Ref. No.: MUM/SEC/100-07/2024

July 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,

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

<u>Subject: Transcript of earnings conference call for the quarter ended June 30, 2023</u>

This is further to our letter dated July 13, 2023 and July 18, 2023, please note that the Company had hosted an earnings conference call with investor(s) and analyst(s) on Tuesday, July 18, 2023 to discuss the financial performance of the Company for the quarter ended June 30, 2023.

In this regard, please find attached the transcript of the 'earnings conference call' for the quarter ended June 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 faithfully,

For ICICI Lombard General Insurance Company Limited

Vikas Mehra

Digitally signed by Vikas Mehra
Date: 2023.07.24 19:33:52 +05'30'

Vikas Mehra
Company Secretary

Encl. As above

ICICI Lombard General Insurance Company Limited
Q1 FY2024 Earnings Conference Call
July 18, 2023

Management:

MR. BHARGAV DASGUPTA – MD & CEO

MR. GOPAL BALACHANDRAN – CFO & CRO

MR. SANJEEV MANTRI – EXECUTIVE DIRECTOR

MR. ALOK AGARWAL – EXECUTIVE DIRECTOR

Moderator: Good evening, ladies and gentlemen. A very warm welcome to ICICI Lombard General Insurance Company Limited Q1 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 & CRO; Mr. Sanjeev Mantri – Executive Director, and 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 results to differ materially from the current views being expressed.

As a reminder, all participant lines will be in 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.

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: Thank you and good evening to each one of you. Thank you for joining the Earnings Conference Call of ICICI Lombard General Insurance Company Limited for Q1 FY2024. 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 ended June 30, 2023.

India's real GDP recorded a stronger growth than estimates and has surpassed the pre-pandemic levels. Domestic demand conditions remain supportive of growth on the back of improving household consumption and investment activity. Urban demand remains resilient with indicators such as passenger vehicle sales and domestic air passenger traffic posting robust growth, on a year-on-year basis. This growth can have some impact from headwinds such as weak external demand, volatility in global financial conditions and prolonged geopolitical tensions.

For the quarter, as per data published by SIAM, the new vehicle sales continued to grow year-on-year for private car and two-wheelers. However, the growth narrowed in the month of June 2023. The growth in sales of commercial vehicle was at double digit during the quarter. Two-wheeler sales for the quarter, in terms of volume, remains below the pre-pandemic levels. Health insurance continued to remain the largest contributor to overall growth. The commercial lines witnessed growth in line with the current market environment, while the Fire market has seen some rate pressures, the inherent growth remains intact. The focus of the government on infrastructure has led to a 41.3% growth during Q1 FY2024 in the engineering line of business and is expected to show encouraging growth in the future as well. We remain optimistic that the industry will continue to grow given favorable macros, regulatory changes, low penetration and positive consumer sentiment.

Speaking of the performance, the General Insurance industry delivered a GDPI growth of 17.9% for Q1 FY2024. Overall, the underwriting performance improved, with the combined ratio of the industry at 115.8% for FY2023 as against 119.1% for FY2022. For motor business, the combined ratio for the industry remained elevated at 121.1% for FY2023, up from 115.6% for FY2022. The combined ratio for Motor in H1 FY2023 was 123.5%, which improved to 118.8% for H2 FY2023.

Moving to regulatory updates, the Authority on June 30, 2023, published guidelines for remuneration of Non-Executive Directors and Key Management Personnel prescribing limits on remuneration, age, and tenure.

Moving to business impact for us in Q1 FY2024 -

The Company grew by 18.9% as compared to the industry growth of 17.9%. Excluding Crop, the Company grew by 19.2% as against the industry growth of 17.4%.

Coming to the growth of key segments during the quarter-

- In Property and Casualty lines of business, we grew at 17.0%, which was higher than the industry growth of 7.8%. Further during the quarter, we accreted market share across all segments such as Fire, Marine, Engineering and Liability. Discontinuance of the IIB rates had a moderate impact which is in line with our expectations, however we will continue to monitor the development in coming quarters.
- In Motor, the growth was tepid at 5.3% for the quarter, while we grew at 10.8% in June. Further, we witnessed month-on-month growth in the new private car segment during the quarter. With no Motor TP price hike, we have rebalanced our portfolio, resulting in our commercial vehicle (CV) mix at 21.0% and two-wheeler mix (TW) at 30.3% for Q1 FY2024.
- The Health segment continued to be the fastest growing segment for the industry. During the quarter, we grew at 40.4%, which was higher than the industry growth of 20.7%.
- In Group Health – Employer Employee segment, the change in 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 43.9% during the quarter.
- As a result of our continued investment in Retail Health distribution, we have outgrown the industry growth of 18.0% in Q1 FY2024 with a growth of 22.8%. This was driven by business sourced through retail health agency vertical growth of 25.6%.
- I would also like to share that our one stop solution for all insurance and wellness needs, “IL TakeCare” app, has surpassed ~5.6 million user downloads till date. The incremental download for the quarter was close to 1 million. For Q1 FY2024, the premium sourced through IL TakeCare app contributed ₹ 588.0 million to the GDPI, reflecting a 5x year-on-year increase.
- Our Bancassurance and Key Relationship Groups grew at 27.3% this quarter. Post-pandemic, steady credit growth along with deep mining and increase in wallet share in distribution partners has been the key growth driver.
- Our business sourced through our Digital One team grew by 24.7%.
  - Overall, our digital focus has enabled us to increase our digital revenues, (including IL TakeCare app) to ₹3.12 billion, which accounts for 4.9% of our overall GDPI for the quarter.

