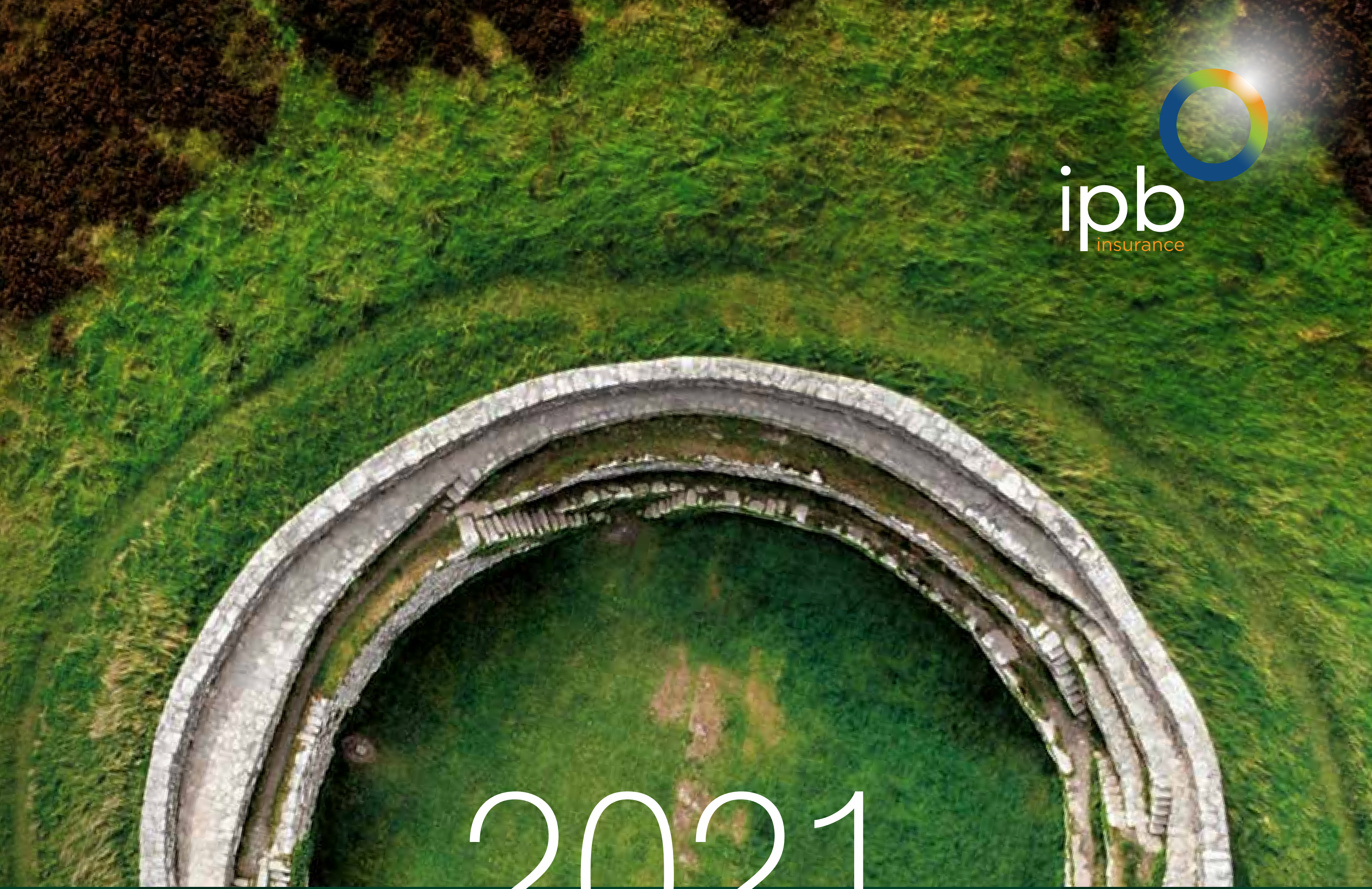

ipb insurance

2021 Annual Report

Working together for a brighter future

WORKING TO MAKE A SUSTAINABLE DIFFERENCE

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CHAIRPERSON'S STATEMENT

GEORGE JONES

As we emerge from the global pandemic and the expected optimism from the opening of society, the geopolitical crisis stemming from the war in Ukraine has brought further socio-economic uncertainty as we shift from one major global crisis to another. As a small open economy with limited natural resources, Ireland is more exposed to the impact of deteriorating global security and is highly dependent on imported oil, gas and other commodities.

Whilst there remain public health challenges arising from the global pandemic, the removal of restrictions in January has been largely successful. The prevalence of disease is at the highest level since the pandemic began but this has not corresponded to high levels of severity compared to previous waves as the number of people requiring hospitalisation is at its lowest proportion than at any other stage of the pandemic.

As we anticipate the post-Covid environment, housing will continue to top the political agenda at national and local government levels. The scale of the housing challenge has become even more perceptible in the aftermath of the global pandemic and exacerbated further by the need for local authority coordination in accommodating and supporting Ukrainian refugees. The scale of humanitarian support needed is unclear, but estimates range from 20,000 up to 200,000 people will seek refuge in Ireland. We will respond to our Member's insurable needs to ensure the appropriate insurance solutions and supports are available as they address the biggest humanitarian crisis in Europe since World War II.

Given the scale and complexity of the social and economic challenges Member's face in addressing heightened public demand for public services, we must remain agile and responsive to address their evolving needs. At a national level, the Government has a range of priorities, in areas such as housing, climate and employment that our local authority and ETB Members will play a central role.

OVERVIEW

I am pleased to report that your mutual insurance company delivered an excellent financial and operational performance in 2021 resulting in a surplus before tax of €51.9m. This strong outcome is due to an exceptionally strong investment return and another very positive underwriting performance. Throughout the period of restrictions and remote working, IPB has maintained operational performance and grown customer satisfaction levels among our Members to the highest level since research began.

SOCIAL AND ECONOMIC

At a national economic level, the CSO estimates that the Irish economy grew by just over 13% last year, primarily driven by exports of goods and services. Domestic demand grew and increased economic activity, with hotels and restaurants growing by 6.2% and arts and entertainment rising by 12.6%. However, the construction sector contracted by 4.7%, with agri-food, forestry and fishing declining by 1.4%.

...The impact of higher prices will be experienced to varying degrees across households, especially as energy and rents typically make up a higher proportion of expenditure by lower-income households...

Unsurprisingly, more globalised sectors of the economy saw further growth in 2021, with industry increasing by 24% and the information and communication sector growing by 14.1% in the year. Overall, multinational-dominated sector growth was 21.9%, and these sectors accounted for 56.2% of total value added in the economy, compared with a 52.5% share in 2020. Personal consumption expenditures accounted for almost 25% of gross domestic product in 2021, down from 26.4% of GDP in 2020 and 31.1% in 2019.[1]

Housing is another area experiencing inflationary pressures due to tightening global supply of building materials impacting on construction costs. The number of new homes built last year was on a par with 2020 as the pandemic continued to impact the construction sector. New figures from the Central Statistics Office (CSO) show a late surge in activity in the final three months of 2021 that saw overall home completions reach 20,443. However, this is a slight reduction of 0.5% on 2020 figures and well below the baseline of 30,000 homes a year that need to be delivered to address the supply shortage. The average asking price for properties for sale increased by 8.4% in the year to March 2022 to a national average of €299,000 according to the Daft.ie report.

Apartment construction rose 30% to 5,107 and now accounts for a quarter of all completions, the highest proportion since the CSO first began gathering the data in 2011. Rental costs have also been increasing at a faster rate since around the middle of last year. In January the Central Bank projected inflation of 4.5% for 2022, which is now likely to be revised higher. The consequences brought about by the Russian invasion of Ukraine will be far-reaching on a global scale as rising input costs such as energy will exacerbate inflationary pressures.

The impact of higher prices will be experienced to varying degrees across households, especially as energy and rents typically make up a higher proportion of expenditure for lower-income households. According to the ESRI, Irish wage growth in recent years has been different to that experienced across the EU. Throughout and before the pandemic, Irish economic growth outstripped GDP growth across the Eurozone and experienced higher average earnings growth. Balancing supply and demand will be a key measure to counteract inflation and wage inflation presents risks of an inflationary cycle.[2]

INSURANCE CHALLENGES

Following the introduction of the new personal injury guidelines in April, initial indications suggest that the guidelines are resulting in lower personal injury awards. The calibration of personal injury awards will only achieve the desired impact if the majority of cases are settled without expensive litigation in the courts, which is a major contributor to the average cost of injury awards. Further reforms are planned in 2022, including legislative reform to strengthen the powers of PIAB as well as considerations regarding rebalancing the duty of care. The rebalancing of the duty of care, if implemented, has the potential to be as significant as the recalibration of injury award levels.

MEMBER CHALLENGES

The full impact of the two years of disruption caused by the pandemic remains unclear. As the national government closes out the final Covid employment and business supports, we may begin to see the true toll of the pandemic on local retail and other SME businesses. Government supports including funding of over €1.5 billion to local government to implement the commercial rates waiver to local business is scheduled to conclude at the end of Q1 this year.

The future viability of many retail, hospitality and other SME businesses remains uncertain post-Covid and their survival will be critical to local communities. Given the current economic uncertainty, local authority Members are at risk of a reduced rateable base as it remains to be seen whether smaller businesses continue to trade once the government supports are completely removed.

According to a report by the Institute of Public Administration[3], capacity-building will be a key focus for local government to ensure the sustainability of any additional community support role post-Covid. This includes council staff and elected members, Local Community Development Committees (LCDCs) and Public Participation Networks

1 CSO National Accounts

2 ESRI Quarterly Economic Commentary, Spring 2022

3 IPA Local Government Research Series: No. 20

...As a mutual, we do not have recourse to financial markets to raise capital. Therefore, we work hard to ensure that we have sufficient capital to meet our Members insurance needs and withstand economic and financial shocks...

(PPN) members, and all those involved in providing community supports. There can be no doubt that our local authority Members' role in leading the local emergency response to the pandemic will inform new Local Economic and Community Plans (LECPs) and local government planning into the future.

There will be increased short to medium term demand for emergency accommodation due to the influx of Ukrainian nationals seeking refuge. Ireland has committed to accepting 2% of all Ukrainians seeking refuge in Europe. This commitment has the potential to result in up to 200,000 people requiring accommodation as well as social, educational, health and other services and supports. Our local authority and ETB Members will be tasked with managing this humanitarian crisis at a local level and IPB will, as always, ensure that Members are protected in undertaking this new challenge and the associated risks.

Our ETB Members are tasked with education and training at all levels from primary education through to training and adult education. They will face new challenges in addressing shortfalls in skills in traditional trades to support the construction sector as well as the growing area of renewable energy. ETBs provide a wide range of education, training and social services and supports nationwide. There will be increased demand for these services particularly in the wake of the mass migration across Europe of Ukrainian refugees fleeing the war.

MEMBER ENGAGEMENT

I am pleased to report that we maintained high engagement levels with Members throughout the year. As restrictions lifted at certain periods during the year, employees took the opportunity to coordinate in-person engagement with Members in tandem with virtual meetings and conferences. Looking ahead to a hybrid model of flexible working, it is clear that the benefits of virtual engagement will support our sustainability agenda. Additionally, more frequent engagement with Members is likely to be a feature as we leverage the advantages of virtual meetings which also facilitates increased collaboration with IPB technical experts that heretofore would not have been possible.

Last year we conducted our first hybrid event at our Member Engagement Forum (MEF) in October. 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. The hybrid meeting format ensured a high turnout as attendees joined in-person and remotely. The MEF approach further enhances engagement with nominees by meeting formally on an annual basis in addition to interaction at our AGM and more informal communications.

CAPITAL DISTRIBUTIONS

Our Members Commercial Dividend model is a unique benefit we offer due to our status as a mutual, enabling us to share our success with our Member customers. We have an established dividend payment model that rewards Members for their custom and loyalty. As investment returns have proven to be the main driver of our surplus in recent years, Members have benefited from receiving dividend payments greater than the profits generated from their insurance premiums. As a mutual we generate value for Members rather than for commercial or private stakeholder interests. We invest our remaining surplus to support the continuous improvement of our insurance products and customer solutions to Members, increase capacity for their insurable risks and maintain our financial strength.

As a mutual, we do not have recourse to financial markets to raise capital. Therefore, we work hard to ensure that we have sufficient capital to meet our Members insurance needs and withstand economic and financial shocks. Following several years of exceptional investment returns, a decision was taken by the Board in 2018 to issue €205m to Members by way of a retained earnings distribution (RED). In Q1 2021 a payment of €25m was made to Members from the RED programme bringing the total paid to Members since 2018 to €180m. The final instalment of €25m the RED programme will issue in the first half of this year.

Capital distributions issued in the first quarter of last year consisted of €18.9m in deferred Members' Commercial Dividend accruing from our 2019 financial year and the fourth instalment of RED payments of €25m.

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 including diversity and inclusion. During the year we continued to progress succession planning in respect of Group Non-Executive Director roles with the appointment of Ronan McMahon to the Board following the retirement of Sean O'Grady in May 2021.

I want to acknowledge Sean's considerable contribution and commitment as a Board member, throughout his time he actively applied his considerable professional knowledge of commercial and insurance matters and his experience of the activities of the Local Authority sector. Ronan McMahon was appointed following his successful completion of the Board Observer Programme as well as obtaining approval from the Central Bank of Ireland. Ronan brings extensive commercial and entrepreneurial skills to the Board 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.

In 2022 we will continue to advance the Board Observer Programme which is particular to Nominees and specifically Group Non-Executive Director roles in the context of the Board-approved succession plan for the period 2023 and thereafter. The coming years will continue to see some considerable changes in the Board's composition with the appointment of a new Chief Executive Officer following the upcoming retirement of Michael Garvey as CEO later this year. In addition, the Company will begin a process to appoint my successor to the role of Chairperson of the Board.

CULTURE AND RISK

Getting the culture right is fundamental to the successful operation of any organisation. A strong culture mitigates exposures to excessive risk, aids decision-making, promotes the equitable treatment of employees and customers and supports better overall performance. The Central Bank is placing greater emphasis on culture as it shapes workplace behaviours and mindset.

Our culture, values and behaviours underpin our mutual ethos and purpose which is a commitment to put Members' interests at the centre of our considerations. Our values-based culture is well embedded and indeed one which our employees are truly proud of. At IPB we continue to promote and enhance a programme of workplace development in areas including Diversity and Inclusion, Speak Up and Sustainability. We do not take the progress we have achieved for granted and we are committed to continuously reinforcing our values and behaviours in the Company.

SUSTAINABILITY

As a mutual, we have a clear commitment to the principle of sustainability. During the year we developed a Board approved sustainability strategy through the lens of Environmental, Social and Governance (ESG) factors that closely aligns with our ethos of mutuality. We have taken significant positive steps that strengthen our commitment to ESG factors which include, amongst others, obtaining a very positive independent ESG evaluation from Standard & Poor's in October last year. Detailed within this year's Stakeholder and Annual Report (see pages 13 to 59), you will find details of our commitment to ESG factors incorporating steps taken to date and our outlook and plans for the future.

Our sustainability journey will require long term engagement with all our stakeholders from our Members, employees, our peers and strategic partners and wider society. We are committed to setting ourselves ambitious sustainability goals with clear and measurable targets that are reported publicly and transparently.

DIVERSITY AND INCLUSION (D&I)

We have a clear strategy and 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.

Our dedicated D&I working group achieved significant progress on key focus areas in 2021. Among these were underrepresented groups, diversity of thought, talent management, mentoring and coaching. The Board and the Remuneration and Nomination Committee have adopted gender representation targets for senior management of 30 per cent by 2023. Progress is ongoing and we will continue to take all necessary steps to achieve this objective.

CORPORATE SOCIAL ENGAGEMENT

Since 2012, we have committed over €12m to social engagement initiatives

...We have taken significant positive steps that strengthen our commitment to ESG factors which included, amongst others, obtaining a very positive independent ESG evaluation from Standard & Poor's in October last year...

...This year, we will distribute €25m in line with the phased payment in retained earnings distributions (RED) to Members. This will bring the total amount paid in RED funds to help members to address insurance-related challenges to €205m....

throughout Ireland from our CSE Fund. We are steadfastly committed to supporting our Members and their communities by funding social initiatives aligned with their strategic objectives.

Since 2018, IPB has invested €1.6m to support social enterprises through the Social Enterprise Development Fund in partnership with our local authority Members. The Fund is co-financed by the Department of Rural and Community Development. Following the conclusion of the Fund last year, the Board, in conjunction with our local authority Members, reaffirmed our commitment for a further two years. This will result in a further combined investment of €1.2m and bring the total invested to of €4.4m over six year from 2018-2023.

A key feature of the third phase of investment is the creation of an IPB legacy social enterprise business course that will result in €200,000 being invested over the next 24 months. The course will be developed in consultation with our Member local authorities through their LEO network and ETBs, who as the public bodies responsible for the delivery of education and training are best placed to provide insight and advice on the successful delivery of this legacy project.

Our ETB Members play a leadership role in the implementation of the Government-backed national music education initiative in partnership with our local authority Members under the Music Generation programme. In 2020 IPB committed €100,000 per year for three years to assist ETB Members grow a bank of musical instruments for their students. The programme provides access to musical instruments through instrument banks run by our Members' library services. The collaborative approach of our local authority and ETB Members demonstrates the reach and impact they have at a local community level. Last year ETB Members received the second round of payments of €100,000. I hope that this initiative will see thousands of students, many previously without access to performance music education, now benefit through the fund.

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. Our Members are tasked with serving the needs of their communities, addressing social and economic challenges and being ready to respond in an emergency. At IPB, we stand prepared to support our Members in these challenges. Over the past two years, we have worked closely with Members to ensure they were protected in addressing the challenges of the pandemic. Over that time, we also provided Members and customers with Covid rebates amounting to €42m.

I am pleased to report that the Board reaffirmed its commitment to pay a Commercial Members Dividend of €6.8m in Q1 2022 for the 2020 financial year. This year, we will distribute €25m in line with the phased payment in retained earnings distributions (RED) to Members. This will bring the total amount paid in RED funds to help members to address insurance-related challenges to €205m.

The ongoing response to COVID-19 has required considerable effort at a time when most of our employees were working remotely. During this time Members have recorded consecutive years of record levels of satisfaction. I want to thank my colleagues on the Board, our Management and staff for their sustained commitment to serving our Members.

There is no doubt that significant change lies ahead. As we emerge from the global pandemic, new challenges emerge. The war in Ukraine is a new challenge requiring a coordinated national emergency response, delivered by our Members. Notwithstanding the humanitarian tragedy unfolding, there will also be wider global implications that may impact further on supply chain pressures and high energy costs resulting in sustained inflation.

We will continue to adapt, support and assist our Members in navigating the rapidly evolving risk challenges of your respective sectors.

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

George Jones
Chairperson

CHIEF EXECUTIVE'S REVIEW

MICHAEL GARVEY

I am pleased to report an excellent financial result for 2021. The Surplus Before Tax at €51.9m increased by €33.6m compared to the prior year, driven by an exceptionally strong investment result of €26.6m and another very positive underwriting performance of €25.3m.

We continued to build on our commitment to work closely with our Members to address new and emerging risks by creating Member forums relating to Cyber Risk and Sustainability as part of our broader Member partnership agenda. Our continuing focus on customer service has contributed to IPB achieving its highest ever average overall Member satisfaction score, which increased by three percentage points from a previous high of 86% to a record 89% year-on-year.

As a mutual insurer, we are committed to strengthening our strategic and operational sustainability credentials throughout the business. In last year's annual report, we committed to performing a Corporate Sustainability Assessment (CSA) of our operations by using the Standard & Poor's Global CSA tool as a basis for our sustainability strategy going forward. Following this process, we undertook the S&P Global Ratings ESG evaluation. Assessed across Environmental, Social and Governance (ESG) dimensions of the S&P Global Ratings' assessment, IPB achieved a score of 73 out of 100. I am pleased to note that we were the first insurance company to formally publish their Standard & Poor's ESG evaluation within the EMEA region. At the date of publication in October 2021, IPB had achieved the highest score on record in the social category under the S&P ESG evaluation Process for Financial Services companies.

UNDERWRITING

We have seen continued improvement in our underwriting performance over the past number of years and this has been an area of particular focus for your mutual. This year we witnessed an exceptional performance influenced by a combination of factors resulting in lower claims numbers.

The number of new claims registered during the year is in line with the prior year and is mainly due to the impact of COVID-19 which has driven an improvement in claims frequency. This fall-off in claims notified arising from COVID-19 restrictions cannot be accurately assessed in terms of claims trends and projections at this stage. However, it is clear that our Members' claims experience is improving as underlying claims numbers were trending downward pre-Covid.

Gross written premium at €138.3m is down €5.8m year-on-year. Excluding Covid rebates of €21.9m, underlying GWP stood at €160.2m (2020: €164.2m), a drop of €4m year-on-year. The fall in underlying GWP is due primarily to lower-than-expected retro-rated premium generated due to improving claims experience on these accounts.

The net combined operating ratio (COR) at year-end was 76.4% compared to 93% in 2020 due to better than anticipated claims incurred for the year and lower

...Volatility in investment markets is likely to remain and has the potential to contribute further to global market uncertainty. Additionally, elevated insurance risks, most notably cyber security, may present further insurance and reinsurance challenges...

than budgeted operating expenses. This improvement is due mainly to the impact of the pandemic, however it should be noted that claims trends were beginning to moderate in 2018 and 2019 supported by local authority investment in remediating roads and footpaths partly funded by the retained earnings distribution.

REINSURANCE

Key to protecting Members and their mutual insurer is the spreading of risk through our reinsurance programme. The pandemic created challenges for the reinsurance sector in terms of risk appetite and securing adequate levels of cover to minimise volatility in earnings due to large losses and catastrophic events such as COVID-19. The long-term sustainability of the mutual is essential to ensure that our Members' interests are securely protected. Ensuring we have an appropriate and adequate reinsurance programme which reflects the unique risks our Members face is critical to our mutual long-term success. Our focus will remain on our core business of insurance and achieving sustainable underwriting profitability. As we progress from the global pandemic, the war in Ukraine presents new global humanitarian and geopolitical challenges. Volatility in investment markets is likely to remain and has the potential to contribute further to global market uncertainty. Additionally, elevated insurance risks, most notably cyber security, may present further insurance and reinsurance challenges.

