S&P Global Ratings

Sustainable1

Environmental, Social, And Governance Evaluation

IPB Insurance

Summary

IPB Insurance CLG is a mutual property and casualty insurance company headquartered in Ireland. It provides insurance products primarily to its 51 corporate members, who are also their customers and include local authorities, education training boards, regional assemblies, and the health service executive. In 2020, the company underwrote services totalling a gross written premium (GWP) of €144.1 million, which consisted of public liability (60%), employers' liability (11%), property (13%), and motor insurance (6%). IPB incorporates members' interests in its pricing strategy and product development through an internal modified community rating pricing system that ensures that there is an equitable approach to pricing across the member base. The company also commits to returning retained earnings and dividends where possible and in line with regulatory capitalization targets.

Our ESG evaluation of 73 reflects IPB's strong social profile, primarily from advanced customer and community practices, supported by the company's mutual structure. Environmental practices in IPB's investment portfolio are slightly more advanced than the wider insurance industry but not formalized. Furthermore, environmental underwriting exposure is less than that of peers due to collaboration between IPB and members to reduce risks. Although governance practices are in line with Irish standards and those for mutual companies, sustainability reporting is nascent. Finally, the company uses third-party ESG scores and internal desktop reviews to inform its investment decision-making, going beyond what many insurance peers do.

IPB has a well-established company culture resulting in part from its mutual structure, which maintains a strong member focus and a sense of purpose to serve the local communities. Furthermore, the company's close relationships with its members allows it to remain close to their needs, enabling it to develop new products and reduce exposure to disruptive trends. Despite this, sustainability is not yet embedded across IPB's entire strategy and product offering.

PRIMARY ANALYST

Beth Burks
London
+44-207-176-9829
Beth.Burks
@spglobal.com

SECONDARY ANALYST

Manuel Adam
Frankfurt
+49-693-399-9199
Manuel.Adam
@spglobal.com

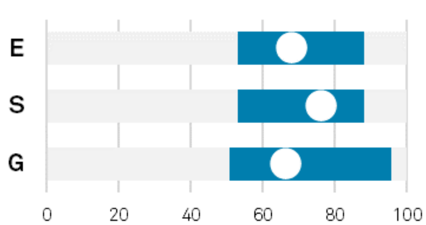
RESEARCH CONTRIBUTOR

Catherine Baddeley
London

Richu Kunihal
Pune

ESG Profile Score

70 /100



Company-specific attainable and actual scores

Preparedness Opinion (Scoring Impact)

Adequate (+ 3)

ESG Evaluation

73/100

A higher score indicates better sustainability

Component Scores

Environmental Profile		Social Profile		Governance Profile	
Sector/Region Score	**38/50**	**Sector/Region Score**	**38/50**	**Sector/Region Score**	**31/35**
Greenhouse gas emissions	**Good**	Workforce and diversity	**Good**	Structure and oversight	**Good**
Waste and pollution	**Good**	Safety management	**Good**	Code and values	**Good**
Water use	**Good**	Customer engagement	**Strong**	Transparency and reporting	**Developing**
Land use and biodiversity	**Good**	Communities	**Strong**	Financial and operational risks	**Neutral**
General factors (optional)	**None**	General factors (optional)	**+3**	General factors (optional)	**None**
Entity-Specific Score	**30/50**	**Entity-Specific Score**	**39/50**	**Entity-Specific Score**	**36/65**
E-Profile (30%)	**68/100**	**S-Profile (30%)**	**77/100**	**G-Profile (40%)**	**67/100**

ESG Profile (including any adjustments) **70/100**

Preparedness Summary

The sustainability of IPB's long-term strategy is facilitated by the company's mutual structure that ensures that both the board and day-to-day employees maintain focus on members, who are both customers and owners. The company also leverages its close relationships with its members to understand their needs when developing new product offerings, such as its development of cyber insurance, which has seen a large increase in uptake since the May 2021 cyberattack on the Irish health care system. Its awareness and assessment of risks are good, and we believe the company overall has low exposure to disruptive trends, with most risks emerging from potential new entrants in IPB's target market resulting in a weakening of competitive edge, which we view as very unlikely. Despite this, we do not yet view sustainability to be fully embedded in to IPB's long-term strategy and decision making.

Capabilities	
Awareness	**Good**
Assessment	**Good**
Action plan	**Good**
Embeddedness	
Culture	**Excellent**
Decision-making	**Good**

Preparedness Opinion (Scoring Impact) **Adequate (+ 3)**

ESG Evaluation **73/100**

Note: Figures are subject to rounding.

Environmental Profile

68/100

Sector/Region Score (38/50)

The primary environmental risks for insurance companies relate to their insurance underwriting and investment activities, as their own operations generally have limited direct environmental consequences. As financiers of a diverse set of companies and sectors, however, insurance companies play an influential role in promoting an environmentally sustainable economy.

