



FBD
INSURANCE

FBD HOLDINGS PLC

2017 FULL YEAR
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 €50m before tax



86% Combined Operating Ratio

- Current Year COR of 93% ahead of expectations and includes Storm Ophelia
- Positive prior year and MIBI reserve releases of €21m contributing 7%



Capital

- Return on Equity of 17%
- Solvency Capital Ratio 164% (unaudited)



Dividend

- Proposed dividend 24c per share: 20% payout ratio



GWP of €372m (2016:€362m)

- New Business volumes up 12% on 2016
- Strong retention of existing customers
- Increase in new farm and business customers



Key strategic targets met

- Travel insurance, professional indemnity and new car products launched
- Strong new business growth in SMEs
- Dublin branch opened, second branch on the way
- Partnership with Post Insurance to offer car insurance



DELIVERY AHEAD OF EXPECTATIONS



2017 RETURN ON EQUITY
17%

DIVIDEND
24 cent PER SHARE

PROGRESS IN DEVELOPING OUR BUSINESS



NEW PRODUCTS

- **New CarProtect product** introduced in Consumer channel providing greater choice for customer
- **Travel and Car Hire** (externally underwritten)
- **Professional Indemnity and Directors & Officers** (externally underwritten)



SALES & DISTRIBUTION

- **New Dublin branch** opened in Drumcondra – Branch on Southside planned
- **Enhancements to website** including allowing on line Storm Ophelia claims notifications
- **Changes to Consumer** call centre to align to customer buying patterns



BRAND & MARKETING

- **Advertising campaign** building on brand re-launch
- **Sponsorship of “Bloom”** festival, Marian Finucane Show and partnership with Toyota “Face It Down” Campaign
- **Continuing support** for agricultural associations and events including the National Ploughing Championships



PRICING & UNDERWRITING

- **More granular rating** facilitated by new CarProtect product
- **Changes to underwriting** approach to support urban growth plans
- **All channels and products** contributing to underwriting profit

RESULTING IN:
STRONG RETENTION OF EXISTING CUSTOMERS AND NEW BUSINESS UP 12%



FINANCIAL PERFORMANCE

John O'Grady, CFO

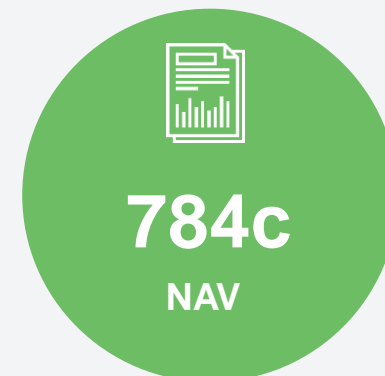
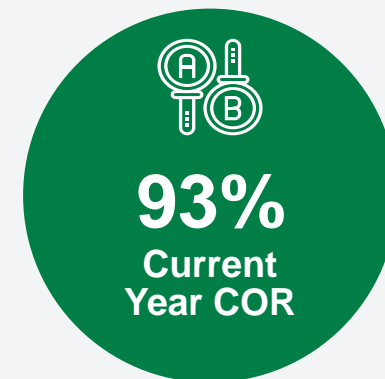


Very strong 2017 results include Storm Ophelia costs of €5m, **€15m positive** prior year reserve release and **€6m from MIBI release**

	2017	2016
GWP	€372m	€362m
Profit before tax	€50m	€11m
EPS	123c	26c
NAV	784c	651c
ROE	17%	5%

	2017	2016*
Loss ratio	63%	76%
Expense ratio	23%	23%
Combined Operating Ratio	86%	99%
Total investment return-annualised	1.2%	1.9%
• Income statement	0.9%	0.8%
• OCI	0.3%	1.1%

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



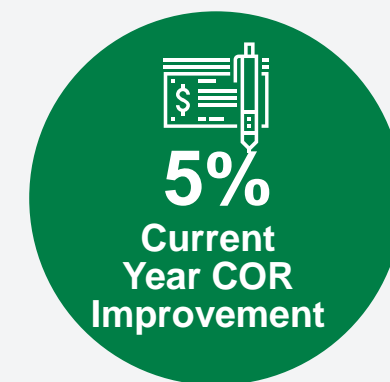
	2017 €'000s	2016* €'000s
Gross written premium	372,459	361,799
Net earned premium	325,932	308,226
Net claims incurred (incl. MIBI)	(205,089)	(235,600)
Other underwriting expenses	<u>(75,908)</u>	<u>(69,406)</u>
Underwriting Result	44,935	3,220
Investment income	9,361	8,338
Finance costs	(6,289)	(6,156)
Other	<u>3,444</u>	<u>3,273</u>
Sub total	51,451	8,675
Exceptional items		
Restructuring costs	(1,715)	(2,795)
Pension Curtailment Gain	<u>-</u>	<u>7,214</u>
Profit before tax from continuing operations	49,736	13,095
Profit before tax from discontinued operations	-	1,653
Profit before tax	49,736	11,442

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



ANALYSIS OF COMBINED OPERATING RATIO

	2017		2016	
	€m	%	€m	%
Current Year Combined Operating Ratio excluding Cat weather	29.3	91.0%	7.5	97.6%
Nat Cat weather - Storm Ophelia	(5.4)	1.6%	-	-
Current Year Combined Operating Ratio including Cat weather	23.9	92.6%	7.5	97.6%
Prior year reserve release/strengthening	15.4	(4.7%)	(4.3)	1.4%
MIBI provision release	5.6	(1.7%)	-	-
Reported Combined Operating Ratio Including Storm Ophelia	44.9	86.2%	3.2	99.0%



