

January 17, 2025

RESULT REPORT Q3 FY25 | Sector: Insurance (General)

ICICI Lombard General Insurance

Incremental positive triggers not easy to find

Our view – Rise in industry CoR and OEM sales slowdown are concerns

Combined Ratio – CoR improved 180 bps QoQ, driven by a 560 bps improvement in loss ratio: The combined ratio for the company was 102.7% for 3QFY25 compared with 104.5% for 2QFY25. The loss ratio has declined from 71.4% in 2QFY25 to 65.8% in 3QFY25, driven by material improvement in loss ratios for Motor, Health and Crop segments. The company would like to operate within an overall motor segment loss ratio of 65-67%. Some market participants had been aggressive in the past but there has been an element of calibration in their MoM numbers. For the retail indemnity book, the loss ratio range of 65-70% is comfortable and the company is within this range. If warranted, price hikes can be effected. Notably, the overall combined ratio for the industry was at 113.3% in 1HFY25 vs 111.9% in 1HFY24.

GDPI Growth – Overall GDPI growth for the quarter was flat YoY but was positive when adjusted for 1/n accounting: In 3Q, GDPI for the company de-grew -0.3% YoY compared with a growth of 9.5% for the industry. Excluding the impact of 1/n accounting, GDPI of the company grew by 4.8% YoY for Q3 FY25. In 3Q, from a segmental perspective, Commercial Segment GDPI de-grew by -8.6% YoY. The Motor segment GDPI grew by 9.4% YoY and the Health Segment GDPI de-grew by -4.6% YoY. Excluding the impact of 1/n accounting, in 3Q, Health Segment GDPI grew by 10.3% YoY. Motor segment growth remains a monitorable given general OEM sales slowdown in the motor industry.

We maintain ADD rating on ICICIGI with a revised price target of Rs 2150: We value ICICIGI at 38x FY26 P/E for an FY24-27E EPS CAGR of 20%. At our target, the implied FY26E P/B is 6.7x for an FY25/26/27E RoE of 17.2/17.4/17.6%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See “Our View” above for elaboration and insight)

- **Net premiums earned:** Net premiums earned grew 0.4%/17.2% QoQ/YoY, driven higher sequentially by growth in Marine and Motor segments.
- **Loss ratios:** Overall loss ratio has improved by -560 bps QoQ to 65.8%, where except Fire and Marine all segments have evolved positively QoQ
- **Expense control:** Expense ratio rose 490bps QoQ to 34.7% where opex fell -5.6% QoQ but commission and brokerage rose 37.6% QoQ

Exhibit 1: Result table

Rs Mn	Q3 FY25	Q3 FY24	% yoy	Q2 FY25	% qoq
Gross Premiums written	64,745	64,366	0.6	69,483	(6.8)
Net Premium Written	50,841	46,907	8.4	48,355	5.1
Net Premium Earned	50,452	43,048	17.2	50,256	0.4
Income from Investments	8,398	6,659	26.1	8,463	(0.8)
Total Income	58,828	50,032	17.6	58,507	0.6
Commission & Brokerage	11,624	8,457	37.5	8,447	37.6
Operating Expenses	7,128	7,274	(2.0)	7,548	(5.6)
Total claims	33,222	30,141	10.2	35,870	(7.4)
Underwriting Profit/(Loss)	(1,523)	(2,824)	(46.1)	(1,609)	(5.4)
Operating Profit	6,854	4,160	64.8	6,642	3.2
PAT	7,244	4,315	67.9	6,940	4.4
Key Ratios					
Solvency Ratio	236.0%	257.0%	-2100bps	265.0%	-2900bps
Expense Ratio	34.7%	31.2%	350bps	29.8%	490bps
Incurred Claim Ratio	65.8%	70.0%	-420bps	71.4%	-560bps
Net Retention Ratio	78.5%	72.9%	560bps	69.6%	890bps
Combined Ratio	102.7%	103.6%	-90bps	104.5%	-180bps

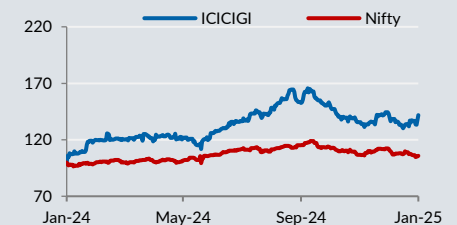
Source: Company, YES Sec-Research

Recommendation	: ADD
Current Price	: Rs 1949
Target Price	: Rs 2150
Potential Return	: +10%

