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October 21, 2022

To,

The Manager	The Manager
Listing Department	Listing Department
BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers	Exchange Plaza, 5th Floor, Plot C/1
Dalal Street	G Block, Bandra Kurla Complex,
Mumbai – 400 001	Mumbai – 400 051

Scrip code: Equity (BSE: 540716/ NSE: ICICIGI); Debt (NSE: ILGI29)

Dear Sir/Madam,

Disclosure under Regulation 30 read with Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Subject: Transcript of earnings conference call for quarter and half-year ended September 30, 2022

This is further to our letter dated September 30, 2022 and October 18, 2022, please note that the Company had hosted an earnings conference call with investor(s) and analyst(s) on Tuesday, October 18, 2022 to discuss the financial performance of the Company for the quarter and half-year ended September 30, 2022.

In this regard, please find attached the transcript of the 'earnings conference call' for the quarter and half-year ended September 30, 2022.

The same will also be made available on the Company's website at www.icicilombard.com

You are requested to kindly take the same on your records.

Thanking you.

Yours faithfully,

For ICICI Lombard General Insurance Company Limited

Vikas Mehra
Company Secretary

Encl. As above

ICICI Lombard General Insurance Company Limited
Q2 & H1FY2023 Earnings Conference Call
October 18, 2022

Management:

MR. BHARGAV DASGUPTA – MD & CEO

MR. GOPAL BALACHANDRAN – CFO & CRO

MR. SANJEEV MANTRI – EXECUTIVE DIRECTOR

MR. ALOK AGARWAL – EXECUTIVE DIRECTOR

Moderator: Good evening, ladies and gentlemen, a very warm welcome to ICICI Lombard General Insurance Company Limited's Q2 & H1FY2023 Earnings Conference Call.

From the Senior Management, we have with us today Mr. Bhargav Dasgupta - MD & CEO of the Company; Mr. Gopal Balachandran - CFO & CRO; Mr. Sanjeev Mantri – Executive Director; and Mr. Alok Agarwal – Executive Director.

Please note that any statements, comments are made in today's calls that may look like forward-looking statements are based on information presently available to the management, and do not constitute an indication of any future performance as future involved risk, and uncertainties which could cause results to differ materially from the current views being expressed.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhargav Dasgupta, MD & CEO – ICICI Lombard General Insurance Limited. Thank you and over to you, Sir!

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 and H1 FY2023

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, 2022.

Domestically the economic activity has been gathering pace, and the recovery is evidenced by the high frequency indicators in the industrial and services sector. The improvement in consumption spending is expected to be sustained by strong festive demand and possible improvement in rural consumption in the second half of the year. The systemic credit growth is quite robust and

broad-based. At the same time, headwinds from geopolitical tensions, tightening global financial conditions, strong dollar and elevated global inflation is slowing global demand resulting into lower exports, which may have an adverse impact on Indian economic growth in the near term.

As per data published by SIAM the new vehicle sales witnessed strong growth for private car segment amidst easing supply chain constraints and festive demand, the Commercial vehicle segment grew robustly supported by underlying demand, while the two wheeler segment continued to remain slow compared to pre pandemic levels. Health insurance, continued to drive the overall industry growth. The commercial lines witnessed growth in line with the current market environment. We remain optimistic that the industry will continue to grow given the low insurance penetration, positive consumer sentiment and enhanced risk awareness.

As a result, the GI industry delivered a Gross Direct Premium Income (GDPI) growth of 15.3% for H1 FY2023 over H1 FY2022. Excluding the crop insurance, the growth is at 18.0% for the same period. However, we continue to see pricing aggression in certain segments like motor, while there is some improvement in the group health segment. For motor business, Combined Ratio for the industry was 124.5% in Q1FY2023 as compared to 107.1% in Q1FY2022 as per public disclosures. Overall, the combined ratio of the industry improved to 111.4% in Q1FY2023 as compared to 124.0% in Q1FY2022.

In the recent past, The Authority has announced several reforms to increase insurance penetration in the country. During the quarter the Authority has issued/proposed following changes –

1. Exposure draft on “Expenses of management” and “Payment of Commission Regulations” proposing an aggregate limit at a company level.
2. Master Guidelines on AML including KYC requirements along with establishing “internal policies, procedures, controls and compliance arrangement” effective November 1, 2022.
3. Increase in number of tie-ups from 3 to 9 in case of Corporate Agents for each category of insurer
4. “Other forms of Capital” wherein insurers can raise capital by the way of preference shares or subordinated debt without having to avail prior approval of the authority.

5. Amendments to Regulatory Sandbox Regulations eliminating time limit to facilitate innovation in products or solutions and to increase the experimental period up to 36 months.

These are all under consideration and we believe that these and the many other changes that have been made or being proposed, will have a significant positive effect on product innovation, ease of doing business and insurance penetration.