1.2% Return reflecting **low risk allocation** and **low rate environment**

	31-Dec-17		31-Dec-16	
Underwriting investment assets	€m	%	€m	%
Deposits and cash	230	22%	270	27%
Corporate bonds	499	47%	493	49%
Government bonds	259	25%	177	18%
Equities	22	2%	24	2%
Unit trusts	24	2%	24	2%
Investment property	18	2%	16	2%
Total	1,052	100%	1,004	100%



1.2%
Investment
Return
Annualised



0.9%
Income
Statement
Return



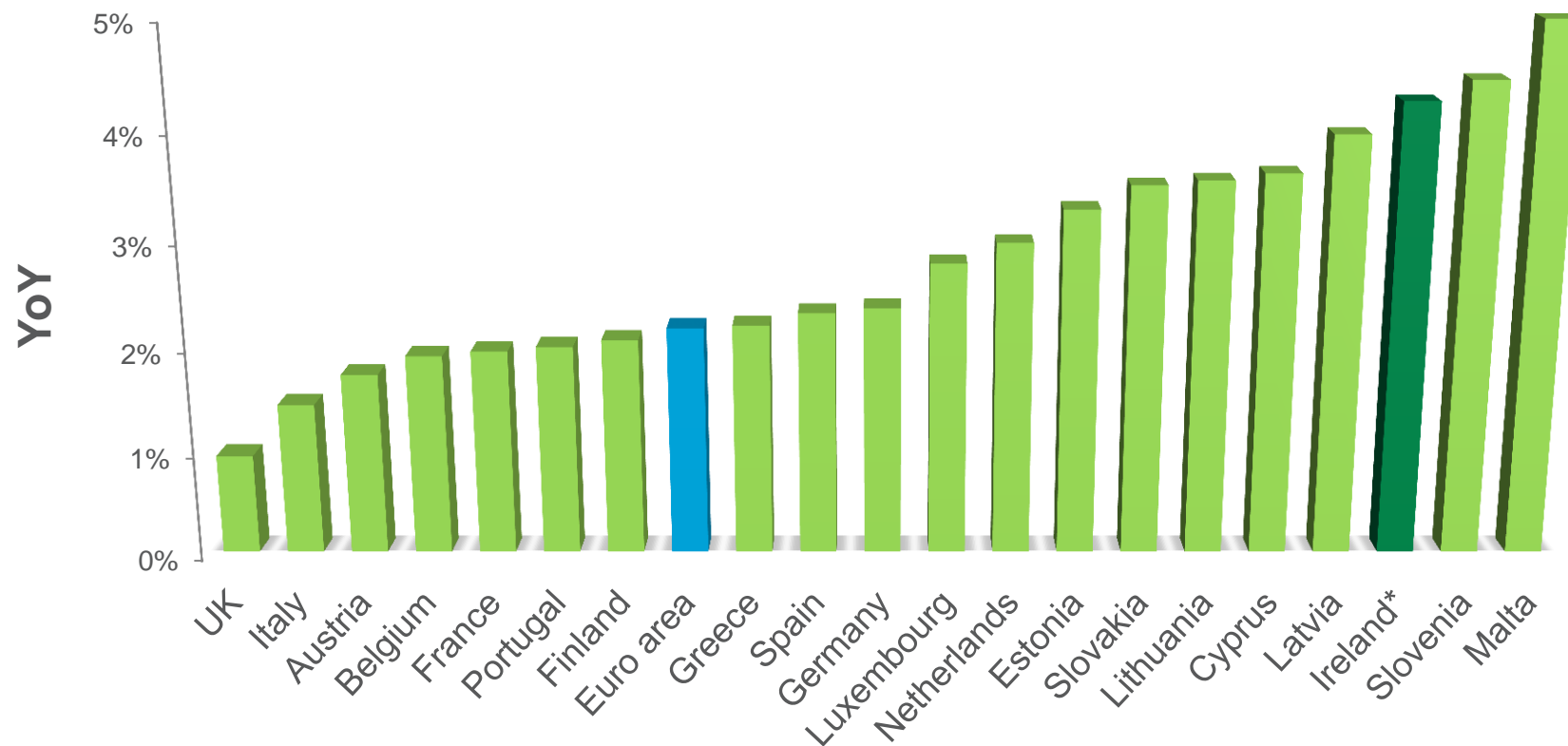
€82m
Increase in
Government
Bond allocation



ENVIRONMENT, OUTLOOK & SUMMARY

Fiona Muldoon, CEO

2018 DOMESTIC DEMAND GROWTH FORECASTS BY COUNTRY



Source: AMECO, Goodbody *Core Domestic Demand

97% of Irish SMEs are planning to invest in their businesses in the next 12 months

(Global Business Monitor – Bibby Financial Services Ltd – Sept 2017)

