

# FBD Holdings plc

## 2022 Half Year Results

5<sup>th</sup> August 2022



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### 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.





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2022 HALF YEAR RESULTS

# Overview

→ Tomás Ó Midheach, CEO

# Key Highlights

Half year profit of

**€19m**

before tax



- Underwriting profit of €35m
- Policy count growth across all channels and products
- Negative investment return of €15m through Income Statement

Reported COR

**79.0%**



- Underlying COR of 90.8% (2021: 88.1%)
- Claims frequency and severity trends as well as benign weather positively contributing to COR
- Positive reserve releases of €19m

GWP of

**€193m**



- GWP 3.3% ahead of last year excl. Covid-19 related rebates
- Private Motor average premium down 8%. Overall average flat
- Robust performance seen in Farm, Home & Business
- Written policies increased by 3.1%

**Ongoing disciplined Underwriting key to Profitable result**

# Key Highlights

## Investments



- Bond returns negatively affected by rising interest rates - OCI impact -€64m
- Potential for portfolio reinvestment at higher yields
- Pull to par impact over period to maturity of bonds should be positive
- Credit quality of corporate bond portfolio maintained at A-
- As long term investors we are satisfied with the asset allocation

## Capital



- Net Asset Value 1,129c impacted by Dividend payment and Investment losses
- Capital ratio of 209% compared to 213% at year-end – a reflection of our appropriate investment strategy
- Return on Equity (ROE) of 8% (annualised)
- Return on Targeted Equity (ROTE) of 11% (annualised)

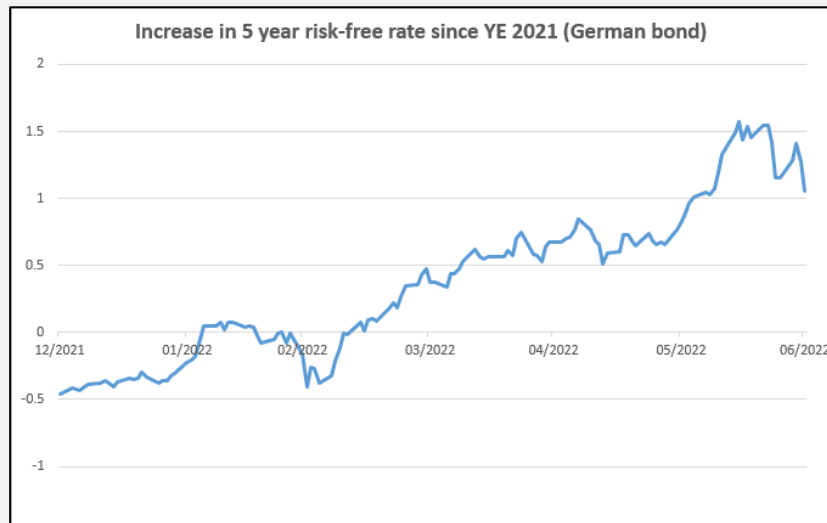
## Customer Focus



- Continuing to retain more and more of our existing customers – a 2.3% increase in retention rates in H1
- Farm Retention growing - policy count increasing
- Increases in Business Retention, Policy Count and Premium
- Private Motor and Home policy count up 5% and 4%
- Bank of Ireland partnership will be live for Home New Business in H2

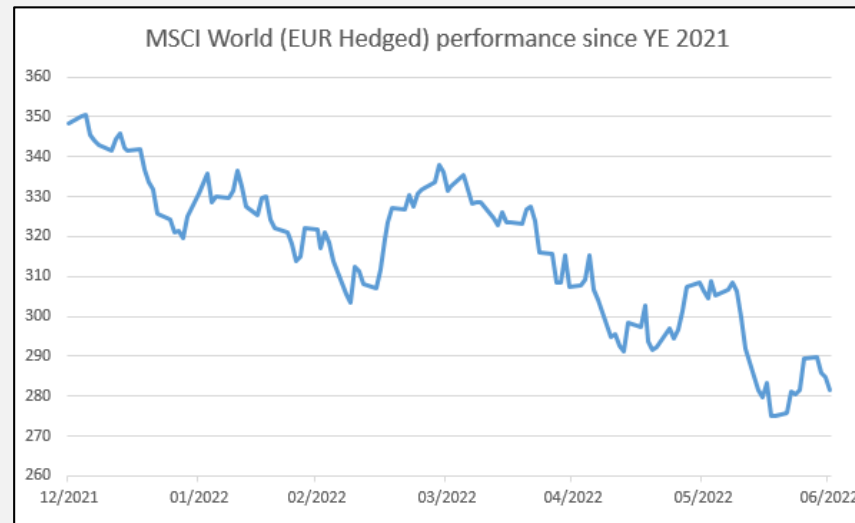
**Market volatility affecting Investment returns – Customer numbers continue to grow**

# Investments – Rising interest rates impacting bond returns



## Impact on bond portfolio

- Sovereign bond total return to HY: -€19.2m
- Corporate bond total return to HY: -€41.9m



