



**ANNUAL REPORT & STATEMENT OF ACCOUNTS** | 2010  
Irish Public Bodies Mutual Insurances Ltd.



# Irish Public Bodies Mutual Insurances Limited

*Regulated by the Central Bank of Ireland*

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# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Eighty-fifth Ordinary General Meeting of Irish Public Bodies Mutual Insurances Limited will be held in The Burlington Hotel, Dublin, on the 21st day of September, 2011, at 12.00 noon, for the following purposes:

1. To receive the Directors' Report and Statement of Accounts for the year ended 31st December 2010.
2. To authorise the Directors to fix the Auditors' remuneration.
3. To transact any other ordinary business of the Company.

By order of the Board,  
R. Reilly,  
Secretary.  
Date: 29th August 2011.

# Board of Directors

George Jones, MCC, Non-Executive Director, Chairman.

Michael McGreal, MCC, Dip.Corp.Gov., Non-Executive Director, Vice-Chairman.

Garry Cullen, ACII, CIP, Independent Non-Executive Director.

Michael Fitzgerald, MCC, Non-Executive Director.

Dermot Gorman, FCII, Chartered Insurer, Independent Non-Executive Director.

Sean O'Grady, TC, Non-Executive Director.

John Smyth, Independent Non-Executive Director.

# Chairman's Statement



## GENERAL REVIEW

2010 was a period of unprecedented economic difficulty in Ireland. Despite this turmoil, I am pleased to announce that IPB had a profitable year. The Company's premium income fell, reflecting a 10% reduction passed to clients at renewal 2010 and a decision made by the Department of Health that the HSE would self-insure its liability and motor business. We saw an increased level of water damage claims following extreme winter conditions, but, in general, the trend in claims remained relatively steady with no material increase on previous years, despite the recessionary environment. The Company remains well capitalised and financially strong.

## INSURANCE MARKET CONDITIONS

The non-life insurance market has become only marginally profitable in aggregate in recent years. Strong competition is evident in all sectors, with the large growth of the direct to customer channel driving price competition in motor and home in particular. The broker market is also fiercely competitive which is keeping liability premiums low. Irish insurers experienced a high level of weather related claims and have signalled the intention to increase home and motor insurance rates. I am delighted to report that we delivered premium reductions of 10% to Members relative to 2009.

## OUTLOOK

Despite the difficult year, the financial strength of the business increased during the year. This on-going financial strength, combined with our long experience, gives me confidence that we can continue to provide comprehensive insurance solutions to all clients from a strong capital base.

## SOLVENCY II

The EU Solvency II Directive has an implementation date of January 2013. The Company participated in the most recent quantitative impact study by European regulatory supervisors and will comfortably exceed the expected capital requirements under the Directive. In addition, the Board has appointed a Risk Committee to oversee all areas of risk arising from the nature of the Company's activities.

# Chairman's Statement

## **CORPORATE GOVERNANCE UP-DATE**

At the Extraordinary General Meeting of the Company, held on the 16th June 2011, I advised our Nominees of the major reorganisational changes that the Company was going through in order to fulfil its obligations under the Central Bank of Ireland's new Corporate Governance Code for Credit Institutions and Insurance Undertakings and the Board's commitment to the implementation of enhanced corporate governance structures, as recommended by the Corporate Compliance Section of Grant Thornton, Chartered Accountants.

I also advised that these changes would require the Board of Directors to consist of a majority of Independent Non-Executive Directors by the 31st December 2011. To facilitate this requirement, five of the Company's longest serving Directors, Mr. Michael Joy, Mr. James Kelly, Mr. Jerry Lodge, Mr. Luie McEntire and Mr. Patsy Treanor, resigned on the 1st July 2011. We have commenced the process of filling these positions by the appointment of Mr. Garry Cullen, Mr. Dermot Gorman and Mr. John Smyth as Independent Non-Executive Directors initially and we continue to engage with the Central Bank of Ireland on the finalisation of the Board Membership by the 31st December 2011. I further stated that the Company was required to employ its own chief executive together with a number of other senior staff. The Board, as you are aware, appointed Mr. Ronan Foley as its new Chief Executive and I am pleased to confirm that he took up his new post with the Company on the 8th August 2011. The process of recruiting other senior staff, which includes at this stage a Chief Finance Officer, a Chief Risk Officer and a Chief Compliance Officer, is well underway and we expect that all situations will be filled by year-end 2011.

