

FBD Holdings plc 2021 Half Year Results

6th August 2021

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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2021 HALF YEAR RESULTS

Overview

→ Tomás Ó'Midheach, CEO

Key Highlights

Half year profit of

€22m

before tax



- Underwriting profit of €13m driven by lower than normal claims frequency, partially offset by rebates to customers
- €13.4m provision for consequential payments following FSPO decisions and consideration of the CBI Framework
- Positive investment return of €5m (€10m through Income Statement and -€5m through OCI)
- Marginal increase to €67m net for Covid-19 related business interruption provision

Reported COR

92.0%



- Current Year COR (excl. B.I. related costs) of 88.1% (2020: 89.1%)
- COR impacted by 8% due to consequential payments provision related to FSPO decisions
- Positive prior year reserve development of 4%

GWP of

€181m

(2020: €176m)



- GWP down 1% on a like for like basis excl. Covid-19 related rebates
- €4.8m rebates in 2021, following €11.8m in full year 2020
- Motor average premium down 5.7%. Reductions seen across the majority of products and channels
- Written policies increased by 1.4%
- Maintained strong retention of existing customers

Key Highlights

Capital



- Strong solvency position of 198% (unaudited)
- Net Asset Value 1,137c
- Return on Equity (ROE) of 10% (annualised)
- Capital position largely unchanged. While Own Funds have increased so too has the required capital due to higher technical reserves and risk assets

Our Customers



- Covid-19 Premium rebates to customers of €4.8m
- Continuing Covid-19 forbearance measures in place
- Premium rate reductions applied in light of Judicial Council Guidelines changes
- Customer loyalty a reflection of our exceptional customer service evidenced by our strong retention rates

Business Developments



- A number of Commercial products are scheduled to go live later in 2021, supporting legacy system replacement
- Progressing the extension of our partnership with Bank of Ireland to Home and Motor
- Partnership with An Post performing well in a very challenging market
- TaxiFair delivering more premium in line with the reopening of the economy

Business Interruption



Legal Case

- Quantum hearing held in July to determine calculation of losses – Judgement expected in December
- Provision has increased slightly from €65m at year end to €67m net
- Gross Claims Costs up by €33m to €183m primarily due to legal and other claims handling costs and the extension of closures
- Payments being made to policyholders - €20m to the end of June
- Hospitality has reopened for indoor service from 26th July



Consequential Payments Provision

- Complaints made to the FSPO on the handling of business interruption claims
- FSPO has issued final verdicts on four pub complaints and has awarded consequential payments
- In line with the CBI Business Interruption Insurance Supervisory Framework, application to similarly affected Business Interruption claimants results in a provision of €13.4m
- Recoverability will be discussed with reinsurers in due course

Covid-19



Operational impact

- Mullingar Support Centre and our Branch network have reopened
- Expected return to office for remaining staff in line with Government guidelines
- Continuity of service provided to our customers throughout
- Remote working support provided to all staff members



Customer support measures

- Premium rebates to our Commercial customers of €4.8m in 2021. In line with the reopening of the economy we do not expect rebates to be a material amount in H2
- No admin/cancellation fees applied on Motor or Home, and continuation of cover where possible

Positive Underlying Performance



Combined Operating Ratio

- Reported COR of 92.0%
- Robust performance with on-going disciplined underwriting within our risk appetite



Strongly capitalised with an SCR of 198%

- Fundamentally strong business, well-capitalised and growing



Loyal Customer Base

- Customer loyalty and customer centric focus evidenced by strong retention, which is in line with last year



Operationally resilient

- Sales functions returned onsite with remote working utilised for the remainder of staff - maintaining excellent customer service



2021 HALF YEAR RESULTS

Financial Performance

→ John O'Grady, CFO



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2021 Half Year Results

	2021	2020
GWP	€181m	€176m
Profit/(Loss) before tax	€22m	(€9m)
EPS	55c	(24c)
NAV	1,137c	1,035c
ROE (annualised)	10%	(4%)
	2021	2020
Loss ratio	66.3%	74.6%
Expense ratio	25.7%	28.4%
Combined Operating Ratio	92.0%	103.0%
Total investment return	0.9%	(1.9%)
▪ Income statement	1.8%	(0.6%)
▪ OCI	(0.9%)	(1.3%)



€5m

Investment return
in period



1,137c

NAV

Note: The claims handling expenses allocation increased in 2021 to better reflect the full claims handling costs of the business

