IPB Insurance
Annual Report 2016

Proudly protecting our Members
for ninety years.

OUR VISION

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

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.

STAKEHOLDER REPORT

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Chairman's Statement

GEORGE JONES

In what continues to be a very challenging environment for the insurance market I am pleased to report that IPB has delivered a solid performance for the year, resulting in a surplus before tax of €18.2m.

I AM PARTICULARLY pleased to note that we have increased our depth and breadth of exposure within our core market during the year. The transfer to IPB of all identified insurable risks facing our Members is one of our primary objectives for the next three years; an achievable goal which I believe will secure optimum levels of insurance protection for our Members going forward.

Insurance Sector

Total net underwriting losses in the insurance sector amounted to €339m in 2015, a further decline from 12 months earlier when they stood at €241m. Even allowing for investment income, a net operating loss of €216m (2014: €78m) was recorded for 2015 with the liability market making a net underwriting loss of €122m (2014: €22m).[1]

The continued deterioration in the claims environment has led to a continuing trend of higher premium as the market adjusts to stem losses and return to growth, resulting in market-wide increases to premium charged. Recorded total premium income for the sector reflects two consecutive years of growth and Insurance Ireland's most recently published figures report a 7.8% increase in gross written premium compared to the previous year.[1] According to the CSO, insurance premium prices grew by 7.1% during the year.[2]

The continually challenging claims environment can be expected to drive further premium increases. The reduced level of the discount rate applicable to catastrophic injury claims as well as high claims frequencies and increasing Court award levels are just some of the factors affecting premium inflation. In addition to these, the impact of the Injuries Board's launch of the revised Book of Quantum in 2016 and the anticipated imminent introduction of Periodic Payment Orders (PPOs) can be expected to drive further claims inflation.

Irish Economy

Our Members' ability to deliver services is contingent on State finances and the overall health of the Irish economy. Prospects for the exchequer remain positive, with continued progress in getting people back to work. The Central Bank of Ireland (Central Bank) estimates that the economy grew by 4.5% in 2016 and the projected GDP for this year is expected to moderate to 3.3%. Unemployment levels fell sharply in 2016, finishing at 6.9% from a high of 8.5% at the start of the year and reflecting a significant drop from the recessionary high of 15.2% recorded in early 2012.[3] Despite the

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positive outlook for Ireland's growth, there are a wide range of potential risks to the Irish economy. This year and into 2018, external risks are mainly related to the very uncertain impact of Brexit, with the Central Bank incorporating a downward adjustment to projected GDP growth of 0.6% in 2017 and 0.2% in 2018 allowing for its effects.[4] External risks requiring continual monitoring include international trade challenges from potentially weaker foreign demand, election outcomes in Europe and US policy changes impacting on foreign direct investment into Ireland.

Global Markets

IPB's investment performance, the outputs of which are reflected in the strong retained earnings reported, has significantly outperformed that of our peers over the past five to seven years. This period of super-normal investment returns is, however, at an end as both interest and short-term bond yields are now negative and we have adopted a defensive strategy to manage Members' capital and protect the balance sheet from the aforementioned external risks.

Investment returns are forecast to remain at the low levels reported due to the continued negative interest rate and bond yield environment. Interest rates have started to rise in the US on inflation expectations, while in Europe the end to quantitative easing in 2018 should be viewed as a step towards the normalisation of interest rates. Sovereign Bond yields will rise over the period with a corresponding fall in values impacting negatively on the investment return.

Despite this, the economic outlook over the medium term remains optimistic with growth projected at more sustainable rates. The external threats to this progress, for a small open economy like Ireland, are very real and prudent monitoring of these international risks will be an important feature of national fiscal policy and our investment policy.

MEMBERS

Our Members' particular understanding of community needs is such that they are best placed to provide optimal solutions to implementing and embedding the Putting People First programme for local government, which includes the reorganisation of political and executive structures, alignment of community and enterprise functions, greater involvement in local economic and community development, service efficiencies and revised funding arrangements.

The past 12 months have seen our Members presented with significant national social and economic challenges. Chief among these challenges is the national housing shortage, which has placed increased pressure on local authorities and their resources as housing lists continue to grow, exerting further pressure on current housing stock. At the same time, the landscape for the delivery of social housing is changing with the introduction of new funding models and a growing need to improve the quality of accommodation and local infrastructure that has suffered from historic underinvestment over many years. Our local authority Members are central to addressing this issue and have been given a leading role by Government in tackling it as one of the most important social challenges in recent times.

> ...AMONG THESE CHALLENGES IS THE NATIONAL HOUSING SHORTAGE, WHICH HAS PLACED INCREASED PRESSURE ON LOCAL AUTHORITIES AND THEIR RESOURCES AS HOUSING LISTS CONTINUE TO GROW...

The ETB sector is being challenged to meet the requirements of educational and skills training reforms as its remit has grown in recent years with additional responsibility for the public service provision of training and skills.

This is a clear endorsement of the sector's reputation for meeting the State's needs and areas such as adult training and education are now of heightened focus for it due to increased economic activity and demand for skilled workers.

Religious order divestment from primary education is set to gain traction this year following the recent endorsement of the Community National School (CNS) model by Minister for Education and Skills Richard Bruton TD. and ETBs have been tasked with serving the primary education sector through the development of the CNS network. These developments epitomise the strategic importance of ETBs in providing end-to-end public education on the State's behalf.

Members can be assured that as they assume responsibility for delivering important national initiatives, IPB, as their mutual insurer, will be there to protect their insurable interests as they grow and develop their evolving remit.

Members' Engagement

A notable development during 2016 saw the conclusion of an independent Value-for-Money (VFM) review conducted by the insurance consultancy unit of PwC on behalf of our Members.
I am pleased to report the conclusion that IPB provides value for money to its Members. The report found that despite the challenging

insurance market, IPB is providing good value for money to its members. It noted IPB's solid operational efficiencies with regard to consistently lower expense ratios compared to the market average. IPB provides a broad range of value-added services that would be difficult to replicate in the market. The review found that IPB delivers a level of certainty around cover that would be unavailable in the wider marketplace. Other benefits noted included enhanced price certainty and value-added services that delivered real value to Members.

The review identified the Mutual's strong capital position and the opportunity to release retained earnings for the benefit of Members.

In March of last year we introduced an enhanced platform for engagement with Nominees. The Members' Engagement Forum (MEF) was established to accommodate increased engagement with our Nominees and generate valuable feedback around the issues that they face at a local level. Nominees were hosted at two regional locations in March and October last year and whilst the attendance levels were disappointing, the level of engagement and interaction from those present was very encouraging and we look forward to continuing to engage in this manner going forward.

In addition, and in collaboration with our Member Nominees, we successfully completed the delivery of the third annual Community Engagement Fund. The €1m fund supports local volunteer groups nationwide who contribute so much to making a difference in their own communities. 118 groups across every local authority area in the country secured funding and our Nominees' support has been critical to the success of this national community funding initiative.

We continue to work with Government through public-private partnerships (PPPs) across a number of Government departments, notably contributing €1m to support the regional delivery of the 1916 Centenary programme. IPB partnered in a €3m tri-partite fund with the Department of Arts, Heritage, Regional, Rural and the Gaeltacht and all 31 of our local authority Members. The fund supported local authorities in delivering over 1,300 events and initiatives at local level in line with the national plan for Ireland 2016 in commemorating this significant anniversary.

...THE MEMBERS' ENGAGEMENT FORUM (MEF) WAS ESTABLISHED TO ACCOMMODATE INCREASED ENGAGEMENT WITH OUR NOMINEES AND GENERATE VALUABLE FEEDBACK AROUND THE ISSUES THAT THEY FACE...

Regulatory Environment

IPB's Board of Directors, which is responsible for meeting regulatory compliance requirements and corporate governance standards, formally implemented the Solvency II Directive (2009/138) and its associated delegated acts at the beginning of 2016. IPB comfortably met the solvency requirements outlined therein as well as other key requirements such as Pillar II Internal Governance and Pillar III Financial Reporting Requirements. Compliance with this EU Directive and other codes such as the Corporate Governance Requirements for Insurance Undertakings 2015 and the Consumer Protection Code 2015 supported the Board in its continued work to meet Central Bank regulatory requirements.

Board Composition and Succession Planning

Further to the implementation in January 2016 of an interim management structure led by IPB's Chief Financial Officer Enda Devine, Michael Garvey commenced his role as Chief Executive Officer in September 2016. The management team is now in place to deliver on IPB's strategic and operational plan to meet Members' needs over the coming years. I would like to thank Enda for his leadership during the interim period and wish Michael every success in his new role.

Following Michael's appointment as an executive Director, IPB's Board of Directors is now composed of two executive Directors, and seven non-executive Directors comprising four group Directors as Members' elected representatives and three independent non-executive Directors. The Board of Directors has also approved a succession plan particular to the period 2017-2020, the development of which has been informed by consideration of the optimum approach to composition in the context of provisions of the Corporate Governance Requirements for Insurance Undertakings 2015.

Immediate implementation of this succession plan will involve appointments and elections of individuals to IPB's non-executive Director roles commencing in 2017, with the assignment of individuals to the roles of prospective group Directors and the retirement and replacement of one of IPB's independent non-executive Directors.

The envisaged assignments are informed by the establishment of a succession pool particular to group Directors and will entail exposure in an observer capacity to the operations of the Board and access to training material to suitably equip the assignees with the requisite knowledge and skills to act in IPB group Director roles.

Commensurate with this approach, attention is now also being afforded to the establishment of a succession pool particular to independent non-executive Directors to address the requirement for selection of individuals for recommendation to the Central Bank for approval of appointment to the related roles as replacement requirements arise.

...2016 WAS A YEAR OF EXTREMES – WITH SURPRISE ELECTION OUTCOMES, OIL MARKET WEAKNESSES AND POLITICAL UNREST ACROSS EUROPE, WHILE IRELAND'S ECONOMY ENJOYS THE HIGHEST GROWTH IN EUROPE...

Looking Ahead

2016 was a year of extremes – with surprise election outcomes, oil market weaknesses and political unrest across Europe, while Ireland's economy enjoys the highest growth in Europe, strong multinational investment and a robust outlook.

The decision for our closest trading partner the UK to leave the EU will be felt most keenly in 2017 by our tourism and agriculture sectors (as a result of a weaker sterling). As the outcome of Brexit negotiations become clearer, it is likely that further business trade may be disrupted while some of this may be offset by companies relocating from the UK.

In Europe, key elections take place in France, Holland, Germany and Italy this year. The experience of 2016 leaves it difficult to predict political outcomes but Europe has a history of being able to overcome crises. If all goes well, the developed economies could enjoy their best year since 2007, with firmer business investment and steady gains in employment and real incomes.

At home, the insurance industry in Ireland remains challenging in terms of claims inflation and maintenance of underwriting discipline. We will maintain our depth and frequency of engagement with Members, strengthening our position as the insurer to local government, education authorities and complementary State and semi-state agencies.

We have a firm commitment demonstrating the benefits of mutuality by doing more to protect and reward our Members than ever before. On that note, I am pleased to announce on behalf of the Board that we are again in a position to declare a dividend to Members in 2017, subject to regulatory referral and legislative compliance.

Conclusion

The findings from the VFM review are a strong endorsement of our mutual model in serving our Members' needs and we are actively engaged with all stakeholders in implementing its recommendations. Our clear vision for the future involves delivering on our commitment to doing more for our Members and their communities by driving further efficiencies while adding value through Member dividends, better covers, services and customer experience.

The ongoing expansion of the economy, notwithstanding Brexit worries, is encouraging and any sustained domestic growth will require a strong financial services sector with an identifiable Irish presence. I am convinced that IPB, as the nation's only wholly Irish-owned general insurance company, presents a unique offering and unrivalled expertise in our core market sector. We are committed to further growing our depth and breadth of coverage to ensure that our Members have the protection they need to face the challenges that lie ahead.

George Jones
Chairman

Footnotes

1 Source: Insurance Ireland Factfile 2015
2 Source: CSO Consumer Price Index January 2016 – December 2016
3 Source: CSO Seasonally Adjusted Monthly Unemployment Rates (http://www.cso.ie/multiquicktables/quickTables.aspx?id=mum01)
4 Source: Central Bank of Ireland Quarterly Bulletin Q1 2017

...Earlier this year we received the final Value for Money report completed by PwC. This extensive independent review considered all aspects of our business and service offering to Members.

The report states: **"THE CURRENT PREMIUM RATES THAT ARE CHARGED BY IPB PRIMA FACIE, APPEAR TO REPRESENT GOOD VALUE FOR MONEY FOR MEMBERS..."**

Chief Executive Officer's Review

MICHAEL GARVEY

Despite the challenging trading environment, I am pleased to report a very solid performance for IPB in 2016.

WE HAVE MADE significant progress in achieving our key strategic goal of protecting our Members through improved product and risk management services and the ongoing exercise of transferring insurance risk from our Members' balance sheets to ours.

Earlier this year we received the final Value for Money report completed by PwC. This extensive independent review considered all aspects of our business and service offering to Members. The report states: "The current premium rates that are charged by IPB prima facie, appear to represent good value for money for Members". The report also notes that "the underlying performance and profitability of the underwriting business (as measured by loss ratio and combined operating ratio) is challenging whilst the expense ratio is below market average and it recognises IPB's surplus capital position at the present time."

We consider the findings to be a positive endorsement of the value for money your Mutual provides to you as Members through our unique understanding of your business and our focus on providing products and services that protect you in the unfortunate event of personal injury or property-related claims.

Ireland's insurance sector continues to experience turbulence on a number of fronts. Claims cost and frequency continue to increase and investment returns continue to fall. Corrective action in the form of rate increases are a feature of the Irish market. CSO data shows that insurance premium in the non-life sector has grown by 57% since 2011.[1]

The scale of increase has come in for considerable comment from both individual consumers and the business sector. The business sector has highlighted that increased insurance costs are having a major impact on competitiveness. In July 2016 Minister for Finance Michael Noonan began a review of insurance costs and established the Cost of Insurance Working Group chaired by Minister of State Eoghan Murphy.

The first phase of their work has focused on motor insurance and phase two will focus on employers' and public liability insurance. The group recently issued its report on motor insurance, and identified the need for reform in areas that impact across all insurance products in the non-life sector.

Areas such as improving the personal injuries claims environment, lowering costs in claims processing, reducing insurance fraud and improving data availability were highlighted. In total, the report makes 33 recommendations and 71 associated actions to be carried out. IPB welcome the findings and recommendations of phase one and we

...GROWTH WAS DRIVEN BY A COMBINATION OF A MODEST RATE INCREASE AND NEW BUSINESS FROM MEMBERS, AND A MORE SUBSTANTIAL RATE INCREASE AND MODEST GROWTH FROM NON-MEMBERS...

...THE CHALLENGE PRESENTED BY THE ENDURING CLAIMS ENVIRONMENT NECESSITATED AN AVERAGE RATE INCREASE OF 15% ACROSS THE MEMBERSHIP BASE IN 2017...

look forward to the next phase, which deals specifically with liability insurance, later this year.

Financial Performance

IPB recorded a surplus before tax of €18.2m for the year (2015: €59.4m) and gross written premium of €124.9m, up a very satisfactory 10% (2015: €113.1m). This growth was driven by a combination of a modest rate increase and new business from Members and a more substantial rate increase and modest growth from non-Members.

As a mutual we are conscious that we must deliver maximum value for our Members. I am pleased to report that the cost of running your Mutual remained at the lower end of the industry range, with an expense ratio of 15.0%. Our ongoing emphasis on growing our premium income principally through organic growth within our core market is delivering solid results and remains a strategic driver of our business in 2017 and beyond.

Underwriting

As a mutual our role is to protect our Members by underwriting risk and providing peace of mind that we have them covered. We had an underwriting loss of €3.9m (2015: -€6m): this was an improvement on the previous year but still well short of our target.

Our underwriting performance has been impacted by the prevailing upward trend in claim numbers and settlement costs. Meanwhile, the modest increases in pricing over the past few years have not kept pace with this escalating claims trend.

Reflecting our weak underwriting performances in recent years, IPB introduced a moderate rate increase of 5.6% for Members in 2016. While our price competitiveness continues to outperform the market, the growing challenge presented by the claims environment necessitated an average rate increase of 15% across the membership base in 2017.

As the stakeholders of the business it is important that Members are protected by having a mutual insurer that delivers a positive underwriting result on a consistent basis. This prudent approach to the pricing of Member and non-Member business will strengthen the overall underwriting performance of your Mutual, which is critical to its long-term sustainability. I am pleased to report that the Mutual continues to deliver excellent retention rates among both our Members at 100% and non-member business at 98.5%, demonstrating the value for money offering IPB has for all clients.

Investments

2016 can be categorised as a year of extreme volatility in both equity and bond markets. Initially markets were impacted by the prospect of a slowdown in the Chinese market, followed in June by the market chaos from the Brexit referendum result and finally the uncertainty following the US election.

Bond yields hit historically low levels as a result of the ECB's Quantitative Easing (QE) programme; however, this appears to be coming to an end and yields have hit an inflection point and started to rise. The period of above-normal investment returns over the past five years is now over and a more normalised return is forecast for the foreseeable future. The investment return of 1.9% (€23.1 million) was 28% ahead of budget. We are forecasting investment returns in the range 1.25% to 1.75% for 2017.

Claims

Claims incurred net of reinsurance amounted to €88.8m (2015: €86.8m). The claims environment continues to be a challenge though there is some evidence that it is beginning to stabilise. Some of the drivers of increased claims costs for IPB include:

- Increased involvement of solicitors in Injuries Board claims
- Increased rejection of Injuries Board claims awards in favour of pursuing court awards
- Increasing cost of professional and expert fees
- Impact of an increase in the court jurisdiction of the Circuit Court from €38k to €60k (for personal injury claims; €75k otherwise)
- Reduction in the discount rate from 3% to 1% for cost of care, and from 3% to 1.5% for loss of earnings.

On a positive note the level of awards in the High Court appear to be stabilising following some recent examples of Court of Appeal decisions to reduce awards by almost 50% and the provision of guidelines to judges on the assessment of damages.

The establishment of the Government's Cost of Insurance Working Group is a recognition of wider public interest in the consequences of the escalating claims costs and frequency reflected through higher insurance premiums in recent years. The group's highlighting of key areas such as soft tissue injuries, judicial guidelines on the use of the Book of Quantum, pursuit of those engaging in fraudulent or exaggerated claims and further benchmarking of the Book of Quantum internationally will ultimately assist in better management of claims and insurance costs.

Claim numbers continue to rise year-on-year, with an underlying 9% growth in Members' public liability claims volumes in 2016.[2]

In general, public liability continues to represent the majority of claims at 62% of notified claims in 2016 and 67% of the value of those settled. Employers' liability claims represent 4% of claims notified and 14% of the value of those settled in the same period.

IPB's full-year total net claims incurred position at €88.8m is up 2.4% on the prior year; however, excluding a once-off claims portfolio transfer, the net claims incurred position in 2016 has increased by over 15%, underlining the increasing frequency and reserve increases on larger claims. However, it should be noted that IPB is growing its product and premium base and this in itself will produce an increase in the volume of claims. Growth in public liability claims is mirrored across the wider Irish insurance market, with the industry reporting a 14% increase in public liability claims in Q1-Q3 of 2016 over the same period in 2015.[3]

The lack of funds for investment in infrastructure over the last 7/8 years is now leading to issues around public liability exposures for our Members. An area of focus for Members will be addressing the need for investment in roads and footpaths to recover from this period of underinvestment.

We are committed to intensifying our efforts in gathering additional claims data to assist in identifying claims risk areas and delivering our client enterprise risk management initiatives to Members. This should have a positive impact on their risk landscape through the development and implementation of enterprise risk management solutions. Ultimately, the improved management of Members' risks should impact positively to reduce and avoid incidents that may give rise to claims.

Strategic Development

Our balance sheet provides an excellent opportunity to leverage our financial strength in returning value to our Members. A key strategic goal for us in achieving the optimum operating performance will see increasing focus on the transfer of risk from our Members' balance sheets and the implementation of our multi-disciplinary claims management strategy.

Modified Community Rating

Another critical component of our strategic development is the introduction of a Modified Community Rating (MCR) pricing model for our Members. During the year we conducted a review of our community rating approach to ensure the most equitable model of premium pricing for Members. The review resulted in the development of the MCR model, which applies rate adjustment on a more equitable basis, preventing some Members overpaying and others underpaying by recognising individual account performance.

The MCR model is already operational, commencing on the first day of January 2017. We are now implementing the other key initiatives outlined above and I am confident we will deliver on our targets by year end. The outcomes from these initiatives will see improved protection and an overall stronger financial position for our Members. This will also lead to more accurate budget forecasting for Members through greater certainty around future insurance costs.

During the year we invested in additional resourcing through increased headcount, systems upgrades, insurance policy improvements and value-added services to meet the increased demand from Members.

Solvency II

Solvency II came in to full effect on 1 January 2016 and IPB was well-positioned to meet the new regulatory requirements from quantitative, governance and risk management as well as reporting perspectives. IPB's capital strength ensures that it comfortably exceeds the new solvency capital requirements and should prove resilient to a range of adverse stresses and scenarios looking forward.

The Own Risk and Solvency Assessment (ORSA) continues to embed itself as a core risk management process that has benefited from very active Board involvement. In addition, the company implemented a new regulatory reporting platform and successfully met its day-one and quarterly Solvency II reporting requirements.

The successful implementation of Solvency II was an important milestone in parallel with other regulatory initiatives, and we remain committed to adapting to meet the obligations of our ever-changing regulatory environment. The evolution of the Risk Framework will remain an important focus in the coming year, with a continuing emphasis on regulatory reporting and evolution of the ORSA process. In October 2016, Standard & Poor's maintained IPB's credit rating at A- (Stable) and continues to note the capital and financial strength aspect of IPB's rating as AAA.

...DURING THE YEAR WE INVESTED IN ADDITIONAL RESOURCING THROUGH INCREASED HEADCOUNT, SYSTEMS UPGRADES, INSURANCE POLICY IMPROVEMENTS AND VALUE-ADDED SERVICES TO MEET THE INCREASED DEMAND FROM MEMBERS...

