

Date: 27th January 2025

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort, Mumbai – 400 001
BSE Scrip Code: 544179

To,
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G Bandra Kurla Complex,
Bandra (East), Mumbai – 400 051
NSE Symbol: GODIGIT

Dear Sir/Madam,

Subject: Transcript of earnings call of the Company for the quarter and nine months period ended 31st December 2024

Pursuant to Regulation 30 and Para A of Part A of Schedule III and Regulation 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call held on Wednesday, 22nd January 2025 on performance review of the Company for the quarter and nine months period ended 31st December 2024.

The above information is being made available on the Company's website at www.godigit.com

We request you to kindly take the above intimation on record.

Thanking you,

Yours faithfully,

For **Go Digit General Insurance Limited**

Tejas Saraf
Company Secretary & Compliance Officer



“Go Digit General Insurance Limited
Q3 FY25 Earnings Conference Call”

January 22, 2025



MANAGEMENT: **MR. KAMESH GOYAL – CHAIRMAN – GO DIGIT GENERAL INSURANCE LIMITED**
MS. JASLEEN KOHLI– MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER –GO DIGIT GENERAL INSURANCE LIMITED
MR. RAVI KHETAN – CHIEF FINANCIAL OFFICER –GO DIGIT GENERAL INSURANCE LIMITED
MR. ABHISHEK SALUNKHE – HEAD OF FINANCIAL REPORTING – GO DIGIT GENERAL INSURANCE LIMITED
MR. PIYUSH BOTHRA – HEAD OF INVESTOR RELATIONS –GO DIGIT GENERAL INSURANCE LIMITED

MODERATOR: **MR. ANSUMAN DEB – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY '25 Earnings Call of Go Digit General Insurance Limited hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ansuman Deb from ICICI Securities. Thank you, and over to you, Ansuman.

Ansuman Deb: Thanks, Manav. Good evening, ladies and gentlemen. On behalf of ICICI Securities, it gives us immense pleasure to host the Q3 FY '25 Results Conference Call of Go Digit General Insurance. I now hand over the call to MD and CEO, Mr. Kamesh Goyal, post which we will open the floor for Q&A. Over to you, sir.

Kamesh Goyal: Thanks, Ansuman. I think just a small correction. Our MD and CEO is Jasleen who is sitting next to me. I also have Ravi Khetan our CFO; Abhishek, our Finance Controller and Piyush, who heads our Investor Relations. So, I think getting on to the presentation and as always, we'll try and cover the presentation in about 20 minutes or so and then have about 40 minutes to answer any questions that you may have.

Let me just start by thanking you for joining us at a bit late evening. So, when we look at Slide #4 from the serial numbers. As you know, this is the slide which we have where we give certain KPIs, I think premium -- Gross Written Premium INR7,706 crores, total number of customers now 6.2 crores. Assets under management is about INR19,000 crores and as you know in our business model the leverage plays a very important role and in case of Digit with higher retention, our leverage is very high, I think amongst the larger players, would be highest in the industry and I think that continues customer satisfaction scores, all of them stay amongst the best in the industry. Moving to the next slide, maybe spend a bit of time here. I think we are giving numbers both for 9 months as well as for Q3. So, in Q3 if you look at we are giving -- we're showing a premium of INR2,677 crores. And as you know from 1st of October 1/n has been implemented.

So, when we compare to last year's quarter, Q3 '24 on a like-to-like basis, then our premium would be INR2,738 crores instead of INR2,677 crores because of 1/n roughly about INR60 crores of the premium has been moved in the next stage. Loss ratios compared to last quarter 74.5% to 72.9%. And when we look at combined ratio, combined ratio has improved to 108.1% compared to 110.3%.

Now when you look at the press release and when we -- and I'll come to that later because I think that's an important point to make here. Our profit after tax has increased from INR43 crores to INR119 crores. And ROE non-annualized for the quarter is about 3.1%. For 9 months non-annualized ROE is about 9.6%. Our net worth in IGAAP has now crossed INR3,900 crores. Solvency ratio is strong at 2.22%.

