ICICI Lombard General Insurance Company Limited

Q2 & H1FY2021 Earnings Conference Call
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Moderator: Good evening, ladies and gentlemen. A very warm welcome to the ICICI Lombard General Insurance Limited's Q2 FY2021 and H1 FY 2021 Earnings Conference Call. From the senior management we have with us today Mr. Bhargav Dasgupta – MD & CEO of the company, and Mr. Gopal Balachandran – CFO and CRO, Mr. Sanjeev Mantri – Executive Director, Retail; and Mr. Alok Agarwal - Executive Director, Wholesale. As a reminder, all participant lines will be in listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bhargav Dasgupta – MD & CEO, ICICI Lombard General Insurance Limited. Thank you and over to you, sir.

Bhargav Dasgupta: Good evening to each one of you. Thank you for joining the earnings conference call of ICICI Lombard for Q2 FY2021 and H1 FY2021. I hope you and all your colleagues are safe and healthy.

So what I will do is I will give you a brief overview of the industry trends and developments that we have witnessed in the last few months. Post this, our CFO, Mr. Gopal Balachandran, will share the financial performance of the company.

If you look at the macro environment in the last couple of quarters, post the sharp correction in the economy in Q1 FY2021, economic activity has started to pick up with the high frequency indicators, such as electric regeneration, fast-tag toll collections, e-way bills, air freight, exports and motor vehicle registrations touching pre-Covid levels towards the end of Q2 FY2021. In addition to the normalization of economic activity, pent-up demand and restocking may have led to this kind of improvement. So you have to wait and see if this sustains post the festive season. There are many headwinds to reaching a level of meaningful growth for the economy, such as the risk of resurgence of Covid cases, disrupted supply chains, aggregate customer demand and the large contractions still seen in certain specific sectors.

The GI industry has been able to navigate the current macro environment better, with industry GDPI in the recent months moving closer to pre-Covid levels. Segments such as motor insurance have shown signs of recovery, driven by improving rural sentiment and growing need for personal mobility and safety concerns. Health insurance continues to register robust growth, given the regulatory tailwinds and heightened awareness about the need for protection. As far as the commercial lines are concerned, the fire segment continued to show robust growth aided by rate hike that came into force on January 1, 2020 of this year, while marine and engineering lines witnessed de-growth. At ICICI Lombard, we remain confident that the industry will continue to outperform in terms of growth, given the low insurance penetration, urbanization of population and now increasingly enhanced risk awareness.

Speaking of the performance of the industry as per the GI Council report, the GI industry registered a growth of 1.4% for H1 FY2021 over H1 FY2020, with the industry GDPI moving to ₹ 968.32 billion in H1 FY2021 from ₹ 951.28 billion in H1 FY2020. Excluding the crop segment, this growth would have been at 2.8%. For the quarter, the overall growth and growth excluding crop segment was 5.6% and 9.2%, respectively. The combined ratio of the industry was 104.4% in Q1 FY2021 as compared to 113.1% in Q1 FY2020, based on available information from public disclosures, excluding two companies which have not disclosed their numbers as yet. Further, the overall combined ratio for private multiline general insurance was about 103.0% in Q1 FY2021 as compared to 107.7% in Q1 FY2020.

As I have mentioned earlier, the regulator has proactively announced several noteworthy measures, including relaxations and regulations promoting ease of doing business, particularly in terms of the digital agenda. During the quarter on September 4, 2020, the authority also issued guidelines on wellness and preventive features, wherein insurers may offer reward points to customers meeting set criteria. These features can be offered as an add-on or optional cover. This will enable insurers to endeavor to promote wellness offerings like discounts and

increase in sum insured, discounts on OPD services, redeemable voucher on health supplements or gym memberships, etc. This is also expected to expand the scope for the insurers, providing wellness and value-added offerings to their customers.

Let me now turn to the claim's behavior observed in the recent months. The motor OD claim frequency has been gradually increasing since the lifting of the lockdown and has now reached almost pre-Covid levels. Similarly, in case of health, claim frequency has seen a surge in elective surgeries as they are resuming, though it continues to remain below pre-Covid levels. The spike in Covid cases reported across the country had seen elevated levels in end of September,2020, and since then we have seen a slight moderation. For the overall industry, Covid claims reported as on 30th September 2020, was 3.24 lakhs, of which 17,000 Covid claims were reported with ICICI Lombard. The elevated levels in Covid cases remain a cause for concern for the whole industry and may have an adverse impact on the loss ratios of the health insurance portfolio this year, particularly if the upcoming festive season gatherings lead to a second wave of Covid claims. We expect that this increase would be only partially offset by the reduced number of non-Covid claims on the health side. However, given the strength of a well-diversified product mix and disciplined underwriting, we believe, that at ICICI Lombard we are reasonably placed as far as our overall claims cost for the year is concerned.

In current times, the other major trend is the significant increase in adoption of digital solutions by consumers. At ICICI Lombard, we have been continuously investing on this front for the last 15 years. In the previous earnings call, we had shared with you some of our efforts towards getting more customers, channel partners and other stakeholders to avail our digital platforms. We continue with this drive in the quarter under review. Over 97.5% of the policies issued by us in the first half of this year were sourced through these digital solutions, where we did not see paper. With regard to claims settlement, 63.1% of our motor OD claims were serviced through live video streaming app, InstaSpect, in September, 2020, up from 24.5% in March, 2020. This

feature does away with the need for physically serving a damaged vehicle, allowing the real-time claims settlement and approval.

We continue to invest in new technologies on the digital front, including AI and ML that help in policy issuance, claims, fraud control and servicing. Our automated AI solution processed 3x the motor break-in self-inspections in September, 2020 as compared to March, 2020. On the health insurance front, under group health policies, 60.9% of the fresh cashless requests were authorized by our AI/ML solution as compared to 31.0% in March, 2020. Tele-underwriting has become an important tool during this pandemic, and 15.0% of our medical tele-underwriting were processed straight through using a voice-enabled AI and NLP solution. Our mobile app, ILTakeCare, which has features such as Hello Doctor, Chat With Experts, Emergency Medical Assessment and Health Risk Assessment has crossed 2 lakh downloads, enabling more and more customers to avail our insurance and wellness solutions at their fingertips. We continue to add digital capabilities in servicing, including process of endorsements. Since its launch last year, 60.0% of all group health endorsements are now done digitally, reducing processing time from weeks to minutes. And 24.0% of our motor policy endorsements from the agency channel are processed real-time using our digital solutions.

One of our beliefs has been that slowdowns are the best time to invest for the long-term. During recent months, despite the challenging economic environment, we have made significant investments in improving our digital and people capabilities. We have also accelerated our digital engagement initiatives for employees that focuses on all-round well-being. We believe technology-led innovation, coupled with dynamic workforce will lead to benefiting us in the long term and us to capture the opportunity that the sector offers. Our endeavor comes from our long-standing customer relationships that we have been able to sustain even through this pandemic. We are constantly evolving our strategies to further consolidate our position in the non-life insurance segment. We continue to remain focused on creating long-term value

for our stakeholders through prudent risk selection and sustained profitability.

