

# FBD Holdings plc

## 2019 Interim Results

1 August 2019



### 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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2019 INTERIM RESULTS

# Overview

→ Fiona Muldoon, CEO

# Key Highlights



## Half year profit of €38.7m before tax

- Strong underwriting profitability
- Benign winter weather
- Strong one-off investment return as markets rally



## GWP of €190m (2018: €192m)

- Competitive pressures are headwind
- New Business count up 5%
- Private motor new business count up 26%
- Strong retention of existing customers



## 82.5% Combined Operating Ratio

- Current Year COR is 87.8%
- Prior year reserve releases of €8.8m



## Strategic progress

- Best in class Farm product launched
- New small business product to launch in Q3 2019
- Post Insurance partnership progressing nicely
- Continuing to advocate for Insurance reform



## Capital

- Net Asset Value 896c
- Return on Equity (ROE) of 23% (annualised)
- Strong capital accretion

# Recent innovations seek to grow (and defend) our business in a crowded market

## Are you sure your farm insurance protects you?

Our great value farm insurance just got better

- Not all farm insurance is the same. FBD now offers:
- A €5 million limit of public liability cover
- Environmental liability protection for farm activities as standard\*
- Legal expenses protection as standard\*

Find out more:  
01 7617 617

\*Cover is dependent on other policy details in policy

Insurance cover is provided by FBD Insurance Group, which is a member of the FBD Insurance Group. FBD Insurance Group is a member of the FBD Insurance Group. FBD Insurance Group is a member of the FBD Insurance Group.



Protection. It's in our nature.

## Year to date progress

- **Continued underwriting discipline and risk selection** across all products and channels
- **Launch of market leading Farm** product providing superior cover
- New **advertising campaign** and continued support of Irish Olympians
- **New urban offices** delivering measured growth



Based on 40 year old software developer, full licence, 5 years no claims bonus living in Dublin 2. No accidents, claims, convictions, penalty points. 2017 VW Golf 1.4 petrol, value €17,000. Price available on new policies only, valid as of 05/06/19. Acceptance criteria, terms & conditions apply. Underwritten by FBD Insurance plc. FBD Insurance Group Ltd trading as FBD Insurance is regulated by the Central Bank of Ireland.

## Taking stock

- **Good retention on farm account** despite aggressive price competition
- **Personal lines growth** in H1 2019
- **Commercial lines** up year on year
- Strong new business **conversion levels**
- **Sponsorship** of over 100 community events including Bloom



## Future focus

- Seek **further opportunities** for growth
- **Maintain** underwriting discipline and build on enhanced claims service and cost control
- **New small business product** to support growth
- Capitalise on **Post Insurance** partnership
- Continue to push for **Insurance reform**

Positioning FBD as Irish insurer of choice across all of our product lines and channels





2019 INTERIM RESULTS

# Financial Performance

→ John O'Grady, CFO



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# 2019 Interim Results

	2019	2018
GWP	€190m	€192m
Profit before tax	€39m	€18m
EPS	97c	46c
NAV	896c	800c
ROE (annualised)	23%	12%
	2019	2018
Loss ratio	56.4%	63.3%
Expense ratio	26.1%	25.3%
Combined Operating Ratio	82.5%	88.6%
Total investment return (annualised)	4.3%	(0.4%)
▪ Income statement	1.6%	0.3%
▪ OCI	2.7%	(0.7%)



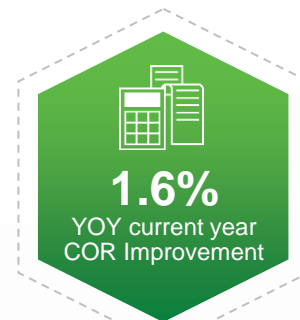
# 2019 Interim Results

	2019 €'000s	2018 €'000s
Gross written premium	189,716	191,985
Net earned premium	167,207	165,510
Net claims incurred (incl. MIBI)	(94,294)	(104,703)
Other underwriting expenses	(43,699)	(41,873)
<b>Underwriting Result</b>	<b>29,214</b>	<b>18,934</b>
Investment income	8,627	1,297
Finance costs	(1,285)	(3,193)
Other	2,105	1,385
<b>Profit before tax</b>	<b>38,661</b>	<b>18,423</b>



