Q12020
Performance Review

Agenda

- Company Strategy

- Financial Performance

- Industry Overview

Agenda

- **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, 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

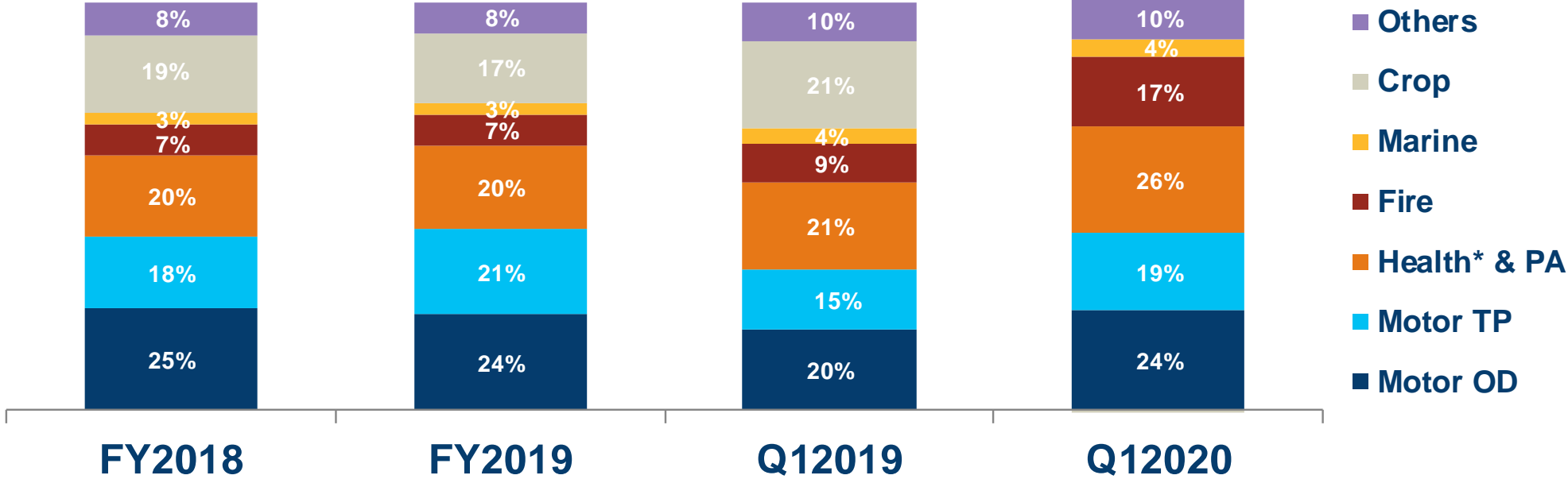**Improve operating and financial performance through investments in technology**

- Maintain 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

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Key Highlights

Particulars (₹ billion)	FY2018 Actual	FY2019 Actual	Q12019 Actual	Q12020 Actual
Gross Written Premium	126.00	147.89	38.56	35.61
Gross Direct Premium Income (GDPI)	123.57	144.88	37.74	34.87
GDPI Growth	15.2%	17.2%	13.7%	-7.6%
GDPI Growth (excluding crop)	16.5%	20.5%	14.1%	17.7%
Combined Ratio	100.2%	98.5%	98.8%	100.4%
Profit after Tax	8.62	10.49	2.89	3.10
Return on Average Equity	20.8%	21.3%	24.7%	23.0%
Solvency Ratio	2.05x	2.24x	2.04x	2.20x
Book Value per Share	100.04	117.11	106.41	129.68
Basic Earnings per Share	19.01	23.11	6.37	6.82

Comprehensive Product Portfolio

Product Mix

	FY2018	FY2019	Q12019	Q12020
Others	8%	8%	10%	10%
Crop	19%	17%	21%	
Marine	3%	3%	4%	4%
Fire	7%	7%	9%	17%
Health* & PA	20%	20%	21%	26%
Motor TP	18%	21%	15%	19%
Motor OD	25%	24%	20%	24%

- Diversified product mix– motor, health* & personal accident, fire, marine and others
- SME business growth was 29.5% for Q12020

