Ref. No.: MUM/SEC/21-04/2024

April 24, 2023

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 financial year ended March 31, 2023

This is further to our letter dated April 4, 2023 and April 18, 2023, please note that the Company had hosted an earnings conference call with investor(s) and analyst(s) on Tuesday, April 18, 2023 to discuss the financial performance of the Company for the quarter and financial year ended March 31, 2023.

In this regard, please find attached the transcript of the 'earnings conference call' for the quarter and financial year ended March 31, 2023.

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 Digitally signed by Vikas Mehra Date: 2023.04.24 16:29:30 +05'30'

Vikas Mehra
Company Secretary

Encl. As above

ICICI Lombard General Insurance Company Limited
Q4 & FY2023 Earnings Conference Call
April 18, 2023

Management:

MR. BHARGAV DASGUPTA – MD & CEO

MR. GOPAL BALACHANDRAN – CFO & CRO

MR. SANJEEV MANTRI – EXECUTIVE DIRECTOR

MR. ALOK AGARWAL – EXECUTIVE DIRECTOR

ICICI Lombard General Insurance Limited
Q4 & FY2023 Earnings Conference Call
April 18, 2023

Moderator: Good evening, ladies and gentlemen. A very warm welcome to ICICI Lombard General Insurance Company Limited Q4 & FY2023 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 & Mr. Alok Agarwal, Executive Director.

Please note that any statements or comments made in today's call 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 risks and uncertainties which could cause the 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: Thank you, Neerav, and good evening to each one of you. Thank you for joining the earnings conference call of ICICI Lombard General Insurance Company for Q4 & FY2023. I will give you a brief overview of the industry trends and developments that we have witnessed in the past few months. Post this, our CFO – Mr. Gopal Balachandran will share the financial performance of the company for the quarter and year ended March 31, 2023.

The Indian economy is showing signs of resilience while the global economy uncertainty remains elevated. Domestically all the leading indicators are pointing towards sustained momentum in economic activity. However, persistence of elevated inflation in advanced economies, tightened financial conditions and ongoing geopolitical tensions may impact domestic growth going forward.

For the quarter, as per data published by SIAM, the new vehicle sales continued to deliver growth year on year for private car, however, the pent-up demand seems to have settled. Commercial vehicle segments continued to deliver a robust growth, while the two-wheeler segment in terms of volumes is still below the pre pandemic levels. Health insurance continued to deliver robust growth. The commercial lines witnessed growth in line with the current market environment. The overall growth for the industry was highest in the last 5 years. We remain optimistic that the industry will continue to grow given the favorable regulatory changes, low penetration and positive consumer sentiment.

Speaking of the performance:

The GI industry delivered a Gross Direct Premium Income (GDPI) growth of 16.4% for FY2023. At the same time, the underwriting performance remained weak, with the combined ratio of the industry at 116.2% for 9MFY2023 as against 119.2% for 9MFY2022. For motor business, the Combined Ratio for the industry was 123.5% for H1FY2023 which improved to 118.9% for Q3FY2023, as per public disclosures. While there may be gradual signs of improvement in the motor segment the Combined Ratio remains higher than FY2022 levels which was at 115.6%.

The Authority in the current financial year introduced various reforms seeking to expand the market and increase the penetration of insurance products. During the quarter the Authority notified "Expenses of management" and "Payment of Commission Regulations" proposing an aggregate limit at the company level with effect from 1st April 2023.

Moving to the business impact for us during the quarter:

The company grew by 6.7%. Excluding crop and one off transaction in the motor segment, the company grew by 12.6% as against industry growth ex crop of 17.9%.

Coming to growth of the key segment during the quarter-

- In the commercial lines we experienced robust growth, driven by growth of 15.9% in the SME segment. Further during the year, we accreted market share across segments such as Engineering, Liability and maintained our market share in the Fire segment.
- In addition to the above, another development in the commercial lines segment was the discontinuance of IIB rates as minimum rates in the Fire Reinsurance treaties due to a regulatory directive. Also, the impact of global hardening on reinsurance terms especially on natural catastrophic production was experienced by the insurers during April 1 renewals. We believe that although this may create short-term disruption, in the long term we expect it to be positive and bring in underwriting discipline. At the same time for players like us who have capital, brand and presence across multiple lines of business at scale, should benefit from this.
- In motor we de-grew by 11.5%. Excluding one-off transaction the growth was muted at 0.6% as against the industry growth of 13.1%. We continue to focus on profitable sub segments using historical granular data and rebalanced our portfolio resulting in a CV mix at 22.3% and two-wheeler mix at 27.8% for FY2023.
- Similar to the previous year, the overall health segment continued to be the fastest growing segment of the industry. During this

quarter, we grew at 31.1%, which was higher than the industry growth of 29.7%.

