



**FBD**  
**INSURANCE**

# FBD HOLDINGS PLC

2018 INTERIM  
RESULTS

AUGUST  
1<sup>st</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.







# OVERVIEW

**Fiona Muldoon, CEO**





# KEY HIGHLIGHTS



## Half year profit of €18.4m before tax

- Profit of €11.9m in H1 2017



## 88.6% Combined Operating Ratio

- Underlying current year COR of 89%
- Positive prior year reserve movements of €6m largely offset by Storm Emma cost of €6.6m



## Capital

- Annualised Return on Equity (ROE) of 12%
- Strong solvency position



## Dividend

- 2017 dividend paid in May 2018 of 24c per share: 20% payout ratio



## GWP of €192m (2017:€190m)

- New Business volumes up 21% on H2 2017, increase in private motor customers.
- Strong retention of existing customers



## Key strategic targets met

- Strong new business growth in consumer
- Increasing brand awareness. Baggot Street branch opened in July
- Partnership with Post Insurance targeted for September 2018



# DELIVERY AHEAD OF EXPECTATIONS



H1 2018 ROE  
**12%**

COR  
**89%**

# PROGRESS IN DEVELOPING OUR BUSINESS



## SALES & DISTRIBUTION

- **Baggot Street** branch opened and **Limerick** and **Cork** branches **relocating** to premium locations. Major branch investment and re-brands underway
- **CarProtect** and **Travel** products performing well
- **Car and home** focus amongst farming customers
- Strong new business **conversion levels** across all business areas in the face of significant competition
- Excellent **retention** levels



## BRAND & MARKETING

- Strong **advertising campaign** driving solid shifts in brand awareness\* and quote performance
- **Urban focus** with new branch on Baggot St. following on from the opening of Drumcondra branch
- Relunched **website** driving online sales
- Sponsorship of Bloom, the National Ploughing Championships and the Tullamore Show
- **Post Insurance** partnership on track for September launch

**RESULTING IN:**  
**STRONG RETENTION OF EXISTING CUSTOMERS AND NEW BUSINESS VOLUMES UP 21%**

\*Source: Behaviour & Attitudes Quantitative Brand Tracking Year End '17. FBD's 'Top of Mind' awareness score has gone from 8% in '16 to 11% in '17





# FINANCIAL PERFORMANCE

John O'Grady, CFO



# 2018 INTERIM RESULTS

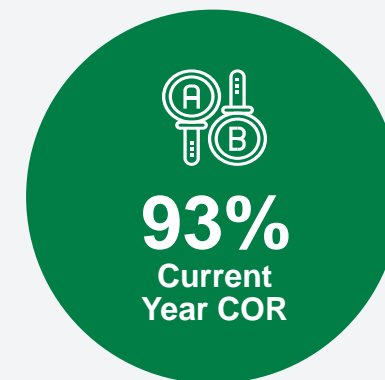


H1 2018 results include **Storm Emma** costs of €6.6m and **€6.0m positive** prior year reserve movements

	2018	2017
GWP	€192m	€190m
Profit before tax	€18m	€12m
EPS	46c	30c
NAV	800c	688c
ROE	12%	9%

	2018	2017
Loss ratio	63.3%	70.5%
Expense ratio	25.3%	22.6%
Combined Operating Ratio	88.6%	93.1%
Total investment return-annualised	(0.41%)	0.68%
• Income statement	0.25%	0.77%
• OCI	(0.66)%	(0.09)%

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# 2018 INTERIM RESULTS

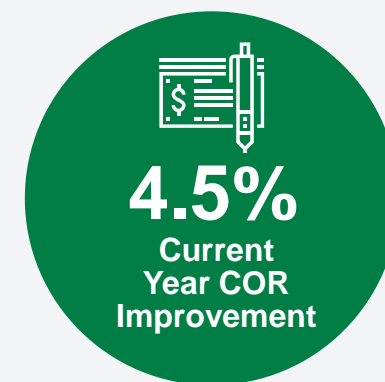


	2018 €'000s	2017 €'000s
Gross written premium	191,985	189,650
Net earned premium	165,510	158,931
<b>Net claims incurred (incl. MIBI)</b>	<b>(104,703)</b>	<b>(111,997)</b>
Other underwriting expenses	(41,873)	(35,862)
<b>Underwriting Result</b>	<b>18,934</b>	<b>11,072</b>
Investment income	1,297	3,898
Finance costs	(3,193)	(3,092)
Other	1,385	1,758
<b>Sub total</b>	<b>18,423</b>	<b>13,636</b>
<b>Exceptional items</b>		
Restructuring costs	-	(1,717)
<b>Profit before tax</b>	<b>18,423</b>	<b>11,919</b>



