Celebrating 120 YEARS of Local Government in Ireland 1899-2019

Annual Report 2019

Our Mission

As a mutual, our purpose is to safeguard and protect the insurable interests of our Members.

We commit to be our Members' trusted insurance partner providing peace of mind through tailored insurance products, effective risk management supports, member-focused solutions and equitable claims settlements.

Our long-term sustainability will be assured through continued financial strength while focusing on excellence and continuously providing Members with value for money.

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Chairman's Statement

George Jones

Over the past few years, our financial performance has been attributable primarily to investment performance. In both 2015 and 2016, our strong investment performances masked underwriting losses incurred in those years. I am pleased to report that since 2017 our underwriting performance has delivered positive but modest returns in line with our mutual objective.

IN 2018 NEGATIVE corrections in the investment markets weighed on our overall financial performance, resulting in a loss for the year notwithstanding our profitable underwriting result. Again, this year investments have heavily influenced our overall financial result, contributing €44m to our €53.2m surplus before tax for 2019. The investment market downturn experienced at the end of 2018 was short-lived as markets rebounded in the first quarter of 2019 and continued to achieve steady growth over the remainder of the year.

Our objective is to deliver a modest underwriting profit on a consistent basis and is based on our approach to ensuring that our core insurance business is robust and sustainable. The growth enjoyed in investment markets for most of the past decade is unlikely to continue, and we can no longer rely on investment returns given the mature nature of the current growth cycle.

Loyalty matters to us, and as a mutual we are not driven to maximise profit for outside shareholders. We are instead committed to delivering tailored products, value-added solutions and, where possible, financial dividends. It is an important feature of our mutuality that we continually endeavour to do more. Our commitment in 2017 to distribute €200m of retained earnings to Members to address insurance-related challenges has proven very constructive in securing their long-term interests in this regard.

A large proportion of retained earnings issued to date has been invested to address public liability claim concerns by remediating accident black spots on streets and footpaths. This has had the added benefit of improving public-realm spaces and streetscapes for the enjoyment and benefit of citizens and communities in cities and towns throughout the country. It is important to acknowledge the great work being done by our local authority Members in addressing their insurance challenges.

HOUSING CHALLENGES

Housing and homelessness remain major focus areas for both national and local government and will continue to be a high priority for the foreseeable future. According to the CSO[1] there were 21,241 new dwellings completed in 2019, an increase of 18% compared to 2018 with over half of all new dwellings completed in Dublin and surrounding counties. The number of apartments completed continues to grow rapidly, up 60% year-on-year to a total of 3,644 in 2019.

This growing trend should address some of the pent-up demand from those looking to get a foot on the property ladder as well as catering for

Although we have clarity on trading relations between the EU and UK during the transition period, there remains **considerable uncertainty over the future partnership with the UK** given the challenges of the envisaged timeline to agree on trade terms by the end of this year

those seeking to trade down, freeing up property suitable for young families. For the first time since late 2012, the national average listed price fell for two consecutive quarters, dropping 1.7% and 2.4% in Q3 and Q4 respectively[2]. House prices nationally were 32% lower at the end of 2019 compared to their peak in 2007.

Affordability will see some improvement with increased supply in the housing market; however, input costs will need to be contained to support growth in housing output. According to the 2019 Daft Rental Report, homes available to rent increased nationwide by the end of last year, albeit from a low base. As recently as February this year the stock of homes available to rent rose 10% year-on-year meanwhile national average monthly rents stood at €1,401 at the end of the year, an increase of 4% year-on-year.

IRISH ECONOMY

The Irish economy continues to outperform the rest of the Eurozone and the European Commission predicts Ireland's economy to expand by 3.6% this year compared to the estimated 5.7% growth enjoyed in 2019[3]. Although we have clarity on trading relations between the EU and UK during the transition period, there remains considerable uncertainty over the future partnership with the UK given the challenges of the envisaged timeline to agree on trade terms by the end of this year.

Regarding Brexit, the Central Bank has indicated that growth will remain steady in the case of a deal being reached. Notwithstanding concerns over a no-deal Brexit, the Irish economy continued to grow at a steady pace driven by domestic economic activity and strong growth in exports, despite the rise in uncertainty about economic prospects and increasing external headwinds. The Central Bank's central forecast, prepared on the basis that a disorderly, no-deal Brexit can be avoided, is that underlying economic activity will grow at a relatively stable pace in coming years, although some moderation in growth is in prospect this year and next.

On the domestic side, growth is being underpinned by continued robust and broad-based growth in employment and increasing earnings, supported by favourable financial conditions and a further improvement in the economic situation of households and businesses. Although held back a little by uncertainty, consumer spending has grown strongly and the rebound in critical components of domestic investment has continued to gather pace.

Furthermore, new challenges are emerging that present significant downside risks to our open economy, most notably the outbreak of coronavirus (Covid-19). This poses risks to public health as well as the health of the economy due to the impact on global trade. The tourism industry is potentially most at risk from any prolonged decline in global travel, potentially impacting both rural and urban communities. Risk related to climate change is another growing area of focus for local government, particularly around flood risk management, climate action and emergency planning.

INSURANCE CHALLENGES

A key area of political, public and industry focus is the continuing concern of the claims culture and environment in Ireland. This has led to challenges for many stakeholders in terms of both availability and affordability of liability insurance, and understandably continues to feature heavily in terms of public debate. During the year, we witnessed the exit of some specialist insurers from the market resulting in reduced insurance capacity across a variety of niche service sectors.

In terms of our Members' own claims experience, I am pleased to report that we are beginning to see a levelling-off in the numbers of personal injury-related public liability claims. Recent indications suggest that the wider liability market is experiencing similar trends as the number of injury claim notifications to the Injuries Board seems to be plateauing, mirroring our own experience.

Our combined efforts are now beginning to deliver results as the latest indications suggest a moderation in overall claims volumes, and this is very welcome. However, the frequency of claims is nonetheless at excessively high levels and compensation is multiples of other jurisdictions. Addressing the causes of claims in tackling claims frequency remains a priority for all of us in IPB. However, while this is encouraging, the next step will require multiple stakeholders to collectively deliver on their respective roles in addressing disproportionately high levels of injury awards and the other factors influencing claim propensity.

As reported by the Personal Injuries Commission (PIC), the average soft tissue/whiplash-type injury awards are 4.4 times higher than that of our nearest neighbours in the UK. Implementation of the recommendations identified by the PIC is a central aspect of navigating these current challenges. The work of the Judicial Council has commenced, and the resulting outputs from their deliberations as to the optimum approach are due to be delivered in the coming months; this is undoubtedly one of the most important initiatives in recent times to address the overall cost of claims.

MEMBER ENGAGEMENT – CHALLENGES AND OPPORTUNITIES

We continue to maintain a high level of engagement with Members as we deliver on our commitments to support Members through increased protection, risk management and enhanced claims experience. A large part of our collective objective is to underwrite most or all of Members' insurable risks and to identify and cover any gaps in their risk exposures. It is in our mutual interest to drive better results in managing risk and reducing claims, and we are determined to support the absorption of Members' exposures and assist them in the effective management of their risks.

We have paid a dividend to Members every year since 2011, and over that time your mutual has paid €100m in dividends. The financial result in 2018, where we reported a loss for the year, meant that payment of a dividend in 2019 would not arise. However, following review, the Board decided to approve a special dividend of €5m, continuing our unbroken record of paying dividends.

We held our sixth Member Engagement Forum (MEF) in Athlone in October, where we welcomed our newly appointed nominees following the local government elections in May of last year. The annual MEF presents an opportunity to update nominees on developments at their mutual insurer. We have held these meetings since 2016 in support of our objective of enhanced engagement with nominees by meeting formally on an annual basis in addition to interaction at our AGM and more informal communications.

GOVERNANCE

IPB's Directors, in conjunction with the Central Bank of Ireland, are committed to ensuring the optimum composition of the Board to manage the delivery of IPB's strategic objectives. As part of our ongoing programme of Board succession planning, we engaged with nominees who expressed an interest in being considered for the role of Board Observer in support of future requirements for the role of Group Non-Executive Director. This exercise resumed on the appointment of Member nominees following commencement of the new local government term.

This latest phase resulted in the appointment of Mr Ronan McMahon as Board Observer in support of our ongoing programme of succession planning. The establishment of succession pools for Group Non-Executive Director roles is pivotally important to the process of securing regulatory support for IPB's Board composition and has proven to be a very successful component of our overall Board succession and composition plans.

In this context, we have continued to progress succession planning in respect of Independent Non-Executive Director roles with the appointment of Barbara Cotter to the Board following a recruitment and selection process conducted in late 2018.

CULTURE AND RISK

Getting the culture right is fundamental to the successful operation of any financial services organisation. A strong culture mitigates exposures to excessive risk, aids decision-making, promotes equitable treatment of customers and supports better overall performance. We take culture very seriously in IPB and have a clearly established set of values and behaviours that we work to daily.

These values include having our Members' interests at the centre of our considerations, and we will not accept risks or behaviours that are contrary to Member and wider stakeholder interests. Our culture in IPB is well established and continues to be embedded further; however, we are very aware of the need

We continue to maintain a high level of engagement with Members as **we deliver on our commitments to support Members** through increased protection, risk management and enhanced claims experience

to continually reinforce a positive culture. The Board of Directors is committed to ensuring regular assessments by taking a leadership role in sponsoring all culture-led initiatives.

CORPORATE SOCIAL ENGAGEMENT

Another area supporting our mutual values is our commitment to corporate social engagement. We commenced a partnership with the Department of Rural and Community Development in 2018, working with Social Innovation Fund Ireland in recognition of the involvement of our local authority Members. The second year of the Social Enterprise Development Fund resulted in a doubling of applications from social enterprises from every local authority area. These social enterprises are providing valuable economic, social and community services at a local level, and the fund aims to strengthen their long-term viability through a combination of funding and professional advisory supports.

I am pleased to report that we have renewed our support for a further two years. This will bring total support of social enterprise to €3.2m and will see at least one social enterprise from every local authority area receiving supports in 2020 and 2021.

At the end of the year, we also committed €300,000 to an initiative relating to the role of our ETB Members in delivering music education in partnership with our local authority Members and Music Generation. The fund was launched in Q1 this year and will be delivered over the next three years, resulting in the creation and development of musical instrument banks to provide greater access to performance music education for young people. Music Generation is Ireland's national music education programme that creates access for children and young people to high-quality, subsidised performance music education in their locality.

We are delighted to play our part in creating greater opportunities for young people, and we hope that this initiative will see thousands of students, many previously without access to performance music education, now benefit through the fund.

Another social engagement initiative approved in Q4 of last year was a one-year partnership programme to support the European Capital of Culture designation in Galway City and County. The fund will support local authorities' nationwide engagement with Galway 2020 in making the designation of European City of Culture a truly national initiative.

CONCLUSION

It is important to acknowledge the commitment of our Local Authority and ETB Members in working with their mutual insurer to mitigate their risk exposures and improve their claims experience. We are working in partnership with Members to deliver on our shared objective of reducing the cost of claims, and consequently Members' insurance costs, by optimising risk management and remediation. I am pleased to note that we see encouraging signs, and by working collectively in the spirit of mutuality I am certain we will see further progress in our aim to deliver better claims outcomes accruing to Members through our combined efforts.

Of course there is much more to be done, and by listening, anticipating and responding to Members' needs we will ensure that we are prepared to deliver on our mutual promise to protect their insurable interests as they deliver on their commitment to meet the needs of all their stakeholders.

George Jones
Chairman

Postscript
Covid-19 update, 13 March 2020

As we conclude our report for 2019 the outbreak of the Covid-19 pandemic is dominating global news. This is an unprecedented event that is causing significant challenges across all areas of personal and business life. The longer-term implications of the outbreak for the insurance industry are still very unclear, but in the short term there are likely to be financial and operational impacts. It is too early to assess the global and national economic impacts or potential effect on IPB as of today's date. It is however anticipated that there will be some level of negative impact, most notably on the investment portfolio. I am confident that we have sufficiently robust systems in place to address this current challenge.

1 CSO statistical release; New Dwelling Completions – 11 February 2020.

2 DAFT Rental Report Q4 2019.

3 European Commission Winter 2020 Interim Economic Forecast.

Chief Executive's Review

Michael Garvey

FINANCIAL PERFORMANCE

I am pleased to report that a very strong financial and operational performance was delivered by your mutual in 2019. This performance marks the third consecutive year that we have delivered an underwriting profit, achieving a €9.2m outturn for the year. At the same time, our overall performance was significantly enhanced by a much better than expected investment result, returning €44m over the period.

Our target is to achieve a net combined operating ratio (NCOR) of 95% on an annual basis, and for 2019 our NCOR came in ahead of target at 93.2% (2018: 94.7%). We are also mindful that we must demonstrate value for Members on an ongoing basis. We achieve this in several ways.

On an annual basis, we aim to deliver an expense ratio at or below 15%, which is significantly less than the insurance industry average of approximately 25%. In 2019 the net expense ratio result was 14.2%, an increase of 1.5% over the previous year. This increase was due to lower earned premium and higher costs associated with an investment in headcount, systems and improved work processes. Value is not determined purely by price, we also provide Members with value-added solutions not readily available anywhere else in the market, for example risk management advice, contractors advisory service and property valuations among others. During the year we introduced new and enhanced products tailored for your changing needs. These new and improved products include cyber insurance, crime cover and increased limits of indemnity for Members.

The combination of an excellent investment return and solid underwriting performance means that overall, we achieved a surplus before tax (SBT) of €53.2m. This result is in stark contrast to the 2018 financial year, in which we reported a loss before tax of €8.4m. This clearly underlines the impact and unpredictability of investment performance on our annual financial results.

UNDERWRITING PERFORMANCE

The improvement in our underwriting performance over the past number of years is very welcome and has been an area of particular focus for your mutual. This year our underwriting performance benefited from a combination of factors including a year-on-year improvement in claims frequency and a reduction in the margin for uncertainty applied to our claims reserves. Our robust underwriting and focus on risk management has

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delivered a modest improvement in our claims experience. The benefit of this focus will deliver year-on-year improvement in claims frequency and cost.

We generated gross written premium (GWP) of €159.2m during the year, down €2m compared to 2018. This levelling off in GWP is due to tempered rating action for 2019 compared to previous years as well as lower levels of retro-rated premium. The growth in GWP in recent years was mainly due to the transfer of Members' risks from their balance sheet to ours. Consequently, the scope for future GWP growth is somewhat limited, with future growth mainly coming from the take-up of new products designed to address Members' changing risk profile as new and emerging risks develop.

As outlined to Members in recent years, our focus must be on our core business of insurance. By achieving modest underwriting profitability consistently, we will ensure the sustainability of the mutual for the long-term benefit of Members. As demonstrated by the volatility of investment performance over the last couple of years, we can no longer rely on investment returns to supplement financial performance. It is essential that we operate to achieve a modest margin, as reflected in our target NCOR of 95% or better on a consistent basis.

As outlined to Members in recent years, our focus must be on our core business of insurance. By achieving modest underwriting profitability consistently, we will **ensure the sustainability of the Mutual for the long-term** benefit of Members

INVESTMENTS

The disappointing end-of-year investment performance in 2018 rebounded early in 2019. This trend continued throughout the first half of the year. For example, by the end of January we recorded investment gains of €10m, and by year-end our investment portfolio had delivered a strong return of 3.6%, coming in at €44m with substantial gains across most asset classes.

The year was dominated by geopolitical uncertainty mainly stemming from US-China trade talks and Brexit. In early 2019, markets rallied higher as the US Fed moved from interest rate increases to reductions. Throughout the year, approximately 50 central banks cut rates in response to the weakening global economy recording it's lowest growth levels for over a decade, exacerbated by the US-China trade war.

Returns on European fixed income investments benefited from interest rate cuts, a resumption of the ECB's quantitative easing (QE) bond-buying programme. Market volatility soared during the summer months as the US increased trade tariffs on China and fears of a Hard Brexit persisted. The demand for safe-haven assets such as government bonds peaked in August and the German ten-year bond yield reached all-time low levels. By year-end, both risks to US-China trade and a hard Brexit had lessened.

The IPB portfolio is well diversified with investments in government bonds, corporate bonds, property, equities and cash deposits. Over the year, increased investment allocations were made to corporate bonds, infrastructure and property funds in line with our asset allocation strategy.

Sustainability and climate change initiatives have begun to transform investing. In our investment process, the investment team measure environmental social and governance (ESG) factors both from a climate transition risk perspective and in relation to the growing evidence that companies that score poorly on ESG factors have lower profitability and investment ratings than their peers over the medium to long-term.

Looking ahead to 2020, fixed income returns are likely to be much lower than in 2019, given current yields. A further re-rating of equity markets may also prove difficult without the expected pick-up in global growth that should follow the co-ordinated central bank monetary stimulus of 2019. We remain mindful of the increasing impact of populism and protectionism and how these can impact our economies, investments and society. In late 2020, the US presidential election will be a key barometer for change and depending on the result, may not be as market friendly as the policies of President Trump were to US markets over the last four years.

FINANCIAL STRENGTH

IPB's solvency cover has reduced steadily from 4.3 in 2014 to 2.9 times the required margin under the Solvency II capital adequacy regime. The reduction in solvency margin can be attributed to two factors: our commitment to distribute €200m in retained earnings to Members and the increase in insurance risk exposure through the elimination of policy excesses and loss portfolio transfer.

Notwithstanding these two factors, I am confident that we have sufficient capital in place to ensure that we continue to have the capacity to underwrite the insurable risks that our Members face, now and into the future. With this in mind, we have introduced a range of new and enhanced products over the past few years, providing even greater peace of mind for Members.

Key to protecting Members is our robust reinsurance programme, which enables us to minimise volatility in earnings from large losses and catastrophic events. We have set the minimum credit rating for reinsurers that we do business with at A- in line with our own credit rating. Following a review of Members' limits of indemnity for PL and EL cover, we introduced higher levels of protection through increased limits at the start of 2020.

CLAIMS

Significant progress is being made by Members in the investment of their retained earnings distribution (RED) in addressing risk management. Our risk management team have been working closely with our local authority Members to assist in optimising the effectiveness of their remediation programmes for public-realm spaces, footpaths and roads. The targeted remediation of accident blackspots has greatly improved the risk profile of Members.

IPB is supporting Members with proactive risk management measures to identify hazards and reduce accidents. Key to this is the targeted remediation of hazards through the identification of claims black spots and significantly increasing the number of street and footpath surveys. We have worked closely with Members following the introduction of a road opening licence database, tracking works undertaken on roads and footpaths by third-party contractors. This is delivering very positive results as we have experienced an increase in indemnities secured on behalf of Members for slip and trip claims made in locations where reinstatements were carried out by third parties.

Indemnities and recoveries from third parties who bear or share responsibility for a claim continued to be an area of strong focus throughout the year. Indemnities secured during the year yielded €20m in savings, an increase of 29% over the prior year. During the year, we continued to invest in our anti-fraud capabilities with the recruitment of additional headcount and the use of new technologies. This investment helped deliver a 64% increase in measured fraud savings over the previous year, valued at €4.1m.

The number of claims finalised over the course of the year was 7,004, an increase of 6% on 2018 mainly due to increased claims volume from an enlarged Member portfolio. Meanwhile, net claims paid remained relatively unchanged year-on-year amounting to €76.5m (2018: €76m). Notwithstanding claims cost inflation in the market generally, the average injury claim cost in 2019, measured on a like-for-like basis, remained static when compared to the prior-year figures.

In addressing the wider claims environment, a considerable body of new legislation was enacted in 2019. Most notably, this included the Central Bank (National Claims Information Database) Act 2018, the Personal Injuries Assessment Board (Amendment) Act 2019 and the Judicial Council Act 2019. This legislation addresses, among other things, the establishment of a Central Bank-operated national database to provide enhanced macro claims statistical information and analysis. Other requirements stemming from legislation include earlier claim notification requirements, potential cost penalties to claimants who do not cooperate with the PIAB process; and the establishment of the Personal Injuries Guidelines Committee whose initial findings, we anticipate, will be published later in the year.

The initiatives undertaken by the Government, the Cost of Insurance Working Group and the Personal Injuries Commission are all to be welcomed. It is widely expected that the Judicial Council's review of injury compensation guidelines will contribute to a lowering of awards and greater consistency in quantum of compensation awarded.

During the year, we continued to invest in our anti-fraud capabilities with the recruitment of additional headcount and the use of new technologies. This investment helped deliver a **64% increase in measured fraud savings over the previous year** valued at €4.1m

MEMBERS

Risk Management and Remediation

In association with our local authority Members, IPB's risk management team collaborated on a roads and footpaths materials factsheet to support and endorse the Department of Transport Tourism and Sport's design manual for urban roads and streets. The manual will

By the end of the year, a total of **€125m of the €200m in retained earnings had been distributed** or allocated to Members with a further €75m to be distributed over the remaining three years

aid council architects and engineers on the most appropriate material selection and specifications for pedestrian and road surfaces. This is helping to bring greater consistency in the material used to ensure that they are adequately robust and slip-resistant throughout their lifespan.

We have worked closely with our local authority Members to support their risk remediation efforts, which is proving to have a significant impact on reducing the incidence of accidents where works are completed. In November we held our annual Roads and Footpaths Risk Conference focused on public-realm design and maintenance. Members shared results of remediation efforts undertaken in the past couple of years, which indicated a direct correlation between risk remediation investment and improvement in claims frequency. We are also providing risk management supports to several local authority Members currently engaged in large multi-million euro public-realm regeneration projects.

RED[1]

By the end of 2019 a total of €125m of the €200m in retained earnings had been distributed or allocated to Members, with a further €75m to be distributed over the remaining three years. A further €25m was issued to Members in the first quarter of 2020, bringing total RED payments to €150m. To date, we have paid out €105m in dividends since 2011. This, combined with €150m in RED payments, amounts to €255m paid to Members over the past nine years.

Listening to Members

Our annual Members' Satisfaction Survey is an important reference point for us in identifying any potential issues such as delivery on expectations or concerns in terms of managing insurable risks. I would like to thank all our Members for their continued engagement in recording yet another year of very high participation levels, with a response rate of over 70%. Our Members continue to report high levels of fulfilment, registering an overall satisfaction rate of 97% (2018: 94%). Overall, there was a marked improvement across almost all satisfaction metrics, which were the highest in the seven-year history of the survey. I am encouraged to see our Members continue to give IPB a very high trust rating at 98%, a strong endorsement of our mutual model.

Our Members' insurance handlers operate at the front line and it is important that we engage with them. By understanding their needs we can build an even closer working relationship with them to achieve better claims outcomes. This year, for the first time we sought feedback from insurance handlers across both local authority and ETB Member organisations. The purpose of the research was to assess and measure their customer experience. The experience index scored highly, averaging 87%, with respondents also expressing their appetite for increased engagement with IPB.

OUR PEOPLE

Culture, Values and Behaviour

We have continued to make solid progress in developing a workplace culture in line with our mutual ethos. Through our annual employee survey delivered by the Great Place to Work Institute, we have further strengthened our performance increasing our Great Place to Work score by 2% to achieve a very high score of 81%, propelling us into the top ten for medium-sized companies in Ireland.

I would like to acknowledge the support and effort of our colleagues throughout the organisation, including the Board of Directors, management and all employees, for securing Great Place to Work status for the third consecutive year. Our ranking of ninth puts us in a strong position to continue to attract and retain the best available talent in a very competitive and fluid recruitment market. These awards are just one of the ways that we measure progress on delivering on our commitment to the values and behaviours of our mutual ethos in the interest of our Members.