Stock data (as on January 17, 2025)

Nifty	23,203
52 Week h/l (Rs)	2302 / 1354
Market cap (Rs/USD mn)	944870 / 10917
Outstanding Shares (mn)	495
6m Avg t/o (Rs mn):	1,489
Div yield (%):	0.6
Bloomberg code:	ICICIGI IN
NSE code:	ICICIGI

Stock performance



	1M	3M	1Y
Absolute return	1.6%	-4.5%	34.0%

Shareholding pattern (As of Sept'24 end)

Promoter	51.7%
FII+DII	41.5%
Others	6.9%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	2150	2200

Financial Summary

Rs mn	FY25E	FY26E	FY27E
NEP	199,348	231,991	270,947
% yoy	18.2%	16.4%	16.8%
Op profit	23,142	27,068	32,075
% yoy	21.4%	17.0%	18.5%
PAT	23,566	27,656	32,775
% yoy	22.8%	17.4%	18.5%
EPS (Rs)	47.8	56.1	66.5
P/E (x)	40.7	34.7	29.3
P/B (x)	7.0	6.0	5.2
RoE (%)	17.2%	17.4%	17.6%

Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	47.8	56.1	66.5
EPS (Old)	48.8	57.7	66.3
% change	-2.1%	-2.6%	0.4%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Motor segment

- **Growth**
 - The company has been selective in writing risk but this has given them renewed opportunity in the way risk can be written, which has led to improvement in market share.
 - New and renewal growth has been similar with new business growing 9.5% and old growing 9.3%, with overall growth being 9.4%.
- **Motor loss ratio**
 - The company would like to operate within an overall motor segment loss ratio of 65-67%.
 - Some market participants had been aggressive in the past but there has been an element of calibration in their MoM numbers.
 - **Third party segment**
 - **Reserving approach**
 - The loss ratio has been on the lower side.
 - Third party segment is long-tail in terms of loss development.
 - As per the portfolio experience, reserve releases play out but the reserving approach will remain intact.
 - **Tariff hike**
 - The industry has been expecting a hike for the last few years but it cannot be commented on what the regulator will do.
 - There could be a tariff hike for the next financial year.

Commercial segment

- **Price hike**
 - The market seems to be entering a period of price hardening.
 - Corporate renewals are coming at the beginning of the new financial year which is when the market is expected to become sensible with pricing.

Health segment

- **Loss ratio**
 - **Group health**
 - 93.1% in 3QFY24 vs 97.2% in 3QFY25
 - **Retail indemnity**
 - 66% in 3QFY24 vs 65% in 3QFY25
- **Price hike considerations**
 - 4 years back in 4QFY21, the company took an 8% price hike.
 - 1-5-2 years later, the company made another price hike of 20-22%.
 - For the retail indemnity book, the loss ratio range of 65-70% is comfortable and the company is within this range.
 - If warranted, price hikes can be effected.
- **Credit growth**
 - Credit linked business has been muted.

(Con call takeaways continue on the next page)

1/n accounting for long-term policies

- The general insurance industry based on the new motor policies on Third-party were already recognising on 1/n basis, hence there is no impact on the motor line of business.
- The premium for long-term health and other business were recognised in the year of underwriting, hence health and other businesses do get impacted by the 1/n accounting change.
- The change in regulation does not impact the business value.
- Due to the change in 1/n accounting, the financials for 3QFY25 and 9MFY25 are not comparable.
- **Distributor practices**
 - The impact of 1/n has been passed on to the distributor.
 - Market practices will see an evolution and the company will keep a close watch.
 - Management does not think distributors will change practices and will focus on economic value.

Retention ratio

- The retention ratio has improved to 82%.
- This does not have to do with reinsurance strategy and the same is decided at the beginning of the year.
- Health benefit segment slowing down has had an impact.

EoM rules

- The company has continued to operate within guidelines.
- As and when intensity builds up from an expense perspective, the company will choose to withdraw from business that does not make sense.
- Companies will eventually fall in line.
- A large number of players have exceeded the 30% threshold and the regulator has asked them to come out with a plan of action.
- While new motor and retail health are higher cost, one should look at overall combined ratio.

Commission ratio

- Commission ratio has risen.
- Corporate business, which has a lower cost of acquisition, has been muted.
- Also, seasonally, 3Q is retail business driven which has higher commission.