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

Gopal Balachandran: Thanks, Bhargav. And good evening to each one of you. I will now give you a brief overview of the financial performance of the company for Q2 FY2021and H1 FY2021. We have put up the results presentation on our website, you can access it as we walk you through the performance numbers.

The GDPI of the company stood at ₹ 64.91 billion in H1 FY2021 as compared to ₹ 64.4 billion in H1 FY2020, a growth of 0.8% compared to industry growth of 1.4%. Excluding the crop segment, GDPI increased to ₹ 64.59 billion in H1 FY2021 as compared to ₹ 63.86 billion in H1 FY2020, registering a growth of 1.1% compared to the industry growth of 2.8%. On a quarterly basis, the GDPI grew by 8.0% over Q2 FY2020 compared to the industry growth of 5.6%. If you were to exclude the crop segment, the GDPI growth for Q2 FY2021 was 9.9% over Q2 FY2020 for us, as compared to the industry growth of 9.2% for the same period. Our focus on preferred segments primarily drove our GDPI growth. Consequent to the increase in minimum prescribed rates for certain occupancies under fire segment, this portfolio registered a robust GDPI growth of 47.6% in H1 FY2021, thereby catalyzing the GDPI growth of our property and casualty segment. As indicated in our results presentation, the overall property and casualty segment grew by 20.5% for H1 FY2021 over H1 FY2020.

On the retail side of the business, SME and agency channel and health indemnity continued to grow faster and remain our areas of focus. Motor segment that saw negative growth in the last quarter registered a growth of 9.4% in Q2 FY2021. To harness the potential of these segments, we have been expanding our distribution network to increase penetration in Tier 3 and Tier 4 cities. Our agents, including the point-of-sale distribution, increased to 52,785 as on September 30, 2020, from 49,802 as on June 30, 2020.

During the quarter, we also announced entering a bancassurance tie-up with YES Bank. The advanced premium numbers was ₹ 31.60 billion as at September 30, 2020, which is up from ₹ 30.31 billion as on June 30, 2020.

During the quarter, we announced entering into a scheme of arrangement with Bharti AXA to acquire the non-life insurance business. In relation to the scheme, the expenses incurred of about ₹ 0.31 billion have been charged in the P&L during Q2 FY2021 and H1 FY2021. We are excited and looking forward for realization of the long-term business potential that this scheme entails.

Our combined ratio stood at 99.8% in H1 FY2021 compared to 101.5% in H1 FY2020, despite the cyclone and flood losses. Excluding the impact of cyclone and flood losses of ₹ 0.77 billion, the combined ratio stood at 98.2% in H1 FY2021 as against 100.1% in H1 FY2020, excluding the impact of cyclone and flood losses of ₹ 0.61 billion.

Combined ratio stood at 99.7% in Q2 FY2021 compared to 102.6% in Q2 FY2020. Here again, excluding the impact of cyclone and flood losses, which was ₹ 0.46 billion for this Q2 FY2021, the combined ratio stood at 97.9% as against 100.7% in Q2 FY 2020, again, excluding the impact of cyclone and flood losses, which was ₹ 0.45 billion.

Our investment assets rose to ₹ 291.62 billion at September 30, 2020, as compared to ₹ 281.18 billion at June 30, 2020. Our investment leverage, net of borrowings, was 4.13x at September 30 this year as compared to 4.23x at June 30, 2020. Investment income increased to ₹ 10.91 billion in this H1 FY2021 as compared to ₹ 10.14 billion in H1 FY2020. On a quarterly basis, investment income increased to ₹ 5.92 billion in Q2 FY2021 as compared to ₹ 4.87 billion in Q2 FY2020.

Our capital gains was ₹ 1.84 billion in H1 FY2021 as compared to ₹ 2.07 billion in H1 FY2020. Capital gains in Q2 FY2021 was ₹ 1.24 billion as compared to ₹ 0.69 billion in Q2 FY2020.

Our profit before tax grew by 15.9% to ₹ 10.86 billion in H1 FY2021 as compared to ₹ 9.36 billion in H1 FY2020. Whereas PBT grew by 20.3% to ₹ 5.55 billion in Q2 FY2021 as compared to ₹ 4.61 billion in Q2 FY 2020. Consequently, profit after tax grew by 31.7% to ₹ 8.14 billion in H1 FY2021 as compared to ₹ 6.18 billion in H1 FY2020. Whereas profit after tax grew by 35.0% to ₹ 4.16 billion in Q2 FY2021 as compared to ₹ 3.08 billion in Q2 FY2020, primarily due to the lower effective tax rate of 25.03%.

Return on average equity was 24.9% in H1 FY2021 as compared to 22.3% in H1 FY2020. The ROE for Q2 FY2021 was 24.7% as compared to 22% in Q2 FY 2020. Solvency ratio was healthy at 2.74x at September 30, 2020, as against 2.5x at June 30, 2020, continued to be higher than the minimum regulatory requirement of 1.5x.

As I conclude, I would like to reiterate that we ended Q2 and H1 FY2021 with healthy financials. As a company, we are evolving our strategies with an overarching objective of creating long-term value for all of our stakeholders. Whether it is initiatives towards enhancing technology capabilities or attracting talented employees, ICICI Lombard has always strived to be at the forefront of investing in sustainable ways of doing business and would continue to do so. While we are excited by the opportunity and the long-term growth potential that the sector offers, we continue to remain focused on building our business model based on strong pillars of customer excellence, multichannel distribution, prudent risk management, technology prowess and capital conservation.

I would like to thank you for attending this earnings conference call, and we would be happy to take any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the questions-and-answer session. We take the first question from the line of Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: Two questions, sir. Firstly, on the health Covid claims. So I think you said there are 17,000 cases reported to company as against industry

claims of around 324,000 cases. So even if we take an average ticket size of around 1 lakh, then will that be a right way to assume that? And in that case, how much would be the overall Covid claims which we have seen in Q2 FY2021 and your expectation of what further loss ratios can be seen in the health segment? And the second question is with respect to Motor TP losses, so Q2 FY2021 would have come to around 62% over there, can you explain a bit what led to that reserving release in this quarter?

Bhargav Dasgupta: So on Covid, the total numbers that we gave, Harshit, is inclusive of the indemnity claims and the benefit claims. If you remember, we had talked about the fact that even before the regulator had mandated we had launched a low ticket, small sum insured benefit policy also, so the average ACS for us will be lower. But the exact number in terms of the total claims number, I will ask Gopal to give you. In terms of the trend that we see, as I explained, our sense is that the September, 2020 number was potentially the peak. I mean the incremental data that we are seeing in this month based on cashless claims, we are seeing some moderation. If that trend continues and in a sense, September, 2020 remains at peak, then in aggregate the health loss ratio numbers should be reasonable. We have had some savings in the first half in terms of non-Covid claims that would largely compensate.

