IPB Insurance CLG
Trading as IPB Insurance

Solvency and Financial Condition Report 2018

Contents

Introduction / Summary

IPB Insurance CLG ("the company" or "IPB'') has prepared this Solvency Financial Condition Report ("SFCR") to satisfy the public disclosure requirements under the Commission Delegated Regulation (EU) 2015/35 of the European Parliament supplementing Directive 2009/138/EC, known as Solvency II, which came into effect from 1 January 2016. This SFCR covers the business and performance of the company, its system of governance, risk profile, valuation for solvency purposes and capital management. The ultimate responsibility for all of these matters lies with the company's Board of Directors, with support from various governance and control functions that have been put in place to monitor and manage the operations of the business. This SFCR went through both an internal and external review and approval process, including Board approval as per the *EIOPA Guideline 37* and was subject to controls to ensure that the information contained herein is reliable, complete and consistent with information and other reports submitted to the Central Bank of Ireland ("Central Bank").

The company is a mutual non-life Insurance company established under the Companies Acts in 1926 and regulated by the Central Bank of Ireland. The principal activity of the company continues to be the provision of insurance and risk management support to its Members and customers, both in the public and private sectors, with most of its underwriting risk concentrated in the Republic of Ireland. The company is 100% Irish owned and is a Standard & Poor's A- stable rated insurer with excellent financial strength.

The company suffered a loss of €8.4 million in 2018 (2017: Profit €42.3 million). This decline was primarily due to investment losses.

The company delivered an underwriting surplus of €7.4 million (2017: surplus €2.7 million), representing an improvement of €4.7 million on the previous year and ahead of target. Gross written premium ("GWP") for the year grew to €161.2 million, a 14% increase on 2017 GWP of €141.1 million. This growth was driven primarily by a combination of risk transfers as Members move to ground-up cover and rate increases.

The company delivered an investment loss of €15.7 million compared to a gain of €39.6 million for the prior year which was in line with the market weighted benchmarks.

The company has in place a comprehensive set of terms of reference, policies and procedures supporting all aspects of its governance and control framework and appropriate to its nature, size and complexity. The Board of Directors delegates authority to its Sub-Committees to complete separate programmes of work on its behalf whilst ensuring regular reporting with clear terms of reference. The company has also established the four key independent control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015 and in accordance with Articles 44, 46, 47 and 48 of the Solvency II Directive – Risk Management, Compliance, Actuarial and Internal Audit. These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board of Directors in relation to the company's control framework. Each of the independent functions have direct reporting lines to the Board of Directors, as well as the relevant Board Committees.

The Risk Profile of the company is stable and is currently dominated by Underwriting and Market Risk. The company has complied with the Solvency II directive on an on-going basis throughout the year and the capital available to the company is of a very high quality, consisting wholly of retained earnings. The assets that comprise the available capital are invested in a very balanced investment portfolio with limited risk accepted within the parameters of the Board Approved Risk Appetite Statement.

As at 31 December 2018, the company's eligible own funds to cover the Solvency Capital Requirement ("SCR") and Minimum Capital Requirement ("MCR") stood at €706.8 million (2017: €744.9 million), which represented a solvency ratio of 3.2 times the SCR (2017: 3.4 times). The company's SCR and MCR were €222.9 million and €58.9 million respectively (2017: €216.4 million and €54.1 million respectively). There was no breach of the SCR (and hence the MCR) over the reporting period.

A: Business and Performance

A.1 Business

The company is a mutual non-life insurance company limited by guarantee and established under the Companies Acts in Ireland in 1926. The company is a single entity and does not form part of a group. It is governed by the "Constitution of IPB Insurance CLG" together with corporate and regulatory legislation. The principal activity of the company continues to be the provision of insurance and risk management support to its Members and customers, both in the public and private sector, with most of its underwriting risk concentrated in the Republic of Ireland. Membership consists predominantly of Local Authorities, Education and Training Board ("ETBs") and the Health Service Executive ("HSE"). The company is 100% Irish owned and is a Standard & Poor's A- stable rated insurer with excellent financial strength. It is not leveraged, and it maintains large capital buffers accumulated from retained earnings. The company's current organisational structure is set out on page 11.

The company's registered office and operating address is: 1 Grand Canal Square, Grand Canal Harbour, Dublin 2 D02 P820.

The Central Bank of Ireland is responsible for the financial regulation of the company. The Central Bank's address is: Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1.

The company's external auditor is: Deloitte, Chartered Accountants and Statutory Audit Firm, Deloitte and Touche House, Earlsfort Terrace, Dublin 2.

The company's financial year end is 31 December each year and it reports its results in EUR (Euro).

There have been no significant business or external events during the year.

A.2 Underwriting Performance

The company delivered an underwriting surplus of €7.4 million (2017: €2.7 million), making an improvement of €4.7 million on the previous year and ahead of target. Despite this positive result, wider challenges still remain as regards the continuing rise in claims inflation. However, claims frequency trends indicate some degree of levelling off over the prior 12 months position.

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. Our continued focus on targeted and appropriate pricing is one of the essential components influencing the financial performance. This prudent pricing of Member and non-Member business has again delivered a moderate underwriting performance this year. Gross written premiums (GWP) for the year grew to €161.2 million, up 14% or €20.1 million on the previous year (2017: €141.1 million). GWP growth was primarily driven by a combination of risk transfer as Members move to ground-up cover and rate increases.

Claims incurred net of reinsurance amounted to €113 million (2017: €95 million). This increase in incurred claims is mainly driven by growth in the underlying portfolio risk profile which arises from re-structured risk-transfer arrangements within the Public Liability product line. The broader claims environment continues to present some challenges, particularly in the Liability classes. This includes an Injuries Board proposition in respect of which rejection rates of 46% apply in Claimant's approaches to assessments as per the Injuries Board's most up to date statistics published in 2017, court awards and settlements which have historically been greater than those in the UK and have been now been independently verified by the Personal Injuries Commission as multiples of those in that jurisdiction. In the Property classes and despite several red alert weather warnings, we have experienced quite moderate claims both in terms of frequency and quantum.

Commission income was €8.1 million for the year, down €0.6 million from the prior year (2017: €8.7 million). Commission income is earned on reinsurance contracts entered with a panel of global reinsurers. The following tables shows an analysis of the underwriting result by product and by location, compared to the prior year, as per the year-end financial statements:

Analysis of underwriting result by product 2018	Third-party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	112,846	27,252	10,014	11,102	161,214
Premium ceded to reinsurers	(6,616)	(16,220)	(676)	(601)	(24,113)
Change in the gross provision for unearned premiums	1,191	(383)	89	(688)	209
Change in the reinsurance provision for unearned premiums	-	-	-	247	247
Net earned premiums	**107,421**	**10,649**	**9,427**	**10,060**	**137,557**
Gross claims paid	(64,657)	(7,515)	(6,662)	(1,958)	(80,792)
Claims recovered from reinsurers	1,271	3,364	193	-	4,828
Gross change in contract liabilities	(38,913)	2,497	2,088	921	(33,407)
Change in contract liabilities recovered from reinsurers	(2,120)	(2,144)	960	(36)	(3,340)
Net claims incurred	**(104,419)**	**(3,798)**	**(3,421)**	**(1,073)**	**(112,711)**
Technical underwriting result - net	**3,002**	**6,851**	**6,006**	**8,987**	**24,846**
Commission income	418	7,632	46	37	8,133
Operating expenses	(15,562)	(3,758)	(1,381)	(1,531)	(22,232)
Underwriting expenses	(1,123)	(536)	(56)	(1,681)	(3,396)
Underwriting result	**(13,265)**	**10,189**	**4,615**	**5,812**	**7,351**
Net investment return	(10,992)	(2,654)	(975)	(1,081)	(15,702)
Profit before taxation	**(24,257)**	**7,535**	**3,640**	**4,731**	**(8,351)**
Net insurance liabilities	**484,360**	**12,303**	**20,731**	**11,778**	**529,172**

Analysis of underwriting result by product 2017	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	97,177	26,339	9,247	8,332	141,095
Premium ceded to reinsurers	(6,066)	(15,998)	(622)	(244)	(22,930)
Change in the gross provision for unearned premiums	(503)	(2,657)	(185)	(126)	(3,471)
Change in the reinsurance provision for unearned premiums	-	-	-	-	-
Net earned premiums	**90,608**	**7,684**	**8,440**	**7,962**	**114,694**
Gross claims paid	(62,503)	(1,879)	(5,732)	(1,541)	(71,655)
Claims recovered from reinsurers	1,808	(2,311)	1,408	-	905
Gross change in contract liabilities	(10,315)	(330)	1,613	(1,358)	(10,390)
Change in contract liabilities recovered from reinsurers	(10,100)	(1,757)	(1,972)	-	(13,829)
Net claims incurred	**(81,110)**	**(6,277)**	**(4,683)**	**(2,899)**	**(94,969)**
Technical underwriting result - net	**9,498**	**1,407**	**3,757**	**5,063**	**19,725**
Commission income	371	7,929	42	326	8,668
Operating expenses	(16,475)	(4,465)	(1,568)	(1,413)	(23,921)
Underwriting expenses	(1,040)	(557)	(57)	(136)	(1,790)
Underwriting result	**(7,646)**	**4,314**	**2,174**	**3,840**	**2,682**
Net investment return	27,297	7,399	2,598	2,340	39,634
Other costs	-	-	-	-	-
Profit before taxation	**19,651**	**11,713**	**4,772**	**6,180**	**42,316**
Net insurance liabilities	**441,911**	**12,273**	**23,868**	**14,829**	**492,881**

Analysis of underwriting result by location	2018			2017		
	Republic of Ireland €'000	Northern Ireland €'000	Total €'000	Republic of Ireland €'000	Northern Ireland €'000	Total €'000
Gross written premiums	160,092	1,122	161,214	139,272	1,823	141,095
Premium ceded to reinsurers	(24,041)	(72)	(24,113)	(22,813)	(117)	(22,930)
Change in the gross provision for unearned premiums	(24)	233	209	(3,546)	75	(3,471)
Change in the reinsurance provision for unearned premiums	246	1	247			
Net earned premiums	**136,273**	**1,284**	**137,557**	**112,913**	**1,781**	**114,694**
Gross claims paid	(79,927)	(865)	(80,792)	(70,937)	(718)	(71,655)
Claims recovered from reinsurers	4,657	171	4,828	819	86	905
Gross change in contract liabilities	(34,957)	1,550	(33,407)	(9,871)	(519)	(10,390)
Change in contract liabilities recovered from reinsurers	(2,108)	(1,232)	(3,340)	(13,601)	(228)	(13,829)
Net claims incurred	**(112,335)**	**(376)**	**(112,711)**	**(93,590)**	**(1,379)**	**(94,969)**
Technical underwriting result - net	**23,938**	**908**	**24,846**	**19,323**	**402**	**19,725**
Commission income	8,124	9	8,133	8,653	15	8,668
Operating expenses	(22,000)	(232)	(22,232)	(23,612)	(309)	(23,921)
Underwriting expenses	(3,395)	(1)	(3,396)	(1,784)	(6)	(1,790)
Underwriting result	**6,667**	**684**	**7,351**	**2,580**	**102**	**2,682**
Net investment return	(15,723)	20	(15,703)	39,122	512	39,634
Profit before taxation	**(9,056)**	**704**	**(8,352)**	**41,702**	**614**	**42,316**
Net insurance liabilities	**525,494**	**3,678**	**529,172**	**488,639**	**4,242**	**492,881**

Appendix 1 and Appendix 2 provide further detail on the underwriting performance as per the year end *S.05 Premium, Claims and Expenses* Templates and the *S.19.01.21 Non-Life Insurance Claims* Template.

A.3 Investment Performance

The company delivered an investment loss of €15.7 million compared to a gain of €39.6 million for the prior year which was in line with the market weighted benchmarks. 2018 proved to be a difficult year for investment markets as almost all major asset classes delivered negative returns for the year. Global growth slowed dramatically over the second half of 2018, especially in emerging markets and Europe. IPB engaged a third party to carry out an independent asset allocation review in 2018. The review represents IPB as well capitalised, well diversified and with high levels of liquidity in its investment assets. The asset allocation review recommended that IPB further increase diversification. IPB decided to reduce equity allocations from 15% to 11% with a strategy to reinvest proceeds in longer-term investments. The reduction in risk assets also reduced the extent of potential losses in 2018 and profits were taken in stocks that had reached all-time high levels. The diversification within the portfolio to sovereign bonds, defensive equities, property and cash deposits provided good insulation to the portfolio against severe downside losses. The 2018 Investment return of -1.3% (-€15. 7m) was a solid result in the context of falling markets and must also be viewed in context of 2017's investment returns of €39.6m and over €400m of cumulative investment gains since the 2008 global financial crisis. 2018 marked the first year of material investment losses for IPB in almost ten years in what was also the most volatile year for investment markets since the global financial crisis.

To generate positive returns in 2019 IPB need to see evidence of stabilising global growth and no further increase in trade tensions. Some European economies are falling into recession and we are mindful of the potential impact of Brexit to the region and to Ireland in particular. A US recession is not expected in 2019 due to a less-restrictive interest rate policy, but the US is also susceptible to slowing global growth and weaker consumer confidence.

The following table shows an analysis of the investment return, compared to the prior year, as per the financial statements.

Analysis of net investment return **2018**	**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	5,279	-	3,958	-	-	9,237
At fair value through profit or loss						
- Debt securities	11,331	1,261	(9,696)	(47)	-	2,850
- Equity securities	5,076	14,935	(45,706)	644	-	(25,051)
Loans and receivables						
- Loans to local authorities	98	-	-	-	-	98
- Deposits with credit institutions	74	-	-	-	-	74
Cash and cash equivalents	(567)	-	-	(169)	-	(736)
Derivatives	-	-	-	(1,203)	-	(1,203)
FX gain/(loss) on insurance business	-	-	-	(101)	-	(101)
Investment expenses	-	-	-	-	(871)	(871)
Total net investment return	**21,291**	**16,196**	**(51,444)**	**(876)**	**(871)**	**(15,703)**

Analysis of net investment return 2017	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	5,291	-	(191)	-	-	5,100
At fair value through profit or loss						
- Debt securities	13,583	(1,278)	(6,826)	(3,274)	-	2,205
- Equity securities	5,150	14,121	12,672	(2,684)	-	29,259
Loans and receivables						
- Loans to local authorities	112	-	-	-	-	112
- Deposits with credit institutions	17	-	-	-	-	17
Cash and cash equivalents	(357)	-	-	(149)	-	(506)
Derivatives	-	-	-	4,298	-	4,298
FX gain/(loss) on insurance business	-	-	-	(162)	-	(162)
Investment expenses	-	-	-	-	(689)	(689)
Total net investment return	**23,796**	**12,843**	**5,655**	**(1,971)**	**(689)**	**39,634**

The company has no gains / losses recognised directly in equity because all gains and losses are recognised through the Statement of Comprehensive Income as opposed through the Statement of Changes in Equity. The company does not engage in any securitisation.

Company assets are invested in highly rated investments in accordance with the "prudent person principle". Investment decisions are made in the best interests of policyholders and other stakeholders. The fundamental objective is that all valid claims and expenses are paid as they fall due. In practice, assets are allocated into two notional portfolios which have different objectives – The Matched Portfolio and The Risk Portfolio. These objectives are discussed in more detail later in this Report.

