



# FBD HOLDINGS PLC

## 2016 Interim Results

### **Forward looking statements**

This presentation contains certain forward-looking statements. Actual results may differ materially from those projected or implied in such forward-looking statements. Such forward-looking information involves risks and uncertainties that could affect expected results.

August 2016

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# Section 1

## Overview

FIONA MULDOON, GROUP CEO

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# Key Highlights

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- Premiums down 2%. Significant rate hardening offset by a reduction in broker business
- Strong improvement in risk selection and price adequacy
- No further prior year development
- Combined Operating Ratio of 101%
- Modest loss in first half of 2016
- Strong further progress on turnaround strategy in first half of 2016. On track for full year profitability in 2017

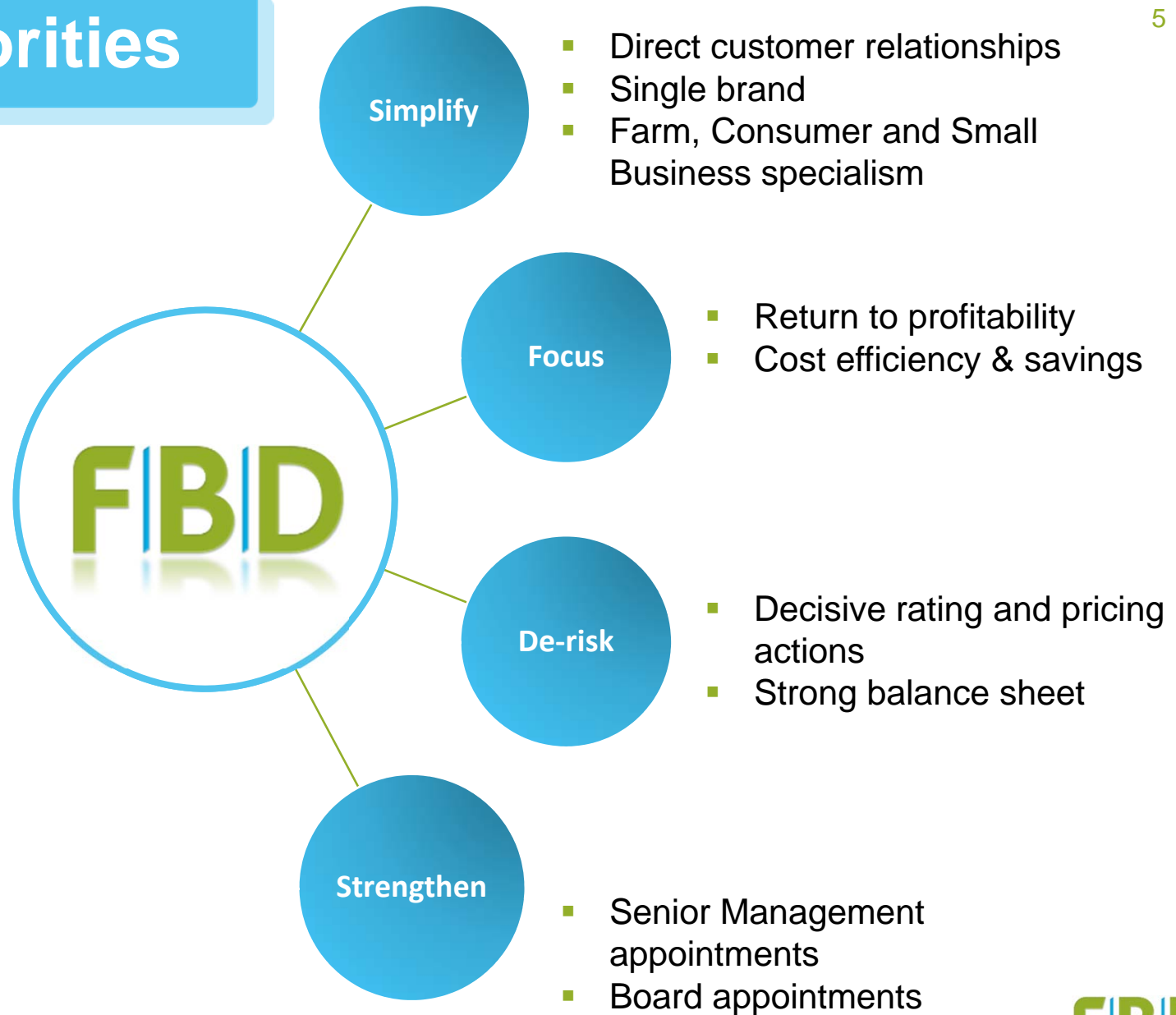
# Financial Highlights

## Half Year

- Gross written premium down €4m (v H1 2015), with €10m reduction in business written through brokers
- Average premium rate increases of 11%, offset by 7% decline in policy volume from direct operations
- COR of 101% compared to 110% in the same period last year (H1 2015 figure excludes prior year strengthening and increase in MFU)
- Net loss before tax of €3.7m
- Annualised total investment return of 1.9%, a strong result in the ongoing low-return environment
- Capital levels within target range of 110%-130% of SCR

# Our Priorities

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# Our Priorities

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## DONE

### Simplify

- Board streamlined
- Reorganised customer focus
- Single Brand – FBD
- Initial launch of new IT system

### Focus

- Improve claims settlement
- Change Financial Solutions business model
- VR Programme
- Cost reduction

