



FBD



FBD HOLDINGS PLC

2016 FINAL RESULTS

FEBRUARY
27TH

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



Full year profit of **€11m before tax**



2016 Combined Operating Ratio **of 99%** due to

- Improved risk selection
- Better pricing
- Benign winter weather to 31/12/16



GWP of €362m (2015:€363m) has held up due to rate increases and strong retention



Average **premium increases of 9%**, offset by a **5% decline in volume** from direct operations



Successful ETV for deferred DB scheme members led to a one-time **P&L gain of €7m**



Annualised total **Investment return of 1.9%**



Capital levels within target range of **110%-130% of Solvency Capital Requirement** ("SCR")



Strong progress on all **strategic objectives**



STRONG PROGRESS IN 2016



- Board streamlined
- Reorganised customer focus
- Single brand – FBD new brand launch
- Launch & rollout of IT system



- Improving claims settlement
- Changed Financial Solutions business model
- Voluntary redundancy programme
- Cost reduction



- Pricing and underwriting actions
- De-risk pension scheme
- Follow on deferred members ETV offer
- Focus on direct customer relationships



- Strengthen balance sheet
- Capital actions
- Management & Board appointments
- Build out management team
- New reinsurance programme

2016





FINANCIAL PERFORMANCE

John O'Grady, CFO



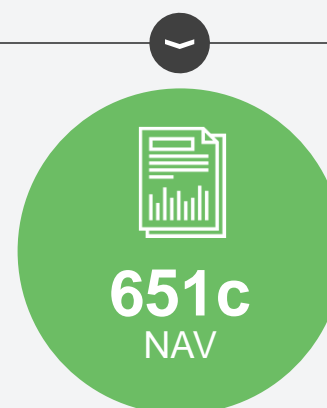
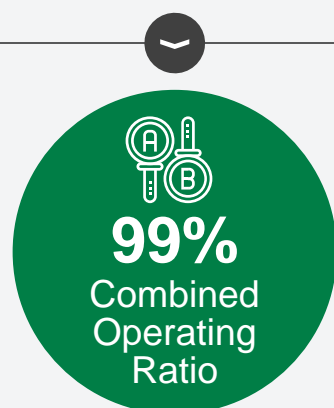
FULL YEAR RESULTS



Significant improvement in profitability along with further pension curtailment

	2016	2015
GWP	€362m	€363m
Profit/(loss) before tax	€11m	(€86m)
EPS	26c	(216c)
NAV	651c	623c

	2016	2015
Loss ratio	73%	113%
Expense ratio	26%	27%
Combined Operating Ratio	99%	140%
Total investment return-annualised	1.9%	2.0%
• Income statement	0.8%	2.2%
• OCI	1.1%	(0.2%)



FULL YEAR RESULTS



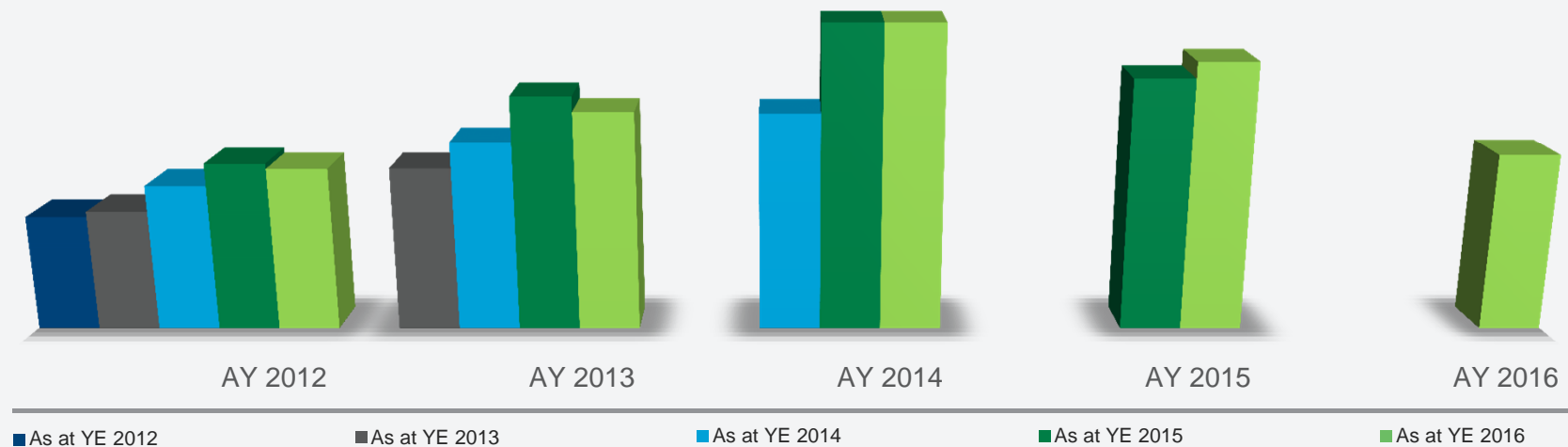
	FY 2016 €000s	FY 2015 €000s
Gross written premium	361,799	363,263
Net earned premium	308,226	313,154
Net claims incurred (inc MIBI)	(225,257)	(352,841)
Net expenses	(79,749)	(85,725)
Underwriting Result	3,220	(125,412)
Investment income	8,338	20,260
Finance costs	(6,156)	(1,357)
Other	1,620	3,680
Sub total	7,022	(102,829)
Exceptional items		
Pension curtailment	7,214	28,340
Restructuring costs	(2,794)	(11,415)
Profit before tax from continuing operations	11,442	(85,905)
Profit before tax from discontinued operations	1,653	1,061
Profit before tax	13,095	(84,844)



