



**FBD**



# FBD HOLDINGS PLC

2017 INTERIM RESULTS

AUGUST  
4<sup>TH</sup>

**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.



**FBD**





# OVERVIEW

**Fiona Muldoon, CEO**



# KEY HIGHLIGHTS



## Half year profit of €11.9m before tax

- Loss of €3.7m in H1 2016



## Annualised Investment return of 0.7%

- Reflects on-going low-return environment
- Mark to market losses in June of 0.3%



## 93% Combined Operating Ratio

- Improved risk selection & pricing adequacy
- €5.6 million MIBI levy release



## Solvency Capital Requirement (“SCR”)

- 126% at 31 December 2016



## GWP of €190m (2016: €181m)

- New Business volumes up 12% on H1 2016
- Strong retention of existing customers
- Increase in Farm & Small Business customers



## Strong progress on all strategic objectives

- Travel insurance product launch
- New car and professional indemnity products in development
- IT implementation on-going



# STRONG PROGRESS IN H1 2017



- Strong performance across branch network
- High retention on farm book and modest new business growth in farm and small business books
- Stabilisation of broker volumes
- Premium growth in Consumer



- New brand launched in February
- Targeting urban customers whilst reconfirming rural connection
- Initial positive impact on business volumes



- Improving claims settlement with focus on leakage and fraud
- Restructuring of claims teams to improve cost outcomes and customer service
- Strong cost control



- Strengthening Solvency II capital ratio
- New reinsurance programme; higher retention of premium
- Investment returns reflect low rate environment







# FINANCIAL PERFORMANCE

**John O'Grady, CFO**





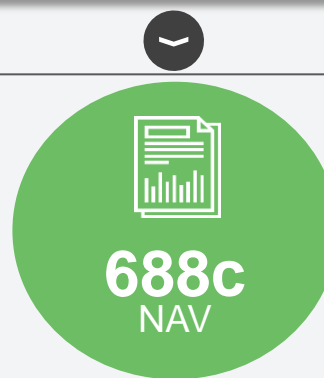
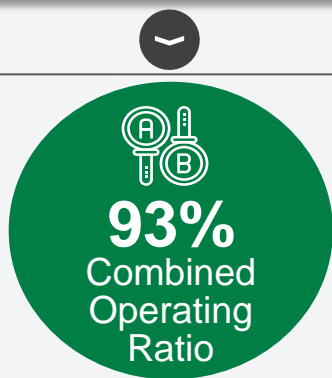
# H1 2017 INTERIM RESULTS

## Good Start to 2017

	2017	2016
<b>GWP</b>	€190m	€181m
<b>Profit/(loss) before tax</b>	€12m	(€5m)
<b>EPS</b>	30c	(9c)
<b>NAV</b>	688c	607c

	2017	2016*
<b>Loss ratio</b>	70%	79%
<b>Expense ratio</b>	23%	22%
<b>Combined Operating Ratio</b>	93%	101%
<b>Total investment return-annualised</b>	0.68%	1.92%
• Income statement	0.77%	0.06%
• OCI	(0.09)%	1.86%

\* 2016 figures adjusted to reflect claims handling expenses now presented within "Net Claims Incurred" as opposed to "Other Underwriting Expenses"

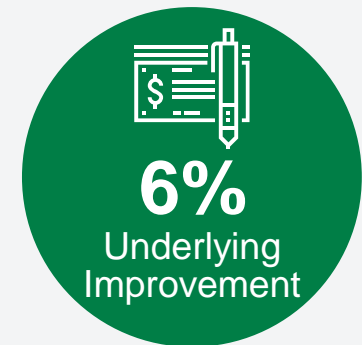


# Analysis of Reported Loss Ratio

## Impacted by one off items and reclassification

	2017	2016 <sup>1</sup>
<b>Loss Ratio – Reported</b>	<b>70%</b>	<b>79%</b>
Reinsurance Commutation <sup>2</sup>	(2)%	-
Prior year claims release	1%	-
MIBI Levy release	4%	-
Claims Handling Expenses <sup>3</sup>	(3)%	(3)%
<b>Loss Ratio – Current Year Underlying</b>	<b>70%</b>	<b>76%</b>

1. 2016 figures adjusted to reflect claims handling expenses now presented within “*Net Claims Incurred*”
2. Opposite impact on expense ratio
3. Previously reported in expense ratio