Listing to Members

By listening to and working more closely with our Members, we have evolved and grown our offering. New initiatives for Members in 2016 included the roll-out of claims analysis to identify trends and to profile claims for individual local authority Members. This initiative has received a hugely positive response from Members who seek to reduce the incidence of claims, particularly in geographic blackspots. In 2017 we will continue to support this initiative and have intensified our efforts in supporting our Members' efforts in reducing public liability claims.

The Client Enterprise Risk Management programme, tailored for individual Members, has resulted in a year-long schedule of events and seminars attended by over 2,700 delegates. Bespoke conferences, seminars and insurance clinics are provided along with a more concentrated focus on risk mitigation services aimed at increasing awareness of the cause of accidents and ultimately reducing personal injury claims.

IPB's annual Members' Satisfaction Index (MSI) is an important reference point in guiding us on Members' views and needs. I am delighted to report that the findings of this year's MSI survey, conducted again by Red C Research, recorded strong satisfaction levels of 95%; in line with previous results achieved over the preceding three years. In particular I am encouraged to see our Members give IPB a 96% trust rating, a strong endorsement for a financial institution by any standard.

Outlook

As a mutual insurer it makes sense that we underwrite all identifiable insurable risks that our Members face in the course of their daily operations. We have unrivalled expertise in the sector and I believe we have an obligation to offer optimum levels of cover that may not otherwise be available in the wider commercial market.

The introduction of the MCR model for Members is a significant development for the company in 2017. This, along with the current programme of transferring outstanding Member risks through the elimination of excesses and retro-rated premium, will be key drivers for the business this year and beyond. I believe we are well-positioned to realise the opportunity that currently exists for significant organic growth in our core market as well as maintaining our position within related public sector niche market segments.

Michael Garvey
Chief Executive Officer

Footnotes

1 Source: CSO Consumer Price Index Non-Life Insurance Premium (Price Movements from the period January 2011 to December 2016)
2 Source: IPB Reporting Ex Potholes, 2 March 2017
3 Source: Insurance Ireland Market Intelligence Portal

WE ARE
SERVICE-DRIVEN

We anticipate, we respond,
we deliver.

Management Analysis

2016 was a challenging year as rising claims costs combined with significant macroeconomic volatility and negative interest rates affecting investment income. Despite this, a healthy profit was achieved and our strong financial position and proactive engagement with our clients means we are well-placed to deal with these issues in the year ahead.

A CHALLENGING ENVIRONMENT

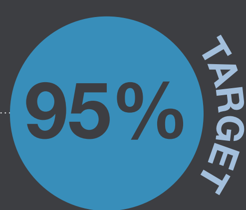
NUMBER OF NEW CLAIMS

NET COMBINED RATIO

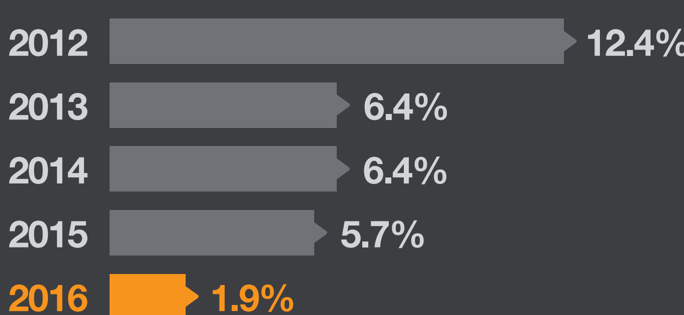
This measure of insurance profitability is behind target due to the negative claims environment, but has fallen since last year.

2015: 106.3%

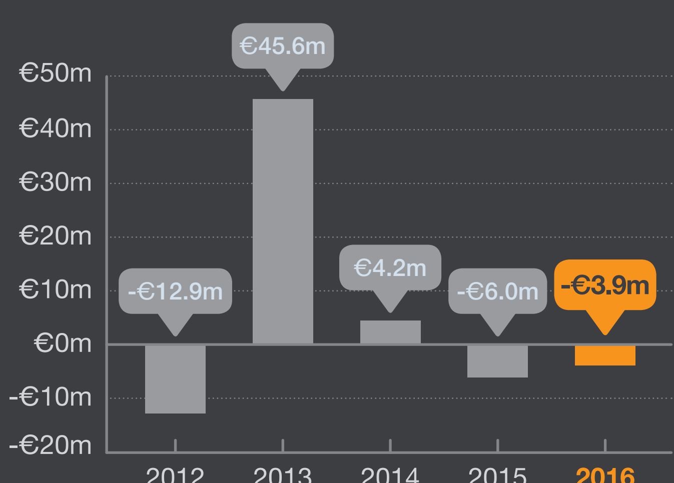
2016: 104.0%



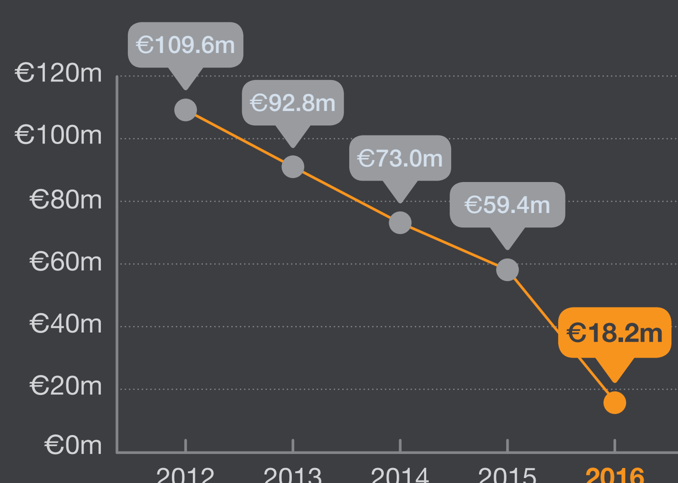
INVESTMENT RETURNS



NET UNDERWRITING RESULT



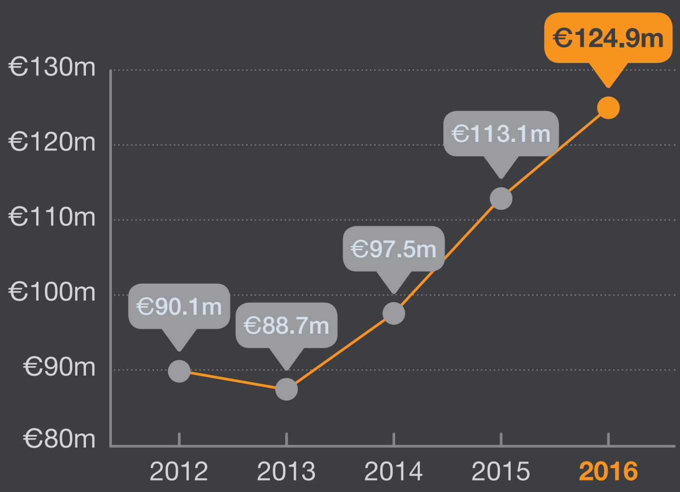
SURPLUS BEFORE TAX



THE IMPACT

GROSS WRITTEN PREMIUM

Steady increase in the levels of premium as we write increased amounts of cover for our members and clients.



MANAGING CLAIMS

The number of claims is rising in line with increased economic activity and increased levels of cover provided. We continue to manage claims in such a way as to ensure our clients are protected and third-party fraud is minimised.

6,440
Claims in 2016

OPERATING EXPENDITURE

We continue to manage expenses efficiently while making the necessary investment to grow and develop the business. Operating expenses as a % of earned premium continues to fall.

12.3%
Ahead of target

A STRONG POSITION

Our exceptionally strong capital position ensures long-term security and stability to continue to protect the interests of our Members and clients.

A- (Stable)
Standard and Poor's rating maintained in 2016

€395m
Surplus capital under Solvency II

Our **STRONG CAPITAL POSITION** ensures that the impact of any price increase to our members is minimised.

MEMBERS' DIVIDEND PAID

2016
€15m

2015
€15m

2014
€10m

2013
€10m

2012
€10m

Who we work with

Our mutuality is fully aligned to our Members' ethos by protecting our Member organisations and their assets. Our aim is to reach out to all our stakeholders, both internally and externally, in meeting our responsibilities to all. It is our ambition for all stakeholders to feel a part of what we represent.

INGREDIENTS FOR SUCCESS – OUR STAKEHOLDERS

Our Members

IPB must continue to increase support and services to Members and continually grow our engagement with all stakeholders. We understand that to continually achieve our goals we must work closely with all our stakeholders to fuel success. This will ultimately deliver on the achievement of our goals and on our mission to provide a sustainable offering befitting of our Members and their stakeholders, the Irish public.

Our People

The Board provides oversight of the business, setting the business strategy and ensuring that risk and compliance are properly managed. We will develop our staff to build high-performing teams, and drive an ethos of mutuality, ethics and competence in individual and collective ownership of the vision for the business.

Our Clients

We aim to develop our customer base outward from our core market segment of local authority and ETB Members, targeting those organisations that provide services to the public in education, sport, health, community, not-for-profit and other socially focused services.

Our Government

As a mutual insurer comprising local authority and ETB Members, it is not surprising that our relationship with the Government is of great importance. Understanding the needs of our Members means that we must continually foster and nourish relationships with our Members' governmental partners. In 2016 IPB partnered with the Government and our local authority Members in a €3 million fund to support the centenary of the 1916 Rising.

Our Partners

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

Our Peers

We recognise that as a leading Irish financial services business we have a responsibility to contribute to the improvement in standards within our industry. IPB is an active member of Insurance Ireland, and through our employees there is a significant representation in the Insurance Institute of Ireland. IPB is listed on the International Cooperative Mutual Insurance Federation (ICMIF) Global 500 mutual insurance companies.

Our Society

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.

WE ARE
TRUSTWORTHY

We value integrity and can always
be relied upon to do the right thing.

Our Members

IPB has continued to focus its attention on deeper engagement with Members. Membership initiatives in 2016 continue to reflect and deliver on our mission to anchor our Members at the centre of their mutual insurance company.

We are proud to be the insurer of choice for our **51 Members,** which include all **31 local authorities, 16 ETBs** and the **HSE.**

31 **Local Authorities**

16 **ETBs**

HSE

For **90 years** we have developed our capabilities to **meet the insurance needs** of our Members.

In 2016 we continued to deliver on our strategic commitment of **doing more & going further** for our Members.

Communication

- 2 x Member Engagement Forum events
- 2 x CCMA conferences
- Annual Heads of Finance conference

Risk Management and Advisory Services

- 15+ Member conferences
- 30+ Member seminars
- 30+ risk guides
- Development of safety management systems
- Serious incident mobile application

New digital channels

- Refreshed and responsive website
- Secure Member portal

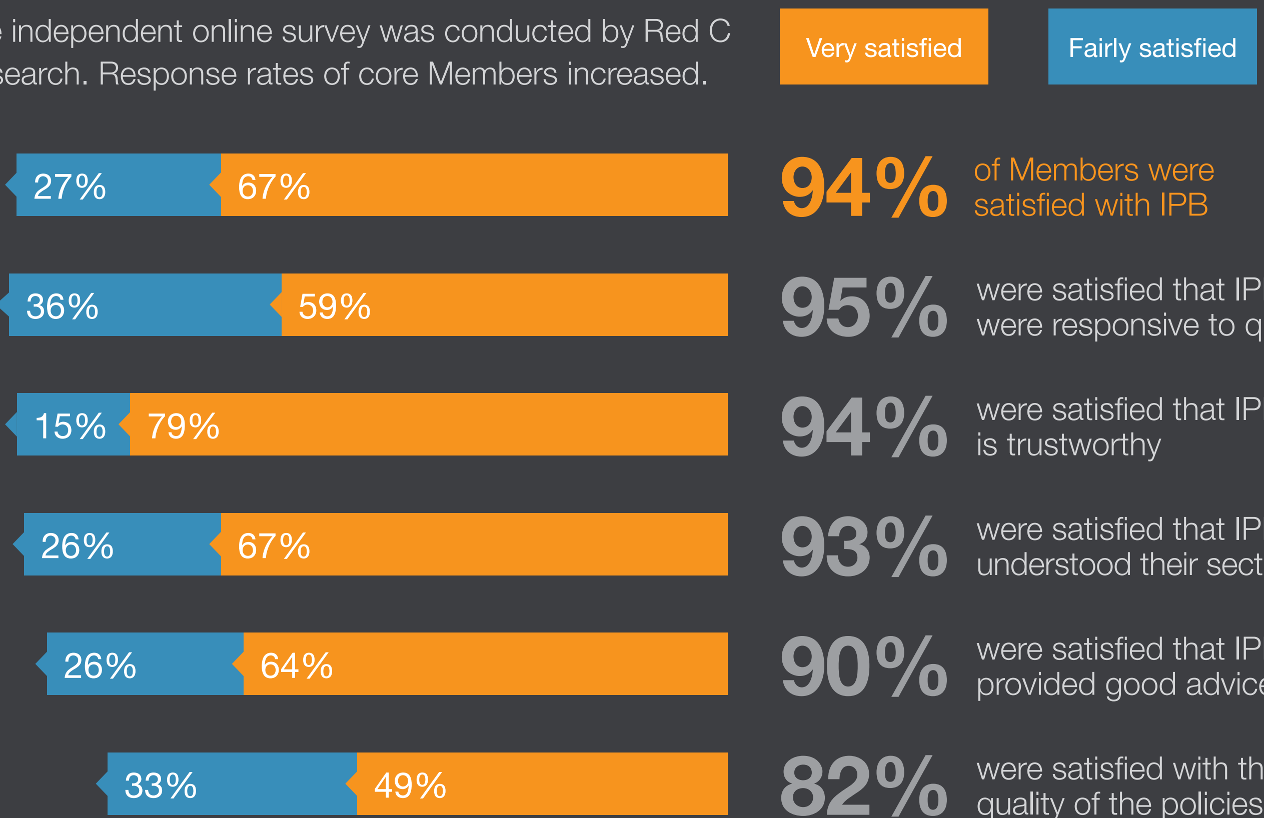
Sponsorship

- Annual ETBI conference
- LAMA Community & Council Awards
- LAMA Yearbook & Diary
- Pride of Place Awards

CSE Framework

- €9.0m funding to date
- 550+ projects mobilised
- 500,000+ people positively impacted

The independent online survey was conducted by Red C Research. Response rates of core Members increased.



94% of Members were satisfied with IPB

95% were satisfied that IPB were responsive to queries

94% were satisfied that IPB is trustworthy

93% were satisfied that IPB understood their sector's needs

90% were satisfied that IPB provided good advice

82% were satisfied with the quality of the policies

Underwriting

- Improved renewals process
- Enhancements to new and existing products
- Continued enhancements in cover
- Increased investment in contract advisory & property valuations

Claims

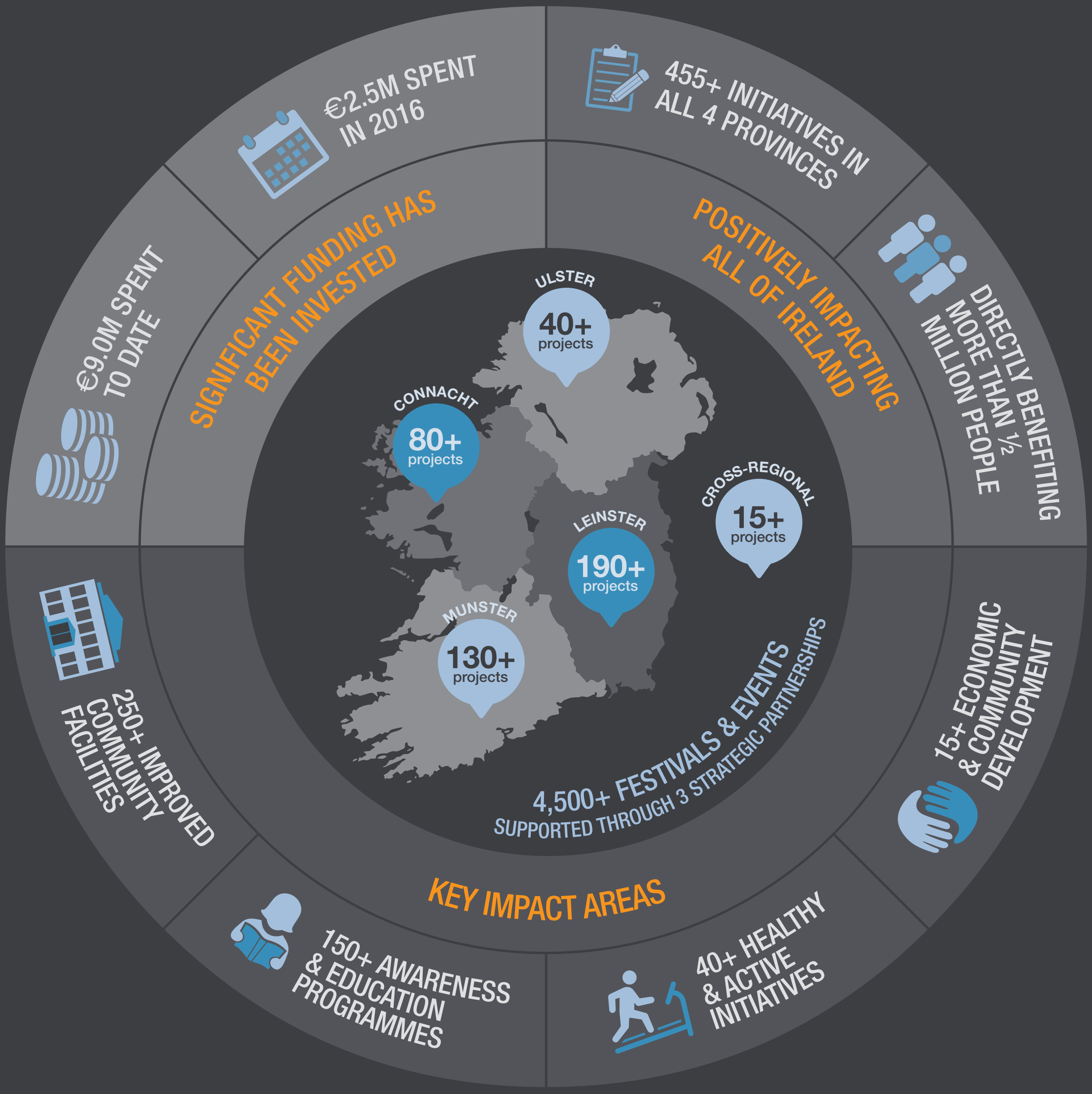
- Creation of new Geocoding MI for slips & trips
- New Claims MI reports
- Improvements to operational processes
- Increased investment in Member relations

Commercial dividend maintained

Making a Difference

IPB has been active in the area of corporate social engagement since 2012, providing investment in communities to play our part in building a better Ireland.

We have undertaken community engagement activities in areas that we have prioritised to best help address the needs of the community for and on behalf of our local authority and Education and Training Board Members. With a view to building mutually beneficial relationships, we have developed strategic partnerships with Members, Government and sector-specific organisations that help to deliver shared objectives in a more focused way. Our aim is to make a difference in everything we do and to make a positive contribution to all of our stakeholders by acting in a socially responsible way. We became the first Irish company to issue a Social Dividend as part of our commitment to giving back to society.



REPORT OF THE BOARD AND EXECUTIVE

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Governance and Control at IPB

The Board is responsible for ensuring the effectiveness of IPB's system of internal control, which manages the risk of failure to achieve business objectives and provides assurance against material misstatement and/or loss.

In line with the Corporate Governance Requirements for Insurance Undertakings 2015 ('the Requirements'), the Board confirms the application, up to the date of approval of the financial statements, of an ongoing and regularly reviewed process for identifying, evaluating and managing IPB's significant risks. Key internal controls provisions include:

- A Risk Committee with responsibility for establishing, documenting and devolving a comprehensive risk management framework
- An Audit Committee with responsibility for overseeing IPB's financial reporting, audit, legal and regulatory compliance monitoring processes
- An Investment Committee responsible for reviewing and providing guidance on the asset allocation strategy and the investment activities of the business
- A Remuneration and Nomination Committee responsible for approving IPB's Remuneration Policy for recommendation to the Board and supporting an annual policy compliance assessment
- An internal audit function, the main role of which is to identify, monitor and manage significant internal control risks for IPB
- A risk management function underpinning all aspects of the business and overseeing a risk management framework supporting the operation of risk management policies in the areas of underwriting, reinsurance, claims reserving and investments, and acting in tandem with a compliance function overseeing a compliance and regulatory governance framework providing assurance that IPB operates in a transparent, compliant manner
- A comprehensive functional management control system that provides, among other things, financial controls incorporating budgeting, periodic and variance analysis.

The above are reinforced via clearly defined lines of responsibility and authority, while our risk governance operating model is to adopt the three lines of defence risk management system with the first line comprising business and front line operations, risk management and internal control; the second line comprising risk, legal and compliance; and the third line comprising internal and external audit.

...THE BOARD CONFIRMS THE APPLICATION OF AN ONGOING AND REGULARLY REVIEWED PROCESS FOR IDENTIFYING, EVALUATING AND MANAGING IPB'S SIGNIFICANT RISKS....

Corporate Governance Leadership Statement

IPB ensures compliance with Articles 44-51 (System of Governance) of EU (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) and while not deemed a major institution under the Requirements, IPB is committed to surpassing minimum corporate governance standards.

Role of the Board

The Board's key role involves leadership and oversight of the Chief Executive Officer's effective implementation of the business strategy. The Chairman is responsible for leading the Board and ensuring the full participation of each Director. Constructive challenge by the Board to Management is critical in providing assurance to IPB's stakeholders that the business and its Management team achieve appropriate governance standards while meeting the goals and objectives of the business.

Composition of the Board

Board membership is consistent with regulatory requirements and responsive to the evolution of IPB's business activities. The Board, following Central Bank of Ireland consultation on its optimum composition, is comprised of four group non-executive Directors, three independent non-executive Directors and two executive Directors. The independent non-executive Directors' skills assist the development of the business while the group non-executive Directors ensure maintenance of the experience and continuity of IPB's strong legacy, and each Board member participates in a comprehensive training and development programme to ensure continuous skills enhancement.

