दि न्यू इन्डिया एश्योरन्स कंपनी लिमिटेड
(भारत सरकार का उपक्रम)
THE NEW INDIA ASSURANCE COMPANY LTD.
(Govt. of India Undertaking)
पंजीकृत एवं प्रधान कार्यालय : न्यु इन्डिया एश्योरन्स बिल्डिंग, 87, महात्मा गांधी मार्ग, फोर्ट, मुंबई - 400 001.
Regd. & Head Office : New India Assurance Bldg., 87, M.G. Road, Fort, Mumbai - 400 001.
CIN No. L66000MH1919GOI000526

आज़ादी का अमृत महोत्सव

Phone : 022 2270 8100
022 2270 8400
Website : www.newindia.co.in

Ref. No.: NIACL/CMD_BoardSectt/2023-24 24th August, 2023

To,

The Manager
Listing Department
BSE Limited
PhirozeJeejeebhoy Tower
Dalal Street
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 21st August 2023

With reference to our letter dated August 18, 2023, intimating you about the conference call with Analysts/Investors held on August 21, 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

Digitally signed by
JAYASHREE ANIL NAIR
Date: 2023.08.24 11:44:55
+05'30'

Jayashree Nair
Company Secretary & Chief Compliance Officer

The New India Insurance Company Limited
21st Aug 2023
Q1FY24 Earnings Conference Call

Management:

- Ms. Neerja Kapur – Chairman & Managing Director
- Mr. Titus Francis, Director, GM and Chief Financial Officer

NEW INDIA ASSURANCE
दि न्यू इन्डिया एश्योरन्स कंपनी लिमिटेड
The New India Assurance Co. Ltd

The New India Insurance Company Limited
21st Aug 2023
Q1FY24 Earnings Conference Call

Moderator: Good evening, ladies and gentlemen. Thank you for joining us today for The New India Assurance Company Limited Earnings Call for Q1 FY24. I'm Nirav, your moderator for this call. We have with us today Ms. Neerja Kapur, Chairman and Managing Director; Mr. Titus Francis, Director, GM 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 participants are in listen only mode. Later, we will conduct a question & 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. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. I would now like to hand the floor over to Ms. Neerja Kapur for some opening remarks. Thank you, and over to you, madam.

Neerja Kapur: Thank you! A very good evening to all. Thank you very much for joining us today for the earnings call of the The New India Assurance Company Limited where we will discuss our Quarter 1 financial results for the financial year '23-'24. I am Neerja Kapur, Chairperson and Managing Director, and along with me is Mr. Titus Francis, Director and GM & CFO.

Firstly, I would like to thank all the participants who have taken time out for attending this con call. I would also like to express my gratitude to our valued shareholders, analysts and investors for your continued support and interest in our organization. There has been remarkable growth in the Indian insurance sector over the past few years. However, India still remains under penetrated with general insurance penetration around 1%. IRDA, the regulator and Government of India, along with the various insurers, are taking many steps to help increase insurance cover, bring down the cost of premium and educate people about the importance of insurance. Furthermore, we are witnessing increasing disposable income, increasing cost of medical expenses, alongside awareness and willingness of the new generation to opt for a health cover. All this has helped increase the penetration level to some extent. We firmly believe that this will only increase substantially with time.

I'm happy to report that New India is again a market leader with the highest market share in general insurance industry with an industry market share of 16.16% with gross domestic direct premium underwritten at Rs. 10,378 crores for the first quarter.

Coming to the segment wise growth. Motor OD, that's own damage, registered highest growth of 38%, followed by Motor Third Party at about 9%. Health & Personal Accidents showed a growth of 8% and Others, including miscellaneous lines of policies, registered a growth of 7% and Fire at 4%.

New India continues to be conservative and guarded when it comes to Group Mediclaim. Some key ratios which I would like to highlight are as follows. Combined ratio for the quarter was 115.5%. Commission ratio stood at 7.49% as compared to 6.56% in the Quarter 1 of last financial year. Expense ratio reported for the first quarter stands at 11.77%. This was at 12.38% in the corresponding quarter of the last financial year. Solvency ratio improved to 1.85 in the first quarter as compared to 1.72 in the first quarter of last financial year. And ROE stood at 5.26% as compared to 2.58% in the same period last year.

Profit after tax more than doubled to Rs. 260 crores versus Rs. 119 crores for the same quarter last year, registering a growth of 118.5%. Net worth was Rs. 41,255 crores and the investment assets were Rs. 90,152 crores as of 30th of June 2023. The overall ICR for the first quarter stood at 96.19% as compared to 94% of the corresponding period in the last year.