CONCLUSION

I am greatly encouraged by our strong operational performance for the year. We are beginning to see positive results across a number of key focus areas. Our multi-faceted claims strategy is delivering savings and efficiencies, resulting in better claims outcomes in areas such as increased indemnities secured and higher levels of fraud savings. We are beginning to see a slight reduction in frequency of public liability claims and a levelling off in the average cost of a claim in key lines. Should these indicators translate into a trend then it follows that Members can expect to see a reduction in insurance costs in the coming years.

The investment of retained earnings by Members remediation work to eliminate hazards is beginning to reap the rewards for our local authority Members as claims volumes stabilise. Based on recent data,

In 2017 we set ourselves a key target of delivering a **combined operating ratio of 95% or lower by 2020.** We have achieved this ahead of schedule

there are some early indications that our targeted approach to improving claims frequency is having the desired effect.

We continue to benefit from challenging incidence of fraud and we are committed to continued investment in risk management and incident prevention as related improvement in insurance costs and rating stability reaps the rewards for all stakeholders. The claims environment has seldom been the subject of such focus with all stakeholders taking an ever-greater role in discourse and debate regarding claims awards, frequency and the cost of insurance.

As we look ahead, there is reason for optimism. We see some improvement in claims frequency across our Members' portfolio thanks to their commitment to invest in risk management and remediation. Should we begin to see lower injury award levels as a result of the engagement of multiple stakeholders in initiatives such as the Judicial Council's Personal Injury Commission, then I am confident that we will see much-needed improvement in the cost of insurance for our Members and the wider market.

Michael Garvey
Chief Executive Officer

Postscript
Covid-19 update, 13 March 2020

At the time of finalising this report, we have fully activated our business continuity plan and transitioned almost all business operations and employees to a remote working model. We are committed to ensuring that we comply with our duty of care and obligations in respect of health and safety towards our employees, contractors, clients and visitors in all matters relating to management of this virus. In addition, we are very conscious of the fact that you, our Members are also significantly impacted by Covid-19 and we remain in close and continuous contact with your organisations to ensure continuity of service and meet our insurance obligations as they fall due.

Covid-19 is an evolving risk which we will continuously monitor and seek to mitigate as much as possible throughout 2020 and as we close out our report it is clear that the impact of this Global public health crisis presents an unprecedented challenge that cannot be truly assessed at this present time.

1 Following the financial loss reported in 2018, the Board made a decision to issue a special dividend of €5m to Members. The special dividend, financed from the 2022 portion of the RED, issued to Members in Q2 2019. As a result of the strong financial performance in 2019, the 2022 portion of the RED fund will be fully replenished.

Corporate Social Engagement (CSE)

1 Social Enterprise Development Fund

The SEDF is a €1.6m fund created by Social Innovation Fund Ireland (SIFI) in partnership with Local Authorities Ireland. In December 2017, IPB embarked on a two-year partnership with SIFI to support social enterprise development nationwide. Awardees for the second year of the fund (2019) were chosen from a pool of 200 applicants from almost every county in Ireland. Sixteen successful applicants received funding ranging from €10,000 up to €50,000, as well as securing places on Ireland's most prestigious accelerator programme. IPB have committed to a further two-year partnership with SIFI, resulting in an additional fund of €1.6m over the next two years.

2 Galway 2020 European City of Culture

In collaboration with our Members, IPB announced a partnership programme with Galway 2020 and all 31 local authority Members. The partnership will provide support for engagement by local authorities nationwide with Galway 2020 in making the designation of European City of Culture a national initiative. Additionally, IPB has identified a community-based sponsorship as part of the year-long programme of Galway 2020 events.

3 ETB Music Generation Fund

IPB have committed €300,000 to ETBs and Music Generation over three years to create a fund that will result in the creation and development of musical instrument banks to provide greater access for young people to high-quality, subsidised performance music education in their locality. Speaking at the launch of the fund, IPB Chairman George Jones said: "We are delighted to support our ETB Members in creating greater opportunities for young people and we hope that this initiative will see thousands of students, many previously without access to performance music education, now benefit through this fund."

4 Pride of Place

IPB Pride of Place is an annual competition organised by Co-operation Ireland and sponsored by IPB Insurance. It promotes and celebrates the best in community development and recognises the selfless efforts of volunteers in making their local neighbourhoods better places to live, work and socialise. Kilkenny County Council hosted the 17th Annual All-Ireland Pride of Place Gala Awards Ceremony, which took place in the beautiful medieval city of Kilkenny. 1,000 attendees enjoyed this year's gala awards ceremony with 100 communities north and south being recognised in 2019.

Financial Highlights

It was a good year as investments returned to positive territory and resulted in an overall return of €44m. This along with a positive underwriting result of €9.2m resulted in an overall surplus before tax of €53.2m compared to a prior-year loss of €8.4m.

€159.2m
Gross Written Premium

Gross written premium **fell by 1% year-on-year** due to a moderation in rating adjustments and lower than projected retro premium among other factors.

14.2%
Expense Ratio

Our operational expenditure ratio at 14.2% is **well ahead of our target of less than 15%** and compares favourably with industry norms (circa 26%).

€9.2m
Underwriting Performance

The improvement in the net underwriting result is due to an **adjustment on the margin of uncertainty for reserving purposes** and slight moderation in claims performance.

€44m
Investment Result

Investment performance exceeded forecasts and served as the primary driver of the reported surplus for the year. The **€44m investment return was a strong performance** when compared to an investment loss of -€15.7m in 2018.

93.2%
Net Combined Ratio

The NCR for the year **improved to 93.2% compared to 94.7% in 2018** and is ahead of our strategic target of 95% per annum.

2.9
Solvency Margin

2.9 times the capital required under Solvency II. We are committed to maintaining our strong capital position to support our strategic objective of maximising coverage for Members.

Operational Highlights

We continue to benefit from claim process enhancements and the introduction of new products.

6,768
Notified

€4.5m
Recoveries

€89.8m
Paid

€4.1m
Fraud savings

€20m
Indemnities

CLAIMS

Claims notified **decreased year-on-year,** however excluding the impact of Member risk transfers in 2018, claims frequency has moderated year-on-year.

We continue to see very strong progress in securing indemnities from third-party agents and their insurers, **recording a 29% increase in indemnities year-on-year.** This is being driven by enhancements to record-keeping through working in partnership with our Members, and speedier response and resolution times.

We continue to see our investment in fraud identification management yielding strong levels of savings.

€25m
Retained Earnings Distribution

€1.3m
Corporate Social Engagement

7 Risk Guides

3 Risk Conferences

31
Member Insurance Reports

97%
satisfied overall in annual Member Satisfaction Survey

81%
staff satisfaction in Great Places to Work Survey

MEMBERS

A key strategic priority for IPB is **enhanced service delivery and value provision** for Members.

We continue to distribute retained earnings to Members as outlined in our strategic plan which committed to return €25m to Members in 2019. As a mutual, supporting Members' communities is central to our ethos and in Q4 of 2019 we committed €1.3m to social engagement initiatives in partnership with our Members.

A number of new initiatives undertaken during the year include the **roll-out of detailed insurance reports** for all local authority Members. This report gives a comprehensive picture of Members' risks and coverage, and identifies any gaps in cover that may exist. A core principle of our insurance offering is the management and remediation of risk. During 2019, we delivered **in excess of 100 engagements** with Members as well as **three risk conferences.** In addition to this, we introduced **seven new risk guides** to our existing suite.

Listening to our Members is fundamental in ensuring that we meet their needs. The annual **Member Satisfaction Survey recorded the highest satisfaction levels** since measurement began in 2013.

Adding value for our Members

Our focus for the year centred on the delivery of our stated objectives of transferring more of our Members' insurable risks from their balance sheets to ours and supporting Members in the management and mitigation of their insurable risk.

Claims

We continue to invest heavily in claims management strategies, primarily focused on the key resource areas of people, process and technology. This has led to **significant improvements in claims outcomes** indicated by increased fraud and indemnity savings, enhanced claims data and life cycle management resulting in tighter control of claims costs. Overall, claims notified have increased in recent years due to Members transferring most or all of their insurable risks to their mutual. However, on a like-for-like basis, claims frequency has moderated in 2019.

Underwriting

Our insurance offering has continued to evolve with **a focus on maximising protection for Members** and enhancing transparency around cover and pricing. During the year we introduced a number of products and underwriting adjustments to reflect the changing risk profile and needs of our Members. We launched **cyber insurance and crime cover products** during the year and have witnessed steady take-up by Members. In support of meeting Members' needs, **a comprehensive annual insurance report** was developed for individual local authority Members to provide an easy-to-understand guide to all of their insurance policies as well as the identification of any gaps in cover that may exist.

In support of meeting Members' needs, a **comprehensive annual insurance report** was developed for individual local authority Members to provide an easy-to-understand guide to all of their insurance policies

Risk Management

As part of our evolving risk management offering, we have developed **new tools for Members** to assess their various risks. This complements our risk advisory offering as it empowers Members to take ownership of their risk register and to audit these risks on an ongoing basis.

Member Relations

Last year we reported a loss for the 2018 financial year and consequently as per our Dividend Policy no dividend would accrue to Members in 2019. Reflecting the spirit of our mutual ethos and the longstanding loyalty of our Members, **the Board approved a special dividend of €5m.** This payment issued to Members in June of last year.

Our Strategic Priorities

We continue to engage with Members on a regular basis to ensure that we are meeting their needs.

Integrated Claims Strategy

Our integrated claims strategy is based on a **combination of tactical activities** including fraud identification and investigation, litigation strategies, engineer engagement and a variety of process improvements.

Risk Management & Remediation

Through increased Member awareness and the provision of data we are proactively **supporting risk management and the elimination of hazards** that would otherwise result in future claims. This will ultimately result in a reduction in Members’ claims costs.

Retained Earnings Distribution

In 2019 IPB continued to release retained earnings as part of the **commitment to release €200m over a period of five years.** Total funds distributed to Members since 2018 is €125m with a further €25m, to be paid in 2020.

Integrity & Transparency

We continue to work closely with our Members through continued **progression of our Management Information (MI)** particularly in relation to claims along with enhanced communication in key areas such as pricing methodology and insurance coverage.

Modified Community Pricing

In support of our commitment to provide greater transparency and equity for Members, we introduced modified community pricing in 2017. This approach features the **benefits of community rating while also bringing greater equity for individual** Members through adjustments to reflect Members’ individual claims experience.

Our position as a mutual allows us to make decisions in the best interests of the company, informed by Members' experiences and uninfluenced by shareholder considerations

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Governance and Control at IPB

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

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

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

The above provisions are reinforced via clearly defined lines of responsibility and authority, while our integrated assurance framework underpins the 'three lines of defence' risk management system with the first line comprising business operations, front-line operations and internal control, the second line comprising risk and compliance, and the third line comprising internal and external audit.

The Board confirms the application of an **ongoing and regularly reviewed process** for identifying, evaluating and managing IPB's significant risks

Corporate Governance Leadership Statement

IPB ensures compliance with Articles 44-51 (System of Governance) of the EU (Insurance and Reinsurance) Regulations 2015 (S.I. No. 485 of 2015) and while not designated a high-impact institution per the Requirements, IPB is committed to applying best practice in corporate governance standards.

ROLE OF THE BOARD

The Board's key role involves leadership and oversight of the chief executive officer's effective implementation of the business strategy. The chief executive officer is responsible for leading the Board and ensuring the full participation of each Director.

Constructive challenge by the Board to Management is critical in providing assurance to IPB's stakeholders that the business and its Management team apply appropriate governance standards in meeting the goals and objectives of the business.

COMPOSITION OF THE BOARD

Board membership is consistent with regulatory requirements and responsive to the evolution of IPB's strategic direction. The Board, following Central Bank of Ireland consultation on its optimum composition, is comprised of four group non-executive Directors, three independent non-executive Directors and two executive Directors. Each Board member participates in a comprehensive training and development programme to ensure continual skills enhancement.

THE KEY ROLE OF THE BOARD, AND BOARD AND COMMITTEE MEETING PROTOCOL

The Board requires its Directors to act in the best interest of the business and be independent of any other institution, management, political interests or inappropriate outside interests, including their own. In advocating a requirement for transparency at all levels of the business, the Board has elected to require a declaration of conflicts of interest by Directors as a standing agenda item at its Board and committee meetings. A Conflicts of Interest Policy features as part of the Business Code of Conduct Policy, which the Board has approved as part of this objective, and the directors have, during 2019, satisfied the requirements of independence in line with the Fitness and Probity Standards. Prior to each Board and committee meeting, each Director is provided with papers in a timely fashion and the company secretary acts as the central reference point for management of Board and committee meetings, coordination of documentation and attendance to procedural compliance with regulatory control requirements. Where a Director requires additional information, expertise or guidance they can call upon any member of the Management team to provide oral briefings or written reports or seek external expertise in consultation with the company secretary.

BOARD PERFORMANCE

The Board undertakes an annual written evaluation of its performance and that of its committees and Directors with actions agreed on identifying enhancement opportunities such as the prospect of

IPB is committed to **applying best practice in corporate governance standards.** This commitment is led by the chairperson and Board of IPB working together with all staff and is illustrated by adherence to IPB's obligations in 2019 a rotation of the role of committee chairpersons. An independent review of the Board's effectiveness was undertaken in 2019 in line with governance provisions. The role of chairperson is elected annually by the Board and, in line with the requirements, each Director's role is reviewed and retired or renewed and re-elected as appropriate via the annual evaluation process. A further review is conducted every three years following initial appointment and a formal review of the membership of the Board of any person who is a Director for nine years or more is conducted on an annual basis, with written documentation of the rationale for any continuance submitted to the Central Bank of Ireland by the Board.

An independent review of the Board's effectiveness was undertaken in 2019 **in line with best practice** adherence to governance provisions

TERMS OF REFERENCE AND RESERVED POWERS – RESPONSIBILITY

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

The Board of Directors

George Jones
Chairman & Group Non-Executive Director

George is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland. He has spent in excess of 40 years working in the insurance industry, holding management roles in the areas of corporate, personal, commercial and human resources. George has extensive experience of local government having been associated with Wicklow County Council and Greystones Town Council for nearly 40 years.

Michael Garvey
Chief Executive Officer & Executive Director

Michael is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland, and is a fellow of the Association of Chartered Certified Accountants. Michael has over 30 years' experience in the insurance industry in various leadership roles and has developed extensive director experience at Board and shareholder level in working with two of Ireland's largest insurance companies over a period in excess of 20 years.

Enda Devine
Finance Director & Executive Director

Enda is a fellow of the Association of Chartered Certified Accountants, a fellow of the Institute of Bankers, a member of the Institute of Directors in Ireland and a member of the Insurance Institute of Ireland with a diploma in information systems awarded by Trinity College Dublin. He has held a number of senior executive and board-level positions in leading financial services organisations throughout a period of almost 20 years.

Sean O'Grady
Group Non-Executive Director

Sean is a member of the Institute of Directors of Ireland and the Insurance Institute of Ireland, with considerable knowledge in the insurance industry gleaned from over 30 years of professional experience. He has served as mayor of Killarney on five occasions, is a former member of Killarney Town Council with over 40 years' experience, and is a founding member and former Director of Killarney Credit Union.

John Smyth
Independent Non-Executive Director

John is a chartered Director, chartered governance professional, and fellow and past president of the Institute of Directors in Ireland. He is also an independent non-executive member of the Board of the Department of Finance, Northern Ireland and is chairman of its Audit and Risk Assurance Committee. He is a professional corporate governance specialist with extensive experience in Ireland, the United Kingdom and Europe and he has been awarded a diploma in corporate governance by University College Dublin and a diploma in company direction by the Institute of Directors in the UK.

Caitríona Somers
Independent Non-Executive Director

Caitríona is a chartered Director and fellow of the Chartered Insurance Institute and the Chartered Institute of Loss Adjusters, with a diploma in company direction and an MSc in business and digital innovation. She has extensive experience of the general insurance industry developed throughout her career, during which she spent ten years as CEO of the Irish subsidiary of a global loss adjusting, claims management and risk solutions firm and was a member of the executive global leadership team of the group. She is a regular contributor at industry fora in relation to issues such as ethics and technology in insurance.

Barbara Cotter
Independent Non-Executive Director

Barbara is a chartered Director and member of the Institute of Directors in Ireland and a solicitor. Formerly a senior partner with one of Ireland's leading law firms, she has extensive experience of the financial services industry having spent her executive career advising major Irish and international financial institutions on banking and finance law.

John Hogan
Group Non-Executive Director

John previously served as a county councillor for Tipperary from 1999 to 2019 with an unbroken record of public service. He also served as a member of the former Tipperary VEC and Tipperary ETB from 1999 to 2019, and was appointed chairman from September 2014 to 2019. John served as president of Education and Training Boards Ireland (ETBI) during 2019, having been elected for a one-year term in September 2018, following on from his tireless work at local and national level for the ETB and broader education sectors over the past few years. John also has a diploma in corporate direction from UCC and a professional certificate in governance from UCD and the Institute of Public Administration.

John Clendennen
Group Non-Executive Director

John has been an elected representative to Offaly County Council since 2014. He holds diplomas in business studies and in international hotel management as well as a master's in business studies and marketing from UCD Michael Smurfit Graduate Business School. He has a particular interest in business development and marketing, and his career has involved working in compatible roles with several five-star hotel establishments. He is currently responsible for the management and operation of Giltraps Pub, Townhouse and Glamping in Co. Offaly.

MEETINGS ATTENDED

			BOARD 9 meetings in 2019*	AUDIT COMMITTEE 4 meetings in 2019	INVESTMENT COMMITTEE 4 meetings in 2019	REMCO 5 meetings in 2019	RISK COMMITTEE 4 meetings in 2019
NAME	APPOINTMENT DATE	TERM ON THE BOARD (YEARS / MONTHS)	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE
George Jones Chairman & Group Non-Executive Director	25 May 2006	13.7	Chairman 9	Invitee 3	Invitee 4	Member 5	Member 4
Michael Garvey Chief Executive Officer & Executive Director	02 September 2016	3.3	Member 9	Invitee 4	Member 4	Invitee 4	Invitee 4
Enda Devine Finance Director & Executive Director	02 May 2012	7.7	Member 9	Invitee 4	Member 4	Invitee 4	Invitee 4
Sean O'Grady Group Non-Executive Director	29 May 2008	11.7	Member 9	– –	Member 3	Invitee 1	– –
John Smyth Independent Non-Executive Director	21 July 2011	8.5	Member 9	Chairman 3	Member 3	Member 4	Invitee 1
Caitríona Somers Independent Non-Executive Director	01 July 2017	2.5	Member 9	Member 4	– –	Chairwoman 5	Member 4
Barbara Cotter Independent Non-Executive Director	13 December 2018	1.1	Member 9	Invitee 1	– –	Member 5	Chairwoman 4
John Hogan Group Non-Executive Director	01 January 2019	1	Member 9	Invitee 1	Chairman 4	Member 5	Member 4
John Clendennen Group Non-Executive Director	01 January 2019	1	Member 9	Member 4	Member 4	Invitee 1	Invitee 2

* Including two Board strategy days

The Board Committees

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

THE AUDIT COMMITTEE

During 2019, the Audit Committee was extensively engaged in overseeing internal audits in the context of the scheduled internal audit plan for the 2019 period including in respect of the claims function, the investments function, the human resources function, regulatory reporting, the Company's approach to Own Risk and Solvency Assessment and Corporate Governance.

These exercises were undertaken along with associated reviews by the risk and compliance functions as part of an integrated assurance approach to evaluating IPB's control framework. The Audit Committee also engaged with the development of IPB's data protection frameworks in the context of the requirements of the GDPR with progression of workstreams supported by a framework involving regular reporting by a dedicated project team and continued evaluation of the approach. This activity was managed in addition to the discharge of responsibilities specified in the Audit Committee's Terms of Reference which include, among other things, reviewing and monitoring the integrity of IPB's financial statements and the judgments therein for Board recommendation, reviewing the terms of engagement, aptitude, independence and annual plans of the auditors and making Board recommendations, and assessing internal controls.

The Audit Committee chairman has outlined his role and the Audit Committee's objectives over the coming year as *"supporting on-going attentiveness to securing assurance for stakeholders as to the accuracy and reliability of information by cultivating a culture of constructive challenge in engaging with the business. The committee members have been actively involved in discharging their responsibilities during 2019 through focused interrogation of material and extensive analysis of review outputs. Priorities for 2020 will include determination in conjunction with the Board of rotation arrangements associated with external audit and internal audit representatives and ensuring continued vigilance in Audit Committee activity".*

THE RISK COMMITTEE

The Risk Committee is responsible for overseeing IPB's risk management functions by identifying, measuring, managing, monitoring and reporting on IPB's risk exposures. It advises the Board on risk strategy and policy in line with IPB's risk appetite and system for monitoring alerts and proximity warnings to ensure the application of pre-emptive actions in advance of potential breaches.

2019 has seen the continued evolution of IPB's risk framework, particularly in relation to risk culture and risk monitoring in the context of interrelatedness with integrated assurance activity and there is a growing focus on emerging risks, most notably climate change.

During 2019, the Risk Committee oversaw the development of IPB's recovery and resolution framework and actively engaged in an extensive review of IPB's Own Risk and Solvency Assessment with cognisance at all times of the ever-evolving nature of the company's operating and regulatory environment.

The Risk Committee chairwoman has articulated the Risk Committee's objectives over the coming year as *"further supporting the enhancement of IPB's risk framework through engagement with business functions in identifying opportunities for refinement of risk*

2019 has seen the **continued evolution of IPB's risk framework,** particularly in relation to risk culture and risk monitoring

culture reflective of the risk functions' responsiveness to IPB's on-going evolution".

THE INVESTMENT COMMITTEE

The Investment Committee's remit, as detailed in its Terms of Reference, includes reviewing and monitoring the application of IPB's Investment Policy in line with the Risk Appetite Statement in order to produce the best possible returns in recognition of solvency requirements and regulatory provisions. It undertook the activity outlined above in 2019 in addition to assessing IPB's Investment Strategy as supported by the investment team. The Investment Committee also responded to ongoing geopolitical issues including Brexit developments and their impact on the investment landscape. The annual review of IPB's investment portfolio was undertaken in the context of its performance and the performance of the asset markets generally, and the property portfolio was assessed in conjunction with an analysis of anticipated challenges and opportunities. The Investment Committee chairman has commented on its activities throughout the 2019 period and on the focus to be applied into 2020 as follows: "The continual review of internal and external factors in setting strategy together with ensuring on-going agility in its execution to support sustainable securing of stakeholders' interests".

The committee is also responsible for Board recommendation of IPB's **Remuneration Policy, non-executive Director fee structures, and the remuneration of executive Directors**

THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee engages in succession planning for the Board and senior Management with the objective of maintaining the necessary balance of skills, knowledge and experience required to support the securing of the company's objectives. The committee oversees the application of the company's Remuneration Policy in line with regulatory provisions and in support of delivering the company's strategy.

The committee's performance of its role in 2019 involved a focus on diversity and IPB's people agenda, which included enhancement of IPB's approach to diversity and inclusion through investment in learning and development initiatives and further focus on performance management with the objective of securing sustainable improvements in individual and collective outputs and an ensuing positive impact on IPB's overall organisational culture. The chairwoman has commented on the engagement by the committee in performing its duties throughout 2019 as follows: *"The committee's contribution during 2019 to the Board's discharge of resourcing responsibilities has involved recognition of and responsiveness to the opportunities and challenges arising in the context of the ever-evolving nature of the internal and external operating environments. Regulatory and industry developments continue to inform the committee's approach to supporting the Board's succession planning efforts from a Management and Board perspective and ensuring the on-going equilibrium of the teams supporting the business.*

"The committee is committed to supporting the company's progressive approach to serving its Stakeholders and central to this is the focus for 2020 on supporting structures to secure a diverse and inclusive workplace aligned with the interests of Members and clients and best equipped to address the organisation's needs, and deliver value for Members and clients in the course of activities now and into the future".

