

# 'If claim spike sustains, it'll have repercussions'

While the Covid-related health claims have seen a decline, the non-Covid claims have spiked for non-life insurers, posing another challenge to the sector. **BHARGAV DASGUPTA**, managing director and chief executive officer, ICICI Lombard General Insurance, spoke to **Subrata Panda** on the hit the insurance industry had taken due to Covid, the spike in the average claim size, pickup in the motor insurance segment, and the focus areas of the company. Edited excerpts:

**Is the worst over now as far as the Covid-related health claims are concerned?**  
We are hopeful, given the pace of vaccination, that we would not see a spike like what we saw in the second wave. The caveat is that we do not get to see a new mutant. We have to watch the situation. The Covid claims were unanticipated, and we did not budget for them, or price for them. Unlike most industries that were affected, we did not go to the Central government for support. Last year (FY21), we had about 1 million intimated claims for Covid. This year (FY22), in six months, we got about 1.6 million claims. Our sense is that the industry has paid ₹25,000-30,000 crore for the Covid-related health claims.

**How concerned are you with the average claim size going up in the recent period?**  
The worry is that the non-Covid claims are spiking. Other types of infection this year have been bad — dengue, malaria, etc. Elective surgery cases have come back strongly. More importantly, the average claim size for each of these diseases has gone up a

lot in the past two years. The elective surgery spike could be temporary. But the average claim size spike is structural. If I compare the present cost to what it was two years ago, there is a 20 per cent increase. If this sustains, it will have some repercussions on insurance premium.

**Is there a need to raise health insurance premiums?**  
If the rise in the non-Covid claims stays elevated, we will be forced to revise premiums. For corporate policies, we have taken some price increases.

**Is motor insurance segment out of the woods now?**  
We are seeing good demand on the private car side but there are supply-side constraints. While there are no supply-side issues in the two-wheeler segment, the demand seems a bit tepid, which is surprising. On commercial vehicles, we are seeing good pickup. Overall, in the motor segment, the underlying demand seems to be recovering. On the third-party premium hike, traditionally, the regulator looked at the data and gave a price increase every year because there is a claim inflation, which is linked to



wage inflation. In the past two years, we have not seen a price increase, which has created some pressure for the industry. On top of it, in this period, there have been some court judgments, which are further increasing the claims severity. We hope we will see some increase from the regulator's side.

**Motor remains your predominant business but given the demand health insurance is seeing, would you not want to focus more on health?**  
It is not that we are focusing less on any segment. I think relative to the overall market, our share of health is small. So, health is a bit of catch-up for us while the motor and commercial lines remain strong pillars of the organisation. So, we are investing a lot more in the health segment.

**Which are other segments you are focusing on?**

We remain optimistic about our corporate business, including small and medium enterprises. The underlying investment in infrastructure and capital formation seems to be coming back strongly. Also, marine insurance, which shows goods movements, is picking up. The motor and health segments will remain key areas. There are new categories of products that are coming to the market on the insurance side. For example, there is a drone policy the government launched, and we are excited about it. The cyber liability risk is still under appreciated and that is an area of interest for us.

**Irdai has brought a number of standard products in the non-life space. How feasible is it for insurers to sell these products?**  
Some of this is positive. We were supportive of the standard health indemnity product the regulator launched because in a segment where there is a huge requirement for education and awareness creation, a standard product helps. But if you take it to another extreme then that becomes a bit of a challenge because it will stifle innovation and create unnecessary competition.

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## Economy...

Also, over 20 million households availed of work under the Mahatma Gandhi National Rural Employment Guarantee Scheme for 10 months each till September this year.

The study by SBI Research attributed the rapid pace of formalisation to a plethora of measures taken since 2016 that accelerated the digitalisation of the economy and the emergence of the gig economy. The formalisation in India post-2016 happened at a rate "possibly" faster than most other nations, it said. The study referred to the International Monetary Fund (IMF) observation that formalisation had increased in India since the adoption of goods and services tax (GST), enhanced digitalisation, and demonetisation.

It advised the government that even as the economy gets formalised, it is important and ethical to have a better designed tax structure, particularly indirect taxes on items like fuel, to support honest tax-paying households.

