ICICI Lombard General Insurance Company Limited
Q1FY22 Earnings Conference Call
July 22, 2021

Management:
MR. BHARGAV DASGUPTA – MANAGING DIRECTOR & CEO
MR. GOPAL BALACHANDRAN – CFO
MR. SANJEEV MANTRI – EXECUTIVE DIRECTOR - RETAIL
MR. ALOK AGARWAL – EXECUTIVE DIRECTOR - WHOLESALE

Moderator: Good evening, ladies and gentlemen. A very warm welcome to the ICICI Lombard General Insurance Company Limited Q1 FY2022 Earnings Conference Call. From the senior management we have with us today Mr. Bhargav Dasgupta – MD and CEO of the company, Mr. Gopal Balachandran – CFO and CRO, Mr. Sanjeev Mantri – Executive Director Retail, Mr. Alok Agarwal – Executive Director Wholesale. Please note that any statements comments are made in today's call that may look like forward looking statements are based on information presently available to the management and did not constitute an indication of any future performance as future involves risks and uncertainties which could cause results to differ materially from the current view being expressed. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your telephone phone. I now hand the conference over to Mr. Bhargav Dasgupta – MD and 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 conference call of ICICI Lombard General Insurance for Q1 FY2022. Hope you and your colleagues are safe and healthy. First and foremost, allow me to offer prayers and thoughts to those who have lost their lives to COVID-19. Let me also appreciate the hard work and the dedication of all healthcare and frontline workers and particularly our employees for relentlessly working during such turbulent times.

I will give you a brief overview of the industry trends and developments that we have witnessed in the last few months followed by emerging demand trends and opportunities. Post this, our CFO, Mr. Gopal

Balachandran will share the financial performance of the company for the quarter ended June 30, 2021.

The second wave of the pandemic in our country that peaked in May 2021 has been devastating and much steeper than the first wave that peaked in September last year, consequently, derailing the growth recovery that had commenced in the second half of last year. However, the pace and scale of activation along with the fact that lockdowns are localized is expected to help the revival of growth. Though there continues to remain challenges for the economy due to each level of potential growth this year given the risk of third wave, disrupted supply chains, aggregate consumer demands and the large contractions still seen in certain specific sectors.

Turning to the GI industry, during this quarter motor insurance saw muted growth due to two consecutive years of slowdown leading to a lower base for retention and postponement of motor insurance due to restricted mobility due to COVID-19-induced lockdown in some parts of the country. Health insurance on the other hand continued to show robust growth for the industry which was driven by enhanced awareness due to the pandemic and then an attitude shift of consumers towards protection buying. As far as commercial lines are concerned the growth in the fire segment moderated on a higher base, while marine and engineering lines witnessed some pickup due to the base effect.

Overall, as per disclosures on the website of IRDAI the general insurance industry registered a growth of 13.8% on Q1 FY2022 over Q1 FY2021 with the industry GDPI moving up to ₹ 444.35 billion in Q1 FY2022 from ₹ 390.55 billion in Q1 FY2021.

During the quarter we continued to face headwinds in the form of elevated COVID health claims, no revision in prevailing motor third party rates and CAT events.

Speaking of our experience, the recent COVID-19 wave has been challenging and very different from the one last year. Operationally, we were better prepared for remote working and seamless delivery of operations and continued to prioritize employee health and safety. In spite of that over 10% of our employees got affected with the virus and we lost 16 of our colleagues. We provided COVID-19 helpline for any support and advice for COVID-19 affected employees or their family members among other employee benefits which included doctor consultation, bed requirement, insurance related support, home care reimbursement, salary advance and additional leave among others thus positively impacting over 2,300 lives. We also undertook a Pan India vaccination drive that began in June for our employees and their family members. I am happy to share that over 80% of our employees have been vaccinated till date at least with one jab.

There is a business impact during the quarter firstly the main challenge during second wave that we saw was significantly higher number of reported COVID-19 claims cases and the longer reporting tail than what we witnessed in wave one. Although the average stay period had come down during the second wave. The moderate and critical cases had substantially increased and so did the cost of stay in these cases. Also unlike the first wave the second wave impacted the affluent class having better insurance penetration and higher sum assured. Taking you through the claims pattern for the overall industry, COVID-19 claims reported for Q1 FY2022 of this year has already crossed one million in comparison to 0.98 million cases in the whole of last financial year of which 4% of the claims were reported with us. Secondly the claim frequency of selective surgeries during the quarter saw a lower dip in comparison to what we saw last year although the number of claims continues to remain marginally below the pre COVID levels and thirdly the motor own damage claim frequency had a lower reduction as we had a local lockdowns in some states unlike a complete nationwide lockdown that we saw during the same period last year. As a result, the benefit that we received on account of motor OD this year was lower in comparison with what we saw last year. The reserving philosophy for us has remained the same which is spreading any benefit on account of favorable development over a period whereas taking any hit due to unfavorable development on an immediate basis.

