

# **FY2019**

# **Performance Review**

# Agenda

- Company Strategy
- Financial Performance
- Industry Overview



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- **Company Strategy**
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# 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

- 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



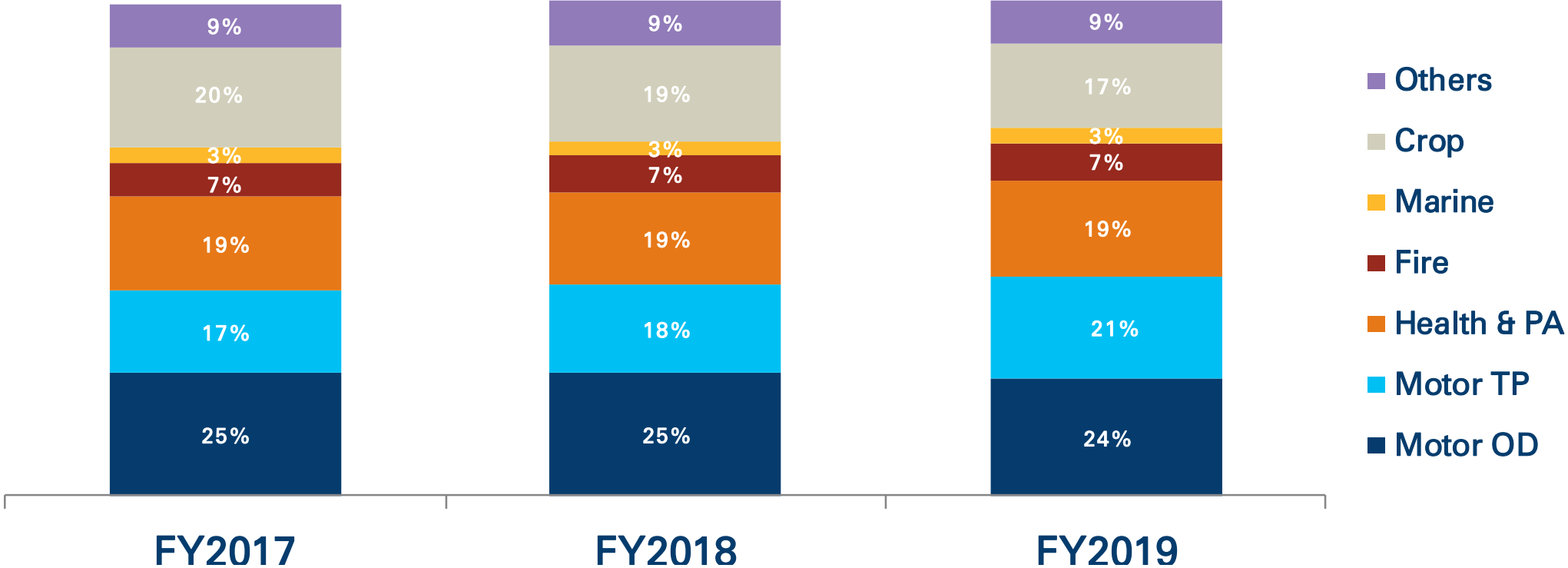
# Key Highlights

<b>Particulars</b> <b>(₹ billion)</b>	<b>FY2017</b> <b>Actual</b>	<b>FY2018</b> <b>Actual</b>	<b>FY2019</b> <b>Actual</b>
Gross Written Premium	109.60	126.00	147.89
Gross Direct Premium Income (GDPI)	107.25	123.57	144.88
GDPI Growth	32.6%	15.2%	17.2%
Combined Ratio	103.9%	100.2%	98.5%
Profit after Tax	7.02	8.62	10.49
Return on Average Equity	20.3%	20.8%	21.3%
Solvency Ratio	2.10x	2.05x	2.24x
Book Value per Share	82.57	100.04	117.11
Basic Earnings per Share	15.66	19.01	23.11



# Comprehensive Product Portfolio

## Product Mix



- Diversified product mix– motor, health & personal accident, crop, fire, marine insurance
- SME business growth was 26.7% for FY2019