- We continue to make significant investments in modernizing our technology architecture. After moving to the cloud in FY2022, we modernized a number of our front-end applications. Being on the cloud and transition to cloud native, has led to increase in reliability of our technology platforms as evidenced by the reduction in error tickets by close to 71% in the last year. At the same time, we have seen an 86% reduction in response times across some of our digital channel partners. RIA (Responsible Intelligent Assistant), our chat bot, has enabled our Do-It-Yourself (DIY) adoption by 3.4x over a 13-month period. Alongside transitioning to the cloud and modernization, we completed the migration of applications and data from the erstwhile Bharti AXA Data Center to our application platforms and cloud data center in just 14 months. We believe that this was one of the fastest migrations of this scale in the insurance industry globally.
- We also continue to remain focused on leveraging our digital capabilities and building claims efficiency-
  - Case in point towards motor claim settlement process, we introduced Cloud Calling Features enabling over 2 lakh customers during the quarter to connect seamlessly using a dedicated virtual number. 81% of our customers filed e-claim forms in Q1 FY2024, up from 67% in Q1 FY2023. In Q1 FY2024 through our Preferred Partner Network (PPN network), we were able to service 60% of our Non-OEM claims, up from 40% in Q1 FY2023. Resultantly, our overall NPS for non-cashless claims improved to 62% YTD May 2023, up from 42% in Q1 FY2023. Also, NPS for cashless claims improved to 68% in YTD May 2023, up from 60% in Q1 FY2023.

To conclude, I would like to summarize that we are well positioned for the future. We remain focused on growth levers such as innovation, digital advancements, launching new products, strengthening our distribution engine, rationalizing cost while scaling up our preferred lines of business.

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

Gopal Balachandran: Thanks, Bhargav and good evening to each one of you. I will now give you a brief overview of the financial performance of the Company for

Q1 FY2024. 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 at ₹63.87 billion in Q1 FY2024 as against ₹53.70 billion in Q1 FY2023, a growth of 18.9%, against the industry growth of 17.9%. Excluding crop, GDPI growth of the Company was at 19.2%, which was higher than the industry growth of 17.4% in Q1 FY2024.

Our GDPI growth was primarily driven by growth in the preferred segments. The overall GDPI growth of our Property and Casualty segment grew by 17.0% at ₹ 22.86 billion in Q1 FY2024 as against ₹ 19.54 billion in Q1 FY2023.

On the retail side of the business, GDPI of the Motor segment was at ₹ 18.75 billion in Q1 FY2024 as against ₹ 17.82 billion in Q1 FY2023, registering a growth of 5.3%.

Our agents (including Point-of-sale or POS) distribution count was at 117,149 as on June 30, 2023, up from around 113,000 as on March 31, 2023.

The advance premium was ₹ 32.63 billion as at June 30, 2023, as against ₹ 32.17 billion as at March 31, 2023.

Resultantly, the combined ratio was 103.8% for Q1 FY2024 as against 104.1% for Q1 FY2023. Excluding the impact of cyclone losses of ₹ 0.35 billion, the combined ratio was 102.9% for Q1 FY2024.

The technical reserves, which are presented as a part of the reserving disclosures, are not discounted as per the current regulatory framework. However, globally, we understand technical reserves are presented on a discounted basis. If we were to discount the technical reserves, particularly for the long tail businesses (such as motor third party, which constitutes around 80% of our total outstanding and IBNR reserves), our current reported Combined Ratio of 104.5% for FY2023 would look better by around 400 basis points.

Our investment assets rose to ₹ 449.05 billion as at June 30, 2023, from ₹ 431.8 billion as at March 31, 2023. Our investment leverage (net of borrowings) was 4.16x as at June 30, 2023, as against 4.15x as at March 31, 2023. Investment income was at ₹ 8.23 billion in Q1 FY2024 as against ₹ 6.55 billion in Q1 FY2023. Our capital gains stood at ₹ 1.23 billion in Q1 FY2024 as against ₹ 0.32 billion in Q1 FY2023.

Our Profit Before Tax (PBT), grew by 11.8% at ₹ 5.20 billion in Q1 FY2024 as against ₹ 4.65 billion in Q1 FY2023.

Consequently, Profit after tax (PAT), grew by 11.8% at ₹ 3.90 billion in Q1 FY2024 as against ₹ 3.49 billion in Q1 FY2023.

