2022 Annual Report

Working together for a brighter future

As a mutual, our purpose is to safeguard and protect the insurable interests of our Members. We commit to being our Members trusted insurance partner providing peace of mind through tailored insurance products, effective risk management support, Member-focused solutions and equitable claims settlements. Our long-term sustainability will be assured through continued financial strength while focusing on excellence and continuously providing Members with value for money.

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Chair's Statement

George Jones

The anticipated boost from the opening of society in January last year was short lived. Global and geopolitical headwinds brought further socio-economic uncertainty primarily due to the emergence of the war in Ukraine. The combination of double digit inflation and counteractive measures delivered mainly through interest rate hikes have contributed to a cost of living crisis.

Our priority as always is to protect our Members evolving insurable risks particularly in volatile and challenging times. Housing continues to top the news and political agenda at national and local government levels. The scale of the housing challenge has become even more evident in the aftermath of the global pandemic and exacerbated further by the need for local authority coordination in accommodating those seeking international protection and refuge. Given the scale and complexity of the social and economic challenges Members face in addressing heightened public demand for public services, IPB must remain agile and responsive to address their evolving insurance and risk management needs.

Performance

Despite a strong underwriting performance, the global economic and geopolitical backdrop drove investment volatility which dramatically impacted our full year financial results. Throughout 2022, investment markets proved challenging, the increase in inflation and associated interest rate increases impacted returns and decreased the value of our bond portfolio.

This resulted in an investment loss of €88.5m and loss before tax of €55.4m, consequently overshadowing our excellent underwriting performance. That said, I am very pleased overall with our operational performance and note that we are well placed for a return to better investment performance due to a combination of favourable rates and recouping mark-to-market driven losses on bond valuations over the short to medium term.

Member Challenges

The scale of the challenges presented by the housing crisis, the Ukraine refugee emergency response and the current energy crisis cannot be overestimated. Currently, almost 75,000[1] Ukrainian refugees are resident in the State requiring urgent accommodation and a wide array of support services. The global pandemic seems a distant memory when considering current challenges.

There are concerns about the Draft Planning and Development Bill 2022

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following the review of the Planning and Development Acts 2000 to 2020. Local authorities have always played a central role in the planning process. The potential centralisation of the planning process poses a risk to further erosion of local government functions and services.

Our local authority Members are tasked with addressing the current emergency response in housing refugees from Ukraine as well as other jurisdictions. Under the Government's Housing for All plan an average target of 33,000 new homes per annum through to 2030 has been set. At the same time, key stakeholders in the housing market are facing supply chain issues, higher financing costs and a limited supply of skilled workers.

There are multiple challenges to the national response to the housing emergency. The Daft.ie full year 2022 report for residential property stated that advertised rents rose by 13.7% nationally, the second highest rise since the report launched in 2005. Additionally, access to rental properties is at an all-time low as smaller landlords leave the market and rental costs remain stubbornly high. The Central Bank of Ireland (Central Bank) forecasts housing output to reach 31,000 in 2024, with total units delivered between 2022 and 2024 being about 5,000 units lower than previously expected.

The feedback from Members following the 2022 annual survey demonstrates that they are not immune to the challenges faced by all organisations. The increased cost of energy and supply chain issues are a top three issue. Another resource challenge is the area of attracting and retaining talent. From an insurance perspective Members continue to rank cyber risk as their main concern.

Insurance Industry

The Personal Injury Guidelines (PIGs) appear to be having the desired effect of lowering costs for minor injury claims justifying the premium reductions given to our customers. We await the outcome of the legal challenges to the Guidelines and their application by the courts.

A key factor as to whether the Guidelines will succeed or not is the strict adherence by all stakeholders to the injury award levels. For the insurance industry, this will mean avoiding out of court settlements that exceed the Guidelines. Tolerance of litigated claims will be essential where claimants and their legal counsel feel a higher award may be possible in the courts.

There is no doubt the insurance reforms have resulted in a more positive environment for cost and availability. The challenges faced by small niche sectors in accessing insurance is less prevalent as capacity comes back to the market and insurer confidence returns.

Socio Economic Challenges

In looking at the Irish and wider global social and economic context, there can be no doubt that the past three years have been particularly challenging for Members in addressing one emergency after another. Local authority and ETB Members have been central to addressing the challenges presented by these national emergencies.

The October budget highlighted the impact of this uncertainty at home with €11 billion in additional spending aimed at limiting the impact of the cost-of-living crisis. Geopolitical issues persist closer to home but there is now some optimism with the brokering of an agreement between the EU and the UK. The Windsor Framework has since succeeded in passing a vote in the UK Parliament, however there remains significant hurdles to the reinstatement of the Northern Ireland Assembly.

Economic Outlook

Increases in productivity and labour force participation alongside reductions in skills gaps could maintain progress in delivering essential infrastructure needs in housing and transitioning to net zero, especially in a higher than anticipated inflation period.

The Central Bank forecasts[2] Modified Domestic Demand to achieve 3.1% growth this year followed by 2.9% in 2024 and 2.6% in 2025. The main reason cited for this period of stable economic growth is due to the resilience of the Irish economy. The CBI also expects a gradual restoration in household purchasing power as inflation is forecast to ease to 5% this year, falling to 3.2% in 2024.

Board Succession, Culture and Risk

IPB's Directors, in conjunction with the Central Bank, are committed to ensuring the optimum composition of the Board to manage delivery of IPB's strategic objectives. The establishment of succession pools for Group Non-Executive Director roles is essential to the process of securing regulatory support of IPB's Board composition.

In consultation with our regulatory representatives to ensure satisfaction with our endeavours, I am pleased to confirm that we have now concluded this phase of our succession planning particular to Group Non-Executive Director roles.

The process commenced in Q1 of last year where expressions of interest were sought from Nominees to participate in the selection process to appoint a Board Observer as part of the process to becoming a Group Non-Executive Director. The process concluded in May with the appointment of Cllr. Eddie Hoare as Observer to the Board. I want to acknowledge the commitment of all Nominees who participated in the process and to congratulate Cllr. Hoare on his appointment. Also in the second half of the year, the Board commenced a process of appointing a deputy Chair in furtherance of the Board's succession policy. Following a competitive selection process, I am pleased to announce that John Hogan was appointed to the role in December.

I am delighted that John Kearns joined IPB on 1st of September as Chief Executive Officer (CEO) and Executive Director. John has a long and distinguished career at executive leadership level in insurance in Ireland and the US. John previously worked at Sun Alliance and was Chief Executive of St. Paul (Ireland) before moving to the US serving in various insurance senior leadership roles including the mutual sector. Before joining IPB John was most recently at Berkley Mid-Atlantic where he served as President and more recently as Chair.

I would like to acknowledge the contribution of Michael Garvey, who retired on the 31st of August, following six very successful years at the helm of IPB. I want to thank Michael for his dedication and leadership particularly during the challenges presented by the global pandemic. Michael ensured that IPB transitioned to a remote working model overnight without any perceptible impact on operational performance. On behalf of the Board, Management, and staff, we wish him well in his retirement.

97th AGM

In response to Member Nominees requests to consider hosting our AGM in various locations reflecting the national profile of our Member organisations, we have taken the decision to host our annual meeting outside of Dublin for the first time in our history. The 97th AGM of IPB Insurance CLG will be held in Cork County Hall, courtesy of Cork County Council.

Sustainability

I am pleased to report that we have made positive advances in progressing our sustainability agenda. Following on from the publication of our Sustainability Strategy in 2021, last year the Board approved the establishment of a Board Committee on Sustainability, chaired by IPB Board Director John Clendennen. The decision to introduce a dedicated Board Committee underlines IPB's commitment not only to our regulatory obligations but our ambitions to become a truly sustainable business. The Sustainability Committee will oversee the implementation of IPB's Sustainability Strategy.

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Active Travel

We have partnered with our Members and key governmental stakeholders to enhance safety management through risk advisory support for active travel and wider public realm design. This is an area that has seen increased emphasis due to lifestyle changes during and in the aftermath of the pandemic and supports sustainable transport.

Diversity and Inclusion

I am pleased to report that we continued to progress our Diversity and Inclusion initiatives with our employees and externally in respect of D&I risk supports for Members. In July last year, IPB's Client Risk Management team published a Workplace Diversity, Equality and Inclusion risk circular as part of a wider suite of risk solutions for Members.

IPB signed up as a founding partner of VOICE (Valuing Openness, Inclusive Culture and Equity).

This new D&I framework for the insurance industry is led by inclusio, a globally leading D&I technology platform that will help track, measure and evidence our progress in D&I, enabling measurable culture change across the insurance sector. As an insurance industry collaboration tool, it will help benchmark our progress within the wider insurance industry. The inaugural campaign launched during IPB's Culture Week in January 2022 and the second annual campaign again launched in January 2023.

CSE

The Social Enterprise Development fund has proven very successful with over 100 social enterprises supported through financial and value-added supports. 2023 marks the sixth and final year of the fund, resulting in a total of €2.2 million invested by IPB, matched by the Department of Rural and Community Development funded from the Dormant Accounts Fund.

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I am pleased to report that in Q4 the Board approved a three year programme of social engagement initiatives, committing a further social dividend of €3 million to IPB's CSE fund. Over the past ten years, your mutual has invested over €12m towards initiatives designed and developed for the wider social good. The CSE fund supports social initiatives in areas strategically aligned to our Members including community, education, social enterprise and sport. The new three-year CSE programme will run through to 2025. The work we do in this area is due to our Members vote of support for our CSE initiatives. A key feature of our approach is ensuring that communities throughout all Member areas in the country benefit from the fund.

Conclusion

There is no doubt that since early 2020, Members have been tasked with responding to multiple emergencies. Local authority and ETB Members continue to address the current large-scale programme of work across housing, accommodation of Ukrainian refugees, construction of active travel infrastructure and increasing urgency regarding measures to address climate change. We are working closely with Members representatives to provide insurance and risk management solutions in support of their objectives across all of these areas.

In particular, active travel infrastructure development remains an area of focus for our Members. Our local authority Members are leading approximately 1,200 active travel projects, contributing to the development of almost 1,000km of new and improved walking and cycling infrastructure across the country by 2025. This includes the development of segregated cycle lanes and widened footpaths, new walking and cycling bridges, and new pedestrian crossings. The scale of this programme of work undoubtedly presents significant risk exposures as more people use these new public assets.

As a mutual insurer we have no shareholders who seek profit maximisation and return and this is an important aspect in how we conduct ourselves in dealing with our Members and all customers. The improving claims environment will result in better claims outcomes and lower premiums for our Members and customers. As Members' risk profile continues to evolve they can rest in the knowledge that their mutual insurer is proactively developing the appropriate solutions to maximise their protection.

Finally, I want to thank all our Member stakeholders, Nominees, Management and staff for their continued loyalty and support, demonstrated by an excellent collaborative working relationship built on long standing relationships and trust.

George Jones
Chair of the Board

1 CSO Arrivals From Ukraine In Ireland SERIES 9 24 February 2023.

2 Central Bank of Ireland Quarterly Bulletin No.1 2023.

Chief Executive's Review

John Kearns

Our performance in 2022 is a result of two contrasting financial outcomes ultimately resulting in a Loss Before Tax of €55.4m. Global market forces and associated geopolitical factors contributed to a difficult investment environment resulting in an investment loss of €88.5m. However, on a positive note, I am pleased to report that our insurance business continues to perform strongly, delivering an underwriting result of €33.1m, an increase of 31.6% year-on-year.

Overview

Overall, 2022 proved to be very strong operationally. Our core underwriting business and operational performance remained strong, with all key indicators performing in line or ahead of forecast.

A core operational focus for us is the provision of tailored products, value-added insurance solutions and exceptional service levels to our Members and customers. Beyond core insurance, we have an unmatched offering in the Irish market underpinned by our status as Ireland's only mutual insurer. We have long-established programmes and practices in place that support our strategic approach to risk and our wider sustainability agenda. We continued to make solid progress through our Member-partnered forums for Cyber Risk and Sustainability. These collaborative groups exemplify the partnership approach we enjoy with our Members.

Our commitment to service excellence has contributed to IPB achieving the highest ever average overall Member satisfaction score. We have increased our score to 90% from the previous high of 89% reported last year and is the fifth annual improvement in Member customer satisfaction. Our mutual status and ethos means that we always act in the best interests of our customers and all our stakeholders.

We have steadily strengthened our strategic and operational sustainability credentials throughout the business. One of the ways we measure our performance is through S&P's Global Ratings ESG Evaluation process. In 2022, we undertook our second annual evaluation, assessed across Environmental, Social and Governance (ESG) dimensions, which saw IPB improve its score by one point to 76 out of 100, a strong rating when compared to insurance peers.

Underwriting

2022 has seen continued improvement in our underwriting performance influenced by various factors. We experienced better-than-expected development across multiple prior underwriting years. Although difficult to quantify, I believe we are beginning to see an underlying shift in claims culture in Irish society. The new Personal Injury Guidelines (PIGs) are positively impacting underlying claims frequency as well as severity.

A core operational focus for us is the provision of tailored products, value-added insurance solutions and exceptional service levels to our Members and customers

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 long-term mutual success

The reality of post-Covid society means that more people are remote and hybrid working. Less commuting and footfall in urban areas is likely also positively impacting accident frequency which predominantly affects our local authority Members. It remains to be seen whether improvements in claims frequency will be sustained or if we will return to previous levels.

The impact of insurance reform, particularly the PIGs, is having the desired results. However, it should be noted that Members' claims frequency trends started to moderate before the pandemic, trending downwards from 2019 and into Q1 2020. I believe the improvements in these trends are in no small part due to the proactive measures taken by our local authority Members in investing in remediating roads and footpaths part-funded by the IPB retained earnings distributions to Members.

In 2022, your mutual generated Gross Written Premium (GWP) of €161m, marginally up €1m year-on-year, when adding back COVID-19 rebates of €21.9m provided to Members in 2021. Gross Written Premium was lower than forecast due to a moderation in retro-rated premium from improving claims experience on these accounts. At year-end, the net combined operating ratio (COR) was 74% compared to 76.4% in 2021, driven by a much lower-than-forecast claims frequency.

Reinsurance

The spreading of risk through our reinsurance programme is critical to protecting Members and their mutual. The global reinsurance market has had several challenging years driven by the increased frequency and severity of natural catastrophes as well as geopolitical and macroeconomic factors. These factors including the current global inflationary environment have seen a significantly hard market across the reinsurance sector. Although there has been a significant withdrawal and re-pricing of capital on the broader reinsurance market, I am pleased to note that IPB's long-term relationships and partnership approach saw us renew our reinsurance programmes for 2023 with favourable terms. These losses and the global inflationary environment have seen a hard market across the reinsurance sector. Although there has been a significant withdrawal and re-pricing of capital on the broader reinsurance market, I am pleased to note that IPB's long-term relationships and partnership approach saw us renew our reinsurance programmes for 2023 with favourable terms.

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 long-term mutual success. Our focus will remain squarely on our core business of insurance, appropriately laying off exposure to reinsurers and achieving sustainable underwriting profitability.

As we progress into 2023, the global energy crisis, persistent inflation and volatility in investment markets will likely remain, potentially contributing further to global market uncertainty. Additionally, elevated insurance risks, most notably cyber security, may present further insurance and reinsurance challenges.

Investments

It is important to put our investment performance into context. Last year was the worst year for global investment markets since 2008 and is one of only five years in the last 100 where both Equities and Government and Corporate Bonds fell in value. The Investment loss of €88m was primarily due to mark-to-market (MTM) investment losses on high-quality Government and Corporate Bonds. We estimate that approximately €68m of investment losses will be recovered prior to the maturity of these bonds over the next three to five years.

IPB adopts a highly transparent accounting policy whereby gains and losses arising on financial assets are recognised in net investment income in the Profit and Loss Account. This approach is unlike most of our market peers who record such mark-to-market gains and losses in the Statement of Comprehensive Income (OCI).

Insurance companies generally manage interest rate risk by matching their insurance liabilities with high-quality fixed income securities. When interest rates rose sharply in 2022, the value of these bonds decreased commensurately. At the beginning of 2022, we positioned our investment portfolio for a higher interest rate environment by holding high cash deposit balances and exposure to inflation-linked and floating rate bonds. This investment strategy contributed to insulating the portfolio from the turbulent market in 2022. They have enabled the portfolio to outperform market benchmarks and facilitated our portfolio of cash to be deployed in new bond investments at Europe's most attractive interest rates since 2011.

The era of low inflation and moderate growth that characterised the last decade abruptly stopped in 2022. Investors dealt with inflation at 40-year highs and the fastest pace of interest rate hikes by central banks globally since the 1980s.

The growth in technology company profits during the COVID-19 lockdown period also receded as consumers exchanged stay-at-home activities and online retail for leisure and travel experiences. These rapid changes and higher capital costs in the global tech sector saw a sharp reversal in share prices. As a result, global equity markets fell by over 20%, the worst performance in 14 years. Other asset classes, such as property, were marked significantly lower due to higher discount rates and the impacts of working from home.

The tragic events of the war in Ukraine sent European assets into freefall in early 2022. Soaring gas prices put doubts into financial markets about the viability of the European manufacturing industry while consumer sentiment also fell to multi-year lows. Inflation continued to rise during the year with broad-based increases in food, energy, shelter, goods and services prices. European Governments have responded by subsidising energy costs or through cost-of-living payments at a time when government balance sheets are already carrying high debt burdens built up over the COVID-19 lockdown period.

We expect the headline rate of inflation to fall over 2023 but remain higher than the ECB target of 2%, especially if a global recession is avoided this year. On a positive note, we have substantial reinvestment opportunities to highly rated bonds to match our liabilities and supply a steady and enhanced income stream. However, we expect volatility to remain elevated towards other asset classes, such as equities, for the coming year.

Claims Environment

The Personal Injuries Assessment Board (PIAB) process provides the most equitable system for claimants and insureds. In the interests of fair and equitable treatment of all stakeholders, it is only fitting that the wider insurance industry supports PIAB assessments and award values drawn from the PIGs. Throughout 2022, in common with the insurance industry, we accepted the short-term pain of resisting opportunities to settle rejected PIAB offers through higher settlement offers.

The reduction in claims frequency in 2022 is a welcome development for IPB and its Members following the progress made over the last two years as we experienced a moderation in claims frequency. Risk management and remediation investment have undoubtedly improved claims experience and overall loss ratios. Furthermore, increased public awareness and media focus on claims frequency, particularly opportunistic claims and dramatic media coverage of exaggerated and fraudulent claims, have generally made it more socially unacceptable.

Insurance Reform

Addressing the high volume of injury claims and costs has been a significant focus for the government and the insurance industry for several years. The impact of measures delivered due to the Insurance Reform agenda appears to be gaining traction in influencing outcomes across insurance market segments. Improved visibility of specific insurance metrics through the Central Bank National Claims Information Database is hugely welcome, and the data does appear to support an upbeat assessment of claims frequency. Clearly, the pandemic resulted in reduced economic and social activity and consequently reduced claim frequency. However, the embryonic stages of frequency moderation were already visible in 2019.

Amid an emerging frequency moderation trend, introducing the PIGs in April 2021 certainly contributed to the downward trend in claims frequency over the past year. Low-value claims will likely decline further due to a diminution of values by up to 80% at the low end of severity, such as minor soft tissue injuries.

The PIGs are now having the desired impact of achieving the appropriate values for minor injury claims supporting our approach to reducing premiums for our Members and customers. However, there remain legal challenges to the Guidelines, and we eagerly await the outcome of these cases.

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Members

Listening to Members

A key differentiator for IPB as a mutual insurer is our relentless focus on excellence in service and doing more for our Members. The annual IPB Members' Satisfaction Survey is an important reference point for us in assessing our performance and the progress being made in addressing any issues or concerns in managing their insurable risks. I want to thank our Members for their continued support of this important feedback channel and the very high participation levels, recording an increase of six percentage points in the response rate from 55% last year to 61% for 2022.

Since 2011, IPB has paid a total €144m (including €18.3m payable in 2023) in commercial dividends to Members. We completed the final Retained Earnings Distribution (RED) tranche of €25m in Q1 2022. The RED programme has paid out €205m to Members since commencing in 2017

More importantly, I am pleased to report that our Members overall satisfaction with their mutual has increased for the fifth consecutive year, to a record 90% average rating, up from 89% reported last year. Regarding performance, Members satisfaction for responsiveness, our key service indicator, has achieved significant multi-year improvement. In 2019, IPB was rated by Members at 85% for responsiveness. At this time, we had commenced an internal customer service programme and in 2022 we launched an internal customer service employee guide, the culmination of an all-employee engagement process over the past three years. I am pleased to report that due to the efforts made by our people across the business, Members recorded their highest ever average rating for our key service metric in 2022. Members rated IPB at 92%, achieving three consecutive years of incremental improvements.

Another highly valued aspect of the survey is the qualitative feedback received from Members. Regarding insurance challenges, cyber risk again, for the third consecutive year, featured as the primary challenge faced by Members, followed closely in second by cost and resourcing challenges and next by talent recruitment and retention.

Working with Members

As a mutual insurer, we take a long-term view in our strategic and operational approach. We are working closely with Members to establish new ways to support their strategic objectives in managing their insurable risks.

Members are facing a wide range of new challenges, with climate action and cyber security emerging as key risks. I am pleased to report that the Sustainability Forum established in partnership with our local authority Members has made solid progress in identifying opportunities and new insurance product solutions to support Members objectives to protect their insurable risks in this vital area.

There has been an increasing focus nationally and globally on cyber security following recent high-profile attacks. Public bodies, as holders of sensitive personal information, are clear targets for cybercriminals. In conjunction with our Members, we established a Cyber Forum to address the challenges posed by these growing risks. Additionally, our Members are working closely with us to ensure they have the necessary systems and system protections 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.

Undoubtedly, active travel infrastructure will play an ever-growing role in public realm investment and the associated insurance risks. The scale of investment at over €1.8 billion for the period 2020-2024 underlines the government’s commitment to delivering this major shift in the public realm and personal mobility trends. We have continued to strengthen our engagement with key Member and governmental stakeholders in active travel infrastructure design and material selection to future-proof these investments from a risk mitigation perspective. Our participation in this process gives us an important line of sight as the insurer of this emerging infrastructural network.