Irish Gross Domestic Product forecast to **grow by 4.2% in 2018**

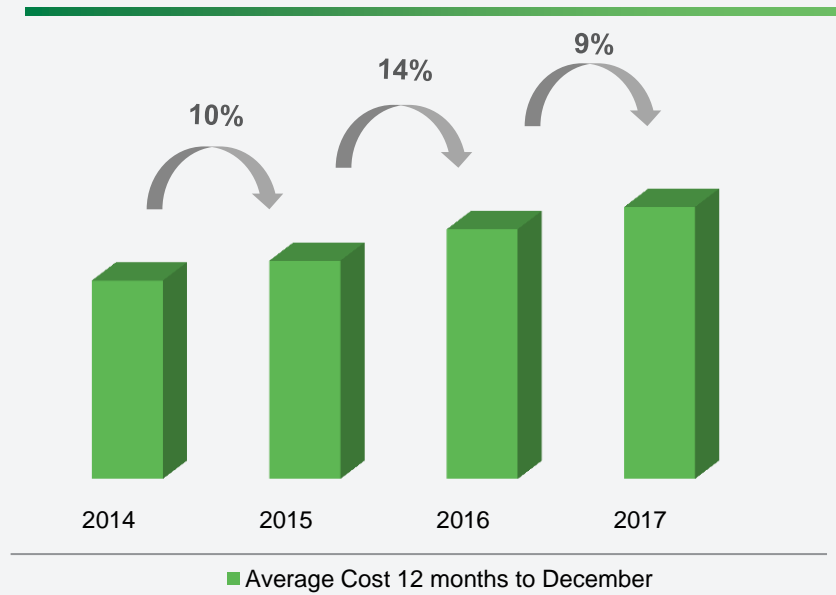
(ESRI – Dec 2017)

“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)

AVERAGE COST OF INJURY SETTLEMENT

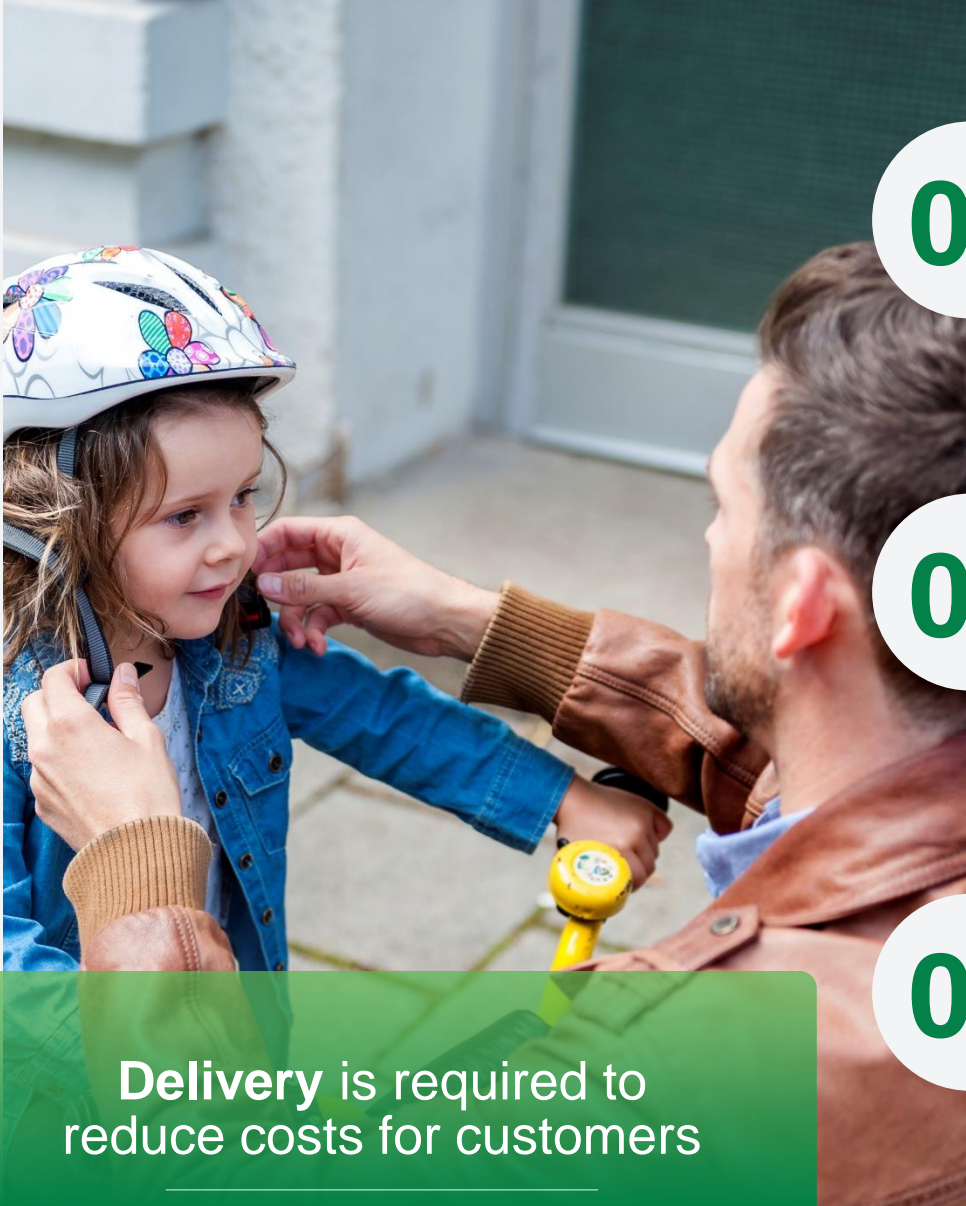
ALL RISKS & ALL PERSONAL INJURIES



-  **Claims inflation has moderated** but costs are still increasing
-  **Mid sized injury claims** have higher inflation
-  **Updated Book of Quantum** increasing damages
-  **Property claims inflation increasing** with strengthening Irish economy

