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July 25, 2024

To,

The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

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

Scrip code: Equity (BSE: 540716/ NSE: ICICIGI)

Dear Sir/Madam,

Subject: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of earnings conference call for the quarter ended June 30, 2024

This is further to our letter dated July 9, 2024 and July 19, 2024, please note that the Company had hosted earnings conference call with investor(s) and analyst(s) on Friday, July 19, 2024 to discuss the performance of the Company for the quarter ended June 30, 2024.

In this regard, please find attached transcript of earnings conference call with investor(s) and analyst(s) for the quarter ended June 30, 2024.

The above information 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
Company Secretary

Encl. As above

ICICI Lombard General Insurance Company Limited

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ICICI Lombard General Insurance Company Limited
Q1 FY2025 Earnings Conference Call
July 19, 2024

Management:

MR. SANJEEV MANTRI – MD & CEO
MR. GOPAL BALACHANDRAN – CFO
MR. ALOK AGARWAL – EXECUTIVE DIRECTOR
MR. ANAND SINGHI – CHIEF RETAIL AND GOVT BUSINESS GROUP
MR. SANDEEP GORADIA – CHIEF CORPORATE SOLUTIONS GROUP
MR. GIRISH NAYAK – CHIEF TECHNOLOGY & HEALTH (UW & CLAIMS)
MR. GAURAV ARORA – CHIEF UNDERWRITING AND CLAIMS – PROPERTY & CASUALTY

ICICI Lombard General Insurance Company Limited
Q1 FY2025 Earnings Conference Call
July 19, 2024

Moderator: Good evening, ladies and gentlemen. A very warm welcome to ICICI Lombard General Insurance Company Limited's Q1 FY2025 Earnings Conference Call.

From the Senior Management we have with us today Mr. Sanjeev Mantri – MD and CEO of the Company, Mr. Gopal Balachandran – CFO, Mr. Alok Agarwal – Executive Director, Mr. Girish Nayak – Chief Technology and Health Underwriting and Claims, Mr. Sandeep Goradia – Chief Corporate Solutions Group, Mr. Anand Singhi – Chief Retail and Government Business and Mr. Gaurav Arora – Chief Underwriting and Claims – Property and Casualty.

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 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 touchtone phone.

I now hand the conference over to Mr. Sanjeev Mantri – MD and CEO – ICICI Lombard General Insurance Limited. Thank you, and over to you, sir.

Sanjeev Mantri: Thank you. Good evening to each one of you. Thank you for joining the Earnings Conference Call of ICICI Lombard General Insurance Company Limited for Q1 FY2025.

Let me give you a brief overview of the industry trends and developments that we have witnessed in the ensuing months. Post this, our CFO, Mr. Gopal Balachandran will share the financial performance of the company for the quarter ended June 30, 2024.

During the financial year 2024, the Indian economy surged by an impressive 8.2%, which is better than the expected growth of 7.6%, maintaining its position as the fastest growing major economy globally. During Q1 FY2025, the key high frequency indicators such as toll collections, GST receipts and E-way bills continued to remain buoyant. Manufacturing and construction sectors showed strong activity and PMI data also highlighted robust demand and strong export orders. However, global geopolitical tension and uneven distribution of domestic monsoon can be a key risk to the ongoing growth momentum.

Now talking about the auto industry, during the quarter, we have seen decent growth in the wholesale numbers as reported by SIAM with private car growing at 3.0%, two-wheeler at 20.4% and CV at 7.8%. This entails approximately 1 million private cars, 5.0 million two-wheelers and 0.4 million CV's being sold during the quarter. However, the retail numbers as reported by FADA has seen muted growth for private car at 2.5%, two-wheelers at 12.6% and CV at 6.0% for Q1 FY2025.

Despite relatively lower retail sales during the quarter¹, we expect the onset of the festive season in the coming months to augur well for auto industry.

Health insurance as a segment continues to be driven by under penetration in the retail health business coupled with enhanced awareness. In the last 5 years, health as a segment is growing more than 20% CAGR and we expect this trend to persist for FY2025.

The Commercial lines of business grew by 10.3% during the quarter. Fire line of business continued to witness pricing pressure due to impact of discontinuance of IIB rates. However, with better awareness of new age risks and continued government focus on infrastructure development and related capital expenditure, the commercial line business is expected to do well in coming quarters.

Overall, from an insurance industry standpoint, we see a significant convergence with macro and micro factors supporting the growth.

Coming to the performance of the General Insurance (GI) industry, it delivered a year on year Gross Direct Premium Income (GDPI) growth of 13.3% for Q1 FY2025. Ex-crop and mass, GDPI for the industry was at 14.8% for the same period. We have seen Q1 FY2025 growth being sequentially better than Q4 of last year and we expect this trajectory to continue in the coming quarters.

¹ FADA

Overall, the combined ratio of the industry was at 112% for FY2024 as against 115.8% for FY2023. For motor, the combined ratio was 118.5% for FY2024 as against 121.1% for FY2023. While there seems to be some improvement in the overall combined ratio, with no motor TP rate hike and the Motor combined ratio for the industry continues to remain under pressure.

In our previous call, we discussed the series of regulations prescribed by the authority. The regulatory environment is becoming more cohesive, and recently, the authority has issued various circulars including master circulars on health and general insurance respectively. These developments are expected to augur well for policyholders and the industry over the long term.

Now I will speak about the business impact for us in Q1 FY2025.

The company's GDPI grew at 20.4% during Q1 FY2025 which has been higher than the industry growth of 13.3% during the same period.

Let me now touch upon our performance in key business segments during the quarter.