2021 Half Year Results

	2021 €'000s	2020 €'000s
Gross written premium	181,433	176,216
Net earned premium	162,246	156,793
Net claims incurred (incl. MIBI)	(107,496)	(117,018)
Other underwriting expenses	(41,728)	(44,451)
Underwriting Result	13,022	(4,676)
Investment income	10,324	(3,274)
Finance costs	(1,272)	(1,272)
Other	(83)	(127)
Sub total	21,991	(9,349)



€186m

GWP excluding €4.8m
Covid-19 rebates



€22m

Profit Before
Tax

Analysis of Combined Operating Ratio

	2021 %	2020 %
Current year Combined Operating Ratio (excl. B.I. related costs)	88.1%	89.1%
Impact of Consequential Payments provision	8.3%	-
Impact of Business Interruption provision	-	19.1%
Current year Combined Operating Ratio	96.4%	108.2%
Prior year reserve development – B.I. related	1.4%	-
Prior year reserve development – Other	(5.8%)	(5.2%)
Reported Combined Operating Ratio	92.0%	103.0%



10%

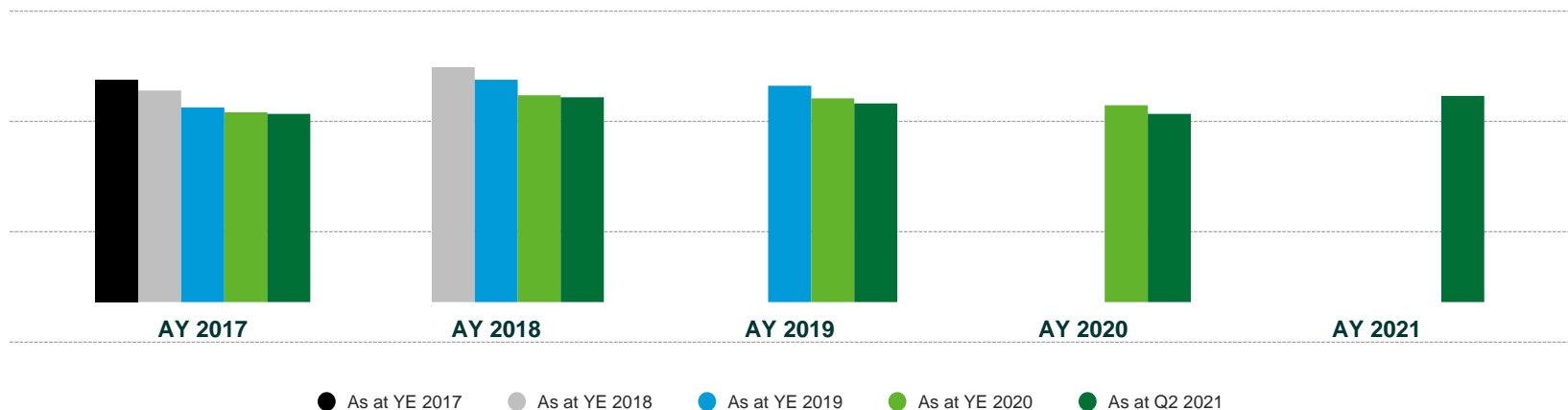
Impact of B.I. related costs



€7m

Prior year reserve development

Claims Reserve Development (Net Loss Ratios)



- H1 2021 **Net positive** prior year reserve development was approximately **€11m** (incl. B.I. approx **€7.2m**)
- This was primarily due to more reliance being put on actual **observed frequency** in the Actuarial ultimate selection assumptions
- The 2021 Accident Year has **lower than normal** observed frequency to date and this should flow into ultimate loss ratios in time

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

Strong return from risk assets offset by rising rates

Income Statement return

1.8% (annualised)



Risk Assets:

- Risk assets have performed strongly over the first 6 months of the year, led by equities
- Economic growth has been strong as economies re-open following Covid-19 lockdowns and central banks remain accommodative
- Global equity investments up 13.8% and Emerging Markets equities up 10.9% to the end of June

OCI return

-0.9% (annualised)



Corporate and Sovereign Bonds:

- Interest rates have increased over the first 6 months of the year stoked by fears of inflation
- Increased rates have reduced the valuation of bonds, leading to negative mark-to-market return going through the OCI
- Credit spreads have remained tight reflecting the good outlook for corporates
- FBD have sold corporate bonds that brings it within the ESG limits set at end 2020

Investment Allocation

Limited change to investment allocation over the first 6 months of the year:

	30-Jun-21		31-Dec-20	
Group Investment Assets	€m	%	€m	%
Corporate Bonds	551	46%	552	47%
Government Bonds	307	26%	311	26%
Deposits and Cash	185	16%	180	15%
Other Risk Assets	83	7%	68	6%
Equities	51	4%	49	4%
Investment Property	17	1%	17	2%
Total	1,194	100%	1,177	100%