A.4 Performance of other Activities

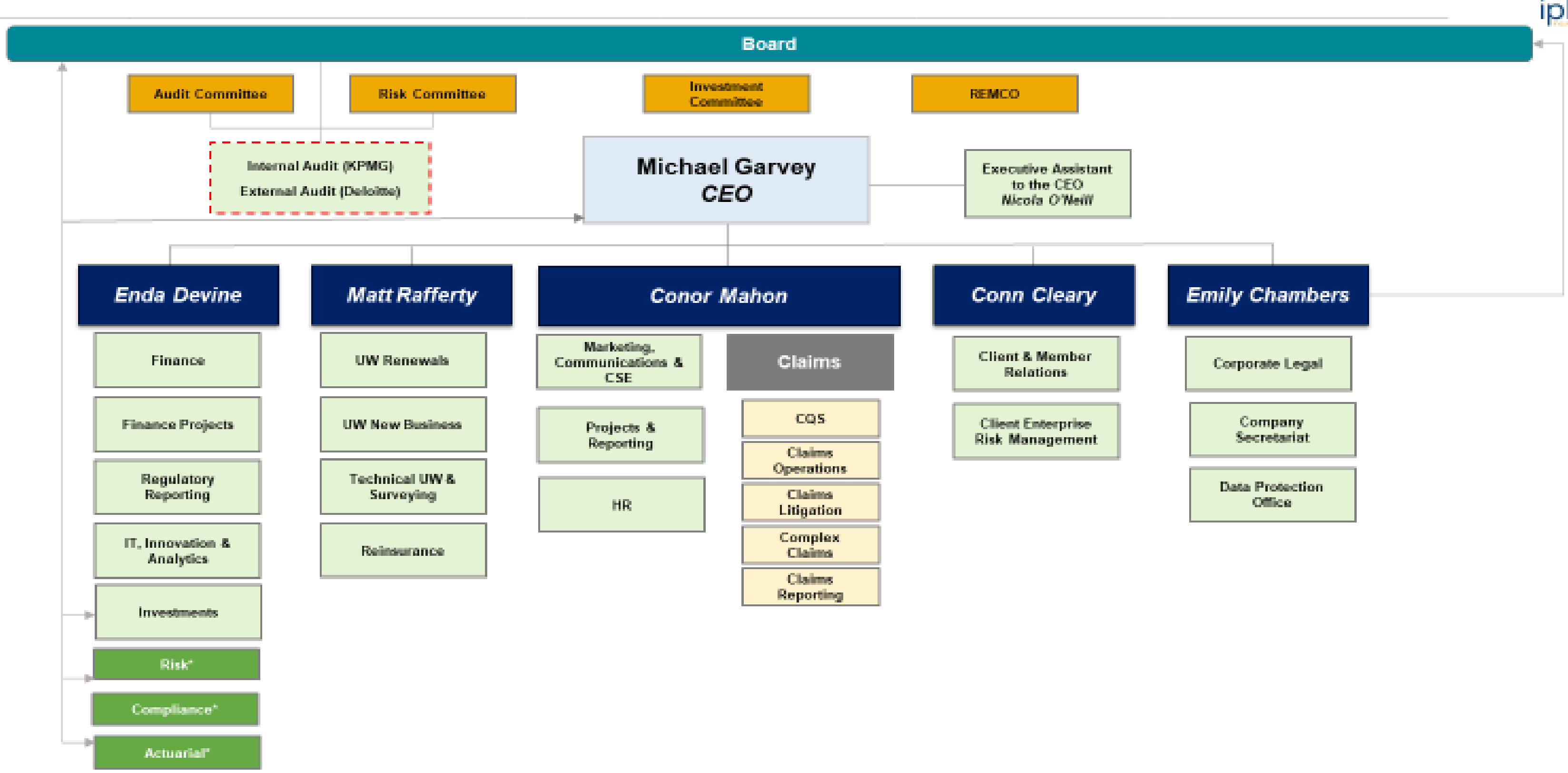
Operating expenses were down compared to the prior year. Total operating expenses amounted to €22.2 million for the year (2017: €23.9 million). The largest component of operating expenses related to staff costs.

A.5 Any other Information

During 2018, the company paid a dividend to its Members of €15.1 million (2017: €15.0 million). This underlines the company's commitment to its Members. The Members' dividend is payable to current Members in proportion to the gross premium income derived from them in the most recent financial year. A retained earnings distribution of €200 million was approved by the members in 2017 is payable to Members in proportion to the average gross premium income derived from them during the 5-year period 2011-2015. As at 31st December 2018, €98.6 million of this has been paid with a further €31.4 million scheduled to be paid in 2019 and the balance to be paid over the following 3 years (2020 - 2022).

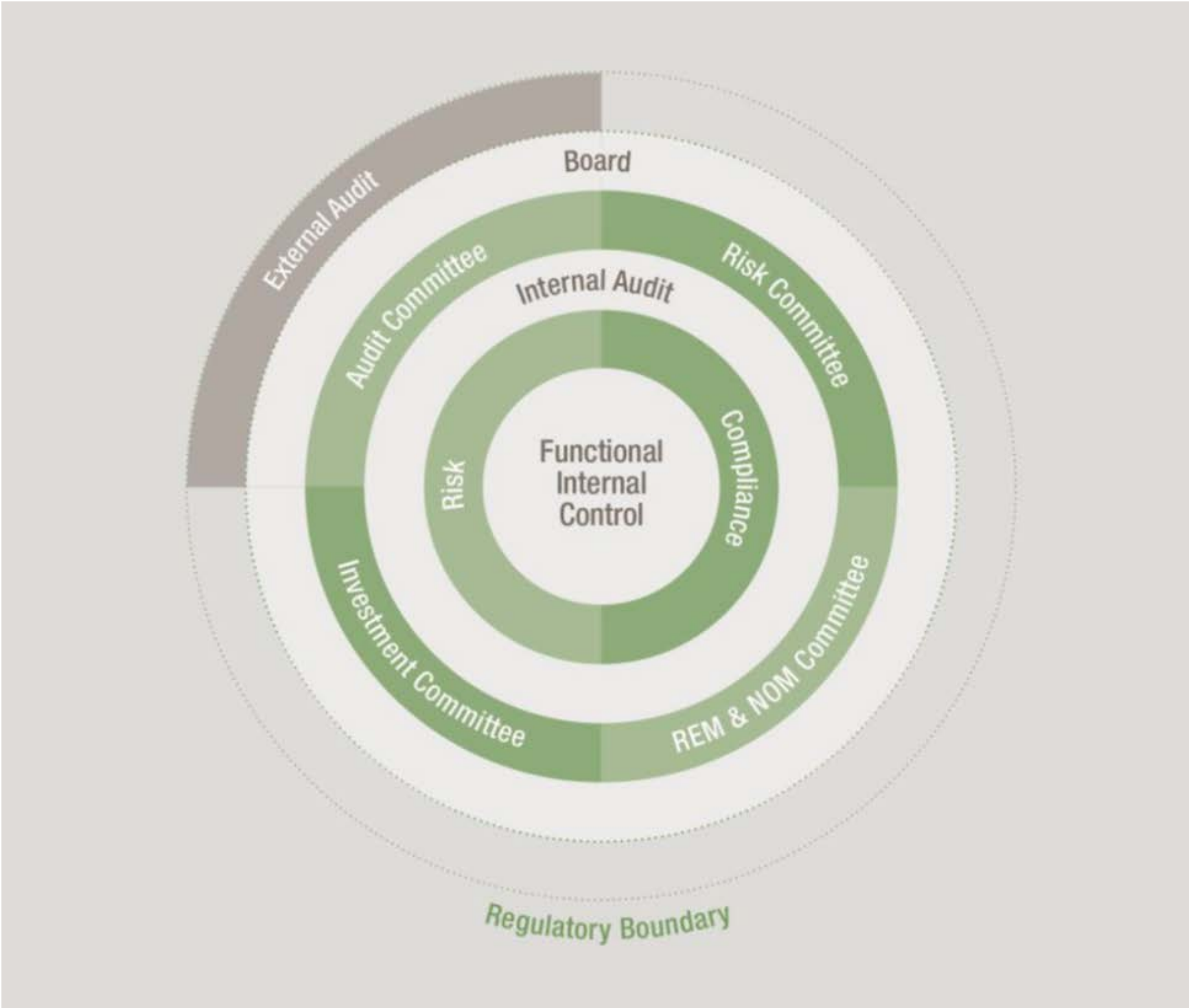
B: System of Governance

IPB INSURANCE CLG ORGANISATION CHART



* Risk, Compliance and Actuarial have direct reporting to CEO, Board, Audit & Risk Committee

** Internal & External Audit have direct reporting to the Board and Audit Committee – also have a relationship with Risk, Compliance and Finance



B.1 General Information on the System of Governance

Role of the Board of Directors

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

Board of Directors Composition

The composition of the Board of Directors is consistent with regulatory requirements and responsive to the evolution of the company's business activities. The Board of Directors, following Central Bank consultation on its optimum composition, comprises of four group non-executive Directors (GNED) (George Jones, Sean O'Grady, Michael McGreal, Michael Fitzgerald with Mr. McGreal and Mr. Fitzgerald retiring in December 2018 with regulatory approval secured in support of the appointment of two individuals to GNED roles from January 2019), three Independent Non-Executive Directors (INED)

(Caitriona Somers, John Smyth and Dermot Gorman with Barbara Cotter appointed in December 2018 following Mr. Gorman's retirement in December 2018) and two Executive Directors, the Chief Executive Officer (CEO), Michael Garvey and the Finance Director, Enda Devine. There is a clear division of responsibilities between the Chairperson and the CEO and the Board of Directors has the strength and balance to ensure that all aspects of the business are addressed. The skills of the INEDs assist with the development of the business while the GNEDs ensure maintenance of the experience of the Membership's operations. The Executive Directors have a significant amount of technical, financial and insurance experience and they are tasked with delivering on the strategic objectives of the company and in doing so, oversee the day to day operations of the company. Each member of the Board participates in a comprehensive training and development programme to ensure continuous skills enhancement.

Board Committees

The company has in place a comprehensive set of terms of reference, policies and procedures supporting all aspects of its governance and control framework all of which is appropriate to its nature, size and complexity. The Board delegates, and in no way abrogates, authority to the following Board Committees to complete programmes of work on its behalf with a clear terms of reference ensuring regular reporting to the Board:

- **A Risk Committee,** the role of which is to establish, document and devolve throughout the company a comprehensive risk management framework. 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.
- **An Audit Committee,** the main role of which includes responsibility for maintaining oversight of the company's financial reporting, internal controls, audit processes and processes for monitoring legal and regulatory compliance. The Audit Committee also reviews the escalation process for employees in accordance with the Whistleblowing Policy outlined in the company's Ethics Policy.
- **An Investment Committee** with responsibility for ensuring discharge by the Board of Directors' of its oversight responsibilities in respect of the conduct of the company's investment management operations within approved investment policy and risk parameters. The Investment Committee also monitors the compliance of the company's investment activities with legislative provisions and regulatory requirements.
- **A Remuneration and Nomination Committee** with responsibility for recommending succession planning for the Board and Management for Board approval. 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 Remuneration and Nomination Committee is also responsible for Board recommendation of the company'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.

Independent Control Functions

The company has also established the four key independent control functions required under the Corporate Governance Requirements for Insurance Undertakings 2015 and in accordance with Articles 44, 46, 47 and 48 of the Solvency II Directive – Risk Management, Compliance, Actuarial and Internal Audit. These functions are responsible for providing oversight of and challenge to the business and for providing assurance to the Board of Directors in relation to the company's control framework. Each of the independent functions have direct reporting lines to the Board of Directors, as well as the relevant Board of Directors Committees. These functions are discussed in more detail later in this report.

Remuneration, Employee Benefits and Practices

The company's Remuneration Policy is underpinned by a philosophy of providing employees with appropriate remuneration and incentives to encourage high performance and to ensure that they are, in a fair and responsible manner, rewarded for their individual contributions which are aligned to the success of the Company while also ensuring that the principles of sound, prudent risk management are fully reflected and that excessive risk taking is neither encouraged nor rewarded, with respect to the business as a whole having regard to IPBs mutual status and value creation for IPB's stakeholders.

Our philosophy has the objective of retaining, developing, motivating and attracting high-performing employees and fairly and responsibly rewarding individual contributions to IPB's success per the risk strategy and appetite, whilst ensuring that excessive risk taking is discouraged and remuneration practices are aligned with IPB's strategic direction, strategy and stakeholders' interests and consistent with a reasonable assessment of its financial situation and prospects.

The key principles underpinning IPB's Remuneration Policy are:

- To reflect IPB's commitment to compliance with applicable legal and regulatory requirements, including but not limited to the Corporate Governance Requirements for Insurance Undertakings 2015 (the Requirements), the Central Bank of Ireland's Guidelines on Variable Remuneration Arrangements for Sales Staff issued in 2014, the EIOPA Guidelines on the System of Governance and the Solvency II Delegated Regulation (EU) 2015/35.
- To create an integrated IPB Remuneration and Benefits Framework that is consistent with IPB's remuneration philosophy and delivers appropriate remuneration packages, based on annual reviews and approvals by the Committee and the Board of remuneration per risk appetite and effected by the appropriate governance in line with IPB's approval processes and ensures internal equity and market competitiveness through periodic participation in external market reviews and benchmarking exercises with support from suitably qualified and independent external advisors as identified by and appointed by the Committee and the Board.
- To support IPB in retaining, developing, motivating and attracting appropriately skilled employees in a competitive market through the delivery of competitive remuneration packages.
- To give effect to the principle of rewarding those who contribute most in their role and in supporting realisation of the Company objectives through a responsive and effective remuneration framework that recognises this enhanced contribution.
- To support IPB employees in creating sustainable results in the interests of all stakeholders and clearly linking the interests of our key stakeholders and employees through an appropriate Remuneration and Benefits Framework.
- To support the Committee and the Board through their annual cycles of work, ensuring that periodic reviews are performed to inform engagement by their appointed independent advisors in providing independent and objective advice to support their decision making. The company provides employees, including Executive Directors, with a range of benefits including income protection and death in service benefits. Employees are also provided with health insurance contributions and contributions payable into Personal Retirement Savings Accounts (defined contribution plans) based on percentage of salary, to which they can voluntarily contribute to suit their circumstances whilst early retirement schemes are not available. A comprehensive Learning and Development framework, supported by educational assistance

and comprising internal and external training and leadership development, is available to employees. Share options or shares do not form part of the available employee benefits however the company operates an annual bonus plan for employees payable in addition to contractual remuneration. The focus of the company's approach to variable remuneration, which is secondary in terms of quantum and certainty of availability relative to fixed remuneration, is on ensuring sound and effective risk management and avoidance of potential perception or encouragement of excessive risk taking. This is achieved through framing eligibility to participate on satisfactory company and individual performance, inclusion of financial and non-financial measures and with submission of the company Performance Objectives against which overall financial performance is measured and evaluated to the Remuneration Committee and the Board for annual review and approval.

The company, through the Remuneration and Nomination Committee of the Board of Directors, continually reviews the Remuneration and Benefits Framework in place to ensure that it is appropriate in the context of all regulatory and compliance requirements.

Material Transactions with Members during the reporting period

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 the local authorities during the year amounted to €2.2 million (2017: €3.1 million). Loan balances outstanding at year end amounted to €18.3 million (2017: €20.4 million). During the year, the company also paid a Members' dividend of €15.1 million (2017: €15.0 million). During 2018 the company did not make any additional contributions to the Social Dividend Fund as part of its corporate social engagement (CSE) framework (2017: €nil; however, the company did continue to make payments from the fund to appropriate recipients. The Board has delegated responsibility for overseeing the CSE framework and the delivery of funding to the Leadership Team with reporting structures in place to support securing of Board approval per defined parameters.

B.2 "Fit and Proper" requirements

The company has always been committed to ensuring its employees are of the highest calibre. The company's Fitness & Probity & Minimum Competency Policy illustrates its commitment to adherence to legal and regulatory requirements in engaging personnel and reinforces the philosophy of ensuring that all employees perform their duties with integrity and a strong sense of ethical responsibility.

Its provisions apply to any employee, non-employees such as Directors, candidates, temporary staff, contractors or third-party service providers (collectively referred to as Employee or Employees) of the company who perform duties which are considered, by the Central Bank to involve either a Controlled Function ("CF") or a Pre-approval Controlled Function ("PCF"). Its provisions apply from the beginning of the recruitment process and due regard to them must be considered as mandatory during any recruitment of persons performing duties involving a CF or PCF, and the application of the Fitness & Probity ("F&P") Standards and the Minimum Competency Code and Regulations 2017 (hereafter "the F&P regulatory requirements") remain applicable and must be maintained throughout their employment with the company.

Standards

In order to meet the F&P regulatory requirements, the company does not allow a person to perform duties involving a CF or a PCF, unless satisfied, on reasonable grounds, that he/she meets the Central Bank Standards. As an employer, the company is responsible for ensuring that each of its personnel meets the F&P regulatory requirements, on entry to the financial services industry and throughout their career.

