



दि न्यू इन्डिया एश्योरन्स कंपनी लिमिटेड

(भारत सरकार का उपक्रम)

THE NEW INDIA ASSURANCE COMPANY LTD.

(Govt. of India Undertaking)

पंजीकृत एवं प्रधान कार्यालय : न्यू इन्डिया एश्योरन्स बिल्डिंग, 87, महात्मा गांधी मार्ग, फोर्ट, मुंबई - 400 001.

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04th December, 2023

To,

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Listing Department
BSE Limited
PhirozeJeejeebhoy Tower
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Mumbai 400 001

The Manager
Listing Department
The National Stock Exchange of India Ltd.
Exchange Plaza, 5th floor, Plot C/1,
G Block, Bandra-Kurla Complex
Mumbai 400 051

Scrip Code: (BSE – 540769/NSE – NIACL)

Dear Sir/Madam,

Sub: Transcript of the Conference Call held on 29th November 2023

With reference to our letter dated November 23, 2023, intimating you about the conference call with Analysts/Investors held on November 29, 2023, please find attached the transcript of the aforesaid conference call.

You are requested to kindly take the same on records.

Thanking You

Yours faithfully

For The New India Assurance Company Limited

Jyoti Rawat

Company Secretary & Chief Compliance Officer



**The New India Assurance Company Limited
Q2 & H1FY24 Earnings Conference Call
November 29th, 2023**

Management:

1. Ms. Neerja Kapur, Chairman and Managing Director
2. Mr. Titus Francis General, Manager & Director and Chief Financial Officer
3. Ms. Sushama Anupam, General Manager (Health and Miscellaneous)
4. Ms. Sreedevi, General Manager (Motor)
5. Mr. Sharad Ramnarayanan, Actuary



The New India Assurance Company Limited
Q2 & H1FY24 Earnings Conference Call
November 29th, 2023

Moderator: Good evening, ladies and gentlemen. Thank you for joining us today for The New India Assurance Company Limited Earnings Call for Q2 and H1 FY '24. I am your moderator for this call.

We have with us today Ms. Neerja Kapur, Chairman and Managing Director; Mr. Titus Francis, Director, General Manager and Chief Financial Officer; and other members of the executive team.

Before we begin, I would like to remind everyone that today's discussion may contain forward looking statements based on our current expectations. These statements are subject to risks and uncertainties that could cause actual results to differ materially. Please refer to our latest exchange filing for more information on these risks.

At this moment, all participant lines are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press "*" and "1" on your telephone keypad. Please note that this conference is being recorded.

I now hand the conference over to Ms. Neerja Kapur. Thank you, and over to you ma'am.

Neerja Kapur: Thank you, Sagar. Good evening to all. As Sagar mentioned, I am Neerja Kapur, Chairman and Managing Director, and along with me are Mr. Titus Francis. He is the General Manager and Director and the Chief Financial Officer. I also have with me General manager Ms. Sushama Anupam. She is handling Health and Miscellaneous portfolio; and Ms. Sreedevi who is in charge of Motor; and also our Actuary Mr. Sharad Ramnarayanan.

I would like to thank all the participants who have taken time out for attending this Con Call. To begin with, I shall give a brief background and Mr. Titus shall highlight the financials of H1 of this financial year. Thereafter, we shall proceed to the question and answer session where in we shall endeavor to answer all your queries and clarify any doubts you might have.

Just to give you a brief background about the company, New India Assurance was founded by Sir Dorabji Tata in 1919, and today we are now in our 105th year of operations. Today, New India is the largest non-life insurer in India by gross premiums written having a market share



of 13.09% as of the end of September '23. The company holds market leading positions in major business lines including health, motor, fire, marine and aviation.

International geographical diversification is supported by the company's overseas operations through its foreign branches, agency offices and subsidiaries across 25 countries. The domestic market continues to present significant growth opportunities for New India despite high market competition, particularly in the health and motor businesses.

We are happy to inform you that for the current year, AM Best has affirmed the financial strength rating of B++ (Good) and the long-term issuer credit rating of Triple B+ (Good) to The New India Assurance Company Limited. The outlook of these credit ratings is stable. In addition, and this is a new feature, AM Best has assigned the India National Scale Rating of AAA.IN (Exceptional) to New India. In addition, in India, we are also rated AAA/Stable by CRISIL.

New India Assurance continues to be identified as domestic systemically important insurer that is DS2 by IRDAI in view of its size of operations, cross jurisdictional activities and financial connectedness. We are also certified as ISO 27001:2013 compliant on IT security, thus making us one among the few general insurers following highest standards on data security in India.

The future of insurance industry in India is promising owing to several changes in the regulatory framework, technological advancements, government support and increasing awareness. Continuously, new trends are being introduced, like product innovation, multi-distribution, better claims management and regulatory trends in the Indian market as income rise and purchasing power and household savings grow exponentially.

As the Indian economy continues to grow, disposable incomes are increasing leading to a growing demand for insurance products. Various initiatives, as you all know, have been taken by the government to increase the current levels of insurance in India by lowering cost and also increasing the health cover, and most importantly, educating people about its importance.

To add to this, the new generation is more aware about benefits of having insurance and are willing to spend on it. The company is working towards the regulator's mission of insurance for all by 2047.