- In the Commercial lines segment during Q1 FY2025, we grew at 9.7%. We continue to maintain leadership position in segments such as Engineering, Liability and Marine Cargo.

As mentioned earlier, while the Fire segment has seen pricing pressure, the inherent growth continues to remain intact. Despite the headwinds, we have maintained our market share in the Fire segment. We remain vigilant in terms of risk selection and will continue to monitor development in the coming quarters.

In motor for Q1 FY2025, we registered a growth of 26.3% vis-à-vis industry growth of 12%. We continue to harness our strong capabilities in this segment across distribution, underwriting, claims servicing and actuarial practices. The overall growth in the motor segment was aided by strong growth in the old business.

The new private car business grew at 13.4% as against SIAM volume growth of 3%. Two-wheeler segment registered growth of ~21% in Q1 FY2025 in line with the SIAM volume growth. While the new CV segment grew by 20.3% as against SIAM volume growth of 7.8% during the same period.

During the quarter, we have continued to maintain a balanced portfolio with private car, two-wheeler and CV mix at 51.5%, 26% and 22.5% respectively.

We also continue to build efficiency in Motor claims. In Q1 FY2025, we were able to service 69.9% of our Agency and Direct claims to our Preferred Partner Network (PPN), up from 56.3% in Q1 FY2024.

With the de-notification of tariff wordings and the operational guidelines of master circular, we expect newer product opportunities in the motor segment, which will enable the segment to expand further. We are excited to share that we have recently introduced long-term product for private car and two-wheeler segment.

We stay positive on the motor segment and are leveraging our multi-distribution strategy to drive growth across channels, which enables us to sustain market leadership in the segment.

- The health segment grew at 28.5% in Q1 FY2025 against the industry growth of 16.6%.

In the Group- Health Employer-Employee segment, we grew at 31.1% in Q1 FY2025. The change in the underlying industry pricing sentiment resulted in customers moving towards insurers with superior servicing capabilities, helping us to build this portfolio.

For the first couple of months during the quarter, Retail Health business grew lower than our expectation. However, with the launch of a new health insurance solution, growth reached 14.4% in the month of June. Overall, the retail business grew at 12.6% in Q1 FY2025 compared to the industry growth of 19.0%.

As updated earlier, we continue to remain committed to invest, create differentiation, and provide solutions for the Retail Health segment. In this endeavor to enhance our value proposition, we recently launched a new revolutionary Retail Health insurance solution, 'Elevate' Powered by AI. Elevate offers key add-ons such as infinite sum insured, infinite care, power booster, jumpstart, etc. These add-ons are industry first or industry best offerings. Further, the solution is backed by AI engine, which offers optimal coverage based on customer persona. We launched this solution across the country through 200+ Bandhan events, with our agency distribution.

- During the quarter, with lower credit disbursement growth of our Key Relationship Partners, our BANCA business grew by 7.5%. However, ICICI Group distribution grew by 31.4% for Q1 FY2025 due to strategic focus on branch banking business. When it comes to our relationships across distribution, we continue to deep-mine our existing relationships by creating new value streams and at the same time, focus on expanding relationships by staying invested in this channel.
- As mentioned in the last call, we continue to stay invested in strengthening our digital business. Resultantly, our customer facing digital business grew by 20.7% in Q1, constituting 4.9% of our overall business.
- Our one-stop solution for all insurance and wellness needs, the 'IL TakeCare' app, has surpassed 10.0 million user downloads till date. We registered a premium of ₹ 504.5 Mn for the quarter.
- As far as servicing our customer is concerned, we continue to leverage solutions such as :-
 - Cloud-based calling for motor claims, which has enhanced our customer experience by allowing direct interaction with the assigned claim manager, bypassing the need for the Interactive Voice Response (IVR) systems at call centers. This advancement has provided them immediate clarity on claims process, current status, and prompt resolution for their inquiries.
 - Our clients are increasingly embracing the self-service capabilities of our chat-bot RIA, which provides assistance across all our digital customer interfaces. The utilization of RIA for checking health claims status, and downloading policy copies have doubled in comparison to the previous year.

During our previous call, we spoke about "One IL One Team" vision. As a part of this initiative, we continue to drive synergies whether in terms of One IL One Digital, One IL One Agency, or One IL One Call Center. Our collective efforts focus on the organization's goals has created tailwinds, which are driving superior growth in the recent months. We will continue to consistently leverage the power of One IL One Team through efficient systems and processes driven by our teams.

- In our previous update, we discussed our core business and technology transformation project, 'Project Orion'. We initiated this transformation journey with our 'Health' business and are now progressively extending these efforts to our other lines of businesses.

We will remain focused on leveraging our multi-product, multi-distribution strategy. We aim to achieve profitable growth by harnessing data effectively, embracing digital advancements and introducing new products. Simultaneously, we will continue to foster growth as “One IL One Team.”

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

Gopal Balachandran:

Thanks, Sanjeev, and good evening to each one of you. I will now give you a brief overview of the financial performance of the recently concluded quarter. The results have been uploaded on our stock exchanges and you will be able to see the same getting reflected on our website as well. You can access it as we walk you through the performance numbers.

The Gross Direct Premium Income (GDPI) of the company was at ₹ 76.88 billion for Q1 FY2025, as against ₹ 63.87 billion in Q1 FY2024. This was a growth of 20.4%, which was higher than the industry growth of 13.3%. Excluding Crop and Mass health, GDPI growth of the company was at 19.7%. Again, higher than the industry growth of 14.8% in Q1 FY2025.