The company is satisfied of its ability to judge whether an individual has the competence, experience and ability to understand the technical requirements of the business, the inherent risks and the management processes required to conduct the operations of the company effectively. Whereas common standards of probity apply regardless of the size or activity of the company, the competence requirements will vary to reflect the nature of the post and the size and activity of the company and the applicable approach ensures that the company undertakes necessary due diligence to ensure satisfaction of the F&P regulatory requirements. In meeting the F&P regulatory requirements, a person performing duties involving a PCF or a CF role in the company must be:

- Competent and capable;
- Honest and ethical and act with integrity; and
- Financially sound.

The company undertakes a number of procedures to ensure the above requirements are met and to ensure compliance with the F&P regulatory requirements and the company's F&P Policy. Such procedures include the following:

Heads of Department

Heads of business departments within the company have overall responsibility for ensuring that all employees in their respective departments are aware of and adhere to this Policy and to provide relevant information to the Human Resources Department and the Compliance Department as requested in relation to compliance with the Policy.

Compliance Department

The Compliance Department ensure that the Policy is made available to all employees on the Compliance site on the Company's intranet and that education and training in relation to the Policy is provided as required. In addition, the Compliance Department will review compliance with the Policy as part of the overall compliance monitoring programme and ensure adherence to regulatory requirements.

Human Resources Department

The Human Resources Department is responsible for the implementation and maintenance of the company's Recruitment and Selection Policy which sets out the process for the recruitment of internal and external candidates to the company. The Recruitment & Selection Policy sets out the due diligence to be performed when recruiting for PCF and CF roles by management and HR.

In addition, the Human Resources Department is responsible for the maintenance of the internal registers related to F&P. The F&P Register must record all PCF and CF roles, both present and past. These registers are maintained on the HR Compliance Module of the Company's HR system.

The Human Resources Department must ensure that the contract of employment for all new hires and appointees (whether PCF or otherwise) provides that the offer is subject to the necessary pre-employment fitness and probity screening.

Company Secretariat

The Company Secretariat Department is responsible, in conjunction with the Directors themselves, for ensuring INEDs and GNEDs are in compliance with this Policy and the relevant regulatory requirements.

Remuneration Committee

In accordance with the Terms of Reference of the Remuneration Committee, the proposed arrangements particular to all employees categorised as PCF, CF1 and remunerated at defined levels must be presented to the Remuneration Committee for approval and to the Board for noting before they commence employment with the company.

Due Diligence

The company is required to undertake due diligence to ensure that the F&P Standards are met. The Recruitment & Selection Policy sets out the due diligence to be performed when recruiting all staff members including PCF and CF role holders.

In the event that any material items are identified during the due diligence process this will be duly addressed and appropriately actioned. The company may engage with an external provider to assist with conducting due diligence.

Offers of employment are subject to full compliance being met by the candidate through F&P regulatory requirements, reference, professional memberships and qualification, court judgements checking.

This checking process is conducted by an external provider on behalf of the company. This service provides an independent, objective check in relation to candidates.

Outsourced Functions

Pre-approved Control Functions (PCF)

The company requires that all persons performing duties involving a PCF role on an outsourced basis are compliant with the F&P regulatory requirements.

Where performance of such duties is outsourced to an ‘unregulated entity’, the company requires the identity notification of the individual who will perform them on an outsourced basis as it obtains the Central Bank’s approval prior to the appointment of any such individual.

Control Functions

Where performance of duties involving a CF function is outsourced to an ‘unregulated entity’, the company requires the unregulated entity to be able to identify the individuals who perform such duties, and assess whether they are compliant with the F&P regulatory requirements and obtain agreement to abide by them.

The company requires an outsourced unregulated entity performing a CF role on its behalf to furnish the company with confirmation of all F&P requirements (including sample documentation as to how the compliance is adhered to for each person) and to provide written confirmation that the individuals performing the CF have agreed to abide by the F&P regulatory requirements.

Ongoing Nature of Fitness and Probity requirements

F&P requirements are relevant and must be adhered to for the duration of an individual's employment with the company. On an annual basis, the company requires all relevant employees to complete a F&P declaration and confirmation so that any material changes to the employees F&P status can be communicated to the company. All F&P declarations and confirmations are submitted to HR for retention on the employees' files.

B.3 Risk Management System including the Own Risk and Solvency Assessment

Risk Management Structure

Risk management is central to safeguarding the promise that the company makes to its policyholders and Members and in the interests of all stakeholders, risk management seeks to:

- Protect the company's operations by promoting a sound culture of risk awareness as well as disciplined and informed risk taking.
- Protect the company's strong capital base by monitoring that risks taken are not beyond the company's risk appetite.
- Support decision making processes by providing consistent, reliable and timely risk information.

The Board of Directors is responsible for ensuring that risk is effectively managed by those involved in running the company on a day-to-day basis. The Board of Directors 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 of Directors 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 function, intranet, fora and training.

The Risk Framework

The risk framework describes the company's system to identify, measure, monitor, manage and report on 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 of Directors 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, and a system of intermediate warning points is used to ensure that remedial action can be taken long before a breach is threatened as shown below:

Within Risk Appetite Status

The company is normally expected to operate within Risk Appetite.

Risk Appetite Proximity Warning

A Risk Appetite Proximity Warning indicates that a Risk Appetite Alert is threatened and corrective action is required.

In the event of a Risk Appetite Proximity Warning the Head of Risk & Compliance and the relevant business area shall take appropriate immediate steps to return the company to risk appetite. The Head of Risk & Compliance shall inform the CEO without undue delay. The CEO shall decide on the need for further escalation. In any case, the Proximity Warning shall be noted at the next Risk Committee meeting and reporting to the Risk Committee shall continue until risk appetite is restored.

Risk Appetite Alert

A Risk Appetite Alert indicates that a Risk Appetite Limit breach is threatened and swift and decisive corrective action is required.

In the event of a Risk Appetite Alert the Head of Risk & Compliance and the relevant business area shall take the appropriate immediate steps to return the company to risk appetite. The Head of Risk & Compliance shall consider engaging the company's Incident and Error Management Policy. The Head of Risk & Compliance must inform the Risk Committee and any other relevant internal stakeholder without undue delay. The Risk Committee shall agree on necessary steps to restore appetite and consider further escalation to the Board. In any case, the Risk Appetite Alert is noted at the next Board meeting. Reporting continues until risk appetite is restored, at a reporting frequency and level of detail to be determined by the Risk Committee.

Risk Appetite Limit Breach

A Risk Appetite Limit breach is serious and requires prompt action at Board level.

In the event of a Risk Appetite Limit breach the Head of Risk & Compliance must engage the company's Incident and Error Management Policy informing the Board without undue delay. The Board shall be briefed and furnished with a recommended plan to return to Risk Appetite. The details of the breach and the planned actions to remedy the breach must be communicated to the Central Bank of Ireland by the Board promptly in writing. Reporting is carried out until the breach is closed, at a reporting frequency and level of detail to be determined by the Board.

The Risk Committee and the Board of Directors are regularly and at least annually 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 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.

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.

Own Risk and Solvency Assessment (ORSA)

The company uses the Solvency II Standard Formula to quantify risks in the business. The appropriateness of the Standard Formula is assessed as part of the Own Risk and Solvency Assessment (ORSA) process.

The ORSA is the entirety of the processes employed to identify, assess, measure, monitor, manage, and report the material risks that the company faces, or may face. It expresses overall solvency needs in quantitative terms where possible, complemented by a qualitative description of the material risks.

The ORSA determines the overall capital necessary to achieve the strategic objectives of the company under a range of scenarios, including ensuring that solvency needs are met at all times. It also considers deviations from the assumptions underlying the SCR calculation.

The scope of the ORSA extends to all material risks and capital needs that the company faces, or may face, and extends beyond regulatory capital requirements. The scope of the ORSA includes an assessment of:

- Overall solvency needs given the risk profile, risk appetite and strategic objectives
- Continuous compliance with capital requirements
- The significance with which the risk profile deviates from the Capital Model

The ORSA shall be conducted in a manner that is proportional to the nature, scale and complexity of the risks to which the company is exposed. The ORSA is conducted throughout the year on an annual cycle and relates to a 12-month period. Any material change to the business strategy also triggers an interim ORSA.

The ORSA serves as a tool to enhance the company’s understanding of the interrelationships between its risk profile and capital needs. The ORSA considers all reasonably foreseeable and relevant material risks, is forward-looking and congruent with the company’s business and strategic planning.

The ORSA process encompasses governance, policy and key business processes and consequently, it relies on frequent input from a large group of people which is facilitated by the Head of Risk & Compliance being well embedded in the business. Formal documentation of processes and outcomes is detailed throughout the business, spanning various critical business processes including strategic objective setting, business planning, risk appetite calibration, risk management and capital management. The ORSA is subject to regular independent review, with annual review by the Head of Actuarial Function. The conclusions drawn from the reviews are reported to the Risk Committee and the Audit Committee. To this end, an opinion on the ORSA is completed separately and provided to the Risk Committee and the Board of Directors for discussion. The ORSA is owned and subject to approval by the Board of Directors on an annual basis.

B.4 Internal Control System

Description of Internal Control System

The Board of Directors is responsible for the company's internal controls system and its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement and/or loss. In accordance with the Central Bank of Ireland Corporate Governance Requirements for Insurance Undertakings 2015, the Board of Directors confirms that there is an on-going and regularly reviewed process for identifying, evaluating and managing any significant risks faced by the company. The key risk management and internal control layers that provide strong assurance to the Board of Directors include:

- Board Committees (as previously mentioned).
- An **internal audit function** and internal control framework which includes senior management whose leading role is to identify, keep under review and manage significant internal control risks facing the company.
- Underpinning all aspects of the business is a robust **risk management function** that oversees a risk management framework which includes the operation of approved risk management policies in the areas of underwriting, reinsurance, claims reserving and investments.
- A robust **compliance function** that oversees compliance and a regulatory governance framework providing assurance that the company operates in a transparent, controlled and compliant manner.
- A **legal function** that identifies legal risks, providing legal advice across all business units and promotes the value of in-house legal services.
- A comprehensive system of **functional level controls** that are overseen by the various heads of functions including, inter alia, financial controls incorporating budgeting, periodic financial reporting and variance analysis.
- **Operational controls** such as Physical Access Controls, IT Controls, Policies and Procedures, Four Eye Reviews, Segregation of Duties and Authorisation Limits.

All the above layers are reinforced by skilled and experienced management and employees who operate within an organisation structure of clearly defined lines of responsibility and authority.

The various layers of governance and control functions help to ensure that risks applicable to the company are identified and appropriately managed and internal controls are in place and are operating effectively. Supporting these layers of oversight are a number of internal controls that are pervasive across the organisation.

Description of how the compliance function is implemented

Position within IPB Insurance

The compliance function is led by the Senior Compliance Manager. The Senior Compliance Manager is responsible for the compliance function and reports to the Head of Risk and Compliance with additional reporting lines directly to the CEO and Board of Directors. The role of the Senior Compliance Manager includes both the management of regulatory matters and the oversight of the implementation of relevant legislation by Management as required within the business. This is with the co-operation and strong participation of Management within that process particularly with respect to the day to day operational requirements which are the responsibility of Management.

The Senior Compliance Manager is an invitee to the Board of Directors, Audit Committee and the Risk Committee and the Remuneration and Nomination Committee, as required. The Senior Compliance Manager retains direct access to the Board of Directors should the need arise.

Roles & Responsibilities

The role of the compliance function is to provide sufficient assurances to the Board of Directors to enable it and its members to discharge its statutory duties to ensure compliance with relevant obligations. The compliance function reports to the Board of Directors via the Compliance Report. The compliance function is responsible for the following as set out in its Departmental Compliance Manual:

- Compliance Management, Oversight and Reporting
- Code of Corporate Governance / Annual Compliance Statement
- Regulatory Review
- Compliance Risk Management
- Operations Compliance
- Legislative Obligation Register
- Regulatory Examinations
- Customer Complaints
- Whistle-blowing Policy
- Fraud Reporting and Investigation as detailed within the company's Fraud Policy.

B.5 Internal Audit Function

Description of how the internal audit function is implemented

Position within IPB Insurance

The role of the internal audit function is to provide independent, objective assurance in relation to the effectiveness of the company's internal control system. At present, the internal audit Function is outsourced to KPMG with an Engagement Letter and contract governing the related relationship.

The company's internal audit function's primary reporting responsibility is to the Chair of the Audit Committee. They also report directly to the CEO and/or Audit Committee on findings in respect of the above or other material considerations which may come to light. In addition, it may address such issues with the appropriate level of senior management and will have direct access to the Chairman of the Board of Directors. It also engages with the Head of Risk & Compliance as relationship manager for this outsourced function with a view to ensuring that the function operates effectively within the company and is supported by Management.

Roles & Responsibilities

The primary role of the internal audit function is to ensure that the internal audit process is performed for the company in an efficient and effective manner. The internal audit functions are carried out using a risk-based approach, and addresses:

- *Compliance* – adherence to legislation, as well as to the company's established policies, standards, and procedures

- *Operational* - the quality of formal policies, standards, and procedures, and the quality of management, efficiency of operations, the design and maintenance or the adequacy of procedures and internal controls
- *Integrity* – systems integrity and soundness, including design and implementation, fraud, monitoring of employee activities, and the reliability and integrity of financial matters
- *Safeguard of Assets* – reasonable assurance regarding prevention, timely detection of unauthorised acquisition, use or disposition of the company's assets.

Description of how its independence and objectivity is maintained

As a role involving performance of a control function, the internal audit function operates independently of the business units of the company. The internal audit function will be given independence and sufficient authority and resources to enable it to carry out its tasks in an effective manner.

Should the internal audit function conclude that its independence and/or authority has been compromised, these concerns should be brought to the attention of the CEO and/or the Board of Directors.

The Audit Committee carries out an assessment of the independence of the internal audit function on an annual basis.

B.6 Actuarial Function

Description of how the actuarial function is implemented

Position within IPB Insurance

The actuarial function is led by the Head of Actuarial Function ("HoAF"). The HoAF role is currently outsourced to Willis Towers Watson with an Engagement Letter and contract governing the related relationship. The external HoAF is support by an in-house Actuarial team.

The HoAF is responsible for the effective delivery of the actuarial function and reports to the Finance Director with additional reporting lines directly to the CEO and Board of Directors. The HoAF role includes provision of regulatory related material (required actuarial reports and supporting analysis) and other day-to-day tasks around pricing and general reserve management.

The HoAF is an invitee to the Board of Directors, Audit Committee and the Risk Committee, as required. The HoAF retains direct access to the Board of Directors should the need arise.

The actuarial team operates with independence in the assessment of the reserves and has access to all information required in the performance of this function.

Roles & Responsibilities

The main role of the actuarial function is to provide required regulatory assessments for the company, including an opinion on the technical provisions of the company, with formal sign-off to the Central Bank of Ireland in the form of the actuarial opinion on Technical Provisions accompanied by the actuarial report on Technical Provisions. Other statutory opinions provided annually include the actuarial opinion on the ORSA, the actuarial opinion on underwriting and the actuarial opinion on reinsurance.

The actuarial function provides quantitative information required for the ORSA, including assessments of the SCR under forward looking scenarios and stress testing. Other input includes contributing to the identification and assessment of risks to which the company is exposed.

In addition, the actuarial function conducts many day-to-day tasks for the company, including providing independent pricing valuations, involvement in reinsurance renewals and calculation of the technical provisions on a quarterly basis.

Potential conflicts of interest between the responsibilities specified under Solvency II regulation, and other day-to-day activities have been addressed by:

- Personal performance of HoAF is not based on measures that conflict with the independence of opinions
- The HoAF does not have reporting lines to Underwriting or Reinsurance
- The HoAF has day to day reporting lines to the Finance Director, CEO and overall to the Board of Directors with the prerogative to raise issues directly with the Board of Directors if required
- The HoAF does not have direct responsibility for premium rates or reinsurance purchase
- All pricing / reinsurance decisions are subject to approval by committees and its Board of Directors.

B.7 Outsourcing

Under Article 51(1) of S.I. No. 485 of 2015, organisations are required to remain fully responsible for discharging their legal and regulatory obligations when outsourcing functions to third parties.

In order to ensure that this obligation is adhered to, the company has documented an Outsourcing Policy which sets out the process to be followed when appointing third party outsource service providers, the required contents of Service Level Agreements with the providers and guidance as to how adherence to service standards documented in Service Level Agreements should be monitored, including the performance of audits of service providers as is required by the nature of the outsourced service. The Outsourcing Policy is regularly reviewed, updated and approved by the Board of Directors.