Our focus for the rest of the year is on the following initiatives. Firstly, to focus on the growth of our agency and bancassurance lines. Speedy claim settlement, we will be focusing on improving our turnaround time and ICR, better customer satisfaction and improving the settlement ratio to 95%, which it has been in all the past year. App-based motor claim settlement for smaller value claims and also increasing our digital footprint.

Various new products have been launched recently in health, Aatmanirbhar policy for the physically challenged. We are also working on introducing various add-on covers in the health policy as well as revisions in our top up covers. Miscellaneous products as well as property specific products and add-ons to cater to market demand are in the pipeline. Going forward, our focus will remain on digital initiatives, streamlining processes for increased efficiency and strengthening our sales force.

I would also like to convey to our stakeholders that New India is fundamentally robust and strategically well poised to cater to the general insurance needs of the country, offering the best insurance solutions to its customers. With this, I would request our Director, GM and CFO, Mr. Titus, to present the financials of Q1FY24.

Titus Francis: Good evening to all. Thank you once again for joining the earnings call for the first quarter. We're just going through the investor PPT and the overview of New India. We are the largest general insurance company in India with an established brand and expansive multi-channel distribution network and a strong international presence. We are #1 in India in terms of net worth domestic gross direct premium, highest number of offices, as well as maximum number of claims settled. We have almost 1,900 plus offices in India. We are into the 105th year of operation. We have issued ~30 million policies in FY 2023 across all product segments and we have a presence in 25 countries including a box at Lloyds, London.

If we go through the segment wise performance, we are the market leaders in almost all the major segments. We have a market share of 16.16% as of June, which is highest among all the companies. We are leaders in fire, marine, engineering, motor, health, including personal accident and aviation and other miscellaneous.

Our future strategy continues to be increasing the return on equity by maintaining or increasing the market share and leveraging the benefits of economies of scale driven by growth by rationalizing of operating offices, maintaining healthy solvency margin and increasing our digital penetration, leveraging technology to drive customer satisfaction, profitability and growth.

Coming to the business mix of the company; We have fire at 18%, marine at 2%, motor at 22%, Health & PA at 49% and others at 9%. Our distribution mix is direct at 35%, agency 22%, broker 35%, dealer 7% and bancassurance 1%.

The movement in technical reserves: Technical reserves as of June is Rs. 49,508 crores, which shows that the company is adequately provided for. The financial snapshot shows that in Quarter 1 of June'23, we had a PAT of Rs. 260 crores against Rs. 118 crores in last June, it's almost more than double the profit on a Y-o-Y basis. Furthermore, in March '23, we reported a PAT of Rs. 1,055 crores against Rs.. 164 crores PAT as of March '22, signalling a turnaround reporting good profits.

Our key ratios. The incurred claim ratios in Quarter 1 FY24 have slightly increased to 96% from 94.05% last June. Our commission ratio is at 7.49% against 6.56% last June and our expense ratio is 11.77% against 12.32% last June.

Combined ratio is at 115.45. It has come down from 117.15 in March '23. Solvency ratio has also improved from 1.72 in June'22 to 1.85 in June '23 and our ROE has also improved to 5.26% from 2.52% last June. Coming to the segment wise information, we have shown accretion in all the segments and already informed by CMD madam, accretion is more in motor as well as health line of business and we are grown in almost all these lines of business except for motor, which is flat. And ICR also, there has been a slight increase in the ICR in motor. TP as well as health, overall, almost 2% increase in ICR. And that's the brief of the New India's performance for June '23. Thank you very.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question & answer session. The first question is from the line of Sanket Godha from Avendus Spark. Please go ahead.

Sanket Godha: Sir, my question is largely with respect to the loss ratios. Just wanted to understand though, the motor OD has grown year-on-year for us, but the loss ratio which is more than 100, is meaningfully very high. And so just wanted to understand chasing growth in such an environment where loss ratios are very high is logically right or do you think this thing will improve as the time will progress? That's on motor OD.

On TP, just wanted to understand suddenly you have sharply increased the loss ratio from 84 to 95. Is it largely because you don't have a price hike? The wage inflation or trade inflation is biting us and that's the reason you have provided more in the Quarter 1 leading to the higher motor TP loss ratio. And lastly, you can throw a little more light on the health also. What we have heard is that the Group health pricing has improved only. Despite price improvement for the industry as a whole, you are seeing a higher loss ratio compared to the last year. So, if you can explain about these 3 products, why the loss ratios are relatively higher, it will be useful and how you look it to happen going ahead?