## Risk Asset portfolio

FBD equity fund (see above) down 19% YTD  
Overall risk assets down €17.2m

**Significant increase in rates has reduced bond valuations**

# Investment strategy has mitigated the impacts on capital

## Impact on Capital



- Impact on Solvency capital ratio somewhat mitigated:
  - Under Solvency II liabilities are discounted at the risk free rate. This has increased and so liabilities have reduced, offsetting the reduction in bond valuations
  - FBD assets are well matched to its liabilities
- Market risk charge has reduced
- Underwriting profit has positively contributed

## Future investment income outlook positive



- Insurance companies have been living in a 'lower for longer' interest rate environment
- Rising interest rates mean that FBD will earn greater income on its bond portfolio in the future
- This process will take time while existing bonds mature and are reinvested at higher yields
- Bond assets of €850m with a duration of 3.4 years

**Higher reinvestment yields available in the future**

# Business Interruption

## Future Hearing



- Further Hearing scheduled for November 2022 to determine:
  - The quantification of partial closure losses
  - The deduction of Government subsidies and grants
- Mediation is scheduled for September to see if remaining issues can be resolved
- Best Estimate reduced slightly from €44m at year-end to €43m net of reinsurance

**No material movement in BI position from year-end – Hearing to follow**



# Positive Performance



## Combined Operating Ratio

- Reported COR of 79.0%
- Ongoing disciplined Underwriting key to Profitable result



## Strongly capitalised with an SCR of 209%

- Fundamentally strong business, well-capitalised and growing



## Loyal Customer Base

- Premium retention and positive new business supporting GWP
- Customer loyalty evidenced by strong retention - highest level in 5 years and growing



## Investments

- Current environment challenging but portfolio reinvestments at higher yields is a positive







2022 HALF YEAR RESULTS

# Financial Performance

→ John O'Grady, CFO



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# 2022 Half Year Results

	2022	2021
GWP	€193m	€181m
Profit/(Loss) before tax	€19m	€22m
EPS	47c	55c
NAV	1,129c	1,137c
ROE (annualised)	8%	10%

	2022	2021
Loss ratio	52.1%	66.3%
Expense ratio	26.9%	25.7%
Combined Operating Ratio	79.0%	92.0%
Actual investment return	(6.6%)	0.4%
▪ Income statement	(1.3%)	0.9%
▪ OCI	(5.3%)	(0.5%)



**79%**

Combined  
Operating Ratio



**8%**

ROE

# 2022 Half Year Results

	2022 €'000s	2021 €'000s
Gross written premium	192,638	181,433
Net earned premium	164,466	162,246
Net claims incurred (incl. MIBI)	(85,611)	(107,496)
Other underwriting expenses	(44,311)	(41,728)
<b>Underwriting Result</b>	<b>34,544</b>	<b>13,022</b>
Investment income	(15,227)	10,324
Finance costs	(1,272)	(1,272)
Other	883	(83)
<b>Sub total</b>	<b>18,928</b>	<b>21,991</b>



**€193m**  
GWP



**€19m**  
Profit Before Tax

# Analysis of Combined Operating Ratio

	2022 %	2021 %
<b>Underlying Combined Operating Ratio</b>	<b>90.8%</b>	<b>88.1%</b>
Impact of Consequential Payments provision	-	8.3%
Reserve Releases	(11.8%)	(4.4%)
<b>Reported Combined Operating Ratio</b>	<b>79.0%</b>	<b>92.0%</b>