PRIOR YEAR DEVELOPMENT HAS NORMALISED



MOTOR, EL & PL LOSS RATIO DEVELOPMENT (GROSS)

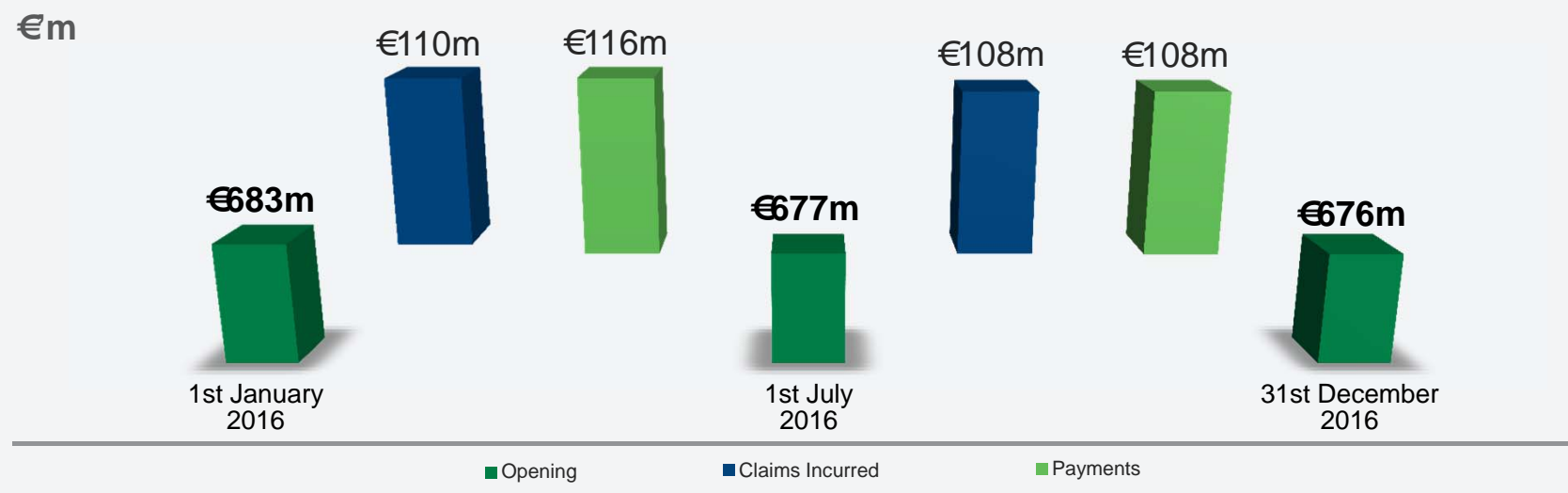


During **2015** there was **significant strengthening** of 2014 prior accident year best estimates

During **2016** modest adverse **2015** year **development largely offset** by releases from 2013 and prior years

During **2016** some **modest adverse PL development partially offset** by favourable development on Motor and EL

MOVEMENT IN RESERVES



Payments for full year are ahead of **claims incurred**

Further evidence of **normalisation**

2016 H1 paid claims **inflated for floods in late 2015**

INVESTMENT PERFORMANCE



1.9% performance is reasonable
in low rate environment

	31-Dec-16		31-Dec-15	
	€m	%	€m	%
Underwriting investment assets				
Deposits and cash	270	27%	398	40%
Corporate bonds	493	49%	432	43%
Government bonds	177	18%	101	10%
Equities	24	2%	24	2%
Unit trusts	24	2%	25	3%
Investment property	16	2%	15	2%
Underwriting investment assets	1,004	100%	995	100%