GDPI (revenue) growth

- In 9M, GDPI for the company grew 10.3% YoY compared with 7.8% for the industry.
- Excluding the impact of 1/n accounting, GDPI of the company grew by 11.9% for 9MFY25.
- In 3Q, GDPI for the company de-grew -0.3% YoY compared with a growth of 9.5% for the industry.
- Excluding the impact of 1/n accounting, GDPI of the company grew by 4.8% YoY for Q3 FY25.
- In 3Q, excluding crop and mass health segment, the de-growth for the company was -0.7% compared with growth of 5.7% for the industry.

(Con call takeaways continue on the next page)

▪ Segment-wise GDPI Growth

- In 3Q, Commercial Segment GDPI de-grew by -8.6% YoY.
- In 3Q, Motor segment GDPI grew by 9.4% YoY.
- In 3Q, Health Segment GDPI de-grew by -4.6% YoY.
- Excluding the impact of 1/n accounting, in 3Q, Health Segment GDPI grew by 10.3% YoY.
- In 3Q, the company has gained market share in retail health and its share was at 3.2%.

Combined Ratio

▪ For Industry

- The overall combined ratio was at 113.3% in 1HFY25 vs 111.9% in 1HFY24.
- The higher overall combined ratio was attributed to increase in expense ratio.
- For the Motor business, the combined ratio was 124.8% in 1HFY25 vs 119.4% for 1HFY24.

▪ For the Company

- The combined ratio for the company was 102.9% in 9MFY25 vs 103.7% in 9MFY24.
- The combined ratio for the company was 102.7% in 3QFY25 vs 103.6% in 3QFY24.
- Excluding the impact of CAT losses of Rs 0.94 bn in 9MFY25 and Rs 1.37 bn in 9MFY24 the Combined Ratio was 102.3% in 9MFY25 and 102.6% in 9MFY24 respectively.
- There were no major catastrophic losses for 3QFY25.

Channel growth and mix

▪ Digital channel

- The digital channel contributed 7.4% to GDPI for the quarter.
- The digital business has grown 9.9% for the quarter.
- **ILTakecare app**
 - The app downloads have reached 13.2mn.
 - The GDPI sourced from the app in 3QFY25 amounted to Rs 664.2mn.

▪ Agency

- Total agents including POS distribution stood at 140,077 as of Dec 2024 as against 133,683 as of Sept 2024.

Solvency

- Solvency ratio was 2.36x as at December 2024 as against 2.65x at September 2024.

▪ Change in regulation

- Authority issued guidelines on inadmissibility of asset which changes disallowance of receivable from net basis to gross basis. Due to this, there is an impact of 0.30x in the solvency ratio as on December 2024.
- The general insurance council has represented the matter to the authority emphasizing the significant implication of the change on solvency.

Investments

▪ Investment Assets

- The overall investment assets for the company were at Rs 515.97 bn, up 10% YoY.

▪ Investment Income

- The investment income in 9MFY25 was at Rs. 33.73 bn as against Rs 26.57bn in 9MFY24

(Con call takeaways continue on the next page)

- Investment leverage was at 3.76x as of December 2024 as against 4.11x as of December 2023.
- **Capital gain**
 - Capital gain net of impairment on investment assets in 9MFY25 was at Rs. 7.96 bn as against Rs 3.95 bn in 9MFY24.
- **Investment leverage**
 - Investment leverage has declined since equity market decline has impacted the market value of assets market to market.
 - General growth slowdown and slowdown in commercial lines which are profitable has also negatively impacted leverage due to lower cash flows.
 - Investment leverage will eventually revert back.

Claim Settlement

- The company's preferred partner network serviced 73.6% of non-OEM claims in 3QFY25 as against 67.3% in 3QY24.
- The company's average claim settlement period has improved from 6 days in FY24 to 5 days in 9MFY25 for Motor OD and from 5 days in FY24 to 3 days in 9MFY25 for health.

Return Ratios

- The Return on Equity was 20.8% in 9MFY25 compared to 17.1% in 9MFY24.
- **Guidance**
 - RoE will range between 16-18% for the year and in the medium term.
 - This is despite the rise in industry combined ratio from 111% in 1H last year to 113% in 1H this year.
 - The RoE should be viewed in the context of investments that are to be made for future growth.