Finally, the EGM also approved a change to the Articles to facilitate the payment of dividends to Members. Any such payments will be subject to exacting financial strength requirements to ensure the protection of the Company's ability to meet all of its liabilities.

George Jones, **Chairman.**

Date: 29th August 2011.

# Report of the Directors

for the year ended 31st December 2010

The Directors have pleasure in submitting their Report and the Audited Accounts for the year ended 31st December 2010.

## **PRINCIPAL ACTIVITY**

The principal activity of the Company continues to be the provision of a comprehensive insurance and risk management service to its Members.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

Information on the principal risks and uncertainties in the business is required by the European Accounts Modernisation Directive (2003/51/EC). 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. Whilst 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 external actuary.

Another risk facing the Company is the prevailing economic environment and its impact on the value of assets held to support the technical reserves.

## **RISK MANAGEMENT FRAMEWORK**

The Company regularly reviews market, credit, liquidity and foreign currency risks in order to mitigate and manage risks as much as possible in the current economic environment.

The Company manages its capital requirements by assessing its required solvency margin on a regular basis. Assets admissible for regulatory purposes and available for solvency cover are 19.0 times (2009:15.6 times) the minimum requirement, which was €17.4m. at year end (2009: €19.1m).

Further details of the Company's financial risk management are set out in notes 8 and 9 to the accounts.

## **RESULTS FOR THE YEAR AND STATE OF AFFAIRS**

The profit and loss account for the year ended 31st December 2010 and the balance sheet as at 31st December 2010 are set out on pages 10 to 13. The profit on ordinary activities before taxation amounted to €71m. (2009:profit of €84m.). After a taxation charge of €7m. (2009: €10m.), the increase in retained earnings is €64m. (2009:€74m.).

The Directors consider it appropriate that these accounts are prepared on a going concern basis.

## **FUTURE DEVELOPMENTS**

Despite the economic conditions, the financial strength of the business increased during the year. This ongoing financial strength, combined with many years of experience, gives the directors confidence that the Company can continue to provide comprehensive insurance solutions to all clients from a strong capital base.

## **DIRECTORS**

In 2010 the Central Bank of Ireland, which regulates insurance companies, introduced a new Code of Corporate Governance, which applies to all insurance companies and banks in the Country. The Code is required to be implemented by 30 June 2011, with any required Board changes to be made by the 31 December 2011.

As a result of the new Code and a recent review of corporate governance structures, which was carried out with Grant Thornton, Chartered Accountants, the Company is now required to implement some changes to the way it operates, including:

- a reconstituted Board/governance structure to include a majority of Independent Non-Executive Directors,
- the appointment of Executive Management Staff to work directly for the Company, and
- an evaluation of current outsourcing arrangements.

In view of the changes required, the Company will convene an Extraordinary General Meeting, which will take place at the earliest possible date, to consider amendments to the Articles of Association. Furthermore, as a result of the changes required by the new Code to the Board Membership, it is not expected that elections to the Board will take place this year. The Annual General Meeting of the Company will be scheduled to take place in September 2011.

## **Mr. Terry Brennan**

Mr. Terry Brennan was elected to the Board of Directors at the Annual General Meeting in 2010. Following the meeting, the Central Bank of Ireland advised that they proposed to defer approval of all new appointments to the Board until such time as the recommendations arising out of the corporate governance review and the requirements set out in the new Corporate Governance Code have been fully satisfied. The company is working closely with the Central Bank of Ireland to ensure that this happens in the most efficient manner possible.

# Report of the Directors

for the year ended 31st December 2010

## DIRECTORS' INFORMATION

Board of Directors			
	Fees		Fees
G. Jones (Chairman)	€0.034m.	L. McEntire	€0.030m.
M. Joy (Vice - Chairman)	€0.033m.	M. McGreal	€0.033m.
M. Fitzgerald	€0.030m.	S. O'Grady	€0.030m.
J. Kelly	€0.030m.	P. Treanor	€0.033m.
J. Lodge	€0.033m.	D. Bruen	€0.013m.

Meetings held: 16

Audit/Compliance Committee	Risk Committee (Estab. November 2010)
M. Joy (Chairman)	P. Treanor (Chairman)
M. McGreal	M. Fitzgerald
Vacancy	J. Kelly
	L. McEntire

Meetings held: 4

Meetings held: 1

Investment Policy Committee	REMCO/Nomination Committee
J. Lodge (Chairman)	M. McGreal (Chairman)
M. McGreal	G. Jones
S. O'Grady	M. Joy
P. Treanor	J. Lodge

Meetings held: 7

Meetings held: 5

## REVIEW OF KEY PERFORMANCE INDICATORS

Net earned premiums of €77m. decreased by 25% from €102m. in 2009. The decrease in revenue reflects a 10% reduction passed to clients at renewal 2010 and a decision made by the Department of Health that the HSE would self insure its liability and motor business.