### De-risk

- Pricing and underwriting actions
- De-risk Pension Scheme

### Strengthen

- Strengthen balance sheet
- Capital actions
- Management & Board appointments



## TO DO

- Continued further rollout of IT system
- Brand campaign & relevance

- Underwriting profitability
- Improve claims settlement
- Strengthen branch network
- Further cost vigilance

- Continued underwriting actions
- Potential for deferred members ETV offer

- EGM for new Board members
- Continued build out of management team
- Proactive capital management and optimising of capital model

# Claims update

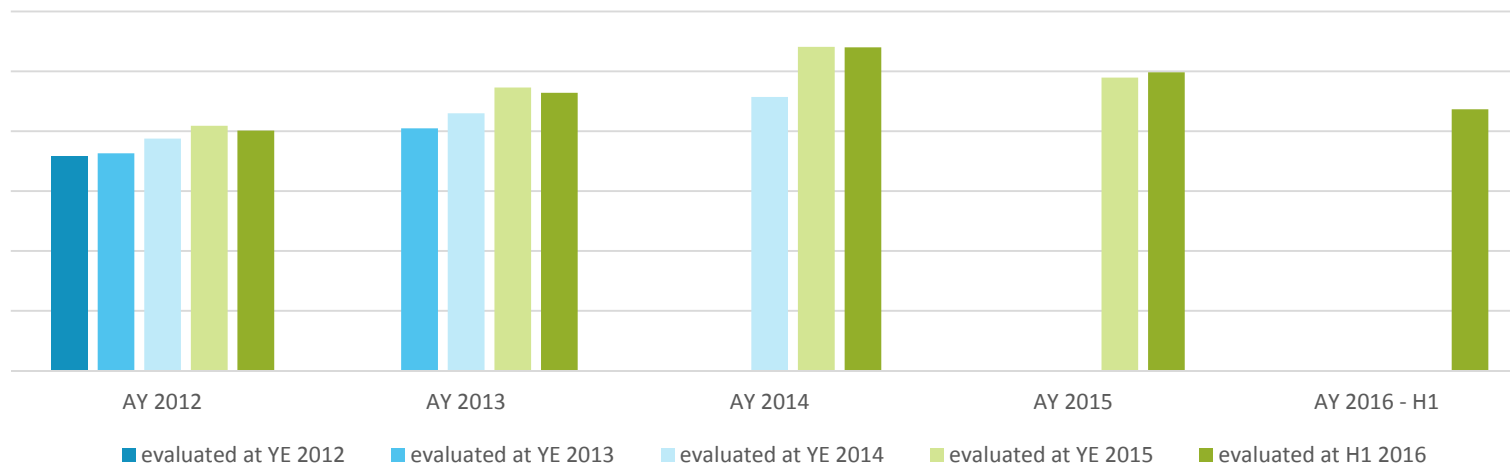
## Claims development 2014 - 2016

<i>Development</i>	<i>Status H1 2016</i>
Claims Frequency	<ul style="list-style-type: none"><li>▪ Deterioration first emerged Q1 2014, strong improvement now evident</li></ul>
Severe Weather	<ul style="list-style-type: none"><li>▪ Benign – flooding event was Q4 2015</li></ul>
Severity	<ul style="list-style-type: none"><li>▪ No significant improvement</li></ul>
Adverse development	<ul style="list-style-type: none"><li>▪ No further adverse development H1 2016</li></ul>

# Reserves

## Strengthened Reserving Approach for Motor & Liability

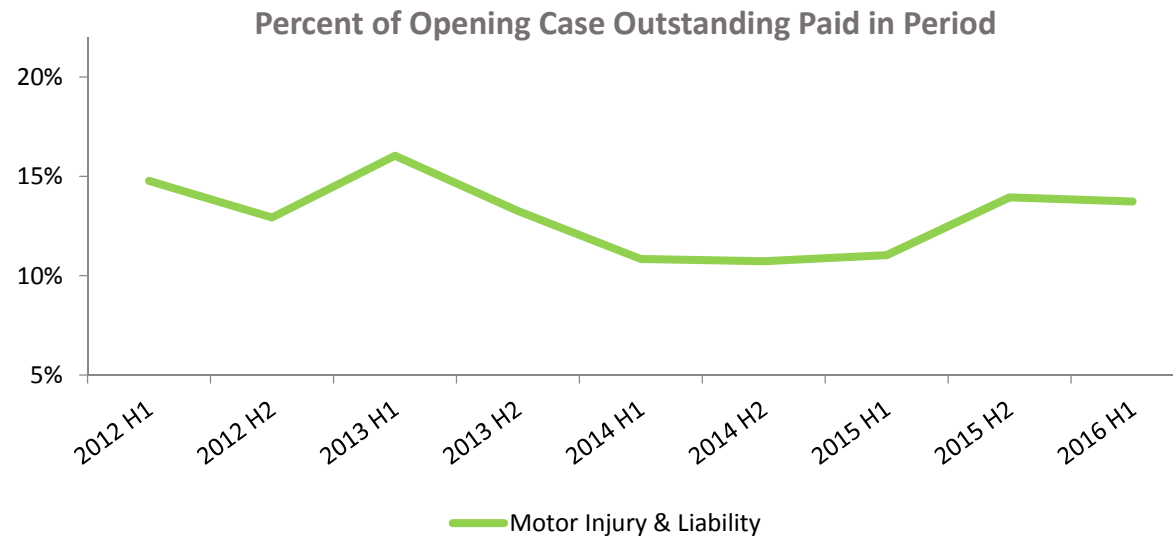
Motor & EL & PL Loss Ratio Development (Gross)