Return on average equity i.e ROAE was 14.7% in Q1 FY2024 as against 15% in Q1 FY2023.

The solvency ratio was at 2.53x as at June 30, 2023, as against 2.51x as at March 31, 2023, continued to be higher than the minimum regulatory requirement of 1.50x.

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

I would like to thank you for attending this earnings call and we will now 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. We have our first question from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Just a few questions. Firstly, could you talk us through the loss ratio like ex-catastrophically, what would be the loss ratios and where is this loss ratio kind of sitting? So, if I might look at a group health loss ratio, your total health loss ratio is at 78.7%. Could you split that up for us in terms of core retail health and group health? And where is this catastrophic loss exactly sitting in which line item, which of the segments?

Gopal Balachandran: Prayesh, the breakup of the overall health loss ratio numbers that you see, which is 78.7% for Q1 FY2024, the breakup of that for employer-employee or the group health is at about 92.6%. Retail indemnity business is at about 64.2%. And to your other question in terms of where is the impact of cyclone losses largely sitting upon, it is predominantly in the property and the casualty line of businesses, which is in the fire and engineering line of businesses. A very small proportion of claims is there in motor, but predominantly a large part of the impact on the cyclone is in fire and engineering. The combined impact is what we gave as a part of the opening remarks, for this quarter, the net impact of claims on account of cyclone losses has been about ₹35 crore.

Prayesh Jain: Any reason for very high loss ratios on the group side, is there a spike in terms of number of claims or frequency or severity?

Gopal Balachandran: So, nothing specific; if you see what we have been speaking about it Prayesh, even in the past on the employer-employee segment, generally we have spoken about the loss ratios to stay in the range of around 95% threshold between 90% to 95%, because it primarily comprises of two books as what we have spoken, one is relatively large corporates which runs at a loss ratio anywhere ranging between 95% to 100%. And then we have SME, which is relatively small and the mid corporate portfolio which runs at a loss ratio experience between 90% to 95%. So, on balance, historically we have run the book at a loss ratio, around that 95% threshold. Currently for the quarter, as I said, the number stands at about 92.6%. So, hence to that extent no specific changes when we see in the context of whether, let's say an increase in frequency or increase in severity with respect to claims.

Bhargav Dasgupta: Actually Prayesh, if you look at our last year full year group health loss ratio, that was roughly about 95%. So, if you look at the current quarter it is actually lower, we don't see any significant pressure on the health loss ratio side. Retail is still performing well and group health because the cost of acquisition is low, this is typically where the loss ratio stands.

Prayesh Jain: Got that and coming to motor segment, again from a profitability perspective and the change of mix that you've spoken about going away from commercial vehicles, would that be a strategy for FY2024 or from a longer-term perspective? And secondly, for many quarters we've spoken about some green shoots on the OD pricing, but that's not really reflecting very heavily in terms of numbers. While you mentioned about the industry combined ratios improving between first half and second half, is there any more clear trends that you see further improvement or it's just getting arrested at the current levels?

Bhargav Dasgupta: So, on the first one, commercial vehicles, some of the granular calls that we took, some strategic calls that we took over the last two to three years that we've talked about, we are staying invested with that. There is a bit of rationalization that we did was because the TP price hike this year did not happen, so with our estimate of inflation as we've always talked about, certain marginal portfolios become unviable for that.

Having said that, if you see our CV mix at 21%, is still higher than what our traditional CV market mix had been, which was about 15%-16%. And our sense is that we are not planning to reduce it significantly. It will probably be in the similar ballpark, 20 plus, minus. Coming to your question on OD, again, if you look at this quarter loss ratio for us in the OD compared to last year, you will see an improvement. Having said that, the expectation that we've had is some of the aggression on sourcing side given the expense of management will cap the flexibility of some of the players, we were expecting some more rationalization, some more improvement. At this point in time, we've not seen it, but we have reached a level where we have ironed out most of the marginal portfolios, so most of the pain is behind us as we think.

Moderator: We will take our next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: My question is around the Motor OD business. If I look at the loss ratio numbers, consistently it has been improving from Q2 or Q1 of FY2023. That number is around 67%, so just wanted to understand that this number of 67% is sustainable or what corrective measures you have taken, except for the choice of not seizing the market share, that has led to the improvement in the loss ratio in the Motor segment, OD segment rather. That is one thing and second, just wanted to again understand this IL TakeCare app which you said today probably contributes almost 1% of your GDPI in Q1, so want to understand how you see this channel to be a cross-sell upsell channel, which products and how much it can potentially contribute to the entire GWP as time progresses?

Bhargav Dasgupta: So, Sanketh on the first question, on Motor OD side, there are multiple things that we've been doing and in the sense we've been saying that a lot of heavy lifting we did last year, one is the selection, the marginal portfolio you let go that has an impact. So, our sourcing, which is the target loss ratio when we sourced our business, has also come down. The second is on the claim side, there's been a huge amount of effort that we have made more in terms of some of the misuse that generally happens, but we believe had picked up post COVID. So, on the claims control, we've done a lot of work on using data analytics to reduce waste and misuse. Thirdly, we talked about the percentage increase in PPN that also gives us some savings on the claim side. So, there are multiple initiatives that have happened and if it is sustainable, again, we'll have to wait to see market conduct, but we are reasonably hopeful that we should be able to sustain this at this current level.

