S&P Global
Ratings

Environmental, Social, And Governance Evaluation

IPB Insurance CLG

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Summary

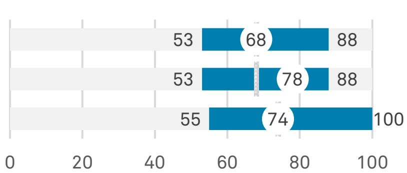
IPB Insurance CLG (IPB) is a mutual property and casualty insurance company headquartered in Ireland. It provides insurance products primarily to its 51 corporate members, who are also customers and include local authorities, education training boards, regional assemblies, and the health service executive. In 2021, the company underwrote services totaling a gross written premium (GWP) of €138.3 million, which consisted of third-party liability (64%), fire and other damage to property (22%), motor insurance (6%), and others (8%). IPB incorporates members' interests in its pricing strategy and product development through an internal modified community rating system that ensures there is an equitable approach to pricing across the member base. The company also commits to returning retained earnings and dividends where possible and in line with regulatory capitalization targets.

Our ESG evaluation of 76 reflects IPB's strong social profile, including advanced customer and community practices, supported by its mutual structure. The company is also making progress to formalize environmental and social practices in its investment portfolio and uses third-party ESG scores and internal desktop reviews to inform its investment decision-making. Furthermore, environmental and social underwriting exposure is managed better than many peers due to collaboration between IPB and members to reduce risks. Governance practices are in line with Irish standards and those for mutual companies, with IPB making improvements to its sustainability reporting in 2022.

IPB has a well-established collaborative company culture resulting in part from its mutual structure, which maintains a strong member focus and a sense of purpose to serve local communities. Furthermore, the company's close relationship with its members enables it to remain close to their needs, develop new products, and reduce exposure to disruptive trends. IPB is also making progress on embedding sustainability into its strategy and product offering.

ESG Profile Components (figures subject to rounding)

Entity-specific assessment			Sector/region analysis			Achieved and attainable scores
E (30%)	30	+	E (30%)	38	=	E
S (30%)	40	+	S (30%)	38	=	S
G (40%)	39	+	G (40%)	35	=	G

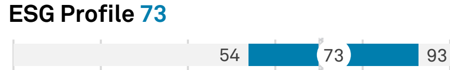


Entity within its primary sector/region

Entity's sectors/ regions versus all sectors/ regions

Min and max scores possible given sectors/regions. The gray line represents performance in line with industry standards.

ESG Profile 73



Preparedness +3

Low	Emerging	Adequate	Strong	Best in class

ESG Evaluation

76

A higher score indicates better sustainability. Figures subject to rounding.

Component Scores

Environmental Profile

Sector/Region Score	38/50
Greenhouse gas emissions	Good
Waste and pollution	Good
Water use	Good
Land use and biodiversity	Good
General factors (optional)	None
Entity-Specific Score	30/50
E-Profile (30%)	**68/100**

Social Profile

Sector/Region Score	38/50
Workforce and diversity	Strong
Safety management	Strong
Customer engagement	Strong
Communities	Strong
General factors (optional)	None
Entity-Specific Score	40/50
S-Profile (30%)	**78/100**

Governance Profile

Sector/Region Score	35/35
Structure and oversight	Good
Code and values	Good
Transparency and reporting	Good
Financial and operational risks	Neutral
General factors (optional)	None
Entity-Specific Score	39/65
G-Profile (40%)	**74/100**

ESG Profile (including any adjustments) **73/100**

Preparedness Summary

The sustainability of IPB's long-term strategy is facilitated by the company's mutual structure that ensures the board and day-to-day employees are focused on members, who are both customers and owners. The company also leverages its close relationship with its members to understand their needs when developing new product offerings, such as its development of cyber insurance, which has seen a large increase in uptake since the May 2021 cyberattack on the Irish health care system. Its awareness and assessment of risks are good, and we believe the company has low overall exposure to disruptive trends. Most risks are from potential new entrants in IPB's target market resulting in a weakening of competitive edge, which we view as very unlikely. Additionally, we note IPB is making progress on embedding sustainability into its long-term strategy and decision making.