As stated above, the internal audit function is outsourced to KPMG, Ireland and the Head of Actuarial Function is outsourced to Willis Towers Watson. The company has the following additional key outsourced services:

Supplier Name	Description of Service Provided
Lansdowne Risk Solutions Ltd, Ireland	Risk Survey Provider
Nigel Dawkins, Ireland	Risk Survey Provider
Acacia, Ireland	Café/Building Maintenance
Expert Payroll, Ireland	Payroll
Another 9, Ireland	Cloud Backup Services

B.8 Assessment of Governance

The company completes an annual corporate governance code review assessing its compliance with the Corporate Governance Requirements for Insurance Undertakings 2015 providing the company with an opportunity to assess itself and evidence its compliance with these requirements annually. Where there are changes to the business strategy that may result in changes to internal processes and products, processes exist such as the new product approval process to ensure the effective inclusion of all areas of the business to assess both the impact and risk of such changes to the business model. There is also ongoing assessment of internal controls that support the company's effective decision making and governance through the company internal audit programme, the compliance monitoring and review programme and the risk review programme. These individual review programmes provide their outputs to the Board of Directors and its Committees as part of the regular reporting issued by each function. The Board of Directors of the company are responsible for the oversight and effective implementation of best practices as well as regulatory requirements for corporate governance within the company. The regular internal review carried out on the company's system of governance is in accordance with Regulation 44(3) and 44(9) of S.I.485.

The company has no further information to disclose relevant to its systems of governance.

C: Risk Profile

Risk Management Objectives and Risk Profiles

The risk management function is led by the Head of Risk & Compliance and is responsible for the design and implementation of the risk management system. It oversees the identification, measurement, monitoring, management and reporting of all risk types. The company's risk profile is stable and is currently dominated by underwriting risk and market risk. Other key risks which the company faces includes credit, liquidity, operational, cyber, strategic, reputational and conduct risks. The risk management function reports to the Finance Director with additional reporting lines directly to the CEO and Board of Directors.

The key internal risk metric is the Solvency II Solvency Capital Requirement which quantifies the key risks to the business. The SCR is calibrated to a level which is broadly consistent with a 1 in 200-year event over a 12-month time horizon. The SCR facilitates the quantification of risk at the individual risk level and allows for diversification between risk types.

C.1 Underwriting Risk

Underwriting risk is the key risk type to which the company is exposed and 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. Insurance obligations can take many years to settle and the company sets aside reserves to cover all past liabilities. There is a risk that the cost of these liabilities may be higher than anticipated, in some cases significantly so.

Risk Exposure

Underwriting risk is restricted to lines and territories where the company has an underwriting competency. Where regulations permit, policy limits are set at a level to mitigate the impact of extreme loss experience to a manageable proportion of capital.

The key underwriting risk metric is the Net Loss Ratio. This assesses claim performance versus premium earned. It is recognised that the insurance cycle, exceptional individual losses, catastrophes, the inherent volatility of insurance losses and other dynamics will cause underwriting performance to fluctuate over time. Whilst the company will tolerate a degree of short-term volatility, a more stringent standard is set in the longer term. As at the 31 December 2018, the company's net loss ratio stood at 81.9% (2017: 82.8%).

Risk Concentration

As a niche mutual insurer, the company is susceptible to claim aggregation due to policyholders being concentrated by type, risk exposures and other factors. Most underwriting risk is concentrated in the Republic of Ireland. Business is also concentrated by line of business, being predominantly Public Liability, though there are material volumes of Employers Liability, Property and Commercial Motor. Smaller volumes of Personal Motor, Professional Indemnity and other lines offer further diversity. 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 lines and policyholders. In any case, concentrations are actively managed and are significantly mitigated by an appropriate reinsurance programme.

Risk Mitigation

The Underwriting Policy which is approved by the Board of Directors, establishes the underwriting strategy and principles and it defines underwriting limits, risk selection, authorities, escalation procedures and actuarial review requirements. It is implemented by means of underwriting guidelines. As with all company policies, the Underwriting Policy, together with, the underwriting approval limits set out in the company's Authorisation Levels and Signatories, are reviewed on an annual basis to ensure their continued effectiveness. 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 Reinsurance Policy which is approved by the Board of Directors establishes the reinsurance strategy and principles. The extensive reinsurance programme, delivered by a well-diversified panel of high quality Reinsurers, 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. Again, the Reinsurance Policy, together with, the relevant approval limits set out in the company's Authorisation Levels and Signatories, are reviewed on an annual basis to ensure their continued effectives.

A primary objective of the company is to ensure that sufficient reserves are available to cover liabilities. The company uses an in-house actuarial team supported by external reviews to assist with the estimation of liabilities to ensure that the company's reserves are adequate and there is oversight of the reserving process through internal management and Board committees. The company holds a margin for uncertainty in addition to best estimate reserves to reduce the likelihood of inadequate reserves materialising.

C.2 Market Risk

Market risk arises from financial instrument market price volatility. It reflects the structural mismatch between assets and liabilities, particularly with respect to duration. It includes interest rate risk, equity risk, property risk, spread risk, currency risk and asset concentrations.

Prudent Person Principle

Company assets are invested in highly rated investments in accordance with the "prudent person principle". Investment decisions are made in the best interests of policyholders and other beneficiaries. Consequently, the fundamental objective is that all valid claims and expenses are paid as they fall due. In practice, assets are allocated into two notional portfolios which have different objectives – The Matched Portfolio and The Risk Portfolio.

The Matched Portfolio

The primary investment objective of the matched portfolio is to ensure that the company meets policyholder obligations as they fall due. This implies high quality, secure and liquid investments with characteristics that approximately match those of the liabilities. The secondary investment objective of the Matched Portfolio is to maximise investment returns over the long term to contribute to long term profitability, subject to a pre-defined and limited risk appetite as per the Risk Appetite Statement. The performance of the Matched Portfolio will be assessed on a total return basis against a benchmark portfolio which approximates to a risk-free portfolio with a duration profile equal to that of the liabilities.

The Risk Portfolio

The risk portfolio is composed of all investments that are surplus to the Matched Portfolio. The primary investment objective of the risk portfolio is to contribute to long term profitability through investment returns. The secondary investment objectives of the risk portfolio are capital preservation, diversification of the overall portfolio and facilitation of the long-term strategic objectives of the company, subject to a pre-defined and limited risk appetite. The performance of the risk portfolio is assessed on a total return basis against a combination of published benchmark indices which together approximate to the profile of the Risk Portfolio in terms of asset classes, territories, duration and other characteristics.

Risk Exposure

The level of surplus assets currently in the business results in a risk profile that has a significant weighting towards market risk. The principal market risk relates to equity holdings. The company invests only in assets and instruments whose risks can be properly identified, monitored, managed and taken into account in the assessment of solvency. The company follows a high quality, low risk investment strategy aligned to the prudent person principle. The focus is on high quality bonds and cash, with limited holdings in equities and property.

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.

As at 31 December 2018, the company had the following assets that are exposed to interest rate risk as per the IFRS Financial statements:

Financial assets subject to interest rate risk	**2018** **€'000**	**2017** **€'000**
Debt securities		
- Irish Government fixed-interest bonds	101,327	143,685
- Other government fixed-interest bonds - eurozone	364,776	384,663
- Other government fixed-interest bonds - non-eurozone	53,461	103,393
- Corporate bonds	96,372	78,225
Loans and receivables		
- Loans to local authorities	-	-
Total	**615,936**	**709,966**

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.

Property Risk

Property risk relates to the volatility of real estate market prices. The company is subject to property risk due to changes in the market values of its investment properties.

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 it may invest.

The following table provides information as per the IFRS Financial Statements regarding the market risk exposure of the company by classifying debt securities by credit ratings as at 31 December 2018:

Market risk exposure by credit rating							Not	
	AAA	AA	A	BBB	BB	B	rated	Total
2017 to 2018	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets at fair value through profit or loss								
Debt securities								
2018	188,614	207,995	213,278	4,412	-	-	65,480	679,779
2017	234,560	259,419	171,741	-	24,653	-	81,160	771,533

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).

As at 31 December 2018, the carrying amount of the company's foreign currency denominated assets as per the IFRS Financial Statements was as follows:

Carrying amount of the company's foreign currency denominated assets 2018	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
British Pounds (GBP)	23,978	23,537	441
Norwegian Krone (NOK)	12,590	8,700	3,890
Danish Krone (DKK)	17,815	10,728	7,087
Swedish Krona (SEK)	955	771	184
Swiss Francs (CHF)	6,286	4,376	1,910
US Dollars (USD)	11,328	14,708	-3,380
Total	**72,952**	**62,820**	**10,132**

Carrying amount of the company's foreign currency denominated assets 2017	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
British Pounds (GBP)	69,897	60,668	9,229
Norwegian Krone (NOK)	12,957	4,072	8,885
Danish Krone (DKK)	18,035	10,750	7,285
Swedish Krona (SEK)	987	814	173
Swiss Francs (CHF)	5,274	5,129	145
US Dollars (USD)	13,463	9,920	3,543
Total	**120,613**	**91,353**	**29,260**

Asset Concentration

Asset concentrations arise where there is a lack of diversification, e.g. by issuer.

Risk Concentration

Assets are diversified to avoid accumulations of risk in the portfolio as a whole. In particular, the company is not exposed to an excessive reliance on any one asset, asset class, counterparty, group of counterparties, territory or other investment characteristic. This is achieved by concentration limits and tolerance thresholds defined in the Risk Appetite Statement.

Risk Mitigation

Market risk is managed through the application of the company's Investment Policy and Risk Appetite Statement, each of which have been approved by the Board and reviewed on an annual basis. The 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. The Risk Appetite Statement defines the extent of permissible market risk exposures in terms of specific operational limits. It imposes limits on quantity, currency, territory, diversification, issuer credit quality, issue credit quality, duration and other characteristics. The company also enters into forward currency contracts to mitigate against currency risk. Consideration is given to the additional risk that a derivative presents, therefore, derivative counterparties are subject to minimum credit rating requirements and are required to be approved credit institutions.

The continued effectiveness of these risk mitigation techniques is regularly monitored through a series of stress testing and scenario analysis, together with, internal audit reviews.

C.3 Credit Risk

Credit risk arises from an unexpected default or deterioration in the credit standing of counterparties and debtors, including reinsurance and premium receivables.

Risk Exposure

The company is exposed to credit risk from its operating activities, principally customer and reinsurer receivables, but also from cash deposits and loans to local authorities. A portion of member business is retro-rated which allows Members to pay premium as losses are reported or paid, depending on the contract, rather than paying all premium up front.

Risk Concentration

Credit concentration risk is managed via the company's Risk Appetite Statement. 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 very high credit ratings, typically equivalent to S&P AA- or better. Limits are also set out in the Risk Appetite Statement for cash balances with credit institutions. The limits tend to be based on the credit quality of the approved credit institution.

Risk Mitigation

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 of Directors annually. It is also planned to phase out retro premiums in the future, thereby, reducing the risk in this regard.

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 as per the company's IFRS Financial Statements.

2018	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	679,778	-	-	-	-	679,778
Other investments	170,086	-	-	-	-	170,086
Reinsurance assets (outstanding claims and receivables)	31,481	-	-	-	59	31,540
Loans and receivables	83,383	-	-	-	-	83,383
Insurance receivables	4,405	1,093	319	19	5,311	11,147
	969,133	**1,093**	**319**	**19**	**5,370**	**975,934**

2017	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	771,533	-	-	-	-	771,533
Other investments	221,235	-	-	-	-	221,235
Reinsurance assets (outstanding claims and receivables)	37,053	-	-	-	-	37,053
Loans and receivables	30,464	-	-	-	-	30,464
Insurance receivables	18,740	285	239	163	732	20,159
	1,079,025	**285**	**239**	**163**	**732**	**1,080,444**

C.4 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.

Risk Exposure

The company is exposed to daily calls on its cash resources, mainly for claims and other expense payments.

Risk Mitigation

The Investment Policy is reviewed annually for continued effectiveness and 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. Guidelines are set for asset allocations, portfolio limit structures and maturity profile of assets in order that sufficient funding is available to meet insurance contract obligations. Asset liquidity is such that it is sufficient to meet cash demands under extreme conditions. Localisation of assets is such that it ensures their availability. The Investment Policy specifies a Contingency Funding Plan should a liquidity shortfall arise. The company has mitigated much of its liquidity risk through asset and liability matching. The company does not forecast expected profit in future premium (EPIFP) to cover a loss-making scenario, liquidity risk in this regard is therefore not an issue.

The following table shows the maturity analysis of financial assets and financial liabilities based on the remaining undiscounted contractual obligations as per the company's IFRS Financial Statements.

Maturity analysis (contracted undiscounted cash flow basis) 2018	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	375	375	-	-	-	375
Financial assets at fair value through profit or loss						
Debt securities	679,779	53,416	417,141	135,568	10,215	616,340
Equity securities	170,086	-	-	-	170,086	170,086
Loans and receivables						
Loans to local authorities	18,323	1,712	8,662	7,781	-	18,155
Deposits with credit institutions	65,059	65,059	-	-	-	65,059
Insurance assets	29,503	6,609	16,964	5,930	-	29,503
Reinsurance assets						
Claims outstanding	29,144	6,965	16,583	5,596	-	29,144
Insurance receivables	13,543	13,543	-	-	-	13,543
Other receivables	89	89	-	-	-	89
Cash and cash equivalents	156,194	156,149	-	-	-	156,149
Total	**1,162,095**	**303,917**	**459,350**	**154,875**	**180,301**	**1,098,443**
Financial liabilities						
Insurance contract liabilities						
Claims outstanding	532,762	227,488	278,635	26,638	-	532,761
Derivative financial instruments	218	501	-	-	-	501
Insurance payables	2,282	2,282	-	-	-	2,282
Trade and other payables	47,130	47,084	-	-	-	47,084
Total	**582,392**	**277,355**	**278,635**	**26,638**	**-**	**582,628**

Maturity analysis (contracted undiscounted cash flow basis) 2017	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	531	531	-	-	-	531
Financial assets at fair value through profit or loss						
Debt securities	771,533	213,750	240,881	222,991	10,231	687,853
Equity securities	221,235	-	-	-	221,235	221,235
Loans and receivables						
Loans to local authorities	20,429	2,266	8,869	9,826	-	20,961
Deposits with credit institutions	10,035	10,035	-	-	-	10,035
Insurance assets	23,966	5,752	15,218	2,996	-	23,966
Reinsurance assets						
Claims outstanding	32,484	13,871	16,989	1,624	-	32,484
Insurance receivables	24,728	24,728	-	-	-	24,728
Other receivables	123	123	-	-	-	123
Cash and cash equivalents	123,169	123,152	-	-	-	123,152
Total	**1,228,233**	**394,208**	**281,957**	**237,437**	**231,466**	**1,145,068**
Financial liabilities						
Insurance contract liabilities						
Claims outstanding	499,355	213,224	261,163	24,968	-	499,355
Derivative financial instruments	501	501	-	-	-	501
Insurance payables	3,312	3,312	-	-	-	3,312
Trade and other payables	90,815	90,797	-	-	-	90,797
Total	**593,983**	**307,834**	**261,163**	**24,968**	**-**	**593,965**

C.5 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.

Risk Exposure

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 which is approved by the Audit Committee.

Audits are 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 of Directors.

Risk Mitigation

The company has a Business Continuity Plan for the restoration of functions should critical business processes be disrupted. This Business Continuity Plan is reviewed semi-annually by internal management for its continued effectiveness. As required, any changes to the plan are reviewed and approved by the Risk Committee.

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.

Over the last year the company has been working to develop its maturity in the field of Information Security and implemented numerous administrative and technical procedures and controls to improve the company's security stance.

C.6 Other Material Risks

Other risks to which the company is exposed include strategic risk, reputational risk, conduct risk and cyber risk.

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 of Directors which monitors progress against the business plan which is reviewed annually and is subject to Board approval. 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.

