ICICI Lombard
— GENERAL INSURANCE —

9M2019
Performance Review

Agenda

- Company Strategy
- Financial Performance
- Industry Overview

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- **Company Strategy**
- Financial Performance
- Industry Overview

Strategy: Market leadership + Profitable growth

Leverage and Enhance market leadership
- Leverage our strong brand, competitive advantage and broad network of distribution partners
- Expand customer base and offerings

Enhance product offerings and distribution channels
- Focus on agency channel, retail health segment and SME insurance market and cross sell opportunities
- Continuous innovation to introduce new products and value added services

Capturing new market opportunities
- Expand footprint in small towns, rural areas
- Increase penetration in the digital Eco system
- Monitor emerging risk segments

Improve operating and financial performance through investments in technology
- Reduce Combined ratio using risk selection and data analytics
- Maintain robust reserves
- Increasing distribution and servicing capabilities without human intervention
- Increase operational efficiency using artificial intelligence and machine learning techniques
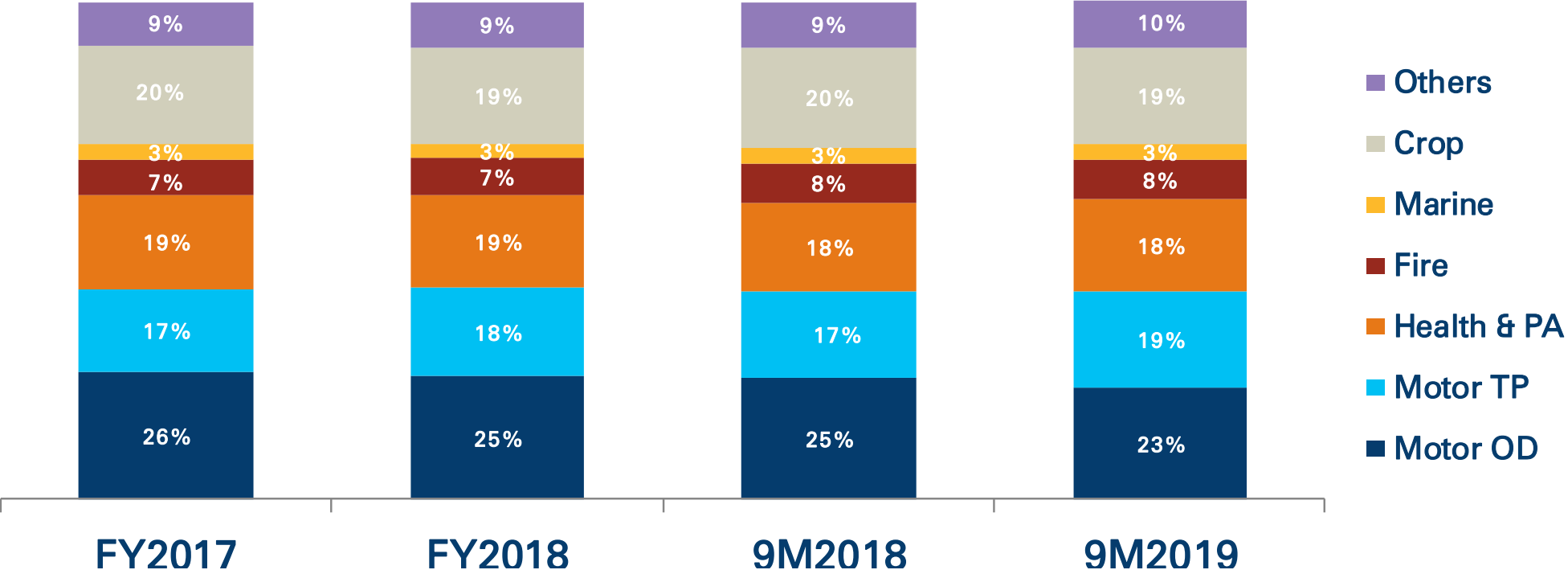
Key Highlights

Particulars (₹ billion)	FY2017 Actual	FY2018 Actual	9M2018 Actual	9M2019 Actual
Gross Written Premium	109.60	126.00	96.30	112.61
Gross Direct Premium Income (GDPI)	107.25	123.57	94.31	110.03
GDPI Growth	32.6%	15.2%	17.0%	16.7%
Combined Ratio	103.9%	100.2%	100.4%	98.7%
Profit after Tax	7.02	8.62	6.50	8.22
Return on Average Equity	20.3%	20.8%	21.5%	22.7%
Solvency Ratio	2.10x	2.05x	2.21x	2.12x
Book Value per Share	82.57	100.04	95.37	112.10
Basic Earnings per Share	15.66	19.01	14.34	18.09

- Improvement in competitive position amongst general insurance companies

Comprehensive Product Portfolio

Product Mix

	FY2017	FY2018	9M2018	9M2019
Others	9%	9%	9%	10%
Crop	20%	19%	20%	19%
Marine	3%	3%	3%	3%
Fire	7%	7%	8%	8%
Health & PA	19%	19%	18%	18%
Motor TP	17%	18%	17%	19%
Motor OD	26%	25%	25%	23%

- Diversified product mix– motor, health & personal accident, crop, fire, marine insurance
- SME business growth was 28.5% for 9M2019