ONE YEAR 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

02

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

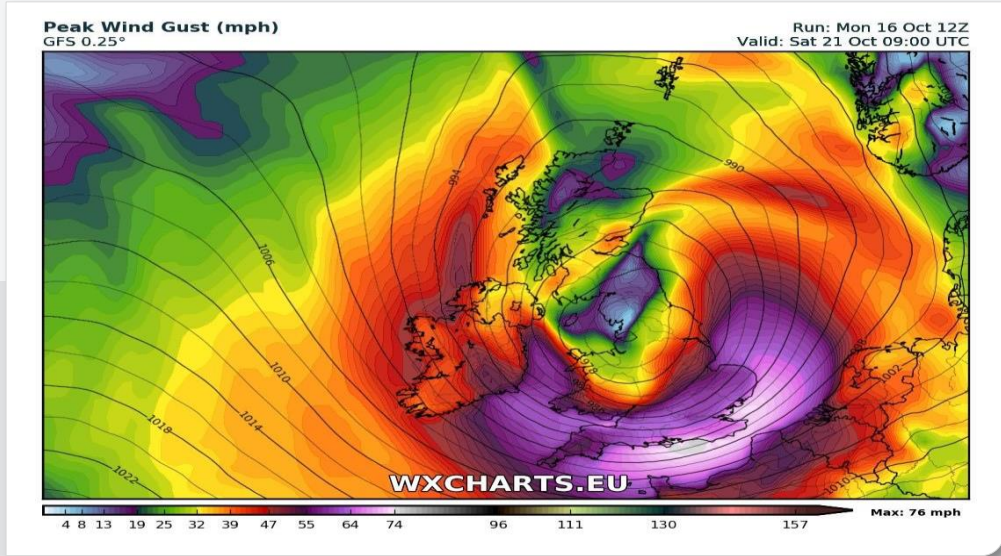
03

IMPROVED DATA SHARING

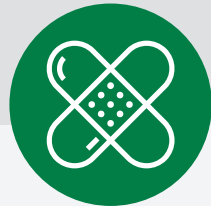
- Full implementation of Automatic Number Plate Recognition (ANPR)
- Establishment of integrated insurance fraud database
- Set up a dedicated insurance fraud investigation unit within the Garda
- Regular reports on key aggregated metrics on claims costs and trends in the Insurance market

Delivery is required to
reduce costs for customers

STORM OPHELIA - COST CONTAINED BY REINSURANCE PROGRAMME



Almost **2,200 claims**
received



Southern counties
of Ireland most
impacted - Cork and
Tipperary account for
45% of claims



Gross claims
€10-11m

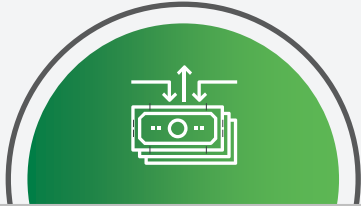


Net cost €5.4m
including
reinstatement
premium

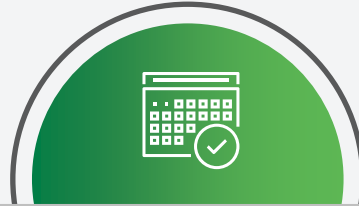
DIVIDEND POLICY



Capital strength
and usage a key
consideration



Payout ratio
based policy



**Annual single
declaration** of
dividend after full-year
profits are known



**Proposing 20%
payout for 2017:**
24 cent per share



Targeting a range
of 20% to 50%
when appropriate



SUMMARY



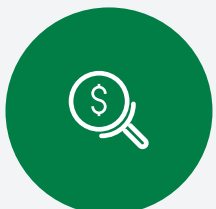
ROE of 17% and Dividend of 24c per share



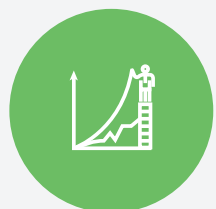
Our 86% Combined Operating Ratio is an excellent result



