



Insuring **financial inclusion**



WE KEEP YOU GOING

Annual Report 2010-2011



Weather Insurance

'Kisan hamare annadaata hain'. Agriculture plays a key role in our economy while providing employment to a large segment of our population. To mitigate the risk that farmers are exposed to, due to uncertainties of nature, we have introduced a scheme that covers the farmer against the adverse weather conditions affecting the crop.



Health Insurance Scheme for Women Sericulturists and Workers

Women working in grainages and silk reeling units expose themselves to major health hazards. Recognising the need for the welfare of women, the most important family member, we have introduced a scheme providing coverage to the women beneficiaries (as the prime insured), her spouse and two children.



Rajiv Gandhi Shilpi Swasthya Bima Yojana

India is well-known for its artisans and handicraft products all over the world. Aware of the need of the artisans' community to gain access to good healthcare facilities by enabling them financially, we have introduced the first-ever health insurance initiative for artisans in the country called RGSSBY.



Rashtriya Swasthya Bima Yojana

This is one of the largest mass health insurance programmes in the world that provides health cover to five members of every BPL family. The programme for the low-income households across India, has harnessed technology to provide bio-metric smart cards to beneficiaries giving him the freedom to avail the best possible treatment for his family.



Health Insurance Scheme for Handloom Weavers

Weavers and ancillary workers are an important segment of the unorganised sector. This unique scheme has been specially designed for the weavers' community and aims to provide comprehensive healthcare and medical assistance for a wide range of common ailments including OPD services.

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Message from the Chairperson



Fiscal 2011 was a year of revival in the global economy as continued signs of stability were seen across the financial landscape. Global GDP growth rose during 2010 to 3.9% on account of economic development in the emerging markets of Asia and South America, the positive effects of government stimulus programmes and the restocking of industrial inventories. However, developed economies in Europe continued to grapple with higher debt. In the wake of the financial crisis, the process of global rebalancing has accelerated with nations such as India and China leading the global recovery.

In India, the underlying positive momentum resulted in acceleration in GDP growth to above 8%. While emerging challenges like inflation and volatility in capital flows pose short-term risks, the fundamental drivers of demographic dividend and investment potential should enable India to sustain high rates of growth over the medium to long term.

The ICICI Group is committed to providing financial solutions that meet customer needs. Our range of products and services caters to all customer segments from retail to corporate and from rural to government. Within this, general insurance has a key role to play as a risk pooling mechanism that underpins the growth of the wider economy, facilitating the creation of assets as well protecting lifestyles. Natural disasters that occurred in the past year underscored the uncertainties that surround us, re-emphasizing the need for adequate insurance for both individuals and corporate entities. The industry has immense potential in India as general insurance penetration is still well below 1% of GDP compared with the global standards of 3-5% of GDP. We believe that the key to unlocking the latent potential in the sector is to focus on establishing a customer centric business with a sustainable operating model anchored around human capital, technology, innovation and superior risk management.

ICICI Lombard General Insurance Company continued to focus on profitable growth over the last year with our combined ratio (excluding third party motor pool) improving by five percentage points from 110.1% to 105.3% and gross written premiums growing by 29%, faster than the industry. Identification of profitable customer segments and appropriate pricing along with underwriting discipline during customer acquisition helped in building the desired risk portfolio. Innovation coupled with technology investments in process reengineering reduced friction costs while handling the growing scale of operations. The focus on direct channels of distribution expanded reach at lower cost. Regular customer research and satisfaction surveys at the transaction level further strengthened our knowledge of our customers' needs and quality of experience. Regular monitoring of our service levels helped in continuous improvement in our service architecture including our in-house health claims settlement processes, thereby enhancing the customer experience and increasing retention. These initiatives served to deepen the quality of our business model while setting benchmarks that were recognized by the industry.

Though the general insurance business returned to its historical growth rates, the additional provisioning requirement for the Indian Motor Third Party Insurance Pool impacted the profitability of the industry with all insurance companies contributing their share to the pool. On a positive note, the regulator has also increased the premium for third party liability insurance on commercial vehicles, which should help bridge the gap between the actual and the estimated claim ratio.

The year was characterised by a number of changes in the regulatory guidelines that kept in mind the protection of policyholders' interests. Enhanced disclosure requirements will increase the confidence of the customers while driving transparency. Health insurance

portability introduced by the regulator would benefit customers while compelling insurers to focus on customer retention through better service standards. Distance marketing guidelines were also a welcome step giving a robust framework to electronic channels of fulfillment, which have significant potential in reaching out customers in a cost effective manner. We view these changes as a positive development for the sustainable growth of the industry and have taken proactive steps to leverage the same through improved underwriting practices, higher levels of customer service, product innovation and investing in the electronic channels of distribution.