Neerja Kapur: Thank you for the question. Neerja here. I will answer all the 3. Regarding Motor OD, yes, the claim ratio, it's above 100, but if you compare it to the Quarter 1 of last year vis-à-vis the Quarter 1 of this year, there is substantial reduction of 4 points from 116 to 112. We are taking a lot of steps in correcting the ICR going forward. But we have to understand that there has to be a balance between growth as well as the loss ratio.

For a long time, for nearly 3 to 4 years, our motor portfolio, we have not been able to grow substantially in that particular segment. But with the steps that we have taken with our constant endeavours to improve our footprint here, we have been able to show good increase in the motor segment and we believe that this would give better results going forward. A lot of steps are being taken to reduce the ICR and motor OD, particularly price corrections and we now have a very dynamic tool for price correction. Based on the cluster where the claim ratios are higher, we will be taking corrective action there and this is a dynamic process which will be addressed on a daily, weekly and a fortnightly basis.

We are also looking at balancing our portfolio mix so that we have more profitable segments which are underwritten. And yes, this takes a little time because the policies are issued for

Annually - for a year. So, if any correction is done, it takes about 3 to 4 months for that correction to actually result in results which can be seen.

We are looking to underwrite more 2 wheelers which is relatively a profitable segment, and we've also introduced AI based claims assessment which will help to increase the turnaround time for the claim settlement and also will address ICR issues and help to reduce the ICR because the claims will be settled much faster and in a much better way.

Regarding the motor, the query on motor TP, yes, the price not having increased does impact this particular segment and we are seeing that after the COVID case. The pandemic period has been over. The courts are now fully functional and we are seeing slight uptick in the interest rates which are being given in the awards because of the inflationary trends which are there in the country.

So, yes, we are seeing an increase there, but we are again trying to increase our third-party premium and especially in the 4-wheeler, private car - the third-party premium is for 3 years and for 2-wheeler policies, it's for 5 years. So, we are increasing our footprint in the OEM segment in the dealer segment where you get new vehicle policies. Third question was?

Sanket Godha: So, ma'am, just before getting to that health part, means you're saying that you'll probably gain market share in 2 wheelers and private cars and get to the 5-year and 3-year policy, which means that with the change in expense of management rules, are we seeing a trend that that you are able to penetrate better into dealer channel or OEM channel compared to what it was in the past?

Neerja Kapur: Yes, there has been an improvement in our dealer channel. We have seen an increase. Yes, the dealers' segment, we have seen an increase from 41%, it has gone up to about 47% and the retail channel also proportionately, there's a change.

Sanket Godha: And my first question was on health. Last year, it was almost 100% loss ratio. It is now 105 and what we believe is that group health has seen a better pricing trend for the industry as a whole compared to what it was last year. So, despite that, there is a deterioration. Just wanted to understand what it is. And lastly given you have delivered almost a combined of 115 in the current quarter, do we expect it to improve and by what percentage or what is your guidance for the full year to combine to be maintained?

Neerja Kapur: So, in the health line of business, we will definitely see an improvement in the days to come, months to come as well as the quarters to come because our retail pricing, which we had increased after a period of nearly 6 years of static pricing that has kicked in from 1st of April for new policies and for renewals, it will be kicking in from the 1st of July. So, definitely that impact of improvement in the retail pricing is going to have a very positive impact in the coming months and we overall expect the ICR ratio to improve.

Coming to the combined ratio, of course, this is a very forward making a statement and dynamic market becomes extremely difficult. But we are looking at improving our combined ratio, that's the target for this year. Overall, we would be looking at reducing the combined ratio.

Sanket Godha: Now what is our weighted average price hike in both renewal and new business what we are taking in retail health?

Neerja Kapur: Its ranges from different age segments. Its average price increase would range between 25% to 30%.

Sanket Godha: Average both for new and renewal, madam, right?

Neerja Kapur: Yes.

Sanket Godha: And finally, some data keeping questions, Sir, if you can break down your loss ratio or domestic and overseas and similarly combined ratio domestic and overseas. And finally, if you can give me the quantum of capital gains booked in the current quarter?

Neerja Kapur: What was the final question?

Sanket Godha: The capital gains booked in the current quarter, ma'am.

Titus Francis: Sanket, the capital gains booked till the current quarter is Rs. 753 crores.