- In Group Health- Employer Employee segment, the change in the underlying industry pricing sentiment resulted in customers moving towards companies with better underwriting and service capabilities resulting in our group health segment to grow by 35.7% during the quarter and 43.9% for the year.
- As a result of a continued investments in Retail Health Distribution, we have outgrown the industry for Q4 FY2023 with a growth of 19.4% and in the month of March with a growth of 27.0%. This was driven by business sourced through retail health agency vertical which grew at 30.9%. Further in the month of February, we undertook a price increase in our retail healthy indemnity renewal book of ~19%.
- I would also like to share that our one stop solution for all insurance and wellness needs, “IL TakeCare” app has surpassed ~4.6 million user downloads till date. The incremental download for the quarter was close to 1 million. For Q4 of FY2023, quarter-on-quarter growth of premium sourced through this app was 58.4%, thus contributing Rs. 55.1 crores to GDPI. For Q3 of FY2023 this number was Rs. 347.9 million or 34.7 crores, for Q2 it was Rs. 274 million and for Q1 it was Rs. 100 million.
- Our bancassurance and Key Relationship Groups grew at 25.7% this quarter, within this ICICI Bank distribution grew at 14.2% and the non-ICICI Bank distribution grew at 32.2%. 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 at 19.4%. Overall, our digital focus has enabled us to increase our digital revenues, which includes the IL TakeCare app to Rs. 3.14 billion which accounts for 6.3% of our overall GDPI for the quarter.

We remain on track and are focused on growth levers such as innovation, digital advancements, launching new products, strengthening our distribution engine, rationalizing cost while scaling up of 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 Q4 & FY2023. We have uploaded the 'Results Presentation' on our website. You can access it as we walk you through the performance numbers.

Gross Direct Premium Income (GDPI) of the Company was Rs. 210.25 billion in FY2023 as against Rs. 179.77 billion in FY2022, a growth of 17.0% against the industry growth of 16.4%. Our GDPI growth was primarily driven by growth in the preferred segments. The overall GDPI of our property at casualty segment grew by 18.9% at Rs. 59.73 billion in FY2023 as against Rs. 50.24 billion at FY2022.

On the retail side of the business, GDPI of the motor segment was at Rs. 85.82 billion in FY2023 as against Rs. 82.8 million in FY2022 registering a growth of 3.7%, excluding the one off transaction that Bhargav referred to, the growth was at 6.9%.

Our agents including the point-of-sale distribution count was around 1,13,000 as on March 31, 2023, up from 1,06,119 as on December 31, 2022. The advance premium was Rs. 32.17 billion as at March 31, 2023 as against Rs. 32.79 billion as at December 31, 2022. Resultantly, the combined ratio was 104.5% for FY2023 as against 108.8% in FY2022. Combined ratio for the quarter was 104.2% this year in Q4FY2023 as against 103.2% in Q4FY2022.

Our investment assets rose to Rs. 431.80 billion as on March 31, 2023 up from Rs. 414.51 billion as on December 31, 2022. Our investment leverage (net of borrowings) was 4.15x at March 31, 2023 as against 4.16x at December 31, 2022. Investment income for the full year was Rs. 29.77 billion in FY2023 as against Rs. 30.00 billion in FY2022. On a quarterly basis, investment income increased to Rs. 8.17 billion in Q4 FY2023 as against Rs. 7.06 billion in Q4 FY2022. Our capital gains (net of impairments) on investment assets stood at Rs. 4.53 billion in FY2023 as compared to Rs. 7.38 billion in FY2022. Capital gains in Q4 FY2023 was at Rs. 1.59 billion as compared to Rs. 1.36 billion in Q4 FY2022.

Our Profit Before Tax (PBT), grew by 25.5% at Rs. 21.13 billion in FY2023 as against Rs. 16.84 billion in FY2022, whereas PBT grew by 39.5% at Rs. 5.73 billion in Q4 FY2023 as against Rs. 4.10 billion in Q4 FY2022.

Consequently, Profit After Tax (PAT) grew by 36.0% at Rs. 17.29 billion in FY2023 as against Rs. 12.71 billion in FY2022, whereas PAT grew by 39.8% at Rs. 4.37 billion in Q4 FY2023 from Rs. 3.13 billion in Q4 FY2022. PAT includes the reversal of tax provision of Rs. 1.28 billion in Q2 FY2023.

The Board of Directors of the Company has proposed a final dividend of Rs. 5.50 per share for FY2023. The payment is however subject to approval of shareholders in the ensuing Annual General Meeting of the Company. The overall dividend for FY2023 including the proposed final dividend is Rs. 10 per share. Last year it was Rs. 9 per share.

Return on average equity i.e ROAE was 17.7% in FY2023 as against 14.7% in FY2022. The return on average equity for Q4 FY2023 was 17.2% as against 14.0% in Q4 FY2022.

Solvency ratio was 2.51x as at March 31, 2023, as against 2.45x as at December 31, 2022, continued to be higher than minimum regulatory requirement of 1.5x.

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

I would like to thank you all for attending this earnings call and now we will be happy to take any questions that you may have. Thank you.

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: Two, three questions. First on the motor side, I think in recent conversations you have mentioned that there has been some positive development on the pricing side in motor OD, but despite that I think what we are seeing in your numbers is that there has been a de-growth in the motor premium. So, just wanted to understand what is playing out there and what has resulted, is this a high base effect or anything else that we need to understand to factor in this de-growth that we have seen in the motor book? And also, if you can highlight the reason for the motor TP loss ratio being higher this quarter, because I checked the reserve cycles and there seems to be reserve releases, so has there been any kind of adverse one off impact that you have seen in the motor TP book?