Now while we were cautious on underwriting group health for a portfolio during the last quarter we remained excited about the long-term opportunities in health insurance segment. For us retail health will continue to be one of the fastest growing segments and we will keep investing and expanding product lines driven by consumer needs enhancing digital and people capabilities and strengthening distribution engine. Towards this we plan to further strengthen our headcount by adding another 1,000 people in the retail health sales force.

Now given the recent adverse experience on loss which was under the health portfolio due to second wave of COVID-19 in order to make the book sustainable in the longer run we have started to increase the average premium per life for a given exposure in the group employer - employee health segment. We have been effecting increase in average premium per life in ranges of 15% to 20% in consultation with the channel partners and clients based on the past claims experience as well as keeping in mind the COVID-19 pandemic is far from over.

Our longstanding investment in technology was accelerated last year resultantly with over 97.3% of our policies being issued by us for the quarter ended was in paperless form. Under the SME segment close to 90% of the business sourcing was through these digital solutions. Our holistic health & wellness App ILTakeCare that is curated to provide a gamut of healthcare and insurance services has surpassed over 7lakh user downloads. Our objective is to get closer to our customers by providing a unique platform for continuous engagement to help them take care of their health, motor and other risks.

At the outbreak of the second wave as a socially responsible organization we took several timely measures in providing support to the community at large so we supplied 1,000 oxygen concentrators across select locations that had witnessed a rapid increase of COVID-19, we partnered with a leading hospital to setup a 58 bed dedicated COVID care center in New Town West Bengal. We organized free vaccination trails for the under privilege citizen in Mumbai. Over 10,000 such vaccinations have been completed as part of this initiatives so far with the plan being to accelerate total of ~50,000 individuals at the earliest. We are also providing free vaccination and COVID-19 test support to 2,500 senior citizens. While these are small efforts in the larger context, we believe that collectively India Inc. can play a crucial role in mitigating the impact of the pandemic.

As we speak the extended impact of the third wave if any, of the pandemic continue to loom. We are only hopeful that we will never have to go through the experience that we had over the last three months not just as a company but as a country. For us at ICICI Lombard we had built over the years a well-diversified portfolio mix that positions us to uniquely capitalize on the present conditions, we are confident about our ability to grow our business in preferred segments and continue to create long term value for our shareholders. We continue to maintain strong capital position and strengthen results even during the challenging times. I will now request 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 Q1 FY2022. We have put up the result presentation on our website you can access it as we walk you through the performance numbers.

Our gross direct premium income of the company stood at ₹ 37.33 billion in Q1 FY2022 as compared to ₹ 33.02 billion in Q1 FY2021 a growth of 13.0% - which was largely in line with the industry growth of 13.8%. Our focus on preferred segments primarily drove our GDPI growth. The fire segment registered GDPI growth of 12.7% in Q1 FY2022 thereby catalyzing the GDPI growth of our property and casualty segment.The growth in this segment has normalized consequent to the rate hikes that happened in January 2020.

As indicated in our results presentation the overall properly and casualty segment grew by 18.6% in Q1 FY2022 over Q1 FY2021. On the retail side of the business in the motor segment we registered a muted growth of 1.9% in Q1 FY2022. Individual health indemnity business grew by 20.4% for Q1 FY2022, SME segment delivered 21.3% growth for Q1 FY2022. To harness the potential of this segments we have been expanding our distribution network to increase penetration in Tier 3 and Tier 4 cities. Our agents which includes the point of sale increase to 61,385 as at June 30 2021 up from 59,545 as on March 31 2021. The advance premium was ₹ 32.11 billion as at June 30 2021 from ₹ 32.06 billion as at March 31 2021. The combined ratio increased to 121.3% in Q1 FY2022 compared to 99.7% in Q1 FY2021 which includes as per the actuarial practice assumption of thick tail of claims to factor delay in reporting of health claims. The Combined ratio includes impact of COVID claims on health book of ₹ 6.02 billion of which ₹ 3.84 billion of claims were incurred and claims incurred but not reported IBNR provisions was ₹ 2.18 billion in Q1 FY2022 as against ₹ 0.20 billion in Q1 FY2021 and ₹ 3.39 billion in the whole of FY2021.

The reasons for the combined ratio to be elevated for this quarter are as Bhargav spoke significant surge in COVID cases intimated from just about 1,300 cases in Q1 FY2021 and about 50,000 cases for the whole of FY2021 to about 46,000 cases just for Q1 FY2022. As mentioned by Bhargav, non COVID health claims count saw a sharp rise of 111.8% in this Q1 FY2022 as compared to Q1 FY2021. While we saw some benefit on motor however the benefit was lower than what we saw during the same period last year. There was an increase in motor OD claims counts by 75.0% in Q1 FY2022 as compared with Q1 FY2021. Cyclone and flood flosses increased to ₹ 0.38 billion in Q1 FY2022 as compared to ₹ 0.35 billion in Q1 FY2021. Our investments asset rose to ₹ 320.75 billion at June 30 2021 as compared to ₹ 308.92 billion at March 31 2021. Investment leverage net of borrowing was 4.16 times at June 30 2021 as compared to 4.09 times at March 31 2021. Investment income increased to ₹ 7.23 billion in Q1 FY2022 as compared to ₹ 4.99 billion in Q1 FY2021.