Claims of €87.4m. were paid during the year, down from €89.9m. in 2009. The claims ratio net of reinsurance decreased from 29% in 2009 to 13% in 2010, as property claims were offset by significant reinsurance and positive claims developments led to releases in provisions for prior year claims.

The company remains well capitalised and financially strong and has recorded a profit before tax of €71m. compared to a profit of €84m. for 2009.

## BOOKS OF ACCOUNT

The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, 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 202 of the Companies Act, 1990, are complied with.

These books and accounting records are maintained at the Company's premises at 12-14 Lower Mount Street, Dublin 2.

# Report of the Directors

for the year ended 31st December 2010

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Acts, 1963 to 2009. 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.

## EVENTS SINCE THE YEAR END

There were no events since the year end that warrant disclosure in the accounts or notes thereto.

## AUDITORS

The Auditors, Ernst & Young, Chartered Accountants, will continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

George Jones, **Chairman.**  
Michael Joy, **Vice-Chairman.**  
Date: 13th April 2011.

# Independent Auditors' Report

to the Members of Irish Public Bodies Mutual Insurances Limited

We have audited the financial statements of Irish Public Bodies Mutual Insurances Limited for the year ended 31st December 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1-20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Members, as a body, in accordance with Section 193 of the Companies Act, 1990. 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 Auditors' 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.

## **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The Directors are responsible for the preparation of the financial statements in accordance with applicable Irish Law and Accounting Standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts, 1963 to 2009. We also report to you our opinion as to: whether proper books of account have been kept by the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you, if in our opinion, any information specified by law regarding Directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **OPINION**

In our opinion the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of affairs of the Company as at 31st December 2010 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

In our opinion, the statement of financial position does not disclose a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983, would require the convening of an Extraordinary General Meeting of the Company.

## **Ernst & Young,**

Chartered Accountants and Registered Auditors.

Dublin.

Date: 20th April 2011.

# Profit and Loss Account

for the year ended 31st December 2010

	Note	2010 €'000	2009 €'000
<b>TECHNICAL ACCOUNT - NON-LIFE INSURANCE BUSINESS</b>			
Gross premiums written	2	91,589	116,182
Outward reinsurance premiums		(15,261)	(15,047)
Change in the gross provision for unearned premiums		1,221	20
Change in the provision for unearned reinsurance premiums		(619)	674
Earned premiums - net of reinsurance		76,930	101,829
Allocated investment return transferred from the non-technical account	3	10,554	19,652
Other technical income - net of reinsurance		651	685
<b>TOTAL TECHNICAL INCOME</b>		<b>88,135</b>	<b>122,166</b>
Claims paid			
- gross amount		87,440	89,856
- reinsurers' share		(14,740)	(17,126)
- net of reinsurance		72,700	72,730
Change in the provision for claims			
- gross amount	11	(73,691)	(27,574)
- reinsurers' share		10,997	(15,603)
- net of reinsurance		(62,694)	(43,177)
Claims incurred - net of reinsurance		10,006	29,553
Net operating expenses	4	12,053	15,008
<b>TOTAL TECHNICAL CHARGES</b>		<b>22,059</b>	<b>44,561</b>
<b>BALANCE ON THE TECHNICAL ACCOUNT</b>		<b>66,076</b>	<b>77,605</b>

# Profit and Loss Account

for the year ended 31st December 2010

	Note	2010 €'000	2009 €'000
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the technical account		<b>66,076</b>	77,605
Investment Income	5	<b>47,401</b>	27,027
Unrealised losses on investments	5	<b>(31,635)</b>	(223)
Allocated investment return transferred to the technical account	3	<b>(10,554)</b>	(19,652)
Other charges		<b>(374)</b>	(430)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
Tax charge on profit on ordinary activities	7	<b>(7,315)</b>	(10,467)
<b>PROFIT FOR THE FINANCIAL YEAR</b>			
		<b>63,599</b>	73,860

Premiums written and profit on ordinary activities before taxation have arisen solely from continuing operations.

There are no recognised gains or losses in either year other than those shown in the profit and loss account.

Approved by the Board on the 13th April 2011.