- Additional €10m cash invested in low risk Absolute Return Fixed Income fund (part of Other Risk Assets)
- Company continues to maintain significant cash allocation to provide sufficient liquidity for payments on BI claims



€10m increase in
Risk Assets



Focus on
maintaining
sufficient liquidity
for BI Claims



Corporate Bond
portfolio maintains
an average credit
rating of A-

2021 HALF YEAR RESULTS

Conclusion

→ Tomás Ó'Midheach, CEO



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Summary



Profit of €22m before tax demonstrating a very strong underlying position



92.0% Combined Operating Ratio with 4% benefit coming from positive prior year reserve development



Strong **underlying profitability** in the business with **current year COR of 88.1%** (excl. B.I. related costs)



Business Interruption quantum hearing held in July and the judgement should provide further clarification on quantification of losses for FBD, our customers and reinsurers



SCR strong at 198%

Capital



Maintaining strong capital position is paramount in these challenging times



SCR Risk Appetite 150%-170%



Actual Solvency Capital ratio 198% (unaudited)



Capital position largely unchanged. While Own Funds have increased so too has the required capital due to higher technical reserves and risk assets



2021 HALF YEAR RESULTS

Appendix



Our focus in 2021 is on positioning FBD for the future

1 Evolve FBD's distribution strategy

Build FBD's bank assurance model

2 Grow our digital footprint

Broaden our digital platform - on-boarding, renewals, communication & payment options to more customer segments

3 Data & Analytical strengthening

Implement a cloud based analytics platform to allow FBD become more knowledgeable about our customers and opportunities

4 Excellence in Claims Management

Customer Experience transformation | Fraud Analytics

5 Progressive & aligned IT strategy

Finalisation of legacy system replacement as a platform for increased digital and analytical capabilities