1.9%
Investment
Return-
Annualised



6%
Increase in
corporate bond
allocation



ENVIRONMENT, OUTLOOK & SUMMARY

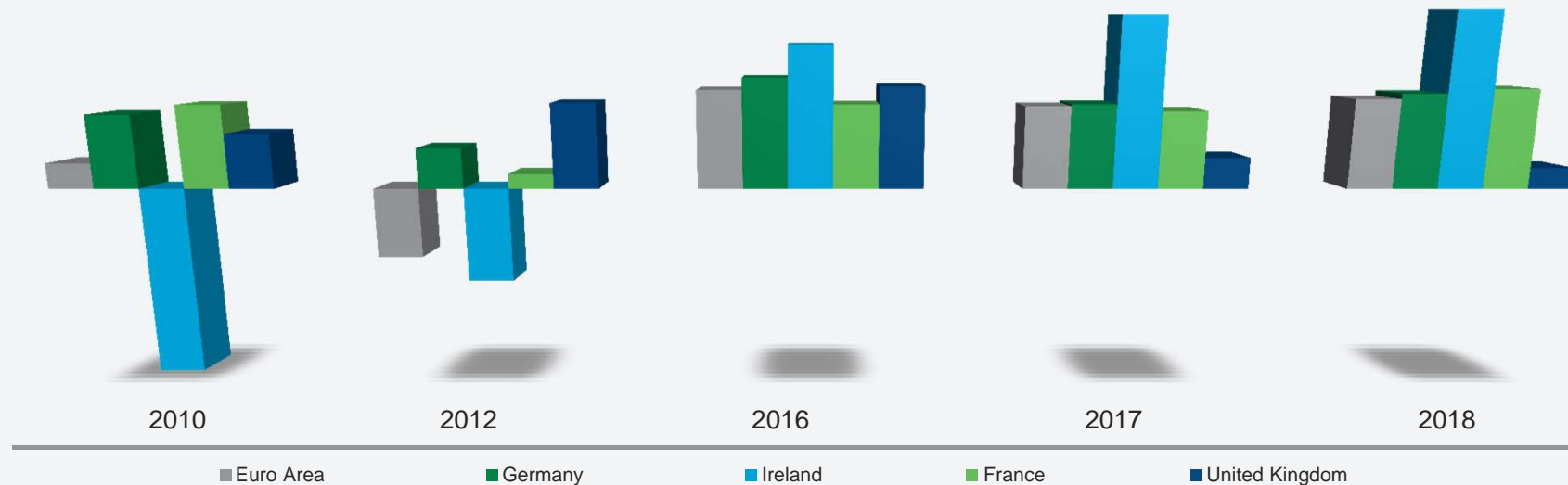
Fiona Muldoon, CEO

IRISH ENVIRONMENT



ECONOMY AND ENVIRONMENT

Irish economic growth projected to exceed euro area average next year



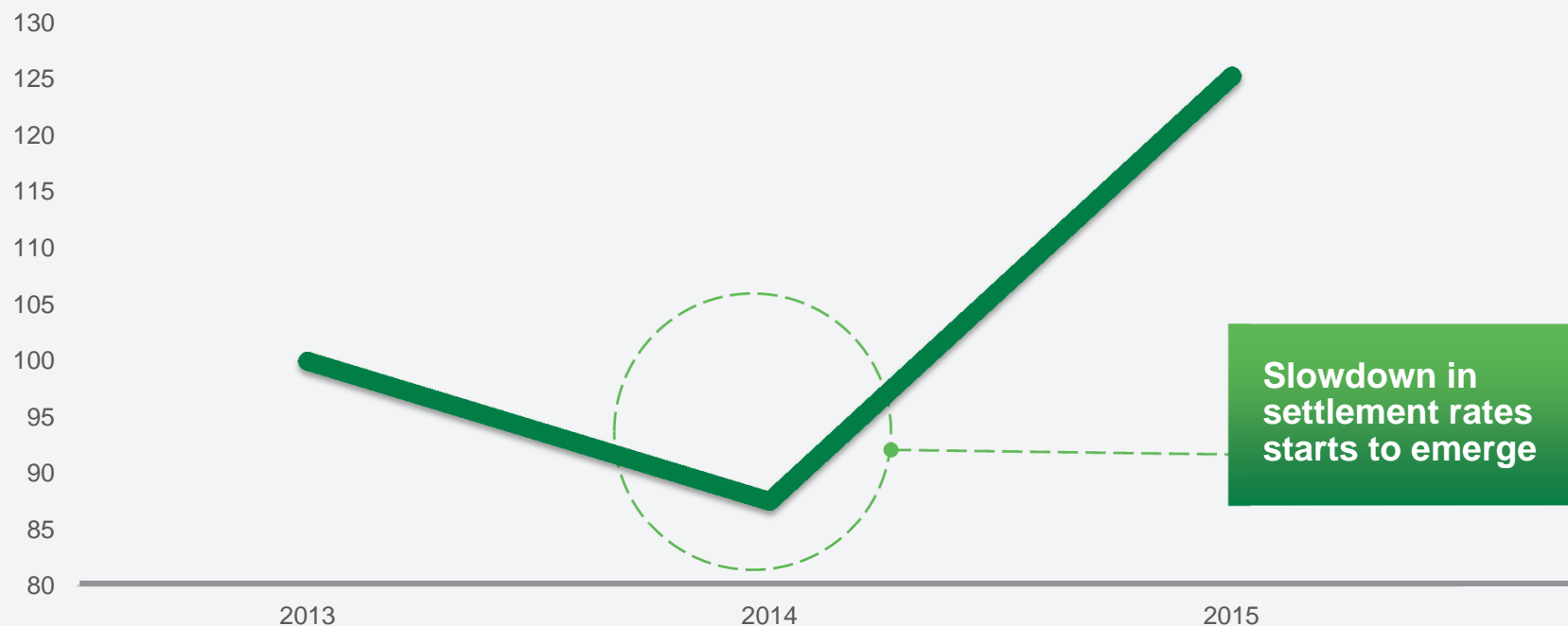
Irish domestic economy expected to **grow by 3%**

“Assessing the outlook for the **Irish Economy is complicated by Brexit-related uncertainty**”
(CBI – Jan 2017)

Insurance market expected to **grow in 2017**

Market conditions are challenging: industry may have been lossmaking again once **2016 results are known**

FBD MOTOR INJURY CLAIMS INCREASES SHOWS WHY PREMIUMS ARE RISING



Graph above shows the indexed change starting with **2013 costs (based at 100%)** of Motor bodily injury settled claims, e.g. claims that opened 2009-2013 and closed in 2013, etc.

