ipb insurance

2020
Annual Report

Working together
for a brighter future

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.

Stakeholder Report

Chairman's Statement

George Jones

There can be no doubt that the emergence of the global COVID-19 pandemic has proven to be the most socially and economically challenging event since the mutual's foundation in 1926.

As witnessed in these past 12 months, our Members' strength and unity in supporting and working with their communities have never been so evident. Local emergency response planning and implementation is a core local government function. The Community Call, which involves a coordinated response to delivering support for all our citizens, represents an unprecedented mobilisation of State and voluntary resources and is rightly lauded. The scale of local volunteerism witnessed throughout the country is a source of inspiration. Our Members' support to individuals, organisations and communities reaffirms the effectiveness of our local government, education and health sectors during this testing time.

Notwithstanding the challenges presented by the global pandemic, I am pleased to report that your mutual insurance company delivered a robust financial and operational performance for the 12 months ending 31 December 2020. Given the scale and complexity of the social and economic challenges that you face in addressing heightened public needs, we must continue to intensify our engagement. There can be no doubt that there is a long road to recovery ahead, and our local authority, ETB and HSE Members remain central to our national recovery post-Covid.

Overview

I am pleased to report that your mutual reported a surplus before tax of €18.3m for the year. Once again, our investment return of €10m is the primary driver of our overall financial performance. Our surplus enjoyed another modest but consistent underwriting profit of €8.3m from our insurance operations. This performance is very satisfactory when we consider the substantial challenges presented by COVID-19.

Our financial objective is to consistently deliver a modest underwriting profit based on our approach to ensuring that our core insurance operation is robust and sustainable. The growth generated by investment markets is unlikely to continue given current valuations across all main asset classes and the heightened maturity of the investment growth cycle. That said, I am confident that our investment strategy and our portfolio's composition will continue to generate modest but sustainable returns over the longer term whilst enjoying a high level of capital security.

COVID-19: National Challenges

Prompted by the COVID-19 pandemic and the previously unimaginable disruption that ensued, there is an ongoing national conversation around the sort of services and supports we will require as a country into the future. Post-Covid, housing and homelessness will once again top the political agenda

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at national and local government levels. The Government recently outlined ambitious plans for delivering on its national housing targets and outlined the Land Development Agency's strategic role as it manages public land banks for development. The scale of the housing challenge may become even more perceptible in the aftermath of the current global pandemic.

According to CSO figures, there was a surge of completions in housing developments in the final quarter of last year. This surge brought 2020 housing completions to 20,676, close to the previous 21,087 new dwellings completed in 2019. The number of apartment completions rose by 14.5% compared to the previous year. The number of completions is a remarkable achievement given the limitations presented by rolling lockdowns. The impact of COVID-19 may ultimately lead to a change in the type and location of housing demand, and we will not fully understand the implications, if any, for some time to come.

COVID-19: Social and Economic Impact

The COVID-19 pandemic continues to inflict profound societal and economic harm at a global, national, and local level. In the second half of 2020, the global economy partly recovered from the second quarter's lows as vaccine development announcements and their rollouts lifted expectations.

At a national level, we have witnessed an unprecedented reduction in domestic trading activity. As an island nation with a very open economy, Ireland is highly dependent on exports and therefore, we will depend on the global economy to sustain any national economic recovery. Global output fell by 4.2% last year, but the OECD forecasts a strong rebound with GDP growth of 4.2% this year and 3.7% next year.

The prevalence of coronavirus in the community will remain the key determinant of national economic performance for the coming year. However, there is growing optimism for the future as we witness the beginning of the nationwide deployment of vaccines, which appears to be the fastest and only definitive route to a secure exit out of this global health crisis. The outcome of a national inoculation programme should see a progressive easing of restrictions and a more favourable outlook for the economy in the second half of this year.

Brexit

Brexit remains a considerable threat to our economic recovery. The rigidity of the EU-UK trade agreement will inevitably impede growth; however, the outlook for exports is more favourable than a no-deal Brexit. With a more positive outlook for domestic demand, modified domestic demand is forecast to grow by 2.9% this year and increase by 3.6% in 2022. GDP is forecast to grow by 3.8% this year and by 4.6% next year.

COVID-19: Impact on Members

Without significant exchequer investment to cope with the impact of the COVID-19 pandemic, our local authority Members face the prospect of curtailing services, including housing maintenance, roads, lighting and parks services, community grants, festivals and arts supports. Measures to limit services in the short term are likely to occur without government intervention.

COVID-19: Housing and Civic Planning

COVID-19 has prompted a lot of questions and considerations around the future of civic planning and development. Some changes regarding residential preferences may become apparent in the post-Covid era, and if so, our local authority Members will play a pivotal role in meeting these new demands. Expectations of a mass exodus from cities to rural towns and villages has not materialised. While house prices are growing faster outside Dublin, these are in urban areas where house price inflation in Galway and Limerick cities, for example, is close to 10%. Outside of the main urban centres, there is a similar increase in inflation rates in areas such as Laois and Carlow, where prices rose by 10% over the course of 2020.

There are some indications that as a post-pandemic trend, there may be changes in home type preferences rather than changes in the preferred location of housing that people want. There is some evidence from property sales that one-bedroom homes are experiencing a relative discount compared to three-bedroom homes. However, it is far from conclusive that larger residences fared better last year.

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COVID-19: Insurance Challenges

The topic of personal injury claims and awards has led to significant public, political and media interest. This scrutiny is understandable given the challenges for specific sectors to secure liability insurance coverage and do so at an affordable price. Many of the sectors affected by the insurance crisis were and continue to be the most impacted by the global pandemic. As these organisations try to resume operating, the issue of access to affordable insurance is likely to present itself once more. The calibration of personal injury awards and updating the Book of Quantum is arguably the most critical work in order to address the cost of claims and resolve the current insurance cost challenges.

Member Engagement

Notwithstanding the obstacles of working from home, I am pleased to report that we managed to maintain a high engagement level with Members. During an almost immediate shift to remote working, the company transitioned within days to ensure that Members experienced minimal inconvenience.

However, one casualty of the Covid-related restrictions was the Member Engagement Forum (MEF). The MEF enables IPB's Board and Management to meet with Member nominees in person and update them on matters of interest and relevance to them in their role as representatives of our Member organisations. 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. A newsletter was issued in Q1 of this year to ensure that our nominees received operational and Member-related updates.

Capital Distributions

Given the concerns for the impact of COVID-19 on financial institutions' strength and stability, European Insurance and Occupational Pensions Authority (EIOPA) correspondence noted the challenges presented and the question of whether capital distributions were justified given the uncertainty introduced by the global pandemic. Following detailed, comprehensive internal stress testing exercises, challenge and debate at Board meetings, the Board of Directors, following detailed discussion, notified the Central Bank of its decision to proceed with the payment of previously committed and allocated capital distributions.

These payments consist of a €18.9m deferred Members' Commercial Dividend accruing from our 2019 financial performance and the fourth instalment of a five-stage retained earnings distribution. Payment of both of these capital distributions issued earlier in the first quarter of this year. Over the past three years, your mutual has paid €155m in retained earnings to Members.

Governance

IPB's Directors, in conjunction with the Central Bank of Ireland, are committed to ensuring the optimum composition of the Board in order to manage the delivery of IPB's strategic objectives. We have continued to progress succession planning in respect of Independent Non-Executive Director roles with the appointment of Joan Garahy to the Board following the retirement of John Smyth in July 2020.

The Board-approved succession plan for the period 2017-2020 concluded with the retirement of Independent Non-Executive Director John Smyth from the Board. I want to acknowledge John's considerable contribution as a Board member, in the course of which he applied his extensive experience following a stellar career spanning over 40 years in financial services in Ireland.

Joan Garahy joined the Board in July of last year and brings a wealth of experience in financial services and investments, having spent over 30 years advising on and managing investment funds as an equity analyst, fund manager, financial planner and head of research. Joan holds other leadership positions in the investment and pensions industry and is also an experienced Independent Non-Executive Director with several PLCs, private companies and a charitable organisation.

In tandem with progressing succession planning for Independent Non-Executive Directors, we are advancing the Board Observer Programme which is particular to Nominees and Group Non-Executive Director roles in the context of the Board-approved succession plan for the period 2021 and thereafter. This has seen considerable changes in the Board's composition in recent years involving a dedicated focus on securing the Board's equilibrium and corporate knowledge and matters in this regard will progress in the coming months. The 2021 period involves the retirement of Group Non-Executive Director Sean O'Grady from the Board and the appointment of Ronan McMahon as a Group Non-Executive Director following successful engagement in the Board Observer Programme and securing of legal and regulatory approvals. I want to acknowledge Sean's significant input to IPB's strategic direction through application of his considerable professional knowledge of commercial and insurance matters and his experience of the activities of the Local Authority sector in discharging his duties as a Director.

Ronan McMahon presents with extensive commercial and entrepreneurial skills having developed financial and investments expertise throughout his educational endeavours and career to date in addition to the experience gleaned from involvement in local government activities.

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 the equitable treatment of customers and supports better overall performance. We take culture very seriously in IPB and have established a set of mutual 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 contrary to Member and broader stakeholder interests. Our culture in IPB is well established and continues to be embedded further; however, we are very aware of the need to reinforce a positive culture continually. The Board of Directors is committed to ensuring regular assessments by taking a leadership role in sponsoring all culture-led initiatives.

Environmental, Social and Governance (ESG) Reporting

As a mutual, we have a clear commitment to the principle of sustainability. The increasing focus on sustainability through the lens of Environmental, Social and Governance (ESG) reporting aligns with the ethos of mutuality. Detailed within this year's Stakeholder and Annual Report (see page 16), you will find details of our commitment to ESG reporting together with a roadmap setting out clear development stages and timelines as we formalise our ESG reporting for the coming years.

Diversity and Inclusion (D&I)

We have a clear plan to make IPB a more diverse and inclusive organisation reflective of wider Irish society. Our engagement with the Central Bank included themed inspections around D&I in insurance. The Central Bank confirmed that we are making steady progress in the right areas and have assessed IPB as being in the top four of the 11 insurers reviewed. I am, along with the Board and leadership team, fully committed to and supportive of our D&I strategy.

There is a detailed plan to advance our ambitions in this respect. A dedicated working group is making progress on focus areas, including underrepresented groups, diversity of thought, mentoring and coaching. All people managers within IPB have undertaken training on Inclusive Leadership and Unconscious Bias. The Board and the Remuneration and Nomination Committee have adopted gender representation targets for senior management of 30% by 2023, and we will continue to take all necessary steps to achieve this objective.

Corporate Social Engagement

We are steadfastly committed to supporting our Members' and their communities by funding social initiatives aligned with their strategic objectives. Since 2018, IPB has committed €1.6m over four years to support social enterprises through the Social Enterprise Development Fund in partnership with our local authority Members. This is co-funded with the Department of Rural and Community Development, resulting in a total fund value of €3.2m. The fund concludes in 2021, and we will be engaging very closely with Members to identify and assess further social investment opportunities particular to the period thereafter. I am pleased to note that at least one social enterprise from every local authority benefited from the fund in 2020.

Our ETB Members play a leading role in implementing a national music education initiative in partnership with our local authority Members under the Music Generation programme. We committed €100,000 per year for three years to assist our ETB Members as they grow their bank of musical instruments for their students. The impact of COVID-19 has disrupted the regular operation of schools, and the provision of musical instruments

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through instrument banks run by our Members' library services demonstrates the critical role our Members play. I hope that this initiative will see thousands of students, many previously without access to performance music education, now benefit through the fund.

The itinerary for Galway's European Capital of Culture designation was severely affected by the COVID-19 pandemic. IPB provided Member sponsorship incorporating a grant scheme to match-fund local authorities' participation in Galway2020, aimed at making the designation of European City of Culture a truly national initiative.

Conclusion

As a mutual, we do not strive to maximise profits for external shareholders. Instead, we are committed to being there when you need us most. The global pandemic has presented us with an opportunity to demonstrate to Members the value and meaning of being part of a mutual.

In responding to your COVID-19 challenges, we established a dedicated team to assist Members in preparing and submitting Covid-related claims. We also applied policy cover extensions for Members at no extra cost. We also provided Members and customers with rebates amounting to over €20.1m in 2020.

I am pleased to report that the Board reaffirmed its commitment to pay a Commercial Members Dividend of €18.9m in Q1 2021 for the 2019 financial year. At the start of this year, we distributed €25m in line with the phased payment of a combined €205m in retained earnings distributions (RED) to Members. The RED fund helps members to address insurance-related challenges by investing in various aspects related to their insurable interests for the longer term. It is appropriate that I acknowledge our local authority and ETB Members' spirit of reciprocity in working with their mutual 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 claims costs and, consequently, Members' insurance costs. We are witnessing continued signs of progress. By working collectively in the spirit of mutuality, I am confident that Members will benefit from better claims outcomes through our collective efforts.

Our mutual ethos, which we cherish so dearly, is founded on our purpose to serve and protect you, our Members. The response to COVID-19 required considerable effort as all employees transitioned to working remotely and differently. I want to pay tribute to my colleagues on the Board, our Management and staff for their adaptability, unwavering commitment and loyalty.

There is no doubt that significant change lies ahead. The impact of the global pandemic and the untold social and economic damage that has yet to unfold will present local and national government challenges and place even greater demands on all our Members. We will continue to provide increased levels of support to assist our local authority, ETB and HSE Members in navigating the rapidly evolving risk challenges of your respective sectors.

Finally, I would like to thank all our valued Members for your continued loyalty, support and engagement. On behalf of all of us at IPB, we are committed to working harder than ever to protect you and your organisations' insurable interests and deliver effective insurance solutions tailored to your needs.

George Jones
Chairman

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Chief Executive's Review

Michael Garvey

There is no doubt that 2020 will live long in our memory. Little did we know at the start of last year what was to unfold. The strength and unity of communities across Ireland has never been so evident as witnessed in the past year during this continuing period of great challenge and sacrifice for so many. As we reflect on the past year, it is almost impossible not to mention some level of impact attributable to COVID-19 on each of the topics covered within this year's report; such is the ubiquitous nature of the global COVID-19 pandemic.

The prolonged public health emergency due to COVID-19 is undoubtedly the most significant crisis in living memory. Local authorities activated their local emergency response plans to great effect, evidenced by the hugely successful Community Call initiative. This resulted in all 31 city and county councils delivering a localised response for citizens nationwide and represents one of the largest deployments of Government and voluntary resources in the history of the State.

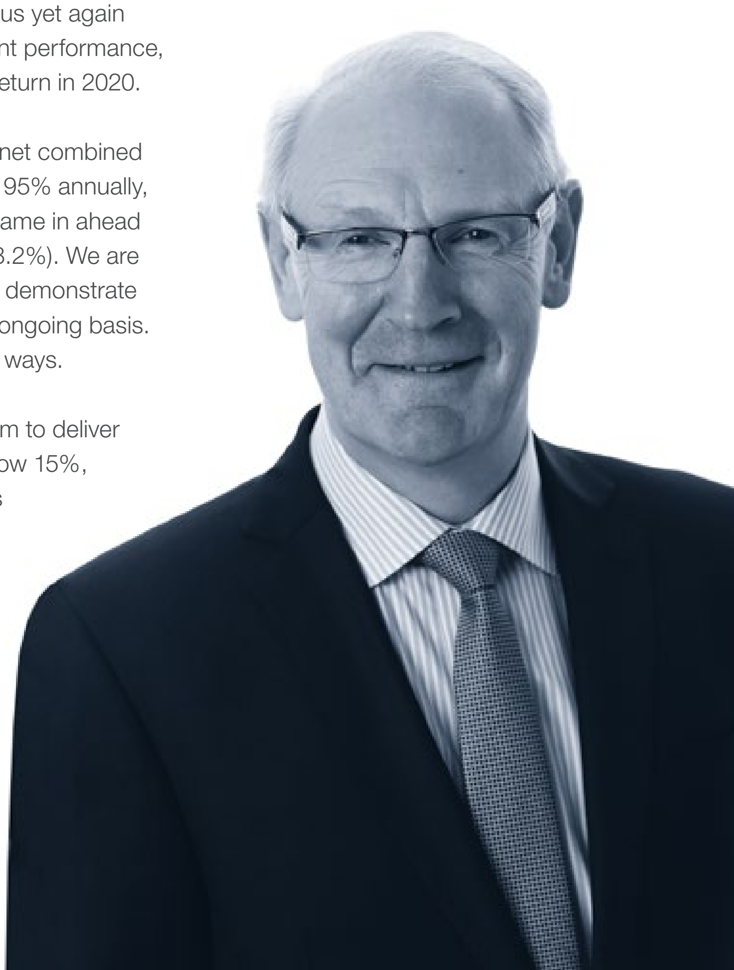
Our ETB Members also faced enormous challenges, none more so than the transitioning of 350,000 service users to online education and training across primary and secondary level schools, training centres, and youth support services. I want to acknowledge the vital role our local authority, ETB, and HSE Members played in moving so quickly to respond with purpose to support the most vulnerable and in need in society. Our Members continue to provide vital services at a local level in the fight against the COVID-19 virus.

Financial Performance

I am pleased to report a robust financial result and steady operational performance by your mutual in 2020, resulting in a surplus for the year of €18.3m. Set against an unprecedented and very challenging environment, this is an excellent outcome. We have again this year maintained our underwriting profitability, realising €8.3m from our core insurance activity for the year. The primary driver of our surplus yet again comes from our investment performance, which delivered a €10m return in 2020.

Our target is to achieve a net combined operating ratio (NCOR) of 95% annually, and for 2020 our NCOR came in ahead of target at 93% (2019: 93.2%). 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 considerably less than the industry average of circa 25%. Our expense ratio however exceeded this benchmark in 2020 due mainly to lower earned premium as a result of the provision of over €20m in COVID-19 Premium Rebates. As a consequence, our expense ratio for 2020 stood at 16.7% exceeding our target. The scale of rebate is reflective of our mutual ethos to act in the best interests of our Members and customers at all times.



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 performance is influenced by a combination of factors relating to the impact of COVID-19. The anticipated fall-off in claims notified arising from COVID-19 restrictions since March of last year presents a challenge in accurately assessing current claims trends. This year a further reduction of 1% in the margin for uncertainty in our claim's reserves, which stood at 15% at year end, contributed to our underwriting performance.

We generated gross written premium (GWP) of €164.2m excluding customer Rebates during the year, up €5m compared to 2019. This modest growth in premium was due mainly to enhanced coverage of Member risks during the year and by more of our Members taking up new and improved insurance offerings, particularly in cyber insurance and crime cover. Future growth in GWP, particularly in the immediate to mid-term, will be achieved through new business from additional cover for our Member and non-Member customers. There continues to be scope for growth from the take-up of new products designed to address Members' changing risk profile as evidenced by the new and emerging risks prompted by COVID-19.

Key to protecting Members and their mutual insurer is the spreading of risk through our reinsurance programme. The pandemic has created challenges for the reinsurance sector in terms of risk appetite and securing adequate levels of cover to minimise volatility in earnings from large losses and catastrophic events such as the one we are currently experiencing.