Key Role of The Board's and Board and Committee Meeting Protocol

The Board requires its Directors to act in the best interests of the business and be independent of any other institution, Management, political interests or inappropriate outside interests, including their own. In advocating a requirement for transparency at all levels of the business, the Board has elected to require a declaration of conflicts of interest by Directors as a standing agenda item at its Board and Committee meetings. A Conflict of Interest Policy features as part of the Business Code of Conduct Policy, which the Board has approved as part of this objective, and the Directors have, during 2016, satisfied the requirements of independence in line with the Fitness and Probity Standards. Prior to each Board and Committee meeting, each Director is provided with papers in a timely fashion and the Company Secretary acts as the central point for co-ordination of Board and Committee meetings, documentation, and procedural compliance with regulatory control requirements. Where a Director requires additional information, expertise or guidance they can call upon any member of the Management team to provide oral briefings or written reports, or seek external expertise in consultation with the Company Secretary.

Board Performance

The Board undertakes an annual written evaluation of its performance and that of its Committees and Directors, co-ordinated by the Company Secretary, with actions agreed on identifying enhancement opportunities such as potential for a rotation of the role of Committee chairpersons. An independent review of the Board's effectiveness was undertaken in 2015 in line with governance provisions, with a further one scheduled for 2018. The roles of Chairman and Deputy Chairman are elected annually by the Board and, in line with the Requirements, each Director's role is reviewed, renewed, retired and re-elected as appropriate via the annual evaluation process, a formal review is conducted every three years post-appointment, and a formal review of the membership of the Board of any person who is an independent non-executive Director for nine years or more is conducted, with

...IPB IS COMMITTED TO SURPASSING MINIMUM CORPORATE GOVERNANCE STANDARDS. THIS COMMITMENT IS LED BY THE CHAIRMAN AND BOARD OF IPB WORKING TOGETHER WITH ALL STAFF AND IS ILLUSTRATED BY COMPLIANCE WITH IPB'S OBLIGATIONS IN 2016...

written documentation of the rationale for any continuance submitted to the Central Bank of Ireland by the Board.

Terms of Reference and Reserved Powers – Responsibility

The Board meets regularly or as required to fulfil its responsibilities as outlined in clear Terms of Reference detailing items relating to business strategy, internal risk and regulatory management frameworks, and other systems of control reserved for discussion, debate and decision. The Board, in conjunction with the Nomination Committee, will also engage as appropriate in the process of appointing and removing key roles within the Board membership or Management, providing the required oversight of the activity of the business to inform its consideration of the risk appetite.

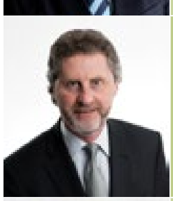
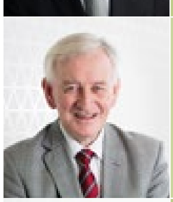
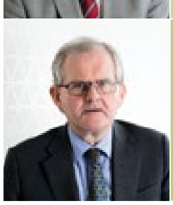
...AN INDEPENDENT REVIEW OF THE BOARD'S EFFECTIVENESS WAS UNDERTAKEN IN 2015 IN LINE WITH GOVERNANCE PROVISIONS, WITH A FURTHER ONE SCHEDULED FOR 2018...

WE ARE

RESPECTFUL

We listen to fully understand the viewpoint of others while always behaving with courtesy.

THE BOARD OF DIRECTORS

	**GEORGE JONES** Chairman & Group Non-Executive Director	George is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland. He has spent 40 years working in the insurance industry, holding management roles in the areas of corporate, personal, commercial and human resources. George has extensive experience of local government having been associated with Wicklow County Council and Greystones Town Council for over 38 years.
	**MICHAEL GARVEY** Chief Executive Officer & Executive Director	Michael is a member of the Institute of Directors in Ireland, the Insurance Institute of Ireland and a fellow of the Association of Chartered Certified Accountants. Michael has over 30 years' experience in the insurance industry in various leadership roles and has extensive director experience at Board and shareholder level with two of Ireland's largest insurance companies over the past 20 years.
	**MICHAEL McGREAL** Deputy Chairman & Group Non-Executive Director	Michael is a member of the Corporate Governance Association of Ireland, the Insurance Institute of Ireland and the Institute of Directors in Ireland. He has attained a Diploma in Corporate Governance from University College Dublin, holds a Certificate in Company Direction awarded by the Institute of Directors in Ireland and holds a Certificate in Company Direction awarded by the Institute of Chartered Directors UK. He also has a long history of involvement in local government, having been associated with Roscommon County Council for over 30 years.
	**GARRY CULLEN** Independent Non-Executive Director	Garry is a founding member of the Dublin Insurance and Management Association, associate of the Chartered Insurance Institute, a member of the Insurance Institute of Ireland and a member of the Institute of Directors in Ireland. He has over 40 years' experience in the insurance industry, having operated in both local and international markets.
	**ENDA DEVINE** Chief Financial Officer & Executive Director	Enda is a fellow of the Association of Chartered Certified Accountants, a fellow of the Institute of Bankers, a member of the Institute of Directors in Ireland and a member of the Insurance Institute of Ireland with a Diploma in Information Systems awarded by Trinity College Dublin. He has held a number of senior executive and Board-level positions over 15 years in leading financial services organisations.
	**MICHAEL FITZGERALD** Group Non-Executive Director	Michael is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland. A Tipperary County Councillor for 34 years, he has served as chairman of his local authority on three occasions, chaired the South East Regional Authority and acted as president of the Association of County and City Councils. Michael is the first cathaoirleach of the newly established Tipperary County Council and he represents the council on the Governing Body of University College Cork.
	**DERMOT GORMAN** Independent Non-Executive Director	Dermot is a fellow of the Chartered Insurance Institute and a member of the Insurance Institute of Ireland, a chartered director and a member of the Institute of Directors in Ireland, and an affiliate member of the Society of Actuaries in Ireland. He has over 30 years' experience in the insurance industry and he has been awarded a Diploma in Company Direction awarded by the Institute of Chartered Directors UK, a Diploma in Finance Law by the Law Society of Ireland and a Diploma in Corporate Governance by University College Dublin.
	**SEAN O'GRADY** Group Non-Executive Director	Sean is a member of the Institute of Directors of Ireland and the Insurance Institute of Ireland, with considerable knowledge in the insurance industry gleaned from over 30 years of professional experience. He has served as mayor of Killarney on five occasions and is a former member of Killarney Town Council with 40 years' experience.
	**JOHN SMYTH** Independent Non-Executive Director	John is a chartered director, chartered secretary and fellow and past president of the Institute of Directors in Ireland. He is a professional corporate governance specialist with extensive experience in Ireland, the United Kingdom and Europe and he has been awarded a Diploma in Corporate Governance by University College Dublin and a Diploma in Company Direction by the Institute of Directors in the UK.

MEETINGS ATTENDED

			BOARD 8 meetings in 2016	AUDIT COMMITTEE 6 meetings in 2016	INVESTMENT COMMITTEE 4 meetings in 2016	REMCO 9 meetings in 2016	RISK COMMITTEE 6 meetings in 2016
NAME	APPOINTMENT DATE	TERM ON THE BOARD (YEARS / MONTHS)	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE
GEORGE JONES	25 May 06	10.7	Chairman 8	Invitee 1	Invitee 1	Member 9	Invitee 1
MICHAEL GARVEY	2 Sep 16	0.3	Member 3	Invitee 1	Member 1	Invitee 2	Invitee 1
MICHAEL McGREAL	26 May 05	11.7	Deputy Chairman 8	Member 6	– –	Chairman 9	– –
GARRY CULLEN	21 Jul 11	5.5	Member 8	– –	Chairman 4	Member 9	Member 6
ENDA DEVINE	2 May 12	4.7	Member 8	Invitee 5	Member 4	Invitee 6	Invitee 6
MICHAEL FITZGERALD	31 May 07	9.7	Member 8	– –	– –	– –	Member 6
DERMOT GORMAN	21 Jul 11	5.5	Member 8	Member 6	– –	Member 9	Chairman 6
SEAN O'GRADY	29 May 08	8.7	Member 8	– –	Member 4	– –	– –
JOHN SMYTH	21 Jul 11	5.5	Member 8	Chairman 6	Member 4	Member 9	Invitee 1

The Board Committees

The Board has, taking into account the size and complexity of IPB as a business, delegated authority to an Audit Committee, Risk Committee, Investment Committee and a Remuneration and Nomination Committee to complete programmes of work on its behalf and report regularly under clear terms of reference reviewed on an annual basis at a minimum, and accessible by all stakeholders on IPB's website at www.ipb.ie.

The Audit Committee

During 2016 the Audit Committee was extensively engaged in reviewing IPB's approach to its claims and underwriting activities, with an on-going evaluation of IPB's approach to combating fraud. This activity was undertaken in addition to the discharge of responsibilities specified in its Terms of Reference which include, among other things, reviewing and monitoring the integrity of IPB's financial statements and the judgements therein for Board recommendation, reviewing the terms of engagement, aptitude, independence and annual plans of the auditors and making recommendations to the Board, and reviewing internal controls within IPB and the escalation process for employees in accordance with the Whistleblowing Policy outlined in IPB's Ethics Policy. The Audit Committee Chairman has outlined his role and the Audit Committee's objectives over the coming year as: "continuing to oversee assurance in an enhanced control environment by encouraging challenging and constructive interrogation of submissions, assessing external environmental issues and their potential impact on IPB and corresponding control implementation, ensuring the ongoing effectiveness of audit functions and the integrity of financial reporting to Members and other stakeholders, and providing the Board with confirmation of apt advancements in this area. The Committee members have actively engaged in discharging their responsibilities during 2016 and our priorities in maintaining this momentum include overseeing a targeted approach to addressing the legal and claims environment challenges, and ensuring IPB's continual commitment to organisational governance."

The Risk Committee

2016 has seen the continued evolution of IPB's Risk Framework, particularly in relation to the articulation of risk appetite and risk monitoring in support of high-quality and robust reporting requirements in adherence to Solvency II obligations, with the appointment of individuals to the roles of Chief Risk Officer and Head of Actuarial function contributing to this and supporting IPB's Own Risk Solvency Assessment (ORSA) activities. The Risk Committee, led by Mr. Cullen in his capacity as Risk Committee Chairman until the rotation of Committee chairperson roles in July 2016, undertook the activity outlined above in 2016, in addition to discharging its responsibilities specified in its terms of reference. The Committee is responsible for overseeing the risk management function via identifying, measuring, monitoring, reporting and managing IPB's risk exposures, and advising the Board on risk strategy and policy in line with IPB's risk appetite, system for monitoring alerts, and proximity warnings to ensure pre-emptive action in advance of potential breaches. Mr. Gorman, in his capacity as Risk Committee Chairman effective from July 2016, has articulated the Risk Committee's objectives over the coming year as: "continuing to ensure the risk management function's effective engagement with the business, and exploring the experiences of the client enterprise risk management function in conjunction with the issues addressed by the Claims and Underwriting Committee to inform enhanced interaction with IPB's assurance functions in our Members' interests throughout 2017."

...2016 HAS SEEN THE CONTINUED EVOLUTION OF IPB'S RISK FRAMEWORK, PARTICULARLY IN RELATION TO THE ARTICULATION OF RISK APPETITE AND RISK MONITORING...

The Investment Committee

The Investment Committee's continuous review of the short- and long-term performance of IPB's investment portfolio continued in 2016 with analysis of the risk and reward relationship, the impact of market volatility, and overall performance in relation to market peer benchmarking. The Investment Committee's remit, as detailed in its Terms of Reference, includes reviewing and monitoring the application of IPB's Investment Policy in line with the Risk Appetite Statement in order to produce the best possible returns in recognition of solvency requirements and regulatory provisions. The Investment Committee, led by Mr. Smyth in his capacity as Investment Committee Chairman until the rotation of Committee chairperson roles in July 2016, undertook the activity outlined above in 2016 in addition to monitoring the compliance of IPB's investment activities with legislative provisions and regulatory requirements and assessing the impact of political developments associated with Brexit and elections in the United States of America and the EU. Mr. Cullen, in his capacity as Investment Committee Chairman effective from July 2016, has commented on its intended activities for 2017 as follows: "The continual review of optimum approaches to the investment of funds together with prudent application of governance requirements to ensure the delivery of a positive performance, secure Members' interests and provide a measure of assurance for all stakeholders."

...THE COMMITTEE IS ALSO RESPONSIBLE FOR BOARD RECOMMENDATION OF IPB'S REMUNERATION POLICY, NON-EXECUTIVE DIRECTOR FEE STRUCTURES, AND THE REMUNERATION OF EXECUTIVE DIRECTORS...

The Remuneration & Nomination Committee

The Remuneration and Nomination Committee's remit, as per its Terms of Reference, involves recommending succession planning for the Board and Management for Board approval, and this includes overseeing the fitness and probity process associated with the appointment or removal of Board members and any head of control function by conducting an annual review of their compliance with requisite standards. The Committee is also responsible for Board recommendation of IPB's Remuneration Policy, non-executive Director fee structures, and the remuneration of executive Directors and individuals remunerated per criteria specified in its Terms of Reference. The Committee's performance of its role in 2016 included initiation of an exercise, in consultation with independent external advisers, to ensure that the organisation's remuneration and Management structures serve to attract knowledgeable and experienced individuals and motivate them to perform in the long-term interests of IPB and its stakeholders. The Chairman has commented on the engagement by the Committee in performing its duties throughout 2016 as follows: "The Committee's contribution during 2016 to the processes of recruitment of individuals to the roles of CRO, head of actuarial function and CEO is reflective of the commitment evidenced in its activities to ensuring ready responsiveness to IPB's evolving operating environment. In tandem with this and the relevance of the operating environment to the matter of succession planning for the Board, the Committee initiated development of a Board competencies skills framework to inform the ongoing monitoring and review of Board succession planning and equip the progression of the Board's objectives in 2017."

Risk Management

Risk Management Structure

Risk management is central to safeguarding the promise that IPB makes to its policyholders and Members and the interests of all stakeholders.

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 establishes prudent and effective controls to manage risk via the Risk Framework and sets the company's appetite for risk via the Risk Appetite Statement.

The Risk Committee assists the Board with its oversight of risk and risk management. It meets at least four times per year and follows a structured approach that 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.

Risk management is core to all business activities and staff are guided by documented policies and procedures, underpinned by an active and embedded risk management department, intranet, forums and training.

The Risk Framework

The Risk Framework describes the company's 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 culture of risk management throughout the company.

The Board articulates risk appetite in order to ensure the solvency of the company at all times. Risk appetite is ultimately expressed in terms of detailed operating limits that guide the day-to-day activities of those entrusted to run the business. This enables the company to pursue its strategic objectives while limiting risk in a transparent and structured manner. All risks are monitored regularly and certain risk types are monitored daily. Procedures are in place to reduce risk levels should operating limits be threatened.

Risk and other company policies define the formal risk management and risk control requirements of the company. The effectiveness of policies and key controls is regularly reviewed and tested.

The company uses the Solvency II Standard Formula to quantify risk in the business. The appropriateness of the Standard Formula is assessed as part of the Own Risk and Solvency Assessment (ORSA) process. This model is also used to quantify the capital impact of key events, scenarios and proposed Management actions.

The Risk Committee and Board are regularly and informed by a comprehensive risk report and subject experts from relevant areas of the company. The risk report covers all risk types and includes detailed risk metrics and other data on key risk exposures. It also captures detailed information at the individual risk level. A dynamic operational risk register is the key tool in the management of

...ALL RISKS ARE MONITORED REGULARLY AND CERTAIN RISK TYPES ARE MONITORED DAILY. PROCEDURES ARE IN PLACE TO REDUCE RISK LEVELS SHOULD OPERATING LIMITS BE THREATENED...

operational risk. The risk management function engages with staff at all levels to ensure a detailed understanding of the various operational risks to which the company is exposed. The management of risk is further facilitated by a robust incident management policy promoting the prompt reporting and root cause analysis of incidents and errors.

The ORSA 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 wide range of stressed scenarios. It also considers other risks that may be outside the scope of the Standard Formula. The company continues to evolve the ORSA in line with Solvency II guidelines as well as the profile and strategy of the company.

...IPB HAS SUCCESSFULLY IMPLEMENTED A NEW REGULATORY REPORTING PLATFORM FOR SOLVENCY II REPORTING AS WELL AS CALCULATING THE COMPANY'S SOLVENCY CAPITAL REQUIREMENTS....

Progress in 2016

The company has continued to develop risk management across all aspects of the Risk Framework including risk culture. The Board-approved risk appetite is firmly embedded in the business and serves to protect the company's strong capital position. Risk reporting continues to be enhanced across all risk types, while stress and scenario testing are becoming more diverse and integrated with the business.

Solvency II became effective from 1 January 2016 and IPB was and remains well-positioned to meet these new regulatory requirements. IPB has successfully implemented a new regulatory reporting platform for Solvency II reporting as well as calculating the company's solvency capital requirements. The ORSA has continued to be integrated, with wider consultation within the business and increased Board ownership.

Plans for 2017

Stakeholders' interests will continue to be protected by a comprehensive Risk Framework. Strategy design and execution will continue to benefit from an approach that carefully considers Members' interests with a prudent assessment of the risks and returns of all initiatives considered. The company will continue to embrace the Solvency II regime with a particular focus on the continued evolution of the ORSA process as well as regulatory reporting.


WE ARE
COLLABORATIVE
We are stronger together
when we work together.

Compliance & Regulatory Framework

IPB Insurance Company Limited by Guarantee, trading as IPB Insurance, is authorised by the Central Bank of Ireland under the European Union (Insurance and Reinsurance) Regulations 2015 (Statutory Instrument No. 485 of 2015) to carry out non-life insurance business. IPB Insurance is an authorised 'insurance undertaking' as specified within the relevant legislation and therefore undertakes its insurance business in the manner specific to the limitations imposed on it through the implementation of these regulatory requirements.

The Board of IPB attaches great importance to its regulatory responsibilities and is committed to dealing with the Central Bank of Ireland in an open, cooperative and transparent manner. It is the role of the Compliance Department to provide reasonable assurances to the Board to enable it and its members to discharge their statutory obligations.

Compliance and Regulatory Governance Framework

The IPB Compliance Framework is the framework for the management of compliance risk within IPB. The framework is based on best practices within the insurance industry.

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 and clients 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 continues to invest in its processes, policies and people to maintain a high level of compliance in every aspect of its business.

The IPB Compliance and Regulatory Governance Framework clearly outlines the manner in which compliance and regulatory matters are managed throughout the business at all levels, ensuring a clear understanding of the implications of non-compliance.

Responsibilities to the Board

Although the Board has delegated the day-to-day compliance activities to the Compliance Department, it exercises oversight over it in accordance with its responsibilities. The Compliance Department reports directly to the Board on all regulatory matters and it has been mandated to provide training to the company on all significant legislative and regulatory issues and compliance risk management controls. It also provides periodic reporting on compliance statistics, regulatory risk analysis, action plans and significant issues to the Board and its Committees.

The key objective of the relationship between the Board and the Compliance Department is to ensure that effective escalation mechanisms are in place where required and, in accordance with the Requirements, leading to effective decision-making and a continued acknowledgement of the regulatory responsibilities of IPB as a business and those of its Directors.

Scope, Universe and the Role of the Compliance Function

As defined in the IPB Compliance Framework, the compliance function is a control and advisory function that is an integral part of the three lines of defence and risk management systems within financial services firms.

...IPB STRIVES TO PROVIDE ITS MEMBERS, CLIENTS AND STAFF WITH CONFIDENCE THAT THE APPROPRIATE REGULATORY CONTROLS ARE EMBEDDED WITHIN ITS BUSINESS...

1st LINE

BUSINESS & FRONT-LINE OPERATIONS

Management has the responsibility for identifying and controlling risks

2nd LINE

COMPLIANCE, LEGAL & RISK

Reports to the Board and Management, and advises the first line of defence

3rd LINE

INTERNAL & EXTERNAL AUDIT

Provides assurance in respect of the design and effectiveness of the first line

...ALTHOUGH THE BOARD HAS DELEGATED THE DAY-TO-DAY COMPLIANCE ACTIVITIES TO THE COMPLIANCE DEPARTMENT, IT STILL EXERCISES OVERSIGHT OVER IT IN ACCORDANCE WITH ITS RESPONSIBILITIES...

The compliance function complements IPB's other assurance functions such as internal audit, risk and legal in the provision of advice to the firm, and the monitoring of IPB's compliance with all applicable legislation, regulation, codes and guidelines issued by the Central Bank of Ireland, as well as other regulatory bodies.

Specific obligations of the compliance function include:

- The **provision of advice** to Management and the Board on existing and emerging laws and regulations
- **Guidance and education** of staff and management on compliance matters, dealing with queries, as well as the review and implementation of compliance procedures within business areas
- The **establishment and implementation** of the Compliance Framework, business identity and measurement of compliance risks
- The **identification, assessment and monitoring of compliance risk** by performing compliance monitoring activities
- **Monitoring and testing** compliance by performing compliance monitoring activities
- **Statutory responsibilities** and liaison of the Chief Compliance Officer, Data Protection Office, regulatory and other statutory agencies
- **A compliance programme** based on a risk-based compliance plan of activities performed annually and reviewed on an ongoing basis based on time, resources and required coverage
- **Other activities** driven by business requirements.

The compliance universe of laws and regulations governing activities carried out by IPB is broad and consists of a vast number of requirements set at the national, EU and international levels. High-level overview includes:

- Consumer Protection Code 2012
- Data protection
- Solvency II
- Conduct of business requirements
- Criminal Justice Acts 2001/2011
- Domestic Actuarial Regime and Related Governance Requirements under Solvency II
- Corporate Governance Requirements for Insurance Undertakings 2015
- Minimum Competency Code 2011
- Fitness & Probity Standards 2015
- Oversight of prudential regulatory requirements
- Various legislation at EU and international levels.

IPB as a business continues to operate to the highest compliance and regulatory standards possible. This is only achievable with the direct participation 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

...THE INTERNAL AUDIT FUNCTION PROVIDES OBJECTIVE AND INDEPENDENT ASSURANCE TO THE BOARD, IPB MANAGEMENT AND ITS MEMBERS...

day-to-day management of situations that may cause any ethical concern to them.

Key policies and procedures supporting this objective include those relating to the Whistleblowing Policy, Business Code of Conduct, processes concerning the management of third parties and parties personally known to staff, processes supporting the maintenance of standards of staff behaviour and general policies concerning conflicts of interest and receipt of gifts from customers.

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 determined by the IPB Board and implemented by all staff, Management and the Board.

