Ref. No.: MUM/SEC/184-10/2024

October 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 the quarter and half-year ended September 30, 2023

This is further to our letter dated October 10, 2023 and October 18, 2023, please note that the Company had hosted an earnings conference call with investor(s) and analyst(s) on Wednesday, October 18, 2023 to discuss the financial performance of the Company for the quarter and half-year ended September 30, 2023.

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

For ICICI Lombard General Insurance Company Limited

Vikas Mehra

Digitally signed by Vikas Mehra
Date: 2023.10.24 12:25:28 +05'30'

Vikas Mehra
Company Secretary

Encl. As above

ICICI Lombard General Insurance Company Limited
Q2 & H1 FY2024 Earnings Conference Call
October 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 Company Limited
Q2 & H1 FY2024 Earnings Conference Call
October 18, 2023

Moderator: Good evening ladies and gentlemen. A very warm welcome to ICICI Lombard General Insurance Company Limited's Q2 and H1 FY2024 earnings conference call. From the senior management, we have with us today, Mr. Bhargav Dasgupta – MD and CEO of the company, Mr. Gopal Balachandran – CFO and CRO, Mr. Sanjeev Mantri – Executive Director, and Mr. Alok Agarwal – Executive Director.

Please note that any statements and comments are 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 the future involves risks 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 touch-tone phone.

I now hand the conference over to Mr. Bhargav Dasgupta – MD and 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 Limited Company for Q2 and H1 FY2024.

Let me 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 the half year ended September 30, 2023. The global economy is experiencing a loss of momentum, however, the Indian economy is gaining strength led by domestic drivers such as private consumption and fixed asset investments by public sector capex. The southwest monsoon rainfall recovered during September 2023. However, it ended below the long period average. The manufacturing and services PMIs and other high frequency indicators exhibited a robust expansion during this quarter. On the demand front, urban consumption is buoyant while rural demand is showing some signs of revival. However, the current geopolitical conditions and higher interest rates in the advanced economies can impact global and domestic economic growth negatively, and we have to be watchful of the same.

For the quarter, as per data published by SIAM, the new private car sales continue to deliver robust growth year-on-year. The two-wheeler sales registered moderate growth for the quarter, and in terms of volume, still remains below the pre-pandemic levels. The commercial vehicle growth was driven by growth in infra and other core sectors. Health insurance continues to deliver robust growth, remaining the largest contributor to overall growth. The commercial segment witnessed growth in line with the current market environment. We remain optimistic that the industry will continue to grow given the favorable macros, regulatory changes, low penetration, and relatively positive consumer sentiment.

Speaking of the performance, the General Insurance industry delivered a GDPI growth of 14.9% for H1 FY2024 over H1 FY2023. Excluding the crop insurance, the growth is at 18% for the same period. Overall, the underwriting performance worsened, with a combined ratio of the industry at 113.3% for Q1 FY2024, as against 111.4% for Q1 FY2023. For Motor business, while the combined ratio continues to remain elevated, the combined ratio for the industry improved to 120.1% from Q1 FY2024, as against 124.5% for Q1 FY2023.

Moving to the business numbers for us in Q2 FY2024, the company grew at 17.4% as compared to the industry growth of 12.5%.

In terms of growth of key segments during the quarter:

- The property & casualty line of business grew at 17.2% which was higher than the industry growth of 8.6%. Further, during the quarter, we accreted market share across all segments such as Fire, Marine, Engineering, and Liability.

- In Motor, our growth for the quarter was 10.9%, as against the industry growth of 13.9%. The growth in Motor segment was aided by robust growth of 27.6% in the new private car segment. The private car mix stands at 51.8% for this quarter. While the competitive intensity in the motor segment remained elevated, we continue our focus of developing a quality portfolio based on granular data. We continue to rebalance our portfolio resulting in commercial vehicle mix at 22.1% and two-wheeler mix at 26.1% for Q2 FY2024.

  - We also continue to harness our digital capabilities in building claims efficiency in Motor. In Q2 FY2024, through our Preferred Partner Network (PPN network), we were able to service 63% of our Non-OEM claims, up from 44% in Q2 FY2023.

- The health segment continued to be the fastest growing segment for the industry. During this quarter, we grew at 20.3%.
  - As a result of our continued investment in Retail Health distribution, we have grown in line with the industry at 18.7%. This was driven by growth in business sourced through the retail health agency vertical of 21.7%.
  - I would also like to share that our one-stop solution for all insurance and wellness needs – “IL TakeCare” app – has surpassed ~6.9 million user downloads till date. The incremental downloads for the quarter was ~1.3 million. For Q2 FY2024, the premium sourced through IL TakeCare app contributed to ₹884.57 million to the overall GDPI, reflecting a 3.5x increase year-on-year.

- We have been updating you about our digital business initiatives like Digital One and IL TakeCare which we have been driving in an agile manner. We are now scaling these agile models to business lines across the company, completely redefining the ways of working and the business processes. Coupled with the transformation of the core system, we expect this to be a key driver for our future growth as a digitally empowered insurance company.