Our capital gain was at ₹ 2.44 billion in Q1 FY2022 as compared to ₹ 0.61 billion in Q1 FY2021. Our mark-to-market gains on the investment portfolio was at ₹ 15.26 billion at June 30 2021, ₹ 14.13 billion at March 31, 2021, and ₹ 10.66 billion at June 30 2020. The company has exercised the call option to redeem the debentures of ₹ 4.85 billion in full along with the final interest due which is post the receipt of the necessary regulatory or statutory approvals on July 28, 2021. The record date for the same was July 12, 2021.

Our profit before tax stood at ₹ 2.02 billion in Q1 FY2022 as compared to ₹ 5.31 billion in Q1 FY2021 a degrowth of 62.1%. Consequently, profit after tax stood at ₹ 1.52 billion in Q1 FY2022 as compared to ₹ 3.98 billion in Q1 FY2021 a degrowth of 61.9%. ROE was 8.1% in Q1 FY2022 as compared to 25.1% in Q1 FY2021. Solvency ratio was 2.76 at June 30, 2021, as against 2.9 times at March 31 2021 continued to be higher than the regulatory minimum of 1.5 times.

So far as the progress in relation to the scheme of arrangement with Bharti AXA is concerned, we received the NCLT approval during the quarter and we await the IRDAI final approval in the matter. The expenses incurred of ₹ 0.06 billion have been absorbed in the P&L during Q1 FY2022. As I conclude I would like to reiterate that we continue to stay focus on building a profitable growth and sustainable value creations and would like to thank you all for attending this earnings conference call and we will be happy to take any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Deepika Mundra from JPMorgan. Please go ahead.

Deepika Mundra: Sir just on the IBNR if I see the result in the P&L it reflect that the IBNR is up I think from ₹ 5.4 billion to ₹ 11.4 billion, but you mentioned that on the health side the IBNR is just about ₹ 2 billion as part of the 6 billion odd claims, so can you help reconcile that what is the increase for and secondly the 15% to 20% increase in pricing on group health, has that already gone through or it is expected to go through in the near future?

Bhargav Dasgupta: So let me answer the second question first and then I will ask Gopal to cover the rest. So since we saw the COVID numbers spiking and all the points that both of us made is that this time the pattern is a bit different in the sense that the tail seems to be thicker in the sense that the reimbursement claim percentage is a bit higher which means some of the claims are getting reported a bit late compared to what we saw in wave one. So what we did was when we were beginning to see these numbers going up we started recalibrating our pricing and as we speak to answer your question Deepika, yes the pricing has one which we are writing now group has said we are writing at a higher price. So we have two, three types or different segments one is we have the SME segment which we talk about where we write smaller groups there it is a more gradual price increase that we do in any case and there also we have done a price increase for large accounts these numbers are more relevant for the large account there those price increase is going through of course time specific, but that is going through. Coming back to your question on IBNR the number that Gopal mentioned was specifically for the COVID impact which is in a sense related to last quarter or a bit of a one all, but the overall aggregate numbers of the aggregate IBNR numbers I will ask Gopal to clarify the breakup.

Gopal Balachandran: So Deepika I think what you are seeing is basically the change in the IBNR over different periods. Now that is obviously a function of payment that would have also happened out of the IBNR reserves that you create and hence to that extent when you compare between periods you may not be really be able to get a like-to-like comparison. Let us say for example whatever IBNR that you would have reserved in let us say Q1 last year a lot of it would have already kind of maybe got settled during this last 12 month period and incremental IBNR what we create not just for health while we put out the numbers specifically in the context of health as a part of the same LODR reporting that you are referring to that is also information that is available with respect to the outstanding IBNR that is existing for each of the segments. So what you see as a change in IBNR is purely a position between periods that can undergo a change basis the actual claim payment that happens across different segments. Better outcome would be to maybe look at the loss ratio numbers between different segments which comprises of both IBNR plus the claims that have got paid during the respective periods and on that basis if you would have seen I think as a part of the investor presentation which we have put out segment by segment what is the change that we are seeing in so far as the overall loss ratio movements are concerned.

Deepika Mundra: So I just wanted to understand that firstly if I am growing the health business in the context of a potential growth had we if any and secondly would the reserves the accounting for future losses is that is the one which is beyond this IBNR also?

Bhargav Dasgupta: Again your second question first, have we factored and created reserve for a potential third wave of COVID the answer is 'No' we cannot do that, we cannot create a reserve for some claims that will happen in the future what we can do is be conservative and reserve for the IBNR based on actuarial statistical models that is what we have done for health and as we have said our principle is that when we know for adverse effect we take the full hit upfront and when we also know of a benefit we do not take the full hit upfront. Now let us say on a motor OD side like last year we have stayed with the same principle of spreading the benefit over a period and if you look at last year just to amplify last year ICICI Lombard motor loss ratio in Q1 and for the full year was similar roughly about 65%, 66% respectively and for the industry the first quarter loss ratio on motor was 67% for the whole year was 75% it just tells you the principle that we follow which is again we have discussed this many times so we have been conservative in that sense, but we cannot anticipate a future event and provide for it that is not allowed in our regulation neither. Now coming to your next point on third wave whether third wave will happen that we have not anticipated. In our future expectation and estimation, we are anyway assuming a continued tail of COVID cases. So for example right now we are seeing 40,000 infections in the country incrementally every single day now whether that will continue for too long or not, but there is that number. So we are assuming that for a future outlook but not in the reserving.