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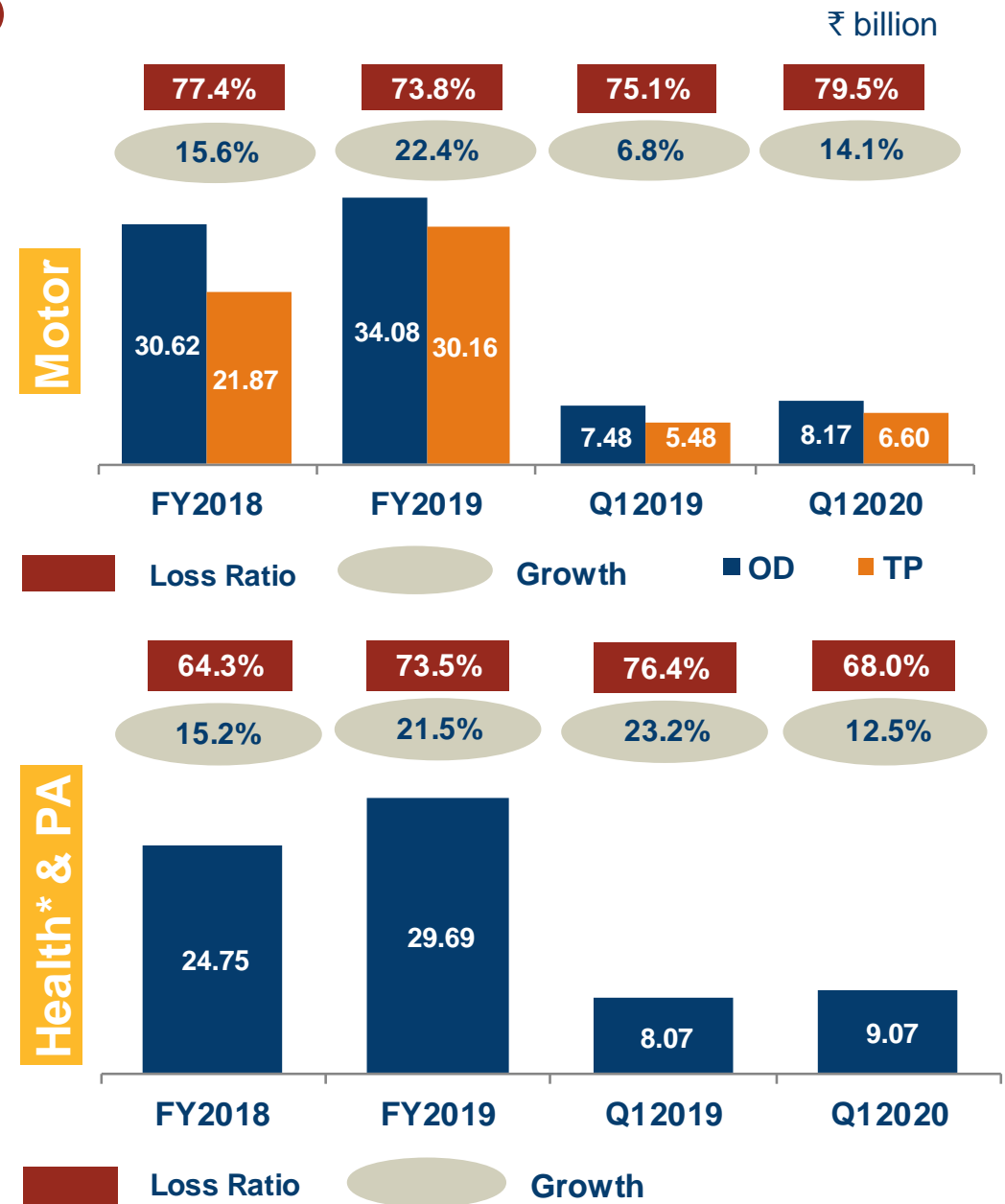**Nibhaye Vaade**

*includes Travel basis IRDAI circular dated May 20, 2019
Source: Company data

6

Comprehensive Product Portfolio

₹ billion

- Private car, Two wheeler and Commercial Vehicle contributed 55.4%, 27.3% and 17.3% respectively of overall Motor GDPI for Q12020 and 50.0%, 32.7% and 17.3% respectively of overall Motor GDPI for Q12019

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

- Retail, Group – Employer-Employee, Group – others and mass contributed to 19.5%, 47.7%, 32.6% and 0.2% respectively of Health* & PA GDPI for Q12020 and 20.7%, 49.1%, 28.5% and 1.7% respectively for Q12019

- Retail indemnity new business grew by 48.8% for Q12020

Motor

	FY2018	FY2019	Q12019	Q12020
Loss Ratio	77.4%	73.8%	75.1%	79.5%
Growth	15.6%	22.4%	6.8%	14.1%
OD	30.62	34.08	7.48	8.17
TP	21.87	30.16	5.48	6.60

Loss Ratio   Growth   ■ OD   ■ TP

Health* & PA

	FY2018	FY2019	Q12019	Q12020
Loss Ratio	64.3%	73.5%	76.4%	68.0%
Growth	15.2%	21.5%	23.2%	12.5%
	24.75	29.69	8.07	9.07