As you may be aware, I have decided to pursue an overseas opportunity after spending over 14.5 years with ICICI Lombard. It has been a wonderful journey for me and I'm grateful for the collective support of all our stakeholders – our Employees, Customers, Channel Partners, Analysts, and Shareholders. We have made large strides in the industry and made IL a much loved brand and India's largest private sector GI player. I take this opportunity to thank all of you for your support and hope you will extend the same support as I pass on the baton to my dear colleague - Sanjeev Mantri.

Sanjeev has been with the ICICI group for over 20 years. Sanjeev has played a stellar role in terms of his achievements within the company. He spearheaded the retail division as an Executive Director, where he was leading distribution of products across agency, bancassurance, direct and alternate channels. He was also in-charge of the strategy, products, pricing, marketing, and corporate communication verticals at ICICI Lombard. I am convinced that ICICI Lombard will continue to be a strong force of positive change in the industry under his leadership. Over to you, Sanjeev.

Sanjeev Mantri: Thank you Bhargav. Your leadership is an inspiration for all of us, and your stellar record over the last 15 years has left an indelible impact on the organization and the industry at large. We are excited for you and the opportunities that lie ahead and wish you the very best. I am looking forward to taking the journey ahead. And we rely heavily on the support of all our stakeholders. These are interesting times for the GI industry and we are very well positioned to capitalize on this. I look forward to meeting and interacting with each one of you personally. We will continue to remain focused on our overall philosophy of balancing growth and profitability. I will now request Gopal to take you through the financial numbers for the recently concluded quarter and half year.

Gopal Balachandran: Good evening to each one of you. I will now give you a brief overview of the financial performance of the recently concluded quarter and half year. We have uploaded the 'Results Presentation' on our website. You can access it as we walk you through the performance numbers.

- The Gross Direct Premium Income of the company was at ₹124.72 billion in H1 FY2024, as against ₹105.55 billion in H1 FY2023, a growth of 18.2%, as against the industry growth of 14.9%. Excluding crop, GDPI growth of the company was at 17.6% which was in line with the industry growth of 18.0% in Q2 FY2024. GDPI was at ₹60.86 billion in Q2 FY2024, as against ₹51.85 billion in Q2 FY2023, a growth of 17.4%. This growth was higher than the industry growth of 12.5%.
- Our GDPI growth during the quarter was primarily driven by growth in the preferred segments. The overall GDPI of our property & casualty segment grew by 17.2% at ₹14.76 billion in Q2 FY2024, as against ₹12.59 billion in Q2 FY2023.
- On the retail side of the business, GDPI of the motor segment was at ₹21.38 billion in Q2 FY2024, as against ₹19.28 billion in Q2 FY2023, registering a growth of 10.9%.

  - The advance premium number was at ₹32.89 billion as at September 30, 2023, as against ₹32.17 billion as at March 31, 2023.
- GDPI of the health segment was at ₹13.62 billion in Q2 FY2024, as against ₹11.32 billion in Q2 FY2023, registering a growth of 20.3%.
  - Our agents (including the Point of Sale or POS) count, was at 1,22,461 as on September 30, 2023, from around 1,17,149 as on June 30, 2023.
  - GDPI of the Retail Health segment grew by 19.0%.
  - Group health segment, i.e., the Corporate Employer-Employee segment grew by 20.6% during the quarter.
  - The Bancassurance and Key Relationship Group (KRG) grew at 24.3% this quarter.
- During the quarter, our business sourced through our Digital One team grew by 26.7%. Overall, our digital focus has enabled us to increase our digital revenues which includes the IL TakeCare app to ₹3.66 billion which accounts for 6.0% of our overall GDPI for the quarter.
- Resultantly, the combined ratio was 103.7% for H1 FY2024, as against 104.6% for H1 FY2023. Excluding the impact of CAT losses of ₹0.83 billion in H1 FY2024 and ₹0.28 billion in H1 FY2023, the combined ratio was 102.7% and 104.2% respectively. Combined ratio was 103.9% in Q2 FY2024, as against 105.1% in Q2 FY2023. Excluding the impact of CAT losses of ₹0.48 billion in Q2 FY2024 and ₹0.28 billion in Q2 FY2023, the combined ratio was 102.8% and 104.3% respectively.Our investment assets rose to ₹453.12 billion as at September 30, 2023, up from ₹449.05 billion as at June 30, 2023. Our investment leverage (net of borrowings) was 4.07x as at September 30, 2023, as against 4.16x as at June 30,

2023. Investment income was at ₹17.59 billion in H1 FY2024, as against ₹13.94 billion in H1 FY2023. On a quarterly basis, the investment income was at ₹9.36 billion in Q2 FY2024, as against ₹7.39 billion in Q2 FY2023. Our capital gains (net of impairment on investment assets) stood at ₹2.87 billion in H1 FY2024 as compared to Rs 1.43 billion in H1 FY2023. Capital gains (net of impairment on investment assets) stood at ₹1.65 billion in Q2 FY2024 as compared to ₹1.11 billion in Q2 FY2023.