Towards this, various new products as well as additional covers in the existing products have been introduced recently, and we are striving to constantly provide newer products relevant to the market demands. Our aim is to grow with profitability and towards this, we are consciously making efforts to reduce our ICR and combined ratio.



Coming to the company's financials of half yearly of this financial year, the gross written premium underwritten for H1FY24 was reported totaling Rs. 20,760 crores. The segment-wise breakup of the various lines of business that we do: health and personal accident is the highest at about 47%; fire, 16%; motor together makes up 25% of our business; Marine, 2%; and all other lines of business at approximately 10%.

The profit after tax reported was Rs. 60.24crores vis-à-vis a figure of Rs. 151.90 crores for the same period last year. Net worth stands at Rs. 19,830 crores and the investment assets are at Rs. 89,839 crores as of 30th September'23. The overall ICR for the first half year stood at 101.03 as compared to 96.94. So, this decline in profitability for this quarter and the increase in ICR was mainly because of the following reasons, which I would like to convey to all of you.

First of all, we are seeing that climate change biodiversity is having its impact and the company suffered catastrophic losses on account of floods amounting to a net of about Rs. 301 crores during this quarter.

We also had an adverse development in the aviation portfolio of about Rs. 50 crores pertaining to the prior period and the foreign operations were also under pressure as they reported losses of about Rs. 71 crores during the quarter driven basically by risk losses in Dubai operations as well as catastrophic losses in the UK operations pertaining to the earthquake in Turkey.

There was also an additional provision, which we have started providing every quarter is for the increase in wages. This amounted to about Rs.140crores.

The company is focusing on growth in the agency channel of business and reducing our turnaround time for claims by focusing on claims automation, including a pilot of AI-based claim settlements for claims up to Rs. 50,000, and this is a pilot which we have rolled out in about 12 different regions across the country and we will be slowly ramping it up in all the other regions.

We are also focused on improving integration with broker portals, web aggregators and ensuring prudent underwriting with focus on profitable business even if this means shedding of some businesses which are not in line with the company's long-term strategy.

To give you some highlight on the automobile industry, the Indian Auto industry has registered robust sales growth in private cars, two-wheelers and three-wheelers in October '23 due to the festive season, and while the passenger vehicles registered the 34% year-on-year growth in October '23, two-wheelers and three-wheelers were at 20% and 42%



respectively. New India has capitalized on this growth and we have registered a year-on-year growth of about 32.54%.

The company has proactively taken steps to improve its performance in Motor OD segment. Some of the steps which I have mentioned earlier were regarding the claim processing, but we also have a new scientific and dynamic pricing tool for motor insurance, which has been introduced again on a pilot basis, which has been rolled out in the regions having high ICR. This takes into account various risk factors resulting in more prudent underwriting and we have ensured recalibration of OD discount - own damage discount in various channels, especially the auto tie-ups based on region, model, age etc.

We have taken steps for reduction of fraud in motor insurance by integrating with Vahan database among others. As a result of the above steps, own damage ICR has reduced, and the trend indicates an improvement in the days to come.

With regards to health insurance, one of our best selling products is Yuva Bharat, a product focused towards the young millennial generation. We also have a new health insurance top-up policy in the pipeline with an expected launch in this quarter. Modern treatment rider for availing modern treatments up to the sum insured has recently been launched.

In health, we are aligning with the National Health Exchange. This is a project of the regulator, and we are participating in this particular project. Also, we are working closely with the rest of the industry towards 100% cashless, which will go a long way in providing better and faster benefits to our policy holders.

Going forward, our focus remains on digital initiative, streamlining processes for increased efficiency and increasing our sales force with a focus on our agency channel. New products like Surety Bonds have been launched, and we are one of the very few insurers to align with NHAI to issue both big bonds and performance bonds for their contractors. This will also go a long way in freeing up capital reserves for the growth of infrastructure in India.

Also, I would like to share that we are in the process of recruitment of specialists like chartered accountants, risk engineers, automobile engineers, doctors, lawyers' etc., which will further channelize the growth in the right direction.

I would like to convey to our stakeholders that your company is fundamentally robust and strategically well poised to cater to the insurance needs of the country, offering the best insurance solutions to our customers, while ensuring right pricing of our products.



With this, I now hand over to our CFO Mr. Francis Titus who will give a presentation on the performance up to the end of second quarter of 2023.

Titus Francis:

Thank you, madam. Good evening once again to all of you all and welcome to the conference call. This presentation has already been uploaded in the Investor Presentation, which has been uploaded on the website. I will just go briefly through the highlights of the two businesses.

Just to give a brief overview, we are the largest general insurance company in India with an established brand, expansive multi-channel distribution network and a strong international presence. We are number one in India in terms of net worth, domestic gross direct premium, highest number of offices and number of claims settled. We have 1,840+ offices plus in India, and we are into the 105th year of operation. We have incorporated in 1919. As already mentioned by madam, we have sustained our AM Best rating, and we have also got an additional Indian rating of Excellent, which is the highest rating by AM Best for the country.

We have issued 30 million policies in FY '22-'23, and we have presence in 25 countries all around the world, and we are continuing to be the highest market share of 13.09% as of September with highest share in fire, marine, engineering, motor, health, aviation and certain miscellaneous lines of business.