With certain assumptions, the study estimated that 11.4 million tax-paying households, or 8.5 per cent of the population, contributed ₹75 trillion, or 65 per cent, to the private final consumption expenditure and cross-subsidised 91.5 per cent

of the population during FY21. "To that extent, the existing tax structure, particularly of indirect taxes on fuel, should not be consumption negative," said Ghosh. The informal sector in India consists of enterprises that are own account enterprises and operated by own account workers or unorganised enterprises employing hired workers. They are essentially proprietary and partnership enterprises.

The share of the unorganised sector was the highest in agriculture as holdings are small and fragmented. Since FY18, the agriculture sector has been formalised by 22-27 percentage points due to the increasing penetration of kisan credit cards. In agriculture, the informal share is now in the range of 70-75 per cent against 97.1 per cent in FY18 and 96.8 per cent in FY12, SBI Research said. The study estimated kisan credit cards formalised ₹4.6 trillion.

In all the segments, the share of the informal sector has declined. In fact, it did not have any share in electricity, gas and water during FY21. The study's starting point was the assumption that the shrinkage in the economy after the onset of the pandemic was mostly informal, and hence, the loss in the output across sectors gave us the measure of the informal sector. This assumption ensured that the size of the informal economy is still overstated as the shrinkage in econ-

omy also consisted of formal. "This ensures that our estimate is at least free from any downward bias in measurement."

The significant formalisation efforts of the government have resulted in almost 100 per cent formalisation in finance and insurance, and to a large extent in real estate and agriculture, the study said.

The informal size of the trade, hotels, transport, communication & broadcasting sectors, which employ around 170 million households according to the 2011 census, was at 40 per cent during FY21. The informal sector in construction was at around 34 per cent.

The study said that with the rise in economic activities, the consumption of petrol and diesel is estimated to increase by 7.215 million litres in FY22. By assuming 50 per cent of additional petrol and 25 per cent of diesel is paid by digital modes at petrol stations, approximately ₹23,686 crore has been formalised at petrol pumps. "So, in the past 5 years, around ₹1 trillion has been formalised," it said.

The report said one of the sources to analyse the extent of formalisation is the monthly EPF payroll report, which provides data on establishments remitting first ECR in a particular month. Based on this data, it estimated that almost 3.7 million jobs have been formalised till August. The study estimated that till date the rate of formalisation due to e-shram portals is around 17 per cent and will increase further. The e-shram portal, launched on August 26, is a central database of unorganised workers to make them employable and extend the benefits of social security schemes to them. As many as 57 million unorganised workers registered themselves on the portal till October 30, with 62 per cent of workers belonging to the age-group of 18-40 years and 92 per cent registered workers having monthly income of less than ₹10,000.

Madan Sabnavis, chief economist at CARE Ratings, said the employment approach to formalisation of the economy has yielded these results, but if structure of the economy in terms of output is taken into account, 40-45 per cent of the economy is still informal.

Aditi Nayar, chief economist at ICRA, did not comment on the study. However, she said the large and formal players are gaining at the cost of the smaller and less-formal entities in various sectors. This is evidenced by the sharp disparity in the performance of the stock markets, robust growth in direct tax collections and improved business sentiment, juxtaposed with the continued pessimism displayed by urban households in the RBI's latest

consumer confidence survey. The latter is a likely reflection of the lingering income uncertainty being faced by households that are dependent on the less formal and contact-intensive portions of the economy. India's GVA declined three per cent at current prices, but the largest informal sector — agriculture and allied — grew 6.6 per cent in 2020-21. Also, over 20 million households have been availing work under the MGNREGS for ten months each till September.

## Apple India...

The growing importance of India as a market can be seen from the fact that for the first time, a new iPhone model, iPhone 13, was launched in India on the same day as other key global markets like the US, China, UK, UAE, Germany, Australia, amongst others.

Earlier, Indian consumers had to wait three to four weeks to get the latest iPhone after it was launched elsewhere. Still, India's role in Apple's scheme of things has a long way to go. To put it into perspective, the revenue share of India in the rest of Asia (excludes Japan and Greater China) in FY 21 for Apple Inc was around 12-13 per cent. Its net sales in the rest of the Asia Pacific hit \$26.3 billion in FY 21, accounting for over 7.1 per cent of its total revenues. In contrast, Greater China accounts for 18.67 per cent of Apple's total revenues and is the third largest market after the US and Europe.