Gopal Balachandran: I think the only thing that I will just add on I think when we also did the estimation of IBNR as we kind of put out as a part of the opening remarks this wave specifically Deepika we have clearly seen the tail of reporting to be relatively longer given the fact that the number of intimations have been substantially on the increase. So let us say for example the proportion of intimation that would have come through reimbursement is far higher than the proportion of reimbursement that we have seen in so far as wave one intimations are concerned and secondly we have also seen the reporting time period within which a customer logs in for a reimbursement claim that also under wave two has seen an increase in comparison to what we had seen under wave one so that is the reason why factoring in for this relatively longer tail of claims and the claim pattern that we have observed during wave two in comparison to wave one is what we have kind of factored in for that incremental IBNR of ₹ 2.18 billion obviously we will have to wait and see how the development plays out as we see over the next few months and kind of factoring for the appropriate impact thereof. And to your first question so far as the investments in health I think that clearly we have always articulated health as an area of opportunity I think both whether it is in the context of employer - employee obviously we have always kind of played that particular segment tactically over a period of time depending on the underlying environment that is operating in the market, but on the retail side clearly as we have spoken over the past several quarters that is clearly an area where we think there is enough and more continued investments and distributions that we can do and that is where again we believe this is the right time given the potential that segment has, we are kind of going ahead with making that incremental investment of expanding our work force particularly of the front line distribution by additional 1,000 people who in turn obviously will be kind of significantly working towards expanding the distribution force because at the end of the day if you look at on the retail health specifically the extent of market share that you would have it is a single digit number and we believe there is a long headroom for growth in that segment and these are times where we need to continue to make our investments in expanding that particular portfolio.

Bhargav Dasgupta: And just to add to one comment your point on your concern on third wave in that context. So, when we build a team we do not see incremental business revenues comes so immediately so by the time the team comes in and starts becoming productive effectively we will see a business impact really next year, worst case if we see another wave this year I do not think there is incremental risk because of this .

Moderator: Thank you. The next question is from the line of Ajox Frederick from B&K Securities. Please go ahead.

Ajox Frederick: Are we factoring in still 30th June that is what IBNR contributing for the claims which are not yet intimated or are we assuming a tail going forward and that is also factored in part of IBNR?

Gopal Balachandran: Ajox to answer your points as Bhargav explained I think so far as the regulation is concerned we can largely reserve for any claims as the term IBNR indicates these are claims that are likely to have incurred or happened during the quarter, but for which let us say a reporting has not happened so that is the provision that we carry in our financials. The number of ₹ 2.18 billion that you have seen is predominantly for the intimations given the points that I spoke about in response to the earlier question that Deepika has asked it is to kind of factoring for any likely delay in intimations which are expected to happen in the months of let us say July, August or September or maybe even thereafter for likely admissions or claims that would have happened in Quarter 1.

Ajox Frederick: Sir now coming to second part of that question which is likely you said going forward it is difficult to estimate so on and so forth, but you might have done some back of envelope calculation and be prepared for it like what is the sense you are getting for me and getting yourself like around ₹ 200 crore - ₹ 250 crore yet to come in to of course it would with complications, but have we done any general math

Bhargav Dasgupta: We have done our modeling like every time we do this honestly speaking estimating the time and the severity of wave three is really challenging and again there are as you know multiple predictions on whether it will happen or even if it happens will we have the UK experience because of higher vaccination the hospitalization will be lower etc, these are looked into through multiple numbers with small tweaks in the assumption on the wave three.

Ajox Frederick: I was just talking about the current tail like-to like

Bhargav Dasgupta: So currently Gopal explained what we have seen is because there has been slightly more higher proportion of reimbursements claim and there is some amount of delay, wherever there are uncertainties a good actuary gets more conservative and so they do build what is known as margin for adverse deviation which is built into this IBNR number. Now in reality if the numbers proves to be lower than what we do that will come through and get released, but as of now we believe that is an appropriate reason.

Ajox Frederick: Sir on the price hike front any thought process on the retail side and are we expected to go slow given the current scenario probably as a tactical scenario?

Bhargav Dasgupta: We take the tactical calls in more of group portfolio that is why I made that point in the beginning that we have been a bit cautious because you are beginning to see this towards the end of last year, early beginning of the quarter, but in retail we believe that it is important for us to stay invested in a distribution and channel. This is insurance there will be a quarter where a big cat event will happen I mean pandemic is something that does not happen in every other day, but when it happens it happens, but we have to stay invested in building the distribution and stay with the strategy. Having said that we were a bit more cautious about adding the headcount that we have added now simply because we have seen two waves maybe another wave three will happen and thereafter at least we are hoping that things will stabilize a bit. So this investment will start delivering top line growth really from next year onwards. So that if you can call it a tactical call that is a tactical call, but otherwise you want to stay invested in the retail health side.