Integrated Assurance Framework

IPB operates an its integrated assurance framework, which aims to promote effective cooperation between internal audit, compliance and risk as well as front-line activities. Ultimately, the goal of integrated assurance is to collectively identify, monitor, manage and provide assurance to the Board regarding the key risks to the business, as well as the adequacy of the controls mitigating these risks. The approach to assurance within IPB is best characterised by reference to the standard best practice 'Three Lines of Defence' model:

1st LINE

BUSINESS & FRONT-LINE OPERATIONS

The **First Line** are responsible for ensuring that a risk and control methodology is established as part of day to day operations including identification of the key risks.

2nd LINE

COMPLIANCE & RISK

The **Second Line** are independent of the first line and provide challenge, oversight, advice and support with regard to first line activities.

3rd LINE

INTERNAL & EXTERNAL AUDIT

The **Third Line** are independent of both the first and second lines and provide independent challenge, audit of key controls and formal reporting on assurance.

Risk Management

RISK MANAGEMENT STRUCTURE

Risk management is central to safeguarding the promise that IPB makes to its policyholders, and is essential in protecting the interests of all Stakeholders. The Board is responsible for ensuring that risk is effectively managed by those involved in running the company on a day-to-day basis. The Board establishes prudent and effective controls to manage risk via the risk framework and sets the company's appetite for risk via the Risk Appetite Statement.

The Risk Committee assists the Board with its oversight of risk and risk management. It meets at least four times per year and follows a structured approach that covers all key risk types within the business, including emerging and strategic risks. The Risk Committee is advised by subject-matter experts on risk management matters relating *inter alia* to the areas of underwriting, claims, investments, risk and compliance.

Risk management is core to all business activities and staff are guided by the company's Risk Appetite Statement as well as documented policies and procedures, underpinned by an active and embedded risk management department.

The risk framework describes the company's system to **identify, measure, manage, monitor and report on risks** in the business. It ensures that risk management is aligned with the company's strategic objectives and it is guided by seven key principles

THE RISK FRAMEWORK

The risk framework describes the company's system to identify, measure, manage, monitor and report on risks in the business. It ensures that risk management is aligned with the company's strategic objectives and it is guided by seven key principles. Implementation of the risk framework relies on a system of integrated risk management tools that promote a culture of risk management throughout the company.

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

A dynamic operational risk register is the key tool in the management of operational risk. The risk management department **engages with staff at all levels to ensure a detailed understanding of the various operational risks** to which the company is exposed

monitored daily. Procedures are in place to reduce risk levels should adherence to operating limits be threatened.
Risk and other company policies define the formal risk management and risk control requirements of the company. The effectiveness of policies and key controls is regularly reviewed and tested.

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

The Risk Committee and the Board are regularly 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.

The ORSA is a forward-looking assessment of the strategy of the business along with the risks attached to that strategy. It considers the overall capital needs of the company with reference to a wide range of stressed scenarios. It also considers other risks that may be outside the scope of the Standard Formula. The company continues to evolve the ORSA in line with Solvency II guidelines as well as the profile and strategy of the company.

THE RISK FUNCTION

The risk function, led by the director of risk and compliance, is responsible for the design and implementation of the risk framework within IPB. The risk function is independent of other business units and has adequate resources and authority to operate effectively. The risk function's role includes effective oversight of and contribution to discussions on risk management and risk-related matters within IPB. Core responsibilities include:

- To identify, measure, manage, monitor and report on risks to the business
- To implement the company's risk framework and risk-related policies
- The overall coordination of the ORSA, including oversight of IPB's capital model
- To report on risk matters to the Board and the Risk Committee, including providing a comprehensive risk report for Board and Risk Committee meetings
- The promotion of a strong risk culture.

Compliance and Regulatory Framework

IPB is a company limited by guarantee that trades as IPB Insurance and is authorised by the Central Bank of Ireland (Central Bank) under the European Union (Insurance and Reinsurance) Regulations 2015 (Statutory Instrument No. 485 of 2015) to carry out non-life insurance business. IPB is an authorised 'insurance undertaking' and therefore operates its business in compliance with the regulatory requirements for insurance companies.

THE IPB COMPLIANCE framework is the framework for the management of compliance risk within IPB. The framework is based on best practice within the insurance industry. IPB strives to provide its Members, clients and staff with confidence that the appropriate regulatory controls are embedded within its business. This ensures that the company continues to deliver consistency to Members and clients in a positive and commercially competitive manner. In the current regulatory environment, compliance is a clear driver for the success of IPB in the market and, as such, IPB continues to invest in its processes, policies and people to maintain a high level of compliance in every aspect of its business.

RESPONSIBILITIES TO THE BOARD

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

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

SCOPE, UNIVERSE AND THE ROLE OF THE COMPLIANCE FUNCTION

As defined in the IPB compliance framework, the compliance function is a control and advisory function that is an integral part of the 'three lines of defence' and risk management system within financial services firms. The compliance function complements IPB's other assurance functions such as internal audit and risk in the provision of advice to the business and the monitoring of IPB's compliance with all applicable legislation, regulation, codes and guidelines issued by the Central Bank of Ireland and other regulatory bodies.

The compliance universe of laws and regulations governing activities carried out by IPB is broad and consists of a vast number of requirements set at national, EU and international levels including but not limited to the following:

- Consumer Protection Code 2012
- General Data Protection Regulation
- Solvency II
- Conduct of Business Requirements
- Corporate Governance Requirements for Insurance Undertakings 2015
- Minimum Competency Code 2017
- Fitness and Probity Standards
- Legislation and guidelines at EU and international levels.

ROLES AND RESPONSIBILITIES OF THE COMPLIANCE FUNCTION

The role of the compliance function is to provide sufficient assurance to the Board in order to enable the discharge of its statutory duties to ensure adherence to relevant obligations. The key objectives

IPB strives to provide its Members, clients and staff with confidence that the appropriate regulatory controls are embedded within its business. This ensures that the company **continues to deliver consistency to Members and clients** in a positive commercially competitive manner

of the compliance function are as follows:

- The provision of advice to Management and the Board on existing and emerging laws and regulations
- The provision of guidance and education of staff and Management on compliance matters, dealing with queries, and the review and implementation of compliance procedures within business areas
- The implementation of the compliance framework
- The identification, assessment and monitoring of compliance risk by performing compliance-monitoring activities
- The implementation of statutory responsibilities and liaison with regulatory and other statutory agencies
- The implementation of a compliance programme founded on a risk-based compliance plan of activities performed annually and reviewed on an ongoing basis according to time, resources and required coverage
- The undertaking of other activities driven by business requirements.

IPB continues to operate to the highest compliance and regulatory standards possible. This is only achievable with the direct participation of staff, Management and the Board as leaders of the business.

COMPLIANCE AND ETHICS

Compliance is not limited to the embedding of regulatory requirements to ensure compliance as a financial institution; rather, IPB seeks to operate from the position of a positive and clear ethical background in order to support the people of the business in their day-to-day management of situations that may cause any ethical concern to them.

Key policies and procedures supporting this objective include those relating to the Whistleblowing Policy and business code of conduct, processes concerning the management of third parties and parties personally known to staff, processes supporting the maintenance of standards of staff behaviour, and general policies concerning conflicts of interest and the giving or receiving of gifts or hospitality to or from customers, suppliers or other third parties.

Functional Internal Control

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

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

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

OUTSOURCING

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

INTERNAL AUDIT

IPB has outsourced the role of internal audit to an independent third party, KPMG. The internal audit function provides objective and independent assurance to the Board, Management, Members and all other stakeholders that a robust internal control framework is in place while constantly striving to independently recommend enhanced operational controls as appropriate. The internal audit function, on an annual basis, implements a schedule of internal audits and reviews across all functions, including the Board as part of their remit. Internal audits are carried out using a risk-based approach, and address, *inter alia,* compliance risks, operational risks, systems integrity and the safeguarding of assets.

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

The internal audit function provides **objective and independent assurance** to the Board, Management, Members and all other stakeholders that a robust internal control framework is in place

We are proud to be Ireland's only indigenous mutual insurer with over 90 years' experience in underwriting major property and liability risks.

Management Analysis, Financial Statements & Other Information

Management Analysis 034

Other Information 121

Financial Statements 048

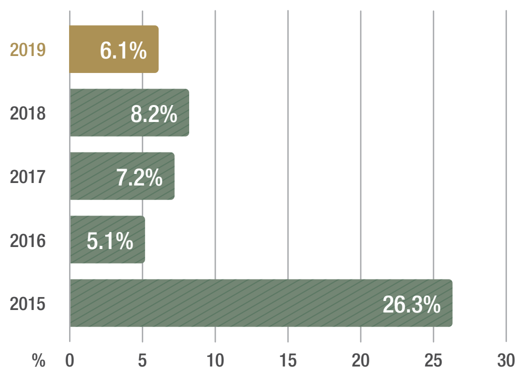
Management Analysis

MARKET CONTEXT

Economic growth remains resilient in 2019 in the face of significant headwinds from weak world demand and heightened Brexit related uncertainty.

Economy
Gross Domestic Product Growth

6.1%
with underlying domestic demand growing by 4%

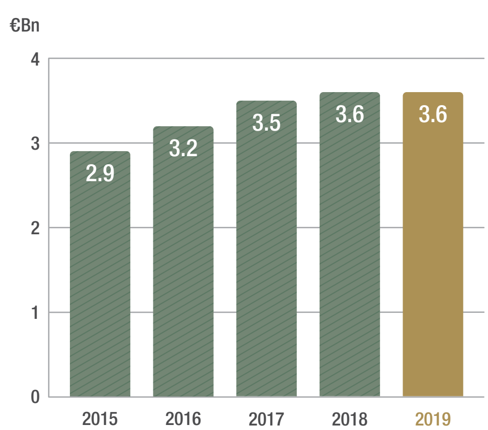


- The economy grew by 6.1 per cent in 2019, with an underlying domestic demand growing by around 4 per cent.
- Continued strong gains in employment and rising incomes supported ongoing growth in domestic economy activity, and consumption grew strongly in 2019 despite a marked weakening in consumer sentiment.
- There was strong growth in exports in pharmaceuticals and chemicals and computer processors.

Source: Central Bank Quarterly Bulletin February 2020.

Industry
Irish Non-Life Insurance Market

€3.6bn
The estimated value of the Irish non-life insurance market in 2019



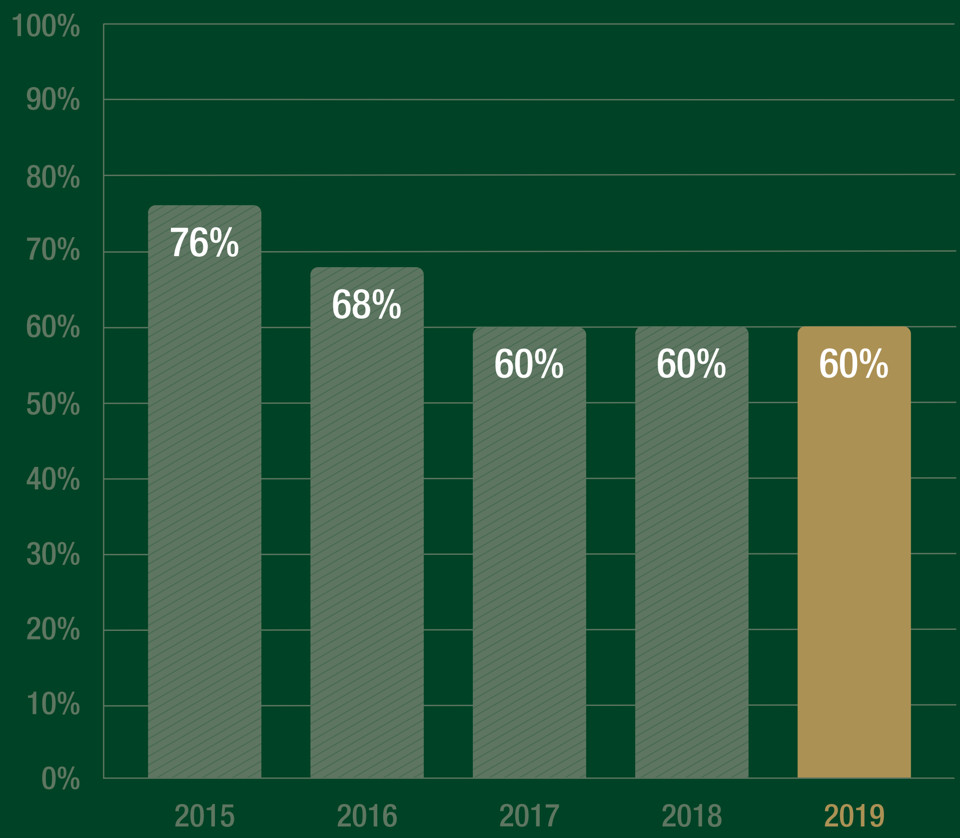
- The Irish non-life domestic insurance market has continued to grow to an estimated €3.6bn of Gross Written Premium.

Source: Insurance Ireland, GWP Q2 2019 plus estimates Q3 & Q4 2019.

MARKET CONTEXT (continued)

Claims Environment

Market Gross Loss Ratio



60%

The estimated market gross loss ratio

- There has been a gradual decrease in the market gross loss ratio from 2015 to 2017 and we estimate that this ratio will remain at c. 60% for 2019 (market data for the full year is not available until later in 2020).

Note: Market Gross Loss Ratio % = Gross Claims Incurred/Gross Earned Premium %.
Source: Insurance Ireland Data + Estimates

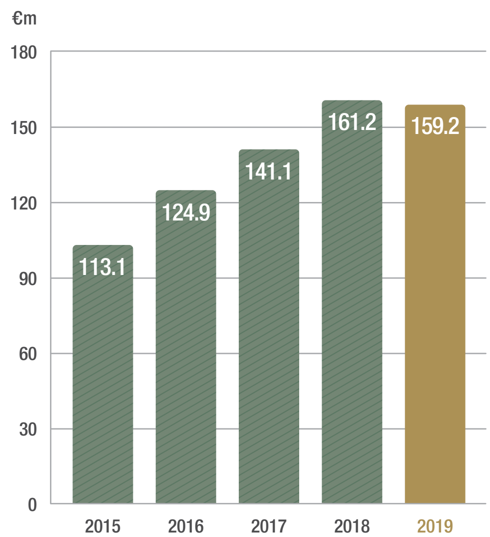
FINANCIAL HIGHLIGHTS

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

Gross Written Premium

€159.2m

Gross written premium is €2m (1%) lower than in 2018

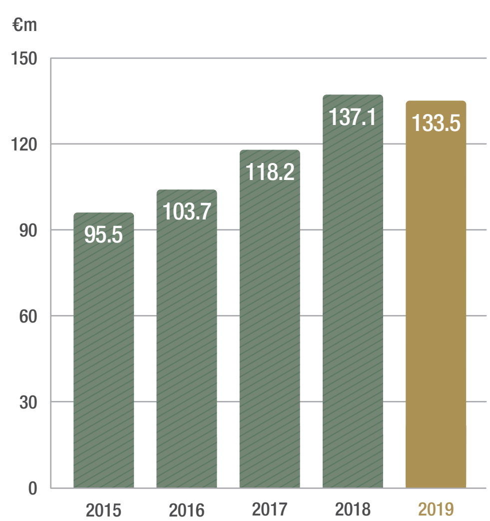


- Gross written premium contracted by €2m in 2019 mainly due to lower levels of retro-rated premium.
- Retention rates are circa 98%.

Net Written Premium

€133.5m

Net written premium is €3.6m lower than 2018



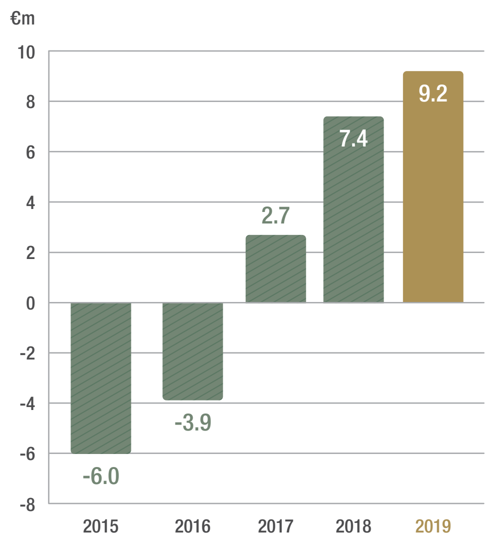
- Prudent reinsurance policy in place.
- Reinsurance profile largely unchanged year on year.

FINANCIAL HIGHLIGHTS (continued)

Net Underwriting Result

€9.2m

Net underwriting result has improved by €1.8m in 2019 to €9.2m

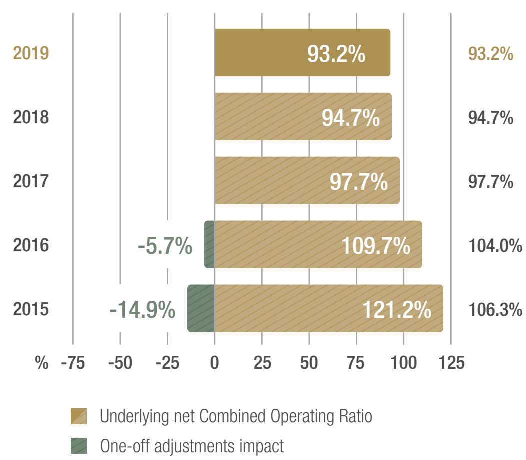


- The net underwriting result includes operating, underwriting and finance expenses, and commission income. The improvement in the net underwriting result is largely due to an adjustment to the margin of uncertainty for reserving purposes and pricing adjustments on existing business.

Net Combined Operating Ratio

93.2%

Net combined ratio



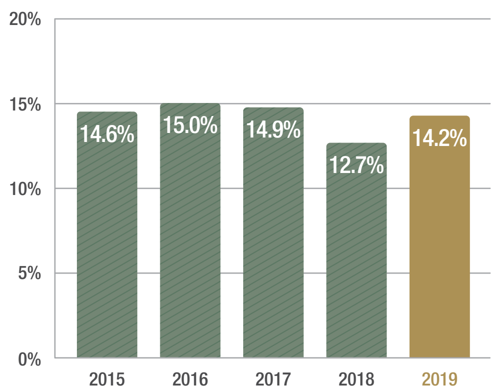
- The Net Combined Operating Ratio has reduced to 93.2% from 94.7% in 2018.
- There are no once-off adjustments in 2019.
- A prudent reinsurance programme is maintained.
- The reserving policy is to create a 'best estimate' provision for claims and then add a margin for uncertainty.

FINANCIAL HIGHLIGHTS (continued)

Net Expense Ratio

14.2%

The net expense ratio increased by 1.5% from 2018

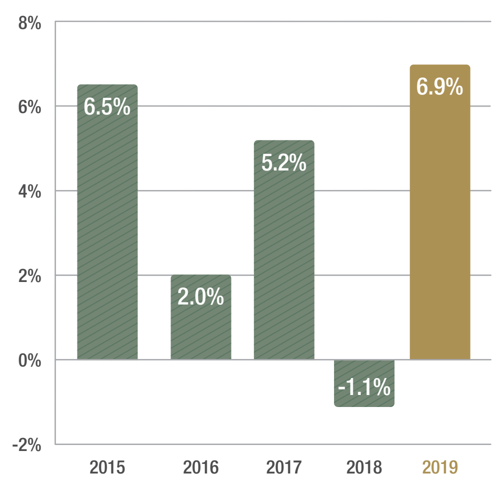


- The net expense ratio has increased to 14.2% from 12.7% in 2018.
- Lower earned premium along with higher operating expenses have increased the overall net expense ratio.

Return on Equity

6.9%

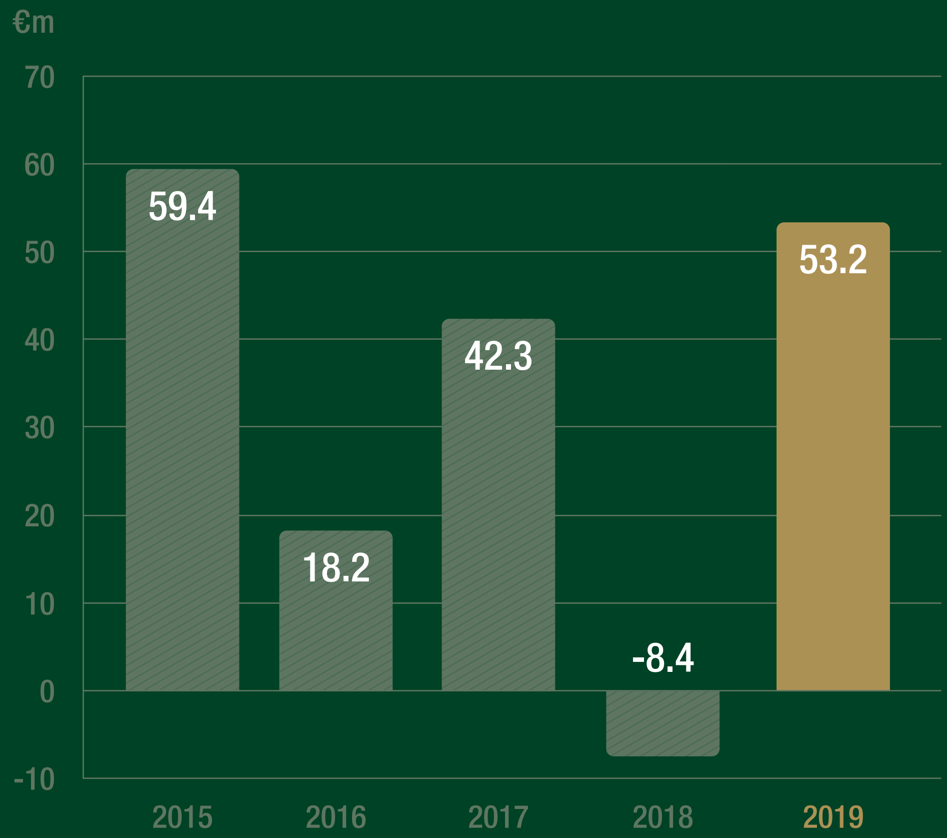
Return on equity in 2019



- Return on equity has increased to 6.9% from -1.1% in 2018.
- The increase is primarily due to the recovery of investment markets in 2019.

FINANCIAL HIGHLIGHTS (continued)

Surplus/Loss Before Tax



€53.2m
Surplus before tax in 2019

- Surplus before tax is €53.2m largely due to investment returns reflecting market recovery in 2019 along with a positive underwriting result.

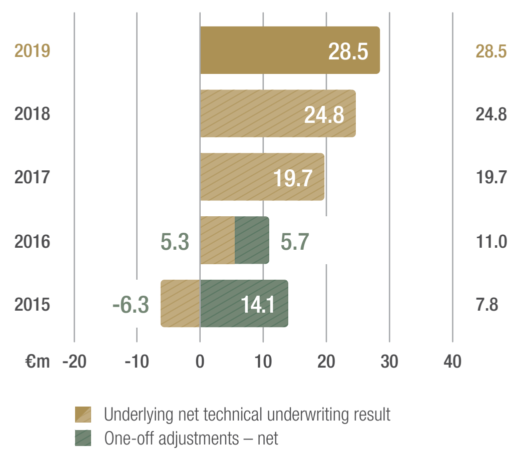
Note: Surplus/Loss before tax = profit/loss before tax.