Now moving to the next slide. I think this is more the GWP. And here I think if you look at 9 months growth rate overall has been in 9 months for industry is 8% against that Digit is at 15%. And if we -- again, if you see without 1/n the growth rate in quarter 3 where the growth rate would be about 13%. And for 9 months, it will be about 16% on one-to-one basis. So, we are continuing to grow substantially higher than the industry growth rate on a 9-month basis and even in Q3 growth has been better than the industry.

Moving to the next slide. And I think here you might recall that even in the last call, I was saying that Indian combined ratio doesn't really indicate the true reflection of profitability. And I think if you look at this in third quarter purely because of 1/n, the premium which would have come under GWP. From GWP, it would have come under net written premium. And when you look at combined ratio where you look at claims ratio plus expense ratio as a function of net written premium because of 1/n, the denominator has actually reduced.

So, the expense ratio has moved up. If we have to compare this on a similar basis with Q3 '24, then our combined ratio would be 107.2% which is an improvement of about 3%. Now what is interesting is that when we are moving this 1/n something which would have been recognized in premium, gross written premium, net written premium it would have actually gone to unexpired premium reserve under accounting entry. So -- and when we are moving this from gross premium to advanced premium there again, there is no accounting impact.

So, here actually you will see our combined ratio is looking 1% worse, but it has no impact on profitability. So, I think the question -- and if you recall what I said in the last call that our combined ratio was slightly worse, but profit had almost doubled. Now here you can see combined ratio because of 1/n is actually becoming worse by 1%, but it actually has no impact on the P&L.

And I think I just wanted to reemphasize this point that Indian accounting now is becoming even more from a combined ratio perspective misleading because some companies will say we have moved the premium to next year. And the commissions also if we are not paying this year, we will also move it to next year.

Now when you do that then this year in this quarter you are actually not showing that as actual expenses which have been accrued, which are payable for next year. In our case, though we have shown the premium of about INR60 crores which has moved to next year, the commission on that which is roughly about INR19 crores or so, we have actually provided that in Q3 already.

So, on a like-to-like basis, our combined ratio has improved by 3%. Premium recognition will happen in future years, but the commission of that is already accrued in quarter 3. Now if you think from this perspective, some companies who might not provide for this commission on the premium which has been deferred, then there is no like-to-like comparison with previous years. And then we move to IFRS and there again, then another definition of combined ratio comes.

So, I think the challenge which I see for everyone is that how do you compare two or three different companies' results if every company -- each of these companies is following a different accounting practice. So, in case of Digit, when we publish in April our fourth quarter results and the full year, we are actually going to show that what is the combined ratio we look at from a profitability perspective which has a direct correlation to profitability. And when one will move to IFRS, then what exactly is the equation? What do you need to add to arrive at the IFRS combined ratio.

And when one will look at both these numbers, then irrespective of the accounting which one is doing, one can actually compare the past results with these numbers because we feel it is extremely important to define the benchmark correctly against which future performance will be seen. Otherwise, it will give you misleading results. I'll just stop here. I don't want to cover this point too much, but we'll be more than happy to answer any questions in detail as we go forward.

I think profit we have already looked at 9 months INR129 crores to INR309 crores, for Q3 INR43 crores to INR119 crores. And in this profit also, I want to maybe give color

to two, three things because this again is something which I said last time. One that expense ratio and loss ratio should be seen in totality because based on the product mix, et cetera, one can increase and other can reduce. And this will happen as the product shift is happening. So, I think that is one point which is clear.

The second point I wanted to make in our case and if you remember, I had said that one should look at core insurance profitability, investment income without capital gains, what sort of a reserve release is happening over a period of a year and on the quarter-by- quarter. In case of third party, I had mentioned last time that almost 40% of the results were released in Q2 and that is why the loss ratio was looking higher.