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

Prateek Poddar: Sir I just wanted to understand this ₹ 218 crore if you can just give us some flavor as to how do we project this and just taking this forward if we have 40,000 cases every day you had a 4% market share as you talked about in your opening comments does that mean that 1,600 cases a day is something which is theoretically our size of claims which might come to us in the worst case and that can easily get absorbed going forward is that the way to think about it that is question number one and second is sir if you have taken a 20% price hike as mentioned in your PPT then does that mean that from a volume growth perspective health has seen a 20% volume degrowth on a YoY basis and lastly sir motor growth has been quite slow this quarter, but despite you mentioning that there was only a partial lockdown so I did not understand why is that so these are the three questions?

Bhargav Dasgupta: Let me try to answer the first question and clarify this, so let us look at data so if you look at as a nation in the country there were roughly about 18 million COVID cases this first quarter as a nation as against 12 million COVID cases in the whole of last year. The total industry claims so all of them just to explain that 40,000 does not mean everyone will claim so out of this 12 million of cases of COVID last year in the country industry saw 9,86,000 cases of claims. Now in Q1 FY2022 the industry saw about 10,51,000 claims so it is not as if every person affected claims so it is because usual penetration issue etc of health insurance. Now if you now look at again comparing with the last year first quarter numbers just for us and now turning to our number last year first quarter we had 1,317 COVID-19 cases first quarter last year while in this year first quarter we have 46,136 cases almost more than 35 times. What we have also seen is the percentage of reimbursement cases are higher this time than what we saw in wave one. Now the percentage of reimbursement we cannot predict at the beginning of the wave because we are just seeing the cashless claims. So let us say we get cashless claims of 100 in the first week or first month we believe that will be similar to last year. So last time maybe there was a 50% reimbursement and 50% cashless we are assuming similar numbers will happen, but by June we are getting a better picture for the April book because people start filing the reimbursement claims and we are beginning to see that the reimbursement percentage is higher this time than what we saw last time. Hence a good actuary looks at this pattern change and there is still data insufficiency for all the claims that people have actually got hospitalized may not have claim from Q1. So we create a reserve which is IBNR incurred as in the hospitalization has happened, but the claim has not been reported to us so that is IBNR. Now in IBNR the actuary also kind of create some cushion which is called margin for adverse deviation from what is this model showing as the best estimate and we owns the certain cushion and whenever these amount of uncertainty usually that margin for adverse deviation cushion is slightly higher so that is what the actuary has done which is to look at this pattern of claims the volumes etc while intimated claims are 384 crs he has held an incremental IBNR of about 200 crs plus. In due course as all claims gets reported in all reimbursement claims comes through in the month of July, August for the first quarter by the way we will get to know may be within two to three months what is the full picture. Now if the number is less than that will get release. Coming back to your next question of going ahead 40,000 cases that will lead to what number of claims it depends on which market the cases come from if it is big city you have percentage and all of those factors will come in so difficult to predict what the number remains. Coming back to your question on motor.

Prateek Poddar: Volume degrowth of 20%?

Bhargav Dasgupta: No we did not have a volume degrowth we can separately see the numbers, but the price increase that I am talking about this has happened from April onwards. We are talking about the price increase towards the latter half of the quarter and more importantly now. We will give you the volume numbers in due course and in retail we did not see that kind of a price increase it was smaller price increase because we took a price increase in our core indemnity product back in November, 2020 for the new and for renewal in January,2021 that was already taken in last year.

Coming back to your last question on motor yes our market share was slightly muted in Q1 as there were couple of impacts one is that we have a typically slightly larger share of new and as new gets affected we also get affected and we had two consecutive years of that. So last year new sales did not happen so the renewal book for in this quarter based on last year book is also low. My sense is it is temporary I think by this quarter we should be back on track in our sense. We are not overly worried about motor market share.

Prateek Poddar: Sir one question if I may squeeze in someone who has got COVID last year let us say those 1,379 cases when we come up for renewals do they take higher sum assured and we charge a higher pricing because he has COVID so are you being slightly more conservative in terms of higher price I am just trying to ask like behaviorally higher sum assured?

Bhargav Dasgupta: As per regulation we cannot deny, but what we do as I said the retail portfolio pricing happens on a portfolio basis so we go back to the regulator and based on portfolio we asked for price increase which we had done in November, 2020 last year so that price increase the customer will pay because that is our pricing. As far as Sum assured is concerned, we have seen higher proportion of up-selling on sum assured that we are seeing in the retail portfolio on the indemnity side, but if you want separately we can give you that number.

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

Neeraj Toshniwal: The question is whether waiting has also increased the ticket size in this quarter for you guys because target ticket size was 79,800 and on ₹ 384 crore on 46,000 the ticket size has moved to 83,478 though it is still below than the industry but I think it has increased for us the ticket size payout average per claim?