Moving to business impact for us in during the quarter–

The Company grew by 22.6% as compared to the industry growth of 15.3%. Coming to the growth for key segments during the quarter -

- In Motor, growth remained tepid at 4.5%. We continued to combat challenges like heightened competitive intensity on the Motor OD side. We remained focused on growing our market share in certain key profitable sub segments within Motor. Overall new vehicle sales have been strong and demand sentiment also continues to be positive. We are optimistic, that with the improving pricing environment we will be able to consolidate leadership position, given our strength of distribution in this segment.
- Our investments in Retail Health distribution resulted in growth of 15.8% as against 8.0% in Q1 FY2023. Within the quarter, we have outgrown the industry and standalone players for the month of September with a growth of 21.1%. This was driven by growth in business sourced through retail health agency vertical of 30.7% in Q2 FY2023.
    - I would also like to share that our one stop solution for all insurance and wellness needs, “IL TakeCare” app, has surpassed ~2.7 million user downloads till date. The incremental download for the quarter was 1.0 million
- Our Bancassurance and Key Relationship Groups grew at 36.1% this quarter. Within this ICICI Bank distribution grew by 33.9% and non-ICICI Bank distribution grew by 37.6%. Post pandemic, the recovery in credit growth along with increase in wallet share in distribution partners acquired through the demerger has been the key growth driver.
- Our Business sourced through our Digital One team grew by 24.5%

- Overall, our digital focus has enabled us to increase our digital revenues to ₹ 2.26 billion which accounts for 4.4% of our overall GDPI for the quarter

- As far as the commercial lines are concerned, we experienced robust growth, driven by 26.9% growth in the SME segment.

We remain on track and are focused on growth levers such as launching new products, strengthening our distribution engine, digital advancements, realising synergy, rationalising cost while scaling up our preferred lines of business.

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 FY2023. We have uploaded the results on the stock exchanges and in the process of uploading on our website. You can access it as we walk you through the performance numbers.

Gross Direct Premium Income (GDPI) of the Company was at ₹ 105.55 billion in H1 FY2023 as against ₹ 86.13 billion in H1 FY2022, a growth of 22.6%. This growth was higher than the industry growth of 15.3%. GDPI was at ₹ 51.85 billion in Q2 FY2023 as against ₹ 44.24 billion in Q2 FY2022, a growth of 17.2%. This growth was higher than the industry growth of 10.0%. Our GDPI growth was primarily driven by growth in preferred segments. The overall GDPI of our property and casualty segment grew by 16.0 % at ₹ 32.13 billion in H1 FY2023 as against ₹ 27.69 billion in H1 FY2022.

On the retail side of business, GDPI of the Motor segment was at ₹ 37.09 billion in H1 FY2023 as against ₹ 32.46 billion in H1 FY2022, registering a growth of 14.3%.

Our agents (including Point of sale or POS) count, for the first time crossed one lakh to 1,00,636 as on September 30, 2022, from 94,559 as on June 30, 2022.

The advance premium was ₹ 34.34 billion as at September 30, 2022, as against ₹ 33.68 billion as at March 31, 2022.

Resultantly, Combined ratio was 104.6% in H1 FY2023 as against 114.3% in H1 FY2022. Excluding the impact of cyclone and flood losses of ₹ 0.28 billion,

the combined ratio was 104.2% in H1 FY2023 as against 113.0% in H1 FY2022 excluding the impact of cyclone and flood loses of ₹ 0.82 billion. Combined ratio was 105.1% in Q2 FY2023 as against 105.3% in Q2 FY2022. Excluding the impact of flood and cyclone losses of ₹ 0.28 billion, the combined ratio was 104.3% in Q2 FY2023 as against 103.7% in Q2 FY2022 excluding the impact of cyclone and flood losses of ₹ 0.50 billion.

Our investment assets rose to ₹ 400.96 billion as at September 30, 2022, from ₹ 398.34 billion as at June 30, 2022. Our investment leverage (net of borrowings) was 4.08x as at September 30, 2022, as against 4.18x as at June 30, 2022. Investment income was at ₹ 13.94 billion in H1FY2023 as against ₹ 16.05 billion in H1FY2022. On a quarterly basis, investment income increased to ₹ 7.39 billion in Q2 FY2023 as against ₹ 7.16 billion in Q2 FY2022. Investment income of Q2 FY2023 includes impairment on equity investment assets of ₹ 0.89 billion as per the company policy. Our capital gains (net of impairment on equity investment assets) stood at ₹ 1.43 billion in H1 FY2023 as compared to ₹ 4.71 billion in H1 FY2022. Capital gains (net of impairment on equity investment assets) in Q2 FY2023 was lower at ₹ 1.11 billion as compared to ₹ 1.44 billion in Q2 FY2022.

Our Profit before tax (PBT), grew by 26.1% at ₹ 10.75 billion in H1 FY2023 as against ₹ 8.52 billion in H1 FY2022, whereas PBT grew by 2.7% at ₹ 6.10 billion in Q2 FY2023 as against ₹ 5.94 billion in Q2 FY2022.

