



FBD Holdings plc 2020 Full Year Results

26th February 2021



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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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2020 FULL YEAR RESULTS

Overview

→ Tomás Ó'Midheach, CEO

Key Highlights

Full year profit of

€4.8m

before tax



- Underwriting loss of €4.4m includes provision of €65m for Covid-19 related business interruption (€54m net claims costs and €11m assumed reinsurance reinstatement premium)
- Rebates to customers offset by lower than normal claims frequency
- Positive investment return of €15m (€10.4m through Income Statement and €4.5m through OCI)

Current Year COR

88.5%

(excl. B.I.)



- Reported Combined Operating Ratio of 101.4%
- Current Year COR (excluding business interruption) of 88.5% (2019: 84.1%)
- Business interruption costs negative impact of 20%
- Positive prior year reserve development of 7%

GWP of

€358m

(2019: €370m)



- GWP in line with last year excluding customer rebates
- Written policies increased by 14,400 in 2020
- New business levels up 18% and a 1.7% increase in retention of existing customers
- Strong performance in a very competitive market

Key Highlights

Capital



- Strong solvency position of 197% (unaudited) with 2019 dividend no longer accrued
- Net Asset Value 1,095c
- Return on Equity (ROE) of 1%
- Board keeping return of capital options under consideration

Our Customers



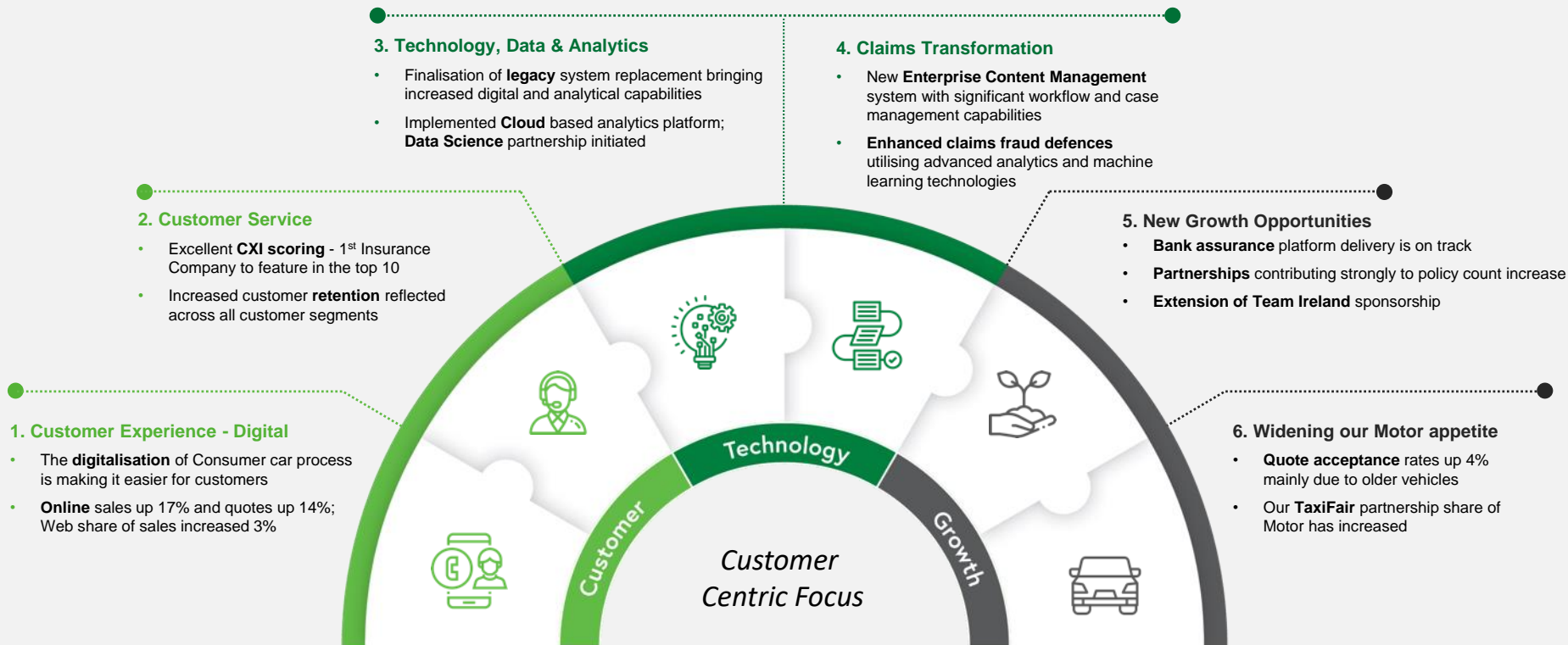
- Covid-19 Premium rebates to customers of €12m
- Continuing Covid-19 forbearance measures in place
- Customer loyalty a reflection of our exceptional customer service evidenced by our CXI scoring and retention rates
- Reductions in average premium across the majority of products and channels
- Brexit agreement – greater certainty for our Agri and SME customers