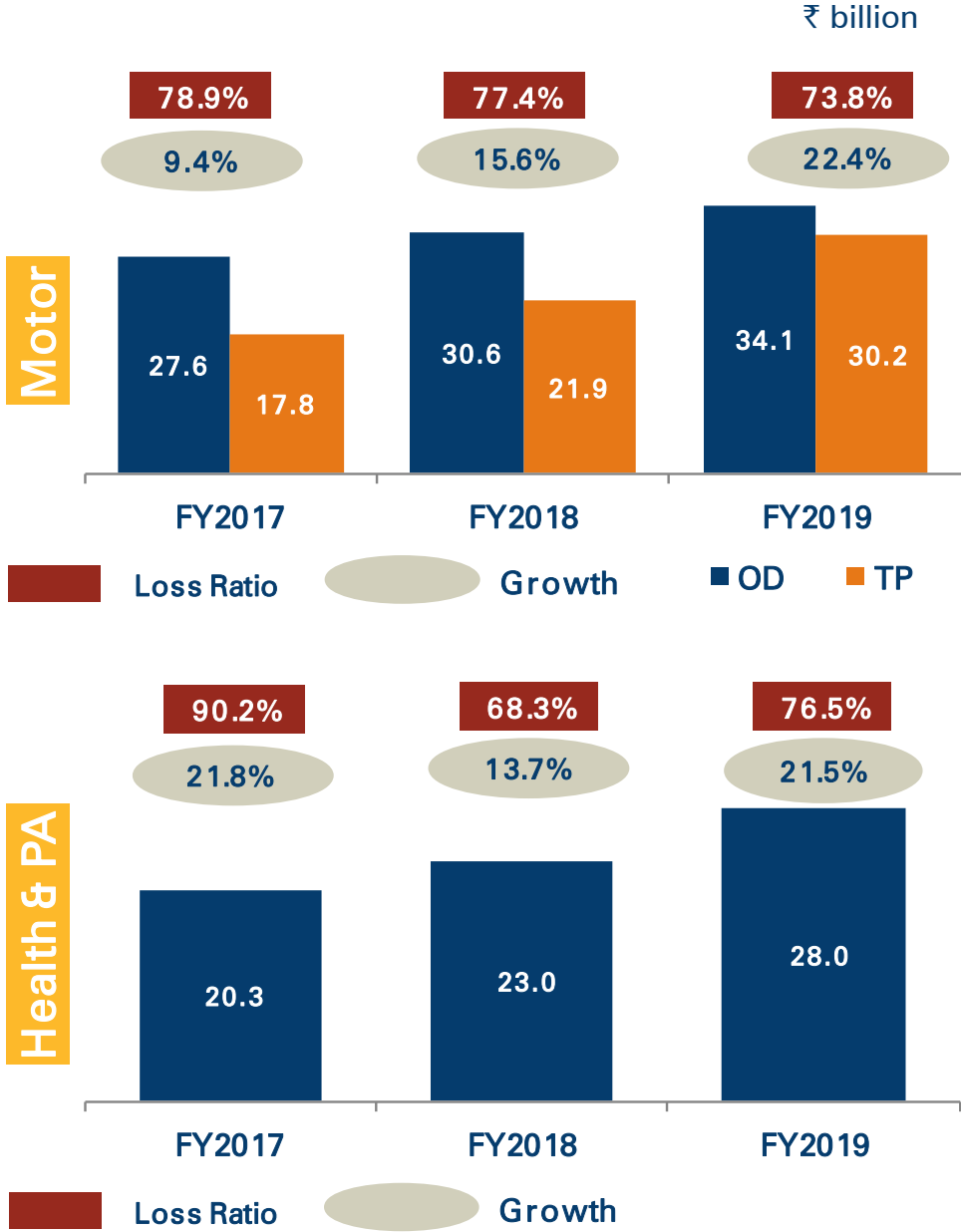
Source: Company data

# Comprehensive Product Portfolio

- Private car, Two wheeler and Commercial Vehicle contributed 50.0%, 27.2% and 22.8% respectively of Motor GDPI for FY2019 and 51.3%, 30.5% and 18.2% respectively of Motor GDPI for FY2018
- Loss cost driven micro-segmentation resulting in focus on relatively profitable segment
- Retail, Group (includes corporate and others) and mass contributed to 38.3%, 61.3% and 0.4% respectively of Health & PA GDPI for FY2019 and 51.6%, 46.6% and 1.8% respectively for FY2018
- Retail indemnity new business grew by 38.8% for FY2019