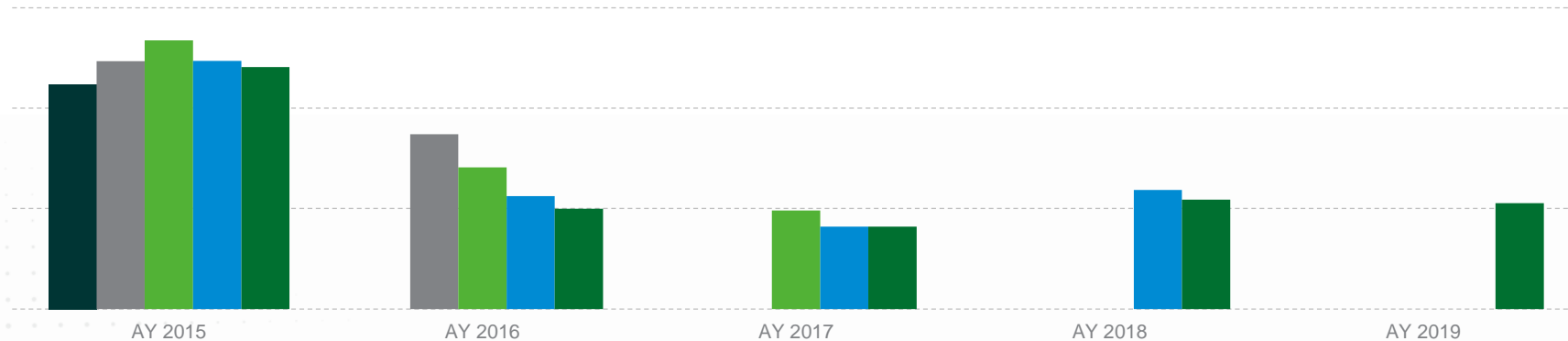
# Analysis of Combined Operating Ratio

	2019		2018	
	€m	%	€m	%
<b>Current Year Combined Operating Ratio</b> (Excluding Cat weather)	<b>20.4</b>	<b>87.8%</b>	<b>17.7</b>	<b>89.4%</b>
Storm Emma	-	-	(6.6)	3.9%
<b>Current Year Combined Operating Ratio</b> (Including Cat weather)	<b>20.4</b>	<b>87.8%</b>	<b>11.1</b>	<b>93.3%</b>
Prior year reserve release	8.8	(5.3%)	6.0	(3.6%)
MIBI levy release and related obligations	-	-	1.8	(1.1%)
<b>Combined Operating Ratio as reported</b>	<b>29.2</b>	<b>82.5%</b>	<b>18.9</b>	<b>88.6%</b>





# Claims Reserve Development



- Prior year reserve releases predominantly from accident years 2015 to 2018
- Some stability in court awards has led to improved ability to settle
- Large claims experience is positive
- Increase in the frequency of employer liability claims in 2018 & 2019

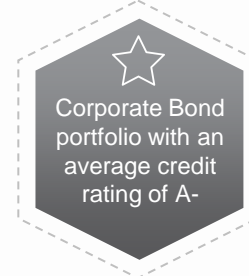
- As at YE 2015
- As at YE 2016
- As at YE 2017
- As at YE 2018
- As at Q2 2019

# Investment Allocation

- Strategic Asset Allocation implementation continues with modest increase in risk assets