**€19m**

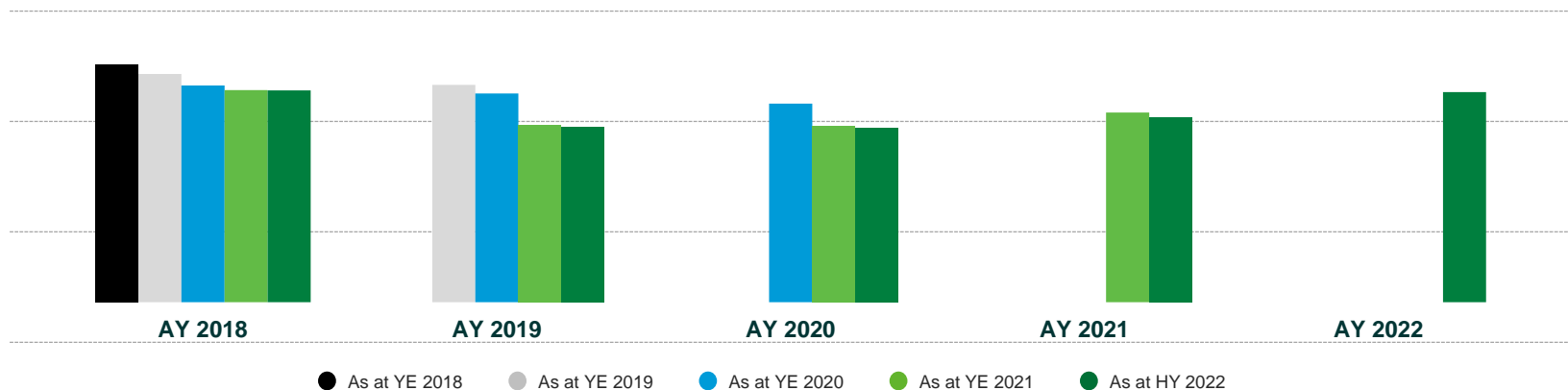
Reserve Releases



**79%**

Reported COR

# Claims Reserve Development (Net Loss Ratios)



- **Positive** reserve releases of €19m to date in 2022
- Some favourable and unfavourable movements in **large claims** in the year-to-date but **favourable in recent years**
- The **current year** frequency is **lower than normal** observed frequency
- Allowance made for introduction of **Personal Injuries Guidelines**

**Note:** The above graphs include EL, PL and Motor only

# Challenging 6 months for equities and bonds

Income Statement actual return

**-1.3%**

Equates to -€15.2m



## Risk Assets:

- Developed market equity funds down c. 20%
- Emerging market equities down c. 10%
- Sustainable equity fund underperformed
- Other risk assets posting negative returns
- Limited exposure (<€1m) through emerging market funds to Russian securities

OCI actual return

**-5.3%**

Equates to -€63.9m



## Corporate and Sovereign Bonds:

- Sharp increase in interest rates due to fears of inflation and more hawkish central bank responses
- Increased rates have reduced bond values, leading to negative mark-to-market return through the OCI
- Credit spreads have increased due to the deteriorating economic outlook and fears of recession



# Investment Allocation

The following table illustrates the changes to investment allocation over the year:

	30-Jun-22		31-Dec-21	
Group Investment Assets	€m	%	€m	%
Corporate Bonds	566	49%	589	49%
Government Bonds	286	25%	303	25%
Deposits and Cash	160	14%	164	14%
Other Risk Assets	90	8%	88	7%
Equities	40	3%	50	4%
Investment Property	16	1%	16	1%
<b>Total</b>	<b>1,158</b>	<b>100%</b>	<b>1,210</b>	<b>100%</b>

- No downgrades below investment grade - allocation to BBB rated securities: 43% vs 47% at YE 2021
- Reduced overall assets as a result of mark to market losses experienced on most asset classes



Corporate Bond portfolio maintaining an average credit rating of A- with lower exposure to BBB's



Underweight risk assets vs Strategic Asset Allocation



€25m cash invested in corporates and risk assets

2022 HALF YEAR RESULTS

# Conclusion

→ Tomás Ó Midheach, CEO



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# Summary



**Profit of €19m** with Underlying COR of **90.8%**



**SCR** strong at **209%** - SCR Risk Appetite 150%-170%



Strong **Premium** performance resulting from policy count growth, supported by increased **retention**



Adverse **Investment** performance recorded however, **future investment income** outlook more positive



Continuing our **Strategy** implementation and progress being made with data improvements and customer insights





2022 HALF YEAR RESULTS

# Appendix

# Our Strategy

## FBD of 2026

A digitally enabled, data enriched organisation which delivers an excellent customer and employee experience



# At the core of our strategy

## Strategic Objectives

1

Focus on our strengths to **deliver profitable growth**

2

For farmers we focus on **relationship strengthening**

3

For **business** we build on **momentum and relationships**

4

In **retail**, execute our intermediary promise and **build our offering for mass market**