George Jones, **Chairman.**  
Michael Joy, **Vice-Chairman.**

# Balance Sheet

as at 31st December 2010

	Note	2010 €'000	2009 €'000
<b>ASSETS</b>			
<b>INVESTMENTS</b>			
Other financial investments	8	957,641	954,441
<b>REINSURERS' SHARE OF TECHNICAL PROVISIONS</b>			
Provision for unearned premiums	11	2,158	2,777
Claims outstanding	11	58,844	69,841
		<b>61,002</b>	<b>72,618</b>
<b>DEBTORS</b>			
Debtors arising out of direct insurance operations - policyholders		2,407	3,901
Debtors arising out of reinsurance operations		1,416	4,012
Other debtors	14	832	2,585
		<b>4,655</b>	<b>10,498</b>
<b>OTHER ASSETS</b>			
Cash at bank and in hand		5,995	7,675
Deferred Taxation	10	13,033	6,283
		<b>19,028</b>	<b>13,958</b>
<b>PRE-PAYMENTS AND ACCRUED INCOME</b>			
Accrued interest		17,522	22,399
Deferred acquisition costs		125	106
Other pre-payments and accrued income		71	60
		<b>17,718</b>	<b>22,565</b>
<b>TOTAL ASSETS</b>		<b>1,060,044</b>	<b>1,074,080</b>

# Balance Sheet

as at 31st December 2010

	Note	2010 €'000	2009 €'000
<b>LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Profit and loss account			
	- profit brought forward	265,731	191,871
	- profit for the financial year	63,599	73,860
		<b>329,330</b>	265,731
<b>TECHNICAL PROVISIONS</b>			
Provision for unearned premiums	11	12,379	13,600
Claims outstanding	11	715,484	789,175
Total technical provisions		<b>727,863</b>	802,775
<b>CREDITORS</b>			
Arising out of direct insurance operations		403	829
Arising out of reinsurance operations		824	938
Other creditors		1,587	3,775
		<b>2,814</b>	5,542
<b>ACCRUALS AND DEFERRED INCOME</b>	15	<b>37</b>	32
<b>TOTAL LIABILITIES</b>		<b>1,060,044</b>	1,074,080

Approved by the Board on the 13th April 2011.

George Jones, **Chairman.**  
Michael Joy, **Vice-Chairman.**

# Statement of Cash Flow

for the year ended 31st December 2010

	Note	2010 €'000	2009 €'000
<b>OPERATING ACTIVITIES</b>			
Premiums received net of reinsurance		83,330	99,873
Claims paid net of reinsurance		(72,700)	(72,730)
Investment income received		40,277	31,511
Operating expenses paid		(14,632)	(14,119)
Premiums paid to brokers		(2,801)	(2,823)
Net cash inflow from operating activities	12	33,474	41,712
Taxation paid less recovered		(12,321)	(1,818)
<b>INVESTING ACTIVITIES</b>			
Loans issued to local authorities		-	(8,920)
Loans repaid by local authorities		3,768	3,437
Purchases less sales of investments		(14,434)	(5,915)
Net cash outflow from investing activities		(10,666)	(11,398)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	13	10,487	28,496
Cash and cash equivalents at start of year		85,393	56,897
Cash and cash equivalents at end of year		95,880	85,393

# Notes to the Accounts

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The accounts have been prepared in accordance with the Companies Acts, 1963 to 2009, and with accounting standards issued by the Accounting Standards Board and promulgated by the Institute of Chartered Accountants in Ireland.

The accounts have also been prepared in accordance with the provisions of the Association of British Insurers' Statement of Recommended Practice on Accounting for Insurance Business (revised December 2006), with the exception of the treatment of investments, which have not been carried at market values. Investments are recorded as stated in note (g) below, as permitted by the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 (refer to note 8).

### (b) Basis of accounting

The annual basis of accounting has been applied to all classes of business.

### (c) Premiums

Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with adjustments arising in the financial year to such premiums receivable in respect of business written in previous financial years. Premium adjustments for retrospectively rated policies are recognised when related losses are paid in full, and when claims are fully and finally settled and agreed with clients.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct business being reinsured.

### (d) Provision for unearned premiums

The provision for unearned premiums relates to premium income in respect of insured risks which continue after 31st December 2010 and is calculated on the twenty-fourths basis.

### (e) Claims incurred and outstanding

Claims incurred comprise the cost of all claims occurring during the year, whether reported or not, and any adjustments to claims outstanding from previous years.

The provision for claims outstanding provides for the estimated cost after reinsurance recoveries, having due regard to collectability, of claims notified but not settled at 31st December 2010, the estimated cost of claims incurred but not reported together with all related claims handling expenses using the best information available at the date of the balance sheet.

