ICICI Lombard – Overview

March 2007

Agenda

- Overview of Indian non-life insurance
- About ICICI Lombard
- Financials
- Way forward

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Evolution of the general insurance industry -Liberalisation

1960 1970 1980 1990 2000 Current

1956- Nationalization of life insurance

1973-Nationalization of General Insurance

107 companies merged into four General Insurance Corporation (GIC) as flagship company and reinsurer

1999- Passing of IRDA bill

2000- First 5 General licenses granted

2001- ICICI Lombard granted license

2002- Two more players granted license

2007 – Industry de-tariffing

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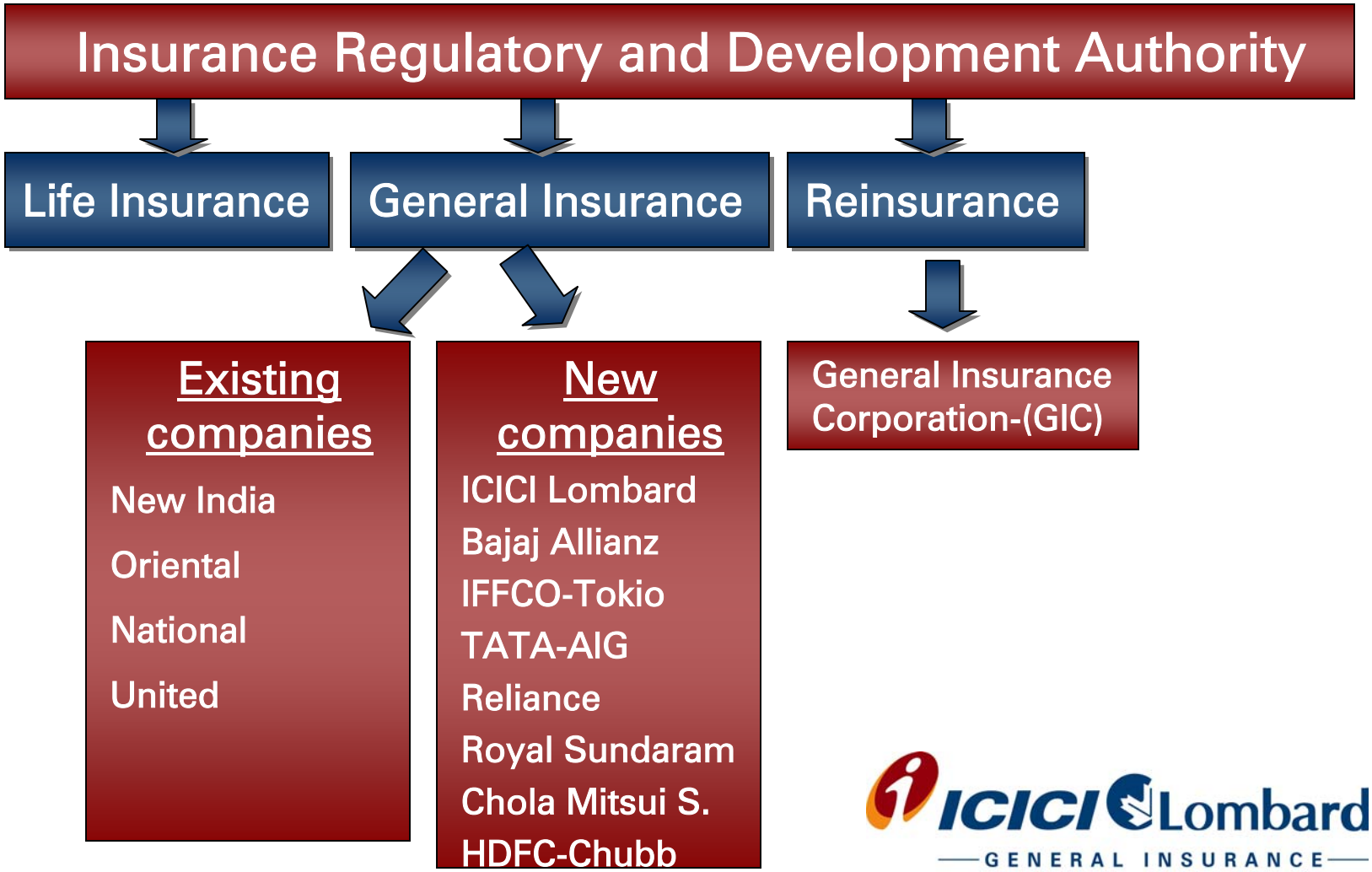
Indian Insurance Industry- As it stands now