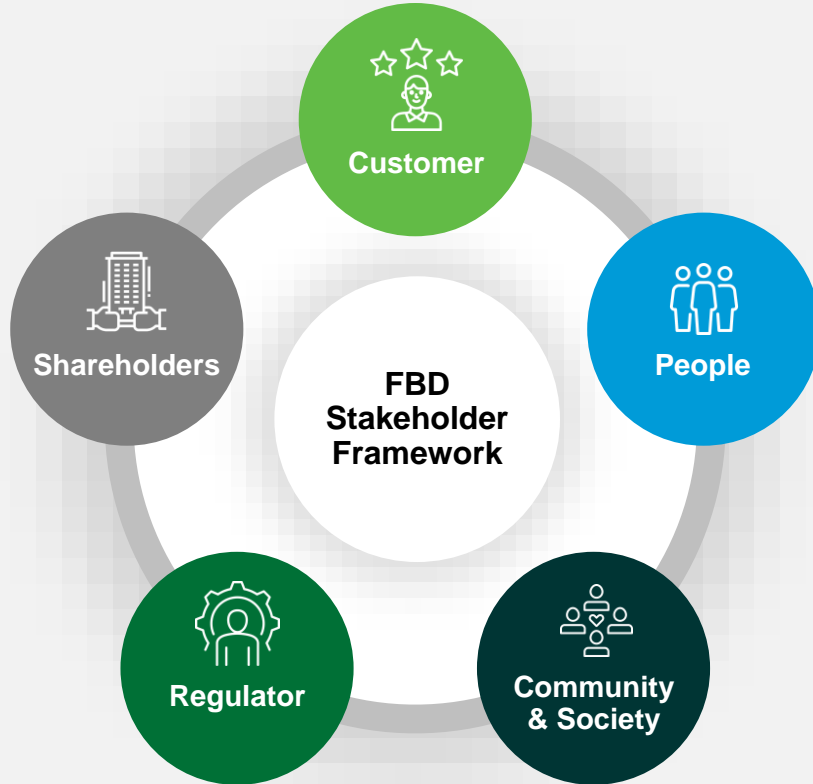
6 Our People & Culture

Support & invest in our people & culture

7 Regulatory

Meet our regulatory requirements & strengthen corporate governance

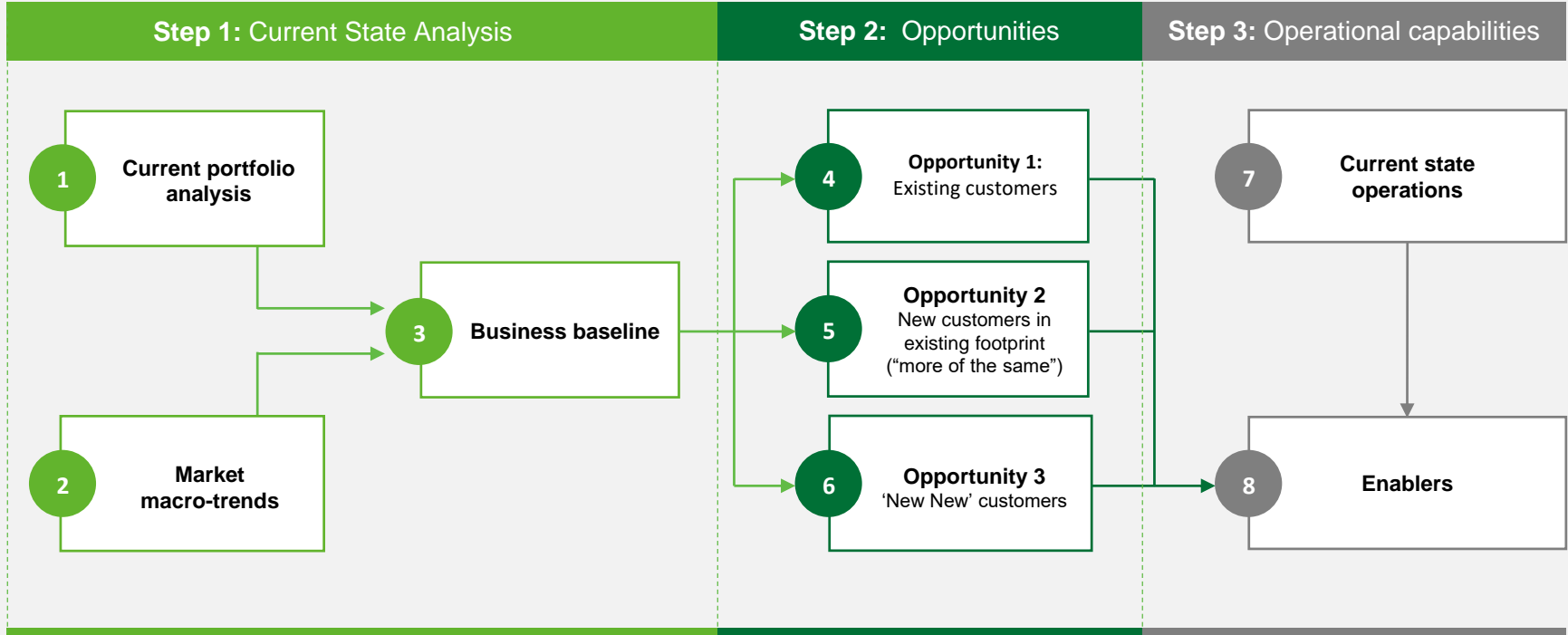
Establishing our stakeholder framework



- We are working to fully understand and meet stakeholders' needs
- For each stakeholder we will have a clear strategic action plan
- Every decision considers the requirements of each stakeholder - maximising the outcome for all

Opportunity Analysis Framework

- Definition of what a customer is and introducing the capability to drive insight on existing and emerging customer needs will be critical in creating key opportunities for business growth



Framework of ESG engagement

We are aligning our existing activities under the key ESG categories. MSCI ESG Ratings provide an assessment of the long term resilience of companies to environmental, social, and governance (ESG) issues

Environmental



- Work ongoing on the carbon footprint of our corporate bond portfolio
- Annual voluntary disclosures on Greenhouse gas emissions and to the Carbon Disclosure Project
- We have introduced a BER Discount on Home New Business

Social



- Our Investment function have integrated ESG factors into our investment portfolio
- Inclusive Culture programme established and working towards our Irish Centre of Diversity Silver Accreditation
- Supporting various educational and farm safety initiatives; Age Friendly Ireland; National Adult Literacy Agency

Governance



- Board restructure in Q3 2021 further strengthening our governance, with increased focus at each Board level
- Speak Up Policy; Risk/Compliance strengthening; Ethics

Environmental:

Good progress made on ESG initiatives

Greenhouse gas emissions disclosure



- FBD undertakes third party validation on its greenhouse gas emissions on an annual basis and discloses these figures in its annual report
- Overall emissions have reduced by **32%** from 2019 to 2020

Carbon Disclosure Project (CDP)



- Annual voluntary disclosure to CDP, which is a non-profit charity whose aim is to encourage companies to measure, disclose and manage vital environmental information
- Progress on climate action is scored on a scale from A-F. In 2020, FBD's score improved to 'A-' (previously 'B')
- This places FBD in the **Leadership** category, higher than European Regional average of C and Financial services average of B

Corporate bond portfolio



- We are looking at the carbon intensity of the corporate bond portfolio and possibly imposing limits in order to reduce this over time