Business Developments



- New Commercial Motor product launched in April
- Extending partnership with Bank of Ireland to Home and Motor, building on profitable Life & Pensions relationship
- Partnership with An Post performing well
- Broker initiatives like TaxiFair delivering

Positioning for Future Profitable Growth





Operational impact

- Majority of employees worked remotely in 2020 while providing continuity of service to our customers
- Additional costs of remote working and safety measures in Head Office, Mullingar Support Centre and the Branches



Customer support measures

- Premium rebates to date of €11.8m - €6m Motor and €5.8m Commercial
- Farm Relief Services support in conjunction with IFA
- No admin/cancellation fees applied on Motor or Home, and continuation of cover where possible



Investments

- Return on portfolio of 1.3%
- Risk assets ended year in positive territory following a strong rally at the end of 2020
- Credit quality of Corporate Bond portfolio maintained at an average A-



Business interruption

- Over 1,100 Pub policies deemed now to have B.I. cover
- Provision of €65m net made. Gross Claims Costs €150m
- Interim payments being made to policyholders
- Finalising with reinsurers on correct application of cover to B.I. claims

Positive Underlying Performance



Combined Operating Ratio

- Current Year COR of 88.5% (excluding B.I.)
- Robust performance with on-going disciplined underwriting within our risk appetite



Strongly capitalised with an SCR of 197%

- Fundamentally strong business, well-capitalised and now growing



Loyal Customer Base

- Customer loyalty and customer centric focus evidenced by our CXI scoring and strong retention



Operationally resilient

- Remote working mobilised while maintaining excellent customer service



Well positioned to deliver future Shareholders returns

- Method and timing of capital return being kept under review





2020 FULL YEAR RESULTS

Financial Performance

→ John O'Grady, CFO



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2020 Full Year Results

	2020	2019
GWP	€358m	€370m
Profit before tax	€5m	€112m
EPS	13c	281c
NAV	1,095c	1,068c
ROE	1%	30%

	2020	2019
Loss ratio	73.3%	46.4%
Expense ratio	28.1%	25.9%
Combined Operating Ratio	101.4%	72.3%
Total investment return	1.3%	2.7%
▪ Income statement	0.9%	1.7%
▪ OCI	0.4%	1.0%



€15m

Investment return
in period



1,095c

NAV

2020 Full Year Results

	2020 €'000s	2019 €'000s
Gross written premium	358,230	370,063
Net earned premium	315,232	337,553
Net claims incurred (incl. MIBI)	(231,084)	(156,625)
Other underwriting expenses	(88,527)	(87,259)
Underwriting Result	(4,379)	93,669
Investment income	10,388	17,892
Finance costs	(2,580)	(2,579)
Other	1,373	3,498
Sub total	4,802	112,480



€370m

GWP excluding €12m
Covid-19 rebates



€4.8m

Profit Before
Tax

Analysis of Combined Operating Ratio

	2020 %	2019 %
Current year Combined Operating Ratio (excl. B.I.)	88.5%	84.1%
Impact of business interruption costs	20.3%	0.0%
Current year Combined Operating Ratio	108.8%	84.1%
Prior year reserve development	(7.4%)	(11.8%)
Reported Combined Operating Ratio	101.4%	72.3%