Bhargav Dasgupta: Neeraj I think on claim severity as we explained definitely even as a part of our opening remarks what we had indicated was compared to wave 1 the proportion of cases that we have seen on the wave two with respect to let us say moderate or critical cases that has definitely seen an increase so that by itself kind of increases the overall average claim size so that is one. The second is in general I think the extent of medical procedures that were performed in wave two as compared to wave one given the intensity of the virus that had attacked in this wave was also definitely higher so hence to that extent that also led to an increase in so far as claim severity is concerned. To some extent the reason why you see more or less the balance number because as we also mentioned the extent of the length of the stay that we have seen during this particular wave two as compared to wave one has seen some kind of reduction in the number of days. So in that sense it is a balance outcome so far as ACS is what we have seen, but yes there is definitely an increase in claim severity on those points that I spoke about and the extent of severity again has varied between geographies I mean for example if you look at some of the metro cities as we know Delhi, Karnataka, Mumbai, Tamil Naidu I think clearly these were four geographies where we had also seen a significant increase in number of intimations and there the extent of billings that we have seen in so far as average claim sizes are concerned that was definitely on an increase, but on balance I think when you look at the overall book I think given a combination of what I spoke the average claim size seems to be more or less on the similar lines as what we had experienced in the whole of in comparison to wave one, but definitely we have instances of increase in claim severity.

Neeraj Toshniwal: And the second question is a motor we started taking small price increases what is the current scenario can you help with this on that I mean how is price increase happening around?

Bhargav Dasgupta: So Neeraj the market remains competitive and I think the market has seen like last time some amount of benefit because of the temporary lockdowns that some states did in this phase. So some of these are a bit sticky so we have not seen the market shift in line with what we expected. Our sense is that it will take a bit of time, but it has to happen because the Motor OD side is I think extremely competitive right now.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha: Sir I wanted to understand that given the current number of cases let us say 40,000 a day and your modeling for the next 9 months July onwards what sort of lost ratios in health one can expect let us say if the current situation stays the way it is and then what could be sort of the new normal or does that move significantly from what we used to see let us say in the previous year?

Bhargav Dasgupta: Honestly again as I said it is very difficult to predict the virology and the timing and the extent of the wave. So I will not comment on that because we are not even assuming that in the base situation at this point in time that can be something that we will have to watch for, but in a BAU basis in a base case basis also there is a bit of increase in ACS average claim size that we are seeing that claim severity that we are seeing for even non COVID cases fundamentally because what has happened in the hospitals is that there is some amount of increase in treatment cost because of the consumable charges the PPE kit that they use some other tests etc that is happening. So, there is a slight increase in the ACS for even non COVID. So keeping COVID assets which is very difficult to predict even non COVID we are seeing some increase which is why we feel it is appropriate to go for a price increase on the group segment as I said and hopefully the retail increase that we have taken should access our objectives on the balance on the lost ratio, but I think there will be a slight shift up in the overall lost ratio for health book even apart from the one off COVID impact that we see in Q1 exact quantification difficult to tell you, but we are expecting some increase.

Madhukar Ladha: There were a lot of numbers mentioned I may have missed or I do not know whether that is already there in the presentation, but what was the number that 46,000 number what we got in Q1 in FY22 and what was the number for the full year?

Bhargav Dasgupta: you are right 46,136 was the number of claims that got intimated for COVID in first quarter of this year. Last whole year for us it was 49,266. Last year first quarter the corresponding quarter the number 1,317.

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

Nidhesh Jain: So if I look at the COVID claims impact in this quarter is around ₹ 600 odd crore if I just add that to PBT that becomes a very large number, so what is the benefit we probably have got on the non COVID claims in the health vertical, so I am just trying to understand what could be the normalized profitability had COVID not been there?

Gopal Balachandran: So Nidhesh again as a part of the opening remarks what we had indicated was unlike wave one where we had actually seen reduction in non COVID health intimations for example. If you look at wave two which is for the current quarter the extent of non COVID health intimations are at almost 90% of the levels of let us say business as usual quarter which is something I mean in the normal course you would have expected that whenever the COVID cases is at its peak you would have expected let us say the non COVID health intimation do have actually seen a reasonably decline in intimations, but that is not something that we have seen in this particular quarter. So hence on so far as non COVID health benefit as I said because it is pretty much back to almost 90% of intimations to a BAU quarter we have not seen any significant benefit in so far as reduction in claims is concerned so that is so far as the health picture is concerned. On the motor side I mean since you are talking specifically about benefits on motor again the picture is pretty much similar I mean a better comparison is maybe Quarter 1 of last year, Quarter 2 comparison may not be relevant at least for motor because in Quarter 2 last year we had more or less seen the economic activities kind of opening up and claim intimations on motor that is pretty much back to normal. Hence a better comparison will be to look at it from a Quarter 1 of last year where there was a complete lockdown. Now at that point of time the number of intimations that we had seen on motor on own damage claims that number was roughly at about 37% of let us say a normal business as usual quarter around 37% levels where as if you look at the Quarter 1 of the current year again the trend line is similar to what I spoke on non COVID health wherein we have not necessarily seen as much of a decline in intimations. In fact we have seen an increase of almost about 75% increase in number of claims or if I have to put the other way round we have almost seen about 65% to 68% of intimations in this particular quarter in comparison to a normal business as usual quarter. So again we have not seen as much of a benefit in motor own damage claims as well in comparison to the last Quarter 1 of FY21 and while there is a benefit, but the way we have continued to recognize this benefit is the similar approach what we followed the last year which is to be prudent in so far as not recognizing the benefits entirely in this particular quarter rather there is a possibility that some of this claims could kind of comeback or maybe see an increase in the subsequent quarters and hence again as we put out even a part of our opening remarks wherever we see may be an adverse development we generally as a matter of prudence we tend to take from an actuarial standpoint the whole of the impact in that particular period, but wherever we see any benefits we again try to be prudent in looking at recognizing the benefit over a period of time. So when you look at the numbers now for the Quarter 1 while on the health side you saw an impact of about ₹ 602 crore. The benefit that I spoke about on the motor was roughly at about 60 crore. So on a net basis what we have seen is about ₹ 540 crore of impact in this particular quarter.