Consequently, Profit after tax (PAT), grew by 46.6% at ₹ 9.40 billion in H1 FY2023 as against ₹ 6.41 billion in H1 FY2022, whereas PAT grew by 32.2% at ₹ 5.91 billion in Q2 FY2023 from ₹ 4.47 billion in Q2 FY2022. PAT for Q2 FY2023 includes reversal of tax provision of ₹ 1.28 billion. Excluding this, growth in PAT was 26.5% and 3.4% for H1 & Q2 FY2023 respectively.

Return on Average Equity i.e., ROAE was 19.9% in H1 FY2023 as against 15.2% in H1 FY2022. The ROAE for Q2 FY2023 was 24.5% as against 21.0% in Q2 FY2022. Excluding the reversal of tax provision, ROAE for H1 & Q2 FY2023 was at 17.3% and 19.3% respectively.

Solvency ratio was at 2.47x as at September 30, 2022, as against 2.61x as at June 30, 2022, continued to be higher than the minimum regulatory requirement of 1.50x.

The Board of Directors of the company has declared interim dividend of ₹ 4.50 per share for H1 FY2023

The Company has exercised the Call Option to redeem the Debentures of ₹ 2.20 billion in full along with final interest due, post receipt of the necessary regulatory/statutory approvals on July 7, 2022. The record date for the same was August 7, 2022. Thus, the outstanding Debentures stands at ₹ 0.35 billion as at September 30, 2022.

As I conclude, I would like to reiterate we continue to stay focused on profitable growth, sustainable value creation and safeguarding interest of policyholders at all times.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: I have three questions, first of all, the flow from Gross Written Premium to Net Earned Premium seems to have sequentially higher retention level during the quarter. And also seems that there is some unexpired risk reserved release that has happened. If you could highlight on this.

Secondly, on the motor book, the GDPI mix shows that there is a higher share of private vehicles again, if you could throw some light on what is going on there and what is the reason behind the outcome of the TP loss ratio.

And thirdly, on the crop portfolio, we have reached a ₹ 800 crore number in H1 FY2023. You had mentioned earlier that you want the run rate of what Bharti AXA used to do in crops. So, does that mean that there would not be any further premium inflows in crop going ahead in the second half?

Bhargav Dasgupta: Let me take the third question and I will ask Gopal to answer the first, and jointly we will handle the second. On the crop business, it’s a seasonal mix. Kharif is usually bigger and the point that we had made earlier was that crop business will remain about 5% of our portfolio. I don't think there is going to be any change in that. So, second half of the year, the amount of crop business will be significantly lower than this number that you see in the first half.

Again, the principle that we are following is the business that came from Bharti Axa General Insurance which we had a three-year commitment that we are maintaining and apart from that the new business that we have written is entirely on 80% -110% model. Certain states, as you know, have shifted to 80%-110% model, where the cost of reinsurance products is significantly lower because of the natural limit of loss at 110% which we have written but the mix of the business will be much more in the first half compared to the second half. Overall, guidance that we had given in terms of composition of the mix of portfolio, that doesn't change.

Gopal Balachandran: In the first question, there are a couple of elements in there. One is sequentially, why is the retention ratio higher? So, if you look at Q1 typically is a period of Commercial Policy Renewals where the extent of reinsurance support are relatively higher, and that's the reason why you find Q1 retention ratios to be relatively lower than Q2. Q2 is more a book where you also get to see higher proportion of retail business coming through and hence to that extent, sequentially, you will find the retention ratios for Q2 to be higher than Q1. Otherwise, in that sense, it is largely to do with the kind of business mix that we have for Q2 relative to Q1.

For your second point in terms of Unexpired Risk Reserve releases being slightly elevated. There is no change in the way we earn revenues, it's over the period of the contract. As one of the questions was in the context of crop booking, given the fact, that kharif season typically has a shorter time cycle when it comes to earning of revenues. Hence to that extent, you will obviously find an elevated levels of earnings coming through in Q2. Also given the fact in line with what you have explained, in so far as the loss experiences are concerned unless and until we don't have the complete estimate of the claims experience, till that point of time, we obviously continue to provide for losses at 100% of the earnings that has happened. So, that primarily is the reason why you get to see slightly elevated earnings as compared to the relative period that you are looking at.

Bhargav Dasgupta: On the motor business, the mix of the business is in line with what we had indicated at the beginning of the year and in the last conference call. I don't know where you have got this point of Private Car increase, actually it's coming down. If you look at last year first half, Private Car was about 56.5% of our mix which has reduced to 49.6%

Two-wheeler is almost steady, it has gone up from 26.5% to 27.1%. The increase is largely in CV, it has increased from 17.1% to 23.4% and is in line with what we have been saying for the last couple of quarters, that CV mix will be in the mid-20's range. So, given the loss dynamics that we are seeing particularly in Private Car Motor OD, is believed to be significantly underpriced at this point in time. We have been a bit more cautious on the private car segment as part of our strategy of increasing our much selected CV business, that strategy is playing out and if you see the growth for CV business, we have a very good growth for the first half, the CV business has grown about 56% for us.

Swarnabha Mukherjee : Just to follow up on that. So, actually in terms of the mix, I was talking about what has happened sequentially in Q1 FY2023 the PV mix was 47.7% and in the H1 FY2023 it was 49.6%. So, from that point of view, I was asking whether you are seeing more traction on the Private Vehicle side.