20%

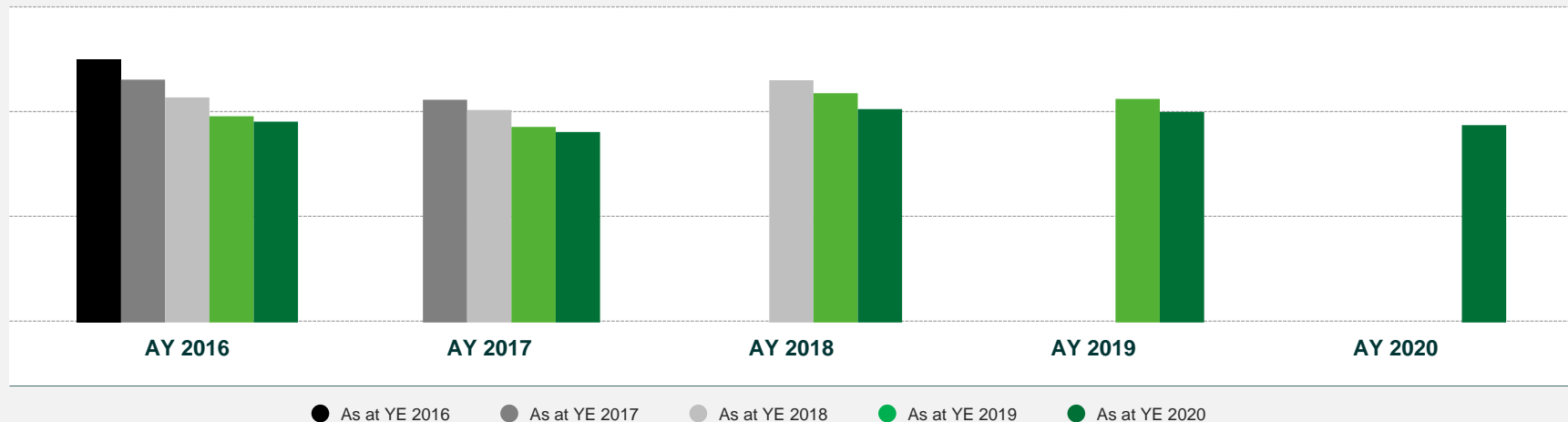
Impact of B.I. costs
on COR



€23m

Prior year reserve
development

Claims Reserve Development (Net Loss Ratios)



- **2020 Net positive prior year reserve development** was approximately **€23m**
- This was primarily due to **more favourable frequency observations** than expected and some **favourable settlements of large claims**
- 2020 is low compared to other years due to **reduced frequency** caused by the restrictions that were in place for **Covid-19**

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

Strong investment returns after volatile year

Income Statement return

0.9%



Risk Assets:

- Most risk assets in positive territory following strong rally on positive news regarding vaccination
- FBD's Global equity fund up 11.6% in the year and its Emerging Markets equity fund up 8.1%
- Negative return on Irish investment property partially offset by gain on sale of legacy UK asset
- Tactical switch from Emerging Market Debt to Global High Yield bonds in H1 paid off as the latter outperformed in H2

OCI return

0.4%



Corporate Bonds:

- Average credit quality of portfolio maintained at A- (FBD had < 2% of portfolio downgraded to high yield)
- Corporate spreads have returned to beginning 2020 levels
- Duration of portfolio have increased marginally following additional €40m investment
- ESG overlay implemented on portfolio where restrictions have been placed on lower ESG-rated bonds

Sovereign Bonds:

- Yields on Eurozone sovereign bonds fell due to monetary stimulus from ECB, leading to positive return of €4.7m

Investment Allocation

Limited change to investment allocation over the year:

	31-Dec-20		31-Dec-19	
Group Investment Assets	€m	%	€m	%
Corporate Bonds	552	47%	509	46%
Government Bonds	311	26%	302	27%
Deposits and Cash	180	15%	168	15%
Other Risk Assets	68	6%	65	6%
Equities	49	4%	46	4%
Investment Property	17	2%	19	2%
Total	1,177	100%	1,109	100%

- No increase in allocation to risk assets during the year given the uncertainty created by Covid-19
- Additional €40m cash, accrued to the business as a result of slower claim settlements and non-payment of 2019 dividend, was invested in corporate bond portfolio
- Total return on portfolio of 1.3% for the year represents a significant turnaround vs the low point in March 2020 when the total return was approximately - 4%