## LIC ...

The consensus has been becoming increasingly bearish since the September quarter ended. Global financial services group Morgan Stanley said investors should take money off the table in the last week of October. Its peers, including Nomura and UBS, have also taken a similar stance. The S&P BSE Sensex has corrected 4.7 per cent from its October 19 high of 62,245.

The total disclosed LIC equity holdings are worth ₹9.39 trillion. Devan Choksey, managing director of KRChoksey Investment Managers, said LIC typically invests in companies which have a dividend track record, and often avoids new companies. This may have a role in reducing the overall stake in the listed space if there are a lot of new companies coming to the market, as has been the case in recent times, he suggested. Emails sent to LIC and the companies mentioned in the story did not immediately elicit a response.

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DCB BANK LIMITED					
CIN No.: L99999MH1995PLC089008					
Regd. Office: 601 & 602, 6th Floor, Tower A, Peninsula Business Park, Senapati Bapat Marg, Lower Parel, Mumbai - 400013					
EXTRACT FROM UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2021					
(₹ In crore)					
Sr. No.	Particulars	Quarter ended			Half Year Ended
		30.09.2021	30.06.2021	30.09.2020	30.09.2021
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1	Total income from operations	967.01	966.66	959.33	1,933.67
2	Net Profit / (Loss) for the period (before tax, exceptional and/or extraordinary items)	88.80	45.65	111.71	134.45
3	Net Profit / (Loss) for the period before tax (after exceptional and/or extraordinary items)	88.80	45.65	111.71	134.45
4	Net Profit / (Loss) for the period after tax (after exceptional and / or extraordinary items)	64.94	33.76	82.29	98.70
5	Equity Share Capital (Face value ₹ 10/-)	310.63	310.59	310.47	310.63
6	Reserves (excluding Revaluation Reserve)	-	-	-	-
7	Earnings Per Share (EPS) ₹ (before/after extraordinary items) (face value of ₹ 10 each) not annualised	2.09	1.09	2.65	3.18
	(i) Basic (₹)	2.07	1.08	2.63	3.15
	(ii) Diluted (₹)	Refer Note 2	Refer Note 2	Refer Note 2	Refer Note 2
8	Total Comprehensive Income for the period [comprising Profit/(Loss) for the period (after tax) and Other Comprehensive Income (after tax)]	Refer Note 2	Refer Note 2	Refer Note 2	Refer Note 2
9	Net Worth	3,427.22	3,399.92	3,212.24	3,427.22
10	Outstanding Redeemable Preference Shares	-	-	-	-
11	Capital Redemption Reserve	-	-	-	-
12	Securities Premium Account	1,366.19	1,365.95	1,365.68	1,366.19
13	Outstanding Debts	4,042.20	4,322.17	3,762.66	4,042.20
14	Total Debt to Total Assets	9.75%	10.72%	10.02%	9.75%
15	Debt Equity Ratio	0.56	0.64	0.63	0.56
16	Reserves (excluding Revaluation Reserve)	3,215.74*	3,215.74*	2,873.36**	3,215.74*
* As on 31 March 2021					
** As on 31 March 2020					
Notes					
1. The above is an extract of the detailed format of Financial Results filed with the Stock Exchanges under Regulation 33 and Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. The full format of the Financial Results is available on the Stock Exchange URLs as below:					
a. Bombay Stock Exchange: <a href="https://www.bseindia.com/xml-data/corpfiling/AttachLive/01b1328d-08f6-40a8-9b1b-37f151c6e532.pdf">https://www.bseindia.com/xml-data/corpfiling/AttachLive/01b1328d-08f6-40a8-9b1b-37f151c6e532.pdf</a>					
b. National Stock Exchange: <a href="https://archives.nseindia.com/corporate/BSENSEResultsBoarMeeting30102021_30102021165204.pdf">https://archives.nseindia.com/corporate/BSENSEResultsBoarMeeting30102021_30102021165204.pdf</a>					
The same is also available on the Bank's Website ( <a href="http://www.dcbbank.com">www.dcbbank.com</a> ).					
2. Information relating to Total Comprehensive Income and Other Comprehensive Income is not furnished as Ind AS is not yet made applicable to banks					
3. Outstanding Debts represents total borrowings of the Bank					
For and on behalf of the Board of Directors					
Murali M. Natrajan MD & CEO					
Place: Mumbai					
Date: October 31, 2021					