# ANALYSIS OF COMBINED OPERATING RATIO

	2018		2017	
	€m	%	€m	%
<b>Current Year Combined Operating Ratio</b> excluding Cat weather	17.7	89.4%	4.4	97.8%
Nat Cat weather - Storm Emma	(6.6)	3.9%	-	-
<b>Current Year Combined Operating Ratio</b> including Cat weather	11.1	93.3%	4.4	97.8%
Prior year reserve release/strengthening	6.0	(3.6%)	1.9	(1.2%)
MIBI levy release and related obligations	1.8	(1.1%)	5.6	(3.5%)
<b>Reported Combined Operating Ratio</b> Including Storm Emma	18.9	88.6%	11.9	93.1%

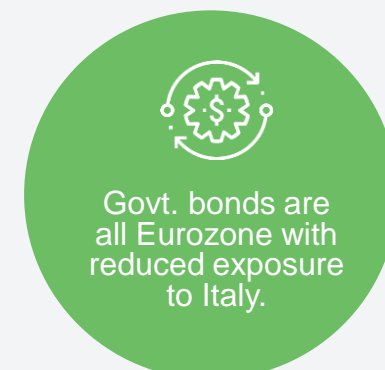




Increased allocation to risk assets in line with the **Strategic Asset Allocation** target

	30-Jun-18		31-Dec-17	
Underwriting investment assets	€m	%	€m	%
Deposits and cash	213	20%	230	22%
Corporate bonds	500	47%	499	47%
Government bonds	244	23%	259	25%
Equities	27	3%	22	2%
Investment property	18	2%	18	2%
Other risk assets	55	5%	24	2%
<b>Total</b>	<b>1,057</b>	<b>100%</b>	<b>1,052</b>	<b>100%</b>

- **-0.41%** return on portfolio reflects **challenging investment environment** in first half of 2018.
- The return in the OCI, -0.66%, was driven by **widening spreads** in the corporate bond portfolio and in the bonds of some Eurozone countries, particularly Italy.