Ethics encompasses the actions of companies and their employees who represent the company at all levels. IPB places reliance on the people who work within it to apply ethical principles to their day-to-day business activities. In essence, IPB's commercial objectives seek to go hand-in-hand with the right people and the environment that shapes its industry.

Functional Internal Control

Management at the functional level are responsible for ensuring that a risk and control environment is established as part of their day-to-day operations. They provide management assurance to the Board by identifying risks and business improvement actions, implementing controls and reporting on progress.

The system of internal controls operated by Management within IPB consists of a number of inter-related elements, including, for example:

- Management oversight and the control culture of the organisation
- Risk recognition and assessment
- Control activities and segregation of duties
- Information and communication
- Monitoring activities and correcting deficiencies
- Monitoring external relationships.

Outsourcing

IPB outsources a number of functions to third parties, recognising that the accountability of the Directors and Management of IPB cannot be delegated to the entities providing the outsourced services. Moreover, the Board is aware that while outsourcing of certain activities can create a number of benefits to IPB, there are a number of risks attached that need to be managed effectively. To this effect, IPB has in place a comprehensive Outsourcing Policy, which has been approved by the Board, as well as firmly established oversight procedures.

...THE INTERNAL AUDIT FUNCTION PROVIDES OBJECTIVE AND INDEPENDENT ASSURANCE TO THE BOARD, IPB MANAGEMENT AND ITS MEMBERS THAT A ROBUST INTERNAL CONTROL FRAMEWORK IS IN PLACE...

Internal Audit

IPB has outsourced the role of internal audit to independent third party KPMG. The internal audit function provides objective and independent assurance to the Board, IPB Management and its Members that a robust internal control framework is in place, while constantly striving to independently recommend enhanced operational controls as appropriate.

KPMG, on an annual basis, implement a schedule of internal audits and reviews across all functions, including the Board as part of their remit. The internal audits are carried out using a risk-based approach and address, among other things, compliance risks, operational risks, internal controls, systems integrity and safeguarding of assets.

The primary reporting line for internal audit is directly to the chair of the Audit Committee. They may also report directly to the CEO, Audit Committee or the Board on their findings in respect of the above or other material considerations that may come to light.

WE ARE
PASSIONATE

We are proud custodians of our mutual and its heritage and want to leave things in a better place for the future.

1926-2016

Celebrating 90 Years Serving Our Members

On 9 December 1925 it was decided to do something to correct the imbalance between insurance costs and benefits being experienced by local authorities. It was decided that public bodies should become their own insurers: that they should control their own affairs and share in any profits that resulted. This set in motion the events that ultimately saw the passing of the Local Authorities (Mutual Assurance) Act, 1926. A promotional booklet printed in 1931 explains the origin of the mutual as follows:

"The formation of Irish Public Bodies Mutual Insurances is the practical outcome of earnest consideration at representative conferences of Irish local authorities. In the year 1925, after examination of the rates of premium charged, and the claims paid to local authorities over a number of years, and having carefully considered the various methods adopted in other countries in dealing with this problem, the county councils' General Council came to the unanimous conclusion that a company dedicated to, and owned and controlled by, the local authorities themselves provided the only means of dealing economically with the insurance of public bodies, and of preserving for them the surplus arising from their insurance transactions."

Our purpose is as relevant today as it was ninety years ago: to protect our Members and their interests for the benefit of Ireland and its people.

MANAGEMENT ANALYSIS, FINANCIAL STATEMENTS & OTHER INFORMATION

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Management Analysis

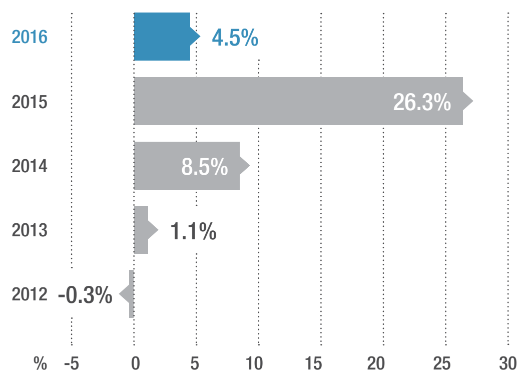
MARKET CONTEXT

Economic factors have improved in Ireland but there is an industry-wide increase in claims costs.

Economy
Gross Domestic Product Growth

4.5%

Down from 26.3% in 2015



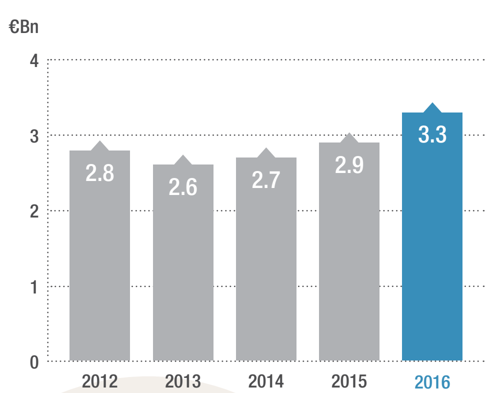
- There has been a strong economic recovery in Ireland over the past number of years.
- 2015 GDP was due to exceptional factors including the relocation of major international companies to Ireland and a number of purchases by aircraft-leasing firms based in Ireland.
- The CSO is currently looking into other measures of economic growth that would give a more accurate figure.

Source: Central Bank Quarterly Bulletin January 2016

Industry
Irish Non-Life Insurance Market

€3.3bn

The estimated value of the Irish non-life insurance market in 2016

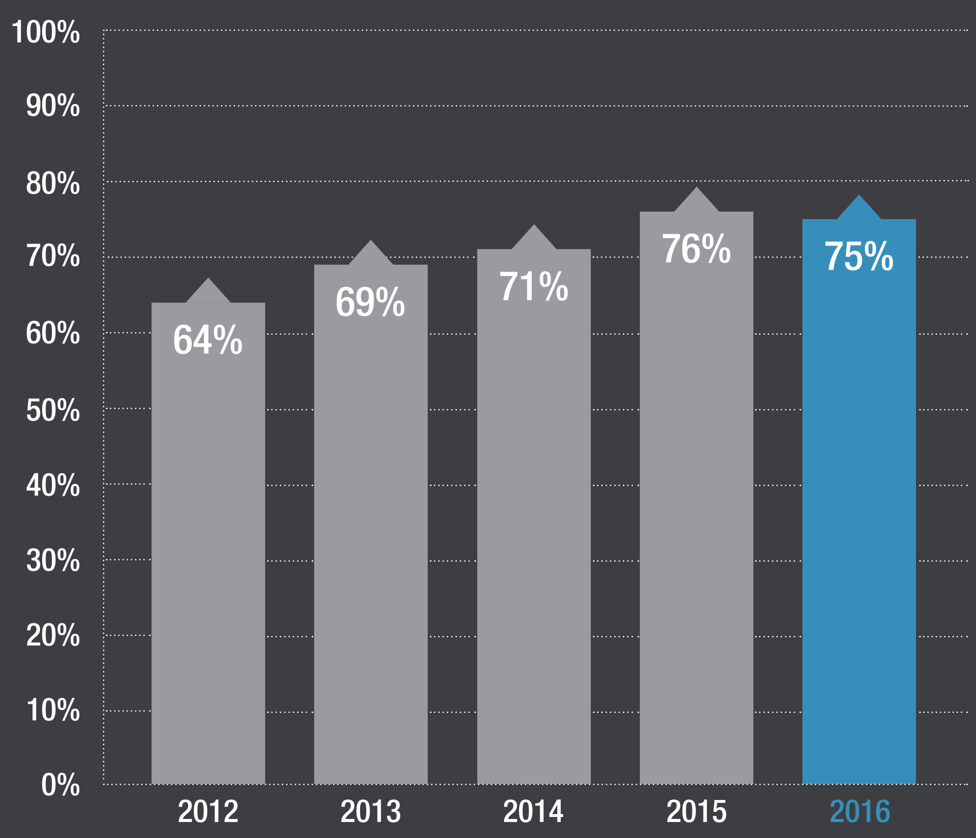


- The Irish non-life domestic insurance market grew by €0.4bn in 2016.

Source: Insurance Ireland, GWP Q3 2016 plus estimate Q4 2016

MARKET CONTEXT (continued)

Claims Environment
Market Gross Loss Ratio



75%
The estimated market gross loss ratio is slightly down on 2015

- Claim costs continued to rise in 2016; however, the rise in premium was slightly higher and compressed the ratio.
- The non-life insurance industry is facing many challenges such as increasing legal and operating costs.

Note: Market Gross Loss Ratio % = Gross Claims Incurred/Gross Earned Premium %

Source: Insurance Ireland Factfile 2015, Insurance Ireland Non-Life Headline Stat 2015 plus estimates.

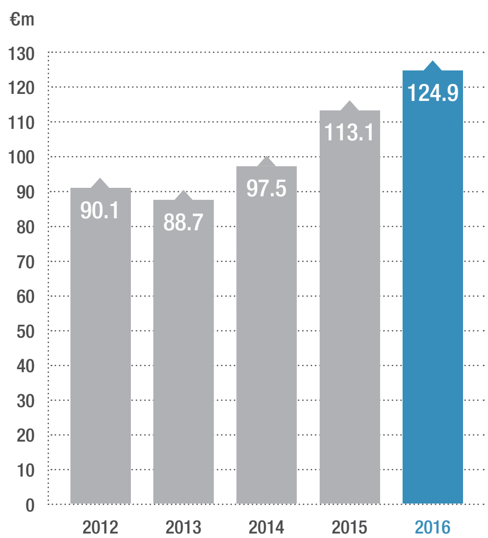
FINANCIAL HIGHLIGHTS

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

Gross Written Premium

€124.9m

Gross written premium is €11.8m higher than 2015

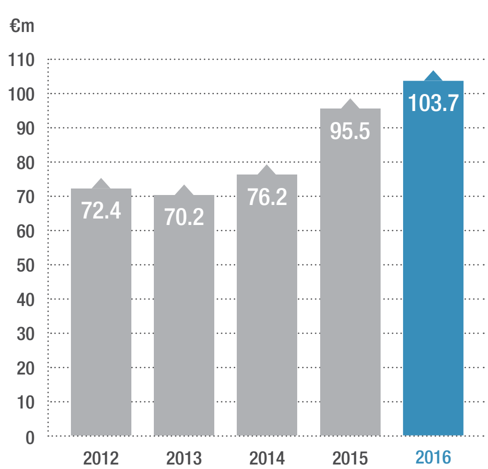


- Gross written premium grew by €11.8m to €124.9m in 2016 and included an increase in retro-rated premium, pricing increases and new business secured.
- Retention rates of circa 97%.

Net Written Premium

€103.7m

Net written premium is €8.2m higher than 2015



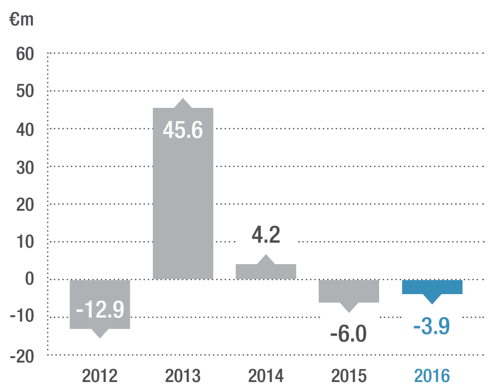
- Prudent reinsurance policy in place.
- Reinsurance profile largely unchanged year on year.

FINANCIAL HIGHLIGHTS (continued)

Net Underwriting Result

-€3.9m

Net underwriting result has improved by €2.1m in 2016 to -€3.9m

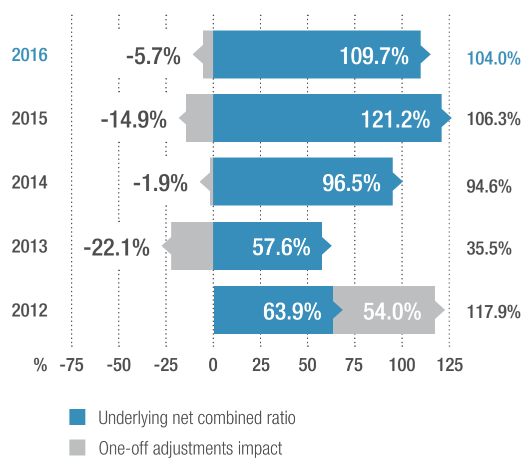


- Net underwriting result of -€3.9m in 2016.
- Net underwriting result includes operating and underwriting expenses, and commission income.
- The increase in the net underwriting result is due to an increase in GWP in 2016 as outlined above.
- Further detail on the split by product is included in note 4.

Net Combined Ratio

104%

Net combined ratio



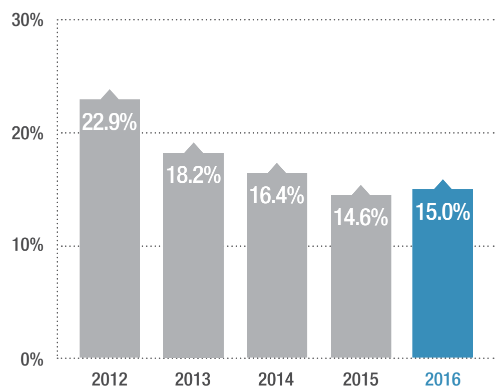
- Increased claims costs and reserve increases result in underlying net combined ratio of 109.7%.
- This has been offset by net once off adjustments including real yield, ULAE, IBNR and provision for bad debt, which decreases the net combined ratio by 5.7% to 104.0%.
- A conservative reinsurance programme is maintained.
- The reserving policy is to create a 'best estimate' provision for claims and then add a margin for uncertainty.

FINANCIAL HIGHLIGHTS (continued)

Net Expense Ratio

15.0%

Net expense ratio increased by 0.4% from 2015

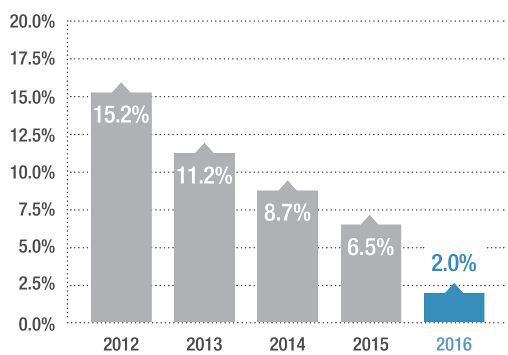


- Net expense ratio has risen to 15.0% from 14.6% in 2015.
- A reduction in reinsurance commission has increased the overall net expense, which is offset by higher earned premium resulting in an increased net expense ratio for the year.
- Operating costs remain consistent.

Return on Equity

2.0%

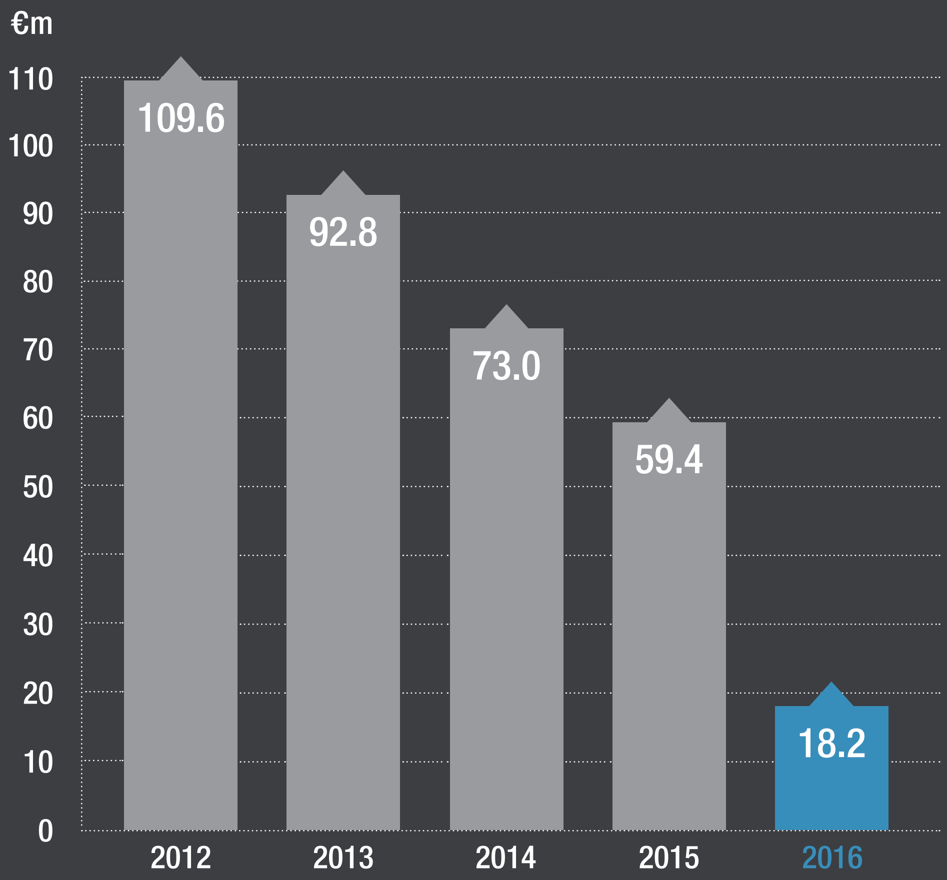
Return on equity in 2016



- Return on equity has fallen to 2.0% from 6.5% in 2015.
- The reduction is primarily due to lower investments performance.

FINANCIAL HIGHLIGHTS (continued)

Surplus Before Tax



€18.2m
Surplus before tax in 2016

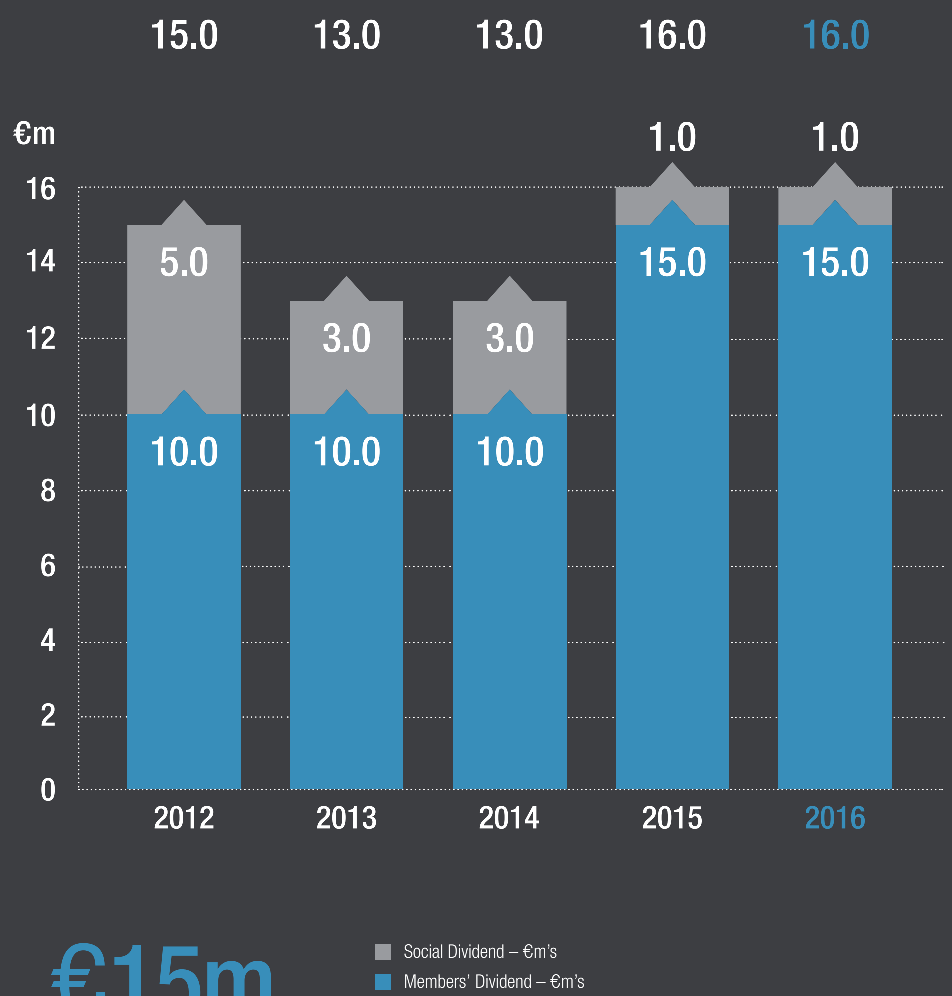
- A reduced result compared to prior years in 2016 due to falling investment returns in a low-interest environment.

Note: Surplus before tax = profit before tax.

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 and Social Dividend Fund



€15m
Members' Dividend paid out in 2016

€13m
Social Dividend from 2012-2016

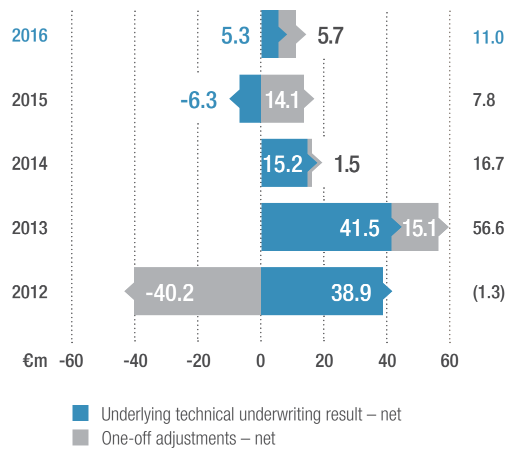
- Members' Dividend underlines the company's commitment to Members.
- A further Social Dividend of €1m was allocated in 2016 (2015: €1m).
- The Social Dividend underlines the IPB commitment to make a real difference in the communities in which its Members operate.
- The total value of the Social Dividend Fund at the financial year-end is €5.2m.

FINANCIAL HIGHLIGHTS (continued)

Technical Underwriting Result – Net

€5.3m

Underlying technical underwriting result – net in 2016



- An underlying technical underwriting profit of €5.3m along with a €5.7m net once off adjustment, results in an €11.0m technical underwriting surplus.
- Affected case estimates were adjusted in 2016 to reflect the new discount rates, thereby reducing real yield provision.
- Additional provision has also been included in the real yield in relation to periodic payment orders: €1.5m net.

Note: Excludes allocated investment income, operating costs and commission income.