Nidhesh Jain: So in that context profit could have been ₹500 crore it could have been higher ₹ 500 crore if COVID would not have hit us?

Bhargav Dasgupta: So we had a good quarter on the investment side relative to last year because if you see our capital gains were particularly elevated so that of course was a bit of one off as well.

Nidhesh Jain: Secondly on the app we have got around 7 lakh downloads, so can you share some more details on how the monthly active users and how are we planning to cross-sell to these customers & another one if you can highlight the thought process behind the app or features of the app.

Bhargav Dasgupta: So that is a great question so that is what we are kind of building up for so if you go back to the thought process behind this app it was started for our group health customers because normally we have a relationship with the corporate we do not build a relationship with the actual consumers under group employee employer portfolio. So this was started with that and then we gradually as we kept pivoting and now it is built as an app for all our customers this is engagement app for all our customers and the whole thought process is that this in the long term would one create better retention and renewals and also potential up-sell, cross-sells. Right now the focus was largely building the service platform and the partnership platform to provide some of these services. So for example tele consultant this is something that we wanted to be rolled out to the side. So these were things that were not necessarily focusing on up-sell, cross-sell, but again giving more service and feature to the customers that was the focus. Very recently in the last quarter we have now added the buy policy features only on the android phone we have not done it for the IOS and we have now began to see some decent traction in terms of numbers just to give you some sense in terms of the tele consult what I talked about even as recently as Q4 of last year we had roughly about 1,685 tele consultants first quarter we had 7,685 tele consultants I mean these are not revenue number, but you just engage the numbers that are picking up. As of now the cross sell, up-sell numbers are very small because as I said it just in fact it was later half of the quarter we kind of added the buying flow capability, but we are quite optimistic about this piece going forward.

Nidhesh Jain: Last question on the retail health so industry is growing at 35-40% this was a very good quarter in terms of awareness about health insurance segment and we have also taken price hike last year, but despite that our retail indemnity health growth has been quite low versus what industry is growing and now I am saying that we are adding 1,000 people so should we start hoping that we will start growing in line with the industry going forward or not?

Gopal Balachandram: Nidhesh that is definitely an area of investment for us and that is precisely the reason why we spoke about our continue trust of expanding distribution in retail health specifically and that is where even if you see the aggregate number of agents that we were able to work with this is of course the company numbers and you would have seen that the total number of agents which includes a point-of-sale distribution to be at about 61,000 plus which is up from about 59,000,this number could have actually been slightly higher but for certain challenges that we had in so far as enrollments of agents given the pandemic wave that we have seen in this particular quarter that impacted everyone I mean even in terms of agents who would have been available for enrollment, getting them licensed. Our own people actually kind of put out almost 10% of our workforce was impacted as a result of this virus so all of that obviously had some impact in so far as growth of the retail health portfolio when you look at the Quarter 1 numbers specifically, but honestly I think this continues to be one of our preferred segments and we would want to kind of as I said leverage on the growth potential what we see and want to make those incremental additions to the workforce of about 1,000 people which in turn as Bhargav explained the benefit of incremental revenues again is something that we will start to see flowing through maybe from the next financial year onwards.

Sanjeev Mantri: We have three categories on the health indemnity side one is SAHI, another is PSU and there is private sector which is multiline companies. So SAHI of course has grown from more than 50% and the arbitrage that is available in terms of the access to agents which we had some restrictions because of the pandemic the exams were not happening and otherwise with this we have been able to make the large distribution. The multiline company on an average have grown at 23% while we have grown at 28% and the PSU have grown at 20%. So if you see the cohort wise we have been ahead of the cohort in which we are operating and with this investment we believe that we will be able to increase the market share going forward.

Moderator: Thank you. The next question is from the line of Vinod Rajamani from HSBC. Please go ahead.