CIN : L51900GJ1980PLC065554  
Registered Office : Survey No.364 / 366,  
At & PO : Rania, Taluka : Savli, Dist : Vadodara - 391 780.  
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Statement of Unaudited Standalone Financial Results for the Quarter & Six Months ended 30th September, 2021					
(Rs. in Lakhs)					
Sr No	Particulars	3 months ended 30/09/2021	Half year ended 30/09/2021	Corresponding 3 months ended 30/09/2020 in the previous year	Year ended 31/03/2021 in the previous year
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total Income from Operations	14,622.49	26,757.38	9,883.70	36,317.71
2	Net Profit / (Loss) for the period (before Tax, Exceptional and Extraordinary items)	1,381.17	2,442.41	1,000.95	2,988.35
3	Net Profit / (Loss) for the period before tax (after Exceptional and Extraordinary items)	1,381.17	2,442.41	1,000.95	2,988.35
4	Net Profit / (Loss) for the period after tax (after Exceptional and Extraordinary items)	1,049.15	1,849.29	732.47	2,202.08
5	Total Comprehensive Income for the period after tax	0.67	(1.52)	23.83	46.29
6	Equity Share Capital	917.35	917.35	831.84	831.84
7	Reserves excluding Revaluation Reserves as per Audited Balance Sheet of the previous accounting year	17,354.71	17,354.71	15,106.34	17,354.71
		(As on 31-Mar-2021)	(As on 31-Mar-2021)	(As on 31-Mar-2020)	(As on 31-Mar-2021)
8	Earnings Per Share (of Rs. 10/- each) (for continuing and discontinued operations)				
	Basic	11.44	20.16	8.81	26.47
	Diluted	11.44	20.16	8.81	26.47
Statement of Unaudited Consolidated Financial Results for the Quarter & Six Months ended 30th September, 2021					
(Rs. in Lakhs)					
Sr No	Particulars	3 months ended 30/09/2021	Half year ended 30/09/2021	Corresponding 3 months ended 30/09/2020 in the previous year	Year ended 31/03/2021 in the previous year
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Total Income from Operations	14,622.49	26,757.38	9,883.70	36,317.71
2	Net Profit / (Loss) for the period (before Tax, Exceptional and Extraordinary items)	1,368.06	2,429.30	1,000.95	2,988.36
3	Net Profit / (Loss) for the period before tax (after Exceptional and Extraordinary items)	1,368.06	2,429.30	1,000.95	2,988.36
4	Net Profit / (Loss) for the period after tax (after Exceptional and Extraordinary items)	1,038.53	1,838.67	732.47	2,202.09
5	Total Comprehensive Income for the period after tax	0.67	(1.52)	23.83	46.29
6	Equity Share Capital	917.35	917.35	831.84	831.84
7	Reserves excluding Revaluation Reserves as per Audited Balance Sheet of the previous accounting year	17,354.71	17,354.71	15,106.34	17,354.71
		(As on 31-Mar-2021)	(As on 31-Mar-2021)	(As on 31-Mar-2020)	(As on 31-Mar-2021)
8	Earnings Per Share (of Rs. 10/- each) (for continuing and discontinued operations)				
	Basic	11.32	20.04	8.81	26.47
	Diluted	11.32	20.04	8.81	26.47
Notes :					
1 The above unaudited financial results have been reviewed by the Audit Committee and approved by the Board of Directors of the Company in their respective meetings held on October 30, 2021. The Statutory Auditors of the Company have carried out a limited review of the said results.					
2 The above unaudited financial results of the Company have been prepared in accordance with the Indian Accounting Standards (IND AS) prescribed under section 133 of the Companies Act, 2013 (the "Act") read with relevant rules issued thereunder, other accounting principles generally accepted in India and guidelines issued by the Securities and Exchange Board of India.					
3 The above is an extract of the detailed format of Financial Results filed with the Stock Exchange under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the Company website i.e. <a href="http://www.shaily.com">www.shaily.com</a> and the Stock Exchange website i.e. <a href="http://www.bseindia.com">www.bseindia.com</a> .					
For and on behalf of the Board of Directors					
For Shaily Engineering Plastics Limited					
Mahendra Sanghvi					
Executive Chairman					
DIN : 00084162					
Place : Vadodara					
Date : 30th October 2021					

## BS SUDOKU

# 3503

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6	2	7	4	5	3	9	8	1
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Very easy:



Solution tomorrow

### HOW TO PLAY

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