- Our Profit Before Tax grew by 19.4% at ₹12.84 billion in H1 FY2024, as against Rs 10.75 billion in H1 FY2023, whereas PBT grew by 25.3% at ₹7.64 billion in Q2 FY2024, as against ₹6.10 billion in Q2 FY2023.
- Consequently, Profit After Tax grew by 3.0% at ₹9.68 billion in H1 FY2024, as against ₹9.40 billion in H1 FY23. PAT de grew by 2.2% at ₹5.77 billion in Q2 FY2024 from ₹5.91 billion in Q2 FY23. Excluding the impact of reversal of tax provision in Q2 FY23, PAT grew by 19.2% in H1 FY24 and 24.8% in Q2 FY24.
- Return on average equity i.e ROAE was 18% in H1 FY24 as against 19.9% in H1 FY23. The ROE for Q2 FY24 was 21.1%, as against 24.5% in Q2 FY23. Solvency ratio was at 2.59x as at September 30, 2023, as against 2.53x as at June 30, 2023, continued to be higher than the regulatory minimum requirement of 1.50x.
- The Board of Directors of the company has declared an interim dividend of ₹5.00 per share for H1 FY2024, as against ₹4.50 per share for H1 FY2023.

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

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

Moderator: We will now begin the question & answer session. Ladies and Gentlemen, we will wait for a moment while the question queue assembles.

Our first question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Best wishes to you, Bhargav, for your future endeavors. And congratulations to Mr. Sanjeev for his new role. Good set of performance. A couple of questions. First one on Motor side, of course, you commented about the competitive intensity, but whatever I see incrementally in Q2 FY2024, overall motor profitability seems to be quite good for you. Yet, you remain sort of very guarded with the motor. Why such, guarded approach even when profitability seems to be suggesting that things are better than what they were a few quarters back. That is on your entire strategy around motor because even in motor CV, you have started to take more business. But again there, it seems that you are trying to slow down. On overall motor, I would like to understand the philosophy. And on that same point, now I guess, if I understand the regulations correctly, even in motor TP technically a commission is possible because the business line-wise commission caps has gone. So, what are the practices you are witnessing in the market as far as motor is concerned. And on health, I see that the results are coming from your focus on agency and that is leading to the growth in retail. Yet, if I see, because you are growing strongly in the group both on the banca side as well as the employer-employee side, your mix is shifting again more towards group. Of course, the banca is largely retail, I understand. Yet, on your individual side, is that growth still a bit of calibrated, because, on the group employer-employee side , the price hike is now behind. So, it would be largely a volume-led growth. That growth is strong, Banca growth is strong. On the pure retail, why a bit of a slower as per your own experience?

Sanjeev Mantri: Usually, from a Motor perspective, as you rightly said, there are more tailwinds available at the industry level, and we are well set to capitalize. In a way, in your question itself I see the answer that we are able to drive it profitably because we have kept ourselves calibrated and we have also always maintained that we will move where we see an opportunity in terms of profit pool. If you look at our own configuration of Motor portfolio overall, you will see that the CV portfolio has marginally gone down in terms of contribution in Q2 has moved to 21.6%. And we have grown on private cars and two-wheeler as a company. If you ask me in terms of the view the way we expect ourselves, we would continue to exert what is required, but if you see the intensity which is in our mind not working out overall, we will surely back track for sure in terms of driving it. Overall, our plan of being competitive and being in this space because this is where our key distribution is and we will continue to exert ourselves as a team.

On the health part which you spoke about in terms of growth coming primarily from group health rather than retail, if you see, our investment largely has been on the retail side, and there you will see a delta over the industry growth of 2%. Group health, we have always maintained that we go in strategically if we see that we are able to see some sanity in terms of pricing we go in deep. That's what we did in Q1 FY 2024, but in Q2 FY2024 if you see, we have grown rather subdued vis-a-vis the market. That plan per se for us as a company will not change but our trajectory on the retail side is far more permanent and you will see us doing much better. There is a marginal improvement in market share, but I would not like to read too much into that because over a period of time, we would do much better and we continue to stay invested as far as the health agency is concerned.

Avinash Singh: And that question regarding current practices around commissions in Motor because technically now one can pay commissions on Motor TP. Basically the commission caps are going to uncap, so post this, what market practices you are seeing as far as payoffs are concerned?

Sanjeev Mantri: Avinash, clearly, we spoke about the industry level numbers on Motor and we see a marginal improvement in the overall combined ratio. From 124.5% in Q1 FY2023 it has moved to 120.1% in Q1 FY2024. Frankly speaking, there is not too much you can read in those numbers at this point of time. You wanted to know the expense of management, while it has come in, you see almost 50% of the companies being more than the limit which is there, which is stated. Have we seen overall rationality prevailing across? Frankly speaking, the industry itself is adjusting to it at this point of time and over a period of time, I do believe that you will see far more rationalization than what has happened now, and we do expect stability to come in by Q3 or Q4 from an overall perspective.