Our focus must remain on our core business of insurance and the achievement of modest, sustainable underwriting profitability on a consistent basis. The long-term sustainability of the mutual is essential to ensure that our Members' interests are securely protected. Increased volatility in investment markets is likely, given the extended bull market and lofty valuations. This is even more stark when taken in the context of the global pandemic over the past 12 months.

Investment Performance

If 2020 has taught us anything, it is that investment markets are neither predictable nor tied to economic performance. Nobody could have predicted the tragic impact of COVID-19 on lives and livelihoods worldwide. With no experience of a pandemic in almost 100 years, stock markets fell a staggering 34% in only 33 days from late February on fears of a great depression. The response that followed from global central banks and governments to the pandemic was on a scale not seen since World War II.

The IPB investment portfolio benefited from strong diversification amongst several asset classes. Government and corporate bonds were well supported by Central Bank initiatives. We repositioned our equity exposure in early 2020 to the most resilient parts of the economy, such as health care, tech, and clean energy stocks. Our equity and corporate bond holdings delivered returns that exceeded benchmark levels and more than offset the lower valuations in our office property portfolio.

We continue to embed responsible investment in our investment strategy. It was no surprise that many of our highest-rated ESG (environmental, social and governance) investments were also those that performed the strongest in 2020. Looking forward, we enter 2021 with supportive Central Bank and Government policies. Still, a speedy and successful vaccine rollout is essential to sustaining the re-opening of economies and justify certain valuations within the market. We recognise that higher inflation may negatively impact our fixed income portfolio and we have taken steps to minimise this risk.

COVID-19 and Operational Performance

Despite the radical changes faced by our employees in their personal and work lives, IPB's operating controls as well as our internal and external service levels were maintained on a "business as usual" basis. The move to online communication and virtual meetings with colleagues, Members and customers and other stakeholders resulted in limited interruption. The engagement level with Members has increased due to leveraging opportunities presented by virtual engagement platforms.

We introduced a wide range of measures on the commencement of the national public health emergency plan and associated restrictions. These measures included ongoing provision of communications and updates relating to insurance challenges faced by Members. We supported Members' in their delivery of the Community Call including extending cover to all volunteers with no additional premium charged to local authorities. Additionally, in light of social distancing measures, we extended motor fleet cover to private vehicles of local authority outdoor staff when used in the course of their duties. This was provided at no additional cost to support the ongoing delivery of essential services by Members.

An internal group was established to review policy covers and to proactively identify and support Members in submitting COVID-19 related claims. This position was adopted in line with our mutual ethos to serve and support Members when they need us rather than waiting for them to make a claim. We reduced the red tape involved to expedite the process and we continue to assess further ways that we can support Members.

Members Covid-related Risks

As Members adapted to the remote working environment, we engaged with Member senior representative groups to facilitate tailored online governance and risk conferences addressing the immediate and future challenges presented by the COVID-19 restrictions. In partnership with our friends in the City and County Managers Association (CCMA), the Local Government Management Agency (LGMA) and Education and Training Boards Ireland (ETBI), we delivered a series of online conferences resulting in high turnouts and participation levels.

The transition to remote working presented Members with increased exposure to cyber and online fraud risks. Throughout the year more of our Members sought out our cyber risk and crime cover insurance products in acknowledgement of the increased online risks due to remote working.

Our cover extensions arising from the COVID-19 crisis were delivered with Member-wide agreement, supporting volunteers and communities. Throughout the year and predominantly following the onset of Government COVID-19 measures, we issued 13 separate Member communications to ensure that our Members and customers were informed at all times of the status of their insurance coverage and any developments.

A range of measures were undertaken in response to Members requests. As local authorities implemented the nationwide Community Call emergency programme, we provided cover extensions for certain risks at no additional cost. Acknowledging Members' restricted activities and closure of premises, we facilitated over €20m in Member and customer premium rebates. We also developed a suite of risk management guides, circulars and informational videos to guide best practice for new Covid-related risks involving workplace, operations and governance.

COVID-19 and the Public Realm

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.

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The onset of the global pandemic has raised fundamental questions around how we live and work, the nature of communities, and the public realm. There has been added impetus to invest in pedestrian and cycle infrastructure and it is important that new projects conform to the highest standards of design and safety as well as utilising the most appropriate materials. Our senior engineer and risk advisor is working closely with our local authority Members in this regard to ensure that the highest international safety standards are applied.

Listening and Delivering for Members

As always, 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 68%.

Given the challenges presented in maintaining a business-as-usual customer experience, Member satisfaction results were hugely positive delivering an overall satisfaction rating of 96%. Member satisfaction across all key metrics remained at similar levels to 2019, which delivered the strongest satisfaction results since research began eight years ago. Considering the many insurance and risk-related issues arising from the COVID-19 pandemic, we asked Members to rate their satisfaction with our response and communications during the pandemic. Again, satisfaction levels were extremely positive with Members recording a 98% satisfaction level for IPB's pandemic-related engagement and communications.

Our Members' insurance and claims handlers operate at the front line and it

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is important that we continue to deepen our relationship with this important stakeholder group. For the second year running we surveyed handlers to sense-check our response to their feedback from the first survey and to assess their overall satisfaction against last year's benchmark score. The overall customer satisfaction index scored highly at 89%, exceeding last year's survey benchmark of 87%.

The inaugural 2019 survey of our Member's insurance and claims handlers resulted in very high response rates. Based on the feedback received we created a Court Witness Guide to assist Members attending court on behalf of their Member organisations. Additionally, respondents clearly expressed a preference for greater engagement and we were delighted to answer this request with the first combined local authority and ETB insurance and claims handlers webinar last September.

A new mobile app was launched in Q4 which will enable Member local authorities to direct those seeking to make a claim for pothole damage to an IPB representative who will provide details of the IPB Pothole App. Motorists submit all the relevant incident details and other claims data for consideration by IPB's claims department. Our aim is to further strengthen our engagement and communications with our Members' insurance and claims handlers. Through our mutual efforts we are achieving better claims outcomes and I look forward to gaining further insights in developing new initiatives and innovations in 2021.

Insurance Reform

Before the pandemic, considerable media and political attention was centred on the cost of insurance and access to cover, with a particular focus on the leisure, voluntary and community group sectors. As a mutual dedicated to addressing Members' complex liability insurance needs, our risk appetite focuses efforts on serving Members' needs.

Within the wider claims environment IPB has actively engaged in industry-wide initiatives to support Government reform in relation to claims cost containment. We have proactively engaged with the Central Bank National Claims Information Database, we chaired the Insurance Ireland Anti-Fraud Forum national webinars and provided data to the Judicial Councils' Personal Injuries Committee review of Personal Injury Guidelines.

The Judicial Council has now approved new personal injury guidelines and as we sign off on this report the Government is finalising the relevant section of the Judicial Council Act, implementing the Personal Injuries Guidelines. These Guidelines replace the existing Book of Quantum. Following the adoption of the Guidelines it is expected that certain awards, particularly for minor injuries, will be reduced. Once implemented, judges may depart from the Guidelines but will be required to give clear reasons for doing so. This is a welcome development and only time will tell how much of a reduction in awards the Guidelines will achieve post-legislation.

Claims Performance

Since the introduction of NPHET remote working guidelines our claims staff engaged remotely with all key stakeholders in servicing Member and customer claims ensuring continuity of service from the outset. Over the past 12 months IPB resolved 5,750 claims and as at year end our claims portfolio has 10,400 claims under active management.

The impact of COVID-19 on the claims environment presented unique challenges characterised by a number of periodic stages ranging from normal activity for most of Q1 to high impact in Q2 and very erratic activity in the second half of the year. All stakeholders in the litigated claims process were impacted including solicitors, engineers, investigators and claimants which led to appointment chaos and changing of court schedules, again with a cascading impact on out of court settlement negotiations.

Notwithstanding this, I am pleased to report that we achieved very positive outcomes on behalf of our policy holders. IPB claims department secured €20.1m in indemnities in 2020, nominally ahead of the prior year result and an excellent outcome in the context of COVID-19.

Our efforts in tackling fraudulent claims delivered very strong results again in 2020 with a further €5.3m in savings achieved, up almost 30% on 2019. Last year was an exceptional year overall for legal cost savings with a total of €632,000 fee savings and €7.4m of negotiated reductions on legal bills of cost presented.

The pandemic has resulted in an increased focus on negotiated claims settlements and this has resulted in solicitors and claimants engaging in online consultations, which was a big driver in the resolution of a claims. At the very heart of mutuality is our desire and belief in acting in the best interests of our Members. I am pleased to report that IPB proactively provided Members and customers with detailed guidance on how to successfully access their cover and make claims on their policies to assist them in responding to the COVID-19 situation.

Capital Strength

IPB's Solvency Capital Ratio at the end of 2020 is 2.6 times the required margin under the Solvency II capital adequacy regime. This solvency capital ratio has reduced steadily from 4.3 times in 2014 to current levels primarily due to two factors: our commitment to distribute €205m in retained earnings to Members and increased coverage of our Members' insurable risks.

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 our Members.

A notable feature in the management and assessment of the capital strength of IPB during the year was the completion of an interim Own Risk and Solvency Assessment (ORSA). This involved stress and scenario testing to assess the company's resilience to the potential impact of the pandemic on the capital strength of our balance sheet. The interim ORSA focused primarily on the potential COVID-19 impacts on IPB's investments, claims experience and reinsurance arrangements as well as the company's projected capital position. The positive results of this ORSA provided significant assurance to the Board and Management as to IPB's ability to meet pandemic-related risks over the foreseeable future.

It is also notable that IPB maintained its S&P (A- Stable) credit rating in Q4, 2020.

Workplace and Culture

In responding to the reality of remote working due to the COVID-19 pandemic, we adapted our method of employee engagement and communications. The transition to remote working resulted in more frequent and varied communications. Internal engagement events are more frequent and for shorter periods than would otherwise be the case. Our approach has shifted considerably but our employees have adapted well and stepped up in the interest of our Members.

In relation to remote working and virtual engagement, we initiated a review to find ways to maximise opportunities and address challenges presented by virtual and hybrid working. One of the many findings from the review identified opportunities for more frequent contact with a wider group of our Member representatives through virtual engagement. The findings also identified opportunities for more of our employees to engage with our Members facilitating enhanced communication. The findings were presented to the Board in December and we intend to progress several initiatives in 2021 as a result of this exercise.

We also increased our focus on employee wellbeing with a wide range of themed events throughout the year. There is no doubt that there are risks related to employee physical and mental wellbeing due to the upheaval created by the enforced changes to people's way of living and working. During the year we intensified our activities around wellbeing to ensure that everyone at IPB had access to opportunities to spend time on their physical and mental wellbeing.

I am pleased to report that our commitment to strengthening our workplace culture and employee experience again delivered an exceptional Great Places to Work result for the 2020 period. IPB is now ranked 8th amongst medium-sized companies in Ireland. This is the third consecutive year that IPB has been voted a Great Place to Work as employee sentiment pushed our Great Place to Work scores to new highs. This result, when placed in the context of challenges for all our employees adapting to working from home, juggling family and work, is even more pleasing.

Conclusion

The challenges faced by Members in 2020 were unprecedented and presented many new risks. I would like to acknowledge the support of all our staff who adapted to new ways of working, which we didn't think were possible just twelve months ago. We have all worked together in the interest of our Members and I am confident that we will all be stronger for the experience. As Ireland and indeed the world continues to deal with the impact of COVID-19, Members can be assured that we will do everything necessary to ensure that we maintain the levels of customer experience that you, our Members have come to expect from your mutual. We will continue to listen to you and be agile and responsive in serving your needs. In closing, I would like to thank you, our Members, for your continued support.

Michael Garvey
Chief Executive Officer

Financial Highlights

In a very unpredictable and unstable year we have delivered a very solid and stable financial performance. All key indicators have performed largely in line with forecasts. This has resulted in a surplus before tax for the year of €18.3m.

€144.1m
Gross Written Premium

Gross written premium **contracted by 9.5% year-on-year** largely due COVID-19 premium rebates that were issued as a result of reduced economic activity due to the pandemic.

16.7%
Expense Ratio

Our operational expenditure ratio at 16.7% is **outside our target ratio of 15%,** however, it compares favourably with industry norms (circa 26%).

€8.3m
Underwriting Performance

The underwriting performance is slightly **ahead of forecast at €8.3m.** This is a strong result notwithstanding, premium rebates of €20.1m offset by an 11.4% reduction in claims notified.

€10m
Investment Result

Investment performance exceeded forecasts due to the increase in the value of bonds. The **€10m investment return was a solid performance** and served as the primary driver of the reported surplus for the year.

93%
Net Combined Ratio

The NCR for the year **improved to 93% compared to 93.2% in 2019** and is ahead of our strategic target of 95% per annum.

2.6
Solvency Margin

2.6 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.

€20.1m
Premium Rebates

Reduced public activity due to COVID-19 resulted in lower risk exposures for Members and customers and this is reflected in IPB's **premium rebates of €20.1m.**

€7.7m
Claims Incurred But Not Reported due to COVID-19

It is estimated that claims **incurred but not reported due to COVID-19** amounts to approximately €7.7m.

Operational Highlights

Claims

We have taken a prudent approach to our estimations for claims incurred but not reported (IBNR) this year, and the current IBNR analysis suggests that **claims frequency has stabilised.**

Claims notified **decreased by 11.4%** year-on-year due largely to the impact of COVID-19. Significant delays in the notification of claims are a key factor in the lower claims numbers, and there are likely claims further delayed, which will yet materialise from this period.

COVID-19 severely impacted the Courts Service and PIAB in 2020. These factors, among others, are resulting in **fewer hearings of injury cases** leading to an increasing backlog.

We continue to see our investment in fraud identification management yielding significant savings. **Fraud savings increased 23% year-on-year** and exceeded our strategic target of €4.25m for 2020.

5,994
Notified

€74.5m
Paid

€20m
Indemnities

€5.3m
Fraud savings

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 2020.** As a mutual, supporting Members' communities is central to our ethos and in 2020 we contributed €0.68m to social engagement initiatives in partnership with our Members.

A number of new initiatives were undertaken during the year, including the development of a **new Member risk area** on the IPB website that sets out risk management supports under five new colour-coded groupings (Corporate, Operational, Technical, Environmental and Social) and includes **risk guides, tools, presentations and conference material.** The Member risk area was developed following feedback from Members in the 2019 Member Satisfaction Survey.

Listening to our Members is fundamental in ensuring that we meet their needs. This year's annual Member Satisfaction Survey recorded **very high satisfaction levels.** Equally, IPB has again recorded high levels of employee satisfaction in the Great Places to Work (GPTW) survey. At 88% satisfaction, IPB is now ranked 8th among medium sized companies in Ireland.

€25m **Retained Earnings Distribution**

€.68m **Corporate Social Engagement**

96% **Satisfied overall in annual Member Satisfaction Survey**

88% **Staff satisfaction in Great Places to Work Survey**

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. In addition to this, supporting our Members both directly and indirectly through the ongoing COVID-19 pandemic has been an important focus this year.

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. The introduction of remote working this year due to COVID-19 has required everyone to change the way in which they work, and this was no different from a claims management perspective. In collaboration with our Members, our claims management processes moved online with a large focus on online consultations including third parties, further promoting working together for better claims outcomes.

Underwriting

Our primary insurance focus changed with the onset of COVID-19 and the need to initiate a proactive response required the underwriting department to adapt to respond to Members' needs. During the local authority response to supporting communities through the Community Call initiative, we expanded cover to include the activities of volunteers working in partnership with our Members. In light of the impact on Members, the company provided expanded cover on a range of activities. IPB also provided Members with COVID-19 premium rebates across public liability, employers liability, personal accident and motor fleet. Total Member rebates due to COVID-19 amounted to €20.1m to year-end. Additionally, Members were supported by a dedicated team and received multiple communications including guidance on areas where cover may be applicable due to COVID-19 lockdowns.

Risk Management

The Client Enterprise Risk Management (CERM) team provide value-added supports to assist Members in the management of the key risks that they face. CERM provides Members with step-by-step risk guides, practical risk assessment tools, videos, conference material and a range of resources to help them implement an enterprise-wide approach to managing risk and ensuring compliance in the support of good governance. Our risk management advice is organised into five groups: Corporate, Technical, Operational, Environmental and Social.

Member Relations

We are committed to providing value for money and returning retained earnings and dividends to Members where possible. The Members' Dividend underlines the company's commitment to its Members and these funds along with the continued distribution of retained earnings support our Members' objectives in relation to the remediation of risks and transfer of insurable risks, as well as supporting the aim of stabilising future premiums. At the start of 2020, we distributed €25m to Members in line with the phased payment of a combined €205m in retained earnings distributions. We also committed to a Members Commercial Dividend of €18.9m payable in Q1 2021 for the 2019 financial year.

// Members were supported by dedicated teams and received multiple communications including guidance on areas where cover may be applicable due to COVID-19 lockdowns //

Our Strategic Priorities

The impact of COVID-19 resulted in a dedicated response plan to address the needs of Members, focusing on supporting Members by providing guidance and direction on covers held and specific policies where cover was in place for losses incurred. We continue to engage with Members on a regular basis to ensure that we are meeting their needs, especially in this challenging public health crisis.

Integrated Claims Strategy

Our integrated claims strategy continues to deliver results. Based on a combination of tactical activities including fraud identification and investigation, litigation, engineer engagement and process improvements, we are seeing an overall improvement in Members' claims' performance. A recent initiative launched in November of this year saw the rollout of a dedicated mobile app to assist Members in the processing of pothole claims.

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 2020 IPB continued to release retained earnings as part of the commitment to release €205m over a period of five years. Given the impact of COVID-19 and concerns raised about capital management, the Board of IPB reviewed and approved the continuation of retained earnings distribution payments. These payments are now more important than ever as Members address significant cashflow challenges. Total funds distributed to Members since 2018 is €155m, with a further €25m to be paid in 2021.

Integrity & Transparency

We continue to work closely with our Members through continued progression of our Management Information 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 combines the benefits of community rating while also bringing greater equity for individual Members through adjustments to reflect Members' individual claims experience.

Sustainability Statement

Our Commitment

At IPB insurance we are committed to undertaking our activities in a sustainable way. We will continue to do this by evolving our risk identification, assessment and management through the proactive monitoring and mitigation of threats and opportunities associated with the environmental, social and governance issues facing all our stakeholders. This will be achieved by our clear commitment to working within the Principles of Sustainable Insurance (PSI) and the UN Sustainable Development Goals (SDGs). The Principles for Sustainable Insurance were developed by the UN Environment Programme's Finance Initiative and serve as a global framework for the insurance industry to address environmental, social and governance (ESG) risks and opportunities.

As a mutual insurer, our purpose is to safeguard and protect the interests of our Members. We understand that we have a responsibility to ensure the long-term sustainability of our activities.