The company has considered the impact of Brexit on its business. Overall, the operational and strategic impact of Brexit is deemed to be relatively low given that IPB is predominantly a domestic insurance company with very limited insurance, operational or investment exposure to the UK. Nevertheless, IPB has considered the impact of Brexit across several key headings establishing contingency plans as well as taking decisive action where necessary. One such action was to cease writing business in Northern Ireland given the likely loss of UK passporting writes under the Brexit scenario.

Reputational Risk

Reputational risk arising from negative perception of the business amongst Members, customers, the Central Bank, counterparties, business partners and other stakeholders. The company actively manages all sources of reputational risk through its core strategy which is approved by the Board.

Conduct Risk

Conduct risk is the risk the company poses to its customers from its direct interaction with them. Conduct risk recognises the risks that can stem from the company's strategy, business model, culture, governance and other internal structures as well as its systems and processes. In IPB this may occur through product design, sales/claims practices and behaviours of individuals at any level within the company. Conduct risk is managed in the company through adhering to all applicable laws and regulations, as well as relevant internal policies and procedures. In addition, there is a clear articulation and embedding of company values and behaviours.

Cyber Risk

The company has a responsibility to ensure that it has made every effort to secure the data on its network and to ensure that the systems it utilises are secure and reliable so that it may best serve its Members and clients. Information is one of the company's most important assets and everyone in the company has a responsibility to ensure the security of this information. Accurate, timely, relevant and properly protected information is essential to the successful operation of the company. IPB has in place an established Information Security Framework which details the roles, responsibilities and governance structure put in place by the company to support its information security objectives as well as the policies, procedures and standards which are in force in the company.

C.7 Risk Sensitivity Analysis

The tables below provide sensitivity analysis on the company's key risks as per the financial statements. 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 2018.
Equity risk	The impact of a change in equity market values by ±10%.

These sensitivity factors have the following impacts on profit before tax and equity:

Sensitivity analysis Impact on profit before tax		2018 €'000	2017 €'000
Underwriting risk	5.00%	(6,878)	(5,735)
Currency risk	10.00%	1,013	2,926
Currency risk	-10.00%	(1,013)	(2,926)
Interest rate risk	1.00%	(16,194)	(20,579)
Interest rate risk	-0.25%	4,606	5,846
Equity risk	10.00%	17,009	22,124
Equity risk	-10.00%	(17,009)	(22,124)

Sensitivity analysis Impact on equity		2018 €'000	2017 €'000
Underwriting risk	5.00%	(6,018)	(5,018)
Currency risk	10.00%	887	2,560
Currency risk	-10.00%	(887)	(2,560)
Interest rates	1.00%	(14,170)	(18,007)
Interest rates	-0.25%	4,030	5,115
Equity risk	10.00%	14,883	19,358
Equity risk	-10.00%	(14,883)	(19,358)

During the year, the material risks of the business were also subject to a wide range of stress and scenario tests in order to provide an adequate basis for the assessment of the overall solvency needs of the company over its business planning horizon. Stress and scenario testing and related analysis were conducted in line with the ORSA Policy and the results of the tests contained in the Risk Report as well as the full ORSA report which was submitted to the Central Bank in December 2018. The identified stresses and scenarios were decided upon based on a number of discussions with the Board, Risk Committee and the relevant function manager.

Some of the instantaneous stresses carried out as part of the ORSA are presented in the table below. The ORSA process was carried out on Q2 2018 data, however, the absolute reduction in the SCR Coverage Ratio under each scenario would not be materially different if repeated on Q4 2018 data.

The company remains well capitalised in these extreme scenarios and there is no requirement for material management actions for the company to avoid breaching the SCR.

Macro Risk Scenario

Description	Q2 2018 SCR Coverage	Stressed SCR Coverage	Absolute Reduction in SCR Coverage
Brexit and EU instability/break up	330%	277%	-53%

Market Risk Scenario

Description	Q2 2018 SCR Coverage	Stressed SCR Coverage	Absolute Reduction in SCR Coverage
Collapse of equity and property market	330%	238%	-92%

Underwriting Risk Scenario

Description	Q2 2018 SCR Coverage	Stressed SCR Coverage	Absolute Reduction in SCR Coverage
Continued claims inflation and increasing claims frequency	330%	259%	-71%

A description of each scenario is included below. The instantaneous impact is estimated by considering both the P&L impact of the scenario in conjunction with projected movements in the SCR.

Brexit – Brexit and EU instability/ break-up resulting in prolonged recession in the Eurozone.
Investment Market Collapse – Very material hit to asset base and IPB's capital position.
Severe Deterioration in Claims Environment - Current claims reserves run off at the upper end of the range of reasonable best estimate projections. Increased risk of flooding due to climate change.

C.8 Dependencies between risk modules

Risk categories and specific risks are correlated to each other to a greater or lesser extent. Risks are correlated where an unfavourable outcome in one risk tends to be accompanied by an unfavourable outcome in another risk. For example, equity risk and property risk are correlated in the sense that a fall in property values can often be accompanied by a fall in equity values.

Risks have little correlation where it is unlikely that both risks will experience an unfavourable outcome at the same time. Such risks are said to be largely uncorrelated or independent.

The result is a 'diversification benefit'. For example, lapse risk may be somewhat independent of premium risk as lapse rates are unlikely to increase when premium rates are inadequate.

As the same capital resources are used to manage many different sources of risk, it is necessary to manage risk as a portfolio. An isolated change in risk in one part of a portfolio will also influence the capital required to finance other risks due to correlations. Consequently, it is necessary to explicitly model the correlations between risks. The quantification of correlations is highly uncertain and the capital model relies on the ‘dependency structure’ defined in the Solvency II Standard Formula Technical Specification.

The company’s Risk Report includes quantification of the diversification benefits assumed in the capital model and the appropriateness of this is tested on an annual basis as part of the ORSA process.

C.9 Any other information

The company does not use any special purpose vehicles (SPV) to transfer any of its risks.

D: Valuation for Solvency Purposes

D.1 Assets

The following table analyses the valuation of the company's assets as at 31 December 2018 and the prior year for both Solvency II purposes and financial statements purposes:

As at 31 December 2018

Ref	Asset Category	Solvency II €'000	Financial statements €'000	Difference €'000
1	Intangible Asset	0	572	-572
2	Deferred Tax Asset	0	144	-144
3	Property, plant and equipment (PPE)	0	250	-250
4	Investment Properties	96,745	96,720	25
5	Listed Equities	129,533	125,973	3,560
6	Unlisted Equities	3,010	0	3,010
7	Government Bonds	533,250	530,494	2,756
8	Corporate Bonds	125,342	149,284	-23,942
9	Collateralised Securities	4,398	0	4,398
10	Collective Investment Undertakings	58,251	44,113	14,138
11	Derivatives	62,820	375	62,445
12	Deposits	132,004	65,060	66,944
13	Loans to local authorities	18,323	18,323	0
14	Reinsurance Recoverable	22,645	29,391	-6,746
15	Insurance Receivables	11,147	40,651	-29,504
16	Reinsurance Receivables	2,396	2,396	0
17	Trade Receivables	4,185	4,363	-178
18	Cash & Cash Equivalents	89,206	156,194	-66,988
19	Other	1,381	5,723	-4,342
	Total Assets	**1,294,636**	**1,270,025**	**24,611**

As at 31 December 2017

Ref	Asset Category	Solvency II €'000	Financial statements €'000	Difference €'000
1	Intangible Asset	0	475	-475
2	Deferred Tax Asset	0	146	-146
3	Property, plant and equipment (PPE)	0	515	-515
4	Investment Properties	92,752	92,750	2
5	Listed Equities	186,215	170,807	15,408
6	Unlisted Equities	4,464	4464	0
7	Government Bonds	646,868	642,655	4,213
8	Corporate Bonds	104,909	128,878	-23,969
9	Collateralised Securities	2,590	0	2,590
10	Collective Investment Undertakings	53,620	45,964	7,656
11	Derivatives	91,382	531	90,851
12	Deposits	28,972	10,035	18,937
13	Loans to local authorities	20,429	20,429	0
14	Reinsurance Recoverable	25,047	32,484	-7,437
15	Insurance Receivables	20,159	44,125	-23,966
16	Reinsurance Receivables	4,569	4,569	0
17	Trade Receivables	5,270	5,449	-179
18	Cash & Cash Equivalents	104,227	123,169	-18,942
19	Other	0	6,765	-6,765
	Total Assets	**1,391,473**	**1,334,210**	**57,263**

Description of the basis, methods and assumptions used for valuation:

Ref	Asset Category	Solvency II	Financial statements
1	Intangible Asset	The company's intangible assets comprise of IT software which does not meet the criteria under Solvency II valuation rules, i.e. it cannot be sold separately and there is not a quoted market price in an active market for the same or similar intangible assets. Therefore, the company's intangible assets are valued at zero under Solvency II.	In the IFRS financial statements the intangible assets are valued at cost less accumulated amortisation and accumulated impairment losses.
2	Deferred Tax Asset	For the company, the difference between the deferred tax asset in the IFRS financial statements and the deferred tax liability created under Solvency II pertains to the deferred tax on the changes in valuation in moving from IFRS to Solvency II. That is, it is largely driven by the reduction in the (net) technical provisions under Solvency II. This would result in an instantaneous profit, which would incur corporation tax at 12.5%.	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.
3	Property, plant and equipment (PPE)	Under Solvency II, the valuation of PPE is based on the core principle in the directive "assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction". As the company's PPE mainly relates to leasehold improvements and IT assets, it is considered unlikely that these would have any significant resale value in an arm's length transaction. Therefore, a zero value is considered the most prudent.	In the IFRS financial statements, the company uses the cost model to value PPE, i.e. cost less any accumulated depreciation and accumulated impairment losses.
4	Investment properties	Market Valuations are carried out on our investment properties at each year end 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 an annual basis, desk-based valuations are carried out and valuation certificates are issued.	The same valuation method is applied to the IFRS financial statements ;- however, accrued income is not included in the valuation.

		This is consistent with the Solvency II valuation principles. The Solvency II value also includes any accrued rental income, i.e. market value plus accrued income.	Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements.
5	Listed Equities	Under Solvency II, in accordance with Article 75 of the Directive, assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Solvency II Valuation principles are consistent with that of IFRS, however, the Solvency II value also includes accrued income, i.e. market value plus accrued income. Note: Preference shares are included as equities under Solvency II. Exchange traded funds (ETFs) and collateralised securities are excluded.	Under IFRS, financial assets are measured at fair value through the profit or loss based on quoted (unadjusted) prices in active markets. For financial assets not traded in an active market, the fair value is determined using appropriate valuation methods. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements. Dividend withholding tax recoverable is shown as trade receivable under IFRS.
6	Unlisted Equities	Under Solvency II, in accordance with Article 75 of the Directive, assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Solvency II Valuation principles are consistent with that of IFRS, however, the Solvency II value also includes accrued income, i.e. market value plus accrued income.	Under IFRS, financial assets are measured at fair value through the profit or loss based on quoted (unadjusted) prices in active markets. For financial assets not traded in an active market, the fair value is determined using appropriate valuation methods. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements.
7	Government Bonds	Under Solvency II, in accordance with Article 75 of the Directive, assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Solvency II Valuation principles are consistent with that of IFRS, however, the Solvency II value also includes accrued income, i.e. market value plus accrued income.	Under IFRS, financial assets are measured at fair value through the profit or loss based on quoted (unadjusted) prices in active markets. For financial assets not traded in an active market, the fair value is determined using appropriate valuation methods. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements.

8	Corporate Bonds	Under Solvency II, in accordance with Article 75 of the Directive, assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Solvency II Valuation principles are consistent with that of IFRS, however, the Solvency II value also includes accrued income, i.e. market value plus accrued income.	Under IFRS, financial assets are measured at fair value through the profit or loss based on quoted (unadjusted) prices in active markets. For financial assets not traded in an active market, the fair value is determined using appropriate valuation methods. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements. Note: Preference shares are classified as corporate bonds under IFRS.
9	Collateralised Securities	Under Solvency II, in accordance with Article 75 of the Directive, assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Solvency II Valuation principles are consistent with that of IFRS, however, the Solvency II value also includes accrued income, i.e. market value plus accrued income.	Under IFRS, financial assets are measured at fair value through the profit or loss based on quoted (unadjusted) prices in active markets. For financial assets not traded in an active market, the fair value is determined using appropriate valuation methods. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements. Note: Collateralised securities are classified as equity securities in the IFRS financial statements.
10	Collective Investment Undertakings	Under Solvency II, in accordance with Article 75 of the Directive, assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. The Solvency II Valuation principles are consistent with that of IFRS, however, the Solvency II value also includes accrued income, i.e. market value plus accrued income. Exchange traded funds (ETFs) are included in this category under Solvency II.	Under IFRS, financial assets are measured at fair value through the profit or loss based on quoted (unadjusted) prices in active markets. For financial assets not traded in an active market, the fair value is determined using appropriate valuation methods. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements. Note: ETFs are classified as equity securities in the IFRS financial statements.

11	Derivatives	Under Solvency II, derivative financial instruments are measured at the gross fair value as at the reporting date. The company's derivative financial instruments relate to forward currency contracts. All forward sales are shown as assets and all forward purchases are shown as liabilities.	Under IFRS, derivatives are initially measured at fair value on the date the contract is entered into, and subsequently re-measured at fair value at the reporting date. Each derivative is carried as a financial asset when the fair value is higher than the value at inception and as a financial liability when the fair value is lower than the value at inception.
12	Deposits	Under Solvency II, this relates to deposits other than cash and cash equivalents that cannot be used to make payments until after the fixed term maturity date. All fixed term deposits, regardless of their term, are included here. Under Solvency II, Article 16 (1) of the Delegated Regulations states that insurance and reinsurance undertakings shall not value financial assets or financial liabilities at cost or amortised cost. Such assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. Accrued income is also included in the Solvency II value.	Under IFRS, deposits classified as "loans and receivables" relate to deposits with a fixed term of greater than 3 months. Deposits with a fixed term of 3 months or less are included in "cash and cash equivalents". Under IFRS "loans and receivables" are subsequently measured at amortised cost using the effective interest rate. Accrued income is shown as a separate line item ("other" as shown in valuation table above) in the financial statements.
13	Loans to local authorities	Under Solvency II, Article 16 (1) of the Delegated Regulations states that insurance and reinsurance undertakings shall not value financial assets or financial liabilities at cost or amortised cost. Such assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.	Under IFRS, loans to Local Authorities are classified as "loans and receivables" and are subsequently measured at amortised cost using the effective interest rate. However, as loan repayments fall due at year end, there is no difference between the valuation under Solvency II and under IFRS at year end, despite the basis or method being different.
14	Reinsurance Recoverable	Under Solvency II, the technical reserves are discounted. Additional margins for uncertainty are excluded from the Solvency II technical provisions valuation. Finally, the Solvency II technical provisions valuation includes a risk margin.	In the IFRS financial statements technical reserves are undiscounted. In addition, the claims reserves in the financial statements include additional margins for uncertainty pertaining to loadings for reduction in the discount rate and the introduction of Periodic Payment Orders (PPOs) as well as a loading representing a

			general provision for changes in the claims environment.
15	Insurance Receivables	Insurance receivables relates to insurance debtors only measured at their carrying value as at the reporting date. Under Solvency II rules ‘provision for recoverable retro premium’ is reclassified out of assets to be recognised as a cash inflow offsetting the Best Estimate Technical Provision in liabilities. The valuation of these cash inflows has changed to a discounted basis consistent with the cash outflows and in line with Solvency II valuation principles.	In the IFRS financial statements a provision for premium adjustments for retrospectively rated policies is recognised when provision is made for related losses. The valuation basis for insurance debtors, on the other hand, is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.
16	Reinsurance Receivables	Insurance receivables relates to reinsurance debtors, measured at their carrying value as at the reporting date.	In the IFRS financial statements, the valuation basis is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.
17	Trade Receivables	Trade receivables are measured at their carrying value as at the reporting date. Dividend withholding tax recoverable is included in the valuation of assets under Solvency II.	Dividend withholding tax recoverable is included as a trade receivable under Solvency II – this is the only valuation difference arising.
18	Cash & Cash Equivalents	Under Solvency II, cash and cash equivalents relates to cash at bank only (i.e. current accounts and call accounts). Accrued income is also included in the Solvency II valuation.	In the IFRS financial statements, cash and cash equivalents include cash at bank (i.e. current and call accounts), together with, deposits with a fixed term of 3 months or less. Accrued income is shown as a separate line item in the IFRS financial statements.