Based on our Member Commercial Dividend policy, up to 40% of the after-tax surplus is distributed as a commercial dividend to Members subject to the required regulatory approvals. Based on the 2022 results, a commercial dividend will not be forthcoming in 2024. Since 2011, IPB has paid a total €144m (including €18.3m payable in 2023) in commercial dividends to Members. We completed the final Retained Earnings Distribution (RED) tranche of €25m in Q1 2022. The RED programme has paid out €205m to Members since commencing in 2017.

Workplace and Culture

The most notable change in the talent and workplace markets is the trend around the transition to hybrid working. In 2020 and 2021, we experienced remote and hybrid working models due to pandemic-era restrictions. In 2022 IPB transitioned to a hybrid working model which provides greater flexibility to employees whilst also supporting our continued focus on delivery for Members and customers. I am pleased to report that the move to a hybrid work-place has been successful. We continue to enjoy the same productivity levels and, in some cases, have seen improved performance. This model's benefits include talent acquisition and retention and greater employee flexibility in achieving a better work-life balance.

Through extensive employee engagement we worked to achieve the optimum balance for Members and employees in delivering a hybrid working model. The needs of our Members and customers is fundamental to workplace considerations.

Despite positive indicators around hybrid working and flexible working for employees, there are associated risks with reports of burnout of employees in various sectors in developed economies worldwide. The topic of wellbeing and mental health has also been at the forefront over the last year as we supported employees in returning to the office post-Covid. We have emphasised providing employees with access and focus on wellbeing and mental health with various initiatives run throughout the year.

Employee turnover in 2022 was higher than normal but not unexpected.
The limitations for those seeking new employment opportunities, hampered by two years of the pandemic, resulted in higher attrition rates. I am pleased to say we are now returning to much lower levels of employee turnover. That said, we have attracted new employees with different skillsets and experiences that the company will benefit from and I look forward to our newer recruits progressing their careers with us.

During a year of high cost of living and inflation we continue to monitor the market to ensure we remain competitive if not ahead of the market when it comes to retaining and attracting the best talent in the insurance sector. This commitment to retention and attraction of the best people is exemplified by IPB's success as a Great Place to Work for five years in a row. The results indicate continued high levels of trust within the company and I believe we have an opportunity to leverage our position to further enhance our excellent workplace culture to achieve even greater outcomes for our Members and customers.

Looking Ahead

The improving claims trends resulting from measures to address the high cost of claims are having the desired impact through lower claims frequency and lower numbers of litigated claims. Members can be assured that we will pass on savings, which will be reflected in their premiums. Lower insurance costs for Members and customers provides them scope to invest these savings in increased insurance protection. Through new and enhanced products, we will address their changing risk profiles. In particular, we see opportunities for products associated with new risks as Members embark on large scale climate action initiatives and broad-based sustainability programmes requiring a sector-led approach.

We remain strong in our chosen segments in the general insurance market and we see further opportunities for growth, not only within our existing Member base but also across our non-Member portfolio in the public sector, not-for-profit and market segments aligned to our expertise and operating within our chosen risk appetite.

Inflationary challenges remain and the impact this will have on our Members resources and service delivery is yet to be seen. There is no doubt that our Members have risen to the challenge of recent health and housing emergencies and we will work closely with them to insulate their exposures, so that they can focus on addressing these challenges head-on.

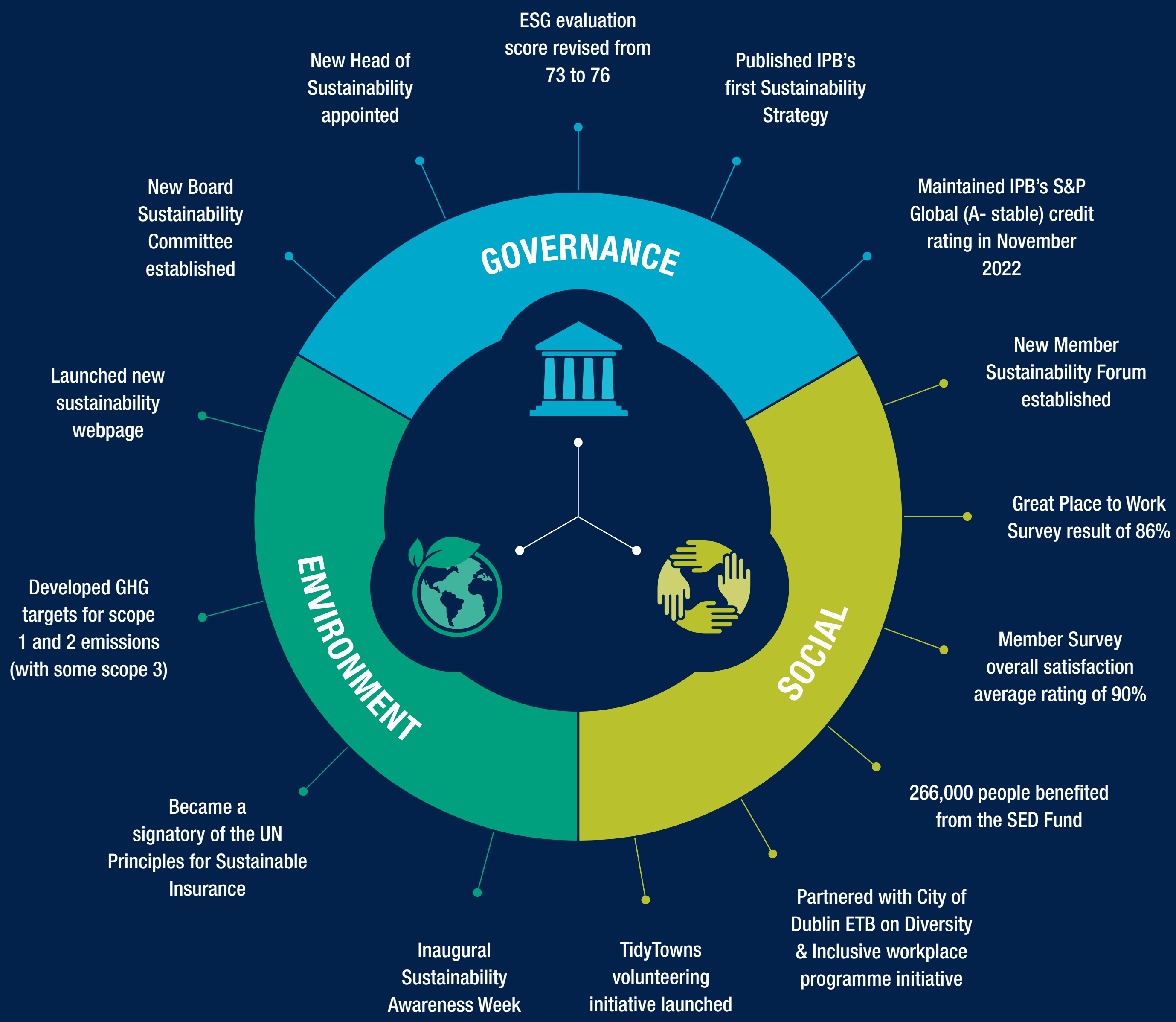
Climate action and sustainability will only grow in importance and urgency in the coming years and the insurance sector is increasingly putting a price on these risks. The working relationship we enjoy with our Members through dedicated forums to address climate risk is guiding our approach to providing innovative solutions and products to meet their evolving insurance needs.

IPB exists to protect Members and their insurable risks and we remain steadfast in our commitment to respond to the changing risk profile that our Members face not only today but into the future. I want to thank all our employees for their dedication and hard work throughout the year. In particular I want to acknowledge our peoples commitment to the seamless transition to hybrid working.

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

John Kearns
Chief Executive Officer

ESG Highlights



Financial Highlights

Overall, 2022 proved to be very strong operationally however, financial performance was impacted by global factors which negatively impacted overall investment performance. Our core underwriting business and operational performance remained strong with all key indicators performing in line with or ahead of forecasts. The combination of strong underwriting performance and the challenging investment performance resulted in a deficit before tax for the year of €55.4m.

€161m
Gross Written Premium

Gross written premium **increased by 16.4% year-on-year** due to the absence of COVID-19 premium rebates that applied in the previous two reporting years. There was lower-than-forecast retro premium income for the year due to better than anticipated claims experience.

18.9%
Net Expense Ratio

Total operating expenses for the year came in at forecasted budget notwithstanding the inflationary headwinds experienced in 2022. The **expense ratio at 18.9% is up from 18.5% in the prior year.**

€33.1m
Underwriting Performance

The strong underwriting performance for the year is primarily due to **better than expected claims performance** combined with prior year releases on claims reserves.

-€88.5m
Investment Result

The investment loss of -€88.5m was primarily due to reductions in the valuations of high quality Government & Corporate Bonds arising from mark-to-market (MTM) accounting adjustments. We estimate that circa **€68m of the MTM investment losses will be recovered** as these bonds mature over the next three to five years.

74%
Net Combined Operating Ratio

The NCOR for the year at 74% is a **marginal improvement from the 76.4% reported in 2021** and remains significantly ahead of our strategic target of achieving 95% per annum.

3.1
Solvency Coverage

3.07 times the capital required under Solvency II. We are committed to maintaining our strong capital position to support our strategic objective of maximising Member risk transfer and coverage provision.

Operational Highlights

Claims

The stabilisation and moderation of claims frequency continued throughout 2022. The impact of government-led insurance reform is visible but challenges remain. Notably, the initial implementation of the personal injury guidelines has resulted in **significant claims value moderation** and indeed is also having an impact in reducing frequency. Local government investment in active travel and associated infrastructure, whilst presenting extraordinary opportunities for social progress, transport and sustainability, also presents significant **additional insurance risks and challenges.** With the creation of new infrastructure supporting modes of personal active travel comes new and as-yet unquantified risks.

Fraud savings in the course of 2022 at **€8.5m represent a 20% increase year-on-year.** This is the second consecutive year of 20%-plus increase in fraud savings following investment in additional headcount in the special investigations unit (SIU). However, in 2022 there were **fewer opportunities to secure indemnities,** which resulted in €18m in savings, compared to €20m in 2021.

5,939 Notified

€81.2m Claims paid (gross)

€73.2m Claims paid net of reinsurance

€17.8m Indemnities

€8.5m Fraud savings

Members

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

The final tranche of retained earnings was distributed to Members as outlined in our strategic plan, which committed to return €25m to Members in 2022. This payment concluded the retained earnings distribution of a total of €205 million paid to Members since 2017.

As a mutual, supporting Members' communities is central to our ethos. Total funding of €528k was made available for social engagement activities in 2022. The Board approved the allocation of a €3 million social dividend to the CSE fund to support social engagement initiatives for the period 2023-2025.

Listening to our Members is fundamental to ensuring that we meet their needs. This year's annual Member Satisfaction Survey recorded the highest ever rating average for overall satisfaction with a score of 90% (2021: 89%). As part of our plans to reach out to a cross section of Member representatives, the second annual survey of local authority engineers was undertaken. 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. In 2022 IPB recorded a Great Place to Work approval score of 86% (2021: 88%). The All Question Average remained at 82% which is a significant achievement and indicates continued positive developments. IPB has received certification as a Great Place to Work for 2022/2023 for the fifth consecutive year.

€25m Retained Earnings Distribution

€0.53m Corporate Social Engagement

90% Member Survey Overall Satisfaction Average Rating

86% 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.

One of our company objectives for 2022 was to implement the necessary governance and oversight to enable delivery of our Sustainability Strategy and priorities in the short, medium and long term aligned to our mutual ethos and our Members' commitments in this area. Our focus for 2023 and beyond is to embed 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.

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 objectives.

Our company objectives:

Governance, Social & Environment

Our Commitment

In 2022, we published our six Sustainability Commitments as part of our Sustainability Strategy.

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

During 2022, significant progress was made in advancing our Sustainability Strategy through the ongoing engagement of a range of internal sustainability workstreams focused on Operations, Customer, Members, Products and Investments.

Our Commitment to Develop and Embed a Sustainability Strategy

- We set out to embed our Sustainability Strategy though our four strategic pillar areas – Financial, Member and Customer, Internal Process, and People and Culture. We provided leadership and tone from the top, which included the following:
  – New Board Sustainability Committee
  – Appointed a leadership team sponsor for sustainability
  – Appointed a new Head of Sustainability.
- ESG training was provided to the Board, leadership team and all employees as part of our inaugural Sustainability Awareness Week held in May.
- We are redesigning our third-party vendor risk management process as part of an organisation-wide efficiency project. An element of this is to ensure ESG considerations are applied within our supply chain as part of vendor onboarding and management.
- We have enhanced accountability and transparency in our sustainability reporting as part of our ESG evaluation process with S&P Global. IPB's ESG evaluation score was revised from 73 to 76. This was based on an improved regional governance score for Ireland, as well as an improvement based on a re-evaluation of our score.

Our Commitment to be a Responsible and Sustainable Insurer

- In April 2022, IPB became a signatory to the UN Principles for Sustainable Insurance.
- We aligned our newly published Sustainability Strategy to the UN Sustainable Development Goals (SDGs), IPB now supports 12 SDGs: 3, 4, 5, 6, 8, 9, 11, 12, 13, 15, 16, and 17 – see page 20 for further information.
- IPB is committed to developing "green" insurance products that will not only resonate with IPB's Member base but will also play a part in incentivising green and sustainable behaviours. In addition to initiatives previously introduced, e.g. provision of a discount of 10% for electric vehicles and embedding 'build back better' into our Member property insurance policy covers, IPB's underwriting team researched a number of product enhancements that aligned with IPB Members and IPB's goals on matters of environment, sustainability and governance, some of which will be applied in 2023, e.g. enhancement to our property policy for loss of income due to physical damage to microgeneration infrastructure.
- We continued to embed sustainability and associated risks captured within the overall risk framework. The IPB Own Risk and Solvency Assessment (ORSA) Report provides an overview of IPB's own assessment of the key risks to which it is exposed, as well as those risks to which it may be exposed in the future. In 2022, this included embedding the consideration of climate change risk into risk management processes and updating risk management policies based on the conclusions of our assessments in line with Central Bank of Ireland requirements. Climate risk is now considered a strategic risk for the organisation. IPB have engaged with

IPB rolled out its Talent Management Development Programme in 2022, providing opportunities to develop and demonstrate employee skills, capabilities and potential through a combination of formal learning, mentoring and engagement on real business opportunities and challenges

its reinsurers, its reinsurance brokers and industry experts to obtain a better understanding of the potential exposures, including methodology and resources available to the industry to support this. IPB has engaged with flood mapping specialists to understand the potential impact of climate change on flood risk associated with IPB's existing book of business.

Our Commitment to People and Culture

- The Diversity and Inclusion Working Group progressed several initiatives during 2022 including under-represented groups, diversity of thought and increasing female representation at senior Management team level – see Diversity and Inclusion page 44 for further information.
- IPB rolled out its Talent Management Development Programme in 2022, providing opportunities to develop and demonstrate employee skills, capabilities and potential through a combination of formal learning, mentoring and engagement on real business opportunities and challenges – see Diversity and Inclusion page 44 for further information.
- Our Speak-Up Policy was revised to reflect recent changes in legislation.
- We continued our commitment to Great Place to Work, enhancing employee engagement and the employee experience, including an increased focus on employee recognition.
- In the wake of the COVID-19 pandemic, we continued to focus on employee wellbeing and flexible working.
- We developed a new Human Rights Policy which is published on our new sustainability webpage.
- We developed a new employee volunteering initiative whereby employees assisted Ringsend and Irishtown TidyTowns in a community clean-up in September.
- We again achieved an excellent Great Place to Work survey result of 86% for 2022.

Our Commitment to Responsible Investment

- IPB increased its allocation to green and social bonds from 0.7% in 2017 to 23% of fixed income or €170m in 2022.
- Infrastructure fund investments with a high allocation to renewables increased by €60m over the past five years.
- A review of the Taskforce on Climate Related Financial Disclosures (TCFD) was completed. As an organisation in the early stages of evaluating the impact of climate change on our business and strategy, for 2022 reporting we are going to begin by disclosing climate-related issues as they relate to governance, strategy and risk management practices as there are challenges with measuring the impact of climate change.
- In 2022, IPB commenced an investigation of the assessment of the liquid investment portfolio's carbon intensity through S&P Global.

Our Commitment to Provide Responsible Operations

- Developed greenhouse gas (GHG) targets for scope 1 and 2 emissions (along with some scope 3).
- 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.
- Our 2021 Annual Report reported on GHG emissions for the first time and these will be continuously monitored.
- Launched new sustainability webpage in September.

Our Commitment to Members

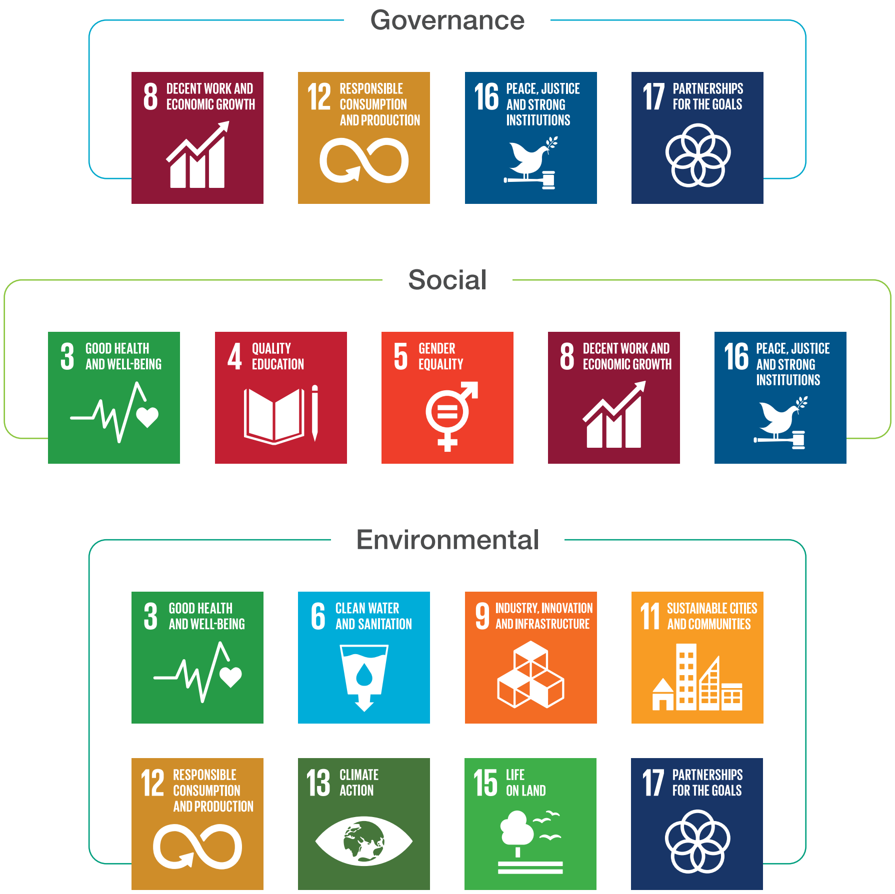
- A new IPB Local Authority Member Sustainability Forum was established to guide and advise on Members' needs in respect of insurance products to ensure that they are appropriate, especially in respect of climate action and sustainability.
- Insurance product enhancements were made (see our commitment to be a responsible and sustainable insurer).
- We continued to advise and support our Members on sustainability and climate-related risk via our dedicated Client Enterprise Risk Management Services Team. 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.
- We continued to 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. We recorded a Member Survey overall satisfaction average rating of 90%.
- IPB developed a new D&I initiative with City of Dublin ETB aimed at supporting them in terms of education/employment.

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).

IPB has prioritised 12 of the 17 SDGs that align closely with our core business activities and support our Members.

We currently support and advise our Members on SDGs 3, 4, 5, 6, 8, 9, 11, 12, 13, 15, 16 and 17 as follows:



ESG Evaluation Score

In August 2022, IPB's ESG evaluation score was revised from 73 to 75. This was based on an improved regional governance score for Ireland. S&P Global Ratings said: 'The improvement in IPB's ESG valuation reflects revision of Ireland's regional governance risk score to '1' from '2', following our updated review of governance standards globally. We now assess Ireland's governance standards, practices, and ESG-focused regulation to be in line with its strongest international peers, which enables IPB (headquartered in Ireland) to benefit from higher market wide standards".

In December, S&P Global revaluated IPB's ESG evaluation score, previously awarded in October 2021, and following the annual reassessment and reflecting on our progress over 2022, the rating increased to 76 from 75. This improved rating was due to improvements in Diversity and Inclusion with regard to the Inclusio Platform, D&I risk supports for Members, as well as improvements in safety management with advice and support on public realm design and the publication of our Sustainability Strategy.

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	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 & oversight	Good
Code & values	Good
Transparency & reporting	Good
Financial & operational risks	Neutral
General factors (optional)	None
Entity-specific score	**39/65**
G-profile (40%)	**74/100**

ESG profile score (including any adjustments)

73/100

+

Preparedness opinion[1] (scoring impact)

Adequate (+3)

ESG Evaluation

76/100

1 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 8, 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** with responsibility for reviewing and providing guidance on the asset allocation strategy and the investment activities of the business.
- **A Remuneration and Nomination Committee** with responsibility for approving IPB's Remuneration Policy for recommendation to the Board and supporting an annual policy compliance assessment.
- **A Sustainability Committee** with responsibility for overseeing the implementation of IPB's Sustainability Strategy.
- **An internal audit function,** the main role of which is to identify, monitor and provide assurance over the adequacy of the internal control environment.
- **A risk management function** underpinning all aspects of the business and overseeing a risk management framework supporting the operation of risk management policies in the areas of underwriting, reinsurance, claims reserving and investments and acting in tandem with a compliance function overseeing a compliance and regulatory governance framework providing assurance that IPB operates in a transparent, compliant manner.
- **A comprehensive functional management control system** that provides, among other things, financial controls incorporating budgeting and periodic variance analysis.

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 audit.

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

Corporate Governance Leadership Statement

IPB ensures compliance with Regulations 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 Chair 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.

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 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, which the Board has approved as part of this objective, and the Directors have, during 2022, 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 Secretariat Function acts as the central point for Management of Board and Committee meetings, coordinating of documentation and attendance to procedural compliance with regulatory control requirements. Where a Director requires additional information, expertise or guidance, they can call upon any member of the Management team to provide oral briefings or written reports or seek external expertise in consultation with the Company Secretariat Function.