Exhibit 2: Other Business Parameters

Rs mn	Q3 FY25	Q3 FY24	% yoy	Q2 FY25	% qoq
Net Premium Earned					
Fire	1,756	1,451	21.0%	1,824	-3.7%
Marine	1,684	1,323	27.3%	1,517	11.0%
Health including Personal Accident	17,726	15,473	14.6%	16,821	5.4%
Miscellaneous	2,880	2,240	28.6%	2,462	17.0%
Crop Insurance	807	679	18.8%	2,810	-71.3%
Motor	25,598	21,882	17.0%	24,823	3.1%
Total	50,452	43,048	17.2%	50,256	0.4%

Segment Underwriting Profit / (Loss)					
Fire	1,966	618	218.3%	1,257	56.3%
Marine	(294)	(25)	1067.9%	(316)	-7.0%
Health including Personal Accident	(1,967)	(1,123)	75.2%	(2,138)	-8.0%
Miscellaneous	336	191	75.9%	641	-47.7%
Crop Insurance	158	(2)	NA	(131)	-220.0%
Motor	(1,721)	(2,482)	-30.7%	(922)	86.6%
Total	(1,523)	(2,824)	-46.1%	(1,609)	-5.4%

Loss Ratio					
Motor OD	62.0%	64.9%	-290bps	65.9%	-390bps
Motor TP	51.3%	61.6%	-1030bps	60.2%	-890bps
Health, Travel, PA	81.3%	79.2%	210bps	83.8%	-250bps
Crop	68.1%	99.0%	-3090bps	95.8%	-2770bps
Fire	40.2%	68.2%	-2800bps	39.2%	100bps
Marine	94.1%	74.7%	1940bps	91.1%	300bps
Engineering	38.9%	60.6%	-2170bps	38.0%	90bps
Other	54.7%	63.6%	-890bps	67.6%	-1290bps
Total	65.8%	70.0%	-420bps	71.4%	-560bps

Source: Company, YES Sec – Research

Exhibit 3: Quarterly Actuals Vs Estimates

Q3FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Premium Earned	50,452	42,122	19.8
Underwriting Profit/(Loss)	(1,523)	(2,381)	36.0
PAT	7,244	5,567	30.1

Source: Company, YES Sec – Research

ANNUAL FINANCIALS

Exhibit 4: Profit & Loss Statement

Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Gross written premium	217,718	255,942	297,866	347,512	407,913
Net written premium	155,395	181,656	211,839	247,113	288,834
Net earned premium	148,228	168,665	199,348	231,991	270,947
Net claims	107,257	119,395	142,354	165,615	192,501
Net commission	4,722	30,890	31,776	37,067	43,325
Expense of Management	45,148	28,177	33,481	37,512	43,845
Underwriting profit/(Loss)	(8,898)	(9,797)	(8,263)	(8,203)	(8,723)
Investment income	32,721	28,856	31,405	35,271	40,799
Operating profit	23,823	19,059	23,142	27,068	32,075
Shareholder's account					
Operating profit	23,823	19,059	23,142	27,068	32,075
Investment income	7,757	8,500	10,364	12,205	14,387
Total income	31,579	27,559	33,506	39,274	46,462
Expenses	10,454	2,007	2,000	2,300	2,645
PBT	21,125	25,552	31,506	36,974	43,817
Tax	3,835	6,366	7,939	9,317	11,042
PAT	17,290	19,186	23,566	27,656	32,775

Source: Company, YES Sec – Research

Exhibit 5: Balance sheet

Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Sources of funds					
Share capital	4,911	4,927	4,927	4,927	4,927
Reserves and Surplus	99,016	114,678	132,325	154,069	180,932
Fair value change account	2,133	9,896	9,896	9,896	9,896
Borrowings	350	350	350	350	350
Claims Outstanding gross	269,166	303,878	349,460	401,879	462,161
Current liabilities	87,421	98,474	113,245	130,232	149,767
Provisions	87,865	100,881	116,013	133,415	153,427
Total Liabilities	550,862	633,083	726,215	834,767	961,459
Application of funds					
Investments - Shareholders	98,583	115,869	136,856	161,405	190,495
Investments - Policyholders	333,221	373,204	433,008	502,605	583,890
Fixed assets	5,640	7,009	7,209	7,409	7,609
Deferred tax asset	2,653	2,926	2,926	2,926	2,926
Cash and bank balances	2,031	3,346	19,408	37,417	57,225
Advances and other assets	108,734	130,730	126,808	123,004	119,314
Total Assets	550,862	633,083	726,215	834,767	961,459