5

**Key to success** is understanding **our customers and execution**

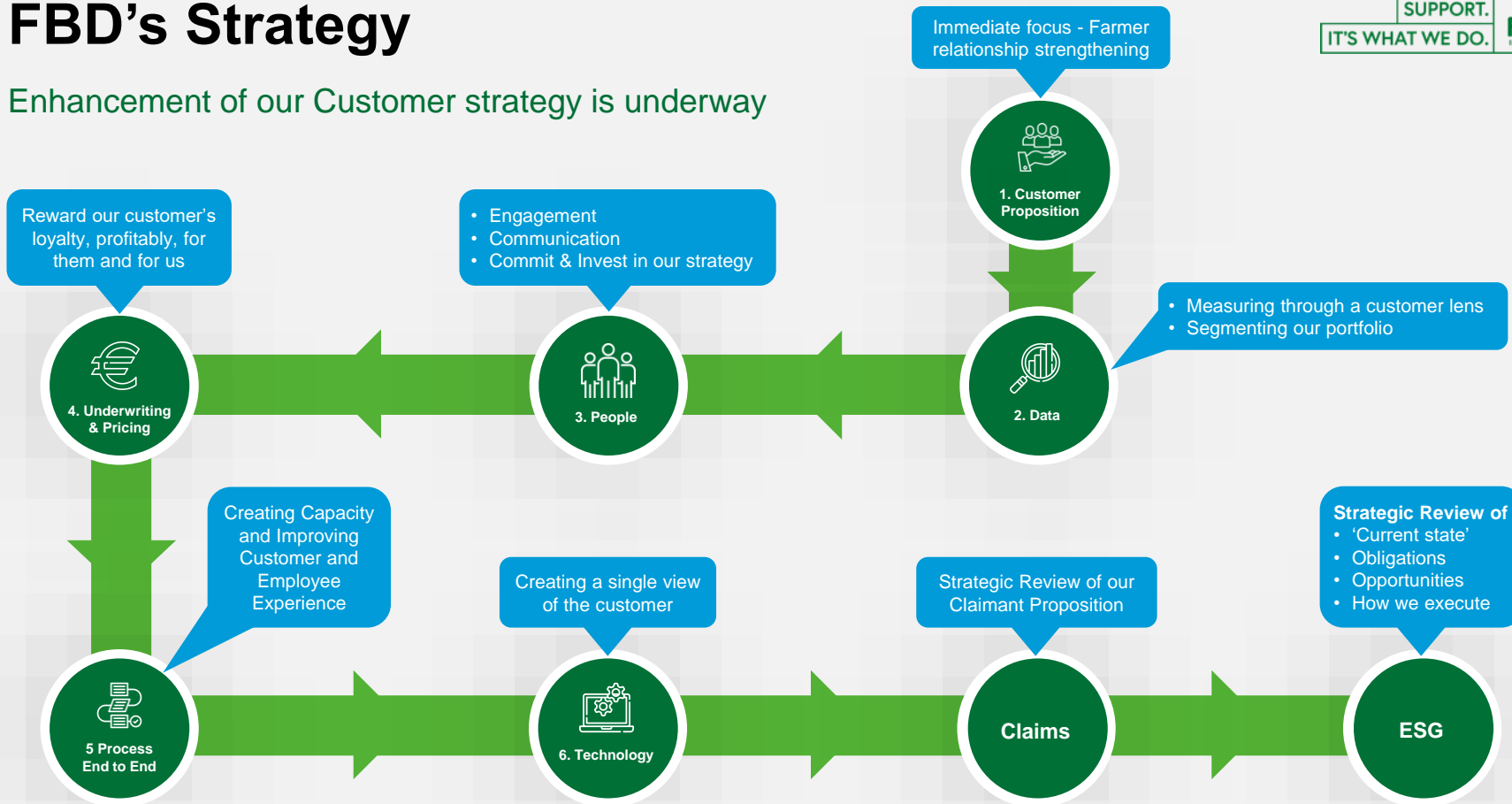
## Strategic Pillars





# FBD's Strategy

Enhancement of our Customer strategy is underway



# Strategic Progress

Progress being made with data improvements and customer insights



**Customer Proposition** is at the centre of our approach, supported by Data, Pricing, Process and Technology



Completed **Farm** lapse customer research and have developed Farm Retention proposals - Building new **Pricing** models based on the **Customer**



**Process** reviews have identified areas for improvement. **Technology** enhancements towards a single customer view have started and will improve customer and employee experience



**Data** development has provided the ability to view our key metrics through a customer lens. The *Case for Change* was delivered to all our **People** including training on new customer data and growth opportunities

# ESG Update

## Environmental



- 2021 TCFD disclosures completed – work underway to enhance
- Further integration of Climate Risk into Risk Management Framework
- Accelerated Corporate Bond portfolio carbon intensity reduction from 50% to 60% by 2030
- Commitment to Private Markets Global Impact Fund - Article 8 SFDR Fund
- Carbon Disclosure Project submitted for 2021 emissions
- Ongoing screening process to better understand scope 1, 2 & 3 emissions
- Offset our operational carbon footprint through the purchase of carbon credits

## Social



- Diversity & Inclusion
  - Awarded Silver Accreditation from the Irish Centre for Diversity
- Employees
  - Supporting Pride and Employee Wellness
  - Integrating company culture into our Performance Management processes
  - Ongoing investment in Leadership Development
- Community Engagement
  - Sponsorships, grants & partnerships

## Governance



- Sustainability Committee and Working Group providing key inputs into ESG scope of works
- Board oversight of management/mitigation of climate risk
- Board and EMT focusing a significant effort on ESG Strategy

# Customer Service & Brand Recognition



## European Sponsorship Awards

Winner of Best Sport  
Sponsorship (< €1m)

**ESA Awards 2022**  
SPORT SPONSORSHIP <€1M

**WINNER**



## June Trustpilot Total Rating

Digital Customer Satisfaction  
demonstrated by our 4.6 rating

**80%** gave a 5-star rating



## Q1 2022 National Brand Health Tracker

FBD image associations continue to be  
strong under *Value* and *Irish Insurer*



## Cannes Lions Award

Nominated in the Audio led  
Creative category



# Introduction to IFRS 17



IFRS 17 Insurance Contracts will come into effect from 1 January 2023



IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts



Premium allocation approach to be adopted by FBD.  
The estimate of the present value of future claims cash flows will incorporate a risk adjustment