FINANCIAL HIGHLIGHTS (continued)

Technical Underwriting Result – Net

€28.5m

Underlying technical underwriting result – net in 2019



- An underlying technical underwriting profit of €28.5m was recorded.
- There were no once-off adjustments in 2019.
- The technical underwriting result excludes allocated investment income, operating costs and commission income.

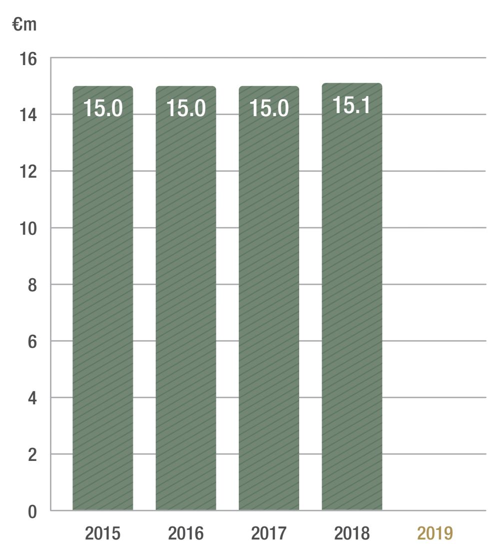
Note: Once-off adjustments in prior years relate to movements in real yield provisions.

The solid financial position has allowed IPB to make a real difference to key stakeholders through its Members' Dividend, Members' Retained Earnings Distribution and CSE Fund.

Members' Commercial Dividend

€0m

Members' Commercial Dividend



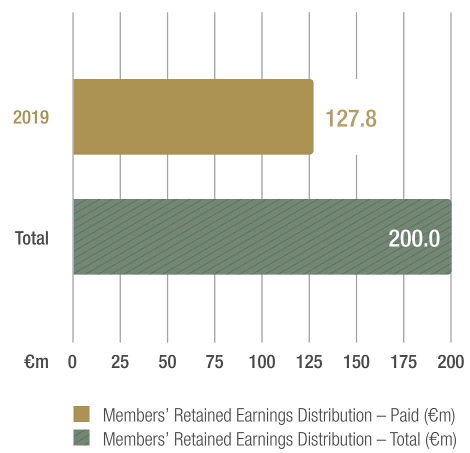
- The Members' Dividend underlines the company's commitment to Members.
- A change to the model was introduced for 2018 and beyond whereby up to 40% of surplus after tax can be paid as Members' Commercial Dividend. This is payable one year in arrears to facilitate cashflow planning for our members.
- The company incurred a loss in 2018 and as such no Commercial Dividend was paid in 2019.

FINANCIAL HIGHLIGHTS (continued)

Members' Retained Earnings Distribution

€127.8m

Members' Retained Earnings Distribution paid out at the end of 2019



- A €200m Members' Retained Earnings Distribution was supported by Members at the 2018 AGM subject to annual review and confirmation of IPB's 'ability to pay' with reference to outstanding liabilities and wider market dynamics.
- As at the end of December 2019, €127.8m had been distributed, included in this was a €5m special dividend taken from the planned 2022 distribution. There is a further €27.2m due for distribution in 2020 and the balance of €45m to be paid over the next two years.

CSE Fund

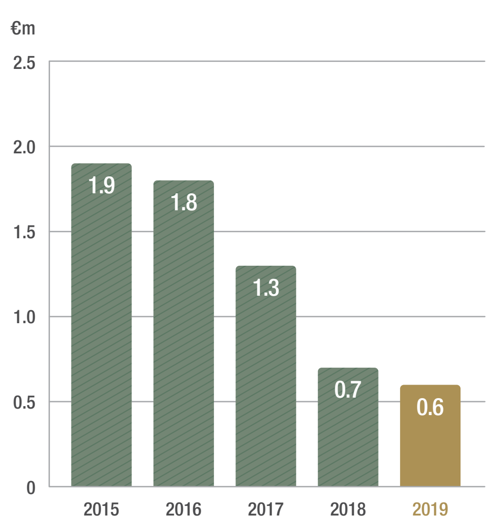
€13m

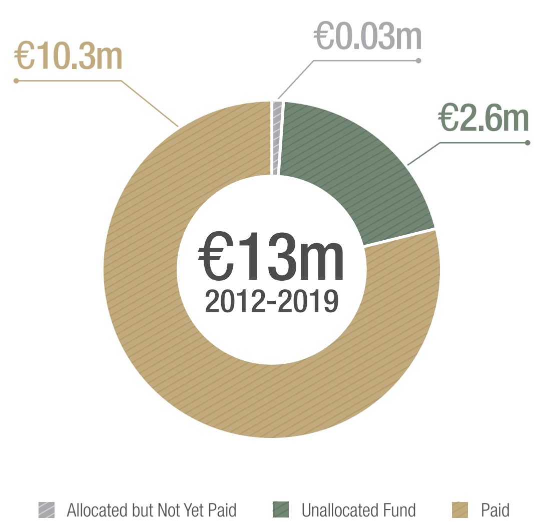
Contribution to CSE Funds between 2012-2019

€10.3m

CSE Funds paid out 2012-2019

Paid by Year (€m)



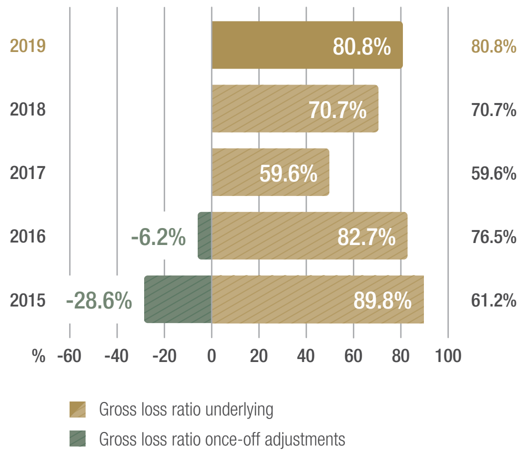


CLAIMS AND LOSSES

Gross Loss Ratio

80.8%

Underlying gross loss ratio up from 70.7% in 2018

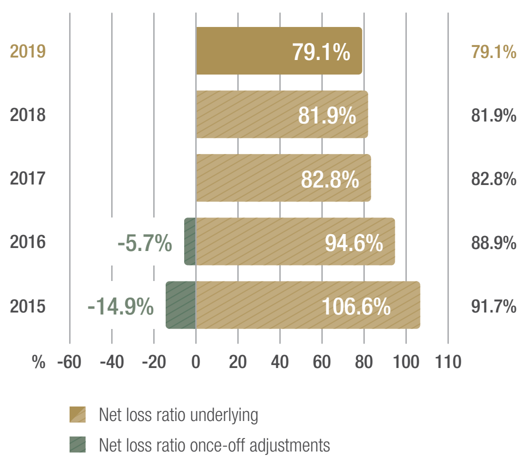


- The underlying gross loss ratio has increased from 70.7% in 2018 to 80.8% in 2019. This is largely due to one very large public liability claim provision.
- The profile of the book is significantly weighted towards long-term exposures.

Net Loss Ratio

79.1%

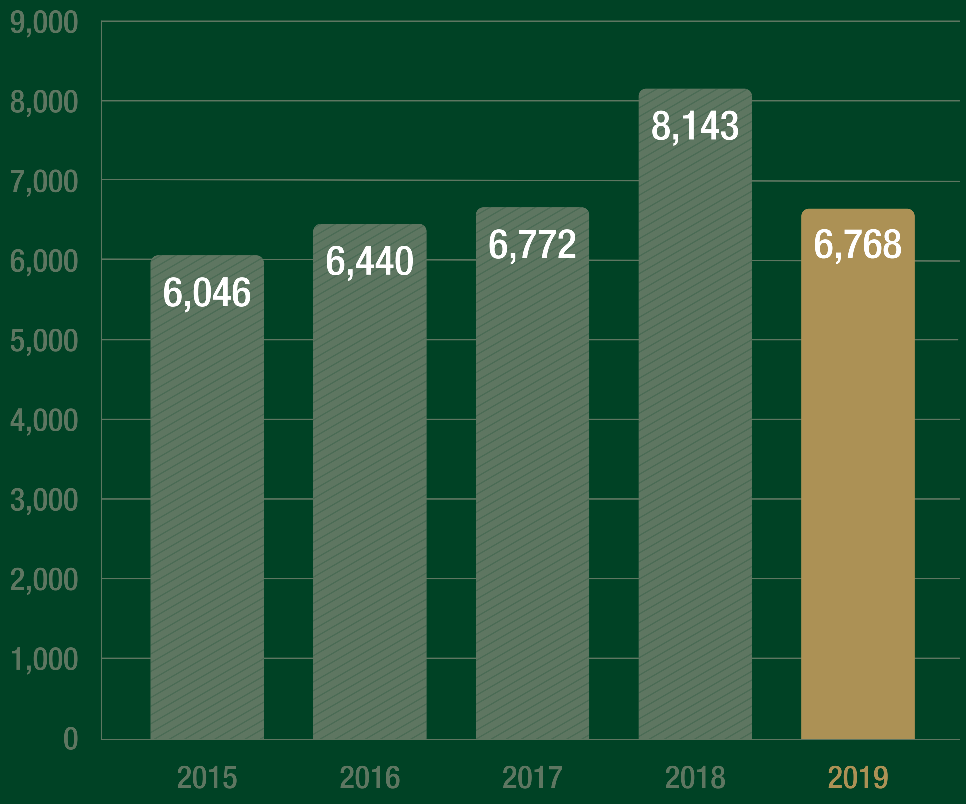
Underlying claims net loss ratio shows a decrease from 81.9% in 2018



- The underlying net loss ratio has decreased to 79.1% from 81.9% in 2018 due to improvements in claims experience.

CLAIMS AND LOSSES (CONTINUED)

Number of New Claims



6,768
Claim numbers down 16.9% on 2018

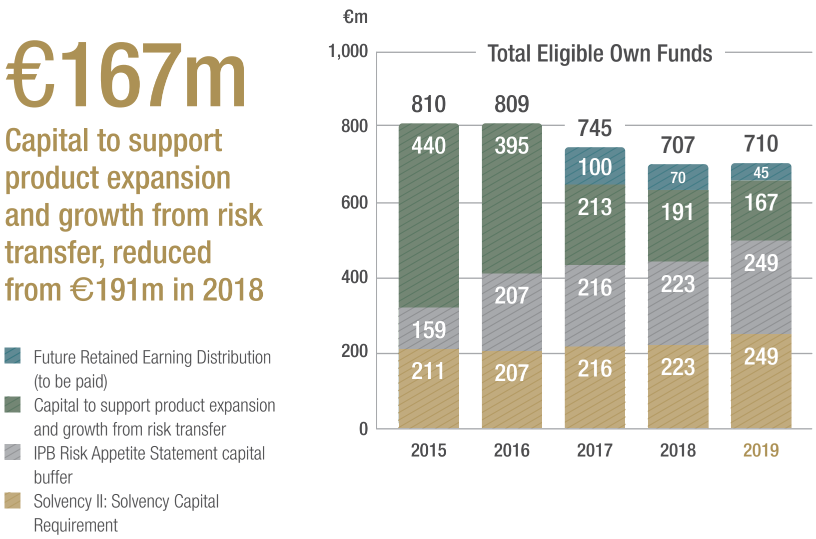
- Claim numbers have reduced by 1,375 (16.9%) to 6,768, however on a like-for-like basis, claims frequency has moderated in 2019.
- The increase in claims in 2018 was as a result of increased levels of ground up cover for Members and a large number of pothole claims that arose due to bad weather conditions in 2017.

SOLVENCY

The company's Solvency Capital Requirement (SCR) is as defined under Solvency II and is calculated using the Solvency II standard formula. The capital available to the company is of very high quality, consisting entirely of retained earnings.

Solvency II
Solvency Overview (€m)

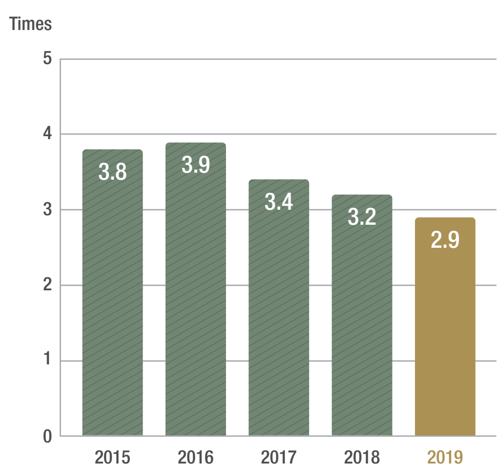
€167m
Capital to support product expansion and growth from risk transfer, reduced from €191m in 2018



- The company holds regulatory and economic capital in addition to the SCR, as well as sufficient capital to:
  - – Cover latent risks inherent in its business.
  - – Deliver on its strategic objectives and to support product expansion and growth from risk transfer.
- The €710m eligible own funds has been reduced to allow for the payment of phase 3 of the retained earnings distribution (€25m).
- Following phase 3 there will be a further €45m future retained earnings distribution which is expected to be paid over the next two years.

Solvency II
Required Margin Cover

2.9
Times the capital required under Solvency II



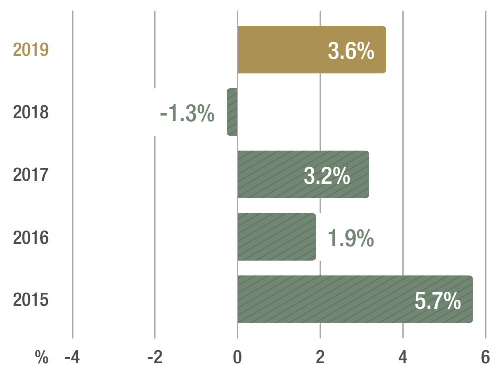
- The company's reinsurance programme enables it to minimise volatility in earnings from large losses and catastrophic events.
- The overall solvency margin continues to remain strong, with the cover representing 2.9 times the capital required under Solvency II.
- The company's credit rating from Standard & Poor's remains at A- with a stable outlook.
- The company has set the minimum credit rating for reinsurers with which it transacts business at A-.

INVESTMENTS AND ASSET ALLOCATION

Investment Returns

3.6%

Investment return is higher than 2018 due to investment markets recovering in 2019

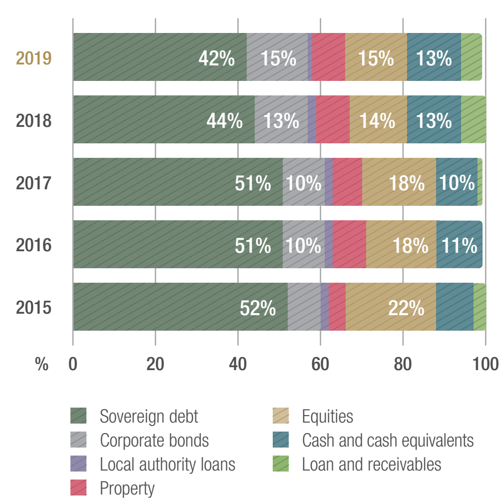


- An investment profit of €44.0m arises from the performance of the investment portfolio in 2019 reflecting the strong performance of markets in 2019.

Analysis of the Investment Portfolio

42%

of the portfolio is invested in sovereign debt



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

CONTROLS AND ACCOUNTING POLICIES

Internal controls approach
Financial misstatement risk assessment

CONTROLS AND PROCEDURES

It is Management's responsibility to produce the financial information contained in this report, which was recommended to the Board by the Audit Committee and approved by the Board. The company's controls and procedures are designed to provide reasonable assurance that information is accumulated and communicated to the company's leadership group and thereafter to the Board members. This includes the chief executive officer, finance director, director of operations, director of member and client relations, director of legal and company secretariat, director of underwriting, and director of risk and compliance, as appropriate, to allow timely decisions regarding required disclosure.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Changes in Internal Control over Financial Reporting

There have been no significant changes that have materially affected the company's internal control over financial reporting during the financial year ended 31 December 2019.

FINANCIAL STATEMENTS

Directors' Report

The Directors have pleasure in submitting the Stakeholder and Annual Report and the audited financial statements for the financial year ended 31 December 2019.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- Select suitable accounting policies for the company financial statements and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records that correctly explain and record the transactions of the company; enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014; and enable the financial statements to be audited. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

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

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

POST-BALANCE SHEET EVENTS

The outbreak of the unprecedented Covid-19 pandemic is dominating the global news in 2020. The long-term implications of the outbreak for the insurance industry are still very unclear, but there are likely to be both asset and liability impacts and possible liquidity challenges for some insurers to consider. It is too early to assess the economic impacts on IPB at present, but it is anticipated that there will be negative impacts on the company, most notably on the investment portfolio. We continue to assess the potential impacts across our insurance portfolio and exposures to business interruption and liability claims which may develop. Based on our stress and scenario testing, IPB remains well capitalised as we face into these uncertain events. Operationally, we have fully actioned our business continuity plan and have moved to a remote working model and we are in continual contact with regulatory stakeholders. IPB is ensuring that we are complying with our duty of care and obligations in respect of health and safety towards our employees, contractors, members and clients and visitors in all matters relating to management of this virus. We are very conscious of the fact that our members and clients are significantly impacted by Covid-19 and we are in close and continuous contact with them to ensure continuity of service and to meet our insurance obligations as they fall due. Covid-19 is an evolving risk which we will continuously monitor and seek to mitigate as much as possible throughout 2020.

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

RESULTS FOR THE FINANCIAL YEAR, DIVIDENDS AND FINANCIAL STATEMENTS

The Statement of Comprehensive Income for the financial year ended 31 December 2019 and the Statement of Financial Position as at 31 December 2019 are set out in the Management Analysis and Financial Statements section of this report. The profit on ordinary activities before taxation amounted to €53.2m (2018: loss of -€8.4m). After a taxation charge of €6.1m (2018: tax credit of- €1.0m), and the planned retained earnings distribution of €25m, the increase in retained earnings is €22.1m (2018: €52.4m decrease). No Directors were involved in any transactions with the business during the financial year other than those outlined in the Directors' Remuneration Report in note 8(b) in the financial statements.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the company continues to be the provision of comprehensive insurance products and risk management facilities to its Members and customers. The Chairman's Statement and Chief

Executive Review in section 1 of this report provide an overview of the performance for the financial year and future strategy for the business.

PRINCIPAL RISK AND UNCERTAINTIES

The principal risks and uncertainties that the company faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the company's performance in the short term. Although considerable judgement is involved, the Directors adopt a prudent approach to the provision and valuation of insurance reserves, with annual support and certification being provided by an appropriately qualified and experienced in-house actuarial team supported by external reviews as required. Another risk facing the company is the prevailing economic environment and its impact on the value of assets held to support the technical reserves. The company manages its capital requirements by assessing its required solvency margins on an ongoing basis. The Board also reviews the capital structure of the company on an ongoing basis to determine the appropriate level of capital required to pursue the business strategy.

Note 29 of the Management Analysis section of this report provides some sensitivity information on the possible impacts of these scenarios.

RISK MANAGEMENT

The Directors regularly consider the principal risk factors that could materially and adversely affect the future operating profits or financial position of the company. The company's Risk Management and Compliance and Regulatory Governance Frameworks are outlined in the Report of the Board and Executive section of this report. Details of the key risks are outlined in the Risk Management section (Note 29) in the financial statements. Regarding the financial risk management objectives and policies of the company, please refer to the financial statements.

DIRECTORS AND THEIR INTERESTS

The present Directors of the company, together with their respective biographies, are identified in the Report of the Board and Executive section of this report. The Directors of IPB do not have any interests in the company, either during or at the end of the financial year, as defined through the holding of shares or any share capital, other than being remunerated for the undertaking of their roles appropriately as Directors of IPB and/or as chairpersons of sub-committees of the Board.

ACCOUNTABILITY AND AUDIT

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

GOING CONCERN

The financial statements have been prepared on a going concern basis and, as required by the Corporate Governance Requirements for Insurance Undertakings 2015 ("the Requirements"), the

Directors have satisfied themselves that the company is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view, the Directors have reviewed the company's budget for 2020 and forecasts for 2021 and 2022, which take account of reasonably foreseeable changes in trading performance, the key risks facing the business, and the medium-term plans approved by the Board in its review of IPB's corporate strategy.

CORPORATE GOVERNANCE

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

BOOKS AND ACCOUNTING RECORDS

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

AUDITORS

The auditors, Deloitte chartered accountants and statutory audit firm, were appointed by the Board at the annual general meeting on 17 May 2013 to audit the financial statements for the financial year ended 31 December 2013 and subsequent financial periods. They have indicated their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 31 March 2020.

On behalf of the Board

George Jones

Michael Garvey

INDEPENDENT AUDITOR'S REPORT

To the members of IPB Insurance Company Limited by Guarantee

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements of IPB Insurance Company Limited by Guarantee (the 'company').

In our opinion the financial statements:
- Give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2019 and of the profit for the financial year then ended; and
- Have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:
- The Statement of Comprehensive Income;
- The Statement of Financial Position;
- The Statement of Changes in Equity;
- The Statement of Cash Flows; and
- The related notes 1 to 34, including a summary of significant accounting policies as set out in note 3.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- The directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

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

Valuation of Claims Outstanding

Key audit matter description

The estimation and valuation of claims outstanding is a major determining factor in the company's results and financial position.

Claims outstanding is calculated using complex actuarial methodologies based on historical data to determine a best estimate and a margin above best estimate to allow for uncertainty in external environment, data, assumptions and methodologies. A range of assumptions is used in the actuarial methodologies including expected loss ratios, claims inflation and claims development patterns. Elements of the claims provision allow for greater judgment and changes in assumptions can result in material impacts to the financial statements.

Due to the significant judgment and estimation involved in the determination of the claims outstanding, this was considered a key audit matter.

Claims outstanding amounted to €578 million as at 31 December 2019. Refer to the accounting policy on pages 67 to 68 and the disclosures in notes 3, 4, 18 and 29 of the financial statements.

How the scope of our audit responded to the key audit matter

The procedures performed to address the key audit matter of valuation of claims outstanding included:

Claims handling process

- We obtained an understanding of the claim handling process and considered any changes in claims handling processes from the prior year.
- We identified the relevant controls for setting of initial case reserves, review of and ultimate settlement of individual case reserves for claims; evaluated the design and determined the implementation of the identified relevant controls and performed further testing of the operating effectiveness of said relevant controls.

- This work included testing of General IT Controls over the relevant systems. The focus of this was access controls, change management, operational controls, change controls and management processes over critical models.
- Using our data analytics specialists, we performed analysis on case reserves to identify unusual patterns in case reserve developments and selected identified unusual cases for further testing against supporting claim information.
- For a sample of open claims we performed an assessment of the development of the case file to establish if the determination of the outstanding case claim reserve amount was appropriate.

Reserving process

- We obtained an understanding of the actuarial process used to develop the claims outstanding estimates.
- We identified the relevant controls within the actuarial process used to calculate the total claims outstanding liability; evaluated the design and determined the implementation of the identified relevant controls.
- We reconciled the data used by the company's actuaries to source systems.
- With the assistance of our actuarial specialists, we evaluated the appropriateness of the assumptions used by the company.
- Our actuarial specialist team performed an independent recalculation of the best estimate for a sample of significant lines of business.
- Our actuarial specialists assisted us in challenging management's judgements, assumptions and the process followed for setting and updating these assumptions, particularly in relation to the margin for uncertainty. We focused on, and evaluated the consistency in treatment and methodology period on period and with reference to recognised actuarial practice. These procedures included performing retrospective review of previous estimates and actual experience in the current period.
- We have considered the adequacy of the company's disclosures in respect of the sensitivity of the insurance liabilities to key assumptions.