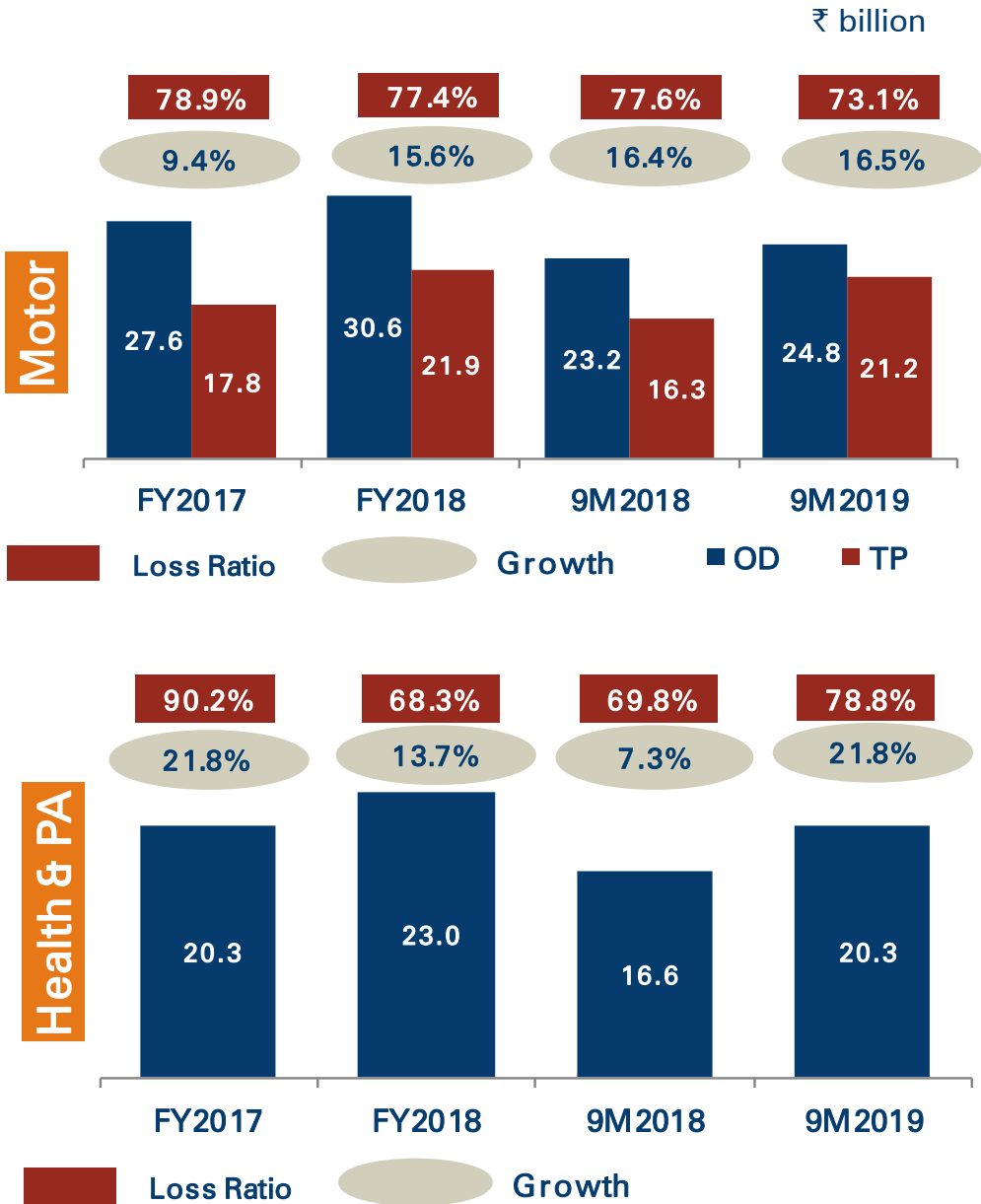# Comprehensive Product Portfolio

₹ billion

- Private car, Two wheeler and Commercial Vehicle contributed 50.1%, 28.9% and 21.0% respectively of Motor GDPI for 9M2019 and 51.4%, 30.9% and 17.7% respectively of Motor GDPI for 9M2018

- Loss cost driven micro-segmentation resulting in focus on relatively profitable segment

- Retail, Group (includes corporate and others) and mass contributed to 51.6%, 47.3% and 1.1% respectively of Health & PA GDPI for 9M2019 and 62.4%, 35.1% and 2.5% respectively for 9M2018

- Retail indemnity new business grew by 50.4% for 9M2019

Motor

	FY2017	FY2018	9M2018	9M2019
Loss Ratio	78.9%	77.4%	77.6%	73.1%
Growth	9.4%	15.6%	16.4%	16.5%
OD	27.6	30.6	23.2	24.8
TP	17.8	21.9	16.3	21.2