FBD will disclose the transitional impact of IFRS 17 in the year-end 2022 financial statements

## Statement of Comprehensive Income

CURRENT PRESENTATION FORMAT	
Gross Written Premium	X
Reinsurance Premiums	(X)
Net Written Premiums	X
Change in provision for unearned premiums	X
Net Earned Premium	X
Net investment return	X
Total Income	X
Net claims and benefits	(X)
Other underwriting expenses	(X)
Other expenses	(X)
Total operating expenses	X
Profit or loss before tax	X
Other comprehensive income	X
Total comprehensive income	X

## Balance Sheet

CURRENT PRESENTATION FORMAT	
<b>Assets</b>	
Deferred acquisition costs	
Insurance debtors (Premiums receivable)	
Reinsurance contract assets	
<b>Liabilities</b>	
Unearned premiums	
Claims Outstanding	
Insurance creditors (Premiums payable to reinsurers)	

IFRS 17 PRESENTATION	
Insurance Revenue	X
Insurance service expenses	(X)
Net expense from Reinsurance contracts held	(X)
Insurance service result	X
Net Investment Income	X
Insurance finance income/expenses	(X)
Reinsurance finance income/expenses	X
Net insurance finance expenses	(X)
Net insurance financial result	X
Other income & expense	(X)
Profit or loss before tax	X
Insurance finance income/ expenses (OCI)	(X)
Reinsurance finance income/ expenses (OCI)	X
Other Comprehensive Income	X
Total comprehensive income	X

IFRS 17 PRESENTATION	
<b>Assets</b>	
Insurance contract assets	
Reinsurance contract assets	
<b>Liabilities</b>	
Insurance contract liabilities	
(LRC + LIC)	
Reinsurance contract liabilities	

# Underwriting Environment

## Differential Pricing



- Final regulations issued in March with an extension of the customer definition
- All changes for compliance with price walking were delivered in time for the 1st July deadline
- Work is ongoing to finalise auto-renewals elements and pricing practice review process
- We are actively monitoring the impact of the changes on our portfolio

## CICA

- Contracts of Insurance Review programme is ongoing
- Policy wording enhancement and clarity of coverage opportunities are being progressed

## New Motor Legislation on the horizon



### ▪ **Motor Insurance Directive (MID):**

- European council have reached a provisional agreement on revision of the MID
- Text is currently under review and will be formally adopted by the European Institutions
- The amendments must be transposed into national law with 24 months being accepted
- MID primarily deals with the scope of compulsory insurance broadening the potential scenarios where RTA cover will apply

### ▪ **RTA Bill 2021 and Motor Third Party Liability (MTPL):**

- The next phase of the MTPL introduces legislation to require sharing of additional data
- The Bill is still at the committee stage. Roll out in stages from Autumn 2022
- Other aspects of the Bill make changes to RTA legislation to better regulate the use of scramblers/quads and to deal with e-bikes/e-scooters



# Claims environment and emerging trends

## Injury



- Two challenges to the Personal Injuries Guidelines were dismissed
- Settlement rates down on last year and below pre-pandemic levels - solicitor engagement continues to be a factor
- Build up of older, higher value, injury claims continues

## Progress on Claims Reform



- PIAB Resolution Board – Bill published
- No announcement following the Discount rate consultation process - We continue to monitor PPO cases
- Recent legislative changes
  - Occupiers Liability Act
  - Insurance (Miscellaneous Provisions) Bill

## Motor & Property



- Motor Damage notifications increased materially as frequency returned to close to pre-Covid levels. Caseload continues to grow, impacted by supply lines and court backlogs
- Average cost of Property claims continues to rise – contributing factors include materials and labour costs and increased supply line disruptions

# Claims trends



Average Injury Claims costs are **largely unchanged**. Injury **settlement activity** is materially down on previous years, with claimant solicitor engagement a factor. **PIAB Acceptance rate** materially down since the introduction of the Personal Injury Guidelines in April 2021



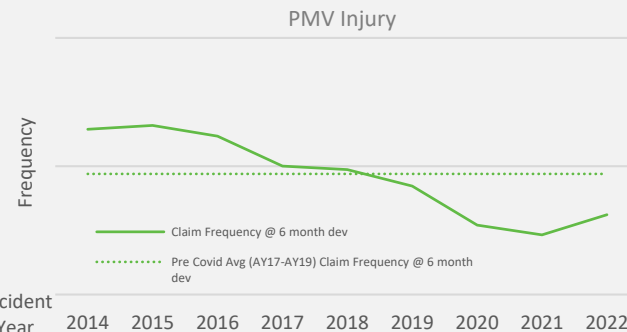
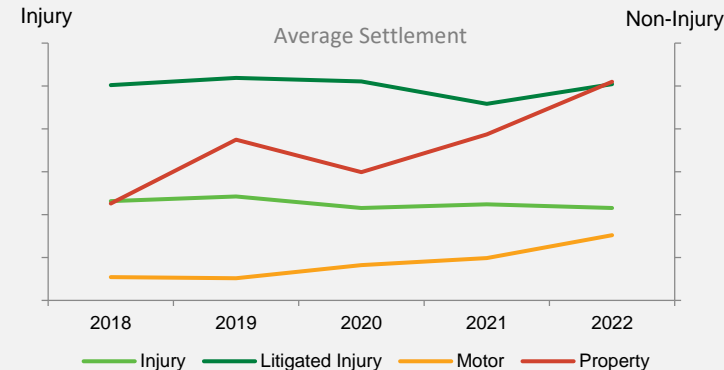
We are actively **tracking settlements** under the **new Personal Injury Guidelines** and where we do make settlements we have seen **reductions of approximately 40%** versus the Book of Quantum