Coming to your point on IL TakeCare, the number that we gave out, it's about 5x of last year similar number for the quarter, but in aggregate for the Company even if we add this, IL TakeCare number to the overall digital business, as we said, it's about 4.9% of our total business. Let's say IL TakeCare contribution for this quarter was about ₹58 crores (₹588 million). So, it's not a material number as yet, but we believe this is actually helping us at multiple levels. One is customer engagement retention, we see some better loss ratio for clients which use IL TakeCare in group levels, we see a better retention of profitable accounts in the corporate side and we are looking at how we can use that further strategically in terms of increasing cross sell and upsell that's work in progress. But still, honestly in terms of aggregate numbers, we are very heartened by the scale, the speed at which it's picking up, but still small in the overall scheme of things.

Sanketh Godha: Bhargav, there's just one clarification, is this IL TakeCare app you are able to manage cross-sell predominantly retail health at Rs 58 crores or 59 crores or it is other products also you have seen the traction?

Bhargav Dasgupta: It's other mix of products. We are seeing Two-wheelers, Health, Private cars, employees of corporates buying policies on their own. So, it's a mix of most products that we have there.

Sanketh Godha: Got it. And finally, last one, Gopal, if you can explain the reason why the commission costs have boosted, overall expense has not changed, but the commission cost has gone up while the expense has come down. So, you have seen that EoM impact already visible with respect to shifts from advertisement cost to the commission?

Gopal Balachandran: So Sanketh, if you recollect in the way we have always talked about is to look at the businesses from an overall combined perspective because as we keep saying, there are different models of sourcing that exists in the market. There are segments which relatively run on high LR and low expense ratio and the other way around. So, which is what now when you look at from a Q1 perspective, I would always keep urging to look at it more from an expense of management standpoint rather than looking at any break ups around that. So, if you look at the overall expense of management ratio in terms of the breakup of the combined ratio that we reported about 103.8% for Q1 FY2024, of which the loss ratio was about 74.1% and the balance which is almost about 29.7% is the expense of management number. This if you look at it for Q1 FY2023, the expense of management number was about 32.1%. And again, when you look at it even vis-à-vis Q4 FY2023, the expense of management number was about 29.9%. So, even on a sequential basis, we have seen an improvement in the overall expense of management and even on a year-on-year basis, clearly there have been an improvement in the overall expense of management, that's the way we would want you to look at because as I said, there are different models of sourcing that exists and as a Company, that's what we would want to look at.

Moderator: Thank you. We have our next question from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Thanks for the opportunity. Firstly, if you could break the digital business, what percentage of business is coming from our own website, plus IL TakeCare and how are the trends in that segment on Y-o-Y basis?

Bhargav Dasgupta: So, if you look at the way we manage this business, there is the Digital One team which looks at, if you remember, we had said there are two objectives that they have. One is the website business growth and the other is working with the digital ecosystem partners and we look at it together, that growth for this quarter is about 37.8%. The IL TakeCare number as we said is relatively small, but that's grown from a small base at 5x, it is around 480%.

Nidhesh Jain: Because if you look at the annual disclosure, I think last year in the public disclosure, the data indicates that the growth from our own website has not been that strong. It has been flattening out. Growth is largely coming from the digital ecosystem. So, are those trends continuing in this quarter also and because the business coming from our own website will be much better quality, though low, though more profitable probably over a period of time. So, how we think about the strategy on the digital side, from sourcing business from our own website?

Gopal Balachandran: So, Nidhesh, it is a combination of both, so obviously we look at all of them are preferred channels of sourcing, whether you look at business through website, business through alliances and even let's say the “IL TakeCare” opportunity as what Bhargav explained. For us, all the three segments of growth, whether you look at it from a website standpoint, whether you look at it even from an alliances standpoint. In fact, during the quarter, we have further strengthened the number of alliances, tie-ups that we have and that's the reason why that part of the business has done phenomenally quite well, and overall, as we said, the Digital

One contribution in terms of revenue for the Company for this quarter has grown at about 24.7%.

Nidhesh Jain: Secondly, last year we put out a strategy that we will focus on higher loss ratio and low OpEx ratio business in the Motor OD segment, while if you look at our loss ratios have improved quite a bit and OpEx ratio has also seen some improvement, so how is the trend there? How is the share of that business shaping up on overall Motor GDPI?