Source: Company data

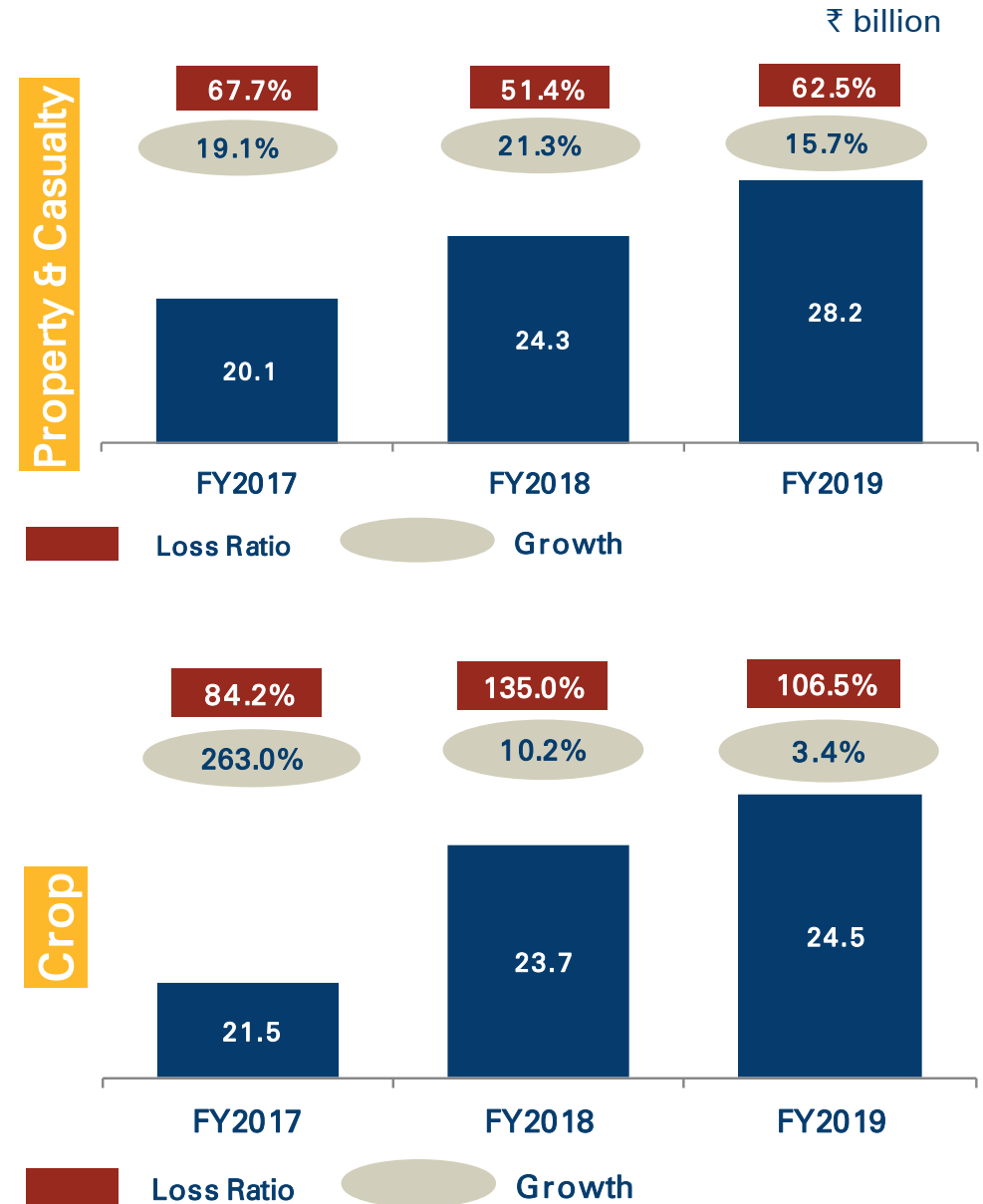


# Comprehensive Product Portfolio

- Underwriting of small risks for portfolio diversification and pricing
- Focus on risk mitigation through value added services
- Covered farmers in 4 states and 30 districts in Kharif season FY2019 compared to 7 states and 56 districts in Kharif FY2018
- Covered farmers in 2 states and 14 districts in Rabi season FY2019 compared to 6 states and 57 districts in Rabi FY2018