The concern remains, which is very difficult to predict is that if there is a second spike, which we have seen in other countries as also driven by festivities here, and that number is high, that could be a bit of a concern. But I think, as I mentioned right at the beginning I think, overall, when we look at our overall portfolio, motor, other corporate lines and health, I think at ICICI Lombard, we are reasonably confident about our claims cost not crossing the loss ratios of last year. If you remember, one of the things that we had talked about in the first quarter also was that there is a benefit that we are seeing in terms of incidence rates being lower and it wouldn't be appropriate to factor all of that benefit upfront, which one could have, but we said we want to wait for the picture to play through for the whole year, and we will spread this benefit over the year,

which is what gives us the comfort that we are adequately cushioned in terms of our aggregate claims cost for the year.

In terms of the specific numbers, I will ask Gopal to give you the details.

Harshit Toshniwal: Yes. Sir, just one thing. The way I was looking at is the 17,000 claims, and even if take Rs. 60,000 -₹ 70,000 ticket size, our gross number comes out to some ₹ 120 crore - ₹ 130 crore for Covid claims. Sir, I just want to understand that, in the quarter, beyond that ₹ 120 crore- ₹ 130 crore of COVID claims, are we providing for the benefit for the coming period?

Bhargav Dasgupta: So Gopal, you want to answer that? I mean, as I said, there are two things that we have to look at. When we look at the total health claims, there is the Covid numbers which we talked about, but there is non-Covid claims also, we are watching the frequency. And at least, even in Q2 FY2021 there has been some savings. So on balance, we are quite fine for this quarter. And as I said, the benefit of first quarter, we did not feel that it was appropriate to take that full benefit. In a sense, you can call it a kind of a quasi-reserve that we created, which should help us in this period.

Gopal Balachandran: So Harshit, if you remember, I think, in quarter one when a similar thing was asked in terms of how many cases did we get and what was the value corresponding to that, we had indicated that we received in quarter one roughly about 1,300- odd cases, and the value concerned was close to about ₹ 18 crores to ₹ 20 crores. This number, when you look at it for the half year, as Bhargav said, the total number of claims that has been reported to us is roughly about 17,000 cases. And the amount corresponding to that is about ₹ 115 crores. So in terms of how do we go about the estimation of the loss reserves, we always factor in for any prudence that we have to build in as a part of our loss ratio assumptions, particularly because there is always a possibility of, let's say, some lag in reporting that could happen in so far as claims from customers are concerned. That's one. And secondly, I think in terms of the approach that we have taken on building for loss ratios, we have always tried to be a little conservative, keeping in mind the fact that there

could be an increase in incidences, which is where even in quarter one while there were benefits in the form of reduction in claim frequency that we had experienced, but the fact that there could be developments in the subsequent quarters, we kind of stayed put with where we are. So hence, it's not just that we would have kind of factored in about ₹ 115 crore as a part of our numbers for the half year. We would obviously kind of look at what has been, let's say, some kind of delay in the intimations. So that's something that gets built in. And some level of prudence also is built in, in the quarter for loss ratio assumptions.

Harshit Toshniwal: Got it. So basically, so maybe of H2 if it is a similar run rate, then off the ₹ 250 crore, ₹ 300 crore, we might see some of it as already been provided.

Gopal Balachandran: So the key thing, Harshit, we will have to all see the numbers, clearly maybe early trends for the month of October,2020 seems to be indicating some reduction in the number of cases. But honestly, we would want to wait and see how the development happens post the festive season. And to be honest, the increase in the number of cases that one has seen, particularly in quarter two, we would not have necessarily anticipated to that extent. And hence, we would obviously want to wait and see for the next half in terms of, if at all, there is a possibility of a second wave of Covid cases, as what we had indicated even in the opening comments. And then we will, to that extent, calibrate the extent of loss ratio assumptions that we have to take.

Harshit Toshniwal: Okay. And sir, lastly, on the Motor TP loss ratios, so has the impact been lower?

Bhargav Dasgupta: So basically on Motor TP, as you know, our standard practices, as a part of our philosophy of being conservative, is a practice of good insurance companies globally. When we reserve, we look at, in a sense, very conservative reserving. And only when the data comes through with lag, do we release reserves whenever we have a confidence that the reserve is releasable. And we do this every quarter with our actuarial team. And then this quarter, there has been some TP reserve releases. But it's not very large. And we think that overall benefit that we have, we

still continue with the same practice of being conservative about the new book that we are writing.

Moderator: Thank you. We take the next question from the line of Mr. Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: So again, my question is on motor TP because one of your competitors who announced the results, their view is that given tribunals are not working, the interest component for the severity will substantially increase till the courts open and give the rewards to the claimant. Sir, to factoring that risk they have started providing a little higher than they usually used to provide. But when we look at our numbers, I mean, that could be a possible case for us also. So sir, in that sense, the motor TP loss ratio at 62% in the current quarter or for H1 FY2021 of around 66% looks very impressive.

So sir, I just wanted to understand, is it because the frequency has come off, that's why we are taking that benefit? Or is it because of some bit of Motor Vehicle Act benefit, because it has completed one year and we have factored some bit of benefit? Or given we have now still long-term TP plans and the frequency naturally comes out because of the higher denominator base, that is getting reflected into the numbers? I just wanted to understand a little more granularity on motor TP loss ratios and trends going ahead?

Bhargav Dasgupta: Yes. Okay. You have another one, Sanketh?

Sanketh Godha: Yes. I have one more question on health, it's for data keeping. So last time you gave the breakup of total health, around ₹ 800 crore what you did in current quarter and ₹ 1,600 crore in the half, broken down into pure indemnity and retail indemnity and the benefit based.

Bhargav Dasgupta: So the second one, I will ask Gopal to answer, but let me address the first question. So, I really can't comment on what others are doing, but our practice, and we have always been saying is that there are some companies which are possibly taking a very aggressive reserving call when they are disclosing their numbers on the TP side. Our approach

has been just the opposite. We have always been very conservative, as I explained, right at the beginning in terms of when we reserve we create a reserve for potential adverse deviation. And that's a good practice that insurance companies should have. In this quarter, there is no change in our philosophy. We are not taking a benefit of something that we can't quantify or estimate. We will watch that play through. And as we have also explained, at the beginning of the year itself we said that we should not take the full benefit of the either OD or TP claims because of the frequency losses, because we don't know what will happen in the second half.

So whatever reasons that have happened in this quarter is largely because of the data that we see over a period of the back book, and it could be because of maybe overall frequency losses in general in the system, not because of just the last one or two quarters, or because of maybe less accidents or because of the conservativeness that we have in terms of reserving. As I explained, the principle of being conservative for the future remains consistent. So, if you see our TP loss ratios in the past were significantly higher than some of the competitors that you are probably studying. And maybe we are benefiting from that today, while for others, it may not be the case.