Our GDPI growth during the quarter was primarily driven by growth in the preferred segments. The overall GDPI of our property and casualty segment grew by 9.7% at ₹ 25.08 billion in Q1 FY2025, as against ₹ 22.86 billion in Q1 FY2024.

On the retail side of the business, GDPI of the motor segment was at ₹ 23.69 billion in Q1 FY2025, as against ₹ 18.75 billion in Q1 FY2024, again registering a growth of 26.3%.

- The advance premium numbers was at ₹ 34.56 billion at June 30, 2024, as against ₹ 33.30 billion as at March 31, 2024.

GDPI of the Health segment was at ₹ 23.37 billion in Q1 FY2025, as against ₹ 18.19 billion in Q1 FY2024, registering a growth of 28.5%.

- Our agents, which includes a Point of Sale distribution count, was at 1,31,021 as on June 30, 2024, up from 1,28,411 as on March 31, 2024.

Our combined ratio was 102.3% for Q1 FY2025, as against 103.8% for Q1 FY2024.

Our investment assets rose to ₹ 510.04 billion as at June 30, 2024, up from ₹ 489.07 billion as at March 31, 2024. Our investment leverage was 4.14x as at June 30, 2024, as against 4.09x as at March 31, 2024.

Investment income was at ₹ 11.28 billion in Q1 FY2025 as against ₹ 8.44 billion in Q1 FY2024. The investment income for Q1 FY2024 has been revised basis the recent IRDAI Master Circular dated May 17, 2024.

Our capital gains, net of impairment on investment assets increased to ₹ 2.84 billion in Q1 FY2025 as compared to ₹1.23 billion in Q1 FY2024.

Our Profit Before Tax (PBT) grew by 48.8% at ₹ 7.74 billion in Q1 FY2025 as against ₹ 5.2 billion in Q1 FY2024.

Consequently, Profit After Tax (PAT) also grew about a similar number at 48.7% at ₹ 5.80 billion in Q1 FY2025 as against ₹ 3.9 billion in Q1 FY2024.

Return on Average Equity (ROAE) for Q1 FY2025 was 19.1% as against 14.7% in Q1 FY2024.

Solvency ratio was at 2.56x at June 30, 2024, as against 2.62x as at March 31, 2024 and this continues to be higher than the minimum regulatory requirement of 1.5x.

As I conclude, we remain steadfast in our commitment to driving profitable growth, creating sustainable value and safeguarding the interest of our 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 questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Sir, I basically have a question on the Motor Segment where you guys have delivered quite well, particularly in the first two months of this quarter. Some color, if you can give about, I know you have said that more growth came from old vehicles than new vehicles. I am not sure if I got that right, if you can help me with that.

Second, the thing with the motor segment is that the motor TP book has seen quite a strong growth. OD is the fastest for you, but TP growth was also very strong given that competition in this segment has been de-growing. Also, the loss ratio or the reserving triangle for a lot of competition for FY2024 saw a bit of worsening. So, is there any dramatic shift in the industry dynamics or the competitive landscape or any color that you can give to us about the motor segment? And whether we can sustain this 20% -25% plus growth rate in the motor segment, that will be useful.

Sanjeev Mantri: Thanks, Shreya. Yes, clearly, not couple of months, I think the full quarter, the team has been able to do pretty well as far as motor segment is concerned. But look, we always maintained a very steady line that being a multi-line, multi-product company, in that sense, we will go where we believe there is value.

At some point in time, if we go back in time in terms of our quarter 1, quarter 2 call last year, you had seen that we had retracted significantly because it was not making commercial sense to pursue what was going on. We spoke about the industry numbers for FY2024. There is a bit of a semblance in terms of the loss ratio which is there. We see an overall industry-wide some improvement, while still it stays concerning. We were able to leverage that part of it.

With respect to the new and old, new sales per se, as I said, the FADA number has given a very muted number, but overall supply has increased and that should hold good in the ensuing quarter when you have festive season coming in.

For us, again, from deep mining, we were able to do a much better job on getting the old book. So you are right. Our new grew at around 16%, 17%, but the old book has grown at almost 33%. So, that's what has given value for us as a company.

Question on the last one, I can leave it to Gopal if he wants to add something, is this sustainable? I mean, this kind of a market share gap, I don't think sustainable will be a right thing. But we will continue to stay vigilant. If there is a value on the table for us, you will see us operating with same intensity. It's not that we were not gaining market share, we were not doing what was required. We will continue doing the right things and hopefully the outcome will fall in place, but yes, on motor, overall as a segment, we continue to remain committed as an entity. Gopal, you would like to add something?

Gopal Balachandran: Yeah, I will just add on to say that, the good news is there seems to be semblance playing out in motor as a segment. Which is what we put out also as a part of the opening remarks, to say that directionally, the combined ratio for the industry looks to be going down almost by about 3% or 4% when you look at it on a full year basis. This is obviously a trend that we will watch for even for the subsequent quarters.

And linked to this is your last question that you asked in terms of what has been the loss experience, or let's say the loss ratios for the industry, vis-a-vis what has worked out for us. Honestly, I am sure each companies will have their own approaches to write risks in the way they would want to source, and the outcome is more a reflection of the thought processes that they would have had taken in their respective

companies. So, very difficult to comment on the way the reserving triangle disclosures are moving for those players. But at least from an ICICI Lombard's standpoint, we continue to stay prudent in our approach to reserving. And even if you recollect what we have been talking through since the last few quarters - is on motor as a category, we have said the loss ratio band at which we would be largely comfortable at, on an overall basis has been between 65% to 67%; and within that on own damage, we have generally talked about the loss ratio staying in the range of 60% to 65%, and third party in the range of, 65% to 70%.