Loss Ratio   Growth

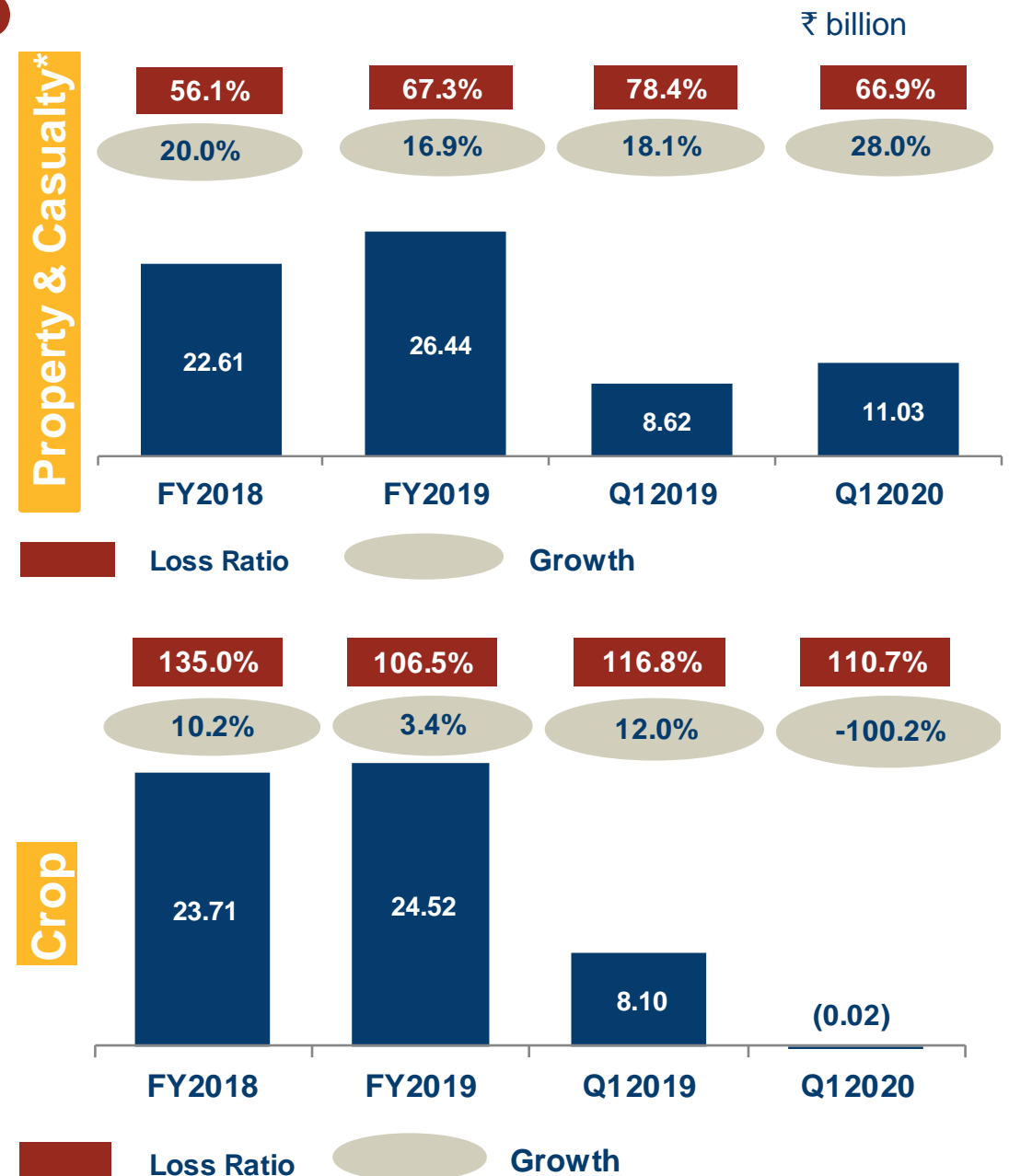*includes Travel basis IRDAI circular dated May 20, 2019
Source: Company data

7

Comprehensive Product Portfolio

₹ billion

- Underwriting of small risks for portfolio diversification and pricing

- Focus on risk mitigation through value added services

Property & Casualty*

	FY2018	FY2019	Q12019	Q12020
Loss Ratio	56.1%	67.3%	78.4%	66.9%
Growth	20.0%	16.9%	18.1%	28.0%
	22.61	26.44	8.62	11.03

■ Loss Ratio ⬭ Growth

- Covered farmers in 4 states and 30 districts in Kharif season Q12019 and 2 states and 14 districts in Rabi Q1 2019