Source: Company data





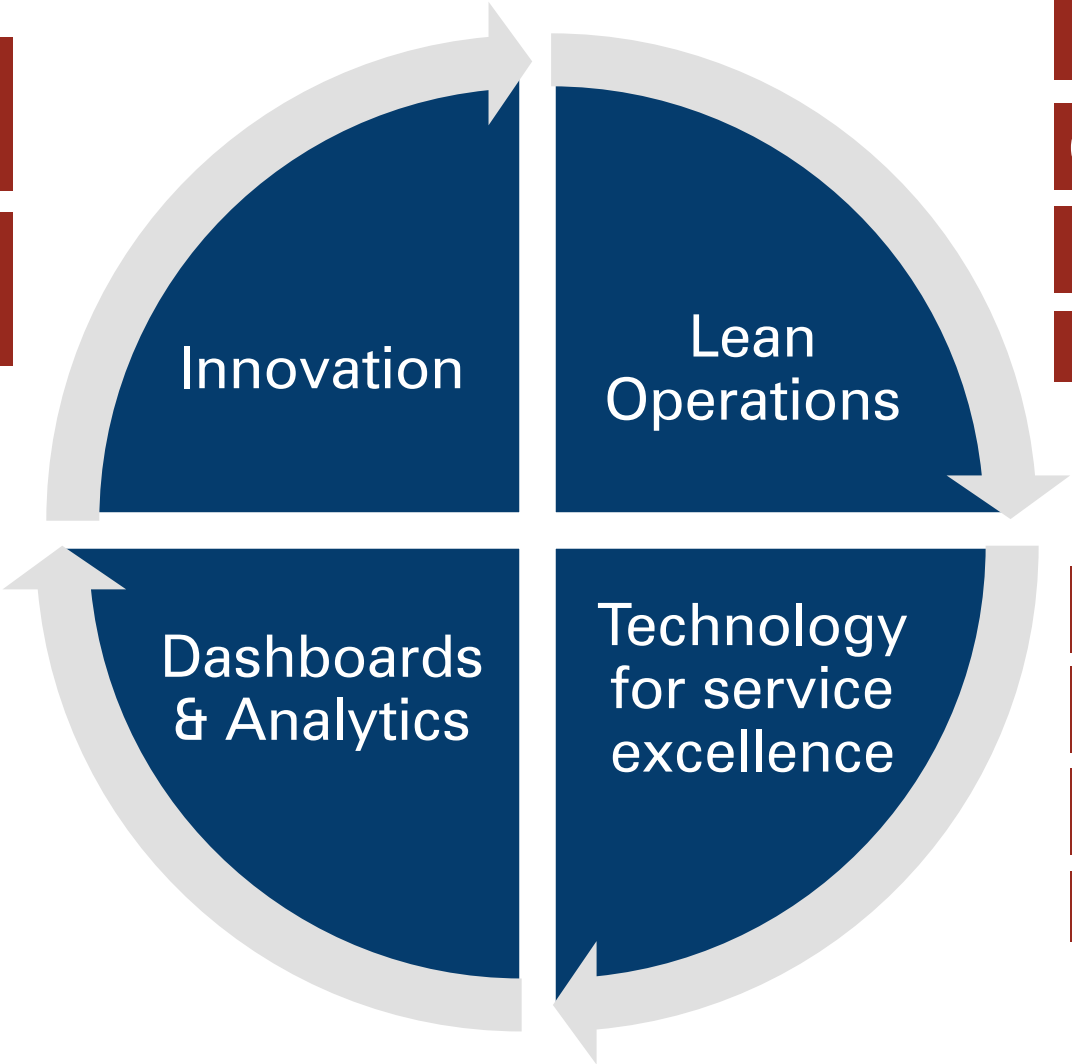
# Digital Drive: Enabling business transformation

Robotics / Chat BOTs

Artificial Intelligence & Machine Learning

Data Driven decision making

Advanced Insights through analytics



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 (80.6%) 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