So, that's largely the loss ratio band that we have been kind of largely working with. And at this point of time, given the point that Sanjeev made in terms of our ability to go after micro segmentation and doing the right risk selection, we believe, we are pretty much poised to stay around those loss ratio bands. But obviously, it's all a function of what business mix that we write at the end of the day.

Shreya Shivani: And sir, just last one comment. Are you guys seeing any benefit from the Motor Vehicle Act, in sense of are you seeing faster claim intimation? Is there some change in the industry dynamics from that perspective?

Sanjeev Mantri: No, actually, Shreya, it's early days, but we do see overall on a sequential basis claim intimation on faster note than what it used to be, but can we be conclusive about it as yet? No, but overall early signs are positive in the direction that augurs well for the industry, not only us.

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

Madhukar Ladha: So, a couple of things. First, you know, I know it's early days, but maybe you can talk a little bit about the health product, what's the kind of numbers that you are seeing and what are you sort of building in your mind as a target for this year? And second, you have done very well on the investment income side. So, I am not sure whether you gave this number out or not, but what is the capital gain amount and if you can split the investment income in capital gains and normal gains? And then in the opening remarks, you had mentioned about the numbers for private car, two-wheeler and CV. If you could just repeat the CV number, what is it for the industry and what is it for us? So, those would be my questions.

Sanjeev Mantri: Madhukar, thanks for your question. I will speak on the health product and then I will ask Gopal to share with you the details of investment income as well as the private car and two-wheeler . Again, it's been a thoughtful process for us. We have been talking on health more from

the retail health side in a very big way. As a team we have launched this product 'Elevate'. Supremely excited in terms of the way it has been received by the market across channels and partners at this point of time.

Number wise probably we will wait till it comes to the end of the quarter 2. As you rightly said in your question itself, early days, but what I can tell all of you on the call is that, the way it has been received in terms of multiple industry first covers that we have put across, we do see a significant traction. And as a team, all of us are very excited as to where it can take us in the health segment and yes, this should be one of the typical steps to make our journey more concrete. So, as I said in couple of calls, that our efforts on health at many times have not reflected the output. Hopefully, we are seeking through this some convergence on that as an entity is all I can say. Now I will hand it over to Gopal to take the other two questions of yours

Gopal Balachandran: So, maybe I will go in the reverse sequence. I will take the third one, which is relatively easier. We put that as a part of the opening remarks. Just to kind of reiterate, the mix between overall motor on private car, two-wheeler and CV, that mix is at 51.5% is private car, 26% is two-wheelers and the CV mix is 22.5%. To your other question on the investment.

Madhukar Ladha: Sorry, Gopal. Gopal, I wanted the number of new CV growth was for the industry and what is it for ICICI Lombard?

Gopal Balachandran: What are the SIAM numbers?

Madhukar Ladha: SIAM numbers, yes.

Gopal Balachandran: So SIAM numbers for private car, two-wheeler and CV for this quarter, private car growth was 3%, two-wheeler is at 20.4% and CV is at 7.8%.

Madhukar Ladha: And what is it for us for the CV?

Gopal Balachandran: For us new CV growth is at about 20%. Now coming back to your second question on terms of what is the split between the overall investment income, we called that out as a part of the opening transcript. See the capital gain numbers for this quarter is at ₹ 2.84 billion. This number in quarter 1 of last year was ₹ 1.23 billion.

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

Sanketh Godha: My first question is on the reasons that led to the significant improvement or decent improvement in the Opex ratio, because if I look

outside commissions, your overall Opex has declined by 7-8% year on year. So, where this saving has come? Is it because we have focused on old versus new vehicle? Has that played a role in significant improvement in the Opex ratio? That was my first question. Just wanted to understand what led to it and how sustainable it is going ahead.

And the second question what I had is that when you do long term what you launched in private cars and the two wheelers, just wanted to understand from accounting point of view, it is recognized on cash basis, or it is 1/n for other than the new TP what you write for 3 years and 5 years?

And lastly, my question is on, you said that non-ICICI Bank has seen a growth issue, which is even reflected in personal accident cover growth, which is declined year-on-year for the quarter. So, is it because the major bank channels like HDFC or Axis have slowed down our business? And how do you think it to play out going ahead? Yeah, these are my questions.

Sanjeev Mantri:

So, I think, thanks, Sanketh. With respect to the Opex part that you are referring to, definitely, configuration of the portfolio has played a role. There is no doubt about it. The growth of old has definitely helped us in overall averaging of cost.

So, you are absolutely right. And besides this, even the growth in GHI which comes on a relatively lower Opex which we have grown as a business at almost 31.1% has played a role. Some bit of crop business also has got booked on an incremental basis, but I wouldn't say that that has changed the Opex. It is largely driven by the nature of business in which it has got done.

Whether it is sustainable? See, this is a very dynamic situation. We have a regulatory requirement that we need to manage our expense of Management below 30%. We will stay committed at the same time to dynamically operate and ensure that the profit pools are taken care of. We would take calls that are appropriate in the interest of the company. So, I wouldn't go and say that it's all sustainable, but some way or the other, yes, we will seek efficiency and that is the direction that we will operate on.

With respect to the long-term piece, I would request Gopal to speak. On the non-banca channel, which is non-ICICI banca channel that you are referring to, we have a larger relationship which is driven by NBFCs and the overall unsecured part, we have seen in the market that the disbursement has gone down because of the changes in the regulations for them. That has impacted our sourcing. Else we remain very committed to this business and it has been a key value driver for us as

an organization. And as and when the overall disbursement improves, we will be there present with the relationship to drive our own market share with them. And on the long-term part, Gopal, if you can just.