// As a mutual insurer, our purpose is to safeguard and protect the interests of our Members. We understand that we have a responsibility to ensure the long-term sustainability of our activities //

There are many ESG challenges impacting society and as a mutual insurer we acknowledge that we must play an active role in rising to these challenges by working with all our stakeholders.

Looking ahead, we will continue to focus on meeting the needs of our Members, ensuring that we deliver on our responsibility to the communities they serve by understanding how our actions and operations may impact them.

In delivering on our commitment to this process, we will undertake a Corporate Sustainability Assessment (CSA) of our operations. The outcome of this assessment will inform our development of a robust sustainability strategy.

Perform a Corporate Sustainability Assessment of our Operations

Develop a Sustainability Strategy

Sustainability Progress in 2020

During the year we continued to progress our ESG initiatives across a range of activities.

Environment

Sustainability Committee

In 2020 we established a Sustainability Committee and implemented office-based environmental improvement initiatives.

Leadership

There is now an increased leadership focus on sustainability with formal reporting and engagement structures placing sustainability firmly on the executive leadership agenda. Additionally, sustainability now features as a fixed agenda item at all Board and Risk Committee meetings.

Governance

Internal Audit

A corporate governance review was conducted in 2020.

Investments

IPB's investment department actively monitors ESG credentials, informing investment decisions around our equity portfolio.

Member Focus

We continue to measure our Members' customer satisfaction with a formalised response approach to address Member feedback. The annual IPB Member Satisfaction Survey continues to deliver exceptionally high satisfaction rates with a 96% satisfaction rating recorded in 2020.

A new secure Member risk area was developed on the IPB website for our Members during 2020 in order to enhance the risk management advice provided, which is now organised into five groups – Corporate, Technical, Operational, Environmental and Social

Social

Diversity and Inclusion

This is a strategic priority for the business, led from the top by the chairman and Board of Directors, the Remuneration and Nomination Committee and the company's leadership team. IPB's Diversity and Inclusion (D&I) strategy has been developed and a dedicated committee is now well established. Further detail is provided in our D&I report on page 18.

Employee Engagement

IPB participates in the Great Place to Work survey, which is undertaken every year to measure employee trust and overall workplace satisfaction. IPB is now ranked in the top ten Great Places to Work for medium-sized companies in Ireland and the 2020 score of 88% is the highest rating recorded since joining in 2014.

Workplace Wellbeing

Employee welfare is an important element of IPB's workplace programme and there was an increased focus and importance in 2020 given COVID-19. A wide range of mental and physical wellbeing initiatives are run throughout the year for employees and the establishment of a wellbeing resource hub serves to provide added supports to employees.

Corporate Social Responsibility

Reflecting our mutual ethos and commitment to giving back to society, IPB developed a Corporate Social Engagement (CSE) framework in 2013. The framework has enabled the delivery of in excess of €10 million to community and social initiatives in partnership with our local authority and ETB Members. Further detail is provided in our CSE report on page 20.

Looking Ahead and Next Steps

Corporate Sustainability Assessment

In 2021, we intend to perform a Corporate Sustainability Assessment (CSA) of our operations by using the Standard & Poors Global CSA tool. The outcomes will be used as a benchmark and will help form the basis of our sustainability strategy going forward.

The S&P Global Ratings ESG evaluation questionnaire is used by S&P to prepare an independent benchmarked assessment of the company's ESG credentials, strategy and ability to prepare for potential future risks and opportunities.

Sustainability Strategy Development

On completion of the CSA, we will affirm a programme of work in 2021 that will serve as our strategic roadmap to guide the development and delivery of our sustainability strategy.

Diversity and Inclusion

IPB is committed to creating and maintaining a diverse and inclusive culture within the organisation and we recognise the many benefits that such a culture brings. A diverse and inclusive culture is closely aligned with our mutual ethos and it is in the context of our mutuality and our focus on acting in the best interests of our stakeholders – both internal and external – that our commitment to Diversity and Inclusion (D&I) is viewed.

The Board of Directors, the Remuneration and Nomination Committee, and the leadership team of IPB place significant strategic importance on D&I and it is central to our overall company strategy and objectives. We recognise the importance of embedding diversity and inclusion as a core part of our ways of working and thinking – the benefits associated with nurturing a diverse and inclusive culture are clear and we are committed to our own journey and development in this respect.

We have adopted a clear D&I strategy that sets out our diversity priorities in respect of Gender Balance and Pay Gap, Diversity of Thought, Under-represented groups, and Generational Diversity (age and tenure). We have also defined our strategic priorities in respect of inclusion to include Fairness and Respect, Safety and Openness, and Empowerment and Growth. Together, these priority areas are designed to drive an increased sense of Value and Belonging which is central to ensuring that we have the right culture in place – one which has diversity and inclusion as key building blocks.

Our D&I strategy acknowledges the need to consider diversity and inclusion in its broadest sense – specifically that it is considered more broadly than gender balance and gender diversity. This is not to say that gender balance and diversity are not important – they clearly are very important. However, we recognise that a genuine commitment to D&I must go further and our strategy reflects this accordingly. Diversity and inclusion considerations are to the fore in all aspects of decision-making, which is a clear representation of our commitment to enabling a diverse and inclusive culture within the company.

The Board of Directors and the Remuneration and Nomination Committee, working with the leadership team and the wider business, have overseen some important developments during 2020 and we now have a solid foundation from which to pursue our aims and objectives in respect of D&I.

A significant milestone during the year was the adoption by the Board of Directors of a target of 30% female representation in Management positions by 2023, with intermediate targets identified over the period 2021 to 2023. We recognise the important message that the adoption of these targets sends and the absolute importance of achieving them by 2023. The targets have been defined based on the work completed by the Balance for Better Business initiative and adapted to our specific situation and context. We are also committed to the identification of targets and timelines for other aspects of D&I and this will be central to our activities in the coming year. Building on analysis completed over the last number of years, the company has also focused on assessing the gender pay gap in advance of the introduction of mandatory government reporting requirements that are anticipated in the near term. We are committed to understanding the drivers for any gap identified and to taking appropriate actions to address any such gaps. This represents a continued key focus area for the coming year.

Looking ahead to 2021, we are committed to progressing our ambitions and objectives in this important area. We recognise the fundamental risk associated with the absence of a sufficiently diverse and inclusive culture and the negative impacts that such a situation can bring. Our recognition of this fundamental risk is one of the reasons we have adopted a strong focus on both defining and delivering our D&I strategy as a core component of our overall strategy and aims as a company. In 2021 we will continue our journey to be a more inclusive and diverse organisation where people can speak up and where diversity and inclusion are celebrated and continually fostered with regular assessments of progress against agreed strategy, plans, targets and metrics.

Our D&I Strategic Focus Areas & Priorities

A more diverse and inclusive environment ultimately increases the sense of **value and belonging,** and increases **trust**

Diversity and Inclusion is about many things

Balance is key – all aspects of D&I matter

Corporate Social Engagement (CSE)

Social Enterprise Development Fund

The SEDF is a €1.6m fund created by Rethink Ireland in partnership with Local Authorities Ireland. In December 2017, IPB embarked on a two-year collaboration with Rethink Ireland (formally known as Social Innovation Fund Ireland) to support social enterprise development nationwide.

IPB committed to a further two-year partnership in late 2019, backed by matching funds from the Department of Rural and Community Development, resulting in a total fund of €1.6m (2020-2021) for social enterprises in Ireland. This will result in a total of €3.2m of investment in social enterprises through the SED Fund, the most significant private investment in social enterprises to date.

IPB's €400,000 donation to Rethink Ireland to support the fund saw 232 applications this year from all 31 local authorities. Sixteen social enterprises will receive cash grants of €10,000 to €50,000 and all are participating in the SED Accelerator Programme, which includes the opportunity to pitch for a share of €100,000 at the end of the programme.

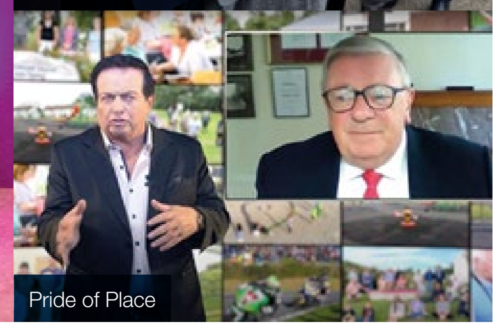
An opportunity to participate in the Genesis Programme was made available to social enterprises that did not receive funding. The Genesis Programme consisted of an intensive two-day workshop held virtually that focused on building the skills and knowledge needed to develop a sustainable social enterprise and to be successful in future funding opportunities. The participants for the programme were selected across Ireland, ensuring that the SED Fund offers support to social enterprises in every local authority area.

Throughout the last two years, the Social Enterprise Development Fund awardees have generated huge impact by providing services in sectors such as health, employment and the environment, creating 142 jobs, engaging with 274 volunteers and providing services to 35,100 people.

Social Enterprise Development Fund


Galway 2020


Music Generation


Pride of Place

Galway 2020

In 2019, as part of a collaboration with our Members, IPB announced a partnership programme with Galway 2020 and all 31 local authority Members. The aim of the partnership was to provide support for engagement by local authorities nationwide with Galway 2020 in making the European City of Culture designation a national initiative. However, due to the impact of COVID-19 the events planned were scaled back and/or moved online. The cultural programme has now been reimagined, with local and national artists and cultural organisations that won Galway the European Capital of Culture designation remaining at its core. To support this reimagined approach IPB and Galway 2020 set up an 'IPB Galway 2020 Participation Fund' which aimed to help those local authorities that applied achieve and deliver their events both in 2020 and 2021.

Music Generation

Music Generation is Ireland's national music education programme that gives access for children and young people to high quality, subsidised performance music education in their locality. Music Generation works closely with our Education and Training Board (ETB) Members, which are central in establishing and delivering a range of tuition programmes across the country. This programme is delivered through local music partnerships in collaboration with our local authority Members. IPB has committed €100,000 in annual funding to the ETB sector over a three-year period (2020-2022), which will assist in the resourcing of musical instrument banks to provide greater access for young people to high-quality subsidised performance music education in their locality.

Pride of Place

In its 18th year, IPB Pride of Place is an annual all-island community competition organised by Co-operation Ireland and sponsored by IPB Insurance. The awards promote and celebrate the best in community development and recognise the selfless efforts of volunteers in making their local neighbourhoods better places to live, work and socialise. This year's event was for the first time ever an online only event hosted by Marty Morrissey. The livestream broadcast reached over 6,000 viewers on the night, streaming to approximately 2,000 unique locations across the island of Ireland.

Report of the Board and Executive

Governance and Control at IPB

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

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

- **A Risk Committee** with responsibility for establishing, documenting and devolving a comprehensive risk management framework
- **An Audit Committee** with responsibility for overseeing IPB's financial reporting, audit, legal and regulatory compliance-monitoring processes

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

- **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. This acts in tandem with a compliance function overseeing a compliance and regulatory governance framework, providing assurance that IPB operates in a transparent, compliant manner
- **A comprehensive functional management control system** that provides a range of functions including financial controls incorporating budgeting and periodic variance analysis.

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

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 Chairperson is responsible for leading the Board and ensuring the full participation of each Director.

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

Composition of the Board

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

The Key Role of The Board/ Board and Committee Meeting Protocol

The Board requires its Directors to act in the best interests of the business and be independent of any other institution, Management, political interests or inappropriate outside interests, including their own. In advocating a requirement for transparency at all levels of the business, the Board has elected to require a declaration of conflicts of interest by Directors as a standing agenda item at its Board and committee meetings. A 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 2020, satisfied the requirements of independence in line with the Fitness and Probity Standards. Prior to each Board and committee meeting, each Director is provided with papers in a timely fashion and the company secretary acts as the central point for the management of Board and committee meetings, coordinating 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 a rotation of the role of committee chairpersons. The role of Chairperson is elected annually by the Board and, in line with the Requirements, each Director's role is reviewed and renewed or retired and re-elected as appropriate via the annual evaluation process. A further

// 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 2020 //

// An independent review of the Board's effectiveness was undertaken in 2019 in line with governance provisions, with a further review schuelded for 2022 //

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.

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 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 in excess of 15 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 and is a former member of Killarney Town Council with over 40 years' experience, as well as being a founding member and former Director of a local credit union.

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 is 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 is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland, with a Diploma in Corporate Direction awarded by University College Cork and a Professional Certificate in Governance awarded by University College Dublin and the Institute of Public Administration. He served as a county councillor for Tipperary from 1999 to 2019 and as a member of the former Tipperary VEC and Tipperary ETB from 1999 to 2019, performing the role of Tipperary ETB Chairman from 2014 to 2019. He served as ETBI President for a one-year term from September 2018, following his considerable work at local and national levels for the ETB and broader education sectors.

John Clendennen

Group Non-Executive Director

John is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland, with Diplomas in Business Studies and International Hotel Management, and a Master's of Business Studies in Marketing degree awarded by University College Dublin's Michael Smurfit Graduate Business School. John has been an elected representative to Offaly County Council since 2014. He has a particular interest in business development and marketing, and his career has involved working in compatible roles within the hospitality sector alongside his current responsibility for the management and operation of a business established in Co Offaly.

Joan Garahy

Independent Non-Executive Director

Joan is a member of the Institute of Directors in Ireland with a Master of Science degree awarded by UCD. She has significant financial services and investment experience, having spent over 30 years advising on and managing investment funds as an equity analyst, fund manager, financial planner and head of research, as well as holding other leadership positions in the investment and pensions industry. She is managing Director of an independent financial advisory firm that she established in 2011 and has particular expertise in financial and remuneration matters as an experienced independent non-executive Director with a number of PLCs, private companies and a charity.

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 board 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.

* John Smyth retired from his role as Board Director and Audit Committee Chairman on 31st July 2020 in accordance with scheduled succession planning arrangements.

Meetings Attended

			BOARD 9 meetings in 2020*	AUDIT COMMITTEE 5 meetings in 2020	INVESTMENT COMMITTEE 5 meetings in 2020	REMCO 6 meetings in 2020	RISK COMMITTEE 5 meetings in 2020
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	14.7	Chairman 9	Invitee to aspects 4	Invitee to aspects 3	Member 6	Member 5
Michael Garvey Chief Executive Officer & Executive Director	02 September 2016	4.3	Member 9	Invitee to aspects 5	Member 5	Invitee to aspects 6	Invitee to aspects 5
Enda Devine Finance Director & Executive Director	02 May 2012	8.7	Member 9	Invitee to aspects 5	Member 5	Invitee to aspects 1	Invitee to aspects 5
Sean O'Grady Group Non-Executive Director	29 May 2008	12.7	Member 9	– –	Member 5	– –	– –
Caitríona Somers Independent Non-Executive Director	01 July 2017	3.5	Member 9	Member/Interim Chairwoman*** 5	Invitee to aspects 1	Chairwoman 6	Member 5
Barbara Cotter Independent Non-Executive Director	13 December 2018	2.1	Member 9	– –	– –	Member 5	Chairwoman 5
John Hogan Group Non-Executive Director	01 January 2019	2	Member 9	– –	Chairman 5	Member 6	Member 5
John Clendennen Group Non-Executive Director	01 January 2019	2	Member 9	Member 5	Member 5	– –	– –
Joan Garahy** Independent Non-Executive Director	01 August 2020	0.4	Member 4	Member 2	Member 2	Member 3	– –
John Smyth** Independent Non-Executive Director	21 July 2011	8.5	Member 5	Chairman 3	Member 3	Member 3	– –

* Including one Board Strategy Day and one Board Strategy and ORSA Meeting

** John Smyth retired as an INED and Audit Committee Chairman on 31 July 2020, Joan Garahy was appointed as an INED on 1 August 2020

*** Caitriona Somers was appointed Interim Chairwoman of the Audit Committee on 1 August 2020 following John Smyth's retirement

The Board Committees

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

The Audit Committee

During 2020, the Audit Committee was extensively engaged in overseeing internal audit reviews in the context of the scheduled internal audit plan for the 2020 period including matters relating to the reinsurance function, the underwriting function, General Data Protection Regulation (GDPR), aged debtors, 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 through the progression of the Data Optimisation project and the Consumer Insurance Contracts Act project. This activity was managed in addition to the discharge of responsibilities specified in the Audit Committee's terms of reference which include reviewing and monitoring the integrity of IPB's financial statements and the judgements therein for Board recommendation; reviewing the terms of engagement, aptitude, independence and annual plans of the auditors and making Board recommendations; and assessing internal controls. Finally, with regard to the impact of COVID-19 the Audit Committee has overseen exercises to assess and remediate where necessary the impact of the pandemic and the associated move to remote working on the internal control framework of IPB.

The Interim Audit Committee Chairwoman has outlined her 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 transparency and constructive challenge in engaging with the business. The committee members have been actively involved in discharging their responsibilities during 2020 through the focused interrogation of material and extensive analysis of review outputs. Priorities for 2021 will include oversight in conjunction with the Board of delivery of the programmes of work assigned to external audit and internal audit representatives following the rotation of appointees during the 2020 period, and ongoing cross-committee collaboration with colleagues on issues relating to respective responsibilities."*

The Risk Committee

The Risk Committee is responsible for overseeing risk management within the company via identifying, measuring, managing, monitoring and reporting on current and emerging risk exposures. This includes advising the Board on risk strategy and policy in line with the risk appetite and the system for monitoring alerts and proximity warnings in order to ensure the application of pre-emptive actions in advance of potential breaches. 2020 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 and sustainability considerations.

During 2020, the Risk Committee actively engaged in an extensive review of IPB's Own Risk and Solvency Assessment (ORSA) as well as an interim ORSA process undertaken in mid-2020 in light of the risks associated with the COVID-19 pandemic, while maintaining cognisance at all times of the management of risks

// 2020 has seen the continued evolution of IPB's risk framework, particularly in relation to the articulation of risk appetite and risk responsiveness //

related to 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 *"ensuring ongoing vigilance in assessing the effectiveness of risk management measures and engaging in horizon scanning to inform stress testing exercises and respond accordingly to outputs".*

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 2020 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, elections both in Ireland and the United States of America, and their impact on the investment landscape. A particular focus during 2020 involved engagement in reviews of the impact of the COVID-19 pandemic on investment markets and prospects for securing investment returns. The annual review of IPB's investment portfolio was undertaken in this context and the performance of the asset markets generally, and the property portfolio

// The Committee is also responsible for Board recommendation of IPB's remuneration policy, non-executive director fee structures, and the remuneration of executive directors //

was assessed in conjunction with an analysis of anticipated challenges and opportunities. The Investment Committee Chairman has commented on its activities throughout the 2020 period and the focus to be applied into 2021 as follows: *"navigating the challenges of the current climate with an objective of securing stakeholders' long-term interests and ensuring support of operational agility in the delivery of strategic objectives."*

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 achievement 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 2020 involved a focus on diversity and IPB's People Agenda, which included the enhancement of IPB's approach to diversity and inclusion with the objective of securing sustainable improvements in individual and collective engagement and 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 2020 as follows: *"The committee has progressed a considerable programme of work during 2020 in support of the Board's continual commitment to the company's diversity and inclusion objectives, with significant engagement in policy development and recruitment and selection exercises in conjunction with Management. A focus for 2021 will include ongoing embedding of organisational culture and a review of remuneration structures to secure assurance as to efficacy in attracting and retaining a suitably skilled, diverse and inclusive workforce aligned with industry standards and the interests of Members and clients."*

Integrated Assurance Framework

IPB operates an 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** is 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** is independent of the first line and provides challenge, oversight, advice and support with regard to first-line activities.