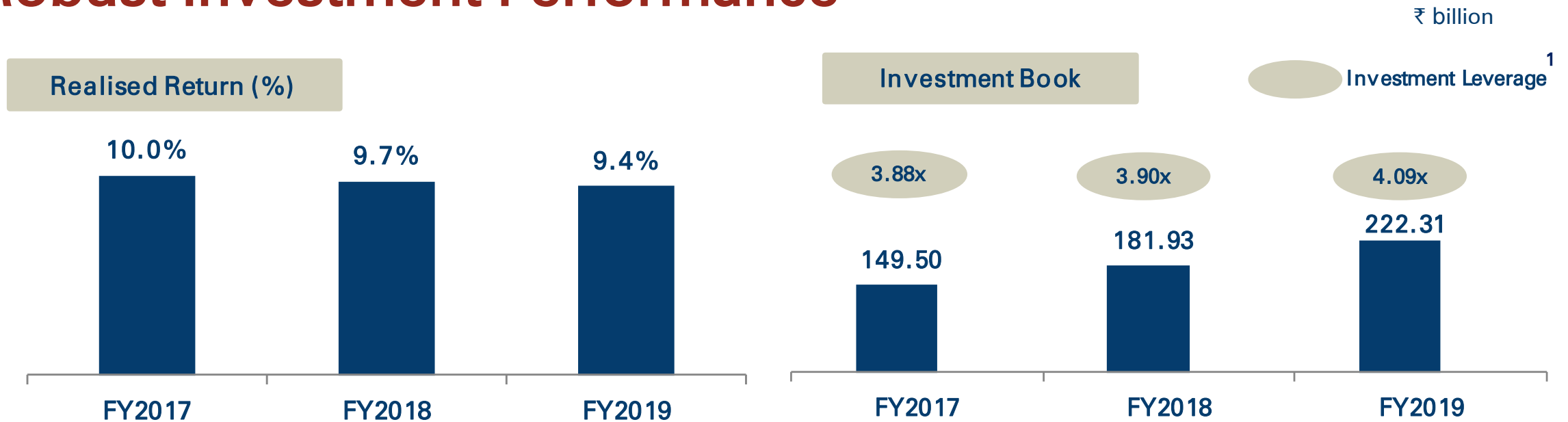
\*\*\* domestic credit rating

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# Robust Investment Performance



- Investment portfolio mix<sup>2</sup> at FY2019 : Corporate bonds (52.1%), G-Sec (30.3%) and equity (12.4%)
- Strong investment leverage
- Unrealised gain (net) at ₹ 2.73 billion as on March 31, 2019
  - Unrealised gain on equity<sup>3</sup> portfolio at ₹ 3.38 billion
  - Unrealised loss on other than equity portfolio at ₹ 0.65 billion