Bhargav Dasgupta: Yeah, I understand your query. Relative to Q1, Yes. But if you again compare with Q2 FY2023 to Q2 FY2022, and you have to look at YoY numbers because of seasonality, there are festive periods where private car does more. So, if you look at Q2 FY2022, we had about 57% of mix coming from private car and in Q2 FY2023 its about 51%, in spite of the fact that the festive season has been a bit preponed. So, actually the relative drop is even higher.

Gopal Balachandran: So, to your last question with respect to Motor third-party loss ratios. Again, fundamentally, as we keep saying, you should look at loss ratios more in the context of, year-to-date numbers or full year numbers, particularly for motor third-party, given that it's a long tail line of business. In a particular quarter, there are various elements that goes into it. We would continue to reiterate that you have to look at the portfolio experience more on a year-to-date, or as I said, more on a financial year basis.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Just a few questions from my side. First is on the health claims ratios, they have increased significantly on a sequential basis. So, could you break it down as to what was the reason?

Secondly, could you throw some light on the implementation of Vehicles Act and how is it panning out across the country? And do we see some benefits of

it coming in the next couple of quarters, or it's more driven from a next year perspective? How do we see that happening?

And lastly, could you cite the reason for the dip in solvency on a sequential basis?

Gopal Balachandran: So, maybe, let me take this last part first. The decline in the solvency is purely a function of what kind of growth rates that you see, and the mix of business that you write. As I said, in Q2 generally tends to be a portfolio mix, which is relatively more in favor of retail and as per the current factor based solvency regulations that are in place, the relative capital requirement for a retail business is far higher than the commercial line of businesses. Hence that's purely a function of what kind of business volume that you write. But otherwise, if you see we are quite comfortable with the level of solvency that we are operating at which is at 2.47 times.

The second element, what you look at in terms of impact on solvency, this is something that you will get to see more or less in every Q2, we declared dividend insofar as final dividend declaration has happened towards the end of the year, which gets confirmed at the AGM, and the payment happens in Q2. So, to that extent, there is also an outflow on account of dividend payout, which tends to have an impact insofar as solvency numbers are concerned. So, otherwise, it's a minor sequential decline. But these are the two key factors with respect to solvency outcomes.

To your first point on the loss ratio numbers, when you look at health for example, in Q2 FY2023 the break up for the loss ratios for corporate or the Employer Employee book is about 99.1% and on Retail Health Indemnity, the loss ratios for us is about 64.4%. Now the Benefit also is relatively profitable, so this is within our acceptable levels of loss numbers.

Prayesh Jain: On the health book, sequential increase in the loss ratios can be attributable to what factors? Is it monsoon related or something else?

Bhargav Dasgupta: So, there are some seasonality impact of monsoon and medical acute cases, the dengue, malarias etc. usually we see a spike in this period and the second point about sequential is that in the previous quarter, there could have been some releases that we have gotten in that quarter. But overall, the number is not going to be as high as the number that Gopal talked about for the whole year.

Our sense is that the Group (Employer Employees), loss ratio will remain in the ballpark number that we had indicated, which is in the mid-90's, for the year as a whole. If you remember last year, we used to talk about the fact that we have gone back to our corporate clients and taken price increases. Premium per life had increased post-COVID, and on top of that, we are seeing some price increases this year. So, we are quite comfortable with the group health portfolio as we see it, in just one quarter numbers may not be fully reflected with the book that we are writing.

Your last point on Motor Third-party, there are some early signs, but it's too early for us to call. We would want to watch this for a couple of quarters before we take a final view on whether the Motor Vehicles Act, impact is across the nation. We are seeing some early signs here and there. But it's too early for us to take a call, till it has happened at a national scale.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: I have two questions. First is on the overall growth, I wanted your opinion on how should we build in growth for the full year given that for first half you guys have grown at 23% and particularly your health book, you guys are writing ₹ 400 crore on month-on-month basis. So, I want to understand how sustainable this 23% is, or particularly the health book of ₹ 400 crore per month is.

Second, I wanted to understand maybe a little bit better insight on why is there so much cyclicality or movement in your investment yields between Q1 and Q2, like the quarterly move is quite high. If I see the quarters of previous years it wasn't this wide. So, I wanted to understand that as well.

Bhargav Dasgupta: On the first one, clearly, the growth momentum is higher than what we anticipated or indicated in the beginning of the year. In the first half, if you see, we have been significantly more careful about the private car business, in spite of that we have been able to deliver the growth numbers that you are seeing. So, my sense is that the health numbers are sustainable. The investment that we have made on the agency distribution are beginning to play through. As we mentioned in our opening remarks, the retail health agency numbers are picking up.

Group Health, we are seeing some improvement in pricing. Some of the large players who have been in the past very aggressive, they are toning down their

aggression on pricing and getting a bit more disciplined. So, even on group as an employer employee portfolio, we are seeing conversions at prices that we are comfortable with. So, I don't see any constraint.