Source: Company, YES Sec – Research

Exhibit 6: Ratio analysis

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Key ratios					
Claims ratio	72.4%	70.8%	71.4%	71.4%	71.0%
Opex ratio	29.1%	15.5%	15.8%	15.2%	15.2%
Commission ratio	3.0%	17.0%	15.0%	15.0%	15.0%
Combined ratio	104.5%	103.3%	102.2%	101.6%	101.2%
Underwriting P/L Ratio	-6.0%	-5.8%	-4.1%	-3.5%	-3.2%
RoA	3.1%	3.0%	3.2%	3.3%	3.4%
RoE	16.6%	16.0%	17.2%	17.4%	17.6%
Dividend payout	27.0%	26.9%	25.1%	21.4%	18.0%
Investments leverage	4.2	4.1	4.1	4.2	4.2
Per share ratios (Rs)					
EPS	35.2	38.9	47.8	56.1	66.5
BVPS	211.6	242.8	278.6	322.7	377.2
DPS	9.5	10.5	12.0	12.0	12.0
Valuation ratios					
P/E (x)	55.4	50.0	40.7	34.7	29.3
P/B (x)	9.2	8.0	7.0	6.0	5.2
Growth (%)					
Gross written premium	17.3%	17.6%	16.4%	16.7%	17.4%
Net earned premium	13.7%	13.8%	18.2%	16.4%	16.8%
Claims	9.6%	11.3%	19.2%	16.3%	16.2%
Commissions	-25.5%	554.2%	2.9%	16.7%	16.9%
Net income	36.0%	11.0%	22.8%	17.4%	18.5%

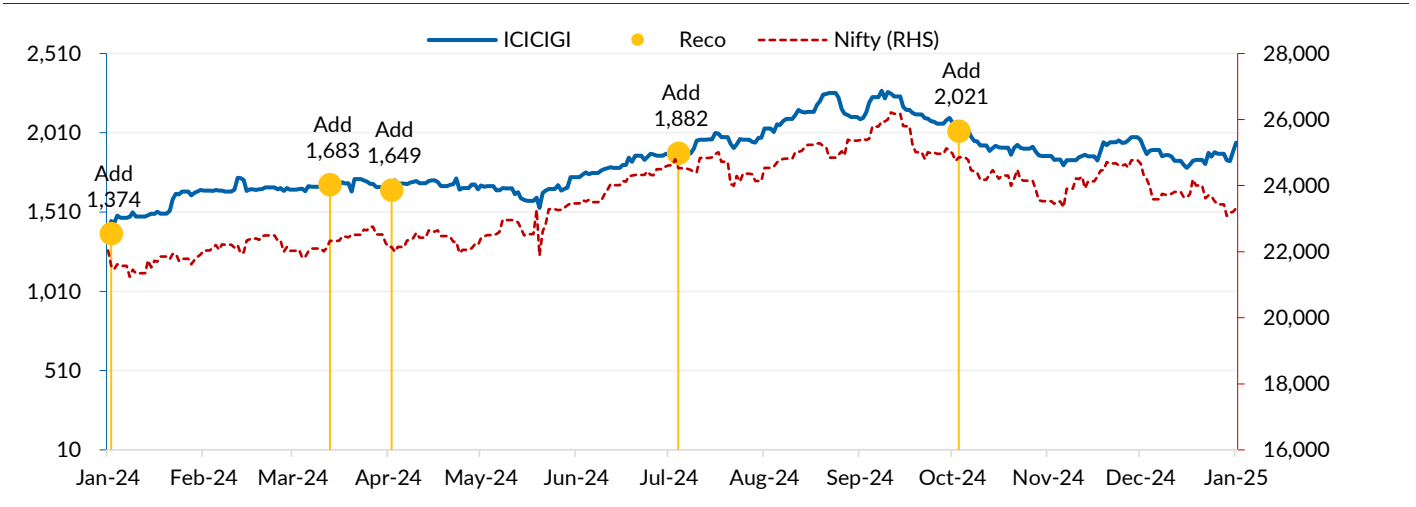
Source: Company, YES Sec - Research

Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Premium Earned	199,348	231,991	270,947	198,878.6	233,582	275,031	0.2	(0.7)	(1.5)
Operating Profit	23,142	27,068	32,075	23,762.4	27,969	31,828	(2.6)	(3.2)	0.8
Profit After Tax	23,566	27,656	32,775	24,062.3	28,408	32,656	(2.1)	(2.6)	0.4

Source: Company, YES Sec - Research

Recommendation Tracker



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