Entity-Specific Score (30/50)

Note: Figures are subject to rounding.

Greenhouse gas emissions	Waste and pollution	Water use	Land use and biodiversity	General factors
Good	**Good**	**Good**	**Good**	**None**

Our Environmental profile assessment for IPB reflects the company's relatively lower exposure to environmental issues through underwriting and is constrained by a lack of more-formalized guidelines to incorporate environmental factors in the investment process. While some of IPB's own and supply chain environmental practices are nascent, we believe that the company is on a strong forward trajectory.

We view IPB's practices to manage its underwriting exposure as slightly better than industry-average practices. The company regularly engages with its members via its value-added supports which provides members with step-by-step risk guides, practice risk assessment tools, videos, conference material, and a range of resources to help members implement an enterprisewide approach to managing environmental issues, including carbon emissions, water, and waste. We view this engagement as advanced practice. In addition, IPB offers insurance products to help members manage their environmental footprint. For example, the company's "Build Back Better" scheme offers zero-cost extended insurance coverage as an incentive to rebuild damaged properties in a more environmentally efficient way. Although environmentally focused products represent a fraction of the company's insured portfolio, IPB has a variety of green products in the pipeline.

We view the environmental practices IPB follows in investment management as slightly better than the industry average. However, our assessment is constrained due to the lack of structured and documented investment guidelines and the lack of an independent monitoring process. IPB's €1.3 billion investment portfolio (as of year-end 2020) is to a large extent composed of sovereign debt but also consists of corporate bonds, property, and equity securities. The company incorporates ESG issues in its investment decisions via qualitative assessments that are principle-based and tracks third-party ESG scores. Furthermore, IPB conducts regular meetings with investee companies and external managers, which manage a small portion of its assets, to discuss their ESG progress.

Although less material, the company has made minimal efforts to manage its own and supply chain's environmental exposure. IPB tracks its own environmental footprint through various metrics (such as water use and recycling rates), but there are no formal plans to improve these. Furthermore, the company plans on assessing ESG risks in its supply chain.

Social Profile

77/100

Sector/Region Score (38/50)

Managing human capital and customer relationships are paramount social risks given the reliance on skilled labor and the importance of customer trust because misselling or unclear insurance terms can cause serious financial and reputational damage. Potential data leaks and concerns over data privacy are additional social issues that can result in fines and tarnish brands. Insurers often depend on independent agents to sell their products, further exposing them to social issues affecting their outsourced salesforce.

Entity-Specific Score (39/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Good	**Good**	**Strong**	**Strong**	**+3**

IPB's social profile benefits from its mutual status where its customers are also its owners, mainly the Irish local authorities. We view the company's exposure to social issues as below industry average given its member-focused customer base and relatively small workforce based in Ireland. IPB's customer centric approach and engagement with members towards community development support our view. On the other hand, the company's minimal focus on its supply chain's social issues and lack of formalized ESG integration processes constrain our view.

IPB is committed to members' satisfaction and offers products and services, keeping members' needs and risks in focus. We view the company's customer management practices as above the industry average. IPB engages with members to help them identify and assess social risks, including workplace safety and child safeguarding and provides them with risk management supports. This consistent engagement goes beyond average industry practice. Furthermore, as a mutual insurer, IPB is not profit-seeking and operates to serve its members, with profits returned to them where possible. In addition, in terms of pricing, the company ensures fair treatment through an internal rating mechanism that rewards members who are taking action to address the underlying trends in claims frequency. The company's customer-centric approach can be evidenced by the very high retention rate of 100% and customer satisfaction rate of more than 95% for the past five years.

IPB has solid workforce engagement, although diversity lags the industry average. The company is ranked among the top workplaces to work in Ireland and has adequate training and development programs to support employee engagement and retention. This translates into a below-average turnover (5%-8%, compared with an industry average of 13%) in the past five years. However, we note IPB's lower-than-average female representation at senior levels. We understand that the board is focused on improving this through its diversity and inclusion strategy, which targets 30% women in senior management by 2023, but we believe it could be a challenge because senior positions are limited due to the company's size. Positively, IPB incorporates workforce and diversity in its investment decisions via third-party ESG scores and qualitative assessments, a practice we view as ahead of some industry peers.

IPB's community engagement activities help address the community's needs for and on behalf of its members. The company has developed strategic partnerships with members and local governments, helping deliver shared objectives in a more focused way.

Governance Profile

67/100

Sector/Region Score (31/35)

IPB is headquartered in Ireland, a country that has a strong rule of law and institutions, and robust governance standards. The company does not have any direct overseas operations.