Our future strategy would continue to be maintaining or increasing the market share and leveraging the benefits of economies of scale driven by growth, rationalization of operating offices, maintaining healthy solvency margin and increasing digital penetration, leveraging technology to drive customer satisfaction for profitability and growth.

If you see the composition of business of Rs. 20,760 crore, fire contributes 16% share, marine 2%, Motor OD 12%, Motor TP 13%, health and PA 47%, and others 10%.

Coming to the channel mix, we have direct at 31%, agency 25%, dealer 8%, bank assurance 1%, and broker at 35%. Our technical reserves are at Rs. 50,178 crores up from Rs. 47,547 crores indicating that we are adequately provided.

The financial snapshot against a gross written premium of Rs. 20,760 crore, there is a profit after tax of Rs. 60.24 crore. That is compared to Rs. 19,198 crores in the last half year and Rs. 151 crores of profit after tax in last year. The reasons for reduced profit after tax has also been mentioned by GMD in her address.

The key ratios which are highlighted are the incurred claim ratio, which has increased from 96.94% to 101% basically because of the CAT losses as well as the development in aviation as



well as certain foreign losses. Commission ratio because of the AUM has increased from 7.53% to 8.82%, and expense ratio has increased from 12.60 to 13.13 because of the increased provisioning in salary cost. Because of the high ICR, the combined ratio has come to 122.98 from 117.06. Solvency is also come down slightly from 1.77 to 1.70, still above the regulator's requirement, and the ROE is also at .30% from 1.65%, basically because of the reduction in the PAT.

Coming to the gross written premium, we are showing an accretion in almost all the lines of business except for marine. Motor we have increased by 32.54% and all others are showing a healthy accretion, overall, 8.14% accretion. ICR because of the CAT losses has come up to 101.03% from 96.94%. Basically, the high ICR is in fire and slightly increase in health line of business.

Coming to the balance sheet, our net worth has increased from Rs. 18,574 crores to Rs. 19,830 crores. Net worth including fair value increased to Rs. 41,638 from Rs. 37,882 crores and investment assets at market value at Rs. 89,839 crores. As mentioned, solvency is at 1.70 compared to 1.77. So, these are the brief highlights of the financial performance of New India.

Neerja Kapur:

We now take any questions that you may have.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Darshit from Robo Capital Please, go ahead.

Darshit:

So, I just needed two things. Firstly, what would be the combined ratio guidance for the next half and for FY '25 and '26?

Neerja Kapur:

So, I think Sagar had given a disclaimer that it will be very difficult to make any forward looking statements, but our initial target for the year was to have a combined ratio, last year it was 117% and our business plan is for reducing this combined ratio taking into account the fact that there has been an increase in the expenses of management due to the strategy decisions which took place last year and also an increase in the EOM you know, as you know, from 1st of April, the expenses of management, the regulator has come up with that provision. So, there will be an increase in the commissions. There will be an increase in the expenses of management, but we expect the overall ICR to decline in the range of about maybe 115%. That is the target at which we are focusing, but again I said it's a forward-looking statement, and of course, it depends on the market realities and the challenges of the market.



- Darshit:** But yeah, a ballpark figure would be fine. And similarly, for ROE, what would be the target, as in not a target per se, but some kind of either internal targets or ballpark view for the same FY '24, '25, and '26?
- Titus Francis:** Well, we always aim to be above 10. So, with the reduction in the combined ratio, we always try to be there, but it all again depends on how the ICR will move in the remaining two quarters.
- Darshit:** So, any kind of outlook that you might have currently on ICR going forward?
- Titus Francis:** As madam already said that we are looking for a combined of 115.
- Darshit:** That would be before this year.
- Titus Francis:** Yeah.
- Darshit:** And for the next the next year?
- Titus Francis:** Next year also we will be looking to reduce that further to may be around 110 to 112.
- Neerja Kapur:** Our target basically is to reduce by 3 to 5 percentage points every year and this year, of course, because of the increase in OM, we may not be breaching the figure of 3 to 5, but our initial plan was 115, and that continues to be the target for the year, combined ratio.
- Moderator:** Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.
- Prayesh Jain:** Firstly, on the group on the health business, could you give me the loss ratios in group retail and government which was there in first half and also comparable numbers for last year?
- Neerja Kapur:** I can share that with you. In group, it's more or less similar. It's currently at about 106% and last year also, it was in the same range. Government, yes, we are seeing a spurt in the ICR. It is currently in the range of about 120% vis-à-vis 85% last year at the same time at the end of September. There was further movement at the end of the year, but as of September, these are the figures.
- Prayesh Jain:** And retail?
- Neerja Kapur:** Retail was in the range of about 90% last year. Currently, it is at about 99%.
- Prayesh Jain:** 99%. What is the reason for this spurt in the government ICR?



Neerja Kapur:

We have government business in Rajasthan and due to the impending elections; we are seeing there is a lot of usage of this particular scheme which has resulted in the higher ICR. So, we are taking a lot of corrective steps in this to ensure that by the end of the scheme, the targets would improve, and we are in discussion with the government officials in Rajasthan also to take corrective actions.

Prayesh Jain:

Continuing on the health business, the group business, we have seen that there is an increased competition from the player from SAHI particularly and even the other players now that the UM regulations have come in, there is increased competition coming in. So, do you see it getting more challenging to kind of meet the combined ratio guidance target that you have set for yourself, particularly on the health business? And how should we think about group health business growth and loss ratio per se?