Gopal Balachandran: And on the second question, Sanketh, pretty much similar to the same prescription. As you rightly mentioned, whatever is true for the new private car or new two-wheeler prescription, the same prescription is what we are following with respect to the long-term motor offering that we do for the rest of the businesses as well.

Sanketh Godha: Just on the Opex part, I just wanted to, see, I understand the ratio improvement is because of little more GHI and crop, but absolute decline in the cost is the point I was more focused on, that it declined by 7.5% to 8%. So, is it largely attributed to the fact that your retail health growth was lower and old component has increased in the motor? Just wanted to understand, if that is a strategy going ahead, then we can see such an improvement in the Opex ratio.

Gopal Balachandran: Yeah. So, Sanketh again this is something that keeps coming to us every quarter, right, in terms of where is the directional movement on the overall expense number I would again keep reiterating the fact that end of the day as an institution, what I think everyone should be largely watching out for is the combined ratio outcome. Because again, rightly mentioned by you, businesses obviously get impacted by different mix, different growth levels within a particular segment and each of them have obviously its own nuances and dynamics with respect to the overall cost of acquisition.

Having said that, if you look at generally quarter 1 obviously tends to be slightly lower because the relative proportion of commercial line insurances tends to be higher. So, hence to that extent, there is an element of cost of acquisition that plays out. But having said that, I think what we have also been able to achieve is the relative efficiency and the productivity gain on even motor as a category in terms of the top line coming back to us at the acceptable level of cost of acquisition.

And again, the point that we made within that segment, the growth has also largely stemmed from what Sanjeev mentioned. The old growth in motor has been 33% plus. So, obviously as the older portfolio grows faster, the relative cost of acquisition relatively is lower. And that's something that we keep monitoring.

If you ask us what will be the directional trend that this expense ratios will take, the only thing that we would call out to say is at all points of time - we stand committed to staying within that threshold of 30%. Very difficult to pull out and say what will we finally end the number with. The

endeavor is obviously to make sure that we operate within that overall objective.

So, hence lots of moving parts. Very difficult to call out a particular thing to say what has led to the overall efficiency in the expense numbers.

Moderator: Sorry to interrupt. Mr. Godha, may we request you return to the question queue for follow-up questions as there are several other participants waiting for that. Thank you so much. We will take the next question from the line of Aditi Joshi from J.P. Morgan. Please go ahead.

Aditi Joshi: So, I have three questions. Sir, can you please help us understand on the Group Health side, what are the competitive dynamics you are seeing, and also in terms of pricing trend that was observed and your outlook as in going forward in the coming quarters, how do you see the health insurance pricing both in the retail segment as well as in the group segment, that is the employer-employee?

The second question is related to the combined ratios items. We came up in the last call suggesting that the improvement in the combined ratio might be faster than the previous expectations. But in the first quarter, it was around 102% level vs 101.5% that we were expecting. So, sir, can you please help us understand if that is what you continue to think? And if so, then what would lead to that faster than expected improvement?

And then just the third question is on the, in the underwriting profit segment-wise there was a significant improvement in miscellaneous group and corporate. So, can you please suggest what this precisely is?

Gopal Balachandran: So, Aditi, I will go in the same sequence. Let me start with corporate health. Again, pretty much similar to what Sanjeev explained on the motor side. As a thought process, I think when markets have been quite aggressive, we have obviously tried to take a guarded stance, but continued to stay invested in our distribution/ servicing capabilities.

The same thought process is what we have even on the corporate health. I think market did see signs of stress for some time, at least in the last few years. That seems to be coming back, which is why even as a part of the opening remarks, we did call out to say that there seems to be pricing discipline coming back, particularly from players who have been very aggressive in writing this particular segment.

So, obviously, now the fact that let's say pricing discipline is happening on corporate health, that obviously is giving us an opportunity, which is why as a segment, I think we have been able to outgrow the market at

an underwriting outcome, which is to our liking, which also responds to the last question that you asked in the context of, let's say, the corporate/ miscellaneous group segments in terms of the absolute outcome on the underwriting side.

On the retail, I think obviously one keeps looking for what is the quality of the book that we want to write. I think we stay to the loss ratio thresholds that we have generally spoken about, which has been around 70% numbers on the retail health. I think that loss ratio band is something that we would obviously want to stay focused on and the fact that we have been able to launch this new health insurance solution will obviously aid in terms of the loss ratio outcomes that we are expecting for the rest of the year as well. And obviously, we continue to monitor the portfolio in terms of its development. We believe, we are fairly priced for the risk features that we have launched as a part of this solution. But as I said, at the end of the day, we would obviously want to see that particular segment operating in that loss ratio range of about 70%.

On the second question in terms of the combined ratio trajectory, I think what we are seeing is obviously a directional improvement in the way we have been able to exhibit our combined ratio outcomes. But again as we keep saying, this has to be looked at in the context of the industry movement on combined. The good news is again, what we called out, at least basis public disclosure on the full-year numbers for FY2024, has been relatively better than FY2023 by almost 4% points improvement in combined for the overall market.

Now obviously, if this trend line continues and within that motor has seen almost again a 3% to 4% improvement from an overall industry standpoint. If this trend line was to further continue for the rest of the year, I think we believe that we should be able to kind of stick to our Q4 combined ratio thought process that we have of about 101.5%. I think we should be able to get to that trajectory by the end of the year. So, that's in response to the second one.