■ Loss Ratio ⬭ Growth ■ OD ■ TP

Health & PA

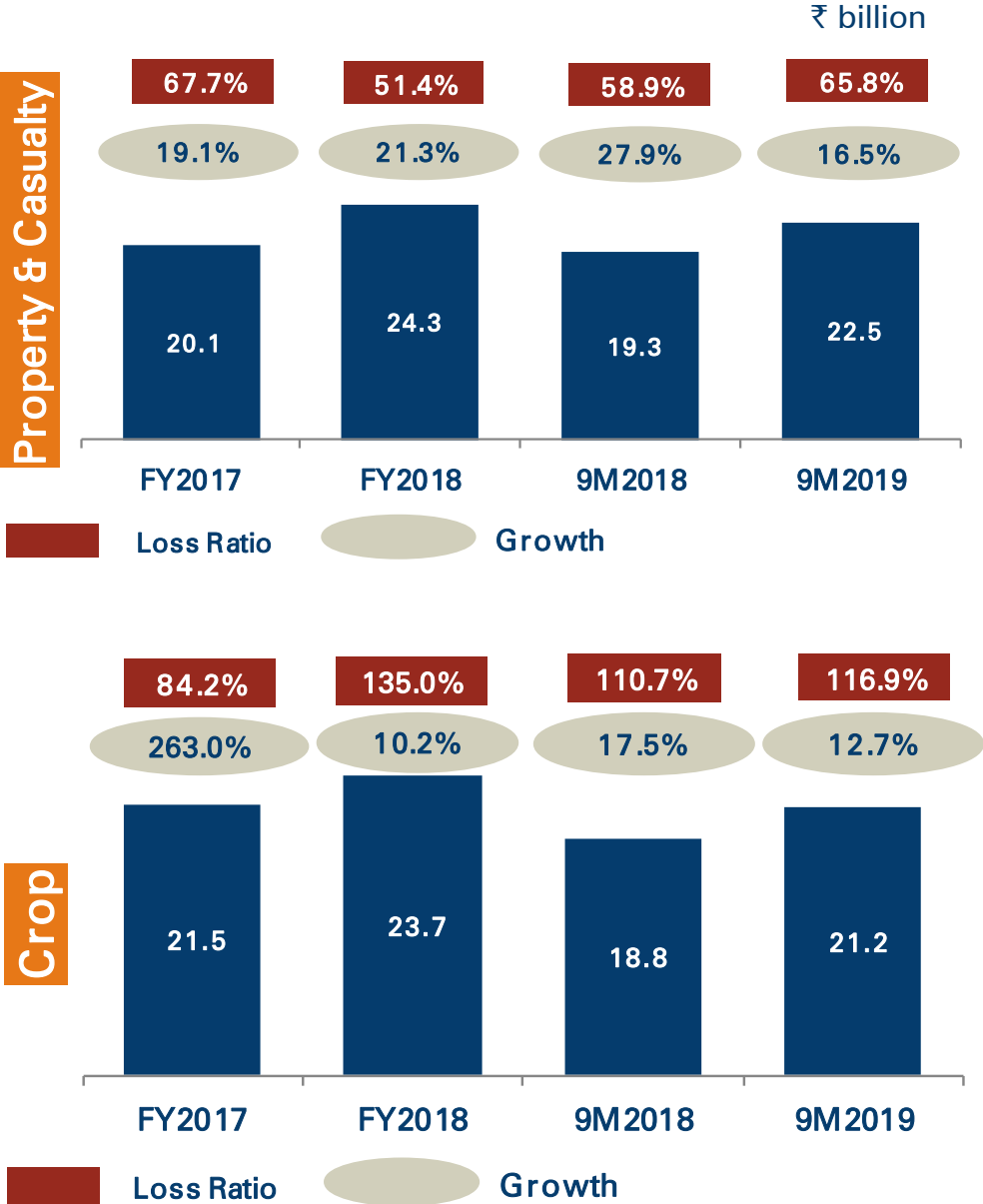|	FY2017	FY2018	9M2018	9M2019
Loss Ratio	90.2%	68.3%	69.8%	78.8%
Growth	21.8%	13.7%	7.3%	21.8%
	20.3	23.0	16.6	20.3

■ Loss Ratio ⬭ Growth

Comprehensive Product Portfolio

₹ billion

- Underwriting of small risks for portfolio diversification and pricing

- Focus on risk mitigation through value added services

Property & Casualty

	FY2017	FY2018	9M2018	9M2019
Loss Ratio	67.7%	51.4%	58.9%	65.8%
Growth	19.1%	21.3%	27.9%	16.5%
Value	20.1	24.3	19.3	22.5

■ Loss Ratio   ⬭ Growth

- Covered farmers in 4 states and 30 districts in Kharif season 9M2019 compared to 7 states and 56 districts in Kharif 9M2018

- Covered farmers in 2 states and 14 districts in Rabi season 9M2019 compared to 6 states and 57 districts in Rabi 9M2018

Crop

	FY2017	FY2018	9M2018	9M2019
Loss Ratio	84.2%	135.0%	110.7%	116.9%
Growth	263.0%	10.2%	17.5%	12.7%
Value	21.5	23.7	18.8	21.2