- Significant strengthening of prior accident year position in 2015
- Steady prior accident year results since mid-2015
- Reserving assumptions revised during 2015 - remain prudent
- Pricing actions since 2014 positively impacting results



# Increased Paid Activity



- Paid activity declined in 2014 and H1 2015
- Paid activity picked up in H2 2015 as discount rate issue resolved
- H1 2016 stability in paid activity, but still below historic norms

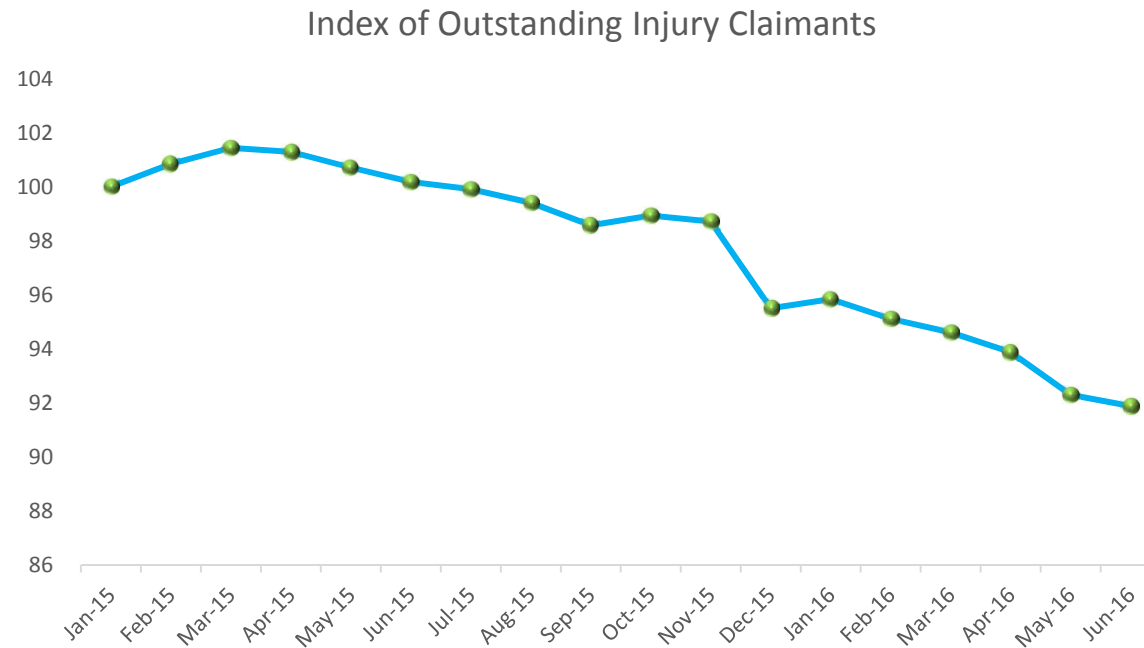
# Reserves

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- Payments are ahead of claims incurred

# Claims



- Significant reduction in the number of outstanding claimants in the last 18 months

# Section 2

## Financial Performance

JOHN O'GRADY, CFO

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# Interim results

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## Evidence of stabilisation in results

	H1 2016	H1 2015		H1 2016	H1 2015
<b>GWP</b>	€181m	€185m	Reported Loss ratio (includes 2015 Prior Year Development and MFU Strengthening)	75.5%	139.8%
<b>Loss before tax</b>	(€3.7m)	(€96m)	Loss ratio (Like for like excludes 2015 Prior Year Development and MFU Strengthening)	75.5%	82.5%
<b>EPS</b>	(9c)	(243c)	Expense ratio	25.5%	27.2%
<b>NAV</b>	607c	512c	Reported Combined Operating Ratio (includes 2015 Prior Year Development and MFU Strengthening)	101.0%	167.0%
			Combined Operating Ratio (Like for like excludes Prior Year Development and MFU Strengthening)	101.0%	110.1%
			Total investment return-annualised	1.92%	1.10%
			-Income statement	0.06%	1.2%
			-OCI	1.86%	(0.1%)

**€181m**

Gross Written Premium

**607c**  
H1 NAV

# Half year results

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## First half results show progress

	<i>H1 2016</i>	<i>H1 2015</i>	<i>FY 2015</i>
	<i>€'000s</i>	<i>€'000s</i>	<i>€'000s</i>
Gross written premium	180,845	184,778	363,263
Net earned premium	152,020	154,422	313,154
<b>Net claims incurred (inc MIBI)</b>	<b>(114,825)</b>	<b>(215,826)</b>	<b>(341,260)</b>
Net expenses	(38,790)	(42,062)	(97,306)
<b>Underwriting Result</b>	<b>(1,595)</b>	<b>(103,466)</b>	<b>(125,412)</b>
Investment income	271	5,405	20,260
Other	(2,713)	1,071	2,323
<b>Sub Total</b>	<b>(4,037)</b>	<b>(96,990)</b>	<b>(102,829)</b>
<b>Exceptional items</b>			
Pension curtailment	0	0	28,340
Restructuring costs	(1,266)	0	(11,415)
<b>Loss before tax from continuing operations</b>	<b>(5,303)</b>	<b>(96,990)</b>	<b>(85,904)</b>
<b>Profit before tax from discontinued operations</b>	<b>1,651</b>	<b>574</b>	<b>1,061</b>
<b>Loss before tax</b>	<b>(3,652)</b>	<b>(96,416)</b>	<b>(84,843)</b>