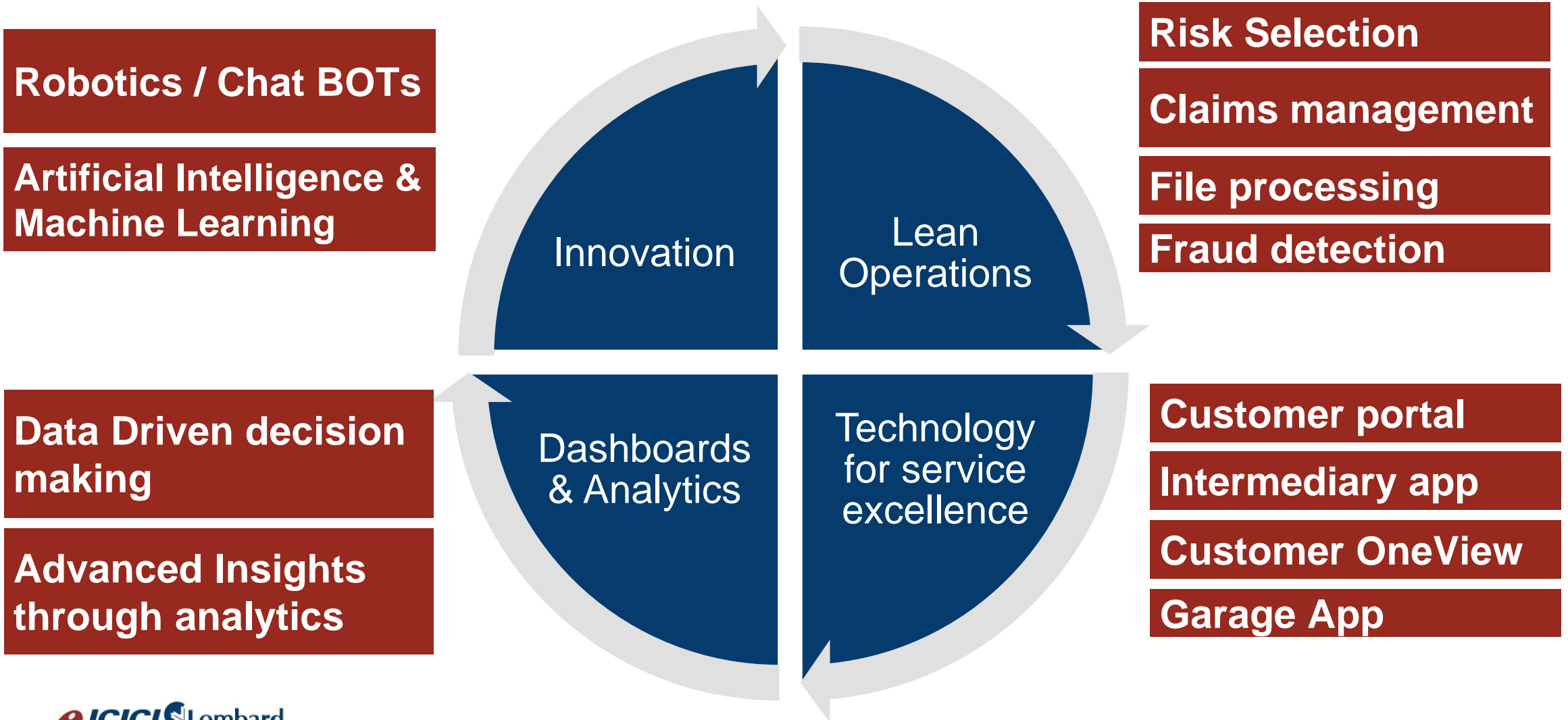- No new tender won in the crop segment in Q12020

Crop

	FY2018	FY2019	Q12019	Q12020
Loss Ratio	135.0%	106.5%	116.8%	110.7%
Growth	10.2%	3.4%	12.0%	-100.2%
	23.71	24.52	8.10	(0.02)

■ Loss Ratio ⬭ Growth

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*excludes Travel basis IRDAI circular dated May 20, 2019
Source: Company data

8

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

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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
  - Net impact of Fani cyclone estimated to be ₹ 0.16 billion

Investments
- Tighter internal exposure norms as against regulatory limits
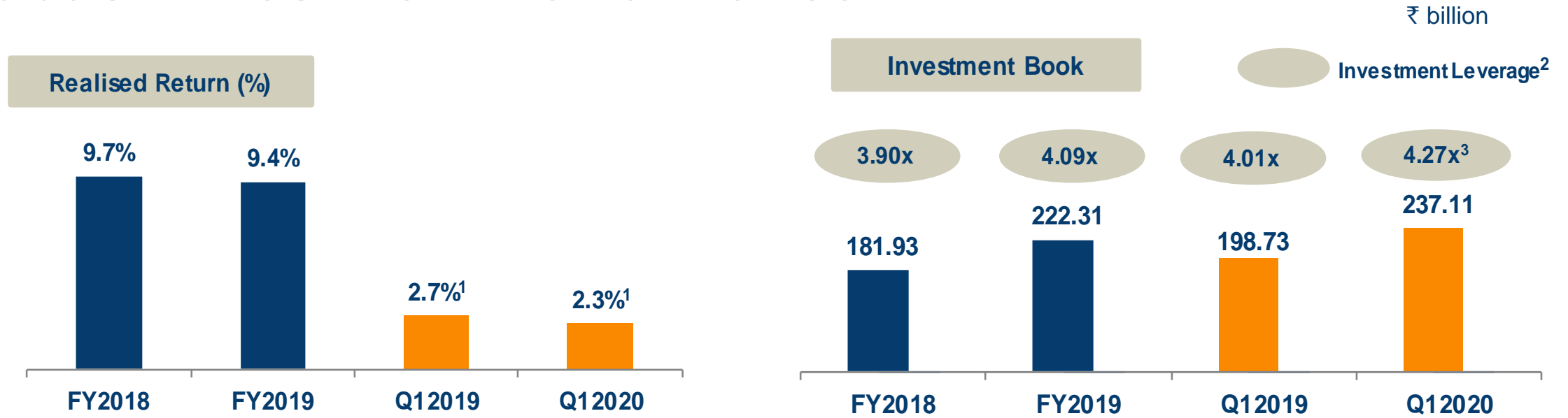- Invest high proportion of Debt portfolio (81.8%) in sovereign or AAA rated securities***

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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- **Financial Performance**
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Robust Investment Performance

₹ billion

Realised Return (%)