When we look at previous year in '23-'24, the total reserve release we had was in the whole year was INR577 crores. Out of INR577 crores, INR499 crores were actually released in the first three quarters. So, quarter 4 had a reserve release of only INR78 crores. This year in 9 months, we have reserved -- released -- TP reserve release of about INR336 crores. And if we look at quarter 4, I'm not giving any guidance.

We don't really know because we -- our actuarial colleagues will do this as of 31st of March. But my personal best guess is that if last year was INR577 crores we would be in a plus minus 5% range in this. So, I wanted to also emphasize the point that this year, there is no extra TP reserve release which is impacting the loss ratio, which was not the case last year.

The last point is capital gains and investment income. So, if you actually see in third quarter, we had a capital gains of about INR7 crores. On a YTD basis, we still have a small loss of INR2 crores. And when we look at our investment yield our investment yield is 1.83 without capital gains in Q3 compared to 1.76 in the previous year. So, our investment yield on fixed income is good.

So, when we look at overall profitability, just to summarize what I said basically there is no extra third-party reserve release which we are doing, which is impacting the loss ratio. There is no capital gains either in 9 months or in the quarter which is actually changing the investment income perspective. So, whatever profitability you are seeing, it is actually coming from the core insurance business. So, there is no I would say anything exotic about the profit. This is in my view the normal boring way of doing business which is leading to this profitability.

Now moving to the next -- sorry and one point here again if you look at overall we have now increased our AUM by INR3,200 crores. And when we look at the reserve - - the total capital which we had raised in the IPO, even without that we would have increased this roughly by about more than INR2,000 crores or so of AUM. And in case of AUM also while one might say and that growth in AUM is good, though the growth in GDP in GWP seems a bit low, especially third party.

Because in third party the reserves are created for long term. Here again I wanted to say this has happened in case of Digit in Q3, that there are some businesses which come at a higher commission and some businesses which TP have come with a lower commission. In case of Q3, growth in AUM despite a lower growth in TP is good because high commission business has reduced in proportion while lower commission business has increased.

So, I just want to maybe emphasize this that all of us like some sort of a thumb rules for this, but our business unfortunately is more grounds up and doing some macro calls based on how our portfolio is moving, how the growth rate in TP is, how the leverage will happen. All that becomes a bit difficult. And you can see our leverage despite raising capital just 6 months back continues to be 4.8.

And if I remember correctly, 6 months previous quarter this number was 4.7. So, this has increased to 4.8. And as we had also said this as we go forward this should again slowly increase. Now moving to the next. I think this is our asset allocation. No major real change, a very small increase in equity of 0.5% some increase of roughly about 80 basis points in AT1 bonds.

Otherwise, I think asset allocation is more or less stable in our AUM. I think when we look at loss ratios as I said, I explained already when we compare TP last year to this year about 9 months actually having more than 85% of the reserves. If you look at others especially health, et cetera you can see that our loss ratio has improved substantially. And especially in Q3, our loss ratio has improved compared to previous year Q3.

And this again I think just to reemphasize, and this is the point I've made in the last two calls also that we have seen some intense price competition in employer-employee. This business is even on a 9-month basis is still degrowing for Digit. But I think the discipline on that is actually showing on the loss ratio. If we had gone for say 3%, 4% additional growth in employer-employee business and it would have come at a higher loss ratio, actually our profits would have reduced.

So, in our business, I think we have to keep this always in mind and I'm saying this to remind it to myself and all my colleagues sitting with me here is that growth in revenue does not translate into growth in profits. If you grow in the wrong areas then it can actually be counterproductive. I think that's the point I wanted to make even if we look at fire, our loss ratio this year has reduced a lot.

But again last year and we had repeated it this in our previous calls especially in our Q4 call, first call after listing that last year was bad for NAT CAT and there were a lot of large losses. While this year, we have also seen some large losses, but NAT CAT hasn't been as big. But again over a period of time these are the loss ratios, et cetera, which would change. In case of fire business I think we are seeing some market discipline in pricing from 1st of January.