Gopal Balachandran: Again, it's a combination of both. For us, if you look at this particular quarter, the growth on new private car has come back, which is exhibited when you look at it sequentially on a month-on-month basis, the growth in new private cars seems to be doing well. That typically also comes with a relatively better loss experience. Having said that, we are also increasingly focusing on exactly the point that you mentioned, with respect to focusing on relatively older vehicle segment, which also comes with a relatively high LR and let's say lower cost of acquisition and that's again reflecting also in the expense of management number. And if you recollect what we have been talking about historically, our proportion of motor business, coming in through the OEM channel of contribution, used to be in the range of 75%-80%. Increasingly, that proportion of contribution of business of Motor coming in from, the OEM channel distribution will be in the range of about 60%-65%. So directionally, what we have been trying to do is to balance the overall portfolio between contribution from OEM dealership agency as well as the earlier point that we made in terms of the digital opportunities that one sees.

Moderator: Thank you. We have our next question from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: I have two questions. First is on the total Motor segment. So, if I compare Lombard's both loss ratio and growth across the private peers, I will specifically look at the private general insurer. So, many of them would have just a few percentage point higher loss ratio on this segment, but they're delivering about 15% growth in this quarter as per the IRDAI data. So, what can we expect for the Lombard's Motor segment for the full year and any guidance on the overall premium growth for FY2024, that's the first question? And the second question is on the crop loss ratio, it seems a little higher at more than 100% and last year I remember you guys had shared that the crop program that you had participated in, was 80-120 capped plan something like that. So, if you can help us understand on that front?

Gopal Balachandran: So, if you recollect obviously the claim development cycle takes time and that's the reason from a conservative standpoint, whenever we book the revenues, given that we don't have complete experience of loss development we end up providing it to 100% loss ratio basis. Which is why when you look at that number, you will find the loss ratios to be a bit elevated. But when the actual experience starts to play out, you will obviously start getting that reflected on actuals. And typically, it roughly takes about 2 quarters for the loss development to play out in the Crop segment. So, as and when we get to see the impact of the cycle, we will actualize those numbers.

To your first point on what is it that we can expect overall growth for the Company as a whole, I think in line with what we have spoken, as we always keep saying, the market needs to get better in terms of pricing. At this point of time, you would have seen for Q1 FY2024, I think we have had close to almost about 200 basis points outperformance relative to the market growth numbers when you look at ex of Crop. And so that's clearly the expectation that we have at the Company, we have the necessary strength so far as distribution, claim service and technology is concerned and hence from an overall market standpoint, we would obviously want to expect to continue to have similar outperformance. Now within that, your first point on how does one see motor? As I said again, when you look at it on a sequential basis, month-on-month, I think clearly we have been able to possibly arrest the extent of degrowth that we had seen in that particular segment. So, for example, in April we had a de-growth in Motor. For the month of May, we had a positive growth of about 5% and for the month of June, we had a growth of almost 10%. Sequentially, we have been able to get better growth and the extent of gap between the industry growth numbers and the growth that we have been exhibiting is getting narrowed down. So, the only thing that would watch out for, to your point on what we could expect for the rest of the year, is the adherence to the expense of management guidelines that's coming to post from this year. In fact, when we were looking at the FY2023 numbers, that's now out for the entire market as a whole, almost close to two-thirds of the industry participants have their expense of management number greater than the regulatory prescribed limit of 30% or 35%. So, this clearly calls for action, which is what I presume even the regulator would be significantly putting a focus on once all companies start putting out their Q1 numbers. I'm sure they will start looking at the expense of management numbers for the overall market as a whole and within that, each individual companies in terms of how they have exhibited. Once some of these things starts to correct over the period of time, obviously, as I said and so far as our positioning is concerned, we should be able to see relatively better growth, even in Motor as a category.

Bhargav Dasgupta: And the comment that you had, Shreya, in terms of the loss ratios, as we've been explaining this for some time that when you look at Motor, if you split the loss ratio between own damage and third party, you will see certain patterns, you can do the analysis yourself and in third party again if you do a bit deeper dive on the reserving picture which is now available to all of you, you'll be able to figure out the reserving practices and that will probably throw some light on the loss ratio numbers of some of the players in the market.

Shreya Shivani: So, one just clarification I wanted, the retail indemnity loss ratio that you mentioned at 64.2%, this is 64.2% for the retail indemnity sold by agents or the one which is getting sold by ICICI Bank?

Bhargav Dasgupta: Not the group, this retail indemnity is the individual retail indemnity.

Shreya Shivani: And what is the loss ratio of the ICICI Bank portion that is getting sold ICICI Bank?

Bhargav Dasgupta: We are not giving that level of detail, that is not fair on the part of distributor also.

Moderator: Thank you. We have our next question from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: Just couple of questions. Firstly on the Health side, in the Retail health, the 23% year-on-year growth that we have seen, how much of that is driven by pricing increase that you have taken in February? And secondly on the Corporate side, there is a significant growth that has come here, is that being driven by the normal group health plans or there is a large component of the credit protect plans also which are coming here and is that the reason why unexpired risk reserve has shot up quite significantly for us in this quarter?

