. and allocated shares of the costs of head office units). Not the cost of the claim itself.
Claims Reserve (Provision for Losses and Loss Adjustment Expenses)	Reserve established by the Company to reflect the estimated cost of claims payments and related expenses that is estimated will ultimately be required to pay.
Claims Severity	Average cost of claims incurred over the period.
Combined Operating Ratio (COR)	The sum of the claims ratio (loss ratio) and expense ratio. Measures how much the Company pay out in claims and expenses for each unit of premium received. A COR of less than 100% indicates that the Company is writing profitable business.
Gross Combined Operating Ratio %	Calculated as: Gross Incurred Claims + Operating Expenses (including acquisition commissions less Social Dividend) / Gross Earned Premiums
Net Combined Operating Ratio %	Calculated as: Net Incurred Claims + Operating Expenses (including acquisition commissions less Social Dividend and less reinsurance commissions received) / Net Earned Premiums
Commission	An amount payable/receivable to/from an intermediary such as a broker for generating business.

OTHER INFORMATION

Glossary (continued)

Commission Ratio	Ratio of net commission costs to net earned premiums.
Current Year Result on Underwriting	The underwriting profit or loss earned from business for which protection has been provided in the current financial period.
Central Bank of Ireland (CBI)	The regulatory authority for Ireland's insurance industry.
Defined Benefit Plans	For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.
Defined Contribution Plans	Defined contribution plans are funded through independent pension funds or similar organisations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and is not participating in the investment success of the contributions.
Deferred Tax Assets / Liabilities	The calculation of deferred tax is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published financial position and their tax base. The tax rates used for the calculation are local rates. Changes to tax rates already adopted at the reporting date are taken into account.
Discount Rate	The interest rate used in discounted cash flow analysis to determine the present value of future cash flows. The discount rate takes into account the time value of money (the idea that money available now is worth more than the same amount of money available in the future because it could be earning interest) and the risk or uncertainty of the anticipated future cash flows (which might be less than expected).
Earned Premium	The portion of an insurance premium for which the Company already provided protection.
Economic Capital	The Company's assessment of the capital the Company must hold to have a high confidence of meeting its obligations.

Expense Ratio	Is the percentage of net earned premiums which is paid out in operating expenses, e.g. salaries, premises costs, etc. The ratio does not include claims related expenses but can include commission costs.
Exposure	A measurement of risk the Company is exposed to through the premiums it has written. For example, in motor insurance one vehicle insured for one year is one unit of exposure.
Gross Written Premium (GWP)	Total premium written or processed in the period, irrespective of whether it has been paid, gross of reinsurance.
Gross / Net	In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term “net” is used where the relevant expenses (e.g. gross dividends less funds charges) have already been deducted.
Loss Ratio (Gross and net)	Proportionate relationship of incurred losses to earned premiums expressed as a percentage. The Company uses the gross loss ratio as a measure of the overall underwriting profitability of the insurance business the Company writes and to assess the adequacy of its pricing. The net loss ratio is meaningful in evaluating the financial results, which are net of ceded reinsurance, as reflected in the financial statements.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).
IBNR (Incurred but Not Reported)	A reserve for claims that have occurred but which have not yet been reported to the Company.
IGD Capital Requirement	Insurance Groups Directive capital is the capital the Company is required to hold based on standard calculations defined by the CBI under the EU Solvency I directive.
Insurance Result	This is a measure of how well the Company has done, including both the Company’s underwriting and investment results.

OTHER INFORMATION

Glossary (continued)

Net Asset Value (NAV)	The value of the Company calculated by subtracting the Company's total liabilities from the Company's total assets.
Net Claims Ratio (Loss Ratio)	The Net Claims Ratio for any period of time is the ratio of Net Losses plus loss adjustment expenses incurred during such period to Net Premium Earned for such period.
Net Earned Premium (NEP)	The portion of net premiums for which the Company has already provided protection. This is included as income in the period.
Net Incurred Claims (NIC)	The total claims cost incurred in the period less any share to be paid by reinsurers. It includes both claims payments and movements in claims reserves in the period.
Net Written Premium (NWP)	Net written premium is premium written or processed in the period, irrespective of whether it has been paid, less the amount payable in reinsurance premiums.
Operating Profit	The profit generated by the ordinary activities of the Company including both insurance and investment activity.
Portfolio Management	Management of a group of similar risks, these are usually grouped by line of business.
Prior Year Result on Claims	Profit or loss generated by settling claims incurred in a previous year at a better or worse level than the previous estimated cost.
Property General Insurance	Property insurance covers loss or damage through fire, theft, floods, storms and other specified risks.
Premium Rate	The price of a unit of insurance based on a standard risk for one year. Actual premium charged to the customer may differ from the rate due to individual risk characteristics and marketing discounts.
Real Yield	The return from an investment adjusted for the effects of inflation.
Reinsurance	The practice whereby the Company transfer part or all of the risk it has accepted to another insurer (the reinsurer).
Return on Equity (ROE)	A measure of the profits the Company earns relative to funds attributable to ordinary shareholders or Members.
Solvency I	This is the existing capital adequacy regime for the European insurance industry. It will be replaced by Solvency II over the next few years.