No further increase
in Risk Assets



Additional €40m
investment in
Corporate Bonds



Corporate Bond
portfolio maintains
an average credit
rating of A-

2020 FULL YEAR RESULTS

Conclusion

→ Tomás Ó'Midheach, CEO



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Future Business Developments



Customers and Channels

- Evolve FBD's distribution strategy with our customer's needs
- Extend our bank assurance relationship
- Fully leverage our partnership approach
- Develop new Affinity partnerships and additional Promotions



Digital and IT

- Grow our digital footprint
- Build on our customer knowledge and understand their needs
- Transform claims customer experience
- Use best available technology to evolve our IT platforms



People, Culture and Community

- Remain at the heart of the communities we serve
- Actively support local charities and initiatives
- Integrating ESG principles into our business
- Foster engagement, innovation and creativity
- Promote Diversity and Inclusion

Capital

- Maintaining strong capital position is paramount in these challenging times
- Increase in SCR Risk Appetite from 120%-140% up to 150%-170%
- Actual Solvency Capital ratio 197% (unaudited)
- €65m business interruption costs amount to 37% on the SCR
- Method and timing of capital return being kept under review



Summary



Profit of €4.8m before tax impacted by business interruption costs



101.4% Combined Operating Ratio with 7% benefit coming from positive prior year reserve development



Strong **underlying profitability** in the business with **current year COR of 88.5%** (excl. B.I.)



Business interruption test case judgement has clarified liability for FBD, our customers and reinsurers



SCR strong at 197% - Given continuing **Covid-19** uncertainty, no dividend is being proposed at this time



2021 Guidance



FBD does not guide on individual Income Statement line items



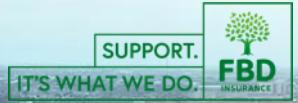
Premium growth to come mainly from partnerships, while maintaining underwriting discipline



Continuing low interest rate environment will challenge investment returns



Current Year Combined Operating Ratio circa 90% for 2021 is achievable (absent exceptional weather)





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2020 FULL YEAR RESULTS

Appendix

Some progress made in the claims environment, to deliver cheaper insurance for all consumers



Claims environment

- Courts more willing to recognise that plaintiffs have some responsibility for their own personal safety
- The majority of the new Consumer Insurance Contract Act provisions commenced by way of ministerial order with effect from September
- Personal Injuries Guidelines Committee submitted to the Board of the Judicial Council the first draft of the personal injury guidelines



Impact of Covid-19

- Backlogs in the courts as a result of closures
- Material slowdown in pre-trial face to face settlements
- Challenges around obtaining medical reports and other expert reports in 2020 due to Covid-19 restrictions



Progress on reform

- Discount rate consultation process launched by the Minister for Justice and Equality
- Law Reform Commission published their report into capping damages in personal injuries actions in September

Settlement activity continues to be impacted by Covid-19



Stabilisation in claims costs after several years of inflation. Inflation still seen in litigated claims earlier in the year. High Court and Circuit Court **legal costs up 6% and 10% respectively**



Injury claims costs are lower on average in 2020, however, settlement activity was impacted by court closures and a slowdown in pre-trial interaction, as a result of Covid-19



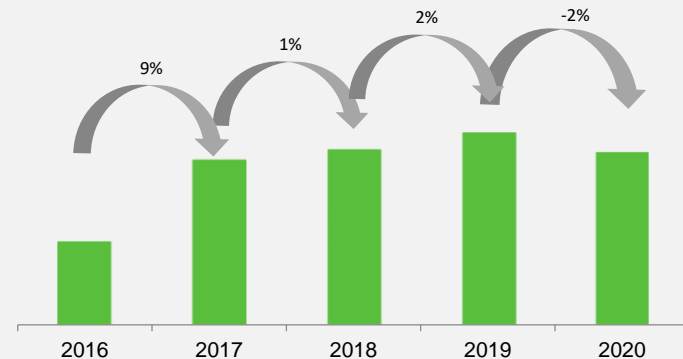
Lower average cost of **Litigation** claims is attributable to the mix of claims settling due to Covid-19 constraints (less higher value/severity). Upward trend seen in **Motor Damage** in 2020, **Property** also higher year on year