Key strategic targets met

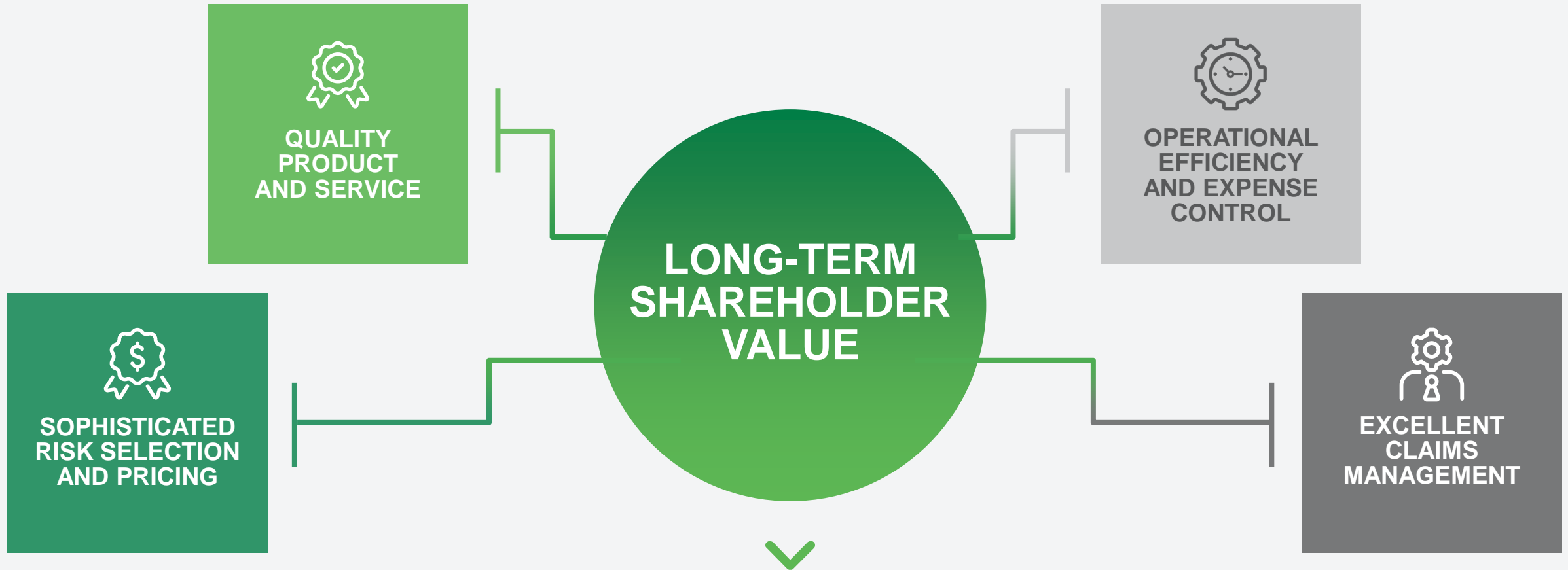


Our focus is on modest growth & sustainable profitable underwriting



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





In 2018 we continue to target careful growth and a COR in the low 90s
(absent exceptional weather)