OTHER INFORMATION

Glossary (continued)

Solvency II	New capital adequacy regime for the European insurance industry. Establishes a revised set of EU wide capital requirements and risk management standards.
Technical Underwriting Result – net	Net premiums earned less net claims incurred. Excludes operating costs and commissions paid or earned.
Total Equity Return	A measure of performance based on the overall value to equity holders of their investment in the Company over a period of time. Includes the movement in the share price and dividends paid, expressed as a percentage of the share price at the beginning of the period.
Underwriting Result	This is a measure of how well the Company has done excluding its investment performance and is calculated as: NEP – Claims (including claims handling expenses) – Expenses (including commissions).
Unearned Premium	The portion of premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.

GROUP AND COMPANY INFORMATION

Main Banker
Allied Irish Banks plc
7/12 Dame Street
Dublin 2

Solicitors
Arthur Cox
Solicitors
Earlsfort Centre
Earlsfort Terrace
Dublin 2

Independent Auditors
Deloitte & Touche
Chartered Accountants & Registered Auditors
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Independent Actuary
Towers Watson (Ireland) Limited
65/66 Lower Mount Street
Dublin 2

Registered Office
12/14 Lower Mount Street
Dublin 2

Company Registration Number
7532

OUR PEOPLE

GERALDINE HENRY / ANN FEELY / CAROLINE YOUNG / JOE REYNOLDS
JACINTA GILL / GERRY MCAULIFFE / LORRAINE SCANLAN
EDEL BURKE / DAVID MALONE / ITA THORNTON / YVONNE LOUGHRAN
MARGARET O'CONNOR / PAT MCGINLEY / NIAMH CORRIGAN
MARIAN WESTON / PAUL DOYLE / PADDY MORAN / BRENDAN MAHADY
MARIA CARROLL / ENDA BRAZEL / ALISON KINGSTON / ANN RICE
FIONA CAREY / ROSEMARY RYAN / PAMELA FINNEGAN / CAROLINE QUINN
RORY WALSH / RITA KENNY / GERARD RYAN / MYLES BRESLIN
JOHN MONK / JOANNA PAWLAK / JOHN SHERIDAN / BARRY WALLACE
FRANK CUNNEEN / IAN VELTOM / LOUISE CONLON / MICHELLE RICE
DEAN KELLY / SARAH CONNOLLY / SEAN MURPHY / PETER DOYLE
CONOR MCCOURT / JODY MURRAY / PAUL NAVARRO / GRAHAM ORR
JESSICA O'BYRNE / ADAM SYKES / ANN-MARIE KENNEDY
CHRISTINE WATERS / FIONA MURTAGH / ADRIAN LEONARD
DEIRDRE O'GRADY / NICOLA FEWER / DAVID CONNOLLY / GER FALLON
ROISIN SCANLAN / MICHELLE CROWLEY / JIM LOUGHRAN
CATHERINE HAYES / AUDREY MCGINLEY / FIONA MCALEENAN
PAULINA SOBCZAK / ANNE-MARIE SHERIDAN / BRONAGH BARRY
FIONA WOLFE / MARIA FINGLETON / ANTOINETTE READE
ELLEN O'CARROLL / PETER KELLY / DONAGH REGAN
MARTHA O'CONNOR / CLARA HANNON / COLUM WHELAN / SEAN HARDING
MAEVE NOCTOR / GREG CREEVEY / MATT RAFFERTY / TOM KEANE
FERGUS CAROLAN / KELLY CHEUNG / CONOR MAHON / KARL NEIMANN
PATRICIA MEEHAN / EUGENE LEHANE / ANNMARIE MCPARTLIN
RONAN FOLEY / ENDA DEVINE / JULIA CARMICHAEL / CONN CLEARY
MAIREAD CONWAY / COLM BRYSON / TOM DONLON / EMILY CHAMBERS
ALAN WOODS / AOIFE KEENAN / CLAIRE BABINGTON
MAGDEL VAN SCHAIK / NICOLA O'NEILL / TRINA BARRY / JOAN DOHERTY
NIAMH EBBS / NIAMH REILLY / LINDSEY MURPHY / KEITH GRIFFIN

WORKING TO MAKE A DIFFERENCE

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Irish Public Bodies Mutual Insurances Ltd. trading as IPB Insurance is regulated by the Central Bank of Ireland.