



Insuring Good Health



WE KEEP YOU GOING

Annual Report 2009 - 2010



We value your health



Innovation

Instant online policy issuance and flexible renewal of health insurance

Trust

ICICI Lombard Healthcare: in-house claims and wellness facility

Responsiveness

Access to cashless healthcare at over 4,000 hospitals across India



Sensitivity

Over 5 million Below Poverty Line families covered under rural health insurance

Integrity

Comprehensive health insurance policy for the family with no sub-limits



Contents

Message from the Chairperson	02
Board of Directors	05
Message from the Chairman & CEO, Fairfax Asia	06
Message from the Managing Director and CEO	08
Financial Graphs	11
General Insurance Sector Overview	12
Directors' Report	34
Corporate Governance Report	36
Management Report	42
Auditors' Report	50
Balance Sheet	52
Profit and Loss Account	53
Revenue Accounts	54
Schedules	56
Receipt and Payment Account	98
Glossary	101

Message from the Chairperson



Countries the world over are gradually emerging from one of the most serious economic challenges to beset global markets and economies in recent times. The start of 2010 saw a renewed mood of confidence and tempered optimism across international corporations and financial institutions as the sharp recessionary pains gradually ebb away.

The Indian economy demonstrated a remarkable resilience and autonomy in the face of the global crisis and is now set to benefit from the upturn. Our GDP growth continues to be strong, financial institutions are well-capitalized and the corporate sector is reporting improved financial performance. The banking system which is the heart of any financial system has held its own despite global pulls and pressures. Our economic policies continue to be conservative and sensible and India continues to sustain its position as a preferred destination for foreign capital. There is a positive impetus on both consumption and investment underpinned by a strong domestic consumer base and a young workforce. India offers one of the highest growth potentials in the world and is on its way to becoming the third largest economy globally.

The ICICI Group continues to be driven by its vision of reaching out to and fulfilling the financial needs of businesses and households across the country through its range of products and services. We have been continuously investing in infrastructure and human capital to facilitate the efficient and speedy delivery of financial services. We believe we are uniquely positioned to capitalize on emerging opportunities while continuing to deliver superior value to our customers.

General insurance is one such opportunity poised at an inflexion point. Insurance plays a critical role in the growth and development of an economy by effectively pooling and transferring risk from retail and corporate consumers. The potential for India's general insurance industry is highlighted when one compares its size at 0.7% of the country's GDP vis-à-vis that of developed markets that are between 2% to 5% of GDP.

Fiscal 2010 was the third year that the Indian general insurance industry has been operating in the de-tariffed environment of flexible pricing. As the industry matures, competition is expected to intensify along with a proliferation of differentiated products and service offerings. Companies that have been investing in robust risk management systems, cost-effective distribution, brand building and customer-centric service architecture will be better positioned going forward. ICICI Lombard, driven by its governing objective of profitable growth, has been strengthening these core business functions and continues to retain its leadership position in the private sector.

The Insurance Regulatory and Development Authority (IRDA) plays a significant role in the orderly development of the insurance industry and continues to make a sustained contribution towards promoting transparency and judicious business practices. During the fiscal, IRDA issued guidelines on good governance practices for maintenance of solvency, sound long-term investment policy, assumption of underwriting risks on a prudential

basis and protection of policyholder interest. Amendments were issued by IRDA on the composition of board of directors, policyholder protection committee and mandatory rules for conduct of meetings and detailed guidelines on reporting. This emphasis on overall risk management and focus on the policy holder is a welcome step by the regulator to ensure healthy development of the industry.

Rising healthcare costs, nuclear families and early onset of lifestyle diseases are compelling individuals to realize the importance of a comprehensive and adequate health insurance plan. The Indian health insurance market grew at over 25% CAGR for the last 7 years with premiums crossing Rs.70 billion in 2009-2010. The contribution of health insurance to the overall general insurance premiums increased to 20%, up from 12% a few years back. ICICI Lombard is one of the largest players in this segment with a significant presence across all lines of health insurance including retail, corporate and government. We continue to drive insurance penetration across rural India, partnering with Central and State governments to provide health insurance to Below Poverty Line (BPL) and less privileged families. Health care is an emotional subject for any individual and ICICI Lombard realized early on the importance of ensuring quality of customer experience during the health claims process. We took a decision in 2008 to move our integrated health claims processing and wellness services unit (ICICI Lombard Healthcare) in-house. This gave us better control on quality of our service delivery with a resultant positive impact on customer satisfaction scores.

Business strategies require constant fine tuning in the context of a continuously evolving market environment. We sharpened our product-market strategies across segments and enhanced our retail distribution footprint across channels including agency, brokers, bancassurance, telesales, internet and alliances. The corporate solutions group focused on knowledge-based products such as aviation, liability and credit insurance thereby giving us a differentiated position in the market. Investments were made to strengthen our technology-led service architecture across our call centers, websites and branches to ensure faster response time to service requests. We believe that continuous enhancement of our customer value proposition helps us stay relevant and competitive while growing our franchise.