So, I think this is good from industry perspective, also from Digit's perspective because overall in 9 months in fire, our growth rate has been better than the industry. And as some sort of a rate discipline comes, I think this is something which we see as positive, both from a growth perspective as well as from a profitability perspective.

Moving further, I think these are standard again like the first slide, Slide #4. This slide is similar. Our number of APIs are increasing. We had started with some time back with 1 APIs, that has also started getting traction. So, this is something in terms of all of this I would say is something I would say more like a core principles of Digit and the path of the journey on this path continues.

In terms of additional information as we also said last time, we will continue to publish our IFRS results. So, you can see the 9 months unaudited results on IFRS. And just to repeat what I said when we publish our full results in April, we'll actually cover this in more detail as to how we internally look at profitability, having the same benchmark so that you are not changing the goal post every time. So you don't really know where you stand.

So that's briefly on the presentation. I think I'm just in time 20 minutes. We'll now be more than happy to answer questions. And for that I hand it back to Manav and Ansuman. Thank you so much for a patient listening.

Moderator: Thank you very much. We will now begin the question and answer session. We have our first question from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.

Avinash Singh: Thanks for the opportunity. Few questions. The first one is on your inward reinsurance. If we see -- it seems that has seen a strong growth. If you can help us understand the underlying segment in this kind of nearly INR560-odd crores of inward reinsurance premium that you have got this quarter. So what was the underlying segment?

And second is on your corporate health that segment I mean you said that the price competition is there and seeing kind of a decline, but in terms of profitability it seems that has kind of dramatically improved with that corporate health segment delivering a strong underwriting profit. So, what do you see -- I mean, how do you see this thing? I mean, is this trend going to be sustainable or I mean with your sort of changing mix that corporate health becomes relatively less meaningful.

So, I mean some color on that okay what has worked in terms of profitability there because the underlying profitability improvement is strong. And thirdly, I mean on Motor TP, now of course there has not been a tariff hike. But if we see your performance, some peers and overall industry also, still the reserve release trends are kind of really strong. And if you were to adjust that I mean the claims ratio in Motor TP are still somewhat where it's profitable.

The reason being that one has to look discounted basis. And given this kind of a regulated mandatory product the tariff cannot be decided allowing for a higher expenses. So, it will be more like decided by claims. So how do you see motor TP tariff playing out next year? Do you see it kind of again no hike or there could be certain segments where there could be hike, but no broad-based hike. So these are my three questions?

Kamesh Goyal: Thanks, Avinash. In inward business, we basically write facultative inward. And facultative means every risk is seen on a standalone basis. So, you might even get some repeat business of a risk, but every slip is to be seen from a fresh eyes perspective because this is not a business where you are saying, I'll write this now in future. So, every slip has to be seen and then you write this business.

And here in inward fact, the regulations also encourage IDA, Government of India everyone is encouraging to increase attention within India. And we basically try and write business and property, basically fire and engineering, liability, marine, health, crop. So, in every single area, we keep on looking at slips.

On a -- I would say on an average and if I'm -- this is -- I'm saying based on what I remember, that roughly if we see 100 slips, we probably would be accepting business in about 40 of them. So, 60 of them we would actually not be accepting the risk. So, this is the answer to the first question.

Now in corporate health, I would say two things. In the last year, obviously, I would say it was a mistake which we made in terms of some pricing, et cetera because until and unless, you have 2 years, 3 years of good data from the market on the basis of which you are quoting, it is a bit difficult to develop your pricing engine. So, our team has done a great job in developing a good pricing engine.

We also check whether the data which one is getting on which one is quoting, whether that is reliable or not. We actually have a strong team in health claims, which is also negotiating with hospital for discounts and other areas. So, in health, and we

also have a new system in which we can do better customization of the product, but also have more control in terms of claims to reduce the leakage.

So, there is a lot of work which has gone into this. But equally importantly is the fact that if the pricing is not looking decent, our team is leaving the business. And you can imagine when the pressure of growth is so much, assumed pressure I would say. Our team has been able to manage and keep the discipline for continuously 9 months. So, I would say this is really -- the last point is equally important.