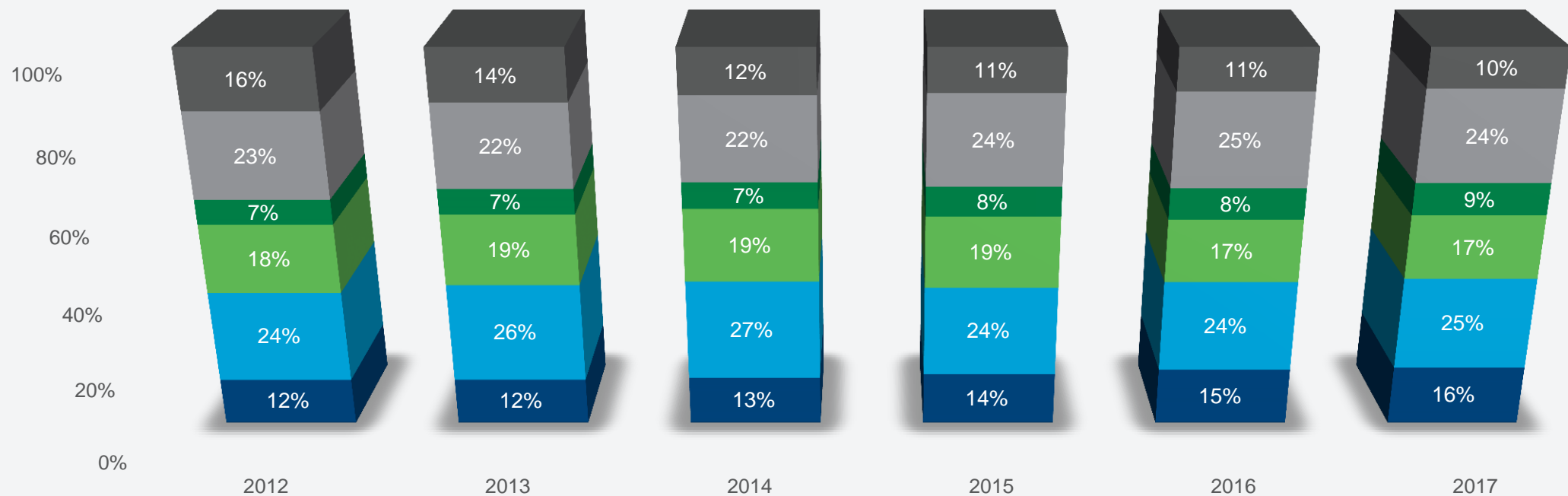


APPENDIX



FBD

PREMIUM BY PRODUCT



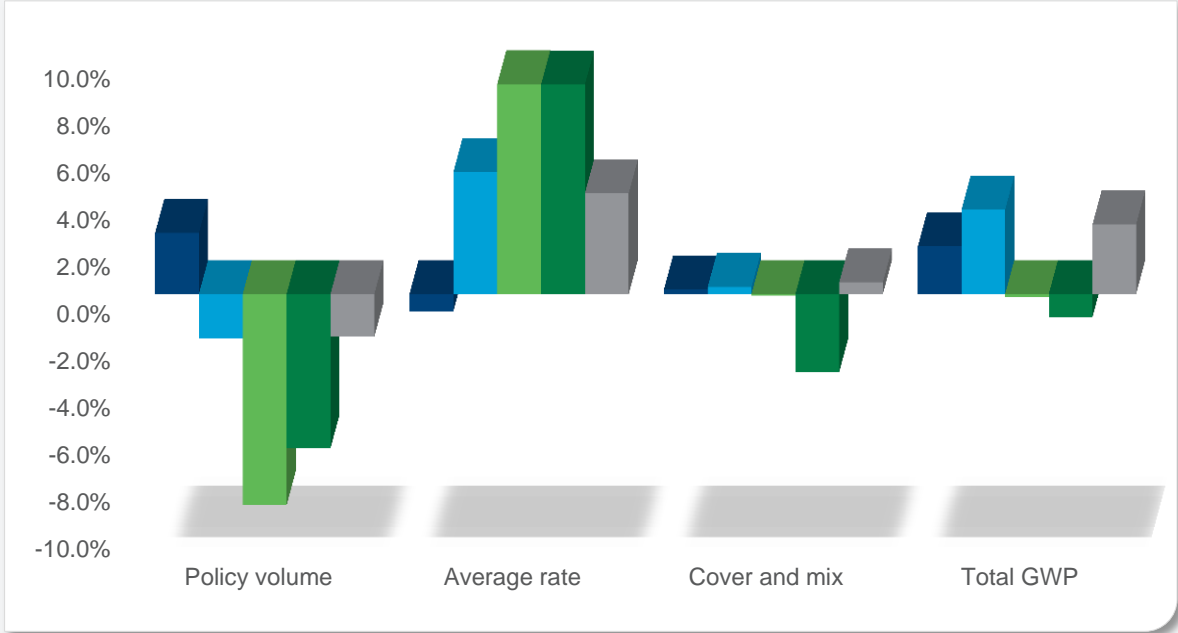
■ Commercial Motor ■ Consumer Motor ■ Small Business ■ Motor - Agri ■ Farm ■ Home



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

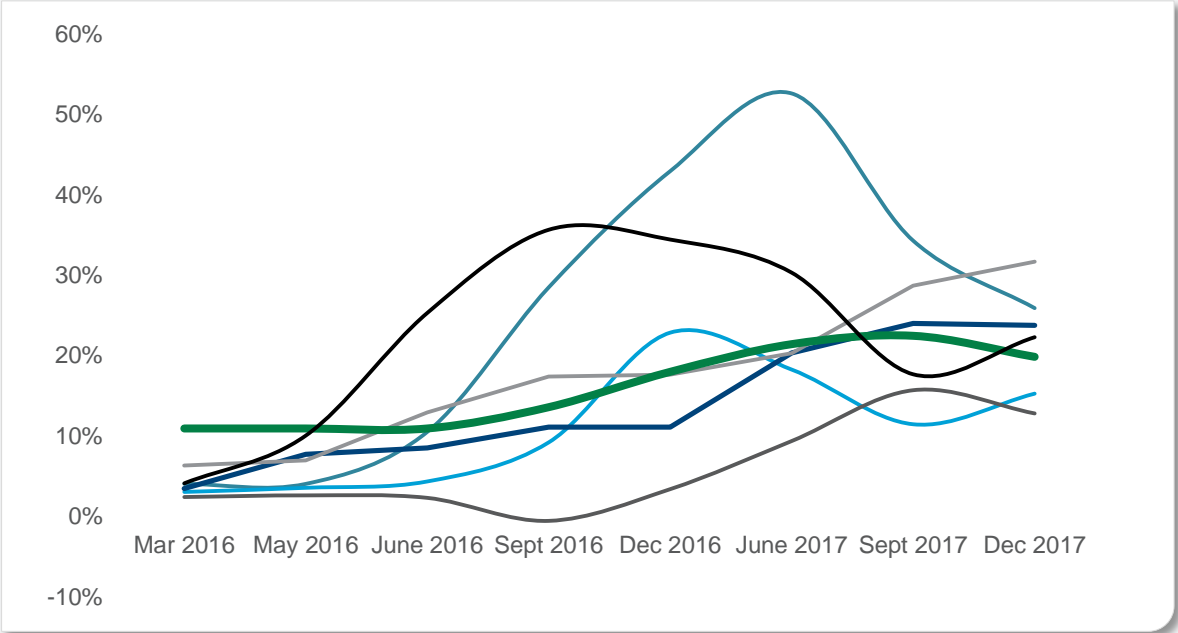
CHANGE IN GWP
(DIRECT & INDIRECT)

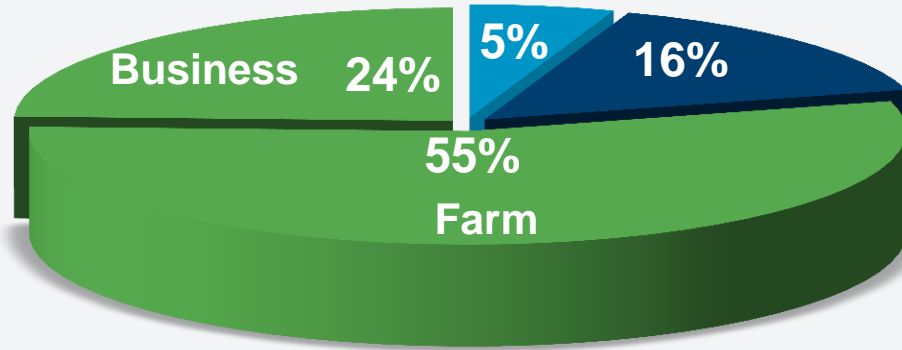


GWP increase largely attributable to our **farm, business and private motor** business