Sanket Godha: And sir, can you give the breakup of loss ratio broken down into foreign and domestic and similarly combined ratio, sir?

Titus Francis: Just a minute.

Neerja Kapur: Shall I give?

Titus Francis: Yes.

Neerja Kapur: The Indian was 115 and the foreign was 116, combined ratio.

Sanket Godha: Loss ratio, ma'am?

Neerja Kapur: Loss ratio for the first quarter, right?

Sanket Godha: Yes, first quarter.

Neerja Kapur: The foreign is 85 and Indian was 97.

Moderator: Next question is from line of Amit from Robo Capital. Please go ahead.

Amit: I have 2 questions. My first question is on the ROE. In our stated strategy or goal is to improve ROE. And so, just wanted to understand what are the top 2-3 factors that we are banking on to improve ROE? And subset of that is like do we have internal targets to have a combined ratio below 110 in next say 2-3 years?

Titus Francis: The ROE will basically depend on the ICR as well as the combined ratio. So, we are targeting to bring down the combined ratio and as of now, it is 115. So, by the year end, we have to bring it down to at least to around 110 to increase the ROE. So, this is what we will be aiming at, of course, as Madam said, being a dynamic matter market, we'll have to see how it grow along the way. But our endeavour is to bring down the combined ratio.

Amit: And in terms of ICR, because we have already increased prices on some of the portfolios, so like considering our market share, what is the pricing power that we enjoy like typically a 20%-25% increase that we have done on some of the portfolio, will that lead to far better ICR?

Neerja Kapur: See, in some segments, yes, you're seeing an uptake of about 20% - 25%, but in other segments it is lesser. So, overall, we expect to see an increase in the range of 10% to 12% and yes, definitely there would be an improvement in the ICR because we are focusing on the segments which we are of the view will improve our bottom line and we are still in the process of letting go or shedding of such accounts or such renewals which are impacting the bottom line repeatedly over many, many years.

Amit: And if I can squeeze in one more. Just wanted to understand what is the unrealized capital gains as on today or as of the quarter end?

Titus Francis: It's around Rs. 20,000 crores.

Amit: So, for that, so typically when we look at some of the private sector players, okay, they have far significantly lower unrealized capital gains. So, what is the internal thought process on this? Because significant amount of that essentially has not shown through P&L. Whereas we see private sector where unrealized is significantly lower. So, any thoughts on that current year and going forward.

Titus Francis: Unrealized gains have been built up over a number of years in our case. Private sector, they have a lower number of years, so we have huge legacy investments and this is built up over a large number of years. So, we cannot realize it in one particular year so much. So, as the market progresses, we have to keep on churning the portfolio. So, that's why because of the large volumes and large number of years, we are in operation, our unrealized gains are higher than the private one.

Amit: But after Rs. 20,000 crores, most of it will be listed, right?

Titus Francis: Most of them are listed.

Moderator: Next question is from the line of Kiran Naik from Kiran Investments. Please go ahead.

Kiran Naik: Thank you for giving me an opportunity, sir. I would like to ask, ma'am, whether the premiums we charge on all the segments are same as the private ones or we charge more than the private payers?

Neerja Kapur: Premium rates, sees we are in a competitive market. Obviously, the rates are going to be on similar lines and in some segments, we would be competitive than another insurer; in another segment, they could be more competitive. But by and large, the market it's a function of demand and supply. So, yes, the pricing would be quite similar.

Kiran Naik: How much is the market share in the general insurance sector?

Neerja Kapur: Last year, it was 13.42%. As in the end of the first quarter, it is 16.16%.

Moderator: Next question is from the line of Shubham from Nuvama Wealth. Please go ahead.

Shubham: So, I have 2 questions. One, what is your corporate and retail sector break up in your policies? And the second one is you mentioned that you're focusing more on your digital initiatives. So, just wanted to get a sense like how are we planning this and where do we see these digital initiatives helping us in the years to come? Like what would be the increase in the policy sales that we expect in the year.