Gopal Balachandran: So on the breakdown of numbers, Sanketh. On the investor deck, you would have seen the total premiums that we have given for Health, PA and travel put together, I am giving you numbers for the half year, which was roughly about ₹ 16.88 billion what you had seen for first half of last year. And the first half of this year, that number was about ₹ 15.94 billion. If I were to split that, within that, health is about ₹ 13.44 billion for first half of last year and ₹ 14.26 billion insofar as first half of the current year is concerned. That includes both the employer/employee or, let's say, the corporate health, and it also includes the retail health component as well.

Within the health breakdown, the overall retail health numbers that we have within that ₹ 13.44 billion and ₹ 14.26 billion, which is again a combination of both indemnity and benefit put together, for the first half

last year is ₹ 7.29 billion and first half of this year is about ₹ 5.97 billion. The breakup of which for indemnity is ₹ 3.27 billion is the number for first half last year and ₹ 4.28 billion is the number for the first half of the current year. The balance amount pertains to the benefit component, which was roughly about ₹ 4.02 billion in first half of last year as compared to ₹ 1.70 billion for first half of the current year.

Bhargav Dasgupta: So effectively, on the retail indemnity side, we have roughly about 30.9% growth. And for benefit, we have a de-growth because these are usually attachment policies that we sell with NBFCs, HFCs and Banca.

Moderator: Thank you. The next question is from the line of Deepak Sonawane from Haitong Securities. Please go ahead.

Deepak Sonawane: My question is regarding the healthcare segment. Recently IRDAI has mandated re insurers to not enter into any capital gearing treaties with insurers. So just wanted to know whether the benefit products that our company cedes with the reinsurers, are those ceded policies are capital gearing in nature or not?

Gopal Balachandran: So Deepak, I think this was also asked to us because the circular had come somewhere towards the end of the last year, wherein IRDAI had said exactly the point that you rightly mentioned. We have done an assessment of all the arrangements that we have had, and there is no such arrangement which should qualify as a capital gearing arrangement. All our reinsurance treaties that we have entered into meets the test of risk transfer and do not fall within the criteria of capital gearing as is put out by the regulator.

Deepak Sonawane: Alright. Sir, my follow-up question was regarding the same health segment. So for health insurance segment, our company if we see that our unexpired risk reserves as a percentage of NWP is quite high, around like 70% above over the years as compared to the peers which is at a level of 45% to 50%. So can you please provide a granularity or a reasoning for this?

Gopal Balachandran: So honestly, Deepak, unexpired risk reserve is purely a function of the policies that you would have underwritten through the year. Generally, let's say, for companies like us, where relatively a large part of our premiums comes through motor and health segments, and equally, we do get premiums from the corporate clients as well. But in general, if you look at the overall mix, motor and health put together roughly constitutes close to about 70% of the overall mix of premiums that we write. And as we all know, generally motor, specifically we get to see a large part of the premiums being sourced during the festive seasons, which is the latter half of the year. And even retail health, to that extent, also gets sourced to a large extent, towards the quarter four of the financial period. Commercial lines would obviously have risk start date, which is more towards the beginning of quarter one.

So hence, to the extent that you are able to have growth, as what we have seen in the past, which is significantly driven by growth in H2 of any particular financial period, to that extent, obviously, the earnings that would have happened with respect to those premiums will be only for, let's say, a period of three to four months, assuming that you have evenly written the business in H2 of that year. And the remaining premiums will get earned in the subsequent period. So hence, to that extent, which is why you find, let's say, the URR as a percentage of the NWP is what it is. I think from our standpoint, I think the way we look at monitoring ourselves in terms of performance is more as to what is the overall combined ratios that we operate with, which factors in elements of URR in the form of earned premiums. And correspondingly, what has been the claim experience and expenses that we have incurred. So that's what we typically look at. But to answer your point, it's purely a function of how your policies have been underwritten through the year.

Moderator: Thank you. The next question is from the line of Santanu Chakrabarti from Edelweiss Securities. Please go ahead.

Santanu Chakrabarti: Congratulations to management for putting out a strong set of numbers. I have two sets of questions. First relates to the medical indemnity business, where for this quarter you have posted 40% plus growth.

What I would really appreciate is if you guys could give me some color on what has led to this growth in terms of, one, is it agent adds, i.e. are you seeing the per agent selling increase, both in terms of volume or how much of this is pricing? And secondly, if you could give some color on whether there is an overall demand tailwind, which the whole sector seems to be riding on, and if so, how your market share is developing? And what could be the full year number? Basically, some granular information and insights around medical indemnity would be very useful.

And the second question relates to your SME lines where growth seems to be quite robust, and it's a distribution channel that we have been investing in for a period. How are you seeing PSU competition shaping up there? And how much of it is market creation? How much of it is market share transfer for you, if you could give some color on that?

Bhargav Dasgupta: Thanks, Santanu. Let me start with the second question first. And on the health, I will cover maybe at an overview level, and I will ask Sanjeev to give you more granular details. On the SME side, it's probably very difficult to exactly identify how much is the market share gain and how much is new-to-industry numbers. But obviously, a large part of it is market share gain and that is visible in terms of the segment by segment. If you look at fire, engineering, marine, every segment we are gaining market share, and that's driven by large corporate and SME. But what we are also doing is with the SME agency, I mean, that's largely an agency and small broker-driven business, there is a lot of work that we do in terms of handholding them with new categories of products. So for example, liability is not something that is very commonly sold for a certain category of corporates. And there we do a lot of work with our agents to build their knowledge and capability. So what they bring in thereafter is possibly new to industry.

But my guess is that a large part of the business growth that we are seeing is largely market share shift that is happening, driven largely by the entire investment that we have made in terms of digital servicing and claims servicing. Just to give you a couple of points, as I mentioned, almost 90%, of our policies on the SME side we do without paper, as in

completely digital. We have done stuff like on health endorsements, which for the industry is a lot of physical effort for GHI policies, we have kind of, again, digitized and automated that process, and almost 60% of the policies now we are seeing done through that process. So there's a lot of effort that we have put in, in terms of streamlining processes for the distribution. And on the claims service and the risk management service that we provide to our customers, that's been the other factor why market share is shifting.

Coming to your question on health, as you know, we have been investing and investing both in terms of product process as also in terms of the distribution addition that we have done. And Gopal talked about the number of agents that we have added in this quarter, but for the year, I mean, these are all POS agents because licensing examination is stuck, most of them are coming in as POS agents. But finally, they are really agents only. And so there is a distribution rollout that is happening, there is an investment that we are making and there is an incremental business that agents are getting because of the tailwind that you talked about.

In terms of actuals further details, I will ask Sanjeev to share whatever he wants to add.