Neerja Kapur:

So, if you see, you know, we are very focused on our pricing strategy. Now, the retail business, there was an increase in the pricing from 1st of July for our regular policies and for our floater policies from 1st of August. So, you will see that impact in the ICR to the retail hitting our second, our third and our fourth quarter.

But when it comes to group, we have been very focused on doing the pricing correctly, and even last year you would have noticed that we had let go of about nearly 1,000 policies where the total GMC, the group premium was amounting to about Rs.804crores. This year also we are ensuring that our pricing is as per our strategy only, and in this year also in the first 6 months, we have let go of nearly 500 policies, 511 policies to be exact, and where the premium is amounting to Rs. 462 crores because of this competitive pricing that you mentioned from other players in the market.

But we are quite confident that, you know, with the correct pricing and with other steps that we are taking in group Medi-claim, the overall result by the end of the year would be in a much better state.

Prayesh Jain:

Continuing on the health business, there is a lot of portability that's happening on the retail side from PSUs to SAHI. And now that you have taken a price hike, also, could you quantify the price hike? That would be helpful to us. How do you stop this portability or kind of, you know, ensure that you also see a strong growth in terms of number of policies and the retail health?

Neerja Kapur:

See, when it comes to the price increase, we have had this price increase after six years. So, you know, because during the COVID period, we had not increased the pricing because of the impact it would have had on the general public. But after a period of nearly six years, the price has gone up. The price range is in the range of 25% to 30% depending upon different



age groups and depending upon different age groups, it ranges between 20% to 30% the price increase.

And regarding portability, this has been there in the market for quite a few years. Some of our business goes to the SAHI companies and to the private companies. Some of their business comes to us. But of course, when it comes to portability, one has to see, you know, the kind of business that is being ported into your books, and we are quite focused on ensuring that we get new business of the right age group.

Prayesh Jain:

And lastly, on the solvency bit, you are at 170% now. Going down further could be a challenging scenario, you know, 150% is not very far off, especially if you look at your trend itself, you know, we were at a solvency of 1.87 at the end of FY '23. Today, we are at 1.7. So, you know, how should we think about this? Whether, you know, do you think a capital raise or a further infusion of capital by government would be needed here?

Neerja Kapur:

Yeah. I would just like to mention this that last year also, when we started the financial year, we started with the low of 1.66, but we ended at 1.87. This year, in this particular quarter, as I mentioned, the decline was notably due to specific challenges faced in the quarter making it one of the most demanding quarters for the company, and this was regarding the catastrophic losses which I mentioned, then the adverse development, the aviation plus the foreign operations.

One thing I would like you to note is that these challenges were one-off losses, and beyond these extraordinary circumstances, we anticipate stabilization and profitability going forward. And despite you would have seen that, you know, adverse events impacting the quarterly results, the motor and the health portfolios demonstrated growth hinting at improved profitability in these segments also in the future.

Also, we are seeing the agency channel experiencing a very robust growth, and we are foreseeing that it will help in enhancing the results in the quarters. So, these are some aspects which, you know, I am sure our results will display. The solvency is bound to go upwards in the quarter. Our Actuary would like to add something.

Sharad Ramnarayanan:

We would also like to mention that as per the current IRDAI regulations, the fair value change reserve is not counted for the purpose of solvency. So, that is close to Rs. 20,000 crores of fair value change reserve, which is lying in the balance sheet but not counted for solvency. Hence, I don't think we will need any kind of fundraise like you have mentioned.



- Moderator:** Thank you. The next question is from the line of Mr. Aadesh Gosalia from Ajcon Global. Please go ahead.
- Aadesh Gosalia:** So, I had questions regarding the decline in ROI in H1 and what will be ROI for Q2 FY'24, if you can just share some numbers for the same and reasons behind the fall or decline in ROI?
- Neerja Kapur:** I would request Titus to take this question.
- Titus Francis:** I think we have already mentioned that we are looking for an ROI of around 10 at the end of the year and may be because with declining ICR which we hopeful in the third and fourth quarters, we would aim to come to that level, but it all depends on how the claims would move. But this is our target that we should be around 10.
- Aadesh Gosalia:** And what is our ICR for Q2 FY24?
- Titus Francis:** For Q2?
- Aadesh Gosalia:** Yeah, Q2 ICR.
- Titus Francis:** It's around 105.
- Moderator:** The next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.
- Hitesh Gulati:** My question is on the Sikkim flashfloods. What was the impact on our like what is the catastrophic impact out of that? And what is that for the entire industry?
- Neerja Kapur:** You are talking of Sikkim particularly or you are talking of the general catastrophic floods which occurred in North India?
- Hitesh Gulati:** Sikkim flash floods, ma'am.
- Neerja Kapur:** Sikkim flash floods, our rough estimate on our net would be in the range of about Rs.50 crores. This is after taking into account the reinsurance aspect.
- Hitesh Gulati:** Ma'am, how much would the industry have faced out of this?
- Neerja Kapur:** That is little difficult to estimate as of now. Of course, the biggest one, biggest loss is the Sikkim Teesta Urja and the Sikkim government project. So, that it depends on the application of that Glacier clause and whether the Glacier clause is applicable that the loss would be limited to Rs.500 crores. If it's a full loss, then it would be much higher. So, it would depend on the applicability of the clause here.