**-€3.7m**

First half loss

**€115m**

Claims incurred

# Investment Performance

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## 1.9% performance is strong in low rate environment

	30-June-16		31-Dec-15	
	€m	%	€m	%
<b>Underwriting investment assets</b>				
Deposits and cash	336	34%	398	40%
Corporate bonds	491	50%	432	43%
Government bonds	100	10%	101	10%
Equities	21	2%	24	2%
Unit trusts	24	2%	25	2%
Investment property	15	2%	15	2%
<b>Underwriting investment assets</b>	<b>987</b>	<b>100%</b>	<b>995</b>	<b>100%</b>
Working capital & other assets	110		117	
Reinsurers' share of provisions	77		80	
Plant and equipment	58		56	
Own land & buildings	16		16	
<b>Total assets</b>	<b>1,248</b>		<b>1,264</b>	

**1.9%**

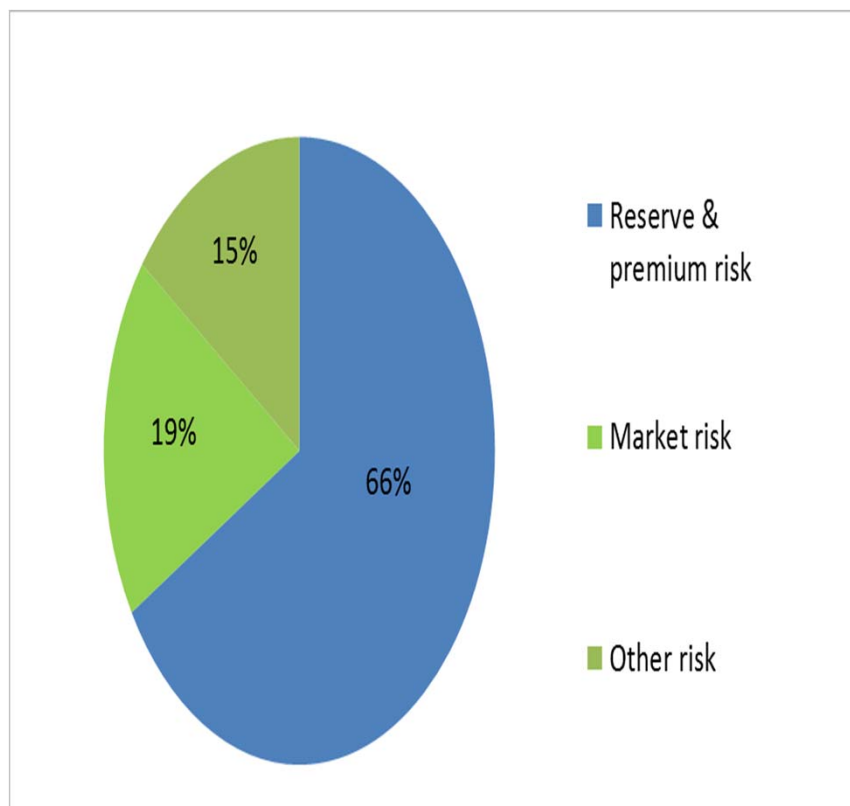
Investment Return-  
Annualised

**7%**

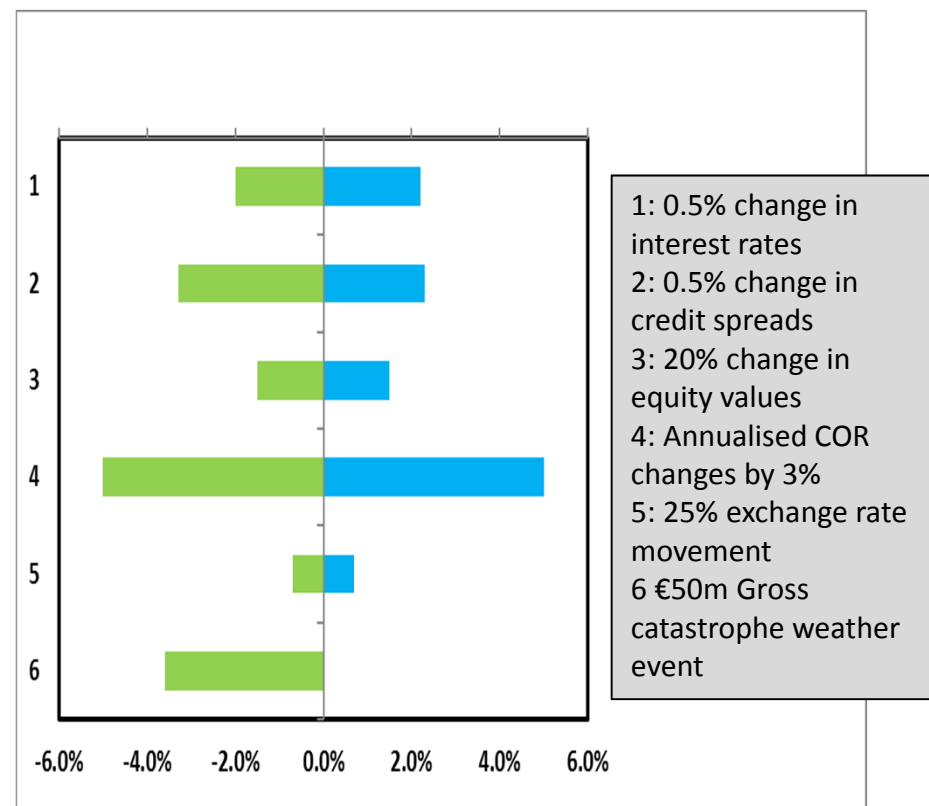
Increase in corporate  
bond allocation

# SCR Components & Sensitivity

Solvency – Capital components



Solvency – Sensitivity analysis





# Section 3

Environment, Outlook & Summary

FIONA MULDOON, GROUP CEO

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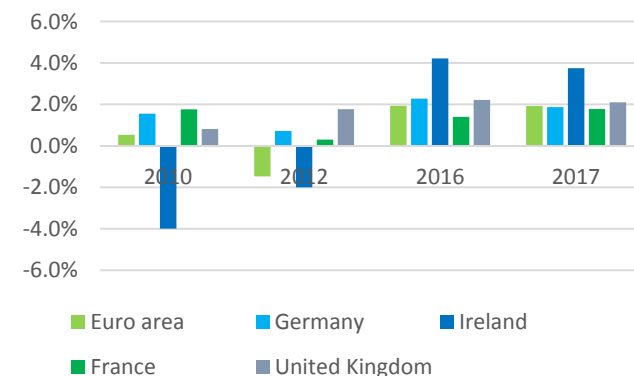
# Irish Environment

## Economy and Environment

Fastest growing economy in Eurozone (European Commission)

- Unemployment rate 7.8% - down from 12.2% in 2013 (CSO)
- Outlook for the economy is complicated by Brexit - quantifying impact is difficult (Central Bank of Ireland)
- Loss-making insurance market - €339m in 2015 (Insurance Ireland)
- Market COR of 119% in 2015 (Insurance Ireland)
- Fourth consecutive year of market losses
- Industry expected to be loss-making in 2016
- Continued premium growth in Irish insurance market - motor and business rates hardening considerably