	30-Jun-19		31-Dec-18	
Underwriting investment assets	€m	%	€m	%
Deposits and cash	152	14%	146	15%
Corporate bonds	507	47%	498	48%
Government bonds	304	28%	297	28%
Equities	31	3%	24	2%
Investment property	18	2%	18	2%
Other risk assets	59	6%	55	5%
<b>Total</b>	<b>1,071</b>	<b>100%</b>	<b>1,038</b>	<b>100%</b>

- Annualised Total return of 4.3% reflects recovery in markets after disappointing 2018
- Of which Mark to Market of 2.7% is driven by narrowing spreads in the corporate bond portfolio and “lower for longer” interest rate outlook



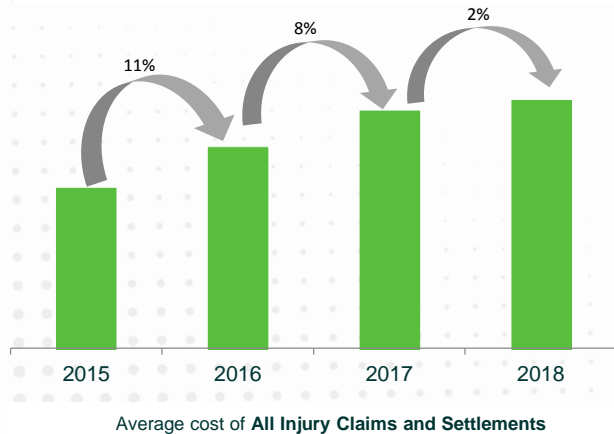
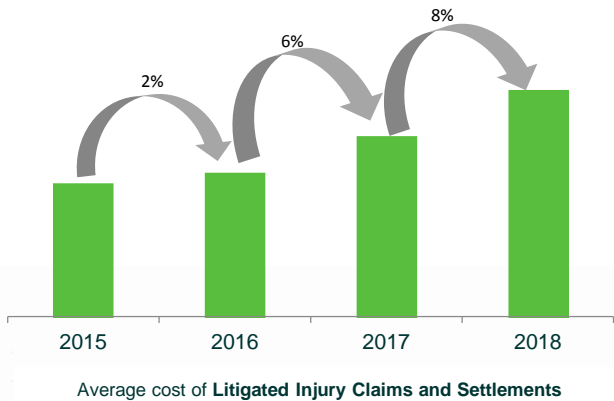


2019 INTERIM RESULTS

# Environment & summary

→ Fiona Muldoon, CEO

# Average cost continues to rise



**Claims inflation moderating** but continues year on year



**Circuit Court award levels continue to increase** (where vast majority of whiplash and small injury cases are heard)



**Special damages and legal costs remain high**



**Negligence standards unreasonable** for many small businesses; personal responsibility not imposed by courts

# Claims update



## Exaggerated Injury Claims

- More judges limiting awards and making lower than expected awards following recent Court of Appeal decisions: still inconsistency in system
- Still marked reluctance to dismiss claims outright
- Psychological injury featuring more often in soft tissue injury claims
- Excessive awards for post-traumatic stress