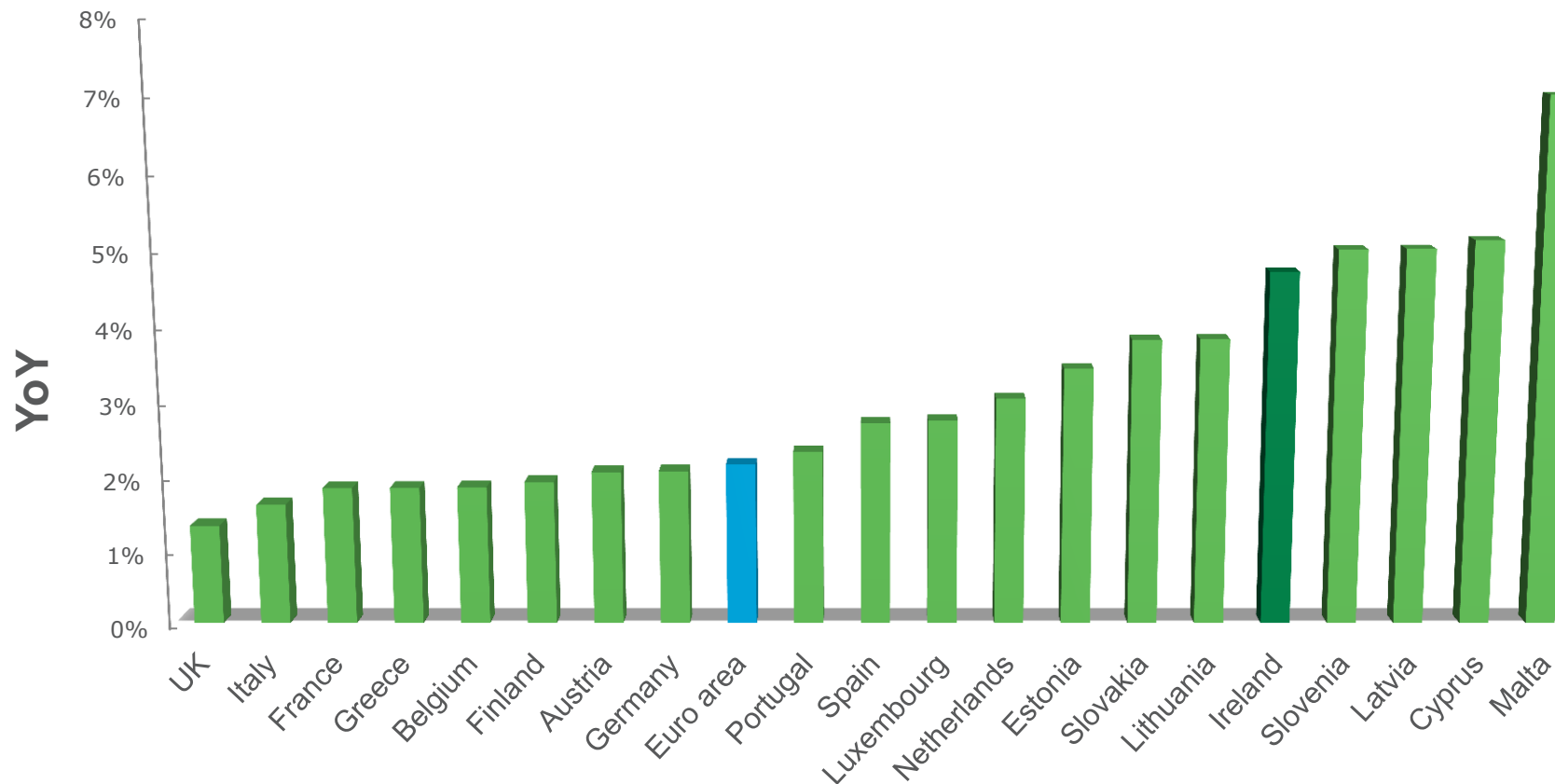
# ENVIRONMENT, OUTLOOK & SUMMARY

**Fiona Muldoon, CEO**





## 2018 DOMESTIC DEMAND GROWTH FORECASTS BY COUNTRY



Source: AMECO, Goodbody \*Core Domestic Demand

The seasonally adjusted **unemployment rate for June 2018 was 5.1%**. It was the lowest jobless rate since October 2007.

(Central Statistics Office – June 2018)

Irish Gross Domestic Product forecast to **grow by 4.8% in 2018**

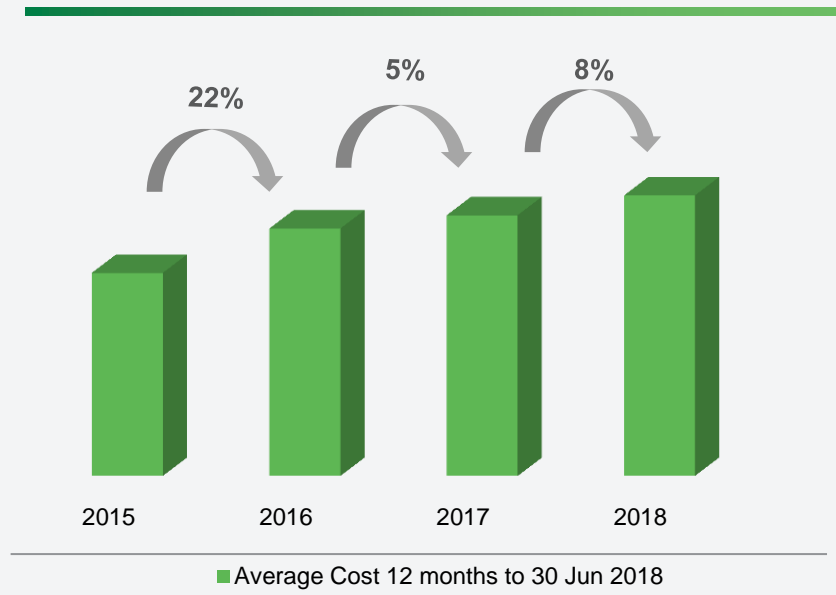
(ESRI – March 2018)

The Irish economy will grow by 7% less than it would have without Brexit in the worst-case scenario and by **2.8% less in the best-case scenario**.