Gopal Balachandran: So, the first one, Swarnabha, on the motor own damage growth numbers, I think in line what we have been talking about we continue to be a bit cautious given the competitive intensity in motor stays elevated. Having said that you are right, we did talk about some bit of easing in pricing that one had expected to kind of play through on the motor segment, which is why when you look at the industry Combined Ratios, for the half year the industry Combined Ratio was roughly at about

124%. If you look at that number for Q3, that number was about 118%. So, clearly, I think there seems to be some signs of a bit of easing in so far as the industry participants are concerned. So far as ICICI Lombard, I think if you recollect what we had said was obviously we continue to write the motor segment through a combination of both new as well as the relatively older segment and as we have been explaining, we have been also looking at segments which are slightly older, which literally comes with a slightly higher loss experience and the relative cost of acquisition for that particular segment is relatively lower. Hence from an ROE perspective, it made a lot of sense for us to look at writing that part of the business and hence to that extent we would possibly see, maybe the loss ratios slightly elevated. Having said that, I think what we would always urge is to not look at any numbers on a quarter on quarter basis but rather look at it more on a full-year basis in terms of the opportunity.

On motor third party loss ratio, again we will continue to make the same stance which is to say that in a given quarter there are lot of factors that influence the loss experience and therefore if you ask us whether there has been any change in our reserving philosophy or approach, there has been no change in the reserving philosophy or approach and motor TP being unlike some of the other segments which are short tailed in terms of loss development as we know it is a relatively long tail of claims and there again, I think we would again urge all of you to look at numbers more on a full year basis, and if you look at on a full year basis the motor third party loss ratio for the current year stands at 72%. So, that is a better reflection of the loss experience as compared to looking at the numbers on a quarter on quarter basis.

Bhargav Dasgupta: Just to add one more point to what Gopal said, when you compare Y-o-Y numbers, last year Q4 for us was a very big quarter in motor business. That base has played down in terms of the growth numbers for us this quarter. Otherwise in terms of pushing price increases that we are actually taking. We have pushed through some price increases. We will see whether other's follow.

Swarnabha Mukherjee: Also, in terms of the overall cost structure, I understand that Q4 is generally a retail heavy quarter and hence our commission outgo is generally much higher. But this time the net commission ratio is somewhere around 2% to 2.2%. So, is there any impact of the one off transaction in this, if you could highlight the reason and also the one off transaction if I were to triangulate the numbers somewhere in the P&L, how should I look for it?

Gopal Balachandran: So far as the net commission is concerned, I think there is definitely nothing which is more one off. We obviously see cyclicality in some of the outcomes when you see on a quarter on quarter performance. For example in some of the commercial line portfolios, we get to see the experience of how good or bad the portfolio outcome has been that gets demonstrated at the end of the financial year particularly in Q4. And hence you will possibly be able to see some element of maybe profit commission that typically gets recognized in Q4. But certainly, there is nothing which is like one off. In general, on the commercial line, our portfolio experience has been profitable and therefore the terms of commissions that we get from the reinsurers is what has possibly resulted in maybe the net commission ratio reflecting a different number. Otherwise, there is no one off in so far as this particular recognition is concerned.

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

Avinash Singh: Two questions, first is more on the regulatory side where the regulator has a vague clause, stating the benefit of direct distribution to be passed on to the policyholders. The question is that, is the regulator stating that if you have a direct version of the same policy, a health or retail policy, and a customer coming for renewal, if the customer is willing to pay at your branch or at your portal directly, are you willing to or are you required to pass on this commission difference? This is with respect to renewal, where there is almost no cost in terms of direct compared to the cost on the new issuance. But when a customer is coming for renewal directly for health, virtually there is no distribution cost involved, so are you going to pass on the cost? That is number one. And second on the expense of management side, I mean of course the new regulation has come, but even for the existing regulation perspective, I mean for your scale the 31% kind of a reported expense of management, the operating leverage is kind of a bit evasive and add to that if I see the P&L there is some close to Rs 900 crores or close to 4% of your gross premium that is being charged to the holder's account whereas the ratio says 31%. So, why is that, I mean, at least on the ratio it does not appear as if you have breached expense of management by that kind of an amount. So, what sort of a connect I am missing here? These are my two questions. Thank you.

Bhargav Dasgupta: Thanks, Avinash. Gopal will take the second question. Let me answer the first. I think the direction that the regulator is taking is making the regulation more principle based and leaving independent companies with lot more flexibility to manage their business in the way they think appropriate. Everything that they are doing, at least our read of the matter is, they are giving insurance companies a bit more choice than what we had in the past. So, even when it comes to the fact that you can give a lower commission that is also a choice given, which in the past we were not explicitly given. As a company we still have been giving a lower price in the online policies by 2.5% to 5%. So, that is a practice that we have been doing and we will continue to do that. Coming to what will happen because of this, I think it is too early to comment on how market would adjust to these changes, but as I said my sense is that, it is giving a lot more flexibility to us and different companies will plan out what they want to do with these flexibilities. Do remember that in certain products, the agent even if there is a customer renews online, sometimes agents do play a role in recommending that and driving that behavior. It may not be true for everything, but lot of times that is how it is. But as I said, more importantly it is a choice given to insurance company to plan their business strategy.