Recognition of retro-rated premiums asset

Key audit matter description

Gross written premium includes premium adjustments for retrospectively rated policies ("retro-rated premiums"). The calculation of this retro-rated premiums is complex and involves a significant amount of inputs in relation to historical claims experience data. As the lifespan of a claim can span a number of years, the claims experience or losses result in retro-rated premiums asset accruing over time.

Retro-rated premiums insurance assets amounted to €26 million as at 31 December 2019.
Refer to the accounting policy on page 67 and the disclosures in note 17 of the financial statements.

How the scope of our audit responded to the key audit matter

The procedures performed to address the key audit matter of the recognition of retro-rated premiums included:

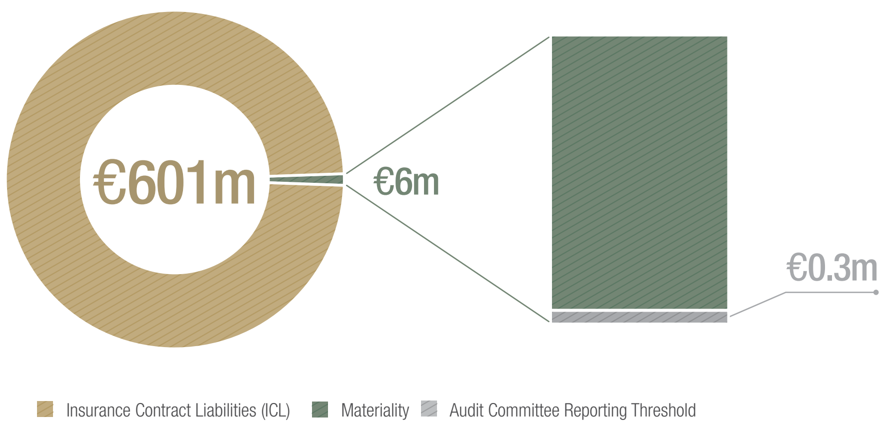
- We obtained an understanding of the process for the recognition of the retro-rated premiums and considered any changes in the processes from the prior year.
- We identified the relevant controls over the process designed to record and monitor the retro-rated premiums asset; evaluated the design and determined the implementation of the identified relevant controls.
- We tested on a sample basis the accuracy and completeness of claims experience data and other information used within the retro-rated premiums process; and
- We performed a re-calculation on a sample basis of retro-rated premiums, and performed an assessment of the recoverability of the asset.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the company to be €6,000,000 which is approximately 1% of Insurance Contract Liabilities ("ICL"). We have considered the ICL to be the critical component for determining materiality because it is the principal benchmark within the financial statements relevant to members of the company in assessing capital strength. We have considered quantitative and qualitative factors such as key balances within the financial statements, the understanding the entity and its environment, history of mistatements, complexity of the company, regulatory requirements and the reliability of control environment therein.



We agreed with the Audit Committee that we would report to them any audit differences in excess of €300,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit was scoped by obtaining an understanding of the company and its environment, including company-wide controls, and assessing the risks of material misstatement within the company. We designed our audit approach by determining materiality and assessing the risks of material misstatement in the financial statements. The risks of material misstatement that had the greatest effect on our audit are identified as key audit matters.

In establishing the overall approach to the audit, we determined the type of work that required the involvement of specialists. As a result, we included actuarial and IT specialists as part of our engagement team. Where the work was performed by specialists, we gave instruction as to the type of work to be performed and reviewed the results of this work to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements. We also assessed the competency of the specialists performing the work.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the Ethical Standard for Auditors (Ireland) 2016, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on Other Matters Prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements and the directors' report has been prepared in accordance with the Companies Act 2014.

Matters on which we are Required to Report by Exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Other Matters which we are Required to Address

We were appointed by the Board of Directors at the Annual General meeting on 17 May 2013 to audit the financial statements for the financial year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the years ending 2013 to 2019.

The non-audit services prohibited by IAASA's Ethical Standard were not provided and we remained independent of the company in conducting the audit.

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISA (Ireland) 260.

Glenn Gillard
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
Date

Notes: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in Ireland governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Approved by the Board
on 31 March 2020

Directors

George Jones

Michael Garvey

Statement of Comprehensive Income

For the financial year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Gross written premiums	5	159,221	161,214
Premiums ceded to reinsurers	5	(25,716)	(24,113)
Net written premiums		**133,505**	**137,101**
Change in the gross provision for unearned premiums	5	3,141	209
Change in the reinsurance provision for unearned premiums	5	(247)	247
Net earned premiums		**136,399**	**137,557**
Commission income	6	7,742	8,133
Net investment return	7	43,985	(15,703)
Other revenue		**51,727**	**(7,570)**
Total revenue		**188,126**	**129,987**
Gross claims paid	5	(86,083)	(80,792)
Claims recovered from reinsurers	5	9,613	4,828
Claims paid net of reinsurance		**(76,470)**	**(75,964)**
Gross change in contract liabilities	5	(45,119)	(33,407)
Change in contract liabilities recoverable from reinsurers	5	13,734	(3,340)
Net claims incurred		**(107,855)**	**(112,711)**
Operating expenses	8	(23,416)	(22,232)
Underwriting expenses	5	(3,423)	(3,396)
Finance expenses	10	(236)	–
Total claims and other expenses		**(134,930)**	**(138,339)**
Profit /(loss) before tax		**53,196**	**(8,352)**
Tax expense	9	(6,067)	1,025
Total comprehensive income for the year		**47,129**	**(7,327)**
Profit attributable to:			
Members		47,129	(7,327)

Approved by the Board
on 31 March 2020

Directors

George Jones

Michael Garvey

Statement of Financial Position

As at 31 December 2019

	Note	2019 €'000	2018 €'000
Assets			
Intangible assets	12	451	572
Property, plant and equipment	13	14,947	250
Investment properties	14	99,125	96,720
Financial assets			
– Derivative financial instruments	15	190	375
– Financial assets at fair value through profit or loss	16	916,959	849,865
– Loans and receivables	16	64,481	83,382
Insurance assets	17	26,463	29,503
Provision for unearned premiums	18	–	247
Reinsurance assets – claims outstanding	18	42,878	29,144
Deferred tax assets	23	144	144
Current tax assets	9	3,666	4,274
Insurance receivables	19	11,487	13,543
Other receivables	20	103	89
Prepayments and accrued income	21	5,417	5,723
Cash and cash equivalents	22	161,280	156,194
Total assets		**1,347,591**	**1,270,025**
Equity			
Retained earnings		683,961	661,832
Total equity		**683,961**	**661,832**
Liabilities			
Insurance contract liabilities			
– Provision for unearned premiums	18	22,660	25,801
– Claims outstanding	18	577,881	532,762
Derivative financial instruments	15	754	218
Insurance payables	24	6,470	2,282
Trade and other payables	25	55,865	47,130
Total liabilities		**663,630**	**608,193**
Total equity and liabilities		**1,347,591**	**1,270,025**

Approved by the Board
on 31 March 2020

Directors

George Jones

Michael Garvey

Statement of Changes in Equity

As at 31 December 2019

	Note	Retained earnings €'000	Total equity €'000
At 1 January 2019		**661,832**	**661,832**
Profit for the year		47,129	47,129
Other comprehensive income		–	–
Total comprehensive income		**47,129**	**47,129**
Dividends payable/paid during the year	11	(25,000)	(25,000)
At 31 December 2019		**683,961**	**683,961**
At 1 January 2018		**714,217**	**714,217**
Loss for the year		(7,327)	(7,327)
Other comprehensive income		–	–
Total comprehensive income		**(7,327)**	**(7,327)**
Dividends paid during the year	11	(45,058)	(45,058)
At 31 December 2018		**661,832**	**661,832**

Approved by the Board
on 31 March 2020

Directors

George Jones

Michael Garvey

Statement of Cash Flows

For the financial year ended 31 December 2019

	Note	2019 €'000	2018 €'000
Operating activities			
Gross premiums received		168,313	164,606
Reinsurance premiums paid		(24,280)	(23,560)
Commission received on reinsurance premiums paid		7,742	8,161
Commission paid to insurance brokers		(1,725)	(1,754)
Claims paid gross		(84,684)	(81,622)
Claims reinsurance recoveries		8,073	6,634
Interest received		9,714	12,101
Dividends received		5,030	5,881
Operating and other expenses paid		(25,169)	(19,190)
Commission paid on premiums placed with other insurers		–	(28)
Cash generated from operating activities		**63,014**	**71,229**
Taxation paid		(5,494)	740
Net cash flows from operating activities		**57,520**	**71,969**
Investing activities			
Loans repaid by local authorities		1,885	2,106
Purchase of investments designated at fair value through profit or loss		(488,887)	(349,692)
Proceeds from sale of investments designated at fair value through profit or loss		445,892	453,117
Purchase of investment property		(387)	(12)
Property rental income		5,419	5,117
(Increase)/decrease in loans and receivables on deposit with credit institutions		16,987	(54,983)
Purchase/disposal of property and equipment		(79)	(121)
Gain/(loss) on FX currency contracts		(1,411)	(1,330)
Purchase of intangible assets		(233)	(439)
Net cash flows from/(used in) investing activities		**(20,814)**	**53,763**
Financing activities			
Dividends paid		(30,318)	(92,707)
Finance expenses		(236)	–
Repayment of lease liabilities		(1,066)	–
Net cash flows used in financing activities		**(31,620)**	**(92,707)**
Net increase/(decrease) in cash and cash equivalents		5,086	33,025
Cash and cash equivalents at 1 January	22	156,194	123,169
Cash and cash equivalents at 31 December	**22**	**161,280**	**156,194**

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information
2. Adoption of New Standards

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

The financial statements were authorised in accordance with a resolution of the Directors on 31 March 2020.

2. ADOPTION OF NEW STANDARDS

In the current year, IPB has applied IFRS 16 leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on IPB's financial statements is described below.

The date of initial application of IFRS 16 for IPB is 1 January 2019. IPB has applied IFRS 16 using the cumulative catch-up approach, which:

- Requires IPB to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

a) Impact of the new definition of a lease

IPB has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4. IPB applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, IPB has carried out a review of all leases. The review has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for IPB.

NOTES TO THE FINANCIAL STATEMENTS

2. Adoption of New Standards (continued)

(b) Impact on lessee accounting

Former operating leases

IFRS 16 changes how IPB accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases (except as noted below), IPB:

a) Recognises right-of-use assets and lease liabilities in the Statement of Financial Position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii)
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets of less than €10,000 (which includes a franking machine and printers), IPB has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'operating expenses' in profit or loss.

IPB has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17:

- IPB has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- IPB has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- IPB has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- IPB has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(c) Impact on lessor accounting

IFRS 16 does not substantially change how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required. IPB enters into lease agreements as a lessor with respect to some of its investment properties

(d) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 1.681%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Analysis of lease commitments	31/12/2018 €'000
Operating lease commitments	17,797
Short-term leases and leases of low-value assets	11
Effect of discounting the above amounts	15,913
Present value of the variable lease payments that depend on a rate or index	–
Present value of lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	15,913

Analysis of lease commitments	01/01/2019 €'000
Lease liabilities	(15,913)

IPB has recognised €15.9m of right-of-use assets and €15.9m of lease liabilities upon transition to IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Acts 2014 applicable to companies reporting under IFRS.

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

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

Judgements, Estimates and Assumptions

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

(a) Judgements

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

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

(i) Fair value of financial instruments using valuation techniques

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

For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates although some assumptions are not supported by observable market prices or rates.

(b) Estimates

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

(i) Insurance contract liabilities

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

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

Estimates 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. Provisions are calculated gross of any reinsurance recoveries. A separate provision is made for the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(ii) Fair value of financial assets and liabilities

The determination of fair value for financial assets and liabilities for which no observable market price exists requires the use of valuation techniques as described in Note 16. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

(c) Assumptions

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

Insurance Contracts

(a) Product classification

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

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

(b) Premiums

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

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

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

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

(c) Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums for gross premium are calculated on the twenty-fourths basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. Unearned premiums for reinsurance premiums are calculated on the twelfths basis as reinsurance contracts renew at 1 January every year.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

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

(d) Claims incurred

Gross claims incurred include all claims occurring during the year, whether reported or not; related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustment to claims outstanding from previous years.

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

(e) Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for unearned premium, a provision for unallocated loss adjustment expenses of 6% is calculated, increased from 5.5% at the end of 2018, and, if required, the provision for premium deficiency.

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred less any payments on account or part payments at the reporting date, whether reported or not, together with related claims handling costs. In addition, the company provides for its share of the Motor Insurers' Bureau of Ireland levy for the following year, based on our estimated market share of the motor line of business in the current financial year as at the financial year-end date.

Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is calculated. A margin for uncertainty of 16% is included on insurance contract liabilities. This has been reduced from 17% as at the end of 2018.

Insurance contract liabilities are accounted for in line with Central Bank Reserving Adequacy Guidelines.

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

(f) Reinsurance assets

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

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurers' policies and are in accordance with the related reinsurance contract. Amounts recoverable from reinsurers are adjusted for an estimate for potential disputes and defaults.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. The impairment loss is recorded in the Statement of Comprehensive Income.

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

(g) Insurance receivables

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

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

(h) Insurance payables

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

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

(i) Commission income

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

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

Financial Instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

The company designates investments in equity and debt securities at fair value through profit or loss. Equity securities also include managed funds. This is in accordance with the company's investment strategy, under which the investment return is internally managed and evaluated on the basis of the total return on the investment.

Other financial investments consist of loans to local authorities and deposits with credit institutions with an original maturity date in excess of three months. These investments are designated as loans and receivables.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

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

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

Subsequent measurement

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

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

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

Financial liabilities are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income. Gains or losses are recognised in the Statement of Comprehensive Income.

De-recognition

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

(c) Derivative financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

Gains or losses on assets or liabilities held for trading are recognised in net investment income in the Statement of Comprehensive Income.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits with an original maturity of three months or less in the Statement of Financial Position.

(e) Fair value of financial instruments

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

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

(f) Impairment of financial assets

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised as an expense in the Statement of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the carrying amount of the asset is increased or decreased to the revised estimate of its recoverable amount, but only to a level that does not exceed the carrying amount that would have been determined had the impairment not been recognised.

(g) Offsetting of financial instruments

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

Investment property

Investment property, comprising freehold and leasehold land and buildings, is held for long-term rental yields and capital appreciation. It is not occupied by the company and is stated at its fair value at the Statement of Financial Position date. Market valuations are carried out each year by the property managing agents using the RICS (Royal Institute of Chartered Surveyors) Valuation – Professional Standards. Every three years a full red book valuation is carried out on each property. On an annual basis, desk-based valuations are carried out and valuation certificates are issued. Gains or losses

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

arising from changes in the value of investment property are included in the investment return in the Statement of Comprehensive Income for the period in which they arise.

Business combinations

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

Goodwill

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

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

Investment in subsidiaries

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

Taxation

(a) Current tax

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

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

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

(b) Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

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

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

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

Deferred tax relating to items recognised outside the Statement of Comprehensive Income is recognised outside of the Statement of Comprehensive Income in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority.

Retirement Benefits

Defined contribution scheme

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

Members' Distribution Policy

Dividends are recognised as a liability when approved by the Board. See the Members' Distribution Policy in Note 28, Capital Management.

Other Accounting Policies

(a) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over the assets' estimated useful lives as follows:

- IT software – 33% per annum.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

(b) Property, plant and equipment

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

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

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

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

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

(c) Leases

IPB has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

(i) IPB as lessee

IPB assesses whether a contract is or contains a lease, at inception of the contract. IPB recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (i.e. printers and franking machines). For these leases, IPB recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, IPB uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the notes to the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

IPB remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

IPB did not make any such adjustments during the periods presented.

The right-of-use assets comprise of the initial measurement of the corresponding lease liability and lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever IPB incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that IPB expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in Note 13 in the Notes to the Financial Statements.

IPB applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment to non-financial assets' policy.

(ii) IPB as lessor

IPB enters into lease agreements as a lessor with respect to some of its investment properties. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. This is accounted for in the net investment return.

(d) Impairment of non-financial assets

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

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

(e) Foreign currency translation

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

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

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

(f) Provisions including Social Dividend

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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

(g) Adoption of new or revised IFRS accounting standards and interpretations

As permitted under Irish company law, the company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The IFRS adopted by the EU and applied by the company are those that were effective at 31 December 2019. These have been applied for the preparation of these financial statements.

In the current year the company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019 as discussed in Note 2.

NOTES TO THE FINANCIAL STATEMENTS

3. Summary of Significant Accounting Policies (continued)

The following list provides a brief outline of the impact of new and amended IFRS interpretations that the company has not yet adopted.

Standards issued, but not yet effective

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

Listing of accounting standards that have amendments that are not yet effective	Mandatory for accounting periods starting on or after	Likely impact
Amendments to IFRS 10 and IAS 28 (12 October 2017)	TBC – pending EU adoption	Not applicable as the company does not have associates or joint ventures.
IFRS 9	1 January 2018, temporary exemption until IFRS 17 is effective	Impact on the company is outlined below.
IFRS 17 (18 May 2017)	1 January 2021(proposed extension to 1 January 2023)	Impact on the company is outlined below.
Amendments to IFRS 3	TBC – pending EU adoption	Not applicable as the company does not have associates or joint ventures.
Amendments to IAS 1 and IAS 8	1 January 2019	Limited impact on the company.
Amendments to References in the Conceptual Framework in IFRS Standards	1 January 2020 (amendments where they are actually updates)	Limited impact on the company.

IFRS 9 – Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company has deferred the adoption of IFRS 9 until 1 January 2023 by applying the temporary exemption as permitted by IFRS 4 - Insurance Contracts (IFRS 4) (see below). This standard has been endorsed for use in the EU.

Amendments to IFRS 4 – Applying IFRS 9 financial instruments with IFRS 4 insurance contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until such time as IFRS17 becomes effective for annual periods beginning before 1 January 2023. An entity may apply the temporary exemption from IFRS 9 if:

(i) It has not previously applied any version of IFRS 9 before; and
(ii) Its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The Company has not previously applied any version of IFRS 9. The Company performed an assessment as per the amendments to IFRS 4 and concluded that as at 31 December 2015, the Company's activities were predominantly connected with insurance business.

The Company has applied the temporary exemption in its reporting period starting on 1 January 2019. The Amendments to IFRS 4 has been endorsed for use in the EU.

IFRS 17

IFRS 17 replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Scope

An entity shall apply IFRS 17 insurance contracts provisions IFRS 17:3 to:

- Insurance contracts, including reinsurance contracts, that it issues;
- Reinsurance contracts it holds; and
- Investment contracts with discretionary participation features that it issues, provided the entity also issues insurance contracts.

Some contracts meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee. Such issued contracts are in the scope of the standard, unless an entity chooses to apply to them IFRS 15 (Revenue from Contracts with Customers) and provided the following conditions are met (IFRS 17:8)

(a) The entity does not reflect an assessment of the risk associated with an individual customer in setting the price of the contract with that customer;
(b) The contract compensates the customer by providing a service, rather than by making cash payments to the customer; and
(c) The insurance risk transferred by the contract arises primarily from the customer's use of services rather than from uncertainty over the cost of those services.

4. CHANGE IN ACCOUNTING ESTIMATE

An Accounting Estimate – Margin for Uncertainty %

Following a review of market factors and claims trends it was decided to decrease the margin for uncertainty from 17% to 16%. The impact of this change in 2019 was:

Analysis of the margin for uncertainty provision change on the statement of comprehensive income	2019 €'000
Change in the gross provision for unearned premiums	195
Gross change in contract liabilities	4,982
Change in contract liabilities recoverable from reinsurers	(370)

Analysis of the margin for uncertainty provision change on the statement of financial position	2019 €'000
Provision for unearned premiums	(195)
Claims outstanding	(4,982)
Reinsurance assets – claims outstanding	(370)
Total provision gross of reinsurance – margin for uncertainty	**82,833**
Total provision net of reinsurance – margin for uncertainty	**76,919**

NOTES TO THE FINANCIAL STATEMENTS

4. Change In Accounting Estimate (continued)

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

During 2019 the margin for uncertainty included for retro rated premium receivable was reduced from 17% to 16%. The impact of this change in 2019 was:

Analysis of the margin for uncertainty provision change on the statement of comprehensive income	2019 €'000
Gross written premiums	315

Analysis of the margin for uncertainty provision change on the statement of financial position	2019 €'000
Insurance assets	315
Total provision margin for uncertainty	**5,041**

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

An Accounting Estimate – Unallocated Loss Adjustment Expenses (ULAE)

During 2019 the ULAE was increased from 5.5% to 6% due to an increase in the expenses which fall under the Solvency II definition of ULAE. The impact of this change in 2019 was:

Analysis of the unallocated loss adjustment expenses change on the Statement of Comprehensive Income	2019 €'000
Gross change in contract liabilities	(2,350)

Analysis of the unallocated loss adjustment expenses change on the Statement of Financial Position	2019 €'000
Claims outstanding	2,350
Total provision ULAE	**28,199**

NOTES TO THE FINANCIAL STATEMENTS

5. Analysis of Underwriting Result

5. ANALYSIS OF UNDERWRITING RESULT

Underwriting expenses relate to commission payable to brokers and surveyor report costs. The allocation of net investment return and operating expenses is based on the proportion of gross written premium across each product line.

