



## **FBD Holdings plc Interim Management Statement 19 November 2013**

FBD Holdings plc ('FBD' or the 'Group') issues the following Interim Management Statement covering the period from 1 July 2013 to date, in accordance with the reporting requirements of the EU Transparency Directive.

### **Highlights**

- Growth in premium income and further market share gains.
- Launch of a car insurance offering through brokers under the Clan Insurance brand.
- Profit after tax for year to September in line with expectation, aided by strong investment performance.
- FBD Insurance continues to maintain a strong capital base of 71% of net earned premium (or 345% of minimum solvency margin) and a reserving ratio of 240%.
- Full year operating earnings per share\* guidance reaffirmed in the range of 145 to 155 cent.

### **Premium**

FBD's gross written premium increased by more than 2% in the first nine months of 2013, an improvement on the 0.7% growth in the first half. The Group continues to outperform the market, which we estimate has declined by approximately 2% to 3% in the nine months.

Policy volume has increased further and there is early evidence of rates hardening in the market for certain lines of business, particularly car and business insurance. FBD maintained its underwriting discipline to ensure it can deliver superior and sustainable returns to shareholders.

FBD constantly evolves to respond to the needs of its customers. Further progress has been made in meeting farming customers' needs with the Group winning additional farm customers in the second half of 2013 to date. FBD.ie and NoNonsense.ie are attracting growing numbers of consumers and the development of relationships with insurance brokers to increase our penetration of the business insurance market is progressing positively. In September, FBD launched a car insurance offering in partnership with brokers under the Clan Insurance brand.

### **Claims experience**

The Group continues its focus on managing claims costs, particularly in those areas within its control including risk selection, claims management initiatives and underwriting improvements. There has been no increase in the frequency of FBD bodily injury claims and the attritional loss ratio is comparable to 2012. As previously advised, FBD experienced a small number of very large accident and liability claims (cost greater than €1m) in the early months of 2013. The number of such claims is random and will be very volatile, especially over a short period, but will revert to norm over time. Although that reversion to norm began in the second half, the Group has experienced a further small number of such claims and therefore the full-year experience of these claims is likely to be ahead of historic norms.

In contrast, severe weather experience has been benign year to date. The combined cost of severe weather and very large claims will fluctuate from year to year – in 2011 and 2012, for example, it was well below a multi-year average – and the Group's decision making process focuses on longer-term trends.

The Group maintains its focus on efficiency and productivity improvements to maintain FBD's competitive cost structure.

### **Financial services**

FBD's financial services operations delivered solid performances in difficult market conditions and an increasing proportion of insurance customers are availing of premium instalment services.

### **Profit after taxation**

The Group generated an annualised return on investments of 3.2% in the nine months to September as a result of its tactical low-risk investment allocation – an allocation to bank deposits instead of medium term bonds. Bank deposits and equities have both delivered positive returns while medium term bonds would have generated negative returns year to date.

Trading performance in the property and leisure joint venture improved further over the peak summer period with growth in occupancy, rates and revenue per room, particularly in the Irish market. Year to date, the trading performance, cash generation and the Group's share of the profits of the joint venture are all ahead of both last year and budget.

Group profit after taxation for the nine months to September 2013 is in line with expectation.

### **Financial position**

FBD Insurance continues to have a strong capital base and balance sheet and a prudent reserving strategy as evidenced by a reserving ratio of 240% at end September 2013 (December 2012: 232%). The long history of positive run-offs has continued in the first nine months of 2013. At end September 2013, capital available was 71% of net earned premium, which represents 345% of the minimum solvency margin.

Given the continued uncertainty of global investment markets, FBD has maintained its low-risk tactical investment allocation, prioritising capital preservation over rate of return, and avoiding material investment in the medium term bond market. This short-term tactical allocation minimises volatility and continues to be appropriate.

The Board is committed to strong solvency and liquidity margins while at the same time focusing on efficient use of capital and delivering a superior return on equity.

### **Guidance**

FBD will focus on achieving profitable and sustainable growth, maintaining underwriting discipline and constantly evolving its business to reflect customers' needs. Further opportunities to maintain FBD's cost competitiveness will be identified and implemented. The Group is well positioned to deliver profitable growth and superior returns to shareholders in the future.

On the assumption that large claims revert to norm and barring exceptional weather events during the remainder of the year, the Group reaffirms previous guidance of full year operating earnings per share\* in the range of 145 to 155 cent.

\*Operating earnings per share is based on longer term rates of return.

## For Reference

### Murray Consultants

Joe Heron

+353 1 498 0300

### About FBD Holdings plc ("FBD")

FBD is one of Ireland's largest property and casualty insurers looking after the insurance needs of farmers, business owners and consumers. FBD has consistently outperformed the market offering unique and unrivaled products to over 600,000 policy holders and satisfied customers through FBD Insurance, No Nonsense.ie and Clan Insurance.

The following details relate to FBD's ordinary shares of €0.60 each which are publicly traded:

<b>Listing</b>	Irish Stock Exchange	UK Listing Authority
<b>Listing Category</b>	Premium	Premium (Equity)
<b>Trading Venue</b>	Irish Stock Exchange	London Stock Exchange
<b>Market</b>	Main Securities Market	Main Market
<b>ISIN</b>	IE0003290289	IE0003290289
<b>Ticker</b>	FBD.I	FBH.L

### Forward Looking Statements

Some statements in this announcement are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. These forward-looking statements are based on current expectations and projections about future events. The Group believes that current expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond the Group's control, actual results or performance, may differ materially from those expressed or implied by such forward-looking statements.

FBD Holdings plc FBD House, Bluebell, Dublin 12  
Registered in Dublin, Ireland Registered Number 135882

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