Gopal Balachandran: Avinash, on the second point, I think the number what you are seeing of 31.4% is basis for Q4 based on regulatory stipulated way of computing the expense of management ratio. So, there if you see the denominator as what is being put out on the foot note, it is based on the gross direct premium income. Having said that, the threshold on the expense of management works on the basis of gross written premium. So, when you kind of compute the numbers on the basis of gross written premium then 31.4% will stand revised to let us say 29.5% which is within the threshold of compliance in so far as the limits on expense of management is concerned. The same number on a full year basis what you are seeing of 29.6% which is again based on gross direct premium income in line with the requirement of the regulation which is on gross written premium that number will be looking like 29%, which is again within the threshold on limit that has been laid down by expense of management.

To your second point, there seems to be an amount of about Rs. 900 crores which is reflected as a part of the P&L disclosures, what the regulator has also under the earlier regime, which is valid until March 23, had also stipulated one - compliance at an aggregate level which is what I explained we are well within the limits all laid on by the regulation. Two - as you know they have also laid down limits for individual lines of businesses and in case if there are any line of businesses where possibly the limits on expense is slightly elevated then to that extent from a disclosure perspective so much of the excess is required to be separately disclosed as a part of the P&L numbers. But when the computation of the combined ratio happens, it factors in for all the operating expenses that we incur as a company. So, it is more a disclosure that is stipulated by the regulation as compared to the fact that it is not a case where, at a company level we have exceeded the limits on expense of management, we are well within the threshold.

Avinash Singh: Thank you. On the reinsurance side, if I see there are three kind of changes is happening. One, the global hardening there is in the market, the second thing is the regulator nudging the primary insurer to go ahead, without any sort of a reinsurance prescribed flow rate that was a kind of practice in commercial lines. And thirdly, with the new EoM regulation coming on the GWP basis, probably, the way some private companies or even the reinsurance companies soliciting or started reinsurance businesses, where commissions might get a bit disturbed, the kind of a reinsurance commission you would be paying because of this new EoM regulation of 30% will be applicable on all. These three things, a bit of dislocation in commissions, reinsurance driven flow rates, not really mandatory, rather they are trying to choose and thirdly the global reinsurance market hardening, all this net-net how is it going to impact you or the industry behavior as far as the commercial line or kind of a heavily reinsurance backed line are concerned?

Bhargav Dasgupta: That is a great point, Avinash. And we have been talking about the fact that in commercial line, there will be fair amount of change even in the last quarter before these things were explicitly cleared. We were talking about the fact that some of these changes would have impact. Of course, we couldn't anticipate the rate hardening of the reinsurance side till that time, but that's now evident. So, the point that you're making is absolutely valid. So, globally if you look at rates in certain markets has gone up by 50% to 60%, in our market has also gone up by 45% to 60% for most players in the market. That is an input cost to us, largely on the non-proportion side the cost has gone up, the commissions that reinsurers give on the proportional side has gone down. So, it is a significant increase in cost.

Secondly, as you rightly said, that pricing is largely not mandated to be in line with the burning cost of the industry. So, individual companies can charge whatever they want to and hence there is a risk that the pricing can drop. Our sense is, that the new EoM regulation of course is there but at the end of the day finally it is within the overall combined ratio threshold for respective companies and we see EoM as a very positive development, in the sense that it is expected from the regulators that companies will use their expense of management even if they are below the threshold and those above the threshold have to bring it down to 30% within three years. So, that should drive positive behavior in our anticipation. So, that EoM I don't see as a negative in this regard.

From the first two perspective, I think the way we are seeing the market in this first month, on the second issue in terms of rates coming down episodically, one or two cases have come down, but on aggregate the rates haven't come down as much as we would be worried about. It has come down little bit but nothing material. Our sense is that usually April is a big month, gives a sense of where the market is headed and in future also we are not anticipating a major drop in commercial rates in the market simply because the industry cannot afford to. As you rightly identified on one side the cost has gone up and it is not as if the Combined Ratio for the industry was very healthy. So, I don't think the industry has too much of a wherewithal to reduce prices much, maybe there are one or two episodic cases that will happen but not large scale. The last point that I would make is that, if certain companies go very aggressive on the property side and in effect end up burning their treaty, the reinsurance market with this hardening that we are seeing and the attitude hardening, in the sense that reinsurance don't have appetite to give treaty capacity which you can keep burning. And that is what is seen in the market this year, right? So, if that happens, if any company does that, our sense is that in the next year they will find it very difficult to get proper treaty capacity. I think this year itself some companies may struggle, you know more will struggle if that happens. And if that happens I think we are on a better wicket because we have the capital and the solvency and the size to continue and the quality of the book that we have been writing and the discipline of underwriting we should stand to benefit. Our experience or our estimate for the year, we have been giving a guidance as a company that over the next two years we want to bring down combined ratio to 102, we are not changing the guidance in spite of this cost increase on the reinsurance side.

Moderator: Thank you very much. We will move on to the next question. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Few questions from my side. Firstly, could you highlight as to when this one off transaction happened in February, there would be some income and which line item does that income sits in? Secondly, is there some seasonality in motor TP loss ratios because in past three years we have seen Q4 being far more elevated than Q3 and in one of the fourth quarters you had mentioned that it was because of adverse judgments in that case. And thirdly, we have seen a sharp, good decline in terms of absolute cost for advertisement and publicity sales promotion, employee remuneration sequentially. So, what is the kind of run rate that we should think about from a full year perspective of next year?