Continued focus on each channel and segment delivering an **underwriting profit**

PRICE CHANGES- MOTOR ONLINE
(CONSUMER INTELLIGENCE)





December
2017

Farm & Business Direct



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

Consumer



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

Brokers



- Reduction in exposure
- Improving profitability

2018 REINSURANCE PROGRAMME: COMPREHENSIVE PROGRAMME DESIGNED FOR FBD'S PORTFOLIO



> Minor changes to Property XOL programme



> Casualty programme renewed for 2018 as per 2017

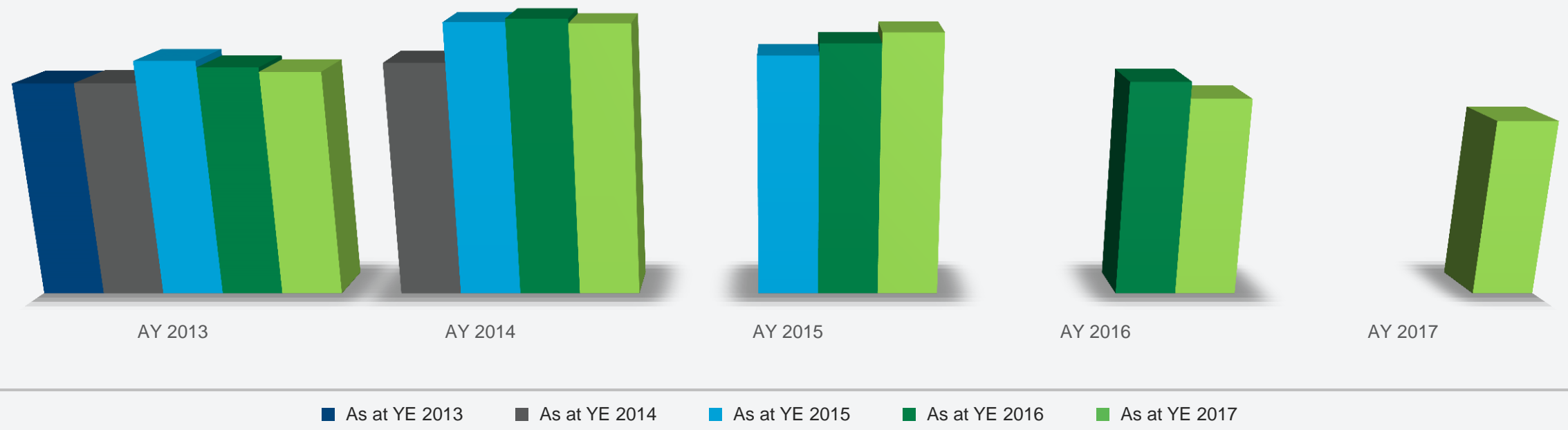


> Catastrophe property cover from €2.5m



> Exposure to multiple weather events maintained. Aggregate weather cover renewed as per 2017

CLAIMS RESERVE DEVELOPMENT (NET LOSS RATIOS)



Modest positive prior year development experienced across 2014 and prior years


2015 has been an exception: increasing claims reserve development due to number of large claims

2016 has seen a sustained **improvement in frequency of claims**

2017 is displaying early signs of continued **improvement in claims frequency**

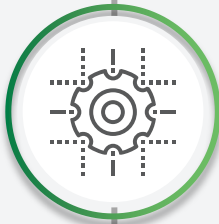
GOVERNMENT COST OF INSURANCE WORKING GROUP PROPOSALS

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 first report issued – focus on standardisation of whiplash injuries
 - **“First Motor Insurance Key Information Report”** published providing greater transparency on costs/trends
 - General Scheme of **PIAB (Amendment) Bill** approved proposing increased powers for Injuries Board
 - Progress made on establishing an **integrated insurance fraud database** for the Industry
 - Progress made on building an **uninsured drivers database** for loading to the Garda ANPR system

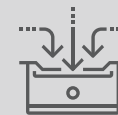
PHASE 2 REPORT (EL & PL) FINDINGS – JANUARY 2018



Significant issue with cost of personal injury awards in Ireland for some commonly occurring injuries of a less severe nature



Irish award levels are significantly above the UK for minor, moderate and severe neck, back and ankle injuries



Minor ankle injury costs up to €54,700 in Ireland compared to €12,554 in the UK



Updated Book of Quantum

- Increased level of damages for most injuries
- Upward pressure on soft tissue injury claims



Injury Board trends

- 6% higher for FBD compared to 2016
- Rejection rate up 30% since 2013



Periodic Payment Orders (PPOs)

- Legislation signed into law
- 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