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

Shreya Shivani: Congratulations on a good set of numbers. Sir, coming back on the Motor book, I wanted some more understanding on the loss ratio improvement that has happened in H1 FY 2024 versus Q1 FY2024. I know you don't want us to look at loss ratios on a quarterly basis, but even the H1 numbers look quite good. That would be one question. Second is on the monthly performance, while I understand your monthly performances don’t vary, but if you can give us some color in understanding what specifically happened in probably August and September because till July, you guys had a very strong run rate of about 20%. Any color around what happened and any growth outlook that you can give? And one more question; third question probably. You have launched a new product with ICICI Pru Life, the health and protection product; management mentioned in the conference call yesterday, if you can give us some understanding of the economics of such a product – premium, the way the partnership with ICICI Pru works out. I am assuming this will get sold on the ICICI backed platform. Some color on that.

Gopal Balachandran: Shreya, on the first one, if you look at the loss ratios for motor, you are right. We keep saying that you should never look at numbers over quarters or even on a financial year basis because some of these lines will obviously start to exhibit outcomes over a relatively longer period of time, particularly in the context of motor third party. Having said that, when you look at even for the half year on motor OD specifically, in general, what we have talked about is the portfolio loss ratio should range between 65% to 70% threshold on motor own damage. For the half year, that number is at 65% or thereabouts, but that's the range at which you would possibly see depending on what a business mix that we write whether we are able to relatively pick up a higher proportion of new or relatively what proportion are we able to write in the context of the older portfolio. That's probably the range at which we will be able to operate at. Within quarters, obviously the loss ratios will undergo a change, but that's the range that we are comfortable with so far as the own damage book is concerned. On third party, again, the point is still the same, while for the quarter you would have again seen the numbers slightly better or even on a half yearly basis, the number stands at about 66%, but these are experiences that one should logically again look at over relatively longer periods, and also to the fact that depending on what mix of business that we write in terms of private car, two-wheeler, and CV. And that's something that we keep calibrating from time to time, corresponding to which you could possibly see a change in the loss ratio experience. But otherwise, there is nothing specific to call out in the context of Q2 FY2024 numbers. Having said that, what we also keep doing is, from a reserving perspective, generally we have tried to be prudent at all points of time. That philosophy still continues to remain the same even as we write whichever portfolio of the book. But over a period of time, as you would have seen, some of our experiences have actually started to turn out to be much more positive than what our initial estimates have been. That will obviously get calibrated from time to time. But otherwise, so far as the overall portfolio is concerned, it's purely a function of what mix of business that we are able to write.

Bhargav Dasgupta: Just to add to a point that Gopal made is that the way we look at business is on a combined basis, not just loss ratio. And overall, you should study our numbers from a combined perspective. There are certain businesses which have higher expenses but lower loss ratio and vice versa. So, as a team, we look at overall combined as our objective.

Sanjeev Mantri: For the combo product as we have mentioned, yes, we are really excited. We have taken the term and the CHI product of ours and given a combined offering to our customers through our agency channel. If you look at it, ICICI Pru Life has a very decent agency practice and we have a very decent bancassurance practice. And we have all a gap which needed to be filled. We have created this product line to leverage on each other's distribution. And as per the regulatory environment that is there, something which is a very feasible option, we have gone ahead and done this partnership with them and we expect this product to probably ramp up in time to come. To be honest, our agents will require a bit of training and process. It will come with a lag over a period of time. But that being said, we are really excited with this partnership that we have done with them to drive the combo product in the market, which in many ways is first of its kind.

Gopal Balachandran: And to your last question, Shreya, on the monthly performance numbers; again, that's purely a function of what businesses do we write between periods. As we had explained even in the earlier call, our businesses do tend to have a bit of cyclicality across businesses. For example, in Q1 FY2024, you will obviously see a relatively higher proportion of some of the commercial lines being underwritten. In Q2 FY2024, we do see businesses booked, particularly in the context of crop. Now, that could get booked in a particular month and therefore, you may possibly see variations in growth percentages when you look at it relatively on a month-on-month basis. But here again, as we keep saying, a better way to look at given the cyclicality of the business that we get to see, for example, Q3 FY2024, you will see a lot more business largely driven through some of the retail growth. So again, you may see month-on-month changes between segments of businesses. But however when you look at it on a full-year basis, in line with what we have spoken, largely looking at the way how things are positively shaping up for us, we should definitely look at ending the year within that high-teens percentage growth that we have talked about. And in general, depending on what Sanjeev also mentioned on the expense of management side, if things start to improve much better from an industry perspective, then the relative outperformance that we have talked about of 100 to 200 basis points over and above the market growth rate, that's something that we still believe we will be able to achieve.