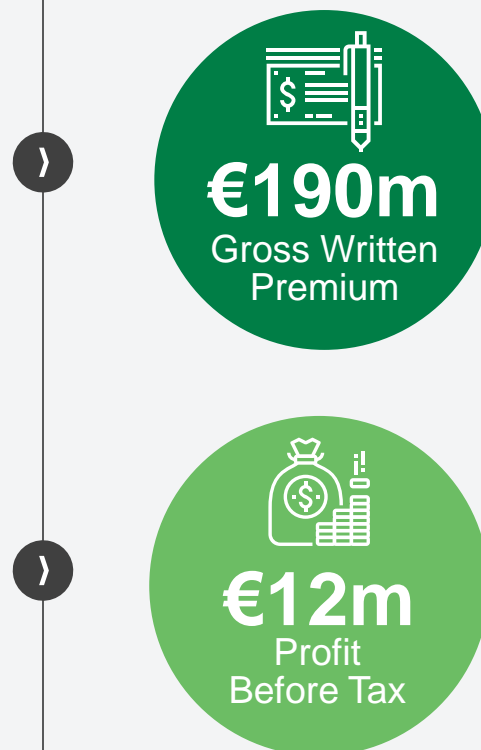




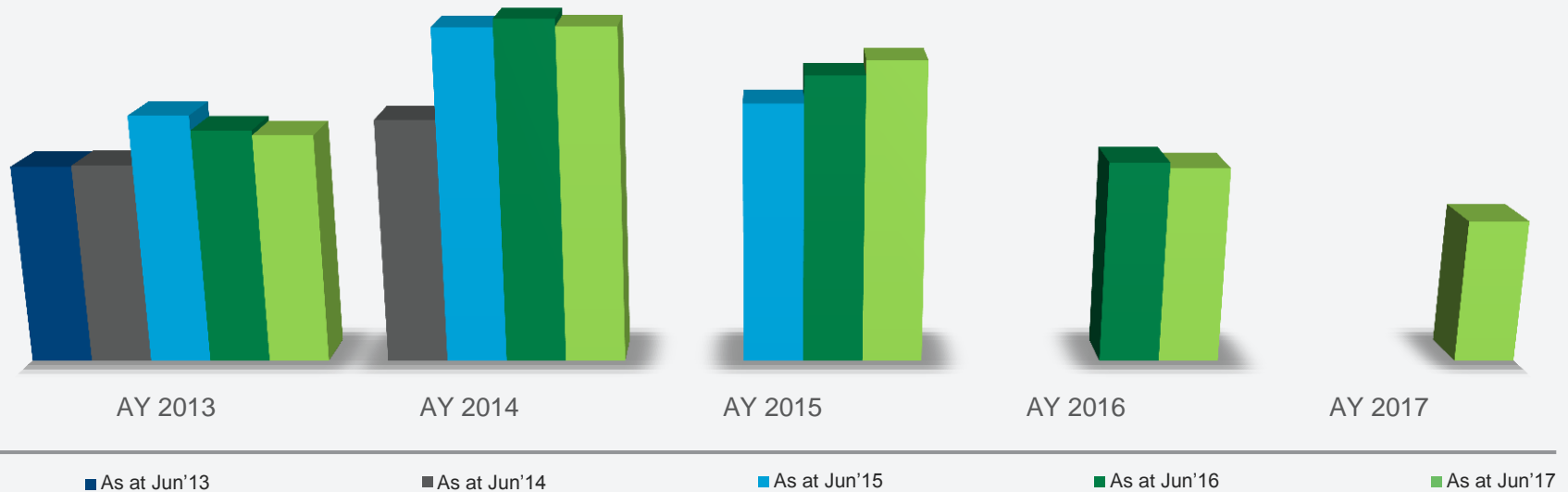
# H1 2017 INTERIM RESULTS

	2017 €'000s	2016* €'000s
Gross written premium	189,650	180,845
Net earned premium	158,931	152,020
<b>Net claims incurred (incl. MIBI)</b>	<b>(111,997)</b>	<b>(119,953)</b>
Other underwriting expenses	(35,862)	(33,662)
<b>Underwriting Result</b>	<b>11,072</b>	<b>(1,595)</b>
Investment income	3,898	271
Finance costs	(3,092)	(3,255)
Other	1,758	540
<b>Sub total</b>	<b>13,636</b>	<b>(4,039)</b>
<b>Exceptional items</b>		
Restructuring costs	(1,717)	(1,266)
<b>Profit before tax from continuing operations</b>	<b>11,919</b>	<b>(5,305)</b>
<b>Profit before tax from discontinued operations</b>	<b>-</b>	<b>1,653</b>
<b>Profit before tax</b>	<b>11,919</b>	<b>(3,652)</b>