Sanjeev Mantri: I think pretty much covered. Just a quick update. This is clearly a decent tailwind even if you look at the industry number. As you rightly mentioned, there is a decent growth which can be witnessed. There are typically two sorts of companies which are offering this, one is the multiline, the other is the only stand-alone health companies, both of them have seen significant growth. For us the key driver has been, which we have been telling the investors over the last couple of years, we have been building our agency network. Another key element that has helped us in the growth is the activation of the agent, making them active on ground.

Another thing which worked in our favor in a way, which even Bhargav has covered, is the fact that we have been sourcing all our policies some time back on the digital mode and the current scenario has kind of

helped our agents to actually close out on a low-touch basis digitally, which has also worked in our favor. We also believe that this particular scenario should continue. It's kind of ebbed down, it was at its peak around four, five months back. Now it's on the positive side, we have 25%-30% growth, and that should continue to exhibit over the next few months because fear plays a big role, and current pandemic actually has made people believe that buying health insurance is investment rather than an expense. I think that change of mindset will go a long way in terms of overall health insurance and industry doing well, and consequent to that, ICICI Lombard doing well.

Santanu Chakrabarti: Sanjeev, if I could just push you on that point, I mean, it's probably most of the agents activated over the last three to four months wouldn't be directly contributing to top-line. Would it be fair to say that, of say the stock added over the last two years, in the last four, five months their levels of volume generation have gone up significantly? And if there is a pricing component also then.

Sanjeev Mantri: The contribution from the existing partners who are there on an incremental basis because of the tailwind, definitely, that plays a big role. Plus, to get their incremental addition in terms of growth, the new activations straightaway hit that bucket technically because they were not contributing in the past. So both of them play a significant role but if you were to divide that metrics in terms of, if we have grown our new book at 40%, probably, I mean, 65-70% of that new book growth would have come from the existing set of agents who are doing more, but there would be a decent contribution of 30-35% coming from new set of active agents also.

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

Nidhesh Jain: Sir, two questions. One, on the operating expenses side, there is a fair bit of growth on Opex in this quarter on a Y-o-Y basis and then we have seen some reversal of provisions. So if you can just share what has happened there? And secondly, on the motor OD side, we have gained a lot of market share in this quarter. While we understand the pricing is

pretty aggressive in the sector, so how do you see the strategy of gaining market share in an environment where pricing is very aggressive by peers?

Bhargav Dasgupta: Yes. So let me answer the second one, and then I will ask Gopal to answer the first one. Look, whatever we do in terms of market share, it will never be at the cost of sustainability. So one of the things that we keep doing is doing a lot of granular analysis in terms of new factors to select risk and some of the experiments that we have been doing over the last couple of years in some of the segments where we were a bit cautious, we have done some more work. So some new opportunities have opened up whether it will sustain or not, I think if the aggression continues maybe we will slow down a bit. But till now, whatever we have grown is largely because of selection where we like. In fact, even if you see the overall growth, there are a couple of interesting pictures that are emerging.

One is the fact that in some of the OEMs where we believe the pricing has reached to an unviable level, actually, we have cut down. In two wheelers and private cars we have actually cut down two of the larger OEMs, while elsewhere, we have grown. Secondly, the Autoninja investment that we did last year, that is really helping us with the renewals and wherever the dealers we have kind of entered in, the renewal book is doing well. Thirdly, the agency investment and the virtual office investment that we made a couple of years back or over the last couple of years, that's doing really well. So the older book is also growing for us, where our relative market share was lower and virtual office, we had almost a 50% growth in this period and that is also helping enter into markets where we were relatively underpenetrated. So on the OD side, we are reasonably comfortable with the book that we are writing. On the cost, I will ask Gopal to answer.

Gopal Balachandran: Yes. Nidhesh, I think to just kind of give the macro picture first. I think the way I am sure we all look at is what kind of expense ratios have we run when you kind of break down the combined ratio of 99.7% that we reported for quarter two or, let's say, 99.8% for the first half of the year.

If you look at the expense ratios, Nidhesh, just the OPEX numbers, for quarter two last year, the expense ratios were 25.3% and if you look at this quarter two, it's at 26.0%. And even if you look at it on a half year to half year basis, I think it was 23.9%, and it's at about 25.7%. So clearly, I think as growth has started to come back, I think what we also explained last time, there is also an element of a denominator effect that stands to have a bearing insofar as expense ratios are concerned, which is why the quarter two will be a far more representation of the expense ratios, which is more or less staying at about 25.3% as compared to 26.0%.

Now within that, I think in line with what we spoke even in quarter one, if one was to kind of break down, what we had indicated clearly was we would want to continue to make investments in technology. And to that extent, one of the points that Bhargav mentioned, we did have an acquisition of Autoninja that came through in quarter three last year, that obviously entails an element of a depreciation charge that we have to take month-on-month. And obviously, the benefit is something that will play through over a period of time, which obviously did not find a reference when you look at quarter two of last year so that's one element of expense, which is there in quarter two this year as compared to quarter two of the previous year.

Secondly, we are continuing to make investments in various digital initiatives as what we outlined even as a part of our introductory comment, including also making available various digital avenues for even our employees to work with. So the thrust has been on incurring costs with respect to technology and digital initiatives. So to that extent, one has obviously seen an increase in costs with respect to that particular cost item. Having said that, what we had also indicated is we would obviously keep a check on all other elements of cost, whether it is with respect to our infrastructure or other admin-related expenses. There, I think one has clearly seen improvement in the overall cost by almost about 10% compared to what you would have seen on a quarter-to-quarter basis. So which is why, in the aggregate it's a mix of both. There are those items of cost which is incrementally there in this quarter

and the fact that we are making some of those continued investments in technology capabilities, which is, to some extent, balanced by the efficiencies that we have been able to get on the infra and the administrative expenses.

Nidhesh Jain: Sure. And sir, on the provision's reversal and the other expenses that we have?

Gopal Balachandran: So on other expenses, Nidhesh, if you are referring to expenses other than those relating to insurance business, if that is what you are referring to, which would have seen an increase when you look at over sequential quarters, is that what you are referring to?

Nidhesh Jain: Yes.

Gopal Balachandran: Yes, if that is what you are referring to, Nidhesh, you will definitely see an increase on expenses other than insurance business, which would have seen a spike in quarter two this year as compared to quarter one or even, let's say, quarter two of last year that's primarily because one of the points what we indicated as a part of the opening remarks was with respect to the cost of the demerger expenses, which is roughly about ₹ 31 crore, that has been taken as a charge to the P&L and that finds the reference under the line item, which is expenses other than those relating to insurance business in the profit and loss statement.

Moderator: Thank you. The next question is from the line of Udit Kariwala from AMBIT Capital. Please go ahead.