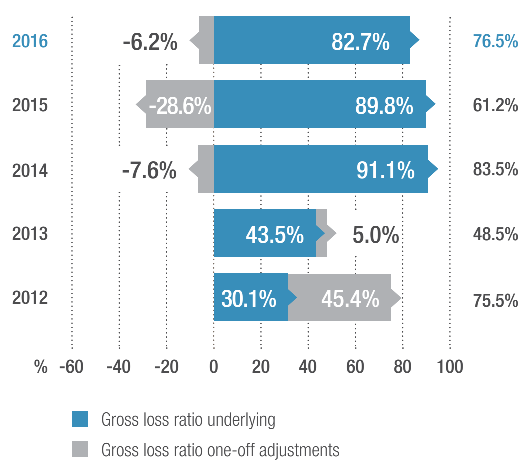
Note: One-off adjustments include real yield, ULAE, IBNR, provision for bad debt and MOU impact.

CLAIMS AND LOSSES

Gross Loss Ratio

82.7%

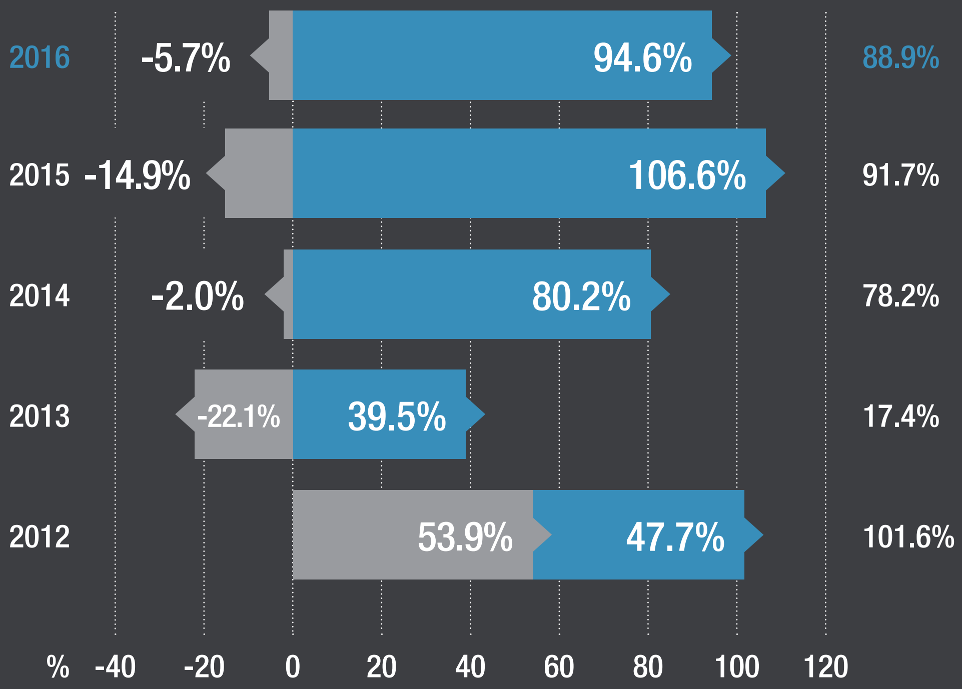
Underlying gross loss ratio down from 89.8% in 2015



- The underlying gross loss ratio has decreased from 89.8% to 82.7%.
- The profile of the book is significantly weighted towards long-term exposures.
- The company only writes business that is within the risk appetite approved by the Board.

CLAIMS AND LOSSES (continued)

Net Loss Ratio



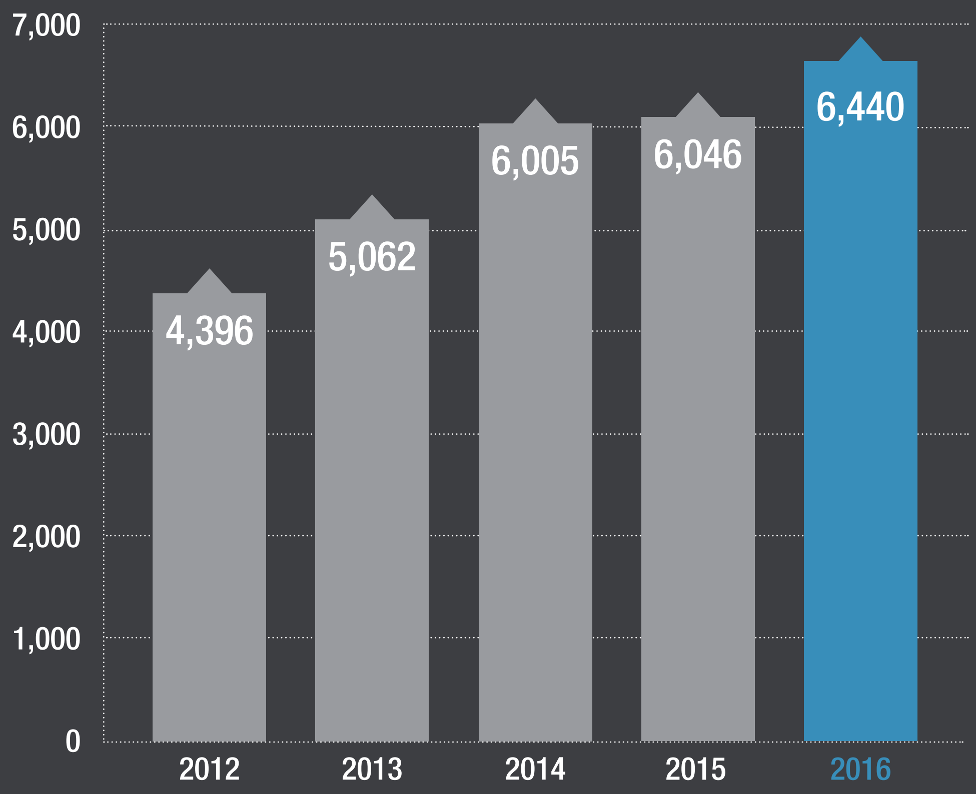
Net loss ratio prior year reserve releases and real yield and ULAE adjustment
Net loss ratio one-off adjustments

94.6%
Underlying claims net loss ratio shows a decrease from 106.6% in 2015

- The underlying net loss ratio has decreased to 94.6% from 106.6% in 2015 due to higher earned premiums in 2016 offset by higher net claims incurred, which have compressed the underlying net loss ratio.

CLAIMS AND LOSSES (continued)

Number of New Claims



6,440
Claim numbers up 6.5% on 2015

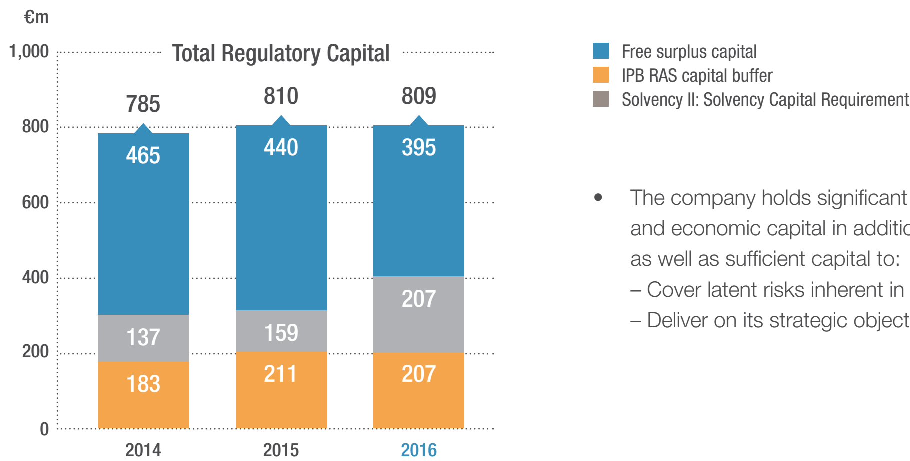
- Claim numbers have risen by 394 (6.5%) to 6,440 between 2015 and 2016.
- This increase is due to:
  – Increased levels of liability claims that are due to the provision of ground-up cover, and also an increase in the number of claims due to road damage and pothole claims.

SOLVENCY

With effect from 1 January 2016, the company's Solvency Capital Requirement (SCR) is as defined under Solvency II and is calculated using the Solvency II standard formula. The company has used the Solvency II standard formula to quantify risk in the business for the last number of years. The capital available to the company is of very high quality, consisting entirely of retained earnings.

Solvency II
SCR and Free Surplus Capital

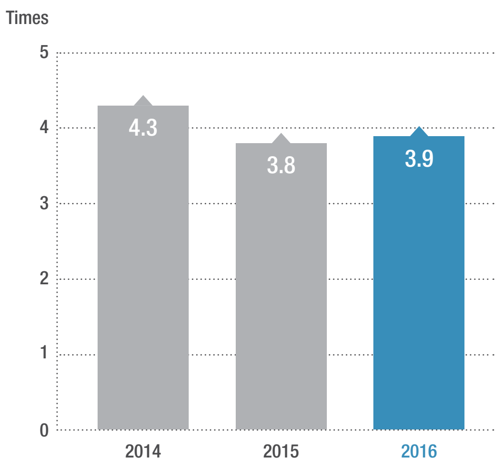
€395m
Free surplus capital



- The company holds significant surplus regulatory and economic capital in addition to the SCR, as well as sufficient capital to:
  – Cover latent risks inherent in its business.
  – Deliver on its strategic objectives.

Solvency II
Required Margin Cover

3.9
Times the capital required under Solvency II



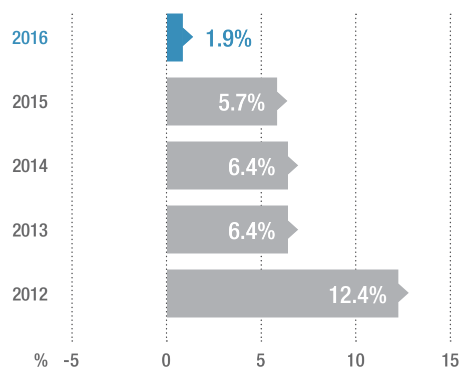
- The company's reinsurance programme enables it to minimise volatility in earnings from large losses and catastrophic events.
- The overall solvency margin continues to remain strong, with the cover representing 3.9 times the capital required under Solvency II.
- The company's credit rating from Standard & Poor's remains at A- with a stable outlook.
- The company has set the minimum credit rating for reinsurers with which it transacts at A-.

INVESTMENTS AND ASSET ALLOCATION

Investment Returns

1.9%

Investment return is lower than prior years due to exceptional returns in prior years and a low interest rate environment

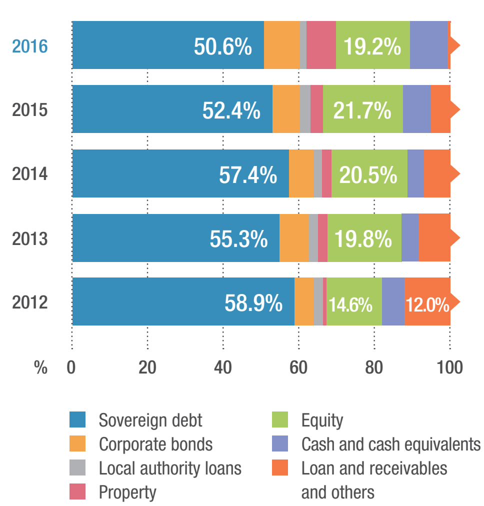


- The 1.9% investment return for the financial year was achieved during a volatile year for investments.
- Positive investment returns have been achieved despite the volatility in the financial markets and the historically low interest rate environment.
- The 2012 investment return of 12.4% was exceptional and the returns in the years 2013-2015 included strong market recovery from the financial crisis.

Analysis of the Investment Portfolio

51%

Of the portfolio is invested in sovereign debt



- The market value of the investment portfolio is €1.2bn.
- The company follows a high-quality, low-risk investment strategy.
- The company's focus is on high-quality bonds and cash, with limited holdings in equities and property.
- The company continued to take action to mitigate falling yields, while maintaining the overall high credit quality and diversification of the portfolio.

INTERNAL CONTROLS APPROACH

Financial misstatement risk assessment

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 company's controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to the company's Leadership Team. This includes the Chief Executive Officer, Finance Director, Director of Operations, Director of Investments, Director of Legal & Company Secretariat, and Director of Underwriting, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Management of the company 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 company.
- Provide reasonable assurance that transactions are recorded as necessary to permit the 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 company.
- Provide reasonable assurance regarding the prevention or timely detection of unauthorised acquisition, use or disposal of the company'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 company'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 company's internal control over financial reporting during the financial year ended 31 December 2016.

Financial Statements

DIRECTORS' REPORT

The Directors have pleasure in submitting the Stakeholder and Annual Report and the audited financial statements for the financial year ended 31 December 2016.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with the Companies Act 2014 and the applicable regulations.

Irish company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("Relevant Financial Reporting Framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date, and of the profit or loss of the company for the financial year, and otherwise comply with the Companies Act 2014.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies for the company financial statements and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards
- 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 ensuring that the company keeps or causes to be kept adequate accounting records that correctly explain and record the transactions of the company; enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014; and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' Compliance Statement

In accordance with the requirements of Section 225 of the Companies Act 2014 for Directors to include a compliance certificate in the Annual Report of the entity of which they are a Director to acknowledge their responsibility for securing compliance with the relevant obligations of the company, the Directors of the company duly acknowledge such responsibility and confirm the implementation of the following assurance measures:

1) That a compliance policy statement has been drawn up setting out the company's policies in respect of the company's compliance with its relevant obligations and that, in the Directors' opinions, they are appropriate to the company
2) That appropriate arrangements or structures that are, in the Directors' opinions, designed to secure material compliance with the company's relevant obligations, have been put in place in the form of a review of satisfaction of the provisions of the Companies Act 2014 pertaining to the company, and engagement with its tax advisers on the satisfaction of taxation legislation. These arrangements or structures include reliance on the advice of persons employed by the company and retained by it under a contract for services, being persons who appear to the Directors to have the requisite knowledge and experience to advise it on compliance with its relevant obligations, and
3) That a review has been conducted during the financial year of those arrangements and structures referred to at point 2 above.

Post-Balance Sheet Events

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

Results for the Financial Year, Dividends and Financial Statements

The Statement of Comprehensive Income for the financial year ended 31 December 2016 and the Statement of Financial Position as at 31 December 2016 are set out in the Management Analysis and Financial Statements section of this report. The profit on ordinary activities before taxation amounted to €18.2m (2015: profit of €59.4m). After a taxation charge of €2.2m (2015: €7.9m) and a dividend of €15.0m (2015: €15.0m), the increase in retained earnings is €1.0m (2015: €36.6m).

The Board is delighted to be able to confirm that a €15m dividend was paid to Members during 2016. No Directors were involved in any transactions with the business during the financial year other than those outlined in the Directors' Remuneration Report in note 7(b) in the financial statements.

Principal Activities, Business Review and Future Developments

The principal activity of the company 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 provide an overview of the performance for the financial year and future strategy for the business.

Principal Risk and Uncertainties

The principal risks and uncertainties that the company faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The company 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 company's performance in the short term. Although 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 appropriately qualified and experienced in-house actuarial team supported by external reviews as required.

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

Note 26 of 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 company. The company's Risk Management and Compliance and Regulatory Governance Frameworks are outlined in the Report of the Board and Executive section of this report. Details of the key risks are outlined in the Risk Management section (note 26) in the financial statements. With regard to the financial risk management objectives and policies of the company, please refer to the financial statements.

Directors and their Interests

The present Directors of the company, 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 interests in the company, either during or at the end of the financial 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 persons 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 Requirements for Insurance Undertakings 2015 ("The Requirements"), the Directors have satisfied themselves that the company 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 company's budget for 2017 and forecasts for 2018 and 2019, 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.

Corporate Governance

The Directors of the company duly acknowledge the company's compliance with the Requirements. Further information in relation to corporate governance is included the Governance and Control section on page 20.

Disclosure of Information to Auditors

So far as each of the Directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Books and Accounting Records

The Directors are responsible for ensuring that proper books and accounting records, in compliance with Section 281-285 of the Companies Act 2014, are kept by the company. To achieve this, the Directors have appointed experienced accounts personnel who report to the Board and ensure that the requirements of Section 281-285 of the Companies Act 2014 are complied with. These books and accounting records are maintained at the company's premises at 1 Grand Canal Square, Grand Canal Harbour, Dublin D02 P820.

Auditors

The auditors, Deloitte chartered accountants and statutory audit firm, have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

Approval of Financial Statements

The financial statements were approved by the Board on 30 March 2017.

On behalf of the Board

George Jones **Michael Garvey**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF IPB INSURANCE CLG

We have audited the financial statements of IPB Insurance CLG for the financial year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 30. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("Relevant Financial Reporting Framework").

This report is made solely to the company's Members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act 2014 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 company's circumstances 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 financial statements 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 financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2016 and of the profit for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

Matters on which we are Required to Report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- 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 Act 2014 which require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Glenn Gillard
For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Dublin
30 March 2017

Approved by the Board
on 30 March 2017

Directors

Statement of Comprehensive Income

For the financial year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Gross written premiums	4	124,872	113,136
Premiums ceded to reinsurers	4	(21,166)	(17,627)
Net written premiums		**103,706**	**95,509**
Change in the gross provision for unearned premiums	4	(3,829)	(862)
Change in the reinsurance provision for unearned premiums	4	–	–
Net earned premiums		**99,877**	**94,647**
Commission income	5	6,576	6,845
Net investment return	6	23,118	66,430
Other revenue		**29,694**	**73,275**
Total revenue		**129,571**	**167,922**
Gross claims paid	4	(78,320)	(70,609)
Claims recovered from reinsurers	4	14,417	900
Claims paid net of reinsurance		**(63,903)**	**(69,709)**
Gross change in contract liabilities	4	(14,266)	1,950
Change in contract liabilities ceded to reinsurers	4	(10,658)	(19,011)
Net claims incurred		**(88,827)**	**(86,770)**
Operating expenses	7	(20,036)	(19,568)
Underwriting expenses	4	(1,538)	(1,139)
Other costs	29	(1,000)	(1,000)
Total claims and other expenses		**(111,401)**	**(108,477)**
Profit before tax		**18,170**	**59,445**
Tax expense	8	(2,219)	(7,880)
Profit for the year		**15,951**	**51,565**
Total comprehensive income for the year		**15,951**	**51,565**
Profit attributable to:			
Members		15,951	51,565

Approved by the Board
on 30 March 2017

Directors

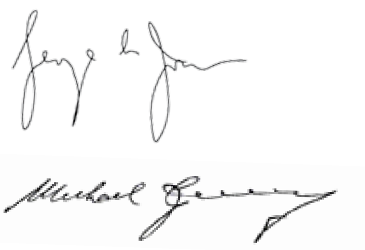
Statement of Financial Position

As at 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Intangible assets	10	565	842
Property, plant and equipment	11	816	1,256
Investment properties	12	92,575	42,450
Financial assets			
– Derivative financial instruments	13	757	2,643
– Financial assets at fair value through profit or loss	14	967,461	986,480
– Loans and receivables	14	23,452	53,091
Insurance assets	15	32,018	26,822
Reinsurance assets – claims outstanding	16	46,313	56,971
Deferred tax assets	21	142	1,083
Current tax assets	8	6,349	3,732
Insurance receivables	17	12,494	10,026
Other receivables	18	139	62
Prepayments and accrued income	19	8,417	9,526
Cash and cash equivalents	20	125,980	111,863
Total assets		**1,317,478**	**1,306,847**
Equity			
Retained earnings		791,572	790,621
Total equity		**791,572**	**790,621**
Liabilities			
Insurance contract liabilities			
– Provision for unearned premiums	16	22,538	18,709
– Claims outstanding	16	488,965	474,699
Derivative financial instruments	13	1,619	228
Insurance payables	22	3,115	10,947
Trade and other payables	23	9,669	11,643
Total liabilities		**525,906**	**516,226**
Total equity and liabilities		**1,317,478**	**1,306,847**

Approved by the Board
on 30 March 2017

Directors



Statement of Changes in Equity

As at 31 December 2016

	Note	Retained earnings €'000	Total equity €'000
At 1 January 2016		**790,621**	**790,621**
Profit for the year		15,951	15,951
Other comprehensive income		–	–
Total comprehensive income		**15,951**	**15,951**
Dividends payable/paid during the year	9	(15,000)	(15,000)
At 31 December 2016		**791,572**	**791,572**
At 1 January 2015		**754,056**	**754,056**
Profit for the year		51,565	51,565
Other comprehensive income		–	–
Total comprehensive income		**51,565**	**51,565**
Dividends paid during the year	9	(15,000)	(15,000)
At 31 December 2015		**790,621**	**790,621**

Approved by the Board
on 30 March 2017

Directors

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Operating activities			
Gross premiums received		113,050	112,220
Reinsurance premiums paid		(20,081)	(19,792)
Commission received on reinsurance premiums paid		6,271	6,579
Claims paid gross		(83,231)	(67,648)
Claims reinsurance recoveries		13,457	5,354
Interest received		15,497	21,466
Dividends received		5,242	4,673
Operating and other expenses paid		(22,354)	(19,929)
Premiums placed with other insurers		(1,681)	(1,428)
Commission earned on premiums placed with other insurers		305	266
Cash generated from operating activities		**26,475**	**41,761**
Taxation paid		(3,471)	(7,600)
Net cash flows from operating activities		**23,004**	**34,161**
Investing activities			
Loans repaid by local authorities		2,544	2,616
Purchase of investments designated at fair value through profit or loss		(196,543)	(250,409)
Proceeds from sale of investments designated at fair value through profit or loss		210,664	278,434
Deposit paid on investment property		–	(2,102)
Purchase of investment property		(49,567)	(13,833)
Property rental income		4,881	1,459
Decrease in loans and receivables on deposit with credit institutions		26,608	47,075
Purchase/disposal of property and equipment		(122)	(6)
Gain/(loss) on FX currency contracts		7,833	(5,899)
Purchase of intangible assets		(185)	(462)
Net cash flows from/(used in) investing activities		**6,113**	**56,873**
Financing activities			
Dividends paid		(15,000)	(15,000)
Net cash flows used in financing activities		**(15,000)**	**(15,000)**
Net increase/(decrease) in cash and cash equivalents		14,117	76,034
Cash and cash equivalents at 1 January	20	111,863	35,829
Cash and cash equivalents at 31 December	**20**	**125,980**	**111,863**

Notes to the Financial Statements

1. CORPORATE INFORMATION

IPB Insurance CLG, trading as IPB Insurance ("the company"), is a mutual company, limited by guarantee, incorporated and domiciled in Ireland. The principal activities of the company continue to be the provision of a comprehensive insurance and risk management service to its Members and customers.