3rd LINE

Internal & External Audit

The **third line** is independent of both the first and second lines and provides 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 to areas such as 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

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 monitored daily. Procedures are in place to reduce risk levels should adherence to operating limits be threatened. Risk and other company policies define the

// 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 //

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.

// 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 //

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:

- Identifying, measuring, managing, monitoring and reporting on risks to the business
- Implementing the company's risk framework and risk-related policies
- The overall coordination of the ORSA, including oversight of IPB's capital model
- Reporting 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
- General Data Protection Regulation
- Solvency II
- Conduct of Business Requirements
- Corporate Governance Requirements for Insurance Undertakings
- Minimum Competency Code
- 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 reasonable assurance to the Board in order to enable the discharge of its statutory duties to ensure adherence to relevant obligations. The key objectives 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 in 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 Speak Up and our Business Code of Conduct processes concerning the management of third parties and parties personally known to staff, processes supporting the maintenance of standards of employee 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.

// 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 //

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
- 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 its remit. Internal audits are carried out using a risk-based approach, and address matters such as compliance risks, operational risks, systems integrity and the safeguarding of assets.

// 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 //

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.

Management Analysis, Financial Statements & Other Information

Management Analysis

Market Context

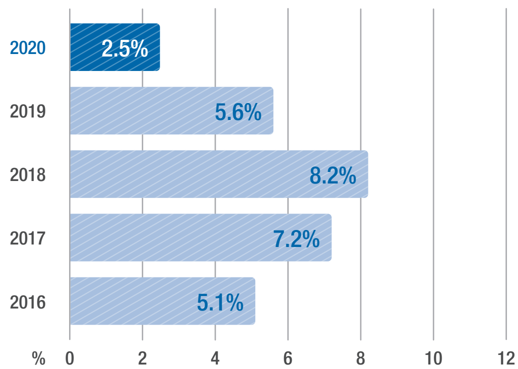
The COVID-19 pandemic, which caused an unprecedented contraction in the domestic economy in 2020, will remain the key determinant of the performance of the economy this year.

Economy

Gross Domestic Product Growth

2.5%

driven by strong export growth in pharma, medical devices and IT sectors



- The rate of growth in GDP was lower than previous years due to the COVID-19 pandemic. Despite the pandemic and lockdown restrictions there was a strong rebound in domestic demand in the third quarter and resilient exports.
- Strong export growth from the pharmaceutical, medical devices and IT sectors were the main factors behind positive growth in GDP last year, and is expected to perform strongly again this year and in 2022.

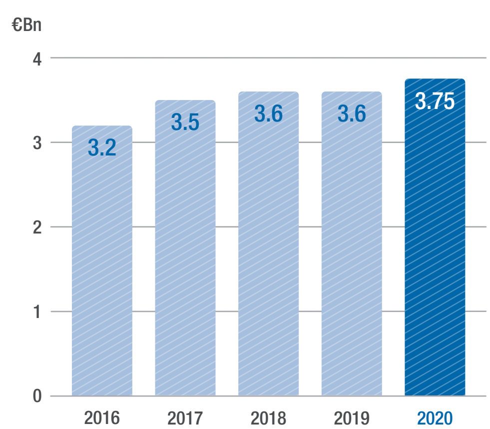
Source: Central Bank Quarterly Bulletin January 2021

Industry

Irish Non-Life Insurance Market

€3.75bn

The estimated value of the Irish non-life insurance market in 2020



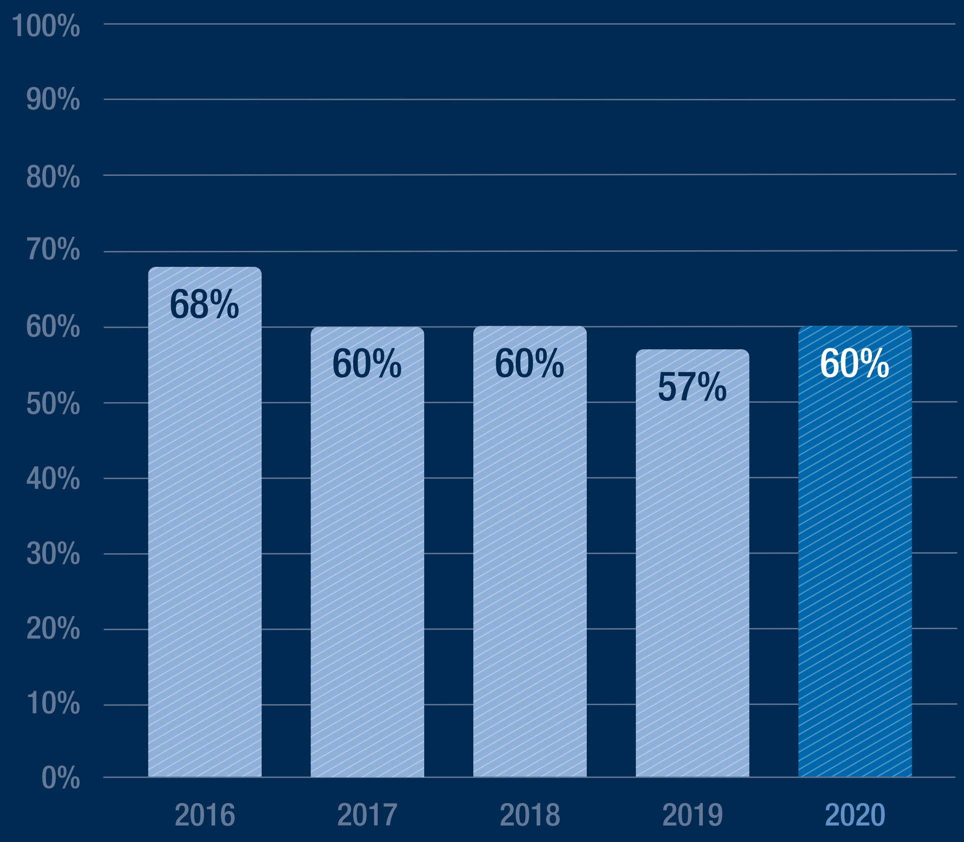
- The Irish non-life domestic insurance market increased by an estimated €0.03bn in 2020.

Source: Insurance Ireland, GWP to Q3 2020 plus estimates for Q4 2020

Market Context (continued)

Claims Environment

Market Gross Loss Ratio



60%
The estimated market gross loss ratio

- Estimate for 2020 is based on prior experience over the past 4 years.

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

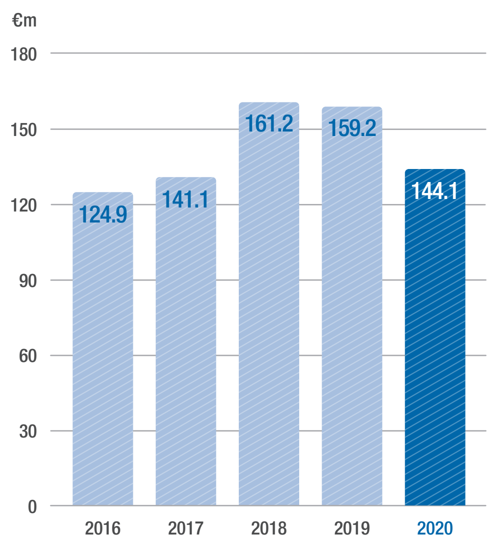
Financial Highlights

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

Gross Written Premium

€144.1m

Gross written premium is €15.1m (9.5%) lower than in 2019

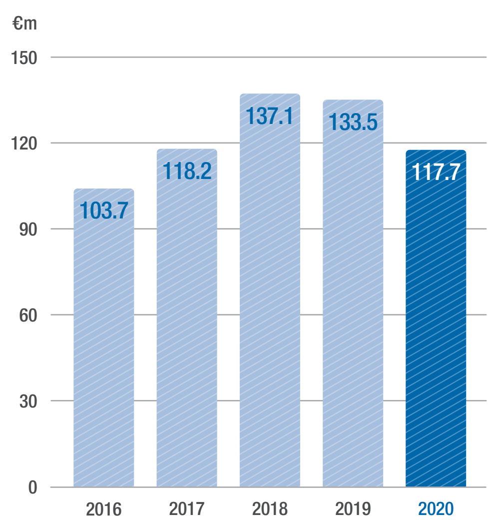


- Gross written premium contracted by €15.1m in 2020 due to COVID-19 premium rebates totalling €20.1m issued to reflect the reduced economic activity due to the pandemic.
- Retention rates are circa 99.5%.

Net Written Premium

€117.7m

Net written premium is €15.8m lower than 2019



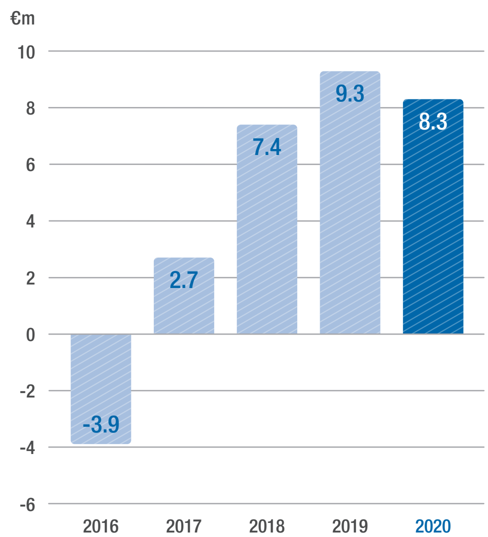
- The reduced net written premium is primarily due to COVID-19 premium rebates of €20.1m.
- Prudent reinsurance policy in place.
- Reinsurance profile largely unchanged year on year.

Financial Highlights (continued)

Net Underwriting Result

€8.3m

Net underwriting result has reduced by €1m in 2020 to €8.3m

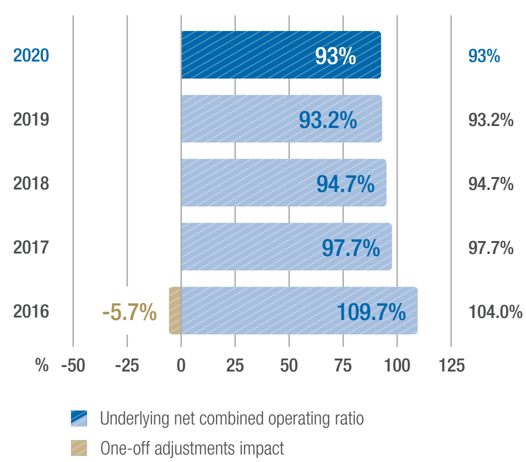


- The net underwriting result includes operating, underwriting and finance expenses, and commission income.
- The net underwriting result was €1m lower compared to 2019 due to the impact of COVID-19 premium rebates on net earned premium.

Net Combined Operating Ratio

93%

Net combined operating ratio



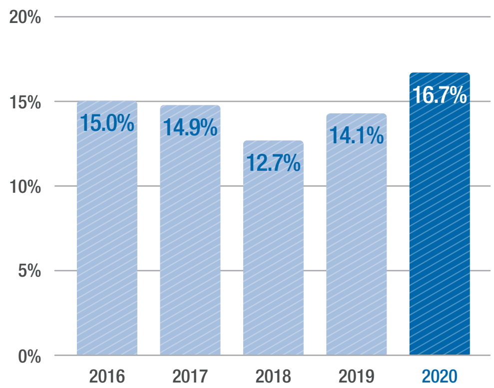
- The net combined operating ratio has reduced to 93% from 93.2% in 2019.
- The net combined operating ratio excluding the impact of COVID-19 premium rebates was 73.9%.
- A prudent reinsurance programme is maintained.
- The reserving policy is to create a 'best estimate' provision for claims and then add a margin for uncertainty.

Financial Highlights (continued)

Net Expense Ratio

16.7%

Increase is due to lower net earned premium as a result of premium rebates

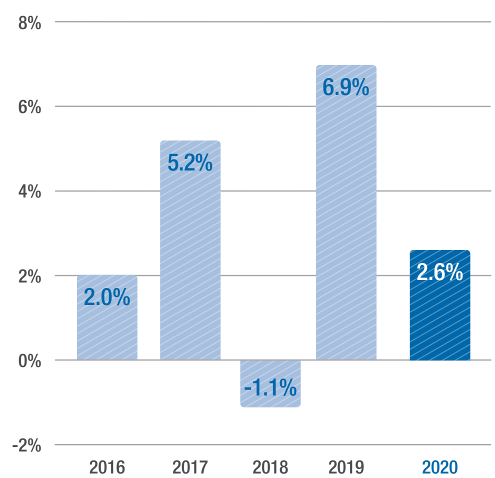


- The net expense ratio has increased to 16.7% from 14.1% in 2019, primarily due to the fall in net earned premium in 2020 as a result of COVID-19 premium rebates.

Return on Equity

2.6%

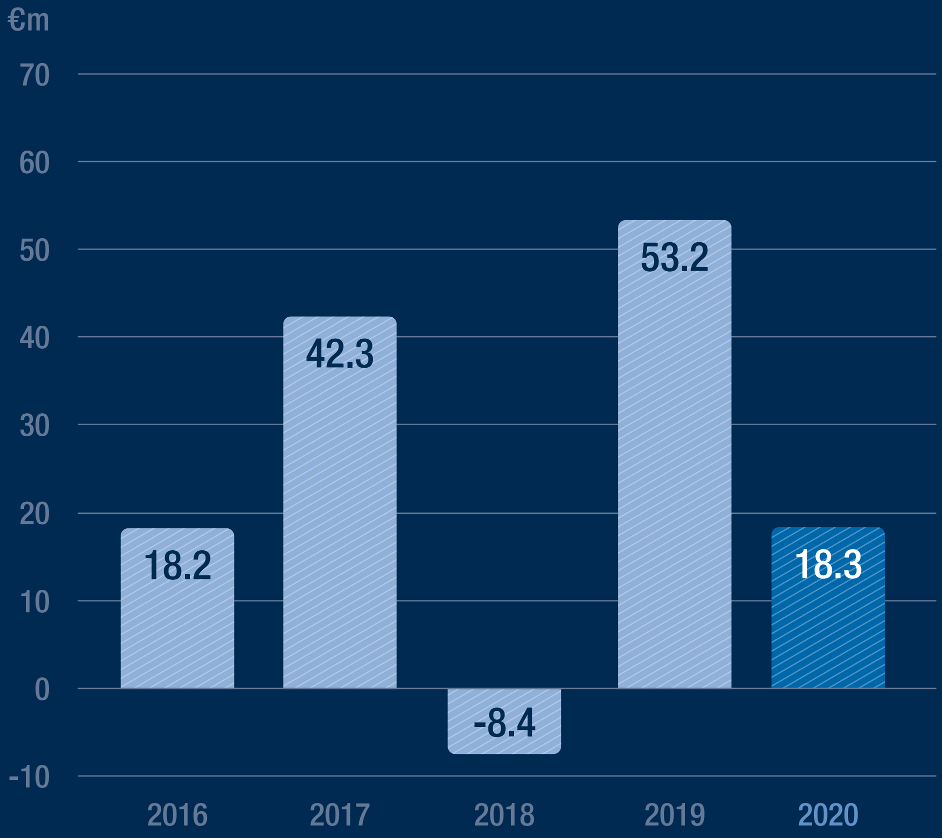
Return on equity in 2020



- Return on equity has reduced to 2.6% from 6.9% in 2019.
- The decrease is primarily due to a lower investment return in 2020.

Financial Highlights (continued)

Surplus/Loss Before Tax



€18.3m
Surplus before tax in 2020

- The reduction in surplus before tax is mainly due to a lower investment return in 2020.

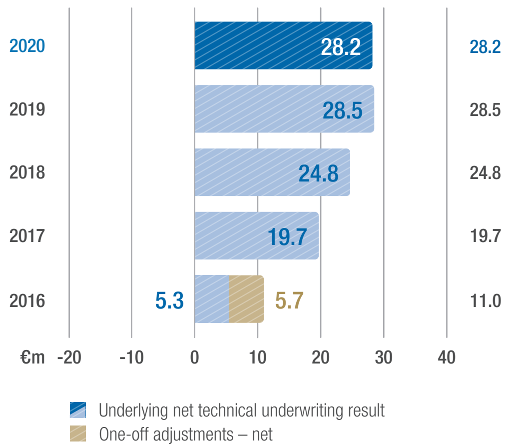
Note: Surplus/Loss before tax = profit/loss before tax.

Financial Highlights (continued)

Technical Underwriting Result – Net

€28.2m

Underlying technical underwriting result – net in 2020



- An underlying technical underwriting profit of €28.2m was recorded.
- There were no once-off adjustments in 2020.
- The technical underwriting result excludes allocated investment income, operating costs and commission income.

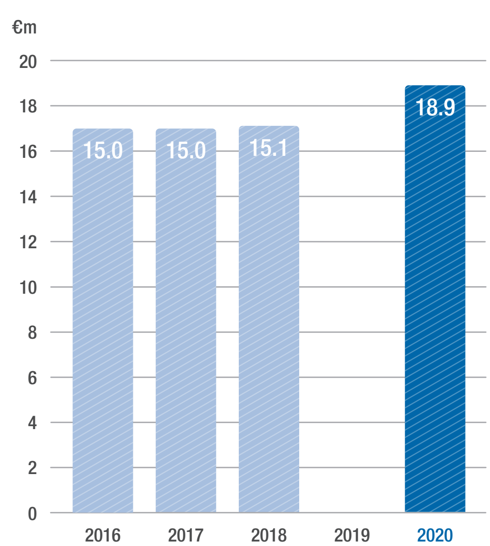
Note: Once-off adjustments in prior years relate to movements in real yield provisions.

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 (Financial Year Allocation)

€18.9m

Members' Commercial Dividend



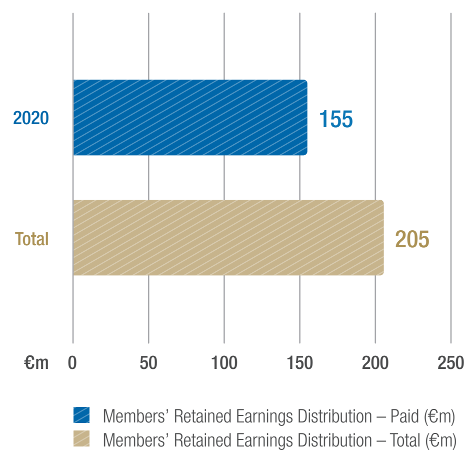
- The Members' Dividend underlines the company's commitment to Members.
- A change to the model was introduced for 2018 and beyond whereby up to 40% of surplus after tax can be paid as Members' Commercial Dividend. This is payable one year in arrears to facilitate cashflow planning for our Members.
-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

Financial Highlights (continued)

Members' Retained Earnings Distribution (RED)

€155m

Members' Retained Earnings Distribution paid out at the end of 2020



- A €200m Members' RED 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. The RED was formally increased by an additional €5m in 2020, following the payment of a Special Dividend in 2019.
- As at the end of December 2020, €155m had been distributed. There is a further €25m due for distribution in 2021 and the balance of €25m to be paid in 2022.