Gopal Balachandran: So, on the second part, Rishi, I'll just talk about the commercial lines as a category and within that, then I will talk about your corporate health or let's say the group health point that you wanted to understand. Across commercial lines, we have actually been able to exhibit significant market share as what we also put out as a part of the opening remarks. In fact, relative to an industry growth of which is single digit 7.8%, our growth has been about 17% and this spans across Fire, Marine, Engineering, Liability etc. across the key commercial line and there the growth is aided by across all factors, which is, it is driven by volume increase, it is equally driven by, accretion of market share and specifically now also in the context of corporate health, we have also been able to see accretion in pricing as well. So, it's been an all-round growth that one has seen in the overall commercial lines portfolio. To your second point on now, within the group health or within the corporate health, again, it's been a combination of both. As you would recollect, some of the participants in the market had exhibited significant underwriting losses, particularly in the corporate health space. And there have been clear instructions that they have given to their respective operating officers to get better on underwriting. That exactly is what we wait for as opportunities for us to write businesses because as I said, we have the necessary backend strength in terms of distribution and claim service to our advantage. So, hence we have been able to gain or accrete market share from some of those companies into us where customers start to look at more in terms of service as the basis of placing the risk. So, hence the growth is aided by accretion in market share. Again volume we do see in some sectors incremental hiring being done by some of the corporates concerned and hence to that extent it is also volume driven. And three, it's also a function of the relative overall growth that one has seen.

Health is also aided by, reasonable growth even on the Bancassurance space as we had put out even as part of the opening remarks. Our Bancassurance, which comprises distribution through banks and our key relationship group partners, that's done reasonably well at almost about 27% growth on the back of a reasonable growth coming back in terms of credit disbursements. What one would watch for is obviously the extent of disbursement levels as we head into the subsequent quarters, that we will wait for in terms of how the development takes place.

Rishi Jhunjhunwala: And second question while you explained about the expense of management thing and to look at on an overall basis and that's anyways what we are going to do, but just from a purpose of understanding, wanted to understand the change in commission and the business promotion, is it purely a reclassification issue from books of accounts perspective, from the way you are now paying to the distributors or is there any actually on ground business model change also?

Gopal Balachandran: If you ask us that as we always keep saying Rishi, at the end of the day, we always look at the overall cost of acquisition in terms of the way we do businesses. And that's the reason why I specifically put out that number in the context of expense of management and that's what I would urge to look at. And honestly, the split between what constitutes commission, what constitutes my overall operating expenses, all of them are baked in as a part of our operating model. Fundamentally, if you ask us have you changed anything in the underlying way of doing business? Honestly not. There is no specific change that one has done and hence, which is why I'm saying that once you start looking at the numbers more from an expensive management standpoint rather than trying to look at splits between how much has been the growth in commissions and how much has been the changes in operating expenses.

Moderator: Thank you. We have our next question from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Two questions. So, first one is more on Commercial lines. Particularly fire and engineering, so there were sort of multiple factors affecting the pricing and all. So, just I mean if you can give some color on that adjusting for your cyclone losses, if there has been sort of an impact on overall claims ratio because of the pricing environment or if you can quantify the price changes effectively that happened in this quarter? So, that's one commercial line. Second on group health or employer-employee part, if you can provide some sort of either quantify or some qualitative disclosure in terms of how has been your experience on the business that you have initially acquired a pre-COVID period and continue to renew with the price hikes and the business you have acquired last year? So, are there sort of a difference in terms of the claims experience in these two sets? These are two questions. Thank you.

Bhargav Dasgupta: So, let me take the second one and Gopal can give you the split of the commercial lines business. In aggregate commercial line business, there has been some softening on the fire side for the reasons that we've been talking about, which is that the IIB rate is no longer there, but it is well in line with our estimates. So, it's a single digit change, not a material reduction that we have seen in the Q1 FY2024, but we'll have to be watchful of how this progresses for the rest of the year. But till now it's largely been in line with expectations. The difference in the loss ratios for fire and engineering with and without CAT, Gopal will answer that separately. Coming back to your question on group health, Avinash, the real good news for us was that the accounts that we had pre-COVID, we've been talking about this in the past as well. From July of the year, after the second wave, we started increasing prices between 15% to 20% and we used to see more than 90% retention of the large accounts. So, the service proposition that we've delivered, the various features of IL TakeCare etc., overall we've had good experience in terms of retaining these accounts. This year, for the reasons that Gopal explained, we are seeing good traction in business moving from some of the other companies that are coming in. The way we are pricing it is again in line with our general practice of being disciplined about underwriting. So, the question then is that will these guys also renew next year if prices go down that we'll have to wait for. What the approach that we take is even when we go in with any of these accounts, the approach is to look at customers who are not price seekers every year who switched from one Company to the other. But to look at companies who generally being stable with one insurer for some time, maybe wanting to move now because of service experiences or because pricing has significantly gone up and come close to our numbers and we are able to get a slight premium over the market price. So, on balance, I don't see a big difference between the accounts that we had in the past to the accounts that we have got now on the group health side.