While **Private Motor Injury** frequency has increased for accident year 2022 in relation to 2021 & 2020 it is **below pre-Covid levels**



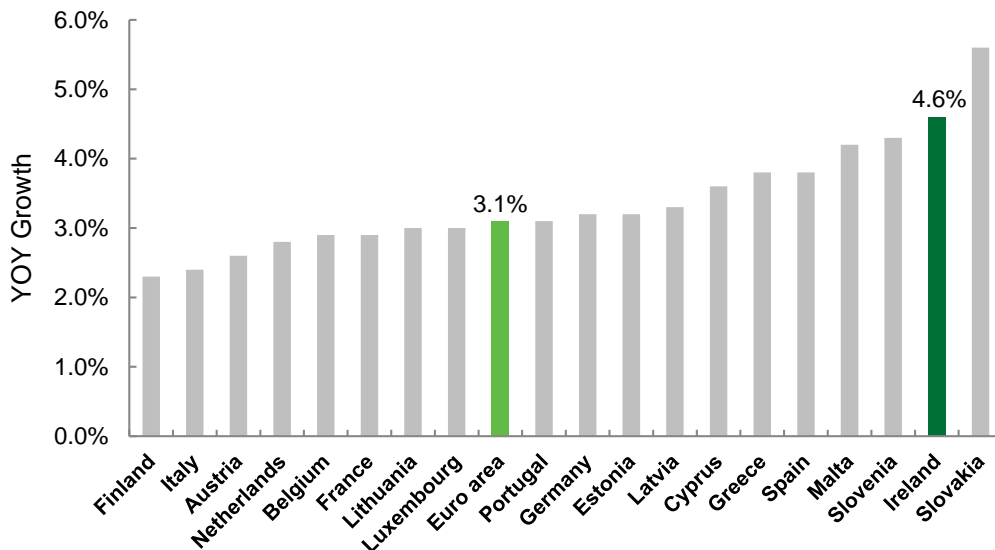
Continued upward trend in **Property** and **Motor Damage** due to disrupted supply lines, labour shortages and materials. Year on year increases of **17%** and **12%** respectively



\* Claimants with settlement payments up to and including €250,000 are included

# Irish Environment Updated

## Domestic demand 2023 forecasts



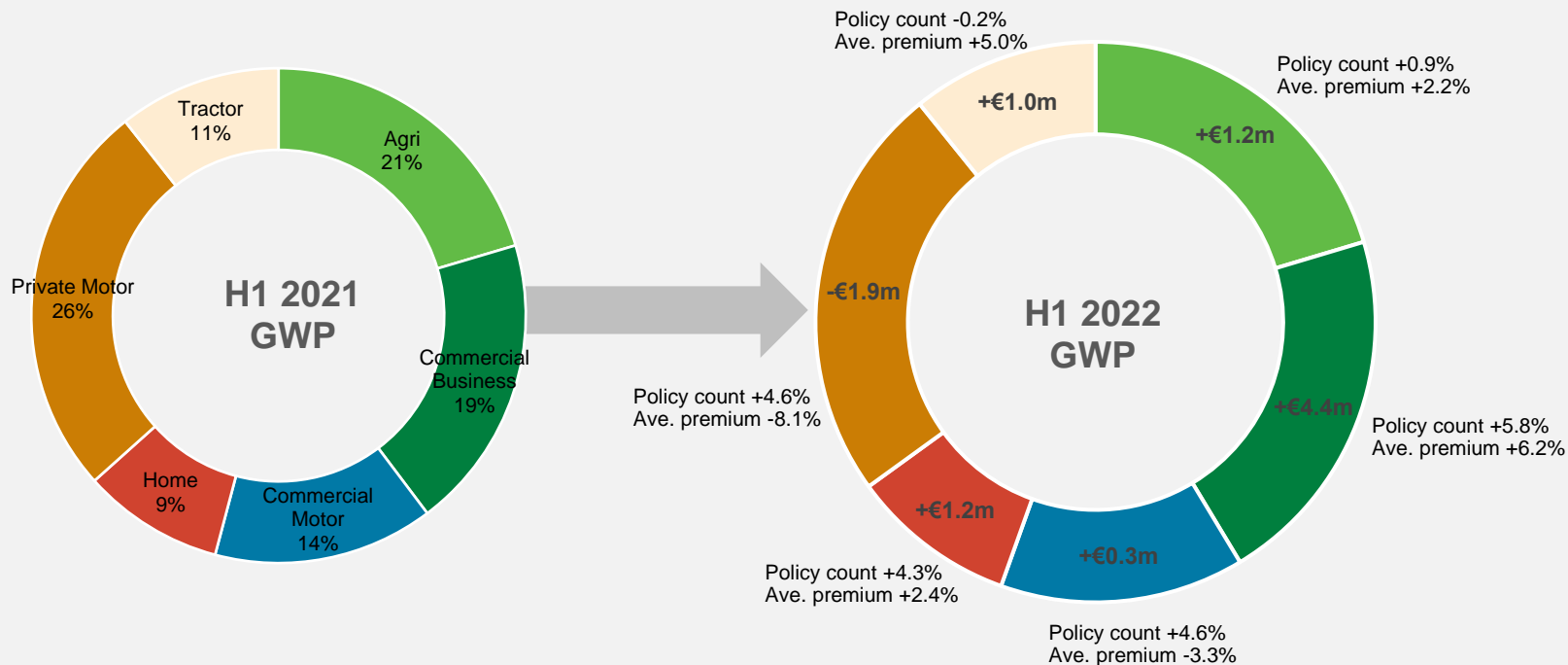
Source: Europa.eu Economic Forecast – Spring 2022