In addition, provision is made in respect of the Company's share of the estimated liability for outstanding claims of the Motor Insurers' Bureau of Ireland.

To estimate claims costs, the Company uses the most appropriate accepted actuarial estimation techniques. Such techniques include the production of ranges of estimates by class of business and the performance of sensitivity analysis. These techniques take into account the characteristics of the Company's business and the extent of the development of claims in each underwriting year.

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

- whether an event has occurred which 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; and
- the timing of a settlement to the policyholder.

### (f) Deferred acquisition costs

Management costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

# Notes to the Accounts

## *(g) Investments*

Quoted and unquoted investments are stated at the lower of cost or net realisable value.

## *(h) Investment income*

Interest and dividends are treated on an accruals basis in the case of bank and building society deposits and quoted government, foreign, public bodies and municipal authority securities. An allocation of investment income from the non-technical account to the non-life technical account is made on the basis of the relationship between average technical provisions and revenue reserves.

## *(i) Realised and unrealised gains and losses on investments*

Gains and losses arising on the realisation of investments are dealt with in the profit and loss account in the year of realisation. Unrealised losses are taken to the profit and loss account as they occur.

## *(j) Taxation and deferred taxation*

Corporation tax is provided on taxable profits at current attributable rates. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or right to pay less tax in the future. Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse.

## *(k) Currency*

The accounts are prepared in euro and all values are rounded to the nearest thousand (€'000) except where otherwise stated. Assets and liabilities in foreign currencies have been converted at rates of exchange ruling at the balance sheet date. Gains and losses arising are dealt with in the profit and loss account.

## *(l) Pensions*

The contributions to defined benefit and defined contribution schemes are charged to the profit and loss account on an accruals basis over the periods of service. The cost for the defined benefit scheme is calculated in accordance with the advice of a professionally qualified actuary. The most recent actuarial valuation was carried out in November 2008.

## *(m) Deposits with credit institutions*

Deposits with credit institutions are short term, highly liquid investments that are subject to insignificant changes in value and are readily convertible into known amount of cash. Deposits with credit institutions comprise financial assets with less than twelve months to maturity from the date of acquisition.

## *(n) Insurance contracts*

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Company agrees to compensate the policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder.

Contracts written by the Company to-date are classified as insurance contracts and these contracts cover most of the risk classes as defined under the European Communities (Non-Life Insurance) Framework Regulations, 1994 (S.I. No. 359 of 1994).

## *(o) Reinsurance contracts*

Contracts entered into with reinsurers that meet the classification requirements for insurance contracts under Irish GAAP are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. The benefits under the reinsurance contracts held are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers (classified within debtors arising from reinsurance operations), as well as long term receivables (classified as deposits with reinsurers) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. Reinsurance assets are assessed for recoverability on an annual basis. A provision for the potential default of reinsurers is included in claims outstanding. If there is objective evidence that the reinsurance asset is not fully recoverable, the carrying amount is reduced to its recoverable amount and the write down is recognised in the profit and loss account.

# Notes to the Accounts

## 2. SEGMENTAL INFORMATION

	Third party liability €'000	Fire and other damage to property €'000	Motor €'000	Total €'000
<b>2010</b>				
Gross premiums written	59,668	25,262	6,659	91,589
Gross premiums earned	60,761	25,254	6,795	92,810
Gross claims incurred	2,729	(15,823)	(655)	(13,749)
Gross operating expenses	(7,843)	(3,321)	(889)	(12,053)
Gross technical result	55,647	6,110	5,251	67,008
Reinsurance balance	(9,192)	(2,837)	(108)	(12,137)
Net technical result	46,455	3,273	5,143	54,871
Net technical provisions	617,708	13,580	35,573	666,861
<b>2009</b>				
Gross premiums written	82,788	25,386	8,008	116,182
Gross premiums earned	82,216	25,745	8,241	116,202
Gross claims incurred	(25,296)	(32,090)	(4,896)	(62,282)
Gross operating expenses	(10,685)	(3,277)	(1,046)	(15,008)
Gross technical result	46,235	(9,622)	2,299	38,912
Reinsurance balance	907	18,179	(730)	18,356
Net technical result	47,142	8,557	1,569	57,268
Net technical provisions	676,047	12,089	42,021	730,157

All premiums resulted from contracts of insurance concluded in the Republic of Ireland. Motor liability and motor other classes are included in motor.