- Hitesh Gulati:** And this Rs.50 crore includes the damage from the Hydro Dam which the NHPC hydro damage was damage, everything included in this Rs. 50 crore, right?
- Neerja Kapur:** Yes. And I am talking of our net exposure here.
- Moderator:** Thank you. The next question is from the line of Aman Reddy from Unifi Capital. Please go ahead.
- Aman Reddy:** I would like to come back to what we were discussing earlier about group and retail Health premiums. Firstly, just a broader question; if you could hear management's interpretation of the market in terms of the divergent performance in group and retail would be helpful and sort of for me to model the growth going forward?
- Secondly, on the group side, you mentioned you have taken a quite meaningful price like this year and are letting go of policies that are unprofitable from an underwriting perspective. I just like to understand how do you see market share in the group business going forward? And you know, when you talk about the group and retail, I understand that from what I hear on channel checks that people might be gaining more and more confidence in New India policies as a result of improvement in claims' turnaround times and so on, and some part of that might be attributable to improving partnerships with TPAs and so on. How do you see these TPA relationships? You see scope to improve further from here in terms of that?
- Neerja Kapur:** Yeah, you asked quite a few questions. So, you know, I will just answer the min the sequence that I remember. One was regarding the retail segment and the group segment. If your question was, what is the differentiation between the two, is that what you asked?
- Aman Reddy:** I noticed that the performance, you know, from market share perspective is very different, very divergent for New India. And so, you know, from my research, I have done the best I could try to understand from the channel check perspective, from the customers' perspective. But I want to understand from your perspective what the strategy is going forward? Of course, the performance in the group has been quite strong. In retail not so much. So, I wanted to hear from you what would you have analyst take away?
- Neerja Kapur:** So, if you see the overall performance of the head portfolio up to September'23, so the market size was Rs. 40,500 crores as against Rs. 32,700 crores of the previous year, and our share has been predominant in this market. We currently have a share of about 25% of the overall health market, but you are right. Our group business constitutes a major portion of this.



If you look at the breakup of our health mix, our group is about 75%, retail is 15%, and government is about 10%. So, yes, there is a lot much higher segment of group. And like I mentioned, despite this increase, this segment of the group is despite our having shed quite a number of policies and let go of, you know, a substantial amount of premium in group health policies.

But we are doing a lot of things to improve our retail health policies. And first is, of course, you know, the pricing is something which we have made corrections in the pricing after six years which I mentioned. And we have also launched various efforts along with our agents to enhance our retail product visibility and to encourage retail growth.

We have launched also various new products like the New India City Protect Policy, which is a benefit policy for the critical illnesses. Then Atmanirbhar Policy, which is meant for persons with disability. We have also recently launched the modern treatment rider for availing modern treatments up to the sum assured. This was one ask of many of our retail segments and our agents. They wanted this modern treatment cover up to the full sum insured, which we have recently, very recently come out with.

And we also have a very popular policy, Yuva Bharat for young customers up to 45 years of age, which we are promoting in a big way. Also, we have revamped our Overseas Travel Ease Policy, which is very competitively priced and with very new covers now.

We have given quite a few aggressive incentives, which we are now giving for promoting our health products to our agents for promoting growth in this segment and various other measures we have taken, like having a dedicated senior citizens' helpline and a call center for senior citizens, which will exclusively attend to their grievances. So, these are some steps which we have taken to promote retail health.

You also mentioned regarding our TPAs. So, I would just like to, you know, share with you the number of claims that we are handling. If you see we have handled nearly 50 lakh claims in these first six months, 51 lakh claims to be precise, as against a total of 38 lakh claims in the previous six months up to of last year.

So, with this huge increase in the quantum of claims, it becomes absolutely necessary to have TPAs to handle this volume of business so that we can extend cashless facilities faster and in a better way to our customers. And the association that we have with TPAs is we ensure that we do a lot of check of the claims settled by the TPAs, and also, we have ramped up the audit of the TPAs, the claims settled by TPAs. We also have our own TPA, which is sponsored by the four PSU companies called HITPA, which is also being aligned in a big way to take up retail claims. So, these are some of the steps which we are taking to promote health policies in



retail, and I am sure that this will, with the increase in pricing, it will help to improve the ICR also in the segment. I hope it answers all your queries. I am not sure if I have answered all of them.

Aman Reddy:

No, that was very helpful. Can I just have one follow-up on the now that the group premiums are risen, could you give me some color on the policies? I know these are group policies. They likely be very well diversified in terms of age and all that, but on the retail side as well, could you please tell me about, you know, some color on the quality of the policies that we have written on the age, whether you think that some of these have been carried for a long period of time? And also you mentioned portability earlier. Whether people porting to New India of the quality that we want, age that we want?

Neerja Kapur:

Yes, actually when you mentioned that, you know, clientele who have been with us for a long time, yes, we do have clients who have been with us for a very long time, and we do have a very large segment of senior citizens covered in our policies. Like I mentioned earlier, we are a company which is in a 105th year of operations, and we were one of, you know, when health policies were launched sometimes in the 80s, from 80's onwards, we have been doing the health business. So, we have, and initially, if you recall, it used to be only through the agents.