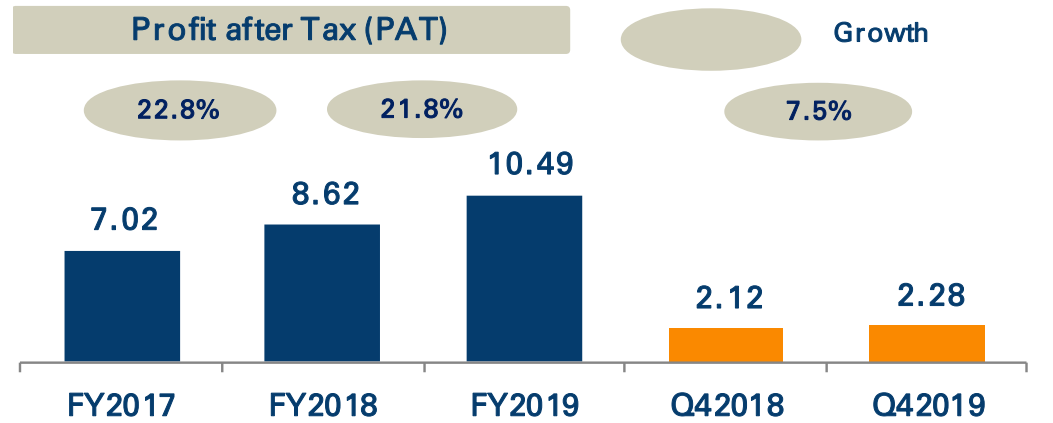
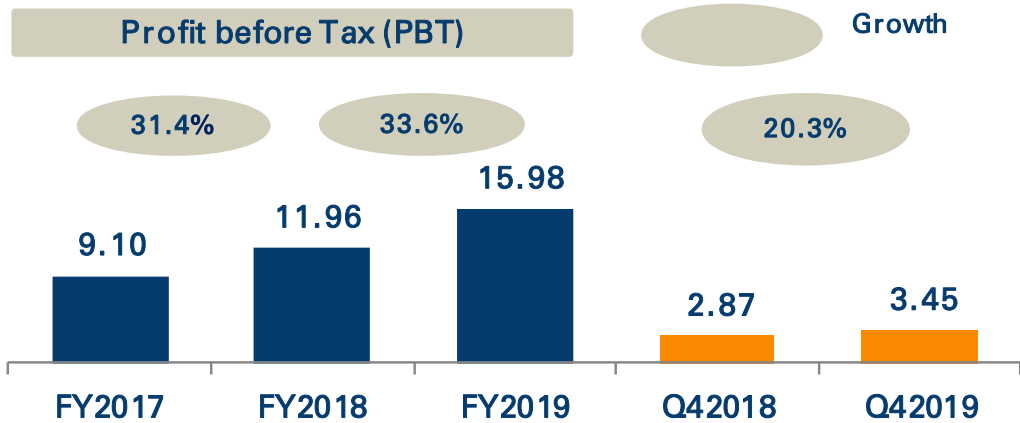
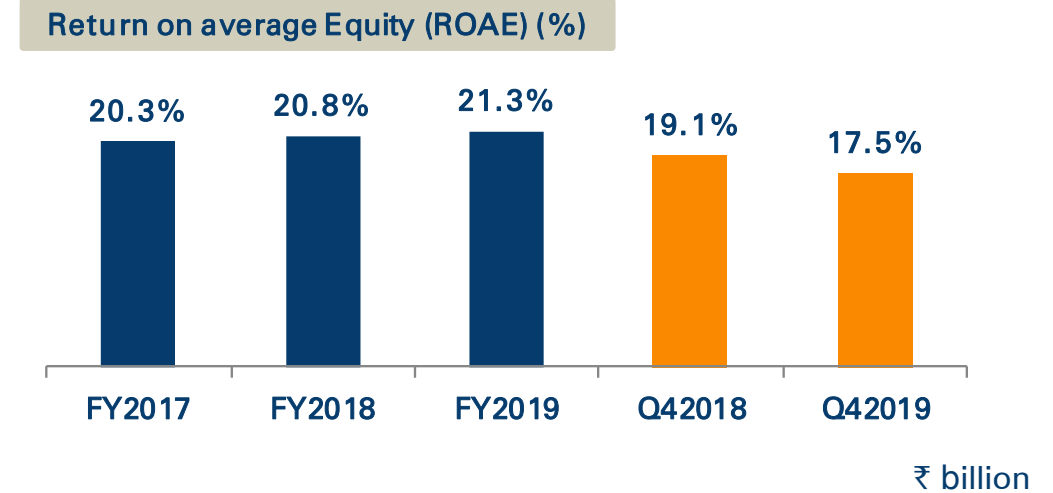
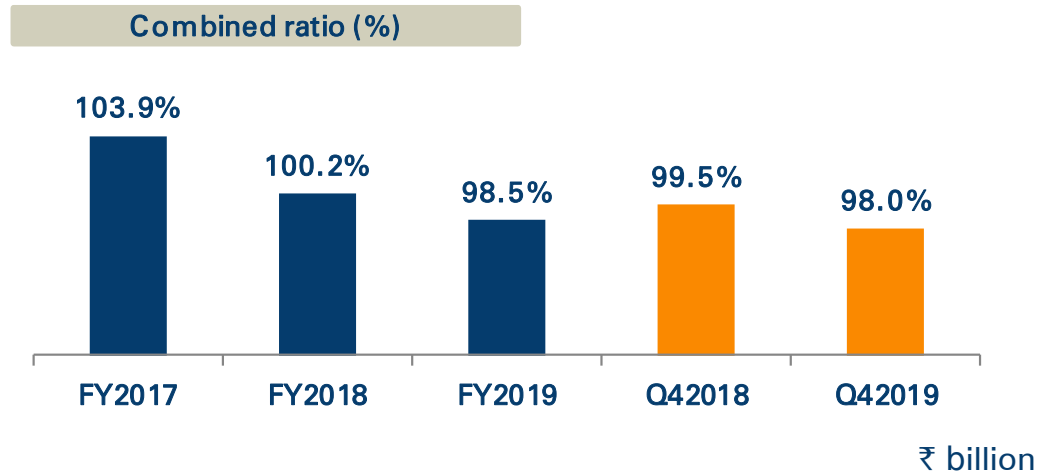
<sup>1</sup> Total investment assets (net of borrowings) / net worth

<sup>2</sup> Investment portfolio mix arrived at considering Equity & mutual funds at market value

<sup>3</sup> Equity includes mutual funds

Source: Company data

# Financial performance



- Solvency ratio at March 31, 2019 was 2.24x against regulatory minimum solvency requirement of 1.50x
- PBT and ROAE for Q4 FY2019 includes upfront expensing of acquisition cost related to the GDPI growth (excluding crop) of 29.4% whereas the full benefit of earned premium will be realized over the policy period
- PAT for Q4 FY2019 & FY2019 includes effect of higher effective tax rate resulting from change in income tax regulations taxing long-term gains on sale of investments