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

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

ESG Evaluation **76**

Note: Figures are subject to rounding.

Environmental Profile

68/100

Sector/Region Score (38/50)

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

Entity-Specific Score (30/50)

Note: Figures are subject to rounding.

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

IPB's exposure to environmental issues through underwriting is relatively lower than that of peers and the company is making progress to formalize sustainability into its investment guidelines. Despite this, IPB is still developing environmental targets for its investment portfolio. This is constrained by the company still working to understand its financed emissions (scope 3).

We view the company's practices to manage its underwriting exposure as slightly better than the industry average. IPB engages with its members via its value-added support, providing step-by-step risk guides, practice risk assessment tools, videos, conference material, and a range of resources to help them implement an enterprise-wide approach to managing environmental issues, including carbon emissions, water, and waste. We view this engagement as advanced practice. In addition, IPB offers insurance products to help members manage their environmental footprint. For example, the company's "Build Back Better" scheme offers zero-cost extended insurance coverage as an incentive to rebuild damaged properties in a more environmentally efficient way. Although environmentally focused products represent a fraction of the company's insured portfolio, IPB continues to work with its members to identify sustainable products that could better meet their needs, with more expected to launch in 2023.

IPB's considerations of the environment in its investment management practices compare well with the industry average. The €1.3 billion investment portfolio (at year-end 2021) is mostly composed of sovereign debt but also includes corporate bonds, property, and equity securities. ESG issues are incorporated in investment decisions via qualitative assessments that are principle-based, with further tracking of third-party ESG scores. Furthermore, IPB conducts regular meetings with investee companies and external managers, which manage a small portion of its assets, to discuss their ESG progress. However, although IPB has updated its investment policy to include responsible investment considerations, the company is still working to develop a separate stand-alone responsible investment policy. We understand this would include more detailed guidelines and specific targets for IPB's portfolio, which more advanced peers have already done.

Although less material, the company is undertaking efforts to manage its own and the supply chain's environmental exposure. IPB tracks its own footprint through various metrics (such as direct greenhouse gas emissions and water use) and is considering energy efficiency improvements to some of its buildings. Furthermore, the company is developing a supplier assessment questionnaire to better understand its supply chain's environmental exposure.

Social Profile

78/100

Sector/Region Score (38/50)

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

Entity-Specific Score (40/50)

Note: Figures are subject to rounding.

Workforce and diversity	Safety management	Customer engagement	Communities	General factors
Strong	**Strong**	**Strong**	**Strong**	**None**

IPB's social profile benefits from its mutual status, where its customers are its owners, mainly the Irish local authorities. We view the company's exposure to social issues as below the industry average given its member-focused customer base and relatively small workforce in Ireland.

The company is committed to members' satisfaction and offers products and services that keep members' needs and risks in focus. We view IPB's customer management practices as above the industry average. It engages with members to help them identify and assess social risks, including workplace safety and child safeguarding, and provides risk management support. Furthermore, in 2022 it developed a module to help clients manage diversity and inclusion issues. This consistent engagement goes beyond average industry practice. As a mutual insurer, IPB is not profit-seeking and operates to serve its members, with profits returned to them where possible. In addition, the company ensures fair pricing treatment through an internal rating mechanism that rewards members who are taking action to address the underlying trends in claims frequency. IPB's customer-centric approach is evidenced by its high customer satisfaction rate of over 95% in the past five years (100% in 2021).