So, you know, we have a healthy segment of agents and a healthy segment of senior citizens also. And in this particular segment, we don't find much portability happening. You know, the SAHI companies are obviously targeting the local team which is a target group for all insurance companies. So, we are trying to enable our agents to get more and more of the business from the younger age group, and in this context, like I mentioned, we have devised policies and add-on covers, which will make it more attractive to the younger generation. We are coming out with promotions and publicity also, you know, especially in social media and other, you know, and FM and other aspects which are more popular among the younger generation and trying to attract that group.

Yes, also, if you see the price differentiation, you know, the price increase obviously in the younger segment would be lesser as compared to the mid-age segment, and with all these steps and also the incentives that we are offering to our agents post introduction of EOM, obviously targets the younger segment. So, we do expect to see a healthy growth in this segment.



Moderator: Thank you so much. The next question is from the line of Hiren Trivedi, who is an individual investor. Please go ahead.

Hiren Trivedi: Small data points are required. What is the combined ratio for the quarter? And secondly, what is the breakup of your, you know, retail customers versus your corporate clients? These two data points if you can help me with?

Neerja Kapur: So, the retail versus corporate is about 60-40. Corporate forms about 40% and retail is about 60%. I am talking of the overall business that we do. And combined ratio, Titus will share with you for the second quarter.

Titus Francis: Around 130%.

Moderator: Thank you. The next question is from the line of Aditi Joshi from JP Morgan. Please go ahead.

Aditi Joshi: So, just a couple of questions I have. The first one is actually related to the insurance premium hikes, especially in the health insurance segment. So, we have had seen a hike in the retail segment recently. So, I just wanted to understand that do you think that going forward, let's say, in the rest of this year, we will see further hikes in the segment? And just related one to this is that, is there a regulatory cap up to which you can hike premium in the health insurance segment both in retailer group in one particular year, please?

Neerja Kapur: So, I would like to mention, like I stated earlier also, this hike in premium, when it comes to retail health, we have done it after 6 years. Actually, as per earlier regulatory guidelines, it was not even a provision, but it was a guideline that it should be done once every 3 years. But, you know, since COVID happened when we were supposed to do the increase in 2020 we were supposed to do that increase. That was the end of the three-year period. Unfortunately, since COVID was there, we did not increase it at that time, and we continued with the same rate for another three years.

So, it's only after six years that we have hiked up the premium, and this increase what I mentioned is taking into account the inflationary trends and the health inflations, you know, additionally, which is higher than the regular inflation. It's actually very reasonable considering the increase, considering the inflationary trends. And no, there is no regulatory limit as such, but our increase was we had run it through the regulator and they had, after discussions with them, it was rolled out.

Secondly, regarding the group policies, I would like to mention there is, I think the earlier question also, there was a mention about the price increase in group. Now price increase in group is normally based on the experience of that particular group because as you know,



every group comprises of various different number of lives and different number of sometimes different covers also, some add-ons are separate from the others.

So, based on the experience of that group and the burning cost, the renewal pricing is worked out, and we do factor in further cost of the various other additional costs of operating that policy, for instance, the TPA expenses and if there are any other intermediary costs involved. We also take into account the inflationary trend, likely inflationary trend expected for the year in which that policy will operate.

So, the group pricing is different from the retail pricing, but what we are seeing now is based on our claims experience, the actual increase in group pricing is at times higher than what we have seen in the retail segment, again based on the experience of that particular group.

And also I would like to mention that going forward, the retail pricing, you know, since there is actually no regulatory instructions regarding the price increase, what we have decided rather than have an increase of 25% to 30%, which does impact our policyholders and, you know, we really feel for our policy holders when they come back and say, you know, we have been paying this much for so many years and now we have to pay an increase of 25% to 30%. So, now what we are thinking is staggering this price increase and doing it on a gradual basis every year. You know, rather than having a huge increase, we will be doing it on a smaller staggered amount every year going forward.

Aditi Joshi: I just have a couple of questions more if that is okay. The next one is actually on the mix of your policies based on the one-year duration, three-year duration, and five-year duration. So, if you are just able to provide any split that you are able to provide on this, please?

Neerja Kapur: Is that motor you are talking about?

Aditi Joshi: Like the duration of policies, is it like single premium or the regular, the split of those policies?

Neerja Kapur: So, all our policies are annual policies, and they run for 12 months, and the premiums are collected on an annual basis except sometimes we have engineering policies, for instance, that may be based on the project that would be for, you know, the project period is two years or three years. That would be for that period, but predominantly, I think 90%, and in motor, we have policies whereas as per again regulatory guidelines, brand new vehicles two-wheelers, they come for the first year is own damage is for one year and the third party is for five years, and for private cars, it is one year for own damage and three years for third party. So, is it three years and five years? Is this what you are mentioning?



Aditi Joshi:

Yes, this is clear. Just one last question - I was actually going through your results of the segment and just comparing the Health & PA. So, just comparing that when we look at the premiums of the health and personal accident segment and whereas to compare the investment income from this segment, there is some sort of mis-match. So, can you just help explain why even despite having a higher share of premiums, the investment income of this segment is lower than the other ones?