What others we are doing, learning from mistakes, improvement, et cetera that obviously is a continuous journey. We have recently put in a new fraud engine to detect frauds in health claims. That is also helping. So, I would say, if we keep the discipline as loss ratio of others deteriorate, our other initiatives of improvement continue pace. We would make up this market whatever business, addition of INR500 crores, INR400 crores, I would say in less than a quarter.

And I think this we have to keep in mind. On motor third party I think I would say that normally in a long-tail business, good companies would actually be conservative initially. And then each year they would want to look at the reserves and revise them based on what they have learned. We also know and I think on our slide, we are publishing -- everyone publishes this NL-31, whatever that number is declaration.

If you look at those triangles of TP claims, I think it's there on Slide 15 as of 31st March '24. So, we'll actually see that from '17, '18 was only INR50 lakh estimate, one large claim came. And there again if you see INR 51 lakhs we increased it to INR72 lakhs next year. And then again, it's coming back to INR57 lakhs. Maybe by the time it comes, it will be adequate. But if you look at everything else, our reserves we start with a higher and then they reduce slowly.

Now I don't -- I cannot comment for others, but I think this will again get published as of 31st March. Our confidence level in our TP reserves is very high of our actuaries. So, we are very comfortable with the loss ratios. And as this -- you will see each year when 3 years later, 4 years later, 5 years later, if the reserve release is happening, you basically when you are writing business, you actually feel that the economic loss ratio is likely to be in this range, but you provide a higher reserve just to be prudent.

Now God forbid some law changes, some Supreme Court judgment comes, so you don't want to be caught. And if you look at even in non-TP which is in the second slide, our overall whole account which is say, in the 15 - Slide 15 here, you will actually see even in the whole account -- can you go to 15 - if you go to Slide 15 you will also see even on the whole account basis, our reserving is pretty good here. So I think that's the answer to the TP question Avinash.

Avinash Singh: Okay. Thanks.

Moderator: Thank you. We have our next question from the line of Supratim Datta from AMBIT Capital. Please go ahead.

Supratim Datta: Thanks for the opportunity. Now on the on results of Motor TP, now we have seen as an industry the reserve releases over the last 1.5 years, 2 years has increased. Now going ahead some of this benefit from the COVID easing or during the COVID, cars weren't flying that much on roads, that would not be seen over the next 2 years?

Hence, while I understand that in this year we can maintain that the reserve releases similar to last year. Going forward, do we see that could come down? That's my first question. Secondly, on Motor OD if I see over the quarters the loss ratio has

increased. And on the call you also mentioned that you are moving away from high commission business to lower commission business.

Now is this also moved from new vehicles towards older vehicles? So, hence if you could give us the split between what is your new versus old mix and how that has changed if it has, that would be my second question. And thirdly on the group health side while you mentioned the initiatives that you have taken...

Kamesh Goyal: Sorry, your voice is cracking.

Moderator: Sorry, Supratim, your voice is cracking. We are unable to hear you.

Supratim Datta: Can you hear me now?

Kamesh Goyal: Yes, now we can.

Supratim Datta: So, what I was saying is on the group health side, does that include personal accident as well, the underwriting result in the P&L that you have mentioned?

Kamesh Goyal: Yes. Group health includes personal accident also, Supratim. On Motor OD, I would say that new vehicles typically have the lowest loss ratio in private car, commission is a bit higher. When you do your own renewals, then your commission reduces and loss ratio goes up. And the same is the situation for rollover.

Now obviously in case of Digit, as our renewal book is increasing year-by-year and we are also seeing some OEMs moving towards real-time pricing for rollover, one large OEM has just recently gone live with that. So, the mix of -- in private car business because OD basically means 70% of the premium is coming in from private cars in OD. Two-wheelers constitute about 22% and commercial vehicle only 8%.