INVESTMENTS

The investment return for the year at €26.6m is well ahead of forecast due mainly to the rebound in markets following a global response by central banks and governments to the pandemic in 2020, which was on a scale not seen since World War II. The IPB investment portfolio benefited from strong diversification amongst several asset classes and changes in its composition throughout the year whilst Government and corporate bonds continued to be well supported by Central Bank initiatives.

Financial commentators report that 2021 was a great year for investors, with US markets rising over 30%. New COVID-19 variants extended the duration of the pandemic and allowed Central Banks to keep global interest rates at all-time low levels to support the economy. Company profits were extremely strong due to increased consumer demand.

Supply chains remain under pressure, with parts of Asia in lockdown for much of the year while raw materials and labour availability were in short supply. The year ended with US inflation rising to its highest level on an annual basis in forty years. This saw the Federal Reserve make a dramatic pivot in its view declaring that they were incorrect to deem inflation transitory.

With the performance of equity markets rising 100% from the March 2020 lows, we retain some level of caution for risk assets, primarily in the face of rising interest rates, supply chain issues and geopolitical risks. We have positioned for rising interest rates through a lower allocation to fixed income investments and some inflation protection transactions. Despite this we consider there to be a low chance of a recession in 2022, and the rising interest rate environment should provide good reinvestment opportunities across a diversified portfolio.

CLAIMS PERFORMANCE

Since the onset of the pandemic, we have placed a strong focus on seeking opportunities to reduce the number of open claims. During the year, IPB's Claims department settled 6,139 claims, an increase in settlements of 9% year-on-year. Our focus on this area has resulted in better-than-expected settlement values and ultimately savings for Members.

I am pleased to report that Fraud savings for the full year amounted to €7m, an increase of 33% on the prior year and this justifies the increased investment in headcount in this key area. Indemnities secured from third parties totalled €20.3m marginally ahead of 2020 which came in at €20.1m and are the highest annual savings achieved to date.

CLAIMS ENVIRONMENT

Last year, we reported that Claims numbers had stabilised, which is further borne out by the number of claims registered in 2021. The total number of claims registered for the year at 5,963 is in line with the prior-year figure of 5,994. The impact from the application of the new personal injury guidelines is in its early stages and legal challenges to the new award levels remain to be adjudicated upon in the courts. However, initial indications from the first eight months as reported by PIAB indicate that the average value of each insurance claim pay-out they awarded dropped by over 42%.

General damages, which reflect the injury only without costs, under the new guidelines were awarded on average 47% less, dropping from €21,850 to €11,583. However, including costs, which is a more relevant view, the average PIAB award dropped 42% from €24,026 for the full year 2020 to €13,825 in the April – December period of 2021.[4] PIAB have reported a significant fall in the rate of accepted awards from a peak of 64% in 2008, reducing to a reasonably stable 52% on average for the 3 years prior to the introduction of the new guidelines. However, most recent figures report a very low 37%, acceptance suggesting greater hesitancy regarding the new guidelines, which may not be resolved until the Judicial Review challenges are decided upon.

It is understood that some claimants may be waiting for a resolution of the legal challenges to the new guidelines before committing to accepting PIAB assessments. According to Insurance Ireland, insurers are experiencing higher numbers of claimants declining both direct or PIAB settlements. Instead, an increased proportion are progressing through litigation than would have been the case before the implementation of the new guidelines, though resolution of the Judicial Reviews will bring greater certainty here.

Whilst the application of the new Personal Injuries Guidelines by PIAB and the reported 42% savings are promising, we know from the Central Banks National Claims Information Database motor report that in 2019/2020 only 15% of claimants settled claims via PIAB and for Public Liability claims the most recent data indicates a lesser proportion of just 12%. This is too small a pool to assess the full impact of the new guidelines which will not be known until the 63% of rejected PIAB assessments or the increased proportion of litigated claims come before the Courts and the Judiciary demonstrate how they will apply the guidelines, delivering awards comparable to PIAB and how costs will be addressed.

INSURANCE REFORM

IPB fully supports the Government's Action Plan for Insurance Reform to create a stable and sustainable insurance market and ensure customers are treated equitably. The new personal injury guidelines implemented in April 2021 are a welcome progression and whilst we are seeing evidence of a reduction in awards by PIAB, we are also witnessing lower acceptance rates for PIAB assessments and a decline in pre-PIAB settlements.

Should these trends continue, it is likely that more claims will end up in the courts, which is the most expensive process for settling claims undermining the impact of the reforms. Government plans to strengthen the powers of PIAB to compel early engagement in settling claims and reduce the percentage of claims going to the courts is a positive development.

LISTENING TO 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 want to thank all our Members for their continued engagement and very high participation levels, with a response rate of 55%. Given the challenges presented in maintaining a business-as-usual customer experience in light of the pandemic, Member satisfaction results continue to be very positive.

The average score given for overall satisfaction increased by three percentage points from 86% to 89%, marking the fourth consecutive increase on this scoring benchmark. Regarding performance, 54% of Members said IPB had improved during the year, a rise of 6% year-on-year. The most valuable aspect of the survey results is the qualitative feedback received from Members. Regarding insurance challenges, Cyber risk again featured as the number one risk for Members, followed by Climate change and Public Liability claims.

...The new personal injury guidelines implemented in April 2021 are a welcome progression and whilst we are seeing evidence of a reduction in awards by PIAB, we are also witnessing lower acceptance rates for PIAB assessments and a decline in pre-PIAB settlements...

ADDING VALUE FOR MEMBERS

As a mutual insurer we take a long-term view in our strategic and operational approach. Our Members face a wide range of new challenges with sustainability and cyber security now

4 www.piab.ie/eng/news-publications/Corporate-publications/PIAB-Personal-Injuries-Award-Values-April-24th%20-%2031st-December-2021.pdf

...Based on our Member Commercial Dividend policy 40% of the after-tax surplus is distributed as a commercial dividend to Members subject to the required regulatory approvals. Based on the 2021 results this means Members can expect a commercial dividend of €18.3m in 2023...

emerging as key risks. We are working closely with Members to establish new ways to support their strategic objectives in these areas through the management of their insurable risks. During the year we sponsored the Dublin Climate Action Week in partnership with Dublin Climate Action Regional Office (CARO). I am pleased to report that we have established a Sustainability Forum with our local authority Members through the CCMA to identify and introduce new insurance product solutions to support their objectives and protect their insurable risks in this key area.

There has been an increasing focus both nationally and globally on cyber security following recent high-profile attacks. Public bodies as holders of sensitive personal information are clear targets for cyber criminals. IPB in conjunction with Members have established a Cyber Forum to address the challenges posed by these growing risks. Additionally, our Members have worked closely with their mutual to ensure they have the necessary systems and cyber protections in place alongside IPB's cyber insurance cover. We have established a strong working relationship with the senior IT professionals in the local authority sector to understand their challenges and to ensure that we provide them with the insurance and risk management solutions they need now and into the future.

As we look ahead to the post-pandemic environment, there is no doubt that Active Travel infrastructure will play a central role in public realm investment. I am pleased to report that we are engaged with all key stakeholders to ensure that our Members are supported in areas including Active Travel infrastructure design and material selection to future-proof these investments from a risk mitigation perspective.

For the financial year a provision of €21.9m was made for Covid-related customer rebates acknowledging the impact of the pandemic on the level of claims notified. The customer rebate provided is well ahead of the wider insurance industry and reflects our status as a mutual acting in the interests of our Member customers.

Based on our Member Commercial Dividend policy 40% of the after-tax surplus is distributed as a commercial dividend to Members subject to the required regulatory approvals. Based on the 2021 results this means Members can expect a commercial dividend of €18.3m in 2023 bringing the total dividends paid to Members to €114m since 2013. We continued the planned Retained Earnings Distribution of €25m in 2021. To date, we have paid out €180m to Members since 2017 with the final payment of €25m payable in H1 of 2022.

WORKPLACE AND CULTURE

As a mutual, we operate on the principle of working together. At IPB, we have a clearly established programme of workplace initiatives underpinned by our purpose, mission, values and behaviours. We have made considerable progress in our commitment to creating a safe, inclusive and equitable workplace that respects the individual.

As we look beyond the global pandemic, we have made the decision to provide the flexibility of hybrid working. This will be a critical factor in retaining and attracting the best talent to ensure we continue to meet our Members' expectations. During the past two years, our staff have had to work remotely and yet, over this time, Members have recorded their highest levels of satisfaction in the nine years of measuring their satisfaction levels. In parallel, employee satisfaction remains at remarkably high levels. I am pleased to report that our commitment to strengthening our workplace culture and employee experience again delivered an improved Great Places to Work score for the 2021 period. IPB continues to be designated A Great Place to Work for the fourth consecutive year, ranking 12th amongst medium-sized companies in Ireland.

Employee wellbeing is a core pillar of our workplace strategy. We further enhanced our activity in this area with a broad range of themed events throughout the year. Remote and hybrid working presents different challenges and needs related to employee physical and mental wellbeing. Our wellbeing programme is focused on ensuring that everyone in IPB is allowed to spend time on their physical and mental wellbeing.

The reality of remote working due to the COVID-19 pandemic has meant that we have also had to adapt our employee engagement and communications approach. Throughout 2021 we engaged in shorter, more frequent internal events. Our employee engagement approach has shifted considerably, and as we evolve to hybrid working, we will need to be equally responsive to changes in the way we work to meet the needs of our employees in supporting our Members and customers.

LOOKING AHEAD

Early trends suggest that government measures to address the high cost of claims are having an impact. Should these measures result in a sustained level of lower awards and lower numbers of litigated claims, Members can rest assured that their mutual will act quickly to reflect this in their premiums. Lower insurance costs for Members and customers will provide scope to invest in greater insurance protection through new and enhanced products designed to address their changing risk profiles, particularly risks arising from recent developments post-Covid.

As we move from a global pandemic, we are facing further global challenges presented by the invasion of Ukraine by the Russian Federation. There is no doubt that the impact of this major geopolitical and humanitarian crisis brings with it further uncertainty. It is difficult to predict how this will impact at a national and global level. Still, ongoing inflationary challenges will persist, which will have a knock-on effect across all areas of our business.

Our experience of operating through the pandemic has illustrated the resilience of your mutual to respond and meet the challenges head on. We will continue to grow our engagement with Members through in-person and virtual meetings. This experience will enable us to build further on providing increased access to our team of professionals in the business to support the needs of our Members and their staff.

There is growing pressure and urgency across all sectors of society to respond and find solutions to the sustainability challenges faced by the world, and the insurance sector is increasingly putting a price on climate-related risk. We are working closely with our Members through dedicated forums to address climate risk and progress our collective commitment to sustainability.

Finally, I would like to thank our Members for their valued business and loyal support. We exist to protect our Members and their insurable risks and we are committed to working to respond to the emerging risks that our Members face not only today but into the future.

Michael Garvey

Michael Garvey
Chief Executive Officer

ESG HIGHLIGHTS

First insurance company in Ireland/EMEA to achieve an S&P Global Ratings ESG Evaluation Score, which resulted in an overall score of 73/100

Maintained our S&P (A- stable) credit rating in November 2021

The establishment of the three internal 'sustainability' workstreams

Board approved succession plan for the Chairperson and the CEO

Ronan McMahon appointed as new Board member

Established D&I Working Group comprising over 20 employees from all parts of the business

Climate First Sustainability Strategy developed

Great Place to Work Survey result of 88%

Calculated greenhouse gas emissions baseline

Member Survey Overall Satisfaction Average Rating of 89%

377,000 people benefited from the SED Fund

Aligned our Member risk supports to the United Nations Sustainable Development Goals

Launch of IPB's Workplace Wellbeing Programme

FINANCIAL HIGHLIGHTS

We again delivered a very strong financial and operational performance as employees continued to work remotely. All key indicators performed in line or ahead of forecasts. This has resulted in a surplus before tax for the year of €51.9m.

€138.3m

GROSS WRITTEN PREMIUM

Gross written premium **decreased by 4%** year-on-year excluding COVID-19 premium rebates of €21.9m due to lower-than-forecast retro premium income.

18.5%

NET EXPENSE RATIO

Our net expense ratio at **18.5% has grown from the prior year** ratio of 16.7% due to a reduction in net earned premium. This reduction in net earned premium is due primarily to COVID-19 rebates as well as a reduction in retro-rated premium.

€25.3m

UNDERWRITING PERFORMANCE

The strong underwriting performance for the year is due to **better-than-expected claims performance** notwithstanding premium rebates of €21.9m.

€26.6m

INVESTMENT RESULT

A strong investment performance **exceeded forecasts** due to the ongoing global economic recovery supporting strong performances in stock markets.

76.4%

NET COMBINED RATIO

The NCR for the year **improved to 76.4% compared to 93% in 2020** and is significantly ahead of our strategic target of achieving 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.

€21.9m

PREMIUM REBATES

COVID-19 continued to have an impact on public activity resulting in **lower risk exposures** for Members and customers. IPB delivered €21.9m in customer premium rebates by the end of the year.

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** with claims notified **decreasing marginally by 1%** year-on-year, due largely to the impact of COVID-19.

COVID-19 severely impacted the Courts Service and PIAB in 2020 and 2021. 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 2021.

5,963
Notified

€79.2m
Claims paid (gross)

€67.2m
Claims paid net of reinsurance

€20m
Indemnities

€7m
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 2021. As a mutual, supporting Members' communities is central to our ethos. Total funding of €550,000 was made available for social engagement activities in 2021. Further funding totalling €750,000 was approved for social engagement initiatives in 2022 and beyond.

Listening to our Members is fundamental to ensuring that we meet their needs. This year's annual Member Satisfaction Survey recorded very high satisfaction levels of 89%. As part of our plans to further reach out to a cross section of Member representatives, we launched a new survey targeting local authority Member engineers. The purpose of this research is to identify potential areas for closer cooperation and support, particularly in the context of significant investment in Active Travel infrastructure.

We continue to develop our people agenda through various workplace initiatives underpinned by our unique culture and values. This has again been recognised by IPB employees maintaining our Great Place to Work approval score by delivering the same score of 88% as recorded in 2020. The All Question Average increased by 2% to 82% which is in line with the average of the "Best Medium" company in the GPTW survey and is indicative of our continued commitment to providing a great place to work for our employees.

€25m Retained Earnings Distribution

€0.55m Corporate Social Engagement

89% Member Survey Overall Satisfaction Average Rating

88% Employees rating IPB a great place to work

OUR STRATEGIC COMMITMENTS

Our founding purpose is to safeguard and protect the interests of our Members. Our purpose underpins our focus on sustainability and our Environmental, Social and Governance commitments.

Our overarching theme and focus for 2022 is on identifying, assessing, and taking the appropriate and necessary actions to support our Sustainability Strategy across the dimensions of Environment, Social and Governance with a continued focus on excellence in service delivery (internal and external), process efficiency and embedding our desired culture.

Why? Our Members, as public bodies, have a pivotal role to play in the decarbonisation transition. As their mutual insurer, we will support our Members and the communities they serve during this transition.

Our engagement with Members will focus on ensuring that IPB remains true to its purpose of protecting and safeguarding the interests of Members as they progress on their sustainability journey by providing them with the insurance-related supports they require to be successful in delivering their specific objectives.

OUR COMPANY OBJECTIVES ARE:

GOVERNANCE, SOCIAL & ENVIRONMENT

OUR COMMITMENT

In 2021, IPB published its first Sustainability Statement and committed to two key deliverables:

1. **Performing a corporate sustainability assessment of our operations**
2. **Developing a sustainability strategy**

Having completed a corporate sustainability assessment of our operations, IPB announced on 21 October 2021 that we achieved an environmental, social and governance (ESG) Evaluation Score of 73/100 with S&P Global. We recorded the highest score to date of 77/100 in the social category of the ESG evaluation process for financial services companies. This is a testament to our ethos as a mutual and the values we hold dear. This not only recognises our commitment to our Members, but also to the communities they serve.

The S&P Global Ratings' ESG Evaluation assesses a company's ESG strategy and ability to prepare for potential future risks and opportunities, and is used by investors as a forward-looking, long-term opinion of a company's readiness for disruptive ESG risks and opportunities. It provides an overall ESG score that allows comparison with other entities globally, including sector peers.

This score gives the company a baseline metric on which to develop our Climate First Sustainability Strategy for 2022 and beyond, which is available on our website.

As a mutual insurer, our purpose is to safeguard and protect the interests of our Members. Our focus is to support and incentivise our Members to be leaders in implementing climate action initiatives as well as undertaking our own activities in a sustainable way.

In 2021 we established internal workstreams that assisted us with developing our Sustainability Strategy. These workstreams focused on:

1. **Operations** – potential operational and facilities management changes
2. **Members, customers and products** – potential new products and/or enhancements
3. **Investments** – potential changes to IPB's Risk Appetite Statement and investment strategy.

OUR TOP 10 GOVERNANCE, SOCIAL AND ENVIRONMENTAL ACHIEVEMENTS IN 2021

Governance

1. The Board approved its succession plan for the Chairperson and the CEO.
2. We maintained IPB's S&P (A- stable) credit rating in November 2021.
3. IPB made significant progress in relation to its Sustainable Investment Strategy in 2021, including the following:
   – Documented its procedures for the selection of investments to ensure that ESG considerations are adequately considered before making investments.
   – Developed new investment metrics to provide an oversight on the ESG profile of the investment portfolio. Using these metrics IPB now plans to agree transition targets in the first half of 2022 to increase the ESG credentials of its investment portfolio in the coming years.
   – IPB increased its green bond portfolio from 6.2% of fixed income assets at year-end 2020 to 12.2% at year-end 2021.

Social

4. We achieved excellent Member Satisfaction Survey results (89% reflecting 100% Member satisfaction) for 2021.
5. The IPB Workplace Wellbeing Programme was embedded in 2021.
6. We again achieved an excellent GPTW survey result of 88% for 2021.

Environment

7. We made significant progress in relation to supporting Members to drive their sustainability agenda through product enhancements and progressed the development of green insurance solutions for Members (e.g. 'Build Back Better', discounts for electric vehicles).
8. We performed extensive global research to identify and establish the opportunities for new insurance

covers for Members and customers to help support and protect Members as they push forward with their Climate First strategies.

9 We actively engaged with Members in supporting them to develop the solutions they required to help manage risks in relation to their Active Travel strategies, road and cycleway designs and innovative district heating solutions.

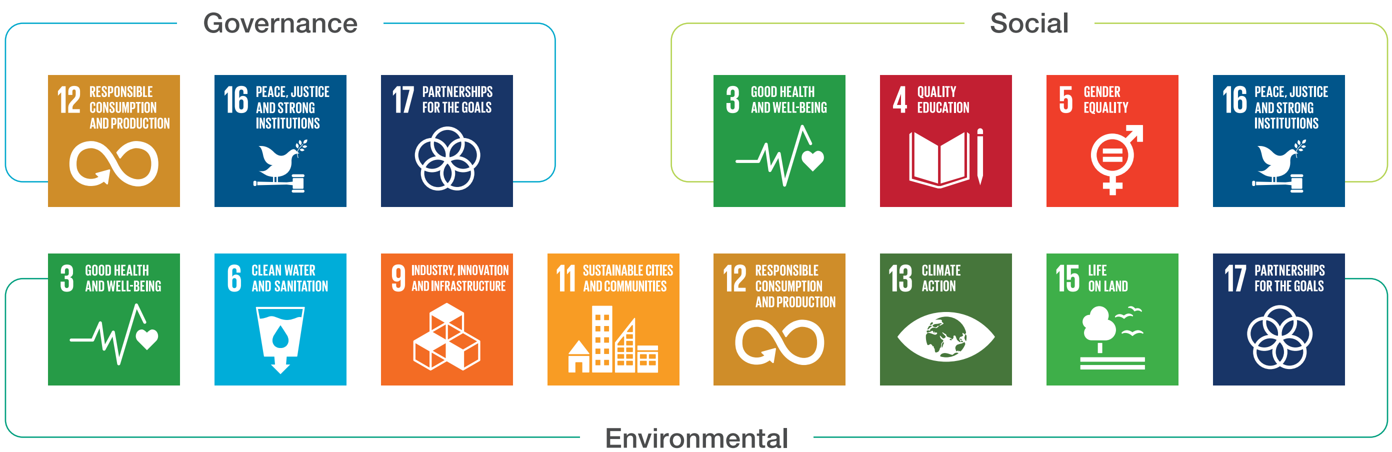
10 We aligned our Member risk supports to the United Nations' Sustainable Development Goals.

SUSTAINABLE DEVELOPMENT GOALS

As part of embedding a Climate First sustainability approach to all business activities, we are guided and led by the United Nations' Sustainable Development Goals (SDGs). Although all 17 SDGs are relevant to our business, we have prioritised 11 SDGs that align closely with our core business activities and support our Members.

Good governance is important for achieving all the SDGs and we believe that our governance structures are aligned to **SDGs 12, 16 and 17.** Good governance is foundational to achieving long-term value by aligning and driving both financial performance and a positive impact on society, as well as by ensuring accountability and building transparency with stakeholders. IPB's S&P Global ESG Evaluation score will serve as a framework that focuses on environment, social and governance matters.

We currently support and advise our Members on **SDGs 3, 4, 5, 6, 9, 11, 12, 13, 15, 16, 17** as follows:



LOOKING AHEAD AND NEXT STEPS

There is growing expectation and urgency across all sectors of society to respond and find solutions to the sustainability challenges faced by the world, and the insurance sector is increasingly putting a price on climate-related risk. As an insurer and risk expert, IPB's exposure to ESG risk is mostly indirect through the risks we accept from our Members, and also through the investments we make. However, where environmental events become prevalent there is a risk that these events are no longer insurable and as such supporting our Members' risk mitigation activities, and the wider ESG agenda, are important strategic priorities for IPB.

As part of our Climate First Sustainability Strategy, we have set out six key commitments below.

We have also included initiatives under each of the ESG headings, which are available further on in the report.