The ICICI Group is committed to inclusive growth, with a clear agenda to reach out to individuals at the bottom of the pyramid. There is a need to bring the households in the lowest economic strata into the mainstream by offering them the means to improve their economic circumstances as well as mitigating their risks. Insurance products protect the livelihood of the underprivileged by creating a safety net against uncertainties. There is a need to bring in low cost, easy to purchase risk solutions that cater to the specific needs of this population. ICICI Lombard General Insurance has been working closely with various government and non-government bodies to ensure that such insurance products are rolled out in a sustainable manner. Our investments in technology helped make the distribution of insurance products on a mass platform a cost effective proposition. Innovation and focus on building a viable and scalable operating model are the chief enablers of success in the efforts to explore and grow the business at the bottom of the pyramid.

ICICI Lombard General Insurance continues to be aligned to long-term value creation through its focus on the core building blocks for a sustainable business including customer centricity, deep understanding of risk, operational excellence and nurturing of profitable segments. Success in these areas depends on the quality of our people and we remain committed to attracting, training and retaining our human resources to ensure that our customers get the best experience with us.

The Indian economy is on the path to be amongst the leading economies in the world and we believe that ICICI Lombard General Insurance is well positioned to benefit from this growth. We are confident of our ability to identify and execute relevant strategies in an evolving market.

We solicit the continued support of all our stakeholders on this exciting journey.

Chanda Kochhar
Chairperson

Board of Directors

Board

Chanda Kochhar

Chairperson

R. Athappan

Director

Sandeep Bakhshi

Director (upto July 31, 2010)

B.V. Bhargava

Director

Dileep Choksi

Director

Zarin Daruwala

Director (w.e.f. October 18, 2010)

N.S. Kannan

Director

S. Mukherji

Director

Chandran Ratnaswami

Director

M.K. Sharma

Director

H. N. Sinor

Director

Bhargav Dasgupta

Managing Director & CEO

Alok Kumar Agarwal

Executive Director (w.e.f. January 19, 2011)

Neelesh Garg

Executive Director (w.e.f. January 19, 2011)

Board Governance Committee

M.K. Sharma

Chairman

Chanda Kochhar

Sandeep Bakhshi

(upto July 31, 2010)

Chandran Ratnaswami

H. N. Sinor

Investment Committee

Chandran Ratnaswami

Chairman

Sandeep Bakhshi

(upto July 31, 2010)

N.S. Kannan

Director

Bhargav Dasgupta

Liyaquat Khan

Appointed Actuary

S. Gopalakrishnan

Rakesh Jain

Audit Committee

Dileep Choksi

Chairman

R. Athappan

S. Mukherji

H. N. Sinor

Risk Management Committee

S. Mukherji

Chairman

R. Athappan

H. N. Sinor

Bhargav Dasgupta

Policyholder Protection Committee

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 ten years now and at this threshold for the 2nd decade and beyond, I am delighted to share a few thoughts on this robust partnership in India.

The Indian economy has seen steady growth over the years and the middle-class segment of the population has been expanding. This vibrant background and the keenly competitive market environment prevailing in India have encouraged ICICI Lombard to develop highly attuned responses and innovative products to meet the needs of the insuring public. In the non-tariff, free market environment the company's management team has been able to effectively handle the ever increasing competition and maintain its pole position. I am indeed happy to note that ICICI Lombard has once again recorded comfortable growth and consolidated its leadership position across the various business segments and as shareholders it endorses our commitment and faith in the company.

India is witnessing a steady growth of its economy and therefore, it is imperative that people from every strata of the society benefit from the emerging economic landscape of the country. In this context, ICICI Lombard's endeavour to provide cost effective insurance solutions to the people of underprivileged strata in participation with government bodies is exemplary.

In Fiscal 2010-2011, the series of natural catastrophes witnessed worldwide have given rise to a very challenging period for the global insurance industry because of the somewhat unusual spurt in the number as well as the size of the catastrophic events. The unprecedented situation in Japan due to the nature, complexity and scale of the catastrophe has introduced significant uncertainty in the loss estimation process and has adversely impacted the Japanese as well as the global general insurance / reinsurance industry. Such catastrophic events severely test the effectiveness of reinsurance arrangements of the general insurance companies and accentuate the fact that companies which adopt the most prudent underwriting practices and reliable risk analysis/assessment methods are the ones that can hope to show robust results. It is worth noting here that ICICI Lombard has scored well in these areas which is an added source of comfort to us.

This year ICICI Lombard has reported a net loss due to one off incidence of additional contribution to the Third Party Motor Pool. Despite the loss this year, we are of the opinion that the company will continue its momentum of growth by combining disciplined underwriting with the prudent investment of its assets on a total return basis, which we believe will provide above-average returns over the long-term. We have contributed towards the incremental capital of the company and reiterate our trust in the value of its core business. An organisation's success reflects the values of its people and ICICI Lombard's background combines an entrepreneurial passion with a vision to create long-term value for all its stakeholders. We are proud to be part of this still evolving growth story that continues to shape and contribute to the insurance industry landscape in the country.

Thank you

Ramaswamy Athappan
Chairman
Fairfax Asia Limited

Message from the Managing Director & CEO