The last thing on the health side, ICICI Bank has restarted distributing the Indemnity policy on the home side. So, that's why the bank numbers are high and the banca overall numbers are also high, given the tie-up that we have got through the acquisition, they are performing really well and the credit disbursal are higher so our attachment businesses have also picked up. So, on the health side, we remain reasonably optimistic and confident about maintaining our performance and growth.

For Motor, as I said, market has been over aggressive and I don't believe it's sustainable. We are again seeing some players recalibrate on the CV side, further reduce discounts and increase prices. We are seeing quite a few players taking similar decision on the private car side, equally there are a few players who are too aggressive. So, if pricing aggression gets muted on the motor side, it will give us an opportunity to grow even faster than what we have grown in this quarter. We will have to be watchful, but I don't see the numbers going below the current growth numbers that we are seeing.

So, overall, we remain reasonably confident about the growth trajectory that we have set. I think the only concern that remain about the market is the pricing on the Motor Own Damage side that is something that we would want to watch a bit closely.

Gopal Balachandran: So, yield on investment Shreya is purely a function of what kind of interest rate environment that you see in the market. I think at this point of time, we are seeing an increasing interest rate regime and therefore, to that extent, you will obviously find yields to fluctuate between periods. So, otherwise it's purely a function of what mix of investments that we are making and largely to do with the interest rate environment that's operating. To that extent you will always find cyclicality in terms of outcome.

And secondly, when you look at the overall yield on the aggregate (assuming on the entire investment income) you look at it as a function of both interest accruals as well as capital gains and you will never find capital gain accruals evenly spread across periods. For example, if you look at the capital gains for the first half, it's just about ₹ 1.43 billion. Similarly, when you look at H1 of the previous year, the capital gains was about ₹ 4.71 billion. So, when you look at

the yield on the overall portfolio, including on a realized basis, then you will obviously find fluctuating outcomes.

But at this point of time, when we look at it from an overall portfolio standpoint, a higher interest rate regime actually augurs well, insofar as our interest accruals are concerned, because typically, when you look at our overall investment income breakdown, on an average, roughly about 70% to 75% of our investment income is through accruals and typically on an average, the balance, 25% to 30% is capital gains on an annual basis. Within quarters, obviously, there can be cyclicality with respect to what the actual yields are.

Moderator: Thank you. The next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh: Firstly, what is the number on the sales that we have done from the ILTakeCare App, you shared that number last quarter. What is the number that we have achieved this quarter?

Secondly, the downloads on the ILTakeCare App has been quite strong this quarter. So, how are we driving those downloads? Are we incurring any cost to make our customer download this app?

Thirdly is your commentary on the competitive intensity that few players are recalibrating, that is on Motor TP or Motor OD segment that you are seeing a reduction in competitive intensity and what is your sense on the time period that we may start seeing on Motor Own Damage competitive intensity coming down? Given that it has been quite intense for last couple of years.

And lastly any comment on the management succession planning given that there is a possibility of cap on CEO tenure of 15 years?

Bhargav Dasgupta: Let me get the last one out, yes the exposure draft is there for 15 years. But it's an exposure draft, if it becomes a final regulation, then obviously something will have to be done, but we will wait for that exposure draft to come through.

The second question on aggression, as we mentioned, the real problem isn't the OD segment, in our opening remarks we talked about the overall combined ratio for Motor. The combined ratio for Motor OD is even worse than that. So, motor TP is actually doing better at this point in time. So, the aggression is in certain segments, and aggression gets played out, since you can't do anything

with the TP price, people do higher discounting in the Motor OD or incur higher cost in getting that business. So, the problem is more than the Motor OD side.

The other questions that you had on ILTakeCare, on how we are driving it? If you remember, ILTakeCare app was largely set up to engage our corporate customers (employees of corporate customers). When we sell our group health insurance policy, it's a policy sold to a corporate, but the health insurance is for the employees and really there was hardly any engagement with them. So, that was the original thought process, when we launched it about a bit more than two years back.

As we speak today, more than 50% of the employees of our corporates have downloaded the app and used that app and this percentage has been increasing quarter-on-quarter. So, that's one area where how we present this.

The second is, gradually we are now, putting a lot of effort on the bancassurance and the retail side and there it is not as easy to bring about change, because there is a behavioral shift, and you are working with distributors and agents, etc. But even there we are seeing very good traction, largely because people are seeing value in that engagement. So overall there will be some cost but that is not material. Last year we have roughly about 30 million policies that we sold. So, let's say 2.7 million downloads still gives us a lot of runway of growth. A lot of these numbers may be small ticket or Two-Wheeler policies, but still, we see that as an opportunity. So, that's what we are driving.

Your last question on sales, it is something that we started only last year. It's beginning to pick up and when we talk about sales, it includes the renewals that people do on their own through the app and that number in Q1 was about ₹ 9.8 crore, that number has grown roughly three times to ₹ 27.4 crore in this quarter, and for the month of September 2022, it was about ₹ 10 crore. So, we are seeing very good traction in terms of adoption, engagement, even in terms of monthly average users, daily average users, on a YoY basis, those numbers grown about 4x. We are seeing very good traction with that app as originally we had talked about this being a potential game changer for our engagement model with customers.