Neerja Kapur: The first question was regarding how much is the share of the corporate business. Total share would be in the range of 38% to 40% of our total business. Retail would be in the range of 60%, 62%. It varies from time to time, but approximately in the same ratios. We are taking lot of digital initiatives and like I mentioned, we are deploying artificial intelligence for doing motor OD claim surveys up to Rs. 50,000. This is currently in the pilot phase. And it will be rolled out to all our offices within a month's time once the pilot phase is over. Then we are also having analytics enabled pricing. We have an Oracle analytics enabled tool which has been introduced or actually driving pricing for the motor OD pricing which I mentioned earlier in the dynamic stage and we will be utilizing this tool going forward for working out the pricing in different segments. We also have an analytics-enabled MIS tool, which for both agency verticals as well as Motor OD claims and which helps us to analyse on a real time basis all the data that we have and we are integrating going forward. We are integrating with ONDC and we are planning to commence insurance products on ONDC also.

We are in a very active discussion with them to onboard our retail products. We have recently relaunched our website and it's a very revamped website and it's linked to chatbot. It is capable of doing natural language processing. Similarly, various initiatives like network augmentation and also aligning with government initiatives or Jal Suraksha portal integration that has been completed in UAC, and we're also aligning through IRDA and with all the other general insurers for the sandbox integration within its exchange. Many such other measures are in place where we expect the overall policy increase, our digital footprint to increase by at least 10% to 15% annually.

Moderator: Next question is from the line of Hiren Trivedi, individual investor. Please go ahead.

Hiren Trivedi: So, my first question is regarding the wage revision that has taken place earlier and the new wage structure for the employees. So, how much of that has been already covered and how is it going impact overall going forward in the next 1 or 2 years?

Neerja Kapur: Our wage revision which was implemented last year, total outgo including the increase in wages as well as the areas which we had to pay from August 17th onwards along with the pension liabilities that we have for our retired employees. That was a total outgo of about Rs. 3,445 crores. And that was fully absorbed in last year. So, we have not done any amortization. We took the entire hit of the rate revision in the last full year. Nothing has been carried forward for the subsequent years. And we have also made provision in our balance sheet last year itself for any increase in wages in the coming years.

Hiren Trivedi: My second question is regarding government is still holding around 85.4%. So, any developments with regards to a new offer for sale in the newer future to comply with the listing norms to bring it down to maybe 75%?

Neerja Kapur: That is the question we'll have to ask Government of India and it's something for them to answer. But as of now, there is nothing in the immediate future; maybe going forward, there would be depending upon our further discussions with them. And regarding your first question also, I would like to add, I think I did not mention that we had earlier about I think five years back, we had the one-time pension option. So, that time, it was amortized over a period of 5 years, and we have an amount of Rs. 401 crores, which was amortized every year. So, this year that Rs. 401 crores will be the last year it will be impacting our books. Going forward, there will be no more amortization.

Moderator: Next question is from the line of Rishikesh Oza from Robo Capital. Please go ahead.

NEW INDIA ASSURANCE
दि न्यू इन्डिया एश्योरन्स कंपनी लिमिटेड
The New India Assurance Co. Ltd

Rishikesh Oza: Just 1 question from my side. Could you please touch upon the recent surge in the North Indian region. Do we see any significant losses from that, if you can quantify this time?

Neerja Kapur: Yes, there have been heavy rains and inundation in northern region. And in the first quarter, actually, we did have the impact of cyclone Biparjoy also in Gujarat. But we have found in the claims that were reported to us cyclone Biparjoy. Initially, the claim amounts are quite huge, but then subsequently when the claim settlements are done it is, substantially lesser. In Northern India also, there are claims which have been reported and we will be getting a better picture in the days to come. But we have to understand that every year there is losses due to floods. We have been seeing catastrophic losses due to floods in the last many years, practically every year. And we have a reinsurance cover for catastrophic claims. So, we do not see it majorly impacting our books.

Moderator: Next question is from the line of Sriram R, individual investor. Please go ahead.

Sriram R: I just have 1 question. Can you break up your health segment into group and retail in terms of share of revenue?

Neerja Kapur: For the first quarter, we have a total premium of about Rs. 5,300 crores out of which retail is about Rs. 600 crores, the government business is about Rs. 700 crores and the group Mediclaim policies are about Rs. 4,000 crores.

Sriram R: And for the full year FY23?

Neerja Kapur: Fully year FY23, it would be in a similar proportion. I can give you that breakup. Just a minute. Full year, we did about Rs. 16,682 crores, out of which I have exact figures, group was Rs. 11,688 crores, government premium was about Rs. 2,240 crores and the retail premium was Rs. 2,754 crores.

Moderator: Thank you. Thank you all for being a part of the conference call. If you need any further information or clarification, please e-mail francis.titus@newindia.co.in. Ladies and gentlemen, this concludes your conference today. You may now disconnect your lines. Thank you.