■ Loss Ratio   ⬭ Growth
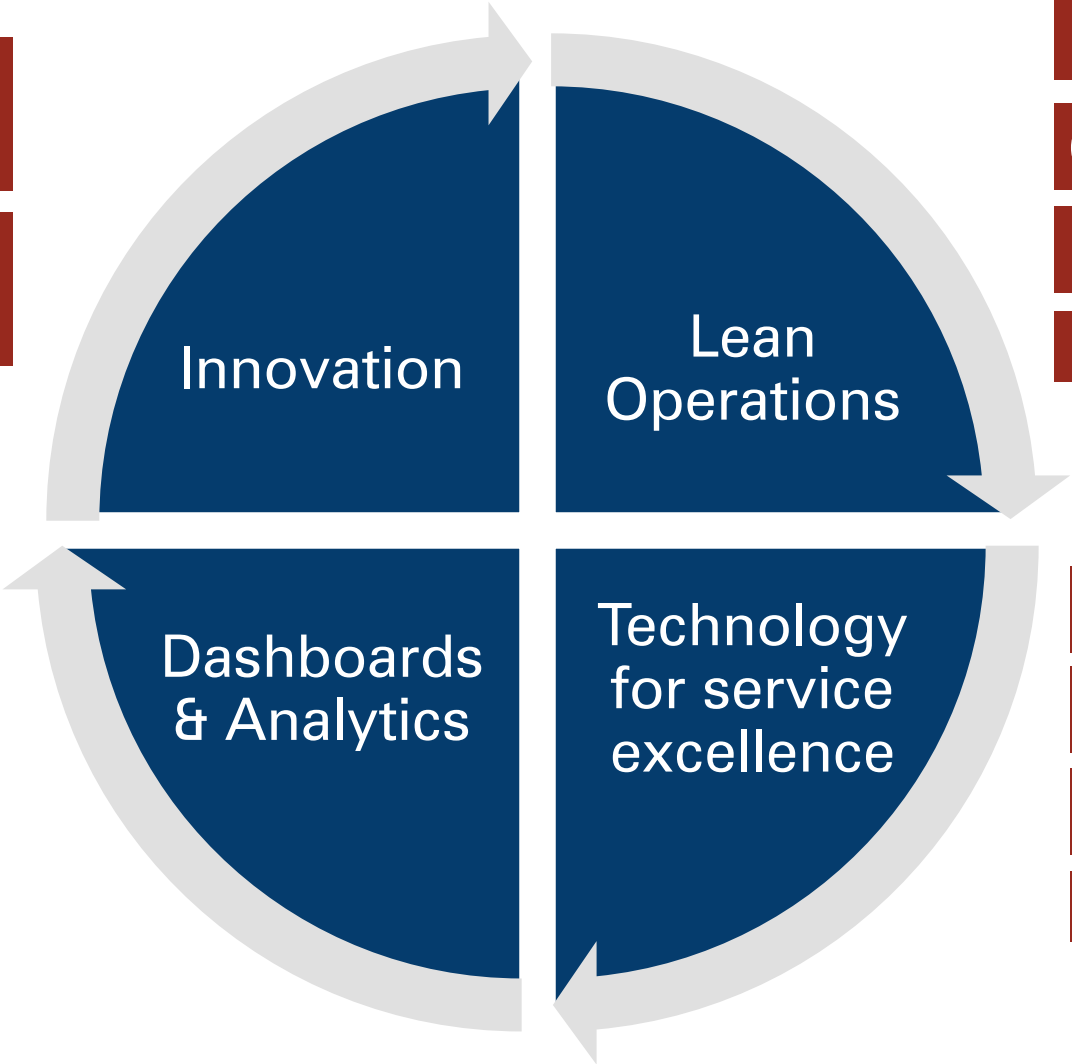
Source: Company data

Digital Drive: Enabling business transformation

Robotics / Chat BOTs

Artificial Intelligence & Machine Learning

Data Driven decision making

Advanced Insights through analytics

Innovation

Lean Operations

Dashboards & Analytics

Technology for service excellence

Risk Selection

Claims management

File processing

Fraud detection

Customer portal

Intermediary app

Customer OneView

Garage App

Strategy: Market leadership + Profitable growth

Underwriting
- Predictive ultimate loss model to improve risk selection
- Diversified exposure across geographies and products
- Historically lower proportion of losses from catastrophic events than overall market share

Reinsurance
- Spread of risk across panel of quality re-insurers
  - Current panel of reinsurers* rated 'A-' or above**
- Conservative level of catastrophe (CAT) protection

Investments
- Tighter internal exposure norms as against regulatory limits
- Invest high proportion of Debt portfolio (79.0%) in sovereign or AAA rated securities***

Reserving
- IBNR utilization improving trend indicates robustness of reserves
- Disclosing reserving triangles in Annual report since FY2016

* Except domestic & select coinsurance follower reinsurance placement
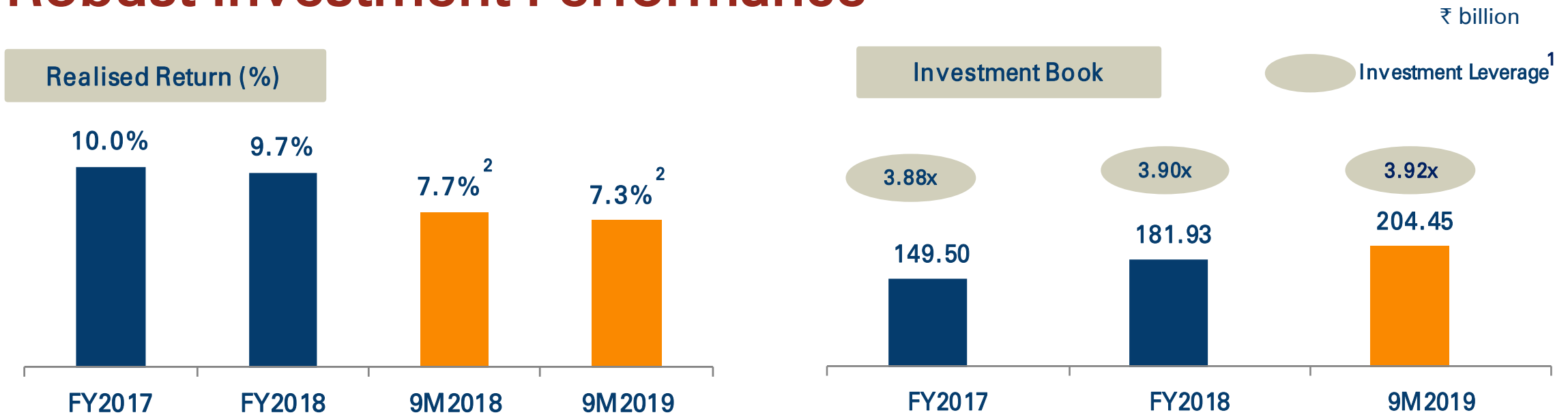**S&P or equivalent international rating
*** domestic credit rating