\* 2016 figures adjusted to reflect claims handling expenses now presented within "Net Claims Incurred (incl. MIBI)" rather than "Other Underwriting Expenses"



# CLAIMS RESERVE DEVELOPMENT (Net)



**Positive prior year development** across most accident years in H1 2017

— Employers Liability, Public Liability & Motor all contributing

**2016 accident year** benefiting from lower injury frequency

Some modest adverse **2015 accident year development** on Motor

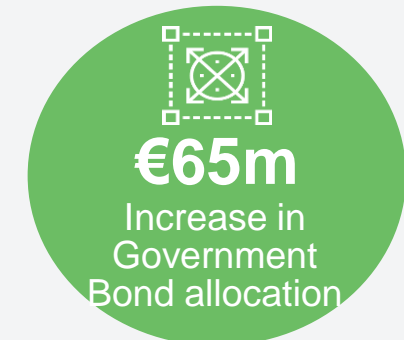
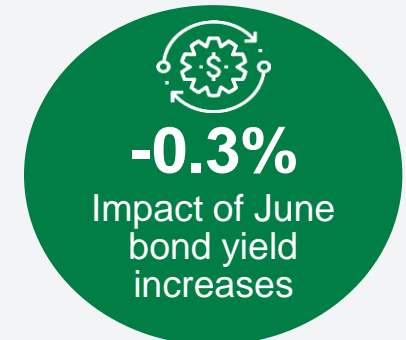
— Mainly on large claims



# INVESTMENT PERFORMANCE

**0.7%** Return reflecting low risk allocation and recent market volatility

	30-Jun-17		31-Dec-16	
Underwriting investment assets	€m	%	€m	%
Deposits and cash	220	22%	270	27%
Corporate bonds	494	48%	493	49%
Government bonds	242	24%	177	18%
Equities	22	2%	24	2%
Unit trusts	24	2%	24	2%
Investment property	16	2%	16	2%
<b>Total</b>	<b>1,018</b>	<b>100%</b>	<b>1,004</b>	<b>100%</b>