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Overview of market

- GWP of USD 4.6 billion in 2005-06
- CAGR of 15% year-on-year
- Growth of 24% in the current year
- 12 companies in the market
  - 4 public sector companies in existence for over 30 years with 65% market share
  - 8 Joint Venture companies, which started post opening of the sector in 2001, with 35% market share
- 2 monoline companies transacting business in health and credit insurance

Overview of market

- Wholesale: Retail mix of 50:50 at present
  - Wholesale was 60% of the market till 5 years back
- Property and motor under the tariff till Dec'06
  - Property - 23% of the market premiums
  - Motor - about 42% of the market premiums
  - Marine at 7%
  - Health and personal accident at 14%
- Market have been de-tariffed w.e.f. January 1, 2007

Industry – snapshot

in Rs. bn

Company	GWP FY 03-04	GWP FY 04-05	GWP FY 05-06	GWP YTD Jan 07
ICICI Lombard	5.07	8.85	15.92	26.02
Bajaj Allianz	4.76	8.53	12.88	14.74
Iffco Tokio	3.25	5.07	8.96	9.96
Reliance	1.61	1.62	1.62	7.12
Tata AIG	3.55	4.69	6.12	6.36
Royal Sundaram	2.58	3.32	4.54	4.94
Cholamandalam	0.97	1.70	2.20	2.59
HDFC Chubb	1.12	1.78	2.02	1.56
Private Sector Total	22.91	35.55	54.27	73.29
Private Sector %	15%	20%	27%	35%
New India	40.28	42.07	47.62	41.33
Oriental	28.69	30.38	35.19	33.03
National	34.17	38.25	35.24	31.08
United	30.68	29.52	31.47	29.02
Public Sector Total	133.83	140.22	149.52	134.46
Public Sector %	85%	80%	73%	65%
IL as % of Total	3.2%	5.0%	7.8%	12.5%
IL as % of Pvt Sector	22%	25%	29%	36%
Total	156.73	175.77	203.79	207.75

Source: IRDA

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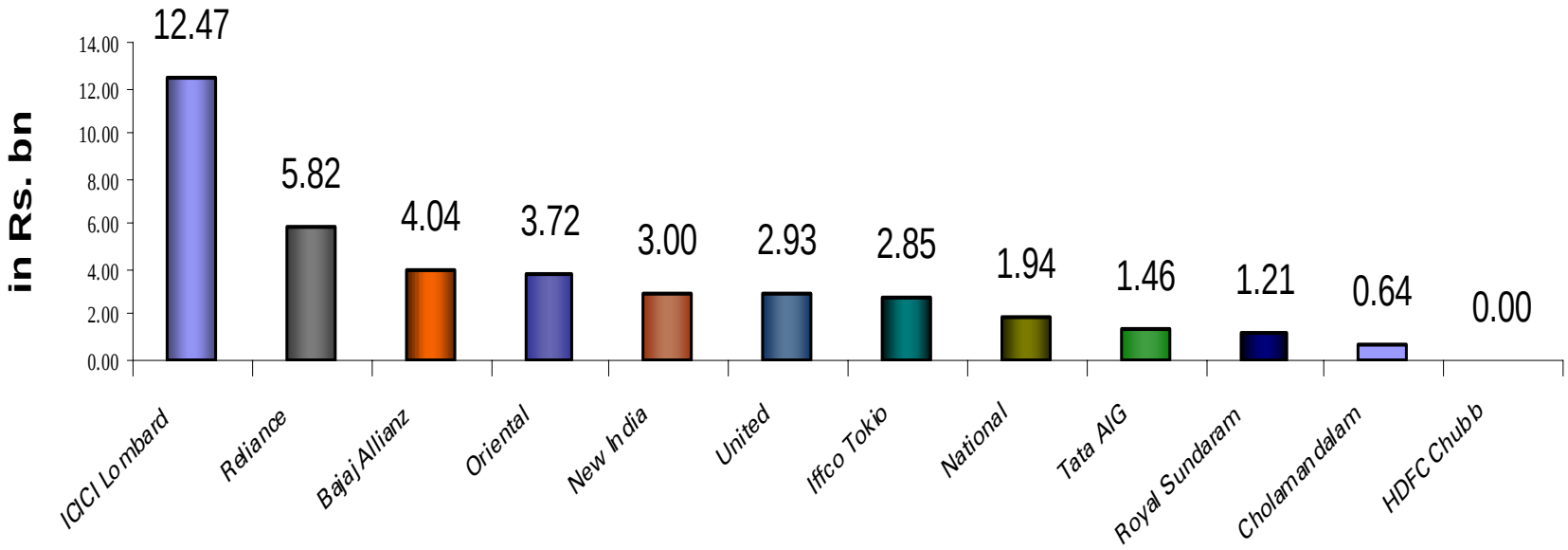
Industry – accretion