OUR COMMITMENT TO DEVELOP AND EMBED A SUSTAINABILITY STRATEGY

OUR COMMITMENT TO BE A RESPONSIBLE AND SUSTAINABLE INSURER

OUR COMMITMENT TO PEOPLE AND CULTURE

OUR COMMITMENT TO RESPONSIBLE INVESTMENT

OUR COMMITMENT TO PROVIDE RESPONSIBLE OPERATIONS

OUR COMMITMENT TO MEMBERS

ESG EVALUATION SCORE

ENVIRONMENTAL PROFILE

Sector/region score	38/50
Greenhouse gas emissions	Good
Waste & pollution	Good
Water use	Good
Land use & biodiversity	Good
General factors (optional)	None
Entity-specific score	30/50
E-profile (30%)	**68/100**

SOCIAL PROFILE

Sector/region score	38/50
Workforce & diversity	Good
Safety management	Good
Customer engagement	Strong
Communities	Strong
General factors (optional)	+3
Entity-specific score	39/50
S-profile (30%)	**77/100**

GOVERNANCE PROFILE

Sector/region score	31/35
Structure & oversight	Good
Code & values	Good
Transparency & reporting	Developing
Financial & operational risks	Neutral
General factors (optional)	None
Entity-specific score	36/65
G-profile (40%)	**67/100**

ESG profile score (including any adjustments)

70/100

+

Preparedness opinion* (scoring impact)

Adequate (+3)

ESG Evaluation

73/100

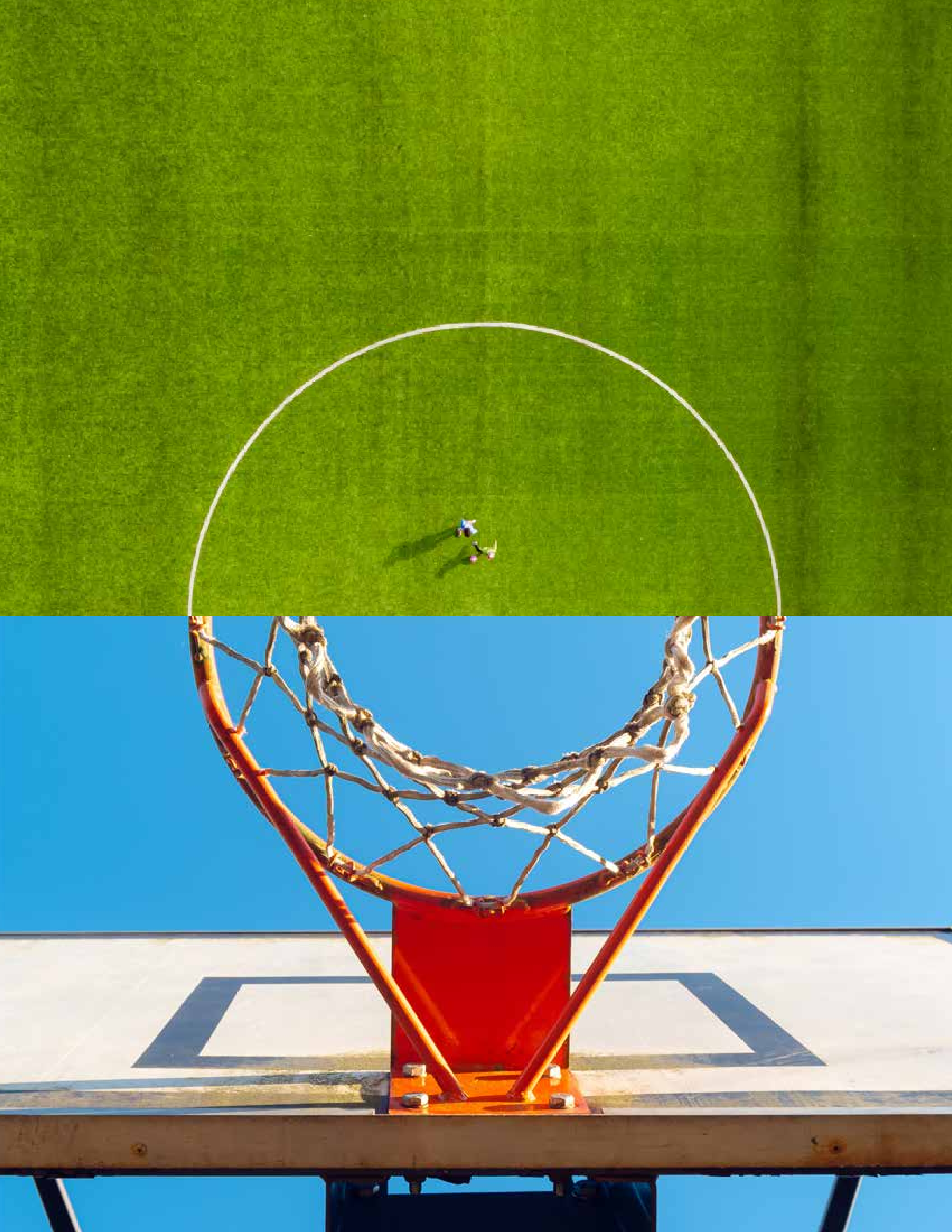
* Preparedness Opinion: A forward-looking opinion on companies' ESG preparedness, or their ability to adapt to potential long-term disruptions following dialogue with companies' Management, CEO and Chair.

GOVERNANCE

IPB SUPPORTS SDGs 12, 16 & 17

Making responsible and sustainable decisions is part of our daily business and decision-making, and this is a priority at the highest level of our organisation.

Our strong governance structures and frameworks are key to delivering our strategy. IPB's Board of Directors has established committees to oversee specific areas of the company's operations while the Board retains ultimate responsibility, ensuring a robust approach.



GOVERNANCE AND CONTROL AT IPB

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

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

- **A Risk Committee** with responsibility for establishing, documenting and devolving a comprehensive risk management framework
- **An Audit Committee** with responsibility for overseeing IPB's financial reporting, audit, legal and regulatory compliance monitoring processes
- **An Investment Committee** responsible for reviewing and providing guidance on the asset allocation strategy and the investment activities of the business
- **A Remuneration and Nomination Committee** responsible for approving IPB's remuneration policy for recommendation to the Board and supporting an annual policy compliance assessment
- **An internal audit function,** the main role of which is to identify, monitor and 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, among other things, financial controls incorporating budgeting and periodic variance analysis.

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

The above are reinforced via clearly defined lines of responsibility and authority, while our integrated assurance framework underpins the three lines of defence risk management system with the first line comprising business 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 deemed a major institution under the Requirements, IPB is committed to surpassing minimum corporate governance standards.

ROLE OF THE BOARD

The Board's key role involves leadership and oversight of the Chief Executive Officer's effective implementation of the business strategy. The 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 AND BOARD AND COMMITTEE MEETING PROTOCOL

The Board requires its Directors to act in the best interest of the business and be independent of any other institution, management, political interests, or inappropriate outside interests, including their own. In advocating a requirement for transparency at all levels of the business, the Board has elected to require a declaration of conflicts of interest by Directors as a standing agenda item at its Board and Committee meetings. A Conflicts of Interest Policy features as part of the Business Code of Conduct Policy, which the Board has approved as part of this objective, and the Directors have, during 2021, 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, coordination of documentation and attendance to procedural compliance with regulatory control requirements. Where a Director requires additional information, expertise or guidance they can call upon any member of the Management team to provide oral briefings or written reports or seek external expertise in consultation with the company secretary.

BOARD PERFORMANCE

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

...IPB is committed to surpassing minimum corporate governance standards. This commitment is led by the Chairperson and Board of IPB working together with all staff and is illustrated by compliance with IPB's obligations in 2021...

TERMS OF REFERENCE AND RESERVED POWERS – RESPONSIBILITY

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

...An independent review of the Board's effectiveness will be undertaken in early 2022, in line with governance provisions...

THE BOARD OF DIRECTORS

GEORGE JONES
CHAIRPERSON & 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, the Insurance Institute of Ireland, and a fellow of the Association of Chartered Certified Accountants. Michael has over 30 years' experience in the insurance industry in various leadership roles and has 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 25 years.

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 UCC and a Professional Certificate in Governance awarded by UCD 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 Chairperson 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 of Business Studies in Marketing degree awarded by UCD'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; he is currently responsible 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, also 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.

RONAN McMAHON*
GROUP NON-EXECUTIVE DIRECTOR

Ronan has served as a councillor since 2014 when he was elected as an independent county councillor for the Templeogue/Terenure ward in South Dublin County Council. He was engaged as Managing Director of Snap Printing in Tallaght, Dublin, and he has been active in the printing and marketing business for over 35 years, with experience in financial control and project management. He is a member of the Chartered Institute of Management Accountants and secured the Brendan Fitzgerald Memorial Prize for achieving first place in Ireland in his professional studies final examinations. Ronan is also a Member of the Institute of Directors and a Member of the Insurance Institute.

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, and is a founding member and former director of a local credit union.

* Sean O'Grady retired from his role as group non-executive Director on 31 May 2021 and Ronan McMahon was appointed group non-executive Director on 1 June 2021 in accordance with scheduled succession planning arrangements.

MEETINGS ATTENDED

			BOARD 9 meetings in 2021*	AUDIT COMMITTEE 3 meetings in 2021	INVESTMENT COMMITTEE 6 meetings in 2021	REMCO 6 meetings in 2021	RISK COMMITTEE 5 meetings in 2021
NAME	APPOINTMENT DATE	TERM ON THE BOARD (YEARS / MONTHS)	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE	ROLE / ATTENDANCE
George Jones Chairperson & Group Non-Executive Director	25 May 2006	15.7	Chairperson 9	Invitee 3	Invitee 5	Member 6	Member 5
Michael Garvey Chief Executive Officer & Executive Director	2 September 2016	5.3	Member 9	Invitee 3	Member 6	Invitee 6	Invitee 5
Enda Devine Finance Director & Executive Director	2 May 2012	9.7	Member 9	Invitee 3	Member 6	Invitee 4	Invitee 5
Caitríona Somers Independent Non-Executive Director	1 July 2017	4.5	Member 9	Member/Interim Chairperson‡ 3	Invitee 1	Chairperson 6	Member 4
Barbara Cotter Independent Non-Executive Director	13 December 2018	3.1	Member 9	Member§ 1	Invitee 1	Member 6	Chairperson 5
John Hogan Group Non-Executive Director	1 January 2019	3	Member 9	– –	Chairperson 6	Member 6	Member 5
John Clendennen Group Non-Executive Director	1 January 2019	3	Member 9	Member 3	Member 6	– –	Invitee 1
Joan Garahy Independent Non-Executive Director	1 August 2020	1.4	Member 9	Member/ Chairperson‡ 3	Member 6	Member 3	Invitee 1
Sean O'Grady† Group Non-Executive Director	29 May 2008	13	Member 4	– –	Member 3	– –	– –
Ronan McMahon† Group Non-Executive Director	1 June 2021	.5	Member 5	Member§ 1	Member 3	Invitee 3	Invitee 1

* Including one Board Strategy Day and one Board Strategy & ORSA Meeting
† Sean O'Grady retired as GNED on 31 May 2021; Ronan McMahon was appointed GNED 1 June 2021
‡ Joan Garahy was appointed Chairperson of the Audit Committee on the 1 September 2021
§ Barbara Cotter and Ronan McMahon were appointed Members of the Audit Committee 7 October 2021

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 2021, the Audit Committee was extensively engaged in overseeing internal audit reviews in the context of the scheduled internal audit plan for the 2021 period including work relating to the compliance framework, financial controls, regulatory reporting, the risk function and framework, claims management and corporate governance. This activity was managed in addition to the discharge of responsibilities specified in the Audit Committee's terms of reference which include, among other things, reviewing and monitoring the integrity of IPB's financial statements and the 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. 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. Finally, regarding the impact of COVID-19 the Audit Committee continued to oversee 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 Audit Committee Chairperson has outlined her role and the Audit Committee's objectives over the coming year as *"supporting ongoing 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 2021 through the focused review and analysis of relevant information and outputs of reviews undertaken in the year. Priorities for 2022 will include oversight in conjunction with the Board of delivery of the programmes of work assigned to external and internal audit representatives following rotation of appointees during the 2021 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 to ensure the application of pre-emptive actions in advance of potential breaches. 2021 has seen the continued evolution of IPB's risk framework, particularly in relation to recovery and resolution planning but also risk culture and risk monitoring in the context of interrelatedness with

...2021 has seen the continued evolution of IPB's risk framework, particularly in relation to recovery and resolution planning...

integrated assurance activity, and there is a growing focus on emerging risks – most notably climate change and sustainability considerations.

During 2021, the Risk Committee actively engaged in an extensive review of IPB's Own Risk and Solvency Assessment (ORSA) as well as the company's recovery and resolution plan, while maintaining cognisance at all times of the management of risks related to the ever-evolving nature of the company's operating and regulatory environment. The Risk Committee Chairperson 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. An independent asset allocation review of IPB's investment portfolio took place in early 2021 to assess the portfolio's risks and opportunities. The independent opinion was that the portfolio was well-structured with strong capitalisation and could benefit from further investment in illiquid assets. The Investment Committee also responded to the impacts of COVID-19 on the main asset classes of fixed income, equities and property. A particular focus during 2021 involved engagement in reviews on the impact of higher inflation 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 in general, and of the property portfolio, was assessed in conjunction with an analysis of anticipated challenges and opportunities. The Investment Committee Chairperson has commented on its activities throughout the 2021 period and the focus to be applied into 2022 as follows: *"Navigating the challenges of the current climate with an objective of securing stakeholders' long-term interests and ensuring the 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 securing of the company's objectives. The committee oversees the application of the company's remuneration policy in line with regulatory provisions and in support of delivering the company's strategy.

The committee's performance of its role in 2021 involved a continued focus on diversity, equality and inclusion, fostering our commitment to Speak Up, as well as reviewing new ways of working throughout and beyond COVID-19 and an increased emphasis on employee wellbeing and open communication throughout the business.

The Chairperson has commented on the engagement by the committee in performing its duties throughout 2021 as follows: *"The committee has progressed a considerable programme of work during 2021 in support of the Board's continual commitment to the company's diversity, equality and inclusion objectives, with significant focus on embedding these into our organisational culture through sustainable improvements. The focus for 2022 will include further development of our talent management programme and ongoing 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."*

...2021 involved a continued focus on diversity, equality and inclusion, fostering our commitment to Speak Up, as well as reviewing new ways of working throughout and beyond COVID-19...

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 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.

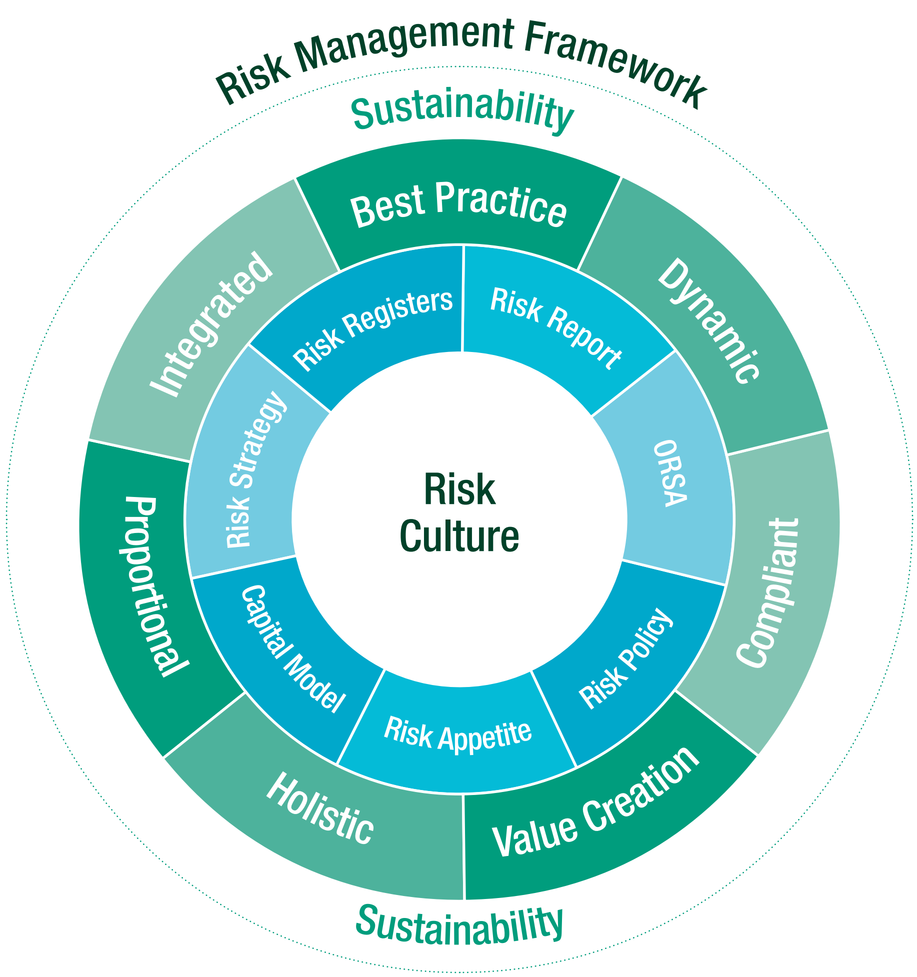
The Board is responsible for ensuring that risk is effectively managed by those involved in running the company on a day-to-day basis. The Board is responsible for IPB's system of internal controls and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement and/or loss. The Board 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



...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...

guided by seven key principles. The risk framework continues to be enhanced through evolving our risk identification, assessment and management through proactive monitoring and mitigation of threats and opportunities associated with the environmental, social and governance issues facing the company as well as our stakeholders. As a mutual insurer, our purpose is to safeguard and protect the insurable interests of our Members. The company understands that it has a responsibility to ensure the long-term sustainability of our strategic business and operational activities – thus sustainability permeates all attributes, disciplines and focus areas of risk management. 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 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. The ORSA also considers climate change and sustainability. It considers the overall capital needs of the company with reference to a wide range of stressed scenarios. It also considers other risks that may be outside the scope of the Standard Formula. The company continues to evolve the ORSA in line with Solvency II guidelines as well as the profile and strategy of the company. The ORSA is updated to reflect new risks and scenarios when they arise, e.g. COVID-19.

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 and challenge 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.

...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...

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

The compliance universe of laws and regulations governing activities carried out by IPB is broad and consists of a significant 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 sufficient 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
- Liaison with regulatory and other statutory agencies
- The implementation of a compliance programme based on an annual risk-based compliance plan of activities
- 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, Conduct Risk 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 some activities 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.

RESPONSIBLE INVESTING

Consideration of sustainability-related risks forms an integral part of the overall investment decision-making process. This consideration varies between financial assets, depending on the degree to which sustainability risks are deemed relevant to the investment strategy and whether the asset class is managed internally or externally.

Where IPB appoints a third-party investment manager as the entity responsible for investment decisions relating to an asset class, IPB will rely upon the investment decision-making processes of this investment manager to ensure that sustainability risks relevant to the investment fund are integrated effectively.

IPB made significant progress in relation to its Sustainable Investment Strategy in 2021, including the following:

- Documentation of procedures for the selection of investments to ensure that ESG considerations are adequately factored into investment decision making.
- Use of ESG rating scores produced by independent ESG rating agencies for decision-making process and monitoring these scores on an individual and aggregate basis. Using these and other methods such as corporate interactions, IPB plans to further integrate ESG considerations within the investment portfolio over the coming years.
- Increased its green and social bond portfolio as a proportion of fixed income assets from 6.2% at year-end 2020 to 12.2% at year-end 2021. Green bonds represented 23.9% of all corporate bonds held at year-end 2021, up from 11.2% at year-end 2020.

IPB adheres to a Responsible Investing Policy which includes prohibition of investing in companies in certain sectors. IPB expects the Responsible Investing policy to evolve over the coming years in line with the values and the expectations of our key stakeholders (Members, Board, Central Bank and staff).

...IPB adheres to a Responsible Investing Policy which includes prohibition of investing in companies in certain sectors...

METRICS AND CONTINUED FOCUS

GOVERNANCE: KEY PERFORMANCE INDICATORS

	2021	2020	2019	2018
Employees who have completed ethics training	100%	97%	90%	71%
Board members who have had training on ESG issues	100%	–	–	–
Female Board members	33%	33%	22.2%	20%
Female employees	48%	49%	48%	47%
Attendance at Board meetings	See page 29	See page 29	See page 29	See page 29

OUR GOVERNANCE COMMITMENTS FOR 2022 AND BEYOND

OUR COMMITMENT TO DEVELOP AND EMBED A SUSTAINABILITY STRATEGY

OUR COMMITMENT TO BE A RESPONSIBLE AND SUSTAINABLE INSURER

OUR COMMITMENT TO RESPONSIBLE INVESTMENT

Our Climate First Sustainability Strategy contains three key governance commitments, namely Commitment 1, Commitment 2 and Commitment 4.

Commitment 1 – Our Commitment to Develop and Embed a Sustainability Strategy

- Embed a Climate First Sustainability Strategy though our four strategic pillar areas – Financial, Member and Customer, Internal Process, and People and Culture
- Provide leadership and tone from the top, including Board and Management commitment
- Identify and implement opportunities to drive sustainable process efficiency across the organisation
- Provide ESG training to the Board, leadership team and all employees
- Ensure that ESG considerations are applied within our supply chain and our chosen business partners, enforced through IPB's procurement policy
- Enhance accountability and transparency in our sustainability reporting
- Establish a Board Sustainability Committee
- Appoint a leadership team/Board sponsor for sustainability.

Commitment 2 – Our Commitment to be a Responsible and Sustainable Insurer

- Sign up to the UN Principles for Sustainable Insurance
- Align our Sustainability Strategy to the UN Sustainability Development Goals
- Develop insurance product innovations that align with IPB Members' and IPB's goals on matters of environment, sustainability and governance
- Continue to embed sustainability and associated risks captured within the overall risk framework
- Ensure that ESG considerations are applied within our supply chain and with our chosen business partners.

Commitment 4 – Our Commitment to Responsible Investment

- Update our risk appetite statement and investment strategy to ensure that IPB is taking day-to-day actions that underpin its commitment to responsible investment
- Develop targets for the percentage of green bonds and equities with higher ESG ratings within our portfolio
- Collaborate with the internal sustainability workstream for investments
- Complete an internal audit review to independently verify the sustainability of our investment processes and controls.

SOCIAL

IPB SUPPORTS SDGs 3, 4, 5 & 16

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

5 GENDER EQUALITY

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The social factor is very important to IPB Insurance. It not only involves our relationship with our Members, the communities they serve and other businesses, but also considers attitudes towards diversity, human rights and consumer protection.

During 2021 we made significant progress on our diversity and inclusion journey, supported Members on workplace wellbeing, and rolled out a workplace wellbeing programme to support our employees during a difficult time due to the pandemic.

ADDING VALUE FOR OUR MEMBERS

Our focus for the year centred on the delivery of our stated objectives of transferring more of our Members’ evolving insurable risks from their balance sheets to ours and supporting Members in the management and mitigation of their insurable risk. Supporting our Members' sustainability agenda and cyber risk were two notable areas of activity for the year.