# ENVIRONMENT, OUTLOOK & SUMMARY

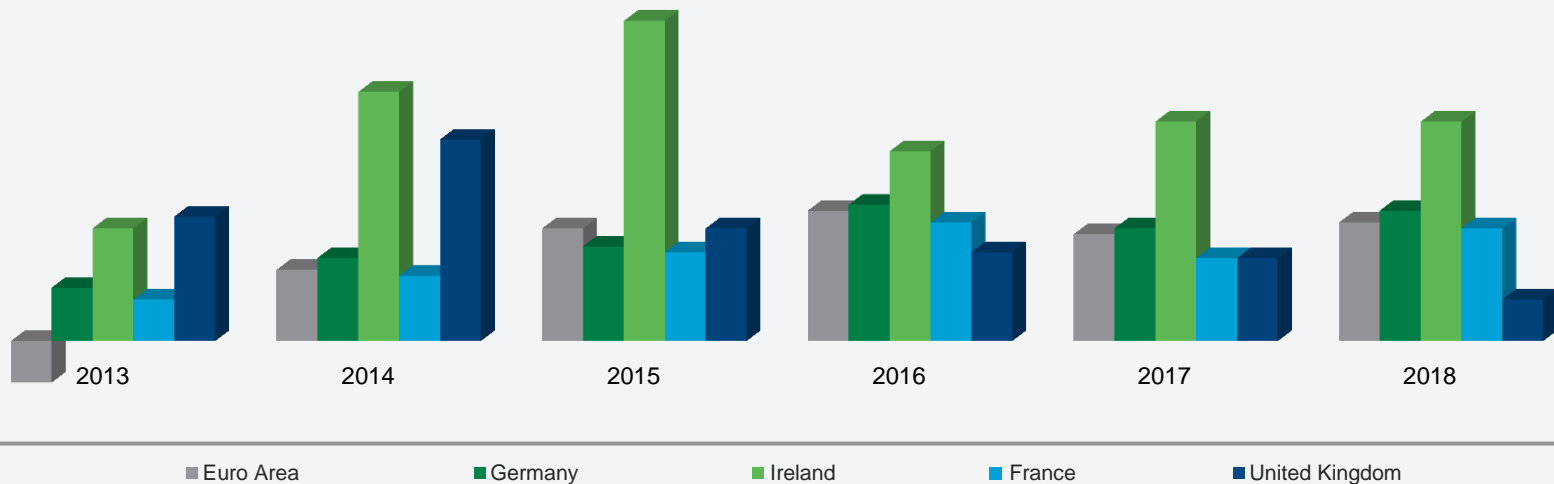
**Fiona Muldoon, CEO**



# IRISH ENVIRONMENT

## ECONOMY AND ENVIRONMENT

Irish economic growth projected to exceed euro area average in 2017



“The impact of **Brexit on the Irish economy** both in the short and long term is likely to be negative and material”

(CBI Macro Financial Review – June 2017)



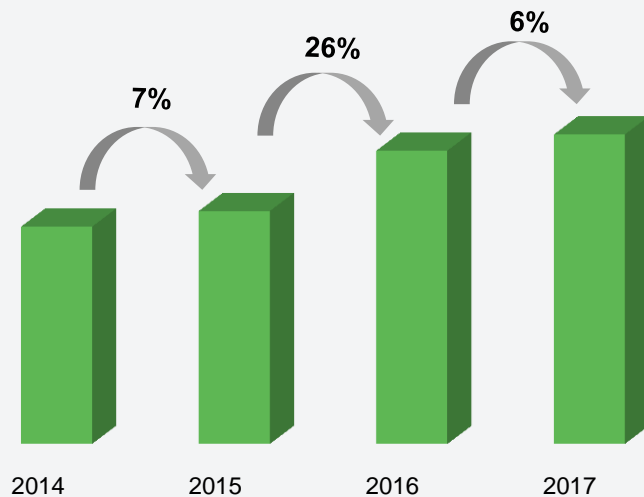
Irish domestic economy expected to **grow by 3.7%**

(European Commission Economic Forecast – Spring 2017)



Insurance market expected to **grow in 2017 after loss making 2016**

# AVERAGE COST OF INJURY SETTLEMENT ALL RISKS & ALL PERSONAL INJURIES



■ Average Cost 12 months to June



Average **cost of injury settlement** continues to increase



Evidence of **earlier involvement of solicitors** in certain injury cases



Higher volume of claims going to **Injuries Board and lower acceptance rate**



Welcome stability emerging in court awards overall but **wide variation in awards for similar injuries**



# CLAIMS ENVIRONMENT



**The rate of Claims inflation has begun to moderate** from very high levels



**UK Discount Rate reduction**

- Irish courts dealt with this issue in 2015 with cost of care rate set at +1%



**Average Injury Board awards**

- 10% higher for FBD since early 2016
- Fewer awards accepted



**Recovery Benefit Assistance Scheme**

- Challenge by Department of Social Protection to operation of scheme could increase costs for insurers



**Setanta Supreme Court ruling**

- Positive for claims
- However will now be offset by proposed compensation fund levy under new legislation



**Legal Costs Arising from Injury Awards**

- Measures have been taken to reduce delays in the finalisation of legal costs
- Impact will be monitored



# SUMMARY

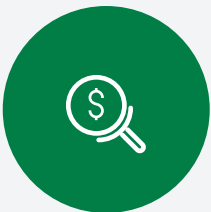


Our 93% Combined Operating Ratio is **a good result**



**Strong progress** on all strategic objectives

- Brand relaunch & advertising campaign
- New travel & professional indemnity products in development



Our focus is on **modest growth & sustainable profitable underwriting**



Our goal is to deliver shareholder value through **improved profitability**. We target **ROE's in low teen's** in 2018





# SUSTAINABLE G R O W T H



## QUALITY PRODUCT AND SERVICE

- Customer service #1
- Extend reach
- Innovate products
- Transact 'your' way



## SOPHISTICATED RISK SELECTION AND PRICING

- Risk based underwriting
- Pricing enhancements
- Book segmentation
- Targeted careful growth



## OPERATIONAL EFFICIENCY AND EXPENSE CONTROL

- Process improvements
- Cost conscious culture
- Supplier management
- Leverage technology