Analysis of underwriting result by product 2019	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	112,260	28,674	9,627	8,660	159,221
Premium ceded to reinsurers	(7,095)	(17,074)	(647)	(900)	(25,716)
Change in the gross provision for unearned premiums	2,224	193	223	501	3,141
Change in the reinsurance provision for unearned premiums	–	–	–	(247)	(247)
Net earned premiums	**107,389**	**11,793**	**9,203**	**8,014**	**136,399**
Gross claims paid	(70,808)	(8,709)	(5,082)	(1,484)	(86,083)
Claims recovered from reinsurers	5,400	3,774	439	–	9,613
Gross change in contract liabilities	(42,755)	(2,970)	960	(354)	(45,119)
Change in contract liabilities recoverable from reinsurers	13,135	1,366	(894)	127	13,734
Net claims incurred	**(95,028)**	**(6,539)**	**(4,577)**	**(1,711)**	**(107,855)**
Technical underwriting result – net	**12,361**	**5,254**	**4,626**	**6,303**	**28,544**
Commission income	471	7,160	42	69	7,742
Operating expenses	(16,509)	(4,217)	(1,416)	(1,274)	(23,416)
Underwriting expenses	(1,105)	(2,174)	(47)	(97)	(3,423)
Finance expenses	(166)	(43)	(14)	(13)	(236)
Underwriting result	**(4,948)**	**5,980**	**3,191**	**4,988**	**9,211**
Net investment return	31,012	7,921	2,660	2,392	43,985
Profit/(loss) before taxation	**26,064**	**13,901**	**5,851**	**7,380**	**53,196**
Net insurance liabilities	**511,829**	**14,078**	**20,309**	**11,447**	**557,663**

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

NOTES TO THE FINANCIAL STATEMENTS

5. Analysis of Underwriting Result (continued)

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 recoverable 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	(10,993)	(2,654)	(975)	(1,081)	(15,703)
Profit/(loss) before taxation	**(24,258)**	**7,535**	**3,640**	**4,731**	**(8,352)**
Net insurance liabilities	**484,360**	**12,303**	**20,731**	**11,778**	**529,172**

NOTES TO THE FINANCIAL STATEMENTS

5. Analysis of Underwriting Result (continued)

Analysis of underwriting result by location	2019 Republic of Ireland €'000	2019 Northern Ireland €'000	2019 Total €'000	2018 Republic of Ireland €'000	2018 Northern Ireland €'000	2018 Total €'000
Gross written premiums	159,221	–	159,221	160,092	1,122	161,214
Premium ceded to reinsurers	(25,716)	–	(25,716)	(24,041)	(72)	(24,113)
Change in the gross provision for unearned premiums	2,779	362	3,141	(24)	233	209
Change in the reinsurance provision for unearned premiums	(248)	1	(247)	246	1	247
Net earned premiums	**136,036**	**363**	**136,399**	**136,273**	**1,284**	**137,557**
Gross claims paid	(85,420)	(663)	(86,083)	(79,927)	(865)	(80,792)
Claims recovered from reinsurers	9,546	67	9,613	4,657	171	4,828
Gross change in contract liabilities	(44,484)	(635)	(45,119)	(34,957)	1,550	(33,407)
Change in contract liabilities recoverable from reinsurers	13,789	(55)	13,734	(2,108)	(1,232)	(3,340)
Net claims incurred	**(106,569)**	**(1,286)**	**(107,855)**	**(112,335)**	**(376)**	**(112,711)**
Technical underwriting result – net	**29,467**	**(923)**	**28,544**	**23,938**	**908**	**24,846**
Commission income	7,742	–	7,742	8,124	9	8,133
Operating expenses	(23,416)	–	(23,416)	(22,000)	(232)	(22,232)
Underwriting expenses	(3,423)	–	(3,423)	(3,395)	(1)	(3,396)
Finance expenses	(236)	–	(236)	–	–	–
Underwriting result	**10,134**	**(923)**	**9,211**	**6,667**	**684**	**7,351**
Net investment return	43,985	–	43,985	(15,723)	20	(15,703)
Profit/(loss) before taxation	**54,119**	**(923)**	**53,196**	**(9,056)**	**704**	**(8,352)**
Net insurance liabilities	**561,855**	**(4,192)**	**557,663**	**525,494**	**3,678**	**529,172**

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

NOTES TO THE FINANCIAL STATEMENTS

6. Commission Income

7. Net Investment Return

6. COMMISSION INCOME

Analysis of commission income	2019 €'000	2018 €'000
Reinsurance commission income	7,742	8,161
Commission income	–	(28)
Total commission income	**7,742**	**8,133**

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

Commission income was earned by the company on contracts whereby the company places insurance contracts with another insurance company rather than underwriting the business itself. IPB no longer places contracts with other insurers.

7. NET INVESTMENT RETURN

Analysis of net investment return 2019	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	5,365	–	2,018	–	–	7,383
At fair value through profit or loss						
– Debt securities	10,392	3,224	(129)	197	–	13,684
– Equity securities	4,942	3,323	16,978	1,213	–	26,456
Loans and receivables						
– Loans to local authorities	88	–	–	–	–	88
– Deposits with credit institutions	91	–	–	–	–	91
Cash and cash equivalents	(535)	–	–	–	–	(535)
Derivatives	–	–	–	(2,133)	–	(2,133)
FX gain/(loss) on insurance business	–	–	–	63	–	63
Investment expenses	–	–	–	–	(1,112)	(1,112)
Total net investment return	**20,343**	**6,547**	**18,867**	**(660)**	**(1,112)**	**43,985**

NOTES TO THE FINANCIAL STATEMENTS

7. Net Investment Return (continued)

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)	–	2,849
– Equity securities	5,076	14,935	(45,705)	644	–	(25,050)
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**	**(51,443)**	**(876)**	**(871)**	**(15,703)**

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

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

NOTES TO THE FINANCIAL STATEMENTS

8. Total Operating Expenses

8. TOTAL OPERATING EXPENSES

8(a) Operating Expenses

Analysis of other operating expenses	2019 €'000	2018 €'000
Directors' remuneration (Note 8(b))	1,407	1,414
Employee benefits expense (Note 8(c))	14,297	13,689
Amortisation on intangibles (Note 12)	354	342
Depreciation on property, plant and equipment (Note 13)	1,353	379
Auditors' remuneration (Note 8(d))	278	205
Legal and professional fees	643	778
Marketing	641	622
Stakeholder engagement – risk management	33	35
Other expenses	4,410	4,768
Total operating expenses	**23,416**	**22,232**

8(b) Directors' Remuneration

Analysis of Directors' remuneration	2019 €'000	2018 €'000
Directors' remuneration – salaries, benefits and fees	1,254	1,268
Directors' remuneration – PRSI	85	81
Directors' remuneration – pensions	68	65
Total Directors' remuneration	**1,407**	**1,414**

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

NOTES TO THE FINANCIAL STATEMENTS

8. Total Operating Expenses (continued)

8(c) Employee Benefits Expense

Analysis of employee benefits expense	2019 €'000	2018 €'000
Staff costs – salaries and benefits	12,022	11,684
Staff costs – PRSI	1,245	1,031
Staff costs – pensions (Note 27)	1,030	974
Total employee benefits expense	**14,297**	**13,689**

The average number of full-time equivalents employed by the company in the financial year is shown in the table below:

Employee numbers	2019	2018
Permanent staff	142	136
Total	**142**	**136**

The actual number of full-time equivalents employed by the business at 31 December 2019 was 145.5 (2018: 138.9).

8(d) Auditors' Remuneration

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

Analysis of auditors' remuneration	2019 €'000	2018 €'000
Fees and expenses paid to our statutory auditors are analysed as follows:		
– Audit of the financial statements	143	155
– Other assurance services	53	50
– Other non-audit services	82	–
Total auditors' remuneration	**278**	**205**

Auditors' remuneration (excluding value added tax) in 2019 for audit services is €0.143m (2018: €0.155m), other assurance services fees is €0.053m (2018: €0.050m) and for other non-audit services is €0.082m (2018: €0m). The other assurance services relate to a Solvency II review, ELR review and pension audit. The other non-audit services relate to the GDPR project. The Board and the Audit Committee review on an on-going basis the level of fees and are satisfied that they have not affected the independence of the auditors.

NOTES TO THE FINANCIAL STATEMENTS

9. Tax Charge/Credit on Profit/Loss on Ordinary Activities

9. TAX CHARGE/CREDIT ON PROFIT/LOSS ON ORDINARY ACTIVITIES

9(a) Current Tax Year Charge/Credit

Tax charge on profit on ordinary activities	2019 €'000	2018 €'000
Analysis of charge for year		
Tax charge based on the results for the year is as follows:		
Current tax		
– In respect of current year	(6,678)	1,046
– In respect of prior years	611	(19)
Total current tax charge	**(6,067)**	**1,027**
Deferred tax		
– Origination and reversal of temporary differences	–	(2)
Total deferred tax charge	**–**	**(2)**
Total income tax expense recognised in the current year relating to continuing operations	**(6,067)**	**1,025**

9(b) Tax Charge/Credit on Profit on Ordinary Activities

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

Tax charge on profit on ordinary activities analysis	2019 €'000	2018 €'000
Profit on ordinary activities before tax	53,196	(8,352)
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	6,650	(1,044)
Effect of		
– Expenses not deductible for tax purposes	–	–
– Adjustment in respect of prior years	(611)	18
– Income taxed at higher rate (25%)	12	12
– Temporary tax differences	16	(11)
Tax charge	**6,067**	**(1,025)**

Current tax assets and liabilities

The current tax asset of €3.666m (2018: €4.274m) relates to withholding tax amounts that are refundable to the company of €0.493m (2018: €0.191m) and a corporation tax refund of €3.173m (2018: €4.083m) that is due to the company.

NOTES TO THE FINANCIAL STATEMENTS

10. Finance Expenses

11. Dividends Paid and Proposed

10. FINANCE EXPENSES

Analysis of finance expenses	2019 €'000	2018 €'000
Interest expenses on lease liabilities	(236)	–

The finance expenses are in respect of the application of IFRS 16 in the current year only.

11. DIVIDENDS PAID AND PROPOSED

Dividend paid/proposed	2019 €'000	2018 €'000
Declared and payable during the year		
– Retained earnings distribution	25,000	25,000
– Interim dividend	–	15,058
– Special dividend	–	5,000
Total dividends paid/proposed in the year	**25,000**	**45,058**

The payment of a distribution in any year is at the sole discretion of the Board, with a requirement for regulatory referral with recommendation to the Members required in respect of any distributions determined as final in a particular period. Payment in any one year does not entitle Members to payment in subsequent years. Any dividend payment respects the sanctity of the financial strength of the company.

NOTES TO THE FINANCIAL STATEMENTS

12. Intangible Assets

12. INTANGIBLE ASSETS

Intangible assets 2019 & 2018	IT software €'000	Total €'000
Cost		
Balance at 1 January 2018	2,475	2,475
Additions	439	439
Balance at 1 January 2019	2,914	2,914
Additions during the year	233	233
Balance at 31 December 2019	**3,147**	**3,147**
Amortisation		
Balance at 1 January 2018	(2,000)	(2,000)
Amortisation for the year	(342)	(342)
Balance at 1 January 2019	(2,342)	(2,342)
Amortisation for the year	(354)	(354)
Balance at 31 December 2019	**(2,696)**	**(2,696)**
Carrying amounts		
Balance at 31 December 2018	572	572
Balance at 31 December 2019	**451**	**451**

Intangible assets 2018 & 2017	IT software €'000	Total €'000
Cost		
Balance at 1 January 2017	2,199	2,199
Additions	276	276
Balance at 1 January 2018	2,475	2,475
Additions during the year	439	439
Balance at 31 December 2018	**2,914**	**2,914**
Amortisation		
Balance at 1 January 2017	(1,633)	(1,633)
Amortisation for the year	(366)	(366)
Balance at 1 January 2018	(2,000)	(2,000)
Amortisation for the year	(342)	(342)
Balance at 31 December 2018	**(2,342)**	**(2,342)**
Carrying amounts		
Balance at 31 December 2017	475	475
Balance at 31 December 2018	**572**	**572**

NOTES TO THE FINANCIAL STATEMENTS

13. Property, Plant and Equipment

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 2019 & 2018	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Motor vehicles €'000	Right-of-Use-Asset Property €'000	Total €'000
Cost						
Balance at 1 January 2018	240	1,505	560	–	–	2,305
Additions	30	34	50	–	–	114
Disposals	–	–	–	–	–	–
Reallocation of construction in progress	–	–	–	–	–	–
Balance at 1 January 2019	270	1,539	610	–	–	2,419
Additions	7	36	94	–	15,913	16,050
Disposals	–	–	–	–	–	–
Balance at 31 December 2019	**277**	**1,575**	**704**	**–**	**15,913**	**18,469**
Depreciation						
Balance at 1 January 2018	(238)	(1,153)	(398)	–	–	(1,789)
Depreciation for the year	(10)	(276)	(93)	–	–	(379)
Depreciation on disposal	–	–	–	–	–	–
Balance at 1 January 2019	(248)	(1,429)	(491)	–	–	(2,168)
Depreciation for the year	(11)	(93)	(77)	–	(1,172)	(1,353)
Depreciation on disposal	–	–	–	–	–	–
Balance at 31 December 2019	**(259)**	**(1,522)**	**(568)**	**–**	**(1,172)**	**(3,521)**
Carrying amounts						
Balance at 31 December 2018	22	110	118	–	–	250
Balance at 31 December 2019	**18**	**53**	**136**	**–**	**14,741**	**14,947**

NOTES TO THE FINANCIAL STATEMENTS

13. Property, Plant and Equipment (continued)

Property, plant and equipment 2018 & 2017	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Motor vehicles €'000	Right-of-Use-Asset Property €'000	Total €'000
Cost						
Balance at 1 January 2017	240	1,497	456	153	–	2,346
Additions	–	8	105	–	–	113
Disposals	–	–	(1)	(153)	–	(154)
Reallocation of construction in progress	–	–	–	–	–	–
Balance at 1 January 2018	240	1,505	560	–	–	2,305
Additions	30	34	50	–	–	114
Disposals	–	–	–	–	–	–
Balance at 31 December 2018	**270**	**1,539**	**610**	**–**	**–**	**2,419**
Depreciation						
Balance at 1 January 2017	(216)	(878)	(302)	(134)	–	(1,530)
Depreciation for the year	(22)	(275)	(97)	(19)	–	(413)
Depreciation on disposal	–	–	1	153	–	154
Balance at 1 January 2018	(238)	(1,153)	(398)	–	–	(1,789)
Depreciation for the year	(10)	(276)	(93)	–	–	(379)
Depreciation on disposal	–	–	–	–	–	–
Balance at 31 December 2018	**(248)**	**(1,429)**	**(491)**	**–**	**–**	**(2,168)**
Carrying amounts						
Balance at 31 December 2017	2	352	160	–	–	515
Balance at 31 December 2018	**22**	**110**	**118**	**–**	**–**	**250**

NOTES TO THE FINANCIAL STATEMENTS

14. Investment Properties

15. Derivative Financial Instruments

14. INVESTMENT PROPERTIES

Investment properties	2019 €'000	2018 €'000
Balance at 1 January	96,720	92,750
Additions	387	12
Movement in fair value	2,018	3,958
Balance at 31 December	**99,125**	**96,720**
Rental income derived from investment properties	5,365	5,279
Income for the period	**5,365**	**5,279**

15. DERIVATIVE FINANCIAL INSTRUMENTS

The company is exposed to currency risks arising from the foreign currency investments it holds, mainly Norwegian debt securities, UK debt and equity securities and US equity securities. The company enters into forward currency agreements, normally for a six-month period, to reduce foreign currency risk. These derivative instruments are held for trading and not as hedging instruments. The following table shows the fair value of derivative financial instruments, recorded as net assets or liabilities on an individual contract basis, together with their underlying principal.

Derivative financial instruments – held for trading	Assets €'000	Liabilities €'000	Nominal value €'000
Balance at 31 December 2019			
Forward foreign exchange contracts – NOK	–	108	NOK 52,000
Forward foreign exchange contracts – GBP	–	548	GBP 16,000
Forward foreign exchange contracts – USD	186	–	USD 19,000
Forward foreign exchange contracts – SEK	–	16	SEK 8,000
Forward foreign exchange contracts – CHF	–	82	CHF 7,000
Forward foreign exchange contracts – DKK	4	–	DKK 130,000
Total financial instruments held for trading	**190**	**754**	
Balance at 31 December 2018			
Forward foreign exchange contracts – NOK	175	44	NOK 85,000
Forward foreign exchange contracts – GBP	164	7	GBP 21,000
Forward foreign exchange contracts – USD	31	86	USD 17,000
Forward foreign exchange contracts – SEK	–	19	SEK 8,000
Forward foreign exchange contracts – CHF	–	62	CHF 5,000
Forward foreign exchange contracts – DKK	5	–	DKK 80,000
Total financial instruments held for trading	**375**	**218**	

16. OTHER FINANCIAL ASSETS AND LIABILITIES

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

Other financial assets	2019 €'000	2018 €'000
Designated at fair value through profit or loss		
– Debt securities	732,348	679,779
– Equity securities	184,611	170,086
Total financial assets designated at fair value through profit or loss	**916,959**	**849,865**
Loans and receivables		
– Loans to local authorities	16,438	18,323
– Deposits with credit institutions	48,043	65,059
Total loans and receivables at amortised cost	**64,481**	**83,382**
Total other financial assets	**981,440**	**933,247**

The company ceased providing new loans to local authorities in 2009 (see Note 32). Balances outstanding are monitored on a monthly basis.

Determination of Fair Value and the Fair Value Hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

16. Other Financial Assets and Liabilities (continued)

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

Fair value hierarchy 2019	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial assets	–	190	–	190
Financial assets designated at fair value through profit or loss				
– Debt securities	667,075	65,273	–	732,348
– Equity securities	131,385	53,225	1	184,611
Loans and receivables				
– Loans to local authorities	–	–	16,438	16,438
– Deposits with credit institutions	–	–	48,043	48,043
Total assets	**798,460**	**118,688**	**64,482**	**981,630**
Derivative financial liabilities	–	754	–	754
Total liabilities	**–**	**754**	**–**	**754**

Fair value hierarchy 2018	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total fair value €'000
Derivative financial assets	–	375	–	375
Financial assets designated at fair value through profit or loss				
– Debt securities	646,705	32,658	416	679,779
– Equity securities	136,180	33,905	1	170,086
Loans and receivables				
– Loans to local authorities	–	–	18,323	18,323
– Deposits with credit institutions	–	–	65,059	65,059
Total assets	**782,885**	**66,938**	**83,799**	**933,622**
Derivative financial liabilities	–	218	–	218
Total liabilities	**–**	**218**	**–**	**218**

NOTES TO THE FINANCIAL STATEMENTS

16. Other Financial Assets and Liabilities (continued)

Movement in Level 3 Financial Instruments Measured at Fair Value

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

Reconciliation of Level 3 measurement of financial instruments	2019 €'000	2018 €'000
Balance at 1 January	83,799	31,753
Movement in loans and receivables	46,158	62,953
Movement in fair value	(65,475)	(10,907)
Balance at 31 December	**64,482**	**83,799**

The movement in Level 3 financial instruments is comprised of the repayment of legacy loans to local authorities along with transfers to new longer-term deposits with a credit institution and the maturity of a debt security.

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

Level 3 investment classification is based on the assumption that it relates to securities in liquidation and securities carried at amortised cost. The company assumes that all loans and receivables are fully recoverable. The following table shows the impact on the fair value of Level 3 instruments of using reasonable possible alternative assumptions by class of instrument:

	2019		2018	
Sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions	Carrying amount €'000	Effect of reasonable possible alternative assumptions (+/-)	Carrying amount €'000	Effect of reasonable possible alternative assumptions (+/-)
Financial assets designated at fair value through profit or loss				
– Debt securities	–	–	416	–
– Equity securities	1	(1)	1	(1)
– Loans and receivables	64,481	–	83,382	–
Balance at 31 December	**64,482**	**(1)**	**83,799**	**(1)**

NOTES TO THE FINANCIAL STATEMENTS

17. Insurance Assets

18. Insurance Contract Liabilities and Reinsurance Assets

17. INSURANCE ASSETS

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

Insurance assets	2019 €'000	2018 €'000
Insurance assets – retro-rated premiums	26,463	29,503

18. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

(a) Analysis of the Insurance Contract Liabilities

			2019			2018
Contract liabilities	**Insurance contract liabilities €'000**	**Reinsurance assets €'000**	**Net €'000**	**Insurance contract liabilities €'000**	**Reinsurance assets €'000**	**Net €'000**
Projected outstanding case reserves	485,345	37,178	448,167	449,043	23,853	425,190
Projected IBNR	(17,371)	(766)	(16,605)	(20,430)	93	(20,523)
Projected future unallocated loss adjustment expenses	28,199	–	28,199	23,739	–	23,739
Provision for reinsurance bad debts	–	(448)	448	–	(537)	537
Provision for adverse development						
– Margin for uncertainty	79,708	5,914	73,794	77,410	4,235	73,175
– Expected value of binary event provision	2,000	1,000	1,000	3,000	1,500	1,500
Outstanding claims provision	**577,881**	**42,878**	**535,003**	**532,762**	**29,144**	**503,618**
Provision for unearned premiums	19,535	–	19,535	22,052	247	21,805
Unexpired risk reserves	–	–	–	–	–	–
Provision for adverse development						
– Margin for uncertainty	3,125	–	3,125	3,749	–	3,749
Unearned premium reserve	**22,660**	**–**	**22,660**	**25,801**	**247**	**25,554**
Total contract liabilities	**600,541**	**42,878**	**557,663**	**558,563**	**29,391**	**529,172**

NOTES TO THE FINANCIAL STATEMENTS

18. Insurance Contract Liabilities and Reinsurance Assets (continued)

(b) Movement in the Gross and Reinsurance Claims Provision

Movements in gross outstanding claims provision	2019 €'000	2018 €'000
Carrying amount at 1 January	**532,762**	**499,355**
Claim losses and expenses incurred in the current year	140,236	140,503
Decrease in estimated claim losses and expenses incurred in prior years	(8,034)	(26,304)
Change in binary yield provision	(1,000)	–
Incurred claims losses and expenses	**131,202**	**114,199**
Less		
Payments made on claims incurred in the current year	(6,685)	(5,456)
Payments made on claims incurred in prior years	(79,398)	(75,336)
Claims payments made in the year	**(86,083)**	**(80,792)**
Carrying amount at 31 December	**577,881**	**532,762**

Movements in outstanding reinsurance claims provision	2019 €'000	2018 €'000
Carrying amount at 1 January	**29,144**	**32,484**
Claim losses and expenses incurred in the current year	8,313	5,078
(Decrease)/increase in estimated claim losses and expenses incurred in prior years	15,534	(3,590)
Change in binary yield provision	(500)	–
Incurred claims losses and expenses	**23,347**	**1,488**
Less		
Recoveries received on claims incurred in the current year	(695)	(1,689)
Recoveries received on claims incurred in prior years	(8,918)	(3,139)
Recoveries on claim payments	**(9,613)**	**(4,828)**
Carrying amount at 31 December	**42,878**	**29,144**

NOTES TO THE FINANCIAL STATEMENTS

18. Insurance Contract Liabilities and Reinsurance Assets (continued)

19. Insurance Receivables

20. Other Receivables

(c) Provision for Unearned Premiums

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

Provision for unearned premiums	2019 €'000	2018 €'000
Carrying amount at 1 January	**25,801**	**26,010**
Gross premium written during the year	159,221	161,214
Gross premium earned during the year	(162,362)	(161,423)
Changes in unearned premium recognised as income/(expense)	**(3,141)**	**(209)**
Carrying amount at 31 December	**22,660**	**25,801**

(d) Assumptions

Please refer to Risk Management Note 29 for a description of the assumptions used to calculate insurance liabilities.

19. INSURANCE RECEIVABLES

Insurance receivables	2019 €'000	2018 €'000
Due from policyholders	8,326	11,147
Due from reinsurers	3,161	2,396
Total current receivables	**11,487**	**13,543**

20. OTHER RECEIVABLES

Other receivables	2019 €'000	2018 €'000
Other receivables	103	89
Total	**103**	**89**

NOTES TO THE FINANCIAL STATEMENTS

21. Prepayments and Accrued Income

22. Cash and Cash Equivalents

21. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income	2019 €'000	2018 €'000
Retrospective premium receivable	–	619
Interest on debt securities	3,929	3,411
Interest on cash and cash equivalents	(43)	(45)
Accrued property rental income	32	25
Dividends receivable	–	54
Accrued Income – real estate funds	109	277
Other accrued income	441	961
Prepayments	949	421
Total	**5,417**	**5,723**

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2019 €'000	2018 €'000
Cash at banks and on hand	35,321	67,083
Short-term deposits	125,959	89,111
Total	**161,280**	**156,194**

Movement in cash and cash equivalents	2019 €'000	2018 €'000
Balance at beginning of reporting year	156,194	123,169
Balance at end of reporting year	161,280	156,194
Increase/(decrease) in cash and cash equivalents	**5,086**	**33,025**

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

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

NOTES TO THE FINANCIAL STATEMENTS

23. Deferred Tax Assets/Liabilities

24. Insurance Payables

23. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation (assets)/liabilities	2019 €'000	2018 €'000
Balance at 1 January	(144)	(146)
Income statement (Note 8)	–	2
Balance at 31 December	**(144)**	**(144)**
Temporary differences on property, plant and equipment	(144)	(144)
Balance at 31 December	**(144)**	**(144)**

A deferred tax asset is in place for temporary differences between the NBV (net book value) of property, plant and equipment and the tax written down value of those assets.