IPB has solid workforce engagement and communicates with its clients on employee and diversity issues. The company is ranked among the top places to work in Ireland and has adequate training and development programs to support employee engagement. This translates into a below-average turnover (5%-8%; compared with an industry average of 13%) in the past five years. We view positively IPB's efforts to understand under-represented groups in its workforce using an external platform and implementation of accommodation passports to help those with disabilities make their needs clear. However, IPB's female representation remains lower-than-average at senior levels. To tackle this, the board is implementing a diversity and inclusion strategy, which targets 30% women in senior management roles by 2023, and IPB is on track to achieve this (28% in September 2022). Furthermore, IPB incorporates workforce and diversity in its investment decisions, a practice that is becoming more common among peers.

IPB's community engagement activities help address community needs, including on safety issues. The company has developed strategic partnerships with members and local governments, helping deliver shared objectives in a more focused way. These partnerships have also led to improvements in community safety. For example, IPB collaborated with Galway City Council to redesign a pedestrian street experiencing notable claims from accidents. Following public realm improvements, no further claims have been received.

Governance Profile

74/100

Sector/Region Score (35/35)

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

Entity-Specific Score (39/65)

Note: Figures are subject to rounding.

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

IPB's board has a high level of attendance and members display a good mix of skills, but independence is limited, as is common with mutual insurance companies. The company's chair has been on the board for over 15 years, which limits his independence, in our view. However, there is a clear succession plan to ensure a smooth transition. Additionally, IPB appointed a new CEO in September 2022, who we expect to continue delivering on the company's long-term strategy and focus on serving its members. Besides the CEO and finance director, there are seven nonexecutive directors. Of these, four are former local council members, with the remaining three considered independent. We believe the board has an adequate mix of skills and view favorably that individuals' experience with county councils, which reflects the company's member base. Moreover, independence of mutual companies tends to be lower than their publicly listed counterparts. We view positively that 33% of board members are female, which is roughly in line with average for publicly listed companies in Ireland (31% of ISEQ20 in 2021), and attendance (100%) was higher than peers' in 2021.

The company's values to serve its members are well established and incentivised, but its code of conduct covers fewer topics than peers and does not extend to suppliers. Although executives do not receive any form of long-term incentive plan, we believe they are motivated by the company's mutual philosophy, as shown by often relatively long tenures. Furthermore, management's yearly bonus includes some ESG-related targets--including in sustainable finance, community engagement, and diversity--in line with best practice. IPB has a publicly available business code of conduct that applies to all employees. Although it was updated in 2022 to reflect the company's continued focus on sustainability, it remains slightly less detailed than those of some peers, for example, not including details on anti-money-laundering practices. Furthermore the code does not currently extend to suppliers.

IPB's financial reporting is in line with Irish peers', and it included key sustainability metrics in its 2021 annual report. Metrics reported include greenhouse gas emissions, although not those related to scope 3 investments, the percentage of female employees, and results of IPB's employee survey. The company also published its newly formed sustainability strategy in 2022, outlining its commitments to its members and to be a responsible insurer.

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

Preparedness Opinion

Adequate
(+3)

Preparedness	Low	Emerging	Adequate	Strong	Best in class

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

The company has a member-centric culture that, combined with its recent efforts to upgrade internal technological systems, helps it attract and retain talent. Analytical skills, such as data analytics, are becoming increasingly important in the insurance business to help understand and model claims patterns, and are often found in the private sector. Therefore, the company has made efforts to improve its systems to be in line with those of publicly listed insurance companies, so it can be considered a modern place to work by new employees.

IPB's board understands the disruptive risks that the company is exposed to, and its mutual status means overall exposure is low compared with that of publicly listed peers. Strong relationships with members reduce IPB's exposure to disruptive risks because the company is well aware of its members' needs. However, even if highly unlikely, IPB's business could be compromised if members sought insurance from the wider market, which could reduce its operating scale, making it less sustainable. The provision of insurance to nonmember entities provides a counterbalance to this risk while the company maintains its focus on members. IPB is also exposed to the risk of becoming an insurer of last resort, due to its mutual structure and reputation of upholding communities. Following the U.K.'s exit from the EU, Ireland's insurance capacity has decreased and the company has been identified externally to potentially take on this risk. Although this provides IPB with an opportunity for more business, some of these companies are not in line with its strict underwriting guidelines. The company is managing the risk of taking on this business well through dialogue between the board and local authorities. Furthermore, like other general insurers, it will become increasingly exposed to physical climate risks such as flood risk. However, only about 10% of IPB's net earned premiums are from property insurance, less than other general insurers, and it has adequate flood mapping capability, limiting this risk.