Despite the very strong first quarter Irish economy growth, the European Commission has **revised its expectation for Ireland's real GDP growth** for 2023 slightly down to 4.0% (from 4.4% in its Spring Forecast in May 2022), reflecting the deteriorating global outlook, weakening sentiment, and persisting inflationary pressures  
*(European Commission article – Jul 2022)*

Forecast **Irish unemployment rate of** 4.6% in 2022 and 5.0% in 2023, this represents a return to pre-pandemic levels of 5.0% seen in 2019

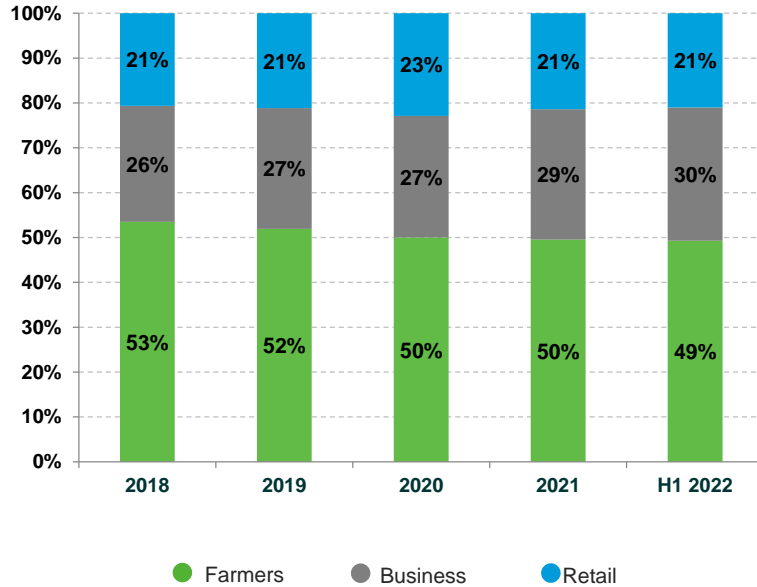
*(European Commission Economic Forecast – Spring 2022 May 2022)*

# Premium Performance by Product

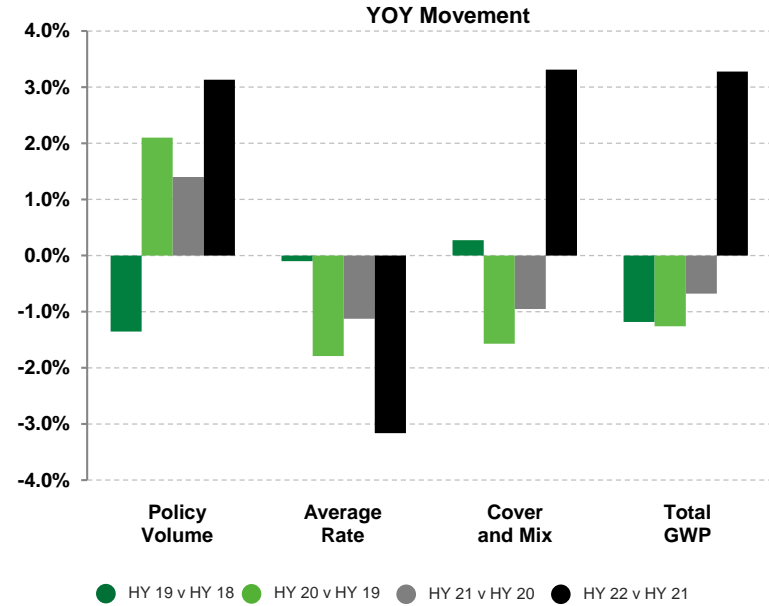


# Premium Analysis

## Premium by Customer Sector



## Change in GWP



**Note:** GWP on these slides exclude the impact of customer rebates

# Customer Sectors



## Farmers

- Best retention rate in 5 years and growing
- Average Premium strong year on year and continues to grow
- Growth in policy count
- Unique reach to service customers allows more engagement on appropriateness of policy sums insured