The last one, I will keep saying that an absolute underwriting outcome in itself may not mean much, particularly when you look at it in a quarterly context because as we know that whenever you end up doing relatively higher growth, this could be across any segment, the relative cost of acquisition comes and hits you upfront. But all that we can say for sure is hence to keep looking at the combined ratio numbers

The good news is as I said the fact that we have been able to write a risk portfolio which is to our underwriting outcome, and hence to that extent the combined ratio trajectory for the company as a whole has been in line with what we would want to see ourselves at.

Aditi Joshi: Just a clarification. What categories come under the miscellaneous in this disclosure, please?

Gopal Balachandran: So anything which is not covered by the rest of the segments for which there is a separate disclosure that is put out, all of them come as a part of the miscellaneous segment.

Aditi Joshi: So that will include the engineering part in it.

Gopal Balachandran: Yeah, so all those separate segments that have been specifically put out in terms of regulatory prescriptions have been put out separately. Anything which is not there as a part of those separately laid out requirement, they will all form a part of miscellaneous. That is correct.

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

Prayesh Jain: Sir, on the health ratio, loss ratio front, there is an increase from 78.7% to 83.6%. What is this really reflective of, are there any adverse trends that we have seen in the quarter and how should we think about this? That would be my first one.

Second is on the motor strategy, wherein you have spoken about the older vehicles' growth has been stronger. Generally, you know, OEM channel has been our strength and that generally drives our growth in the new vehicle business. So, what's differently we have done to grow the older vehicle channel? It's digital where we have become more competitive or it's through the agents' channel. How has this kind of come across and whether that's sustainable?

And lastly, on the motor TP price hike, with this kind of loss ratio trending, do we really envisage a price hike coming this year or even for that matter, if it sustains anytime soon, what is price hike we should work with? Those would be my three questions.

Sanjeev Mantri: Thanks, Prayesh, for your question. On the health side, in particular, where we see relatively increased loss ratio, I think Gopal in a way also spoke about it as to where we expect it to be around. There are two segments, which is retail health and then the other part is the group health.

But that being said, there is no denial of the fact that we have seen a relative increase in frequency which has impacted the loss ratio overall. Also, from what we are aware of, it has been at the industry level. And it is something which is witnessed across is what we are understanding. Whether this trend will be secular and will be there, quarter 2 typically

has an elevated loss ratio because of the monsoon that comes in. There are vector borne diseases, which can have an impact over on this.

But for us, since we have also launched the product, which is expected to do well, I think the mix should also play out over coming quarters to help us in rebalancing our book and we remain committed to the overall health as a segment and more so on the retail health, which we want to continue to invest and grow. So, that's the first part as far as health is concerned.

On motor per se as a strategy where it stands new and old, so it's not that the new part, which we have shared the numbers also has not done well for us, we have done well on the new side, but it is the growth of old which has also significantly exceeded new. Both sections have done well, but definitely old has grown at double the rate of what new has grown as far as the company and that has helped us rebalancing it. Agency also has done well and other channels also from wherever we are able to source motor like broking channel has done well.

In terms of overall strategy, we are deeply entrenched in every single section, whether it is private car, two-wheeler and commercial vehicle, we will continue to explore opportunities. There is a lot of work that has been done by our actuary as well as underwriting in terms of further micro-segmenting the market to create white spaces and see if we can do further business in that.

On motor TP hike, the last part that you have spoken about, look, I mean, this is something which comes under the regulatory requirement. We continue to pursue because at the industry level, there is still a need in some segments to see an increase and maybe there are some segments where there can be a decrease also on third party to overall rebalance the book. And it is not only for growth. It is also for us as an entity, if that pricing factor comes in since it is regulated, it will help us to further expand our market. That's what it is Prayesh from our side.

Prayesh Jain:

Just clarification on motor part. So, have we, you know, like in the last 6 to 9 months got more competitive in terms of pricing or what has been the change in the approach of ours which has, one, obviously, the industry trends have been feasible, but even from our side, what changes we have done with respect to pricing? Does that play a role?

Sanjeev Mantri:

Yes, obviously, there is an element of pricing, but we have continued to be in a similar journey to be very honest. Others have, who were far more aggressive, recalibrated it and that gain also has accrued to us. It is not that we have gone dramatically on the price cut side. We have stayed moderate in the zone, which is what we have always been talking to each one of you. It's just that the others who were being far

more aggressive in the market have gone ahead and taken some more of control in terms of numbers

So, that's where it stands. We have been consistent and also moderating whichever way we want to acquire in the market that we want to acquire, we have done what is required to stay valid in those.

Another piece which is there is the PPN network that we have started leveraging very extensively and today, we would be on the agency and direct side, we have got almost 70% of our claims which are being processed at the PPN network, which is the preferred partner network that we have. That drives significant efficiency also for us overall and helps us in the motor profitability.

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

Nidhesh: My question is on health insurance product. What is the underwriting process or philosophy in that product given that pricing is quite attractive? So, how are we controlling underwriting at the customer origination level? And what are the rejection rates for that product?

Sanjeev Mantri: So, pricing obviously is a function of our own modeling that we have done and clearly I would say that we are aware of what we are doing. Further details in terms of what is the rejection and all, I mean, honestly, we would not like to share that. But yes, the business is, since there is a decent pull, besides we launching this product, it does give us the leeway of underwriting what we believe will make sense and the ones which will not, we wouldn't.