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 Chairs. The role of Chair 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 Chair and Board of IPB working together with all staff and is illustrated by compliance with IPB's obligations in 2022

Terms of Reference and Reserved Powers – Responsibility

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

Board membership is consistent with regulatory requirements and responsive to the evolution of IPB's business activities

The Board of Directors

George Jones
Chair & 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[1]
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.

John Kearns[2]
Chief Executive Officer & Executive Director

John is a seasoned insurance executive with extensive experience in domestic and international markets for personal, commercial and specialty lines. He was formerly the Chief Executive Officer, and later the President, of an Insurance company located in their global headquarters in the USA. In 2018 he joined the Berkley Mid-Atlantic Group as its President and most recently as Chair. Prior to moving to the USA John held a number of senior positions in the non-life insurance sector in Ireland.

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 20 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 a MSc in Business and Digital Innovation. She has extensive experience of the general insurance industry developed throughout her career during which she spent 10 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.

1 Mr. Garvey retired from his roles as Chief Executive Officer and Executive Director on 31st August 2022 in accordance with scheduled succession planning arrangements.
2 Mr. Kearns assumed the role of Chief Executive Officer and Executive Director 1st September 2022.

Barbara Cotter
Independent Non-Executive Director

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

John Hogan
Group Non-Executive Director

John 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 Chair from 2014 to 2019. He served as ETBI President for a one year term from September 2018, following from his considerable work at local and national level 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 Masters 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 whilst 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 and 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 is a member of the Institute of Directors in Ireland and the Insurance Institute of Ireland and 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 and has experience in Financial Controller and Project Management roles. He is a member of the Chartered Institute of Management Accountants and secured the Brendan Fitzgerald Memorial Prize for achieving 1st place in Ireland in final examinations in the course of his professional studies.

Meetings Attended

			Board 9 meetings in 2022[1]	Audit Committee 6 meetings in 2022	Investment Committee 4 meetings in 2022	REMCO 6 meetings in 2022	Risk Committee 4 meetings in 2022	Sustainability Committee[2] 3 meetings in 2022
Name	Appointment date	Term on the Board (years)	Role / attendance	Role / attendance	Role / attendance	Role / attendance	Role / attendance	Role / attendance
George Jones Chair & Group Non-Executive Director	25 May 2006	16.7	Chair 9	Invitee 5	Invitee 3	Member 6	Member 4	Invitee 1
Michael Garvey Chief Executive Officer & Executive Director (retired 31 August 2022)	2 September 2016	6.0	Member 6	Invitee 3	Member 2	Invitee 4	Invitee 2	Member 1
John Kearns Chief Executive Officer & Executive Director (commenced 1 September 2022)	1 September 2022	0.3	Member 3	Invitee 1	Member 2	Invitee 2	Invitee 2	Member 1
Enda Devine Finance Director & Executive Director	2 May 2012	10.7	Member 9	Invitee 6	Member 4	Invitee 5	Invitee 4	Member 3
Caitríona Somers Independent Non-Executive Director	1 July 2017	5.5	Member 9	Member 6	Invitee 1	Chair 6	Member 4	Invitee 1
Barbara Cotter Independent Non-Executive Director	13 December 2018	4.1	Member 9	Member 6	Invitee 1	Member 6	Chair 4	Member 2
John Hogan Group Non-Executive Director	1 January 2019	4	Member 9	Invitee 1	Chair 4	Member 6	Member 4	– –
John Clendennen Group Non-Executive Director	1 January 2019	4	Member 9	Member 6	Member 4	Invitee 1	Invitee 1	Chair 3
Joan Garahy Independent Non-Executive Director	1 August 2020	2.4	Member 9	Chair 6	Member 4	Member 5	Invitee 1	Member 3
Ronan McMahon Group Non-Executive Director	1 June 2021	1.6	Member 9	Member 6	Member 4	Invitee 1	Invitee 1	Member 3

1 Including one Board Strategy Day and one Board Strategy & ORSA Meeting.

2 The Sustainability Committee had their inaugural meeting on the 20th of July 2022.

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, Remuneration and Nomination Committee and Sustainability 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 2022, the Audit Committee was extensively engaged in overseeing internal audit reviews in the context of the scheduled internal audit plan for the 2022 period including work relating to the actuarial reserving process, marketing and communications, underwriting, reinsurance, human resources, investment management, business continuity planning and data management. 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 internal control framework. 2022 also saw the Audit Committee oversee the process to appoint new external auditors and internal auditors for the company.

The Audit Committee Chair has articulated the Audit Committee's objectives over the coming year as "maintaining on-going attentiveness to securing assurance for stakeholders as to the accuracy and reliability of information by cultivating a culture of transparency and constructive challenge in engaging with the business. The Committee members have been actively involved in discharging their responsibilities during 2022 through the focused review and analysis of relevant information and outputs of reviews undertaken in the year. Priorities for 2023 will include oversight in conjunction with the Board of delivery of the programmes of work assigned to the new external and internal audit representatives as well as other assurance functions."

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. 2022 has seen the continued evolution of IPB's risk framework, particularly in relation to recovery and resolution planning, operational resilience and sustainability but with a clear focus on the challenging macro-economic environment that exists currently. In addition, 2022 saw increased attention on emerging risks – most notably climate change and sustainability considerations as well as digitalisation risks.

During 2022, the Risk Committee actively engaged in the annual Own Risk and Solvency Assessment (ORSA) process as well as an extensive review of the company's risk appetite statement and 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 and the macro-economic challenges. The Risk Committee Chair has articulated the Risk Committee's objectives over the coming year as "ensuring ongoing vigilance in assessing and managing the current strategic risks while engaging in horizon-scanning to inform effective risk based decision making in an evolving insurance and investment environment".

2022 saw increased attention on emerging risks – most notably climate change and sustainability considerations as well as digitalisation risks

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. Overall, 2022 was a particularly challenging and volatile year from an investment perspective. The performance of the investment portfolio was negatively impacted by rising interest rates as Central Banks looked to control inflation which was exacerbated by the energy crisis and the war in Ukraine. Driven predominantly by losses on fixed income investments, the market returns for 2022 were the worst absolute returns levels since 2008 however it is important to note that 2022 was the worst year for bonds and stocks in 100 years. IPB maintains a very high-quality portfolio with an average credit rating of AA- for government bonds and A- for corporate bonds and expect such investments to return to par valuation over the coming years.

The Investment Committee Chair has commented on its activities throughout the 2022 period and the focus to be applied into 2023 as follows “2022 was a particularly challenging year however, IPB took a prudent approach to asset allocation and managed to successfully outperform the key investment benchmarks. The company will continue to navigate the challenges of the current climate with an objective of securing long-term interests through alignment with the company’s strategy and risk appetite”.

The Remuneration and Nomination Committee

The Remuneration and Nomination Committee, in line with its terms of reference, engages in a wide range of matters including overseeing the application of the company’s Remuneration Policy in line with regulatory provisions. The Committee engages in succession planning for both the Board and senior Management with the objective of maintaining the necessary balance of skills, gender, knowledge, and experience required to support the delivery of the company’s strategy and realisation of its key objectives. The Committee’s performance of its role in 2022 involved continued focus on supporting the transition to hybrid working post the COVID-19 pandemic and taking the necessary steps to ensure that the employee value proposition remains fit for purpose in the post pandemic era. The Committee continued to focus on embedding our Diversity and Inclusion strategy, including our commitment to Speak Up and invested significant time in conducting Gender Pay Gap assessments to understand the drivers for any reported gaps to enable identification of appropriate actions to address those gaps as a matter of priority. Further, the Committee was focused on ensuring that the appropriate frameworks are in place to support talent attraction, retention and development to maintain our continued focus on delivery of service excellence for our Members and customers.

The Chair has commented on the engagement by the Committee in performing its duties throughout 2022 as follows: “The Committee has progressed a considerable programme of work during 2022 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. 2022 also saw the Committee and Board successfully complete the selection and appointment process of an experienced and suitably qualified Chief Executive Officer, Mr. John Kearns, to lead the company following the retirement of Mr. Michael Garvey in September 2022. The Committee’s focus in 2023 will include continued emphasis on talent management including retaining a suitably skilled, diverse, and inclusive workforce as well as addressing the gender pay gap and reinforcing our commitment to the company’s culture, values and behaviours and our commitment to diversity and inclusion”.

The Sustainability Committee

The Sustainability Committee was established in 2022 and was tasked with setting the tone as well as developing and advising the Board on the company’s sustainability ambitions and strategy. This includes ensuring that the company’s sustainability strategy has a balanced focus on environmental, social and governance matters. 2022 saw excellent progress in this regard with the development and publication of IPB’s first sustainability strategy, the improvement in the company’s S&P ESG evaluation rating to 76 from 73 and the appointment of a dedicated Head of Sustainability. Looking forward, IPB will continue to embed and deliver on its long-term strategic goals including a commitment to be a responsible and sustainable insurer, a commitment to responsible investment and a commitment to provide responsible operations.

The Chair has commented on the engagement by the Committee in performing its duties through 2022 as follows: “The Committee has made significant progress in 2022 in terms of establishing the strategic direction of the company from a sustainability perspective. As well as identifying and delivering on underwriting, investment and operational objectives the Committee has focused on the people and culture objectives as well as aligning with our Members commitment to sustainability going forward.”

2022 was a particularly challenging year however IPB took a prudent approach to asset allocation and managed to successfully outperform the key investment benchmarks

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 the integrated assurance framework is to enable the identification, monitoring, and management of the key risks to the business. It seeks to ensure adequate controls are in place to mitigate these risks whilst providing the Board with the necessary assurance in respect of risk management practices within the business.

The approach to assurance within IPB is best characterised by reference to the standard best-practice Three Lines of Defence model:

1st LINE

Business and 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 Members 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 provides 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 guided by seven key principles as outlined in the figure shown. 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. Sustainability permeates all 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

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

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 an 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 process 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 process 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. the current macro-economic challenges including inflation.

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 process, including oversight of IPB's capital model
- Reporting on risk matters to the Board and the Risk Committee, including providing comprehensive risk reports
- The promotion of a strong risk culture.

Compliance and Regulatory Framework

IPB is a company limited by guarantee that trades as IPB Insurance and is authorised by the Central Bank of Ireland (Central Bank) under the European Union (Insurance and Reinsurance) Regulations 2015 (Statutory Instrument No. 485 of 2015) to carry out non-life insurance business.

IPB is an authorised 'insurance undertaking' and therefore operates its business in compliance with the regulatory requirements for insurance companies.

The IPB compliance framework is the framework for the management of compliance risk within IPB. The framework is based on best practice within the insurance industry. IPB strives to provide its Members, clients and staff with confidence that the appropriate regulatory controls are embedded within its business. This ensures that the company continues to deliver consistency to Members and clients in a positive and commercially competitive manner. In the current regulatory environment, compliance is a clear driver for the success of IPB and, as such, IPB continues to invest in its processes, policies, and people to maintain high levels 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 of the compliance function 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 vast number of requirements set at national, EU and international levels including but not limited to the following:

- Consumer Protection Code
- General Data Protection Regulation
- Solvency II
- Conduct of Business Requirements
- Corporate Governance Requirements for Insurance Undertakings
- Minimum Competency Code
- Fitness and Probity Standards.

Roles and Responsibilities of the Compliance Function

The role of the compliance function is to provide sufficient assurance to the Board 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

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

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 employees 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 procedures concerning the management of third parties and parties personally known to staff, procedures 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.

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 results in a number of benefits for 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 had outsourced the role of internal audit to an independent third party, KPMG. Following their appointment as external auditors to IPB for 2023, they resigned from this role with effect from 31st December 2022. A new outsourcing arrangement has been put in place with an independent third party, Mazars, to carry out the internal audit role. 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 primary reporting line for the internal audit function is directly to the Chair 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.

IPB increased its green and social bond portfolio as a proportion of fixed income assets from 14% at year-end 2021 to 23% at year-end 2022. Green and sustainability linked bonds represented 31.6% of all corporate bonds held at year-end 2022, up from 23.9% at year-end 2021.

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 2022, 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 discourse with companies on their plans for ESG enhancement in their everyday operations, IPB plans to further integrate ESG considerations within the investment portfolio over the coming years.

IPB adheres to a Responsible Investing Policy which includes prohibition of investment in companies in certain sectors. IPB has increased it's commitment to infrastructure funds by over €50m over the past three years. These funds are predominantly invested in green power, forestry, health care, transport and telecommunication network improvements. IPB has increased its commitment to infrastructure funds by investigation of Investment portfolio carbons emission measurement that will facilitate further reductions in line with climate first objectives. 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) and reflecting our Sustainability Strategy.

Driving Sustainability at IPB

IPB has made significant progress in relation to sustainability over the past two years. For the first time IPB has a Board-approved Sustainability Strategy with clear commitments, an action plan, and agreed deliverables.

The work done so far, including the establishment of the IPB Local Authority Member Sustainability Forum, has shown the significant potential for IPB to enhance its relationship with Members and to leverage the work IPB is doing on sustainability in support of our Member's objectives. Members also recognise that there are new and emerging risks associated with their own climate action plans and it is essential that IPB is there to protect their interests in these new and emerging risk areas.

To ensure effectiveness in delivering on our own plans, and in supporting Members to be effective in delivering their plans, it was agreed to create a new role of Head of Sustainability within the business, and Laura Smith was appointed to this role in September 2022.

Living the SDGs – SDG #3 and #8

In 2022, we developed a new Step-by-Step Guide to Managing Psychosocial Risk in the Workplace which supports SDG #3 Health and Well-being and SDG #8 Decent Work and Economic Growth.

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

Psychosocial risk can be defined as a combination of the likelihood of occurrence of exposure to work-related hazard(s) of a psychosocial nature and the severity of injury and ill-health that can be caused by these hazards. This guide helps to support health and safety officers as well as human resources managers. The Client Enterprise Risk Management Services Team presented the guide to Members at the LGMA 24th Annual Local Authority Human Resource Conference in October.

Metrics and Continued Focus

Governance: Key Performance Indicators

	2022	2021	2020	2019
Employees who have completed ethics training	100%	100%	97%	90%
Board Members who have completed ESG training	100%	100%	–	–
Female Board members	33%	33%	33%	22%
Female employees	45%	48%	49%	48%
Female employees in senior Management positions[1] (2023 target of 30%)	28%	18%	13%	15%
Female employees in Management positions in revenue-generating functions (as a % of all Management)	7%	7%	7%	5%
Female employees in STEM-related positions (as a % of all STEM positions)	15%	15%	15%	10%
Attendance at Board meetings	See Page 29	See Page 29	See Page 29	See Page 29

1 Heads of Department and Leadership Team

Our Governance Commitments for 2023 and Beyond

Our Climate-First Sustainability Strategy contains three key governance commitments, as outlined below.

Our commitment to develop and embed a sustainability strategy

Our commitment to be a responsible and sustainable insurer

Our commitment to responsible investment

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

- We will continue to improve our ESG evaluation score with S&P Global
- Our Board Sustainability Committee will continue to oversee and support sustainability initiatives
- We will continue to identify and implement opportunities to drive sustainable process efficiency across the organisation
- ESG training will be added to our learning management system and made mandatory for all employees
- Continue to measure the company's progress in managing ESG issues and proactively share this on our sustainability webpage
- Continue to participate in relevant sustainability-related disclosure or reporting frameworks
- Liaise with our Members, customers, regulators, rating agencies and other stakeholders to gain mutual understanding on the value of disclosure through the UNEP FI Principles for Sustainable Insurance.

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

- We will continue to integrate our Sustainability Strategy through our four strategic pillar areas: Financial, Member & Customer, Internal Process and People & Culture
- We will integrate the UN Principles for Sustainable Insurance in our operations
- We will align IPB strategic documents to the UN Sustainability Development Goals
- We will continue to provide enhancements/innovations to policies which align with IPB Members and IPB's company goals on environmental, social and governance matters.
- We will continue to embed sustainability and associated risks captured within the Risk Framework and in accordance with Central Bank requirements.
- Collaborate with Risk/Compliance/Finance departments to review the regulatory reporting requirements for IPB and their impact going forward.

Commitment 4 – Our Commitment to Responsible Investment

- The investments team to review targets for the percentage of green bonds and equities with higher ESG ratings within our portfolio
- Assess the carbon footprint of our investment portfolio
- Develop a Responsible Investment Policy.


RECEPTION

Social

IPB supports SDGs 3, 4, 5, 8 & 16

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 2022 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 delivering our stated objectives of transferring more of our Members' evolving insurable risks from their balance sheets to ours and supporting Members in managing and mitigating their insurable risks. Supporting our Members' sustainability agenda and cyber risks 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, recoveries, 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 stakeholders for better claims outcomes.

Underwriting

The benefits of mutuality were demonstrated clearly through the provision of premium rebates to Members and customers. Our product innovation focus has resulted in closer engagement with Members to clearly understand their evolving insurance needs and how best we can address them. 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.

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. The team advocates a strategic risk led approach to supporting the achievement of business and Member objectives under the three pillars of Prevention (Risk Management Advice), Protection (Innovative Insurance Products) and Safeguarding (Effective Claims Handling and Incident Response).

- **Prevention:** We provide risk management advice to our Members at the most senior levels, supporting chief executives, heads of finance, directors of corporate services, directors of services (operations), senior engineers and senior executive officers in identifying and addressing the significant risks to achieving their objectives through corporate and directorate risk register workshops, direct engagement on specific topics and through participation in working groups and Committees.
- **Protection:** CERM promotes the value of IPB's innovative insurance products as an effective means of transferring risk from members balance sheets, as part of our risk identification process, we have developed risk assessment and compliance assessment tools and guidance in support of our insurance offerings, and we work closely with our Members agreeing engagement strategies in support of our shared objectives.
- **Safeguarding:** CERM promotes the value of IPB's claims handling, fraud investigations and complex claims teams, in our engagement with members. Specifically, we lead on advising Members in relation to serious incidents where there is a risk of criminal investigation. We also support reduction in claims frequency through effective protective and preventive measures and claims severity (claims outcomes and cost reduction) through the engineering referral process.

The CERM teams innovative approach to Member risk is supported by a dedicated online Member Risk Management Portal providing extensive supports and materials including step-by-step risk guides, practical risk assessment tools, videos, conference events and materials to aid implementation of our Members enterprise-wide approach to managing risk. This approach helps support our Members in managing their insurable risks and wider governance objectives.

The benefits of mutuality were demonstrated clearly through the provision of premium rebates to Members and customers. Our product innovation focus has resulted in closer engagement with Members to clearly understand their evolving insurance needs and how best we can address them

Living the SDGs – SDG #3 and #5

In 2022, we developed a new risk management circular on Workplace Diversity, Equality & Inclusion which supports SDG #3 Good Health and Well-being and SDG #5 Gender Equality.

Our Members have a public sector equality and human rights duty, which means they have a duty to eliminate discrimination, promote diversity, equality and inclusion, and protect the human rights of employees and the community they serve as well as providing an inclusive workplace that adheres to the dimensions of equality. IPB was delighted to collaborate with Members in the local authority and ETB sectors to develop these supports.

The results of the survey, now in its tenth year, recorded the second highest satisfaction levels since research began. The overall satisfaction average score was 90% up from 89% in 2021

Member Relations

We are committed to providing value for money and returning retained earnings and dividends to Members where possible. The Members' Commercial 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 2022, we distributed €25m to Members in line with the final phased payment of a combined €205m in retained earnings distributions. We also committed to a Members Commercial Dividend of €18.3m payable in H1 2023 reflecting the financial performance in 2021.

Member Survey

This year IPB further broadened the reach of the Members satisfaction survey. The annual survey this year featured three distinct respondent groups to include Member insurance and claims handlers and for the first time included local authority engineers in 2021. The main satisfaction benchmark survey relates to senior Management of Member local authorities and ETBs. The results of the main benchmark survey, now in its tenth year, recorded the second highest satisfaction levels since research began. The overall satisfaction average score was 90% up from 89% in 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 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.

Diversity and Inclusion

IPB remains committed to maintaining a diverse and inclusive culture, built on openness and reflecting our mutual ethos.

We view our commitment to Diversity and Inclusion (D&I) as critical to our long-term sustainability. A sustainable business relies on solid foundations. Enabling and supporting a diverse, inclusive, and Member-focused culture is one of those foundations.

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 set out in our strategy. 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 D&I at the centre.

D&I considerations inform decision making in all areas of the business – it is central to the way we do business and how we approach the challenges and opportunities that present themselves to us day to day in meeting the needs of our people, our Members, and our customers.

We recognise that realising our strategic aims in respect of D&I is a journey that will take time – and our focus is on ensuring that we are continually demonstrating progress. During 2022 we undertook a range of initiatives and activities to support our D&I strategy and objectives.

In Q1, we were delighted to commence engagement with *inclusio*[1] to undertake a baseline assessment of the state of D&I and culture generally within IPB. This involved engagement with all IPB employees who had access to the *inclusio* platform for a period of 3 weeks during which time a wide range of information was gathered in a confidential and secure manner thereby providing a comprehensive view on the state of D&I and culture within the company. It was very pleasing that the results from our engagement indicate that we have achieved a strong culture and have a clear and well understood commitment to D&I in all its forms. As the independent report from *inclusio* states, *"Levels of inclusion are strong, and people enjoy working in IPB. There is clearly a positive, supportive work culture."* Importantly, the results indicate that the actions we are taking to further embed D&I in our day-to-day activities are having the desired impact and yet there is more that we can and will do. The information gleaned in this process has provided valuable insights that have informed our current and future activities also.

In 2022, we were pleased to continue our engagement with *inclusio* by becoming a founding partner of VOiCE (Valuing Openness, Inclusive Culture & Equity) for Insurance which was officially launched in October 2022 by Minister of State at the Department of Finance Mr. Sean Fleming T.D. in South East Technological University (SETU). VOiCE is a global first D&I sectoral benchmarking initiative supported by inclusio, the Centre for Insurance, Risk and Data Analytics Studies at SETU with participation from the major players in the insurance market in Ireland. The goal of the initiative is to provide a blueprint for understanding Culture and D&I in the workplace and to support the development of inclusive cultures by defining industry specific D&I benchmarks and creating a D&I maturity model which will enable clear articulation of "what good looks like". We are excited to be a founding partner of this initiative. The insight it will provide will support IPB and the wider insurance industry in our collective journey to deliver on our commitments to D&I and to doing what is right for our people, our Members, and our customers.