Gopal Balachandran: So, Prayesh, on the one off transaction that is something that has happened in Q4 and this is what we did in line with what other market participants have been possibly doing it in the current year or maybe in the earlier years as well. Hence, it is a commercially viable transaction that we have kind of undertaken and the outcome of the transaction will be reflected in the overall underwriting result when you look at the aggregate numbers. For the motor third party loss ratio trend line of seasonality between Q4, there is no specific seasonality that typically gets attached. So, for example if you recollect two years back which is in FY2021, at that point of time when we had possibly seen elevated levels of motor third party loss ratios being higher, we spoke to the market that we did see at that point of time incrementally new Supreme Court judgment that had come through in terms of defining the basis on which compensation will get paid to victims of accidents. And hence to that extent when we kind of evaluated that particular book, we obviously wanted to make sure that we did not know in which direction that would take shape as far as future settlements are concerned. But having said that given that we always followed a prudent approach to reserving, we obviously wanted to strengthen the reserves at that point of time. And hence to that extent you would have possibly seen an elevated Q4 motor third party loss number. The last year again, this is more of a function depending on how things have come back in terms of normalcy, because last two years typically have been periods where we have seen in different quarters COVID experiences play out and the scale of operations will possibly also be a function of what kind of loss experience one exhibits. And thirdly, as we keep saying one should always look at particularly long tail line of businesses experiences, ideally over longer years, but definitely not on a quarter –on quarter basis. You should look at more on annual numbers as compared to looking at quarter –on quarter trend.

The last point of yours, we do kind of look at productivity and efficiency in the overall means of doing business and hence we had spoken about what Bhargav just mentioned where clearly the direction we want to take is to bring down the overall combined from the current levels of closer to 104 that we have been operating down to let us say to 102 over the next two years and within that we are extremely focused on looking at every element of cost, whether it is the cost of doing business or any other investment that we are kind of looking through. So, in that sense it is not that there is any significant change, we continue to make investment in the health agency platform that we have spoken about. We continue to stay invested in digital and in line with our recent digital day that we had, which we shared with all of you, we continue to stay invested in these various technology transformation projects as well. So, that is how we should look at in terms of the expense ratio of trendline. Nothing specific that is there at the one off so far as the Q4 number is concerned.

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

Shreya Shivani: Sir, most of my questions are answered. I have one doubt, basic doubt, the reinsurance that gets added to the gross direct premium and eventually it becomes gross premium written, is high for fourth quarter seasonally or because even last year fourth quarter it was a higher number, this year again it is a higher number, if you can help me understand this a bit?

Gopal Balachandran: So, nothing unusual Shreya in that sense. The reinsurance inward is again an opportunity that one sees depending on how we are able to get businesses for a particular period. So, in general yes, there could be some kind of seasonality attached to it, for example you would see on the corporate side to be significantly heavy in Q1. In the retail to be significantly heavy in Q3. You may see Q2 and Q3 seasonality attached to crop. Maybe retail health for the matter of fact to some extent I would say attached to some seasonality in Q4 as well. So, hence there are different lines of businesses that exhibit seasonality and reinsurance is inward could be one of them. But at the end of the day whichever segment that we are talking about we obviously look at it from the ultimate lens of profitable growth.

Shreya Shivani: So, in the fourth quarter this is heavy because of health, is what you are trying to say, because commercial is mostly first one?

Gopal Balachandran: Not necessarily. All that I am saying, all that I was referring to is different segments of businesses could have seasonality attached to it. As an example, I am not saying in the context of reinsurance inwards. Even on the direct side on retail health, you will possibly see Q4 to be slightly seasonally higher quarter. The reinsurance inward could be mix of business across different segments, it need not be necessarily only health.

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

Nidhesh Jain: Three questions. Firstly, what is the impact of this one off transaction on our Combined Ratio of 104.2% for the quarter? Secondly, what is the health agency GDPI in absolute terms for FY2023 and Q4 FY2023? And lastly, we have got access to HDFC Bank and Axis Bank. If you can share how is the progress there? What is the business which we have been able to source from these channels in FY2023 and Q4 FY2023?

Bhargav Dasgupta: So, let me take the third one. I think we are quite happy with as we said in the covering remarks, most of the distribution channels that we got through the merger with BAGI general insurance business, we are quite happy with the progress that we made. In those specific partners that you are talking about, the large banca partners that we have got in both these relationships we have increased the share of wallet, in fact month-on-month, quarter –on quarter even during this year, vis-à-vis when we had announced the transaction till now, there is a significant increase in share of wallet. I will ask Gopal to answer the first two questions.

Gopal Balachandran: Maybe I will take the second part first. In terms of the split of health GDPI that for the full year is at about Rs. 47.82 billion that is for FY2023 and for FY2022 that number was Rs. 34.87 billion. On the point on the impact of Combined Ratio Nidhesh, the fact that it is a commercially viable transaction that's why we have done that and hence it does not have any material impact so far as the overall combined ratio is concerned.