(Copenhagen Economics – Ireland & the impacts of Brexit – February 2018)

# AVERAGE COST OF INJURY SETTLEMENT

## ALL RISKS & ALL PERSONAL INJURIES



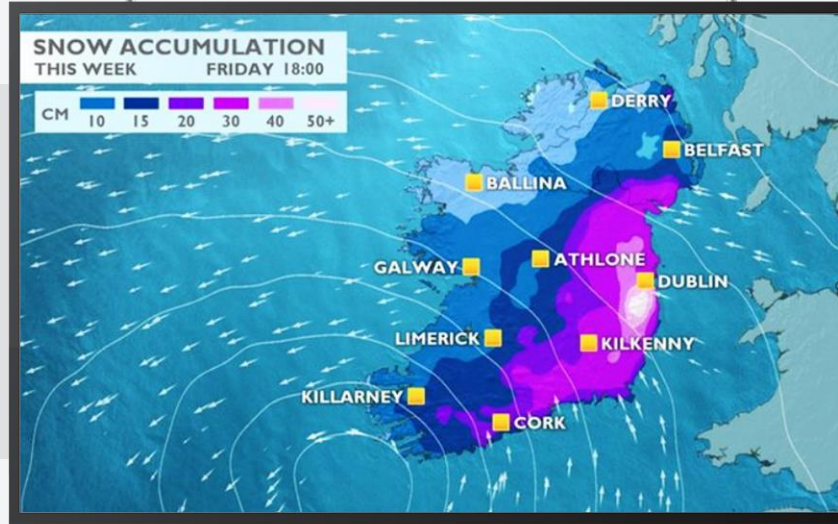
- **Claims inflation continues to be evident** at high single digit levels
- **Mid sized injury claims** have higher inflation. Personal Injuries Commission shows awards are 4x UK awards: time to act.
- **Special damages and legal costs increasing** with some stability in general damages
- **Average cost of Property and Motor Damage claims and increasing** with strengthening Irish economy and more sophisticated equipment in cars



# WEATHER 2017/2018 - EXPOSURE TO NATURAL CATASTROPHES CONTAINED BY REINSURANCE PROGRAMME



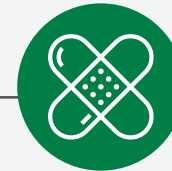
## STORM EMMA



Just over 1,200 **claims received**. Characterised by fewer claims at a higher value than Storm Ophelia



**Net cost €6.6m** after reinsurance recoveries and reinstatement premium



**Southern counties of Ireland most impacted** for majority of claims



Storm Emma and Storm Ophelia over a single winter have highlighted the **efficacy of our reinsurance buying**

# SUMMARY



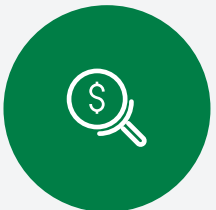
ROE of 12%



Our **89% Combined Operating Ratio** is excellent and a strong indicator of on-going underwriting discipline and quality risk selection.