> As the independent report from *inclusio* states, *"Levels of inclusion are strong, and people enjoy working in IPB. There is clearly a positive, supportive work culture"*

1 *inclusio* delivers a science-based, data-led diversity and inclusion platform that combines technology, psychology, and Artificial Intelligence to measure, track, and action D&I across the organisation.

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

Our Board of Directors has achieved female representation of 33% and this is an important demonstration of our commitment gender diversity both internally and externally

Our Board of Directors has achieved female representation of 33% and this is an important demonstration of our commitment to gender diversity both internally and externally.

During 2022, the company has made significant progress in respect of realising the Board agreed targets for gender representation in senior Management positions. The Board adopted a target of 30% female representation in senior Management by year end 2023 with an interim target of 27% by year end 2022. We are pleased to report that as of the 31st of December 2022, we have achieved female representation of 28% amongst senior Management which is ahead of our 2022 target and a significant improvement on the 18% reported at year end 2021 and the 13% reported at the end of 2020. We are making progress but are mindful of the need to make further progress over the coming years.

This improvement in gender balance at senior Management level is as a result of clear focus on enhancing gender diversity in senior positions and specific targeted actions to support the development and progression of employees within the business. For example, during 2022 we launched our first Talent Management Development Programme which provided 20 employees from across the business with the opportunity to benefit from targeted learning supports and the opportunity to work in cross departmental project teams to demonstrate and develop their skills and capabilities by actively working on key business opportunities and challenges over a period of 24 weeks. This programme supports our commitment to succession planning and the provision of opportunities for advancement within the business. Our commitment to realisation of our gender representation targets is also supported by our recruitment and selection policies and procedures which have been refined to ensure that diversity considerations feature strongly in our selection processes for all roles.

IPB was also delighted to become a signatory to the Women in Finance Charter launched in April 2022. The Women in Finance Charter is a collaboration between industry and Government under the Ireland for Finance strategy. Ireland for Finance, is the Government's blueprint for the development of the international financial services sector. The Women in Finance Charter was developed in partnership with Financial Services Ireland, Insurance Ireland, Banking & Payments Federation Ireland and Irish Funds with data collection and reporting facilitated by the Economic and Social Research Institute (ESRI). IPB is committed to the principles as set out in the Charter and look forward to continued collaboration with all stakeholders over the coming years in this respect.

IPB welcomes the introduction of Gender Pay Gap (GPG) reporting under legislation introduced in 2022. As a company with less than 250 employees, IPB was not required to report publicly in December 2022 on the GPG. However, as we reported last year, undertaking the necessary steps to understand the GPG and the key drivers for this gap in IPB has been a key focus over the past 18 months. Whilst not required to report publicly, our internal analysis of the Irish legislative requirements indicates that, with reference to a snapshot date of the 1st of June 2022, our mean GPG is 22.5% and the median GPG is 7.3%. Although this reported GPG compares reasonably well with the information available for UK insurers and other financial services entities in Ireland, it is higher than we would want it to be. We know that the key driver for this gap is the lower levels of female representation in more senior roles within the company and we remain committed to taking the necessary steps to address this imbalance. In the final six months of 2022, significant further progress has been made in this respect and this will positively impact on the reported GPG in future. We remain committed to taking the necessary actions to reduce or eliminate this gap over the coming years.

In early 2022 with the removal of COVID-19 restrictions which had been a feature of the previous 18 months or more, we spent considerable time engaging with employees in respect of the appropriate model of hybrid working that can meet the needs and expectation of employees, our Members and customers and the business. Through that engagement we have adopted a hybrid model of work which provides all employees with enhanced levels of flexibility, supported through appropriate technology, with the vast majority working in the office between two and three days per week and the remainder spent working remotely. This is a significant change to our ways of working and the successful transition to this model is testament to our culture of trust, openness, and transparency. The enhanced levels of flexibility in our new ways of working supports our wider commitment to both diversity and inclusion and feedback from all stakeholders on our journey to date has been hugely positive.

During 2022, as part of our commitment to sustainability, IPB once again engaged with S&P Global's rating agency to independently assess our sustainability credentials. As part of this evaluation, S&P rated our Workforce and Diversity credentials as “Strong”, an improvement on the prior year’s evaluation. They also reconfirmed their view their assessment of our culture as “Excellent”. This is a further positive endorsement of our collective commitment to the development of culture and to the journey we are on 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. As a company, our commitment to continually investing in and developing our culture over the coming years remains steadfast.

As part of our commitment to culture and D&I, the Board and Leadership Team, are focused on continually emphasising the importance of our core values and linked behaviours. Our annual Culture Week celebrates and emphasises the importance of our values – Trustworthy, Respectful, Collaborative, Service Driven and Passionate. We are committed to enabling a culture where all employees feel comfortable in speaking up and raising concerns, worries or ethical dilemmas in the knowledge that they will be listened to and supported and that the company will take appropriate action. We know that to a genuinely diverse and inclusive culture requires us to listen to the views and perspectives of all stakeholders and creating and nurturing an environment where people freely share perspectives and views is a critical enabler of this. Our culture is underpinned by our mutual ethos and our founding purpose to safeguard and protect the interests of our Members and our customers. Our commitment to that ethos and our values is evident in our continual focus on doing what is right for our employees, our Members, and customers and for wider society.

Our D&I Working Group, comprising employees from all levels across all departments, with varying backgrounds, perspectives, and career experiences, is a key driving force in advancing our D&I agenda. This group give their time and focus to drive our continued progress in delivering on our D&I strategy and their efforts are to be commended. During 2022, the D&I Working Group led our activities in relation to International Women’s Day, International Men’s Day and the development of our Transition Year Programme in conjunction with the City of Dublin ETB to local secondary school transition year students through the provision of work experience placements with IPB which will commence in early 2023.

IPB is an active member of the Insurance Ireland D&I Taskforce and we as a founding partner of the Mutual Diversity Alliance (MDA), a group facilitated by the Association of Financial Mutuals which represents mutual insurance companies in the UK and Ireland, we are continually gaining insights and learnings into what works well to support our own D&I journey. 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. In 2022, we supported the MDA in engagement with inclusio to progress a sectoral benchmarking exercise for the mutual insurance sector in the UK which has the potential to provide further insights on experiences in the UK which can support our own journey.

Our journey to be a more diverse and inclusive company will continue for many years ahead. Whilst we are making significant progress, we recognise that there is more to be done – and we are committed to taking the necessary and appropriate actions to deliver on our aims in this respect. The commitment from the Board of Directors and Management is clear and we look forward to more positive change in the years ahead which will be beneficial to all stakeholders most especially our people, our Members, and our customers.

Human Rights

This year we published our first Human Rights Policy. In line with the UN Guiding Principles on Business and Human Rights, IPB also recognises our corporate responsibility to respect and uphold these principles. Additionally, we expect our Members, customers and suppliers, to be aligned in upholding fundamental human rights.

Our D&I Working Group, comprising employees from all levels across all departments, with varying backgrounds, perspectives, and career experiences, is a key driving force in advancing our D&I agenda. This group give their time and focus to drive our continued progress in delivering on our D&I strategy and their efforts are to be commended

Wellbeing Programme

IPB recognises the importance of employee well-being and that a work environment that fosters and supports employee well-being is hugely beneficial for all concerned. The company is committed to taking a proactive approach to this area and to regularly reviewing its approach in line with internal and external developments which may impact on employee well-being. The company adopts a holistic approach to wellbeing across six core pillars: Financial Management, Physical Health, Mental Wellbeing, Social Connection, Spiritual Wellbeing and Sense of Purpose.

During 2022, a variety of Wellbeing resources were extended to employees through different methods recognising our diverse employee workforce. Specific attention was made to action wellbeing activities through a multifaceted approach in support of our hybrid working model and to explore and address changes post the pandemic.

A number of events were facilitated virtually bringing people together to discuss and engage on different topics so that they could learn from and support each other. These included events linked to key dates in the national and international health and wellbeing calendar and social calendar such as International Women's Day, National Workplace Wellbeing Day, World Sleep Day, Men's Health, World Suicide Prevention Day, World Mental Health day and Pride.

An on-line platform provided by Spectrum Life facilitated the provision of resources for employees to access at a time that suited them which included online webinars, e-learning and a digital gym.

Each year during the Winter months, we place a spotlight on preventative actions. We offer employees access to annual flu vaccinations and eye care vouchers as well as a fully subsided one-to-one health screening option carried out on-site by a health practitioner. Other one-to-one consultations offered included dietary to help employees understand nutrition and financial to assist them in high inflation costs. These are part of our commitment to raising awareness and providing resources to help employees sustain their health and wellbeing.

Employee Assistance Programme

Our EAP programme is a confidential independent service provided by Inspire Workplaces that offers employees support to help manage a variety of potential challenges that may be affecting their performance at work and their personal lives. This support is available 24/7 is designed to provide immediate support and advice on a range of topics. For more complex issues, employees can avail of up to six counselling sessions.

Great Place to Work Survey

Our commitment to strengthening our workplace culture and employee experience has again been recognised by IPB employees. In 2022 IPB recorded a Great Place to Work approval score of 86% (2021: 88%). The All Question Average remained at 82% which is a significant achievement and indicates continued positive developments. Over the years, we have seen positive changes in the workplace and IPB has received certification as a Great Place to Work for 2022/2023 for the fifth consecutive year.

The Great Place to Work Working Group is made up of approximately 20 employees from across the company who are essentially the voice of the employees. They carried out listening sessions with all employees and provided vital feedback, ideas and solutions to Management. The groups aim is to foster inclusion and promote positive improvements to the work environment for a sustainable future.

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.

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.

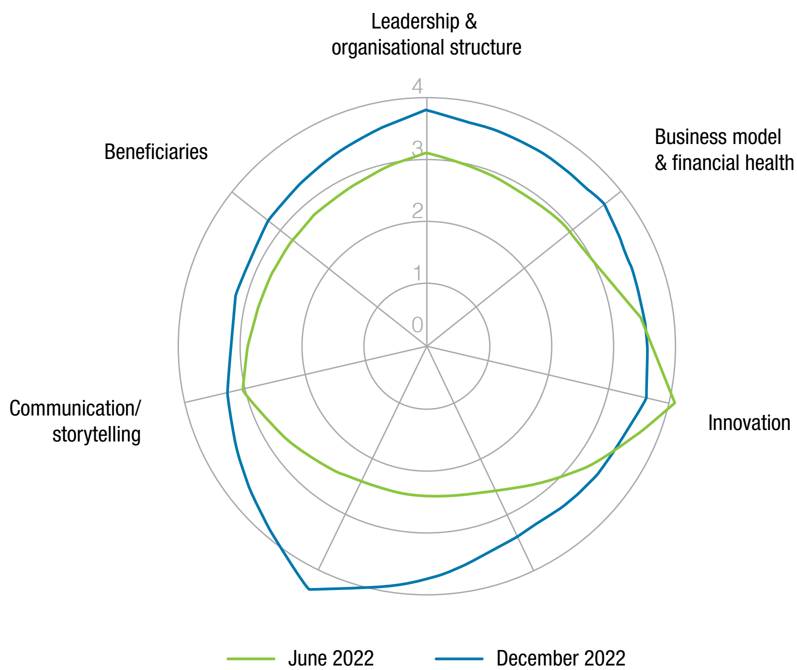
This is the fifth year of the fund which is due to conclude at the end of 2023. In total €4.4 million will have been invested in social enterprises through the fund's direct funding grants and value added services and supports. A feature of year 5 and 6 of the fund is the development of an online business course for social enterprises to support financial and operational planning and strategic development. The ambition is that the social enterprise business course will evolve to become a standalone resource serving as the fund's legacy. Following the conclusion of the SED fund, there will be a review to ascertain the training and development needs of the sector into the future and how the SED fund business course may meet these future needs.

As part of the accelerator training programme in 2022, awardees attended workshops tailored to their specific needs. Sessions by subject matter experts included:

- **Impact Management:** Equipping participants to better understand ways to measure and manage impact.
- **Diversity, Equality and Inclusion:** (DEI) Enabling participant social

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

SED Fund 2022: Impact of the Social Enterprise Business Course on Organisational Health in the following areas



entrepreneurs understand the importance of DEI for their social enterprise.
- **Financial Resilience:** This session aimed to provide our awardees with supports and insights to drive the operational and financial sustainability of their enterprise.
- **Communications:** Awardees were provided with the relevant training to develop a stakeholder communications plan, as well as individual follow-ups to ensure practical relevance and implementation of their plans.

Additionally, course participants were matched with a business consultant to support them to produce outcome frameworks and develop strategic plans.

As part of the performance management of the fund, awardees had quarterly check-ins with the fund team, who supported them in achieving their milestone trigger payments. The awardees completed the Organisational Health Assessment at the start of the fund and again after six months. This tool facilitated targeted support to participants where a need existed to build their organisation's capacity, scale their impact and achieve their strategic goals. An aggregate of results are shown in the graph charting organisational health progress on page 49.

The IPB Pride of Place Awards 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

ETB Music Instrument Fund

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) and local authority Members, who are central to the governance of the programme through local music partnerships (LMPs). ETBs are leaders in overseeing the delivery of a range of Music Generation programmes across the country. The €300,000 ETB Music Instrument fund concluded following a three-year funding period (2020-2022). The funds were invested directly by our ETB Members to purchase musical instruments supporting increased access to high-quality, subsidised performance music education for young people in their locality.

Pride of Place

The IPB Pride of Place awards 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 IPB's partnership, financial awards are also provided to those communities recognised at the awards. As the mutual insurer to local authorities, IPB is proud to partner with its Members in recognising communities and local volunteers who show pride in the place they call home.

Metrics and Continued Focus

Social: Key Performance Indicators

	2022	2021	2020	2019
People who feel that IPB is a friendly place to work[1]	90%	95%	92%	92%
People who feel they are able to take time off from work when they think it's necessary[1]	91%	89%	89%	89%
People who feel proud to tell others they work here[1]	86%	91%	89%	88%
People who feel people here are treated fairly regardless of their gender[1]	85%	89%	85%	86%
People who feel they are treated fairly regardless of their age[1]	88%	88%	87%	89%
People who would say that IPB is a great place to work[1]	86%	88%	88%	91%
People who feel good about the ways that IPB contributes to the community[1]	87%	90%	90%	86%
Voluntary employee turnover	15.5%	3.3%	4%	4.8%
Member survey overall satisfaction average rating	90%	89%	86%	83%

1 2022 Great Place to Work Survey Result

Our Social Commitments for 2023 and Beyond

Our Climate-First Sustainability Strategy contains key social commitments, namely Commitment 3, 'our commitment to people and culture' and Commitment 6, 'our Commitment to Members'.

Our commitment to people and culture

Our commitment to members

Commitment 3 – Our Commitment to People and Culture

- We will continue to work with our D&I Working Group to make improvements and ensure we are a diverse, equal and inclusive employer
- We will continue to ensure we maintain strong relationships with our key stakeholders to ensure we promote and embed good social sustainability practices
- We will continue to network with the industry to ensure best practice is implemented, e.g. Insurance Ireland, The Association of Mutual Insurers and Insurance Cooperatives in Europe (AMICE), the Central Bank, The Association of Financial Mutuals (AFM) etc. in the context of the UNEP FI Principles for Sustainable Insurance.

Commitment 6 – Our Commitment to Members

- We will continue to collaborate with our IPB Local Authority Member Sustainability Forum in order to provide the best supports and products
- We will engage with our ETB Members on sustainability related issues in a more focused and formal manner
- We will continue to develop insurance product enhancements/innovations that align with Members' and IPB's company goals on matters of environmental sustainability and governance
- We will continue to advise and support our Members on sustainability and climate-related risk via the Client Enterprise Risk Management Services Team
- We will continue to 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.


OPEN

Environment

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

In 2022, we focused on understanding the carbon footprint of our operations and our value chain. We also gathered additional data to help us understand more about our greenhouse gas (GHG) Scope 3 emissions.

UN Principles for Sustainable Insurance

In April, IPB Insurance became a signatory to the Principles for Sustainable Insurance and a member of the global community of banks, insurers and investors of the UN Environment Programme Finance Initiative (UNEP FI).

The UNEP FI is a partnership between the United Nations Environment Programme (UNEP) and the global financial sector, created in 1992 to advance sustainable finance. More than 400 financial institutions work with the UNEP to understand emerging environmental, social and governance issues, why they matter to the finance industry, and how to address them in banking, insurance and investment decision-making and market practice.

The UNEP is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system, and serves as an authoritative advocate for the global environment.

Responsible Operations

Greenhouse Gas (GHG) Scope 1&2 Emissions

In 2022, IPB agreed to set its GHG Scope 1& 2 emissions baseline year as 2018. We have set the target of an absolute reduction of 50% of tCO_2e from 2018 to 2030. We are working with our landlord to replace fossil fuel with renewable heating, which will bring IPB's emissions close to net zero.

GHG Scope 3 Emissions

A baseline year (2021) for our GHG Scope 3 emissions was also agreed. The GHG Protocol sets out the 15 categories in Scope 3. These are "intended to provide companies with a systematic framework to measure, manage, and reduce emissions across a corporate value chain".[1] In terms of downstream activities, IPB has gathered some secondary data to assist us with this, and in 2021, reported on the following three categories:

Upstream Activities

- Purchased Goods and Services
- Waste Generated in Operations
- Business Travel

During 2022 we carried out a review of the 15 Scope 3 categories and agreed to add an additional two categories. Of the 15 categories we believe that six apply to our operations, so we will have measured our Scope 3 emissions using the following two additional categories:

Upstream Activities

- Employee Commuting
- Transportation and Distribution

> In September, we launched our new sustainability webpage on the IPB website in order to demonstrate the improvements we have made regarding sustainability and ESG to our Members

IPB is aligning itself to the Science Based Targets Initiative for small and medium-sized enterprises (SBTi SME) framework for Scope 1, 2 & 3 emissions. This means a reduction target for Scope 1 & 2 and working to understand all our emissions for Scope 3. We will revisit the SBTi validation route when our investment portfolio has been assessed.

Sustainability Awareness Week

In May, IPB launched its inaugural Sustainability Awareness Week. This was led by employees on our Operations Sustainability Workstream. The aim of the week was to raise awareness of sustainability and how, as employees, we can make improvements both in work and at home. The awareness campaign proved to be a great success and included the following:

- **Monday – Launch**
  Employees attended ESG and sustainability lunch-and-learn training session – developed and delivered by our employees.
- **Tuesday – Environment Theme**
  Employees completed a commuter survey to assist with gathering our GHG emissions Scope 3 data.
- **Wednesday – Social Theme**
  - Interview with a Social Enterprise Development fund awardee, Habitat for Humanity.
  - Launch of two volunteering opportunities for staff to assist our local community (City of Dublin ETB and TidyTowns).
- **Thursday – Governance Theme**
  Fireside chat with John Clendennen, Chair of the Board Sustainability Committee and Michael Garvey
- **Friday – Close**
  Employee Sustainability Survey

Each day, employees also received screensavers, email communications with articles, videos and infographics, and information on what they can do to help improve sustainability.

Sustainability Website

In September, we launched our new sustainability webpage on the IPB website in order to demonstrate the improvements we have made regarding sustainability and ESG to our Members. For example, we have included information on our ESG evaluation score, accreditations, policies, sustainability workstreams, etc. We will continue to develop this site further in 2023.

1 www.ghgprotocol.org/sites/default/files/standards/Scope3_Calculation_Guidance_0.pdf

Environmental Support for Members

IPB Local Authority Member Sustainability Forum

This year we launched a new forum – the IPB Local Authority Member Sustainability Forum. The role of IPB Insurance is to protect and safeguard our Members. This forum, with representatives from both IPB Insurance and the local authority sector, will guide and advise on Members' product needs to ensure that they are appropriate, especially in respect of climate action and sustainability. Members include local authority chief executives, heads of finance, the Local Government Management Agency (LGMA) including County and City Management Association (CCMA) chairs, as well as the Climate Action Regional Offices (CARO).

Member Engagement

Client Enterprise Risk Management (CERM)

The CERM service is a value-added service that supports the management of the key risks that our members face. CERM provides Members with step-by-step risk guides, practical risk assessment tools, videos, conference material and a range of resources to help Members implement an enterprise-wide approach to managing risk and ensuring compliance in the support of good governance. Our risk management advice is organised into five groups, these are: Corporate, Technical, Operational, Environmental and Safety. Regarding environmental risk supports, CERM was involved in a number of initiatives during 2022.

CCMA Active Travel Infrastructure (ATI) Work Group

At the suggestion of CERM, and in collaboration with the LGMA Climate Action, Transport and Network Committee (CATN), this group was established in July with representation from IPB (Chair), the National Transport Authority (NTA), Transport Infrastructure Ireland (TII) and/or the Department of Transport (DoT). In August the group presented to a high-level transport Committee on the active travel lessons learned and recorded by the workgroup, including the colour of cycle lanes, segregation methods, bollards, maintenance, and the lack of consistency in active travel infrastructure across the sector. The NTA advised that they will share the draft cycle manual with the workgroup and that they will attend future workgroup meetings. The group will continue to meet in 2023.

Zero Emission Vehicles Ireland (ZEVI)

The DoT established a dedicated office to support consumers, the public sector, and businesses to continue to make the switch to zero-emission vehicles in July.

On behalf of the CATN, IPB and Members provided feedback regarding the provision of signage, allocation of space, use of drop kerbs, and location of EV chargers. In response to some of these queries, IPB has enhanced its some of its policies to provide further protection to Members.

Road Management Office (RMO)

CERM has been working with the RMO regarding the MapRoad Active Travel app, which is designed to capture cycle

Living the SDGs – SDG #3

While we support and advise our Members on many of the SDGs, SDG #3 Good Health and Wellbeing is the one we advise on most frequently. In 2022 we developed two new risk management circulars on Managing Local Authority Outdoor Amenities/Infrastructure and Managing Local Authority Outdoor Amenities/Playgrounds.