Udit Kariwala: The question I had was, if I just roughly take an average claim in terms of Covid, that amount was roughly around ₹ 1.5 lakhs to ₹ 1.6 lakhs last quarter. But for this quarter, it has come down more than half to around ₹ 67,000 - ₹ 68,000. So what has led to this? Because I remember, last quarter, you had mentioned or the management has mentioned that there is some kind of standardization being talked through, a lot of lobbying is going around that. So what has gone into this? Or is it that the average stay in hospital have gone down? And the second question

is, if you could give some color on the solvency, why it has improved? That will be helpful.

Bhargav Dasgupta: So the second one, again, I will ask Gopal to answer. On the first, it's a mix of all of that. One, is the fact that as an industry we have negotiated rates, not that every hospital has come on board, but in aggregate there is a lot more sensitivity and there is a certain chunk of hospitals who have come on board in terms of agreeing on to these package rates. Number two, if you see the mix in the second half of this year, we have some of those low-ticket benefit policies that we had written, those claims have come through. So while we have got some reduction in the rates on the indemnity claims because of both the negotiation as also the fact that less critical, I mean, we are seeing less critical cases, we are seeing length of stays coming down, etc. So there is a benefit on the indemnity side. Plus on the mix side, we have had a larger share of these small ticket benefit claims also, which is why the average looks much lower. So if you look in terms of number of cases, we have almost 5% market share. But in terms of premium or in terms of claims, we are probably about 3% of the industry numbers. It's largely because of our mix of business, larger share on benefit claims which are small ticket.

Gopal Balachandran: And on the point, Udit, with respect to the solvency, I think solvency is purely a function of what kind of businesses that you write, and correspondingly there you would have seen that even when you look at it on a half year basis, the growth for us has been at about, let's say, 0.8%, which obviously given the Covid situation, it has been a moderate growth and hence, that obviously has a direct bearing with respect to your solvency outcome. And the second, obviously, it's a function of your operating performance as well. I think we have been able to sustain the operating performance in terms of the combined ratios of around 100%. And that also, by itself, contributes and the fact that we have been able to also report approximately almost about ₹ 814 crore for the half year, which equally kind of adds on to the solvency number. So it's purely a function of, once we will start to see, let's say, incremental levels of growth coming in, then obviously it starts to have a bearing insofar as the solvency is concerned. So that's one.

And secondly, I think we did have some amount of, let's say, government receivables of the crop business that we had underwritten in 2018-2019, some of which were outstanding. And obviously, that does have an impact beyond a particular period in case it remains as receivable. So we are also seeing certain collections of premiums that we have received in this first half year. Of course, corresponding to this, there has also been a payout, but in terms of the admissibility of certain receivables beyond a particular period, that has come down. So it's a combination of all those three factors in terms of premium, the extent of receivables that will be available as an admissible asset and the overall improved operating performance.

Moderator: Thank you. The next question is from the line of Suresh Ganapathy from Macquarie. Please go ahead.

Suresh Ganapathy: Most of my questions have been answered. Just wanted to double check. Your loss rates in the first half, of course, is even lower than what it was in the first quarter on an overall basis. So this is despite higher claims that you have experienced. So, the full year last year number was about 72% - 73% odd. So what you are telling here is that despite the higher claims, possibly, which could happen in the second half, you are very confident that the full year loss rates for this year would still be kept below FY '2020 levels, right, is that the way to look at it?

Bhargav Dasgupta: So we are not giving anything about the exact percentage for the year. But what we are saying is that we were very careful and conservative about the way we treated the frequency drops in the first quarter and something that we have seen continue for Q2 FY2021 and that benefit will help us over the full year, because as frequency increases in the second half we don't see the claims numbers spiking significantly and that was what we had talked about in the first quarter as well, that we are being careful about estimating the full benefit in the first quarter itself. So we will see that play through. The reason why we don't want to give you a complete guidance is a bit of uncertainty about what happens in case of a second Covid spike. If we don't, then we have more certainty, but who knows what happens post the festive season.

Suresh Ganapathy: And Bhargav, of course, this question was answered in the previous this thing about the lower COVID ticket sizes claims in the second quarter. I think even if there is a spike in cases, we can assume the same proportion? I know it's a very difficult question, but then I am just trying to understand it a bit better.

Bhargav Dasgupta: Honestly, Suresh, there is no reason why there should be a significant change. I mean, the effort to get more hospitals to agree on the package rates, the effort to negotiate, the effort that we are putting in, in terms of identifying fraudulent claims, etc., will be ongoing. And in fact, this year, we launched an upgraded ML-based fraud monitoring solution and we are seeing some benefit out of that. So there's a lot of effort that we put to contain some of these things. So I guess, unless there is some unpleasant surprise in terms of the second spike, we remain reasonably confident about our loss ratio numbers.

Moderator: Thank you. The next question is from the line of Abhishek Saraf from Jefferies India. Please go ahead.

Abhishek Saraf: Several of my questions have been answered, if you can just answer a few more. So sir, I see that our loss ratios in fire portfolio have actually risen, despite the fact that we have been taking significant price hikes. I understand that some of it could be due to the catastrophic claims. But if you can just let me understand better why this is happening? And why the loss ratios have been moving up in the fire, despite the price hikes? Secondly, if you can just give us a status update on the Bharti AXA deal, where are we and are we tracking in line with our other milestones? So those will be my questions.

Bhargav Dasgupta: Yes. So on the first, fire will always be a bit sporadic because there are two types of claims, the high-severity claims, as also the frequency claims. On frequency claims we are seeing significant benefit because of price increase. High-severity claims are typically the CAT losses are very large losses that come through. Now for us, the first half, we had more CAT claims because in Q1 we had cyclones normally that is reserved for, and in Q2 we continued to have flood losses. But on balance, when we look at our numbers and predict the fire portfolio, we

believe by the end of the year, we should see some improvement. I am just caveating that to the extent that, at times in fire it's very difficult to play it because some catastrophic event you cannot predict. But otherwise, we are quite satisfied with the trend that we are seeing in our non-severity claims on the fire side. So we are reasonably comfortable about our fire book. In terms of the way the deal is progressing, at this point in time it is on track. We are awaiting CCI clearance before we can go to the next stage. But we think we are on line with whatever we had assumed in terms of progress. We will know when the CCI comes in about the next steps.

Abhishek Saraf: Okay. And just one more question, if I can squeeze in. So, I think it was discussed earlier by somebody as well, but I could not get it. So the ₹ 70 crore reversal in provision for impairment in investment, if you can help me understand that what was this regarding?

Bhargav Dasgupta: Gopal, you want to answer that?

Gopal Balachandran: So, Abhishek, what happens is, I think this is something that we explained even when we had kind of taken this impairment provision in quarter four of the last year. We do have an investment impairment policy which kind of tests stocks for impairment. And basis which, depending on the market movement, we are required to take a charge. And to that extent, we make provision in the books. However, subsequently, as and when, let's say, we would obviously have a view on each stock in terms of at what point of time we would want to take an exit. So in case if the exit of the stock happens, corresponding to that, whatever impairment provisions have been recognized in the past, those would get reversed and the actual realization will be given effect with respect to either a gain or loss on account of sale of that particular stock. So in this particular half year, an impairment on one of our equity stocks for which we had created impairment provision in the last year, has been kind of realized. And that's where you see a reversal of the impairment. And correspondingly, the actual realization has been given effect in the P&L.