Nidhesh: Last question on investment yield, if I look at the accrual investment yield it has increased almost 80 to 90 basis points, sequentially at around 7.3%. So, going

forward, this will be the base yield and it will continue to increase, is that the right understanding?

Gopal Balachandran: Very difficult to comment on that, Nidhesh, because we will have to wait and see in terms of how does the interest rate cycle play out. As I mentioned, an increasing interest rate regime obviously augurs well for us, so far as interest accruals are concerned. But equally, you should be mindful of the fact that correspondingly to that extent from a mark-to-market perspective on the fixed income book, you will have a mark-to-market negative and therefore, the ability of us to possibly realize any amount of capital gains, you may not see that happening.

When I gave that broad split of 70% to 75% of interest accruals and 25% to 30% of capital gains, that could possibly see some change. But if this momentum of interest rate cycles sustains then as flows continue to accrue from business realization it should definitely help in overall increase in the yield of the book.

Bhargav Dasgupta: So, Nidhesh your point is absolutely right, the carried yield should keep on increasing and it's a positive from a longer-term perspective. But on a quarterly basis, the point that Gopal is making on capital gains that may play out opposite to that positivity.

Nidhesh: I am just trying to understand the adjustment for capital gains, there is no one-off in the accrual yields, because accrual yields in last two quarters have increased quite significantly almost 130 basis point, while our tenure of the book is four years and we were of the opinion that it will improve but it will improve slowly, but it has improved quite significantly in just two quarters. So, I was just trying to understand that there is no one-off in the accrual yields.

Gopal Balachandran: The duration of the book has actually kind of increased. The duration at March '22 was roughly 3.96 years that number at June was 4.4 years. When you look at September, the duration is almost about 4.8 year.

Bhargav Dasgupta: Also these capital gains are from equity not from debt, if that is your question.

Moderator: Thank you. The next question is from the line of Sanket Godha from Spark Capital. Please go ahead.

Sanket Godha: The Motor OD loss ratio at 74.3% in the current quarter. Is it just because of the price discounting or to some extent we can believe, that the new policies

like "pay-as-you-go" and the other policies which industry has introduced contributed to the loss ratios. If you believe this "pay-as-you-go" policies are going to increase in the contribution, are we seeing structurally higher loss ratios in Motor OD business going ahead?

Bhargav Dasgupta: So, the answer to your first question is no, because the contribution of those policies is negligible as we speak. So, that is not going to move the needle, not just now for a long period of time in our estimate.

The second part of the question in the long term what will it do. Logically what it should do, we will have to wait to see what happens, objective is to price risk more granularly for better customer. So, if better customers get a cheaper price, logically, the lot of bad customer should pay a higher price. Now, whether the second thing will happen or not that time will tell, but that is how it should play out. It should, give us more ability to price appropriate. In the past, we have done secondary measures of driving behavior, this gives you the ability to price based on driving behavior and driving distance. So, you should price your risk better, doesn't mean that it should become cheaper for the whole category.

Sanket Godha: And second, personal accident cover business, which is highly profitable, has seen a very strong growth when I look at Q2 & H1 numbers, which is even getting reflected in the BANCA channel numbers. Just wanted to understand that are these numbers sustainable beyond FY2023? Because these channels initially started doing business for us and therefore it delivered the growth and I just wanted to know the sustainability of these particular numbers, given it has been very strong.

Bhargav Dasgupta: Yeah so Sanket, as you recollect, what we have been saying is that the credit disbursal is picking up. In the Q1 FY2023, we had a base effect of the Q1 FY2022. That was the second Delta wave and the business numbers are very low. So, on that base, the Q1 FY2023 looks very elevated. So, as a percentage it may not sustain but in the absolute terms, yes, we are reasonably optimistic that it will sustain.

Sanket Godha: And finally, a fundamental question, if I look at the historical trend for the industry as a whole, the AUM growth of the industry, or even for your company is always been higher compared to GDPI growth. But if you look at the current year trend, it is almost the opposite because GDPI growth is very strong, but AUM growth somehow is struggling, but it's just 8% on year-on-year basis for

our company. Just wanted to understand what is that missing link, which is not driving the AUM growth, compared to what we have witnessed in the past?

Gopal Balachandran: So, AUM growth again is a function of, what business outcome that you are operating at. Now, at this point of time, Sanket, as you have seen, and what we have been talking through is that as far as our combined ratios are concerned, currently it is slightly elevated than what we would expect it to operate at. So, for example, you saw the numbers for Q2 at 105.1% & H1 FY2023 was 104.6%. Hence to that extent, the relative accretion to cash flows, or the assets under management will be relatively lower. So, that's one component that will be a function of what you see relative to growth.