24. INSURANCE PAYABLES

Insurance payables	2019 €'000	2018 €'000
Due to policyholders	4,706	1,187
Due to reinsurers	1,764	1,104
Due to insurance brokers	–	(9)
Total	**6,470**	**2,282**

NOTES TO THE FINANCIAL STATEMENTS

25. Trade and Other Payables

25. TRADE AND OTHER PAYABLES

Trade and other payables	2019 €'000	2018 €'000
Trade creditors	3,633	3,562
Prepayment – property rental income	831	770
Dividend payable	26,096	31,414
Social Dividend payable	2,651	3,223
Short-term employee benefits	3,026	2,367
Member escrow balances	4,075	5,289
Accruals	706	505
Lease Liabilities (Note 25(b))	14,847	–
Total	**55,865**	**47,130**
Tax and social welfare included in accruals		
– PAYE	521	352
– PRSI	145	145
– VAT	40	8
Total	**706**	**505**

25(b) Lease Liabilities

Lease liabilities relate to implementation of IFRS 16. An analysis of the lease liability is shown below:

Analysis of lease liabilities	2019 €'000
Analysed as:	
– Non-current	13,545
– Current	1,302
Maturity analysis of leases	
Year 1	13,764
Year 2	12,663
Year 3	11,554
Year 4	10,908
Year 5	9,253
Onwards	8,079

NOTES TO THE FINANCIAL STATEMENTS

26. Operating Lease Arrangements

27. Pension Costs

28. Capital Management

26. OPERATING LEASE ARRANGEMENTS

Operating leases, in which IPB is the lessor, relate to investment properties owned by IPB with lease terms of between five to twenty years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for IPB, as they relate to properties which are located in locations with a constant increase in value over the last seven years. IPB did not identify any indications that this situation will change.

Maturity analysis of leases	€'000
Year 1	5,333
Year 2	4,919
Year 3	4,032
Year 4	4,032
Year 5	3,424
Onwards	9,958

27. PENSION COSTS

The company participates in defined contribution pension schemes. 2019 employer's contributions for the employees' defined contribution pension schemes amounted to €1.098m (2018: €0.974m). There was €0.160m outstanding pension contributions at 31 December 2019 (2018: €0.0m).

28. CAPITAL MANAGEMENT

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

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

The company's capital levels are consistent with the highest credit rating agency financial strength levels. The company has developed risk metrics to quantify the risks to which the business is exposed. A capital model is used to quantify the risks of the business, taking into account diversification effects. This is done in the context of the company's Own Risk and Solvency Assessment (ORSA), which continues to evolve

NOTES TO THE FINANCIAL STATEMENTS

28. Capital Management (continued)

in parallel with Solvency II guidelines and industry best practice. The company considers overall solvency needs including risks that are beyond the scope of the capital model. This is achieved using a range of sensitivity tests and scenario analysis. The appropriateness of the capital model is regularly assessed. The company considers capital requirements and capital efficiency in the context of profitability, expenses and market position relative to peers.

During 2019 the company paid €29.2m of a retained earnings distribution. The total now paid is €127.8m of €200m. A further €27.2m is scheduled for payment in 2020.The balance of €45m will be paid to members over the following two years (2021-2022).

Members' Distribution Policy

The payment of a distribution in any year is at the sole discretion of the Board, with a requirement for recommendation to the Members of any distributions determined as final in a particular period. Payment in any one year does not entitle Members to payment in subsequent years. Any proposed dividend payment must, prior to payment, be made known to the Central Bank of Ireland and must be acknowledged without objection by the Central Bank of Ireland. Any dividend payment must respect the sanctity of the financial strength of the company. The Board operates the following restrictions on distribution payments:

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

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

Members' Dividend

- The Members Dividend payment in any year should be no more than €25m, to be determined at the sole discretion of the IPB Board.
- The Members Dividend payment in any year should be no more than 40% of the surplus after tax in the previous financial year, unless otherwise determined at the sole discretion of the IPB Board.
- The Members Dividend should be allocated to current Members in proportion to the gross written premium income (including retro rated premiums collected and excluding any premiums generated from loss portfolio transfers) derived from the Member in the previous year.
- No Members Dividend should be payable where an underwriting loss, defined as premium earned (including other technical income) less claims incurred less commission and expenses (all elements to be net of reinsurance), has been made in the previous financial year. The Board may override this restriction if they are satisfied that the underwriting loss does not impact the current or future solvency of the business in a material way and where it has been notified to the Central Bank of Ireland.
- To ensure certainty on the amount of any Member Commercial Dividend Payable the amount payable is confirmed based on the Surplus After Tax generated in the period and payable 12 months post confirmation. E.g. In 2019, if IPB records a Surplus After Tax of €10m. A Member Commercial Dividend of €4m (i.e. 40% of the Surplus After Tax for the period) is confirmed in April of 2020 and is payable in April 2021. In this scenario Members and all other Stakeholders have certainty as to the Member Commercial Dividend in 2020 when they are compiling their budgets for 2021. The same process is repeated annually.

Retained Earnings Distributions

- Retained earnings distributions in any given year will only be made if the Board is satisfied that the resulting reduction in capital will not result in the capital position of the company falling below the operating limits of the IPB Risk Appetite Statement, to be determined at the sole discretion of the IPB Board.
- Retained earnings distributions are made to current Members in proportion to the average gross written premium income derived from the Member in the years 2011 to 2015.
- The Retained Earnings Distribution will be subject to annual review encompassing stress testing and simulation of IPB's capital and financial sensitivities and assessment of the wider trading environment prior to approval of any distribution in each year. As a regulated entity, the company must communicate any such activity to the Central Bank.

29. RISK MANAGEMENT

The company recognises the critical importance of effective and efficient risk management. In accordance with the company's policies, key management personnel have primary responsibility for the effective identification, measurement, management, monitoring and reporting of risks. The Board defines the overall level of risk and types of risk that the company is prepared to accept in its Risk Appetite Statement. In addition, the Board ensures that the monitoring and assurance processes are followed. The major risks the company faces are described below.

Strategic Risk

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

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

Underwriting Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

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

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

Gross of reinsurance Underwriting year	Before 2010 €'000	2010 €'000	2011 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000	2018 €'000	2019 €'000	Total €'000
At end of underwriting year		105,682	87,868	88,526	94,457	95,706	126,215	128,210	128,292	140,503	140,673	
One year later		97,518	85,313	79,462	93,603	93,057	119,315	109,530	115,883	127,826	–	
Two years later		95,077	75,842	81,719	85,311	95,578	113,652	110,208	111,692	–	–	
Three years later		84,027	88,753	72,673	79,526	96,998	110,016	108,917	–	–	–	
Four years later		77,195	78,138	68,374	78,849	95,933	128,177	–	–	–	–	
Five years later		75,101	76,007	68,200	78,388	94,589	–	–	–	–	–	
Six years later		68,801	72,670	67,456	78,056	–	–	–	–	–	–	
Seven years later		61,059	71,833	67,203	–	–	–	–	–	–	–	
Eight years later		59,768	72,773	–	–	–	–	–	–	–	–	
Nine years later		59,523	–	–	–	–	–	–	–	–	–	
Ultimate claims losses incurred	**1,044,864**	**59,523**	**72,773**	**67,203**	**78,056**	**94,589**	**128,177**	**108,917**	**111,692**	**127,826**	**140,673**	**2,034,294**
At end of underwriting year		(8,577)	(4,875)	(3,891)	(5,073)	(5,236)	(6,251)	(6,765)	(5,490)	(7,145)	(6,830)	
One year later		(24,301)	(13,396)	(12,008)	(15,599)	(15,729)	(19,411)	(16,915)	(15,314)	(18,276)	–	
Two years later		(32,435)	(22,552)	(20,736)	(25,709)	(25,231)	(30,128)	(28,990)	(26,963)	–	–	
Three years later		(41,213)	(31,856)	(30,948)	(34,249)	(36,628)	(42,178)	(40,393)	–	–	–	
Four years later		(47,073)	(39,578)	(38,348)	(44,358)	(51,820)	(60,805)	–	–	–	–	
Five years later		(51,501)	(45,794)	(45,602)	(52,866)	(62,192)	–	–	–	–	–	
Six years later		(54,582)	(50,233)	(49,859)	(58,528)	–	–	–	–	–	–	
Seven years later		(51,288)	(53,558)	(52,568)	–	–	–	–	–	–	–	
Eight years later		(52,289)	(55,753)	–	–	–	–	–	–	–	–	
Nine years later		(53,982)	–	–	–	–	–	–	–	–	–	
Cumulative payments to date	**(1,020,146)**	**(53,982)**	**(55,753)**	**(52,568)**	**(58,528)**	**(62,192)**	**(60,805)**	**(40,393)**	**(26,963)**	**(18,276)**	**(6,830)**	**(1,456,435)**
Total gross non-life insurance outstanding claims provisions per the Statement of Financial Position	**24,718**	**5,541**	**17,020**	**14,635**	**19,529**	**32,397**	**67,372**	**68,524**	**84,730**	**109,550**	**133,843**	**577,859**

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

Net of reinsurance **Underwriting year**	**Before 2010 €'000**	**2010 €'000**	**2011 €'000**	**2012 €'000**	**2013 €'000**	**2014 €'000**	**2015 €'000**	**2016 €'000**	**2017 €'000**	**2018 €'000**	**2019 €'000**	**Total €'000**
At end of underwriting year		92,272	85,939	84,120	88,553	85,647	118,742	119,344	123,032	135,424	132,157	
One year later		78,939	83,745	73,965	87,827	89,712	108,555	103,004	112,858	124,316	–	
Two years later		78,204	71,266	75,233	82,695	91,795	104,216	103,550	108,566	–	–	
Three years later		65,020	77,436	68,227	76,924	93,308	101,065	102,053	–	–	–	
Four years later		60,158	69,885	63,607	76,467	91,565	100,694	–	–	–	–	
Five years later		58,244	65,836	63,538	76,075	90,736	–	–	–	–	–	
Six years later		51,720	62,340	62,906	75,748	–	–	–	–	–	–	
Seven years later		51,951	61,636	62,699	–	–	–	–	–	–	–	
Eight years later		50,884	62,685	–	–	–	–	–	–	–	–	
Nine years later		50,664	–	–	–	–	–	–	–	–	–	
Ultimate claims losses incurred	**878,611**	**50,664**	**62,685**	**62,699**	**75,748**	**90,736**	**100,694**	**102,053**	**108,566**	**124,316**	**132,157**	**1,788,928**
At end of underwriting year		(5,095)	(2,433)	(3,515)	(4,352)	(4,234)	(5,587)	(4,766)	(4,563)	(5,456)	(5,988)	
One year later		(12,659)	(9,796)	(10,883)	(13,780)	(14,066)	(16,299)	(13,238)	(13,581)	(15,925)	–	
Two years later		(19,340)	(20,625)	(19,048)	(23,723)	(23,036)	(26,706)	(24,512)	(24,615)	–	–	
Three years later		(28,169)	(29,864)	(28,818)	(32,263)	(34,439)	(38,634)	(34,545)	–	–	–	
Four years later		(33,355)	(37,562)	(35,878)	(42,371)	(49,438)	(51,860)	–	–	–	–	
Five years later		(37,770)	(43,777)	(42,367)	(50,879)	(59,329)	–	–	–	–	–	
Six years later		(40,851)	(48,216)	(46,454)	(56,541)	–	–	–	–	–	–	
Seven years later		(42,812)	(51,540)	(49,083)	–	–	–	–	–	–	–	
Eight years later		(43,909)	(53,731)	–	–	–	–	–	–	–	–	
Nine years later		(45,602)	–	–	–	–	–	–	–	–	–	
Cumulative recoveries to date	**(856,727)**	**(45,602)**	**(53,731)**	**(49,083)**	**(56,541)**	**(59,329)**	**(51,860)**	**(34,545)**	**(24,615)**	**(15,925)**	**(5,988)**	**(1,253,947)**
Total net non-life insurance outstanding claims provisions per the Statement of Financial Position	**21,884**	**5,062**	**8,954**	**13,616**	**19,207**	**31,407**	**48,834**	**67,508**	**83,951**	**108,391**	**126,169**	**534,983**

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

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

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

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

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

Market Risk

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

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

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

Compliance with policy and risk appetite is monitored daily and exposures and breaches are reported to the appropriate governance fora.

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 British Pounds (GBP), Danish Krone (DKK) US Dollars (USD) and Norwegian Krone (NOK). Currency risk is mitigated using currency forward contracts.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

The carrying amount of the company's foreign currency-denominated assets at the reporting date is as follows:

Carrying amount of the company's foreign currency denominated assets 2019	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
British Pounds (GBP)	27,990	18,295	9,695
Norwegian Krone (NOK)	12,465	5,161	7,304
Danish Krone (DKK)	17,652	17,409	243
Swedish Krona (SEK)	915	746	169
Swiss Francs (CHF)	9,919	6,359	3,560
US Dollars (USD)	14,435	17,018	(2,583)
Canadian Dollars (CAD)	1,726	0	1,726
Total	**85,102**	**64,988**	**20,114**

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**

The net foreign exchange exposure after currency hedges is €20.1m (2018: €10.1m).

Interest rate risk

Interest rate risk relates to the sensitivity of the values of assets and liabilities to changes in the term structure of interest rates. The company faces a significant interest rate risk due to the nature of its investments and liabilities. Interest rate risk arises primarily from the company's investments in fixed-interest debt securities and from insurance liabilities.

Asset liability matching is used to minimise the impact of an unintended mismatch between assets and liabilities. The characteristics of assets are matched to the characteristics of liabilities as far as possible, including by amount, type, duration and currency. The Risk Committee regularly reviews the appropriate level of exposure to interest rate risk in tandem with the Investment Committee and the Board.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

The interest rate stresses are based on an immediate shock to IPB's portfolio of a change in the interest rate or yield curve. The results show the impact of an increase in interest rates of 100 basis points and a decrease of 25 basis points. The numbers have been calculated in accordance with the methodology prescribed by Solvency II, with the yield curve based on swap rates.

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

Financial assets subject to interest rate risk	2019 €'000	2018 €'000
Debt securities		
– Irish Government fixed-interest bonds	114,285	101,327
– Other government fixed-interest bonds – eurozone	236,837	364,776
– Other government fixed-interest bonds – non-eurozone	63,087	53,461
– Corporate bonds	150,365	96,372
Total	**564,574**	**615,936**

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

Investments analysis	2019		2018	
	Market value €'000	Weighted average interest rate %	Market value €'000	Weighted average interest rate %
In one year or less	62,656	2.43	43,773	0.98
In more than one year, but less than two years	49,506	1.36	103,595	2.53
In more than two years, but less than three years	99,546	0.65	78,855	0.94
In more than three years, but less than four years	87,556	0.99	116,917	0.78
In more than four years, but less than five years	51,850	1.05	128,020	0.53
More than five years	213,460	4.06	144,776	5.21
Total	**564,574**	**2.29%**	**615,936**	**2.10%**

The Board-approved Investment Policy sets out the requirements of asset liability matching. The primary objective of the 'matched portfolio' is to ensure that the company meets policyholder obligations as they fall due. This implies high-quality, secure, liquid and local investments with characteristics that approximately match those of the liabilities.

The Board-approved Risk Appetite Statement defines detailed operating limits to limit the extent of mismatch between asset and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

Spread risk

Spread risk mainly relates to changes in the market value of bonds due to changes in the credit standing of the issuer. The company limits the credit quality of bonds in which the company may invest. The following table provides information regarding the market risk exposure of the company by classifying debt securities by credit rating:

Market risk exposure by credit rating 2018 to 2019	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	B €'000	Not rated €'000	Total €'000
Financial assets at fair value through profit or loss								
Debt securities								
– 2019	180,455	178,389	277,796	29,266	–	–	66,442	732,348
– 2018	188,614	207,995	213,278	4,412	–	–	65,480	679,779

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

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

The Risk Appetite Statement requires diversification within the fixed interest bond portfolio. In particular, no individual sovereign may exceed 25% of the total sovereign bond portfolio by market value. Diversification requirements also exist for corporate bonds. Given the rating of its government bond portfolio, the company deems this level of concentration risk to be acceptable.

There are no other significant concentrations of risk.

Equity risk

Equity risk relates to the volatility of equity market prices. This volatility may be caused by factors specific to the individual financial instrument, factors specific to the issuer or factors affecting all similar financial instruments traded in the market. Equity risk excludes changes due to currency movements, which is considered as a separate risk type. The company is subject to equity risk due to changes in the market values of its holdings of quoted shares, unquoted shares and managed funds.

Equity risk is managed in line with the Board-approved Investment Policy. The Risk Appetite Statement places operating limits on the size of any single shareholding and on exposure to certain sectors. This imposes a diversification discipline within the equity portfolio. Consequently, there are no significant equity risk concentrations.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

Other market risks

Property risk relates to the volatility of real estate market prices. The company's exposure to property risk is aligned to the limits set out in the company's Risk Appetite Statement.

Credit Risk

Credit risk arises from an unexpected default or deterioration in the credit standing of counterparties and debtors, including reinsurance and premium receivables. The company is exposed to credit risk from its operating activities, primarily customer and reinsurer receivables, from cash deposits and bonds from the investment portfolio, and from its loans to local authorities. In the company's Risk Management Framework, credit risk relating to investments is managed as market risk.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

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

2019	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	732,348	–	–	–	–	732,348
Other investments	184,611	–	–	–	–	184,611
Reinsurance assets (outstanding claims and receivables)	46,038	–	–	–	1	46,039
Loans and receivables	64,481	–	–	–	–	64,481
Insurance receivables	5,192	1,402	1,544	188	1	8,326
	1,032,670	1,402	1,544	188	1	1,035,805

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	679,779	–	–	–	–	679,779
Other investments	170,086	–	–	–	–	170,086
Reinsurance assets (outstanding claims and receivables)	31,481	–	–	–	59	31,540
Loans and receivables	83,382	–	–	–	–	83,382
Insurance receivables	4,405	1,093	319	19	5,311	11,147
	969,133	1,093	319	19	5,370	975,934

The company has the following provisions for doubtful debts at the reporting date. The reinsurance debtors provision is a probability-weighted estimate of the likelihood of future reinsurer counterparty default over the lifetime of a claim, combined with an allowance for the likelihood of possible reinsurance disputes. The provision for other debtors has reduced in 2019 as not all of the possible doubtful debts identified in 2018 materialised. The reinsurance debtor provision below is included in the claims outstanding balance, whereas the other debtors balance is included in insurance receivables.

Bad debt provisions	2019 €'000	2018 €'000
Reinsurance debtors	448	537
Other debtors	216	466
Total	664	1,003

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

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

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

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

Market risk exposure by credit rating 2019	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Derivative financial instruments assets	–	–	51	139	–	–	190
Equity securities	–	11,264	31,124	30,475	–	111,748	184,611
Investment property	–	–	–	–	–	99,125	99,125
Reinsurance assets (outstanding claims and receivables)	–	27,497	18,299	–	–	243	46,039
Loans and receivables	–	–	48,043	–	–	16,438	64,481
Insurance receivables	–	–	–	–	–	8,326	8,326
Cash and cash equivalents	–	–	117,000	44,280	–	–	161,280
Total	**–**	**38,761**	**214,517**	**74,894**	**–**	**235,880**	**564,052**

Market risk exposure by credit rating 2018	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Derivative financial instruments assets	–	–	331	44	–	–	375
Equity securities	–	–	–	–	–	170,086	170,086
Investment property	–	–	–	–	–	96,720	96,720
Reinsurance assets (outstanding claims and receivables)	–	18,631	12,909	–	–	–	31,540
Loans and receivables	–	–	30,000	34,983	–	18,399	83,382
Insurance receivables	–	–	–	–	–	11,147	11,147
Cash and cash equivalents	–	–	108,063	25,131	23,000	–	156,194
Total	**–**	**18,631**	**151,303**	**60,158**	**23,000**	**296,352**	**549,444**

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

Liquidity Risk

Liquidity risk is the risk that the company does not have sufficient liquid financial resources, such as cash, to meet its financial obligations when they fall due. Liquidity risk also arises where assets can only be liquidated at a material cost. The company is exposed to daily calls on its cash resources, mainly for claims and other expense payments.

The Board-approved Investment Policy sets out the assessment and determination of what constitutes liquidity risk for the company. Compliance with the policy is monitored and exposures and breaches are reported to the appropriate governance fora. The policy is reviewed annually. Guidelines are set for asset allocations, portfolio limit structures and the maturity profile of assets in order that sufficient funding is available to meet insurance contract obligations. Asset liquidity is such that it is sufficient to meet cash demands under extreme conditions. Localisation of assets is such that it ensures their availability. The Investment Policy specifies a contingency funding plan should a liquidity shortfall arise.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

The company has mitigated much of its liquidity risk through holding liquid assets such as cash and sovereign bonds as well as assets and liability matching. The tables below show the maturity analysis of financial assets and financial liabilities based on the remaining undiscounted contractual obligations, including interest receivables or, where relevant, on the following assumptions:

- Loans and other receivables – cash flows for loans to local authorities and deposits with credit institutions are based on agreed principal and interest repayment schedules and are assumed to be repaid on the contracted maturity date.
- Financial assets at fair value through profit or loss – debt securities are assumed to be repaid on the contractual maturity date. However, the company sells debt securities prior to maturity to take advantage of yield curve opportunities. The maturity analysis is based on the assumption that debt securities redeem at par or the gross value as at 31 December 2019 in the case of index-linked bonds. Amortising bonds are stated at their nominal value as at 31 December 2019 in their final year of maturity. Coupon payments are not reflected. Equity securities are assumed to have no maturity date.
- Insurance contract liabilities – maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.
- Cash and cash equivalents – cash flows include interest earned to the end of the reporting period.

Maturity analysis (contracted undiscounted cash flow basis) 2019	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	190	190	–	–	–	190
Financial assets at fair value through profit or loss						
– Debt securities	732,348	95,700	353,781	196,468	1,030	646,979
– Equity securities	184,611	–	–	–	184,611	184,611
Loans and receivables						
– Loans to local authorities	16,438	2,206	8,295	5,942	–	16,443
– Deposits with credit institutions	48,043	18,060	30,477	–	–	48,537
Insurance assets	26,463	5,848	15,454	5,134	–	26,436
Reinsurance assets						
– Claims outstanding	42,878	14,536	21,996	6,346	–	42,878
Insurance receivables	11,487	11,487	–	–	–	11,487
Other receivables	103	103	–	–	–	103
Cash and cash equivalents	161,280	161,221	–	–	–	161,221
Total	**1,223,841**	**309,351**	**430,003**	**213,890**	**185,641**	**1,138,885**
Financial liabilities						
Insurance contract liabilities						
– Claims outstanding	577,881	136,380	334,015	107,486	–	577,881
Derivative financial instruments	754	754	–	–	–	754
Insurance payables	6,470	6,470	–	–	–	6,470
Trade and other payables	55,865	55,822	–	–	–	55,822
Total	**640,970**	**199,426**	**334,015**	**107,486**	**–**	**640,927**

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

Maturity analysis (contracted undiscounted cash flow basis) 2019	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**	**459,351**	**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**

Operational Risk

Operational risk arises from inadequate or failed internal processes, from personnel and systems, or from external events. Operational risk includes legal and regulatory compliance risk but excludes strategic and reputational risk. In particular, the company's operational risk includes outsourcing risks, including bankruptcy of the service providers, disruption of services and failure to achieve standards.