Nidhesh Jain: There is minor positive impact of combined ratio that is the way we should look at it.

Gopal Balachandran: That is correct.

Nidhesh Jain: And sir, on the health agency I was talking about health agency GDPI for FY2023 or FY2022, so Rs. 47.82 billion is total health GDPI, right? Health Agency GDPI I was looking for?

Gopal Balachandran: So, the health agency GDPI for the full year at about Rs. 5.6 billion.

Moderator: Thank you. Next question is from the line of Madhukar Ladha from Nuvama. Please go ahead.

Madhukar Ladha: First, on the regulatory EoM side, it now allows the differentiation between the SAHIs and General Insurers as far as the health business is concerned. So, SAHIs are allowed 35% but the General Insurers under aggregate level are allowed only 30%. Does that create some sort of an uneven playing field for the industry and for you? And second, I see that your investment income has improved considerably in Q4 and also if you look at the Q3 balance sheet versus Q4 balance sheet, the unrealized gains have dropped significantly from about Rs. 550 crores to about Rs. 213 crores. So, has there been an increase in realized gains in this quarter which has resulted in strong investment income performance?

Bhargav Dasgupta: So, Madhukar, if you look at the EoM, I think principally any difference in arbitraging regulation is not something that is useful but I think SAHIs have a genuine problem in the sense that they are single product company. So, we can defray cost across multiple businesses, they can't. When we look at the fact that it is a multiline company we write different type of businesses where the cost of distribution is lower. We don't see a big disadvantage because SAHIs have 35% and we have 30% because we have other products where the cost of distribution would be lower than let us say the health business. Even for us the health business would be higher but we have some advantage in the other lines of business. On the second question, on the investment side, Gopal you want to take it?

Gopal Balachandran: Yeah, so if you look at on the mark –to market side, the drop from Rs. 550 crores to Rs. 200 crores and in that context the point that you asked as to whether there is a significant increase in capital gains for this quarter vis à vis let us say quarter four of last year, so there is, in that sense there is not significant increase. If you look at Q4 of the current year, the capital gain stood at about Rs. 1.59 billion as compared to 1.36 billion which was the capital gain that one had seen in quarter four of last year. To your other point on the quarter –on quarter increase in the overall investment income, that is exactly what we have been talking about to say that any increase in the interest rate regime, obviously augurs well for us given the fact that as the portfolio starts to get rebalanced in terms of mix of investment assets which gets invested at a relatively higher yield, you will start seeing on an incremental quarter maybe the interest income getting reflected appropriately. So, that is the only reason why you'll see possibly the increase in investment income, otherwise there is nothing else that is attached to those numbers.

Bhargav Dasgupta: Just one more point to add to what Gopal said on the investment side, I think we we're correct in expecting the interest rate movement in the market. At this point in time, it seems to be a correct decision where we increase the duration of the portfolio in the first half of the year and that is also playing out because of that interest rate chain that Gopal is talking about, we've been able to take advantage because we increase the duration of the portfolio in the first half.

Moderator: Thank you. Next question is from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: I have two questions. One on the retail health side, could you talk about the investment opportunities that you are looking at going forward? Also, what these investment opportunities include and acquisition to drive the retail health and channel faster? And secondly on the URR, and if I look at it and compare it with a net written premium, then that ratio comes out to around 56% for FY2023, basically it has been around 58%-59% previously, so it seems like you are booking more revenues in FY2023. So, how should I look at it? If you could give some clarity around that, that would be very helpful.

Bhargav Dasgupta: I will take the first one. In terms of health retail as we have said that this is an area that we want to sustain our investment. We have talked about the manpower that we have added during this year and we have also said that we wanted to see the product would again come through. Clearly the signs are very positive. If you see our second half growth in retail health business, we are generally outperforming the market. Having said that, we don't think that we reached the true level of productivity that we expect them to be. So, there is still some traction on the investments that we have made in terms of the improvement in the topline from that channel that we have added. What we have decided to do is, as we go through the year, we would look at how, and where we are reaching with that investment and we will opportunistically add more resources to ensure that the investment focus remains on building the distribution. As you have said over the last few years, our retail health market share is much lower than the average and our plan is to, endeavor is to over the years we have built it up, so that focus remains. With regard to acquisition, I do not want to get into specific conversation about any one segment or one specific company, I think we have always been saying that if there are viable opportunities in the market where an opportunity which gives us access to a new distribution or a new business, along with the reasonable size we are always open. But there is nothing specific that we are looking at this specific point in time.

Gopal Balachandran: And to the third question on the URR, it is purely a function of earning the premiums over the contract period and there are certain lines of businesses which could possibly depict in some quarters maybe faster earnings. So, for example you will see, maybe the crop insurance segment typically operates for particular season, not that we are writing a very large proportion of that particular book, but in terms of any impact that one would see on the net earned premium, you could see some cyclicality attached to it. But otherwise, URR is purely a function of the way the portfolio gets earned over the contract period. And yes, if you had to see last year for example in FY2022 the overall growth was only about 4.7%, whereas if you look at our growth for the current year it is at about 17%. So, that is again a factor that one will have to take into consideration when you look at earnings of URR over a period of time. In that sense nothing one off which is there in the part of the unexpired risk reserve block.