IL has contributed 31% of the industry growth and 44% of the private sector growth in Apr – Jan 07

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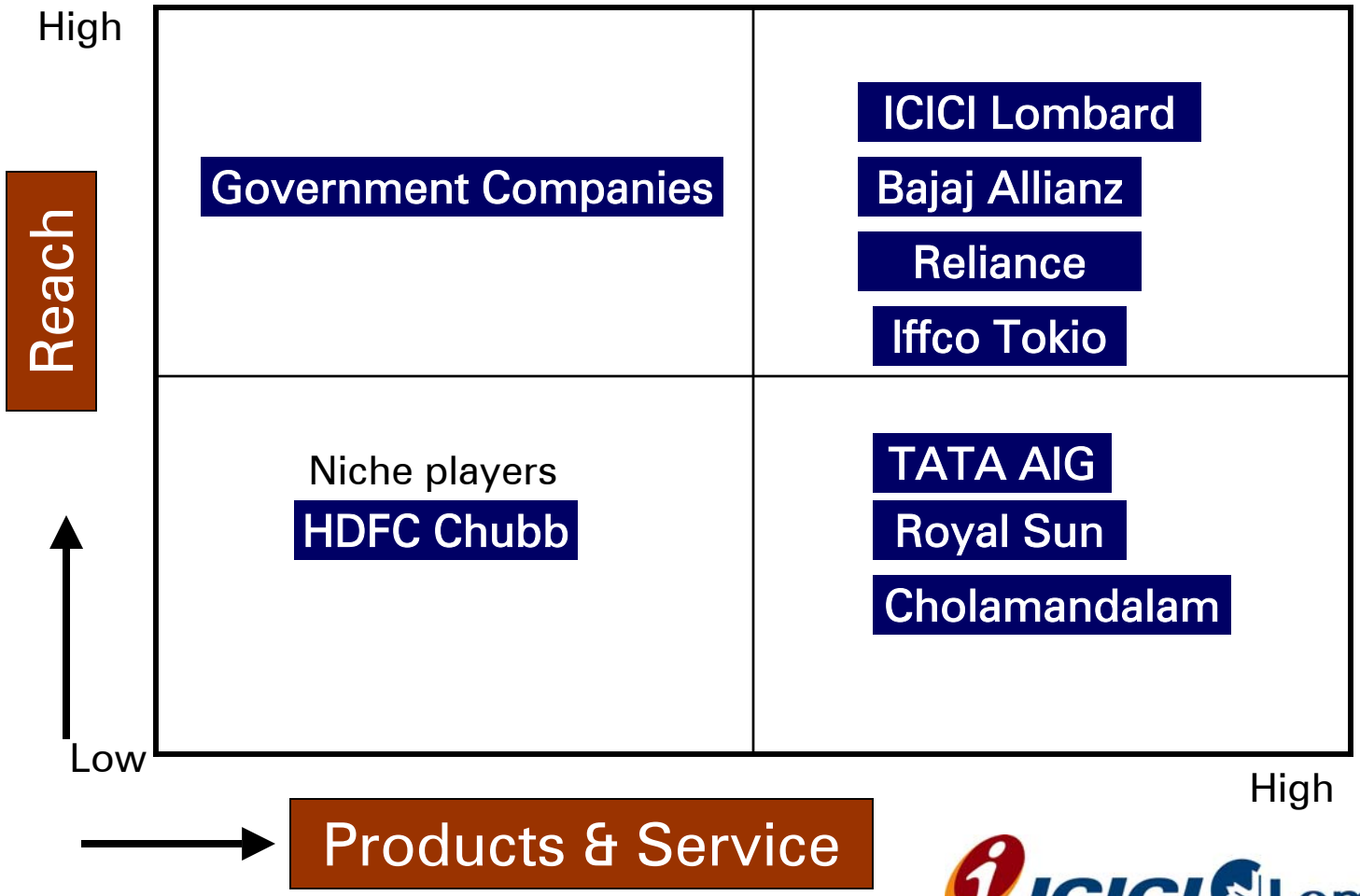
Market positioning