Social: Investments & Employee Engagement

Investments

Corporate Bonds: Sold out of corporate bonds that are rated as ESG laggards by our asset manager to bring company within new ESG guidelines

Risk Assets: Switched 25% allocation from Global Equity fund into an Actively Managed Sustainable Equity fund, with a further 25% to follow. This fund seeks to combine strategies that embed ESG considerations in their investment processes

Culture check / Inclusive Culture Programme

Understand how our People connect with our Culture and build awareness of what Inclusivity looks like

The Inclusive Culture check centres around five pillars, Trust, Belonging, Sentiment, Culture Climate and Inclusivity - results providing new insights for consideration as we plan both our Diversity and Inclusion Activity for 2022 and for inclusion in FBD's Wider Culture Strategy

Inclusio – partnering with DCU

Inclusio is a software platform combining technology, behavioural science and psychology, enabling organisations to adopt a data-driven approach to cultural transformation

Provides us with the capacity to collect and collate ongoing data on the richness of diversity within FBD. It also builds awareness in our people



We are working towards our Silver Accreditation from the Irish Centre of Diversity



Social: FBD continues to support many local & national initiatives

Watch: Women & Agriculture award winners

Prizes for the winners and runners-up of the Women & Agriculture Awards are to the tune of €8,000, kindly sponsored by FBD Insurance.

Galway farmer is named Macra/FBD Young Farmer of the Year

Teagasc/FBD Student of the Year Awards 2019

Enda Farrell from County Longford, is the 2019 Teagasc/FBD Student of the Year. The announcement was made at an online virtual awards ceremony on Monday, 16 November at 7pm.



**FBD INSURANCE PLC ANNOUNCE
THEIR SPONSORSHIP OF TEAM
IRELAND**



Recipients of The FBD Insurance 'Make A Difference' Programme Announced To Support Team Ireland Olympic Athletes

© 20 January 2021, 13:46

€50,000 Grant for Irish Athletes on their Olympic Journey

Protection.
It's in our nature.

Build in Safety
An Advisory Booklet
for Farmers



NALA 
National Adult Literacy Agency

Board Structure



- Dual Board structure being implemented in Q3 2021 following discussions with the Central Bank - same Directors on both Boards. This will strengthen our governance and provide increased focus at each Board level
 - FBD Holdings will focus on group strategy, shareholder return, ESG, returns of capital, wider societal stakeholders. Liam Herlihy continuing as FBD Holdings Chairman
 - Insurance Company will focus on the business of insurance, as well as the associated regulatory regime. David O'Connor will Chair the Insurance Company
- Sub-committees of FBD Holdings and FBD Insurance will have different Chairs
- 2 new Independent Non-Executive Directors are being appointed to both Boards, both with extensive insurance experience

Speak-up Policy

- FBD is committed to conducting business on a daily basis with fairness, integrity and respect for our employees, customers, stakeholders, regulation and our values
- We truly value the help of employees who identify and Speak Up about potential concerns that need to be addressed

Ethics / Risk / Compliance

- Having Ethics at the heart of our business gives us the ability to measure and manage social responsibility, corporate behaviour and financial success. In doing this, FBD values are lived through our action and fit with our traditions & strategic direction
- We are in the process of strengthening our Risk and Compliance functions

Customer Service



Remained in Top 3 following Q1 2021 National Brand Health Tracker

FBD image associations
continue to hold up well with
the key associations of
Trust and Being There

Local connections have come to the
fore - "Supports Irish People" and "Is
an Irish Insurer"



Branch/Phone Customer Satisfaction

Net Promoter Score - We delivered a
strong customer NPS score in H1 in
the excellent range

New Business and Renewal
Customers - Good value for money,
trust, excellent customer service and
feeling protected

Customer Rewards Programme
recently launched



Digital Customer Satisfaction demonstrated by our 4.6 Trustpilot Total Rating – July 2021

79% gave a 5-star rating

Key Topics:
Renewals; Servicing;
Website User Experience

Legal/Regulatory developments

Consumer Insurance Contracts Act

- Made significant changes to the contractual arrangements between consumers and insurers
- Two important effective dates 1 Sept 2020 and 1 Sept 2021
- Changes relate to:
 - A statutory obligation for customers to answer “*honestly and with reasonable care*” all questions asked by their insurer
 - Information being sought from and presented back to the customer
 - Cancellation & cooling off conditions
 - The reliance that can be put on certain information & policy conditions in order to defend a claim, and an expansion of the circumstances in which a claim may be payable