Our local authority Members play an important role in providing and maintaining public spaces that aid our tourism sector and boost economic growth. Our risk circular provides some useful guidance on protecting and maintaining various types of amenity sites or infrastructure that are owned or jointly managed by local authorities including new developments such as greenways and parklets.

Local authorities throughout Ireland own and/or manage many playgrounds and/or multi-use game areas and outdoor gyms. They play an important role in providing and maintaining public outdoor play/recreation areas that benefit children's wellbeing and development. Our risk circular provides some useful guidance on protecting and maintaining playgrounds and outdoor fitness areas that are owned by local authorities.

and footway assets to and retrospectively capture local authority active travel data. This would enable IPB to see all assets logged, which could assist in combatting future claims.

CCMA Material Selection Work Group

The Local Government Management Agency (LGMA) CCMA Climate Action, Transport and Networks (CATN) Committee asked for CERM support in chairing this group, which prepared a publication that included public-realm topics including environmental sustainability, lighting, universal access/mobility, drainage, and design.

This was presented to the DoT, which asked for it to be issued in a new version of the Design Manual for Urban Roads and Streets (DMURS) Advice Note 2 materials in 2022.

Additional material on universal design, lighting, maintenance etc. was been provided, which will be included in a further guidance note.

Transport Infrastructure Ireland (TII)

IPB is currently working with TII to support them in better understanding the type of claims that occur on cycle infrastructure, including greenways, in order to assess active travel infrastructure regarding hazards and the likelihood of incidents occurring. Ultimately the aim is to support the provision of active travel infrastructure which is designed to minimise hazards and the risks of incidents occurring.

Environmental Progress in 2022

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, IPUT, as part of their ESG Committee to better understand how we can reduce our GHG emissions.

IPUT is committing to reducing their energy usage to meet its net zero goal by 2030. It has committed, for example, to eliminating the need for gas in the building by 2025, replacing the current gas heating system with an air-to-heat system. A project to enhance the building is currently underway including increased storage and charging points for E-bikes. A facility for installing EV charging points will also soon be available to building tenants. IPUT is making other sensible changes like reducing the temperature on the boiler by 1°C to reduce the amount of gas burned.

Operationally, we continue to make improvements such as the LED light replacement programme and the removal of single use disposables.

Metrics and Continued Focus

Environment: Key Performance Indicators[1]

	Total Emissions (tCO_2e)			
	2022	2021	2020	2019
Scope 1 (Direct Emissions)	34	58	39	79
Scope 2 (Indirect emissions) – Location Based	49	38	51	69
Scope 2 (Indirect emissions) – Market Based	0	61	78	109
Scope 3 (Other Indirect Emissions) – Purchased Goods & Services	1,260	1,265	1	4
Scope 3 (Other Indirect Emissions) – Upstream Transportation and Distribution[2]	1	1	No data	No data
Scope 3 (Other Indirect Emissions) – Waste Generated in Operations	0	0	0	0
Scope 3 (Other Indirect Emissions) – Business Travel	18	6	12	74
Scope 3 (Other Indirect Emissions) – Employee Commuting[2]	108	No data	No data	No data
Total Emissions (Assuming Location Rate):	1,471	1,368	104	226

1 All data has been independently verified by a third-party company.
2 New categories included in 2022.

IPB emissions have been quantified in line with the ISO 14064-1 standard and verified by a third party to the ISO 14064- 3[3] standard. Scope 1 emissions consist of natural gas combustion for heating and fugitive emissions from aircon 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 over time for IPB. Emissions were quantified using the UK's Department for Environment, Food & Rural Affairs (DEFRA) and Ireland's Commission for Regulation of Utilities (CRU) emission factors.

Our Environmental Commitments for 2023 and Beyond

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

Our commitment to provide responsible operations

Commitment 5 – Our Commitment to Provide Responsible Operations

- We will work with our supply chain and our chosen business partners to ensure that sustainability is a key consideration as well as collecting data on their GHG emissions
- We will work with our landlord to lower our Scope 1 and 2 GHG emissions
- We will continue to record and report on our GHG emissions
- We will continue to improve the sustainability of products across the entire product offering
- We will organise a sustainability awareness week to assist with embedding our Sustainability Strategy and to provide education to our employees
- We will work with a third-party partner to assess the Scope 3 GHG

3 ISO 14064-1: 2018: Greenhouse gases — Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. ISO 14064-3: 2019: Greenhouse gases — Part 3: Specification with guidance for the verification and validation of greenhouse gas statements.

Management Analysis, Financial Statements & Other Information

Management Analysis

Management Analysis Market Context

The Irish economy weathered the COVID-19 pandemic and is coping well with the repercussions from Russia's war of aggression against Ukraine. While the fiscal position is currently strong, with buoyant revenues, a number of pressures arising from ageing, housing, health, and climate change create fiscal risks in the longer term.

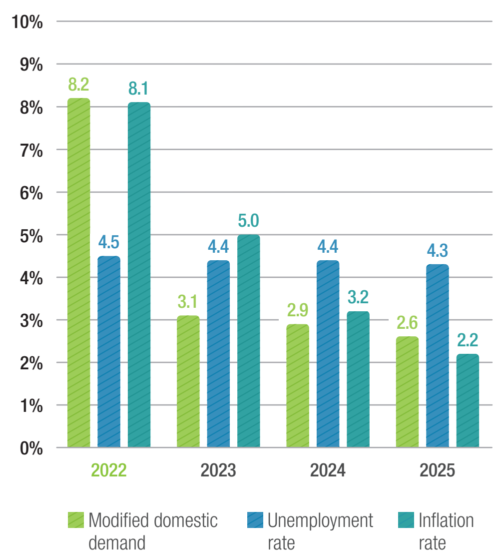
Source: OECD Ireland Economic Snapshot Dec 2022

Economy
Irish Economic Indicators

8.2%

Modified Domestic Demand in 2022

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.



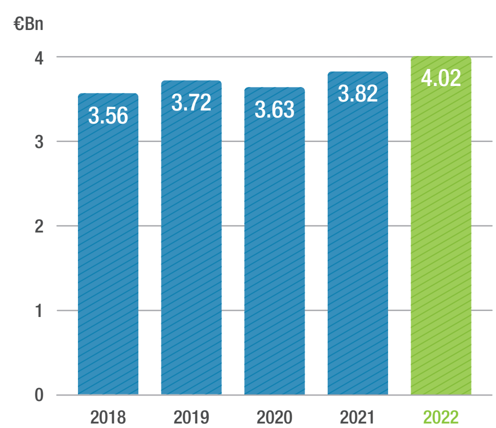
- Domestic economic activity slowed in the latter half of 2022, but a fall in wholesale energy prices and associated lower inflation will see the economy recover gradually this year.
- The unemployment rate is expected to average 4.4 per cent over the forecast horizon. Slower employment growth and a pick-up in wage rate growth is expected as capacity constraints become more binding.
- Uncertainty remains high but risks to the domestic growth outlook are now less tilted to the downside than previously forecast. The central forecasts are contingent on geopolitical tensions not escalating and energy prices continuing on their downward trajectory.

Source: Central Bank Quarterly Bulletin March 2023.

Industry
Irish Non-Life Insurance Market

€4.02bn

The estimated value of the Irish non-life insurance market in 2022



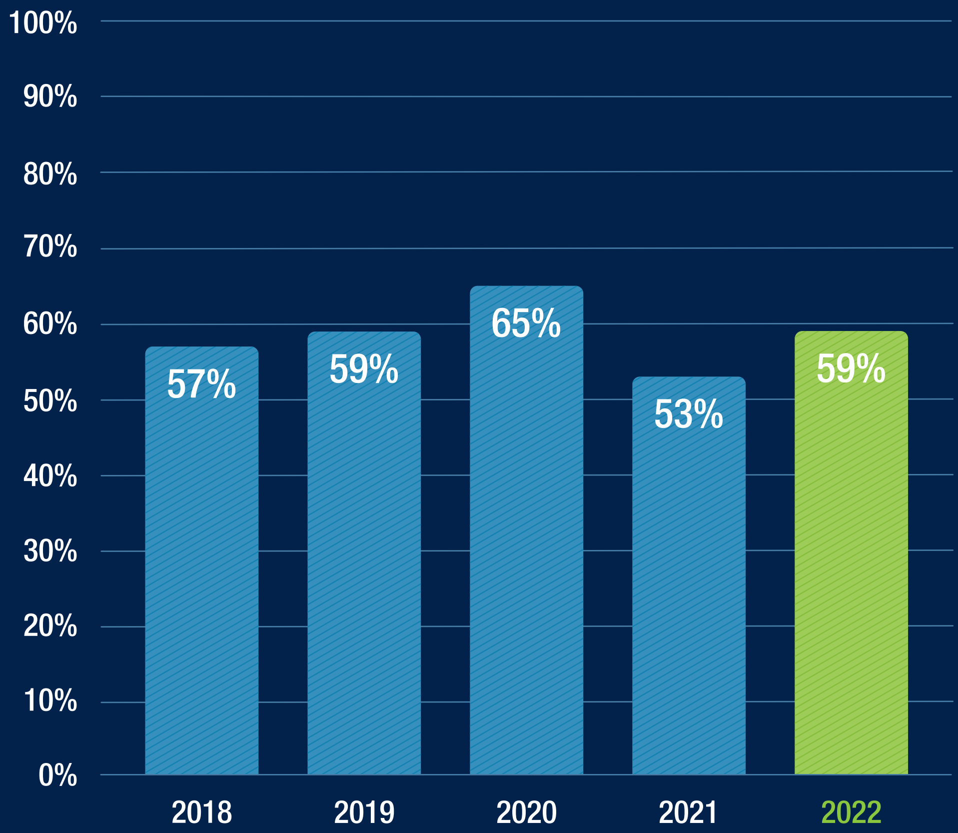
- The Irish non-life domestic insurance market is expected to show an increase in 2022 to over €4bn of gross written premium based on trends seen in Q1 and Q2 of 2022.

Source: Insurance Ireland, GWP to Q2 2022 plus estimates for Q3 & Q4 2022.

Management Analysis Market Context (continued)

Claims Environment

Market Gross Loss Ratio



59%

The estimated market gross loss ratio

- Estimate for 2022 is based on prior experience over the past five years.

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

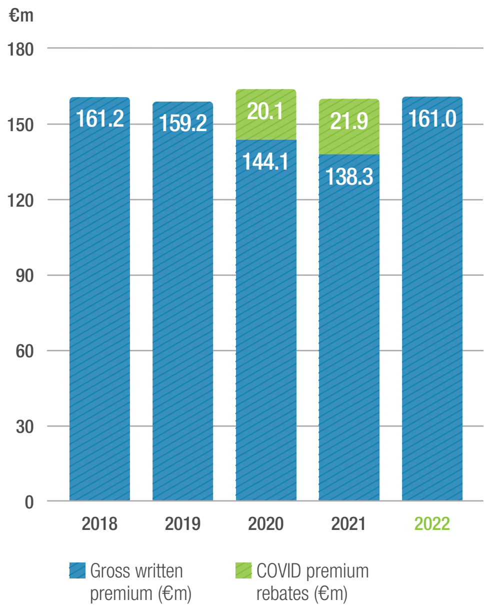
Financial Highlights

Rising interest rates and persistently higher inflation resulted in significant investment losses during the year. Written premium returned to pre-pandemic levels.

Gross Written Premium

€161.0m

Gross written premium is €22.7m (16.4%) higher than in 2021

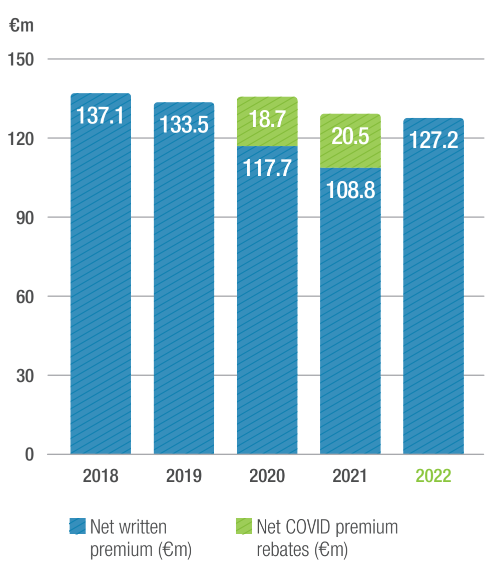


- Gross written premium grew by €22.7m in 2022 as premium levels returned to pre COVID-19 levels.
- Premium rebates are shown in these charts to demonstrate how underlying premium has remained at consistent levels.
- Retention rates remain very high at just under 99.8%.

Net Written Premium

€127.2m

Net written premium is €18.4m (16.9%) higher than in 2021



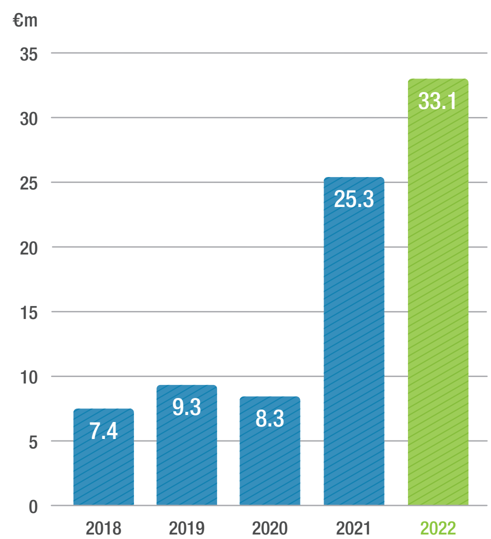
- The increase in net written premium is in line with GWP.
- Premium rebates are shown in these charts to demonstrate how underlying premium has remained at consistent levels.
- A prudent reinsurance policy is in place. The percentage of gross written premium ceded to reinsurers has grown from 15% in 2018 to 21% in 2022 reflecting higher reinsurance premium costs along with higher premium for property and lower premium for liability products.

Financial Highlights (continued)

Net Underwriting Result

€33.1m

Net underwriting result has increased by €7.8m in 2022 to €33.1m

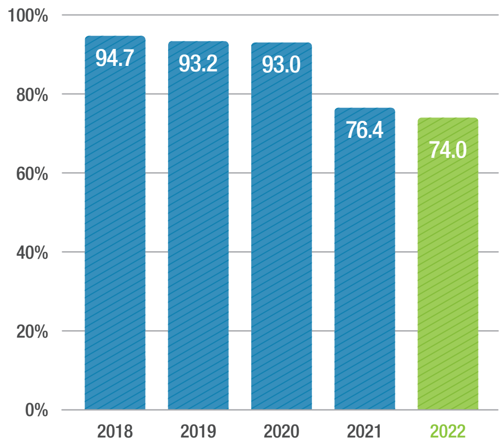


- The net underwriting result includes operating, underwriting and claims expenses, and commission income.
- The increased net underwriting result is mainly due to lower levels of claims incurred.
- The impact of the revised Personal Injury Guidelines is still at a relatively early stage of development within the claims portfolio although the indications are that claims numbers and values are falling.

Net Combined Operating Ratio

74.0%

Net combined operating ratio

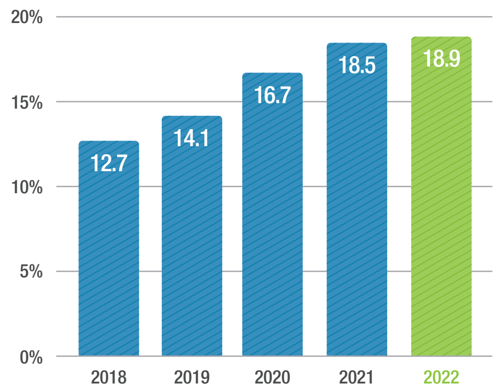


- The net combined operating ratio has reduced to 74.0% in 2022 from 76.4% in 2021 due to the fall in claims incurred.
- The reserving policy is to create a 'best estimate' provision for claims and then add a margin for uncertainty.

Financial Highlights (continued)

Net Expense Ratio

18.9%

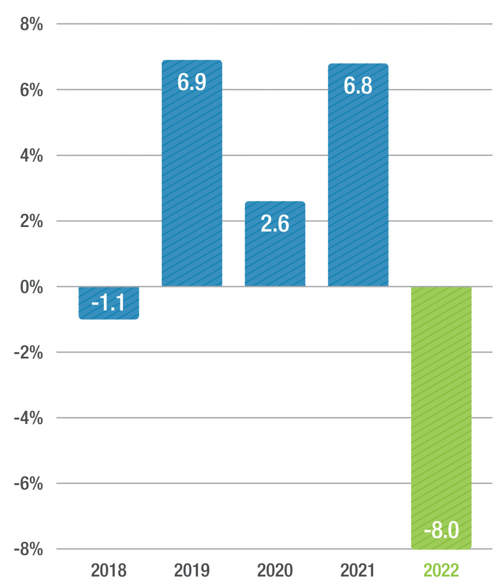


- The net expense ratio has increased to 18.9% in 2022 from 18.5% in 2021, primarily due to a planned and controlled increase in operating expenses reflecting an inflationary environment.

Return on Equity

-8%

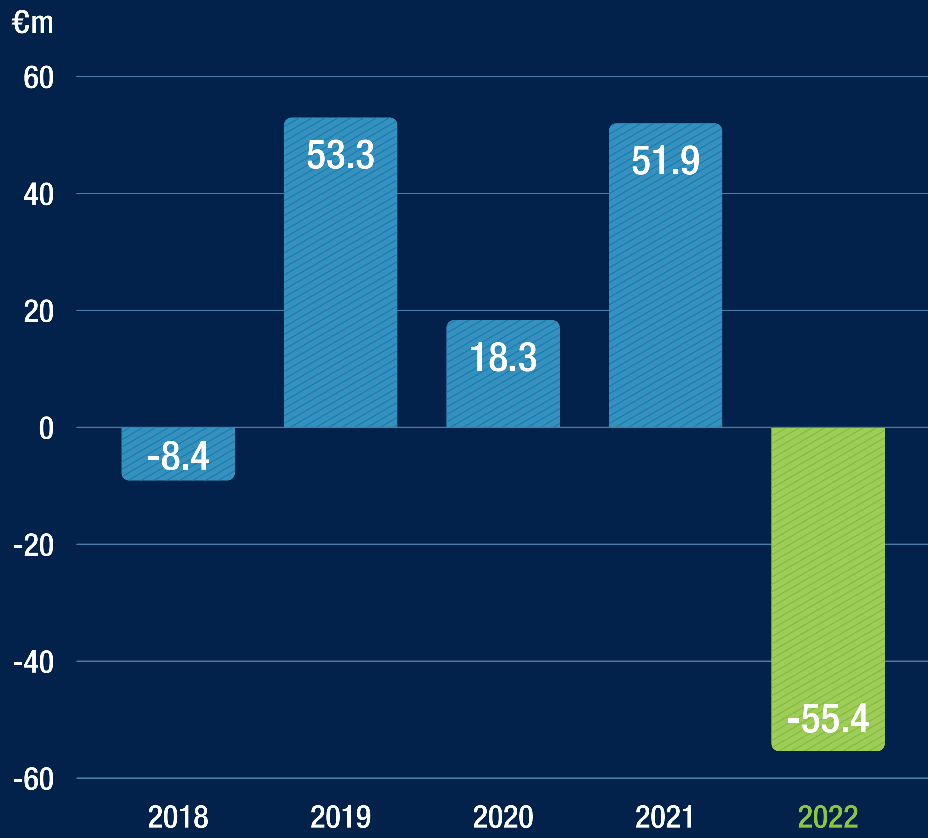
Return on equity in 2022



- Return on equity has reduced to -8.0% in 2022 from +6.8% in 2021.
- Global investment performance in 2022 was negative reflecting the volatility and uncertainty caused by the war in Ukraine, supply chain issues, and concerns of recession and inflation.
- Despite the investment losses, we have continued to perform strongly against our comparative investment benchmarks.

Financial Highlights (continued)

Surplus/Loss Before Tax



-€55.4m
Loss before tax in 2022

- The loss before tax is due to the investment losses in 2022.
- Rising interest rates have caused bond valuations to fall over the course of the year in 2022 although we do expect to see these mark to market losses reversed as our relatively short-dated bond portfolio of high-quality bonds progresses towards maturity over the next 3-5 years.

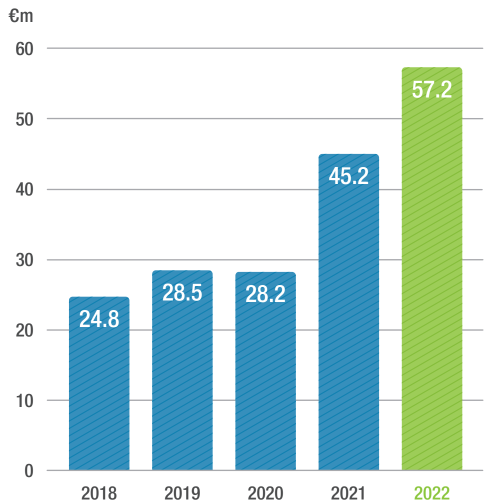
Note: Surplus/Loss before tax = profit/loss before tax.

Financial Highlights (continued)

Technical Underwriting Result – Net

€57.2m

Underlying net technical underwriting result in 2022



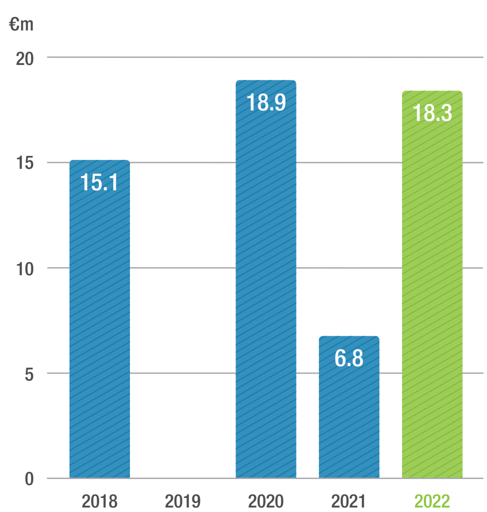
- The net underlying technical underwriting result of €57.2m is up from €45.2m mainly due to higher levels of GWP and lower levels of claims incurred.
- The technical underwriting result excludes allocated investment income, operating costs and commission income.