**Key strategic targets met**



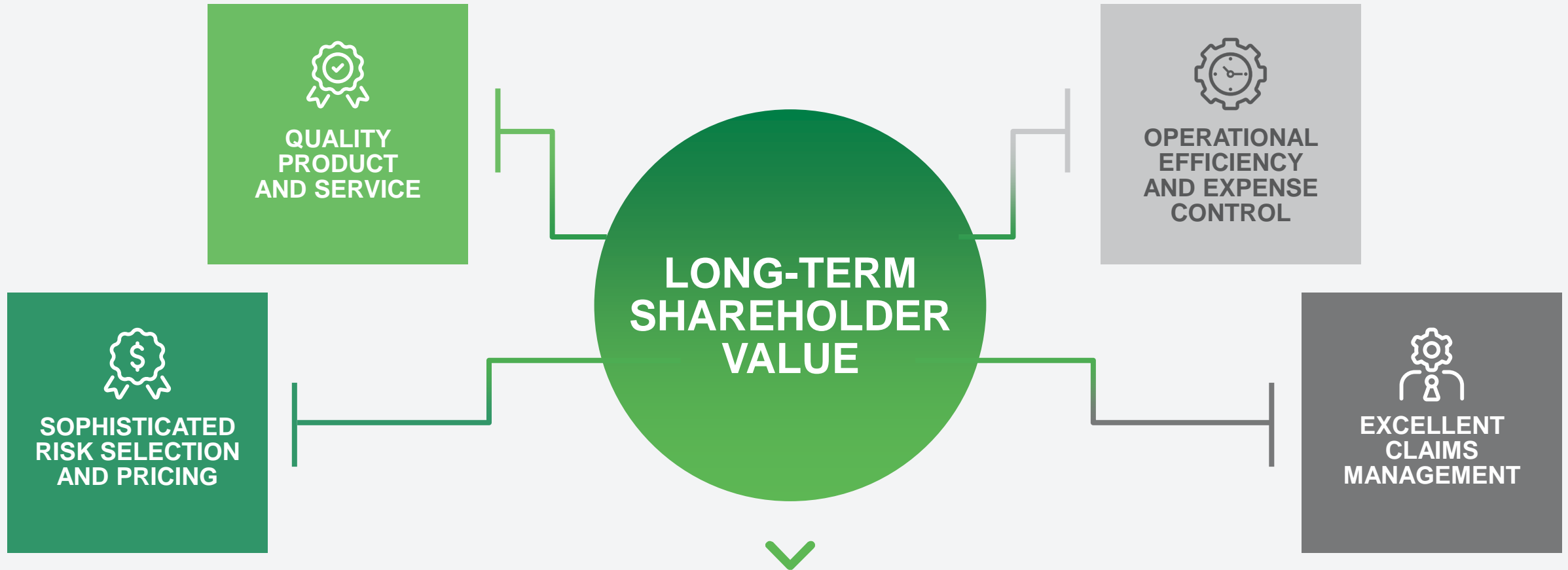
Our focus is on **modest premium growth** in our core markets **& sustainable profitable underwriting**



Our goal is to deliver growth in book value through **strong underwriting and customer focus**







To deliver low double digit Return on Equity (“ROE”) through the cycle.



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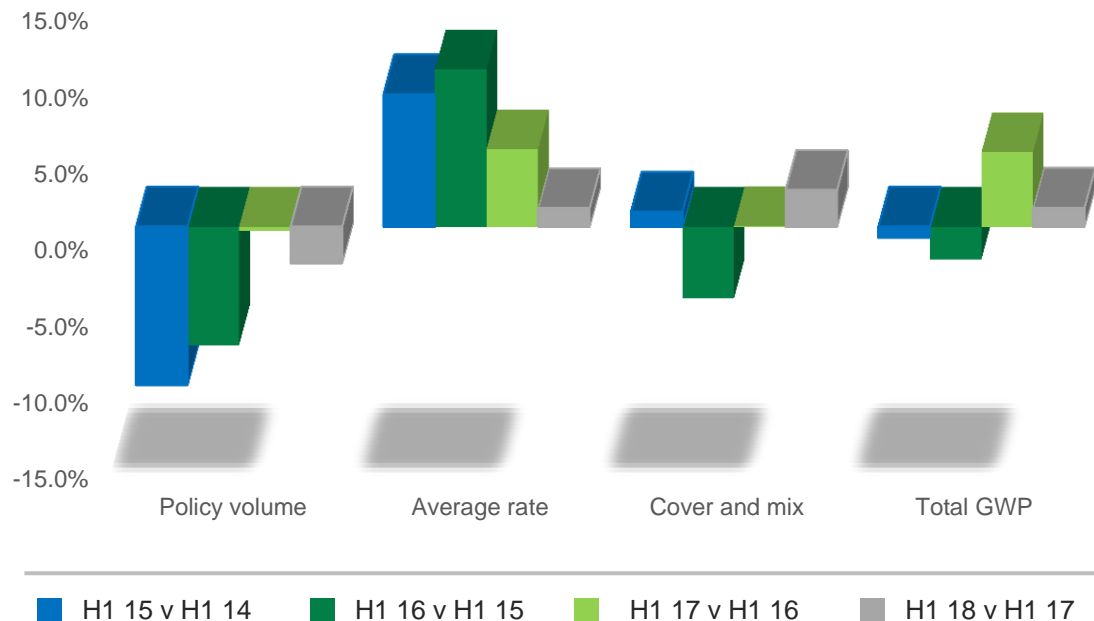
# APPENDIX