Gopal Balachandran: Avinash to your point on what could be the potential impact on some of this pricing led changes and cyclone led impact. As Bhargav said, the price decline is a single digit number roughly in that range of, 5% to 7% decline in pricing and that's on expected lines. That's what we had mentioned even during the April earnings call at the time when the guidelines had come into force, which is the reason why you see, for the overall market, fire growth for Q1 FY2024 is far more tepid at let's say at 5.9% or 6.0%. Even despite that if you look at, for ICICI Lombard, we have again had an outperformance in that category. We have grown at almost 10% in fire as a line of business. So, that's the impact so far as pricing is concerned. On the other part, what we discussed even in the April earnings call, if you recollect is also the hardening of the reinsurance rate, and therefore, we also had seen an increase in the XOL cost. What happens is the NEP there is a catch up because typically your cost of XOL hit in Q1 and as the book grows, the earnings plays through over the remaining quarters. So, now when you look at the loss ratios, what is put out in the investor deck for fire, at about 85% for Q1 and 98.6% for engineering. Now this has the impact of the XOL cost. It also has the impact of losses from cyclone as what I mentioned, very difficult to separately call out the impact of the XOL cost. But if I were to just exclude the impact of cyclone losses, the loss ratio on fire, which is at about 85%, will look like about 64%-65% and engineering, which is looking like about 98.6% will look like about close to about 80%-82% in that range. So, that's the kind of numbers that one sees so far as excluding the CAT losses are concerned. But as I said, Q1, particularly for engineering is relatively more long tail as the project starts to build over a period of time is where you will see a relatively larger proportion of earnings coming through. And hence to that extent, you will always find possibly the Q1 loss ratios to be a bit more skewed.

Moderator: Thank you. We have our next question from the line of Swarnabha Mukherjee from B&K Securities. Please go ahead.

Swarnabha Mukherjee: So, couple of questions. First on the retail health, so sir you mentioned around 64% loss ratio in the retail indemnity portfolio, I was just wondering that historically you have told that you have run this book at around loss ratios of between 65% to 70%. So, is there a possibility that we'll push the pedal a little bit more in terms of growth going ahead so that we are in between that mark because profitability-wise we are much better than where we were running the business. So, whether we should expect to see growth panning out at a faster rate and much higher than the industry given that our market share is still lower than our Company average market share is across category. So, that is the first question on retail health. And on the second question on the fire loss ratios, you pointed out that there are XOL losses that are baked in right now. Just wanted to understand given that the elevated loss ratio that you have reported if we were to remove the impact of XOL losses also, should we also see some element of that deregulation playing out in the loss ratio in terms of denominator being lower from the pricing point of view and thirdly on the crop premium for the month of June, I think there was a sizable crop premium so that pertains to Maharashtra and of a similar structure of what it was done last year.

Bhargav Dasgupta: So, let me add to the fire, and ask Gopal to cover the rest. As Gopal explained, the loss ratio for those two businesses look a bit elevated. But we are very comfortable and very happy with the book. As he explained, big chunk of that incremental loss issues because of catastrophe which happens once in a while. Secondly, the price softening has had a 5% to 6% impact, not as big as one was worrying about. So, in that sense it's a positive. Third is the XOL cost is an upfront cost. As we go through the year, anything keeps accreting and the XOL cost gets spread over the whole 12 months. For the Q1 it looks elevated because it's a smaller book which is absorbing the increment. So, overall, our property and casualty business, we are very happy with the way things are progressing. Just to give you an overall sense of where we see the business.

Swarnabha Mukherjee: Just a follow up on that. The price softening part that you mentioned 5% to 6%, so in a scenario if the reinsurance market softens next year from where it is, can the softening be more

Bhargav Dasgupta: This is getting into the realms of speculation. You know, too many factors are unknown in terms of global reinsurance markets. So, there's no point in talking about it right now. Maybe we can discuss this post January 1.

Gopal Balachandran: I'll just only add to what Bhargav said, which is what is there in the numbers if you would have seen on the overall basis. While we said our growth in revenues has been, close to about 19% ex of crop. If you would have seen the growth in net written premium has been almost about 23% which is a function of what we retain and what we reinsure. But relative to that, if you would have seen the growth in NEP has been only about 12%. So, that's the catch up that will start to happen and this is not just specific to any particular segment. I think for across segments when we exhibit growth, you will start seeing NEP doing a catch up over the subsequent quarters. So, which is what you should watch out for and as we always keep saying for us, you should ideally look at outcomes over years, if not ideally on a financial year basis, definitely not quarters. I mean quarters will have lots of elements attached to it. And again, we will urge everyone to keep looking at numbers more on an annual basis, ideally over years, because that's how the insurance cycles typically work. So, that's just in addition to what Bhargav said.