Entity-Specific Score (36/65)

Note: Figures are subject to rounding.

Structure and oversight	Code and values	Transparency and reporting	Financial and operational risks	General factors
Good	**Good**	**Developing**	**Neutral**	**None**

IPB's board has a high level of attendance and members display a good mix of skills, but independence is limited, as is common with mutual insurance companies. The company's chair has been on the board for over 15 years, which limits his independence, however there is a clear succession plan to ensure a smooth transition. Furthermore, besides the CEO and finance director, the seven other directors are all nonexecutive. Of these, four have been elected local council members, with the remaining three being considered independent. Despite this, we believe the board has an adequate mix of skills and view favorably that the individuals' experience with county councils reflects the company's member base. Moreover, independence of mutual companies tends to be lower than their publicly listed counterparts. We view positively that 33% of board members are female, which is higher than average for publicly listed companies in Ireland (20% of ISEQ in 2020), and attendance in 2020 (100%) was higher than peers'. Finally, although all directors are Irish, this is representative of the company's regional footprint.

IPB's values to serve its members are well established, however the company's code of conduct covers fewer topics than peers. IPB has a publicly available business code of conduct that applies to all employees but is less detailed than that of many peers and does not extend to suppliers. For example, the code does not include details on anti-money-laundering or environmental policies, aspects that many peers include. Although detailed information on how executive remuneration is calculated is not disclosed, total director remuneration is reported and suggests a reasonable salary for both the CEO and finance director. Furthermore, executives do not receive any form of long-term incentive plan, although we believe executives are adequately incentivised through their investment in the mutual philosophy, as shown by the executives' relatively long tenure on the board.

Although IPB's financial reporting is in line with regional peers', the company has not reported key sustainability metrics and ESG integration processes publicly. From 2020, IPB's financial statements are reported in line with Irish GAAP, having previously been prepared in line with IFRS. However, the company is yet to report publicly on some basic sustainability metrics such as the percentage of female employees.

IPB goes beyond peers by considering the governance profile of its investee companies. Governance issues are considered as part of the investment process and tracked using third-party ESG scores. Despite this, the company does not engage with investee companies on governance topics, although this is in line with peers. Finally, IPB has very limited investments in emerging markets (Poland and Slovenia), which somewhat limits the governance risk the company is exposed to through its investment portfolio.

Preparedness Opinion

Adequate
(+ 3)

Preparedness	Low	Emerging	Adequate	Strong	Best in class

IPB's values as a mutual have been core to the company's strategy since its inception in 1926 and remain the basis of its culture. IPB's overarching purpose remains to protect and safeguard the interests of their members. This is met through ongoing dialogue between IPB and its members, with the company providing advice and access to datasets to help members locate key areas of risk and conjunctively take appropriate remediation. Dialogue is effective and occurs across tiers between the company's CEO and chair with members' top executives and day-to-day employees. We expect these relationships to continue assisting IPB and its members in reducing their combined risk profile, with the relationships further enhanced by the prospect of lower premiums for members. The company also has less pressure on profitability than publicly listed insurance companies, and redistributes profits to members, further aligning interests. Such relationships remain unique, with IPB the only indigenous mutual insurance company in Ireland, and we believe it is unlikely that a new mutual would enter the same target market.

IPB has a member-centric culture that, combined with its recent efforts to upgrade its internal technological systems, helps it continue to attract and retain talent. The insurance business' future requires analytical skills, such as in data analytics to help understand and model claims patterns, and these skills often need to be hired from the private sector. Therefore, the company has made efforts to improve its systems to be in line with those of publicly listed insurance companies, so it can be considered a modern place to work by new employees.

IPB's board understands the disruptive risks that the company is exposed to, and its mutual status means overall exposure is low compared with that of publicly listed peers. Strong relationships with members reduce IPB's exposure to disruptive risks because the company is well aware of its members' needs. However, even if highly unlikely, IPB's business could be compromised if members sought insurance from the wider market which could reduce its operating scale, making it less sustainable. The provision of insurance to non-member entities provides a counterbalance to this risk whilst the company maintains its focus on members. The company is also exposed to the risk of becoming an insurer of last resort, due to its mutual structure and reputation of upholding communities. Following Brexit, Ireland's insurance capacity has decreased and the company has been identified externally to potentially take on this risk. Although this provides IPB with an opportunity for more business, some of these companies are not in line with IPB's strict underwriting guidelines. The company is managing the risk of taking on this business well through dialogue between the board and local authorities. Finally, like other general insurers, it will become increasingly exposed to physical climate risks such as flood risk. However, only about 9% of IPB's net earned premiums come from property insurance, less than other general insurers, and the company has adequate flood mapping capability, limiting this risk.