## 3. ALLOCATED INVESTMENT RETURN TRANSFERRED TO THE TECHNICAL ACCOUNT

	Note	2010 €'000	2009 €'000
Allocated by class of business:			
Liability business		6,876	14,004
Fire and other damage to property		2,911	4,294
Motor		767	1,354
		<b>10,554</b>	<b>19,652</b>

The allocation of the investment return by class of business is on the basis of the relationship between gross written premiums by class of business.

# Notes to the Accounts

<b>4. NET OPERATING EXPENSES</b>	Note	<b>2010</b>	2009
		<b>€'000</b>	€'000
Acquisition costs		<b>939</b>	1,000
Change in deferred acquisition costs		<b>(19)</b>	31
Incurred acquisition costs		<b>920</b>	1,031
Administrative expenses	6	<b>11,133</b>	13,977
		<b>12,053</b>	15,008

<b>5. INVESTMENT INCOME</b>		<b>2010</b>	2009
		<b>€'000</b>	€'000
Income from listed investments		<b>32,282</b>	35,485
Income from other investments		<b>3,117</b>	3,019
		<b>35,399</b>	38,504
Gains/(losses) on the realisation of investments		<b>12,002</b>	(11,477)
		<b>47,401</b>	27,027
Unrealised losses on investments		<b>(31,635)</b>	(223)
Total investment return		<b>15,766</b>	26,804

All of the listed investments are listed on recognised stock exchanges.

<b>6. ADMINISTRATIVE EXPENSES</b>		<b>2010</b>	2009
		<b>€'000</b>	€'000
Administrative expenses include:			
Auditors' remuneration		<b>100</b>	121
Other Assurance Services		<b>7</b>	17
Tax Compliance Services		<b>82</b>	340
Other Non-Audit Services		<b>25</b>	-
Directors' remuneration - fees		<b>299</b>	207
- pension		<b>318</b>	-
Direct Salary		<b>264</b>	271
Pension Costs		<b>85</b>	12
Social Welfare		<b>44</b>	22

Direct costs are in respect of three administrative staff. The company has contracted Brennan Insurances to conduct services on its behalf.

<b>7. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES</b>	Note	<b>2010</b>	2009
		<b>€'000</b>	€'000
[a] Analysis of charge for year:			
Tax charge based on the results for the year is as follows:			
Current tax:			
Taxation on foreign dividends		<b>(416)</b>	(217)
Irish Corporation tax charge	7[b]	<b>(15,003)</b>	(10,350)
Adjustment in respect of prior years		<b>1,354</b>	(3,464)
Total current tax charge		<b>(14,065)</b>	(14,031)
Deferred tax:			
Origination and reversal of timing differences		<b>6,750</b>	113
Adjustment in respect of prior years		<b>-</b>	3,451
Total deferred tax credit	10	<b>6,750</b>	3,564
Tax charge on profit on ordinary activities		<b>(7,315)</b>	(10,467)

Trading income is subject to Corporation Tax at the rate of 12.5%. Non-trading income is subject to Corporation Tax at the rate of 25%.

# Notes to the Accounts

[b] Factors affecting tax charge for year:

The tax assessed for the year is lower than the standard rate of corporation tax due to the differences as explained below:

Profit on ordinary activities before tax	<b>70,914</b>	84,327
Profit on ordinary activities multiplied by standard rate of corporation tax of 12.5%	<b>8,864</b>	10,541
Effect of:		
Provision for impairment of investments	<b>3,957</b>	28
Expenses not deductible for tax purposes	<b>25</b>	17
Income not assessed to tax in current year	-	-
Reserves and technical adjustments	<b>2,792</b>	85
Double tax relief	-	(2)
Income not subject to tax	<b>(635)</b>	(319)
Irish corporation tax charge	<b>15,003</b>	10,350

[c] Factors that may affect future tax charges:

The total tax charge in future periods will be affected by any changes in the corporation tax rate and trading losses available to offset taxable trading profits.

## 8. INVESTMENTS

	<i>Carrying Value</i>		<i>Current Value</i>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>€'000</b>	€'000	<b>€'000</b>	€'000
Listed equity shares	<b>147,067</b>	125,946	<b>173,476</b>	151,653
Debt securities and other fixed income securities:				
Government fixed interest	<b>611,995</b>	585,013	<b>599,729</b>	595,977
Other fixed income securities	<b>63,964</b>	112,524	<b>64,866</b>	113,605
Loans to Local Authorities	<b>42,057</b>	45,824	<b>42,173</b>	45,955
Property investments	<b>2,673</b>	7,416	<b>2,673</b>	7,657
Deposits with credit institutions	<b>89,885</b>	77,718	<b>89,885</b>	77,718
<b>Total Investments</b>	<b>957,641</b>	954,441	<b>972,802</b>	992,565

The historical cost of €957.6m. shown above is the original cost of €1,026.4m. less provision for impairment in value of €68.8m. (2009: €37.1m.).