9.7%	9.4%	2.7%[1]	2.3%[1]
FY2018	FY2019	Q12019	Q12020

Investment Book **Investment Leverage[2]**

3.90x	4.09x	4.01x	4.27x[3]
181.93	222.31	198.73	237.11
FY2018	FY2019	Q12019	Q12020

- Investment portfolio mix[4] for Q12020 : Corporate bonds 51.2%, G-Sec 30.7% and equity 12.0%
- Strong investment leverage
- Unrealised gain (net) at ₹ 4.10 billion as on June 30, 2019
    - Unrealised gain on equity[5] portfolio at ₹ 2.30 billion
    - Unrealised gain on other than equity portfolio at ₹ 1.80 billion

[1]Absolute Returns
[2]Total investment assets (net of borrowings) / net worth
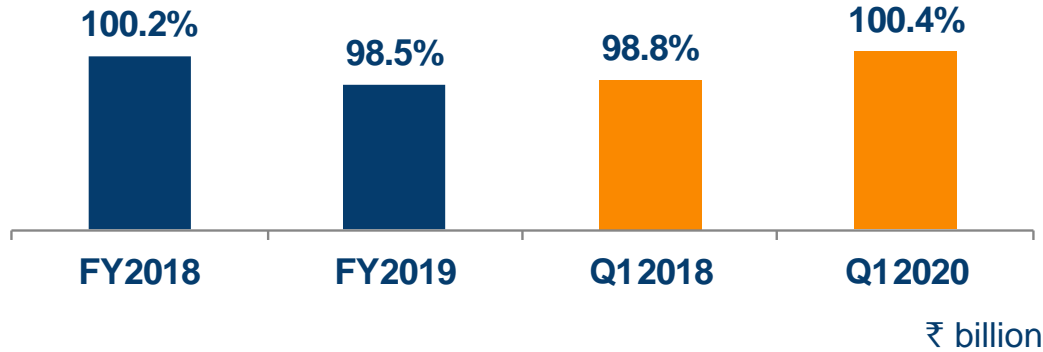[3]Calculated post dividend (Investment leverage pre-dividend: 4.12x)
[4]Investment portfolio mix arrived at considering Equity & mutual funds at market value
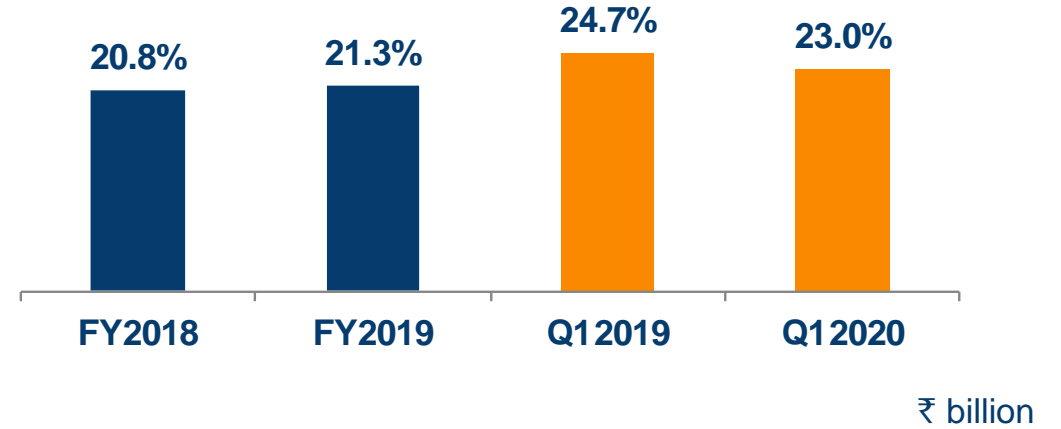[5]Equity includes mutual funds
Source: Company data

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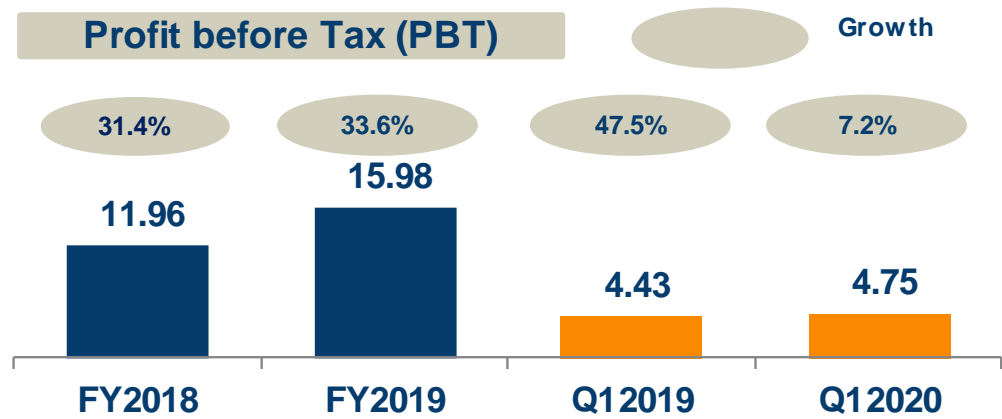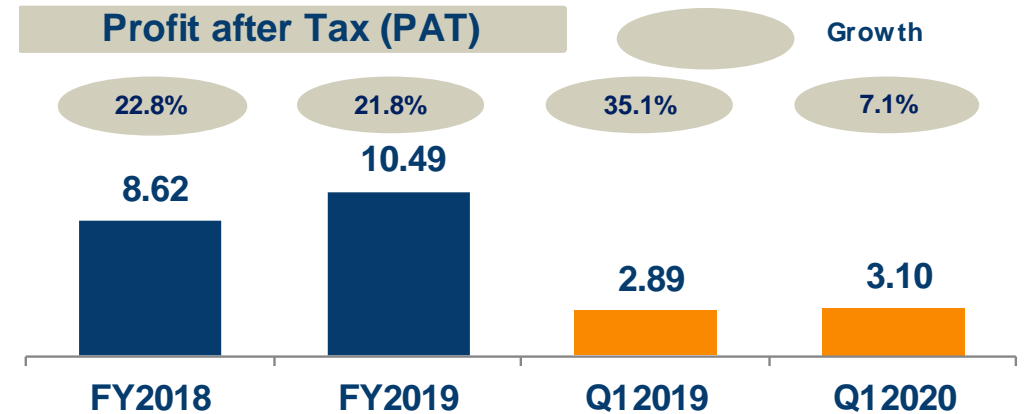
Financial performance