Significant average cost increase during 2015 due to a number of claims environment changes, including higher court awards and decreased discount rate

Average injury claim cost shown where claim is **greater than €100 and capped at €500,000**

GOVERNMENT COST OF INSURANCE WORKING GROUP REPORT



ISSUES IDENTIFIED

- High claims costs **leads to rising prices**
- Lack of transparency for consumers
- **Lack of industry claims data**
- **Insurance fraud & uninsured drivers**
- Injuries Board reform
- **Book of Quantum issues**
- Road Safety



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**

FBD SEEKS PRIORITISATION AND FOCUS ON:



01

STRENGTHEN THE INJURIES BOARD

- Tackle non co-operation
- Implement pre-action protocols
- Appeals powers for rejected cases
- More efficient process to litigation

02

PERSONAL INJURIES COMMISSION

- Internationally benchmark awards
- Graded compensation
- Investigate “care not cash”
- Accredited medical advisors

03

IMPROVE DATA SHARING

- Better identification of claims fraud
- Trends and quarterly benchmarks
- Full implementation of Automatic Number Plate Recognition
- Minimise peaks and troughs of the cycle

Action is required if this is to deliver for customers

OUR PRIORITIES



2015 & 2016 STABILISATION

Simplify



Focus



Strengthen



De-risk



2017 & 2018 SUSTAINABLE PROFITABILITY

Stabilise policy
volumes & begin
careful growth



New Brand
campaign
launched



Claims &
Cost Control



Capital &
Profit accretion



SUSTAINABLE G R O W T H



LONG-TERM SHAREHOLDER VALUE

FBD OUTLOOK



FBD has **stabilised**, general claims environment still uncertain



We will have on-going **improvement** in pricing sophistication & risk selection



Maintaining underwriting discipline is critical



Customer service continues to be our key differentiator



New **brand campaign** underway



We intend to enhance our digital capability to reflect changing **buying patterns**



Continuous **cost focus**



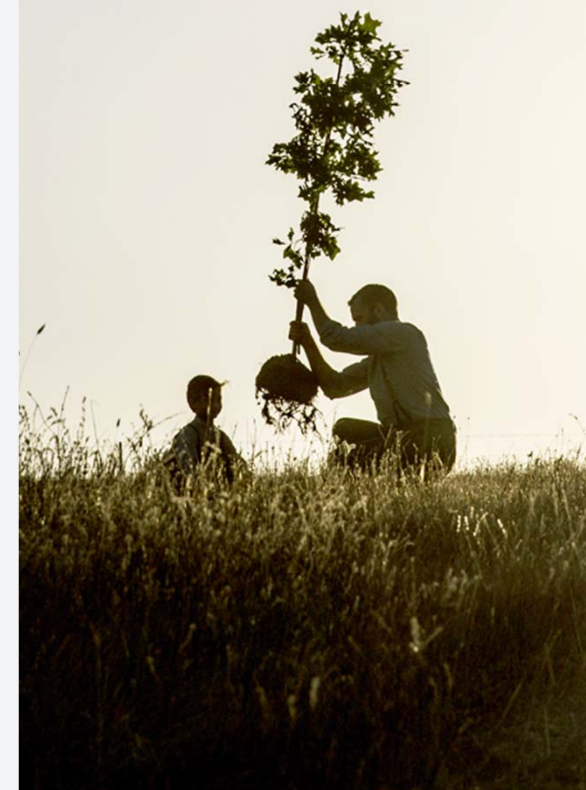
New **reinsurance program** in place with better catastrophe cover