Leasing Arrangements

The company's only leasing arrangements relate to its office premises at 1 Grand Canal Square and some office equipment used on a day-to-day operating basis which are leased and are valued at zero in the Solvency II balance sheet.

Related Undertakings

The company does not have any holdings in related undertakings or participations.

Criteria used to assess whether markets are active

The company assesses if a market is active through reference to Bloomberg and consultation with external stock brokers. If markets are deemed inactive, the quoted price for similar assets in an active market is applied where possible. In other cases, stock brokers provide the company with a price based on market conditions. In instances where companies have gone into liquidation and their shares have been delisted from a stock exchange, the company's Head of Investments took a decision based on market knowledge and experience to write down the value of the shares to a flat level, pending the results of the liquidation process. Other than in this regard, no other estimation uncertainty exists in respect of the valuation of the company's investment assets.

D.2 Technical Provisions

The company's business is written on both claims made and losses occurring bases. Where "policy year" is referred to this is taken to be the notification year for claims made business and the accident year for losses occurring business. The following tables summarises the value of technical provisions on both gross and net bases.

Value of Technical Provisions

Gross Technical Provisions

IPB Gross Technical Provisions - €'000s 2018	Claims Provision	Premium Provision	Risk Margin	Total Technical Provisions
Medical Expenses	266	33	24	324
Income Protection	1,066	133	96	1,294
Motor Vehicle Liability	13,141	1,219	1,092	15,452
Other Motor	3,285	305	273	3,863
Marine Aviation and Transport	146	33	14	193
Fire / Property	11,544	2,806	810	15,161
General Liability	386,291	14,193	30,297	430,781
Legal Expenses	1,838	111	155	2,104
Totals	**417,579**	**18,832**	**32,761**	**469,173**

IPB Gross Technical Provisions - €'000s 2017	Claims Provision	Premium Provision	Risk Margin	Total Technical Provisions
Medical Expenses	390	52	34	475
Income Protection	1,559	208	134	1,901
Motor Vehicle Liability	14,192	1,386	1,180	16,758
Other Motor	3,548	347	295	4,190
Marine Aviation and Transport	280	34	24	338
Fire / Property	13,550	2,123	741	16,414
General Liability	355,200	15,525	26,468	397,193
Legal Expenses	1,523	172	129	1,823
Totals	**390,242**	**19,847**	**29,004**	**439,092**

Net Technical Provisions

IPB Net Technical Provisions - €'000s 2018	Claims Provision	Premium Provision	Risk Margin	Total Technical Provisions
Medical Expenses	266	36	24	326
Income Protection	1,066	142	96	1,303
Motor Vehicle Liability	12,510	1,283	1,092	14,885
Other Motor	3,128	321	273	3,721
Marine Aviation and Transport	146	33	14	194
Fire / Property	5,712	4,522	810	11,043
General Liability	368,033	14,609	30,297	412,939
Legal Expenses	1,838	122	155	2,115
Totals	**392,699**	**21,067**	**32,761**	**446,527**
IPB Net Technical Provisions - €'000s 2017	**Claims Provision**	**Premium Provision**	**Risk Margin**	**Total Technical Provisions**
Medical Expenses	390	55	34	479
Income Protection	1,559	221	134	1,914
Motor Vehicle Liability	14,178	1,485	1,180	16,843
Other Motor	3,545	371	295	4,211
Marine Aviation and Transport	280	35	24	339
Fire / Property	6,002	3,833	741	10,575
General Liability	335,308	16,069	26,468	377,844
Legal Expenses	1,523	189	129	1,841
Totals	**362,784**	**22,258**	**29,004**	**414,045**

Methods used to calculate technical provisions

The company uses a combination of actuarial methods to value technical provisions. The basis of the technical provisions are undiscounted gross reserves. For policy years where no further development is expected, typically the reserves are set equal to the case estimates present in that year. For other policy years where further development is expected, but there is sufficient incurred experience to be credible, chain-ladder methods are used to model the full future path of incurred claims.

For recent policy years there may not be enough incurred data to fully rely on. In this case development methods are weighted in with other methods which place initial estimates of ultimate claims on either loss ratios, or as a cost per unit exposure. Expected amounts are calculated by considering the statistic for prior years, trended forward allowing for rate movements and claims inflation. Another method considered for recent years is the average cost per claim method – where claim numbers are multiplied by expected average ultimate costs.

The company uses premium and population, where appropriate, as an exposure measure. Typical measures of exposure such as turnover are not deemed to be a good measure of risk in its core business.

Estimates based on paid claims are also calculated, but usually do not form the basis of reserve selections as there is a long delay between claim notification and payment for much of the company's business which is dominated by liability lines.

For most classes, net of reinsurance claims, are calculated by considering the average percentage recovered from reinsurance. The company's reinsurance retentions have been stable over time, recovery amounts are a small portion of gross liabilities and previous years provide a good benchmark for the rate of future reinsurance recoveries. The exception to this is Property which has a more extensive reinsurance programme, for which the same methods as described for calculating gross claims are also considered in valuing the net position.

Gross and net claims are discounted by considering the expected payment profile of claims over time, and discounting using risk free yield curves provided by EIOPA.

The risk margin is calculated using a modified Solvency Capital Requirement as specified by EIOPA. This is projected to develop over time in line with best estimate net technical provisions.

The following items defined in the Solvency II legislation are not relevant to the company regarding technical provisions:

- The company does not apply the matching adjustment.
- The company does not use the volatility adjustment.
- The company does not use transitional methods on the risk-free interest rate term structure.
- The company does not apply any transitional deductions.

Considerations by Line of Business

Medical Expenses and Income Protection

The company writes Personal Accident business that involves both medical expenses and income protection coverage. Historically, claims were not split between those two elements, and so these are modelled in aggregate and then split 80/20 between income protection and medical expenses – an assumption based on historical payment data – three year rolling average. Claims are now split between Medical Expenses and Income Protection; however, it will be a number of years before sufficient historical data is available to facilitate separate projection of each line.

Motor Vehicle Liability and Other Motor

Historically, the company did not separately identify liability and damage claims within the motor business written, and so again a high-level assumption is required to split the business into Solvency II lines of business. 80% of motor is assumed to be liability business, and 20% other claims – an assumption based on twelve month rolling data. Claims are now split between Motor Vehicle Liability and Other Motor; however, it will be a number of years before sufficient historical data is available to facilitate separate projection of each line. Legacy business has been removed so that patterns reflect current exposure.

Marine Aviation and Transport

The company writes only a very small amount of marine business.

Fire / Property

The company's property account contains a mix of exposures but predominantly covering council buildings and council owned social housing. Due to the higher volume of reinsurance recoveries in this class, methods used to calculate gross reserves are similarly applied in the calculation of net reserves.

General Liability

This is by far the company's largest class and contains a number of different exposures within it. The predominant line is Public Liability, and the valuation of this has been further split by coverage type and type of insured. Employers Liability has been split by coverage type and legacy business removed. The company also writes a small amount of Professional Indemnity, included in this class. All case estimates are now believed to fully represent the change in the discount rate from 3% to 1% for cost of care, and 1.5% loss of earnings exposure so no additional provision is held for a move in the discount rate. There is a provision within the best estimate for the Periodic Payment Order which were introduced with effect from 1st October 2018.

Legal Expenses

The company writes some Criminal Defence policies which are mainly valued using loss ratio methods as limited experience exists.

Other Items

Claims handling expenses have been estimated as a percentage of future reserves by considering the historic ratio of claims handling expenses to claims payments.

A portion of the company's business is retro rated policies – with minimum and deposit premiums paid up front, followed by further premiums payable if claim payments exceed a set threshold. The future value of this asset has been approximated by modelling expected claim amounts for each relevant policy, and the resulting retro premiums that would be triggered calculated.

Provisions relating to unearned premiums have been calculated by considering expected loss ratios by line of business and applying those to unearned premiums.

Description of the level of uncertainty

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 most 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 must 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.

The company makes assumptions on a number of economic and non-economic factors in the calculation of technical provisions. Some of these assumptions are explicit while others are implicitly made when projecting ultimate claims costs. Significant sources of economic uncertainty include:

- Changes in the level of claims inflation – Many of the methods used to estimate technical provisions implicitly assume future inflation follows historical inflation. In this case, and in methods where there is an explicit inflation assumption, there is a risk that actual inflation deviates from the assumed level. The actual level of claims inflation will depend on factors such as changes in the court award environment and increases in fraudulent or exaggerated claims activity. The level of future claims inflation is likely the most significant uncertainty affecting the calculation of technical provisions.

- Potential future changes in the discount rate – Technical provisions are currently valued based on the current discount rate environment of 1% for cost of care and 1.5% for loss of future earnings. Any future reduction in the discount rate would increase costs. The excess of loss reinsurance treaty in place on the liability line would limit the net impact of any future change, however this would then be reflected in future reinsurance premiums.

There are also non-economic factors which impact the Technical Provisions, these include:

- Changes in claims development pattern – Methods underlying the calculation of technical provisions project future claim development based on historical development. Potential changes in this claim development is a significant source of uncertainty. This is somewhat linked to the level of claims inflation, however there are non-economic factors such as changes in internal process or changes in mix of business which could affect future development.

- Periodic Payment Orders (PPOs) – were introduced with effect from 1st October 2018 and IPB currently hold an explicit reserve to cover the expected cost. There is uncertainty around the assumptions underlying this reserve, and in particular the propensity for PPO's to be awarded.

- Emergence of latent claims – There is a potential for the emergence of a new type of claim which is currently not present in company data. Due to the nature of its business the company is exposed to aggregations of claims as the business is concentrated by policyholder type, geographical locations, risk exposures and other factors.

Valuation basis, method and assumption differences used for IFRS financial statements

For all lines of business, the best estimate undiscounted IFRS reserves form the basis of the Solvency II technical provisions. These are then discounted as per Solvency II valuation guidelines.

The main difference to the IFRS financial statements is the inclusion of margins for uncertainty within the IFRS financial statements. A 17% margin is applied to all components of the claims reserve. Furthermore, the retro-rated premium asset is reduced by 17%, recognising the uncertainty in that asset also.

Under Solvency II regulation a risk margin is held in addition to the best estimate liabilities. The €32.8 million risk margin is calculated using the cost of capital approach specified in the regulation.

The financial statements also include a provision of €0.3 million (plus margins and ULAE) in respect of the MIBI levy for the year within the insurance reserves. Under Solvency II MIBI provisions are excluded from the technical provisions, and instead included within "Other Liabilities".

The retro-rated premium asset is included as a credit within the best estimate technical provisions under Solvency II, where it is a separate insurance asset in the IFRS financial statements. The retro-rated premium asset estimate included in the Solvency II Technical Provisions is a best estimate actuarial figure, where the asset in the IFRS financial statements is reduced by a margin for uncertainty of 17%.

The following table provides a reconciliation between the technical provisions as per the IFRS financial statements and the technical provisions for Solvency II purposes as at 31 December 2018.

2018	Gross of Reinsurance €'000	Net of Reinsurance €'000
Reserves in IFRS Accounts	**558,563**	**529,172**
Exclude MIBI & margins	-317	-317
Reserves excluding MIBI	558,246	528,855
Exclude UPR	-22,052	-21,805
Add Undiscounted Premium Provision (excluding retro premium)	19,891	22,120
Exclude Margin for Uncertainty	-81,159	-76,924
Total Undiscounted Reserves	474,927	452,246
Discounting	-2,218	-2,182
Discounted Best Estimate Provisions	472,709	450,064
Retro Asset	-36,298	-36,298
Technical Provisions Excluding Risk Margin	436,411	413,766
Risk Margin	32,761	32,761
Total Technical Provisions	**469,173**	**446,527**

2017	Gross of Reinsurance €'000	Net of Reinsurance €'000
Reserves in IFRS Accounts	**525,365**	**492,881**
Exclude MIBI & margins	-373	-373
Reserves excluding MIBI	524,991	492,507
Exclude UPR	-22,042	-22,042
Add Undiscounted Premium Provision (excluding retro premium)	21,169	23,572
Exclude Margin for Uncertainty	-80,083	-75,128
Total Undiscounted Reserves	444,035	418,909
Discounting	-3,439	-3,360
Discounted Best Estimate Provisions	440,596	415,549
Retro Asset	-30,507	-30,507
Technical Provisions Excluding Risk Margin	410,088	385,042
Risk Margin	29,004	29,004
Total Technical Provisions	439,092	414,045

Refer to Appendix 3 for the S.17.01.02 Non-Life Technical Provisions Template.

The increase in Technical Provisions can be attributed to a number of factors. There is a large increase in the Net Best Estimate Claims Provisions for the General Liability segment. This is due to ground-up conversions undertaken along with the elimination of historical retro-balances. There is also an increase in the Premium Provisions due to the increased written premium in 2018. Finally, there was an increase in the Risk Margin due to an increase in the company's Non-Life Risk SCR.

D.3 Other Liabilities

The following table analyses the valuation of the company's other liabilities as at 31 December 2018 for both Solvency II purposes and financial statements purposes:

As at 31 December 2018

Ref	Liability Category	Solvency II €'000	Financial statements €'000	Difference €'000
1	Provisions other than technical provisions	300	300	0
2	Deferred Tax Liabilities	6,281	0	6,281
3	Derivatives	62,663	218	62,445
4	Insurance Payables	1,178	1,178	0
5	Reinsurance Payables	1,104	1,104	0
6	Trade Payables	10,333	10,333	0
7	Any other liabilities	36,797	36,797	0
	Total other liabilities	**118,656**	**49,930**	**68,726**

As at 31 December 2017

Ref	Liability Category	Solvency II €'000	Financial statements €'000	Difference €'000
1	Provisions other than technical provisions	300	300	0
2	Deferred Tax Liabilities	6,386	0	6,386
3	Derivatives	91,352	501	90,851
4	Insurance Payables	2,385	2,385	0
5	Reinsurance Payables	917	917	0
6	Trade Payables	0	0	0
7	Any other liabilities	91,102	90,824	278
	Total other liabilities	**192,442**	**94,927**	**97,271**

Description of the basis, methods and assumptions used for valuation:

Ref	Liability Category	Solvency II	Financial statements
1	Provisions other than technical provisions	Other provisions relate to the company's share of potential provisions of the Motor Insurers' Bureau of Ireland, measured at its carrying value at the reporting date.	In the IFRS financial statements, the valuation basis is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.
2	Deferred Tax Liabilities	For the company, the difference between the deferred tax asset in the IFRS financial statements and the deferred tax liability created under Solvency II pertains to the deferred tax on the changes in valuation in moving from IFRS to Solvency II. That is, it is largely driven by the reduction in the (net) technical provisions under Solvency II. This would result in an instantaneous profit, which would incur corporation tax at 12.5%.	A deferred tax asset as opposed to a deferred tax liability is shown in the IFRS financial statements as described above in the asset category section.
3	Derivatives	Under Solvency II, derivative financial instruments are measured at the gross fair value as at the reporting date. The company's derivative financial instruments mainly relate to forward currency contracts. All forward sales are shown as assets and all forward purchases are shown as liabilities.	Under IFRS, derivatives are initially measured at fair value on the date the contract is entered into, and subsequently re-measured at fair value at the reporting date. 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.
4	Insurance Payables	Insurance payables relates to insurance creditors, measured at their carrying value as at the reporting date.	In the IFRS financial statements, the valuation basis is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.
5	Reinsurance Payables	Insurance payables relates to reinsurance creditors, measured at their carrying value as at the reporting date.	In the IFRS financial statements, the valuation basis is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.
6	Trade Payables	Trade payables are measured at their carrying value as at the reporting date.	In the IFRS financial statements, the valuation basis is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.
7	Any other liabilities	Other liabilities are measured at their carrying value as at the reporting date.	In the IFRS financial statements, the valuation basis is consistent with the Solvency II valuation principles and therefore, no valuation difference arises.

Refer to Appendix 4 for the S.02.01.02 Solvency II Balance Sheet Template.

Leasing Arrangements
The company does not have any material liabilities arising from leasing arrangements.

Material Contingent Liabilities
The company does not have any other material contingent liabilities and provisions other than technical provisions.