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)

€18.3m

Members' Commercial Dividend



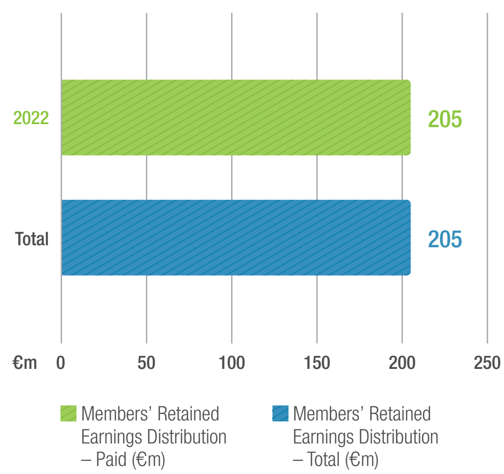
- The Members' Dividend underlines the company's commitment to Members.
- Up to 40% of surplus after tax can be paid as Members' Commercial Dividend. This is payable one year in arrears to facilitate cashflow planning for our Members.
- As the company incurred a loss in 2018, no Member Commercial Dividend was proposed in 2019.
- As the company has incurred a loss in 2022, no Member Commercial Dividend will be proposed in 2023, however given the very strong underwriting result achieved as well as the exceptionally strong capital position that exists, it is proposed that a Special Dividend of €10m will be paid to Members in 2024.

Financial Highlights (continued)

Members' Retained Earnings Distribution (RED)

€205m

Members' Retained Earnings Distribution paid out at the end of 2022



- 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 2021, following the payment of a special dividend in 2019.
- As at the end of December 2022 €205m had been distributed.

CSE Fund

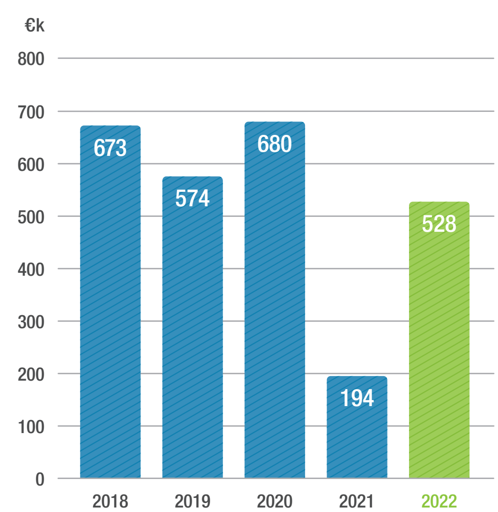
€16m

Increased by €3m in 2022

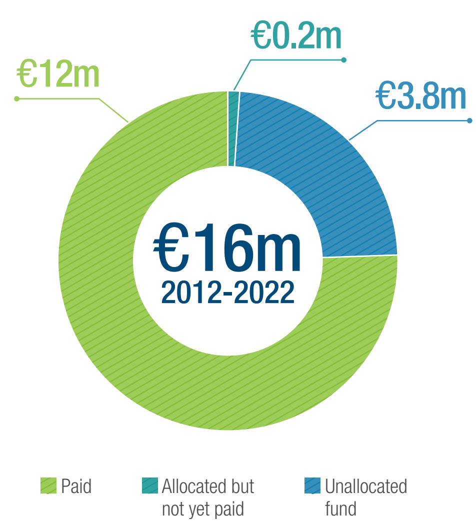
€12m

CSE funds paid out 2012-2022

Paid by Year (€k)



Total IPB CSE Fund

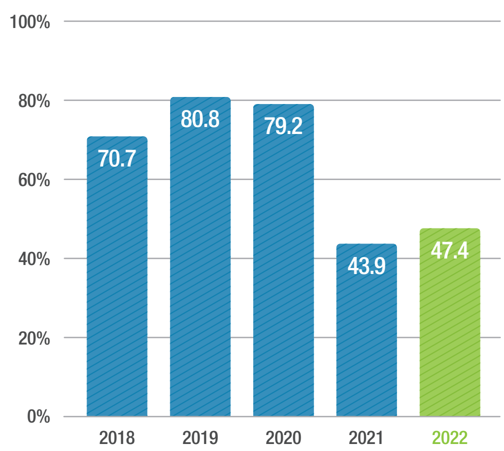


Claims and Losses

Gross Loss Ratio

47.4%

Gross loss ratio up from 43.9% in 2021

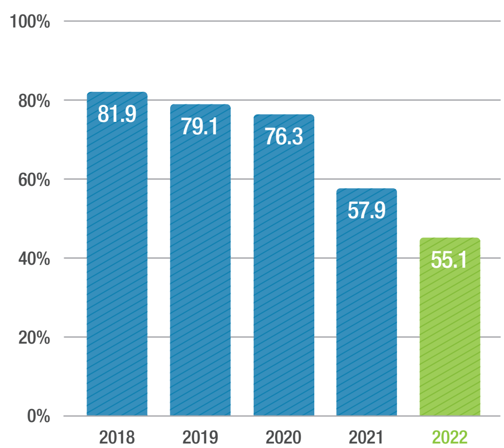


- The gross loss ratio has increased from 43.9% in 2021 to 47.4% in 2022. This represents the second year of significantly lower levels of gross losses compared with 2018-2020.
- The profile of the book is significantly weighted towards long-term exposures.

Net Loss Ratio

55.1%

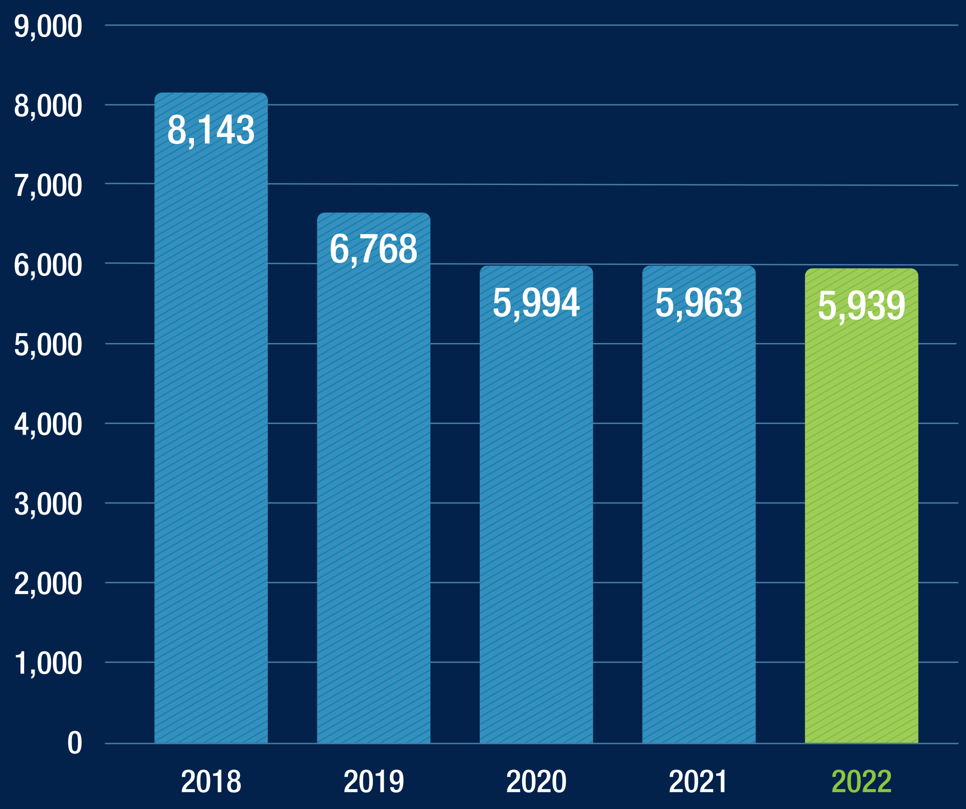
Underlying claims net loss ratio shows a decrease from 57.9% in 2021



- The underlying net loss ratio has decreased to 55.1% in 2022 from 57.9% in 2021.

Claims and Losses (continued)

Number of New Claims



5,939

Claim numbers remain lower for a third year running

- Claim numbers have remained lower than pre-pandemic levels.
- 2022 claim numbers have remained low due to less commuting and mobility as more people work from home, along with Personal Injury Guidelines lowering claim values, resulting in reducing claimant/legal incentive particularly on low-value discretionary claims.
- 2020 and 2021 saw lower claim levels resulting from restricted mobility due to successive lockdowns, closed legal practitioners and closed amenities.
- The higher level of claims in 2018 was a result of a large number of pothole claims that arose due to poor weather conditions in 2017.

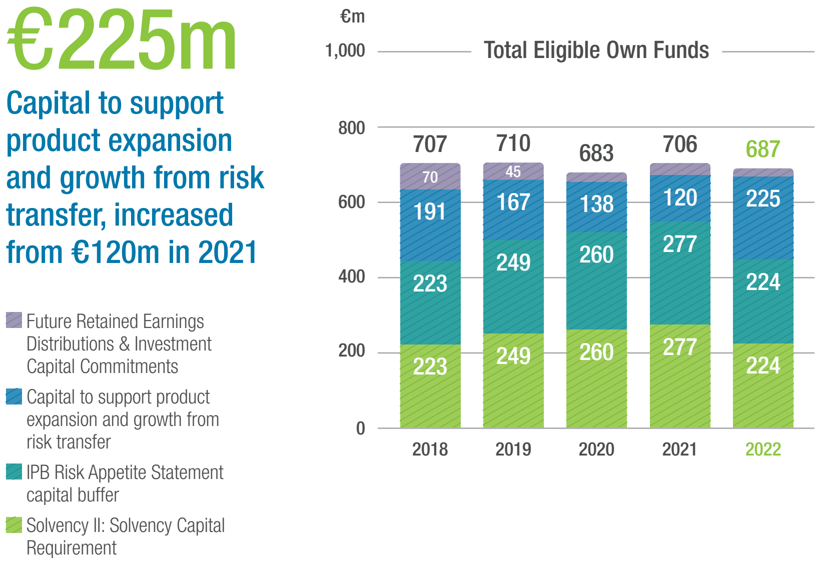
Solvency

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)

€225m

Capital to support product expansion and growth from risk transfer, increased from €120m in 2021

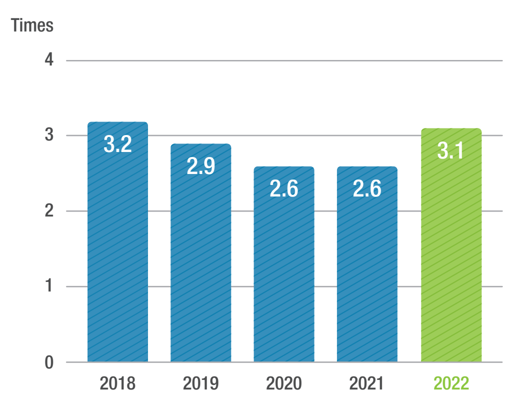


- The company holds regulatory and economic capital in addition to the SCR, as well as sufficient capital to:
  – Cover latent risks inherent in its business.
  – Deliver on its strategic objectives and to support product expansion and growth from risk transfer.
- The available capital to support product expansion and growth has been increased to €225m in 2022 mainly due to a reduction of our SCR.

Solvency II – Required Margin Cover

3.1

Times the capital required under Solvency II



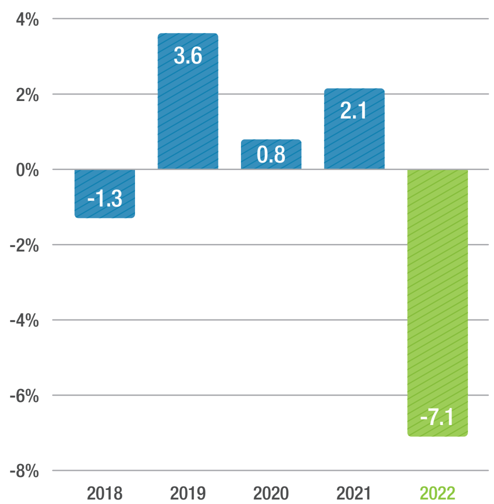
- The company's reinsurance programme enables it to minimise volatility in earnings from large losses and catastrophic events.
- The overall solvency margin continues to remain strong, with the cover representing three times the capital required under Solvency II.
- The company's credit rating from S&P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

-7.1%

Investment return is lower than 2021



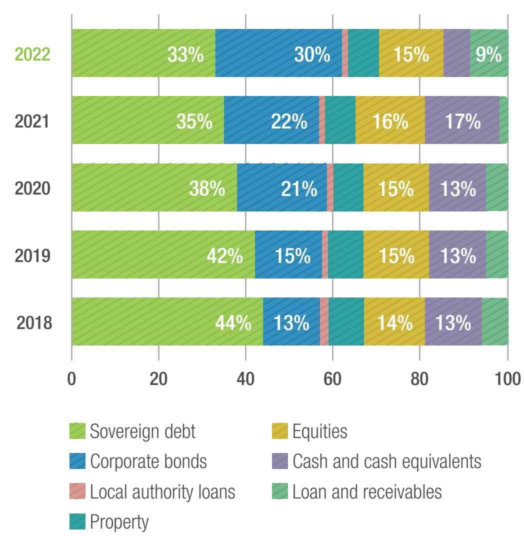
- The investment losses of €88.5m have resulted in a reduction in the % return from +2.1% to -7.1%.
- 2022 was a difficult year for investments with rising interest rates and persistently higher inflation resulting in negative returns in the bond and equity markets.

Note: Investment returns include income from interest and dividends plus/minus any realised/unrealised gains or losses and less any investment management expenses.

Analysis of the Investment Portfolio

33%

of the portfolio is invested in sovereign debt



- The market value of the investment portfolio is €1.2bn.
- The company follows a high-quality, low-risk investment strategy.
- The company's focus is on high-quality bonds and cash, with limited holdings in equities and property.

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 underwriting, director of risk and compliance and acting company secretary, 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 2022.

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 2022.

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.

Results for the Financial Year, Dividends and Financial Statements

The Profit and Loss Account for the financial year ended 31 December 2022 and the Balance Sheet as at 31 December 2022 are set out in the Management Analysis and Financial Statements section of this report. The loss on ordinary activities before taxation amounted to €55.4m (2021: profit €51.9m). After a tax credit of €7.1m (2021: tax charge of €6.1m), and the planned Retained Earnings Distribution of €18.3m, the decrease in retained earnings is €66.7m (2021: €14.1m increase).

No Directors were involved in any transactions with the business during the financial year other than those outlined in the Directors' Remuneration Report in Note 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 Chairman's Statement and Chief Executive Review in Section 1 of this report provide an overview of the performance for the financial year and future strategy for the business.

Principal Risk and Uncertainties

The principal risks and uncertainties that the company faces are, by the very nature of the business, those for which it provides or has provided insurance cover. The company seeks to ensure that it collects sufficient premium income to meet the cost of potential claims over time, but the uncertainty surrounding the severity and frequency of claims can lead to significant variation in the company's performance in the short term. Although considerable judgement is involved, the Directors adopt a prudent approach to the provision and valuation of insurance reserves, with annual support and certification being provided by an appropriately qualified and experienced in-house actuarial team supported by external reviews as required.

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

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

Risk Management

The Directors regularly consider the principal risk factors that could materially and adversely affect the future operating profits or financial position of the company. The company's risk management and compliance and regulatory governance frameworks are outlined in the Report of the Board and Executive section of this report. Details of the key risks 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 Chairs 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 2023 and forecasts for 2024 and 2025, 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 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. In June 2016 a Statutory Instrument was signed into law in Ireland that gave effect to an EU Directive and Regulation. SI 312 introduced mandatory rotation of audit firms after 10 years for Public Interest Entities. As Deloitte have been in position as auditors for 10 years, a formal external audit tender process was undertaken with oversight by the group's Audit Committee on the Board's behalf, following which the Board selected KPMG as the external auditor for the company. A resolution to formally approve the appointment of KPMG as external auditors will be put to the AGM. Deloitte intend to resign as external auditors with effect from the AGM date and will confirm, in accordance with Section 400 of the Companies Act 2014, that there are no circumstances in connection with their resignation which should be brought to the attention of the members of the company.

Approval of Financial Statements

The financial statements were approved by the Board on 30 March 2023.

On behalf of the Board

George Jones **John Kearns**

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 2022 and of the loss 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 (Technical and Non-Technical);
- the Balance Sheet;
- the Statement of Changes in Equity;
- the Statement of Cash Flows; and
- the related notes 1 to 34, including a summary of significant accounting policies as set out in note 2.

The relevant financial reporting framework that has been applied in is the Companies Act 2014 and 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 matter that we identified in the current year was: • Valuation of claims outstanding
Materiality	The materiality that we used in the current year was €6,774,000 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	We have removed recognition of retro premium asset as a key audit matter for the current year. Uncertainty in relation to the retro premium asset has reduced year on year as the historic balances have continued to decrease. While there is still some judgement in this area, the effort and volume of audit work, as well as the risk of material misstatement due to fraud or error has reduced substantially.

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:

- 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 within the assessment;
- We obtained and read the Own Risk and Solvency-Assessment ("ORSA") Report 2022, 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 2023 – 2026 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 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.

We have removed recognition of retro premium asset as a key audit matter for the current year. Uncertainty in relation to the retro premium asset has reduced year on year as the historic balances have continued to decrease. While there is still some judgement in this area, the effort and volume of audit work, as well as the risk of material misstatement due to fraud or error has reduced substantially.

Valuation of Claims Outstanding

Key Audit Matter Description

The 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 in the determination of the valuation of claims outstanding and the related audit effort to gain assurance over the account balance, this was considered a key audit matter.

Claims outstanding amounted to €597.9 million as at 31 December 2022. Refer to the accounting policy on pages 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 the following:

- We obtained an understanding of the claims 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 the Phoenix system;
- 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 residual impact of COVID 19 on claim frequency and severity, as well as claim reporting and settlement patterns;
- We considered the impact of the Personal Injury Guidelines on reserving;
- 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.

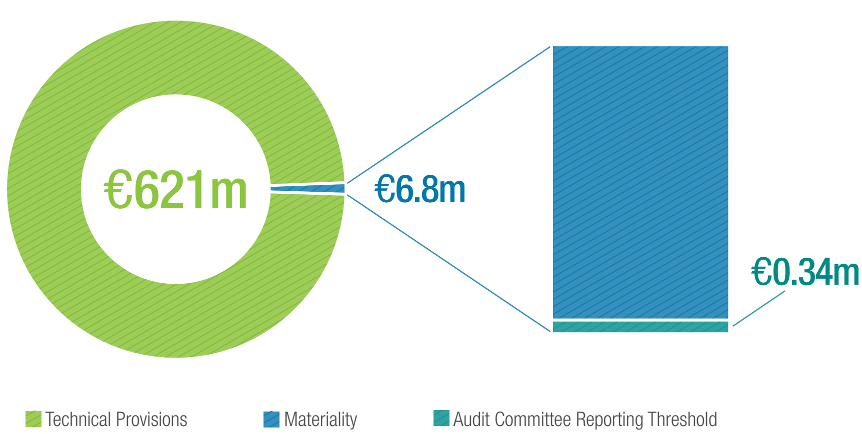
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above,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

Our Application of Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	€6,774,000 (2021: €6,951,000)
Basis for determining materiality	Approximately 1% of Technical Provisions
Rationale for the benchmark applied	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 the principal elements of the financial statements, whether there are items on which the attention of the users of the company's financial statements tends to be focused, the nature of this company, and the industry and economic environment in which the company operates and the company's ownership structure and the way it is financed.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 80% of materiality for the 2022 audit. In determining performance materiality, we considered the following factors:

- our understanding of the company;
- the quality of the company's internal control over financial reporting;
- the nature and extent of misstatements identified in previous audits; and
- our expectations in relation to misstatements in the current period.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of €338,700 (2021: €347,550), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An Overview of the Scope of our Audit

We determined the scope of our audit by obtaining an understanding of the company and its environment, including company-wide controls, and assessing the risks of material misstatement within the company. We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. The risk of material misstatement that had the greatest effect on our audit is identified as key audit matter 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 assessed the competency of the specialists performing the work and also provided instructions as to the type of work to be performed. We 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.

Other Information

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

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

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

We have nothing to report in this regard.

Responsibilities of Directors

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is located on IAASA's website at: www.iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements. This description forms part of our Auditor's Report.

Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and Assessing Potential Risks Related to Irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of Management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: the valuation of claims outstanding. In common with all audits under ISAs (Ireland), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Irish Companies Act, and relevant financial reporting framework.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements under the Solvency II Directive.

Audit Response to Risks Identified

As a result of performing the above, we identified valuation of claims outstanding as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of Management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Central Bank of Ireland; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on Other Legal and Regulatory Requirements

Opinion on Other Matters Prescribed by the Companies Act 2014

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

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

Matters on Which we are Required to Report by Exception

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

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

Other Matters Which we are Required to Address

We were appointed by the Board 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 10 years, covering the years ending 2013 to 2022.

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
30 March 2023

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.