CLAIMS

We continue to experience notable improvements in claims outcomes, evidenced by further increased savings through insurance fraud detection, recovery, and indemnity savings. Tight control of claims costs is an ongoing strategic priority and we have leveraged the opportunities presented by remote working to move more of our claims management processes online and increase engagement through virtual consultations with Member representatives and third parties. This further underscores our objective of working together with our key stake-holders for better claims outcomes.

UNDERWRITING

The benefits of mutuality were demonstrated clearly through the provision of premium rebates to Members and customers. Total rebates due to COVID-19 amounted to €21.9m by year-end. We are also engaging closely with Members to explore how we can work together to develop new and existing insurance products that support our shared commitment to sustainability. Our product innovation focus has resulted in closer engagement with Members to clearly understand their needs and how best we can address them.

RISK MANAGEMENT

The client enterprise risk management (CERM) team provide a wide range of value-added supports to assist Members in the management of the key risks that they face. Members are provided with step-by-step risk guides, practical risk assessment tools, videos, conference events and materials to aid implementation of their enterprise-wide approach to managing risk. Our approach helps support our Members in managing their insurable risks and wider governance objectives. IPB's risk management advice is categorised into five specific areas: Corporate, Technical, Operational, Environmental and Social. In 2021 CERM delivered three risk conferences to our local authority and ETB Members. Stemming from feedback received in the annual Member survey, CERM developed a cyber-risk management and mitigation conference in 2021.

...The benefits of mutuality were demonstrated clearly through the provision of premium rebates to Members. Total Member rebates due to COVID-19 amounted to €21.9m by year-end...

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 2021, 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 €6.7m payable in H1 2022 reflecting the financial performance in 2020.

MEMBER SURVEY

This year IPB further broadened the reach of the Members satisfaction survey. The annual survey this year featured three distinct respondent groups.

The main satisfaction benchmark survey relates to senior management of Member local authorities and ETBs. Our respondent target groups have broadened in recent years to include Member insurance and claims handlers and for the first time included local authority engineers in 2021.

The results of the main benchmark survey, now in its ninth year, recorded the highest satisfaction levels since research began. The overall satisfaction average score improved by three percentage points from 86% for 2020 to 89% for 2021.

The average overall satisfaction score for the third annual claims and insurance handlers survey was 91%. The final survey element resulted in the first local authority engineers survey recording an average overall satisfaction score of 84%. A total of 149 respondents participated in the Members survey.

A consistent theme emerging from the feedback relates to risks associated with cyber and data security among senior management Members. Over 80% of senior management respondents cited cyber-risk as an area of growing concern and this concern is reflected in our focus on cyber-risk management supports.

LIVING THE SDGs – SDG #3

IPB provided advice and support to assist our employees and Members in providing mental health and wellbeing supports for employees. A good quality and mentally healthy workplace is important to all employees. This is not without its challenges as fear of discrimination and feelings of shame can be associated with poor reporting of mental ill-health, and organisations can find such issues difficult to address.

The advice demonstrates our support for Sustainable Development Goal 3, Good Health and Wellbeing.

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 – our employees, our Members and wider society – that our commitment to Diversity and Inclusion (D&I) is viewed. We recognise that a sustainable business is one that is built on solid foundations and a diverse, inclusive, Member-focused culture is one of those foundations.

Throughout our proud 95-year history we continually strive to do what is right – guided by our purpose and values and reflected in our behaviours and the ways in which we support our employees, our Members and society in Ireland.

The Board of Directors, the Remuneration and Nomination Committee, and the leadership team of IPB have adopted a clear and comprehensive D&I strategy and continually assess our progress on the journey to realise the aims, outcomes and objectives that this strategy identifies. Our strategy sets out our priorities in respect of Gender Balance and Gender 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.

...Throughout our proud 95-year history we continually strive to do what is right – guided by our purpose and values and reflected in our behaviours and the ways in which we support our employees, our Members and society in Ireland...

D&I considerations inform decision-making in all areas of the business – it has become, and will remain, central to the way we do business and how we approach the challenges and opportunities that present themselves now and into the future.

As part of our commitment to sustainability, during 2021 S&P completed an independent assessment of IPB's sustainability credentials and in the assessment of our social profile (under the ESG framework) they rated IPB's "Workforce & Diversity" as 'Good'. They further assessed our culture as 'Excellent'. This is a positive endorsement of our collective commitment to the development of culture generally and to the journey we have commenced to become a more diverse and inclusive organisation for the benefit of all stakeholders. We recognise the benefits that an open, collaborative, diverse and inclusive culture brings. Our commitment to developing that culture further over the coming years remains absolute.

We have made substantial progress across a wide range of areas, and yet there remains much more work to do.

During 2021 a significant focus was on preparing for the introduction of gender pay gap reporting by gaining a more complete understanding of our baseline. We engaged external advisors to complete an independent assessment of our gender pay gap and the results (based on application of the United Kingdom Gender Pay Gap reporting methodology in the absence of an equivalent Irish reporting methodology as of yet) indicate that our gender pay gap is 18%. This gap is significantly greater than we would want it to be, although it compares favourably to other insurers in Ireland and the UK where such information is available in the public domain. We now have a deeper understanding of the drivers of the gender pay gap, with the primary one being the lower levels of female representation in senior Management positions within the company. More importantly, we have commenced progression of a range of measures to address these underlying drivers and these will have positive impacts on the reported gap in the coming years.

As we reported in 2020, the Board of Directors have adopted a gender balance target of 30% female representation in senior Management positions by 2023, with intermediate targets identified over the period 2021 to 2023. As at the end of 2021, females represent 18% of senior management positions, increased from

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

13% in 2020, which is an improvement but remains some way short of the 2023 target. We recognise that more must be done to achieve our targets and are taking appropriate actions to ensure that the targets are achieved within the specified timeframes. Our Board of Directors has achieved female representation of 33% and this demonstrates our commitment to gender balance across the business. To support our realisation of our gender representation objectives we have undertaken a number of specific steps, including the revision of our recruitment and selection policies to reflect our commitment to diversity in all its forms and amending the candidate selection processes to ensure that diversity considerations feature prominently in our recruitment and selection procedures. Our succession planning and talent management approaches have evolved significantly during the year with the aim of ensuring that there is a robust pipeline of talent to meet the future demands of the business. This essential groundwork will support our realisation of our targets and objectives, both in terms of the gender pay gap and gender representation in senior Management positions over the coming years.

Our employee D&I Working Group comprises over 20 employees from all parts of the business, at varying stages in their careers, with varying backgrounds, perspectives, and views. Working alongside the leadership team and HR, this group has made substantial progress across a wide range of areas. During the year, we have launched a dedicated D&I resource on our internal intranet to provide employees with information and thought-provoking materials to aid our discussions in this area. During 2021, key focus areas have included diversity of thought, emphasising the importance of varying views in decision-making and providing the environment for all employees to contribute and participate to the greatest extent possible.

Ensuring that all employees have a voice and that they have an opportunity to be heard is critical to our continued progression of a diverse and inclusive culture. During 2021, we launched an enhanced Speak Up framework with the introduction of Speak Up advocates across the business. We continue to reinforce our values of Trustworthy, Respectful, and Collaborative and the associated desired behaviours through a range of initiatives including our annual Culture Week, which emphasises the importance of these values and behaviours in delivering on our mutual ethos and in providing our employees with an environment in which they can make a difference and contribute to their maximum potential. We recognise that for an environment to be truly inclusive we must listen to the views and perspectives of others. However, we also know that to listen we must first enable and encourage people to speak up and this understanding drives our commitments and actions in this area.

We are active members of the 30% Club, the Insurance Ireland D&I Taskforce, and we are also a founding member of the Mutual Diversity Alliance (MDA), a group facilitated by the Association for Financial Mutuals which represents mutual insurance companies in the UK and Ireland. The MDA aims to support mutual insurers in enhancing diversity and inclusion in all its forms by sharing experiences, insights, and learnings. Members of the MDA are committed to *"maintaining a culture in our organisations that allows our employees to thrive, and which avoids barriers to our customers, partners, and suppliers' effective engagement with us… we are committed to demonstrating inclusive behaviours, and to embracing diversity in all its forms."* The aims of the MDA therefore align closely with our own.

Our journey to be a more diverse and inclusive company will continue into 2022 and beyond. We recognise that diversity and inclusion are essential to our long-term sustainability. Over the past number of years our commitment to this area has been ingrained in our ways of thinking and our ways of acting. The future will bring more positive change for the benefit of all stakeholders – most especially our people and our Members and customers.

...Our Board of Directors has achieved female representation of 33% and this demonstrates our commitment to gender balance across the business. To support our realisation of our objectives in this respect we have undertaken a number of specific steps including the revision of our recruitment and selection policies to reflect our commitment to diversity in all its forms...

WELLBEING PROGRAMME

At IPB, we are committed to creating a healthy work environment where employees feel supported and cared for with a focus on a holistic approach to wellbeing.

A wellbeing framework was developed following an employee survey in March 2021. The outputs from this survey informed us in building an all-inclusive set of wellbeing focus areas that underpin our workplace culture and practices, and fully support all our employees.

During 2021, initiatives were rolled out each quarter. Some specific examples of these initiatives include:

- ‘Digital disconnect’ education session
- 'Refuelling your body' education session
- Women’s and men’s health education sessions
- Celebration of National Workplace Wellbeing Day on 30 April 2021
- Financial wellbeing session
- Virtual parenting event
- ‘Managing the pace’ education session
- Mental health awareness month campaign run through October 2021
- 'Top tips to improve posture' education session.

GREAT PLACE TO WORK SURVEY

Commitment to strengthening our workplace culture and employee experience again delivered an exceptional Great Place to Work result for the 2021 period. IPB is now ranked 12th among medium-sized companies in Ireland.

This is the third consecutive year that IPB has been voted a Great Place to Work as employee sentiment maintained our Great Place to Work score at 88% for 2021.

CORPORATE SOCIAL ENGAGEMENT

SOCIAL ENTERPRISE DEVELOPMENT FUND

The Social Enterprise Development (SED) Fund was created in 2018 by Rethink Ireland in partnership with Local Authorities Ireland and co-funded by IPB Insurance and the Department of Rural and Community Development through the Dormant Accounts Fund. The objective of the SED Fund is to find and back social enterprises that add to the social and economic fabric of their community and make a positive social impact.

To mark four years of the SED Fund, Rethink Ireland commissioned a report to measure the scale of the social impact delivered by Fund awardees. Over this period, the Fund has provided supports including monetary awards, business and mentoring supports to over 100 social enterprises across all 31 local authorities in Ireland. These social enterprises have already supported 500 people to access employment and reached over 266,000 people. The business supports have provided a valuable springboard for some of Ireland's most successful social enterprises such as Bounce Back Recycling, Sensational Kids and GIY to scale their products, services and impact nationally and internationally.

Over the past four years, we have worked closely with our local authority Members and Rethink Ireland to identify and back the best social enterprises across Ireland to maximise their reach and social impact. A core objective of the Fund is to help realise the enormous potential of the social enterprise sector. We believe that social enterprises are uniquely placed to deliver equitable, sustainable growth and to be a key driver in meeting the socio-economic challenges of Ireland's communities.

George Jones, Chairman IPB Insurance
"Supporting social enterprises that combine social impact and innovative thinking in a way that strengthens the social and economic fabric of their communities is a strong fit with our local authority Members. The local authority network and the vast local knowledge they enjoy has helped identify and direct hundreds of social enterprises to the Fund. The social impact achieved clearly demonstrates the outstanding impact that Awardees of this Fund are making to their communities."

Deirdre Mortell, CEO Rethink Ireland
"We are immensely proud to have partnered with IPB over the past four years. Their unprecedented investment in social enterprise in Ireland has allowed us to support over 100 social enterprises in every corner of Ireland. This is down to IPB's vision, determination, and commitment to support the social enterprise sector in Ireland. IPB's foresight to invest in the sector at an early stage has really had a catalytic impact resulting in social enterprises creating more jobs and social impact in their communities."

Due to the continuing success of the SED Fund, IPB renewed the Fund for a further two years to conclude at the end of 2023. A total of €4.4 million will have been invested from the Fund into supporting social enterprises over the six-year period. A feature of the renewal is the creation of an online social enterprise business course available to all applicants that will support their planning and strategic development. The ambition is that the Social Enterprise business course will form part of the Fund's legacy and remain following the conclusion of the SED Fund to serve the needs of the sector for years to come.

MUSIC GENERATION

Music Generation is Ireland's national music education programme that creates access for children and young people to high-quality, subsidised performance music education in their locality. Music Generation works closely with IPB's Education and Training Board (ETB) Members, who 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 €300,000 in funding to the ETB sector to be delivered over a three-year period (2020-2022). The funds are used directly by our ETB Members to purchase musical instruments. The musical instrument banks provide greater access for young people to high-quality, subsidised performance music education in their locality.

PRIDE OF PLACE

The IPB Pride of Place is an annual all-island community competition organised by Co-operation Ireland and sponsored by IPB Insurance. The awards are run in conjunction with local authorities north and south to promote and celebrate the best in community development and recognise the selfless volunteers who make their local neighbourhoods better places to live, work and socialise. The Awards also serve to bring a broad range of diverse communities together in a spirit of celebration. As part of the awards support IPB provides financial awards for successful communities. As the mutual insurer to local authorities, IPB is proud to partner with its Members in promoting community volunteerism.

METRICS AND CONTINUED FOCUS

SOCIAL: KEY PERFORMANCE INDICATORS

	2021	2020	2019	2018
Female employees in senior management positions[1] (2023 target of 30%)	18%	13%	15%	21%
People who feel that IPB is a friendly place to work[2]	95%	92%	92%	91%
People who feel they are able to take time off from work when they think it's necessary[2]	89%	89%	89%	89%
People who feel who are proud to tell others they work here[2]	91%	89%	88%	83%
People who feel people here are treated fairly regardless of their gender[2]	89%	85%	86%	83%
People who feel people here are treated fairly regardless of their age[2]	88%	87%	89%	86%
People who feel people would say that IPB is a great place to work[2]	88%	88%	91%	79%
People who feel good about the ways that IPB contributes to the community[2]	90%	90%	86%	81%
Voluntary employee turnover (2022 target of less than 6.5%)	3.3%	4%	4.8%	11.4%
Member survey overall satisfaction average rating	89%	86%	83%	82%

1 Band 5 or higher
2 Great Place to Work Survey

OUR SOCIAL COMMITMENTS FOR 2022 AND BEYOND

OUR COMMITMENT TO PEOPLE AND CULTURE

Our Climate First Sustainability Strategy contains a key social commitment, namely Commitment 3, 'Our commitment to people and culture'.

Commitment 3 – Our Commitment to People and Culture

- Develop and work with the D&I working group with a key focus on mentoring and coaching, underrepresented groups, diversity of thought, and increasing female representation at senior Management team level
- Build the skills, capabilities and expertise of our people to support our future development through sustainable investment in human resources
- Ensure that an enhanced succession planning and talent management approach is implemented and further developed
- Embed our Speak Up framework, which was launched with an inclusive focus
- Continue our commitment to Great Place to Work, enhancing employee engagement and the employee experience including an increased focus on employee recognition
- Ensure a proactive approach to employee communications through various channels
- In the wake of the COVID-19 pandemic, continue to focus on employee wellbeing and flexible work, incorporating what we learn into longer-term planning
- Provide ESG training at all levels of the organisation including Board, executives and employees

- Enhance and develop our codes of conduct and human rights policy. We will develop terms of reference for a new Member environmental forum and work with Members to ensure IPB can provide the best supports and products
- Develop insurance product innovations that align with IPB Members and IPB's company goals on matters of environmental sustainability and governance
- Continue to advise and support our Members on sustainability and climate-related risk via the client enterprise risk management services team
- Publish insight and analysis on the risks our Members are facing in order to support better understanding, mitigation and coverage selection
- Measure and improve our Member satisfaction rates and review how we can improve our Members' experiences through product oversight and governance and through promoting best practice.

ENVIRONMENT

IPB SUPPORTS SDGs 3, 6, 9, 11, 12, 13, 15 & 17

The environment factor is an area in which IPB plans do more. In 2021 we established the baseline of our Scope 1 Greenhouse Gas emissions (GHG) as part of the assessment of our corporate sustainable performance with S&P Global. Having this baseline will allow us to set targets and continue to monitor and improve our carbon footprint.

RESPONSIBLE OPERATIONS

We will work to determine how we can reliably measure Scope 3 Green House Gas emissions with the objective of setting a target of net zero for Scope 3 at a future date when it is realistic to do so.

During 2021, we established three internal sustainability workstreams to consider how we can achieve this target:

1. Operations
2. Members, customers and products
3. Investments.

A significant amount of environmental data was also captured and collated to allow us to understand our GHG emissions. IPB Insurance's offices are based on one floor in a multi-tenant building in Grand Canal Square in the centre of Dublin city. We have been working closely with our landlord as part of their Green Committee to better understand how we can reduce our GHG emissions.

GREENHOUSE GAS PROTOCOL

The Greenhouse Gas Protocol (GHG Protocol) was established in 2001 and is used internationally as a tool for quantifying and measuring greenhouse gas emissions. The GHG Protocol breaks greenhouse gas emissions down into three categories: Scope 1 emissions are defined as those caused directly by an organisation's activities while Scope 2 emissions include indirect emissions resulting from an organisation's energy consumption. Scope 3 emissions are defined as all other indirect emissions, caused by an organisation's value chain and these are more difficult to track (www.ghgprotocol.org).

ENVIRONMENTAL SUPPORT FOR MEMBERS

The Client Enterprise Risk Management Services Team works closely with our Members to understand the environmental risks they may face.

Climate action has become a higher priority in recent years and the local authority sector is expected to lead by example in the rollout of climate action plans at local levels. As a mutual insurer, our purpose is to protect and safeguard our Members by meeting their needs, ensuring that we deliver on our responsibility to the communities they serve by understanding how our actions and operations may impact them.

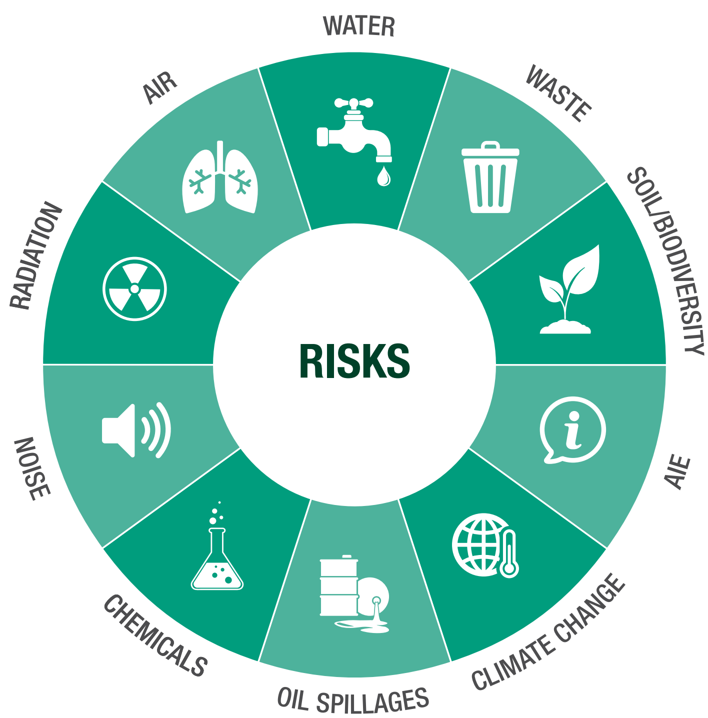
During 2021 we rolled out a number of environmental risk advice and supports on our secure Member Risk Area, which covered a variety of topics on the following:

LIVING THE SDGs – SDG #13

IPB provided advice and support to assist our Members on possible approaches to implementing and embedding the United Nations' Sustainable Development Goals (SDGs). We collaborated with our Members to provide case studies on how the SDGs can be successfully integrated into everyday actions when liaising with the community, customers, local businesses and learners.

At the same time, IPB linked our risk materials to the appropriate SDGs on our Member Risk Area.

The advice demonstrates our support for SDG 13, 'Climate Action'.



This year we collaborated with our Members closely on such committees including the CCMA Climate Action, Transport and Networks Committee; the CCMA Water, Waste Management, Environment and Emergency Planning Committee; the Climate Action Regional Offices (CARO); and the Waste Enforcement Regional Lead Authorities (WERLA). This culminated in a virtual conference for Members in July on the 'Challenges and Opportunities in Managing Environmental Risks', which focused on climate action, waste management and public-realm design.

We also worked with our Members, the Department of Transport, the National Transport Authority, and the Roads Management Office (RMO) to deliver a conference in November on 'Mobilising for Change, Active Travel and Public-Realm Design'.

ENVIRONMENTAL PROGRESS IN 2021

During 2021, we also took and reinforced positive steps in our own office environment to limit our impact on the environment in the areas outlined below.

Lighting

We initiated a feasibility study to supports an LED lights replacement programme, which we estimate will reduce our overall electricity consumption by 10-15%.

Electricity

IPB procures its electricity from a green electricity provider and will continue to do so in the future. Due to the installation of a power meter in the building, the landlord can now produce comparative statistics with other tenants.

Water

Cooled and filtered drinking water devices were attached to the mains water supply.

Waste

Waste is segregated and divided into recycling, composting and general waste for landfill.

Paper/Printing

Due to the pandemic and remote/hybrid working arrangements, we have reduced the volume of printing by approximately 50%. We hope to continue this trend and to support an ongoing reduction in print volumes. We have also reduced the number of printers and are focusing on Digital Transformation initiatives.

We will work towards a Net Zero 2030 commitment (Scope 1 & 2 GHG emissions) in our own operations using science-based targets. We will also work with our Members to support them in meeting their climate action plan targets. We will work to determine how we would reliably measure Scope 3 GHG emissions with the objective of setting a target of net zero for Scope 3 at a future date when it is realistic to do so.

