

**ICICI Lombard General Insurance Company Limited
Q2 &H1 FY2022 Earnings Conference Call
October 21, 2021**

Management:

MR. BHARGAV DASGUPTA – MANAGING DIRECTOR & CEO

MR. GOPAL BALACHANDRAN – CFO

MR. SANJEEV MANTRI – EXECUTIVE DIRECTOR - RETAIL

MR. ALOK AGARWAL – EXECUTIVE DIRECTOR – WHOLESALE

MR. LOKNATH KAR- CHIEF, LEGAL AND COMPLIANCE OFFICER

Q2 & H1 FY2022 Earnings Call Script

Bhargav Dasgupta: Good evening to each one of you. Thank you for joining the earnings conference Call of ICICI Lombard General Insurance Company Limited for Q2 & H1 FY2022. Hope you and your colleagues are safe and healthy.

I will give you a brief overview of the industry trends and developments that we have witnessed in the last few months. Post this, our CFO, Mr. Gopal Balachandran will share the 'Financial Performance of the Company' for the quarter and half year ended September 30, 2021.

As we speak, the economic activity across the country is picking up. Various high frequency indicators like GST collections, manufacturing PMIs, import of non-oil & non-gold merchandise, electricity demand and railway freight traffic have shown sequential uptick, thereby showing signs of the economic environment moving towards the pre-pandemic levels. The upcoming festive season should give a much clearer picture, of where we are headed on the recovery path and how the demand situation will pan out for segments such as the motor insurance. Looking ahead, the rapid pace of vaccinations is a positive and is expected to minimize the risk of complete lockdown in the future.

Turning to the GI Industry, during this quarter motor insurance saw moderate growth and the new motor vehicle sales were impacted due to chip shortages and underlying demand sentiment in the TW segment. The corporate Health / Employer employee health insurance continued to grow however, unlike previous quarters, the growth in retail health for the quarter was moderated due to base effect. As far as commercial lines are concerned, the growth in the fire segment was stronger in the second quarter, while Marine and Engineering lines witnessed growth in momentum mirroring the resurgence in economic activities.

Speaking of the performance, as per GI council report, the General Insurance industry registered a growth of 12.8% in H1 FY2022 over H1 FY2021 with the industry GDPI moving up to ₹ 1,087.05 billion in H1 FY2022 from ₹ 963.90 billion in H1 FY2021. Excluding the crop segment, this growth would be at 16.9%. The overall growth and growth excluding crop segment was 12.1% and 17.5% respectively in Q2 FY2022 as compared to Q2 FY2021.

The combined ratio of the industry was 120.5% in Q1 FY2022 as compared to 104.4% in Q1 FY2021 based on available information from public disclosure. This is excluding two companies that are yet to disclose their Q1 results. Further, the overall combined ratio of the private multi-line general insurers was 116.9% in Q1 FY2022 as compared to 103.0% in Q1 FY2021.

Lets move to the claims behaviour experienced by us during the quarter. The motor own damage claims frequency in the second quarter reached pre-covid levels. On the health side, the overall Covid-19 claims reported for industry for H1 FY2022 crossed 1.6 million against 1 million cases reported in whole of last financial year, of which ~ 4.6% claims were reported with IL. In the second quarter most of the Covid claims reported were in respect of admission/incidences pertaining to Q1 FY2022 and earlier which was adequately estimated and provisioned for, by the Company.

While the incidence of Covid claims went down, the non-Covid health claim frequency in Q2 FY2022 saw a sharp increase as compared with Q2 FY2021. This can be primarily attributed to increase of medical acute cases such as dengue, acute respiratory diseases or on account of deferred elective surgeries. In addition, we also witnessed an increase in average claim size (ACS). It is possible that this is due to additional precaution may have been taken during or post second wave. We will need to monitor this trend for coming few months to assess if it is temporary or a structural change.

Moving to business impact in this quarter –

- As indicated in our last call, we increased pricing on our corporate health portfolio by 15-20%. Inspite of the increase, we were able to retain over 90% of the accounts of our corporate customers.
- For retail health we grew faster than the industry, thereby maintaining our market share. Retail Health continues to be a key focus area for the Company and we expect it to grow in times to come.
- Our holistic insurance and wellness app “IL Take Care” has surpassed ~ 880,000 downloads enabling us to get closer to our customers by providing a unique platform for continuous engagement. This app has the potential to harness entire health care needs of our customers at their fingertips.
- Our motor business continued to face headwinds in form of supply disruptions, lower demand sentiment and competitive intensity. Going forward we would continue to maintain cautious approach in certain sub segments that we believe can make our business unsustainable in the longer run.
- As far as the commercial lines are concerned, we continued to see robust growth given the resurgence of economic activity.

As you are aware, in August last year, we took a landmark step and entered into a scheme of arrangement with Bharti AXA General Insurance Company. Over the past year, after receiving all the requisite approvals from the concerned statutory / regulatory authorities, we are happy to share a milestone in this journey has been achieved with IRDAI granting final approval on September 03, 2021. With all approvals in place, September 08, 2021 was the effective date of integration, wherein both the organisations come together to form a single larger entity. In those few days, our two teams worked tirelessly and seamlessly to ensure a smooth transition. On day one of the merger we -

- Transitioned over 16,000 Distribution Partners with minimal disruption
- Onboarded 3700 plus Hospital network and garages

- Smoothly transitioned over 60 applications including connectivity, access, security and data.
- On-boarded over 3400 employees and staff members
- Transitioned and rebranded over 140 plus branches of Bharti Axa

Over 30.5 million communications were sent on the merger to customers and partners to ensure uninterrupted business continuity and operational efficiency. We are excited with the progress made on operational integration of the two entities and we expect to realize the synergy benefits over the next 24 months.