Included in the above amount for Debt securities and other fixed income securities is Irish sovereign debt with a carrying value of €194.8m. and a market value of €170.7m.

The listed equities and fixed income securities are all listed on recognised stock exchanges.

# Notes to the Accounts

## Financial Risk Management:

### Interest rate risk

The Company has no external borrowings and as such is not exposed to interest rate or refinancing risks on borrowings. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company and earn interest at the respective short term deposit rates.

### Price risk

The Company is exposed to price risk on the majority of the investments held by the Company.

### Liquidity risk

The Company actively maintains cash balances on short term deposits to ensure that the Company has sufficient available funds for operations.

### Credit risk

The Company has identified credit risks associated with the cash and deposits it has placed with third party banking institutions and loans to local authorities. The Company recognises the credit risks associated with its reinsurance arrangements. The Company manages its reinsurance risks by establishing a reinsurance strategy and this strategy sets out the required security ratings of its reinsurers and the procedures to follow if set ratings are not met.

## 9. FINANCIAL INSTRUMENTS

The Company is exposed to currency risks arising from the foreign currency investments it holds, mainly sterling denominated securities. The Company enters into forward currency agreements, normally on a three-month basis, to reduce foreign currency exposure.

	Carrying Value €'000	Principal Hedged €'000	Underlying Principal '000
<b>2010</b>			
<i>1 year or less</i>			
Currency sold	10,497	10,475	Stg£9,000
	1,494	1,525	US\$2,000
<hr/>			
<b>2009</b>			
<i>1 year or less</i>			
Currency sold	7,887	7,718	Stg£7,000

Changes in the fair value of instruments used as hedges are not recognised until the hedged position matures. The unrecognised gain at 31st December 2010 was €0.009m. (2009: €0.169m. loss). Hedged losses recognised for 2010 were €0.551m. (2009:€0.337m. loss).

## 10. DEFERRED TAXATION

	Note	2010 €'000	2009 €'000
Balance at beginning of year		(6,283)	(2,719)
Profit and loss account - credit	7	(6,750)	(3,564)
Balance at end of year (asset)		(13,033)	(6,283)

### Analysis of deferred taxation:

Provision for impairment of investments	(8,600)	(4,642)
Investment income taxable in the future	334	668
Reserves adjustment	(4,767)	(2,309)
	(13,033)	(6,283)

# Notes to the Accounts

## 11. TECHNICAL PROVISIONS

	Claims Outstanding €'000	Provision for Unearned Premiums €'000	Total €'000
<b>Gross amount</b>			
At beginning of year	789,175	13,600	802,775
Movement in the provision	(73,691)	(1,221)	(74,912)
At end of year	715,484	12,379	727,863
<b>Reinsurance amount</b>			
At beginning of year	(69,841)	(2,777)	(72,618)
Movement in the provision	10,997	619	11,616
At end of year	(58,844)	(2,158)	(61,002)
<b>Net technical provisions</b>			
At end of year	656,640	10,221	666,861
<b>At beginning of year</b>	719,334	10,823	730,157

An incurred but not reported reserve (IBNR) of €24.4m. (2009: €24.4m.) is included in the claims outstanding figures above.

An up to date assessment of likely future claims experience has led to a reduction in gross provisions in respect of prior years' claims of €80.7m. as shown below.

	€'000
<b>Prior years' claims provision</b>	
Claims provision at beginning of year	789,175
Claims paid in respect of prior years	(77,502)
Claims provision at end of year for prior years' outstanding claims	(630,954)
Reduction in provision for prior years' claims	80,719

## 12. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 €'000	2009 €'000
Operating profit	70,914	84,327
Decrease/(increase) in debtors	7,470	(9,643)
Decrease in unearned premiums	(602)	(693)
Decrease in claims provisions	(62,694)	(43,177)
(Decrease)/Increase in creditors	(2,722)	345
Decrease/(increase) in premiums due	1,494	(1,178)
Losses on investments	19,633	11,700
Movement in deferred acquisition costs	(19)	31
Net cash inflow from operating activities	33,474	41,712