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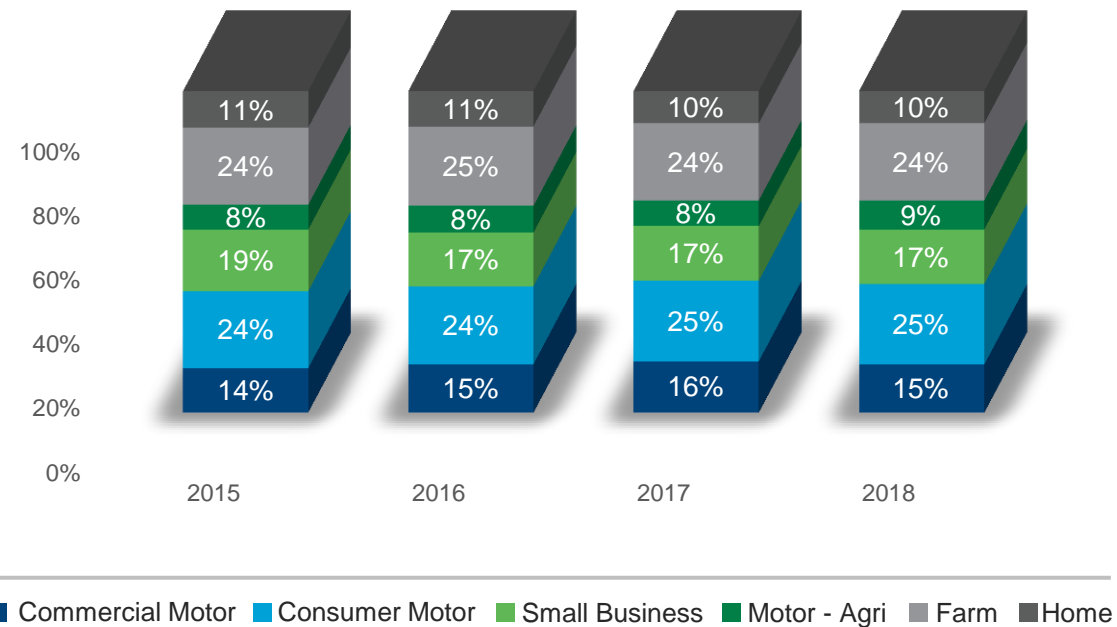
# FBD