Differential Pricing

- In 2019 the CBI began a review focused on pricing practices
- An interim report was published in 2020, with a final report issued in July 2021
- Recommendations are subject to public consultation until October 2021 with new regulations due to come into effect from 1 July 2022
- Recommendations include changes to renewal pricing processes, requirements to review pricing policies annually and requirement opt in for auto-renewal
- FBD looks forward to contributing to the public consultation process

Changes to Personal Injuries Guidelines

- Whilst a positive move for the customer and the insurance industry there are a number of uncertainties:
 - Extent of cost changes for future settlements and legal fees
 - Impact on PIAB acceptance rate
 - Potential for newly classified injuries to increase costs (e.g. psychiatric injuries)

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



Claims environment

- Personal Injuries Guidelines in place from April 2021 and we are tracking injury settlements - very early stages
- Consumer Insurance Contract Act provisions fully implemented



Impact of Covid-19

- Backlogs in the courts as a result of closures will hopefully ease following the appointment of additional High Court Judges
- The slowdown experienced in pre-trial face to face settlements continues as Courts have only recently opened
- Challenges around obtaining medical reports and other expert reports in 2020 due to Covid-19 restrictions have somewhat eased



Progress on reform

- Proposed Act dealing with Perjury in Injury Claims is due to be signed into law shortly
- Discount rate consultation process launched by the Minister for Justice and Equality is still in progress
- Law Reform Commission capping of damages in personal injuries actions were introduced in line with the new guidelines in April

Covid-19 and inflation continuing to impact claim settlements



Slight increase seen in Injury Claims costs. Small reduction of less than 1% seen in litigated claims in the 12 months to June 2021. High Court and Circuit Court **legal costs down 3% and 1% respectively**



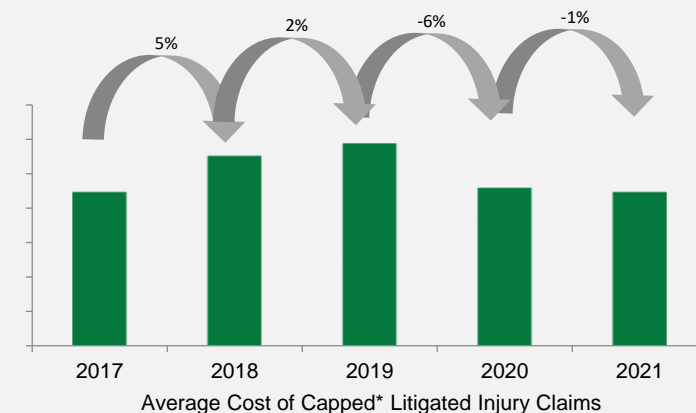
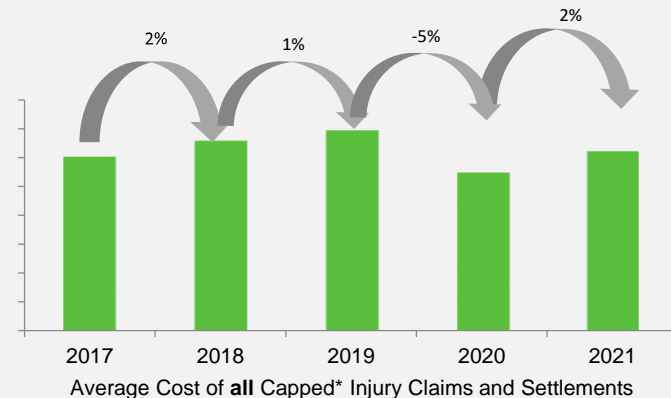
Injury claims costs have increased in the year to June 2021 following the reduction seen in 2020. Settlement activity was impacted by court closures and a slowdown in pre-trial interaction, as a result of Covid-19



Lower cost of Litigation claims may be attributable to the slowdown in settling higher value claims, due to court closures and Covid-19 restrictions. Continued upward inflationary trend seen in **Motor Damage** in 2021, **Property** also higher due to a mix of energy standards, cost of materials and labour shortages