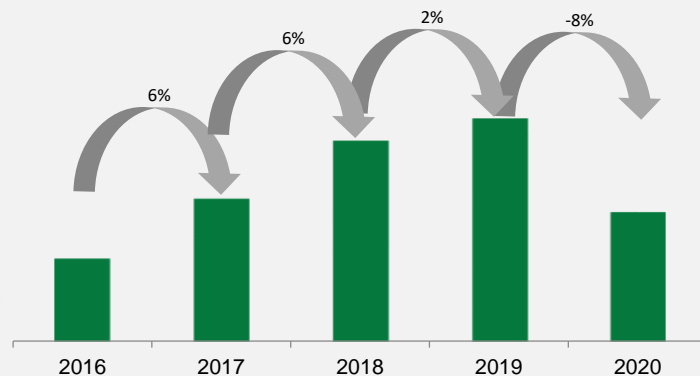
We continue to **advocate for reform**. Some good outcomes in the **Court of Appeal** that influence behaviour in the lower courts. Some sensible outcomes on negligence versus personal responsibility



We continue to **contest suspected fraudulent cases** and control the areas we can – continue to work on strengthening our technological, data analytics and fraud detection capabilities



Average Cost of **all** Capped Injury Claims and Settlements



Average Cost of Capped Litigated Injury Claims

Corporate Social Responsibility



Farm Safety

- FBD has led “Champions for Safety” seminars across Agricultural Colleges around the country
- We sponsor the farm safety and health lecturer position in the School of Agriculture, UCD Dublin



Sustainability reporting

- We are working to become a leader in sustainable business practices in our industry
- The FBD Supplier Charter ensures business activities are conducted lawfully, sustainably and above all ethically



Environmental, Social and Governance (ESG)

- Our Investment department are integrating ESG factors into our investment portfolio
- We are committed to being more efficient in our energy usage

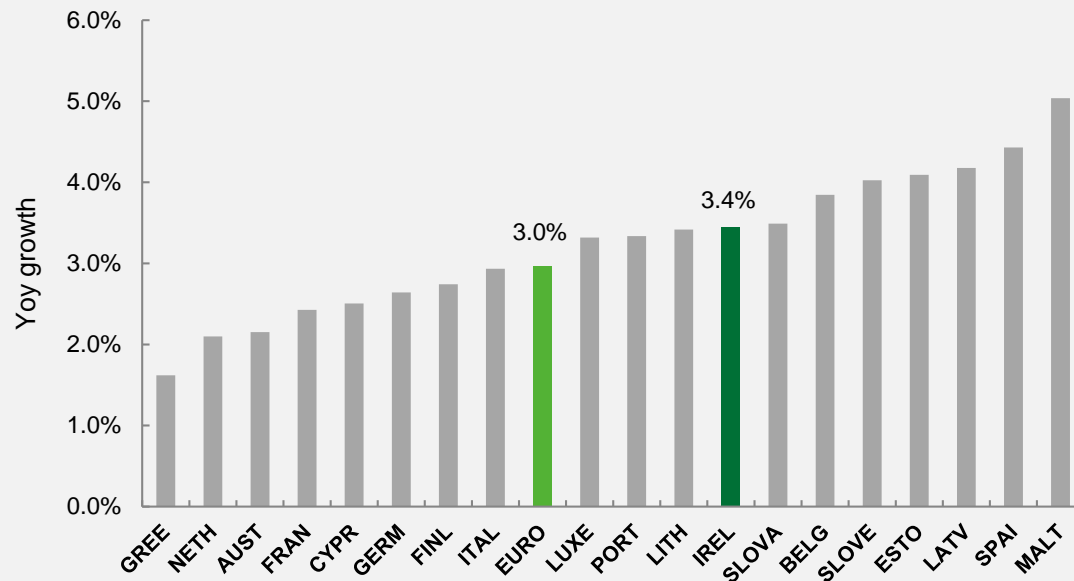


Customer Servicing

- In 2020, FBD began to transition customers from paper based documentation to digital document management
- We aim to write all our customer documents in plain language - our documents are approved by the National Adult Literacy Agency before they are published
- First Insurance company to sign up to Age Friendly Ireland