Moderator: Thank you. The next question is from the line of Kamal Verma from Morgan Stanley. Please go ahead.

Kamal Verma: I have just one question, that was on the motor portfolio. So on the commercial vehicle segment part of it, like Lombard traditionally has not been as focused on the commercial vehicle part as much as the private car and two wheeler part. So what is the reason for that? And how attractive or unattractive is this segment versus private car and two wheelers, in terms of competition, writing, loss ratios and renewals? If you can just throw some light on that.

Bhargav Dasgupta: Yes. So our view has been that, I mean, if you look at the industry mix in general, don't look at just this last six month number because it's not reflective of general industry picture. But if you look at the industry mix, private car would be roughly about 40-45% of the mix; CV would be, again, a similar number, maybe 45% plus; and two wheelers would be about 15% for the industry. For us, CV has been about 15% of our mix, private car has been roughly about 50-55% of our mix, and two wheelers has been between 25-30% of our mix, largely because we believe these are more profitable segments based on our experience. Having said that, on the CV side, I touched upon this point earlier also, but what we have been doing over the last two years is that we are doing a lot more work on the micro segmentation of the CV book. And post the new Motor Vehicle Act, there are certain segments that we believe makes sense to underwrite. In CV, the big issue is TP, not necessarily the OD piece. So on the TP, if the book is viable then we would want to write it. So we are gradually increasing our CV book, but very, very selectively. We will not go anywhere near the industry mix. I mean from 15%, we will maybe move it up a little bit. But our overall view of what aggregate CV book remains while, as I said, with the new Motor Vehicle Act, we believe certain sub-segments of CV could become more attractive. So we are gradually looking at increasing our CV exposure very, very marginally.

Kamal Verma: Got it. Any particular sub-segments which you want to highlight?

Bhargav Dasgupta: No, we don't want to give any more details because it's competitive information. So those are selection criteria for us.

Moderator: Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: I am sorry if this is a very basic one, but just on the health side, given the sharp growth that we are seeing in indemnity, from a relatively new agency pool, on an overall portfolio level how are you avoiding adverse risk selection as this segment becomes more meaningful for you?

Bhargav Dasgupta: Look, Deepika, that's a great question, but it's not as if we were not writing CHI from the agency channel in the past. It was just that in the past since we didn't have the flexibility of repricing, we were a bit cautious. And we also had a constraint before the POS regulation came in, in terms of adding agency so those were the two constraints which went away around 2015, 2016 and that's when we started focusing on this segment. I think if you look at from 2006-07, the capabilities that we have built in terms of fraud control and network management is there, it's not as if we did not have the capability. And when we are looking at some of these agents, it's not as if they're new to the industry, they may be existing agents. We are, of course, adding some new to the industry agents also. But we are also attracting some of the existing agents.

Now on the underwriting side, our filters are probably a bit more stringent than most. And when we look at the viability of that portfolio, we don't look at it from a short-term perspective. Our actuarial team, our underwriting team do a lot of work in terms of the long-term viability of the portfolio when we underwrite. What I mean by that is, as you know, the initial period the exposure is less because of the two year or four year wait period, and then the loss picks up. And you have to study the loss issue pattern of our cohort over, let's say, eight, ten years to figure out whether the portfolio will be viable over that period. That is how we study it, when we review it together as a team, we study the long-term loss ratio pattern of this book. And we have a lot of tools that we have in terms of selection. So yes, it's something that is very important. It's not an unimportant question at all. It's a very, very important question that you've asked. I mean that's something that we focus a lot on.

Deepika Mundra: Okay. And sir, if I can just follow up on that. It just seems that the regulator is leaning towards widening the net in terms of the number of diseases covered and the policies becoming slightly more comprehensive in nature. Do you think all those nitty-gritties are priced in, in the current pricing framework?

Bhargav Dasgupta: So, when they asked us to increase, they allowed us to also increase prices to a small extent. But as we have given in our presentation, we also have regulatory approval for our flagship CHI products. While there is wider coverage, there is also price revision. We would kind of from November,2020 onwards, all new customers, we would switch to the new pricing. And for our renewal book, we will switch from January,2021. So the regulator has been I think pretty balanced, and they are sensitive to this issue. Of course, we have to show them data and convince them why we need price increase, which is, in my opinion, quite fair and reasonable. But if there is a requirement, it's not as if they don't allow price increases.

Deepika Mundra: And sir, what was the price increase from November amounts to?

Bhargav Dasgupta: That will be roughly about 7- 8%, right, Gopal, on a weighted average?

Gopal Balachandran: Yes. Roughly on a weighted average basis on the portfolio, it will be roughly about 7- 8%, Deepika.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Sir, just wanted to check, is it possible for you to share what was the exit growth rates of benefit-based health products and indemnity products? And second is, has there been a material change in the distribution mix for the industry/ICICI Lombard post COVID or it's the same as it was pre-COVID? And lastly, sir, on the digital initiatives, you did talk about it, I just wanted to understand, the way you have presented on Slide 10 the scale-up of these initiatives, how should we think about expense ratios from a medium-term perspective?

Bhargav Dasgupta: So maybe the first two questions, I will ask Sanjeev to answer. On the last point, honestly, the entire effort for us is in terms of employee productivity, as also customer convenience and reduction in error rates, right? So it's not just productivity that we look at. And if you look at over the last 12 years, I mean, it is there in the same slide, our employee productivity has been a 15% CAGR. And if you look at our total headcount today is much less than what we had in 2008, while our policy numbers have grown 8x roughly. And that is been made possible because of the tech investments that we have made over the years, not just what I talked about in the opening remarks. Going forward, the aspects that we are focusing on is, while for the customer side, customers or agency or distributor, we have done a lot of work in terms of digitizing processes and making it convenient. There is still some more work that we could potentially do in terms of human judgment, which is where the AI/ML solution comes in, which probably eliminates some of the routine work that our doctors do when it comes to, let's say, health claims. But then gives them the ability to do more work on the portfolio analysis, etc. And that is where we should see the benefit. And honestly, as we scale, we will not need to add as many people as in line with the business growth. So that's why if you look at the last 12 years, you will see the data that I talked about in terms of policy count versus headcount reduction. In terms of the health pattern, I will ask Sanjeev to explain.