The ICICI Group takes great pride in the quality of people it continues to attract and retain. Employees across the group companies share a unique DNA that gives us an 'intrapreneurial' edge and fosters a culture of transparent, value-driven meritocracy. We continue to invest in training and development enabling us to build robust managerial skills and competencies while inculcating a true customer-centric orientation and keeping abreast of emerging trends.

We are confident of realizing the objectives that we have set for ourselves and look forward to the continued support of our stakeholders.

Chanda D. Kochhar
Chairperson

Board of Directors

Board

Chanda D. Kochhar

Chairperson

R. Athappan

Director

Sandeep Bakhshi

Director

B.V. Bhargava

Director

Dileep Choksi

Director

James F. Dowd

Director (upto July 1, 2009)

N.S. Kannan

Director

S. Mukherji

Director

Chandran Ratnaswami

Director

M.K. Sharma

Director

H. N. Sinor

Director

Bhargav Dasgupta

Managing Director & CEO

Board Governance Committee

M.K. Sharma

Chairman (w.e.f. April 19, 2010)

Chanda D. Kochhar

Chairperson (Upto April 19, 2010)

Sandeep Bakhshi

(w.e.f. July 21, 2009)

Chandran Ratnaswami

H. N. Sinor

Investment Committee

Chandran Ratnaswami

Chairman

Sandeep Bakhshi

(w.e.f. July 21, 2009)

N.S. Kannan

(w.e.f. July 21, 2009)

Bhargav Dasgupta

S. Gopalakrishnan

Rakesh Jain

Liyaquat Khan

Appointed Actuary

Audit Committee

Dileep Choksi

Chairman (w.e.f. October 27, 2009)

S. Mukherji

Chairman (Upto October 27, 2009)

R. Athappan

H. N. Sinor

Bhargav Dasgupta (upto March 30, 2010)

James Dowd (Upto July 1, 2009)

Risk Management Committee

(Constituted on October 27, 2009)

S. Mukherji

Chairman

R. Athappan

H. N. Sinor

Bhargav Dasgupta

Policyholder Protection Committee

(Constituted on October 27, 2009)

M.K. Sharma

Chairman

S. Mukherji

Chandran Ratnaswami

Bhargav Dasgupta

Auditors

N. M. Raiji & Co.

Chartered Accountants

PKF Sridhar & Santhanam

Chartered Accountants

Message from the Chairman, Fairfax Asia



Fairfax Financial Holdings Limited has been a committed shareholder of ICICI Lombard General Insurance Company for over 7 years now and it gives me great pleasure, once again to share our observations on our longstanding and fruitful partnership in India.

As interested observers of insurance markets and insurance companies around the globe, we have been watching with keen interest the transformation of the Indian general insurance industry. The historic and longstanding fixed tariff rating system has been disbanded which has given a new impetus to the evolution of a vibrant and competitive market environment keenly attuned to the needs of the insuring public. ICICI Lombard's management team has handled this crucial transition from the strict tariff regime to a free market environment with remarkable tact and vision, identifying specific areas for honing technical skills and developing capabilities necessarily required in the new regime while consolidating the company's leadership position in the market. As shareholders we find this quality of nimbleness and dexterity deeply comforting and it reaffirms our commitment to and faith in the company and the bigger picture of India as a growth story.

The investment markets the world over are seemingly continuing to recover from the global financial crisis but the Property & Casualty insurance pricing environment, particularly in the U.S. and other major markets the world over, continues to be soft. Worldwide experience suggests that the dismantling of tariff – like the one India has seen recently – is typically followed by a sudden downward and then a more sustained upward movement of prices. This coupled with its low insurance penetration level, steady economic growth and ever expanding middle class make India an attractive investment destination.

The Healthcare industry in India is growing fast in line with trends worldwide and as the variety, sophistication and cost of healthcare increase fast, so does the relevance and opportunities for health insurance. We note with satisfaction that ICICI Lombard is one of the leading players in the health insurance segment in India. The company lays equal focus on all lines of business, including retail, corporate and government schemes and we look forward to the company maintaining its pole position in this area.

ICICI Lombard with its deeply embedded customer-centric orientation, quality-focused underwriting practices, depth of distribution and excellent managerial talent is uniquely positioned to derive benefit from the much anticipated growth and steady expansion of the Indian economy in the short to medium term.

We reaffirm our support to ICICI Lombard and remain fully committed to working together on this journey of virtuous value-creation for consumers, employees, shareholders and the society at large as a responsible corporate citizen.

Ramaswamy Athappan
Chairman,
Fairfax Asia

Message from the Managing Director & CEO