So, when we see it from that perspective, we obviously foresee that OD loss ratio could be going slightly up as new business mix reduces and commissions will be going down. And that's the reason I was saying, one should always look at both numbers together. Now in case of TP, what you said is 100% true that in case of TP the benefit as an industry which was coming in from the past would not come in the future.

Now what is it that one can do if the rates are not increasing? And here again Supratim I'll give you some numbers. So, you might recall that initially Digit had about 4 years to 5 years back, 75% of the motor premium or maybe 78%, if I remember was coming from TP, OD was only 22%. If you look at 9 months, OD premium is 39% for Digit and TP is 61% while for the industry, OD is 41% and TP is 59%.

So, what we have been doing purely from a Digit perspective is that one OD proportion is increasing and TP is reducing. Secondly, even within TP as we write business, we -- our portfolio mix has substantially changed. And that is how we are actually trying to manage the loss ratio. And that is the only way one can do this. Otherwise, one can get caught badly in this.

Supratim Datta: Got it. Thanks for that. Just what do you mean by portfolio? You are changing the portfolio, if you could help me understand that?

Kamesh Goyal: The portfolio, Supratim, when you think about you can think in terms of geographies. You can think in terms of vehicle mix, commercial vehicles, two-wheeler, private cars. Within commercial vehicles, within private cars, again it could be more granular, could be based on say fuel, for example, new, old, for example, it could also be type of vehicle like everyone knows, a bus is a bus, but school bus is different say, for

example, CC of vehicle makes a lot of difference in terms of loss ratios. So, that is how we have to keep managing the portfolio.

Supratim Datta: Got it. Understood. Thank you.

Moderator: Thank you. We have our next question from the line of Kunal Thanvi from Banyan Tree Advisors Private Limited. Please go ahead.

Kunal Thanvi: Thanks for the opportunity. So, my first question was with regards to your initial comment on the combined ratio of under IGAAP. So just wanted to have a view on the fact that if we look at say both expense and loss ratios on NEP that is net earned premium, does it give a better picture because both of those items -- all the three items kind of flow through the P&L? That was question number one?

The second question was with regards to the competitive intensity in motor, health and group health business, specifically the group health business how we are looking at it now? And let's say, maybe a lot of media reports about reinsurance rates expected to go up from March, April. Any thoughts on that like is there any possibility of pricing sanity coming back in the group segment?

And the third question was on long-term investment book mix. How do we think about equity mix in the book from a longer-term perspective since now we are profitable on IGAAP basis and solvency is also in reasonable shape? These are three questions?

Kamesh Goyal: Thank you. So let me start with the equity. I think I would say two things here. One is if you look at our IGAAP, net worth is close to about INR4,000 crores. Now our solvency already is more than 220%. Even if we raise I'm just -- we don't need any capital at 222, but I'm just giving hypothetical answer to say, even if we raise INR500 crores more capital, our solvency can say moves to 250%, 260%.

The cost of this additional capital which is the cost at which we are raising it compared to the interest rate to the investment income which we are generating, even if we take it at 150 basis point difference, INR500 crores is roughly INR7.5 crores. It is -- it will be maybe less than 2% of our pretax profit.

So, now capital from any perspective is not really a constraint from either a growth perspective or from an asset allocation perspective. And INR500 crores on INR4,000 crores, even if we raise, it will be less than 12% or so. And in regulations you can actually raise it up to 50%. So, there is no real constraints. I think our investment committee of the Board, our investment team is looking at opportunities.

We are very comfortable to go up to 10% of our asset allocation in equity. I think you can see that in quarter 3, when our investment team felt that market to them is looking better, they have increased it by 0.5%. So, increasing 0.5% over increasing AUM. So, we -- so they are doing it. We don't have an artificial time line that we have to hit 10% equity in this. We have left it to the judgment of our investment team as well as our investment committee.

So that is on investment. On NEP, what you said is true. I'll give a very brief answer because we'll cover this in detail in April. NEP gives you a good idea, but I think we have -- I've said this in the past that if you reinsure your future premiums today and book all the reinsurance commission today then it actually improves your expense ratio substantially. And then when you move to IFRS, this -- there will be a huge difference between the combined ratio of the two.