Moderator: Our next question is from the line of Nidhesh from Investec. Please go ahead.

Nidhesh Jain: What is the share of OEM and non-OEM business in the Motor and how it has been trending over the last 2 to 3 years?

Sanjeev Mantri: Overall if you see, in our split in terms of the Motor that you are speaking about, we would almost have 70% or thereabout of our business coming from the OEM business and the rest would be coming through other channels which are agency and bancassurance.

Nidhesh Jain: Last year, we articulated our intention to increase the share of non-OEM by focusing on high loss ratio and low expense ratio business. How is the progress on that? Is the share of non-OEM going up?

Sanjeev Mantri: Overall if you see, again, incrementally yes, we intend exercising ourselves more on the agency side but the manner in which our motor book that was created, there is a fair amount of contribution and if we see an opportunity there, it's not one for the other, we continue to invest excessively on the agency business side. That being said, OEM where we have been working for years and we have built a franchise, we will continue to drive that. So, we need to look at both of these in a stand-alone where there are times when OEM contribution can go really up. There is a season coming in Q3 FY2024 obviously, you will find again OEM probably showing a larger percentage. But that being said, agency business should continue to do well but relatively to put percentage pool would be a very difficult option. It's not one for the other.

Bhargav Dasgupta: Nidhesh, just to add to what Sanjeev said, strategically and philosophically, while we are investing, there will be times when OEM will again come back up. If new vehicle sales increase, as we said in the opening remarks, the share of new vehicle sales has been very positive for us and those are profitable pools. When we see those opportunities, we want to garner them.

Nidhesh Jain: Secondly, I notice that there is some change in the senior management personnel structure. If you can explain what the rationale for that is and what is the emerging market group. If you can share some details on the emerging markets group.

Sanjeev Mantri: Effectively, it's a very minor and not a significant change. But we have an experienced resource which has joined in. He is an expert in terms of driving the emerging markets. So, we are pooling him and to report into Alok which otherwise had a multiple reporting. So, we want to use the benefit of his presence in the system.

Nidhesh Jain: Emerging market group is in the commercial lines?

Sanjeev Mantri: Emerging market operates across channels and business lines.

Bhargav Dasgupta: Basically, this is the Bharat rather than the top cities. This is where, if you remember, last year we had done a little bit of structuring change where Alok Agarwal, who was our ED looking after wholesale business, was given charge of that market with specific focus. And we are investing, and we are growing that business. Typically, let's say, the top 40 cities would be not there, but thereafter, it would be considered to be emerging.

Moderator: Our next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: My first question is that whether you want to prepone your guidance of 102.5% to be achieved? Because, excluding CAT losses if I see, you are almost there; what we had thought we will achieve it by exit of FY2025. Sir, I just wanted to understand whether given the underwriting environment, you believe that could happen a little quicker than expected. That's point number one. And second, within this 102.5% odd, combined ratio improvement, some weightage was expected to come from the OPEX part. But despite EOM, our OPEX compared to last year still has been higher and in H1 FY2024 it is higher. I just wanted to understand that EOM is overall dragging the OPEX higher or increasing the OPEX on the higher side or you believe sanity will come and expense ratios will improve for the sector as well.

Bhargav Dasgupta: Sanketh, cut a bit of slack to the team, right? You are delivering better than expected numbers and that's what we want to continue to do. No change in guidance. As you know, the market is still very competitive. We have talked about where the combined ratio for the industry is in terms of motor segment. But clearly, over the last 1 year, the team has done a brilliant job in terms of significantly calibrating the business, as also building a lot of capability on the cost side, both on the claims and expense side. So, the team is doing really well, but there's no need to change guidance as we see at this point in time. On the cost side, I will ask Gopal to answer.

Gopal Balachandran: Sanketh, we will still continue to maintain what we have been talking about, which is the businesses will always have to be looked at as what Bhargav also just mentioned in response to the earlier one, which is we always look at the businesses from an overall combined perspective, because different businesses will obviously have a mix of a loss experience and the expense ratios as well. Just to look at the overall expense of management, specifically to answer your point, first half of last year, our expense of management was at 27.3%. Relative to that, if you look at our first half of this year, we are at about 26.9%. Hence, even from an EOM perspective, we have actually seen a marginal improvement in line with what we wanted to drive it towards. And this is despite the fact that we continue to make our investments in those areas of building distribution on health agency, technology, some of the core transformation projects that we talked about. Clearly, we would want to continue to make those investments, and hence you may not suddenly see a big shift happening insofar as specifically in the context of the expense ratio numbers are concerned. We will obviously drive a positive change. But having said that, we will directionally be more guided by the other objectives that we have specifically spelt out, which got reiterated as we speak, which is the combined ratio objective of 102% is something that we want to achieve by the end of next year. That's something that we want to clearly drive. And as I said, purely the breakdown of expenses is a function of loss and expenses.