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Robust Investment Performance

₹ billion

Realised Return (%)

Investment Book

Investment Leverage [1]

- Investment portfolio mix[3] at 9M2019 : Corporate bonds (51.0%), G-Sec (30.9%) and equity (12.1%)
- Strong investment leverage
- Unrealised gain (net) at ₹ 1.67 billion as on December 31, 2018
  - Unrealised gain on equity[4] portfolio at ₹ 3.09 billion
  - Unrealised loss on other than equity portfolio at ₹ 1.42 billion

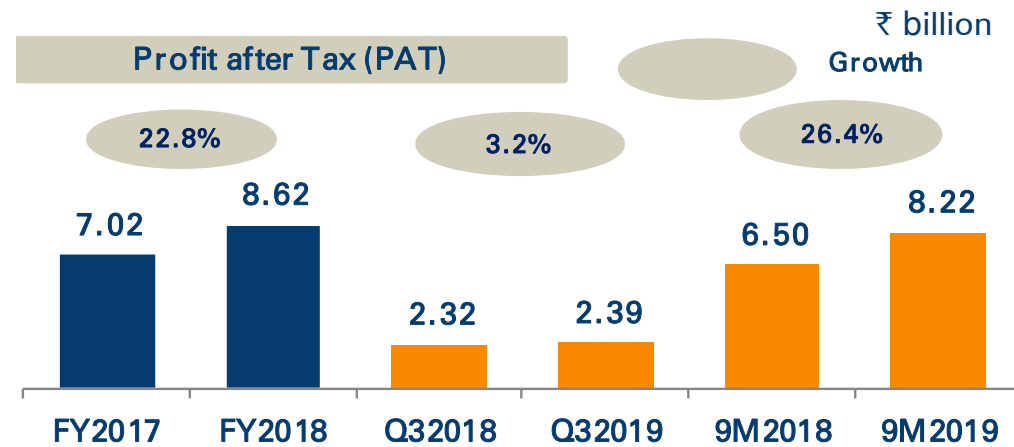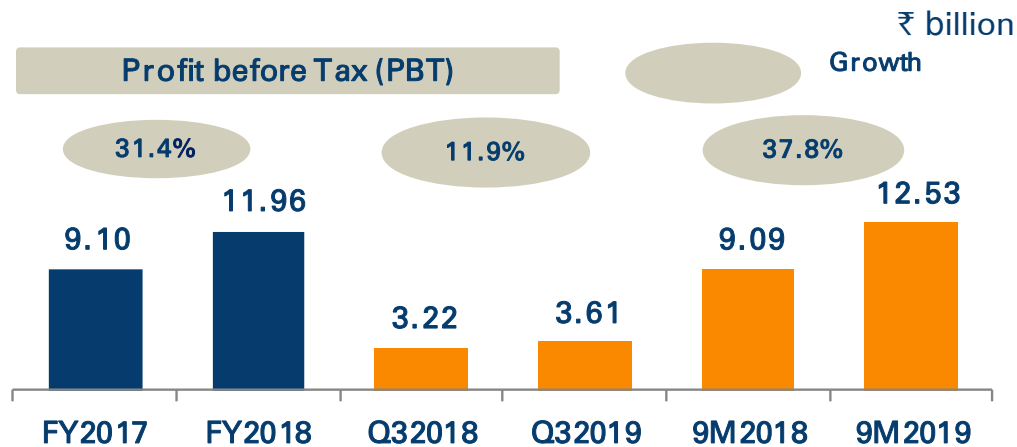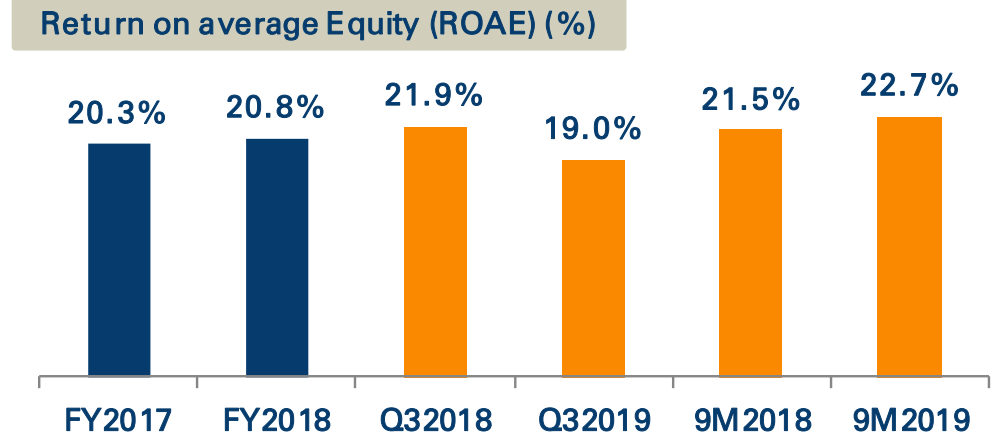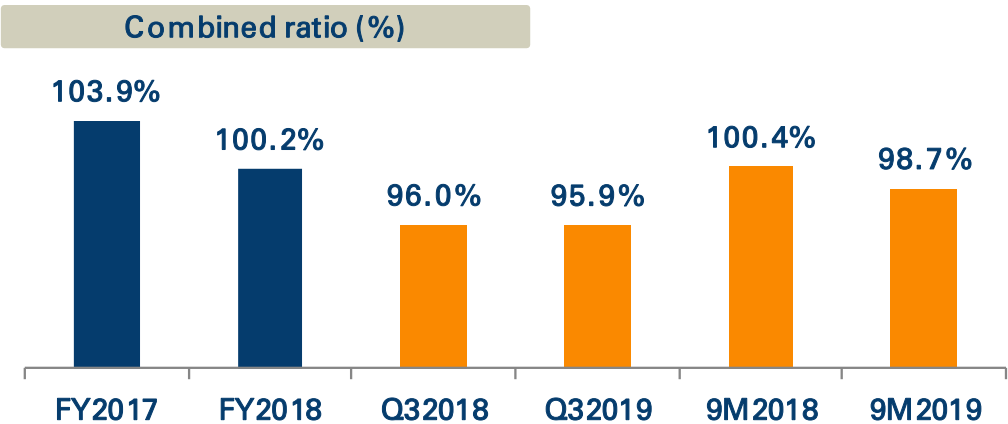[1] Total investment assets (net of borrowings) / net worth
[2] Absolute realised return
[3] Investment portfolio mix arrived at considering Equity & mutual funds at market value
[4] Equity includes mutual funds
Source: Company data