Employee Benefits
The company had the following employee benefit obligations as at 31 December 2018:

	2018 €'000	2017 €'000
Salaries Payable	2,164	2,252
Trade Union Subscriptions Payable	1	1
Pension Payable	0	3
Social Committee Fund	13	6
Holiday Pay Accrual	189	214
Total short-term employee benefit obligations	**2,367**	**2,476**

The company does not have any defined benefit plans and contributes only to defined contribution pension schemes.

D.4 Alternative Methods for Valuation
The company uses alternative valuation methods in accordance with Article 10 (5) when valuing a small portion of its investment assets. These alternative valuation methods include the following:

- ***Quoted prices for identical or similar assets or liabilities in markets that are not active*** – This method is applied to assets which have a quoted price but the asset is illiquid and does not trade often. The company can support the rationale for this valuation approach as the quoted prices applied are for assets with similar characteristics, for example, same instrument type, same credit rating and same ultimate guarantor.

- ***Market- corroborated inputs, which may not be directly observable, but are based on or supported by observable market data*** – This method is applied to assets such as our investment properties and real estate funds.
  Market valuations are carried out each year on our investment properties 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. The company can justify this valuation approach as it is independent and supported by observable market data.

  With regards to our real estate funds, the fund managers carry out a desk-based valuation on a monthly basis. Again, the company can justify this valuation approach as it is independent and supported by observable market data.

- ***Unobservable inputs reflecting the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk*** – This method is applied in cases where securities are in liquidation or carried at amortised cost.

The company assesses the adequacy of the use of the above methods on an annual basis through discussions with our investment custodian and external audit review.

E: Capital Management

E.1 Own Funds

The company has a simple capital structure made up of retained earnings only. As at 31 December 2018, the company's eligible amount of own funds to cover the SCR and MCR stood at €706.8 million (2017: €744.9 million) and was comprised entirely of Tier 1 Basic Own Funds. The company manages its capital requirements according to the Capital Management Policy and by assessing its required solvency margins on a regular basis. The Board of Directors reviews the capital structure of the company on an on-going basis to determine the appropriate level of capital required to pursue the business strategy.

The company uses the Solvency II Standard Formula to quantify risk in the business and its appropriateness is regularly assessed. The Standard Formula is also used to quantify the capital impact of key events and key management actions. It is also used to analyse the change in risk profile from one quarter to the next. The company assesses the significance with which the risk profile deviates from the key assumptions and parameters underlying the SCR. Conceptually, the company estimates Economic Capital from:

- Regulatory Capital
- An allowance for deviations from Regulatory Capital
- A consideration of non-quantified risks

The assessment of Economic Capital also considers:

- Suitable margins above the SCR, as might be required by a target credit rating
- Required capital for possible strategic initiatives
- Resilience against certain stress scenarios
- Recognition of the mutual status of the company and the challenges for capital raising

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 the changing environment and industry best practice. The appropriateness of the capital model is regularly assessed. 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 which are undertaken on an annual basis and are assumed to apply over the business planning period of 3 years.

The material risks of the business are subject to a wide range of stress tests in order to provide an adequate basis for the assessment of the overall solvency needs. Stress testing and related analysis are conducted in line with the ORSA Policy and the results of stress tests are contained in the Risk Report. The identified stresses are decided upon based on discussion with the relevant function manager. The company considers capital requirements and capital efficiency in the context of profitability, expenses and market position relative to peers.

The following table reconciles the difference (reconciliation reserve) between the equity in the financial statements and the basic own funds as calculated for Solvency II Purposes.

	2018 €'000	2017 €'000
Total equity in the financial statements	**661,832**	**714,217**
Items not recognised in the financial statements		
Best estimate claims provisions	-392,699	-362,784
Best estimate premium provisions	-21,067	-22,258
Risk margin	-32,761	-29,004
Foreseeable distribution	-	-15,301
Deferred tax impact	-6,425	-6,566
Items not recognised in the Solvency II Balance Sheet		
IFRS claims reserves	405,867	372,674
Unearned premium reserves	21,805	22,042
ULAE	23,739	22,062
Bad debt	537	618
Claims margin of uncertainty	76,924	75,185
Inclusion of retro premium as a future cashflow	-30,122	-25,016
Asset valuation differences	-822	-990
Basic Own Funds under Solvency II	**706,808**	**744,879**

None of the company's own funds are subject to transitional arrangements. The company has no ancillary own funds or subordinate debt. No deductions are applied to own funds and there are no material restrictions affecting their availability and transferability

The following table provides explanations of the key elements of the reconciliation reserve shown above.

Key element of the reconciliation reserve	Explanation
Risk Margin	The risk margin is designed to ensure that the value of technical provisions is sufficient for another insurer to take over and meet the insurance obligations. It is calculated using a modified Solvency Capital Requirement as specified by EIOPA.
Foreseeable Distributions	The foreseeable distribution shown as zero as at year-end due to the fact that proposed dividends of €30m have been included in Other Liabilities. Of this €30m, €2.3m was paid to Members in December 2018.
Deferred Tax Liability	For the company, the difference between the deferred tax asset in the IFRS financial statements and the deferred tax liability created under Solvency II pertains to the deferred tax on the changes in valuation in moving from IFRS to Solvency II. That is, it is largely driven by the reduction in the (net) technical provisions under Solvency II. This would result in an instantaneous profit, which would incur corporation tax at 12.5%.
Unearned Premium Reserves / Best Estimate Premium Provisions	Under IFRS, the company is required to hold a reserve for unearned exposure that is at least equal to the unearned premium. Under Solvency II the best estimate premium provisions is a discounted best estimate. This best estimate includes an allowance for future reinsurance premium and recoveries as Solvency II requires reinsurance to be recognised consistently with the boundary of the underlying insurance contract whereas IFRS recognises reinsurance from inception of the contract.
Differences between IFRS liabilities and best estimate liabilities	In the IFRS financial statements technical reserves are undiscounted, as compared with discounted Solvency II technical provisions.
Claims Margin of Uncertainty	Margins of uncertainty are included in the IFRS financial statements. An 17% margin is applied to all components of the claims reserves. Further the retro asset is reduced by 17%, recognising the associated uncertainty. These margins of uncertainty are excluded from Solvency II technical provisions.
Asset Valuation Differences	Valuation differences relate to Property, Plant and Equipment (PPE) and Intangible Asset, both of which are valued at cost less accumulated depreciation in the IFRS financial statements. The company's PPE relates to leasehold improvements and IT assets and its intangible asset relates to IT software. As neither can be sold separately, both are valued at zero under Solvency II valuation principles. Provisions for MIBI are included in the IFRS claims reserves but are included in "other provisions" under the Solvency II balance sheet. Retro-rated premium is held as under Insurance Receivables in the IFRS balance sheet but is included in the Solvency II Technical Provisions as future cash inflow.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31 December 2018, the company had a solvency ratio of 3.2 times the SCR (2017: 3.4 times). The company's SCR and MCR were €222.9 million and €58.9 million respectively (2017: €216.4 million and €54.1 million respectively).

The following table shows the components of the SCR (using the Standard Formula) as at 31 December 2018.

	€'000 **2018**	**€'000** **2017**
Market Risk analysed by the following sub-risk modules:	**109,201**	**135,432**
• Concentration Risk	38,535	13,134
• Interest-Rate Risk	16,149	20,579
• Currency Risk	4,794	4,876
• Equity Risk	56,641	90,828
• Property Risk	24,180	23,188
• Spread Risk	29,004	28,600
• Market Diversification Benefit	-60,103	-45,773
Non-Life Risk analysed by the following sub-risk modules:	**149,881**	**137,100**
• Premium and Reserve Risk	148,046	135,251
• Lapse Risk	0	0
• Catastrophe Risk	6,766	6,769
• Non-Life Diversification Benefit	-4,931	-4,920
Default Risk analysed by the following sub-risk modules:	**20,301**	**21,085**
• Type 1	10,561	14,301
• Type 2	11,140	8,118
• Default Diversification Benefit	-1,400	-1,334
Health Risk analysed by the following sub-risk modules:	**1,060**	**1,243**
• Premium and Reserve Risk	774	982
• Lapse Risk	0	0
• Catastrophe Risk	557	555
• Health Diversification Benefit	-271	-294
Basic Solvency Requirements ("BSCR") pre- Diversification	280,443	294,860
Overall Diversification Benefit	-63,174	-68,400
BSCR	**217,269**	**226,460**
Operational Risk	**13,092**	**12,303**
Loss Absorbing Capacity of Deferred Tax (LACDT)	**-7,464**	**-22,384**
SCR	**222,897**	**216,378**
MCR	**58,875**	**54,095**

The company uses EIOPA's Solvency II Standard Formula. It does not use company-specific parameters in its computation, however, it uses one simplification in relation to the allocation of risk mitigation from the non-life and health modules across our reinsurer panel in the default type 1 calculation.

The LACDT is an adjustment which can be applied to the SCR as specified in Article 108 of the Solvency II Directive and corresponding Delegated Acts. This adjustment reflects the potential compensation of unexpected losses through a simultaneous change in deferred taxes.

Undertakings are required to consider the extent to which these deferred taxes are recoverable by assessing their sources of future taxable income.

For 2018, IPB only considers its expected profits over its business planning horizon only, i.e. recovering losses over a 3-year timeframe.

This has resulted in a significant change in the adjustment compared to 2017.

As stated above, the Minimum Capital Requirement for the company at 31 December 2018 was €58.9 million (2017: €54.1 million) which represents the minimum calculated as per the Standard Formula.

E.3 Any use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The company has not opted to use the duration-based equity risk sub-module of the Solvency II regulations.

E.4 Internal model information

The company applies the standard formula model and does not use an internal model to calculate the Solvency Capital Requirement.

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

There was no breach of the Solvency Capital Requirement (and hence the Minimum Capital Requirement) over the reporting period.

E.6 Any other information

Refer to the appendices for the templates as at 31 December 2018, relevant to this section. These include:

- Appendix 5 S.23.01.01 Own Funds Template
- Appendix 6 S.25.01.21 Solvency Capital Requirement – Standard Formula Only Template
- Appendix 7 S.28.01.01 Minimum Capital Requirement – Only Life or Only Non-Life Template

The increase in the company's total SCR and MCR can be mostly attributed to an increase in the company's Non-Life Risk SCR due to the company's growing book of business. The main driver of the movement in the company's own funds relates to phase 1 of the company's retained earnings distribution to Members, offset by the 2018 Solvency II profit.

Annex

Annual Quantitative Reporting Templates (QRTs)

The following templates are included in this section

QRT REF	QRT Template name
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country
S.19.01	Non-Life Insurance claims
S.17.01	Technical Provisions
S.02.01	Balance Sheet
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement

Appendix 1A
S.05.01.02
Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for : accepted non-proportional reinsurance				
		Medical expense insurance (1)	Income protection insurance (2)	Workers' compensation insurance (3)	Motor vehicle liability insurance (4)	Other motor insurance (5)	Marine, aviation and transport insurance (6)	Fire and other damage to property insurance (7)	General liability insurance (8)	Credit and suretyship insurance (9)	Legal expenses insurance (10)	Assistance (11)	Miscellaneous financial loss (12)	Health (13)	Casualty (15)	Marine, aviation, transport (16)	Property (14)	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross Direct business	**R0110**	392	1,566	0	8,011	2,003	405	28,850	117,959	0	2,028	0	0					161,214
Gross Proportional reinsurance accepted	**R0120**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross Non-proportional reinsurance accepted	**R0130**													0.0	0.0	0.0	0.0	0
Reinsurers' share	**R0140**	29	114	0	541	135	0	16,279	6,897	0	118	0	0	0.0	0.0	0.0	0.0	24,113
Net	**R0200**	363	1,452	0	7,470	1,868	405	12,571	111,062	0	1,911	0	0	0.0	0.0	0.0	0.0	137,101
Premiums earned																		0
Gross Direct business	**R0210**	413	1,652	0	8,083	2,021	409	28,257	118,418	0	2,171	0	0					161,423
Gross Proportional reinsurance accepted	**R0220**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross Non-proportional reinsurance accepted	**R0230**													0.0	0.0	0.0	0.0	0
Reinsurers' share	**R0240**	29	114	0	541	135	0	16,279	6,650	0	118	0	0	0.0	0.0	0.0	0.0	23,866
Net	**R0300**	384	1,538	0	7,542	1,885	409	11,978	111,768	0	2,053	0	0	0.0	0.0	0.0	0.0	137,557
Claims incurred																		0
Gross Direct business	**R0310**	-77	-310	0	2,713	678	-114	4,413	73,486	0	345	0	0					81,136
Gross Proportional reinsurance accepted	**R0320**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross Non-proportional reinsurance accepted	**R0330**													0.0	0.0	0.0	0.0	0
Reinsurers' share	**R0340**	0	0	0	1,130	282	0	1,368	-1,147	0	0	0	0	0.0	0.0	0.0	0.0	1,633
Net	**R0400**	-77	-310	0	1,583	396	-114	3,045	74,633	0	345	0	0	0.0	0.0	0.0	0.0	79,502
Changes in other technical provisions																		0
Gross Direct business	**R0410**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross Proportional reinsurance accepted	**R0420**	0	0	0	0	0	0	0	0	0	0	0	0					0
Gross Non-proportional reinsurance accepted	**R0430**													0.0	0.0	0.0	0.0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0
Net	**R0500**	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0
Expenses incurred	**R0550**	66	263	0	2,322	581	71	5,534	50,147	0	723	0	0	0.0	0.0	0.0	0.0	59,706

Appendix 1B
S.05.02.01
Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written - non-life obl					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010		FR	IT	IE	GB	CA	
		C0080	C0090	C0100	C110	C0120	C0130	C0140
Premiums written								
Gross Direct business	R0110	160,092	0	0	0	1,122	0	161,214
Gross Proportional reinsurance accepted	R0120	0	0	0	0	0	0	0
Gross Non-proportional reinsurance accepted	R0130	0	0	0	0	0	0	0
Reinsurers' share	R0140	24,042	0	0	0	72	0	24,113
Net	R0200	136,051	0	0	0	1,050	0	137,101
Premiums earned								0
Gross Direct business	R0210	160,068	0	0	0	1,355	0	161,423
Gross Proportional reinsurance accepted	R0220	0	0	0	0	0	0	0
Gross Non-proportional reinsurance accepted	R0230	0	0	0	0	0	0	0
Reinsurers' share	R0240	23,794	0	0	0	72	0	23,866
Net	R0300	136,274	0	0	0	1,283	0	137,557
Claims incurred								0
Gross Direct business	R0310	81,819	0	0	0	-683	0	81,136
Gross Proportional reinsurance accepted	R0320	0	0	0	0	0	0	0
Gross Non-proportional reinsurance accepted	R0330	0	0	0	0	0	0	0
Reinsurers' share	R0340	572	0	0	0	1,061	0	1,633
Net	R0400	81,247	0	0	0	-1,744	0	79,502
Changes in other technical provisions								0
Gross Direct business	R0410	0	0	0	0	0	0	0
Gross Proportional reinsurance accepted	R0420	0	0	0	0	0	0	0
Gross Non-proportional reinsurance accepted	R0430	0	0	0	0	0	0	0
Reinsurers' share	R0440	0	0	0	0	0	0	0
Net	R0500	0	0	0	0	0	0	0
Expenses incurred	R0550	59,291	0	0	0	416	0	59,706
Other expenses	R1200							0
Total expenses	R1300							59,706

Appendix 2
S.19.01.21
Non-life Insurance Claims Information

Line of business	**Z0010**	Total
Currency	**Z0030**	TOTAL
Accident year / underwriting year	**Z0020**	1 - Accident Year
Currency conversion	**Z0040**	0.0

Gross Claims Paid (non-cumulative)
(absolute amount)