Sanjeev Mantri: I think you are spot on. Clearly, as we have been always telling at every investor meet that our health book was more skewed towards the benefit construct vis-à-vis the indemnity. And over last actually couple of years, this kind of has gone through a change. We have a huge bancassurance partnership which works through the NBFC and banks. Since last year, NBFCs have been very restrictive on the disbursements. And since this year, first half of the year, also even banking while they have recovered, banks have generally recovered to some extent in the quarter two, in quarter one they were fairly subdued. To that extent, the contribution of the benefit book has gone through a change in the overall health book. Typically, we have been saying that almost two-third of our book used to be driven through benefit on

bancassurance tie-ups. However, that has transformed. Our indemnity book has increased and has also seen a lot of tailwinds and growth. So there has been a shift. It's not that it was done by design. There has been circumstances by which the indemnity has gone up, but we were prepared for both opportunities to be fair. And since we had been investing on the indemnity side, we have been able to grow on that part. And as and when the NBFC/banking sector starts disbursing, even on the benefit attachment part, we would see the reasonable growth process, which has been subdued, otherwise lower last 18 months.

Prateek Poddar: Sir, if I may interrupt. My question was, honestly, in the month of September, 2020, because I understand there will be sequential recovery, I was just looking at the exit growth rates for the quarter, for the benefit-based how is the trend being and same for indemnity?

Sanjeev Mantri: Okay. So indemnity, I think we continue to witness decent growth. I covered that when I spoke in the past and I don't see that changing substantially. And typically, indemnity book has a much better growth for the industry itself in the second half, so we should continue to see that. On benefits side, as I spoke about it, we do believe that it will have a much better, without getting into very much specific details, we would see much better numbers in the second half vis-à-vis with what has happened in the first half of the year, for sure.

Prateek Poddar: Okay. And sir, question on distribution mix. Has there been any change in the distribution mix post COVID or it's the same as pre-COVID for the industry?

Sanjeev Mantri: Mix can be attributed to the fact that we are doing more indemnity which is done through agents, solutions and digital mode vis-à-vis bancassurance was done through banking partner. To that extent, it's gone through a bit of a transformation. But is it something by design, by choice? I think some bit of lack of growth in the bancassurance side has impacted that, but it should come back. So we are pretty much invested on both sides.

Bhargav Dasgupta: So, I think the point that Sanjeev is making, don't take the current numbers and assume that will continue. I think as the NBFCs and the banks come back in terms of disbursement, our mix will again probably go back a bit more in favor of benefit, not to the extent that we had in the past.

Prateek Poddar: No, Bhargav, I just wanted to check for the whole company, not from the health perspective. Honestly, whether website traffic or direct business has increased for you. And this is for the company as a whole, including motor and not only subject to health.

Bhargav Dasgupta: Okay. I understood your question.

Sanjeev Mantri: Okay. So on the traffic side, on website for the company, yes, we have seen significant improvement on the health side, on motor as well as on two-wheeler, it has remained neutral to positive at this point of time. But clearly, in times to come, the way we have been investing, we may see some growth. But any substantial shift in terms of percentage contribution of website that has not happened as yet.

Prateek Poddar: Okay. So the online channel still continues to be minuscule or very small as a percentage of our sales, right, its additional channels which are still leading the growth?

Sanjeev Mantri: Yes.

Bhargav Dasgupta: Yes. In terms of GWP, yes. In terms of policy count, may be different, but in terms of GWP, yes.

Moderator: Thank you. We will be able to take one last question. We take the last question from the line of Ajox Frederick from B&K Securities. Please go ahead.

Ajox Frederick: Again, sorry to harp on this. In Motor TP, what is your outlook with respect to claims going forward? Now that we have almost reached very good numbers on loss ratios, so how should I see it moving forward?

Bhargav Dasgupta: Look, as I explained, you should not look at just the quarterly numbers, you should look at a longer period, because, as I explained, and we have been saying it over most calls that there would be certain quarters where based on our analysis there could be some releases in the quarter. What you should watch for is a YTD number and probably see it over the full year. Now in terms of where we are seeing the TP book, I would say, overall, we are reasonably confident about the TP book also because of the new motor third-party act that has come in. We are not as yet kind of making a full benefit out of that, but at least early signs is, we think there should be a benefit. How much of that will play through, we will have to wait to see. So overall, I think the TP book looks largely okay as long as we remain careful. But don't go by just a quarter number because there will be some volatility because of releases in the quarter versus no releases in another quarter.

Ajox Frederick: Understood, sir. Sir, on provisions being released, particularly with respect to investment, so we can see the benefit of close to ₹ 50 crore coming in, maybe if markets remain buoyant?

Bhargav Dasgupta: Maybe, Gopal, you want to answer that?

Gopal Balachandran: I didn't get your question correctly. Can you just repeat that?

Ajox Frederick: The provision reversals we did for this quarter, since markets have been buoyant, so ₹ 70 crore of reversal happened. So, we had provided of close to ₹ 120 crore in 4Q. So the remaining ₹ 50 crore, we can see that happening anytime soon?

Gopal Balachandran: No. See, as I had explained, Ajox, We do have an investment impairment policy that we get guided by. And in quarter four last year, we did provide for that ₹ 1.2 billion, because clearly we saw significant volatility in the market value of stocks corresponding to the cost that we were holding, and hence we had to kind of make a provision of ₹ 1.2 billion. As I said, insofar as this half year is concerned, obviously, we take views on the portfolio of stocks that we hold. And in case if we believe a particular stock has reached a value, which we think is appropriate, then we would kind of exit from the stock. And in case if

that results into any form of gain, then we would realize the gains. And if it all for some reason if the call on the stock has been not correct, then to that extent, we may book a loss and done away with. So that's how what you see insofar as the P&L is concerned, when you are seeing a reversal of provision for impairment, which is what I explained, in this half year, one of the stocks that we had kind of impaired for. During the half year, I think we had a view on the stock. And at this point of time, we have kind of exited from the stock. And the actual realization has been kind of booked through the P&L.

Bhargav Dasgupta: So, also to kind of to add to what Gopal is saying, if you look at our fair value change account for equity, you will see an increase. That doesn't mean that it will come through the P&L. If we believe a particular stock has reached its pricing potential that we foresee and we sell it, then only we will look at booking a gain. Otherwise, it will just stay as that fair value change account.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Bhargav Dasgupta for closing comments.

Bhargav Dasgupta: Thank you, all. Stay safe. Take care of yourself. All the best. Good night.

Gopal Balachandran: Thank you, everyone. Thank you.

Moderator: Thank you very much. On behalf of ICICI Lombard General Insurance, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

Safe harbor:

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will' ,'would' , 'indicating' , 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These forward looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, our growth and expansion in business, the impact of any acquisitions, technological implementation and changes, the actual growth in demand for insurance products and services, investment income, cash flow projections, our exposure to market risks, policies and actions of regulatory authorities; impact of competition; the impact of changes in capital, solvency or accounting standards, tax and other legislations and regulations in the jurisdictions as well as other risks detailed in the reports filed by ICICI Bank Limited, our holding company, with the United States Securities and Exchange Commission. ICICI Bank and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date there.

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