The company regularly reviews all major operational risks. The Risk Committee reviews the risk assessment to ensure that all operational risks are identified and evaluated for recommendation to the Board. Each operational risk is assessed by considering the potential impact and the likelihood of the event occurring. The effectiveness of internal controls on controlling operational risk is also measured.

Compliance monitoring is carried out on an ongoing basis, according to an annual compliance plan that is approved by the Audit Committee and recommended to the Board.

Internal audit is carried out on a continuous basis, in accordance with a rolling internal audit plan approved by the Audit Committee. The internal audit findings are updated on a monthly basis and circulated to the Board.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

The company has a business continuity plan for the restoration of functions should critical business processes be disrupted.

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

Cyber risk is a risk that continues to emerge as a significant threat to insurance companies. 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. IPB has in place an established Information Security Framework that 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 that are in force in the company.

Other Risks

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

- Reputational risk – risk arising from negative perception of the business amongst Members, customers, the Central Bank, counterparties, business partners and other stakeholders.
- Emerging risk – risks that may emerge in the future and have the potential to materially affect solvency.
- Brexit – 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 potential loss of UK passporting rights under the Brexit scenario.

Correlations Between Risks

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

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

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

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

The Risk Report includes quantification of the diversification benefits assumed in the capital model. It also considers key correlations between certain specific risks, often quantitatively, but sometimes in a qualitative manner.

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

Sensitivity Analysis

The tables below provide sensitivity analysis on the company's key risks. The impact of a change in a single factor is shown with other assumptions left unchanged for each of the risk types.

Risk	Risk methods and assumptions used in preparing the sensitivity analysis
Underwriting risk	The impact of an increase in net loss ratios for general insurance business by 5%.
Currency risk	The impact of a change in foreign exchange rates by ± 10%.
Interest rate risk	The impact of a change in the yield curve on IPB's fixed interest portfolio by 100 basis points and negative 25 basis points. The stress excludes the impact of the change in cashflows from floating rate notes. The underlying yield curve is based on prevailing swap rates as at year end 2019.
Equity risk	The impact of a change in equity market values by ±10%.

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

Sensitivity analysis Impact on profit before tax		2019 €'000	2018 €'000
Underwriting risk	5.00%	(6,820)	(6,878)
Currency risk	10.00%	1,013	1,013
Currency risk	-10.00%	(1,013)	(1,013)
Interest rate risk	1.00%	(17,745)	(16,194)
Interest rate risk	-0.25%	4,944	4,606
Equity risk	10.00%	18,461	17,009
Equity risk	-10.00%	(18,461)	(17,009)

Sensitivity analysis Impact on equity		2019 €'000	2018 €'000
Underwriting risk	5.00%	(5,967)	(6,018)
Currency risk	10.00%	887	887
Currency risk	-10.00%	(887)	(887)
Interest rates	1.00%	(15,527)	(14,170)
Interest rates	-0.25%	4,326	4,030
Equity risk	10.00%	16,153	14,883
Equity risk	-10.00%	(16,153)	(14,883)

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

NOTES TO THE FINANCIAL STATEMENTS

29. Risk Management (continued)

Sensitivity analysis 2019	Change in assumptions (note 29)	Increase in gross technical reserves €'000	Estimated increase in net technical reserves €'000	Impact on profit before tax €'000	Reduction in equity €'000
Third-party liability and other	10.00%	(2,402)	(1,922)	1,922	1,682
Motor	10.00%	636	509	(509)	(445)
Fire and other damage to property	10.00%	(52)	(42)	42	37
Total		**(1,818)**	**(1,455)**	**1,455**	**1,274**

Sensitivity analysis 2018	Change in assumptions (note 29)	Increase in gross technical reserves €'000	Estimated increase in net technical reserves €'000	Impact on profit before tax €'000	Reduction in equity €'000
Third-party liability and other	10.00%	(2,753)	(2,202)	2,202	1,927
Motor	10.00%	663	530	(530)	(464)
Fire and other damage to property	10.00%	16	13	(13)	(11)
Total		**(2,074)**	**(1,659)**	**1,659**	**1,452**

It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. Reserve projections are subject to a substantial degree of uncertainty and should be viewed as only part of a wider range of possible values produced by alternative assumptions. Particular areas of uncertainty in the projections include:

- The possibility of a future reduction in the level of real yields underlying the determination of Irish bodily injury awards as outlined in Note 2 on judgements, estimates and assumptions.
- The extent to which any adverse trends in respect of Irish bodily injury awards will be maintained or deteriorate in the future.
- The possible emergence of new types of latent claims that are not allowed for in the projections.
- The potential for stress claims to arise significantly more frequently in the current economic climate than past data would suggest.
- Projections in respect of cerebral palsy claims.
- Projections in respect of abuse claims.

The methods used for deriving sensitivity information did not change from the previous period.

Limitations of sensitivity analysis

The tables in this section demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. The sensitivity analysis does not take into consideration that the company's assets and liabilities are actively managed.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risks that only represent the company's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

NOTES TO THE FINANCIAL STATEMENTS

30. Contingencies and Regulations

31. Related Party Disclosures

30. CONTINGENCIES AND REGULATIONS

30(a) Capital Commitments

The company has no capital commitments at the reporting date.

30(b) Legal Proceedings and Regulations

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

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

31. RELATED PARTY DISCLOSURES

The company enters into transactions with related parties in the normal course of business. Transactions with related parties are at normal market prices. Details of significant transactions carried out during the year with related parties are outlined below.

Key Management Personnel

For the purpose of the disclosure requirements the term 'Key Management Personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly) comprises the Board of Directors and includes the leadership team who manage the business and affairs of the company. Disclosure in relation to the 2019 and 2018 compensation entitlements of the Board of Directors is provided in note 8(b). There were no loans outstanding between the company and its Directors at any time during the financial year nor is it the policy of the company to engage in such transactions.

Loans to Local Authorities

The company formerly issued a number of loans to local authorities for the purpose of developing local community initiatives (including local authority premises, roads and amenities). The company ceased providing these loans with effect from 2009; therefore, there were no loan advances made to local authorities during the year. Loan capital repayments and interest payments made by local authorities during the year amounted to €1.9m (2018: €2.1m). Loan balances outstanding at year end amounted to €16.4m (2018: €18.3m).

All loans were issued unsecured and with interest rates at normal commercial terms. During the period interest income on these loans totalled €0.1m (2017: €0.1m) and is treated as non-trading investment income and recognised in the Statement of Comprehensive Income. Interest is payable by the authorities on a bi-annual basis. The loans are reviewed for impairment at each reporting date and the Directors do not recommend any impairment provisions as of 31 December 2019.

Members

The percentage of total gross premiums written with Members in 2019 was 81% (2018: 80%). Please refer to page 122 for details of our Members.

NOTES TO THE FINANCIAL STATEMENTS

32. CSE

33. Post-Balance Sheet Events

34. Approval of Financial Statements

32. CSE

During 2019 the company did not make any additional contributions to the Social Dividend Fund as part of its corporate social engagement (CSE) framework however, the company continued to make payments from the fund to appropriate recipients.

33. POST-BALANCE SHEET EVENTS

The outbreak of the Covid-19 pandemic is dominating the global news in 2020. This is an unprecedented event that is causing significant challenges across all areas of personal and business life. The longer-term implications of the outbreak for the insurance industry are still very unclear, but in the short term there are likely to be both asset and liability impacts, as well as operational considerations and possible liquidity challenges for some insurers to consider. It is too early to assess the concrete economic impacts on IPB at the date when the report is being finalised, but it is anticipated that there will be negative impacts on the company, most notably on the investment portfolio. We also continue to assess the potential impacts across our insurance portfolio and exposures to business interruption and liability claims which may develop. Based on our stress and scenario testing, IPB remains well capitalised as we face into these uncertain events. At the time of finalising the report, operationally we have fully actioned our business continuity plan and have moved to a remote working model and we are in continual contact with regulatory stakeholders. IPB is committed to ensuring that we are complying with our duty of care and obligations in respect of health and safety towards our employees, contractors, members and clients and visitors in all matters relating to management of this virus. In addition, we are very conscious of the fact that our members and clients are significantly impacted by Covid-19 and we are in close and continuous contact with them to ensure continuity of service and to meet our insurance obligations as they fall due. Covid-19 is an evolving risk which we will continuously monitor and seek to mitigate as much as possible. throughout 2020.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2020.

OTHER INFORMATION

OUR MEMBERS

Our Members

For the purpose of registration the number of Members of the company is declared not to exceed 250 (two hundred and fifty), but an increase in the number of Members may be subsequently registered. "Local authority" has the meaning assigned to it by the Local Authorities (Mutual Assurance) Acts, 1926 to 1935.

Legal Status of the Company

The company is limited by guarantee and does not have any share capital. This guarantee is provided by its Members. However, the Members' guarantee is limited based on the following rule:

"Every Member of the company undertakes to contribute to the assets of the company in the event of its being wound up while he is a Member, or within one year afterwards, for payment of the debts and liabilities of the company contracted before he ceases to be a Member, and of the costs, charges and expenses of winding-up, and for adjustment of the rights of the contributories among themselves, such amount as may be required not exceeding Twelve Euro and Seventy Cents (€12.70)".

Source: IPB Insurance Company Limited by Guarantee Constitution, 29 April 2016

List of Members at the Year Ended 31 December 2018

County Councils

Carlow County Council
Cavan County Council
Clare County Council
Cork City Council
Cork County Council
Donegal County Council
Dublin City Council
Dún Laoghaire Rathdown County Council
Fingal County Council
Galway City Council
Galway County Council
Kerry County Council
Kildare County Council
Kilkenny County Council
Laois County Council
Leitrim County Council
Limerick City & County Council
Longford County Council
Louth County Council
Mayo County Council
Meath County Council
Monaghan County Council
Offaly County Council
Roscommon County Council
Sligo County Council
South Dublin County Council
Tipperary County Council
Waterford City & County Council
Westmeath County Council
Wexford County Council
Wicklow County Council

Education Training Boards

Cavan and Monaghan ETB
City of Dublin ETB
Cork ETB
Donegal ETB
Dublin and Dún Laoghaire ETB
Galway and Roscommon ETB
Kerry ETB
Kildare and Wicklow ETB
Kilkenny and Carlow ETB
Laois and Offaly ETB
Limerick and Clare ETB
Longford and Westmeath ETB
Louth and Meath ETB
Mayo, Sligo and Leitrim ETB
Tipperary ETB
Waterford and Wexford ETB

Other

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

GLOSSARY

Below is a simple explanation of some of the key technical terms used within this report and in the industry generally.

Term	Definition
Capacity	Largest amount of insurance available from a company. Can also refer to the largest amount of insurance or reinsurance available in the marketplace.
Capital	The money invested in the company. This includes the money invested by Members and profits retained within the company.
Claims Frequency	Average number of claims per policy over the year.
Claims Handling Expenses	The administrative cost of processing a claim (costs of running claims centres, etc. and allocated shares of the costs of head office units). Not the cost of the claim itself.
Claims Reserve (Provision for Losses and Loss Adjustment Expenses)	Reserve established by the company to reflect the estimated cost of claims payments and related expenses that is estimated will ultimately be required to pay.
Claims Severity	Average cost of claims incurred over the period.
Gross Combined Operating Ratio %	Calculated as: Gross Incurred Claims + Operating Expenses (including acquisition commissions) ――― Gross Earned Premiums
Net Combined Operating Ratio %	Calculated as: Net Incurred Claims + Operating Expenses (including acquisition commissions and less reinsurance commissions received) ――― Net Earned Premiums
Commission	An amount payable/receivable to/from an intermediary such as a broker for generating business.
Commission Ratio	Ratio of net commission costs to net earned premiums.
Central Bank of Ireland (Central Bank)	The regulatory authority for Ireland's insurance industry.
Current Year Result on Underwriting	The underwriting profit or loss earned from business for which protection has been provided in the current financial period.

Term	Definition
Deferred Tax Assets/ Liabilities	The calculation of deferred tax is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published financial position and their tax base. The tax rates used for the calculation are local rates. Changes to tax rates already adopted at the reporting date are taken into account.
Defined Contribution Plans	Defined contribution plans are funded through independent pension funds or similar organisations. Contributions fixed in advance (e. g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and is not participating in the investment success of the contributions.
Discount Rate	The interest rate used in discounted cash flow analysis to determine the present value of future cash flows. The discount rate takes into account the time value of money (the idea that money available now is worth more than the same amount of money available in the future because it could be earning interest) and the risk or uncertainty of the anticipated future cash flows (which might be less than expected).
Earned Premium	The portion of an insurance premium for which the company already provided protection.
Economic Capital	The company's assessment of the capital the company must hold to have a high confidence of meeting its obligations.
Exposure	A measurement of risk the company is exposed to through the premiums it has written. For example, in motor insurance one vehicle insured for one year is one unit of exposure.
Gross Written Premium (GWP)	Total premium written or processed in the period, irrespective of whether it has been paid, gross of reinsurance.
Gross/Net	In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term "net" is used where the relevant expenses (e.g. gross dividends less funds charges) have already been deducted.
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already-approved standards will continue to be cited as International Accounting Standards (IAS).
IBNR (Incurred But Not Reported)	A reserve for claims that have occurred but which have not yet been reported to the company.

Term	Definition
Incurred Loss Ratio (gross and net)	Proportionate relationship of incurred losses to earned premiums expressed as a percentage. The company uses the gross loss ratio as a measure of the overall underwriting profitability of the insurance business the company writes and to assess the adequacy of its pricing. The net loss ratio is meaningful in evaluating the financial results, which are net of ceded reinsurance, as reflected in the financial statements.
Members' Dividend	This term relates to the share of the surplus or profits (normally post tax surplus or profits) paid to the Members of a mutual company. The Members' Dividend is usually allocated based on the level of Member business conducted with the mutual.
Net Asset Value (NAV)	The value of the company calculated by subtracting the company's total liabilities from the company's total assets.
Net Claims Ratio (Loss Ratio)	The Net Claims Ratio for any period of time is the ratio of net losses plus loss adjustment expenses incurred during such period to net premium earned for such period.
Net Earned Premium (NEP)	The portion of net premiums for which the company has already provided protection. This is included as income in the period.
Net Expense Ratio	The percentage of net earned premiums which is paid out in operating expenses, e.g. salaries, premises costs, etc. The ratio does not include claims-related expenses but can include commission costs.
Net Incurred Claims (NIC)	The total claims cost incurred in the period less any share to be paid by reinsurers. It includes both claims payments and movements in claims reserves in the period.
Net Written Premium (NWP)	Net written premium is premium written or processed in the period, irrespective of whether it has been paid, less the amount payable in reinsurance premiums.
Net Underwriting Result	This is a measure of how well the company has done excluding its investment performance and is calculated as: NEP – net claims (including claims handling expenses) – expenses (including commissions).
Operating Profit	The profit generated by the ordinary activities of the company including both insurance and investment activity.
Portfolio Management	Management of a group of similar risks; these are usually grouped by line of business.
Premium Rate	The price of a unit of insurance based on a standard risk for one year. Actual premium charged to the customer may differ from the rate due to individual risk characteristics and marketing discounts.

Term	Definition
Prior Year Result on Claims	Profit or loss generated by settling claims incurred in a previous year at a better or worse level than the previous estimated cost.
Property General Insurance	Property insurance covers loss or damage through fire, theft, floods, storms and other specified risks.
Real Yield	The return from an investment adjusted for the effects of inflation.
Reinsurance	The practice whereby the company transfers part or all of the risk it has accepted to another insurer (the reinsurer).
Retained Earnings Distribution	A Retained Earnings Distribution is a distribution of Members' or shareholders' equity which has been accumulated net of taxation in prior periods and reported in the equity section of the balance sheet.
Retro	Refers to retro-rated premium whereby policyholders' premiums are calculated for liability insurance retrospectively based on the insured's actual claims experience during the policy term. As the lifespan of a claim can span a number of years, the claims experience or losses may result in Retro premium balances accruing over time. Elimination of these historic balances and this basis of rating provides greater certainty regarding the insured's annual insurance costs, aiding their budgeting process.
Return on Equity (ROE)	A measure of the profits the company earns relative to funds attributable to ordinary shareholders or Members.
Social Dividend	IPB's Social Dividend is a process for distributing some surplus generated by IPB's profits in a systematic way through IPB's Corporate Social Engagement Framework. It provides our stakeholders and ultimately society with a share of the profits generated by IPB.
Solvency II	Capital adequacy regime for the European insurance industry. Establishes a revised set of EU-wide capital requirements and risk management standards. It came into force on 1 January 2016.
Solvency Capital Requirement (SCR)	This is the amount of funds that the company is required to hold based on a standard calculation defined by the Central Bank under the EU Solvency II directive.
Total Equity Return	A measure of performance based on the overall value to equity holders of their investment in the company over a period of time. Includes the movement in the share price and dividends paid, expressed as a percentage of the share price at the beginning of the period.
Technical Underwriting Result – Net	Net premiums earned less net claims incurred. Excludes operating costs and commissions paid or earned.

Term	Definition
Unearned Premium	The portion of premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.

COMPANY INFORMATION

Main Banker
Allied Irish Banks plc
7/12 Dame Street
Dublin 2

Solicitors
Arthur Cox
Solicitors
Earlsfort Centre
Earlsfort Terrace
Dublin 2

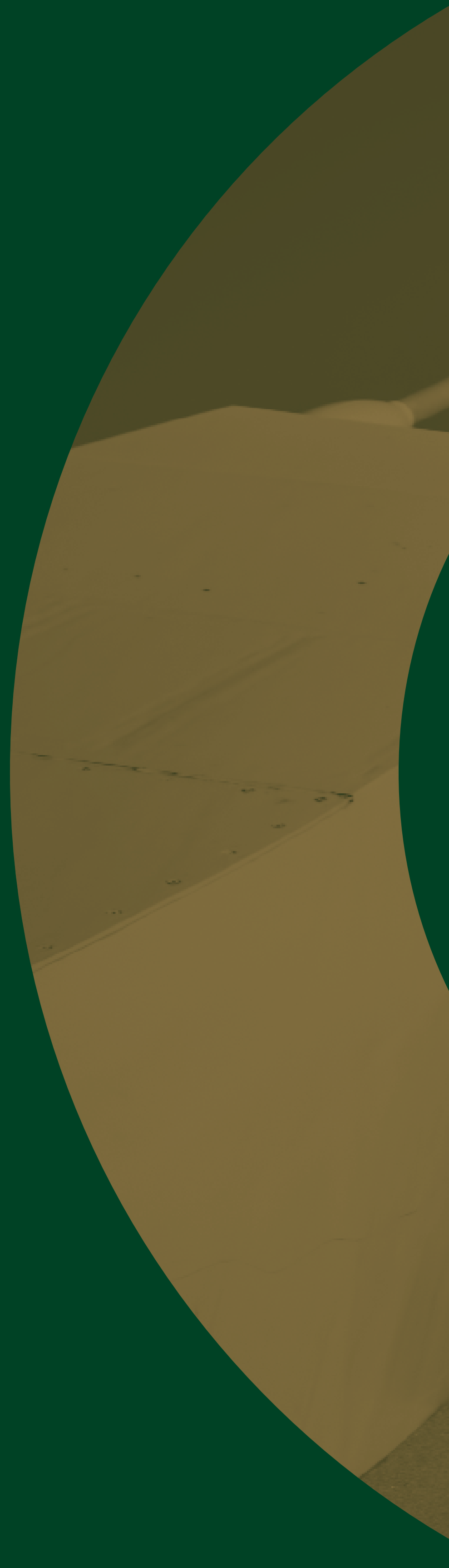
Independent Auditors
Deloitte
Chartered Accountants & Statutory Audit Firm
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

Company Registration Number
7532

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

Our People

35+ YEARS	Edel Burke	Lorraine Scanlan	Caroline Young	
25+ YEARS	Niamh Corrigan	Yvonne Loughran	Paddy Moran	Marian Weston
	Jacinta Gill	David Malone	Margaret O'Connor	
15+ YEARS	Fiona Carey	Ann Feely	Anne Rice	Rory Walsh
	Maria Carroll	Brendan Mahady	Rosemary Ryan	
	Alison Farrelly	Caroline Quinn	Gerard Ryan	
10+ YEARS	Louise Conlon	Peter Doyle	John Sheridan	
	Frank Cunneen	Joanna Fracz	Barry Wallace	
UP TO 10 YEARS	Claire Babington	Aisling Farrell	Alex Kitching	Mihaela Pavisic
	Katie Bell	Richard Fitzgerald	Quetili Lamperth	Philomena Phelan
	Natasha Brady	Colin Flood	Adrian Leonard	Mark Price
	Diane Broderick	Niall Foley	Kamila Litwinowicz	Lindsay Pulsford
	Colm Bryson	Joyce Foley	Robert Love	Cathy Quigley
	Alan Burke	Alan Foster	Helen Lynch	Matt Rafferty
	Darragh Callaghan	Yusuf Frih	Vincent Lyons	Donna Rave
	Oisin Cannon	Majella Fuller	Sean Maguire	Tracey Reale
	Neil Carmody	Grainne Gallagher	Conor Mahon	Donagh Regan
	Fergus Carolan	Paschal Garrett	Kevin McClean	James Reid
	John Caulfield	Michael Garvey	Conor McCourt	Niamh Reilly
	Emily Chambers	Emily Gavin	Paul McCrory	Colm Reilly
	James Cleary	Stephen Geary	Dermot McInerney	Michelle Rice
	Conn Cleary	Eileen Griffin	Paul McMillan	Deborah Royal
	Fiona Coloe	Karl Hamilton	Ann-Marie McPartlin	Padraig Sheehan
	Maeve Condon	Emma Hannon	Edward Meaney	Anne-Marie Sheridan
	David Connolly	Clara Hannon	Evan Millar	Laura Smith
	Mairead Conway	Mark Hardy	Robert Moore	James Smith
	Sarah Coughlan	Catherine Hayes	Maeve Moore	Lizanne Sorohan
	Richard Counihan	Ivor Heavey	Megan Mullarkey	Adam Sykes
	Greg Creevey	Julie Hunter	Gerard Mulvaney	Christopher Taaffe
	Nicola Cummins	Amy Hurst	Lindsey Murphy	Anthony Thorpe
	Aoife Dennedy	Shauna Kavanagh	Fiona Murtagh	Jonny Walshe
	Gerry Denvir	Tom Keane	Lyndsey Noonan	Michael Ward
	Darren Devereux	JJ Keane	Sophie O'Brien	Emma Warde
	Enda Devine	Paul Kearns	Ellen O'Carroll	Christine Waters
	Lesley Doyle	David Kearns	Martha O'Connor	Brendan Watson
	David Dunne	Aoife Keenan	Wendy O'Dwyer	Michael Whelehan
	Niamh Ebbs	Brian Kelleher	Nicola O'Neill	Barry Whitelaw
	Michelle Fahy	Dean Kelly	Graham Orr	Fiona Wolfe
	Gerard Fallon	Nicola Kelly	Steven O'Sullivan	David Woodward
	Cathy Farragher	Liam Kilmartin	Brian Owens	



IPB Insurance
1 Grand Canal Square, Grand Canal Harbour
Dublin DO2 P820, Ireland
www.ipb.ie