Irish Environment – Updated

Domestic demand 2022 forecasts



In the Euro area, **steady and moderate Real GDP growth of 1.2%** is forecasted for 2020 as well as 2021. The baseline assumption is that the Covid-19 outbreak peaks in the first quarter of 2021

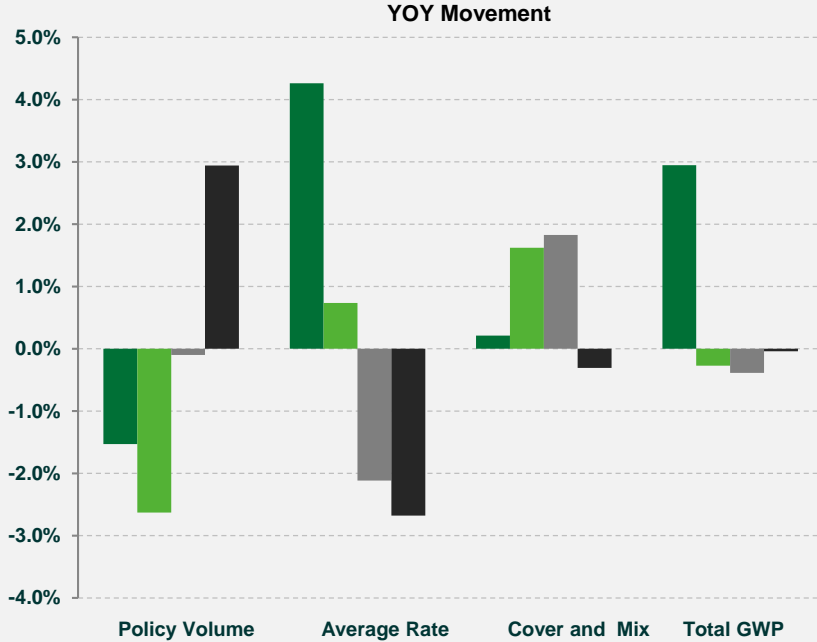
(Winter 2020 [Interim] Economic Forecast)

Irish unemployment is expected to average **5.3% this year**, up from 5% in 2019, and increase to 8.9% in 2021

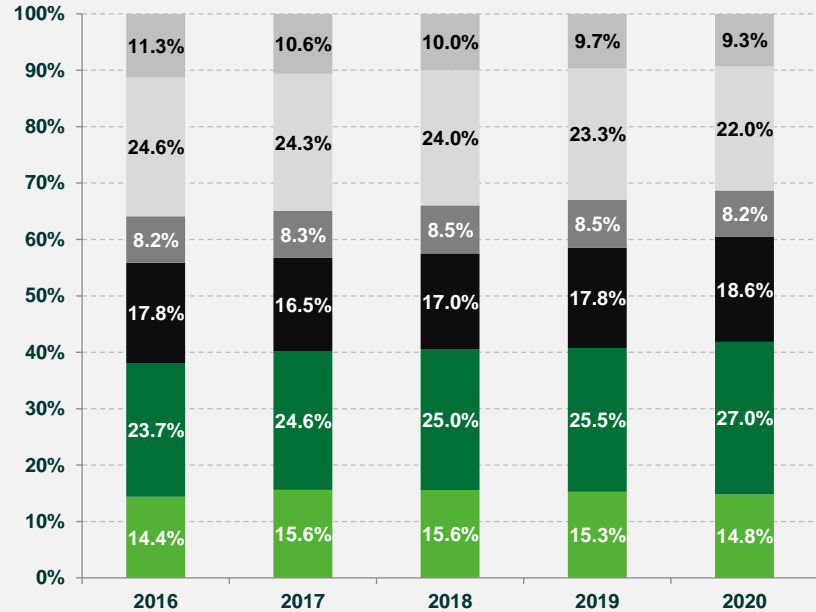
(European Union Economic Forecast – Autumn 2020 05/11/2020)

Business Update

Change in GWP (Direct & Indirect)



Premium by Product



● FY 17 v FY 16
 ● FY 18 v FY 17
 ● FY 19 v FY 18
 ● FY 20 v FY 19

● Commercial Motor
 ● Consumer Motor
 ● Small Business
 ● Motor Agri
 ● Farm
 ● Home