So, it's at a simple level. And if you see the construct of the product which is very important, if you all have not seen it, you must go through it. It's a very modular product where the features are available as Add-on. So, it's up to the customer whether they want to pick it up and all. So, there is a risk pricing element that has got created which otherwise was not the case. So, it was one shoe fit all kind of a product which will say that this is what's available. But in this you go through a modular model. They say that this is the core which you will get, and there are features, if they suit your requirement, you must opt for it. So, it avoids mis-selling and at the same time, it allows us to price the risk appropriately.

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

Neeraj Toshniwal: So, three questions. First is on the duration of the book and the things which worked well. Second is on the retentions have been given are

fewer and are lower. So, commissions should have been a little lower. Is it the motor of the mix which has come up and driving the higher commissions as in last Q1? And third is more towards today's incident of the global IT outage. Wanted to understand any cyber insurance, from the cyber insurance risk perspective, are we seeing any impact or how should we work the things about it? Though the portfolio might be little small, but just wanted some thoughts here.

Gopal Balachandran: Maybe I will take the last one first. So, I think, obviously too early to call out because it's like a cyclone happening and can we kind of estimate what will be the impact of losses that has hit our book. So, obviously, it will take a while for us, if at all there is any impact so far as claims is concerned. But again, just going back to the underwriting discipline, what we have tried to do from an underwriting standpoint is obviously to write and risk select books which we think will be within our underwriting appetite.

And hence, end of the day, whatever underwriting we do, we are in the business of paying claims. And therefore to that extent, if there is genuinely a claim, and obviously to that extent, we will honor those commitments. But too early to call out, but obviously maybe in the subsequent quarter, we will be able to give you a much better update in terms of where we are consequent to this outage that one would have possibly seen.

To your first point, in terms of what is the duration of the book, the duration of the book currently is at about 5.48 years This is something if you recollect, I think we have been obviously taking advantage of the higher interest rate regime over the last couple of years. And that again augurs very well in terms of the portfolio interest accruals and we are well-positioned to capitalize the opportunity depending on how the interest rate cycles move in the market.

So, that's what we keep doing. It's not just in this period. I think even over years, when we have seen periods of high interest rate regime, during those times, we have obviously tried to go long. And as possibly the cycle of interest rate starts to reverse, we have been able to see the benefit of maybe higher realization getting accrued towards in terms of capital gains and obviously till that time, higher interest accruals. So, that's the response to the duration of the portfolio.

On the second question, if I got you right on the commission ratios, again, as I explained earlier, I think at the end of the day what we will be largely guided by the combined ratio objective, which will obviously be a function of what is it that one sees on the loss ratio and what is it that one sees on the expense of management.

To call out one over the other honestly for us may not be the right thing because that's the inherent nature of the business that we are in. We are a multi-product, multi-distribution set-up, we source different type of businesses and therefore each business mix will have an outcome which will be very different. So, hence, again just to reiterate, we stand committed to the trajectory of the declining combined ratio that we have spoken about and at the end of the year, assuming the market continues to show improved trajectory, we stand committed to see a combined ratio which is Q4 FY2025 exit of about 101.5%.

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

Avinash Singh: Couple of questions. The first one, if you can help again on motor where you explained that share of old had gone up. How it has panned out in various distribution channels, I mean, agents, or is it gaining share from other peers at the OEM dealer point or is it something to do with the new corporate broker or online broker tie up you have done? That's one.

Second is, I mean, if I look at the motor third party loss ratio of 69% for the quarter, is it just based on this quarter or is there some support coming? Because if I see the industry, you are the only one who has in motor TP for FY2022 or FY2023, you have not taken any kind of a year TP ratio so far. So, is the 69% now getting some support from this quarter only? And if you can give some kind of idea that how, if, I mean, in the Ind AS, when reserve discounting is allowed, how the 69% would typically look?

Gopal Balachandran: Maybe I will take the second one and maybe I will respond to the couple of questions on TP loss ratios and maybe the related impact on the Ind AS front. Let me start with the reverse order. Ind AS for us is work in progress. And as I have been saying, even in the earlier calls, we will come back to the market at an appropriate time to talk about what exactly will be the relative impact when we transition to the Ind AS from a discounting of reserve standpoint.

But one element which I will again keep retreating is irrespective of whether it is Indian GAAP or whether it is a transition to Ind AS, the underlying economic profit of the business that we are writing is not undergoing a change. It's more a reflection of what profits you see under the current accounting prescription vis a vis let's say a changed accounting prescription. That could be the only dynamic, but the core underwriting objective or let's say the economic outcome will be something that we will be largely working towards in terms of its outcome. Specific numbers, we will wait for a couple of quarters to come back.

On the third party loss ratio, Avinash, I think again, which is why one called out at the beginning to say what is the range that one is comfortable with in terms of the third party loss ratio outcomes. But having said that, I think you are absolutely right. Does it make sense to look at the number more on a quarterly basis is something that we again keep talking about. I think, ideally all of you understand this far better. Particularly on third party, this is a segment which you have to look at numbers over long term. Hence, the range is something that we have talked about, and that's what we will possibly end up doing in terms of the mix of the business that we write within private car, two-wheeler and commercial vehicles. And that's what we keep revisiting. Forget about the numbers that we put out on a quarterly basis to all of you, internally for us, it's on an everyday basis in terms of the way how we risk select portfolios between private car, two-wheeler and commercial vehicles. So, hence, I think the range, just to reiterate, on third party, what we would be comfortable is within the range of 65% to 70%. And obviously, the experiences on third party book has to be looked at over longer cycles.

Sanjeev Mantri:

Also, on the motor in terms of the old part, as I mentioned in the previous question that was asked, our growth has been across channels. Clearly, there is no way the old can grow at double the rate of new if we don't have better retention coming from our dealer network. So, that also has played out. And that being said, even the agency as well as the website and broking business has contributed. But it is not something which is that one of the few which has delivered. It's been overall a very, very comprehensive, well-thought plan.