Moderator: Thank you. Next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: I wanted to understand what exactly you are going to do with the crop insurance business in FY2024 because this year is the last year for the AXA business what you acquired. So, given the EoM rules are around and if you intent to focus more on retail business which are Opex intensive, do we go little aggressive on the crop business in the current year?

Bhargav Dasgupta: So, let me answer that. So, will we go aggressive on crop business just because of EoM flexibility? The answer is no. We had said at the beginning of or even last year, last couple of years, post the acquisition, we had said that we will continue to have some exposure to the crop business now given that overall market has improved. There are new schemes which are coming in and the capacity in the market which is the total number of players in the market has reduced. But we have been clear that it will be roughly about 4% to 5% of our business. That narrative does not change. We're not changing any of those objective just because of EoM.

Sanketh Godha: Got it. And given the reinsurance market as you highlighted have hardened and probably the commercial lines potentially could see a lower profitability in the current year because of the EoM rules. So, the glide path what you have mentioned that 104 combined gradually improving to 102 by FY2025, despite competitive intensity increasing in few profitable lines, you still continue to maintain that 102 by FY2025 will be achieved or there could be a deviation there?

Bhargav Dasgupta: So, that's what we said earlier in the call, Sanketh, our objective hasn't changed. Yes, while in commercial lines the profitability may not be in line with what we had in the past, but at the same time we have taken a lot of calls during the year which will play through in the future is our expectation. You know actions that you take now helps you in the next year. So, we are reasonably optimistic that we will continue to deliver on that glide path that we talked about it. When it comes to commercial lines also, I think one of the things which happens on the ground is that there is a lot of calls that are taken at the client level profitably. So, if you are making a bit of money in Fire, you may be a bit relaxed in pricing your Group Health or Marine because you are looking at an overall portfolio profitability. So, if lets say Fire profitability comes down, the aggression in the Group Health should reduce. So, those are the expectation that we have and some of the changes we have seen in the Group Health side as we speak. We have not seen an improvement in Marine rates as yet, but overall, we believe that we will continue to manage commercial line business profitably. The Combined Ratio may deteriorate a little bit, but that is something that we will make up from the other lines of business, where this year was a stressed year in terms of Combined Ratio in some of those lines. Lastly, the health investment that we made, that was a cost which I think Gopal has been talking about in every call, as that channel becomes more productive, we will get some benefits there. Some of the channels that we got from Bharti Axa (BAGI) integration, there were early days of investment including some of the large distribution partners. Those are all beginning to come within reasonable numbers in terms of combined. So, all put together we're reasonably confident about the numbers that we are talking about.

Sanketh Godha: And last one, if you can give the Retail health loss ratio and Group health loss ratio for the quarter and for the full year and given the price hike you've taken 19%, I believe it is both for new and the renewal part, then can we expect a significant improvement in the retail health loss ratio because 19% hospital inflation look little unlikely. So, the benefit will be there in FY2024, is it safe to assume that way?

Gopal Balachandran: So, the first part, Sanketh, as usual so far as Q4 Health GHI loss ratios are concerned that's at 93.2% and so retail indemnity loss ratios for the quarter is at 61% and if you recollect, even in the last quarter when I think you had only asked what has been the loss ratios, we had kind of talked about saying that the group health will possibly end the year with a loss ratio of closer to about 95%. So, if you look at a full year basis, the GHI loss ratio stands at about 95% and the retail indemnity loss ratio stands at about 64%. So, that is the breakup so far as the loss numbers are concerned. Second point on the increase in the pricing, the increase in pricing is with respect to the renewal book and not the entire book. But to some extent there will be an improvement in the overall loss experience, but at the same time, as you rightly mentioned, there is always an element of health inflation that one sees and going ahead in FY2024 we obviously will also have to see what kind of a business mix that one is able to source. So, there are various factors that would influence the overall loss number. As we have said even in the past, in general, we believe the Retail Health Indemnity book should kind of operate at loss ratio range which will be between 65% to 70%.

Moderator: Thank you, Sanketh. I will request you to join the queue for a follow up question. Next question is from the line of Gaurav Singhal from Aspex Management. Please go ahead.

Gaurav Singhal: Just one question from my side. So, for the investment book that we have, what is the average maturity and what is the difference roughly between the yield that we are realizing on the investment book right now excluding capital gains and the incremental yield we can invest by maintaining the same average duration?

Bhargav Dasgupta: So, the duration of the book at the end of the year FY2023 was 4.99. This was slightly lower duration than what we had at the end of 9 month because in the month of March we had very good inflows into the portfolio, largely because the March numbers from a business perspective were positive and the corporate business some of the premium comes in. So, that money obviously was not invested as we didn’t have enough time to invest in the long duration bond. So, that is sitting on cash. So, hence the duration of portfolio was slightly lower than what it was as on 9 months. So, it is about 4.99 roughly about 5. YTM of the portfolio is carrying a yield of about 7.2%.

Moderator: Thank you. Next question is from the line of Neeraj Toshniwal from UBS Securities. Please go ahead.

Neeraj Toshniwal: Wanted to know your thoughts on Motor Vehicle Amendment Act, are we experiencing the deal getting shorter and if that is so are we going to release reserves and that is considered into our target Combined Ratio?