Combined ratio (%)

FY2018	FY2019	Q1 2018	Q1 2020
100.2%	98.5%	98.8%	100.4%

Return on average Equity (ROAE) (%)

FY2018	FY2019	Q1 2019	Q1 2020
20.8%	21.3%	24.7%	23.0%

₹ billion

Profit before Tax (PBT)

Growth

FY2018	FY2019	Q1 2019	Q1 2020
31.4%	33.6%	47.5%	7.2%
11.96	15.98	4.43	4.75

₹ billion

Profit after Tax (PAT)

Growth

FY2018	FY2019	Q1 2019	Q1 2020
22.8%	21.8%	35.1%	7.1%
8.62	10.49	2.89	3.10

- Solvency ratio at June 30, 2019 was 2.20x* against regulatory minimum solvency requirement of 1.50x
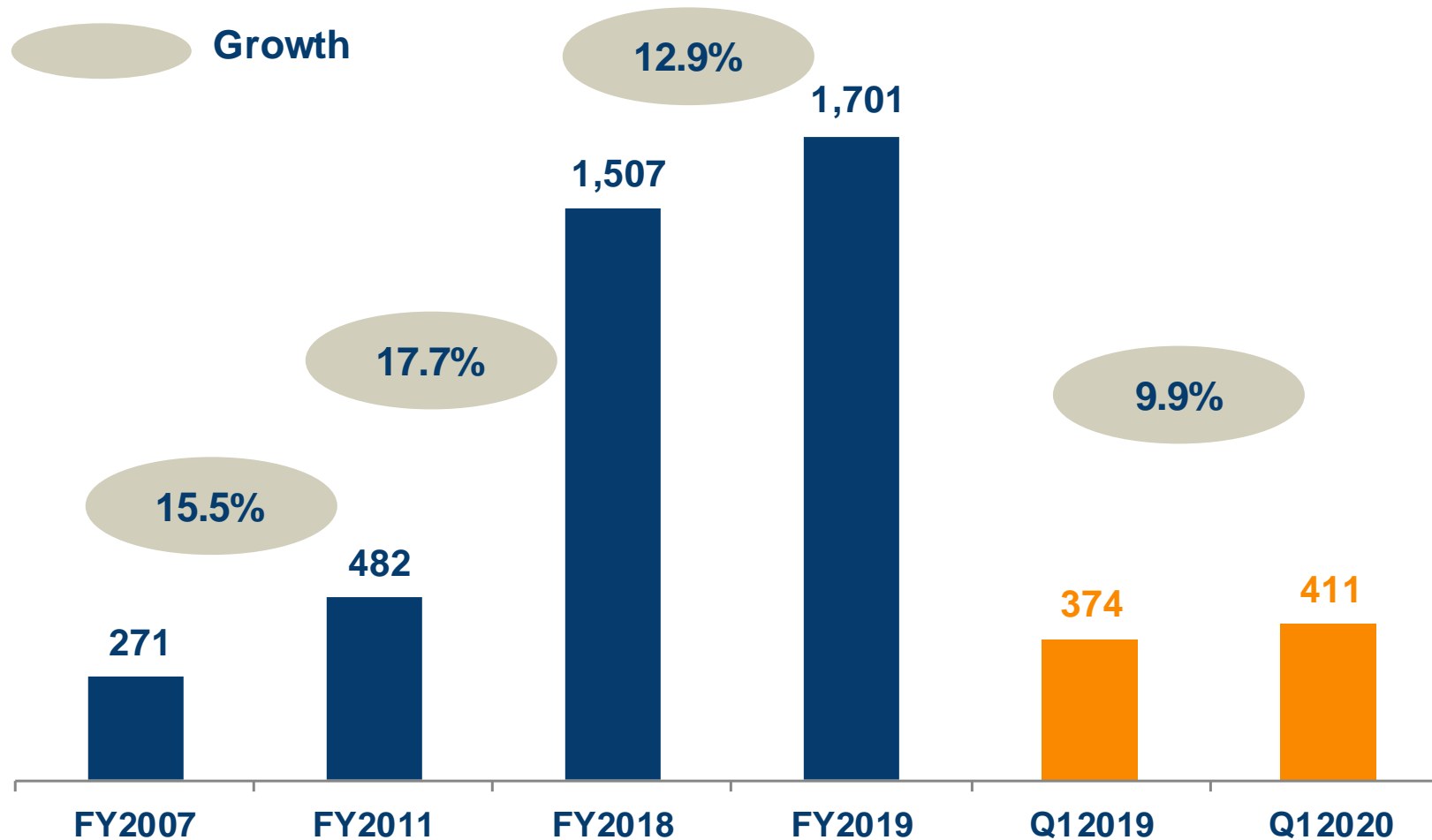- Combined ratio was 99.7% in Q1 FY2020 excluding the impact of cyclone Fani.