Sanketh Godha: Just one question which is on data keeping critical loss ratio of retail health and group health that if you can share. And second, I just wanted to understand this IL TakeCare app 6.0% of GWP is a big achievement. How do you see this could be contributing? And if you can give a color how much is the mix driven by Motor and Health in IL TakeCare app.

Gopal Balachandran: The number of 6.0% is the digital contribution, Sanketh; the second part of your question. Therefore, that also includes the business that we sourced through IL TakeCare app. And as we have been talking about consistently whether you look at it on a year-on-year basis, obviously there is a multiplier increase so far as the premium that you are sourcing through IL TakeCare is concerned. Roughly about 3.7x increase that we have seen. But even when you look at it on a sequential basis, we have been able to grow the contributions coming in from that particular app. We are excited with the way how things are getting played out, and equally we are getting to see a lot more products per customer so far as the use of the app is concerned. And that will continue to drive both volumes and value of the premium insofar as the digital contribution is concerned. To your first point, so far as the breakdown of the loss ratios are concerned, for Q2 FY2024, the breakdown of the overall health loss ratios into corporate health and retail indemnity, corporate health loss ratios are at 102% and the retail health indemnity loss ratios are 66.6%. This number, when the numbers that we gave out for Q1 last year, corporate health was about 92.6% and the retail health indemnity numbers were 64.2%. Obviously, these numbers have to be looked at in the context of how we see some of the loss incidences play out.

And particularly in Q2 FY2024, we do get to see a slight increase in loss incidence, primarily because typically it's a monsoon season and we get to see a lot more increase in health-related ailments. And this is not specifically only for this particular Q2 FY2024, even otherwise, when you look at it, even for the last year, for example, clearly, we had seen an increase in the loss ratios playing out between, let's say, a Q2 FY2023 versus a Q1FY2023. Hence, in that sense, we are pretty much okay with the way how the loss experiences is playing out. And as we had indicated, so far as the portfolio growth is concerned, it is coming at a price at which we are comfortable with, and in the subsequent quarters, we should start seeing some of these loss ratios getting normalized, particularly in the context of lowering down of loss incidences that we see in Q3 and Q4.

Bhargav Dasgupta: Just to supplement what Gopal said and we've talked about this in the past, the entire thought process and the approach behind IL TakeCare was consumer engagement, be it the employer-employee segment where the individual is a potential retail customer or a retail B2C customer who comes on board. And the approach that we are taking is that as we have more engaged customers, they will renew better, you will have cross-sell opportunities, and hopefully the relationship will be stickier. Principally, for us whatever business we get, as long as it's viable, we are not driving Motor numbers or Health numbers there. It is a customer engagement app. And as an organization, we don't want to split that number at this point in time to say, okay, this is my motor number and this is my health number, because it might drive us in a manner which is not customer centric. As an organization, we've been giving the numbers in terms of number of app downloads, the total volume of cross-sell and upsell business that we are doing, which is something that we will continue to do.

Moderator: Our next question is from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: I'll again come back to the Motor loss ratios. I understand that what you have articulated in terms of your experience and maybe some releases that are coming, but just for a view of how the loss ratios are going to pan out, say for in motor activity, your loss ratios have been a little bit fluctuating over the quarters. Right now that there has been a bit of an improvement. Going ahead, if you can give some color for the full year how we should think about this number where it can sustain? Same for OD; given that you are picking up on growth on the OD business and particularly private business in the mix, how confident would you be in maintaining this loss ratio? That is the first one. Secondly, in terms of the investment income, I just wanted to understand the yield that you have shown. Realized return is fairly strong, slightly higher than what we have done in the past. Is there a certain tactical bet that have worked out which might not play out in the coming quarters? And what yield we can think about further going ahead on a normalized basis?

Gopal Balachandran: Swarnabha, on the first one, which is what I responded to the earlier one and when I had talked about the range at which we would be comfortable. One, when we look at Motor as a line of business, we obviously look at it again more from a combined perspective which will be a combination of both the loss experience and the expense ratios. And as what we just discussed, it will depend on what proportion of new business that we write, because new typically comes with a relatively better loss experience and correspondingly the expense ratios could slightly stay elevated. And correspondingly the older portfolios, as we just discussed, typically come with a slightly high LR and a relatively lower cost of distribution. So, honestly, that will be an interplay that one would get to see as writing this book is concerned. But the range at which one would be comfortable to operate in the context of Motor OD is what I had responded earlier, which is in the range of between 65% to 70% depending on what a business mix that we write in respect of proportion of new or the relatively older portfolio. On third party, again, we have talked about; that's what I responded. Obviously, we should again not look at this numbers, particularly for quarters or even on a half yearly basis. You have to look at the numbers over a relatively longer period. There again, it will be a function of what loss experiences that one sees. But broadly, I would say that one could see that third party loss ratios again hovering around what you see on a full-year basis. That would be largely representative of the range at which we would get to see the loss ratios play out. That's the response to your first one. To your second one on the overall investment book, in fact in the past quarter, people have been asking us why to have we not seen so much of an increase in the overall interest income of the portfolio. If you recollect, what we generally do is depending on the market opportunity that one sees is how we place our overall portfolio at. For example, in this high interest rate environment, we obviously want to capitalize the opportunity that one sees as accrual to the book is concerned, and which is why our overall duration of the book, stands at about 5.23 years. This number, at the beginning of the year was at about 4.99 years. So, we have gone a bit long and we are rightly positioned in the portfolio in order to capitalize, as I said the increased interest rate that one sees in the market. Hence, we will obviously get to see this play out even as we head into the subsequent quarters. What is it that you may not necessarily see playing out over the subsequent periods is purely a function of the extent of capital gains that one sees in the market. That's purely driven by the market opportunity that one sees. And even in the past, we have talked about it. Between quarters, you can always see fluctuations in the breakup of the overall investment income. Depending on how market plays out is what you will be able to see some gains playing out. Hence, to answer your point, the way we are positioned in the portfolio is what is helping us in terms of capitalizing the increased interest income.