The financial statements were authorised in accordance with a resolution of the Directors on 30 March 2017.

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 2014 applicable to companies reporting under IFRS.

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.

Judgements, Estimates and Assumptions

The company'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 company'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 company's accounting policies, Management have made judgements, apart from those involving estimations and assumptions, that have a significant effect on the amounts recognised in financial statements. These are discussed below.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(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 company uses other valuation techniques to measure such instruments. These techniques use "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 company 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.

(b) Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which 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 company 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 company:

- 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.
- 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 company 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 company'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 exists 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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

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 company 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 company from its obligations to policyholders. All reinsurance contracts entered into by the company 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 also recognised when provision is made for the related losses within case reserves.

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.

(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 for gross premium are calculated on the twenty-fourths basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Unearned premiums for reinsurance premiums are calculated on the twelfths basis as reinsurance contracts renew at 1 January every year.

At each reporting date the company 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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

(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 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, the company provides for its share of the Motor Insurers' Bureau of Ireland levy for the following year, based on our estimated market share of the motor line of business in the current financial year at the balance sheet date.

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. A margin for uncertainty of 18% is included on insurance contract liabilities.

Insurance contract liabilities are accounted for in line with Central Bank Reserving Adequacy Guidelines. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

(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 reinsurers' policies and are in accordance with the related reinsurance contract. Amounts recoverable from reinsurers are adjusted for an estimate for potential disputes and defaults.

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 company 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 company 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 approximates to their fair value.

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

(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 of the following categories:

- Financial assets at fair value through profit or loss.
- Loans and receivables.
- Held-to-maturity financial assets.
- 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 company designates investments in equity and debt securities at fair value through profit or loss. Equity securities also include managed funds. 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 an original maturity date in excess of three months. These investments are designated as loans and receivables.

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

A financial asset is initially recognised at fair value on the date the company commits to purchase the asset. Purchases or sales of financial assets that require delivery of assets within a timeframe 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 EIR method.

Gains and losses arising on financial assets are recognised in net investment income in the Statement of Comprehensive Income.

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are designated 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.

De-recognition

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

(c) Derivative financial instruments

The company 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 Statement of Comprehensive Income.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(d) Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank, 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 company 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 Statement of Comprehensive Income. 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 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 company, and is stated at its fair value at the balance sheet date. Market valuations are carried out each year by the property managing agents using the RICS (Royal Institute of Chartered Surveyors) Valuation – Professional Standards. Every three years a full red book valuation is carried out on each property. On an annual basis desk-based valuations are carried out and valuation certificates are issued. Gains or losses arising from changes in the value of investment property are included in the investment return in the Statement of Comprehensive Income for the period in which they arise.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 company 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

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 company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the company'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 arising on consolidation represents the excess of the cost of acquisition over the company'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 that 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.

Investment in subsidiaries

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

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 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 contribution scheme

Contributions to defined contribution schemes are charged to the Statement of Comprehensive Income on an accruals basis.

Members' Distribution Policy

Dividends are recognised as a liability when approved by the Board. See the Members' Distribution Policy in Note 25 Capital Management.

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 – 33% 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(b) Property, plant and equipment

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

Depreciation is calculated on the straight-line method to write down the carrying value of assets to their residual values over their estimated useful lives as follows:

- Fixtures and fittings – 33% per annum
- IT hardware – 33% per annum
- Leasehold improvements – 20% per annum
- Motor vehicles – 33% per annum.

An item of equipment is de-recognised 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 Statement of Comprehensive Income in the period the asset is de-recognised.

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 company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the company 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 company 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 re-translated 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

(e) Provisions including Social Dividend

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event whereby it is probable that the company 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 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 company 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 2016. These have been applied for the preparation of these financial statements.

In the current year the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. The application of the amendments has had no material impact on the disclosure or the amount recognised in the company's 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 company's financial statements are listed below. This listing is of standards and interpretations issued that the company reasonably expects to be applicable at a future date. The company intends to adopt the standards when they become effective.

Listing of accounting standards with amendments that are not yet effective	Mandatory for accounting periods starting on or after	Likely impact
Amendments to IFRS 10 and IAS 28 (Sept 2014)	TBC – pending EU adoption	Not applicable as the company does not have associates or joint ventures.
IFRS 9	1 January 2018	Impact on the company is outlined below.
IFRS 15	1 January 2018	Not applicable as the company accounts for revenue on insurance contracts.
Amendments to IAS 12 (Jan 2016)	TBC – pending EU adoption	Limited impact on the company.
IFRS 16	TBC – pending EU adoption	Limited impact on the company.
Amendments to IFRS 2	TBC – pending EU adoption	Not applicable as the company is a mutual and does not have shares.
Amendments to IAS 7	TBC – pending EU adoption	Limited impact on the company.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

IFRS 9

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Companies that have not previously applied any version of IFRS 9 and whose predominant activity is issuing contracts within the scope of IFRS 4 can adopt a deferral approach and continue to apply IAS 39 rather than IFRS 9 until 1 January 2021. The company plans to take this deferral approach applicable to insurance companies and continue to apply IAS 39 for the next three years and will apply IFRS 9 initially on 1 January 2021. The company meets the deferral approach criteria as over 90% of the carrying amount of its liabilities arises from contracts within the scope of IFRS 4.

The company has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its position at 31 December 2016.

1) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables, and available for sale.

Based on its preliminary assessment the company does not believe that the new classification requirements, if applied at 31 December 2016, would have material impact on its accounting.

The following outlines the various financial instruments and their impact:

- Loans to local authorities and deposits with credit institutions with an original maturity date in excess of three months are currently designated as loans and receivables and are measured at amortised cost using the effective interest rate (EIR). These will now be classified as measured at amortised cost under IFRS9 and continue to be accounted for at amortised cost.
- All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

2) Impairment – Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since its initial recognition, and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has a low credit risk at the reporting date.

The company does not believe that the change in impairment accounting policy will have a significant impact as loans to local authorities are repaid in a timely manner. The company will continue to assess this and ensure that any impairment impacts are identified.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies (continued)

3. Change in Accounting Estimate

3) Hedge accounting

Hedge accounting and the impact under IFRS 9 does not apply to the company as it has not designated the forward currency contracts as a hedging instrument. These will continue to be designated as derivatives and measured at fair value.

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

Note 16 sets out the breakdown of insurance contract liabilities and the movement in the year. Significant changes in the estimate year on year are discussed below.

An Accounting Estimate – Impact of Claim Provisions Real Yield Fall

Irish practices in relation to bodily injury awards are based on the use of a discount rate (real yield) to calculate the future costs of care on catastrophic injuries. Previously the discount rate used was approximately 3%, which was determined in the Boyne judgement in 2002. The High Court judgement in the case of Russell vs HSE in 2014 saw a discount rate of 1% applied to a lump sum in respect of cost of future care. Although this case did not involve a loss of earnings claim, it was suggested that a 1.5% rate would be appropriate for future loss of earnings. This judgement was appealed in 2015 to the Court of Appeal with the 1% future care rate upheld and permission to appeal to the Supreme Court refused in 2017.

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.

In 2016 the majority of affected specific case estimates were updated to reflect the new discount rate of 1% for cost of future care and 1.5% for future loss of earnings. This led to a corresponding reduction on the real yield provision that was established in prior years. The balance remaining in relation to the real yield provision is €4.4m gross (€1.6m net), which consists of the net amount of what the company estimates may be payable less the amounts already applied to specific case estimates.

A provision was also included in the real yield provision for PPO (Periodic Payment Order) claims (gross: €3m, net: €1.5m). PPOs would replace a lump sum award in certain catastrophic injury claim cases and instead a periodic payment would be awarded to cover future care and costs.

This has resulted in a net provision at year-end of €3.1m (2015: €17.5m). The amount of the effect in future periods is not disclosed because estimating it is impractical due to the lack of available market evidence.

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.

Notes to the Financial Statements

3. Change in Accounting Estimate (continued)

Analysis of the real yield provision change on the Statement of Comprehensive Income	2016 €'000	2015 €'000
Gross of reinsurance – decrease to claims incurred	22,059	32,132
Net of reinsurance – decrease to net claims incurred	14,368	14,148

Analysis of the real yield provision change on the statement of financial position	2016 €'000	2015 €'000
Gross of reinsurance – decreased gross claim provisions	(22,059)	(32,132)
Net of reinsurance – decreased net claim provisions	(14,368)	(14,148)
Total provision gross of reinsurance – real yield	**7,383**	**29,442**
Total provision net of reinsurance – real yield	**3,121**	**17,489**

Notes to the Financial Statements

4. Analysis of Underwriting Result

4. ANALYSIS OF UNDERWRITING RESULT

Analysis of underwriting result by product 2016	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	87,848	25,115	7,738	4,171	124,872
Premium ceded to reinsurers	(5,518)	(14,766)	(574)	(308)	(21,166)
Change in the gross provision for unearned premiums	(5,887)	1,942	(365)	481	(3,829)
Net earned premiums	**76,443**	**12,291**	**6,799**	**4,344**	**99,877**
Gross claims paid	(59,821)	(8,924)	(8,345)	(1,230)	(78,320)
Claims recovered from reinsurers	5,843	5,298	3,276	–	14,417
Gross change in contract liabilities	(14,476)	3,367	(2,758)	(399)	(14,266)
Change in contract liabilities recovered from reinsurers	(5,475)	(1,223)	(3,960)	–	(10,658)
Net claims incurred	**(73,929)**	**(1,482)**	**(11,787)**	**(1,629)**	**(88,827)**
Technical underwriting result – net	**2,514**	**10,809**	**(4,988)**	**2,715**	**11,050**
Commission income	654	5,858	38	26	6,576
Operating expenses	(14,095)	(4,030)	(1,242)	(669)	(20,036)
Underwriting expenses	(905)	(507)	(51)	(75)	(1,538)
Underwriting result	**(11,832)**	**12,130**	**(6,243)**	**1,997**	**(3,948)**
Net investment return	16,263	4,650	1,433	772	23,118
Other costs	(704)	(201)	(62)	(33)	(1,000)
Profit before taxation	**3,727**	**16,579**	**(4,872)**	**2,736**	**18,170**
Net insurance liabilities	**429,848**	**7,529**	**23,324**	**4,489**	**465,190**

Other costs relate to increases in the Social Dividend Fund (see note 29). Underwriting expenses relate to commission payable to brokers and surveyor report costs. The allocation of net investment return, operating expenses and other income/(costs) is based on the proportion of gross written premium across each product line.

FX gains/losses on the insurance business are included within net investment return.

Notes to the Financial Statements

4. Analysis of Underwriting Result (continued)

Analysis of underwriting result by product 2015	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	78,685	24,067	6,935	3,449	113,136
Premium ceded to reinsurers	(3,254)	(13,654)	(477)	(242)	(17,627)
Change in the gross provision for unearned premiums	(970)	301	(167)	(26)	(862)
Net earned premiums	**74,461**	**10,714**	**6,291**	**3,181**	**94,647**
Gross claims paid	(57,620)	(5,412)	(6,527)	(1,050)	(70,609)
Claims recovered from reinsurers	(636)	1,536	–	–	900
Gross change in contract liabilities	3,462	(5,132)	3,796	(176)	1,950
Change in contract liabilities recovered from reinsurers	(23,821)	4,506	304	–	(19,011)
Net claims incurred	**(78,615)**	**(4,502)**	**(2,427)**	**(1,226)**	**(86,770)**
Technical underwriting result – net	**(4,154)**	**6,212**	**3,864**	**1,955**	**7,877**
Commission income	544	6,241	30	30	6,845
Operating expenses	(13,609)	(4,163)	(1,199)	(597)	(19,568)
Underwriting expenses	(745)	(336)	(27)	(31)	(1,139)
Underwriting result	**(17,964)**	**7,954**	**2,668**	**1,357**	**(5,985)**
Net investment return	46,202	14,131	4,072	2,025	66,430
Other costs	(696)	(213)	(61)	(30)	(1,000)
Profit before taxation	**27,542**	**21,872**	**6,679**	**3,352**	**59,445**
Net insurance liabilities	**404,010**	**11,616**	**16,241**	**4,570**	**436,437**

Other costs relate to increases in the Social Dividend Fund (see note 29).

Notes to the Financial Statements

4. Analysis of Underwriting Result (continued)

Analysis of underwriting result by location	2016 Republic of Ireland €'000	2016 Northern Ireland €'000	2016 Total €'000	2015 Republic of Ireland €'000	2015 Northern Ireland €'000	2015 Total €'000
Gross written premiums	122,741	2,131	124,872	110,114	3,022	113,136
Premium ceded to reinsurers	(20,962)	(204)	(21,166)	(17,243)	(384)	(17,627)
Change in the gross provision for unearned premiums	(4,198)	369	(3,829)	(339)	(523)	(862)
Change in the reinsurance provision for unearned premiums	–	–	–	(3)	3	–
Net earned premiums	**97,581**	**2,296**	**99,877**	**92,529**	**2,118**	**94,647**
Gross claims paid	(77,912)	(408)	(78,320)	(70,399)	(210)	(70,609)
Claims recovered from reinsurers	14,347	70	14,417	895	5	900
Gross change in contract liabilities	(11,460)	(2,806)	(14,266)	3,234	(1,284)	1,950
Change in contract liabilities recovered from reinsurers	(12,583)	1,925	(10,658)	(19,011)	–	(19,011)
Net claims incurred	**(87,608)**	**(1,219)**	**(88,827)**	**(85,281)**	**(1,489)**	**(86,770)**
Technical underwriting result – net	**9,973**	**1,077**	**11,050**	**7,248**	**629**	**7,877**
Commission income	6,537	39	6,576	6,744	101	6,845
Operating expenses	(19,694)	(342)	(20,036)	(19,045)	(523)	(19,568)
Underwriting expenses	(1,529)	(9)	(1,538)	(1,129)	(10)	(1,139)
Underwriting result	**(4,713)**	**765**	**(3,948)**	**(6,182)**	**197**	**(5,985)**
Net investment return	22,723	395	23,118	64,656	1,774	66,430
Other costs	(983)	(17)	(1,000)	(973)	(27)	(1,000)
Profit before taxation	**17,027**	**1,143**	**18,170**	**57,501**	**1,944**	**59,445**
Net insurance liabilities	**461,621**	**3,569**	**465,190**	**433,380**	**3,057**	**436,437**

The allocation of net investment return, operating expenses and other costs is based on the proportion of gross written premium in each geographical location.

Notes to the Financial Statements

5. Commission Income

6. Net Investment Return

5. COMMISSION INCOME

Analysis of commission income	2016 €'000	2015 €'000
Commission income	305	266
Reinsurance commission income	6,271	6,579
Total commission income	**6,576**	**6,845**

Commission income is earned by the company on contracts where the company places insurance contracts with another insurance company rather than underwriting the business itself.

Reinsurance commission reflects the amounts allowed by the company's reinsurers to cover administration and other expenses.

6. NET INVESTMENT RETURN

Analysis of net investment return 2016	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	4,343	–	558	–	–	4,901
At fair value through profit or loss						
– Debt securities	14,594	(356)	3,444	813	–	18,495
– Equity securities	5,146	15,859	(19,334)	(4,790)	–	(3,119)
Loans and receivables						
– Loans to local authorities	134	–	–	–	–	134
– Deposits with credit institutions	585	–	–	–	–	585
Cash and cash equivalents	(220)	–	–	(274)	–	(494)
Derivatives	–	–	–	3,777	–	3,777
FX gain/(loss) on insurance business	–	–	–	(267)	–	(267)
Investment expenses	–	–	–	–	(894)	(894)
Total net investment return	**24,582**	**15,503**	**(15,332)**	**(741)**	**(894)**	**23,118**

Notes to the Financial Statements

6. Net Investment Return (continued)

7. Total Operating Expenses

Analysis of net investment return 2015	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	1,787	–	3,086	–	–	4,873
At fair value through profit or loss						
– Debt securities	16,285	606	(4,498)	(1,325)	–	11,068
– Equity securities	4,213	34,181	10,677	4,758	–	53,829
Loans and receivables						
– Loans to local authorities	162	–	–	–	–	162
– Deposits with credit institutions	1,677	–	–	–	–	1,677
Cash and cash equivalents	(87)	–	–	(166)	–	(253)
Derivatives	–	–	–	(3,393)	–	(3,393)
FX gain/(loss) on insurance business	–	–	–	(6)	–	(6)
Investment expenses	–	–	–	–	(1,527)	(1,527)
Total net investment return	**24,037**	**34,787**	**9,265**	**(132)**	**(1,527)**	**66,430**

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.

FX gains/losses on the insurance business are included within net investment return.

7. TOTAL OPERATING EXPENSES

7(a) Operating Expenses

Analysis of other operating expenses	2016 €'000	2015 €'000
Directors' remuneration (note 7(b))	908	1,668
Employee benefits expense (note 7(c))	12,538	11,170
Amortisation on intangibles (note 10)	482	383
Depreciation on property, plant and equipment (note 11)	564	524
Auditors' remuneration (note 7(d))	136	99
Legal and professional fees	545	965
Marketing	658	601
Stakeholder engagement – risk management	206	405
Other expenses	3,999	3,753
Total operating expenses	**20,036**	**19,568**

Notes to the Financial Statements

7. Total Operating Expenses (continued)

7(b) Directors' Remuneration

Analysis of Directors' remuneration	2016 €'000	2015 €'000
Directors' remuneration – salaries, benefits and fees	825	1,460
Directors' remuneration – PRSI	58	127
Directors' remuneration – pensions	25	81
Total directors' remuneration	**908**	**1,668**

Directors' remuneration includes salaries paid to executive Directors during the period. All of the payments in respect of Directors' pensions are payments to a defined contribution scheme.

7(c) Employee Benefits Expense

Analysis of employee benefits expense	2016 €'000	2015 €'000
Staff costs – salaries and benefits	10,800	9,490
Staff costs – PRSI	957	1,013
Staff costs – pensions (note 24)	781	667
Total employee benefits expense	**12,538**	**11,170**

Employee numbers	2016	2015
Permanent staff	122	114
Total	**122**	**114**

The actual number of full-time equivalents employed by the business at 31 December 2016 was 123 (2015: 118).

7(d) Auditors' Remuneration

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

Analysis of auditors' remuneration	2016 €'000	2015 €'000
Fees and expenses paid to our statutory auditors are analysed as follows:		
– Audit of the financial statements	96	96
– Other assurance services	40	3
Total auditors' remuneration	**136**	**99**

Auditors' remuneration (excluding value added tax) in 2016 for audit services is €0.096m (2015: €0.096m) and for other assurance services fees is €0.040m (2015: €0.003m). The other assurance services relate to a Solvency II review and work carried out in relation to a reporting requirement for our employers' liability product in Northern Ireland. 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.

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

8(a) Current Tax Year Charge

Tax charge on profit on ordinary activities	2016 €'000	2015 €'000
Analysis of charge for year		
Tax charge based on the results for the year is as follows:		
Current tax		
– Taxation on foreign dividends	655	721
– Tax charge	(1,469)	(6,366)
– Adjustment in respect of prior years	(464)	(1,048)
Total current tax charge	**(1,278)**	**(6,693)**
Deferred tax		
– Origination and reversal of temporary differences	(941)	(1,187)
Total deferred tax charge (note 21)	**(941)**	**(1,187)**
Tax charge on profit on ordinary activities (note 8(b))	**(2,219)**	**(7,880)**

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 Activities (continued)

9. Dividends Paid and Proposed

8(b) Tax Charge on Profit on Ordinary Activities

The tax assessed for the year differs from the standard rate of corporation tax due to the differences as explained below:

Tax charge on profit on ordinary activities analysis	2016 €'000	2015 €'000
Profit on ordinary activities before tax	18,170	59,445
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	2,271	7,431
Effect of		
– Expenses not deductible for tax purposes	95	193
– Adjustment in respect of prior years	464	1,048
– Income taxed at higher rate	16	–
– Income not subject to tax	(655)	(721)
– Temporary tax differences	24	(70)
– Income tax withheld	4	(1)
Tax charge	**2,219**	**7,880**

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 asset of €6.349m (2015: €3.732m) relates to withholding tax amounts that are refundable to the company of €0.291m (2015: €0.315m) and a corporation tax refund of €6.058m (2015: €3.417m) that is due to the company.

9. DIVIDENDS PAID AND PROPOSED

Dividend paid and proposed	2016 €'000	2015 €'000
Declared and payable during the year		
– Interim dividend	15,000	15,000
Total dividends paid in the year	**15,000**	**15,000**

The payment of a distribution in any year is at the sole discretion of the Board with a requirement for regulatory referral with recommendation to the Members required in respect of any distributions determined as final in a particular period. 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 company.

The proposed interim dividend for noting at the 2017 AGM is not recognised as a liability in the 2016 financial statements.