To your third point on the crop, pretty much similar to what we have been talking, which is even the one that we have won in Maharashtra that again operates under the 80-110 model which is where we are clear about what risk that we want to undertake. And two, as we had discussed even during the April call, potentially that there is an expectation that this year could be a year of El Nino, and hence to that extent again from an exposure standpoint, I think we would want to be a bit guarded and even otherwise what we have said even earlier as well on crop relative to our overall numbers, we would definitely want to see it at less than 5% of the aggregate annual revenues. So, that stand pretty much remains the same. To your first point on the overall retail health loss ratios, again, I mean this is Q1 numbers, right? I think the range that we gave is the range that we are comfortable to operate with as a segment and what we are quite happy and excited about is the fact that even if you look at consistently since H2 FY2023 and even for the whole of, in fact FY2023, we have had outperformance on retail health vis-à-vis the market. I mean if you recollect for FY2023, our growth was almost about 17%, industry on retail has grew at 15%. Even Q1, when you look at the numbers for us, individuals or retail health grew at almost about 23%. Market growth was about 18%-19%. So, again, we have had outperformance relative to the overall market. The good news is even when you look at it in the context of standalone health companies, our growth in Q1 FY2024 has largely been in line with the standalone health growth numbers as well. So, hence to that extent, whatever investments that we are doing on retail health, we are quite excited with the way how the investments have played out and that's the reason why you already start to see some small levels of increase in market share that we have seen which used to be sub 3%. Right now we're at about close to about 3.1% market share in the retail health indemnity segment. Of course, as you rightly said, there's a lot of catch up that we have to do and hence to that extent we will continue to stay invested in building that distribution force and loss ratios as I said will be more an outcome and the range is what we largely talked about. Q1 FY2024, honestly again very difficult to comment on one particular quarter. You have to ideally look at it more on a full year basis.

Moderator: Thank you. We have a next question from the line of Prakhar Sharma from Jefferies. Please go ahead.

Prakhar Sharma: Just wanted to get a pulse of this flooding in the Northern Indian part. How big is the business? How should we assess any potential loss? That's part one and just wanted to get a sense on, you know, the full year and next year combined ratio expectation, are we sticking to our earlier guidance, so these were my two questions. Thank you.

Bhargav Dasgupta: So, the second one is easier to answer. Yes, we are sticking to it in spite of these losses that catastrophe losses that we had in this quarter and the North Indian floods will come in the Q2 because these even now, as we speak, the losses are coming in. Till now, it doesn't look to be significantly an area of concern. But it's too early to call Prakhar, what happens in floods is that it takes some time for the customers to come back and report all the claims, so I don't want to give a false comfort that it's low value catastrophe loss. We'll have to wait for some time. But whatever it is, you know as a Company, unless these losses are significantly out of sync with the past experiences, we are clear that we are staying within the same guidance level that we've talked about.

Moderator: Thank you. We have our next question from the line of Neeraj Toshniwal from UBS India. Please go ahead.

Neeraj Toshniwal: So, given we have seen some improvement in June in motor which is quite impressive, just wanted to understand the outlook going ahead and are we seeing some pricing improvement which has happened due to expense of management changes and no hike in Motor TP pricing for this year?

Bhargav Dasgupta: As we said on the second point, not much, we have expected some more improvement because of the expense of management constraints. We have seen some bit of correction in terms of certain elements of PA price etc. for the sector. So, a lot of companies have improved some elements of pricing, but it is not to the extent that one had expected given the expense of management, as Gopal explained, you know, for a large number of companies in the sector, they're over their limit. As of now, we've not seen a change, but as we explained, we'll have to see what happens after Q1 FY2024 and how the regulator looks at industry numbers and Company specific numbers. So, we'll be watchful. From our perspective, we are well within the limit. We have a big cushion, but that doesn't mean that we are going to be profligate. We are focusing on building a sustainable business.

Neeraj Toshniwal: So, what kind of growth in Motor portfolio we are now given the momentum is coming back, we are building in?

Bhargav Dasgupta: As I said earlier the difficult part is behind us is what we think. So, our expectation is that we should definitely go in line with the market for this quarter.

Neeraj Toshniwal: And last question is on the tenure which you just mentioned in the opening remarks there is the guideline from the regulator, any incremental color on that?

Gopal Balachandran: So, Neeraj, this is something that we have been talking about earlier as well. So, obviously at an appropriate point of time, as we keep saying succession planning is something that actively gets discussed at the BNRC and at the board level across management levels, so maybe at an appropriate time, we will come back if at all wherever we have to make any necessary announcements.

Neeraj Toshniwal: Got it. And one last question on the ICICI Bank stake buy which would be happening over some time? Has any proceeding or approval from the regulators happened because there is no update on that front?

Bhargav Dasgupta: I think they will announce it whenever they're ready to announce it. Obviously, they'll have to wait for to get all the approvals, but they've got enough time to do the same. As of now, we are awaiting all clearances from the regulators.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Bhargav Dasgupta for closing comments. Over to you, sir.

Bhargav Dasgupta: Thank you everyone for joining and look forward to interacting with you over the next few days. Feel free to reach out to us. Thank you very much.

Gopal Balachandran: Thank you so much.

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

Safe Harbor:

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