## Business

- Overall Commercial Business policy count is growing across all channels - in line with Target
- Retention remains strong across all business lines
- We are experiencing increases across trading exposures contributing to premium growth - particularly Broker
- Exposure increases driven by post-pandemic policy revisions and revised valuations in inflationary environment
- TaxiFair performance has improved on back of lifting of restrictions

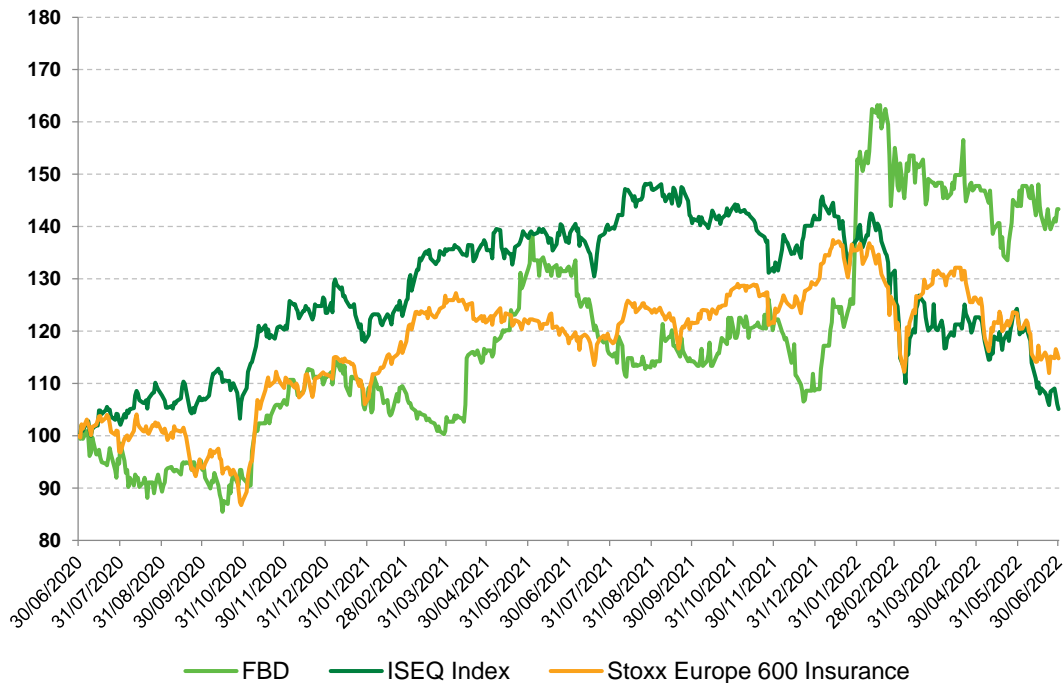


## Retail

- Motor retention up on 2021 which was already a very strong result in difficult market conditions
- Strong performance recorded for Home - with premium retention on target and new business ahead of plan
- An Post Insurance account on target for H1 despite challenging conditions



# FBD Share Price Performance



# Glossary

<b>Acquisition</b>	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.	<b>Excess of Loss Reinsurance</b>	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.
<b>Best Estimate</b>	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.	<b>Expense Ratio</b>	Underwriting and administrative expenses as a percentage of net earned premium.
<b>Casualty Insurance</b>	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.	<b>General Insurance</b>	Generally used to describe non-life insurance business including property and casualty insurance.
<b>Catastrophe Reinsurance</b>	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.	<b>Gross Claims Incurred</b>	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
<b>Claim</b>	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.	<b>Gross Earned Premium (GEP)</b>	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.
<b>Claims Incurred</b>	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.	<b>Gross Written Premium (GWP)</b>	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
<b>Claims Provision</b>	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.	<b>Incurred but not Reported (IBNR)</b>	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.
<b>Combined Operating Ratio</b>	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.	<b>Long-tail</b>	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.
<b>Deferred Acquisition Costs</b>	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.	<b>Loss Ratio</b>	Net claims incurred as a percentage of net earned premium.
		<b>Margin for Uncertainty</b>	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.
		<b>Net Claims Incurred</b>	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
		<b>Net Claims Ratio</b>	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.
<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>Return on Equity (ROE)</b>	Profit after Tax as a percentage of average current year and prior year Equity attributable to ordinary equity holders of parent
<b>Return on Targeted Equity (ROTE)</b>	Profit after Tax as a percentage of IFRS Ordinary Shareholder Funds, at the SCR Risk Appetite
<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.