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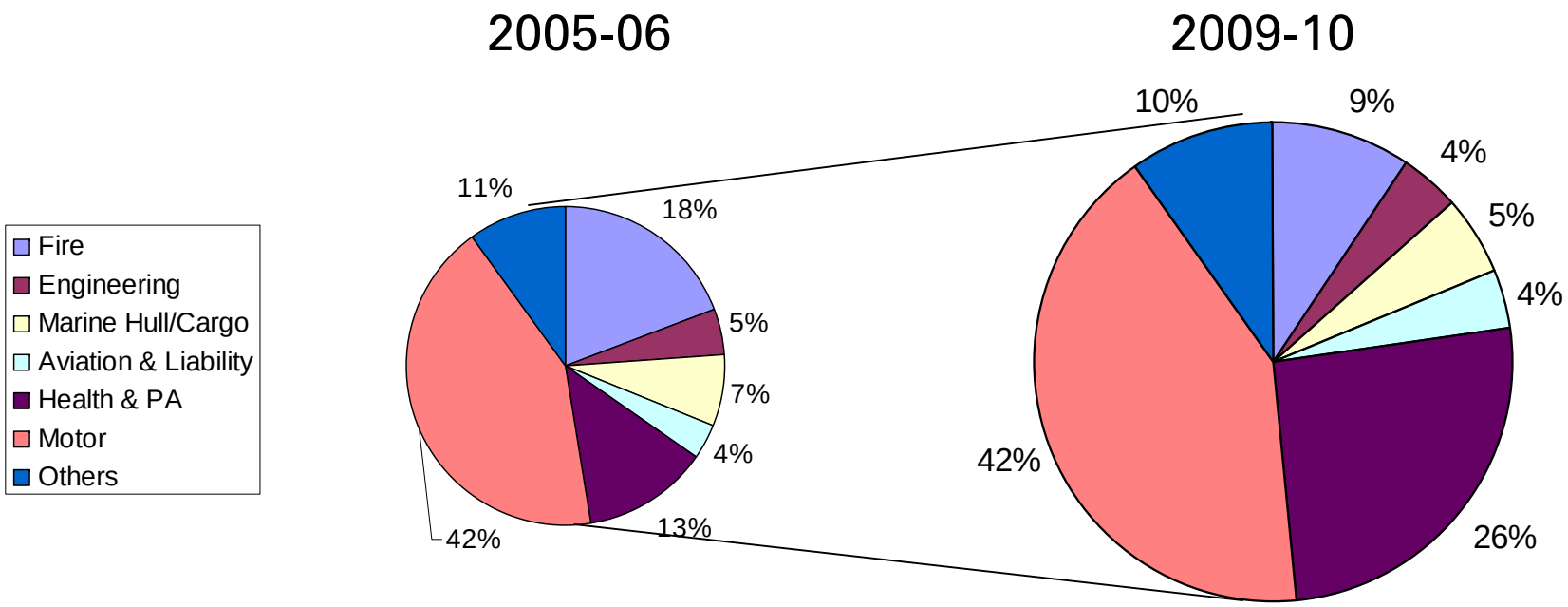
Market poised for growth