## 13. ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AND OTHER LIQUID INVESTMENTS SHOWN IN THE BALANCE SHEET

	2010 €'000	2009 €'000	Change in year €'000
Cash at bank and in hand	5,995	7,675	(1,680)
Deposits with credit institutions	89,885	77,718	12,167
Total	95,880	85,393	10,487

# Notes to the Accounts

<b>14. OTHER DEBTORS</b>	<b>2010</b>	2009
	<b>€'000</b>	€'000
Corporate tax recoverable	<b>832</b>	2,578
Other debtors	-	7
	<b>832</b>	2,585

<b>15. ACCRUALS AND DEFERRED INCOME</b>	<b>2010</b>	2009
	<b>€'000</b>	€'000
Tax and social welfare included in accruals:		
PAYE	<b>16</b>	24
Social welfare	<b>6</b>	8
VAT	<b>15</b>	-
	<b>37</b>	32

## 16. PENSION COSTS

The Company participates in an externally funded defined benefit pension scheme covering employees of this Company and other participating employers. Consequently, it is not practicable to identify the Company's share of underlying assets and liabilities of the scheme or to provide information on the implications of the surplus or deficit in the scheme for the Company.

Therefore, as provided for in these circumstances under Financial Reporting Standard Number 17 'Retirement Benefits', the Company has accounted for the scheme on a defined contribution basis and recognises expenses equal to the contribution paid for the period, which are disclosed in note 6.

The Company also operates two defined contribution pension schemes, one in respect of employees of the Company and the other in respect of the directors. The directors' pension scheme was set up in 2010 with an effective date of 1 January 2004. Contributions in respect of 2004 to 2009 will be paid into the scheme in accordance with an agreed schedule between 2010 and 2014.

2010 contributions for the employees' defined benefit and defined contribution pension schemes amounted to €0.085m. (2009: €0.012m.). Contributions of €0.051m. were outstanding as at 31 December 2010 (31 December 2009: €Nil).

2010 contributions for the directors' defined contribution pension scheme amounted to €0.054m. (2009: €Nil). Contributions of €0.116m. in respect of earlier years were also due for payment in 2010. There were no contributions outstanding as at 31 December 2010 (31 December 2009: €Nil).

The Company is committed to paying contributions of €0.148m. in respect of 2004 to 2009 as follows

	<b>€'000</b>
Payable in 2011	80
Payable in 2012	40
Payable in 2013	21
Payable in 2014	7
	<b>148</b>

The schedule of payments may be amended in future periods subject to the directors continuing in office. Payments in respect of directors who resign from office will be payable in full in the year of resignation. In accordance with Financial Reporting Standard Number 12 'Provisions, Contingent , Contingent Liabilities and Contingent Assets', the Company has recognised a provision for this amount, which is included in Other creditors on the balance sheet.

# Notes to the Accounts

## **17. RELATED PARTY DISCLOSURES**

In the normal course of business, the Company enters into transactions with Brennan Insurances, a party related through its key management.

Under a long term agreement between Irish Public Bodies Mutual Insurances Limited and Brennan Insurances, the latter provides underwriting and related insurance services to the Company, subject to the control and direction of the Board of Directors of Irish Public Bodies Mutual Insurances Limited. Brennan Insurances is remunerated by an annual insurance commission, the cost of which was €10.3m. (2009: €12.9m.) of which €1.0m. (2009:€2.1m.) was due at the balance sheet date.

## **18. DIRECTORS' REMUNERATION AND TRANSACTIONS**

Directors' remuneration is outlined in note 6. There were no loans outstanding between the Company and its Directors at any time during the year.

## **19. STATUS OF THE COMPANY**

The Company is limited by guarantee and does not have a share capital. The Company underwrites the insurances of Local, and Education Authorities and the Health Sector.

## **20. APPROVAL OF THE ACCOUNTS**

The accounts were approved and authorised for issue by the Board of Directors on 13th April 2011.

# Company Information

Chief Executive Ronan Foley, MII.

Company Secretary Rosemary Reilly.

## **Key Management:**

Head of Underwriting Enda Brazel, BBS.

Head of Claims Paddy Moran, ACII.

Head of Governance Diarmuid Brennan B.A., B.L.

Head of Finance Anna-Marie Conlan, FCCA.

Head of Investments & IT. Patrick McGinley, FCPA, MSI, Dip.Corp.Gov.

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**Bankers:** Allied Irish Banks plc, Dame Street, Dublin 2.

**Solicitors:** Arthur Cox, Earlsfort Terrace, Dublin 2.