Note: GWP on this slide excludes the impact of €11.8m customer rebates

Customer Segments



AGRI

- Superior product coverage and strong continuation of service for customers
- Improved retention and higher new business
- Average premiums reduced during 2020



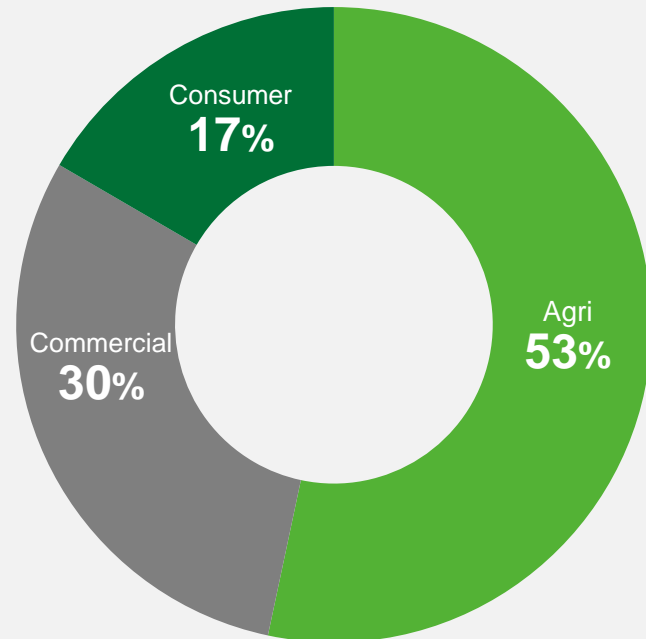
COMMERCIAL

- Support measures and cover changes provided
- Strong retention rates
- New Business stable on Business products
- TaxiFair performed well, impacted by Covid-19