CSE Fund

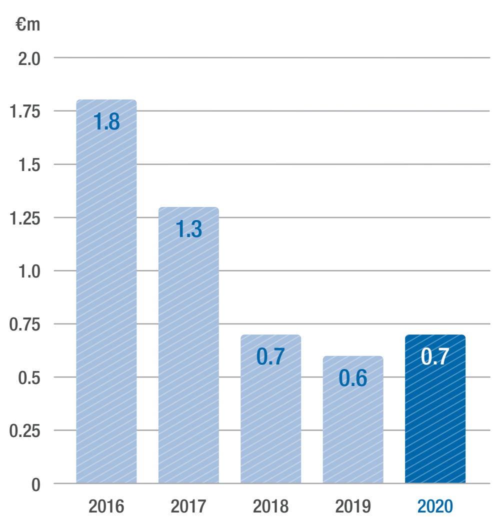
€13m

Contribution to CSE Funds between 2012-2020

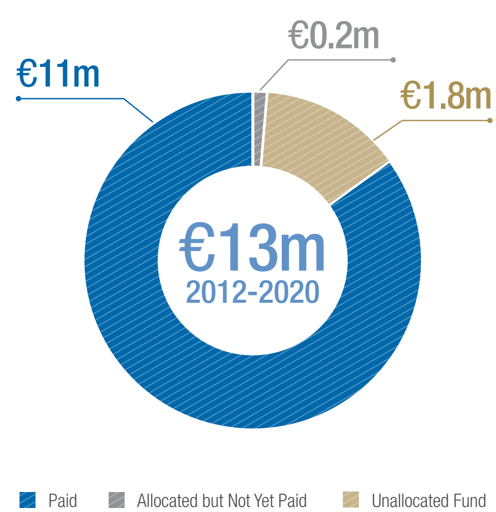
€11m

CSE Funds paid out 2012-2020

Paid by Year (€m)



Total IPB CSE Fund

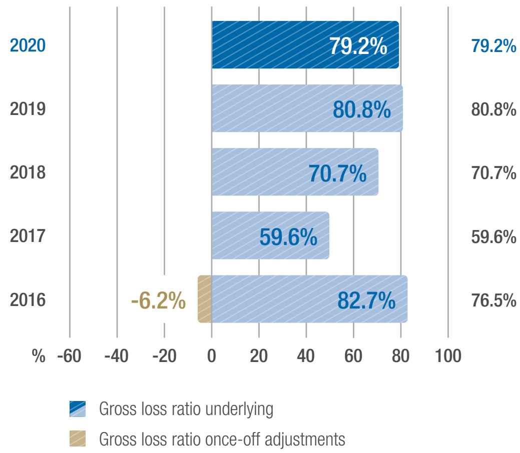


Claims and Losses

Gross Loss Ratio

79.2%

Underlying gross loss ratio down from 80.8% in 2019

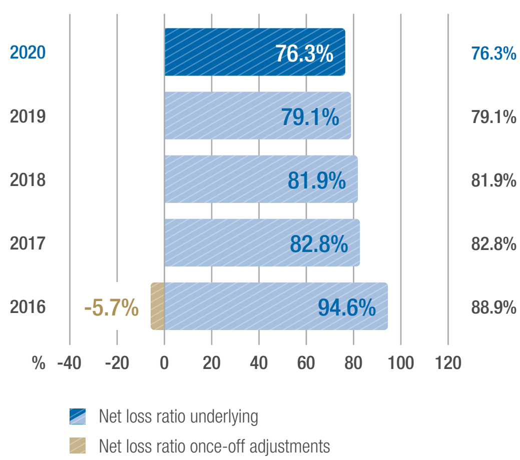


- The underlying gross loss ratio has reduced from 80.8% in 2019 to 79.2% in 2020. The ratio is high due to lower levels of gross earned income.
- The increase in 2019 was largely due to one very large public liability claim provision.
- The profile of the book is significantly weighted towards long-term exposures.

Net Loss Ratio

76.3%

Underlying claims net loss ratio shows a decrease from 79.1% in 2019



- The underlying net loss ratio has decreased to 76.3% from 79.1% in 2019.
- The decrease is largely due to lower levels of claims paid net of reinsurance.

Claims and Losses (continued)

Number of New Claims

5,994
Claim numbers down 11.4% on 2019

- Claim numbers have reduced by 774 (11.4%) to 5,994 in 2020 due to lower levels of claims materialising as a result of the pandemic.
- The increase in claims in 2018 was a result of increased levels of ground-up cover for Members and a large number of pothole claims that arose due to poor weather conditions in 2017.

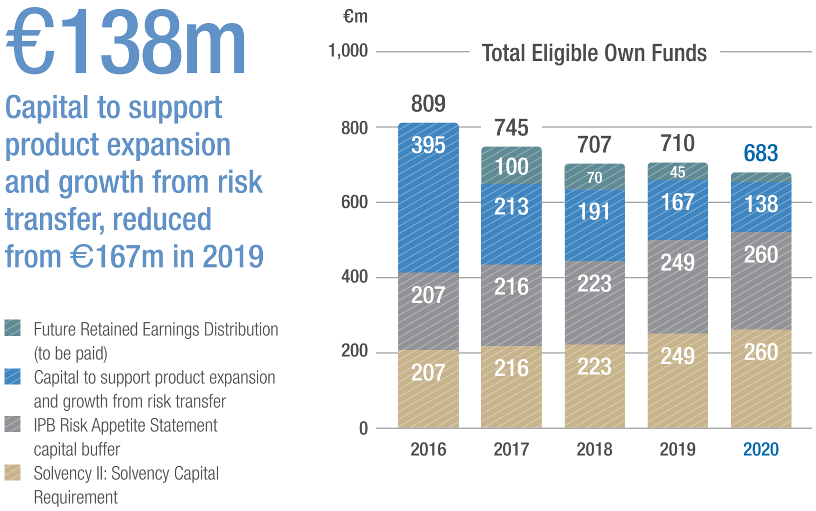
Solvency

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)

€138m

Capital to support product expansion and growth from risk transfer, reduced from €167m in 2019

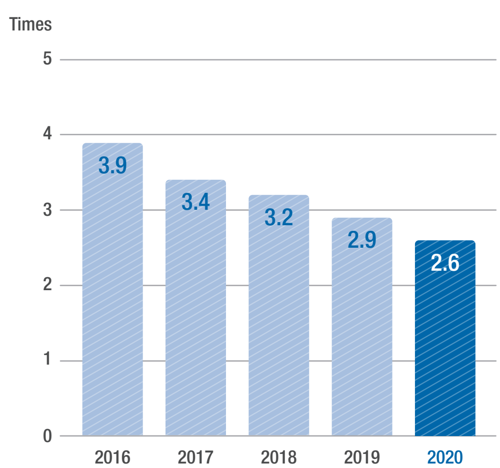


- The company holds regulatory and economic capital in addition to the SCR, as well as sufficient capital to:
  – Cover latent risks inherent in its business.
  – Deliver on its strategic objectives and to support product expansion and growth from risk transfer.
- The available capital to support product expansion and growth has been reduced to €138m to take account of the payment of the remaining balance of the retained earnings distribution (€25m) in 2021.

Solvency II – Required Margin Cover

2.6

Times the capital required under Solvency II



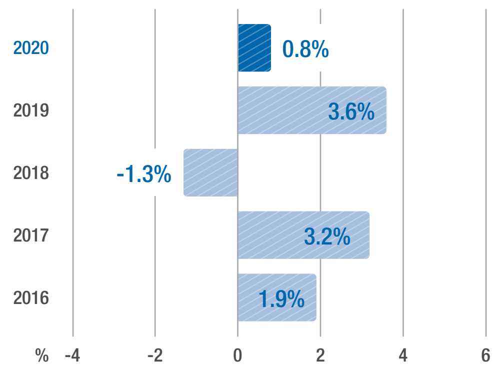
- The company's reinsurance programme enables it to minimise volatility in earnings from large losses and catastrophic events.
- The overall solvency margin continues to remain strong, with the cover representing 2.6 times the capital required under Solvency II.
- The company's credit rating from Standard & 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

0.8%

Investment return is lower than 2019



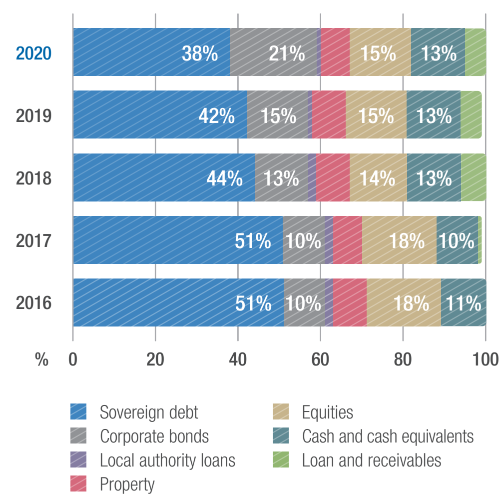
- An investment profit of €10m is 77.4% lower than 2019.
- There was significant volatility in the investment markets in 2020 due to the global pandemic and Brexit, along with US and Chinese trade wars. Markets recovered towards the end of the year as news of the Pfizer and Moderna vaccines emerged.

Note: Investment profit = investment income & investment management expenses.

Analysis of the Investment Portfolio

38%

of the portfolio is invested in sovereign debt



- The market value of the investment portfolio is €1.3bn.
- 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 Policy

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 Financial Reporting Standard 102 and Financial Reporting Standard 103, 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 2020.

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 2020.

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 FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 Insurance contracts. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the 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 that they otherwise comply with the Companies Act 2014.

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

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

The Directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records that correctly explain and record the transactions of the company; enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy; enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014; and enable the financial statements to be audited.

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

Directors’ Compliance Statement

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

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

Post-Balance Sheet Events

There was a post balance sheet event relating to Ulster Bank Ireland DAC – Permanent Interest, Bearing Shares (PIBS), see Note 35.

Results for the Financial Year, Dividends and Financial Statements

The income statement for the financial year ended 31 December 2020 and the balance sheet as at 31 December 2020 are set out in the Management Analysis and Financial Statements section of this report. The profit on ordinary activities before taxation amounted to €18.3m (2019: profit €53.3m). After a taxation charge of €1.3m (2019: tax charge of €6.1m), and the planned retained earnings distribution of €43.9m, the decrease in retained earnings is €26.9m (2019: €22.2m increase).

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 30 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 30) 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 2021 and forecasts for 2022 and 2023, 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 30 March 2021.

On behalf of the Board

George Jones **Michael Garvey**

Independent Auditor's Report

To the Members of IPB Insurance CLG

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 2020 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 Profit and Loss Account;
- The Balance Sheet;
- The Statement of Changes in Equity;
- The Statement of Cash Flows; and
- The related Notes 1 to 36, including a summary of significant accounting policies as set out in Note 2.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" issued by the Financial Reporting Council, and FRS 103 "Insurance Contracts" issued by the Financial Reporting Council ("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.

Summary of our audit approach	
Key audit matters	The key audit matters that we identified in the current year were: • Valuation of Claims Outstanding • Recognition of Retro Premium Asset
Materiality	The materiality that we used in the current year was €6,436,000 which was determined on the basis of approximately 1% of technical provisions.
Scoping	The scope of our audit was determined by obtaining an understanding of the company and its environment, including company-wide controls, and assessing the risks of material misstatement within the company.
Significant changes in our approach	There are no significant changes to our approach which we feel require disclosure.

Conclusions Relating to Going Concern

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

Our evaluation of the Directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- We obtained an understanding of the processes in place over the solvency capital requirements and year-end solvency ratio.
- We obtained the Directors Assessment of Going Concern and challenged the key assumptions used in determining the company's ability to continue as a going concern
- We obtained and read the Own Risk and Self-Assessment ("ORSA") Report 2020, as one of the key inputs in the solvency process, and considered the forward- looking scenarios identified by the Directors and Management in accordance with the relevant Solvency II preparation guidelines.
- We obtained Management's strategy and business plan 2021 – 2023 and assessed the projections for consistency with our understanding of the business as well as considering the accuracy of previous forecasts.
- We performed an assessment of the current year performance and year-end position of the company including profitability, loss ratios and solvency capital required to ensure the company can demonstrate sufficient liquidity to meet potential claims as they arise and confirmed that this information was consistent with information used in the ORSA and other relevant projections.
- We evaluated the adequacy of the relevant disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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 are used in the actuarial methodologies including expected loss ratios, claims inflation and claims development patterns. Elements of the claims provision allow for greater judgement and changes in assumptions can result in material impacts to the financial statements.

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

Claims outstanding amounted to €622m as at 31 December 2020. Refer to the accounting policy on page 74 to 75 and the disclosures in Notes 4, 5, 17 and 30 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:

- We obtained an understanding of the claim handling process and considered any changes in the claims handling processes from the prior year.
- We tested the operating effectiveness of key controls for the setting of initial case reserves, the review of and the ultimate settlement of individual case reserves for claims.This work included the testing of IT controls over the relevant systems, change controls and management processes over critical models.
- We obtained an understanding of the actuarial process used to develop the claims outstanding estimates.
- We tested the key controls that we deemed relevant within the actuarial process used to calculate the total claims outstanding liability.
- We reconciled the data used by the company's actuaries to source systems.
- With the assistance of our actuarial specialists, we evaluated the consistency of methodologies and the appropriateness of the assumptions used by the company.
- Our actuarial specialists 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 the consistency in treatment and methodology period on period and with reference to recognised actuarial practice. These procedures included performing a retrospective review of previous estimates and actual experience in the current period.

- We considered the impact of COVID-19 on claim frequency and severity, as well as claim reporting and settlement patterns.
- For a sample of open claims we performed an assessment of the development of the case file to test if the determination of the outstanding case claim reserve amount was appropriate.
- Using our data analytics specialists, we performed analysis on case reserves to identify unusual patterns in case reserve developments and selected specific cases for testing against supporting claim information.
- We evaluated the adequacy of the relevant disclosures in the financial statements.

Recognition of Retro Premium Asset

Key Audit Matter Description

Gross written premium includes premium adjustments for retrospectively rated policies. The calculation of this retro premium is complex and involves a significant amount of inputs in relation to historical claims experience data. As the lifespan of a claim can extend over a number of years, the claims experience or losses result in retro premium assets accruing over time. Due to this complex calculation being a manual calculation, this was considered a key audit matter.

Retro premium insurance assets amounted to €23m as at 31 December 2020. Refer to the accounting policy on page 74 and the disclosures in Note 16 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 recognition of retro premium assets included the following:

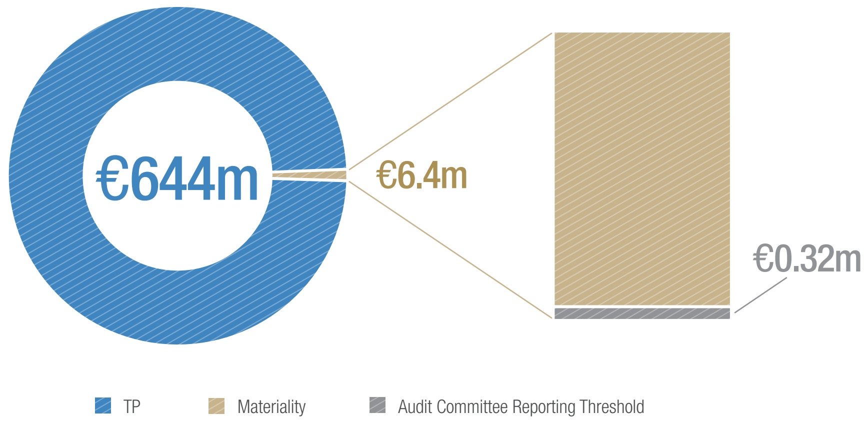
- We have tested the key controls over the process designed to record and monitor the retro rated premium asset.
- We tested on a sample basis the accuracy and completeness of information used within the retro premium process.
- We performed a re-calculation on a sample basis of retro premium, and performed an assessment of the recoverability of the asset.
- We reviewed the relevant disclosures in the financial statements to ensure they are adequate.

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 €6,436,000, which is approximately 1% of technical provisions. We have considered the technical provisions 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 understanding the entity and its environment, history of misstatements, complexity of the company, and reliability of control environment.



We agreed with the Audit Committee that we would report to them any audit differences in excess of €321,800, 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

We determined the scope of our audit 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 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 outlined above.

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 other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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.

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 that 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 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 eight years, covering the years ending 2013 to 2020.

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 that we are required to provide in accordance with ISA (Ireland) 260.

Use of our report

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.