As we head into the second half of the fiscal, we are reasonably well placed, and I am confident that we will continue to deliver long term value for our stakeholders.

I will now request Gopal to take you through the financial numbers for the recently concluded quarter.

Gopal Balachandran: Thanks, Bhargav and good evening to each one of you. I will now give you a brief overview of the financial performance of the Company for Q2 & H1 FY2022. We have put up the 'Results Presentation' on our website. You can access it as we walk you through the performance numbers.

As mentioned by Bhargav earlier, merger with Bharti Axa was formally consummated on September 8, 2021, with April 1, 2020 as the appointed date. The effect of the de-merger in the financials has been incorporated in the form of opening net worth as on April 1, 2021. Further, the financials for the current year represent numbers of the merged entity. Accordingly Q1 FY2022 has been restated. The comparative numbers for the previous year in the financials pertain to standalone ICICI Lombard and hence are not comparable.

Gross Direct Premium Income (GDPI) of the Company increased to ₹ 86.13 billion in H1 FY2022 as against ₹ 64.91 billion in H1 FY2021. The industry reported a double digit growth of 12.8% on a lower base for a similar period. Our GDPI growth was primarily driven by growth in preferred segments, given that our approach has always been growing business sustainably. The fire segment, GDPI was ₹ 16.10 billion in H1 FY2022 as against ₹ 12.59 billion in H1 FY2021. As indicated in our results presentation, the overall GDPI of our property and casualty segment was ₹ 27.69 billion in H1 FY2022 as against ₹ 21.13 billion in H1 FY2021.

On the retail side of business, GDPI of the motor segment was at ₹ 32.46 billion in H1 FY2022 as against ₹ 27.51 billion in H1 FY2021.

To harness the potential of these segments, we have been expanding our distribution network to increase penetration in tier 3 and tier 4 cities. Our agents (including Point of sale or POS) increased to 78,035 as on September, 30 2021, from 61,385 as on June, 30 2021.

The advance premium was ₹ 36.86 billion as at September 30, 2021, as against ₹ 32.06 billion as at March 31, 2021.

During our Q1 earnings call we had indicated creating a provision of ₹ 6.02 billion in respect of Covid claims keeping in view increase in reimbursement claims and anticipation of thick tail of claims. However after considering the recent claim intimation trends, our overall assumption has been favourable for Q2 FY2022. We thus revised our Covid claim estimate to ₹ 5.61 billion for H1 FY2022 for the combined entity.

Resultantly, combined ratio was 114.3% in H1 FY2022 as against 99.8% in H1 FY2021. Excluding the impact of flood and cyclone losses of ₹ 0.82 billion, the combined ratio was 113.0% in H1 FY2022 as against 97.5% in H1 FY2021 excluding the impact of cyclone and flood losses of ₹ 1.07 billion. Combined ratio was 105.3% in Q2 FY2022 as against 99.7% in Q2 FY2021. Excluding the impact of flood and cyclone losses of ₹ 0.50 billion, the combined ratio was 103.7% in Q2 FY2022 as against 96.6% in Q2 FY2021 excluding the impact of cyclone and flood losses of ₹ 0.77 billion.

Our Investment assets rose to ₹ 371.95 billion at September 30, 2021 from ₹ 371.07 billion at June 30, 2021. Our Investment leverage (net of borrowings) was 4.27x at September 30, 2021 from 4.34x at June 30, 2021. Investment income increased to ₹ 16.05 billion in H1 FY2022 as against ₹ 10.91 billion in H1 FY2021. On a quarterly basis, investment income increased to ₹ 7.16 billion in Q2 FY2022 as against ₹ 5.92 billion in Q2 FY2021. Our Capital gains was at ₹ 4.71 billion in H1 FY2022 as against ₹ 1.84 billion in H1 FY2021. Capital gains in Q2 FY2022 was at ₹ 1.44 billion as against ₹ 1.24 billion in Q2 FY2021.

The expenses incurred of approx. ₹ 0.17 billion on account of merger, have been absorbed in the P&L during H1 FY2022.

Our Profit before tax (PBT) was ₹ 8.52 billion in H1 FY2022 as against ₹ 10.86 billion in H1 FY2021, whereas PBT was ₹ 5.94 billion in Q2 FY2022 as against ₹ 5.55 billion in Q2 FY2021.

Consequently, Profit after tax (PAT) was ₹ 6.41 billion in H1 FY2022 as against ₹ 8.14 billion in H1 FY2021, whereas PAT stood at ₹ 4.46 billion in Q2 FY2022 from ₹ 4.16 billion in Q2 FY2021.

Return on Average Equity i.e. ROAE was 15.2% in H1 FY2022 as against 24.9% in H1 FY2021. The ROAE for Q2 FY2022 was 21.0% as against 24.7% in Q2 FY2021.

Solvency ratio was at 2.49x at September 30, 2021, as against 2.61x at June 30, 2021, continued to be higher than the minimum regulatory requirement of 1.50x.

The Board of Directors of the company has declared interim dividend of ₹ 4.00 per share for H1 FY2022.

Closing Remarks

As I conclude, I would like to reiterate continue to stay focused on profitable growth and sustainable value creation.

I would like to thank you for attending our earnings conference call & we would be happy to take questions that you may have.

Ends

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Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will' , 'would' , 'indicating' , 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion in business, the impact of any acquisitions, technological implementation and changes, the actual growth in demand for insurance products and services, investment income, cash flow projections, our exposure to market risks, policies and actions of regulatory authorities; impact of competition; the impact of changes in capital, solvency or accounting standards, tax and other legislations and regulations in the jurisdictions as well as other risks detailed in the reports filed by ICICI Bank Limited, our holding company, with the United States Securities and Exchange Commission. ICICI Bank and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date there.