Financial performance

Combined ratio (%)

103.9%	100.2%	96.0%	95.9%	100.4%	98.7%
FY2017	FY2018	Q32018	Q32019	9M2018	9M2019

Return on average Equity (ROAE) (%)

20.3%	20.8%	21.9%	19.0%	21.5%	22.7%
FY2017	FY2018	Q32018	Q32019	9M2018	9M2019

₹ billion
Growth

Profit before Tax (PBT)

31.4%		11.9%		37.8%	
9.10	11.96	3.22	3.61	9.09	12.53
FY2017	FY2018	Q32018	Q32019	9M2018	9M2019

₹ billion
Growth

Profit after Tax (PAT)

22.8%		3.2%		26.4%	
7.02	8.62	2.32	2.39	6.50	8.22
FY2017	FY2018	Q32018	Q32019	9M2018	9M2019

- Solvency ratio at December 31, 2018 2.12x as against regulatory minimum solvency requirement of 1.50x
- PBT and ROAE for Q3 FY2019 includes upfront expensing of acquisition cost relative to the growth of 25.9% in GDPI whereas the full benefit of earned premium will be realized over the policy period.
- PAT for Q3 FY2019 & 9M FY2019 includes effect of higher effective tax rate resulting from change in income tax regulations taxing long-term capital gain
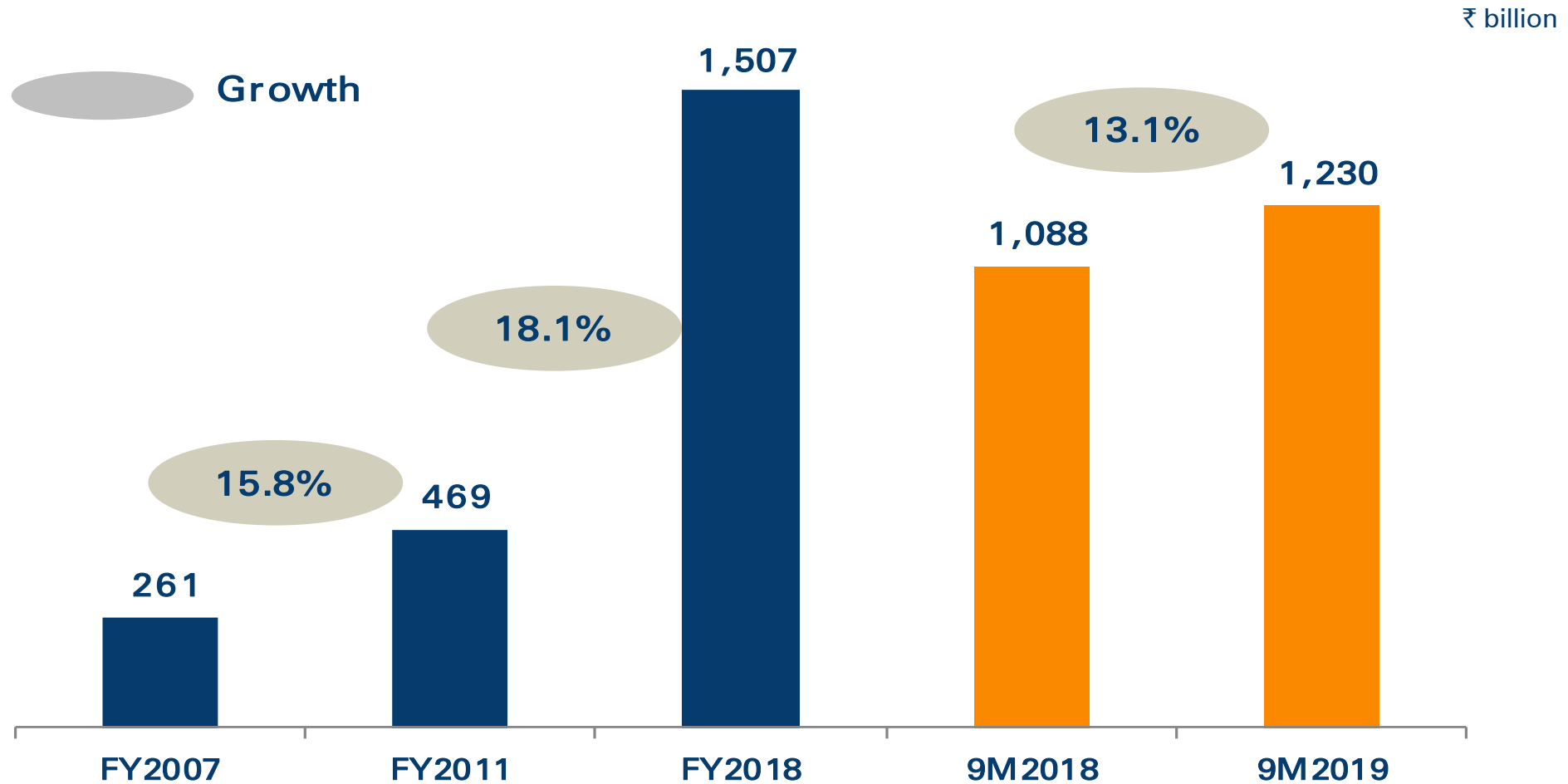
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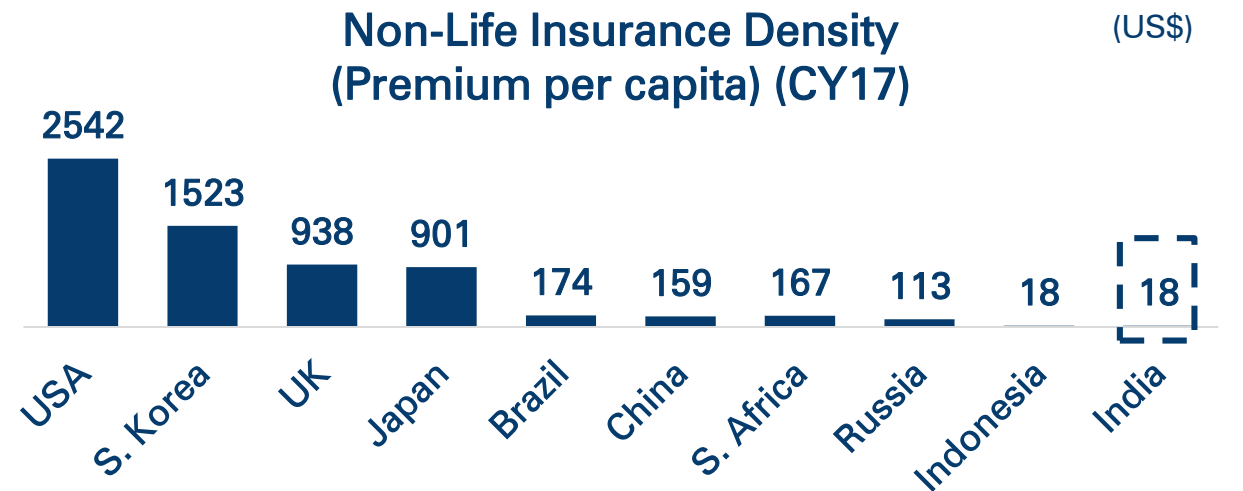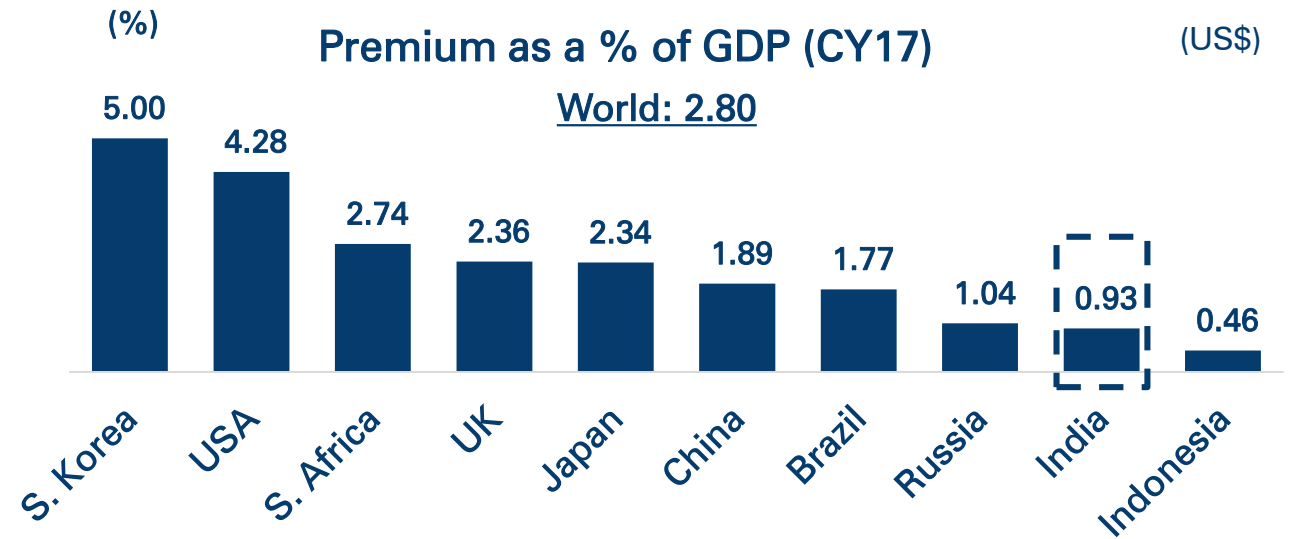- **Industry Overview**

Industry has witnessed steady growth

₹ billion

Growth

1,507

13.1%

18.1%

1,230

1,088

15.8%

469

261

FY2007   FY2011   FY2018   9M2018   9M2019

Industry has grown at CAGR of 17% in the last 17 years

15

India Non - life Insurance Market - Large Addressable Market

- 4th largest non-life insurance market in Asia

- Non-life Insurance penetration in India was around 1/3rd of Global Average in 2017