European Growth

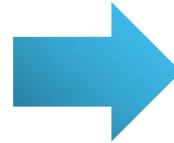


# Claims environment

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## Issues

- Inconsistency in court awards
- Legal costs
- Setanta Collapse
- PPOs/ Injuries Board reform
- Book of Quantum

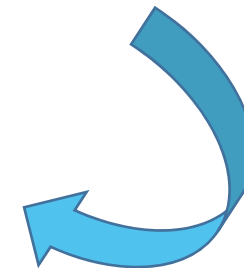


## Possible Reforms

- Less confrontational personal injury litigation
- Benchmark injury awards to other developed economies
- Strengthen powers of Injuries Board
- Resolve Setanta case implications

## Current position

- Increased debate in Ireland
- Government taskforce is examining issues
- More tangible reforms needed to protect customers from rising costs



# Outlook

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- Continued growth in Irish insurance market - motor and business rates hardening considerably
- Industry profitability continues to be challenging - industry is expected to be loss-making in 2016
- FBD is focused on returning to profitability
- Need for substantial reform to tackle claims inflation and the cost of claims for the benefit of insurance customers - in the absence of reform all will continue to pay higher premiums
- FBD is on track to achieve a sub-100% COR by Q4 2016, excluding catastrophic weather events

# Summary

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## 4 Key Areas for 2016

1. Simplify: Single brand focus, further rollout of IT system
2. Focus: Underwriting profitability, improve claims settlement, strengthen branch network
3. De-risk: Continued underwriting actions
4. Strengthen: Proactive capital management

# Section 4

Appendix

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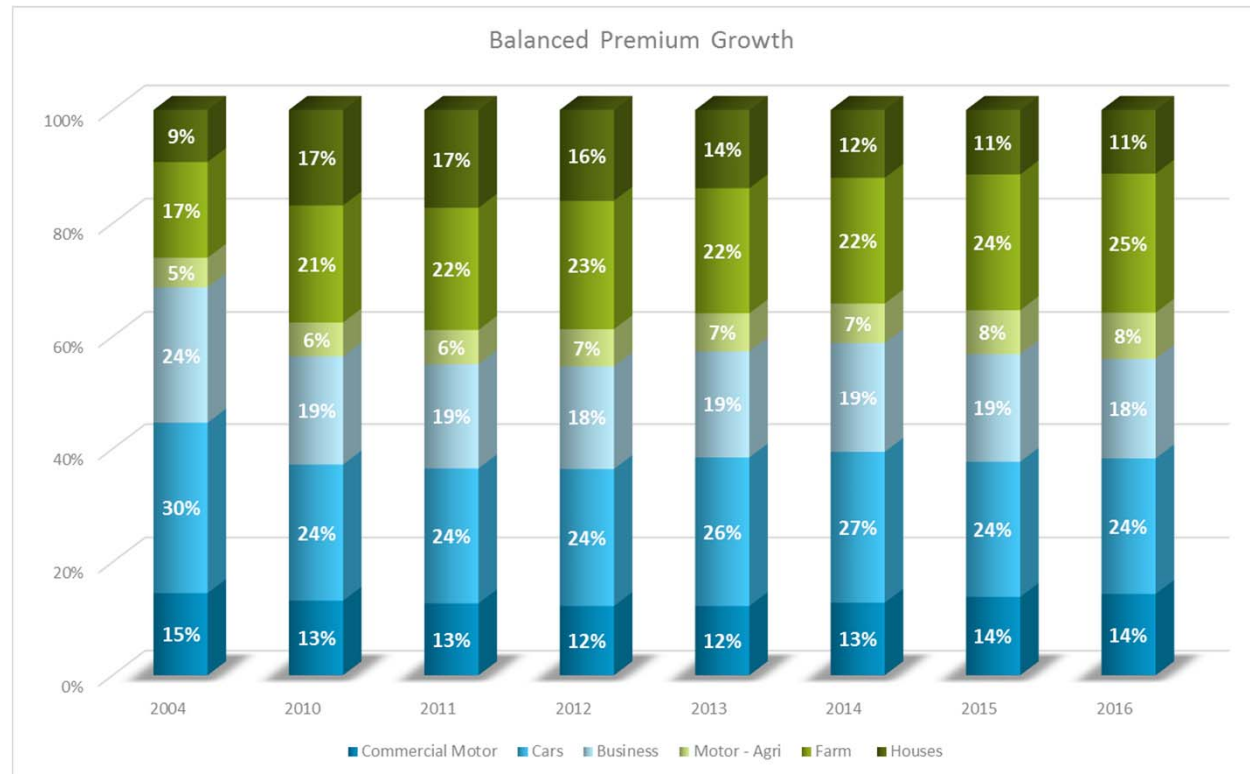
# FBD at a Glance