Notes to the Financial Statements

10. Intangible Assets

10. INTANGIBLE ASSETS

Intangible assets 2016 & 2015	IT software €'000
Cost	
Balance at 1 January 2015	1,166
Additions	462
Balance at 1 January 2016	1,628
Additions during the year	205
Balance at 31 December 2016	**1,833**
Amortisation	
Balance at 1 January 2015	(403)
Amortisation for the year	(383)
Balance at 1 January 2016	(786)
Amortisation for the year	(482)
Balance at 31 December 2016	**(1,268)**
Carrying amounts	
Balance at 31 December 2015	842
Balance at 31 December 2016	**565**

Intangible assets 2015 & 2014	IT software €'000
Cost	
Balance at 1 January 2014	817
Additions	349
Balance at 1 January 2015	1,166
Additions during the year	462
Balance at 31 December 2015	**1,628**
Amortisation	
Balance at 1 January 2014	(118)
Amortisation for the year	(285)
Balance at 1 January 2015	(403)
Amortisation for the year	(383)
Balance at 31 December 2015	**(786)**
Carrying amounts	
Balance at 31 December 2014	763
Balance at 31 December 2015	**842**

Notes to the Financial Statements

11. Property, Plant and Equipment

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 2016 & 2015	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Motor vehicles €'000	Construction in progress €'000	Total €'000
Cost						
Balance at 1 January 2015	266	1,500	293	195	–	2,254
Additions	–	(3)	51	–	–	48
Disposals	–	–	–	(42)	–	(42)
Reallocation of construction in progress	–	–	–	–	–	–
Balance at 1 January 2016	266	1,497	344	153	–	2,260
Additions	–	–	124	–	–	124
Disposals	(26)	–	(12)	–	–	(38)
Balance at 31 December 2016	**240**	**1,497**	**456**	**153**	**–**	**2,346**
Depreciation						
Balance at 1 January 2015	(84)	(282)	(74)	(40)	–	(480)
Depreciation for the year	(79)	(299)	(99)	(47)	–	(524)
Balance at 1 January 2016	(163)	(581)	(173)	(87)	–	(1,004)
Depreciation for the year	(79)	(297)	(141)	(47)	–	(564)
Depreciation on disposal	26	–	12	–	–	38
Balance at 31 December 2016	**(216)**	**(878)**	**(302)**	**(134)**	**–**	**(1,530)**
Carrying amounts						
Balance at 31 December 2015	103	916	171	66	–	1,256
Balance at 31 December 2016	**24**	**619**	**154**	**19**	**–**	**816**

Notes to the Financial Statements

11. Property, Plant and Equipment (continued)

12. Investment Properties

Property, plant and equipment 2015 & 2014	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Motor vehicles €'000	Construction in progress €'000	Total €'000
Cost						
Balance at 1 January 2014	33	128	13	–	483	657
Additions	231	997	174	195	–	1,597
Disposals	–	–	–	–	–	–
Reallocation of construction in progress	2	375	106	–	(483)	–
Balance at 1 January 2015	266	1,500	293	195	–	2,254
Additions	–	(3)	51	–	–	48
Disposals	–	–	–	(42)	–	(42)
Balance at 31 December 2015	**266**	**1,497**	**344**	**153**	**–**	**2,260**
Depreciation						
Balance at 1 January 2014	(18)	(54)	(9)	–	–	(81)
Depreciation for the year	(66)	(228)	(65)	(40)	–	(399)
Balance at 1 January 2015	(84)	(282)	(74)	(40)	–	(480)
Depreciation for the year	(79)	(299)	(99)	(47)	–	(524)
Depreciation on disposal	–	–	–	–	–	–
Balance at 31 December 2015	**(163)**	**(581)**	**(173)**	**(87)**	**–**	**(1,004)**
Carrying amounts						
Balance at 31 December 2014	182	1,218	219	155	–	1,774
Balance at 31 December 2015	**103**	**916**	**171**	**66**	**–**	**1,256**

12. INVESTMENT PROPERTIES

Investment properties	2016 €'000	2015 €'000
Balance at 1 January	42,450	25,450
Additions	49,567	13,914
Movement in fair value	558	3,086
Balance at 31 December	**92,575**	**42,450**
Rental income derived from investment properties	4,343	1,787
Income for the period	**4,343**	**1,787**

13. DERIVATIVE FINANCIAL INSTRUMENTS

The company is exposed to currency risks arising from the foreign currency investments it holds, mainly Norwegian debt securities, sterling-denominated debt and equity securities, Danish debt securities and US equity securities. The company 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	Assets €'000	Liabilities €'000	Nominal value '000
Balance at 31 December 2016			
Forward foreign exchange contracts	43	220	NOK 185,000
Forward foreign exchange contracts	699	1,007	GBP 51,000
Forward foreign exchange contracts	15	233	USD 8,500
Forward foreign exchange contracts	0	16	SEK 8,000
Forward foreign exchange contracts	0	107	CHF 6,500
Forward foreign exchange contracts	0	36	DKK 145,000
Total financial instruments held for trading	**757**	**1,619**	
Balance at 31 December 2015			
Forward foreign exchange contracts	613	–	NOK 220,000
Forward foreign exchange contracts	1,393	–	GBP 32,000
Forward foreign exchange contracts	84	149	USD 8,500
Forward foreign exchange contracts	–	45	SEK 25,000
Forward foreign exchange contracts	535	34	CHF 7,775
Forward foreign exchange contracts	18	–	DKK 105,000
Total financial instruments held for trading	**2,643**	**228**	

14. OTHER FINANCIAL ASSETS AND LIABILITIES

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

Other financial assets	2016 €'000	2015 €'000
Designated at fair value through profit or loss		
– Debt securities	734,993	727,072
– Equity securities	232,468	259,408
Total financial assets designated at fair value through profit or loss	**967,461**	**986,480**
Loans and receivables		
– Loans to local authorities	23,452	25,862
– Deposits with credit institutions	–	27,229
Total loans and receivables at amortised cost	**23,452**	**53,091**
Total other financial assets	**990,913**	**1,039,571**

The company ceased providing new loans to local authorities in 2009 (see note 28). Balances outstanding are monitored on a monthly basis.

Determination of Fair Value and the Fair Value Hierarchy

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

The company 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 using inputs that have a significant effect on the recorded fair value and 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 2016	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial assets	–	757	–	757
Financial assets designated at fair value through profit or loss				
– Debt securities	675,706	57,999	1,288	734,993
– Equity securities	199,906	32,561	1	232,468
Loans and receivables				
– Loans to local authorities	–	–	23,452	23,452
– Deposits with credit institutions	–	–	–	–
Total assets	**875,612**	**91,317**	**24,741**	**991,670**
Derivative financial liabilities	–	1,619	–	1,619
Total liabilities	**–**	**1,619**	**–**	**1,619**

Fair value hierarchy 2015	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial assets	–	2,643	–	2,643
Financial assets designated at fair value through profit or loss				
– Debt securities	668,253	57,229	1,590	727,072
– Equity securities	230,317	29,090	1	259,408
Loans and receivables				
– Loans to local authorities	–	–	25,862	25,862
– Deposits with credit institutions	–	–	27,229	27,229
Total assets	**898,570**	**88,962**	**54,682**	**1,042,214**
Derivative financial liabilities	–	228	–	228
Total liabilities	**–**	**228**	**–**	**228**

Notes to the Financial Statements

14. Other Financial Assets and Liabilities (continued)

15. Insurance Assets

Movement in Level 3 Financial Instruments Measured at Fair Value

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

Reconciliation of Level 3 measurement of financial instruments	2016 €'000	2015 €'000
Balance at 1 January	54,682	106,097
Movement in loans and receivables	(29,638)	(51,117)
Movement in fair value	(303)	(298)
Balance at 31 December	**24,741**	**54,682**

There have been no transfers between any of the levels (Levels 1, 2 and 3) in 2015 or 2016.

Sensitivity of Level 3 Financial Instruments Measured at Fair Value to Changes in Key Assumptions

Level 3 investment classification is based on the assumption that it relates to securities in liquidation and securities carried at amortised cost. The company 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	2016 Carrying amount €'000	2016 Effect of reasonable possible alternative assumptions (+/-)	2015 Carrying amount €'000	2015 Effect of reasonable possible alternative assumptions (+/-)
Financial assets designated at fair value through profit or loss				
– Debt securities	1,288	–	1,590	–
– Equity securities	1	(1)	1	(1)
– Loans and receivables	23,452	–	53,091	–
Balance at 31 December	**24,741**	**(1)**	**54,682**	**(1)**

15. INSURANCE ASSETS

Insurance assets relate to retro-rated premiums that may become due from customers. Retro-rated premium arises where certain customers pay a minimum level of premium for a particular underwriting year but may be subject to further levels of premium depending on the claims experience for that underwriting year. Additional premium may not become payable for a number of years until claims fully develop for the underwriting year in question.

Insurance assets	2016 €'000	2015 €'000
Insurance assets – retro-rated premiums	32,018	26,822

Notes to the Financial Statements

16. Insurance Contract Liabilities and Reinsurance Assets

16. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

(a) Analysis of the Insurance Contract Liabilities

			2016			2015
Contract liabilities	Insurance contract liabilities €'000	Reinsurance assets €'000	Net €'000	Insurance contract liabilities €'000	Reinsurance assets €'000	Net €'000
Projected outstanding case reserves	415,063	36,480	378,583	387,777	39,231	348,546
Projected IBNR	(29,672)	(782)	(28,890)	(27,958)	733	(28,691)
Projected future unallocated loss adjustment expenses	21,603	–	21,603	17,517	–	17,517
Provision for reinsurance bad debts	–	(712)	712	–	(1,814)	1,814
Provision for adverse development						
– Margin for uncertainty	74,588	7,065	67,523	67,921	6,867	61,054
– Expected value of real yield provision	7,383	4,262	3,121	29,442	11,954	17,488
Outstanding claims provision	**488,965**	**46,313**	**442,652**	**474,699**	**56,971**	**417,728**
Provision for unearned premiums	18,223	–	18,223	15,855	–	15,855
Unexpired risk reserves	877	–	877	–	–	–
Provision for adverse development						
– Margin for uncertainty	3,438	–	3,438	2,854	–	2,854
Unearned premium reserve	**22,538**	**–**	**22,538**	**18,709**	**–**	**18,709**
Total contract liabilities	**511,503**	**46,313**	**465,190**	**493,408**	**56,971**	**436,437**

(b) Movement in the Gross and Reinsurance Claims Provision

Movements in gross outstanding claims provision	2016 €'000	2015 €'000
Carrying amount at 1 January	**474,699**	**476,649**
Claim losses and expenses incurred in the current year	126,145	124,206
Decrease in estimated claim losses and expenses incurred in prior years	(11,500)	(23,415)
Change in provision for reduction in real yield	(22,059)	(32,132)
Incurred claims losses and expenses	**92,586**	**68,659**
Less		
Payments made on claims incurred in the current year	(6,767)	(5,153)
Payments made on claims incurred in prior years	(71,553)	(65,456)
Claims payments made in the year	**(78,320)**	**(70,609)**
Carrying amount at 31 December	**488,965**	**474,699**

Notes to the Financial Statements

16. Insurance Contract Liabilities and Reinsurance Assets (continued)

Movements in outstanding reinsurance claims provision	2016 €'000	2015 €'000
Carrying amount at 1 January	56,971	75,982
Claim losses and expenses incurred in the current year	7,922	18,172
(Decrease)/increase in estimated claim losses and expenses incurred in prior years	3,528	(18,300)
Change in provision for reduction in real yield	(7,691)	(17,983)
Incurred claims losses and expenses	3,759	(18,111)
Less		
Payments made on claims incurred in the current year	(2,000)	(512)
Payments made on claims incurred in prior years	(12,417)	(388)
Recoveries on claim payments	(14,417)	(900)
Carrying amount at 31 December	46,313	56,971

(c) Provision for Unearned Premiums

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

Provision for unearned premiums	2016 €'000	2015 €'000
Carrying amount at 1 January	18,709	17,847
Gross premium written during the year	124,872	113,136
Gross premium earned during the year	(121,043)	(112,274)
Changes in unearned premium recognised as income	3,829	862
Carrying amount at 31 December	22,538	18,709

(d) Assumptions

Please refer to risk management note 26 for a description of the assumptions used to calculate insurance liabilities.

Notes to the Financial Statements

17. Insurance receivables

18. Other Receivables

19. Prepayments and Accrued Income

17. INSURANCE RECEIVABLES

Insurance receivables	2016 €'000	2015 €'000
Due from policyholders	10,690	7,901
Due from reinsurers	1,804	2,125
Total current receivables	**12,494**	**10,026**

18. OTHER RECEIVABLES

Other receivables	2016 €'000	2015 €'000
Other receivables	139	62
Total	**139**	**62**

19. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income	2016 €'000	2015 €'000
Retrospective premium receivable	2,240	1,364
Interest on debt securities	5,058	5,415
Interest on cash and cash equivalents	(18)	(9)
Accrued property rental income	164	–
Cash deposits paid to purchase investment property	–	2,102
Dividends receivable	96	168
Other accrued income	574	121
Prepayments	303	365
Total	**8,417**	**9,526**

Other accrued income was previously included in the prepayments category; this has now been included as a separate line item and the prior-year position has been restated.

Notes to the Financial Statements

20. Cash and Cash Equivalents

21. Deferred Tax Assets/ Liabilities

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2016 €'000	2015 €'000
Cash at banks and on hand	19,590	19,196
Short-term deposits	106,390	92,667
Total	**125,980**	**111,863**

Movement in cash and cash equivalents	2016 €'000	2015 €'000
Balance at beginning of reporting year	111,863	35,829
Balance at end of reporting year	125,980	111,863
Increase in cash and cash equivalents	**14,117**	**76,034**

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

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

21. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation (assets)/liabilities	2016 €'000	2015 €'000
Balance at 1 January	(1,083)	(2,270)
Income statement (note 8)	941	1,187
Balance at 31 December	**(142)**	**(1,083)**
Tax deferred on adjustments arising on conversion to IFRS	–	(977)
Temporary differences on property plant and equipment	(142)	(106)
Balance at 31 December	**(142)**	**(1,083)**

Valuation adjustments arising on the conversion from Irish GAAP to IFRS resulted in additional assets and liabilities to tax. The additional liabilities that arose in 2012 were required to be paid to the Revenue Commissioners in full during 2013. The remaining tax assets have been released to current tax in four equal annual instalments, with the final instalment being released in 2016. A deferred tax asset has also been put in place for temporary differences between NBV (net book value) of property, plant and equipment and the tax written down value.

Notes to the Financial Statements

22. Insurance Payables

23. Trade and Other Payables

24. Pension Costs

22. INSURANCE PAYABLES

Insurance payables	2016 €'000	2015 €'000
Due to policyholders	1,795	9,434
Due to reinsurers	1,297	1,493
Due to insurance brokers	23	20
Total	**3,115**	**10,947**

23. TRADE AND OTHER PAYABLES

Trade and other payables	2016 €'000	2015 €'000
Trade creditors	1,401	2,953
Prepayment – property rental income	919	225
Social Dividend payable	5,174	5,953
Short-term employee benefits	1,726	1,890
Accruals	449	622
Total	**9,669**	**11,643**
Tax and social welfare included in accruals		
– PAYE	418	393
– PRSI	–	188
– VAT	31	41
Total	**449**	**622**

24. PENSION COSTS

The company participates in defined contribution pension schemes.

2016 employers' contributions for the employees' defined contribution pension schemes amounted to €0.806m (2015: €0.748m). Contributions of €0.095m were outstanding as at 31 December 2016 (2015: €0.092m).

25. CAPITAL MANAGEMENT

The Central Bank requires the company to maintain an adequate regulatory solvency position. With effect from 1 January 2016, SI 485/2015 – European Union (Insurance and Reinsurance) Regulations 2015 transposed into Irish law the Solvency II Directive (Directive 2009/138//EC) as amended by the Omnibus II Directive (Directive 204/51/EC). The Solvency II Directive, amongst other requirements, established new economic risk-based solvency requirements across all EU member states. Solvency II introduced a risk-based capital as measured by the Solvency Capital Requirement (SCR) that reflects the risk profile of the insurer as well as a Minimum Capital Requirement (MCR). IPB uses the Solvency II standard formula to measure these risk-based capital requirements. IPB must manage its own funds (as measured under Solvency II valuation rules) to ensure it has capital of sufficient quality to cover the SCR and MCR.

The company has complied with the Solvency II directive on an ongoing basis throughout the year. The capital available to the company is of a very high quality (Tier 1), consisting entirely of retained earnings. In addition, the assets that comprise the available assets are invested in a very balanced portfolio with limited risk accepted within the parameters of the Board-approved risk appetite statement.

The company's capital levels are consistent with the highest credit rating agency financial strength levels. The company 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 company's Own Risk and Solvency Assessment (ORSA), which continues to evolve in parallel with Solvency II guidelines and industry best practice. The company 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 company considers capital requirements and capital efficiency in the context of profitability, expenses and market position relative to peers.

During 2016 the company paid a dividend to its Members of €15m (2015: €15m).

Members' Distribution Policy

The payment of a distribution in any year is at the sole discretion of the Board with a requirement for recommendation to the Members of any distributions determined as final in a particular period. 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 and must be acknowledged without objection by the Central Bank of Ireland. Any dividend payment must respect the sanctity of the financial strength of the company. The Board operates the following restrictions on distribution payments:

- No Member distribution which may be payable should result in the reduction of the solvency cover below 200% of the required Solvency Capital Requirement (SCR) as specified by Solvency II, plus a provision for any anticipated medium-term capital utilisation plans. The distribution should not result in any non-compliance with the company's risk appetite as defined in the operating limits of the Risk Appetite Statement. In addition, any distribution should not materially weaken the company's liquidity position or negatively impact the company's credit rating. The Board reserves the right to cancel, amend or defer any impending dividend or retained earnings distribution on the occurrence of an unforeseen event or action that materially reduces the company's capital strength.

  Dividends are recognised as a liability when approved by the Board and are accordingly noted within the regulatory returns as such and within the Annual Stakeholder Report as required.

Members' Dividend

- The Members' Dividend payment in any year should be no more than the profit after tax in the previous financial year or €25m, to be determined at the sole discretion of the IPB Board.
- From 2018 onwards the Members' Dividend payment in any year should be no more than 40% of the profit after tax in the previous financial year.
- The Members' Dividend should be allocated to current Members in proportion to the gross written premium income derived from the Member in the previous year.
- 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 and where it has been notified to the Central Bank of Ireland.

Retained Earnings Distributions

- Retained earnings distributions in any given year will only be made if the Board is satisfied that the resulting reduction in capital will not result in the capital position of the company falling below the operating limits of the IPB Risk Appetite Statement to be determined at the sole discretion of the IPB Board.
- Retained earnings distributions are made to current Members in proportion to the average gross written premium income derived from the Member in the years 2011 to 2015.

26. RISK MANAGEMENT

The company recognises the critical importance of effective and efficient risk management. In accordance with the company's policies, key management personnel have primary responsibility for the effective identification, measurement, management, monitoring and reporting of risks. The Board defines the overall level of risk and types of risk that the company is prepared to accept in its Risk Appetite Statement. In addition, the Board ensures that the monitoring processes are followed. The major risks the company 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 company 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 company monitors changes in the business environment and considers their impact on the business. The company 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 company'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 company include public liability, employers' liability, motor and property. The company manages underwriting risk through its underwriting strategy, claims handling and reinsurance arrangements.

Notes to the Financial Statements

26. Risk Management (continued)

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 company 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.

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	2014 €'000	2015 €'000	2016 €'000	Total €'000
At end of underwriting year		105,682	87,868	88,526	94,457	95,706	126,215	127,895	
One year later		97,518	85,313	79,462	93,603	93,057	118,924		
Two years later		95,077	75,842	81,719	85,312	95,242			
Three years later		84,027	88,753	72,673	79,293				
Four years later		77,195	78,138	68,222					
Five years later		75,101	77,733						
Six years later		68,732							
Ultimate claims losses incurred	**1,072,598**	**68,732**	**77,733**	**68,222**	**79,293**	**95,242**	**118,924**	**127,895**	**1,708,639**
At end of underwriting year		(8,577)	(4,875)	(3,891)	(5,073)	(5,236)	(6,251)	(6,767)	
One year later		(24,301)	(13,396)	(12,008)	(15,599)	(15,729)	(19,410)		
Two years later		(32,435)	(22,552)	(20,736)	(25,709)	(25,227)			
Three years later		(41,213)	(31,856)	(30,948)	(34,242)				
Four years later		(47,073)	(39,578)	(38,343)					
Five years later		(51,501)	(45,787)						
Six years later		(54,574)							
Cumulative payments to date	**(995,324)**	**(54,574)**	**(45,787)**	**(38,343)**	**(34,242)**	**(25,227)**	**(19,410)**	**(6,767)**	**(1,219,674)**
Total gross non-life insurance outstanding claims provisions per the statement of financial position	**77,274**	**14,158**	**31,946**	**29,879**	**45,051**	**70,015**	**99,514**	**121,128**	**488,965**

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	2014 €'000	2015 €'000	2016 €'000	Total €'000
At end of underwriting year		92,272	85,939	84,120	88,553	85,647	118,742	119,022	
One year later		78,939	83,745	73,965	87,827	89,712	108,159		
Two years later		78,204	71,266	75,233	82,695	91,429			
Three years later		65,020	77,436	68,227	76,669				
Four years later		60,158	69,885	63,451					
Five years later		58,244	67,583						
Six years later		51,658							
Ultimate claims losses incurred	**898,662**	**51,658**	**67,583**	**63,451**	**76,669**	**91,429**	**108,159**	**119,022**	**1,476,633**
At end of underwriting year		(5,095)	(2,433)	(3,515)	(4,352)	(4,234)	(5,587)	(4,767)	
One year later		(12,659)	(9,796)	(10,883)	(13,780)	(14,066)	(16,299)		
Two years later		(19,340)	(20,625)	(19,048)	(23,723)	(23,029)			
Three years later		(28,169)	(29,864)	(28,818)	(32,252)				
Four years later		(33,355)	(37,562)	(35,872)					
Five years later		(37,770)	(43,770)						
Six years later		(40,842)							
Cumulative payments to date	**(837,150)**	**(40,842)**	**(43,770)**	**(35,872)**	**(32,252)**	**(23,029)**	**(16,299)**	**(4,767)**	**(1,033,981)**
Total net non-life insurance outstanding claims provisions per the statement of financial position	**61,512**	**10,816**	**23,813**	**27,579**	**44,417**	**68,400**	**91,860**	**114,255**	**442,652**

The Board-approved reinsurance policy establishes the reinsurance strategy and principles. The reinsurance programme reduces the variability of the underwriting result. For its motor, employers' liability and public liability business, the company has in place excess of loss reinsurance treaties. For its property business, the company operates proportional and catastrophe reinsurance treaties.

A primary objective of the company is to ensure that sufficient reserves are available to cover liabilities. The company uses an appropriately qualified and experienced in-house actuarial team supported by external reviews to assist with the estimation of liabilities to ensure that the company's reserves are adequate. Should the reserves be deemed to be inadequate, any deficiency is recognised immediately in the Statement of Comprehensive Income.

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, employers' liability and property. The other significant insurance risk concentration relates to the fact that the company primarily insures public-sector organisations.