- Operates under a "cash before cover" model

Significantly underpenetrated

Premium as a % of GDP (CY17) (US$)

(%)

World: 2.80

S. Korea	USA	S. Africa	UK	Japan	China	Brazil	Russia	India	Indonesia
5.00	4.28	2.74	2.36	2.34	1.89	1.77	1.04	0.93	0.46

Non-Life Insurance Density (Premium per capita) (CY17) (US$)

USA	S. Korea	UK	Japan	Brazil	China	S. Africa	Russia	Indonesia	India
2542	1523	938	901	174	159	167	113	18	18

Source: Sigma 2017 Swiss Re

Annexure

Loss Ratio

Particulars	FY2017	FY2018	Q32018	Q32019	9M2018	9M2019
Motor OD	64.2%	53.7%	51.1%	53.0%	55.5%	58.4%
Motor TP	97.4%	107.1%	106.0%	91.7%	105.1%	90.9%
Health	97.9%	77.6%	73.5%	90.4%	77.9%	87.0%
PA	41.3%	23.9%	30.1%	15.4%	30.9%	38.6%
Crop	84.2%	135.0%	98.1%	116.3%	110.7%	116.9%
Fire	68.4%	43.1%	59.7%	58.5%	60.4%	83.2%
Marine	83.9%	54.2%	61.3%	65.1%	67.9%	87.2%
Engineering	53.3%	24.0%	42.2%	34.1%	43.1%	41.4%
Other	62.1%	57.3%	57.9%	44.5%	57.3%	54.1%
Total	**80.4%**	**76.9%**	**72.5%**	**72.4%**	**76.3%**	**76.6%**

Reserving Triangle Disclosure – Total[1]

Incurred Losses and Allocated Expenses (Ultimate Movement)

₹ billion

As at March 31, 2018	Prior	AY 09	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18
End of First Year	25.23	12.85	15.13	20.66	22.53	27.97	35.96	34.16	39.13	49.49	52.41
One year later	26.15	13.24	15.23	20.44	21.97	27.02	34.63	33.95	38.58	49.20	
Two years later	26.62	13.03	15.39	20.41	21.74	26.52	34.37	33.53	38.07		
Three years later	26.84	13.21	15.52	20.36	21.85	26.40	34.29	32.91			
Four years later	27.28	13.35	15.55	20.47	21.83	26.46	33.85				
Five years later	27.84	13.39	15.66	20.48	21.81	26.21					
Six years later	27.92	13.46	15.91	20.53	21.83						
Seven Years later	28.42	13.53	15.96	20.67							
Eight Years later	28.58	13.50	16.02								
Nine Years later	28.74	13.62									
Ten Years later	28.76										
Deficiency/ Redundancy (%)	14.0%	6.0%	5.9%	0.1%	-3.1%	-6.3%	-5.9%	-3.7%	-2.7%	-0.6%	

Unpaid Losses and Loss Adjusted Expenses

As at March 31, 2018	Prior	AY 09	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18
End of First Year	5.43	4.81	5.31	7.18	7.98	12.01	17.32	17.10	20.44	26.84	32.58
One year later	2.93	1.61	1.83	2.67	3.33	6.11	9.70	11.58	14.06	16.86	
Two years later	2.24	0.85	1.34	2.00	2.46	4.72	7.92	9.61	11.46		
Three years later	1.82	0.73	1.15	1.58	2.12	3.84	6.73	7.80			
Four years later	1.67	0.71	0.96	1.39	1.76	3.39	5.58				
Five years later	1.73	0.62	0.90	1.13	1.47	2.77					
Six years later	1.44	0.59	0.83	1.00	1.28						
Seven Years later	1.63	0.59	0.76	0.97							
Eight Years later	1.49	0.50	0.69								
Nine Years later	1.39	0.52									
Ten Years later	1.22										

[1]As of March 31, 2018; Losses and expenses in the above tables do not include the erstwhile Indian Motor Third Party Insurance Pool (IMTPIP)
AY: Accident Year   Source – Company data

Reserving Triangle Disclosure – IMTPIP

Incurred Losses and Allocated Expenses (Ultimate Movement)

₹ billion

As at March 31, 2018	AY 08	AY 09	AY 10	AY 11	AY 12	AY 13
End of First Year						2.71
One year later					3.85	2.72
Two years later				4.49	3.85	2.73
Three years later			5.81	4.49	3.98	2.73
Four years later		6.16	5.81	4.63	4.12	2.74
Five years later	2.61	6.16	5.85	4.67	4.41	3.16
Six years later	2.61	6.46	5.96	4.99	5.12	
Seven Years later	2.86	6.55	6.05	5.45		
Eight Years later	2.95	6.69	6.55			
Nine Years later	3.00	6.98				
Ten Years later	3.09					
Deficiency/ Redundancy (%)	18.4%	13.2%	12.9%	21.3%	32.8%	16.6%

Unpaid Losses and Loss Adjusted Expenses

As at March 31, 2018	AY 08	AY 09	AY 10	AY 11	AY 12	AY 13
End of First Year						2.67
One year later					3.41	2.30
Two years later				3.14	2.57	1.87
Three years later			3.17	2.38	1.98	1.37
Four years later		2.67	2.51	1.84	1.51	0.98
Five years later	0.86	2.05	2.03	1.32	1.22	1.13
Six years later	0.63	1.89	1.56	1.19	1.63	
Seven Years later	0.72	1.50	1.26	1.31		
Eight Years later	0.65	1.23	1.39			
Nine Years later	0.55	1.19				
Ten Years later	0.52					