Eimear McCarthy
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
30 March 2021

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 30 March 2021

Directors

George Jones

Michael Garvey

Profit and Loss Account

For the financial year ended 31 December 2020

Technical account – non-life insurance business	Note	2020 €'000	2019 €'000 restated (See note 3(a))
Gross written premiums	5	144,134	159,221
Premiums ceded to reinsurers	5	(26,477)	(25,716)
Net written premiums		**117,657**	**133,505**
Change in the gross provision for unearned premiums	5	993	3,141
Change in the reinsurance provision for unearned premiums	5	–	(247)
Net earned premiums		**118,650**	**136,399**
Commission income	6	7,280	7,742
Allocated investment return transferred from the non-technical account		9,697	36,764
Other technical income		**16,977**	**44,506**
Total technical income		**135,627**	**180,905**
Gross claims paid	5	(70,763)	(86,083)
Claims recovered from reinsurers	5	6,287	9,613
Claims paid net of reinsurance		**(64,476)**	**(76,470)**
Gross change in contract liabilities	5	(44,147)	(45,119)
Change in contract liabilities recoverable from reinsurers	5	18,141	13,734
Claims incurred net of reinsurance		**(90,482)**	**(107,855)**
Operating expenses	8	(24,391)	(23,546)
Underwriting expenses	5	(2,733)	(3,423)
Total claims and other expenses		**(117,606)**	**(134,824)**
Balance on the technical account for non-life insurance business		**18,021**	**46,081**

Approved by the Board
on 30 March 2021

Directors

George Jones

Michael Garvey

Profit and Loss Account (continued)

For the financial year ended 31 December 2020

Non-technical account	Note	2020 €'000	2019 €'000 restated (See note 3(a))
Balance on the technical account – non-life insurance business		**18,021**	**46,081**
Investment income	7	10,937	45,097
Investment management expenses	7	(975)	(1,112)
Allocated investment return transferred to the insurance technical account		(9,697)	(36,764)
Profit on ordinary activities before taxation		**18,286**	**53,302**
Taxation on profit on ordinary activities	9	(1,324)	(6,067)
Profit for the financial year		**16,962**	**47,235**
Profit attributable to:			
Members		16,962	47,235

Approved by the Board
on 30 March 2021

Directors

George Jones

Michael Garvey

Balance Sheet

As at 31 December 2020

	Note	2020 €'000	2019 €'000 restated (See note 3(a))
Assets			
Intangible assets	11	689	451
Investments			
– Investment properties	13	88,870	99,125
– Derivative financial instruments	14	1,128	190
– Financial assets at fair value through profit or loss	15	945,041	916,959
– Loans and receivables	15	73,832	64,481
Reinsurers' share of Technical Provisions			
– Claims outstanding	17	61,019	42,878
Insurance Assets	16	22,800	26,463
Debtors			
– Debtors arising out of insurance operations	19	5,763	8,326
– Debtors arising out of reinsurance operations	20	2,232	3,161
Prepayments and accrued income	22	5,396	5,417
Other Assets			
– Property, plant and equipment	12	365	206
– Deferred tax assets	24	129	144
– Current tax assets	9	2,857	3,666
– Other receivables	21	58	103
– Cash and cash equivalents	23	163,404	161,280
Total assets		**1,373,583**	**1,332,850**
Equity			
Retained earnings		657,178	684,067
Total equity		**657,178**	**684,067**
Liabilities			
Technical Provisions			
– Provision for unearned premiums	17	21,667	22,660
– Claims outstanding	17	622,028	577,881
Provision for other risks			
– Other provisions	18	8,742	–
Creditors			
– Derivative liabilities	15	663	754
– Insurance payables	25	7,342	6,470
– Trade and other payables	26	54,555	38,503
Accruals	27	1,408	2,515
Total liabilities		**716,405**	**648,783**
Total equity and liabilities		**1,373,583**	**1,332,850**

Approved by the Board
on 30 March 2021

Directors

George Jones

Michael Garvey

Statement of Changes in Equity

As at 31 December 2020

	Note	Retained earnings €'000	Total equity restated €'000
At 1 January 2020		**684,067**	**684,067**
Profit for the financial year		16,962	16,962
Dividends payable/paid during the year	10	(43,851)	(43,851)
At 31 December 2020		**657,178**	**657,178**
At 1 January 2019		**661,832**	**661,832**
Profit for the financial year		47,235	47,235
Dividends paid during the year	10	(25,000)	(25,000)
At 31 December 2019		**684,067**	**684,067**

Approved by the Board
on 30 March 2021

Directors

George Jones

Michael Garvey

Statement of Cash Flows

For the financial year ended 31 December 2020

	Note	2020 €'000	2019 restated €'000
Operating activities			
Gross premiums received		160,157	168,313
Reinsurance premiums paid		(26,826)	(24,280)
Commission received on reinsurance premiums paid		7,280	7,742
Commission paid to insurance brokers		(1,575)	(1,725)
Claims paid gross		(70,820)	(84,684)
Claims reinsurance recoveries		6,587	8,073
Interest received		9,667	9,714
Dividends received		3,350	5,030
Operating and other expenses paid		(27,874)	(26,471)
Cash generated from operating activities		**59,946**	**61,712**
Taxation paid		(470)	(5,494)
Net cash flows from operating activities		**59,476**	**56,218**
Investing activities			
Loans repaid by local authorities		2,469	1,885
Purchase of investments designated at fair value through profit or loss		(736,020)	(488,887)
Proceeds from sale of investments designated at fair value through profit or loss		708,902	445,892
Purchase of investment property		(48)	(387)
Property rental income		5,606	5,419
(Increase)/decrease in loans and receivables on deposit with credit institutions		(11,863)	16,987
Purchase/disposal of property and equipment		(581)	(79)
Gain/(loss) on FX currency contracts		887	(1,411)
Purchase of intangible assets		(521)	(233)
Net cash flows from/(used in) investing activities		**(31,169)**	**(20,814)**
Financing activities			
Dividends paid		(26,183)	(30,318)
Net cash flows used in financing activities		**(26,183)**	**(30,318)**
Net increase/(decrease) in cash and cash equivalents		2,124	5,086
Cash and cash equivalents at 1 January	23	161,280	156,194
Cash and cash equivalents at 31 December	**23**	**163,404**	**161,280**

Notes to the Financial Statements

1. Corporate Information

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

The financial statements were authorised in accordance with a resolution of the Directors on 30 March 2021.

2. Summary of Significant Accounting Policies

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

Basis of Preparation and Change in Accounting Standards

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland) and Financial Reporting Standard 103 (FRS 103, Insurance Contracts). For financial periods between the year ended 31 December 2011 and 31 December 2019, the company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Refer to Note 3 for information on how the company adopted FRS 102 and FRS 103.

The financial statements of IPB have been prepared on a going concern basis. The Directors of the company have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

In accordance with FRS 103, the company has applied existing accounting policies for insurance contracts.

The financial statements comply with the European Union (Insurance Undertakings: Financial Statements) Regulations 2015, and the Companies Act 2014.

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 account.

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 FRS 102 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.

(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 ultimate 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 15. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Assumptions

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

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 in most cases.

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 profit and loss account 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% 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 15% is included on insurance contract liabilities. This has been reduced from 16% as at the end of 2019.

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

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

(f) Reinsurance Assets

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

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

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

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

As permitted by FRS 102, the company has elected to apply the recognition and measurement provision of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all its 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.

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 their 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 balance sheet at fair value, with changes in fair value recognised in net investment return in the profit and loss account. Loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method.

Investment income is recognised in the profit and loss account 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 profit and loss account 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 profit and loss account.

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 cost.

Subsequent Measurement

Financial liabilities are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss account. Gains or losses are recognised in the profit and loss account.

De-recognition

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

(c) Derivative Financial Instruments

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

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

Gains or losses on assets or liabilities held for trading are recognised in net investment income in the profit and loss account.

(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 balance sheet.

(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 profit and loss account. 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 is reported in the balance sheet 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 balance sheet date. Market valuations are carried out each year by the property managing agents using the RICS (Royal Institute of Chartered Surveyors) Valuation – Professional Standards. Every three years a full red book valuation is carried out on each property. On an annual basis, desk-based valuations are carried out and valuation certificates are issued. Gains or losses arising from changes in the value of investment property are included in the investment return in the profit and loss account 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 assets and liabilities are offset where a legally enforceable right exists to set off the recognised amounts and the company intends to settle on a net basis, or to release the asset and settle the liability simultaneously.

(b) Deferred tax

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that 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 profit and loss account is recognised outside of the profit and loss account 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 profit and loss account 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 29, 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.

(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

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 profit and loss account in the period the asset is de-recognised.

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

(c) Impairment of Non-financial Assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount for the individual asset. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. This impairment loss shall be recognised immediately in the profit and loss account 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 profit and loss account, unless it is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(d) Foreign Currency Translation

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date.

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

(e) Provisions Including Social Dividend

Provisions are recognised when the 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.

3. Explanation of Transition to FRS 102 And FRS 103

The company has presented its financial statements under Financial Reporting Standard 102 and 103 (FRS 102 and 103) issued by the Financial Reporting Council. The last financial statements under International Financial Reporting Standards (IFRS) were for the financial year ended 31 December 2019 and the date of transition to FRS 102 was therefore 1 January 2020. We consider Irish GAAP to be a more suitable financial reporting basis for a mutual than IFRS, allowing transparency of our financial performance and being widely recognised and understood by readers of accounts.

As a consequence of adopting FRS 102 and 103, a number of accounting policies have changed to comply with these standards. There are no material changes in the measurement of premium and claims.

This note explains the principal adjustments made by the company in restating its previously published IFRS financial statements as at and for the year ended 31 December 2019.

(a) Transition From IFRS to FRS 102

The following reconciliation tables explain how the transition from IFRS to FRS 102 affected the company's reported financial position and financial performance.

Reconciliation of equity	2019 €'000	2019 adjustment €'000	2019 restated €'000
Assets			
Property, plant & equipment	14,947	(14,741)	206
Debtors arising out of insurance operations	–	8,326	8,326
Debtors arising out of reinsurance operations	–	3,161	3,161
Insurance receivables	11,487	(11,487)	–
Total	**26,434**	**(14,741)**	**11,693**
Equity			
Retained earnings	683,961	106	684,067
Liabilities			
Trade and other payables	55,865	(17,592)	38,273
Accruals	–	2,745	2,745
Total	**739,826**	**(14,741)**	**725,085**

Notes to the Financial Statements

3. Explanation of Transition to FRS 102 and FRS 103

Reconciliation of profit and loss account	2019 €'000	2019 adjustment €'000	2019 restated €'000
Operating expenses	23,416	130	23,546
Finance expenses	236	(236)	–
Total	**23,652**	**(106)**	**23,546**

Derecognition of Right-of-Use Asset and Lease Liability

IFRS 16 required the recognition of a right-of-use asset (and depreciation) and a lease liability (with interest) in the balance sheet, 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. The following table shows the impact of the reversals.

Reversal of IFRS 16 Balance sheet	2019 €'000	2019 adjustment €'000	2019 restated €'000
Property, plant & equipment	14,947	(14,741)	206
Trade and other payables	55,865	(14,847)	41,018
Total	**(40,918)**	**106**	**(40,812)**

Profit and loss account	€'000	€'000	€'000
Finance expenses	236	(236)	–
Operating expenses	23,416	130	23,546
Total	**23,652**	**(106)**	**23,546**

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 16% to 15%. The impact of this change in 2020 was:

Analysis of the margin for uncertainty provision change on the profit and loss account	2020 €'000
Gross of reinsurance – decrease to unearned premium	188
Gross of reinsurance – decrease to claims incurred	5,103
Net of reinsurance – decrease to net claims incurred	4,568

Analysis of the margin for uncertainty provision change on the balance sheet	2020 €'000
Gross of reinsurance – decrease to unearned premium	188
Gross of reinsurance – decreased gross claim provisions	5,103
Net of reinsurance – decreased net claim provisions	4,568
Total provision gross of reinsurance – margin for uncertainty	**83,960**
Total provision net of reinsurance – margin for uncertainty	**76,001**

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

The margin for uncertainty included for retro rated premium receivable was reduced from 16% to 15%. The impact of this change in 2020 was:

Analysis of the margin for uncertainty provision change on the statement of comprehensive income	2020 €'000
Gross written premiums	279

Analysis of the margin for uncertainty provision change on the statement of financial position	2020 €'000
Insurance assets	279
Total provision margin for uncertainty	**4,185**

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

Notes to the Financial Statements

5. Segmented Analysis

5. Segmented Analysis

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 2020	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	97,980	28,613	8,469	9,072	144,134
Premium ceded to reinsurers	(6,966)	(17,468)	(614)	(1,429)	(26,477)
Change in the gross provision for unearned premiums	400	240	234	119	993
Change in the reinsurance provision for unearned premiums	–	–	–	–	–
Net earned premiums	**91,414**	**11,385**	**8,089**	**7,762**	**118,650**
Gross claims paid	(56,632)	(9,380)	(3,803)	(948)	(70,763)
Claims recovered from reinsurers	2,056	4,231	-	-	6,287
Gross change in contract liabilities	(37,248)	(6,724)	61	(236)	(44,147)
Change in contract liabilities recoverable from reinsurers	12,388	5,772	(15)	(4)	18,141
Claims incurred net of reinsurance	**(79,436)**	**(6,101)**	**(3,757)**	**(1,188)**	**(90,482)**
Technical underwriting result – net	**11,978**	**5,284**	**4,332**	**6,574**	**28,168**
Commission income	465	6,674	40	101	7,280
Operating expenses	(16,581)	(4,842)	(1,433)	(1,535)	(24,391)
Underwriting expenses	(988)	(1,616)	(42)	(87)	(2,733)
Underwriting result	**(5,126)**	**5,500**	**2,897**	**5,053**	**8,324**
Net investment return	6,772	1,978	585	627	9,962
Profit/(loss) before taxation	**1,646**	**7,478**	**3,482**	**5,680**	**18,286**
Net insurance liabilities	**536,290**	**14,789**	**20,028**	**11,569**	**582,676**

Gross written premium includes COVID-19 premium rebates of €20.1m due to reduced economic activity during the pandemic and consequently lower levels of claim notifications and incurred claims costs.

Foreign exchange (FX) gains/losses on the insurance business are included within net investment return.

Notes to the Financial Statements

5. Segmented Analysis

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	(16,601)	(4,240)	(1,424)	(1,281)	(23,546)
Underwriting expenses	(1,105)	(2,174)	(47)	(97)	(3,423)
Underwriting result	**(4,874)**	**6,000**	**3,197**	**4,994**	**9,317**
Net investment return	31,012	7,921	2,660	2,392	43,985
Profit/(loss) before taxation	**26,138**	**13,921**	**5,857**	**7,386**	**53,302**
Net insurance liabilities	**511,829**	**14,078**	**20,309**	**11,447**	**557,663**

Notes to the Financial Statements

5. Segmented Analysis

Analysis of underwriting result by location	2020 Republic of Ireland €'000	2020 Northern Ireland €'000	2020 Total €'000	2019 Republic of Ireland €'000	2019 Northern Ireland €'000	2019 Total €'000
Gross written premiums	144,134	–	144,134	159,221	–	159,221
Premium ceded to reinsurers	(26,477)	–	(26,477)	(25,716)	–	(25,716)
Change in the gross provision for unearned premiums	993	–	993	2,779	362	3,141
Change in the reinsurance provision for unearned premiums	–	–	–	(248)	1	(247)
Net earned premiums	**118,650**	**–**	**118,650**	**136,036**	**363**	**136,399**
Gross claims paid	(70,577)	(186)	(70,763)	(85,420)	(663)	(86,083)
Claims recovered from reinsurers	6,363	(76)	6,287	9,546	67	9,613
Gross change in contract liabilities	(44,614)	467	(44,147)	(44,484)	(635)	(45,119)
Change in contract liabilities recoverable from reinsurers	18,546	(405)	18,141	13,789	(55)	13,734
Claims incurred net of reinsurance	**(90,282)**	**(200)**	**(90,482)**	**(106,569)**	**(1,286)**	**(107,855)**
Technical underwriting result – net	**28,368**	**(200)**	**28,168**	**29,467**	**(923)**	**28,544**
Commission income	7,280	–	7,280	7,742	–	7,742
Operating expenses	(24,391)	–	(24,391)	(23,546)	–	(23,546)
Underwriting expenses	(2,733)	–	(2,733)	(3,423)	–	(3,423)
Underwriting result	**8,524**	**(200)**	**8,324**	**10,240**	**(923)**	**9,317**
Net investment return	9,962	–	9,962	43,985	–	43,985
Profit/(loss) before taxation	**18,486**	**(200)**	**18,286**	**54,225**	**(923)**	**53,302**
Net insurance liabilities	**586,869**	**(4,193)**	**582,676**	**561,855**	**(4,192)**	**557,663**

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

6. Commission Income

Analysis of commission income	2020 €'000	2019 €'000
Reinsurance commission income	7,280	7,742
Total commission income	**7,280**	**7,742**

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

7. Investment Return

Analysis of net investment return 2020	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	5,473	–	(10,303)	–	–	(4,830)
At fair value through profit or loss						
– Debt securities	9,422	(1,424)	(1,098)	(1,503)	–	5,397
– Equity securities	3,393	3,736	4,983	(2,802)	–	9,310
Loans and receivables						
– Loans to local authorities	77	–	–	–	–	77
– Deposits with credit institutions	(63)	–	–	–	–	(63)
Cash and cash equivalents	(661)	–	–	(2)	–	(663)
Derivatives	–	–	–	1,916	–	1,916
FX gain/(loss) on insurance business	–	–	–	(207)	–	(207)
Investment Income	**17,641**	**2,312**	**(6,418)**	**(2,598)**	**–**	**10,937**
Investment expenses	–	–	–	–	(975)	(975)
Total net investment return	**17,641**	**2,312**	**(6,418)**	**(2,598)**	**(975)**	**9,962**

Notes to the Financial Statements

7. 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 Income	**20,343**	**6,547**	**18,867**	**(660)**	**–**	**45,097**
Investment expenses	–	–	–	–	(1,112)	(1,112)
Total net investment return	**20,343**	**6,547**	**18,867**	**(660)**	**(1,112)**	**43,985**

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.

8. Net Operating Expenses

8(a) Operating Expenses

Analysis of other operating expenses	2020 €'000	2019 €'000
Directors' remuneration (Note 8(b)	1,510	1,407
Employee benefits expense (Note 8(c)	16,052	14,297
Amortisation on intangibles (Note 11)	283	354
Depreciation on property, plant and equipment (Note 12)	190	181
Auditors' remuneration (Note 8(d))	243	278
Legal and professional fees	474	643
Marketing	463	641
Stakeholder engagement – risk management	15	33
Other expenses	5,161	5,712
Total operating expenses	**24,391**	**23,546**

8(b) Directors' Remuneration

Analysis of Directors' remuneration	2020 €'000	2019 €'000
Directors' remuneration – salaries, benefits and fees	1,344	1,254
Directors' remuneration – PRSI	96	85
Directors' remuneration – pensions	70	68
Total Directors' remuneration	**1,510**	**1,407**

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.

8(c) Employee Benefits Expense

Analysis of employee benefits expense	2020 €'000	2019 €'000
Staff costs – salaries and benefits	13,515	12,022
Staff costs – PRSI	1,442	1,245
Staff costs – pensions (Note 28)	1,095	1,030
Total employee benefits expense	**16,052**	**14,297**

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

Employee numbers	2020	2019
Permanent staff	145	142
Total	**145**	**142**

The actual number of full-time equivalents employed by the business at 31 December 2020 was 144.9 (2019: 145.5).

8(d) Auditors' Remuneration

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

Analysis of auditors' remuneration	2020 €'000	2019 €'000
Fees and expenses paid to our statutory auditors are analysed as follows:		
– Audit of the financial statements	150	143
– Other assurance services	44	53
Other non-audit services	49	82
Total auditors' remuneration	**243**	**278**

Auditors' remuneration (excluding value added tax) in 2020 for audit services is €0.150m (2019: €0.143m), other assurance services fees is €0.044m (2019: €0.053m) and for other non-audit services €0.049m (2019: €0.082m). 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.

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

9(a) Current Tax Year Charge/Credit

Tax charge on profit on ordinary activities	2020 €'000	2019 €'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	(1,425)	(6,678)
– In respect of prior years	116	611
Total current tax charge	**(1,309)**	**(6,067)**
Deferred tax		
– Origination and reversal of temporary differences	(15)	–
Total deferred tax charge	**(15)**	**–**
Total income tax expense recognised in the current year relating to continuing operations	**(1,324)**	**(6,067)**

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

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	2020 €'000	2019 €'000
Profit on ordinary activities before tax	18,286	53,302
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	2,286	6,663
Effect of		
– Expenses not deductible for tax purposes	71	–
– Adjustment in respect of prior years	(116)	(611)
– Income taxed at higher rate (25%)	77	12
– Income not subject to tax	(512)	–
– Temporary tax differences	3	3
– Income tax withheld	(485)	–
Tax charge	**1,324**	**6,067**

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

Current tax assets and liabilities

The current tax asset of €2.671m (2019: €3.653m) relates to withholding tax amounts that are refundable to the company of €0.485m (2019: €0.493m) and a corporation tax refund of €2.186m (2019: €3.160m) that is due to the company.