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- One of the largest property & casualty insurance underwriters in Ireland
- Established by farmers for farmers in 1969
- Dominant player in farm insurance market
- Multi channel distribution model
- Strong customer relationships built over generations
- Resilient balance sheet, prudent reserving and low-risk investment allocation

# Premium By Product

- Farm customers include property, liability and vehicles
- Small business customers include shops, pubs, guesthouses, retail outlets, small/medium enterprises



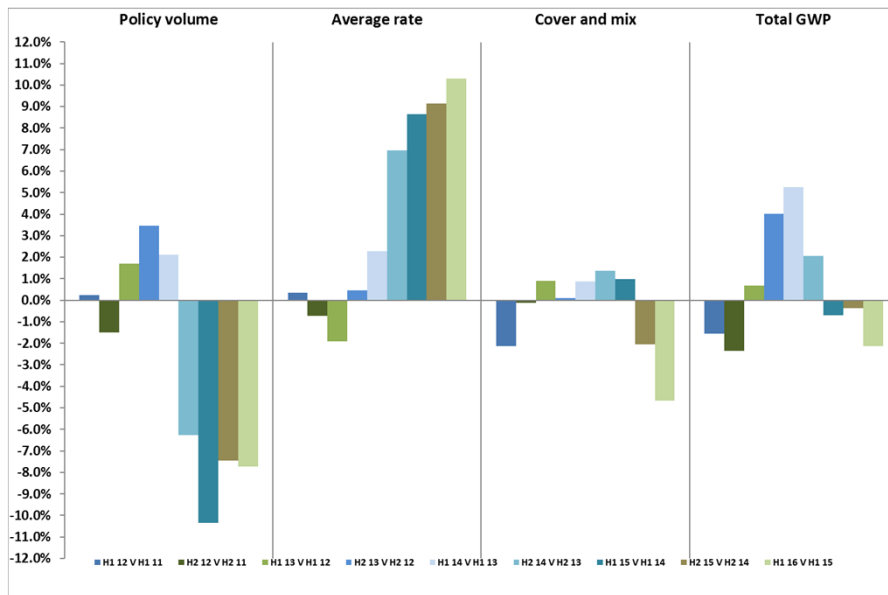


# Business update

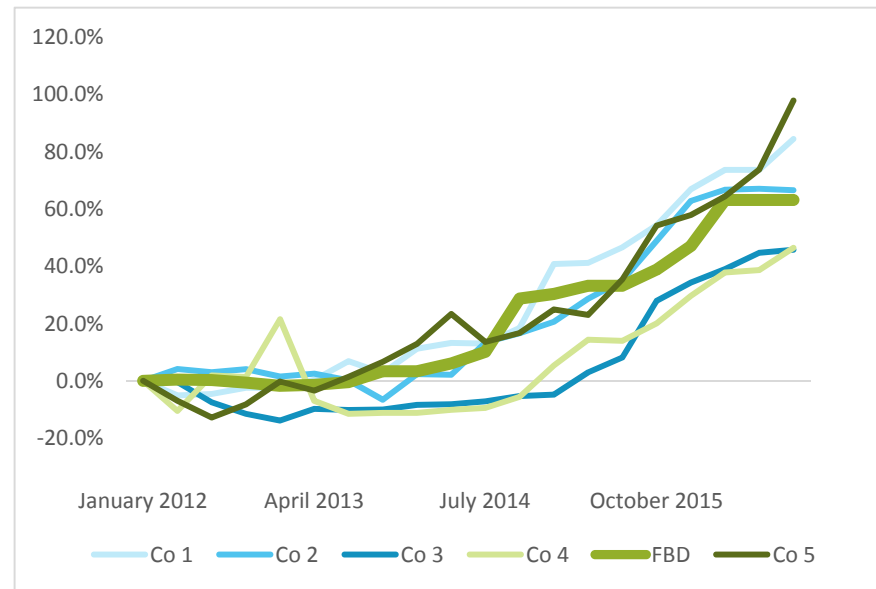
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## Strong rating action