- Globalization of Indian Corporate
- Investment in industry and infrastructure development
  - About USD 200 billion proposed over next 3 years
- Favourable demographic profile
- Growing incomes and retail consumption
  - Retail financing growing at ~40% y-o-y
  - Private motor (1 million last year) growing at 20%
  - Huge potential in Health : ~2% of health spends through insurance (Premiums: $ 500 million)
- Huge opportunity in the rural markets

The Indian market is set to see significant growth in the next five years

- Non-life premium are set to touch USD 12 billion by 2010 from the current level of USD 4.6 billion
- Retail particularly health and rural would be the market drivers



While the industry is expected to grow at a CAGR of 25%, retail growth is anticipated at approx. 35% per annum

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De-tariffing- paradigm change in Indian non-life insurance industry

- All products except third party liability (TPL) on motor move to free pricing w.e.f. January 1, 2007
  - Nearly 55% of insurance premiums come out of price controls – fire, engineering and motor
  - TPL at enhanced rates to go to industry pool –profit/loss to be shared by industry on their overall market share
- This will lead to a paradigm change in industry
  - Risk based pricing and product profitability on stand-alone basis to be the key
  - Profitable portfolio like fire, engineering and private motor will face pricing pressure
  - Prices to rise in loss making portfolios like group health and marine, as cross subsidization will not happen
  - Commercial Vehicles become profitable

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- Financial breakeven in first full year of operation
- Combined ratio under 100% for the last four years
- iAAA rating from ICRA, a Moody's affiliate
  - Approached agencies for an international rating
- ISO certification for operations and motor claims
- Awarded Economic Times Avaya Customer Responsiveness Award in Insurance Category – Jan'07
- Awarded Indian Chartered Accountancy Institute award for excellence in financial reporting under the Banking, Insurance and Fin. Institutions category for 2006 - Jan'07

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Overview of Operations

- Largest player in the industry in health
- Largest player in the industry in liabilities
- We are incrementally doing about
  - 25% of the new cars
  - 8% of the existing cars on road
  - 30% of new 2 wheelers
  - 20% of health policies
- In October, we issued about 375,000 policies and premium of US$ 60 million per month
  - Issued 29,000 policies on the last day of month

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Scale of distribution

Channel type	March 2005	March 2006	Dec-06
No of Offices	96	150	190
Business sourcing locations	215	350	500
Employees	1,249	2,283	4,339
Feet on street	3,250	4,800	9,000
Telecallers	200	800	1,250
Website	1	4	Multiple
Bank partners	2 bank partners (2000 retail channels, 500 rural channels)	4 bank partners (6000 retail channels, 3000 rural channels)	5 bank partners (9000 retail channels, 4000 rural channels
Agents, Brokers & intermediaries	2,200	5,500	15,000
Policies issued	607,926	1,461,039	2,290,193
Claims handled	90,691	243,951	439,043
No of retail customer	1,500,000	2,500,000	3,500,000

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Cornerstones of our business strategy

- Build annuity stream-reduce dependence on lumpy business
- Broad base product portfolio
- Prudent underwriting and risk mitigation
- Strong back-end and constant process re-engineering in operations
- Quality customer service-claims is the main product

Build annuity stream-reduce dependence on lumpy business

- Build annuity streams in retail/SME business

Rs. 80 mn/ day

Rs. 40 mn/ day

Rs. 10 mn/ day

- Shift of business from lumpy profile to annuity based

March 2005	March 2006	9M 2006-2007

FY2002-03	FY2003-04	FY2004-05	FY2005-06	9M2006-07
90 : 10	85 : 15	70 : 30	50 : 50	45 : 55

(Corporate : Retail)