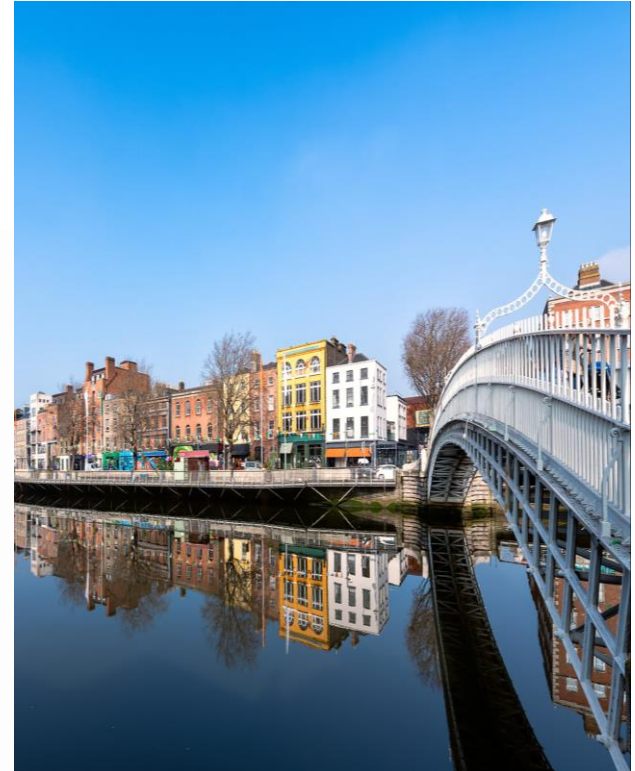
## Cost of Claims

- Motor damage frequency expected to reduce as vehicle safety technology improves but that technology also likely to increase cost of repair
- Cost of property damage repair increasing as construction costs increase
- “Easy” winter helped reduce damage claims



## Legal Costs

- Litigation costs increasing year on year particularly in the Circuit Court where most soft tissue injury claims are heard





# Summary



**Excellent Profit of €39m** before tax



**82.5% Combined Operating Ratio** is a strong indication of on-going underwriting discipline and quality risk selection



**Competitive market** challenges profitable premium growth



**New Farm product** launched. And new small business product planned



We aim to be the Irish **insurer of choice**. Our customers and communities are at the heart of who we are



# FBD creates sustainable growth in Net Asset Value



**We target an ROE of low double-digits through the cycle.  
Assuming a normalised second half, 2019 ROE is likely to be mid to high teens.**



2019 INTERIM RESULTS

# Appendix



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# Irish Environment

## 2020 domestic demand growth forecasts by country



Source: AMECO, Goodbody \*Core Domestic Demand

Despite operating in the presence of a considerable degree of uncertainty, the **Irish economy** continued to **grow at a robust rate**. The domestic economy is now expected to grow by 4.0% in 2019 and by 3.2% in 2020.

(ERSI – Summer 2019 Economic commentary)

Irish seasonally adjusted **unemployment rate stood at 4.5%** in June 2019, unchanged from the previous month's revised level and remaining at its **lowest since October 2005**.

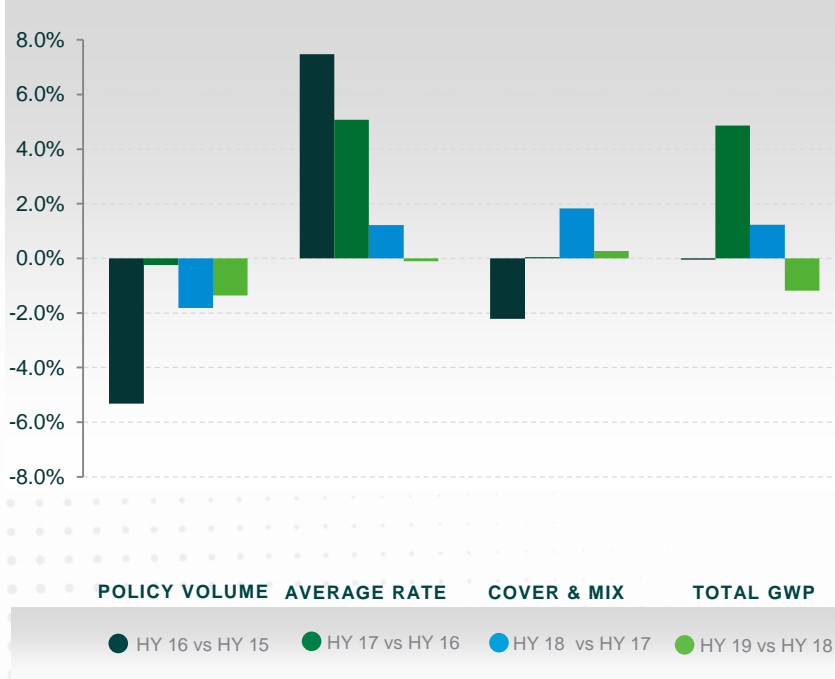
(Trading Economics – July 2019)

**Irish beef farmers** are facing a “potential Armageddon” from **Brexit** and will need substantial EU compensation for losses.