Change in GWP

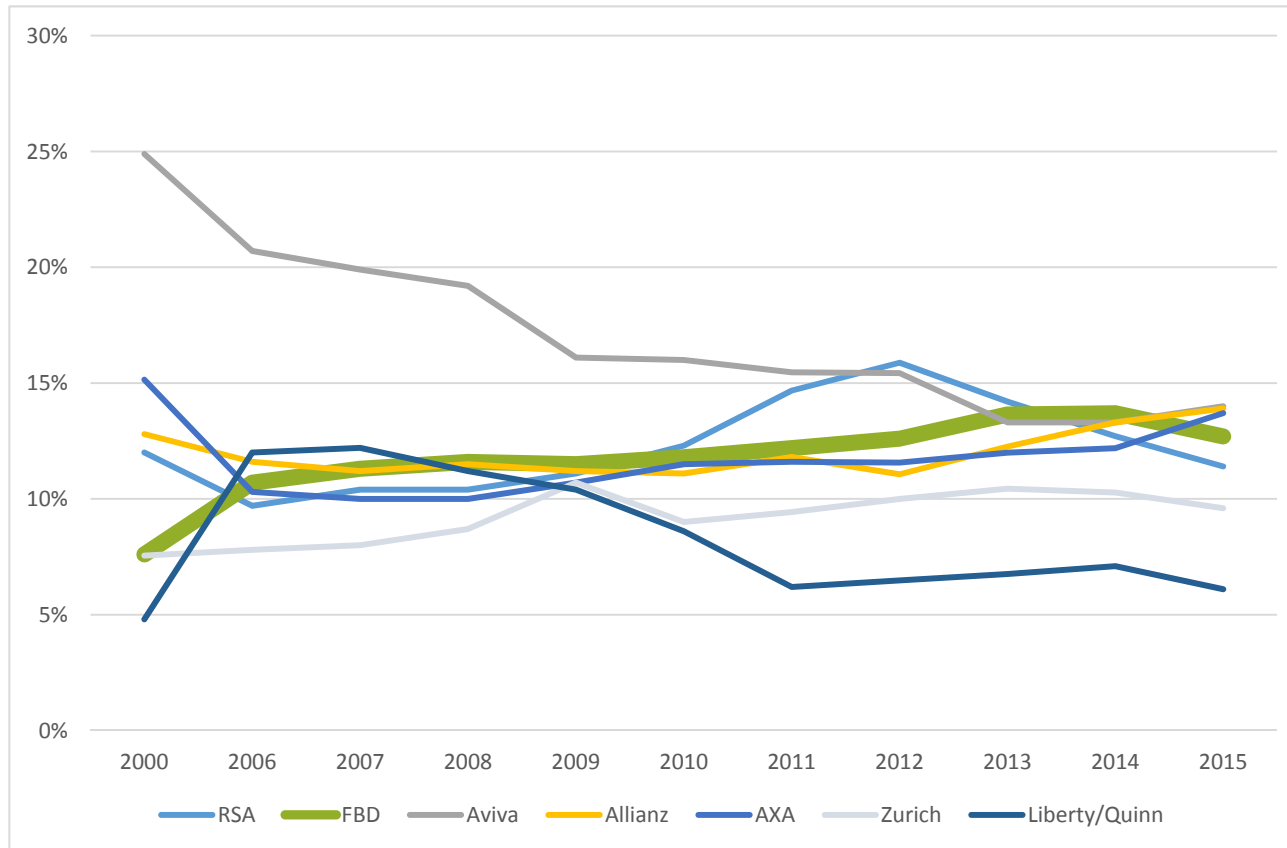


Price changes- Motor Online (Consumer intelligence)



- Prioritised profitability over volume
- Since H1 2015 11% rate increase, 7% volumes decline
- Focused on profitable core segments
- Further rating action will be necessary in 2016 for certain risk classes

# Market share



# Customer segments

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## Farm & business direct

- Strong performance, growth in premium rate

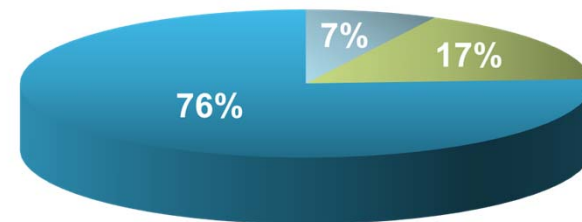
## Consumer

- Single brand
- Significant rating action and remediation
- Home market very competitive