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- **Industry Overview**

Industry has witnessed steady growth

₹ billion

Growth

- FY2007: 271
- FY2011: 482 (15.5%)
- FY2018: 1,507 (17.7%)
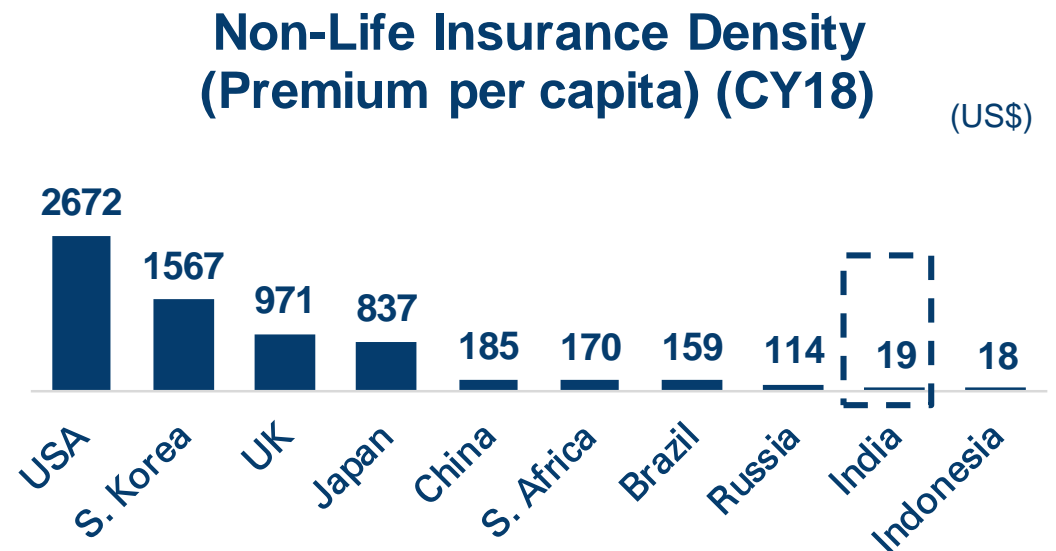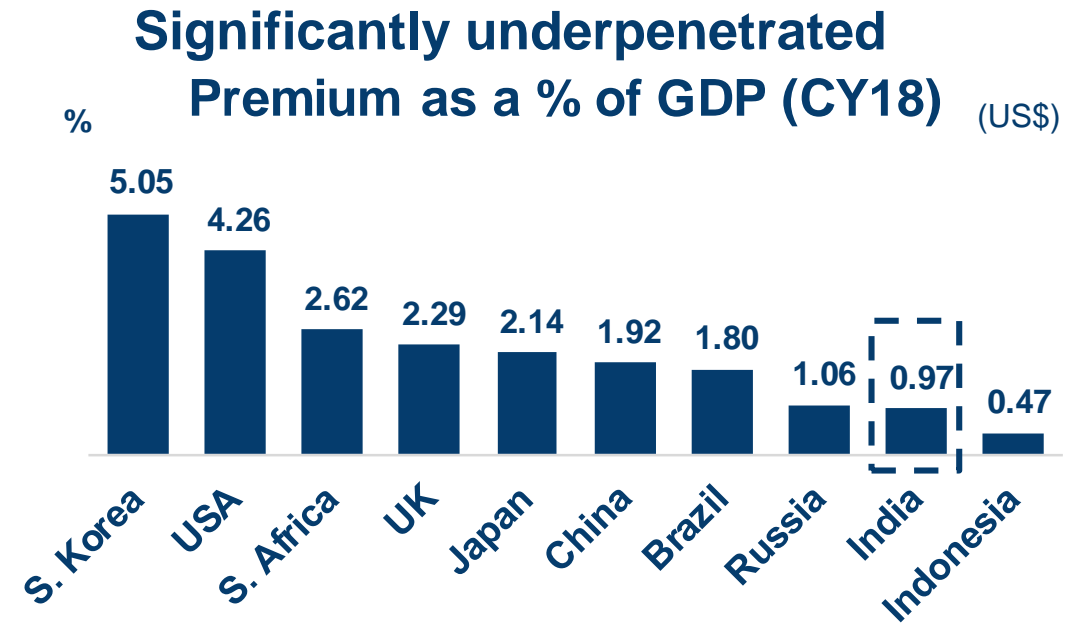- FY2019: 1,701 (12.9%)
- Q12019: 374
- Q12020: 411 (9.9%)