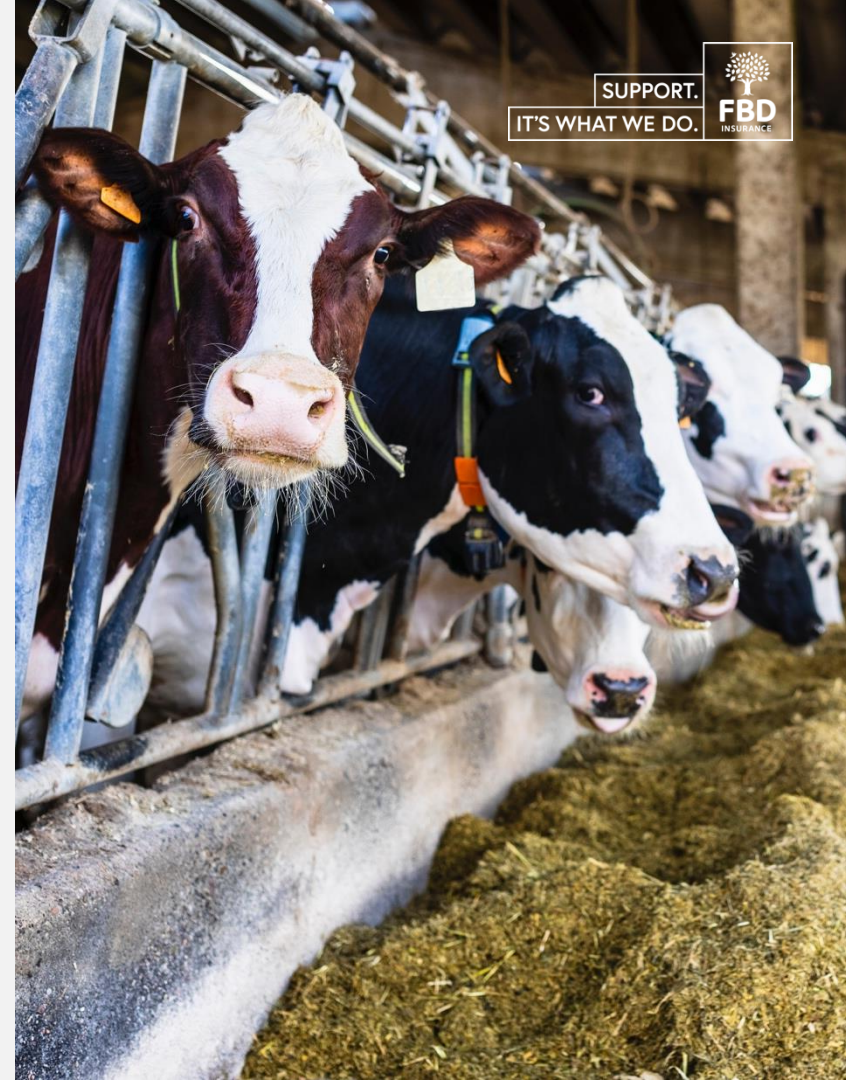
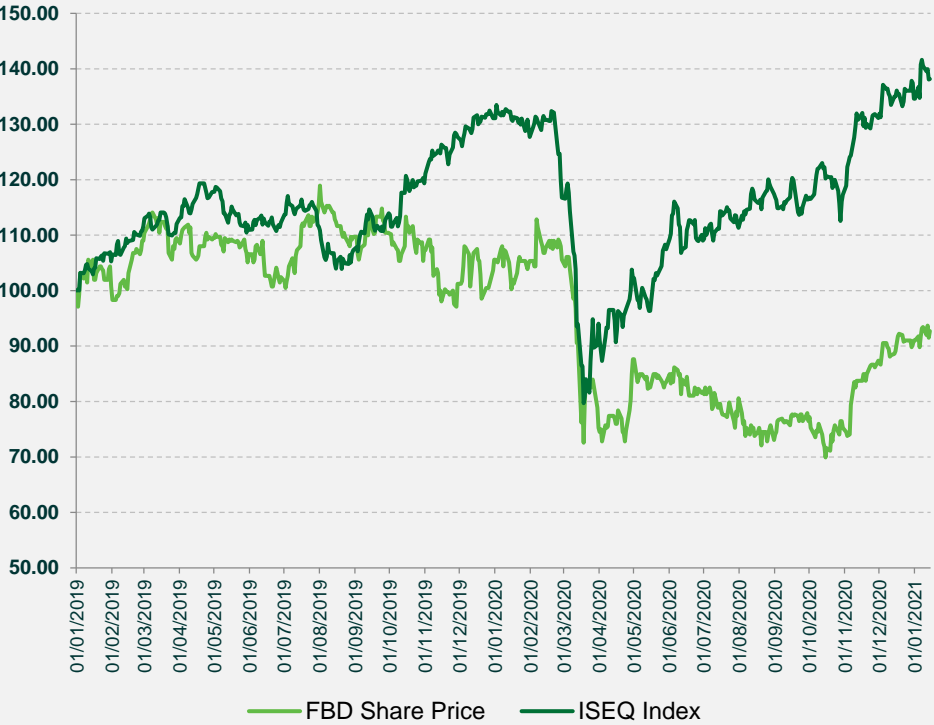


Consumer

- Notable policy count growth in 2020
- Strong retention and conversion rates
- Large increase in Post Insurance policy count and premium
- Reductions in average premium across all channels



FBD Share Price Performance



Glossary

Acquisition	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.	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.
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.	Expense Ratio	Underwriting and administrative expenses as a percentage of net earned premium.
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.	General Insurance	Generally used to describe non-life insurance business including property and casualty 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.	Gross Claims Incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.	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.
Claims Incurred	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.	Gross Written Premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
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.	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.
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.	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.
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.	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

Net Earned Premium (NEP)	Net written premium adjusted by the change in net unearned premium for a year.	Reinsurance	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.
Net Investment Income	Gross investment income net of foreign exchange gains and losses and investment expenses.	Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer.
Net Written Premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.	Retention	That amount of liability for which an insurance company will remain responsible after it has completed its reinsurance arrangements.
Outstanding Claims Provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.	Underwriting	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.
Personal Lines	Insurance for individuals and families, such as private motor vehicle and homeowners insurance.	Underwriting Expenses	The aggregate of policy acquisition costs, and administrative, general and other expenses attributable to underwriting operations.
Policyholders' Funds	Those financial assets held to fund the insurance provisions of the Group.	Underwriting Result	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.	Underwriting Year	The year in which the contract of insurance commenced or was underwritten.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.	Unearned Premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.	Written Premium	Premiums written, whether or not earned, during a given period.