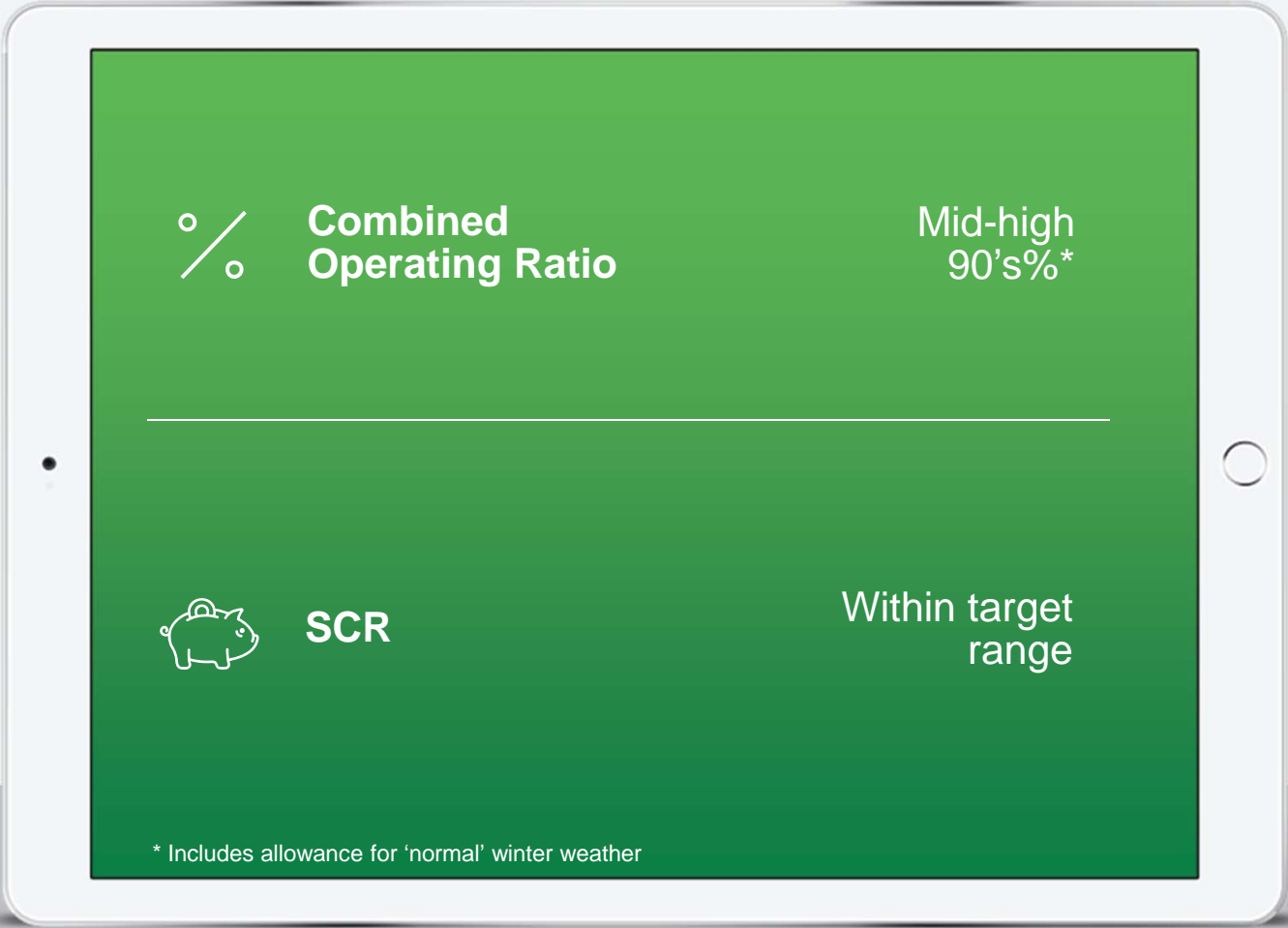
Focus on **capital management** and optimisation



We expect **improving profitability** in 2017 with continuing progression towards low teens ROE



2017 GUIDANCE



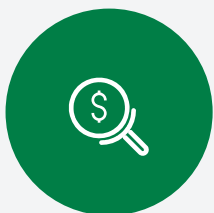
SUMMARY



Our full year sub-100% combined ratio **achieved earlier than expected** due to mild weather and our strong underwriting and customer retention initiatives



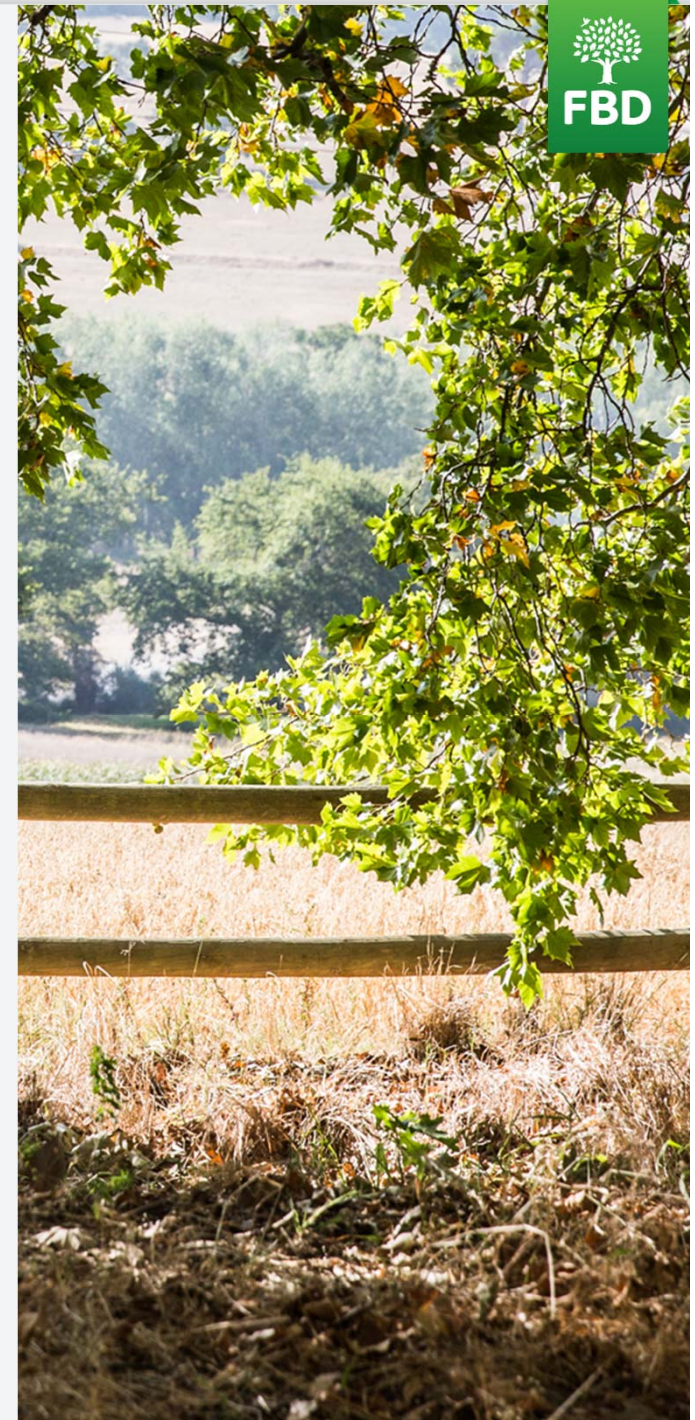
Strong progress on all strategic objectives