## EXCELLENT CLAIMS MANAGEMENT

- Fraud and leakage focus
- Supplier management
- Process efficiencies
- Best practice model

**LONG-TERM SHAREHOLDER VALUE**



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# APPENDIX

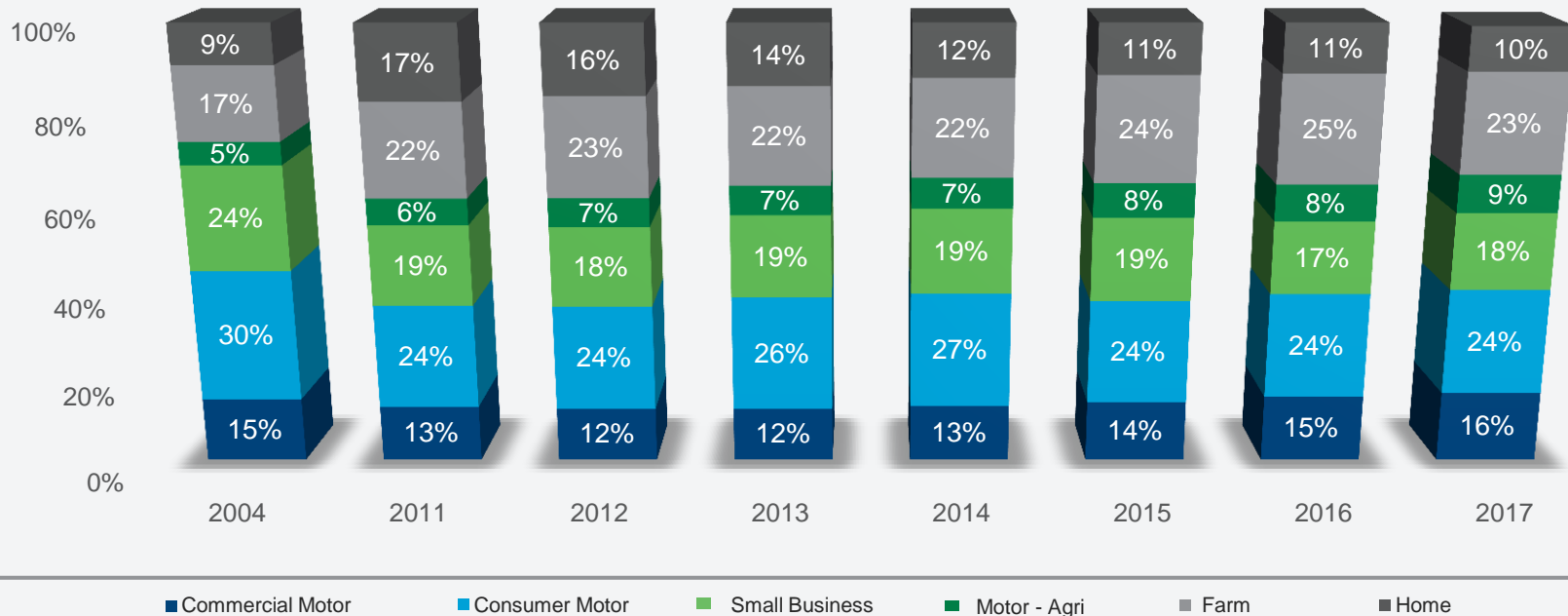
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# FBD