IPB's engagement with its members helps determine areas for new product development, supporting the company's sustainability. Good relationships with members help IPB remain aware of their evolving needs for new insurance products like cyber insurance. Although at the time of product development, employees did not have the skillset to offer the product, management took sufficient actions to upskill the workforce. Uptake from members has increased since the cyberattack on the Irish health service in May 2021, which highlighted the need for the product. The company also has some measures to improve the sustainability of its products, such as its "Build Back Better" scheme for property insurance. However, sustainability is not yet formally integrated across the company's entire product offering.

Sector And Region Risk

Primary sector(s)	Insurance
Primary operating region(s)	Ireland

Sector Risk Summary

Environmental exposure

The insurance sector mostly faces the risk of more claims and indirect exposure from investment activities, balanced with its low use of physical infrastructure and facilities as part of its direct activities. Insurers are primarily service providers that produce low greenhouse gas emissions and pollution, with little land and water usage, even if their rising use of IT services (digitization, cloud computing, and big data) is increasing CO_2 emissions. However, the insurance industry is exposed to the increasing frequency and severity of extreme weather events, which push up the cost of related insurance claims. Natural catastrophe claims typically represent only 2%-3% of total global insurance claims but are more material for specialist catastrophe risk reinsurers. However, in recent years, we have witnessed prolonged, elevated catastrophe claims related to weather events: for example hurricanes Harvey, Irma, and Maria in 2017; Japanese typhoons Faxai and Hagibis in 2018; Hurricane Dorian in 2019, as well as the spate of secondary perils in recent years such as the U.S. and Australian wildfires. The sector is also exposed to the potential additional cost of health care claims related to air, water, or soil pollution. A strong mitigating factor is that insurers typically can reprice non-life insurance contracts annually. Finally, as some of the largest investors in the world, insurers are financially at risk if the value of companies they invest in becomes depressed because of environmental risks. However, they usually have well-diversified investment portfolios, and many of the largest rated insurers globally are proactively building/acquiring tools to assess climate risks (transition risks, 1.5° alignment risks, physical risks) to reduce their investment exposure to environmental risks.

Social exposure

Because the insurance sector is labor-intensive and relies on customer trust, the management of human capital and customer relationships is paramount and poses material social risks. Greater use of digitization, automation, and AI brings new challenges and threats and requires insurers to adjust their business models. This includes continuously training employees in new distribution channels, products, and regulations. Since insurers are also outsourcing and offshoring an increasing number of tasks to trim costs and reduce the workforce, responsible management of supply chains will become more important. Another challenge is how to keep and attract talent, especially the younger generation, which tends to favor innovative and agile companies. Positively, insurance employees typically benefit from safe and healthy working conditions relative to many other sectors. Insurers rely on customer trust to maintain their franchises. Issues regarding conduct with retail customers, such as misselling or unclear insurance terms, can cause serious financial and reputational damage. IT issues that disrupt customers' access to online insurance services, risks of data leaks, and concerns over treatment/privacy of data are important risks that can result in fines and tarnish brands. In addition, as a collector of risks, the insurance industry could face significantly more claims in a mass litigation (asbestos, opioids, or sexual molestation for example). Longer life expectancies could hit life insurers by affecting products covering longevity risk. Severe controversies associated with companies in insurers' investment portfolios, such as those related to human rights, labor rights, non-ethical business behaviors, could also cause financial loss and tarnish reputations.

Regional Risk Summary

Ireland

Ireland has a strong track record of policy making and unbiased enforcement of contracts and respect for the rule of law. Checks and balances between institutions are generally effective. Information flows freely, with open debate on policy decisions. In addition to the Companies Act 2014, corporate governance best practices are based on the Irish Stock Exchange (ISEQ) listing rules. These require listed companies to comply or explain their adherence to the UK Corporate Governance Code, complemented by the Irish Corporate Governance Annex, requiring further specifics on disclosure matters and remuneration. Irish companies operate under a one-tier board system, with annual director elections. The separation of CEO and chair roles is recommended, and boards should be at least 50% independent. Listing rules also require ESG reporting in line with the Non-Financial Reporting Directive. In terms of board diversity, the government-backed Balance For Better Business initiative set a target of 33% of women directors for the ISEQ 20 (top 20 listed companies) and 25% for all listed companies by 2023. The country ranks 20 out of 180 on Transparency International's 2020 Corruption Perceptions Index.

Related Research

- "The ESG Risk Atlas: Sector And Regional Rationales And Scores," published July 22, 2020
- "Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide," published July 22, 2020
- "Environmental, Social, And Governance Evaluation: Analytical Approach," published December 15, 2020
- "How We Apply Our ESG Evaluation Analytical Approach: Part 2," published June 17, 2020

This report does not constitute a rating action.