Profit and Loss Account

For the financial year ended 31 December 2022

Technical account – non-life insurance business	Note	2022 €'000	2021 €'000
Gross written premiums	4	160,975	138,310
Premiums ceded to reinsurers	4	(33,795)	(29,505)
Net written premiums		127,180	108,805
Change in the gross provision for unearned premiums	4	74	(1,711)
Change in the reinsurance provision for unearned premiums	4	(57)	57
Net earned premiums		127,197	107,151
Commission income	5	9,498	9,177
Allocated investment return transferred from the non-technical account		(84,316)	24,506
Other technical income		(74,818)	33,683
Total technical income		**52,379**	**140,834**
Gross claims paid	4	(81,247)	(79,174)
Claims recovered from reinsurers	4	8,080	12,029
Claims paid net of reinsurance		(73,167)	(67,145)
Gross change in contract liabilities	4	4,860	19,219
Change in contract liabilities recoverable from reinsurers	4	(1,734)	(14,067)
Claims incurred net of reinsurance		(70,041)	(61,993)
Operating expenses	7	(29,747)	(25,572)
Underwriting expenses	4	(3,776)	(3,433)
Total claims and other technical charges		**(103,564)**	**(90,998)**
Balance on the technical account for non-life insurance business		**(51,185)**	**49,836**

Approved by the Board on 30 March 2023

Directors

George Jones

John Kearns

Profit and Loss Account (continued)

For the financial year ended 31 December 2022

Non-technical account	Note	2022 €'000	2021 €'000
Balance on the technical account – non-life insurance business		(51,185)	49,836
Investment income	6	(88,493)	28,401
Investment management expenses	6	(42)	(1,818)
Allocated investment return transferred to the insurance technical account		84,316	(24,506)
Profit/(loss) on ordinary activities before taxation		**(55,404)**	**51,913**
Taxation on profit on ordinary activities	8	7,077	(6,076)
Profit/(loss) for the financial year		**(48,327)**	**45,837**
Profit/(loss) attributable to:			
Members		(48,327)	45,837

Approved by the Board on 30 March 2023

Directors

George Jones

John Kearns

Balance Sheet

As at 31 December 2022

	Note	2022 €'000	2021 €'000
Assets			
Intangible assets	10	791	1,256
Investments			
– Investment properties	12	77,220	88,930
– Derivative financial instruments	13	1,212	72
– Financial assets at fair value through profit or loss	14	913,292	964,275
– Loans and receivables	14	97,276	31,850
Reinsurers' share of technical provisions			
– Provision for unearned premiums	16	–	57
– Claims outstanding	16	45,218	46,952
Insurance assets	15	5,596	7,931
Debtors			
– Debtors arising out of insurance operations	18	4,000	5,628
– Debtors arising out of reinsurance operations	19	4,213	3,997
Prepayments and accrued income	21	5,977	5,260
Other assets			
– Property, plant and equipment	11	193	239
– Deferred tax assets	23	1,137	129
– Current tax assets	8	11,848	1,250
– Other receivables	20	1,823	716
– Cash and cash equivalents	22	95,266	215,382
Total assets		**1,265,062**	**1,373,924**
Equity			
Retained earnings		604,568	671,230
Total equity		**604,568**	**671,230**
Liabilities			
Technical provisions			
– Provision for unearned premiums	16	23,304	23,378
– Claims outstanding	16	597,949	602,809
Provision for other risks			
– Other provisions	17	–	21,741
Creditors			
– Derivative liabilities	13	88	828
– Insurance payables	24	7,566	8,362
– Trade and other payables	25	29,526	43,513
Accruals	26	2,061	2,063
Total liabilities		**660,494**	**702,694**
Total equity and liabilities		**1,265,062**	**1,373,924**

Approved by the Board on 30 March 2023

Directors

George Jones

John Kearns

Approved by the Board on 30 March 2023

Directors

George Jones

John Kearns

Statement of Changes in Equity

As at 31 December 2022

	Note	Retained earnings €'000	Total equity €'000
At 1 January 2022		**671,230**	**671,230**
Profit/(loss) for the financial year		(48,327)	(48,327)
Dividends payable/paid during the year	9	(18,335)	(18,335)
At 31 December 2022		**604,568**	**604,568**
At 1 January 2021		**657,178**	**657,178**
Profit/(loss) for the financial year		45,837	45,837
Dividends paid during the year	9	(31,785)	(31,785)
At 31 December 2021		**671,230**	**671,230**

Approved by the Board on 30 March 2023

Directors

George Jones

John Kearns

Statement of Cash Flows

For the financial year ended 31 December 2022

	Note	2022 €'000	2021 €'000
Operating activities			
Gross premiums received		162,267	163,967
Retro rated premiums received		2,103	11,706
COVID-19 premium rebates paid		(21,839)	(8,914)
Reinsurance premiums paid		(31,952)	(30,944)
Commission received on reinsurance premiums paid		9,498	9,177
Commission paid to insurance brokers		(1,952)	(1,774)
Claims paid gross		(81,547)	(79,046)
Claims reinsurance recoveries		7,341	11,929
Interest received		8,157	7,047
Dividends received		4,097	3,518
Operating and other expenses paid		(33,858)	(26,938)
Cash generated from operating activities		**22,315**	**59,728**
Taxation paid		(4,486)	(4,397)
Net cash flows from operating activities		**17,829**	**55,331**
Investing activities			
Loans repaid by local authorities		2,149	2,139
Purchase of investments designated at fair value through profit or loss		(815,810)	(637,881)
Proceeds from sale of investments designated at fair value through profit or loss		774,133	635,284
Property rental income		5,548	5,720
(Increase)/decrease in loans and receivables on deposit with credit institutions		(67,345)	39,858
Purchase/disposal of property and equipment		(139)	(47)
Gain/(loss) on FX currency contracts		(4,592)	(3,485)
Purchase of intangible assets		(148)	(1,133)
Net cash flows from/(used in) investing activities		**(106,204)**	**40,455**
Financing activities			
Dividends paid		(31,741)	(43,808)
Net cash flows used in financing activities		**(31,741)**	**(43,808)**
Net decrease/(increase) in cash and cash equivalents	22	(120,116)	51,978
Cash and cash equivalents at 1 January	22	215,382	163,404
Cash and cash equivalents at 31 December	**22**	**95,266**	**215,382**

Notes to the Financial Statements

1. Corporate Information

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

The financial statements were authorised in accordance with a resolution of the Directors on 30 March 2023.

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 is not available for some or all parameters the company estimates the non-market observable inputs used in its valuation models.

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

(b) Estimates

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

(i) Insurance contract liabilities

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

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

Estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be determined with certainty.

The company uses estimation techniques, based on statistical analysis of past experience and future estimates, to calculate a range of estimated cost of claims outstanding at the reporting date, which is subjected to sensitivity analysis. These techniques take into account the characteristics of the company's business.

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

(ii) Fair value of financial assets and liabilities

The determination of fair value for financial assets and liabilities for which no observable market price exists requires the use of valuation techniques as described in Note 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, a provision for unearned premium, a provision for unallocated loss adjustment expenses of 8.0% and, if required, a provision for premium deficiency. The provision for unallocated loss adjustment expenses has increased from 7.5% in 2021. A super inflation provision has been introduced to allow for the expectation that inflationary pressures currently being observed will impact payments on current reserves in the near future.

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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies

(f) Reinsurance assets

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

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

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

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

(g) Insurance receivables

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

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

(h) Insurance payables

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

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

(i) Commission income

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

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

Financial Instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

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

The company designates investments in equity and debt securities at fair value through profit or loss. Equity securities also include managed funds. This is in accordance with the company's investment strategy, under which the investment return is internally managed and evaluated on the basis of the total return on the investment. Other financial investments consist of loans to local authorities and deposits with credit institutions with an original maturity date in excess of three months. These investments are designated as loans and receivables.

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

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

Notes to the Financial Statements

2. Summary of Significant Accounting Policies

(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 the Profit and Loss Account 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. On an annual basis, 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.

Notes to the Financial Statements

2. Summary of Significant Accounting Policies

(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 7.5% to 8.0%. The impact of this change in 2022 was:

Analysis of the unallocated loss adjustment expenses change on the Profit and Loss Account	2022 €'000
Gross change in contract liabilities	(2,407)

Analysis of the unallocated loss adjustment expenses change on the Balance Sheet	2022 €'000
Claims outstanding	2,407

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.

4. Segmented Analysis

Analysis of underwriting result by product 2022	Third-party liability €'000	Fire and other damage to property €'000	Motor €'000	Other €'000	Total €'000
Gross written premiums	106,658	32,746	9,418	12,153	160,975
Premium ceded to reinsurers	(8,863)	(21,772)	(785)	(2,375)	(33,795)
Change in the gross provision for unearned premiums	(78)	53	158	(59)	74
Change in the reinsurance provision for unearned premiums	–	(57)	–	–	(57)
Net earned premiums	**97,717**	**10,970**	**8,791**	**9,719**	**127,197**
Gross claims paid	(64,830)	(9,527)	(5,288)	(1,602)	(81,247)
Claims recovered from reinsurers	3,354	4,474	–	252	8,080
Gross change in contract liabilities	14,833	(5,917)	1,042	(5,098)	4,860
Change in contract liabilities recoverable from reinsurers	(3,158)	465	1,291	(332)	(1,734)
Claims incurred net of reinsurance	**(49,801)**	**(10,505)**	**(2,955)**	**(6,780)**	**(70,041)**
Technical underwriting result - net	**47,916**	**465**	**5,836**	**2,939**	**57,156**
Commission income	667	8,610	61	160	9,498
Operating expenses	(19,710)	(6,051)	(1,740)	(2,246)	(29,747)
Underwriting expenses	(1,207)	(2,403)	(49)	(117)	(3,776)
Underwriting result	**27,666**	**621**	**4,108**	**736**	**33,131**
Net investment return	(58,661)	(18,010)	(5,180)	(6,684)	(88,535)
Profit/(loss) before taxation	**(30,995)**	**(17,389)**	**(1,072)**	**(5,948)**	**(55,404)**
Net insurance liabilities	**521,449**	**19,815**	**17,908**	**16,863**	**576,035**

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 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 for 2021 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.

Notes to the Financial Statements

4. Segmented Analysis
5. Commission Income

Analysis of underwriting result by location	2022 Republic of Ireland €'000	2022 Northern Ireland €'000	2022 Total €'000	2021 Republic of Ireland €'000	2021 Northern Ireland €'000	2021 Total €'000
Gross written premiums	160,975	–	160,975	138,310	–	138,310
Premium ceded to reinsurers	(33,795)	–	(33,795)	(29,505)	–	(29,505)
Change in the gross provision for unearned premiums	74	–	74	(1,711)	–	(1,711)
Change in the reinsurance provision for unearned premiums	(57)	–	(57)	57	–	57
Net earned premiums	**127,197**	**–**	**127,197**	**107,151**	**–**	**107,151**
Gross claims paid	(80,882)	(365)	(81,247)	(78,830)	(344)	(79,174)
Claims recovered from reinsurers	8,080	–	8,080	12,029	–	12,029
Gross change in contract liabilities	3,750	1,110	4,860	20,450	(1,231)	19,219
Change in contract liabilities recoverable from reinsurers	(1,734)	–	(1,734)	(14,067)	–	(14,067)
Claims incurred net of reinsurance	**(70,786)**	**745**	**(70,041)**	**(60,418)**	**(1,575)**	**(61,993)**
Technical underwriting result – net	**56,411**	**745**	**57,156**	**46,733**	**(1,575)**	**45,158**
Commission income	9,498	–	9,498	9,177	–	9,177
Operating expenses	(29,747)	–	(29,747)	(25,572)	–	(25,572)
Underwriting expenses	(3,776)	–	(3,776)	(3,433)	–	(3,433)
Underwriting result	**32,386**	**745**	**33,131**	**26,905**	**(1,575)**	**25,330**
Net investment return	(88,535)	–	(88,535)	26,583	–	26,583
Profit/(loss) before taxation	**(56,149)**	**745**	**(55,404)**	**53,488**	**(1,575)**	**51,913**
Net insurance liabilities	**580,228**	**(4,193)**	**576,035**	**583,371**	**(4,193)**	**579,178**

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	2022 €'000	2021 €'000
Reinsurance commission income	9,498	9,177
Total commission income	**9,498**	**9,177**

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

Notes to the Financial Statements

6. Investment Return

6. Investment Return

Analysis of net investment return 2022	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	5,419	–	(12,710)	–	–	(7,291)
At fair value through profit or loss						
– Debt securities	9,363	(15,893)	(62,352)	(144)	–	(69,026)
– Equity securities	4,142	(261)	(14,591)	1,684	–	(9,026)
Loans and receivables						
– Loans to local authorities	56	–	–	–	–	56
– Deposits with credit institutions	257	–	–	–	–	257
Cash and cash equivalents	(510)	–	–	–	–	(510)
Derivatives	–	–	–	(2,712)	–	(2,712)
FX gain/(loss) on insurance business	–	–	–	(241)	–	(241)
Investment income	**18,727**	**(16,154)**	**(89,653)**	**(1,413)**	**–**	**(88,493)**
Investment expenses	–	–	–	–	(42)	(42)
Total net investment return	**18,727**	**(16,154)**	**(89,653)**	**(1,413)**	**(42)**	**(88,535)**

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	–	–	–	(4,705)	–	(4,705)
FX gain/(loss) on insurance business	–	–	–	(228)	–	(228)
Investment income	**15,853**	**17,901**	**(4,358)**	**(995)**	**–**	**28,401**
Investment expenses	–	–	–	–	(1,818)	(1,818)
Total net investment return	**15,853**	**17,901**	**(4,358)**	**(995)**	**(1,818)**	**26,583**

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.

Notes to the Financial Statements

7. Net Operating Expenses

7. Net Operating Expenses

7(a) Operating Expenses

Analysis of other operating expenses	Note	2022 €'000	2021 €'000
Directors' remuneration	7(b)	1,843	1,548
Employee benefits expense	7(c)	16,442	15,991
Amortisation on intangibles	10	613	568
Depreciation on property, plant and equipment	11	186	173
Auditors' remuneration	7(d)	195	199
Legal and professional fees		866	758
Marketing		3,356	364
Other expenses		6,246	5,971
Total operating expenses		**29,747**	**25,572**

The increase in marketing expenses in 2022 relates primarily to a top-up of €3m in the Corporate Social Engagement (CSE) fund.

7(b) Directors' Remuneration

Analysis of Directors' remuneration	2022 €'000	2021 €'000
Directors' remuneration - salaries, benefits and fees	1,675	1,415
Directors' remuneration - PRSI	120	101
Directors' remuneration - pensions	48	32
Total Directors' remuneration	**1,843**	**1,548**

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	2022 €'000	2021 €'000
Staff costs – salaries and benefits		13,747	13,550
Staff costs – PRSI		1,489	1,262
Staff costs – pensions	27	1,206	1,179
Total employee benefits expense		**16,442**	**15,991**

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

Employee numbers	2022	2021
Permanent staff	147	150
Total	**147**	**150**

The actual number of full-time equivalents employed by the business at 31 December 2022 was 151.1 (2021: 152.5).

7(d) Auditors' Remuneration

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

Analysis of auditors' remuneration	2022 €'000	2021 €'000
Fees and expenses paid to our statutory auditors are analysed as follows:		
– Audit of the financial statements	152	143
– Other assurance services	43	56
Total auditors' remuneration	**195**	**199**

Auditors' remuneration (excluding value added tax) in 2022 for audit services is €0.152m (2021: €0.143m), other assurance services fees amount to €0.043m (2021: €0.056m). The other assurance services relate to a Solvency II review and pension audit. 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	2022 €'000	2021 €'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	6,065	(6,083)
– In respect of prior years	4	7
Total current tax credit/(charge)	**6,069**	**(6,076)**
Deferred tax		
– Origination and reversal of temporary differences	1,008	–
Total deferred tax charge	**1,008**	**–**
Total income tax expense recognised in the current year relating to continuing operations	**7,077**	**(6,076)**

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	2022 €'000	2021 €'000
Profit on ordinary activities before tax	(55,404)	51,913
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	(6,926)	6,489
Effect of		
– Expenses not deductible for tax purposes	482	99
– Adjustment in respect of prior years	(4)	(7)
– Income taxed at higher rate (25%)	14	17
– Income not subject to tax	(614)	(522)
– Temporary tax differences	(29)	
Total current tax credit/(charge)	**(7,077)**	**6,076**

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 €11.8m (2021: €1.25m) relates to withholding tax amounts that have been deducted and are recoverable by the company of €0.3m (2021: €0.7m) and a corporation tax asset of €11.5m (2021: €0.5m). The €11.5m consists of €2.0m due as a refund due from Revenue for the 2021 tax year, €3.0m which was paid as preliminary corporation tax for 2022 (paid in June 2022), €0.5m of taxes already deducted directly from certain investments and a future tax credit of €6.0m representing the loss in 2022 which can be carried back to be offset against taxable profits in the prior year.

Notes to the Financial Statements

9. Dividends Paid and Proposed

Dividend proposed/paid	2022 €'000	2021 €'000
Declared and payable during the year		
– Retained earnings distribution	–	25,000
– Interim dividend	18,335	6,785
Total dividends proposed/paid in the year	**18,335**	**31,785**

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. A change to the dividend model was introduced for 2018 and beyond whereby up to 40% of profit after tax can be paid as Members' Commercial Dividend. This is payable one year in arrears to facilitate cashflow planning for our Members. The €18.3m dividend proposed in 2022 represents 40% of the profit after tax for the 2021 financial year and will be paid to Members in 2023. As per our dividend model there will be no Members' Commercial Dividend proposed for the 2022 financial year as the company has suffered a loss for the year. However, in light of the very strong underwriting result for the 2022 financial year along with the exceptionally strong capital position that exists at 31 December 2022, a special dividend of €10m will be proposed in 2023 and paid to Members in 2024.

The retained earnings distribution of €25.0m declared in 2021 and paid in 2022 was the final tranche of a retained earnings distribution of €200m paid to Members over the period from 2017-2022.

10. Intangible Assets

Intangible assets 2022 & 2021	IT software €'000	Total €'000
Cost		
Balance at 1 January 2021	3,668	3,668
Additions during the year	1,135	1,135
Balance at 1 January 2022	4,803	4,803
Additions during the year	148	148
Balance at 31 December 2022	**4,951**	**4,951**
Amortisation		
Balance at 1 January 2021	(2,979)	(2,979)
Amortisation for the year	(568)	(568)
Balance at 1 January 2022	(3,547)	(3,547)
Amortisation for the year	(613)	(613)
Balance at 31 December 2022	**(4,160)**	**(4,160)**
Carrying amounts		
Balance at 31 December 2021	1,256	1,256
Balance at 31 December 2022	**791**	**791**

Notes to the Financial Statements

11. Property, Plant and Equipment

Property, plant and equipment 2022 & 2021	Fixtures & fittings €'000	Leasehold improvements €'000	IT hardware €'000	Total €'000
Cost				
Balance at 1 January 2021	390	1,576	914	2,880
Additions	5	–	42	47
Balance at 1 January 2022	395	1,576	956	2,927
Additions	–	–	140	140
Balance at 31 December 2022	**395**	**1,576**	**1,096**	**3,067**
Depreciation				
Balance at 1 January 2021	(319)	(1,538)	(658)	(2,515)
Depreciation for the year	(41)	(15)	(117)	(173)
Balance at 1 January 2022	(360)	(1,553)	(775)	(2,688)
Depreciation for the year	(31)	(15)	(140)	(186)
Depreciation on disposal	–	–	–	–
Balance at 31 December 2022	**(391)**	**(1,568)**	**(915)**	**(2,874)**
Carrying amounts				
Balance at 31 December 2021	35	23	181	239
Balance at 31 December 2022	**4**	**8**	**181**	**193**

12. Investment Properties

Investment properties	2022 €'000	2021 €'000
Balance at 1 January	88,930	88,870
Additions	1,000	–
Movement in fair value	(12,710)	60
Balance at 31 December	**77,220**	**88,930**
Rental income derived from investment properties	5,419	5,544
Direct operating expenses generating rental income	(45)	(177)
Direct operating expenses not generating rental income	747	(1,030)
Income for the period	**6,121**	**4,337**

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 2022			
Forward foreign exchange contracts – GBP	151	64	GBP 13,000
Forward foreign exchange contracts – USD	1,061	16	USD 32,000
Forward foreign exchange contracts – SEK	–	–	SEK 0
Forward foreign exchange contracts – CHF	–	1	CHF 1,000
Forward foreign exchange contracts – DKK	–	7	DKK 70,000
Total financial instruments held for trading	**1,212**	**88**	
Balance at 31 December 2021			
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**	

14. Other Financial Assets and Liabilities

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

Other financial assets	2022 €'000	2021 €'000
Designated at fair value through profit or loss		
– Debt securities	739,212	751,022
– Equity securities	174,080	213,253
Total financial assets designated at fair value through profit and loss	**913,292**	**964,275**
Loans and receivables		
– Loans to local authorities	9,680	11,830
– Deposits with credit institutions	87,596	20,020
Total loans and receivables at amortised cost	**97,276**	**31,850**
Total other financial assets	**1,010,568**	**996,125**

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 2022	Level A €'000	Level B €'000	Level C €'000	Total fair value €'000
Derivative financial assets	–	1,212	–	1,212
Financial assets designated at fair value through profit or loss				
– Debt securities	670,880	47,539	20,793	739,212
– Equity securities	94,507	79,573	–	174,080
Loans and receivables				
– Loans to local authorities	–	–	9,680	9,680
– Deposits with credit institutions	–	–	87,596	87,596
Total assets	**765,387**	**128,324**	**118,069**	**1,011,780**
Derivative financial liabilities	–	88	–	88
Total liabilities	**–**	**88**	**–**	**88**

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**

There have been no transfers in levels during the year.

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	2022 €'000	2021 €'000
Balance at 1 January	54,881	100,983
Movement in loans and receivables	65,426	(41,982)
Movement in fair value	(2,238)	(4,120)
Balance at 31 December	**118,069**	**54,881**

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

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:

	2022		2021	
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	20,793	–	23,030	–
– Equity securities	–	–	1	(1)
– Loans and receivables	97,276	–	31,850	–
Balance at 31 December	**118,069**	**–**	**54,881**	**(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 2022 is mainly due to favourable claims experiences leading to a lower than projected accrual.

Insurance assets	2022 €'000	2021 €'000
Insurance assets – retro-rated premiums	5,596	7,931
Balance at 31 December	**5,596**	**7,931**

16. Insurance Contract Liabilities And Reinsurance Assets

(a) Analysis of the Insurance Contract Liabilities

			2022			2021
Contract liabilities	Insurance contract liabilities €'000	Reinsurance assets €'000	Net €'000	Insurance contract liabilities €'000	Reinsurance assets €'000	Net €'000
Projected outstanding case reserves	428,391	31,777	396,614	477,536	27,805	449,731
Projected IBNR	26,450	(510)	26,960	(425)	4,496	(4,921)
Projected future unallocated loss adjustment expenses	38,515	–	38,515	36,571	–	36,571
Provision for reinsurance bad debts	–	(447)	447	–	(473)	473
Provision for adverse development						
– Margin for uncertainty	77,993	5,898	72,095	78,627	6,124	72,503
– Expected value of binary event provision	26,600	8,500	18,100	10,500	9,000	1,500
Outstanding claims provision	597,949	45,218	552,731	602,809	46,952	555,857
Provision for unearned premiums	20,264	–	20,264	20,329	57	20,272
Provision for adverse development						
– Margin for uncertainty	3,040	–	3,040	3,049	–	3,049
Unearned premium reserve	23,304	–	23,304	23,378	57	23,321
Total contract liabilities	**621,253**	**45,218**	**576,035**	**626,187**	**47,009**	**579,178**

A super-inflation provision has been introduced to allow for the expectation that inflationary pressures currently being observed will impact payments on current reserves in the near future.