Our focus for **2017** is on **sustainable profit** and **stabilising policy volume**



Our goal is to deliver shareholder value: improving profitability in **2017** with **continuing progression** towards target ROE's



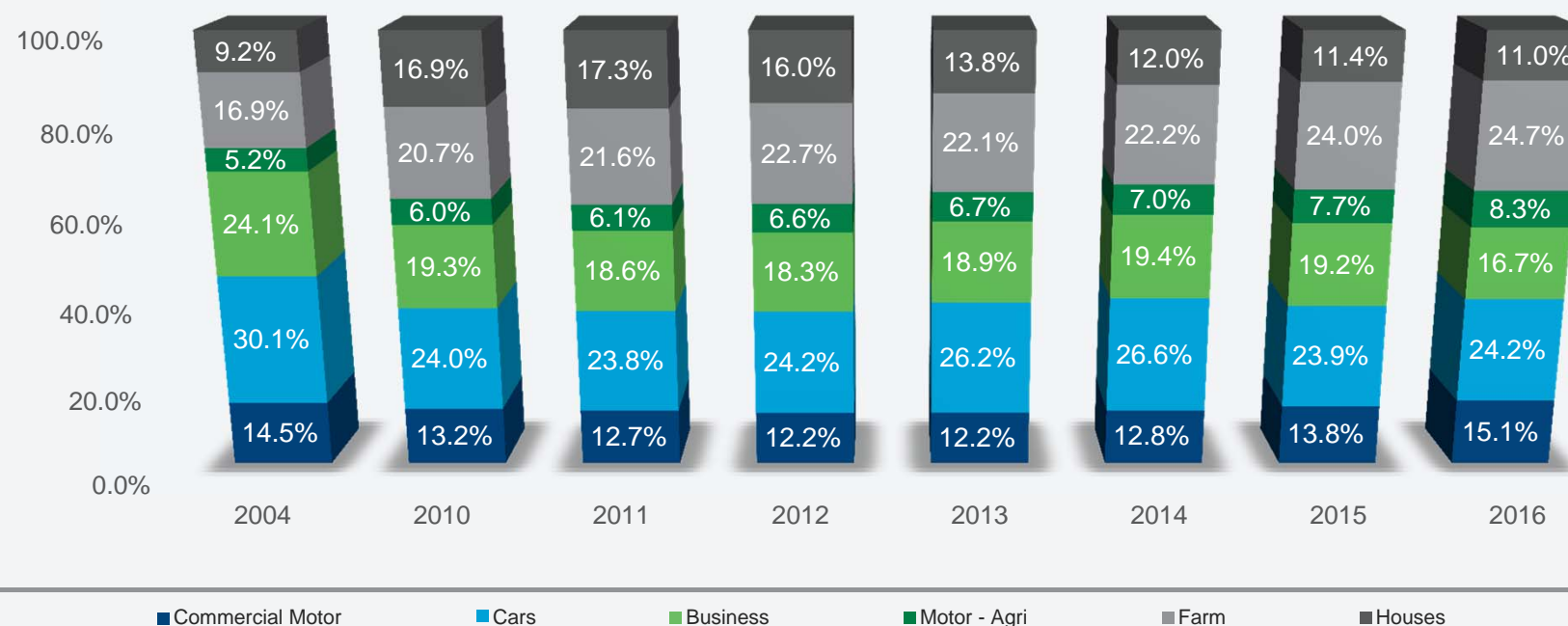


APPENDIX



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PREMIUM BY PRODUCT



Farm customers include property, liability and vehicles

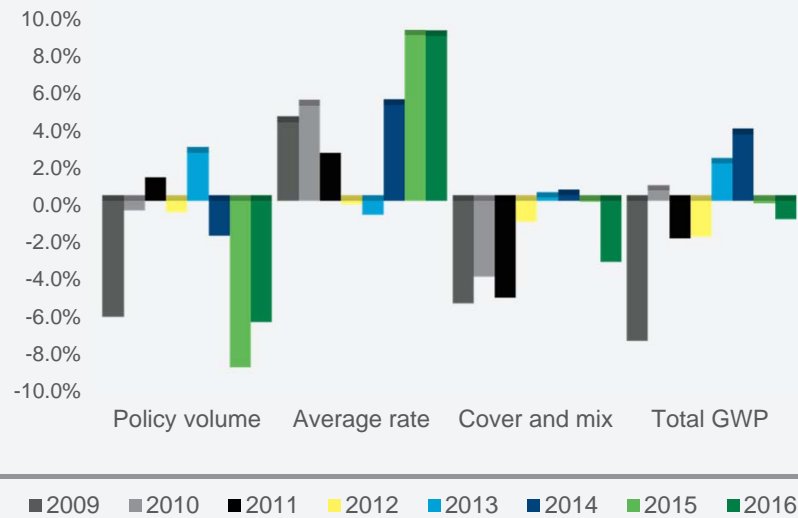
Small business customers include shops, pubs, guesthouses, retail outlets, and other small/medium enterprises

BUSINESS UPDATE

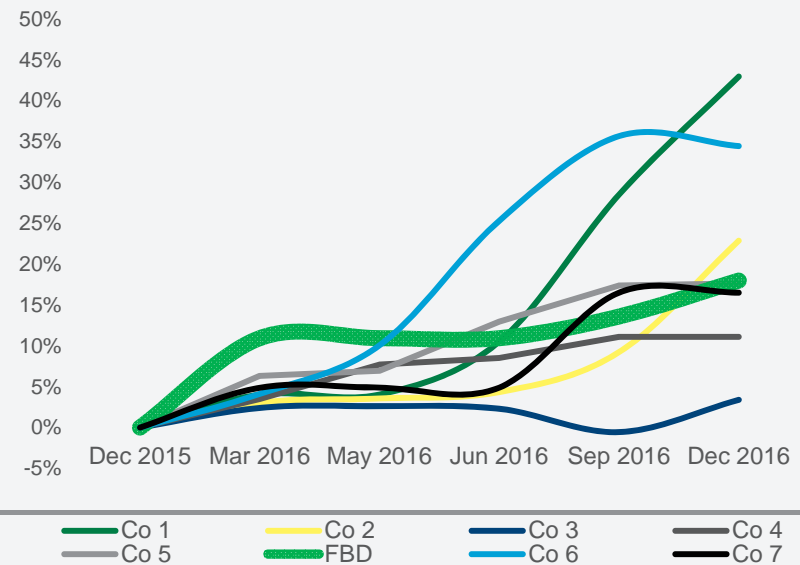