10. Dividends Paid and Proposed

Dividend proposed/paid	2020 €'000	2019 €'000
Declared and payable during the year		
– Retained earnings distribution	25,000	25,000
– Interim dividend	18,851	–
– Special dividend (subsequently reclassified as retained earnings distribution)	–	5,000
Total dividends proposed/paid in the year	**43,851**	**30,000**

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

Notes to the Financial Statements

11. Intangible Assets

11. Intangible Assets

Intangible assets 2020 & 2019	IT software €'000	Total €'000
Cost		
Balance at 1 January 2019	2,914	2,914
Additions	233	233
Balance at 1 January 2020	3,147	3,147
Additions during the year	521	521
Balance at 31 December 2020	**3,668**	**3,668**
Amortisation		
Balance at 1 January 2019	(2,342)	(2,342)
Amortisation for the year	(354)	(354)
Balance at 1 January 2020	(2,696)	(2,696)
Amortisation for the year	(283)	(283)
Balance at 31 December 2020	**(2,979)**	**(2,979)**
Carrying amounts		
Balance at 31 December 2019	451	451
Balance at 31 December 2020	**689**	**689**

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**

12. Property, Plant and Equipment

Property, plant and equipment 2020 & 2019	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Total €'000
Cost				
Balance at 1 January 2019	270	1,539	610	2,419
Additions	7	36	94	137
Disposals	–	–	–	–
Balance at 1 January 2020	277	1,575	704	2,556
Additions	115	–	279	394
Disposals	–	–	(70)	(70)
Balance at 31 December 2020	**392**	**1,575**	**913**	**2,880**
Depreciation				
Balance at 1 January 2019	(248)	(1,429)	(492)	(2,169)
Depreciation for the year	(11)	(93)	(77)	(181)
Depreciation on disposal	–	–	–	–
Balance at 1 January 2020	(259)	(1,522)	(569)	(2,350)
Depreciation for the year	(59)	(16)	(115)	(190)
Depreciation on disposal	–	–	25	25
Balance at 31 December 2020	**(318)**	**(1,538)**	**(659)**	**(2,515)**
Carrying amounts				
Balance at 31 December 2019	18	53	135	206
Balance at 31 December 2020	**74**	**37**	**254**	**365**

Property, plant and equipment 2019 & 2018	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Total €'000
Cost				
Balance at 1 January 2018	240	1,505	560	2,305
Additions	30	34	50	114
Disposals	–	–	–	–
Balance at 1 January 2019	270	1,539	610	2,419
Additions	7	36	94	137
Disposals	–	–	–	–
Balance at 31 December 2019	**277**	**1,575**	**704**	**2,556**
Depreciation				
Balance at 1 January 2018	(238)	(1,153)	(399)	(1,790)
Depreciation for the year	(10)	(276)	(93)	(379)
Depreciation on disposal	–	–	–	–
Balance at 1 January 2019	(248)	(1,429)	(492)	(2,169)
Depreciation for the year	(11)	(93)	(77)	(181)
Depreciation on disposal	–	–	–	–
Balance at 31 December 2019	**(259)**	**(1,522)**	**(569)**	**(2,350)**
Carrying amounts				
Balance at 31 December 2018	22	110	117	249
Balance at 31 December 2019	**18**	**53**	**135**	**206**

13. Investment Properties

Investment properties	2020 €'000	2019 €'000
Balance at 1 January	99,125	96,720
Additions	48	387
Movement in fair value	(10,303)	2,018
Balance at 31 December	**88,870**	**99,125**
Rental income derived from investment properties	5,473	5,365
Income for the period	**5,473**	**5,365**

14. 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 principle.

Derivative financial instruments – held for trading	Assets €'000	Liabilities €'000	Nominal value '000
Balance at 31 December 2020			
Forward foreign exchange contracts – NOK	–	216	NOK 52,000
Forward foreign exchange contracts – GBP	17	278	GBP 23,000
Forward foreign exchange contracts – USD	1,046	1	USD 36,000
Forward foreign exchange contracts – SEK	–	163	SEK 40,000
Forward foreign exchange contracts – CHF	63	–	CHF 6,000
Forward foreign exchange contracts – DKK	2	5	DKK 147,000
Total financial instruments held for trading	**1,128**	**663**	
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**	

15. Other Financial Assets and Liabilities

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

Other financial assets	2020 €'000	2019 €'000
Designated at fair value through profit or loss		
– Debt securities	752,315	732,348
– Equity securities	192,726	184,611
Total financial assets designated at fair value through profit and loss	**945,041**	**916,959**
Loans and receivables		
– Loans to local authorities	13,968	16,438
– Deposits with credit institutions	59,864	48,043
Total loans and receivables at amortised cost	**73,832**	**64,481**
Total other financial assets	**1,018,873**	**981,440**

The company ceased providing new loans to local authorities in 2009 (see Note 33). 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 A – quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level B – 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 C – 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

15. Other Financial Assets and Liabilities

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

Fair value hierarchy 2020	Level A €'000	Level B €'000	Level C €'000	Total fair value €'000
Derivative financial assets	–	1,128	–	1,128
Financial assets designated at fair value through profit or loss				
– Debt securities	693,324	31,841	27,150	752,315
– Equity securities	127,011	65,714	1	192,726
Loans and receivables				
– Loans to local authorities	–	–	13,968	13,968
– Deposits with credit institutions	–	–	59,864	59,864
Total assets	**820,335**	**98,683**	**100,983**	**1,020,001**
Derivative financial liabilities	–	663	–	663
Total liabilities	**–**	**663**	**–**	**663**

Fair value hierarchy 2019	Level A €'000	Level B €'000	Level C €'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**

There has been one transfer on the 31st of December 2020 between Level B and Level C due to a change in the valuation method, refer to Note 35.

Transfers from Level B to Level C	2020 €'000	2019 €'000
Financial assets designated at fair value through profit and loss		
Debt securities	27,150	–

Notes to the Financial Statements

15. Other Financial Assets and Liabilities

Movement in Level C Financial Instruments Measured at Fair Value

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

Reconciliation of Level C measurement of financial instruments	2020 €'000	2019 €'000
Balance at 1 January	64,482	83,799
Transfer from Level B	27,150	–
Movement in loans and receivables	57,394	46,158
Movement in fair value	(48,043)	(65,475)
Balance at 31 December	**100,983**	**64,482**

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

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

Level C investment classification is based on the assumption that it relates to securities in liquidation, securities carried at amortised cost and assets where the market is not active, and the fair value is estimated by using a valuation technique to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The company assumes that all loans and receivables are fully recoverable. The following table shows the impact on the fair value of Level C instruments of using reasonable possible alternative assumptions by class of instrument:

	2020		2019	
Sensitivity of Level C 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	27,150	–	–	–
– Equity securities	1	(1)	1	(1)
– Loans and receivables	73,832	–	64,481	–
Balance at 31 December	**100,983**	**(1)**	**64,482**	**(1)**

16. 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	2020 €'000	2019 €'000
Insurance assets – retro-rated premiums	22,800	26,463

17. Insurance Contract Liabilities and Reinsurance Assets

(a) Analysis of the Insurance Contract Liabilities

	2020			2019		
Contract liabilities	Insurance contract liabilities €'000	Reinsurance assets €'000	Net €'000	Insurance contract liabilities €'000	Reinsurance assets €'000	Net €'000
Projected outstanding case reserves	487,310	36,153	451,157	485,345	37,178	448,167
Projected IBNR	8,967	4,861	4,106	(17,371)	(766)	(16,605)
Projected future unallocated loss adjustment expenses	30,617	–	30,617	28,199	–	28,199
Provision for reinsurance bad debts	–	(454)	454	–	(448)	448
Provision for adverse development						
– Margin for uncertainty	81,134	7,959	73,175	79,708	5,914	73,794
– Expected value of binary event provision	14,000	12,500	1,500	2,000	1,000	1,000
Outstanding claims provision	**622,028**	**61,019**	**561,009**	**577,881**	**42,878**	**535,003**
Provision for unearned premiums	18,841	–	18,841	19,535	–	19,535
Unexpired risk reserves	–	–	–	–	–	–
Provision for adverse development						
– Margin for uncertainty	2,826	–	2,826	3,125	–	3,125
Unearned premium reserve	**21,667**	**–**	**21,667**	**22,660**	**–**	**22,660**
Total contract liabilities	**643,695**	**61,019**	**582,676**	**600,541**	**42,878**	**557,663**

Notes to the Financial Statements

17. Insurance Contract Liabilities and Reinsurance Assets

(b) Movement in the Gross and Reinsurance Claims Provision

Movements in gross outstanding claims provision	2020 €'000	2019 €'000
Carrying amount at 1 January	**577,881**	**532,762**
Claim losses and expenses incurred in the current year	142,610	140,236
Decrease in estimated claim losses and expenses incurred in prior years	(39,700)	(8,034)
Change in binary yield provision	12,000	(1,000)
Incurred claims losses and expenses	**114,910**	**131,202**
Less		
Payments made on claims incurred in the current year	(4,965)	(6,685)
Payments made on claims incurred in prior years	(65,798)	(79,398)
Claims payments made in the year	**(70,763)**	**(86,083)**
Carrying amount at 31 December	**622,028**	**577,881**

Movements in outstanding reinsurance claims provision	2020 €'000	2019 €'000
Carrying amount at 1 January	**42,878**	**29,144**
Claim losses and expenses incurred in the current year	40,044	8,313
(Decrease)/increase in estimated claim losses and expenses incurred in prior years	(27,116)	15,534
Change in binary yield provision	11,500	(500)
Incurred claims losses and expenses	**24,428**	**23,347**
Less		
Recoveries received on claims incurred in the current year	(1,008)	(695)
Recoveries received on claims incurred in prior years	(5,279)	(8,918)
Recoveries on claim payments	**(6,287)**	**(9,613)**
Carrying amount at 31 December	**61,019**	**42,878**

(c) Provision for Unearned Premiums

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

Provision for unearned premiums	2020 €'000	2019 €'000
Carrying amount at 1 January	**22,660**	**25,801**
Gross premium written during the year	144,134	159,221
Gross premium earned during the year	(145,127)	(162,362)
Changes in unearned premium recognised as income/(expense)	**(993)**	**(3,141)**
Carrying amount at 31 December	**21,667**	**22,660**

(d) Assumptions

Please refer to Risk Management Note 30 for a description of the assumptions used to calculate insurance liabilities.

18. Other Provisions

Other provisions	2020 €'000	2019 €'000
Covid 19 premium rebates provided in the year	20,073	–
Net amounts paid	(11,331)	–
Carrying amount at 31 December	**8,742**	**–**

Premium rebates of €20.1m are included in the gross written premium.

19. Insurance Receivables

Debtors arising out of insurance operations	2020 €'000	2019 €'000
Due from policyholders	5,763	8,326
Total current receivables	**5,763**	**8,326**

20. Reinsurance Receivables

Debtors arising out of reinsurance operations	2020 €'000	2019 €'000
Due from policyholders	2,232	3,161
Total current receivables	**2,232**	**3,161**

21. Other Receivables

Other receivables	2020 €'000	2019 €'000
Other receivables	58	103
Total	**58**	**103**

22. Prepayments and Accrued Income

Prepayments and accrued income	2020 €'000	2019 €'000
Retrospective premium receivable	915	–
Interest on debt securities	3,202	3,929
Interest on cash and cash equivalents	(67)	(43)
Accrued property rental income	2	32
Dividends receivable	14	–
Accrued Income – real estate funds	10	109
Other accrued income	378	441
Prepayments	942	949
Total	**5,396**	**5,417**

23. Cash and Cash Equivalents

Cash and cash equivalents	2020 €'000	2019 €'000
Cash at banks and on hand	58,866	35,321
Short-term deposits	104,538	125,959
Total	**163,404**	**161,280**

Movement in cash and cash equivalents	2020 €'000	2019 €'000
Balance at beginning of reporting year	161,280	156,194
Balance at end of reporting year	163,404	161,280
Increase in cash and cash equivalents	**2,124**	**5,086**

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.

24. Deferred Tax Assets/Liabilities

Deferred taxation (assets)/liabilities	2020 €'000	2019 €'000
Balance at 1 January	(144)	(144)
Income statement	15	–
Balance at 31 December	**(129)**	**(144)**
Temporary differences on property, plant and equipment	(129)	(144)
Balance at 31 December	**(129)**	**(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.

25. Insurance Payables

Insurance payables	2020 €'000	2019 €'000
Due to policyholders	6,555	4,706
Due to reinsurers	787	1,764
Total	**7,342**	**6,470**

26. Trade and Other Payables

Trade and other payables	2020 €'000	2019 €'000
Trade creditors	920	1,118
Prepayment – property rental income	934	831
Dividend payable	43,764	26,096
Social Dividend payable	1,971	2,651
Short-term employee benefits	3,484	3,026
Member escrow balances	3,008	4,075
Tax and social welfare	474	706
Total	**54,555**	**38,503**
Tax and social welfare		
– PAYE	308	521
– PRSI	145	145
– VAT	21	40
Total	**474**	**706**

27. Accruals

Accruals	2020 €'000	2019 €'000
Operating and other expenses	1,408	2,515
Total	**1,408**	**2,515**

28. Pension Costs

The company participates in defined contribution pension schemes.

2020 employers' contributions for the employees' defined contribution pension schemes amounted to €1.165m (2019: €1.098m). There were no outstanding pension contributions at 31 December 2020 (2019: €0.160m).

29. Capital Management

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

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

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

During 2020 the company increased the retained earning distribution from €200m to €205m. The company paid €27.2m of a retained earnings distribution. The total now paid is €155m of €205m. A further €25m is scheduled for payment in 2021.The balance of €25m will be paid to members in 2022. The company will also be paying a Members' dividend of €18.9m in 2021.

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 Members’ Dividend payable the amount payable is confirmed based on the surplus after tax generated in the period and payable 12 months post-confirmation. For example, if in 2019 IPB records a surplus after tax of €10m then a Members’ 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 Members’ 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 the approval of any distribution in each year. As a regulated entity, the company must communicate any such activity to the Central Bank.

30. 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 current and emerging 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 robust 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 with cyber being a growing line in more recent years. 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.

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	2020 €'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	145,380	
One year later		97,518	85,313	79,462	93,603	93,057	119,315	109,530	115,883	127,826	136,053	–	
Two years later		95,077	75,842	81,719	85,311	95,578	113,652	110,208	111,692	123,428	–	–	
Three years later		84,027	88,753	72,673	79,526	96,998	110,016	108,917	105,686	–	–	–	
Four years later		77,195	78,138	68,374	78,849	95,933	128,177	104,682	–	–	–	–	
Five years later		75,101	76,007	68,200	78,388	94,589	122,085	–	–	–	–	–	
Six years later		68,801	72,670	67,456	78,056	92,041	–	–	–	–	–	–	
Seven years later		61,059	71,833	67,203	78,018	–	–	–	–	–	–	–	
Eight years later		59,768	72,773	67,217	–	–	–	–	–	–	–	–	
Nine years later		59,523	73,027	–	–	–	–	–	–	–	–	–	
Ten years later		57,924	–	–	–	–	–	–	–	–	–	–	
Ultimate claims losses incurred	**1,043,145**	**57,924**	**73,027**	**67,217**	**78,018**	**92,041**	**122,085**	**104,682**	**105,686**	**123,428**	**136,053**	**145,380**	**2,148,685**
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)	(4,965)	
One year later		(24,301)	(13,396)	(12,008)	(15,599)	(15,729)	(19,411)	(16,915)	(15,314)	(18,276)	(18,623)	–	
Two years later		(32,435)	(22,552)	(20,736)	(25,709)	(25,231)	(30,128)	(28,990)	(26,963)	(29,735)	–	–	
Three years later		(41,213)	(31,856)	(30,948)	(34,249)	(36,628)	(42,178)	(40,393)	(38,086)	–	–	–	
Four years later		(47,073)	(39,578)	(38,348)	(44,358)	(51,820)	(60,805)	(48,348)	–	–	–	–	
Five years later		(51,501)	(45,794)	(45,602)	(52,866)	(62,192)	(70,717)	–	–	–	–	–	
Six years later		(54,582)	(50,233)	(49,859)	(58,528)	(67,329)	–	–	–	–	–	–	
Seven years later		(51,288)	(53,558)	(52,568)	(61,388)	–	–	–	–	–	–	–	
Eight years later		(52,289)	(55,753)	(53,837)	–	–	–	–	–	–	–	–	
Nine years Later		(53,982)	(56,416)	–	–	–	–	–	–	–	–	–	
Ten years later		(54,543)	–	–	–	–	–	–	–	–	–	–	
Cumulative payments to date	**(1,022,671)**	**(54,543)**	**(56,416)**	**(53,837)**	**(61,388)**	**(67,329)**	**(70,717)**	**(48,348)**	**(38,086)**	**(29,735)**	**(18,623)**	**(4,965)**	**(1,526,656)**
Total gross non-life insurance outstanding claims provisions per the Statement of Financial Position	**20,474**	**3,381**	**16,611**	**13,381**	**16,631**	**24,711**	**51,368**	**56,334**	**67,600**	**93,693**	**117,430**	**140,415**	**622,028**

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	2020 €'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	130,137	
One year later		78,939	83,745	73,965	87,827	89,712	108,555	103,004	112,858	124,316	123,955	–	
Two years later		78,204	71,266	75,233	82,695	91,795	104,216	103,550	108,566	117,393	–	–	
Three years later		65,020	77,436	68,227	76,924	93,308	101,065	102,053	101,150	–	–	–	
Four years later		60,158	69,885	63,607	76,467	91,565	100,694	97,155	–	–	–	–	
Five years later		58,244	65,836	63,538	76,075	90,736	94,787	–	–	–	–	–	
Six years later		51,720	62,340	62,906	75,748	88,431	–	–	–	–	–	–	
Seven years later		51,951	61,636	62,699	75,301	–	–	–	–	–	–	–	
Eight years later		50,884	62,685	62,434	–	–	–	–	–	–	–	–	
Nine years later		50,664	62,616	–	–	–	–	–	–	–	–	–	
Ten years later		49,308	–	–	–	–	–	–	–	–	–	–	
Ultimate claims losses incurred	**876,162**	**49,308**	**62,616**	**62,434**	**75,301**	**88,431**	**94,787**	**97,155**	**101,150**	**117,393**	**123,955**	**130,137**	**1,878,831**
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)	(3,859)	
One year later		(12,659)	(9,796)	(10,883)	(13,780)	(14,066)	(16,299)	(13,238)	(13,581)	(15,925)	(15,078)	–	
Two years later		(19,340)	(20,625)	(19,048)	(23,723)	(23,036)	(26,706)	(24,512)	(24,615)	(27,091)	–	–	
Three years later		(28,169)	(29,864)	(28,818)	(32,263)	(34,439)	(38,634)	(34,545)	(35,678)	–	–	–	
Four years later		(33,355)	(37,562)	(35,878)	(42,371)	(49,438)	(51,860)	(42,599)	–	–	–	–	
Five years later		(37,770)	(43,777)	(42,367)	(50,879)	(59,329)	(60,062)	–	–	–	–	–	
Six years later		(40,851)	(48,216)	(46,454)	(56,541)	(64,345)	–	–	–	–	–	–	
Seven years later		(42,812)	(51,540)	(49,083)	(59,401)	–	–	–	–	–	–	–	
Eight years later		(43,909)	(53,731)	(50,353)	–	–	–	–	–	–	–	–	
Nine years Later		(45,602)	(54,384)	–	–	–	–	–	–	–	–	–	
Ten years later		(46,163)	–	–	–	–	–	–	–	–	–	–	
Cumulative recoveries to date	**(858,810)**	**(46,163)**	**(54,384)**	**(50,353)**	**(59,401)**	**(64,345)**	**(60,062)**	**(42,599)**	**(35,678)**	**(27,091)**	**(15,078)**	**(3,859)**	**(1,317,822)**
Total net non-life insurance outstanding claims provisions per the Statement of Financial Position	**17,353**	**3,145**	**8,232**	**12,081**	**15,900**	**24,086**	**34,726**	**54,555**	**65,472**	**90,303**	**108,877**	**126,279**	**561,009**

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 as well as cyber 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 in order to ensure that the company's reserves are adequate. Should the reserves be deemed to be inadequate, any deficiency is recognised immediately in the profit and loss account.