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	2022 €'000	2021 €'000
Carrying amount at 1 January	**602,809**	**622,028**
Claim losses and expenses incurred in the current year	113,713	117,758
Decrease in estimated claim losses and expenses incurred in prior years	(53,426)	(54,303)
Change in binary event provision	16,100	(3,500)
Incurred claims losses and expenses	76,387	59,955
Less		
Payments made on claims incurred in the current year	(8,003)	(5,682)
Payments made on claims incurred in prior years	(73,244)	(73,492)
Claims payments made in the year	(81,247)	(79,174)
Carrying amount at 31 December	**597,949**	**602,809**

Movements in outstanding reinsurance claims provision	2022 €'000	2021 €'000
Carrying amount at 1 January	**46,952**	**61,019**
Claim losses and expenses incurred in the current year	5,885	7,493
Increase/(decrease) in estimated claim losses and expenses incurred in prior years	2,961	(6,031)
Change in binary event provision	(2,500)	(3,500)
Incurred claims losses and expenses	6,346	(2,038)
Less		
Recoveries received on claims incurred in the current year	(1,794)	(668)
Recoveries received on claims incurred in prior years	(6,286)	(11,361)
Recoveries on claim payments	(8,080)	(12,029)
Carrying amount at 31 December	**45,218**	**46,952**

(c) Provision for Unearned Premiums

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

Provision for unearned premiums	2022 €'000	2021 €'000
Carrying amount at 1 January	**23,378**	**21,667**
Gross premium written during the year	160,975	138,310
Gross premium earned during the year	(161,049)	(136,599)
Changes in unearned premium recognised as income/(expense)	**(74)**	**1,711**
Carrying amount at 31 December	**23,304**	**23,378**

(d) Assumptions

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

17. Other Provisions

Other provisions	2022 €'000	2021 €'000
Carrying amount at 1 January	**21,741**	**8,742**
COVID-19 premium rebates provided in the year	98	21,913
Net amounts paid	(21,839)	(8,914)
Carrying amount at 31 December	**–**	**21,741**

18. Insurance Receivables

Debtors arising out of insurance operations	2022 €'000	2021 €'000
Due from policyholders	4,000	5,628
Total current receivables	**4,000**	**5,628**

Notes to the Financial Statements

19. Reinsurance Receivables

Debtors arising out of insurance operations	2022 €'000	2021 €'000
Due from reinsurers	4,213	3,997
Total current receivables	**4,213**	**3,997**

20. Other Receivables

Other receivables	2022 €'000	2021 €'000
Other receivables	66	68
Investments trade in transit	1,757	648
Total	**1,823**	**716**

21. Prepayments and Accrued Income

Prepayments and accrued income	2022 €'000	2021 €'000
Retrospective premium receivable	1,023	890
Interest on debt securities	3,308	2,946
Interest on cash and cash equivalents	74	(134)
Accrued property rental income	9	24
Dividends receivable	4	3
Accrued income – real estate funds	210	-
Other accrued income	557	521
Prepayments	792	1,010
Total	**5,977**	**5,260**

Notes to the Financial Statements

22. Cash And Cash Equivalents

Cash and cash equivalents	2022 €'000	2021 €'000
Cash at banks and on hand	25,458	106,238
Short-term deposits	69,808	109,144
Total	**95,266**	**215,382**

Movement in cash and cash equivalents	2022 €'000	2021 €'000
Balance at beginning of reporting year	215,382	163,404
Balance at end of reporting year	95,266	215,382
Increase/decrease in cash and cash equivalents	**(120,116)**	**51,978**

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 taxation assets	2022 €'000	2021 €'000
Balance at 1 January	129	129
Income statement	1,008	–
Balance at 31 December	**1,137**	**129**
Tax deferred on trading losses	978	–
Temporary differences on property, plant and equipment	159	129
Balance at 31 December	**1,137**	**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.

A deferred tax asset of €0.978m has been recognised on current year trading losses which are being carried forward. This deferred tax asset on losses has been recognised on the basis that the company will continue to make profits in the future against which the losses can be used.

Notes to the Financial Statements

24. Insurance Payables

Insurance payables	2022 €'000	2021 €'000
Due to policyholders	5,233	7,349
Due to reinsurers	2,333	1,013
Total	**7,566**	**8,362**

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

Trade and other payables	2022 €'000	2021 €'000
Trade creditors	(311)	2,220
Prepayment – property rental income	1,245	1,131
Dividend payable	18,335	31,741
Social Dividend payable	3,950	1,777
Short-term employee benefits	3,761	3,493
Amounts due to brokers on investment purchases	–	311
Member escrow balances	2,026	2,362
Tax and social welfare	520	478
Total	**29,526**	**43,513**
Tax and social welfare		
– PAYE	325	310
– PRSI	157	157
– VAT	38	11
Total	**520**	**478**

26. Accruals

Accruals	2022 €'000	2021 €'000
Operating and other expenses	2,061	2,063
Total	**2,061**	**2,063**

Notes to the Financial Statements

27. Pension Costs

The company participates in a defined contribution pension scheme.

2022 employer contributions for the employees' defined contribution pension schemes amounted to €1.253m (2021: €1.211m). There was €0.18m outstanding pension contributions at 31 December 2022 (2021: 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 2022 the company paid €25.0m of a Retained Earnings Distribution. The total of €205m has now been paid. The company also paid a Members' dividend of €6.8m and will be paying a Members' dividend of €18.3m in 2023.

Members' Distribution Policy

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

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

Dividends are recognised as a liability when approved by the Board and are accordingly noted within the regulatory returns as such and within the Annual 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.
- The Retained Earnings Distribution of €200m provided for in 2018 was made to current Members in proportion to the average gross written premium income derived from the Member in the years 2011 to 2015. The final tranche of this distribution was paid during 2022.
- Any 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 of Ireland.

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 2012 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000	2018 €'000	2019 €'000	2020 €'000	2021 €'000	2022 €'000	Total €'000
At end of underwriting year		88,526	94,457	95,706	126,215	128,210	128,292	140,503	140,673	145,380	119,535	114,981	–
One year later		79,462	93,603	93,057	119,315	109,530	115,883	127,826	136,053	115,655	100,376	–	–
Two years later		81,719	85,311	95,578	113,652	110,208	111,692	123,428	126,827	106,927	–	–	–
Three years later		72,673	79,526	96,998	110,016	108,917	105,686	115,229	120,114	–	–	–	–
Four years later		68,374	78,849	95,933	128,177	104,682	100,382	115,402	–	–	–	–	–
Five years later		68,200	78,388	94,589	122,085	100,824	100,157	–	–	–	–	–	–
Six years later		67,456	78,056	92,041	122,317	100,144	–	–	–	–	–	–	–
Seven years later		67,203	78,018	89,682	120,915	–	–	–	–	–	–	–	–
Eight years later		67,217	78,148	89,625	–	–	–	–	–	–	–	–	–
Nine years later		66,549	76,784	–	–	–	–	–	–	–	–	–	–
Ten years later		65,584	–	–	–	–	–	–	–	–	–	–	–
Ultimate claims losses incurred	**413,896**	**65,584**	**76,784**	**89,625**	**120,915**	**100,144**	**100,157**	**115,402**	**120,114**	**106,927**	**100,376**	**114,981**	**1,524,905**
At end of under-writing year		(3,891)	(5,073)	(5,236)	(6,251)	(6,765)	(5,490)	(7,145)	(6,830)	(4,965)	(5,682)	(5,763)	–
One year later		(12,008)	(15,599)	(15,729)	(19,411)	(16,915)	(15,314)	(18,276)	(18,623)	(14,621)	(13,888)	–	–
Two years later		(20,736)	(25,709)	(25,231)	(30,128)	(28,990)	(26,963)	(29,735)	(28,649)	(21,069)	–	–	–
Three years later		(30,948)	(34,249)	(36,628)	(42,178)	(40,393)	(38,086)	(41,613)	(42,620)	–	–	–	–
Four years later		(38,348)	(44,358)	(51,820)	(60,805)	(48,348)	(48,929)	(53,655)	–	–	–	–	–
Five years later		(45,602)	(52,866)	(62,192)	(70,717)	(56,672)	(56,366)	–	–	–	–	–	–
Six years later		(49,859)	(58,528)	(67,329)	(75,329)	(64,981)	–	–	–	–	–	–	–
Seven years later		(52,568)	(61,388)	(73,439)	(80,074)	–	–	–	–	–	–	–	–
Eight years later		(53,837)	(63,343)	(76,325)	–	–	–	–	–	–	–	–	–
Nine Years Later		(54,960)	(66,734)	–	–	–	–	–	–	–	–	–	–
Ten years later		(57,049)	–	–	–	–	–	–	–	–	–	–	–
Cumulative payments to date	**(388,432)**	**(57,049)**	**(66,734)**	**(76,325)**	**(80,074)**	**(64,981)**	**(56,366)**	**(53,655)**	**(42,620)**	**(21,069)**	**(13,888)**	**(5,763)**	**(926,956)**
Total gross non-life insurance outstanding claims provisions per the Statement of Financial Position	**25,464**	**8,535**	**10,050**	**13,300**	**40,841**	**35,163**	**43,791**	**61,747**	**77,494**	**85,858**	**86,488**	**109,218**	**597,949**

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

Net of reinsurance Underwriting year	Before 2012 €'000	2012 €'000	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000	2018 €'000	2019 €'000	2020 €'000	2021 €'000	2022 €'000	Total €'000
At end of underwriting year		84,120	88,553	85,647	118,742	119,344	123,032	135,424	132,157	130,137	110,527	108,038	–
One year later		73,965	87,827	89,712	108,555	103,004	112,858	124,316	123,955	105,456	91,614	–	–
Two years later		75,233	82,695	91,795	104,216	103,550	108,566	117,393	116,134	97,986	–	–	–
Three years later		68,227	76,924	93,308	101,065	102,053	101,150	110,347	108,139	–	–	–	–
Four years later		63,607	76,467	91,565	100,694	97,155	96,621	110,969	–	–	–	–	–
Five years later		63,538	76,075	90,736	94,787	93,854	96,714	–	–	–	–	–	–
Six years later		62,906	75,748	88,431	95,506	93,495	–	–	–	–	–	–	–
Seven years later		62,699	75,301	86,378	94,470	–	–	–	–	–	–	–	–
Eight years later		62,434	75,639	86,420	–	–	–	–	–	–	–	–	–
Nine years later		61,975	74,678	–	–	–	–	–	–	–	–	–	–
Ten years later		61,353	–	–	–	–	–	–	–	–	–	–	–
Ultimate claims losses incurred	**350,175**	**61,353**	**74,678**	**86,420**	**94,470**	**93,495**	**96,714**	**110,969**	**108,139**	**97,986**	**91,614**	**108,038**	**1,374,051**
At end of under-writing year		(3,515)	(4,352)	(4,234)	(5,587)	(4,766)	(4,563)	(5,456)	(5,988)	(3,859)	(5,221)	(4,946)	–
One year later		(10,883)	(13,780)	(14,066)	(16,299)	(13,238)	(13,581)	(15,925)	(15,078)	(9,957)	(11,296)	–	–
Two years later		(19,048)	(23,723)	(23,036)	(26,706)	(24,512)	(24,615)	(27,091)	(24,054)	(15,784)	–	–	–
Three years later		(28,818)	(32,263)	(34,439)	(38,634)	(34,545)	(35,678)	(38,091)	(35,789)	–	–	–	–
Four years later		(35,878)	(42,371)	(49,438)	(51,860)	(42,599)	(46,269)	(50,112)	–	–	–	–	–
Five years later		(42,367)	(50,879)	(59,329)	(60,062)	(50,893)	(53,703)	–	–	–	–	–	–
Six years later		(46,454)	(56,541)	(64,345)	(64,634)	(59,218)	–	–	–	–	–	–	–
Seven years later		(49,083)	(59,401)	(70,454)	(69,378)	–	–	–	–	–	–	–	–
Eight years later		(50,353)	(61,356)	(73,341)	–	–	–	–	–	–	–	–	–
Nine Years Later		(51,476)	(64,747)	–	–	–	–	–	–	–	–	–	–
Ten years later		(53,565)	–	–	–	–	–	–	–	–	–	–	–
Cumulative recoveries to date	**(329,441)**	**(53,565)**	**(64,747)**	**(73,341)**	**(69,378)**	**(59,218)**	**(53,703)**	**(50,112)**	**(35,789)**	**(15,784)**	**(11,296)**	**(4,946)**	**(821,320)**
Total net non-life insurance outstanding claims provisions per the Statement of Financial Position	**20,734**	**7,788**	**9,931**	**13,079**	**25,092**	**34,277**	**43,011**	**60,857**	**72,350**	**82,202**	**80,318**	**103,092**	**552,731**

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 2022	Foreign currency gross €'000	Foreign currency derivatives €'000	Net €'000
British Pounds (GBP)	14,655	14,570	85
Norwegian Krone (NOK)	–	–	–
Danish Krone (DKK)	14,935	9,418	5,517
Swedish Krona (SEK)	800	–	800
Swiss Francs (CHF)	3,956	1,018	2,938
US Dollars (USD)	30,535	29,727	808
Total	**64,881**	**54,733**	**10,148**

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
Total	**86,553**	**80,791**	**5,762**

The net foreign exchange exposure after currency hedges is €10.1m (2021: €5.8m).

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.

Notes to the Financial Statements

29. Risk Management

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

Financial assets subject to interest rate risk	2022 €'000	2021 €'000
Debt securities		
– Irish Government fixed-interest bonds	44,804	91,477
– Other government fixed-interest bonds – eurozone	293,619	277,368
– Other government fixed-interest bonds – non-eurozone	34,341	45,685
– Corporate bonds	280,444	234,243
Total	**653,208**	**648,773**

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.

	2022		2021	
Investments analysis	**Market value €000's**	**Weighted average interest rate %**	**Market value €'000**	**Weighted average interest rate %**
In one year or less	99,551	0.51	117,843	0.66
In more than one year, but less than two years	80,042	0.86	109,300	0.66
In more than two years, but less than three years	126,711	0.92	72,140	0.43
In more than three years, but less than four years	81,494	0.82	90,502	0.79
In more than four years, but less than five years	104,584	1.31	93,673	0.36
More than five years	160,826	4.07	165,315	3.73
Total	**653,208**	**1.68%**	**648,773**	**1.39%**

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 2021 to 2022	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								
2022	135,174	185,665	262,159	132,639	18,947	4,628	–	739,212
2021	128,595	125,657	279,725	117,850	–	–	99,195	751,022

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.

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.

2022	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	739,212	–	–	–	–	739,212
Other investments	174,080	–	–	–	–	174,080
Reinsurance assets (outstanding claims and receivables)	47,690	–	1,614	–	127	49,431
Loans and receivables	97,276	–	–	–	–	97,276
Insurance receivables	3,788	72	9	–	131	4,000
Total	**1,062,046**	**72**	**1,623**	**–**	**258**	**1,063,999**

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**

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	2022 €'000	2021 €'000
Reinsurance debtors	447	473
Other debtors	80	82
Total	**527**	**555**

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 2022	AAA €'000	AA €'000	A €'000	BBB €'000	BB €'000	Not rated €'000	Total €'000
Derivative financial instruments assets	–	–	672	540	–	–	1,212
Equity securities	1,124	12,179	18,107	17,920		124,750	174,080
Investment property	–	–	–	–	–	77,220	77,220
Reinsurance assets (outstanding claims and receivables)	–	23,531	25,464	–	–	436	49,431
Loans and receivables	–	–	60,237	27,359	–	9,680	97,276
Insurance receivables	–	–	–	–	–	4,000	4,000
Cash and cash equivalents	–	–	85,967	9,299	–	–	95,266
Total	**1,124**	**35,710**	**190,447**	**55,118**	**-**	**216,086**	**498,485**

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**

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 2022 in the case of index-linked bonds. Amortising bonds are stated at their nominal value as at 31 December 2022 in their final year of maturity. Coupon payments are not reflected. Equity securities are assumed to have no maturity date.
- Insurance contract liabilities – maturity profiles are determined based on 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.

Notes to the Financial Statements

29. Risk Management

Maturity analysis (contracted undiscounted cash flow basis) 2022	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	1,212	1,212	–	–	–	1,212
Financial assets at fair value through profit or loss						
– Debt securities	739,212	97,167	500,294	169,324	12,611	769,314
– Equity securities	174,080	–	–	–	174,768	174,768
Loans and receivables						
– Loans to local authorities	9,680	2,045	6,525	1,256	–	9,826
– Deposits with credit institutions	87,596	68,928	20,157	–	–	89,085
Insurance assets	5,596	1,326	3,195	1,074	–	5,595
Reinsurance assets						
– Claims outstanding	45,218	11,531	25,458	8,230	–	45,219
– Debtors	8,213	8,213	–	–	–	8,213
Other receivables	1,823	1,823	–	–	–	1,823
Cash and cash equivalents	95,266	95,266	–	–	–	95,266
Total	**1,167,896**	**287,511**	**555,629**	**179,884**	**187,379**	**1,210,403**
Financial liabilities						
Insurance contract liabilities						
– Claims outstanding	597,949	147,693	338,439	111,219	–	597,351
Derivative financial instruments	88	88	–	–	–	88
Insurance payables	7,566	7,566	–	–	–	7,566
Trade and other payables	29,525	29,599	–	–	–	29,599
Accruals	2,061	2,061	–	–	–	2,061
Total	**637,189**	**187,007**	**338,439**	**111,219**	**-**	**636,665**

Notes to the Financial Statements

29. Risk Management

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**

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: The residual impact of the pandemic has highlighted the importance of resilience planning, preparedness and contingency planning to ensure that the company can continue to operate effectively in the face of future pandemics or other crises. COVID-19 and the move to remote and hybrid working has dramatically increased the pace of digitalisation and virtualisation of business. This increased digitalisation may place additional demands on IT, requiring additional IT resources, employees and costs. In 2022, the company experienced higher than normal levels of attrition arising from a range of factors reflecting in part the "great resignation" phenomenon arising from the emergence from the pandemic; however, this has stabilised towards year-end. Overall, the residual impacts of COVID-19 include changes in claims frequency and severity, changes in demand and coverage, underwriting challenges and investment portfolio impacts. IPB will need to carefully monitor these impacts into 2023 and beyond.
- War in Ukraine: The ongoing war in Ukraine has had significant geopolitical impacts. The conflict has increased tensions between Russia and the western powers, particularly the United States and European Union. The west has imposed economic sanctions on Russia in response to its involvement in the conflict, and relations between Russia and western countries have deteriorated. The conflict has resulted in a humanitarian crisis, with millions of people displaced from their homes and in need of aid. The war has had implications for energy security in Europe, as Russia is a major supplier of natural gas to the region. Concerns have been raised about the reliability of Russian gas supplies and the need for diversification of energy sources. 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 2023 and beyond due to the overall global macro-economic 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.

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 2022.
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		2022 €'000	2021 €'000
Underwriting risk	5.00%	(6,360)	(5,358)
Currency risk	10.00%	1,015	576
Currency risk	-10.00%	(1,015)	(576)
Interest rate risk	1.00%	(16,776)	(9,721)
Interest rate risk	-0.25%	15,027	2,741
Equity risk	10.00%	17,408	21,325
Equity risk	-10.00%	(17,408)	(21,325)

Notes to the Financial Statements

29. Risk Management

Sensitivity analysis Impact on equity		2022 €'000	2021 €'000
Underwriting risk	5.00%	(5,565)	(4,687)
Currency risk	10.00%	888	504
Currency risk	-10.00%	(888)	(504)
Interest rates	1.00%	(14,679)	(8,506)
Interest rates	-0.25%	13,149	2,398
Equity risk	10.00%	15,232	18,659
Equity risk	-10.00%	(15,232)	(18,659)

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 2022	Change in assumptions (note 29)	Reduction in gross technical reserves €'000	Estimated reduction in net technical reserves €'000	Impact on profit before tax €'000	Increase in equity €'000
Third-party liability and other	10.00%	(4,187)	(3,350)	3,350	2,931
Motor	10.00%	(597)	(478)	478	418
Fire and other damage to property	10.00%	(340)	(272)	272	238
Total		**(5,124)**	**(4,100)**	**4,100**	**3,587**

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)**

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.
- 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	2022 €'000	2021 €'000
Within 1 year	1,302	1,302
Between 1-5 years	5,209	5,209
After 5 years	7,379	8,682

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

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 2022 and 2021 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 €2.1m (2021: €2.1m). Loan balances outstanding at year end amounted to €9.7m (2021: €11.8m).

All loans were issued unsecured and with interest rates at normal commercial terms. During the period interest income on these loans totalled €0.1m (2021: €0.1m) and is treated as non-trading investment income and recognised in the Profit and Loss Account. 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 2022.

Members

The percentage of total gross premiums written with Members in 2022 was 78% (2021: 76%).
Please refer to page 143 for details of our Members.

33. Corporate Social Engagement

During 2022 the company made an additional contribution of €3m to the Social Dividend Fund as part of its corporate social engagement (CSE) framework. The total contributions paid into the fund from 2012 to 2022 is €16m. The company has continued to make payments from the fund to appropriate recipients and has paid out €12m to date.

34. Approval of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2023.

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

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

List of Members at the Year Ended 31 December 2022

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.
Effective Interest Rate (EIR)	The rate that exactly discounts estimated future cash flows through the expected life of the financial asset/liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.
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 and 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.

Term	Definition
IAS	International Accounting Standards.
IFRS	International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already-approved standards will continue to be cited as International Accounting Standards (IAS).
IBNR (Incurred but Not Reported)	A reserve for claims that have occurred but which have not yet been reported to the company.
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 that 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 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

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Allied Irish Banks plc
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Dublin 2

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Arthur Cox
Solicitors
10 Earlsfort Terrace
Dublin 2

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

Actuarial Peer Review
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Harcourt Centre
Dublin 2

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