		Development year													
Year		**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**		**In Current year**	**Sum of years (cumulative)**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**		**C0170**	**C0180**
		€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s		€'000s	€'000s
Prior	**R0100**											5,323	**R0100**	5,323	5,323
N-9	**R0160**	9,624	11,462	12,205	13,778	11,435	5,371	4,391	3,241	3,697	2,428		**R0160**	2,428	77,632
N-8	**R0170**	8,456	15,324	8,091	8,297	5,829	4,452	4,134	-3,294	1,000			**R0170**	1,000	52,289
N-7	**R0180**	4,795	8,467	8,638	9,300	7,700	6,895	4,439	3,324				**R0180**	3,324	53,558
N-6	**R0190**	3,838	8,079	8,849	10,172	7,411	7,253	4,257					**R0190**	4,257	49,859
N-5	**R0200**	4,904	10,363	10,226	8,752	10,111	8,509						**R0200**	8,509	52,866
N-4	**R0210**	4,950	10,248	10,025	11,402	15,270							**R0210**	15,270	51,895
N-3	**R0220**	6,096	13,307	10,721	12,055								**R0220**	12,055	42,178
N-2	**R0230**	6,739	10,173	12,079									**R0230**	12,079	28,991
N-1	**R0240**	5,490	9,824										**R0240**	9,824	15,314
N	**R0250**	7,145											**R0250**	7,145	7,145
												Total	**R0260**	81,214	437,049

Appendix 2
S.19.01.21
Non-life Insurance Claims Information

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

Year		Development year 0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
		€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s	€'000s		€'000s
Prior	R0100											24,405	R0100	24,282
N-9	R0160	0	0	0	0	0	0	0	11,700	7,925	4,505		R0160	4,485
N-8	R0170	0	0	0	0	0	0	10,875	7,622	5,668			R0170	5,642
N-7	R0180	0	0	0	0	0	23,994	18,012	15,307				R0180	15,232
N-6	R0190	0	0	0	0	24,609	18,066	14,497					R0190	14,424
N-5	R0200	0	0	0	33,432	26,522	20,215						R0200	20,122
N-4	R0210	0	0	53,788	47,525	34,470							R0210	34,306
N-3	R0220	0	76,331	64,389	52,203								R0220	51,949
N-2	R0230	91,249	71,745	61,571									R0230	61,286
N-1	R0240	99,737	79,335										R0240	78,971
N	R0250	107,356											R0250	106,881
												Total	R0260	417,579

Appendix 3
S.17.01.02
Non-Life technical provisions

		Direct business and accepted proportional reinsurance						Direct business and accepted proportional reinsurance						Accepted non-proportional reinsurance				
		Medical	Income	Workers'	Motor vehicle	Other motor	Marine.	Fire and	General	Credit and	Legal	Assistance	Miscellaneou	Non-	Non-	Non-	Non-	Total Non-
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0170	
Technical provisions calculated as a whole	**R0010**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct business	**R0020**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0.0
Accepted proportional reinsurance business	**R0030**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0.0
Accepted non-proportional reinsurance	**R0040**													0.0	0.0	0.0	0.0	0.0
Total recoverable from reinsurance/SPV after the adjustment for	**R0050**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technical provisions calculated as a sum of BE and RM																		
Best estimate																		
Premium Provisions																		
Gross - Total	**R0060**	33	133	0	1,219	305	33	2,806	14,193	0	111	0	0	0.0	0.0	0.0	0.0	18,832
Gross - Direct business	**R0070**	33	133	0	1,219	305	33	2,806	14,193	0	111	0	0					18,832
Gross - Accepted proportional reinsurance business	**R0080**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0
Gross - Accepted non-proportional reinsurance business	**R0090**													0.0	0.0	0.0	0.0	0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for	**R0100**	-2	-9	0	-64	-16	-1	-1,716	-416	0	-11	0	0	0.0	0.0	0.0	0.0	-2,235
Recoverables from reinsurance (except SPV and Finite Reinsurance) before	**R0110**	-2	-9	0	-64	-16	-1	-1,716	-416	0	-11	0	0	0.0	0.0	0.0	0.0	-2,235
Recoverables from SPV before adjustment for expected losses	**R0120**	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0
Recoverables from Finite Reinsurance before adjustment for expected losses	**R0130**	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for	**R0140**	-2	-9	0	-64	-16	-1	-1,716	-416	0	-11	0	0	0.0	0.0	0.0	0.0	-2,235
Net Best Estimate of Premium Provisions	**R0150**	36	142	0	1,283	321	33	4,522	14,609	0	122	0	0	0.0	0.0	0.0	0.0	21,067
Claims provisions																		
Gross - Total	**R0160**	266	1,066	0	13,141	3,285	146	11,544	386,291	0	1,838	0	0	0.0	0.0	0.0	0.0	417,579
Gross - Direct business	**R0170**	266	1,066	0	13,141	3,285	146	11,544	386,291	0	1,838	0	0					417,579
Gross - Accepted proportional reinsurance business	**R0180**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					0
Gross - accepted non-proportional reinsurance business	**R0190**													0.0	0.0	0.0	0.0	0
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for	**R0200**	0	0	0	631	158	0	5,833	18,258	0	0	0	0	0.0	0.0	0.0	0.0	24,880
Recoverables from reinsurance (except SPV and Finite Reinsurance) before	**R0210**	0	0	0	631	158	0	5,833	18,258	0	0	0	0	0.0	0.0	0.0	0.0	24,880
Recoverables from SPV before adjustment for expected losses	**R0220**	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0
Recoverables from Finite Reinsurance before adjustment for expected losses	**R0230**	0	0	0	0	0	0	0	0	0	0	0	0	0.0	0.0	0.0	0.0	0
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for	**R0240**	0	0	0	631	158	0	5,833	18,258	0	0	0	0	0.0	0.0	0.0	0.0	24,880
Net Best Estimate of Claims Provisions	**R0250**	266	1,066	0	12,510	3,128	146	5,712	368,033	0	1,838	0	0	0.0	0.0	0.0	0.0	392,699
Total Best estimate - Gross	**R0260**	300	1,199	0	14,360	3,590	179	14,350	400,484	0	1,949	0	0	0.0	0.0	0.0	0.0	436,411
Total Best estimate - Net	**R0270**	302	1,208	0	13,793	3,448	180	10,233	382,642	0	1,960	0	0	0.0	0.0	0.0	0.0	413,766
Risk margin	**R0280**	24	96	0	1,092	273	14	810	30,297	0	155	0	0	0.0	0.0	0.0	0.0	32,761
Amount of the transitional on Technical Provisions																		
TP as a whole	**R0290**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Best Estimate	**R0300**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Risk Margin	**R0310**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technical provisions																		
Technical provisions - total	**R0320**	324	1,294	0	15,452	3,863	193	15,161	430,781	0	2,104	0	0	0.0	0.0	0.0	0.0	469,173
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment	**R0330**	-2	-9	0	568	142	-1	4,117	17,842	0	-11	0	0	0.0	0.0	0.0	0.0	22,645
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- to	**R0340**	326	1,303	0	14,885	3,721	194	11,043	412,939	0	2,115	0	0	0.0	0.0	0.0	0.0	446,527
Line of Business: further segmentation (Homogeneous Risk																		
Premium provisions - Total number of homogeneous risk groups	**R0350**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Claims provisions - Total number of homogeneous risk groups	**R0360**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Cash-flows of the Best estimate of Premium Provisions (Gross)																		
Cash out-flows																		
Future benefits and claims	**R0370**	32	126	0	1,155	289	31	2,660	14,224	0	105	0	0	0.0	0.0	0.0	0.0	18,621
Future expenses and other cash-out flows	**R0380**	2	7	0	64	16	2	146	747	0	6	0	0	0.0	0.0	0.0	0.0	989
Cash in-flows																		
Future premiums	**R0390**	0.0	0.0	0.0	0.0	0.0	0.0	0	778	0	0	0	0	0.0	0.0	0.0	0.0	778
Other cash-in flows (incl. Recoverable from salvages and subrogations)	**R0400**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash-flows of the Best estimate of Claims Provisions (Gross)																		
Cash out-flows																		
Future benefits and claims	**R0410**	253	1,010	0	12,456	3,114	139	10,943	399,977	0	1,742	0	0	0.0	0.0	0.0	0.0	429,633
Future expenses and other cash-out flows	**R0420**	14	56	0	685	171	8	601	22,015	0	96	0	0	0.0	0.0	0.0	0.0	23,646
Cash in-flows																		
Future premiums	**R0430**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35,701	0	0	0	0	0.0	0.0	0.0	0.0	35,701
Other cash-in flows (incl. Recoverable from salvages and subrogations)	**R0440**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percentage of gross Best Estimate calculated using approximat	**R0450**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Best estimate subject to transitional of the interest rate	**R0460**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technical provisions without transitional on interest rate	**R0470**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Best estimate subject to volatility adjustment	**R0480**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Technical provisions without volatility adjustment and without	**R0490**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Appendix 4
S.02.01.02
Balance sheet

Assets		Solvency II value
		C0010
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	0
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	0
Investments (other than assets held for index-linked and unit	R0070	1,145,353
Property (other than for own use)	R0080	96,745
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	132,543
Equities - listed	R0110	129,533
Equities - unlisted	R0120	3,010
Bonds	R0130	662,990
Government Bonds	R0140	533,250
Corporate Bonds	R0150	125,342
Structured notes	R0160	0
Collateralised securities	R0170	4,398
Collective Investments Undertakings	R0180	58,251
Derivatives	R0190	62,820
Deposits other than cash equivalents	R0200	132,004
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	18,323
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	18,323
Reinsurance recoverables from:	R0270	22,645
Non-life and health similar to non-life	R0280	22,645
Non-life excluding health	R0290	22,656
Health similar to non-life	R0300	-11
Life and health similar to life, excluding health and index-lin	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	11,147
Reinsurance receivables	R0370	2,396
Receivables (trade, not insurance)	R0380	4,185
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund calle	R0400	0
Cash and cash equivalents	R0410	89,206
Any other assets, not elsewhere shown	R0420	1,381
Total assets	R0500	1,294,636

Liabilities		Solvency II value
		C0010
Technical provisions – non-life	R0510	469,173
Technical provisions – non-life (excluding health)	R0520	467,555
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	434,913
Risk margin	R0550	32,642
Technical provisions - health (similar to non-life)	R0560	1,618
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	1,498
Risk margin	R0590	120
Technical provisions - life (excluding index-linked and unit-lin	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linke	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	300
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	6,281
Derivatives	R0790	62,663
Debts owed to credit institutions	R0800	0
Debts owed to credit institutions resident domestically	ER0801	0
Debts owed to credit institutions resident in the euro area	ER0802	0
Debts owed to credit institutions resident in rest of the wo	ER0803	0
Financial liabilities other than debts owed to credit institutions	R0810	0
debts owed to non-credit institutions	ER0811	0
debts owed to non-credit institutions resident domestica	ER0812	0
debts owed to non-credit institutions resident in the euro	ER0813	0
debts owed to non-credit institutions resident in rest of th	ER0814	0
other financial liabilities (debt securities issued)	ER0815	0
Insurance & intermediaries payables	R0820	1,178
Reinsurance payables	R0830	1,104
Payables (trade, not insurance)	R0840	10,333
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	36,797
Total liabilities	R0900	587,827
Excess of assets over liabilities	R1000	706,808

Appendix 5
S.23.01.01
Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial						
Ordinary share capital (gross of own shares)	**R0010**	0.0	0.0		0.0	
Share premium account related to ordinary share capital	**R0030**	0.0	0.0		0.0	
Initial funds, members' contributions or the equivalent basic own - fund item for	**R0040**	0.0	0.0		0.0	
Subordinated mutual member accounts	**R0050**	0.0		0.0	0.0	0.0
Surplus funds	**R0070**	0.0	0.0			
Preference shares	**R0090**	0.0		0.0	0.0	0.0
Share premium account related to preference shares	**R0110**	0.0		0.0	0.0	0.0
Reconciliation reserve	**R0130**	706,808	706,808			
Subordinated liabilities	**R0140**	0.0		0.0	0.0	0.0
An amount equal to the value of net deferred tax assets	**R0160**	0.0				0.0
Other items approved by supervisory authority as basic own funds not	**R0180**	0.0	0.0	0.0	0.0	0.0
Own funds from the financial statements that should not be represented by						
Own funds from the financial statements that should not be represented by the	**R0220**	0.0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0.0	0.0	0.0	0.0	
Total basic own funds after deductions	**R0290**	706,808	706,808	0.0	0.0	0.0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0.0			0.0	
Unpaid and uncalled initial funds, members' contributions or the equivalent	**R0310**	0.0			0.0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0.0			0.0	0.0
A legally binding commitment to subscribe and pay for subordinated liabilities	**R0330**	0.0			0.0	0.0
Letters of credit and guarantees under Article 96(2) of the Directive	**R0340**	0.0			0.0	
Letters of credit and guarantees other than under Article 96(2) of the Directive	**R0350**	0.0			0.0	0.0
Supplementary members calls under first subparagraph of Article 96(3) of the	**R0360**	0.0			0.0	
Supplementary members calls - other than under first subparagraph of Article	**R0370**	0.0			0.0	0.0
Other ancillary own funds	**R0390**	0.0			0.0	0.0

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	**R0400**	0.0			0.0	0.0
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	706,808	706,808	0.0	0.0	0.0
Total available own funds to meet the MCR	**R0510**	706,808	706,808	0.0	0.0	
Total eligible own funds to meet the SCR	**R0540**	706,808	706,808	0.0	0.0	0.0
Total eligible own funds to meet the MCR	**R0550**	706,808	706,808	0.0	0.0	
SCR	**R0580**	222,897				
MCR	**R0600**	58,875				
Ratio of Eligible own funds to SCR	**R0620**	317.10%				
Ratio of Eligible own funds to MCR	**R0640**	1200.52%				

		Total	
		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	706,808	
Own shares (held directly and indirectly)	**R0710**	0	
Foreseeable dividends, distributions and charges	**R0720**	0	
Other basic own fund items	**R0730**	0	
Adjustment for restricted own fund items in respect of matching adjustment	**R0740**	0	
Reconciliation reserve	**R0760**	706,808	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0.0	
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	0.0	
Total Expected profits included in future premiums (EPIFP)	**R0790**	0.0	

Appendix 6
S.25.01.01
Solvency Capital Requirement - for undertakings on Standard Formula

Article 112	Z0010	2 - Regular reporting

		Net solvency	Gross solvency	Allocation from
		C0030	C0040	C0050
Market risk	R0010	109,201	109,201	0.0
Counterparty default risk	R0020	20,301	20,301	0.0
Life underwriting risk	R0030	0	0	0.0
Health underwriting risk	R0040	1,060	1,060	0.0
Non-life underwriting risk	R0050	149,881	149,881	0.0
Diversification	R0060	-63,174	-63,174	
Intangible asset risk	R0070	0	0	
Basic Solvency Capital Requirement	R0100	217,269	217,269	

Calculation of Solvency Capital Requirement		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	0
Operational risk	R0130	13,092
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	-7,464
Capital requirement for business operated in accordance with Art. 4 of	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	222,897
Capital add-on already set	R0210	0
Solvency capital requirement for undertakings under consolidated	R0220	222,897
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	0.0
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	0.0
Total amount of Notional Solvency Capital Requirements for ring fenced	R0420	0.0
Total amount of Notional Solvency Capital Requirements for matching	R0430	0.0
Diversification effects due to RFF nSCR aggregation for article 304	R0440	0.0
Method used to calculate the adjustment due to RFF/MAP nSCR	R0450	4 - No adjustment
Net future discretionary benefits	R0460	0.0

Appendix 7
S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL Result	R0010	58,875

		Net (of reinsurance/SPV) best	Net (of reinsurance) written premiums in the
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	302	363
Income protection insurance and proportional reinsurance	R0030	1,208	1,452
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	13,793	7,470
Other motor insurance and proportional reinsurance	R0060	3,448	1,868
Marine, aviation and transport insurance and proportional reinsurance	R0070	180	405
Fire and other damage to property insurance and proportional reinsuran	R0080	10,233	12,571
General liability insurance and proportional reinsurance	R0090	382,643	111,062
Credit and suretyship insurance and proportional reinsurance	R0100	0	0
Legal expenses insurance and proportional reinsurance	R0110	1,960	1,911
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0.0

		Net (of reinsurance/SPV) best	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0.0	
Obligations with profit participation - future discretionary benefits	R0220	0.0	
Index-linked and unit-linked insurance obligations	R0230	0.0	
Other life (re)insurance and health (re)insurance obligations	R0240	0.0	
Total capital at risk for all life (re)insurance obligations	R0250		0.0

Overall MCR calculation

		C0070
Linear MCR	R0300	58,875
SCR	R0310	222,897
MCR cap	R0320	100,304
MCR floor	R0330	55,724
Combined MCR	R0340	58,875
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	R0400	58,875