METRICS AND CONTINUED FOCUS

ENVIRONMENT: KEY PERFORMANCE INDICATORS*

	Total Emissions (tCO2e)			
	2021	2020	2019	2018
Scope 1 (Direct Emissions)	58	39	79	79
Scope 2 (Indirect emissions)- Location Based	38	51	69	81
Scope 2 (Indirect emissions)- Market Based	61	78	109	0
Scope 3 (Other Indirect Emissions)- Purchased Goods & Services	0	1	4	3
Scope 3 (Other Indirect Emissions)- Waste Generated in Operations	0	0	0	0
Scope 3 (Other Indirect Emissions)- Business Travel Total Emissions (Assuming Location Rate)	6	12	74	111
Total emissions	103	104	226	274

*All data has been independently verified by a third-party company

This year IPB conducted our first complete baseline of our emissions. This is the first step in IPB's journey for meaningful climate action. This baseline will be used to inform the implementation of IPB's future emission reduction target and emission reduction initiatives. IPB recognises that the majority of our emissions impact likely lie in their Scope 3 emissions and will broaden their calculation of indirect Scope 3 emissions over time.

IPB emissions have been quantified in line with the ISO 14064-1 standard and verified by a third party to the ISO 14064-3 standard. Scope 1 emissions consist of natural gas combustion for heating and fugitive emissions from air con units. Scope 2 emissions are indirect emissions from purchased electricity. Both Scope 2 location rate (the average emission intensity of the Irish grid) and market rate (supplier specific emissions intensity) were calculated. However, location rate was taken as the primary value as it fluctuates less overtime for IPB. Emissions were quantified using DEFRA and CRU emission factors.

OUR ENVIRONMENTAL COMMITMENTS FOR 2022 AND BEYOND

OUR COMMITMENT TO PROVIDE RESPONSIBLE OPERATIONS

Our Climate First Sustainability Strategy contains a key environmental commitment, namely Commitment 5, 'Our commitment to provide responsible operations'.

Commitment 5 – Our Commitment to Provide Responsible Operations

- Collaborate with the internal workstreams for investments, operations and products to help provide responsible operations
- Record greenhouse gas (GHG) emissions and set targets
- Appoint a third-party company to independently verify our GHG emission data
- Report on GHS emissions and targets in the Annual Stakeholder Report
- Improve the sustainability of products across entire product offering
- Carry out a baseline assessment of GHG emissions by the end of 2022.

MANAGEMENT ANALYSIS, FINANCIAL STATEMENTS & OTHER INFORMATION

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MANAGEMENT ANALYSIS

MANAGEMENT ANALYSIS MARKET CONTEXT

Despite the emergence of the Omicron wave of COVID-19 and the related increase in uncertainty, the economy overall proved to be resilient. In the coming years, continued strong growth in output and employment are forecast although these are subject to more uncertainty due to the developing geopolitical situation in Eastern Europe.

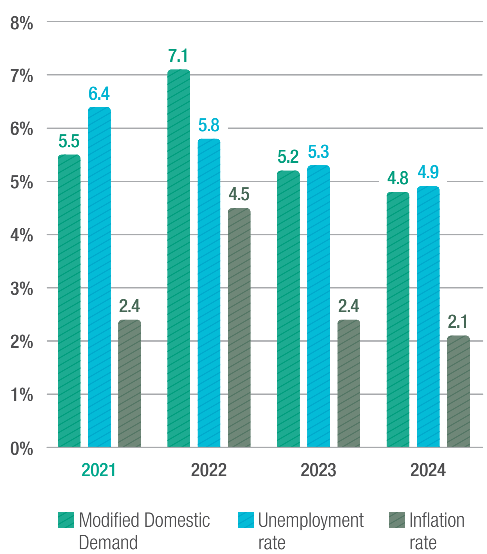
ECONOMY

Irish Economic Indicators

5.5%

Modified Domestic Demand

Modified Domestic Demand more truly reflects how Households, Government and domestic Corporations in Ireland are doing as it excludes those large transactions of foreign corporations that do not have a big impact on the domestic economy.



- The Irish economy recovered strongly in 2021, despite headwinds from the pandemic, a slowdown in global trade and an increase in inflation.
- Modified Domestic Demand is estimated to have grown by 5.5% in 2021, above its pre-pandemic level.
- The forecasts in this chart were prepared prior to the invasion of Ukraine by Russian forces in February 2022. The full macroeconomic impact of the conflict on global investment and insurance markets is yet to be determined as the situation evolves.

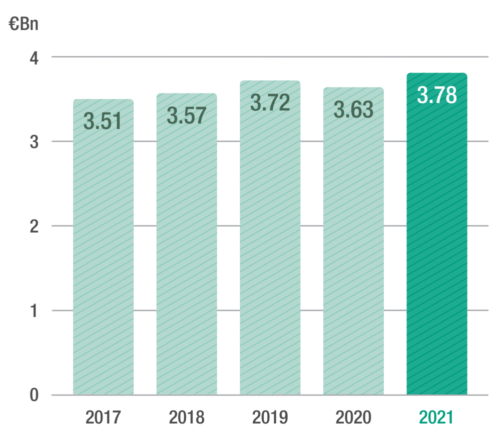
Source: Central Bank Quarterly Bulletin January 2022.

INDUSTRY

Irish Non-Life Insurance Market

€3.78bn

The estimated value of the Irish non-life insurance market in 2021

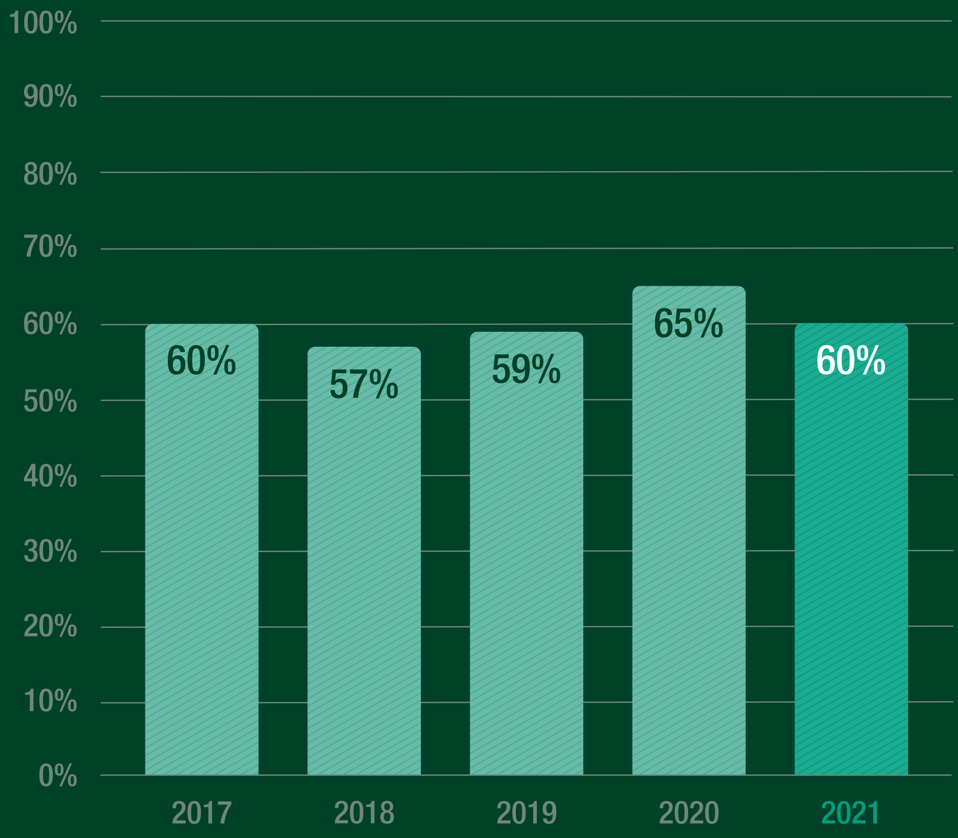


- The Irish non-life domestic insurance market is expected to show an increase in 2021 following a reduction in 2020.

Source: Insurance Ireland, GWP to Q3 2021 plus estimates for Q4 2021.

MANAGEMENT ANALYSIS MARKET CONTEXT (continued)

CLAIMS ENVIRONMENT
Market Gross Loss Ratio



60%
The estimated market gross loss ratio

- Estimate for 2021 is based on prior experience over the past four years.

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

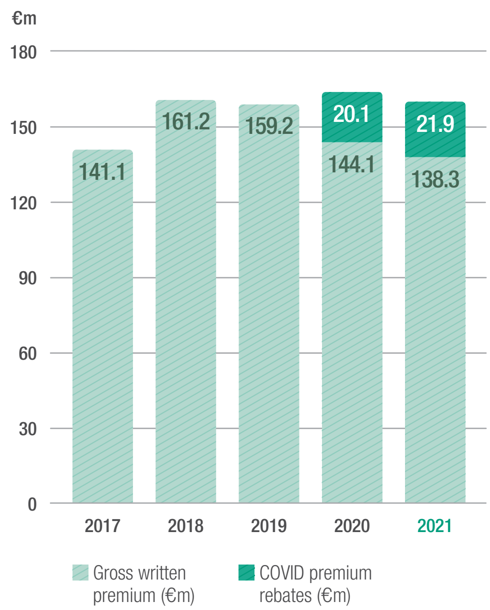
FINANCIAL HIGHLIGHTS

Written premium has fallen over the past two years due to premium rebates issued as a result of the COVID-19 pandemic. Claims incurred have fallen primarily as a result of ongoing pandemic restrictions.

GROSS WRITTEN PREMIUM

€138.3m

Gross written premium is €5.8m (4%) lower than in 2020

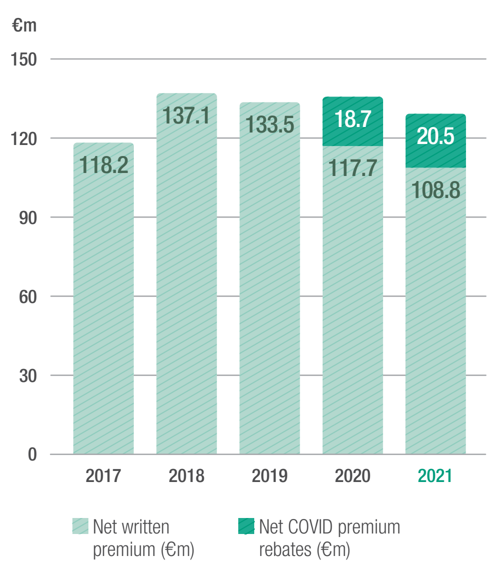


- Gross written premium contracted by €5.8m in 2021 mainly due to a reduction in retro-rated premium due to favourable claims experiences leading to lower than projected accruals and an increase in profit share rebates.
- Premium rebates are shown in these charts to demonstrate how underlying premium remains at consistent levels.
- Retention rates remain very high at just under 100%.

NET WRITTEN PREMIUM

€108.8m

Net written premium is €8.9m (7.5%) lower than in 2020



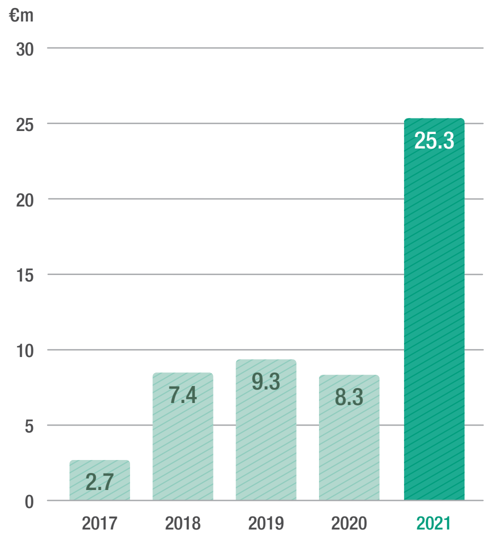
- The reduced net written premium is primarily due to the reduction in retro-rated premium, COVID-19 premium rebates, and increased reinsurance costs.
- Premium rebates are shown in these charts to demonstrate how underlying premium remains at consistent levels.
- A prudent reinsurance policy is in place.

FINANCIAL HIGHLIGHTS (continued)

NET UNDERWRITING RESULT

€25.3m

Net underwriting result has increased by €17m in 2021 to €25.3m

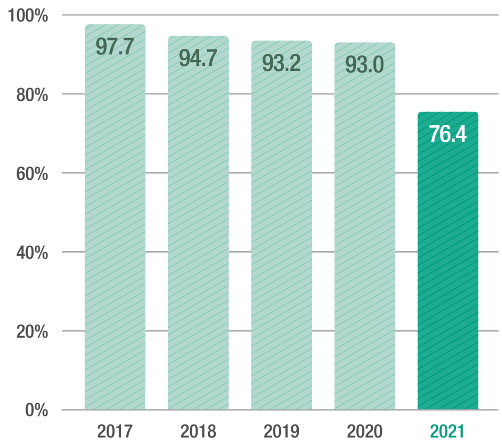


- The net underwriting result includes operating, underwriting and finance expenses, and commission income.
- The increased net underwriting result is due to a combination of low incurred claims in the current year due to the pandemic restrictions along with favourable development of claims on multiple prior years.

NET COMBINED OPERATING RATIO

76.4%

Net combined operating ratio



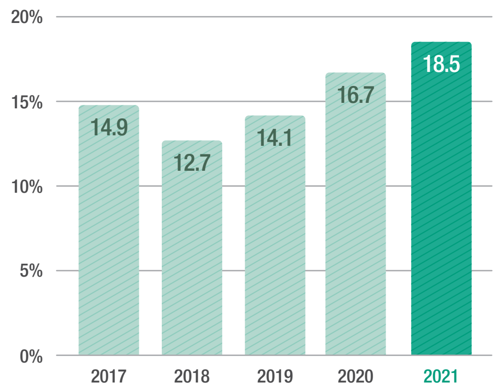
- The net combined operating ratio has reduced to 76.4% from 93.0% in 2020 due to the fall in claims incurred.
- The net combined operating ratio excluding the impact of COVID-19 premium rebates was 63.4%.
- The reserving policy is to create a ‘best estimate’ provision for claims and then add a margin for uncertainty.

FINANCIAL HIGHLIGHTS (continued)

NET EXPENSE RATIO

18.5%

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

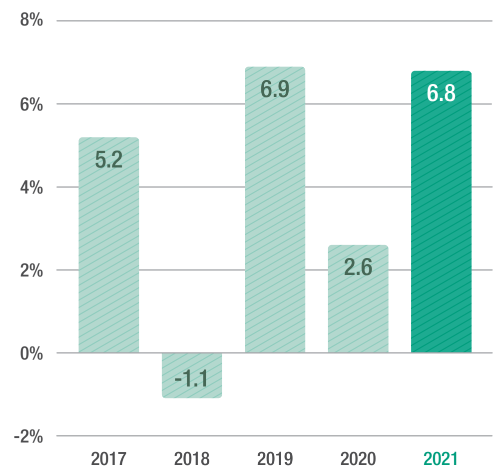


- The net expense ratio has increased to 18.5% from 16.7% in 2020, primarily due to the fall in net earned premium in 2021 as a result of premium rebates along with higher reinsurance costs.

RETURN ON EQUITY

6.8%

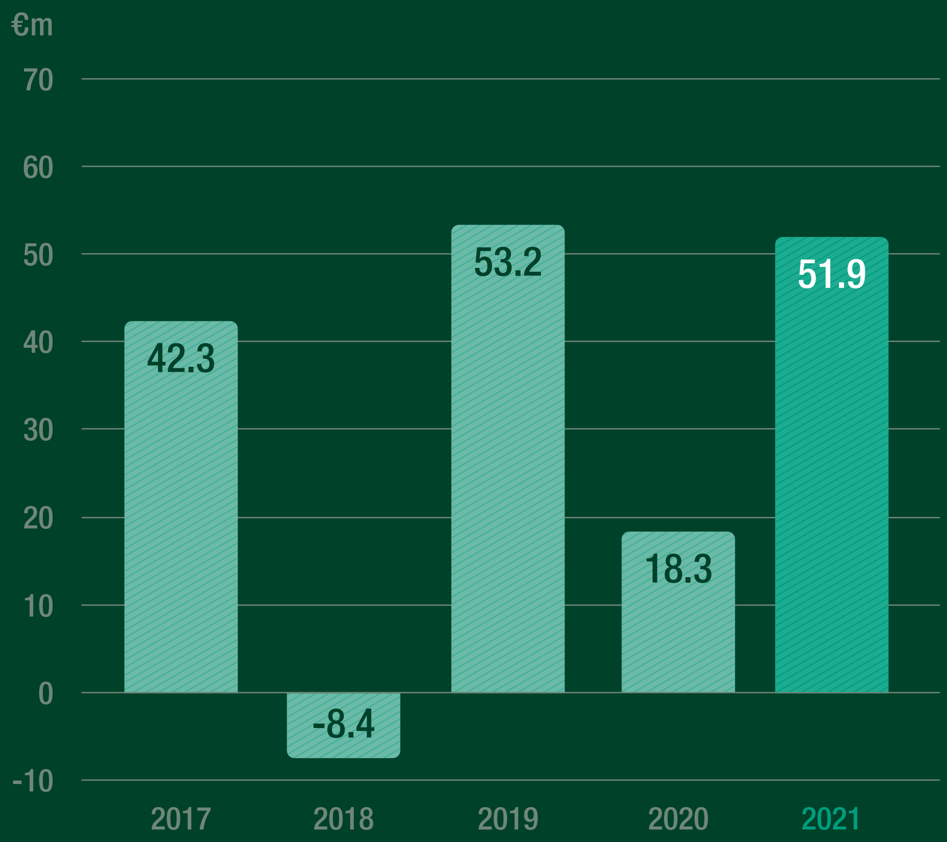
Return on equity in 2021



- Return on equity has increased to 6.8% from 2.6% in 2020.
- The increase is due to the higher investment and underwriting results in 2021.

FINANCIAL HIGHLIGHTS (continued)

SURPLUS/LOSS BEFORE TAX



€51.9m
Surplus before tax in 2021

- The increase in surplus before tax is due to the higher investment and underwriting results in 2021.

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

FINANCIAL HIGHLIGHTS (continued)

TECHNICAL UNDERWRITING RESULT – NET

€45.2m

Underlying net technical underwriting result in 2021

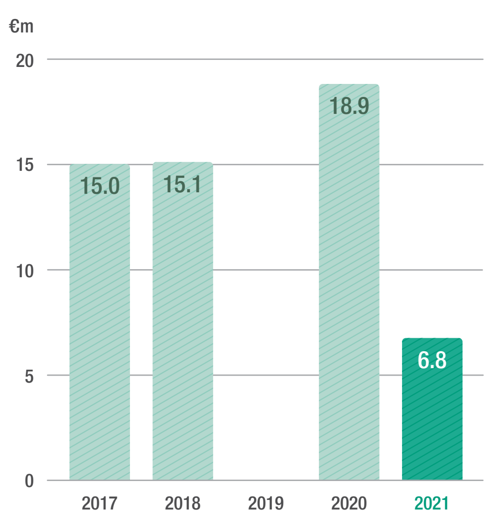
- The net underlying technical underwriting result of €45.2m is up from €28.2m in 2020, due to lower claims costs mainly as a result of the pandemic.
- The technical underwriting result excludes allocated investment income, operating costs and commission income.

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)

€6.8m

Members' Commercial Dividend



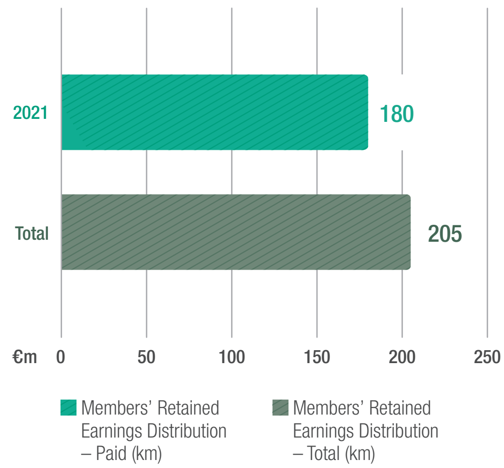
- The Members' Dividend underlines the company's commitment to Members.
- A change to the model was introduced for 2018 and beyond whereby up to 40% of surplus after tax can be paid as Members' Commercial Dividend. This is payable one year in arrears to facilitate cashflow planning for our Members.
-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

FINANCIAL HIGHLIGHTS (continued)

MEMBERS’ RETAINED EARNINGS DISTRIBUTION (RED)

€180m

Members’ Retained Earnings Distribution paid out at the end of 2021



- 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 2021, €180m had been distributed. The balance of €25m is scheduled to be paid in 2022.

CSE FUND

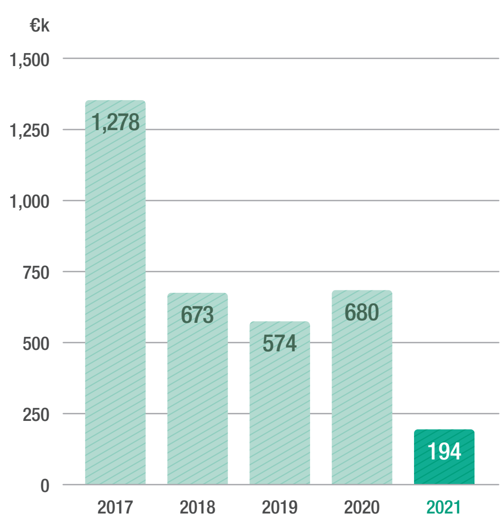
€13m

Contribution to CSE Funds between 2012-2021

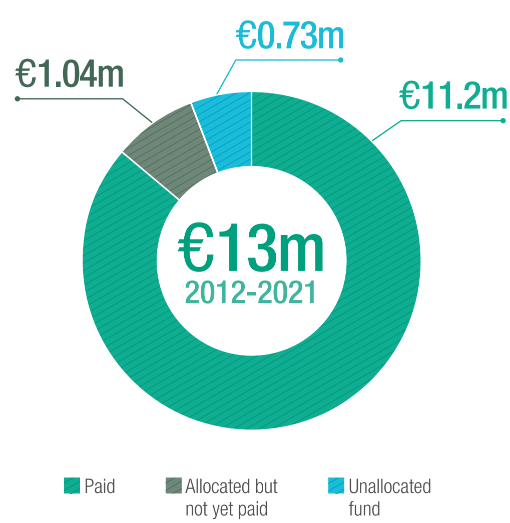
€11.2m

CSE Funds paid out 2012-2021

Paid by Year (€k)



Total IPB CSE Fund

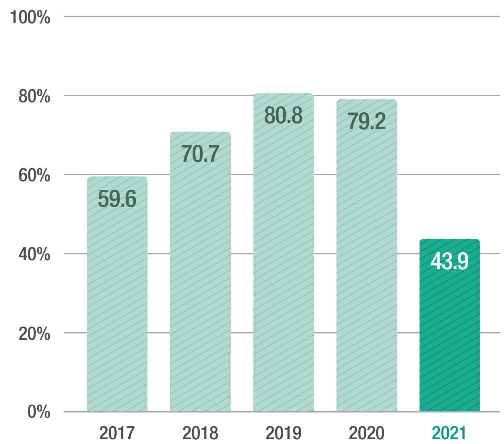


CLAIMS AND LOSSES

GROSS LOSS RATIO

43.9%

Gross loss ratio down from 79.2% in 2020

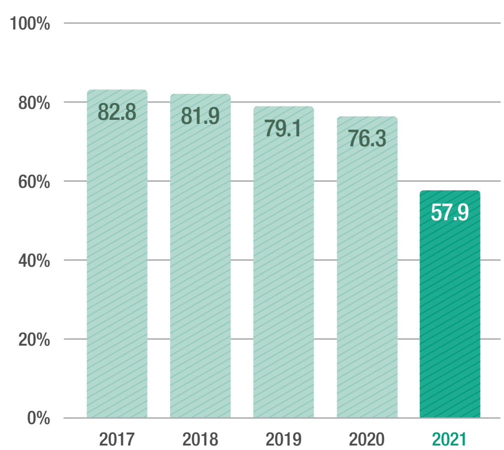


- The gross loss ratio has reduced from 79.2% in 2020 to 43.9% in 2021. The ratio is lower due to a large claim reserve release along with a reduction in IBNR reserve and an overall reduction in gross claims incurred.
- The profile of the book is significantly weighted towards long-term exposures.