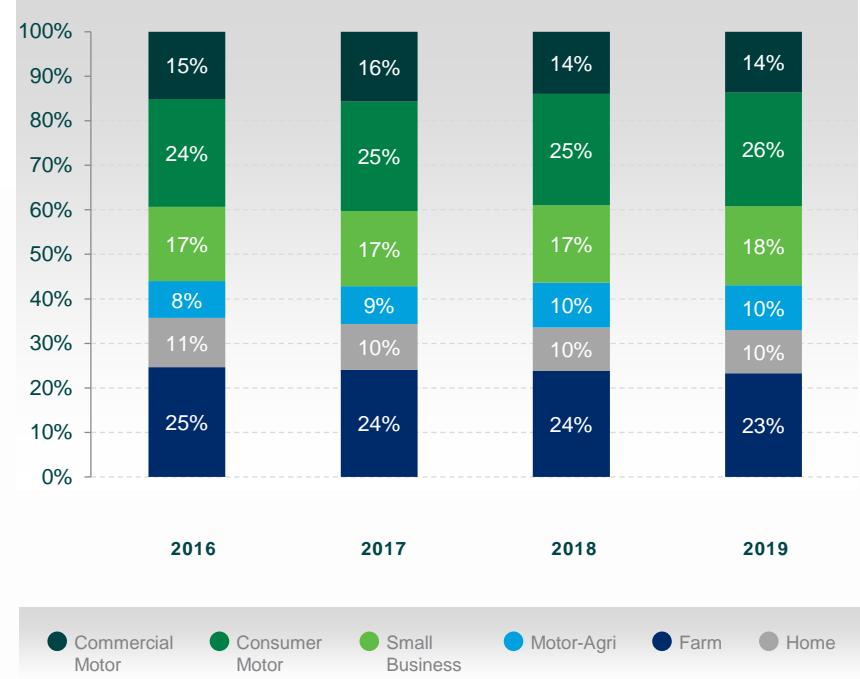
(Irish Farmer's Association – Jan 2019)

# Business Update

## Change in GWP (Direct & Indirect)



## Premium by Product





# Claims Environment Reform

## FBD Contribution

- Continue to advocate for reform to reduce the cost of insurance
- Submitted data for inclusion in the National Claims Information Database and the first and second Motor Insurance Key Information Reports
- Submitting the requested Employers and Public Liability data
- Assisted with the first stage of the Motor Third Party Liability (MTPL) insurance database
- Implementation of amended non-life regulations
- MIICF 2% levy on Motor GWP

## Partial Progress

- Court of Appeal overturning cases – Byrne v Ardenhealth Company ruling referenced in cases
- Judicial Council Bill passed – committee to be established to review personal injuries guidelines
- PIAB (Amendment) Act – partial reform focused on non-cooperation of claimants
- Group to Review Civil Justice, announced in March 2017
- Civil Liability & Courts Act S.26 – claimants must be referred to the DPP