STRONG RATING ACTION

CHANGE IN GWP
(DIRECT & INDIRECT)



PRICE CHANGES- MOTOR ONLINE
(CONSUMER INTELLIGENCE)



Source : Consumer Intelligence

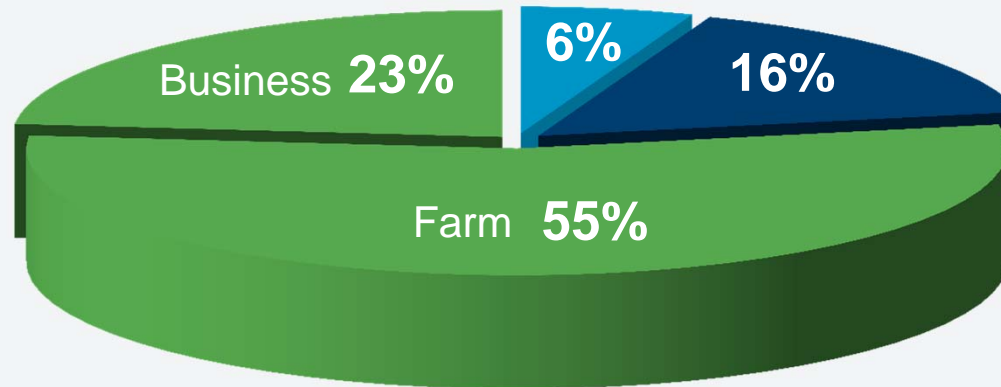


Prioritised **profitability over volume**

9% rate increase, 5% volume decline from direct operations in 2016

Focused on **profitable core segments**

CUSTOMER SEGMENTS



■ Farm & Business Direct

■ Consumer

■ Brokers



- Strong performance, growth in premium rate
- Successful focus on business retention



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



- Reduction in exposure
- Improving profitability

RESERVES (Net of Reinsurance)