Bhargav Dasgupta: And just to supplement the point that Gopal made, we have been talking about this that our carried yield will increase, and Gopal has given the number. If you will also look at the split of the unrealized gain, the unrealized gain in the equity book has increased at the end of this quarter. Obviously, on the debt side, the bond side has come down because interest rates have gone up. But that is not something that we are worried about because these are all calls that we have taken to stay long in the debt market. That's how our yield has increased.

Moderator: Our next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Just a couple of questions. Firstly, this September month would have seen the first 5-year anniversary of the two-wheeler long-term TP. How has the experience been in terms of renewal given that 5 years of TP means that the renewals are pretty much down to zero and as a result if you can give some color in terms of what would that amount of premium for September month be as proportion of overall motor TP?

Sanjeev Mantri: Clearly, this was the first month. Overall, at the industry level, there is a good reason why the Supreme Court gives a verdict in terms of having long-term risks. The retention rates continue to be relatively on the lower side. I would not split in terms of the amount but retention levels that we are seeing as a team, right now it is around 15% to 20%. The development of this will happen over summation of probably a quarter in terms of what are in terms of numbers because we will have to pursue this with our customers and see where we end up losing it. But it is something as a pool that we are very keen on. So, we are using all possible analytics to see if we can further sharpen our axe and see that we can guide these numbers. Even if it is only TP, we will be more than happy to write this pool.

Rishi Jhunjhunwala: And the second is on the total payouts to the distribution channels. Some of our life insurance peers have talked about industry wide increase in payouts to the distribution channels. How has it behaved for us in the key banca partner channel as well as outside of that in terms of the total payout? I understand there was categorization or reclassification. But just in terms of payout, has there been a demand for increase in payouts for us? And have you seen any anomalies in the industry otherwise?

Bhargav Dasgupta: Overall if you see, for us as a company, Expense of management have stayed within the range and in fact it has come down from 27.3% to 26.9%. So, frankly speaking, there is no accelerated increase, but in certain pockets where we have seen a bit of an acceleration, you would see that dynamically we will go again to what our basic decisions have been. We will chase where we can get viable business in terms of acquiring it. In a way, to some extent, you can see our motor market share also is reflecting that we had a calibrated growth to maintain profitability over market share growth. So, you can read in terms of what's happening over archingly, but overall, we seem to be in control at this point of time.

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

Prayesh Jain: Firstly, I missed the agency count number. Can you repeat that Gopal?

Gopal Balachandran: It's about 1,22,000. This includes the agency that includes the point-of-sale distribution as well. This number at the end of earlier period was about 1,13,000.

Moderator: Our next question is from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: A couple of questions. One, we are seeing a good increase in the crop business, better doing this year. What is the philosophy behind that? I remember in the past you wanted to avoid that business and I also know that you got this business again from Bharti Axa. Is that only those states or are you also growing in some of the other states? Second, I am just going back to the guidance of 102%. Given that your performance is strong – in the first half itself, you are at 102.7% – are you being a little conservative over here? And finally, most of the industry is not meeting the EOM norms right now. What regulatory action can we expect and what would you say by when will the regulators start looking at this and implementing this?

Bhargav Dasgupta: Let me answer it in the same sequence. One, on crop, there is no change in philosophy. As Sanjeev had explained that there are certain months where you book a premium, it just shows up in that quarter. In aggregate, our share of crop business which we had guided the market would be around 5% of total business for the annual business, not on a quarterly basis. We will be at that range. We are not significantly growing our crop book in spite of the fact that we believe some players in the market are trying to do that because of the advantage that they get on EOM. But philosophically, we don't believe that's the right strategy. So, we are not doing that. There was some amount of booking in the kharif season because most of the business for us is in the kharif period. So, it's a bit higher in this quarter. Secondly, most of the crop that we got is in the 80-110 model. So, it's a reasonably well-contained business. And our experience in the last couple of years has been reasonably positive on the approach that we have had.