While keeping the insurance needs of Members at the top of the agenda, the company endeavours to apply core underwriting competencies to further diversify the insurance portfolio into complementary

Notes to the Financial Statements

26. Risk Management (continued)

lines and policyholders. In any case, all concentrations are significantly mitigated by an appropriate reinsurance programme. There are no other significant underwriting risk concentrations.

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 concentration risk. Asset concentration risk arises 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 company 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 risk appetite is monitored daily and exposures and breaches 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 company's liabilities are mostly denominated in euro. The company holds investment assets in foreign currencies, which gives rise to exposure to exchange rate fluctuations. The company 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 company's foreign currency-denominated assets at the reporting date is as follows:

Carrying amount of the company's foreign currency denominated assets 2016	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
Sterling	63,124	59,539	3,585
Norwegian krone	28,017	20,275	7,742
Danish krone	20,219	19,510	709
Swedish krona	1,028	836	192
Swiss francs	6,449	6,065	384
US dollars	12,843	8,011	4,832
Total	**131,680**	**114,236**	**17,444**

Notes to the Financial Statements

26. Risk Management (continued)

Carrying amount of the company's foreign currency denominated assets 2015	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
Sterling	61,471	43,254	18,217
Norwegian krone	35,431	22,776	12,655
Danish krone	15,159	14,077	1,082
Swedish krona	3,045	2,731	314
Swiss francs	7,927	7,152	775
US dollars	11,000	7,800	3,200
Total	**134,033**	**97,790**	**36,243**

The net foreign exchange exposure after currency hedges is €17.4m (2015: €36.2m).

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 company faces a significant interest rate risk due to the nature of its investments and liabilities. Interest rate risk arises primarily from the company'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.

At the reporting date, the company held the following assets that are exposed to interest rate risk:

Financial assets subject to interest rate risk	2016 €'000	2015 €'000
Debt securities		
– Irish Government fixed-interest bonds	139,607	141,535
– Other government fixed-interest bonds – eurozone	368,659	396,192
– Other government fixed-interest bonds – non-eurozone	97,922	82,719
– Corporate bonds	77,126	71,528
Loans and receivables		
– Loans to local authorities	–	103
Total	**683,314**	**692,077**

Notes to the Financial Statements

26. Risk Management (continued)

The duration profile of the fixed-interest earning investments, categorised by maturity date, is analysed in the following table. The table excludes floating rate notes and non-interest-earning investment assets such as equities, managed funds, property and amounts held on deposits with credit institutions.

Investments analysis	2016 Market value €'000	2016 Weighted average interest rate %	2015 Market value €'000	2015 Weighted average interest rate %
In one year or less	71,143	2.67	29,103	2.21
In more than one year, but less than two years	200,471	2.38	121,302	2.02
In more than two years, but less than three years	61,169	0.92	214,807	2.24
In more than three years, but less than four years	45,175	3.53	46,896	0.93
In more than four years, but less than five years	13,613	2.84	45,607	3.55
More than five years	291,743	2.86	234,362	3.60
Total	**683,314**	**2.57%**	**692,077**	**2.66%**

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 company 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 company limits the credit quality of bonds in which the company may invest. The following table provides information regarding the market risk exposure of the company by classifying debt securities by credit rating:

Market risk exposure by credit rating 2015 to 2016	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	Not rated €'000	Total €'000
Financial assets at fair value through profit or loss								
Debt securities								
2016	246,194	241,223	191,332	–	–	24,582	31,662	734,993
2015	288,181	208,948	173,764	–	–	22,734	33,445	727,072

Where several ratings are available for a given credit exposure, the second-best rating is applied. For unrated bonds, the issuer rating is used as a proxy if the unrated bond does not exhibit any specificities that detriment credit quality, e.g. subordination.

Credit ratings as determined by a number of credit rating agencies were taken into consideration by the company. The company carries out its own credit assessments for key credit counterparties.

Notes to the Financial Statements

26. Risk Management (continued)

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. 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 company 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 shareholding 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. The company's exposure to property risk is aligned to the limits set out in the company's Risk Appetite Statement.

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 company is exposed to credit risk from its operating activities, primarily customer and reinsurer receivables, from cash deposits and bonds from the investment portfolio, and from its loans to local authorities. In the company's Risk Management Framework, credit risk relating to investments is managed as market risk.

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 reported to the Risk Committee. At each reporting date the company 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. 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 reported to the Risk Committee. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company'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

26. Risk Management (continued)

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

2016	Neither past due nor impaired €'000	Past due less than 30 days €'000	Past due 31 to 60 days €'000	Past due 61 to 90 days €'000	Past due more than 90 days €'000	Carrying amount €'000
Debt securities	734,993	–	–	–	–	734,993
Other investments	232,468	–	–	–	–	232,468
Reinsurance assets (outstanding claims and receivables)	47,982	149	–	1	(15)	48,117
Loans and receivables	23,379	73	–	–	–	23,452
Insurance receivables	4,445	793	3,569	191	1,692	10,690
	1,043,267	1,015	3,569	192	1,677	1,049,720

2015	Neither past due nor impaired €'000	Past due less than 30 days €'000	Past due 31 to 60 days €'000	Past due 61 to 90 days €'000	Past due more than 90 days €'000	Carrying amount €'000
Debt securities	727,072	–	–	–	–	727,072
Other investments	259,408	–	–	–	–	259,408
Reinsurance assets (outstanding claims and receivables)	58,788	–	–	–	308	59,096
Loans and receivables	53,091	–	–	–	–	53,091
Insurance receivables	3,635	1,225	522	85	2,434	7,901
	1,101,994	1,225	522	85	2,742	1,106,568

The company 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 2015. 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	2016 €'000	2015 €'000
Reinsurance debtors	712	1,814
Other debtors	187	187
Total	899	2,001

Notes to the Financial Statements

26. 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 reinsurers' share of outstanding claims, 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 2016	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	CCC €'000	Not rated €'000	Total €'000
Derivative financial instruments	–	–	271	486	–	–	–	–	757
Equity securities	–	15,111	29,771	39,888	9,827	–	17	137,854	232,468
Investment property	–	–	–	–	–	–	–	92,575	92,575
Reinsurance assets (outstanding claims and receivables)	–	26,646	17,612	–	–	–	–	3,859	48,117
Loans and receivables	–	–	–	–	–	–	–	23,452	23,452
Insurance receivables	–	–	–	–	–	–	–	10,690	10,690
Cash and cash equivalents	–	53,858	53,204	10,003	8,915	–	–	–	125,980
Total	**–**	**95,615**	**100,858**	**50,377**	**18,742**	**–**	**17**	**268,430**	**534,039**

Market risk exposure by credit rating 2015	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	CCC €'000	Not rated €'000	Total €'000
Derivative financial instruments	–	–	1,270	1,373	–	–	–	–	2,643
Equity securities	–	10,694	35,384	55,465	5,540	–	–	152,325	259,408
Investment property	–	–	–	–	–	–	–	42,450	42,450
Reinsurance assets (outstanding claims and receivables)	–	38,767	12,273	–	–	–	–	8,056	59,096
Loans and receivables	–	–	16,905	10,324	–	–	–	25,862	53,091
Insurance receivables	–	–	–	–	–	–	–	7,901	7,901
Cash and cash equivalents	–	46,856	44,566	10,001	10,440	–	–	–	111,863
Total	**–**	**96,317**	**110,398**	**77,163**	**15,980**	**–**	**–**	**236,594**	**536,452**

Where several ratings are available for a given credit exposure, the second-best rating is applied. The company considers a number of credit rating agencies and also carries out its own credit assessment for key credit counterparties.

Notes to the Financial Statements

26. Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the company does not have sufficient liquid financial resources, such as cash, to meet its financial obligations when they fall due. Liquidity risk also arises where assets can only be liquidated at a material cost. The company 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 company. 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 the 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 company 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 as at 31 December 2016 in the case of index-linked bonds. Amortising bonds are stated at their nominal value as at 31 December 2016 in their final year of maturity. 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

26. Risk Management (continued)

Maturity analysis (contracted undiscounted cash flow basis) 2016	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	757	757	–	–	–	757
Financial assets at fair value through profit or loss						
– Debt securities	734,993	53,768	323,646	253,592	16,029	647,035
– Equity securities	232,468	–	–	–	232,468	232,468
Loans and receivables						
– Loans to local authorities	23,452	2,485	9,456	12,164	–	24,105
– Deposits with credit institutions	–	–	–	–	–	–
Insurance assets	32,018	8,229	18,570	5,219	–	32,018
Reinsurance assets						
– Claims outstanding	46,313	12,903	26,107	7,303	–	46,313
Insurance receivables	12,494	12,494	–	–	–	12,494
Other receivables	139	139	–	–	–	139
Cash and cash equivalents	125,980	125,962	–	–	–	125,962
Total	**1,208,614**	**216,737**	**377,779**	**278,278**	**248,497**	**1,121,291**
Financial liabilities						
Insurance contract liabilities						
– Claims outstanding	488,965	136,226	275,630	77,109	–	488,965
Derivative financial instruments	1,619	1,619	–	–	–	1,619
Insurance payables	3,115	3,115	–	–	–	3,115
Trade and other payables	9,669	9,669	–	–	–	9,669
Total	**503,368**	**150,629**	**275,630**	**77,109**	**–**	**503,368**

Notes to the Financial Statements

26. Risk Management (continued)

Maturity analysis (contracted undiscounted cash flow basis) 2015	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	2,643	2,643	–	–	–	2,643
Financial assets at fair value through profit or loss						
– Debt securities	727,072	28,778	431,936	183,706	30,192	674,612
– Equity securities	259,408	–	–	–	259,408	259,408
Loans and receivables						
– Loans to local authorities	25,862	2,620	9,643	14,454	–	26,717
– Deposits with credit institutions	27,229	27,813	–	–	–	27,813
Insurance assets	26,822	6,366	17,563	2,893	–	26,822
Reinsurance assets						
– Claims outstanding	56,971	13,848	34,410	8,713	–	56,971
Insurance receivables	10,026	10,026	–	–	–	10,026
Other receivables	62	62	–	–	–	62
Cash and cash equivalents	111,863	111,854	–	–	–	111,854
Total	**1,247,958**	**204,010**	**493,552**	**209,766**	**289,600**	**1,196,928**
Financial liabilities						
Insurance contract liabilities						
– Claims outstanding	474,699	112,671	310,839	51,189	–	474,699
Derivative financial instruments	228	228	–	–	–	228
Insurance payables	10,947	10,947	–	–	–	10,947
Trade and other payables	11,643	11,643	–	–	–	11,643
Total	**497,517**	**135,489**	**310,839**	**51,189**	**–**	**497,517**

Notes to the Financial Statements

26. Risk Management (continued)

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 company's operational risk includes outsourcing risks, including bankruptcy of the service providers, disruption of services and failure to achieve standards.

The company 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.

Compliance monitoring is carried out on an ongoing basis, according to an annual compliance plan that 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 are updated on a monthly basis and circulated to the Board.

The company has a Business Continuity Plan for the restoration of functions should critical business processes be disrupted.

The company outsources certain functions to service providers. Outsourced arrangements are governed by service level agreements. Service providers are required to adhere to company policy. Service providers are subject to detailed reporting requirements.

Other Risks

The scope of the company Risk Framework covers all risk types. For example:

- Reputational risk – risk arising from negative perception of the business amongst Members, customers, the Central Bank, counterparties, business partners and other stakeholders.
- Emerging risk – risks that may emerge in the future and have the potential to materially affect solvency.
- The company has considered the impact of the UK's prospective withdrawal from the EU (Brexit) on its business. The company does not believe that Brexit will have a significant impact on its business given that its insurance activities are predominantly located in the Republic of Ireland. The longer-term political and economic effects of Brexit are likely to remain unclear for some time; however, the company will continue to carefully monitor the situation as it develops.

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

Notes to the Financial Statements

26. Risk Management (continued)

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.

Sensitivity Analysis

The tables below provide sensitivity analysis on the company'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 cashflows from floating rate notes. The underlying yield curve is based on prevailing swap rates as at year end 2016.
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		2016 €'000	2015 €'000
Underwriting risk	5.00%	(4,994)	(4,732)
Currency risk	10.00%	1,744	3,624
Currency risk	-10.00%	(1,744)	(3,624)
Interest rate risk	1.00%	(23,162)	(31,892)
Interest rate risk	-0.25%	5,033	8,511
Equity risk	10.00%	23,247	25,941
Equity risk	-10.00%	(23,247)	(25,941)

Sensitivity analysis Impact on equity		2016 €'000	2015 €'000
Underwriting risk	5.00%	(4,370)	(4,141)
Currency risk	10.00%	1,526	3,171
Currency risk	-10.00%	(1,526)	(3,171)
Interest rates	1.00%	(20,267)	(27,906)
Interest rates	-0.25%	4,404	7,447
Equity risk	10.00%	20,341	22,698
Equity risk	-10.00%	(20,341)	(22,698)

Notes to the Financial Statements

26. Risk Management (continued)

In addition, the impact of changes in the assumptions used to calculate general insurance liabilities and sensitivities are indicated in the following table. The gross impact in the following table is calculated by multiplying the gross Incurred But Not Reported (IBNR) reserve and real yield provision by 10%, while the net impact is estimated at 80% of the gross figure.

Sensitivity analysis 2016	Change in assumptions (note 26)	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%	(3,199)	(2,559)	2,559	2,239
Motor	10.00%	634	507	(507)	(444)
Fire and other damage to property	10.00%	(65)	(52)	52	46
Total		**(2,630)**	**(2,104)**	**2,104**	**1,841**

Sensitivity analysis 2015	Change in assumptions (note 26)	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	4.00%	(323)	(258)	258	226
Motor	10.00%	(31)	(25)	25	22
Fire and other damage to property	10.00%	(1)	(1)	1	1
Total		**(355)**	**(284)**	**284**	**249**

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 that 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
- 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 company's assets and liabilities are actively managed.

Notes to the Financial Statements

26. Risk Management (continued)

27. Contingencies and Regulations

28. 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 company'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.

27. CONTINGENCIES AND REGULATIONS

27(a) Capital Commitments

The company has no capital commitments at the reporting date.

27(b) Legal Proceedings and Regulations

The company is not involved in any material legal proceedings other than proceedings that relate to the settlement of claims.

The company is subject to insurance regulation in Ireland and has complied with these regulations. There are no contingencies associated with the company's compliance or lack of compliance with such regulations.

28. RELATED PARTY DISCLOSURES

The company 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 company, directly or indirectly) comprises the Board of Directors and includes the Leadership Team who manage the business and affairs of the company. Disclosure in relation to the 2016 and 2015 compensation entitlements of the Board of Directors is provided in note 7(b). There were no loans outstanding between the company and its Directors at any time during the financial year nor is it the policy of the company to engage in such transactions.

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 payments made by local authorities during the year amounted to €2.5m (2015: €2.7m). Loan balances outstanding at year end amounted to €23.5m (2015: €25.9m).

All loans were issued unsecured and with interest rates at normal commercial terms. During the period interest income on these loans totalled €0.1m (2015: €0.2m) and is treated as non-trading 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 2016 or 2015. There were loan repayments outstanding of €0.073m at the period end; these will be paid in Q1 2017.

Notes to the Financial Statements

28. Related Party Disclosures (continued)

29. Social Dividend

30. Approval of Financial Statements

Members

The percentage of total gross premiums written with Members in 2016 was 71% (2015: 75%). Please refer to page 115 for details of our Members.

29. SOCIAL DIVIDEND

During 2016 the company committed an additional €1m (2015: €1m) to the Social Dividend Fund as part of its corporate social engagement (CSE) framework. To guide the development, implementation and management of the CSE framework a CSE Committee has been formed, reporting to the Board of Directors.

30. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2017.

OTHER INFORMATION

Our Members

Our Members

For the purpose of registration the number of Members of the company 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 company'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 company 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. This also applies to the Regional Assemblies, Education and Training Boards and HSE legal entities.

Legal Status of the Company

The company 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: IPB Insurance Company Limited By Guarantee Constitution – 29 April 2016

Other Information

Our Members (continued)

List of Members at the year ended 31 December 2016

County Councils

- Carlow County Council
- Cavan County Council
- Clare County Council
- Cork City Council
- Cork County Council
- Donegal County Council
- Dublin City Council
- Dún 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 & County Council
- Longford County Council
- Louth County Council
- Mayo County Council
- Meath County Council
- Monaghan County Council
- Offaly County Council
- Roscommon County Council
- Sligo County Council
- South Dublin County Council
- Tipperary County Council
- Waterford City & 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 Dún 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

Other

- Northern & Western Regional Assembly
- Southern Regional Assembly
- Eastern & Midland Regional Assembly
- The Health Service Executive

Other Information

Glossary (continued)

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.
Gross Combined Operating Ratio %	Calculated as: $\dfrac{\text{Gross Incurred Claims + Operating Expenses (including acquisition commissions) (excludes Social Dividend)}}{\text{Gross Earned Premiums}}$
Net Combined Operating Ratio %	Calculated as: $\dfrac{\text{Net Incurred Claims + Operating Expenses (including acquisition commissions and less reinsurance commissions received) (excludes Social Dividend)}}{\text{Net Earned Premiums}}$
Commission	An amount payable/receivable to/from an intermediary such as a broker for generating business.
Commission Ratio	Ratio of net commission costs to net earned premiums.
Central Bank of Ireland (Central Bank)	The regulatory authority for Ireland's insurance industry.
Current Year Result on Underwriting	The underwriting profit or loss earned from business for which protection has been provided in the current financial period.
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.

Other Information

Glossary (continued)

Term	Definition
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.
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.
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.
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 have not yet been reported to the company.
Incurred 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.
Members' Dividend	This term relates to the share of the surplus or profits (normally post tax surplus or profits) paid to the Members of a mutual company. The Members' Dividend is usually allocated based on the level of Member business conducted with the mutual.

Other Information

Glossary (continued)

Term	Definition
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 Expense Ratio	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.
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.
Net Underwriting Result	This is a measure of how well the company has done excluding its investment performance and is calculated as: NEP – net claims (including claims handling expenses) – expenses (including commissions).
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.
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.
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.
Real Yield	The return from an investment adjusted for the effects of inflation.
Reinsurance	The practice whereby the company transfers part or all of the risk it has accepted to another insurer (the reinsurer).
Retained Earnings Distribution	A Retained Earnings Distribution is a distribution of Members' or shareholders' equity which has been accumulated net of taxation in prior periods and reported in the equity section of the balance sheet.

Other Information

Glossary (continued)

Term	Definition
Return on Equity (ROE)	A measure of the profits the company earns relative to funds attributable to ordinary shareholders or Members.
Social Dividend	IPB's Social Dividend is a process for distributing some surplus generated by IPB's profits in a systematic way through IPB's Corporate Social Engagement Framework. It provides our stakeholders and ultimately society with a share of the profits generated by IPB.
Solvency II	New capital adequacy regime for the European insurance industry. Establishes a revised set of EU-wide capital requirements and risk management standards. It came into force on 1 January 2016.
Solvency Capital Requirement (SCR)	This is the amount of funds that the company is required to hold based on a standard calculation defined by the Central Bank under the EU Solvency II directive.
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.
Technical Underwriting Result – Net	Net premiums earned less net claims incurred. Excludes operating costs and commissions paid or earned.
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.

Other Information

Company Information

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
Chartered Accountants & Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Company Registration Number
7532

Peer Review Actuary
Mazars
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

Registered Office
1 Grand Canal Square
Grand Canal Harbour
Dublin D02 P820

OUR PEOPLE

35 YEARS' SERVICE

Edel Burke
Lorraine Scanlan
Ita Thornton
Caroline Young

25 YEARS' SERVICE

Paul Doyle
Jacinta Gill
Gerry McAuliffe
Pat McGinley
David Malone
Paddy Moran
Margaret O'Connor
Marian Weston

15 YEARS' SERVICE

Fiona Carey
Maria Carroll
Niamh Corrigan
Pam Finnegan
Yvonne Loughran
Brendan Mahady
Anne Rice
Rosemary Ryan
Caroline Quinn
Rory Walsh

UP TO 15 YEARS' SERVICE

Claire Babington
Katie Bell
Emma Bradley
Diane Broderick
Colm Bryson
Alan Burke
Kevin Byrne
Oisin Cannon
Julia Carmichael
Fergus Carolan
John Caulfield
Emily Chambers
Conn Cleary
Fiona Coloe
Louise Conlon
David Connolly
Mairead Conway
Christina Corry
Sarah Coughlan
Richard Counihan
Greg Creevey
Nicola Cummins
Frank Cunneen
Gerry Denvir
Enda Devine
Peter Doyle
Niamh Ebbs
Gerard Fallon
Cathy Farragher
Alison Farrelly
Ann Feely
Nicola Fewer
Maria Fingleton
Jennifer Fitzpatrick
Niall Foley
Alan Foster
Tim Fozzard
Joanna Fracz
Majella Fuller
Michael Garvey
Stephen Geary
Blaithin Glynn
Eileen Griffin
Clara Hannon
Mark Hardy
Catherine Hayes
Ivor Heavey
Peter Hegarty
Tom Keane
Paul Kearns
David Kearns
Aoife Keenan
Dean Kelly
Peter Kelly
Ann-Marie Kennedy
Rita Kenny
Alex Kitching
Andrew Larrigan
Eugene Lehane
Adrian Leonard
Sheamus Loughran
Sean Maguire
Conor Mahon
Fiona McAleenan
Conor McCourt
Paul McCrory
Audrey McGinley
Dermot McInerney
John McNabola
Ann-Marie McPartlin
Edward Meaney
Patricia Meehan
Ken Menton
John Monk
Robert Moore
Sarah Moorhead
Gerard Mulvaney
Lindsey Murphy
Fiona Murtagh
Maeve Noctor
Lyndsey Noonan
Ellen O'Carroll
Martha O'Connor
Wendy O'Dwyer
Deirdre O'Grady
Nicola O'Neill
Graham Orr
Brian Owens
Philomena Phelan
Matt Rafferty
Donna Rave
Tracey Reale
Donagh Regan
Niamh Reilly
Michelle Rice
Gerard Ryan
John Sheridan
Anne-Marie Sheridan
Lizanne Sorohan
Adam Sykes
Anthony Thorpe
Magdel Van Schaik
Ian Veltom
Barry Wallace
Christine Waters
Michael Whelehan
Barry Whitelaw
Sonia Wielinska
Kathy Williams
Fiona Wolfe

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