Sharad Ramnarayanan:

Sharad here. When it comes to investment income, we actually look at how much technical reserves that particular line of business is contributing. So, when you look at technical reserves against which we have the assets, the technical reserve includes your outstanding claims and the unearned premiums. So, when it comes to technical reserves, the maximum technical reserves are contributed by the motor line of business and also to an extent the fire line of business are much higher because health is a much shorter line, shorter tail, has got a shorter tail. So, the claims get paid off very quickly. The outstanding is much lesser. So, since your technical reserves are lower, when you look at the investment income, it will be in line with the technical reserves. So, that's why you will find a much lower investment income attributed to the health line of segment. The entire investment income is just apportioned across the various lines according to the technical provisions.

Moderator:

Thank you. The next question is from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh:

Couple of questions. First one is on your health. If you can help us understand in the retail side, I mean, this kind of 96 odd percent of the claims ratio that you mentioned, that's reasonably higher. Now, of course, you have taken a price hike, but this increase in claims ratio, I mean, how much of it, if you can try to provide some color, qualitative commentary, that will also help. How much of that is driven by the increase in claim frequency? And then how much of this is driven by severity?

And also on the claims frequency side, if you help it, it is because of the kind of some morbidity profile changing or is it some behavioral change where sort of customers are now more proactive in opting for hospitalization in case of the vector borne diseases like malaria, dengue where earlier, they might be just doing wait and watch, now more proactively sort of hospitalizing?

So, if you can help me understand this entire retail health behavior in terms of how much of it is claim frequency, how much of it is change in severity and frequency change also, how much of that is kind of a morbidity profile changing and how much of that is more to do with the behavioral change in the policy holder?



Neerja Kapur:

It's very interesting actually that you have mentioned, you know, we also do a lot of study on this and why the retail segment we are seeing a huge increase in the retail segment. Couple of things - Like you mentioned, yes, the claims frequency has increased. It would have gone up by 1% to 2% as compared to the earlier years. We did find that after COVID where it is resulting in COVID complications resulting in higher frequency, which we would attribute the increase infrequency about 10% to 12% of this would be due to the COVID related complications. That is one.

Then secondly, we do find that the hospitals, they had increased their rates post-COVID because a lot of post-COVID surgeries were carried out, you know, which were not done during the COVID period, but non-COVID related surgeries were done after the COVID period was over, and that at that time many of the hospitals had increased their prices. And once the prices went up, they never came down. So, that's what I was mentioning, you know, the medical inflation being much higher than the regular inflation. So, these two things have resulted in an increase in the retail claim cost, which is impacting. Like I mentioned, the price correction has taken place, you know, a resultant of over a six years period, and we will be seeing a positive impact of that in the coming quarters. So, I hope this answers your question.

Avinash Singh:

So, largely you are saying that okay, post-COVID whatever term you use, long COVID, post-COVID complication, that had sort of a changed a bit of frequency. And overall, of course, on the severity side, it is more to do with the medical inflation that has sort of a taken-up procedure cost meaningfully.

So, on that front, I guess, of course, because I mean, the health care providers' rate or rather sector is not as regulated. I believe there was some sort of voluntary action or initiative on the part of GI Council. I think they are trying, or they are exploring to come up with some kind of wider sort of package rate or something. So, I mean, are you the government or GI Council or the regulator IRDAI doing to sort of check this medical inflation?

Because the medical inflation as you mention, I mean, of course, one can understand for the intermittent period of COVID and all, it is going up. But sustainably, I mean, depending upon which insurer we talk, typically a general consensus suggests that okay, nearly 12%, 13% kind of annual medical inflation that is far higher than overall inflation. So, is something that a regulator, government or council is looking to address? I mean, how are you looking to address?

Because, you can increase price only up to certain point. Beyond the point, the price increase will mean that insurance becomes kind of prohibitively expensive for policy holders. So, that will affect the growth and sales as well. So, I mean, what are the ways you are exploring to sort of check this medical inflation?



Neerja Kapur:

So, I would like to mention that pricing is, of course, just one corrective action. There are various other corrective actions that we are taking simultaneously, and it's just not now. We have been doing that earlier also. We are doing it more proactively now. One is, we have the concept of preferred provider network, which is jointly with the other three PSU companies. We have PPN hospitals in our network where we have a total of nearly 4,000 hospitals where we have a special package rates devised with these hospitals for any hospitalization which takes place in these hospitals for our policy holders. So, these are very special package rates, and these package rates are reviewed and revised every few years. But yes, we have tried to increase the empanelment in these PPN hospitals.

In addition, we also the TPAs themselves with whom we have arrangements for handling the cashless facilities; they themselves have arrangements with another probably 10,000 hospitals. So, all the TPAs who are in our network, we take their network also into consideration where they have special package rates, and we use those package rates for the benefit of our policy holders.

In addition, like, as you know, there are nearly 30,000 hospitals across the country, and obviously our 4,000 odd PPN hospitals and the network of the TPAs do not cover this fully. So, now GI Council in guidance with the regulator, we are now getting into an agreement where we tie up with for 100% cashless across maximum number of hospitals. And so this is something which is an initiative taken by the entire industry, insurance industry, and with this we hope to cover as many hospitals as possible.

Obviously, those hospitals which do not come into this network will be looked at a little negatively, but you are right. There is no regulation for hospitals, and this is something which we have along with the other insurers have taken up this matter quite strongly, but till such time as there is any regulation for the hospitals, this is one aspect which we hope to, you know, all of us work jointly together and address the issue of medical inflation being much higher than the regular inflation.