Vinod Rajamani: So just two questions actually both related to the health segment so if I take the IBNR outstanding claims reserves number so for health and personal accident for March 31st 2021 and if I take it for the first quarter in the release in the investor separate below the P&L, so that number I get as I get that ₹5.78 billion and if I look at the IBNR that we have provided in the results in the presentation you have said it is ₹6.02 billion?

Gopal Balachandran: One when you are looking at the numbers again when you are looking at the outstanding IBNR numbers as I explained whatever IBNR numbers that you would see as of 31st of March some of those would have kind of got settled during the quarter and hence to that extent we would have seen a reduction in the IBNR numbers and incrementally whatever claims have got reported again in this particular quarter that is why we have the impact of about ₹602 crore. This is in the context of COVID that I am talking about. What you are talking about of the IBNR what you see as a part of a LODR filing is the IBNR picture for the overall health book which includes the combination of IBNR for the retail portfolio as well as the employer, employee portfolio as well. Now at any point of time when you look at the reserving or let us say claim intimations as and when the claims gets intimated there is a particular process that we follow in so far as settlements and on that basis either the claims will be a part of claims paid or in the event if there are actually cases that have been intimated yet to be settled that will be a part of case reserves and beyond this is where there is an actuarial estimates that happens which is with respect to IBNR reserves. Now hence when you look at the numbers of the outstanding position let us say as of 30th of June it would include maybe certain cases of IBNR which is yet to be settled that is one and two for the whole of the health book whatever IBNR that we have created is forming a part of the outstanding number. So it is not necessarily a like-to-like comparison that you can do in terms of the IBNR outstanding as of 31st March vis-a-vis let us say IBNR outstanding as a 30th of June.

Vinod Rajamani: Second question is in the first wave how much of the IBNR provisions were later reversed just some rough percentage as to on the health side how much of the IBNR provisions that you took during the first wave how much of that was later reversed?

Gopal Balachandran: I think at this point of time we do not have a specific number around it, but generally we can quite possibly put this in the context of the full year numbers not necessarily in the context of wave 1 as we had kind of put out for the whole of the year in so far as our books are concerned we had an impact of about ₹3.39 billion which included all those three components that I spoke about whether it is claims reserves or whether it is with respect to IBNR. As we see the intimations coming through in this particular quarter our view is whatever we had reserved for I think as of now we have not completely consumed it, but we believe we are kind of quite sufficient to address any intimations that could come in the subsequent period for an IBNR reserve that is outstanding as of 31st of March.

Bhargav Dasgupta: Vinod if I can just add one more comment it also depends on which cycle of the tail you close the book. So if we look at last year the peak was in September and by March almost everything was done. So, you did not need too much of an IBNR because the numbers are very low at that point in time, the peak numbers would have all got reported and paid off etc. Now in June it is a different picture altogether May was a peak and June was very bad. So, when there is so much of uncertainty the margin that you hold for adverse deviation risk is usually higher. Now will it be release or not only time will tell, it is very difficult for us to tell you that x percentage of that will get released. If we knew that then we would not be able to hold it.

Vinod Rajamani: I was just trying to get a sense versus the first wave what was the income of the provisioning that we did how much of the IBNR got released in the first place on the health side?

Bhargav Dasgupta: I think both of us explained that it depends on when you created the IBNR.

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

Suresh Ganapathy: So I just two quick questions one is your loss ratio of 150% plus in the health segment what could be the industry loss ratio if you have to just take an estimate are you higher lower than the industry?

Bhargav Dasgupta: You would not know that honestly we can only tell you the number of claims intimated for the industry for which there is a public data.

Suresh Ganapathy: Last question on this reserving thing so there is no way you can make any contingency reserve in the sense that you are going to see some abnormal behavior in the month of July, August because your cut off is 30th of June so IBNR all reserving is done as on 30th of June based on your estimation of what could be the input but not reported and stuff content, but at the end of the day if there is an abnormal pattern of claims in the month of July, August, September relative to the history the regulator or the accounting standard don't allow you to make any contingency reserve am I got this correct?

Gopal Balachandran: So Suresh if you look at because the financials are prepared as of 30th of June and one is expected to factor in for all actions that have taken place for the quarter to be accounted for this in this particular period so that is the reason why we also build the element of IBNR. In the normal course one would have argued to say that I would take only claims that have been paid in the period or maybe for the matter of fact claims that have actually been intimated and reserve for on a case-to-case basis, but over and above that what the accounting standards and the actuarial principles require is to kind of estimate for the period for which the financials are drawn up, also determine an element of claims that presumably has happened in that quarter which in our case is Quarter 1 for this particular period and however there is a possibility that the customer could end up intimating the claims in the subsequent months. The subsequent intimations or let us say a loss admission or a claim that has happened for a customer let us say in the month of July or August or September that is being recognized as part of Q2 financials.

Moderator: Thank you. Ladies and gentlemen this was the last question for the day. I now hand the conference over to Mr. Bhargav Dasgupta for closing comments.

Bhargav Dasgupta: Just let me close by thanking all of you for joining us for this conference. Take care of yourself, stay healthy, stay safe. Thank you so much.

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