In terms of your question on the combined ratio, whether we are being conservative, that's your call. You take your own views about whether we have been conservative. As I said, the guidance should remain the same. If we can outperform, all of you should be happy. Third, in terms of the regulatory action, it's not for us to talk about what the regulator will do, but at least we hope and we think that this time the regulator is very serious about this. At the same time, this is not about a quarterly number that they are monitoring. They have given a leeway for a company on an annual basis. And my sense is that at the end of the year, they will look at who has improved and who has not improved and who is the one beyond the 30%. For most companies which are already running at higher than that number, it would be wise for them to bring it under control. But as I said, it's not for us to talk about what the regulator will do. That's a question that time will give us the answer and you will see what the regulator does.

Madhukar Ladha: Just a follow up on this, sir. Are we seeing a heightened competitive intensity in the group health segment also to meet the EoM norms?

Bhargav Dasgupta: Gopal answered that. In the first quarter, we saw the market to be better and we had a much higher share. This quarter, we have seen some amount of aggression, and in fact, we have seen some otherwise sensible companies buy very large chunky group health businesses. Our sense is it's probably to manage the expense of management. But at the end of the day, business is not just about Expense of Management; business is about combined. So, you need to do it in a manner which is sensible. We will be watchful and we will see what happens. But overall, at this point in time, we are quite comfortable with the group health business that we are writing.

Moderator: Our next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: Just a small one. When I look at the monthly figures for Motor TP business, did you do any transaction in the last month just as something that you had done probably in Feb or March last year?

Sanjeev Mantri: No Nischint, we have not done any transaction.

Moderator: Our next question is from the line of Supratim Dutta from Ambit Capital. Please go ahead.

Supratim Dutta: I just wanted to understand a few things. One, the ₹ 0.48 billion of net CAT losses, which lines of business are those attributable to?

Gopal Balachandran: For this quarter, it has been largely retail. We have had a higher proportion of losses coming in from the motor line of business but equally we have also had some amount of claims coming in here on the Property side. Unlike Q1 where relatively the losses of roughly about ₹ 35 crores which was the CAT losses in Q1, that was largely Property heavy as compared to Motor.

Supratim Dutta: So, if I adjust for that net CAT losses there in the motor OD line, then that would result in the loss ratio being lower than 60%. Is that a correct assumption? And then my follow up question to that is, how sustainable is this loss ratio going forward?

Gopal Balachandran: Supratim, I had already responded to that. But just to reiterate, we will keep saying this and you will get to hear us from time and again, you should never look at quarterly numbers. And it is better to look at the numbers more on a yearly basis. Just to reiterate, on Motor OD, the loss ratio depending on the mix of business that we write in motor, we are comfortable at a loss ratio range between 65% to 70%. That's the range depending on what mix of business we write. And on TP, again, it's better to look at more annual numbers, which is largely reflective of the loss ratio range that one would be comfortable writing. Hence, whether you adjust it for the Q2 losses from CAT in the loss ratios, but if you do that on a simple basis, then yes, the loss ratio will definitely look better than what the reported numbers are. But having said that, the range at which we are comfortable at is between 65% to 70%. And what equally we need to remember is that whatever be the amount of losses, we do have appropriate reinsurance support such that if there is a very large CAT-led event having an impact on the net, that gets appropriately protected through necessary reinsurance arrangement.

Supratim Dutta: And just one last question. On the Fire side, there has been a slowdown in the second quarter. So, just wanted to understand how much of this is due to the IIB burn rate being removed versus overall competition or you wanting to normalise some business.

Bhargav Dasgupta: On that, the experience what we discussed in the first quarter is the same, which is that roughly about 5% to 6% reduction from the earlier rates, which is better than what actually we had anticipated at the beginning of the year. We will have to see if this holds. In terms of Fire, there are maybe one or two large policies that have got moved from peer to peer, and there are some policies we had earlier booked in this period, which may have got moved somewhere else. So, you should look at the numbers with a longer periodicity rather than just a quarter.

Gopal Balachandran: The only thing just to add to that, having said that, if you look at across segments on the commercial lines, we still continue to outperform the market. We will continue to accrete market share in Fire as a line of business. Or whether you take any of the other commercial lines, we continue to outgrow the market.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question of our question & answer session. I would now like to hand the conference over to Mr. Bhargav Dasgupta for closing comments.

Bhargav Dasgupta: Thank you everyone, all of you have been a great support to the company and me personally, and I really want to take this opportunity to thank all of you for being great Analysts and Investors in our company. As I said earlier, I am hoping that you will continue to engage with us as you have been in the past. And Sanjeev wants to have the last word.

Sanjeev Mantri: Absolute pleasure and really keen to interact with each one of you personally as and when your schedule permits. Nothing much to add, but absolutely in agreement with Bhargav that we have had great inputs and discussions with all of you and that continues. Thank you so much and let's meet up soon. Thank You.

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

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