Also, there are a couple of other initiatives which we have taken. One is, we are now integrating with the National Health Exchange, and this will give us, we are currently in the stage of integrating and then sharing data with them. Once this project goes through fully, this is again an initiative of the regulator and maximum number of companies are participating. Right now a few insurers including ourselves are participating in the initial phase, but subsequently, it is the expectation that all insurers would join hands and participate in this.

So, there would be a lot of benefits of this initiative of getting into the national health claim exchange. One is, it would provide a digital platform for efficient claims processing. It would



also be a gate way for seamless information exchange between the policy holders, the patients, and the insurance companies. It would reduce the reduction in processing time and the costs.

So, obviously, it will result in a benefit to the policy holders and the increase every year could be reduced, and it will help in fraud prevention. It will be a single gateway for claims processing, and it will also facilitate OPD coverage in the times to come. So, we are hopeful that with all these initiatives, a lot of work is going in to ensuring that the retail segment, performance of the retail segment improves.

Avinash Singh:

Just one quick question, if I can follow-up. You have a large equity investment book. Now with Ind-AS implementation pending, will that sort of cause, I mean, of course at this point in time that IFRS implementation is still emerging event, but, I mean, just what is your assessment? Is it going to sort of under IFRS, your large equity book is going to cause a volatility, more volatility into P&L or I mean, no, it will be manageable?

Neerja Kapur:

I will request my CFO Mr. Titus to answer that.

Titus Francis:

We have that issue to be discussed or we have to take a call on that because it's too early. We are still doing a back end calculation as to how to treat the opening balances of the large fair value reserve what we have. So, as of now, we are in touch with our consultants as to how to get it done so that there is no volatility in the profit and loss going forward. So, we still wait. We have also taken up with the regulator as to give us some sort of relaxation and even the tax rules are not yet changed so far to deal with this, how to deal with the profit on sales. So, we are waiting and watching as to how we can minimize this little.

Moderator:

Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain:

Now coming on the motor business, could you provide us a split between two-wheelers, passenger cars and commercial vehicles for us this year first half versus last year first half?

Neerja Kapur:

So, in this year, we have seen a good increase. Actually, there was a reversal in trend in our motor premium though we did see a good with the new EoM regulations in place. We were able to arrest the trend of decline in the motor premium, and we have comeback quite strongly on the path of growth by re-establishing our tie-ups with dealers and with our agents getting benefits being incentivized.



So, we have seen, you know, the commercial vehicle segment has grown quite strongly by about 11% and the private car segment by 10%. Then we have seen the two-wheeler segment

going up by, there has been more or less the same the two-wheeler segment. Overall growth that we have seen is about 12.5%. This is comprising both OD and TP, but like I mentioned, in private car, you have the TP premium comes with about for three years and the two-wheelers comes with a five year.

So, what we are seeing? We are seeing a good increase in the OD segment of about 28%, and in the third party segment of about 5%. Overall increase is 12.5 and the breakup of commercial private and two-wheeler, I have already shared with you.

Prayesh Jain: What is the share of CVs in our total premium and same for passenger car and two wheelers?

Neerja Kapur: The share of commercial vehicles would be about 40%-41% in the total premium.

Prayesh Jain: And passenger car?

Neerja Kapur: Private cars is 50% and two wheelers is 8%.

Prayesh Jain: And also could you split this business into new versus old?

Neerja Kapur: New versus old would be, old, would you mean renewals or would you mean old as a not new?

Prayesh Jain: Basically the first year, the first vehicle that is first at the beginning of the purchase of the new vehicle purchase versus the rest.

Neerja Kapur: So, when we look at this, old versus new would be in the range of maybe about 70 to 30. Yeah.

Prayesh Jain: And you mentioned on the motor business that agency channel has picked up again. So, do you mean that the payouts have gone up from what they were getting earlier?

Neerja Kapur: Yes, to some extent.

Prayesh Jain: In the sense what we had understood of the regulations was that the commission line item and the marketing expense line item which used to sit on expense of management have got merged now. So, the overall payout may not have gone up, but it was just re alignment of expenses, but you are saying the absolute payouts of commissions have now gone up for the



distributors, which is enabling you to gain market share on the motor side. Is that the fair understanding?

Neerja Kapur:

Yes. Like I mentioned earlier, there has been an increase in the commission from, if you see the half yearly, last year it was 7.53% This year it is about 8.82%.So, that is an increase in our overall incentives and payouts to the intermediaries, but then there is a resultant growth also in the premium which overall has gone up from about Rs. 19,000 crores to about Rs. 20,700 odd crores.

Moderator:

Thank you. As there are no questions, I would now like to hand the conference over to Ms. Neerja Kapur for closing comments.

Neerja Kapur:

Thank you, Sagar, and thank you also Gaurav from Concept IR for organizing this conference call. I would like to thank all the participants again for attending our call and taking time out from the very busy schedules. I hope we have been able to answer many of your queries. But if you have any further queries, I would request you all to please get in touch with us through our Company Secretary, and we would be happy to address all your queries. Thank you once again.

Moderator:

Thank you for being a part of the conference call. If you need any further information or clarification, please email francis.titus@newindia.gov.in. Ladies and gentlemen, this concludes your conference for today. You may now disconnect your lines. Thank you and have a pleasant day.