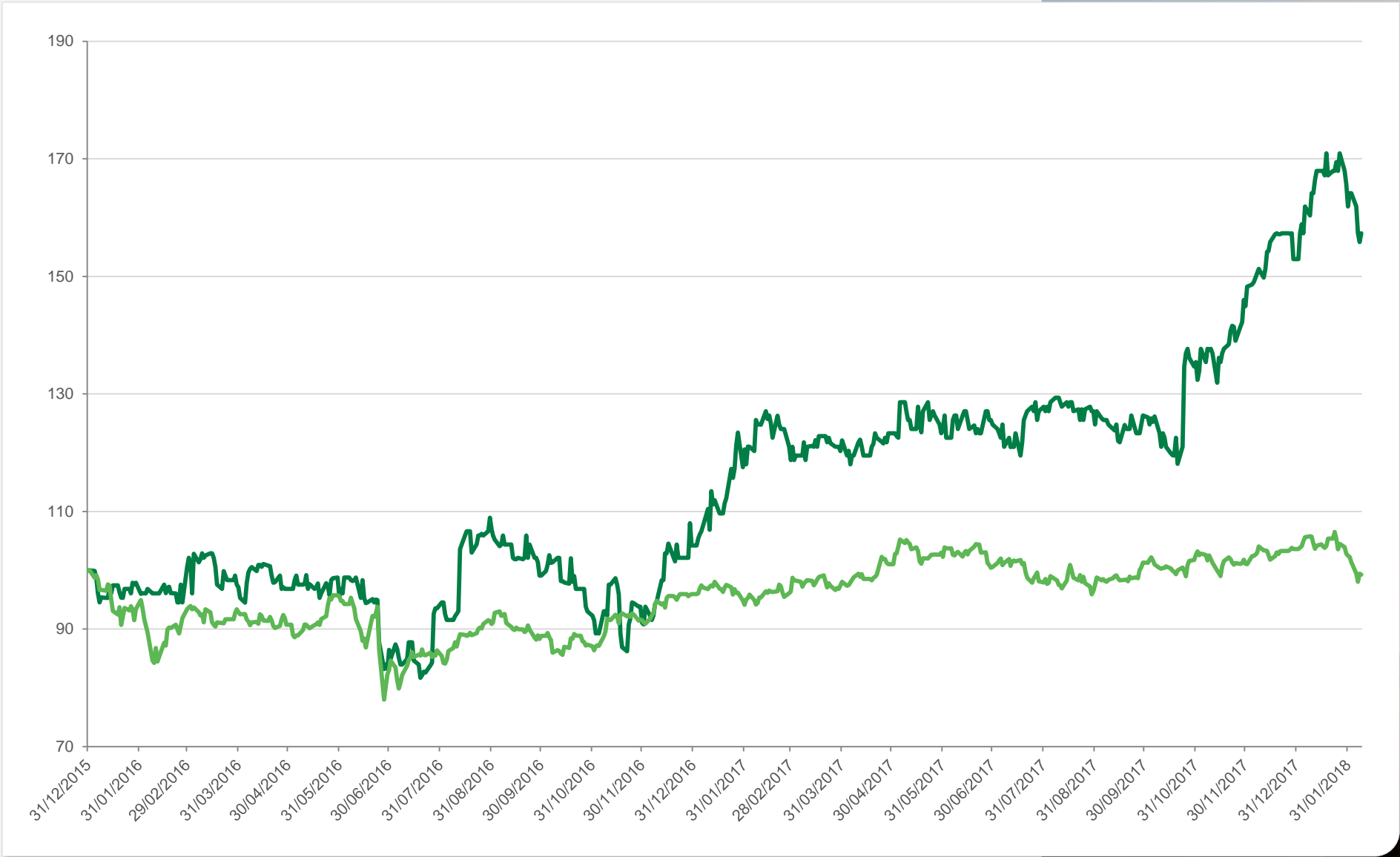


Economic Growth

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



FBD SHARE PRICE PERFORMANCE



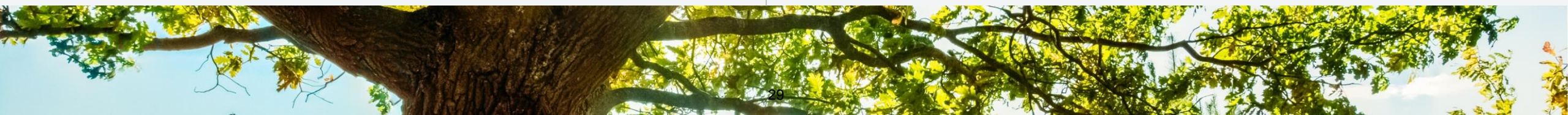
— FBD Share Price — ISEQ Index



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.
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
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.
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.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims Incurred	The aggregate of all claims paid during an accounting period adjusted by the change in the claims provision for that accounting period.
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.
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.
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.
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.
Expense Ratio	Underwriting and administrative expenses as a percentage of net earned premium.
General Insurance	Generally used to describe non-life insurance business including property and casualty insurance.
Gross Claims Incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
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.
Gross Written Premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during a specified period, before deduction of reinsurance premium.
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.
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.
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.
Net Investment Income	Gross investment income net of foreign exchange gains and losses and investment expenses.
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.
Outstanding Claims Provision	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal Lines	Insurance for individuals and families, such as private motor vehicle and homeowners insurance.
Policyholders' Funds	Those financial assets held to fund the insurance provisions of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.

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.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer.
Retention	That amount of liability for which an insurance company will remain responsible after it has completed its reinsurance arrangements.
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.
Underwriting Expenses	The aggregate of policy acquisition costs, and administrative, general and other expenses attributable to underwriting operations.
Underwriting Result	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
Underwriting Year	The year in which the contract of insurance commenced or was underwritten.
Unearned Premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Written Premium	Premiums written, whether or not earned, during a given period.