		Prior Years	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
		€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
ESTIMATE OF CUMULATIVE CLAIMS:													
At end of underwriting year			287	315	288	263	215	215	229	257	270	228	
One year later			265	300	269	248	193	201	217	292	274	-	
Two years later			262	301	270	249	201	210	243	295	-	-	
Three years later			260	302	270	246	205	221	238	-	-	-	
Four years later			258	301	263	244	210	219	-	-	-	-	
Five years later			254	295	262	241	205	-	-	-	-	-	
Six years later			251	293	262	239	-	-	-	-	-	-	
Seven years later			249	292	261	-	-	-	-	-	-	-	
Eight years later			249	291	-	-	-	-	-	-	-	-	
Nine years later			248	-	-	-	-	-	-	-	-	-	
Estimate of cumulative claims			248	291	261	239	205	219	238	295	274	228	
Cumulative payments			(244)	(284)	(252)	(220)	(181)	(166)	(156)	(159)	(112)	(57)	
Claims outstanding at 31 December 2016:	9	4	4	7	9	19	24	53	82	136	162	171	676
Claims outstanding at 31 December 2015:	13	7	7	12	16	28	47	77	111	167	205	-	683
Reduction/increase during 2016:	(4)	(3)	(3)	(5)	(7)	(9)	(23)	(24)	(29)	(31)	(43)	171	(7)

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

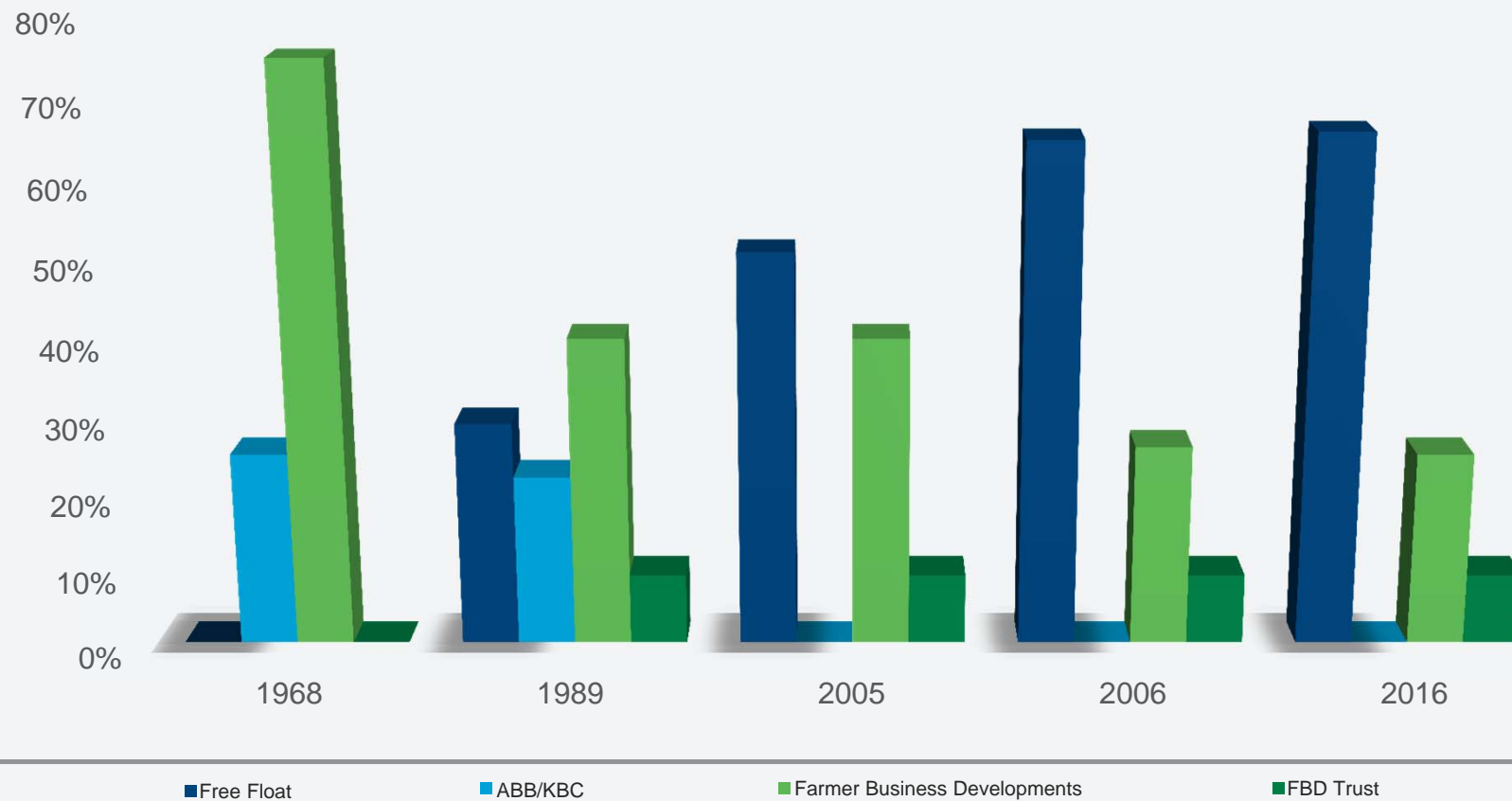


Exposure to multiple weather events reduced with introduction of aggregate weather cover

KEY SHAREHOLDERS



FREE-FLOAT EVOLUTION FROM 1968 TO 2016



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.

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