

September 01, 2020

ICICI Lombard General Insurance Company Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Subordinated debt programme	485	485	[ICRA]AAA (Stable); outstanding
Total	485	485	

*Instrument details are provided in Annexure-1

Material Event

The Board of Directors of ICICI Lombard General Insurance Company Ltd. (“ICICIL – rated [ICRA]AAA(stable)”) and Bharti AXA General Insurance Company Ltd. (“BAXA-GI”) at their respective meetings held on August 21, 2020, approved entering into definitive agreements for demerger of BAXA-GI’s non-life insurance business into ICICIL through a Scheme of Arrangement. The scheme of arrangement does not include immovable property owned by BAXA-GI, brands used by and/or licensed to BAXA-GI and bonds issued by ICICI Bank Limited and held by BAXA-GI. As a consideration for the demerger, the shareholders of BAXA-GI shall be issued and allotted fresh equity shares (3,57,56,194) of ICICIL basis the share swap ratio of 2 shares of ICICIL for 115 shares of BAXA-GI held.

The completion of the proposed transaction is subject to various conditions precedent, including regulatory approvals from the Insurance Regulatory and Development Authority of India, Competition Commission of India, The Securities and Exchange Board of India, Stock Exchanges, Reserve Bank of India, NCLT and approval of shareholders of both ICICI Lombard and Bharti AXA, amongst others. Upon obtaining all approvals, when the scheme becomes effective, the non-life insurance business will be demerged from BAXA-GI into ICICIL.

Impact of the material event

The rating remain unchanged at the earlier rating of [ICRA]AAA (Stable) as the said scheme of arrangement does not have material impact on solvency, debt paying ability or strategic importance of ICICIL to its promoter. ICRA takes note that post completion of scheme of arrangement the ICICI Bank’s stake in the company would be reduced from 51.9% (as of June 30, 2020) to 48.1%. Post completion of scheme of arrangement Bharati group and AXA group to be classified as public shareholders and will together hold 7.3% stake in ICICIL, other public shareholders to hold remaining 44.6% stake.

ICRA has taken note of the above-mentioned scheme of arrangement and believes that the successful completion of scheme of arrangement is contingent on the approvals from various regulatory authorities and government agencies. In addition ICRA would monitor the transition period of aforesaid scheme of arrangement.

The previous detailed rating rationale is available on the following link: [Click here](#)

Key financial indicators (audited)¹

Key Parameters	Mar-18	Mar-19	Mar-20	Jun-20
Gross Direct Premium	12,356.9	14,488.2	13,312.8	3,302.2
Total Underwriting Surplus/(Shortfall)	(230.9)	(169.6)	(105.2)	38.2
Total Investment & Trading Income	1,532.6	1,795.5	2,007.0	508.5
PAT	861.8	1,049.3	1,193.8	398.1
Total Net Worth [@]	5,275.0	5,658.9	5,705.6	6,496.1
Total Technical Reserves	20,353.8	22,026.6	23,845.5	23,800.0
Total Investment Portfolio	18,192.7	22,230.8	26,326.7	28,118.0
Total Assets	29,749.6	33,402.6	37,042.1	36,932.1
Return on Equity [@]	16.3%	18.5%	20.9%	24.5%
Gearing [@]	0.09	0.09	0.09	0.07
Combined Ratio*	100.2%	98.8%	100.4%	99.7%
Regulatory Solvency Ratio	2.05	2.24	2.17	2.50

Amount in Rs. crore

Source: Company & ICRA research

*Combined ratio: (net claims incurred/net premium earned) + (Operating expenses + net commission expenses)/ net premium written

[@] Includes fair valuation change

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