Second, when you specifically look at, in the context of Q2 FY2023, you will always find the overall assets under management to be lower. That primarily happens because Q1 is a period where you see bulk of the corporate renewals taking place, where you end up getting the premiums in Q1. However, given that the corporate group generally tends to have higher proportion of reinsurance, after the reinsurance arrangements those settlements takes place in Q2. Hence, Bulk outflows happen in Q2 and hence to that extent, historically, in any of the Q2s, you will find the flows that we had accrued in overall investment book to be lower. And as we continue to improve in bringing down the overall combined ratios within acceptable threshold over the next couple of years in terms of what we have indicated, you should logically get to see a higher proportion of flows getting accrued in the investment book.

The third, in line with what we have indicated, I think, relative to what kind of business mix that you write, for example, health, as we indicated, will not have as much of a long tail of float compared to motor. At this point of time, in so far as the motor book is concerned, given the relative competitive intensity that we see in the market, we are a bit cautious. Our health is doing reasonably well for us and hence, that's also a function of what kind of accruals that happens to the overall assets under management. As we get to see pricing improve in motor over the next few quarters and growth comes back then obviously you will start seeing a relatively higher proportion of accruals happening for the overall assets under management.

Moderator: The next question is from the line of Neeraj Toshniwal from UBS India. Please go ahead.

Neeraj Toshniwal: Wanted to understand post July there have been some reduction in market share in Motor OD side, have some players again started to become more competitive and that is impacting or how one should read about it?

Bhargav Dasgupta: Yeah, so as I mentioned, we are seeing some green shoots. In PV we are seeing some moderation from some of the larger traditional players. In OD we are seeing some of the players now rationalize the aggression. However, at the same time, there are still few players who are very aggressive. Our sense is that this will not sustain. But that is the reason why we have been saying that we are a bit cautious in the own damage segment.

Neeraj Toshniwal: So, any ground trends because September for the industry was also weak, not only particularly for ICICI Lombard. Anything which has changed or just a one off, one should think about it?

Bhargav Dasgupta: It's been a trend that we have been talking about for last, actually, couple of years, there's been aggression, but it's sustained. I mean, genuinely, I think we have mentioned this many times. But generally we see this aggression toned down after about a year, year and a half. This time it sustained probably because of the COVID benefits that people saw last year. We were probably expecting this to come down, moderate sooner this year; it's taking a bit more time. But early signs are positive. So, we are optimistic that the second half will be a bit better than what we have seen in the first half.

Neeraj Toshniwal: Second half definitely we will get the benefit of lower base in terms of premium, given the commercial is already doing well and there is already pick up in health. What kind of growth are we internally pegging at for the full year, if any color on that?

Bhargav Dasgupta: I have answered this question earlier. Our sense is really what we indicated at the beginning of the year; we remain optimistic that it will be higher.

Moderator: Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: A couple of questions. First if I look at the overall, commercial line product particularly the liability that is quite profitable, but you seem to have lost market share. So, either market has grown too fast, or you have been cautious. So, what is driving your market share loss in that highly profitable line, that particular liability?

Secondly on the media reporting for "Bima Sugam" considering that it is targeting retail health, do you see some kind of channel conflict there?

Bhargav Dasgupta: So, Avinash, in terms of liability, last year there was a launch of a product by one company, which is classified as a liability, which the authority has now asked the industry not to write. So, if you look at our growth for Q2 it is roughly about 36.4%. So, our business continues to do well. In terms of market share it is only because of that one company's one product, which we believe right now is not there in the market. That's the reason that you are seeing market share drop. But the traditional liability business, which is profitable, the one that you are talking about, that's something that we continue to do well, and we are growing and we remain #1 in traditional liability, if you keep out this SCL product that you are talking about.

Avinash Singh: Second question is that there was a media report on "Bima Sugam" about direct distribution initiative, will there be a channel conflict because they are going to reach retail customers and retail health is something where you or anyone else driven business through agency. So will there be some kind of a channel conflict, because I mean you need to have differential pricing or else this Bima Sugam will fail from day one itself.

Bhargav Dasgupta: Our sense is that this is something that the authority is also very keen on. It will, pick up & take off and it will actually increase penetration rather than creating channel conflict. We will have to wait to see what is the governance of that entity because the understanding that we have at this point in time is that it will be an industry controlled entity, as in the shareholding will be largely distributed across the players with maybe a technology partner who will also have some stake. We will have to design the governance mechanism of that entity and the product that go on there, also we will have to see what goes there and which segment of customers it focuses on. Overall, we believe it's a great positive in terms of creating greater awareness, because everyone will talk about it and the fact that it's something that the regulator is endorsing, it should create a fair approach to distribution online that we have been hoping for and waiting for. So, we are quite optimistic about this.

Avinash Singh: On motor TP losses, there are three moving parts, you have seen 3% - 4% blended price hikes, and in CV it may be higher. Second part you have is on the Motor Vehicle Act implemented, that probably reduces fraud and third part will be the claims inflation that is typically double digit. All these three put

together, your trend for the first half is still seeing a lot of improvement or scope for improvement, because ultimately, at this point, it's estimation and you have been typically very conservative. What makes you feel sort of motor TP that these three moving parts is going to improve?