NET LOSS RATIO

57.9%

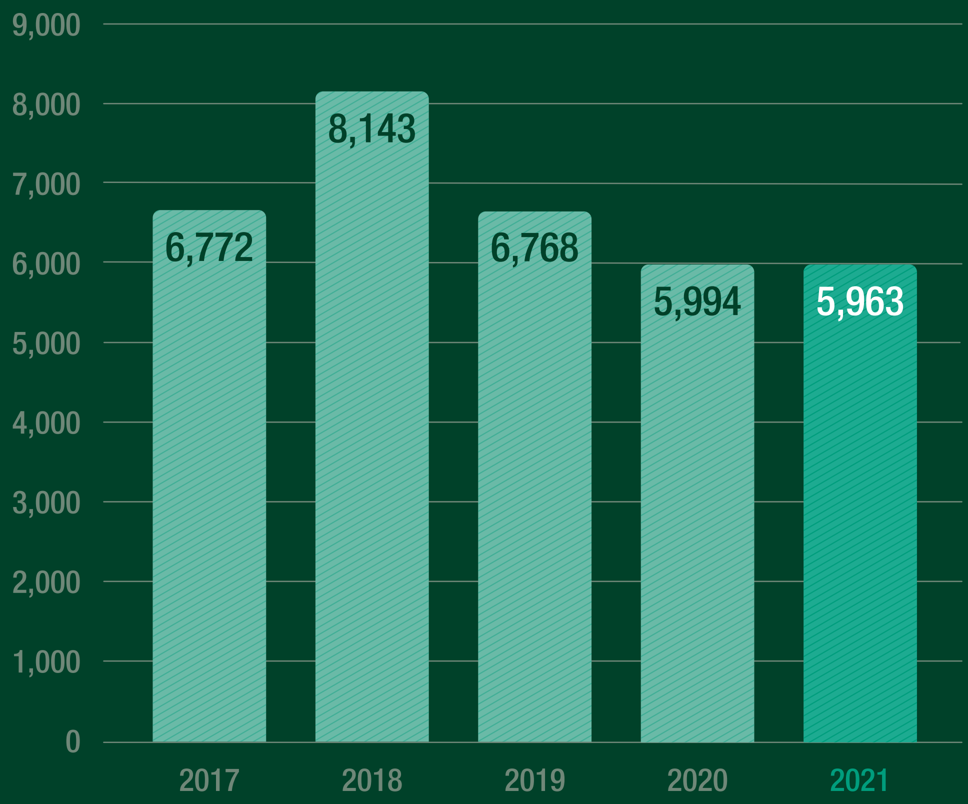
Underlying claims net loss ratio shows a decrease from 76.3% in 2020



- The underlying net loss ratio has decreased to 57.9% from 76.3% in 2020.
- The decrease is largely due to lower levels of claims net of reinsurance due to the impact of the pandemic.

CLAIMS AND LOSSES (continued)

NUMBER OF NEW CLAIMS



5,963

Claim numbers remain lower for a second year running

- Claim numbers are similar to 2020, and lower than prior years 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

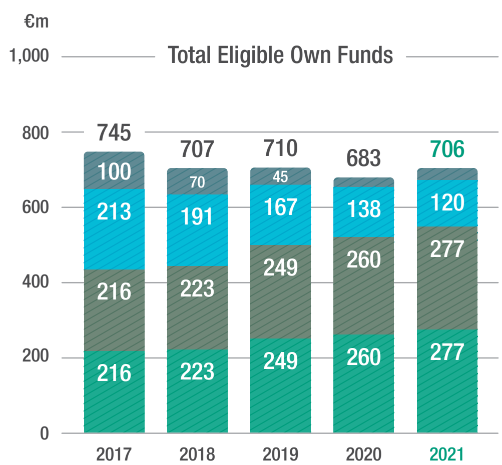
The company's Solvency Capital Requirement (SCR) is as defined under Solvency II and is calculated using the Solvency II standard formula. The capital available to the company is of very high quality, consisting entirely of retained earnings.

SOLVENCY II – SOLVENCY OVERVIEW (€M)

€120m

Capital to support product expansion and growth from risk transfer, reduced from €138m in 2020

- Future Retained Earnings Distribution (to be paid)
- Capital to support product expansion and growth from risk transfer
- IPB Risk Appetite Statement capital buffer
- Solvency II: Solvency Capital Requirement

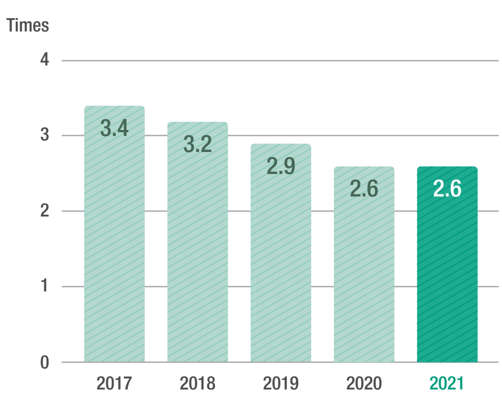


- The company holds regulatory and economic capital in addition to the SCR, as well as sufficient capital to:
  – Cover latent risks inherent in its business
  – Deliver on its strategic objectives and to support product expansion and growth from risk transfer.
- The available capital to support product expansion and growth has been reduced to €120m to take account of the payment of the remaining balance of the Retained Earnings Distribution (€25m) and Members' Commercial Dividend (€6.8m) in 2022.

SOLVENCY II – REQUIRED MARGIN COVER

2.6

Times the capital required under Solvency II

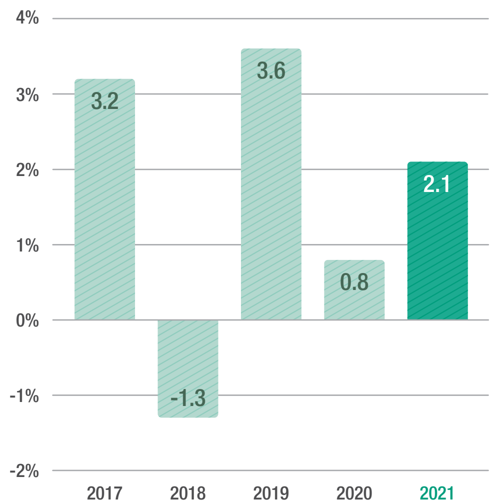


- The company's reinsurance programme enables it to minimise volatility in earnings from large losses and catastrophic events.
- The overall solvency margin continues to remain strong, with the cover representing 2.6 times the capital required under Solvency II.
- The company's credit rating from Standard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

2.1%
Investment return is higher than 2020

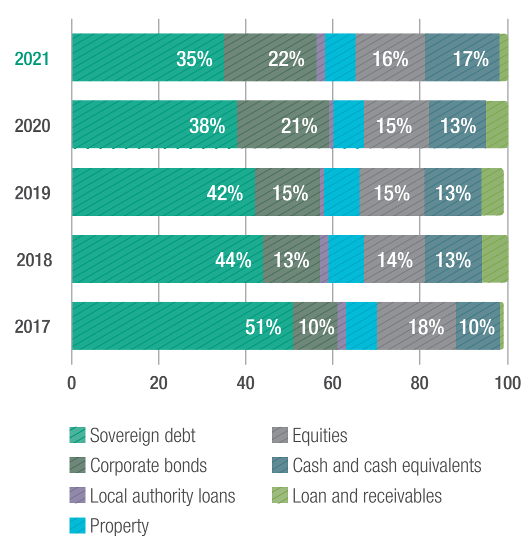


- The investment return of €26.6m is 166% higher than 2020, resulting in an increase in the % return from 0.8% to 2.1%.
- 2021 was a very successful year for the financial markets and equities in particular. Following the exceptional market volatility in 2020, risk assets continued to climb in the second year of the COVID-19 pandemic, supported by historic corporate earnings growth and robust economic activity.

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

ANALYSIS OF THE INVESTMENT PORTFOLIO

35%
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 2021.

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 2021.

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.

ADDITIONAL DISCLOSURE REGARDING ULSTER BANK IRELAND DAC VALUATION

There was an update to the valuation of the company's holding of the Ulster Bank Ireland DAC – Permanent Interest Bearing Shares (PIBS), see note 34.

RESULTS FOR THE FINANCIAL YEAR, DIVIDENDS AND FINANCIAL STATEMENTS

The profit and loss account for the financial year ended 31 December 2021 and the Balance Sheet as at 31 December 2021 are set out in the Management Analysis and Financial Statements section of this report. The profit on ordinary activities before taxation amounted to €51.9m (2020: profit €18.3m). After a taxation charge of €6.1m (2020: tax charge of €1.3m), and the planned Retained Earnings Distribution of €31.8m, the increase in retained earnings is €14.1m (2020: €26.9m decrease).

No Directors were involved in any transactions with the business during the financial year other than those outlined in the Directors' Remuneration Report in Note 7(b) in the financial statements.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The principal activity of the company continues to be the provision of comprehensive insurance products and risk management facilities to its Members and customers. The Chairperson's Statement and Chief Executive Review in Section 1 of this report provide an overview of the performance for the financial year and future strategy for the business.

PRINCIPAL RISK AND UNCERTAINTIES

The principal risks and uncertainties that the company faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the company's performance in the short term.

Although considerable judgement is involved, the Directors adopt a prudent approach to the provision and valuation of insurance reserves, with annual support and certification being provided by an appropriately qualified and experienced in-house actuarial team supported by external reviews as required.

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

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

RISK MANAGEMENT

The Directors regularly consider the principal risk factors that could materially and adversely affect the future operating profits or financial position of the company. The company's risk management and compliance and regulatory governance frameworks are outlined in the Report of the Board and Executive section of this report. Details of the key risks and financial risk management objectives and policies of the company are outlined in the Risk Management section (Note 29) in 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 2022 and forecasts for 2023 and 2024, 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 29 March 2022.

On behalf of the Board

George Jones **Michael Garvey**

INDEPENDENT AUDITOR'S REPORT

To the members of IPB Insurance Company Limited by Guarantee

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

In our opinion the financial statements:
- Give a true and fair view of the assets, liabilities and financial position of the company as at 31 December 2021 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 35, 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

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 €6,951,000 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 for the current period.

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 2021, 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 2022 – 2024 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 information was consistent with information used in the ORSA and other relevant projections; and
- 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 twelve 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 €603 million as at 31 December 2021. Refer to the accounting policy on page 96 to 97 and the disclosures in notes 3, 4, 16 and 29 of the financial statements.

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

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

- 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 setting of initial case reserves, review of and ultimate settlement of individual case reserves for claims.This work included 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 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; and
- We evaluated the adequacy of the relevant disclosures in the financial statements.

VALUATION 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 €7.9 million as at 31 December 2021.

Refer to the accounting policy on page 95 and the disclosures in note 15 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:

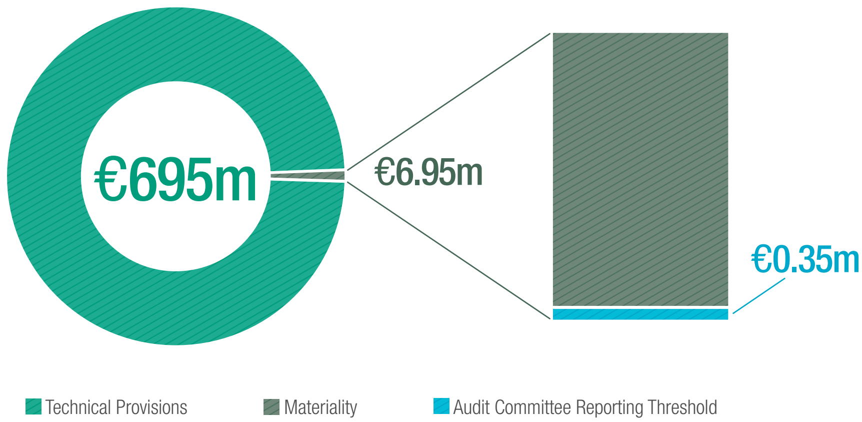
- We have tested the key controls over the process designed to record and monitor the retro rated premium asset.
- We tested on a sample basis, the accuracy and completeness of information used within the retro premium process;
- We performed a re-calculation on a sample basis of retro premium assets, and performed an assessment
  of the recoverability of the asset; and
- 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 €6,951,000 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 mistatetements, complexity of the company, and reliabity of control environment.



We agreed with the Audit Committee that we would report to them any audit differences in excess of €347,550, 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 and 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 in the table 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 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 judgement 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 which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' Report is consistent with the financial statements and the Directors' Report has been prepared in accordance with the Companies Act 2014.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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 9 years, covering the years ending 2013 to 2021.

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

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

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
Date

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

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

Approved by the Board
on 29 March 2022

Directors

George Jones

Michael Garvey

Profit and Loss Account

For the financial year ended 31 December 2021

Technical account – non-life insurance business	Note	2021 €'000	2020 €'000
Gross written premiums	4	138,310	144,134
Premiums ceded to reinsurers	4	(29,505)	(26,477)
Net written premiums		**108,805**	**117,657**
Change in the gross provision for unearned premiums	4	(1,711)	993
Change in the reinsurance provision for unearned premiums	4	57	–
Net earned premiums		**107,151**	**118,650**
Commission income	5	9,177	7,280
Allocated investment return transferred from the non-technical account		24,506	9,697
Other technical income		**33,683**	**16,977**
Total technical income		**140,834**	**135,627**
Gross claims paid	4	(79,174)	(70,763)
Claims recovered from reinsurers	4	12,029	6,287
Claims paid net of reinsurance		**(67,145)**	**(64,476)**
Gross change in contract liabilities	4	19,219	(44,147)
Change in contract liabilities recoverable from reinsurers	4	(14,067)	18,141
Claims incurred net of reinsurance		**(61,993)**	**(90,482)**
Operating expenses	7	(25,572)	(24,391)
Underwriting expenses	4	(3,433)	(2,733)
Total claims and other technical charges		**(90,998)**	**(117,606)**
Balance on the technical account for non-life insurance business		**49,836**	**18,021**

Approved by the Board
on 29 March 2022

Directors

George Jones

Michael Garvey

Profit and Loss Account (continued)

For the financial year ended 31 December 2021

Non-technical account	Note	2021 €'000	2020 €'000
Balance on the technical account – non-life insurance business		**49,836**	18,021
Investment income	6	28,401	10,937
Investment management expenses	6	(1,818)	(975)
Allocated investment return transferred to the insurance technical account		(24,506)	(9,697)
Profit on ordinary activities before taxation		**51,913**	**18,286**
Taxation on profit on ordinary activities	8	(6,076)	(1,324)
Profit for the financial year		**45,837**	**16,962**
Profit attributable to:			
Members		45,837	16,962

Approved by the Board
on 29 March 2022

Directors

George Jones

Michael Garvey

Balance Sheet

As at 31 December 2021

	Note	2021 €'000	2020 €'000
Assets			
Intangible assets	10	1,256	689
Investments			
– Investment properties	12	88,930	88,870
– Derivative financial instruments	13	72	1,128
– Financial assets at fair value through profit or loss	14	964,275	945,041
– Loans and receivables	14	31,850	73,832
Reinsurers' share of Technical Provisions			
– Provision for unearned premiums	16	57	–
– Claims outstanding	16	46,952	61,019
Insurance Assets	15	7,931	22,800
Debtors			
– Debtors arising out of insurance operations	18	5,628	5,763
– Debtors arising out of reinsurance operations	19	3,997	2,232
Prepayments and accrued income	21	5,260	5,396
Other Assets			
– Property, plant and equipment	11	239	365
– Deferred tax assets	23	129	129
– Current tax assets	8	1,250	2,857
– Other receivables	20	716	58
– Cash and cash equivalents	22	215,382	163,404
Total assets		**1,373,924**	**1,373,583**
Equity			
Retained earnings		671,230	657,178
Total equity		**671,230**	**657,178**
Liabilities			
Technical Provisions			
– Provision for unearned premiums	16	23,378	21,667
– Claims outstanding	16	602,809	622,028
Provision for other risks			
– Other provisions	17	21,741	8,742
Creditors			
– Derivative liabilities	13	828	663
– Insurance payables	24	8,362	7,342
– Trade and other payables	25	43,513	54,555
Accruals	26	2,063	1,408
Total liabilities		**702,694**	**716,405**
Total equity and liabilities		**1,373,924**	**1,373,583**

Approved by the Board
on 29 March 2022

Directors

George Jones

Michael Garvey

Statement of Changes in Equity

As at 31 December 2021

	Note	Retained earnings €'000	Total equity restated €'000
At 1 January 2021		**657,178**	**657,178**
Profit for the financial year		45,837	45,837
Dividends payable/paid during the year	9	(31,785)	(31,785)
At 31 December 2021		**671,230**	**671,230**
At 1 January 2020		**684,067**	**684,067**
Profit for the financial year		16,962	16,962
Dividends paid during the year	9	(43,851)	(43,851)
At 31 December 2020		**657,178**	**657,178**

Approved by the Board
on 29 March 2022

Directors

George Jones

Michael Garvey

Statement of Cash Flows

For the financial year ended 31 December 2021

	Note	2021 €'000	2020 €'000
Operating activities			
Gross premiums received		163,967	167,387
Retro rated premiums received		11,706	4,101
COVID-19 premium rebates paid		(8,914)	(11,331)
Reinsurance premiums paid		(30,944)	(26,826)
Commission received on reinsurance premiums paid		9,177	7,280
Commission paid to insurance brokers		(1,774)	(1,575)
Claims paid gross		(79,046)	(70,820)
Claims reinsurance recoveries		11,929	6,587
Interest received		7,047	9,667
Dividends received		3,518	3,350
Operating and other expenses paid		(26,938)	(27,874)
Cash generated from operating activities		**59,728**	**59,946**
Taxation paid		(4,397)	(470)
Net cash flows from operating activities		**55,331**	**59,476**
Investing activities			
Loans repaid by local authorities		2,139	2,469
Purchase of investments designated at fair value through profit or loss		(637,881)	(736,020)
Proceeds from sale of investments designated at fair value through profit or loss		635,284	708,902
Purchase of investment property		-	(48)
Property rental income		5,720	5,606
(Increase)/decrease in loans and receivables on deposit with credit institutions		39,858	(11,863)
Purchase/disposal of property and equipment		(47)	(581)
Gain/(loss) on FX currency contracts		(3,485)	887
Purchase of intangible assets		(1,133)	(521)
Net cash flows from/(used in) investing activities		**40,455**	**(31,169)**
Financing activities			
Dividends paid		(43,808)	(26,183)
Net cash flows used in financing activities		**(43,808)**	**(26,183)**
Net increase/(decrease) in cash and cash equivalents		51,978	2,124
Cash and cash equivalents at 1 January	22	163,404	161,280
Cash and cash equivalents at 31 December	**22**	**215,382**	**163,404**

Notes to the Financial Statements

1. Corporate Information
2. Summary of Significant Accounting Policies

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 29 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with Financial Reporting Standard 102, (the Financial Reporting Standard applicable in the UK and Republic of Ireland) (FRS 102) and Financial Reporting Standard 103 (Insurance Contracts) (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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies

(ii) Fair value of financial assets and liabilities

The determination of fair value for financial assets and liabilities for which no observable market price exists requires the use of valuation techniques as described in Note 14. For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Assumptions

The main assumption is that the development pattern of the current claims will be consistent with previous experience while considering the likely future costs. Qualitative judgement is used to assess 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 premiums 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 the main reinsurance contracts renew at 1 January every year.

At each reporting date the company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims over unearned premiums. The calculation uses current estimates of future contractual cash flows after taking account of the investment 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 7.5% is calculated and, if required, the provision for premium deficiency. This has increased from 6.0% in 2020.

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.

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies

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 its acquisition.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification. Financial assets at fair value through profit or loss are carried in the 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,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 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.

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 or loss 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 or loss 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 28, Capital Management.

Other Accounting Policies

(a) Intangible assets

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

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

- IT software – 33% per annum.

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

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

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

(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. CHANGE IN ACCOUNTING ESTIMATE

An Accounting Estimate – Unallocated Loss Adjustment Expenses %

Following a review of market factors and claims trends it was decided to increase the ULAE rate from 6.0% to 7.5%. The impact of this change in 2021 was:

Analysis of the unallocated loss adjustment expenses change on the Statement of Comprehensive Income	2021 €'000
Gross change in contract liabilities	7,314
Analysis of the unallocated loss adjustment expenses change on the Statement of Financial Position	**2021 €'000**
Claims outstanding	(7,314)

The amount of the effect in future periods is not reported because it is dependent on the level of outstanding claims reserves in future periods.