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Portfolio de-risking through diversification

in Rs. million

Product	FY- 2003		FY-2004		FY- 2005		FY- 2006		YTD Dec 06	
	GWP	%	GWP	%	GWP	%	GWP	%	GWP	%
Fire	1,270.5	61.4%	2,424.6	49.4%	2,844.3	32.1%	3,118.7	19.6%	3,562.8	15.3%
Engineering	218.5	10.6%	493.4	10.0%	965.2	10.9%	859.8	5.4%	1,483.6	6.4%
Marine Cargo	59.4	2.9%	218.2	4.4%	391.7	4.4%	421.4	2.6%	426.0	1.8%
Marine Hull	29.7	1.4%	219.5	4.5%	433.6	4.9%	435.7	2.7%	739.1	3.2%
Aviation	13.2	0.6%	75.9	1.5%	79.0	0.9%	166.0	1.0%	240.5	1.0%
Health & PA	181.1	8.7%	428.4	8.7%	1,389.2	15.7%	3,008.9	18.9%	5,405.2	23.2%
Motor	26.8	1.3%	178.0	3.6%	1,288.9	14.6%	4,588.0	28.8%	8,092.4	34.8%
Others	271.2	13.1%	874.2	17.8%	1,459.8	16.5%	3,321.4	20.9%	3,315.8	14.3%
Total	2070.4	100%	4912.2	100%	8851.6	100%	15920.0	100%	23265.4	100%

- Reduced dependence on the lumpy corporate portfolio
  - Fire+Engineering Portfolio reduced from 72% to a level of 22%

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Value-at-risk to be kept in check at all times

- Merged underwriting and claims set-up
  - Helped in building strong business intelligence on both client profiles and industry
- Learning on customer behaviour pattern (on claim) along with business intelligence (willful default lists/ past large and persistent claims) has helped us stay away from moral hazard cases
- Helping in pricing of risks in detariffed scenario
- Fraud control is critical given the large number of sourcing channels and high volume, high claim intensity nature of business

Customer service model- Claim is our main product

- Work with the global best
  - Cunnigham Lindsey-exclusive tie-up for property losses
  - W.K.Webster's –Marine losses
  - International SOS- Overseas travel claims
  - Paramount (Munich entity) & TTK- Health claims
- Motor claims assessed by in-house surveyors (350 engineers)
  - Improved customer service with consistent service and lower turn around times
  - Other companies emulating this model
- Working to replicate this model in health

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Wholesale business: Strategy for detariffing

- Commoditized selling to customized total risk solutions
- Focus group to develop and service new and platinum clients
- Increased thrust on distribution
  - Wholesale business present in 150 locations
  - Low level of competition in remote locations
- KRAs set on underwriting profit – no topline targets
- Introduced concept of walk away price

Retail strategy for de-tariffing

- Quality distribution set-up
- Innovative products
- Offer products on a convenience platform : technology, funding options, bundled with asset purchase
- Best-in-class service platform
- Health potential :
  - Expected to be profitable segment
  - Demand largely untapped
  - Low price elasticity
  - Large scope for product innovation

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Key financial parameters

in Rs. million

Particulars	2003-04	2004-05	2005-06	9M 2007
Gross written premium	4,912.2	8,851.6	15,920.0	23,265.2
Net written premium	1,298.2	3,208.9	7,338.7	10,708.9
Profit after tax	317.8	483.5	503.1	491.7
Net Worth	2,259.3	2,494.0	3,729.2	7,926.4
% net to gross ratio	26%	36%	46%	46%
Combined Ratio	80%	89%	97%	96%

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Way forward

Enhance valuation

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Aggressive growth with profits

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Intensify customer acquisition

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Superior customer service

↑

Technology solutions

↑

Innovative products

↑

Strong distribution

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Thank you

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