Bhargav Dasgupta: The short answer is no. It is not factored in our target Combined Ratio. We are still not assuming any change in the underlying pattern. As we spoke last time, what is happening on the ground kind of remains the same. We have had different judgments in different high courts. Some judgments in the favor of insurance industry, some judgments not so in favor of industry. So, what we are doing is, we are observing the trends. There are certain months where it seems like it is accelerating, certain months the data is not very clear. So, we have been saying, that we want to watch this data for some time. I think what we will have to see is, cases that have got reported with beyond the six-month period, obviously we are contesting all of that. We will have to see in the court how that plays through. But we are not assuming any benefit though we, even reasonably hopeful that in the longer term this will come, you know, the courts will rule in favor of the insurance industry because this is the law of the land. But at this point in time, we are not factoring anything in.

The second thing that you will remember in TP is that we have not seen a price hike, right? And in TP we assume a certain claim inflation as a norm, as a company and that claim inflation increase is something that we are continuing to assume for the coming year. So, not only are we not taking a benefit, but we are also assuming inflation in the TP claim, which is what we have been doing over the years.

Neeraj Toshniwal: Got it. So, when will be the hike especially with the industry body which can happen, there were some media articles of change in formula towards the new pricing?

Bhargav Dasgupta: Yeah, so let us wait for it to come through because this is of course something that the Central Ministry will have to give, so we must wait for something to come through. As of now we have no clarification about the increase or any formula change.

Neeraj Toshniwal: And second, my question is more on OPEX. Though optically it is to be much lower given the fact that reinsurers have been there, so fourth quarter last year also we had a lower OPEX on NWP, how should we think about it, in absolute amount also is actually lower, so, is it sustainable or do we think that this will jump up or it is a fourth quarter phenomenon, any color on that would be helpful?

Gopal Balachandran: Sorry, I missed Neeraj, which element where you referring to?

Neeraj Toshniwal: On Opex, wanted to know given the fact that it has gone down both absolute and in terms of percentage, percentage I understand is NWP is little lower given the higher use of inward, so might have been optically definitely lower, but wanted your thoughts on the sustainable amount in terms of absolute numbers?

Gopal Balachandran: So, Neeraj, again there actually we keep saying, you should again look at more the Combined Ratios of the overall operations because different segments again will exhibit break downs of that Combined differently. I mean there are portfolios which could be high on LR but relatively let us say lower cost of acquisition and conversely the other way round as well. So, obviously we will have to wait and see how the portfolio build up takes place in FY2024, but as we have said clearly the objective is, we would want to kind to stay on that glided path of combined coming down from 104 to 102 and secondly what we are seeing as encouraging signs, some of the investments that we spoke about particularly on the retail health agency franchise, those are starting to play out as you would have seen in let us say most of the recent months, our growth percentages have been even faster than even the standalone health companies. So, clearly those signs are being getting exhibited. But we continue to stay invested in building that franchise which will again mean expensing of cost upfront and the benefit of revenues coming through over a period of time. So, a better trajectory is to look at more the Combined Ratio, rather than looking at expense of management number on a standalone basis.

Neeraj Toshniwal: Got it. So, can we expect this volatility in claim ratio to happen in the coming quarters as well, because it is I think much higher compared to what we were building in, but obviously as we mentioned that this is more to be looked at on the annual basis, just wanted to understand how one should look at it as 32% looks on the higher side?

Gopal Balachandran: In general, if you look at it, I am just giving you a slightly broader range. I think if you look at the loss ratios, they have kind of stayed in the range of between lets say 70% to 75% in that kind of threshold. So, again as I said that is a function of depending on what segments of business is one able to see as an area of opportunity. And hence I mean very difficult to kind of tell you as to what could be the loss ratio number that we would be kind of working with. What we are largely targeting is the combined ratio threshold to come down to 102 over the next two-year period.

Moderator: Thank you. Next question is from the line of Nischint from Kotak Securities. Please go ahead.

Nischint: I am looking at the advanced premium figures and for last couple of quarters this was actually not been going up but it has come down a little bit over the last three quarters. This was despite the fact that you're actually growing faster in motor TP. So, I am just curious as to how should we look at this trend?

Gopal Balachandran: So, if you look at, so Nischint, if you look at it in general, I think the relative growth for us on the overall motor has been kind of slightly lower than the market as what we have seen from public data and relatively if you see the growth on third party, a large part of the third party growth for us again, which is a thought through approach of increasing the commercial vehicles portfolio and there obviously the commercial vehicle portfolio is not a long term third party book, it is more on private car and two wheelers, where the portfolio typically has a longer-term tenure, commercial vehicle portfolio in the current context operates with a one year term and that is primarily the reason why you possibly do not see a significant change in the overall advanced premium numbers. As and when obviously we see the market coming back, as we have seen some early sign on the private car side, we should definitely possibly get to see the advanced premium numbers, maybe increasing.

Moderator: Thank you. Sorry, to interrupt you, Nischint. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Mr. Bhargav Dasgupta for closing comments.

Bhargav Dasgupta: Thank you, everyone, for joining the call so late in the evening and look forward to engaging with you over the next few days. Thank you again.

Gopal Balachandran: Thank you, good night.

Moderator: Thank you. On behalf of ICICI Lombard General Insurance Company Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

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