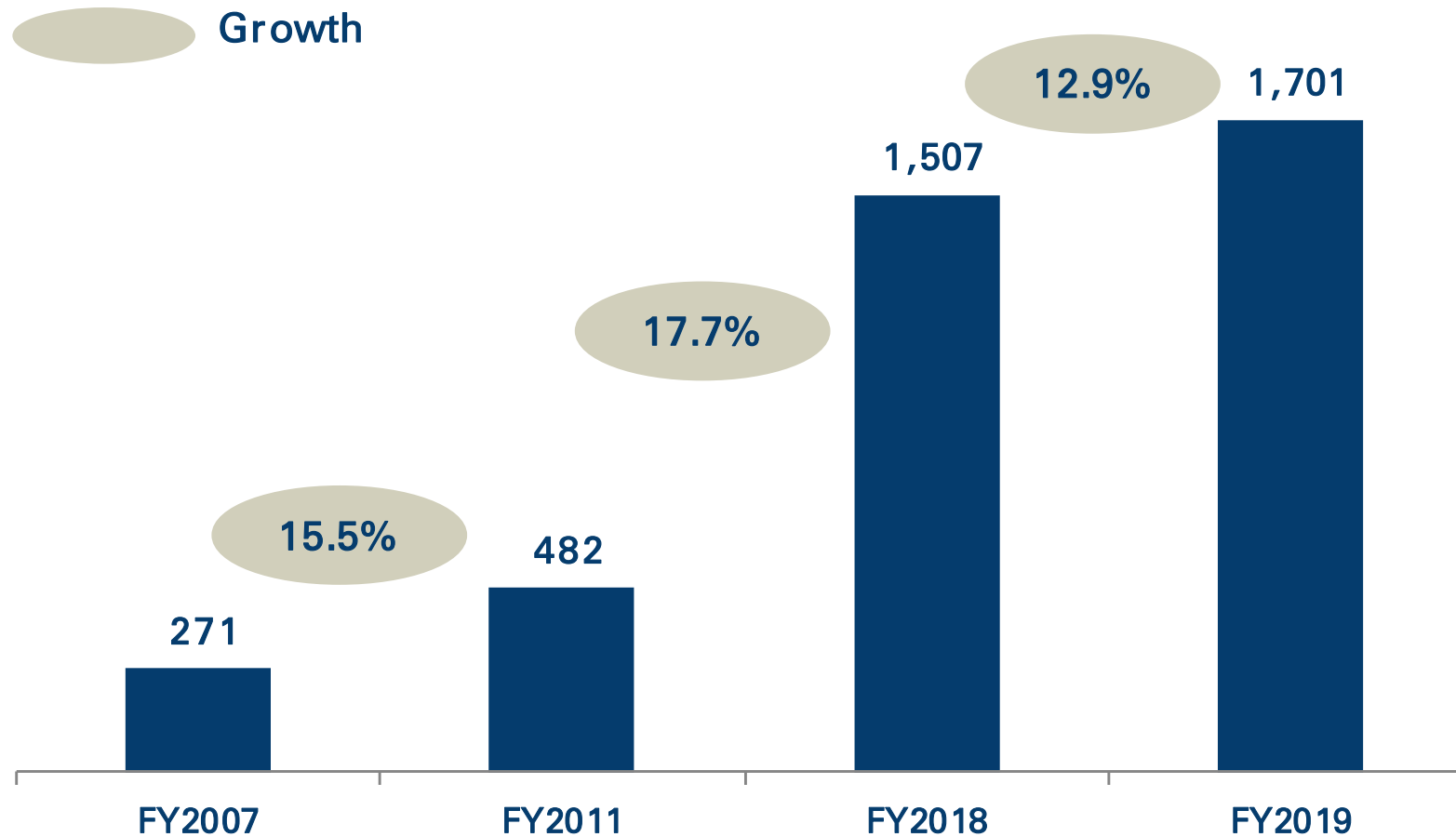
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# Industry has witnessed steady growth