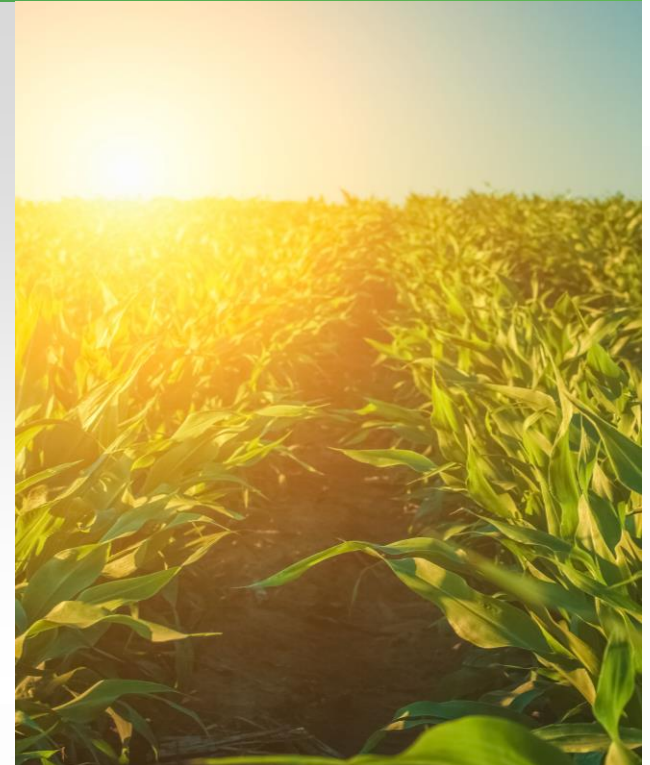
## Awaiting Substantive reform

- |                                     |   |
|-------------------------------------|---|
| ▪ Lower awards                      | Judicial Council to produce new book of quantum at a fraction of current values, which the courts then apply consistently. Implement an objective measurement of pain |
| ▪ Lower cost of litigation          | Reform the legal system to speed up and reduce the cost of litigation; awaiting output from Group to Review Civil Justice   |
| ▪ Rebalance personal responsibility | Tackle the impossible standards that small businesses are being held to in personal injury cases  |
| ▪ Reform PIAB                       | Enshrine pre-action protocol in legislation to fast-track rejected PIAB awards through a more simplified litigation process   |
| ▪ Reduce Fraud                      | Establish a fully functioning integrated insurance fraud database for industry to detect patterns of fraud. Make gross exaggeration an offence. Resource Gardaí       |

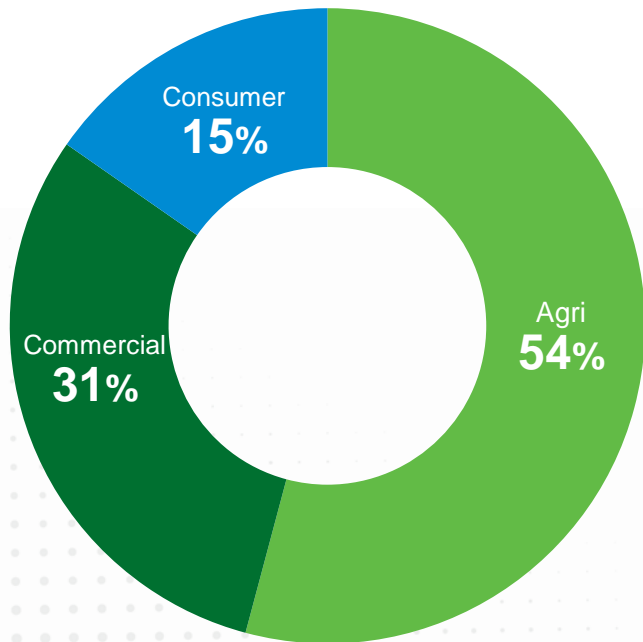
# New Farm Product – best in class

## Launched in May 2019

- Market leading **superior product**, relevant and valuable to farmers
- **Covers emerging risks** in the changing nature of farming
  - Family member protection included as standard
  - Public liability/limit of indemnity increased from €2.6m to €6.5m
  - Expanded liability cover to include environmental liability
  - Enhanced livestock and sheep worrying covers
  - Specific cover for employment disputes
- **Existing customers** receive the **improved benefits at no additional cost**



# Customer Segments



## AGRI

- Best in class product
- Market leader
- Strong new business



## COMMERCIAL

- Increased year on year
- Strong retention
- New product launch in H2 2019



## CONSUMER

- Strong conversion rates
- Post insurance gaining momentum



# 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>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.