## CHANGE IN GWP (DIRECT & INDIRECT)



GWP increase of 1.2% in H1 2018 attributable to **business and private motor**

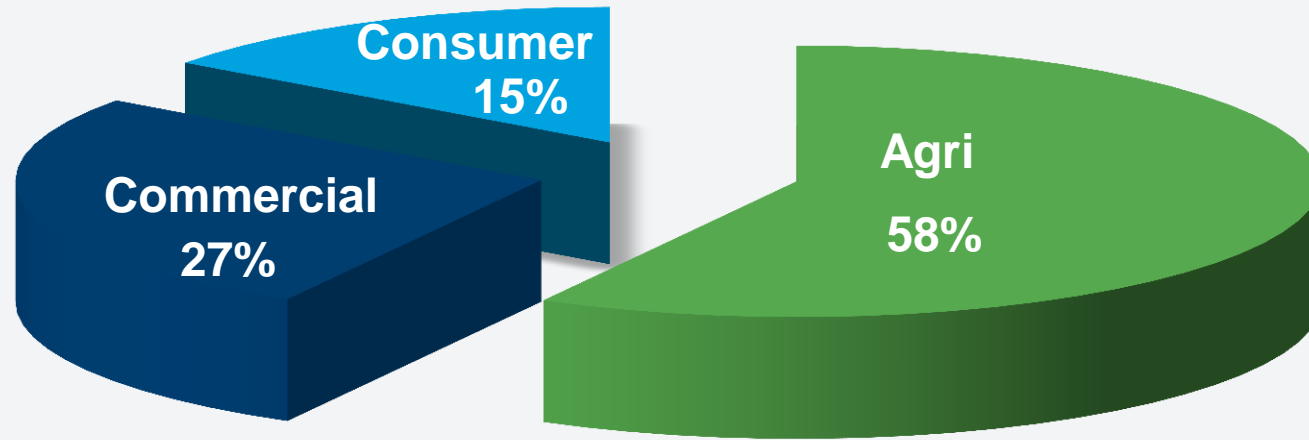
## PREMIUM BY PRODUCT



**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





■ Agri



- Market leader
- Growth in premium
- Strong retention
- Comprehensive product

■ Commercial



- Increased new business
- Strong retention
- Rounded offering

■ Consumer

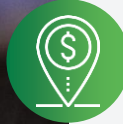


- Increasing urban footprint
- Dashcam discount
- Mobile responsive
- On-line claims



## Personal Injuries Commission reports

- Payouts 4 times higher than UK
- 80% of motor injury claims are soft tissue – costs 3 times higher than UK



## Injuries Board trends

- Stability in award levels compared to 2017
- Higher level of cases being released from Injuries Board



## Periodic Payment Orders (PPOs)

- Legislation still awaiting ministerial commencement order
- Uncertainty around impact



## Psychological Injury

- Increasing feature of soft tissue injury claims
- Excessive awards for post-traumatic stress



## Assistive Care Claims

- Increasing in frequency as now more prevalent in less serious claims



## Economic Growth

- Wage inflation and higher levels of employment impacting loss of earnings claims

# 18 MONTHS ON FROM THE COST OF INSURANCE WORKING GROUP FBD CONTINUES TO SEEK DELIVERY ON



01

## STRENGTHENING THE INJURIES BOARD

- Enactment of PIAB (Amendment) Bill strengthening power to tackle non co-operation
- Implementation of pre-action protocols
- Appeals powers for rejected cases
- More efficient process to litigation

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## PERSONAL INJURIES COMMISSION

- Implementation of standardised approach to assessing “whiplash” claims
- Implement internationally benchmarked awards
- Assess other systems internationally for delivering compensation including “care not cash”
- Accredited medical advisors

03

## IMPROVED DATA SHARING


- Full implementation of Automatic Number Plate Recognition (ANPR)
- Establishment of integrated insurance fraud database
- Set up a dedicated insurance fraud investigation unit within the Garda
- Regular reports on key aggregated metrics on claims costs and trends in the Insurance market

**Delivery** is required to  
reduce costs for customers



# GOVERNMENT COST OF INSURANCE WORKING GROUP PROPOSALS

## SUGGESTED REFORMS

- 
- Improve **consumer information & consultation**
  - Establish a claims **information database**
  - Establish **Personal Injuries Commission**
  - **International benchmarking**
  - Strengthen powers of **Injuries Board**
  - Greater use of more granular **Book of Quantum**
  - **Monitor legal fees**, new court levels & discount rate
  - Establish **integrated fraud database**
  - Better **Gardaí & industry** collaboration on fraud



## WORK IN PROGRESS

- 
- **Personal Injuries Commission** established and reports issued – focus on standardisation of whiplash injuries and UK comparisons
  - **Dedicated Garda Fraud Investigation Unit** proposed with funding from Insurance Industry
  - **PIAB (Amendment) Bill** published proposing increased powers for Injuries Board
  - Progress made on an **integrated insurance fraud database** for the Industry – GDPR implications being considered
  - Work is progressing on building an **uninsured drivers database** for loading to the Garda ANPR system

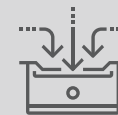
## SECOND MOTOR INSURANCE KEY INFORMATION REPORT – MAY 2018