Notes to the Financial Statements

4. Segmented Analysis

4. SEGMENTED ANALYSIS

Analysis of underwriting result by product 2021	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	88,774	30,548	8,544	10,444	138,310
Premium ceded to reinsurers	(7,702)	(19,170)	(740)	(1,893)	(29,505)
Change in the gross provision for unearned premiums	(680)	(883)	194	(342)	(1,711)
Change in the reinsurance provision for unearned premiums	–	57	–	–	57
Net earned premiums	**80,392**	**10,552**	**7,998**	**8,209**	**107,151**
Gross claims paid	(63,609)	(11,091)	(3,267)	(1,207)	(79,174)
Claims recovered from reinsurers	6,058	5,962	–	9	12,029
Gross change in contract liabilities	12,629	5,187	716	687	19,219
Change in contract liabilities recoverable from reinsurers	(8,707)	(3,931)	(1,280)	(149)	(14,067)
Claims incurred net of reinsurance	**(53,629)**	**(3,873)**	**(3,831)**	**(660)**	**(61,993)**
Technical underwriting result – net	**26,763**	**6,679**	**4,167**	**7,549**	**45,158**
Commission income	530	8,455	53	139	9,177
Operating expenses	(16,413)	(5,648)	(1,580)	(1,931)	(25,572)
Underwriting expenses	(1,083)	(2,180)	(52)	(118)	(3,433)
Underwriting result	**9,797**	**7,306**	**2,588**	**5,639**	**25,330**
Net investment return	17,063	5,871	1,642	2,007	26,583
Profit/(loss) before taxation	**26,860**	**13,177**	**4,230**	**7,646**	**51,913**
Net insurance liabilities	**533,048**	**14,359**	**20,398**	**11,373**	**579,178**

Gross written premium includes COVID 19 premium rebates of €21.9m 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.

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.

Notes to the Financial Statements

4. Segmented Analysis

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
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

4. Segmented Analysis

Analysis of underwriting result by location	2021 Republic of Ireland €'000	2021 Northern Ireland €'000	2021 Total €'000	2020 Republic of Ireland €'000	2020 Northern Ireland €'000	2020 Total €'000
Gross written premiums	138,310	–	138,310	144,134	–	144,134
Premium ceded to reinsurers	(29,505)	–	(29,505)	(26,477)	–	(26,477)
Change in the gross provision for unearned premiums	(1,711)	–	(1,711)	993	–	993
Change in the reinsurance provision for unearned premiums	57	–	57	–	–	–
Net earned premiums	**107,151**	**–**	**107,151**	**118,650**	**–**	**118,650**
Gross claims paid	(78,830)	(344)	(79,174)	(70,577)	(186)	(70,763)
Claims recovered from reinsurers	12,029	–	12,029	6,363	(76)	6,287
Gross change in contract liabilities	20,450	(1,231)	19,219	(44,614)	467	(44,147)
Change in contract liabilities recoverable from reinsurers	(14,067)	–	(14,067)	18,546	(405)	18,141
Claims incurred net of reinsurance	**(60,418)**	**(1,575)**	**(61,993)**	**(90,282)**	**(200)**	**(90,482)**
Technical underwriting result – net	**46,733**	**(1,575)**	**45,158**	**28,368**	**(200)**	**28,168**
Commission income	9,177	–	9,177	7,280	–	7,280
Operating expenses	(25,572)	–	(25,572)	(24,391)	–	(24,391)
Underwriting expenses	(3,433)	–	(3,433)	(2,733)	–	(2,733)
Underwriting result	**26,905**	**(1,575)**	**25,330**	**8,524**	**(200)**	**8,324**
Net investment return	26,583	–	26,583	9,962	–	9,962
Profit/(loss) before taxation	**53,488**	**(1,575)**	**51,913**	**18,486**	**(200)**	**18,286**
Net insurance liabilities	**583,371**	**(4,193)**	**579,178**	**586,869**	**(4,193)**	**582,676**

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

5. COMMISSION INCOME

Analysis of commission income	2021 €'000	2020 €'000
Reinsurance commission income	9,177	7,280
Total commission income	**9,177**	**7,280**

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

6. INVESTMENT RETURN

Analysis of net investment return 2021	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	5,544	–	60	–	–	5,604
At fair value through profit or loss						
– Debt securities	7,924	(2,100)	(10,721)	404	–	(4,493)
– Equity securities	3,579	20,001	6,303	3,512	–	33,395
Loans and receivables						
– Loans to local authorities	67	–	–	–	–	67
– Deposits with credit institutions	(92)	–	–	–	–	(92)
Cash and cash equivalents	(1,169)	–	–	22	–	(1,147)
Derivatives	–	–	–	(4,706)	–	(4,706)
FX gain/(loss) on insurance business	–	–	–	(228)	–	(228)
Investment ncome	**15,853**	**17,901**	**(4,358)**	**(996)**	**–**	**28,401**
Investment expenses	–	–	–	–	(1,818)	(1,818)
Total net investment return	**15,853**	**17,901**	**(4,358)**	**(996)**	**(1,818)**	**26,583**

Notes to the Financial Statements

6. 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**

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

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

7. NET OPERATING EXPENSES

7(a) Operating Expenses

Analysis of other operating expenses	Note	2021 €'000	2020 €'000
Directors' remuneration	7(b)	1,549	1,510
Employee benefits expense	7(c)	15,990	16,052
Amortisation on intangibles	10	568	283
Depreciation on property, plant and equipment	11	173	190
Auditors' remuneration	7(d)	199	243
Legal and professional fees		752	474
Marketing		364	463
Stakeholder engagement – risk management		29	15
Other expenses		5,924	5,161
Total operating expenses		**25,572**	**24,391**

7(b) Directors' Remuneration

Analysis of Directors' remuneration	Note	2021 €'000	2020 €'000
Directors' remuneration – salaries, benefits and fees		1,416	1,382
Directors' remuneration – PRSI		101	96
Directors' remuneration – pensions		32	32
Total directors' remuneration		**1,549**	**1,510**

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

Notes to the Financial Statements

7. Net Operating Expenses

7(c) Employee Benefits Expense

Analysis of employee benefits expense	Note	2021 €'000	2020 €'000
Staff costs – salaries and benefits		13,549	13,477
Staff costs – PRSI		1,262	1,442
Staff costs – pensions	27	1,179	1,133
Total employee benefits expense		**15,990**	**16,052**

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

Employee numbers	2021	2020
Permanent staff	150	145
Total	**150**	**145**

The actual number of full-time equivalents employed by the business at 31 December 2021 was 152.5 (2020: 144.9).

7(d) Auditors' Remuneration

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

Analysis of auditors' remuneration	2021 €'000	2020 €'000
Fees and expenses paid to our statutory auditors are analysed as follows:		
– Audit of the financial statements	143	150
– Other assurance services	56	44
Other non-audit services	–	49
Total auditors' remuneration	**199**	**243**

Auditors' remuneration (excluding value added tax) in 2021 for audit services is €0.143m (2020: €0.150m), other assurance services fees amount to €0.056m (2020: €0.044m), and fees for other non-audit services stand at €0.0 (2020: €0.049m). The other assurance services relate to a Solvency II review, ELR review and pension audit. The other non-audit services in 2020 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.

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

8(a) Current Tax Year Charge

Tax charge on profit on ordinary activities	2021 €'000	2020 €'000
Analysis of charge for year		
Tax charge based on the results for the year is as follows:		
Current tax		
– In respect of current year	(6,083)	(1,872)
– In respect of prior years	7	563
Total current tax charge	**(6,076)**	**(1,309)**
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	**(6,076)**	**(1,324)**

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

8(b) Tax Charge on Profit on Ordinary Activities

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

Tax charge on profit on ordinary activities analysis	2021 €'000	2020 €'000
Profit on ordinary activities before tax	51,913	18,286
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	6,489	2,286
Effect of		
– Expenses not deductible for tax purposes	99	71
– Adjustment in respect of prior years	(7)	(563)
– Income taxed at higher rate (25%)	17	19
– Income not subject to tax	(522)	(504)
– Temporary tax differences		15
Tax charge	**6,076**	**1,324**

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 €1.25m (2020: €2.857m) relates to withholding tax amounts that are refundable to the company of €0.71m (2020: €0.485m) and a corporation tax refund of €0.5m (2020: €2.186m) that is due to the company.

Notes to the Financial Statements

9. Dividends Paid and Proposed

10. Intangible assets

9. DIVIDENDS PAID AND PROPOSED

Dividend proposed/paid	2021 €'000	2020 €'000
Declared and payable during the year		
– Retained earnings distribution	25,000	25,000
– Interim dividend	6,785	18,851
Total dividends proposed/paid in the year	**31,785**	**43,851**

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.

10. INTANGIBLE ASSETS

Intangible assets 2021 & 2020	IT software €'000	Total €'000
Cost		
Balance at 1 January 2020	3,147	3,147
Additions	521	521
Balance at 1 January 2021	3,668	3,668
Additions during the year	1,135	1,135
Balance at 31 December 2021	**4,803**	**4,803**
Amortisation		
Balance at 1 January 2020	(2,696)	(2,696)
Amortisation for the year	(283)	(283)
Balance at 1 January 2021	(2,979)	(2,979)
Amortisation for the year	(568)	(568)
Balance at 31 December 2021	**(3,547)**	**(3,547)**
Carrying amounts		
Balance at 31 December 2020	689	689
Balance at 31 December 2021	**1,256**	**1,256**

Notes to the Financial Statements

10. 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**

11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment 2021 & 2020	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Total €'000
Cost				
Balance at 1 January 2020	277	1,575	704	2,556
Additions	115	–	279	394
Disposals	–	–	(70)	(70)
Balance at 1 January 2021	392	1,575	913	2,880
Additions	5	–	42	47
Disposals	–	–	–	–
Balance at 31 December 2021	**397**	**1,575**	**955**	**2,927**
Depreciation				
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 1 January 2021	(318)	(1,538)	(659)	(2,515)
Depreciation for the year	(41)	(15)	(117)	(173)
Depreciation on disposal	–	–	–	–
Balance at 31 December 2021	**(359)**	**(1,553)**	**(776)**	**(2,688)**
Carrying amounts				
Balance at 31 December 2020	74	37	254	365
Balance at 31 December 2021	**38**	**22**	**179**	**239**

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**

12. INVESTMENT PROPERTIES

Investment properties	2021 €'000	2020 €'000
Balance at 1 January	88,870	99,125
Additions	–	48
Movement in fair value	60	(10,303)
Balance at 31 December	**88,930**	**88,870**
Rental income derived from investment properties	5,544	5,473
Direct operating expenses generating rental income	(177)	(172)
Direct operating expenses not generating rental income	(1,030)	(21)
Income for the period	**4,337**	**5,280**

13. DERIVATIVE FINANCIAL INSTRUMENTS

The company is exposed to currency risks arising from the foreign currency investments it holds, mainly Danish debt securities as well as US and UK equity securities. The company enters into forward currency agreements, normally for a six-month period, to reduce foreign currency risk. These derivative instruments are held for trading and not as hedging instruments.

The following table shows the fair value of derivative financial instruments, recorded as net assets or liabilities on an individual contract basis, together with their underlying principal.

Derivative financial instruments – held for trading	Assets €'000	Liabilities €'000	Nominal value '000
Balance at 31 December 2021			
Forward foreign exchange contracts – NOK	–	–	NOK 0
Forward foreign exchange contracts – GBP	–	222	GBP 18,000
Forward foreign exchange contracts – USD	31	525	USD 38,000
Forward foreign exchange contracts – SEK	41	–	SEK 40,000
Forward foreign exchange contracts – CHF	–	73	CHF 3,500
Forward foreign exchange contracts – DKK	–	8	DKK 140,000
Total financial instruments held for trading	**72**	**828**	
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**	

14. OTHER FINANCIAL ASSETS AND LIABILITIES

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

Other financial assets	2021 €'000	2020 €'000
Designated at fair value through profit or loss		
– Debt securities	751,022	752,315
– Equity securities	213,253	192,726
Total financial assets designated at fair value through profit and loss	**964,275**	**945,041**
Loans and receivables		
– Loans to local authorities	11,830	13,968
– Deposits with credit institutions	20,020	59,864
Total loans and receivables at amortised cost	**31,850**	**73,832**
Total other financial assets	**996,125**	**1,018,873**

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

Determination of Fair Value and the Fair Value Hierarchy

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

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

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

- Level 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

14. 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 Levels A to C based on the degree to which the fair value is observable.

Fair value hierarchy 2021	Level A €'000	Level B €'000	Level C €'000	Total fair value €'000
Derivative financial assets	–	72	–	72
Financial assets designated at fair value through profit or loss				
– Debt securities	696,012	31,980	23,030	751,022
– Equity securities	138,774	74,478	1	213,253
Loans and receivables				
– Loans to local authorities	–	–	11,830	11,830
– Deposits with credit institutions	–	–	20,020	20,020
Total assets	**834,786**	**106,530**	**54,881**	**996,197**
Derivative financial liabilities	–	828	–	828
Total liabilities	**–**	**828**	**–**	**828**

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**

Notes to the Financial Statements

14. 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	2021 €'000	2020 €'000
Balance at 1 January	100,983	64,482
Transfer from Level B	–	27,150
Movement in loans and receivables	(41,982)	9,351
Movement in fair value	(4,120)	–
Balance at 31 December	**54,881**	**100,983**

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 in 2020 (see Note 34).

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:

	2021		2020	
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	23,030	–	27,150	–
– Equity securities	1	(1)	1	(1)
– Loans and receivables	31,850	–	73,832	–
Balance at 31 December	**54,881**	**(1)**	**100,983**	**(1)**

15. INSURANCE ASSETS

Insurance assets relate to retro-rated premiums that may become due from customers. Retro-rated premium arises where certain customers pay a minimum level of premium for a particular underwriting year but may be subject to further levels of premium depending on the claims experience for that underwriting year. Additional premium may not become payable for a number of years until claims fully develop for the underwriting year in question. The reduction in the insurance asset in 2021 is mainly due to buy-outs of retro-rated policies and favourable claims experiences leading to a lower than projected accrual.

Insurance assets	2021 €'000	2020 €'000
Insurance assets – retro-rated premiums	7,931	22,800

16. INSURANCE CONTRACT LIABILITIES AND REINSURANCE ASSETS

(a) Analysis of the Insurance Contract Liabilities

Contract liabilities	2021 Insurance contract liabilities €'000	2021 Reinsurance assets €'000	2021 Net €'000	2020 Insurance contract liabilities €'000	2020 Reinsurance assets €'000	2020 Net €'000
Projected outstanding case reserves	477,536	27,805	449,731	487,310	36,153	451,157
Projected IBNR	(425)	4,496	(4,921)	8,967	4,861	4,106
Projected future unallocated loss adjustment expenses	36,571	–	36,571	30,617	–	30,617
Provision for reinsurance bad debts	–	(473)	473	–	(454)	454
Provision for adverse development						
– Margin for uncertainty	78,627	6,124	72,503	81,134	7,959	73,175
– Expected value of binary event provision	10,500	9,000	1,500	14,000	12,500	1,500
Outstanding claims provision	**602,809**	**46,952**	**555,857**	**622,028**	**61,019**	**561,009**
Provision for unearned premiums	20,329	57	20,272	18,841	–	18,841
Provision for adverse development						
– Margin for uncertainty	3,049	–	3,049	2,826	–	2,826
Unearned premium reserve	**23,378**	**57**	**23,321**	**21,667**	**–**	**21,667**
Total contract liabilities	**626,187**	**47,009**	**579,178**	**643,695**	**61,019**	**582,676**

Notes to the Financial Statements

16. Insurance Contract Liabilities and Reinsurance Assets

(b) Movement in the Gross and Reinsurance Claims Provision

Movements in gross outstanding claims provision	2021 €'000	2020 €'000
Carrying amount at 1 January	**622,028**	**577,881**
Claim losses and expenses incurred in the current year	117,758	142,610
Decrease in estimated claim losses and expenses incurred in prior years	(54,303)	(39,700)
Change in binary yield provision	(3,500)	12,000
Incurred claims losses and expenses	**59,955**	**114,910**
Less		
Payments made on claims incurred in the current year	(5,682)	(4,965)
Payments made on claims incurred in prior years	(73,492)	(65,798)
Claims payments made in the year	**(79,174)**	**(70,763)**
Carrying amount at 31 December	**602,809**	**622,028**

Movements in outstanding reinsurance claims provision	2021 €'000	2020 €'000
Carrying amount at 1 January	**61,019**	**42,878**
Claim losses and expenses incurred in the current year	7,493	12,782
Decrease in estimated claim losses and expenses incurred in prior years	(6,031)	146
Change in binary yield provision	(3,500)	11,500
Incurred claims losses and expenses	**(2,038)**	**24,428**
Less		
Recoveries received on claims incurred in the current year	(668)	(1,008)
Recoveries received on claims incurred in prior years	(11,361)	(5,279)
Recoveries on claim payments	**(12,029)**	**(6,287)**
Carrying amount at 31 December	**46,952**	**61,019**

(c) Provision for Unearned Premiums

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

Provision for unearned premiums	2021 €'000	2020 €'000
Carrying amount at 1 January	**21,667**	**22,660**
Gross premium written during the year	138,310	144,134
Gross premium earned during the year	(136,599)	(145,127)
Changes in unearned premium recognised as income/(expense)	**1,711**	**(993)**
Carrying amount at 31 December	**23,378**	**21,667**

(d) Assumptions

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

17. OTHER PROVISIONS

Other provisions	2021 €'000	2020 €'000
Carrying amount at 1 January	**8,742**	**–**
COVID-19 premium rebates provided in the year	21,913	20,073
Net amounts paid	(8,914)	(11,331)
Carrying amount at 31 December	**21,741**	**8,742**

18. INSURANCE RECEIVABLES

Debtors arising out of insurance operations	2021 €'000	2020 €'000
Due from policyholders	5,628	5,763
Total current receivables	**5,628**	**5,763**

19. REINSURANCE RECEIVABLES

Debtors arising out of insurance operations	2021 €'000	2020 €'000
Due from reinsurers	3,997	2,232
Total current receivables	**3,997**	**2,232**

Notes to the Financial Statements

20. Other Receivables
21. Prepayments and accrued income
22. Cash and Cash Equivalents

20. OTHER RECEIVABLES

Other receivables	2021 €'000	2020 €'000
Other receivables	68	58
Investments trade in transit	648	–
Total	**716**	**58**

21. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income	2021 €'000	2020 €'000
Retrospective premium receivable	890	915
Interest on debt securities	2,946	3,202
Interest on cash and cash equivalents	(134)	(67)
Accrued property rental income	24	2
Dividends receivable	3	14
Accrued income – real estate funds	–	10
Other accrued income	521	378
Prepayments	1,010	942
Total	**5,260**	**5,396**

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2021 €'000	2020 €'000
Cash at banks and on hand	106,238	58,866
Short-term deposits	109,144	104,538
Total	**215,382**	**163,404**

Movement in cash and cash equivalents	2021 €'000	2020 €'000
Balance at beginning of reporting year	163,404	161,280
Balance at end of reporting year	215,382	163,404
Increase in cash and cash equivalents	**51,978**	**2,124**

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 incur interest at the respective short-term deposit rates.

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

23. DEFERRED TAX ASSETS

Deferred tax assets	2021 €'000	2020 €'000
Balance at 1 January	129	144
Income statement	–	(15)
Balance at 31 December	**129**	**129**
Temporary differences on property, plant and equipment	129	129
Balance at 31 December	**129**	**129**

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

24. INSURANCE PAYABLES

Insurance payables	2021 €'000	2020 €'000
Due to policyholders	7,349	6,555
Due to reinsurers	1,013	787
Total	**8,362**	**7,342**

The insurance payables due to policyholders mainly relates to COVID 19 rebates payable and insurance renewals paid in advance of renewal date.

25. Trade and Other Payables
26. Accruals
27. Pension Costs

25. TRADE AND OTHER PAYABLES

Trade and other payables	2021 €'000	2020 €'000
Trade creditors	2,220	920
Prepayment – property rental income	1,131	934
Dividend payable	31,741	43,764
Social Dividend payable	1,777	1,971
Short-term employee benefits	3,493	3,484
Amounts due to brokers on investment purchases	311	–
Member escrow balances	2,362	3,008
Tax and social welfare	478	474
Total	**43,513**	**54,555**

Tax and social welfare		
– PAYE	310	308
– PRSI	157	145
– VAT	11	21
Total	**478**	**474**

26. ACCRUALS

Accruals	2021 €'000	2020 €'000
Operating and other expenses	2,063	1,408
Total	**2,063**	**1,408**

27. PENSION COSTS

The company participates in a defined contribution pension scheme.

2021 employer contributions for the employees' defined contribution pension scheme amounted to €1.211m (2020: €1.165m). There were no outstanding pension contributions at 31 December 2021 (2020: nil).

28. CAPITAL MANAGEMENT

The Central Bank of Ireland (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 over the short, medium and long-term horizon. 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 2021 the company paid €25.0m of a Retained Earnings Distribution. The total now paid is €180.0m of €205m. The balance of €25m will be paid over to members in 2022. The company also paid a Members' dividend of €18.9m and will be paying a Members' dividend of €6.8m in 2022.

Members' Distribution Policy

The payment of a distribution in any year is at the sole discretion of the Board, with a requirement for recommendation to the Members of any distributions determined as final in a particular period. Payment in any one year does not entitle Members to payment in subsequent years. Any proposed dividend payment must, prior to payment, be made known to the Central Bank and must be acknowledged without objection by the Central Bank. 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 it is satisfied that the underwriting loss does not impact the current or future solvency of the business in a material way and where it has been notified to the Central Bank of Ireland.
- To ensure certainty on the amount of any Member Commercial Dividend payable the amount payable is confirmed based on the surplus after tax generated in the period and payable 12 months post-confirmation. For example: in Year 1, if IPB records a surplus after tax of €10m, a Member Commercial Dividend of €4m (i.e. 40% of the surplus after tax for the period) is confirmed in April of Year 2 and is payable in April Year 3. In this scenario Members and all other stakeholders have certainty as to the Member Commercial Dividend in Year 2 when they are compiling their budgets for Year 3. The same process is repeated annually.