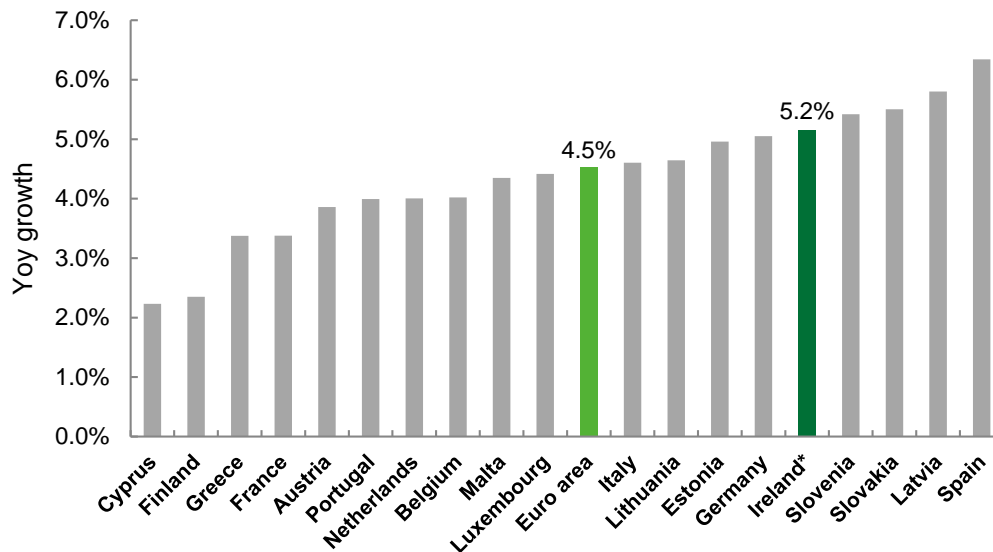
We continue to contest suspected cases of **claim exaggeration** and control the areas we can – strengthening of our technological, data analytics and detection capabilities has progressed in H1 2021



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

Irish Environment Updated

Domestic demand 2022 forecasts



The Euro Area is forecast to grow by 4.3% in 2021 and to **strengthen to around 4.4% in 2022**. A stronger-than-previously expected rebound in global activity and trade help to explain the brighter outlook for all countries compared to the Winter Forecast
(Spring 2021 Economic Forecast)

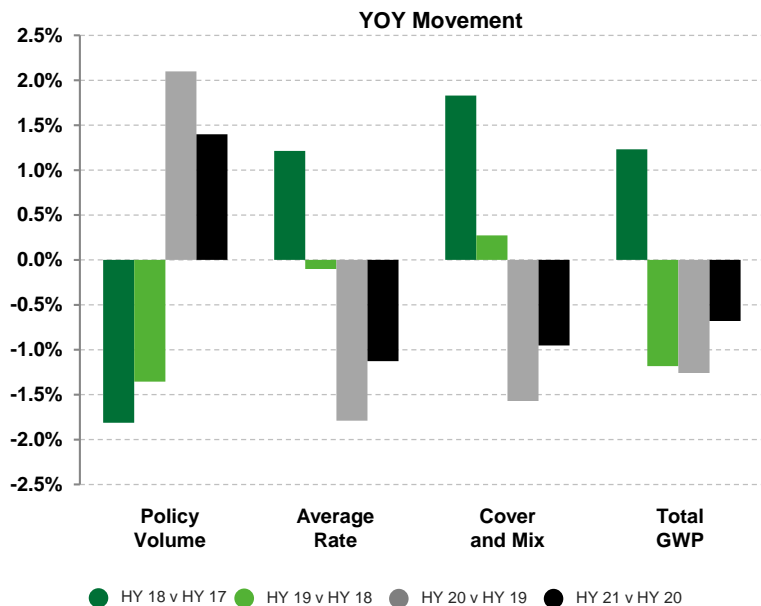
Irish unemployment is expected to reach **10.7% this year**, and decline to 8.1% in 2022, still well above 2019's rate of 5.0%

*(European Union Economic Forecast
– Spring 2021 12/05/2021)*

Source: Europa.eu, AMECO, Goodbody *Core DD

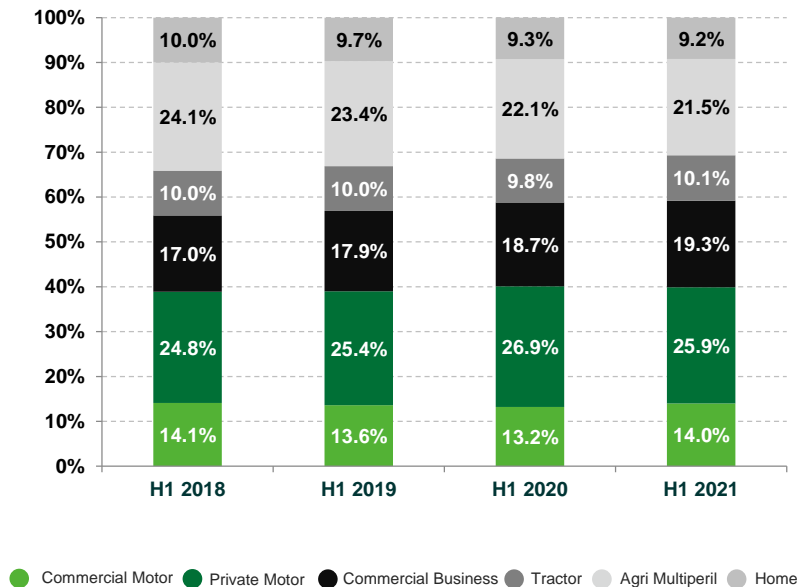
Business Update

Change in GWP



Note: GWP on this slide excludes the impact of €4.8m customer rebates

Premium by Product Portfolio



Customer Segments



Farmers

- Introduced Agri customer cover campaign in Q1 providing advice on cover as well as gap analysis
- Retention rates continue to improve
- Successfully adjusted farm survey model during Covid-19



