

Market Information  
NZX Limited  
Level 2, NZX Centre  
11 Cable Street  
Wellington  
New Zealand

Company Announcements Office  
Australian Securities Exchange Limited  
Exchange Centre  
Level 6, 20 Bridge Street  
Sydney NSW 2000  
Australia

5 February 2018

## **CBL UPDATES THE MARKET ON FY17 RESULTS EXPECTATIONS**

CBL Corporation Limited (NZX/ASX: CBL) will report its FY17 result on 27 February 2018.

CBL expects to report a FY17 total revenue growth in excess of 35%, above previous guidance of 12% - 15%.

CBL also expects to make a future claims reserve strengthening adjustment of around \$100m to the reserves of CBL Insurance Limited in respect of its long-tail French construction insurance business, and another one-off write-off of receivables of approx. \$44m arising from broker/insurer/reinsurer reconciliations and related differences arising from a detailed post-acquisition examination of SFS throughout 2017.

These adjustments are expected to result in the CBL Group reporting a consolidated FY17 after tax loss of \$75m - \$85m.

Of the approx. \$100m reserve adjustment, less than \$10m is in respect of the FY17 year. Normalising prior year components of the future claims reserve strengthening, CBL expects its underlying overall Combined Loss Ratio across the Group will be consistent across the current and prior years.

It is important to note that the Group has a strong and increasing cash position with approx. \$500m of available cash balances.

The Group has had strong operational performance in 2H17 and expects to report growth in gross written premium of over \$440m, an increase of more than 35% for FY17, with significant growth from new core short tail business products outside of France with well performing Combined Loss Ratios.

New business has been originated in Spain, Italy, USA, Mexico and Australia generating over \$5m per month in new annual premium.

After completing an extensive 4-month exercise intensely reviewing its French construction business data in conjunction with its independent Appointed Actuary PwC, and the draft conclusions coming out of this, the CBL board determined that CBL Insurance should strengthen its reserves by revising the actuarial assumptions applicable to ongoing French construction business, and take a one-off future claims reserve catch-up adjustment to take into account potential future claims over the next 10-12 years in respect of policies written in previous years. The data exercise backs up the overall profitability of the French construction business, but at lower levels than recommended or reported in the past.

---

CBL CORPORATION LIMITED

P +64 9 303 4770 | F +64 9 300 5046  
Tower One, 51 Shortland Street  
PO Box 3772, Auckland 1010, New Zealand  
[www.cblinsurance.com](http://www.cblinsurance.com)

The exercise to review data and update actuarial assumptions was initiated following CBL Insurance's originating Insurer, Elite Insurance Company Limited, going into solvent run-off in July 2017. Questions arose around Elite's reserving on its French construction business. CBL put together a task-force including its own and independent actuaries to cleanse, analyse and report on nearly 10 years of policy data and claims incurred and paid data on this business. This has resulted in accurate and consistent incurred and paid results for the last four years at significant levels, and has shown:

- Of the recommended \$100m of non-cash FY 17 reserve strengthening, about \$10m relates to FY17, and around \$90m relates to prior years.
- The quality of the data produced means that the potential volatility and uncertainty about future ultimate loss modelling is expected to have been removed.
- One of the key learnings from the data analysed has shown that claims take much longer to get reported and paid for decennial liability product than previously modelled. Since this is applied to total claims reserves written over the last 10 years, even a small change results in material movements in reserves.
- CBL achieves higher claims recovery levels than other French insurers although the claims payment, closure and recovery phase is still in an early stage of maturity.
- The data analysis has shown that a significant saving in claims processing costs may be achieved by replacing a large Third-Party Claims Administrator with a new provider. CBL has been trialling this new provider for the last 8-12 months and expects to improve recoveries and drive significant claims handling cost savings of more than 40% pa.

As a result of Elite being placed in solvent run-off, the RBNZ has commissioned an independent report by a skilled expert. We are unaware of when that report will be available. We believe that this report will support CBL's decision to materially increase future claims reserves.

CBL Group CEO, Peter Harris, commented "The reserve strengthening is required and although disappointing, clearly the recommended levels of reserving for our French products have been too low in the past. The better visibility over our data from this long-tail business provides more certainty and allows better focus on optimising levels of capital deployed to write this business. The Group has performed well during 2H17 with all companies showing significant and profitable growth in existing markets, expansion into new markets, focused on short tail business enabling a greater balance in our portfolio".

### **Capital review**

As a result of the adjustments above, CBL Board considers that a capital raising is appropriate to ensure sufficient capital strength and capacity for CBL's continued profitable growth. Further announcements are expected to be made on this capital issue.

### **Outlook**

CBL remains positive in its outlook for 2018, with new short risk product lines that commenced in 2017 continuing to grow and become fully earning, and the recently announced JV in India with SREI Infrastructure commencing the writing of business. The French market remains buoyant and it is expected that will contribute positively to profit albeit at lower levels than previously anticipated, and our new digitally-delivered builders warranty business in Australia and business in US/Mexico is delivering strong consistent results.

CBL will provide underlying operating profit guidance, together with more detailed review of the reserve strengthening in further announcements.

---

CBL CORPORATION LIMITED

P +64 9 303 4770 | F +64 9 300 5046  
Tower One, 51 Shortland Street  
PO Box 3772, Auckland 1010, New Zealand  
[www.cblinsurance.com](http://www.cblinsurance.com)

## ENDS

### **About CBL**

*CBL Corporation Limited (CBL) is a specialist insurer and reinsurer focused on credit and financial risk. CBL has eight offices spread across 25 countries and almost 550 employees. The company has been operating since for 44 years, and is listed on the ASX and the NZX Main Board. CBL's main operating subsidiary is CBL Insurance Limited, which is a New Zealand licensed non-life insurer supervised and regulated by the Reserve Bank of New Zealand.*

*CBL also has a number of wholly owned subsidiary companies including CBL Insurance Europe, which is a regulated insurer in Ireland, Assetinsure, an Australian licensed non-life insurer supervised and regulated by Australian Prudential Regulation Authority, European Insurance Services Limited, a managing general agency (MGA) in Tunbridge Wells in the United Kingdom, Securities & Financial Solutions a managing general agency (MGA) in France and Professional Fee Protection, UKs leading fee protection provider offering expertise and market-leading support to help accountancy practices strengthen their client relationships and grow their revenue.*

*CBL specialises in writing building and construction related credit and financial surety insurance, bonding and reinsurance. CBL Insurance currently has a Financial Strength Rating of A- (Excellent) and an issuer rating of a-, with both outlooks 'Stable', from A.M. Best Ratings Agency.*

*To know more about CBL Group, visit our corporate website [www.cblcorporation.com](http://www.cblcorporation.com)*

<i>For investor queries:</i>  <i>Carden Mulholland Chief Financial Officer CBL Corporation Limited</i>  <i>Phone +64 9 303 4770 ARBN 604 999 466 Incorporated in New Zealand</i>	<i>For media queries:</i>  <i>Geoff Senescall John Redwood Senescall Akers Ltd Senescall Akers Ltd</i>  <i>+64 21 481 234 +64 21 581 234 <a href="mailto:senescall@senescallakers.co.nz">senescall@senescallakers.co.nz</a> <a href="mailto:redwood@senescallakers.co.nz">redwood@senescallakers.co.nz</a></i>
--	--

CBL CORPORATION LIMITED

P +64 9 303 4770 | F +64 9 300 5046  
Tower One, 51 Shortland Street  
PO Box 3772, Auckland 1010, New Zealand  
[www.cblinsurance.com](http://www.cblinsurance.com)