IPB's engagement with its members helps determine areas for new product development, supporting the company's sustainability. Good relationships with members help IPB remain aware of their evolving needs for new insurance products like cyber insurance. Although at the time of product development, employees did not have the skillset to offer the product, management took sufficient actions to upskill the workforce. Uptake from members has increased since the cyberattack on the Irish health service in May 2021, which highlighted the need for cyber insurance. The company also has some measures to improve the sustainability of its products, such as its "Build Back Better" scheme for property insurance. IPB is working to integrate sustainability further into its offering, with additional covers and products expected to be launched in 2023.

Appendix

Sector And Region Risk

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

Sector Risk Summary

Environmental exposure

The insurance sector mostly faces the risk of more claims and indirect exposure from investment activities, balanced with its low use of physical infrastructure and facilities as part of its direct activities. Insurers are primarily service providers that produce low greenhouse gas emissions and pollution, with little land and water usage, even if their rising use of IT services (digitization, cloud computing, and big data) is increasing CO2 emissions. However, the insurance industry is exposed to the increasing frequency and severity of extreme weather events, which push up the cost of related insurance claims. Natural catastrophe claims typically represent only 2%-3% of total global insurance claims but are more material for specialist catastrophe risk reinsurers. However, in recent years, we have witnessed prolonged, elevated catastrophe claims related to weather events: for example hurricanes Harvey, Irma, and Maria in 2017; Japanese typhoons Faxai and Hagibis in 2018; Hurricane Dorian in 2019, as well as the spate of secondary perils in recent years such as the U.S. and Australian wildfires. The sector is also exposed to the potential additional cost of health care claims related to air, water, or soil pollution. A strong mitigating factor is that insurers typically can reprice non-life insurance contracts annually. Finally, as some of the largest investors in the world, insurers are financially at risk if the value of companies they invest in becomes depressed because of environmental risks. However, they usually have well-diversified investment portfolios, and many of the largest rated insurers globally are proactively building/acquiring tools to assess climate risks (transition risks, 1.5° alignment risks, physical risks) to reduce their investment exposure to environmental risks.

Social exposure

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

Appendix

Regional Risk Summary

Ireland

Ireland has strong institutions and rule of law, with free flows of information throughout society and open debate on policy decisions. Checks and balances between institutions are generally effective. In addition to the Companies Act 2014, corporate governance best practices are based on the Irish Stock Exchange (ISEQ) listing rules. These require listed companies to comply or explain their adherence to the UK Corporate Governance Code, complemented by the Irish Corporate Governance Annex, requiring further specifics on disclosure matters and remuneration. Irish companies operate under a one-tier board system, with annual director elections. The separation of CEO and chair roles is recommended, and boards should be at least 50% independent. Listing rules also require ESG reporting in line with the Non-Financial Reporting Directive. In terms of board diversity, the government-backed Balance For Better Business initiative has set a target of 33% of women directors for the ISEQ 20 (top 20 listed companies) and 25% for all listed companies by 2023. The country ranks 13 of 180 on Transparency International's 2021 Corruption Perceptions Index.

Related Research

- "Environmental, Social, And Governance Evaluation: Analytical Approach," published September 20, 2022
- "The ESG Risk Atlas: Sector And Regional Rationales And Scores," published July 22, 2020
- "Our Updated ESG Risk Atlas And Key Sustainability Factors: A Companion Guide," published July 22, 2020
- "How We Apply Our ESG Evaluation Analytical Approach: Part 2," published June 17, 2020

This report does not constitute a rating action.