Industry has grown at CAGR of 17.0% in the last 18 years

India Non - life Insurance Market - Large Addressable Market

- 4th largest non-life insurance market in Asia and 15th largest globally

- Non-life Insurance penetration in India was around 1/3rd of Global Average in 2018

- Operates under a "cash before cover" model

Significantly underpenetrated Premium as a % of GDP (CY18) (US$)

%

S. Korea	USA	S. Africa	UK	Japan	China	Brazil	Russia	India	Indonesia
5.05	4.26	2.62	2.29	2.14	1.92	1.80	1.06	0.97	0.47

Non-Life Insurance Density (Premium per capita) (CY18) (US$)

USA	S. Korea	UK	Japan	China	S. Africa	Brazil	Russia	India	Indonesia
2672	1567	971	837	185	170	159	114	19	18

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Source: Sigma 2018 Swiss Re

16

Annexure

Loss Ratio

Particulars	FY2018	FY2019	Q12019	Q12020
Motor OD	53.7%	59.2%	62.9%	68.2%
Motor TP	107.1%	90.8%	90.6%	90.9%
Health*	71.7%	80.7%	80.2%	76.2%
PA	23.9%	35.8%	56.5%	31.1%
Crop	135.0%	106.5%	116.8%	110.7%
Fire	43.1%	83.2%	115.2%	87.6%
Marine	54.2%	84.0%	81.1%	58.8%
Engineering	24.0%	37.1%	44.9%	58.0%
Other	50.9%	51.1%	71.4%	63.5%
Total	**76.9%**	**75.3%**	**76.9%**	**75.5%**

*includes Travel basis IRDAI circular dated May 20, 2019

Reserving Triangle Disclosure – Total[1]

Incurred Losses and Allocated Expenses (Ultimate Movement)

₹ billion

As at March 31, 2019	Prior	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19
End of First Year	39.01	15.13	20.66	22.53	27.97	35.96	34.16	39.13	49.49	52.41	65.27
One year later	39.86	15.23	20.44	21.97	27.02	34.63	33.95	38.58	49.20	51.10	
Two years later	39.88	15.39	20.41	21.74	26.52	34.37	33.53	38.07	48.84		
Three years later	40.49	15.52	20.36	21.85	26.40	34.29	32.91	37.78			
Four years later	41.18	15.55	20.47	21.83	26.46	33.85	32.73				
Five years later	41.30	15.66	20.48	21.81	26.21	33.73					
Six years later	41.88	15.91	20.53	21.83	26.18						
Seven Years later	42.11	15.96	20.67	21.83							
Eight Years later	42.23	16.02	20.67								
Nine Years later	42.38	16.05									
Ten Years later	42.42										
Deficiency/ (Redundancy) (%)	8.8%	6.1%	0.1%	-3.1%	-6.4%	-6.2%	-4.2%	-3.5%	-1.3%	-2.5%	

Unpaid Losses and Loss Adjusted Expenses

As at March 31, 2019	Prior	AY 10	AY 11	AY 12	AY 13	AY 14	AY 15	AY 16	AY 17	AY 18	AY 19
End of First Year	7.74	5.31	7.18	7.98	12.01	17.32	17.10	20.44	26.84	32.58	37.37
One year later	3.85	1.83	2.67	3.33	6.11	9.70	11.58	14.06	16.86	18.03	
Two years later	2.67	1.34	2.00	2.46	4.72	7.92	9.61	11.46	13.04		
Three years later	2.40	1.15	1.58	2.12	3.84	6.73	7.80	9.69			
Four years later	2.44	0.96	1.39	1.76	3.39	5.58	6.77				
Five years later	2.06	0.90	1.13	1.47	2.77	4.82					
Six years later	2.22	0.83	1.00	1.28	2.42						
Seven Years later	2.08	0.76	0.97	1.08							
Eight Years later	1.89	0.69	0.84								
Nine Years later	1.74	0.63									
Ten Years later	1.53										

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[1]As of March 31, 2019; 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, 2019	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	3.17
Seven Years later	2.86	6.55	6.05	5.45	5.12	
Eight Years later	2.95	6.69	6.55	5.45		
Nine Years later	3.00	6.98	6.55			
Ten Years later	3.09	6.98				
Eleven Years later	3.09					
Deficiency/ (Redundancy) (%)	18.4%	13.2%	12.9%	21.3%	32.8%	16.7%

Unpaid Losses and Loss Adjusted Expenses

As at March 31, 2019	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	0.91
Seven Years later	0.72	1.50	1.26	1.31	1.29	
Eight Years later	0.65	1.23	1.39	1.03		
Nine Years later	0.55	1.19	1.07			
Ten Years later	0.52	0.89				
Eleven Years later	0.43					

As of March 31, 2019 - IMTPIP: Indian Motor Third Party Insurance Pool   AY: Accident Year   Source – Company data