₹ billion



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

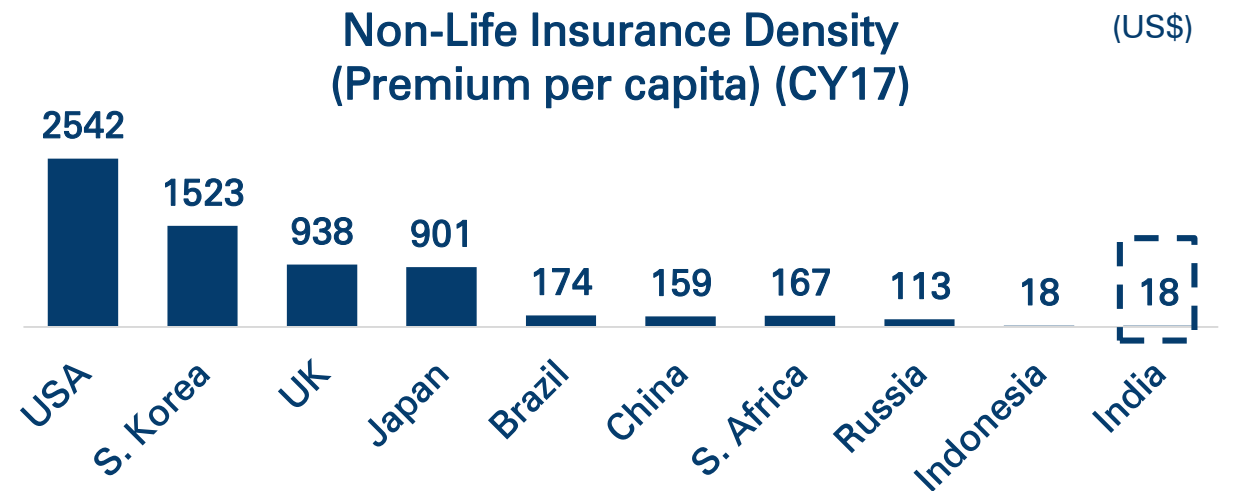
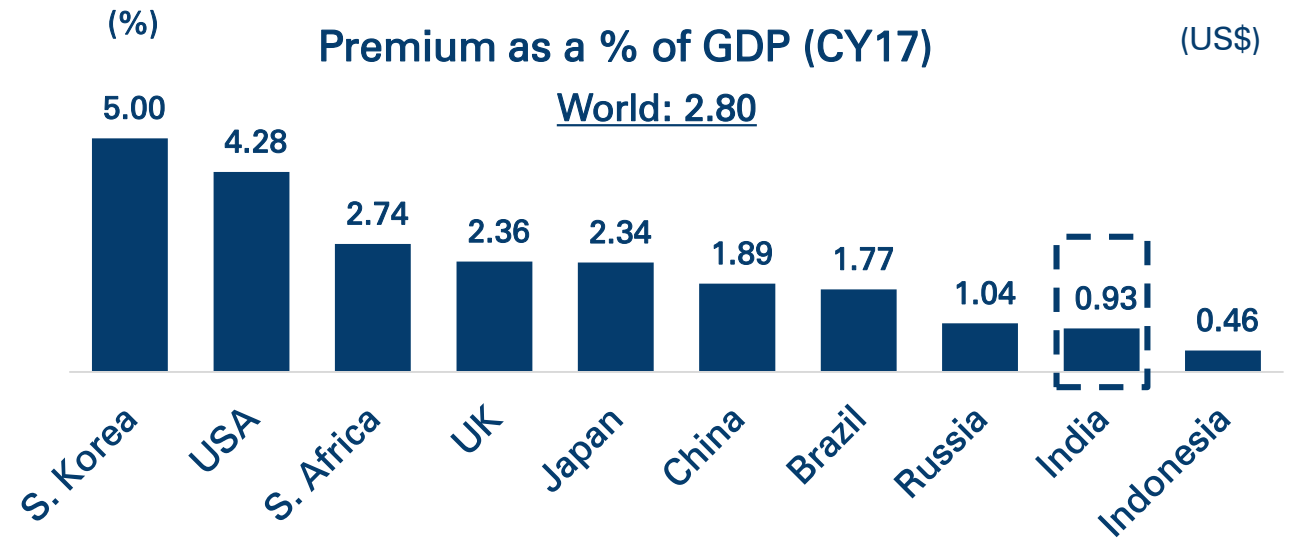


Source: Latest IRDAI and GI Council

# India Non - life Insurance Market - Large Addressable Market

- 4<sup>th</sup> largest non-life insurance market in Asia
- Non-life Insurance penetration in India was around 1/3<sup>rd</sup> of Global Average in 2017
- Operates under a “cash before cover” model

Significantly underpenetrated







**Thank you**

# Annexure



# Loss Ratio

<b>Particulars</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>Q42018</b>	<b>Q42019</b>
Motor OD	64.2%	53.7%	59.2%	48.7%	61.5%
Motor TP	97.4%	107.1%	90.8%	112.6%	90.5%
Health	97.9%	77.6%	85.0%	76.7%	79.2%
PA	41.3%	23.9%	35.8%	4.0%	28.3%
Crop	84.2%	135.0%	106.5%	211.4%	69.6%
Fire	68.4%	43.1%	83.2%	-6.5%	83.1%
Marine	83.9%	54.2%	84.0%	17.7%	74.1%
Engineering	53.3%	24.0%	37.1%	-35.5%	26.0%
Other	62.1%	57.3%	49.3%	57.4%	32.4%
<b>Total</b>	<b>80.4%</b>	<b>76.9%</b>	<b>75.3%</b>	<b>78.5%</b>	<b>71.7%</b>



# Reserving Triangle Disclosure – Total<sup>1</sup>

## 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										



<sup>1</sup>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					