Almost all 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 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), Norwegian Krone (NOK), Swiss Francs (CHF) and Swedish Krona (SEK). Currency risk is mitigated using currency forward contracts.

Notes to the Financial Statements

30. Risk Management

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 2020	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
British Pounds (GBP)	26,454	25,659	795
Norwegian Krone (NOK)	6,850	4,961	1,889
Danish Krone (DKK)	20,246	19,749	497
Swedish Krona (SEK)	3,860	3,981	(121)
Swiss Francs (CHF)	6,777	5,549	1,228
US Dollars (USD)	28,537	29,385	(848)
Canadian Dollars (CAD)	725	–	725
Total	**93,449**	**89,284**	**4,165**

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	–	1,726
Total	**85,102**	**64,988**	**20,114**

The net foreign exchange exposure after currency hedges is €4.2m (2019: €20.1m).

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 to the extent feasible. These characteristics include 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

30. Risk Management

The interest rate stresses are based on an immediate shock to the company'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	2020 €'000	2019 €'000
Debt securities		
– Irish Government fixed-interest bonds	80,959	114,285
– Other government fixed-interest bonds - eurozone	275,079	236,837
– Other government fixed-interest bonds - non-eurozone	51,825	63,087
– Corporate bonds	227,750	150,365
Total	**635,613**	**564,574**

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.

	2020		2019	
Investments analysis	Market value €000's	Weighted average interest rate %	Market value €'000	Weighted average interest rate %
In one year or less	48,549	1.34	62,656	2.43
In more than one year, but less than two years	100,206	0.79	49,506	1.36
In more than two years, but less than three years	113,288	0.69	99,546	0.65
In more than three years, but less than four years	59,501	0.59	87,556	0.99
In more than four years, but less than five years	77,595	1.19	51,850	1.05
More than five years	236,474	2.91	213,460	4.06
Total	**635,613**	**1.64%**	**564,574**	**2.29%**

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 and liquid 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

30. Risk Management

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 2019 to 2020	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								
2020	162,493	153,577	277,157	57,374	–	–	101,714	752,315
2019	180,455	178,389	277,796	29,266	–	–	66,442	732,348

Credit ratings, as determined by a number of credit rating agencies, are taken into consideration by the company. The company also carries out its own credit assessments for key credit counterparties. 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 impair credit quality, e.g. subordination.

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

There are no other significant concentrations of risk.

Equity Risk

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

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

Other Market Risks

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

Credit Risk

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

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

The Risk Appetite Statement requires diversification by reinsurance counterparty. In particular, no reinsurance counterparty may exceed 15% of the total reinsurance asset. This limit is increased to 25% for reinsurance counterparties with the very highest credit ratings, typically equivalent to S&P AA- or better. The limits are monitored on a regular basis, and exposures and breaches 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.

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.

2020	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	752,315	–	–	–	–	752,315
Other investments	192,726	–	–	–	–	192,726
Reinsurance assets (outstanding claims and receivables)	63,251	–	–	–	–	63,251
Loans and receivables	73,832	–	–	–	–	73,832
Insurance receivables	4,536	552	177	10	488	5,763
Total	**1,086,660**	**552**	**177**	**10**	**488**	**1,087,887**

Notes to the Financial Statements

30. Risk Management

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	–	8,326
Total	**1,032,670**	**1,402**	**1,544**	**188**	**1**	**1,035,805**

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 2020 as doubtful debts identified in 2019 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	2020 €'000	2019 €'000
Reinsurance debtors	454	448
Other debtors	82	216
Total	**536**	**664**

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

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

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

Market risk exposure by credit rating 2020	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Derivative financial instruments assets	–	–	768	360	–	–	1,128
Equity securities	–	13,211	25,889	28,233	2,428	122,955	192,726
Investment property	–	–	–	–	–	88,870	88,870
Reinsurance assets (outstanding claims and receivables)	–	36,902	25,724	–	–	625	63,251
Loans and receivables	–	–	49,864	10,000	–	13,968	73,832
Insurance receivables	–	–	–	–	–	5,763	5,763
Cash and cash equivalents	–	–	104,160	59,244	–	–	163,404
Total	**–**	**50,123**	**206,405**	**97,837**	**2,428**	**232,181**	**588,974**

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**

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

30. Risk Management

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 2020 in the case of index-linked bonds. Amortising bonds are stated at their nominal value as at 31 December 2020 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) 2020	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	1,128	1,128	–	–	–	1,128
Financial assets at fair value through profit or loss						
– Debt securities	752,315	57,992	394,751	218,600	20,696	692,039
– Equity securities	192,726	–	–	–	192,726	192,726
Loans and receivables						
– Loans to local authorities	13,968	2,206	7,806	4,226	–	14,238
– Deposits with credit institutions	59,864	49,855	10,123	–	–	59,978
Insurance assets	22,800	4,948	13,110	4,742	–	22,800
Reinsurance assets						
– Claims outstanding	61,019	19,038	31,669	10,312	–	61,019
– Debtors	7,995	7,995	–	–	–	7,995
Other receivables	58	58	–	–	–	58
Cash and cash equivalents	163,404	163,337	–	–	–	163,337
Total	**1,275,277**	**306,557**	**457,459**	**237,880**	**213,422**	**1,215,318**
Financial liabilities						
Insurance contract liabilities						
– Claims outstanding	622,028	146,799	359,532	115,697	–	622,028
Derivative financial instruments	663	663	–	–	–	663
Insurance payables	7,342	7,342	–	–	–	7,342
Trade and other payables	54,555	54,448	–	–	–	54,448
Accruals	1,408	1,408	–	–	–	1,408
Total	**685,996**	**210,700**	**359,532**	**115,697**	**–**	**685,929**

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30. Risk Management

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
– Debtors	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	38,273	38,273	–	–	–	38,273
Accruals	2,745	2,745	–	–	–	2,745
Total	**626,123**	**184,622**	**334,015**	**107,486**	**–**	**626,123**

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

30. Risk Management

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 the solvency or the operations of the company e.g. climate change and emerging technologies.
- COVID-19 – COVID-19 brought about significant operational, underwriting as well as investment challenges for the business in 2020. From a business continuity and operational resilience perspective IPB successfully moved to remote working and has ensured continuity of service to Members and policyholders. However, remote working also introduced certain operational challenges including an increase in cyber risk. From an underwriting perspective, while positive results were experienced in 2020, there remains significant uncertainty attached to the potential claims arising from COVID-19. That claims uncertainty includes the potential longer-term impact of the lockdown and recession e.g., increased risks of fraud and new claim types arising from remote working. On the investments side significant losses were initially experienced and were fully recovered by year end, yet the risk of further volatility remains. IPB's Members continue to experience financial challenges given the very material fall in income, such as rent and rates. In support of our Members, IPB did recognise and deliver on positive COVID-19 insurance implications (e.g., decreased footfall and therefore trips & slips) in premium rebates to policyholders during 2020. Looking forward, COVID-19 remains a very significant strategic risk that has the potential to impact all areas of the business and as such is monitored in a very active manner by the IPB Board and Management.

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.

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 2020.
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		2020 €'000	2019 €'000
Underwriting risk	5.00%	(5,933)	(6,820)
Currency risk	10.00%	417	1,013
Currency risk	-10.00%	(417)	(1,013)
Interest rate risk	1.00%	(18,580)	(17,745)
Interest rate risk	-0.25%	5,165	4,944
Equity risk	10.00%	19,273	18,461
Equity risk	-10.00%	(19,273)	(18,461)

Notes to the Financial Statements

30. Risk Management

Sensitivity analysis Impact on equity		2020 €'000	2019 €'000
Underwriting risk	5.00%	(5,191)	(5,967)
Currency risk	10.00%	364	887
Currency risk	-10.00%	(364)	(887)
Interest rates	1.00%	(16,258)	(15,527)
Interest rates	-0.25%	4,519	4,326
Equity risk	10.00%	16,864	16,153
Equity risk	-10.00%	(16,864)	(16,153)

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

Sensitivity analysis 2020	Change in assumptions (note 30)	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%	1,691	1,353	(1,353)	(1,184)
Motor	10.00%	721	577	(577)	(505)
Fire and other damage to property	10.00%	213	170	(170)	(149)
Total		**2,625**	**2,100**	**(2,100)**	**(1,838)**

Sensitivity analysis 2019	Change in assumptions (note 30)	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**

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.

31. Lease Committments

Total future minimum lease payments under non-cancellable operating leases are as follows;

Analysis of lease committments	2020 €'000	2019 €'000
Within 1 year	1,302	1,302
Between 1-5 years	5,209	5,209
After 5 years	9,984	11,286

32. Contingencies and Regulations

(a) Capital Commitments

The company has no capital commitments at the reporting date.

(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.

33. 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 2020 and 2019 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 €2.5m (2019: €1.9m). Loan balances outstanding at year end amounted to €13.6m (2019: €16.4m).

All loans were issued unsecured and with interest rates at normal commercial terms. During the period, interest income on these loans totalled €0.1m (2019: €0.1m) and is treated as non-trading investment income and recognised in the income statement. 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 2020.

Members

The percentage of total gross premiums written with Members in 2020 was 79% (2019: 81%). Please refer to page 125 for details of our Members.

34. Corporate Social Engagement

During 2020 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.

35. Post-Balance Sheet Events

Ulster Bank Ireland DAC – Permanent Interest, Bearing Shares (PIBS)

IPB have held Ulster Bank Ireland DAC (UB) Perpetual Bonds for the past 23 years arising from a First Active Irish Pound denominated issue in 1998. These bonds were subsequently redenominated into Euro based units in 2001. They became part of UB's capital base following their takeover of First Active in 2009.

On 19 February 2021 following an extensive review of UB by its United Kingdom based parent company NatWest, a decision has been made for a phased withdrawal of all its banking activity and associated services within the Republic of Ireland over the next number of years.

The decision by UB to commence a phased withdrawal of all its banking activity in Ireland and the likely consequential impact that the bond must be redeemed by the bank prior to the ultimate wind-up of the bank has the impact that the Company's holding in the PIBS will be redeemed at a future date. However, that date, while likely in the short to medium term, has not been specified by UB and continues to be a key judgment in estimating the market price of the bonds. The UB announcement means that the final redemption date on these bonds is more imminent than was previously believed and has a consequential impact on the market value.

On 31 December 2020 IPB held 196,737 units with a Euro par value of €100 and a total par value of €19.673m. The perpetual coupon rate on the bond is 11.375% and they are ultimately redeemable at par on the wind-up of UB. The market value of the units was independently calculated to be €170.50 as of 31 December 2020 resulting in a total market value of €33.54m. The market value of the PIBS was calibrated (not based on available market data for the bond due to its illiquid nature) but based on judgements regarding the credit quality of UB/NatWest and the likely duration of the PIBS to redemption (which was predicated on assumptions regarding the likelihood and lead time on any wind-up events that may be triggered by UB) combined with the coupon rate on the asset relative to current market interest rates. This stock has been illiquid since September 2017, with IPB holding 50% of the total units in issue.

The company's Management did not agree with the independent valuation primarily based on the company's more conservative probability weighted view of the likely ultimate redemption date of this bond based on the company's assessment of the likelihood of UB being wound up at a future date. The company estimates the market value of the units to be €138.00 as at 31 December 2020. The downward impact of this revision to the carrying value of the units was €32.50, thereby reducing the total market value by €6.39m from €33.54m to €27.15m.

Given the material nature of this event the company is disclosing and adjusting for its impact. The reduction in the market value have been fully reflected in the market value as at 31 December 2020 as the company are of the view that market knowledge, insights and conditions existed at year-end 2020 to indicate that it was appropriate to revise the market value downwards below the level indicated by the independent valuation.

36. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021.

Other Information

Our Members

The company's Members must all be local authorities as defined by the 1926 to 1935 Local Authorities (Mutual Assurance) Acts.

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, it is limited based on the following rule:

"The company is limited by guarantee and does not have any share capital. This guarantee is provided by its Members, however, it is limited in nature as specified in the Constitution".

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

List of Members at the Year Ended 31 December 2020

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

Our People

40+Years

- Edel Burke
- Lorraine Scanlan
- Caroline Young

35+Years

- Jacinta Gill

30+Years

- David Malone
- Paddy Moran
- Margaret O'Connor
- Marian Weston

25+Years

- Niamh Corrigan
- Yvonne Loughran

20+Years

- Fiona Carey
- Maria Carroll
- Caroline Quinn
- Anne Rice

10+Years

- Louise Conlon
- Frank Cunneen
- Peter Doyle
- Alison Farrelly
- Ann Feely
- Brendan Mahady
- Michelle Rice
- Gerard Ryan
- John Sheridan
- Barry Wallace
- Rory Walsh

Up to 10 Years

- Katie Bell
- Natasha Brady
- Margaret Brennan
- Diane Broderick
- Colm Bryson
- Alan Burke
- Darragh Callaghan
- Oisin Cannon
- Neil Carmody
- Fergus Carolan
- John Caulfield
- Emily Chambers
- James Cleary
- Fiona Coloe
- Maeve Condon
- David Connolly
- Mairead Conway
- Sarah Coughlan
- Richard Counihan
- Greg Creevey
- Nicola Cummins
- Aoife Dennedy
- Gerry Denvir
- Darren Devereux
- Enda Devine
- Lesley Doyle
- Cathy Doyle
- Bojan Dunkic
- David Dunne
- Niamh Ebbs
- Michelle Fahy
- Gerard Fallon
- Cathy Farragher
- Aisling Farrell
- Richard Fitzgerald
- Colin Flood
- Niall Foley
- Joyce Foley
- Alice Foley
- Alan Foster
- Yusuf Frih
- Majella Fuller
- Grainne Gallagher
- Paschal Garrett
- Michael Garvey
- Emily Gavin
- Stephen Geary
- Mark Gleeson
- Eileen Griffin
- Karl Hamilton
- Clara Hannon
- Emma Hannon
- Mark Hardy
- Ivor Heavey
- Julie Hunter
- Amy Hurst
- Aoife Jones
- Shauna Kavanagh
- Tom Keane
- JJ Keane
- Paul Kearns
- David Kearns
- Brian Kelleher
- Dean Kelly
- Nicola Kelly
- Claire Kiernan
- Liam Kilmartin
- Alex Kitching
- Quetili Lamperth
- Adrian Leonard
- Kamila Litwinowicz

Robert Love
Helen Lynch
Vincent Lyons
Sean Maguire
Conor Mahon
Kevin McClean
Conor McCourt
Dermot McInerney
Paul McMillan
Ann-Marie McPartlin
Evan Millar
Maeve Moore
Robert Moore
Brian Moriarty
Megan Mullarkey
Gerard Mulvaney
Lindsey Murphy
Fiona Murtagh
Lyndsey Noonan
Sophie O'Brien
Ellen O'Carroll
Martha O'Connor
Wendy O'Dwyer
Nicola O'Neill
Graham Orr
Steven O'Sullivan
Brian Owens
Mihaela Pavisic
Philomena Phelan
Mark Price
Lindsay Pulsford
Cathy Quigley
Damian Quilligan
Matt Rafferty
Donna Rave
Tracey Reale
Donagh Regan
James Reid
Niamh Reilly
Colm Reilly
Katarzyna Rejmoniak
Deborah Royal
Padraig Sheehan
Anne-Marie Sheridan
James Smith
Laura Smith
Lizanne Sorohan
Adam Sykes
Christopher Taaffe
Anthony Thorpe
Jonny Walshe
Michael Ward
Emma Warde
Christine Waters
Brendan Watson
Michael Whelehan
Barry Whitelaw
Fiona Wolfe
David Woodward

Glossary

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

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

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.
FRS 102 & 103	FRS 102 & 103 are Irish GAAP Standards. As such accounts prepared in accordance with FRS 102/103 must be compliant with Irish Company legislation. The presentation of the balance sheet and profit and loss accounts of Irish insurance companies is guided by SI 262/2015 European Union (Insurance Undertakings: Financial Statements) Regulations 2015.

Term	Definition
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.
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).

Term	Definition
Operating Profit	The profit generated by the ordinary activities of the company including both insurance and investment activity.
Portfolio Management	Management of a group of similar risks; these are usually grouped by line of business.
Premium Rate	The price of a unit of insurance based on a standard risk for one year. Actual premium charged to the customer may differ from the rate due to individual risk characteristics and marketing discounts.
Prior Year Result on Claims	Profit or loss generated by settling claims incurred in a previous year at a better or worse level than the previous estimated cost.
Property General Insurance	Property insurance covers loss or damage through fire, theft, floods, storms and other specified risks.
Real Yield	The return from an investment adjusted for the effects of inflation.
Reinsurance	The practice whereby the company transfers part or all of the risk it has accepted to another insurer (the reinsurer).
Retained Earnings Distribution	A Retained Earnings Distribution is a distribution of Members' or shareholders' equity which has been accumulated net of taxation in prior periods and reported in the equity section of the balance sheet.
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.

Term	Definition
Total Equity Return	A measure of performance based on the overall value to equity holders of their investment in the company over a period of time. Includes the movement in the share price and dividends paid, expressed as a percentage of the share price at the beginning of the period.
Technical Underwriting Result – Net	Net premiums earned less net claims incurred. Excludes operating costs and commissions paid or earned.
Unearned Premium	The portion of premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.

Company Information

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Earlsfort Terrace
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Solicitors
Arthur Cox
Solicitors
Earlsfort Centre
Earlsfort Terrace
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