Businesses

- Continued customer support with premium rebates provided during Covid-19 lockdown periods
- Strong retention rates
- New business GWP ahead of target



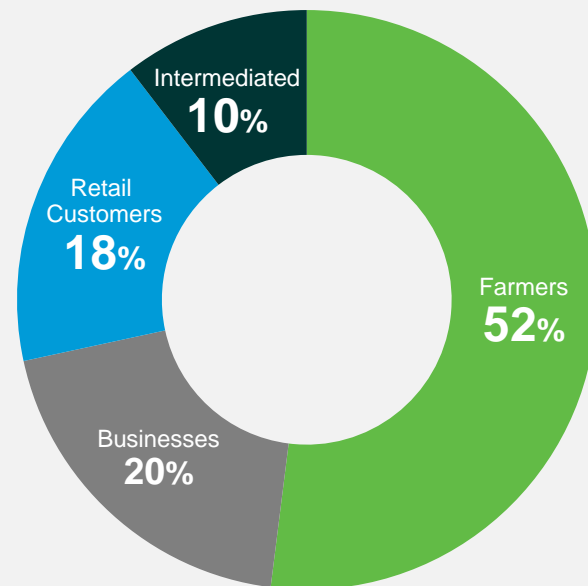
Retail Customers

- Strong retention in challenging market conditions
- Continued digital transformation along with quote conversion improvements
- Home performance is in line with last year



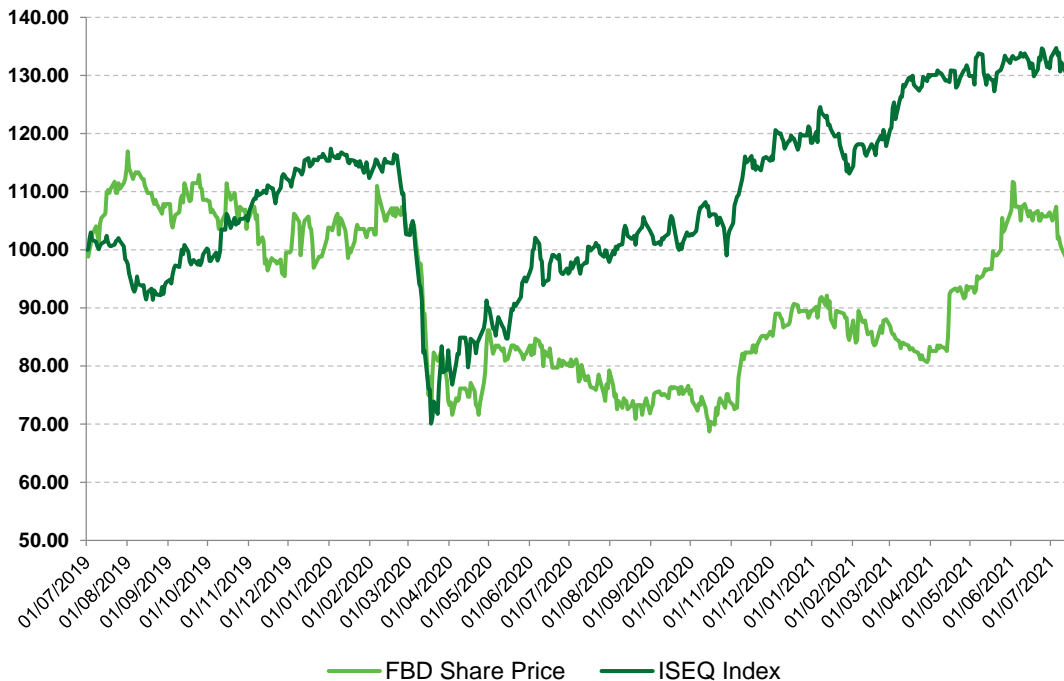
Intermediated

- Broker performance in line with last year, New business GWP ahead of target
- TaxiFair performance improved in Q2 as restrictions began to lift
- An Post Insurance retention is performing strongly



FBD Share Price Performance

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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.