## Brokers

- Reduction in exposure

Premium by Customer Type



■ Broker ■ Consumer ■ Farm & Business Direct

# Reserves

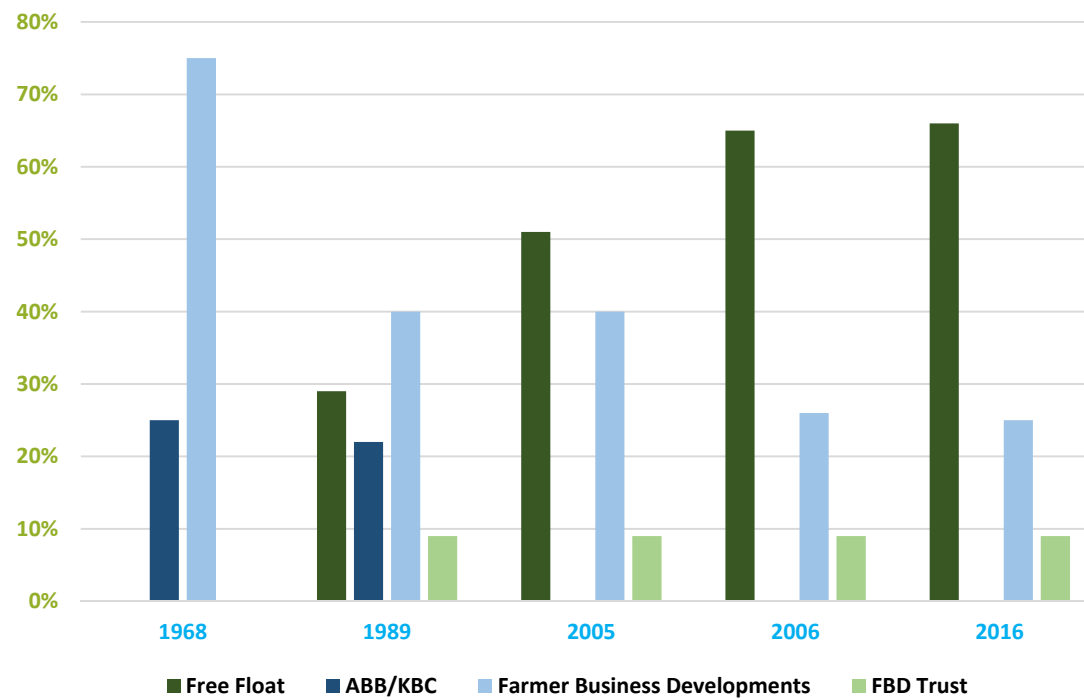
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	Prior years €m	2006 €m	2007 €m	2008 €m	2009 €m	2010 €m	2011 €m	2012 €m	2013 €m	2014 €m	2015 €m	Total €m
<b>Estimate of cumulative claims:</b>												
At end of underwriting year	-	278	287	315	288	263	215	215	229	257	270	-
One year later	-	241	265	300	269	248	193	201	217	292	-	-
Two years later	-	240	262	301	270	249	201	210	243	-	-	-
Three years later	-	239	260	302	270	246	205	221	-	-	-	-
Four years later	-	236	258	301	263	244	210	-	-	-	-	-
Five years later	-	233	254	295	262	241	-	-	-	-	-	-
Six years later	-	232	251	293	262	-	-	-	-	-	-	-
Seven years later	-	229	249	292	-	-	-	-	-	-	-	-
Eight years later	-	229	249	-	-	-	-	-	-	-	-	-
Nine years later	-	228	-	-	-	-	-	-	-	-	-	-
<b>Estimate of cumulative claims</b>	-	228	249	292	262	241	210	221	243	292	270	-
<b>Cumulative payments</b>	-	-224	-242	-280	-246	-214	-163	-144	-132	-126	-65	-
<b>Claims outstanding at 31 December 2015:</b>	10	4	7	12	16	28	47	77	111	167	205	683
<b>Claims outstanding at 31 December 2014:</b>	13	7	10	16	25	45	62	86	111	178	-	553
<b>Movement during 2015:</b>	-3	-3	-3	-5	-9	-17	-15	-9	1	-12	205	131
<b>Development:</b>	-	1	0	2	1	3	-4	-11	-26	-36	-	-71

\*Claims outstanding less reinsurers share of claims outstanding

# Key Shareholders

Free-float evolution from 1968 to 2016



# Glossary

Acquisition cost	The total of net commission and operating expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium. The operating expenses are after the transfer of direct costs for claims settlement expenses which are included in net incurred claims expense.
Best estimate	The actuary's expectation of future cost to settle all outstanding claims net of any margin for uncertainty, representing a 50% probability that the reserves are adequate to settle all future claims
Casualty insurance	Insurance that is primarily concerned with the losses resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for losses in related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.
Combined operating ratio	The sum of the loss ratio and expense ratio. A combined operating ratio below 100% indicates profitable underwriting results. A combined operating ratio over 100% indicates unprofitable underwriting results.

# Glossary

Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance sheet date which are carried forward from one accounting period to subsequent accounting periods.
Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The total premium on insurance earned by an insurer or reinsurer during a specified period on premiums underwritten in the current and previous underwriting years.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Loss ratio	Net claims incurred as a percentage of net earned premium.
Margin for uncertainty	The margin held over and above the actuarial best estimate in order to provide greater certainty that claims reserves will be sufficient to settle all outstanding claims as they fall due
Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.

# Glossary

<b>Net earned premium (NEP)</b>	Net written premium adjusted by the change in net unearned premium for a year.
<b>Net investment income</b>	Gross investment income net of foreign exchange gains and losses and investment expenses.
<b>Net written premium (NWP)</b>	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
<b>Outstanding claims provision</b>	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
<b>Personal lines</b>	Insurance for individuals and families, such as private motor vehicle and homeowners insurance.
<b>Policyholders' funds</b>	Those financial assets held to fund the insurance provisions of the Group.
<b>Premium</b>	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.
<b>Short-tail</b>	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
<b>Recoveries</b>	The amount of claims recovered from reinsurance, third parties or salvage.



# Glossary

<b>Reinsurance</b>	An agreement to indemnify a primary insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the primary insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
<b>Reinsurer</b>	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer.
<b>Retention</b>	That amount of liability for which an insurance company will remain responsible after it has completed its reinsurance arrangements.
<b>Underwriting</b>	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
<b>Underwriting expenses</b>	The aggregate of policy acquisition costs, and administrative, general and other expenses attributable to underwriting operations.
<b>Underwriting result</b>	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
<b>Underwriting year</b>	The year in which the contract of insurance commenced or was underwritten.
<b>Unearned premium</b>	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
<b>Written premium</b>	Premiums written, whether or not earned, during a given period.



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