# PREMIUM BY PRODUCT

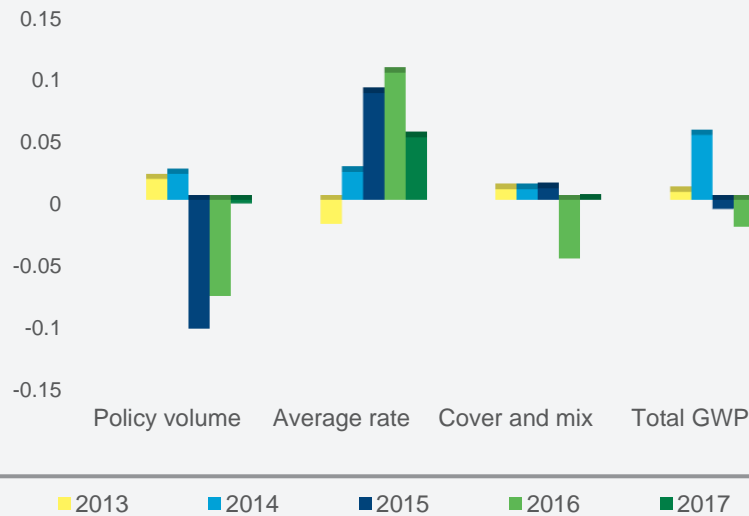


**Farm** includes property, public liability, employer liability and motor risks

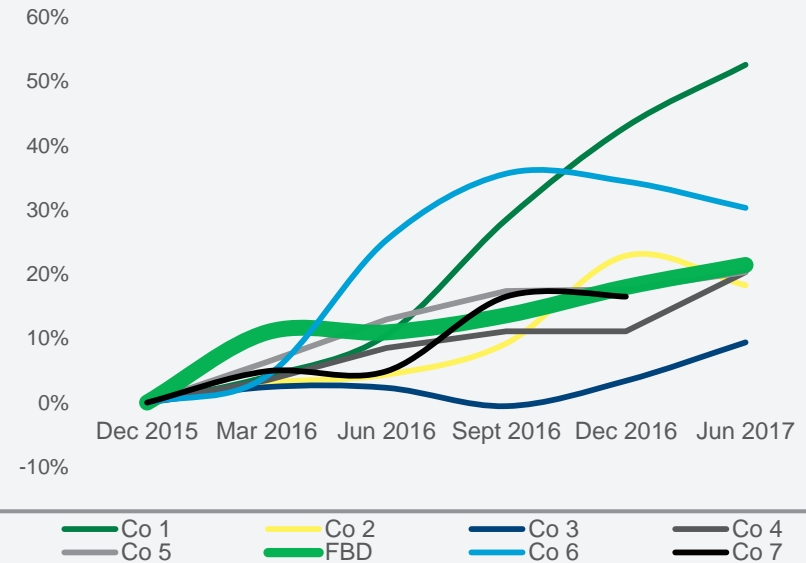
**Small Business** includes property, public liability and employer liability risks in shops, pubs, guesthouses, retail outlets and other small/medium enterprises

# BUSINESS UPDATE

## CHANGE IN GWP (DIRECT & INDIRECT)



## PRICE CHANGES- MOTOR ONLINE (CONSUMER INTELLIGENCE)



Source : Consumer Intelligence



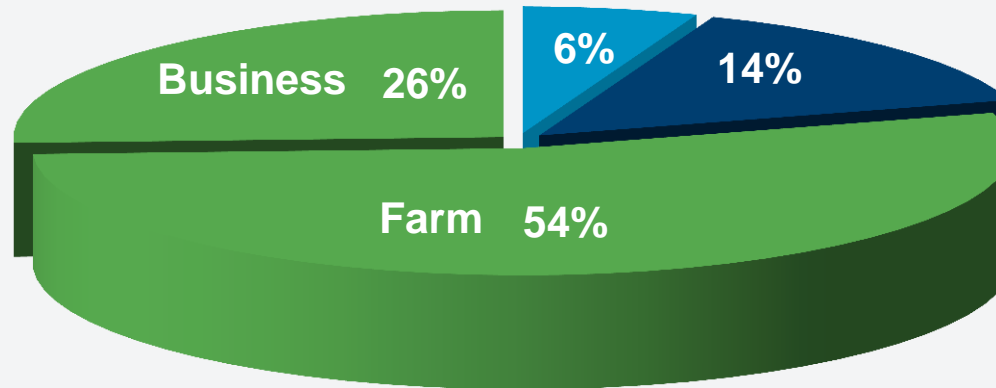
Volume decline stabilising with **0.3% decline in policies written** in H1 2017

**5% average premium increase** compared to H1 2016

Focus is on **profitable core segments**



# CUSTOMER SEGMENTS



■ Farm & Business Direct

■ Consumer

■ Brokers



- Strong performance with growth in premium & policy volume
- Successful focus on small business retention



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



- Reduction in exposure
- Improving profitability

# SPECIFIC CHANGES TO 2017 PROPERTY REINSURANCE PROGRAMME: BETTER COVER FOR MORE EXTREME EVENTS



**2017 property reinsurance arrangements** have changed from a surplus treaty to an XOL



Retain more attritional **property risk**



**Lower retention on casualty** (Liability & Motor) and lower property catastrophe weather event cover



**Exposure to multiple weather events** reduced with introduction of aggregate weather cover



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