Bhargav Dasgupta: Yeah, so Avinash, your point is right, there are multiple moving parts and that's why it's very difficult to predict but if you go back to what Gopal said, don't look at a quarterly number for motor TP loss issues look at an annualized number. If you look at last year, our motor TP loss ratio was 74% and for half year, it's about 70.1% but it's better to look at an annualized number, rather than just this quarter of 66.6%, to give you a sense of what we believe is more reasonable or sustainable number.

Having said that, I think the point that you are making in terms of claim inflation, this is the point that we have always been making and accordingly we have had reasonably high claim inflation number in our reserving. We believe that a lot of companies hold significantly lower percentage of inflation and in a sense that maybe inadequate, but we are quite comfortable with the inflation number that we are holding. What we want to observe is the frequency drops that we anticipate because of the new Motor Vehicle Act that we, earlier responded to, but the frequency drop we have to watch for before we conclude that it's actually come through and the reduction is for the sector that you are talking about, is coming through. My sense is that we will give it some time to develop for us to build confidence and talk about a reduced number. I hope that explains you what our short term thinking is and what we believe can happen in the long term.

Moderator: Thank you. The next question is from the line of Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: My question is regarding the comment that you made on the ICICI Bank restarting some of the attachment chains for home loan. Is this the Benefit product that we used to sell earlier, because that was very profitable and used to contribute a decent amount to over profit? If you could clarify on that?

Bhargav Dasgupta: So, Ansuman I mentioned that it's an Indemnity product and it's not just this quarter, even last quarter, we had indicated that the bank had restarted selling attachment of Health Indemnity. So, that's where the growth is very strong. Obviously, the product concept is very different from the original Benefit construct and accordingly profitability will be very different.

Moderator: Thank you. The next question is from the line of the Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Just following up on the ICICI Bank loan linked product, in terms of scale; is there scope to go back to the earlier scale of premiums that were being done even with an Indemnity product?

Bhargav Dasgupta: Looking at the aggregate relationship with ICICI Bank, there are many things that we do. It's not one product that we sell with the bank. There is SME business, corporate business, health business of course, different lines, be it attachment or in terms of indemnity that we do with them. In aggregate, the relationship has become bigger. The reason why we wanted to talk about the health number in the opening remarks was because this last year it was a bit of a drag because in the health business, the attachment business had been stopped. The point that we are making is that the attachment business has started, though the product construct is different from what it was prior to last year.

Deepika Mundra: On the retail health portion, could you tell us a little bit about the experience on renewals that are coming in from the older customers so what would be the renewal rate of older customers? And in terms of loss experience between new and old customers, what would be the differential?

Bhargav Dasgupta: I will ask Gopal to give you the numbers, before that I will just give you the contribution since you asked the question about can we go back? Just to give you a sense of the numbers in aggregate, ICICI Bank contribution, if you go to two years back before they took that call, was about 5.9%, last year it dropped to about 5.3% even though that big business which we are sourcing into the attachment went away, we grew other product categories. For Q2 this year, it has become over 6.1% for the whole year it's about 5.8%. So, in a sense, for the half year, we are back to a similar number that we had in 2021 in terms of contribution, now obviously our business has grown. So, ICICI Bank business has also grown with that.

Gopal Balachandran: So, on the Health renewal percentages, the retention number ranges between 75% - 80%. Your other point on the new portfolio, loss ratio could range anywhere between 45% - 50% and the old portfolio’s, loss ratios ranges between 75% - 80%.

Bhargav Dasgupta: As you know, Health Indemnity loss ratio increase as the portfolio ages.

Moderator: The next question is from the line of Dhruvish Pujara from Mirabilis. Please go ahead.

Dhruvish Pujara: So, I have three questions. First is that 48% of the GDPI comes from broker channel, and I couldn't find anything about number of brokers or how has been the growth on the broker front. So, can you talk about that?

Bhargav Dasgupta: We have two segments of business where brokers play a big role. One is the motor business, the MISP business largely comes through brokers. This could be an OEM controlled or own broker, like Maruti has their own broking entity through which you get access to the dealerships, or some of the OEMs work with other brokers, but it's still a broking business, in terms of the business coming through and how we reflect with our numbers. So, one is the motor business which is the OEM driven, MISP business so that's one.

The second is a corporate business. We are one of the few companies which has a direct sales team. So, we have relationship management teams, which does business development, goes to corporates, but we are also work with brokers, particularly for the SME segment and also for corporate customers. Now for the SME and for corporate customers we have a separate working team which is dedicatedly looking at the broking channel.

Moderator: Thank you. Ladies and gentleman due to time constraint, we take that as the last question. I now hand the conference over to Mr. Bhargav Dasgupta for closing comments. Over to you to sir.

Bhargav Dasgupta: No, more comments it’s late night, thank you guys for staying up to listen to us. And let me wish all of you a very Happy Diwali on the behalf of the entire management team of ICICI Lombard. Thank you and looking forward to our interactions over the quarter. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Lombard General Insurance Company Limited that concludes this conference. We thank you all for joining us and you may now disconnect your line.

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