Retained Earnings Distributions

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

29. RISK MANAGEMENT

The company recognises the critical importance of effective and efficient risk management. In accordance with the company's policies, key management personnel have primary responsibility for the effective identification, measurement, management, monitoring and reporting of 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 and Operating Limits. 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 becoming 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	2021 €'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	119,535	
One year later		97,518	85,313	79,462	93,603	93,057	119,315	109,530	115,883	127,826	136,053	115,655	–	
Two years later		95,077	75,842	81,719	85,311	95,578	113,652	110,208	111,692	123,428	126,827	–	–	
Three years later		84,027	88,753	72,673	79,526	96,998	110,016	108,917	105,686	115,229	–	–	–	
Four years later		77,195	78,138	68,374	78,849	95,933	128,177	104,682	100,382	–	–	–	–	
Five years later		75,101	76,007	68,200	78,388	94,589	122,085	100,824	–	–	–	–	–	
Six years later		68,801	72,670	67,456	78,056	92,041	122,317	–	–	–	–	–	–	
Seven years later		61,059	71,833	67,203	78,018	89,682	–	–	–	–	–	–	–	
Eight years later		59,768	72,773	67,217	78,148	–	–	–	–	–	–	–	–	
Nine years later		59,523	73,027	66,549	–	–	–	–	–	–	–	–	–	
Ten years later		57,924	70,923	–	–	–	–	–	–	–	–	–	–	
Eleven years later		58,216	–	–	–	–	–	–	–	–	–	–	–	
Ultimate claims losses incurred	**1,044,555**	**58,216**	**70,923**	**66,549**	**78,148**	**89,682**	**122,317**	**100,824**	**100,382**	**115,229**	**126,827**	**115,655**	**119,535**	**2,208,842**
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)	(5,682)	
One year later		(24,301)	(13,396)	(12,008)	(15,599)	(15,729)	(19,411)	(16,915)	(15,314)	(18,276)	(18,623)	(14,621)	–	
Two years later		(32,435)	(22,552)	(20,736)	(25,709)	(25,231)	(30,128)	(28,990)	(26,963)	(29,735)	(28,649)	–	–	
Three years later		(41,213)	(31,856)	(30,948)	(34,249)	(36,628)	(42,178)	(40,393)	(38,086)	(41,613)	–	–	–	
Four years later		(47,073)	(39,578)	(38,348)	(44,358)	(51,820)	(60,805)	(48,348)	(48,929)	–	–	–	–	
Five years later		(51,501)	(45,794)	(45,602)	(52,866)	(62,192)	(70,717)	(56,672)	–	–	–	–	–	
Six years later		(54,582)	(50,233)	(49,859)	(58,528)	(67,329)	(75,329)	–	–	–	–	–	–	
Seven years later		(51,288)	(53,558)	(52,568)	(61,388)	(73,439)	–	–	–	–	–	–	–	
Eight years later		(52,289)	(55,753)	(53,837)	(63,343)	–	–	–	–	–	–	–	–	
Nine years Later		(53,982)	(56,416)	(54,960)	–	–	–	–	–	–	–	–	–	
Ten years later		(54,543)	(64,258)	–	–	–	–	–	–	–	–	–	–	
Eleven years later		(54,947)	–	–	–	–	–	–	–	–	–	–	–	
Cumulative payments to date	**(1,023,591)**	**(54,947)**	**(64,258)**	**(54,960)**	**(63,343)**	**(73,439)**	**(75,329)**	**(56,672)**	**(48,929)**	**(41,613)**	**(28,649)**	**(14,621)**	**(5,682)**	**(1,606,033)**
Total gross non-life insurance outstanding claims provisions per the Statement of Financial Position	**20,964**	**3,269**	**6,665**	**11,589**	**14,805**	**16,243**	**46,988**	**44,152**	**51,453**	**73,616**	**98,178**	**101,034**	**113,853**	**602,809**

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	2021 €'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	110,527	
One year later		78,939	83,745	73,965	87,827	89,712	108,555	103,004	112,858	124,316	123,955	105,456	–	
Two years later		78,204	71,266	75,233	82,695	91,795	104,216	103,550	108,566	117,393	116,134	–	–	
Three years later		65,020	77,436	68,227	76,924	93,308	101,065	102,053	101,150	110,347	–	–	–	
Four years later		60,158	69,885	63,607	76,467	91,565	100,694	97,155	96,621	–	–	–	–	
Five years later		58,244	65,836	63,538	76,075	90,736	94,787	93,854	–	–	–	–	–	
Six years later		51,720	62,340	62,906	75,748	88,431	95,506	–	–	–	–	–	–	
Seven years later		51,951	61,636	62,699	75,301	86,378	–	–	–	–	–	–	–	
Eight years later		50,884	62,685	62,434	75,639	–	–	–	–	–	–	–	–	
Nine years later		50,664	62,616	61,975	–	–	–	–	–	–	–	–	–	
Ten years later		49,308	61,795	–	–	–	–	–	–	–	–	–	–	
Eleven years later		49,624	–	–	–	–	–	–	–	–	–	–	–	
Ultimate claims losses incurred	**877,149**	**49,624**	**61,795**	**61,975**	**75,639**	**86,378**	**95,506**	**93,854**	**96,621**	**110,347**	**116,134**	**105,456**	**110,527**	**1,941,005**
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)	(5,221)	
One year later		(12,659)	(9,796)	(10,883)	(13,780)	(14,066)	(16,299)	(13,238)	(13,581)	(15,925)	(15,078)	(9,957)	–	
Two years later		(19,340)	(20,625)	(19,048)	(23,723)	(23,036)	(26,706)	(24,512)	(24,615)	(27,091)	(24,054)	–	–	
Three years later		(28,169)	(29,864)	(28,818)	(32,263)	(34,439)	(38,634)	(34,545)	(35,678)	(38,091)	–	–	–	
Four years later		(33,355)	(37,562)	(35,878)	(42,371)	(49,438)	(51,860)	(42,599)	(46,269)	–	–	–	–	
Five years later		(37,770)	(43,777)	(42,367)	(50,879)	(59,329)	(60,062)	(50,893)	–	–	–	–	–	
Six years later		(40,851)	(48,216)	(46,454)	(56,541)	(64,345)	(64,634)	–	–	–	–	–	–	
Seven years later		(42,812)	(51,540)	(49,083)	(59,401)	(70,454)	–	–	–	–	–	–	–	
Eight years later		(43,909)	(53,731)	(50,353)	(61,356)	–	–	–	–	–	–	–	–	
Nine years Later		(45,602)	(54,384)	(51,476)	–	–	–	–	–	–	–	–	–	
Ten years later		(46,163)	(56,451)	–	–	–	–	–	–	–	–	–	–	
Eleven years later		(46,567)	–	–	–	–	–	–	–	–	–	–	–	
Cumulative payments to date	**(859,726)**	**(46,567)**	**(56,451)**	**(51,476)**	**(61,356)**	**(70,454)**	**(64,634)**	**(50,893)**	**(46,269)**	**(38,091)**	**(24,054)**	**(9,957)**	**(5,221)**	**(1,385,148)**
Total gross non-life insurance outstanding claims provisions per the Statement of Financial Position	**17,423**	**3,057**	**5,344**	**10,499**	**14,283**	**15,924**	**30,872**	**42,961**	**50,352**	**72,256**	**92,080**	**95,499**	**105,306**	**555,857**

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 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, monitored, and managed. The company employs appropriately qualified and experienced personnel to manage the investment portfolio. Assets held to cover insurance liabilities are invested in a manner appropriate to the nature and duration of the insurance liabilities.

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

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

Currency risk

Currency risk relates to the sensitivity of the value of assets and liabilities to changes in currency exchange rates. The company's liabilities are mostly denominated in euro. The company holds investment assets in foreign currencies, which gives rise to exposure to exchange rate fluctuations. The company is only exposed to high-quality currencies including British Pounds (GBP), Danish Krone (DKK), US Dollars (USD), Norwegian Krone (NOK), Swiss Francs (CHF) and Swedish Krona (SEK). Currency risk is mitigated using currency forward contracts.

Notes to the Financial Statements

29. 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 2021	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
British Pounds (GBP)	23,053	21,365	1,688
Norwegian Krone (NOK)	3,028	–	3,028
Danish Krone (DKK)	15,469	18,825	(3,356)
Swedish Krona (SEK)	2,758	3,885	(1,127)
Swiss Francs (CHF)	4,283	3,379	904
US Dollars (USD)	37,962	33,337	4,625
Canadian Dollars (CAD)	–	–	–
Total	**86,553**	**80,791**	**5,762**

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**

The net foreign exchange exposure after currency hedges is €5.8m (2020: €4.2m)

Interest rate risk

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

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

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	2021 €'000	2020 €'000
Debt securities		
– Irish Government fixed-interest bonds	91,477	80,959
– Other government fixed-interest bonds – eurozone	277,368	275,079
– Other government fixed-interest bonds – non-eurozone	45,685	51,825
– Corporate bonds	234,243	227,750
Total	**648,773**	**635,613**

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.

		2021		2020
Investments analysis	**Market value €000's**	**Weighted average interest rate %**	**Market value €'000**	**Weighted average interest rate %**
In one year or less	117,843	0.66	48,549	1.34
In more than one year, but less than two years	109,300	0.66	100,206	0.79
In more than two years, but less than three years	72,140	0.43	113,288	0.69
In more than three years, but less than four years	90,502	0.79	59,501	0.59
In more than four years, but less than five years	93,673	0.36	77,595	1.19
More than five years	165,315	3.73	236,474	2.91
Total	**648,773**	**1.39%**	**635,613**	**1.64%**

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 assets and liabilities.

Notes to the Financial Statements

29. 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 2020 to 2021	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								
2021	128,595	125,657	279,725	117,850	–	–	99,195	751,022
2020	162,493	153,577	277,157	57,374	–	–	101,714	752,315

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 detriment 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.

Notes to the Financial Statements

29. Risk Management

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 is 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.

2021	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	751,022	–	–	–	–	751,022
Other investments	213,253	–	–	–	–	213,253
Reinsurance assets (outstanding claims and receivables)	49,780	–	1,068	–	101	50,949
Loans and receivables	31,850	–	–	–	–	31,850
Insurance receivables	4,245	728	93	420	142	5,628
Total	**1,050,150**	**728**	**1,161**	**420**	**243**	**1,052,702**

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**

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 reinsurance debtor provision below is included in the claims outstanding balance, whereas the other debtors balance is included in insurance receivables.

Bad debt provisions	2021 €'000	2020 €'000
Reinsurance debtors	473	454
Other debtors	82	82
Total	**555**	**536**

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 reinsurer credit 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 2021	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Derivative financial instruments assets	–	–	31	41	–	–	72
Equity securities	2,070	11,479	32,075	33,031	2,867	131,731	213,253
Investment property	–	–	–	–	–	88,930	88,930
Reinsurance assets (outstanding claims and receivables)	–	27,248	24,302	–	–	(601)	50,949
Loans and receivables	–	–	10,020	10,000	–	11,830	31,850
Insurance receivables	–	–	–	–	–	5,628	5,628
Cash and cash equivalents	–	–	165,046	50,336	–	–	215,382
Total	**2,070**	**38,727**	**231,474**	**93,408**	**2,867**	**237,518**	**606,064**

Notes to the Financial Statements

29. Risk Management

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**

Where several ratings are available for a given credit exposure, the second-highest rating available 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.

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 2021 in the case of index-linked bonds. Amortising bonds are stated at their nominal value as at 31 December 2021 in their final year of maturity. Coupon payments are not reflected. Equity securities are assumed to have no maturity date.

Notes to the Financial Statements

29. Risk Management

- Insurance contract liabilities – maturity profiles are determined based on the 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) 2021	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	72	72	–	–	–	72
Financial assets at fair value through profit or loss						
– Debt securities	751,022	122,100	424,416	140,950	32,365	719,831
– Equity securities	213,253	–	–	–	213,253	213,253
Loans and receivables						
– Loans to local authorities	11,830	2,206	7,316	2,510	–	12,032
– Deposits with credit institutions	20,020	10,020	10,068	–	–	20,088
Insurance assets	7,931	1,864	4,537	1,539	–	7,940
Reinsurance assets						
– Claims outstanding	46,952	16,151	23,523	7,278	–	46,952
– Debtors	9,625	9,625	–	–	–	9,625
Other receivables	716	716	–	–	–	716
Cash and cash equivalents	215,382	215,247	–	–	–	215,247
Total	**1,276,803**	**378,001**	**469,860**	**152,277**	**245,618**	**1,245,756**
Financial liabilities						
Insurance contract liabilities						
– Claims outstanding	602,809	148,894	341,190	112,122	–	602,206
Derivative financial instruments	828	663	–	–	–	663
Insurance payables	8,362	8,362	–	–	–	8,362
Trade and other payables	43,513	43,379	–	–	–	43,379
Accruals	2,063	2,063	–	–	–	2,063
Total	**657,575**	**203,361**	**341,190**	**112,122**	**–**	**656,673**

Notes to the Financial Statements

29. Risk Management

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	32,273	703,616
– 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**	**224,999**	**1,226,895**
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	54,488	–	–	–	54,488
Accruals	1,408	1,408	–	–	–	1,408
Total	**685,996**	**210,700**	**359,532**	**115,697**	**–**	**685,929**

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.

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 among 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: As the country begins to move on from COVID-19, IPB can conclude that the pandemic was well managed across the company from an operational, underwriting, investments and Member service perspective. From a business continuity and operational resilience perspective IPB successfully navigated the operational challenges attached to remote working over the last two years and ensured continuity of service to Members and policyholders. From an underwriting perspective 2020 and 2021 were positive years with the claims impact from COVID-19 not being as severe as initially envisaged. In support of our policyholders IPB did recognise and deliver on positive COVID-19 insurance implications (e.g. decreased footfall and therefore trips and slips) in premium rebates to policyholders during 2020 and 2021. There were some challenges regarding the 2022 reinsurance renewal as the Company experienced a hardening in price and restrictions in cover in certain scenarios however this was successfully delivered upon. The investment portfolio was closely managed over the last two years with initial negative movements in the investment portfolio in 2020 fully reversed and significant gains achieved. Looking forward IPB will continue to deliver on its services to Members and policyholders alike as staff return to the office under a new hybrid working model.
- War in Ukraine: The geopolitical situation in Eastern Europe intensified in February 2022 with Russia's invasion of Ukraine (after the date of these financial statements). In addition to the human toll and impact on Ukrainian economy and infrastructure and on the Russian and Belarussian economies due to economic sanctions, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption. There is no direct exposure from IPB's perspective in terms of insurance risk or direct investment assets in Ukraine or Russia but there is uncertainty for 2022 and beyond due to the overall global macroeconomic impact.

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.

Notes to the Financial Statements

29. Risk Management

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 2021.
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		2021 €'000	2020 €'000
Underwriting risk	5.00%	(5,358)	(5,933)
Currency risk	10.00%	576	417
Currency risk	-10.00%	(576)	(417)
Interest rate risk	1.00%	(9,721)	(18,580)
Interest rate risk	-0.25%	2,741	5,165
Equity risk	10.00%	21,325	19,273
Equity risk	-10.00%	(21,325)	(19,273)

Notes to the Financial Statements

29. Risk Management

Sensitivity analysis Impact on equity		2021 €'000	2020 €'000
Underwriting risk	5.00%	(4,688)	(5,190)
Currency risk	10.00%	504	364
Currency risk	-10.00%	(504)	(364)
Interest rates	1.00%	(8,506)	(16,258)
Interest rates	-0.25%	2,398	4,519
Equity risk	10.00%	18,659	16,864
Equity risk	-10.00%	(18,659)	(16,864)

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 2021	Change in assumptions (note 29)	Increase in gross technical reserves €'000	Estimated increase in net technical reserves €'000	Impact on profit before tax €'000	Reduction in equity €'000
Third-party liability and other	10.00%	544	435	(435)	(381)
Motor	10.00%	536	429	(429)	(375)
Fire and other damage to property	10.00%	21	17	(17)	(15)
Total		**1,101**	**881**	**(881)**	**(771)**

Sensitivity analysis 2020	Change in assumptions (note 29)	Increase in gross technical reserves €'000	Estimated increase in net technical reserves €'000	Impact on profit before tax €'000	Reduction in equity €'000
Third-party liability and other	10.00%	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)**

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 long-term impact of the new Personal Injury Guidelines on the cost of claims.
- The possible emergence of new types of latent claims that are not allowed for in the projections.

Notes to the Financial Statements

29. Risk Management
30. Lease Commitments
31. Contingencies and Regulations

- 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.

30. LEASE COMMITMENTS

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

Analysis of lease commitments	2021 €'000	2020 €'000
Within 1 year	1,302	1,302
Between 1-5 years	5,209	5,209
After 5 years	8,682	9,984

31. 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.

Notes to the Financial Statements

32. Related Party Disclosures
33. Corporate Social Engagement
34. Ulster Bank Ireland DAC Valuation

32. 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 2021 and 2020 compensation entitlements of the Board of Directors is provided in Note 7(b). There were no loans outstanding between the company and its Directors at any time during the financial year nor is it the policy of the company to engage in such transactions.

Loans to Local Authorities

The company 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 €2.2m (2020: €2.5m). Loan balances outstanding at year end amounted to €11.8m (2020: €13.9m).

All loans were issued unsecured and with interest rates at normal commercial terms. During the period, interest income on these loans totalled €0.1m (2020: €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 2021.

Members

The percentage of total gross premiums written with Members in 2021 was 76% (2020: 79%). Please refer to page 147 for details of our Members.

33. CORPORATE SOCIAL ENGAGEMENT

During 2021 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.

34. ULSTER BANK IRELAND DAC VALUATION

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

IPB have held Ulster Bank Ireland DAC (UB) perpetual bonds for the past 24 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 its 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 was 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 judgement 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 19,673,703 units at a par value of 100 and a total par value of €19.67m (or €100 per 100 units). The perpetual coupon rate on the bond is 11.375% and they are ultimately redeemable at par on the wind-up of UB. An independent valuation was provided to IPB and the market value of the units was assessed to be €170.50 (per 100 units) as of the 31 December 2020 resulting in a total market value of €33.54. 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.

As at 31 December 2020, 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 estimated the market value of the units to be €138.00 (per 100 units) as at 31 December 2020. The downward impact of this revision to the carrying value of the units as at 31 December 2020 was €32.50, thereby reducing the total market value by €6.39m from €33.54m to €27.15m.

The company's Management have reassessed the valuation of this holding based on the latest market information, which indicates to Management that UB is likely to be wound up within 18 months. This assumption drives the valuation assessment as at 31 December 2021 and determined the market value of the units to be €117.06 (per 100 units) as at 31 December 2021. The downward impact of this revision to the carrying value of the units as at 31 December 2021 was €20.94, thereby reducing the total market value by €4.12m from €27.15m to €23.03m.

Given the material nature of this event, the company is disclosing and adjusting for its impact. The reductions in the market values have been fully reflected in the market values as at 31 December 2020 and 31 December 2021. These valuations are based on the company's view that it was appropriate to revise the market values downwards to reflect the impact of the market knowledge, insights and conditions that existed as at year-end 2020 and 2021 respectively.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2022.

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 and no local authority shall be capable of becoming a Member unless insured, or about to be insured, either against fire risk or employers' liability risk or in respect of any other risk normally insured against by the company and the act of insuring against any such risk is deemed to constitute Membership. If a local authority ceases to be insured against fire risk or employers' liability risk or in respect of any other risk normally insured against so that it is no longer insured with the company against any of such risks, it shall ipso facto immediately cease to be a Member. This also applies to the Regional Assemblies, Education and Training Boards and HSE legal entities to which the legislative provisions particular to local authorities per the Local Authorities (Mutual Assurance) Acts apply.

LEGAL STATUS OF THE COMPANY

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

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

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

LIST OF MEMBERS AT THE YEAR ENDED 31 DECEMBER 2021

COUNTY COUNCILS

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

EDUCATION TRAINING BOARDS

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

OTHER

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

GLOSSARY

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

Term	Definition
Binary events	The best estimate being the probability weighted average of future cash-flows, some weight has to be given to losses with low probability but high cost within the best estimate valuation
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.
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.
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.

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.
Unallocated Loss Adjustment Expense (ULAE)	all external, internal, and administrative claims handling expenses, including determination of coverage, that are not included in allocated loss adjustment expenses.
Unearned Premium	The portion of premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.

COMPANY INFORMATION

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

Solicitors
Arthur Cox
Solicitors
Earlsfort Centre
Earlsfort Terrace
Dublin 2

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

Company Registration Number
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Registered Office
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Grand Canal Harbour
Dublin D02 P820

OUR PEOPLE

40+ Years
Lorraine Scanlan
Caroline Young

35+Years
Jacinta Gill
Margaret O'Connor

30+Years
David Malone
Paddy Moran
Marian Weston

25+Years
Niamh Corrigan
Yvonne Loughran

20+Years
Fiona Carey
Maria Carroll
Brendan Mahady
Caroline Quinn
Anne Rice
Rory Walsh

10+Years
Louise Conlon
Frank Cunneen
Enda Devine
Peter Doyle
Alison Farrelly
Ann Feely
Dean Kelly
Conor McCourt
Graham Orr
Michelle Rice
Gerard Ryan
John Sheridan
Adam Sykes
Barry Wallace
Christine Waters

Up to 10 Years
Natasha Brady
Margaret Brennan
Diane Broderick
Colm Bryson
Alan Burke
Ciara Butler
Darragh Callaghan
Oisin Cannon
Neil Carmody
Fergus Carolan
Jerome Casserly
John Caulfield
James Cleary
Fiona Coloe
Maeve Condon
David Connolly
Mairead Conway
Fintan Corrigan
Sarah Coughlan
Richard Counihan
Greg Creevey
Nicola Cummins
Ciaran Dempsey
Aoife Dennedy
Gerry Denvir
Darren Devereux
Lesley Doyle
Cathy Doyle
Bojan Dunkic
David Dunne
Niamh Ebbs
Michelle Fahy
Gerard Fallon
Cathy Farragher
Aisling Farrell
Mary Farrell
Richard Fitzgerald
Colin Flood
Niall Foley
Joyce Foley
Alice Foley
Alan Foster
Yusuf Frih
Paschal Garrett
Michael Garvey
Emily Gavin
Harry Geraghty
Mark Gleeson
Eileen Griffin
Clara Hannon
Mark Hardy
Ivor Heavey
Julie Hunter
Amy Hurst
Aoife Jones
Shauna Kavanagh
Frank Kavanagh
Tom Keane
JJ Keane
Paul Kearns
David Kearns
Brian Kelleher
Nicola Kelly
Conor Kelly
Claire Kiernan
Liam Kilmartin
Alex Kitching
Quetili Lamperth
Adrian Leonard
Kamila Litwinowicz
Robert Love
Helen Lynch
Vincent Lyons
Sean Maguire
Conor Mahon
Dermot McInerney
Paul McMillan
Ann-Marie McPartlin
Evan Millar
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Robert Moore
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James Reid
Niamh Reilly
Colm Reilly
Katarzyna Rejmoniak
Deborah Royal
Padraig Sheehan
Anne-Marie Sheridan
James Smith
Laura Smith
Lizanne Sorohan
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