Two reports published providing greater transparency on costs/trends

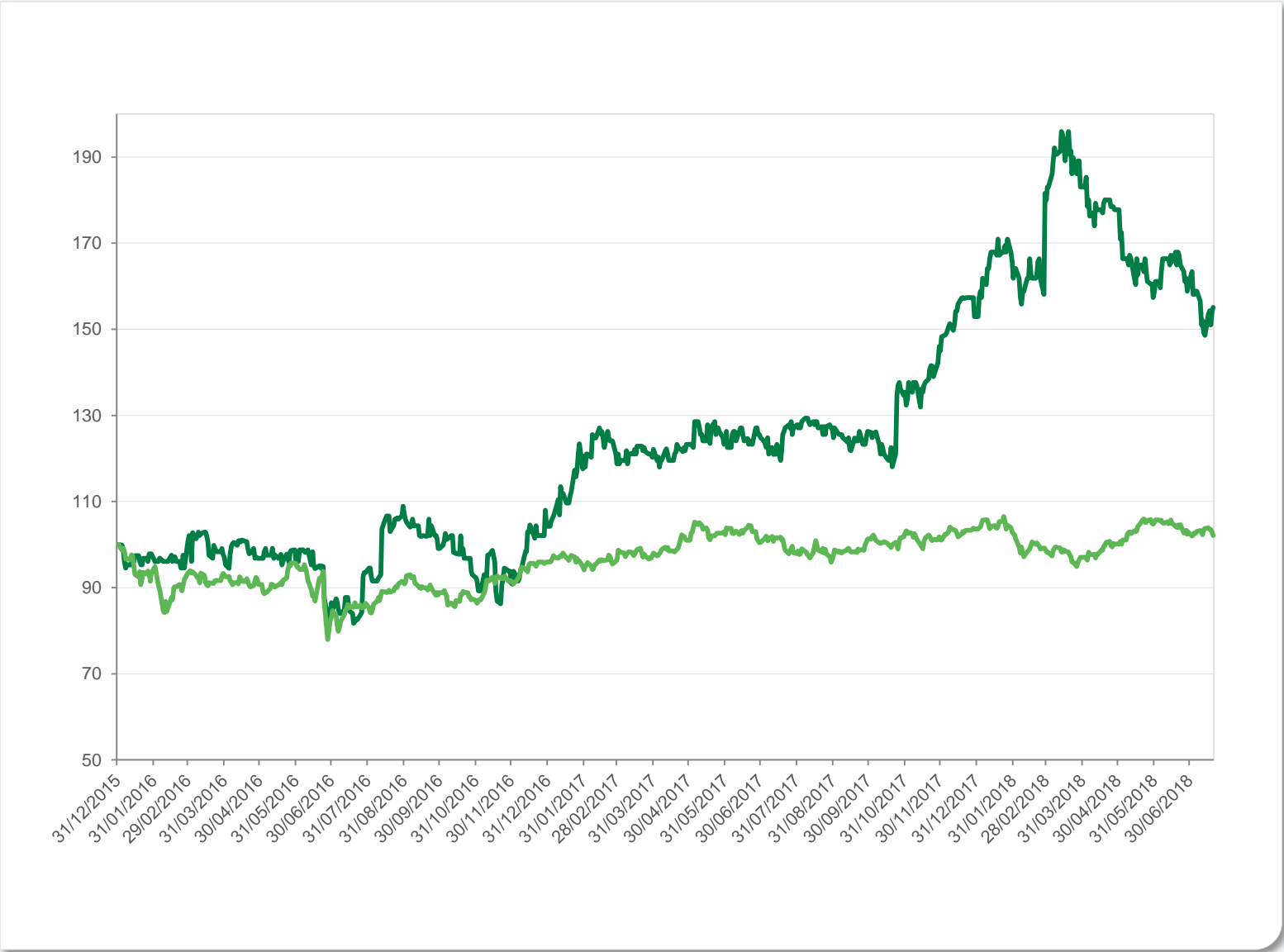


Third party injury claims represented 77% of claims costs per policy in 2016 up from 68% in 2011



Frequency of third party injury claims is lower in Ireland than in UK but costs are significantly higher

# FBD SHARE PRICE PERFORMANCE





## BOND C O N V E R S I O N



In **Sep 2015** a **€70m convertible bond** was issued to Fairfax at **7%**. Option to convert starts on the third anniversary of issuance **23 September 2018**.



There is a protective **mandatory conversion** if FBD share price trades at or **above €8.50** for **180 consecutive days**. At the current share price this suggests mandatory conversion on or before 23 March 2019.



On conversion **8,235,294** new shares issue to Fairfax representing 19% of shares in issue at that time.



# 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>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>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>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>Claim</b>	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
<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>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>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>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>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>Expense Ratio</b>	Underwriting and administrative expenses as a percentage of net earned premium.
<b>General Insurance</b>	Generally used to describe non-life insurance business including property and casualty insurance.
<b>Gross Claims Incurred</b>	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
<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>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>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>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>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>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.