Again, it's a question of where we believe we are able to derive value for sourcing. If we see that over the coming quarters not playing out, we may choose to stay where we are. So, these are all very dynamic calls that we have to take as an entity on real-time basis. And fortunately, as far as private car in particular, which is almost 51% of our motor book, the ability to read the own damage numbers is pretty current. And we don't have to wait to see it play out. These calls we will take on a virtually month to month basis.

Moderator:

Thank you. We take our next question from the line of Supratim Datta from Ambit. Please go ahead.

Supratim Datta:

My first question is on the recent IRDAI change with respect to commissions for long-term motor policies. Now, the commission limit has been done away with. So, just wanted to know your observation that how do you see this playing out in the industry and what impact could this have? That would be the first one.

The second one is, when I look at the quarterly numbers, there appears to be a provision release of around ₹ 355 million. Now there was a lower kind of provision release last year in the first quarter as well. Just wanted to understand why does this keep happening in the first quarter and is there something that we need to be cognizant of going forward? That would be my second question.

And lastly, on the health insurance space, if you could help us understand what is the profile of customer that you are targeting with this new product and what was the retail versus group loss ratio breakdown for this quarter?

Gopal Balachandran: So maybe I will go in the same sequence. On the IRDAI recent guidelines on accounting for long term, I think at this point of time, we would not want to put out specifically in terms of what the impact could be. Primarily because at this stage, as you all know, the regulator has rightly put forth the implementation of this to be deferred for a couple of quarters and in the interim obviously industry and the regulator will work to see what finally and in which shape and form does this guideline eventually translate into. So honestly, maybe at that point of time, once we have a finality to the way how this will get played out, is when we will call out in terms of what impact could it have on the overall book.

To your second point, Supratim, if I got you correct, this ₹ 355 million provision, are you referring it in the context of any specific line item?

Supratim Datta: Yeah, it's the provision for diminutive investments.

Gopal Balachandran: Understood. All right. So, which is what I was just wanting to try to understand. So, obviously, that's again a function of what does one see. We do have our own impairment policies, which is more internal, that we have put in place. And that obviously gets assessed on a time to time basis. What effectively happens is in case if we find that a particular value of a stock has reached a price which we believe is right, then to that extent, obviously we take calls in terms of making an exit and whenever we take calls to exit maybe that particular stock, at that point of time, this is more an accounting reflection.

As in at that point of time, one would see a reversal of the provision for impairment happening in the quarter in which the call to exit the stock would have been taken, and correspondingly there would be an element of capital gain, as one would have possibly seen given the fact that we have seen the value of the stock reaching a price at which we are comfortable to take that call.

So, there is no unusual or specific instance that one has seen specifically happening in quarter 1 that is more coincidental than

because as I said, it's more a call that the investment as a treasury function does basis individual stock that one picks.

To your point on the last one, which is with respect to the health insurance segment in terms of what profile of customers that we want to underwrite obviously is across bands. I guess, again, if you look at the entry age of this particular health insurance solutions that we have, that's again something that we have been able to kind of expand. I think it starts from 18 and it goes on to whichever age limit that one would want to kind of get in as a part of the portfolio underwriting.

So, therefore, the endeavor for us is not that we would want to pick and choose any particular category of customers. Our endeavor is, I think again what Sanjeev mentioned, I think the good part of the solution is what we want to create as an offering is something that will be more unique and personal to an individual and hence to that extent, whatever is the right health insurance solution for that customer or that individual is what we would want to recommend as a part of the solution. That's the profile of customers that one would want to write and that could cut across various age groups, that could cut across various geographies, that could cut across various limits of sum insured expectations because each customer will have its own expectations. So, that's what I would leave it with.

And finally, just on the loss ratios front, I think, again, as we have spoken, quarterly numbers again may not be largely reflective of what the portfolio experience of the overall book will be. Again, just to reiterate, the corporate health or the group health book is something that we would see on a full year basis at a loss ratio range anywhere between 94% to 95%. That's the range that we have spoken about even in the past and retail health indemnity again we have spoken about a loss ratio of about 70%.

Sanjeev Mantri: Just one last one on, obviously the target which we want to have is healthy lives. It's very difficult and I can share with you quickly, if you only write younger population, the persistency drops because they have a tendency to move away if they have some other expenses to incur. So, it's a healthy mix of young as well as relatively older population, is the mix that we have. The idea is to overall source as much as possible healthy lives. That is the criteria that it works on. Each one of it comes with its own set of challenges.

Supratim Datta: That's absolutely fair, Sanjeev. Just one clarification. So, you have called out that the relative increase in claim frequency within the health insurance portfolio. Now was that at a retail level or a group health level?

Sanjeev Mantri: So see, I tell you. It's important to understand whether we write group or we write retail, the unit when it comes to report sickness is an individual customer, the mode of writing is of no consequence. So the elevated frequency would come at a category level, you know, whether it is individual or group. I hope you are able to understand. It's always the category that we are seeing more people falling sick. Which manner they will come, whether they will come from group or retail is part of the process of how the product of health insurance has been picked up by them.

Moderator: Thank you. Ladies and gentlemen, we would take that as a last question for today. I would now like to hand the conference over to Mr. Sanjeev Mantri for closing comments.

Sanjeev Mantri: Great. I think thank you so much for joining in and wish you all a great quarter 2 and look forward to connecting with you individually as and when you are visiting our offices. All the best.

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

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