So, when you move from IGAAP to IFRS suddenly results will start looking bad. So the idea is to find a way how do you move seamlessly from IGAAP combined ratio to IFRS and you actually know the economics of that. And this is what we'll try and do in April because as I think I've been saying this and initially our CFO wasn't happy when I would say this, that IGAAP combined ratio doesn't make any sense at all as far as somebody like me is concerned from a profitability perspective.

And I'm saying this after having spent decent or actually entire working life in insurance in different places. Now on the group side till December we have actually not seen any significant improvement in the reduction of competition intensity. It continues to be strong as of now. But as I said earlier this is like if I have to use in Hindi the goat's mother won't stay safe forever, the Eid will come.

So, the Eid of this. I think people will lose money and then the correction will happen. As far as the reinsurance rates, et cetera are concerned, this employer-employee business is typically written -- no reinsurer would touch it even with a barge pole employer-employee. So, this goes to the net of each company. So, I personally feel that reinsurance rates would not really make a difference here.

Kunal Thanvi: Sure. Thank you. If I can squeeze one more question. It was on in house versus outsource TP for group...

Kamesh Goyal: Sorry, your voice is cracking. You'll have to speak closer to the phone.

Kunal Thanvi: Is it better now?

Kamesh Goyal: Yes.

Kunal Thanvi: Yes. So, one more question I had was on in-house versus outsourced TPA for claim processing for group and the retail health business. If you can touch upon that like how do you think about it? Given the fact that retail is a small -- very small segment today, going ahead will we be comfortable doing it in-house versus say using tapping the network of some of the large TPAs that are already there in the market?

And secondly, with our TP book, Motor TP book kind of coming down, does it also mean that your investment leverage incrementally could be lower than what we have seen in the past because Motor TP is typically a long-term float that you get for?

Kamesh Goyal: So I think on TP, I already explained that all TP business is not the same. If you would listen to the recording, I tried to cover this already. So, I don't want to honestly answer that question. Overall, leverage with that mix in TP change which we are seeing, we should not reduce our leverage where we are now. All retail business is anywhere serviced today in-house. We have a very large network of in-house TPA.

On the group side, we also continue to work with the TPA and also do business in-house. So, I think at the end of the day, we have to -- there is a customer, there is obviously an insurance company. So, we have to find what works for both under circumstances. In retail, I think in-house has been working quite well. In corporate also, we see group employer-employees, a lot of groups prefer to be part of in-house.

But we are happy to work with our TPA networks. And we see -- we are not driving business to say we will only do it in-house. We are happy to work with TPAs, one or two TPAs I don't want to take names. Two of them have also worked with us in improvement of processes, tech integration, et cetera. So, we would be happy to develop the relationships with them.

- Moderator:** Thank you. We have a next question from the line of Nidhesh Jain from Investec. Please go ahead.
- Nidhesh Jain:** Thanks for the opportunity. So, first question is on the retail health insurance. You have been expressing your views on that?
- Kamesh Goyal:** Sorry, Nidhesh you'll have to be a bit closer to the phone. I think suddenly the voice vanishes.
- Nidhesh Jain:** Okay. I will try that. Sir, on retail health insurance, the question is that there is a change in regulation where now discounting of premiums is allowed if the claims experience is better. So, have you changed your views on retail health insurance or you still remain bit cautious on that segment?
- Kamesh Goyal:** No, I think we continue to be cautious in this segment. We are of the view that the whole set of regulations in retail health haven't really stand out. So obviously nobody has an internal information. But I think whatever we are seeing in terms of loss ratios, development in terms of what one hears, we feel that retail health as of now is not an area which we want to aggressively grow.
- We obviously are growing this business, but the only difference is that even from a small base, the growth rate is more or less similar to the industry. As of now, we are not seeing opportunity to grow retail health with a higher growth rate, Nidhesh.
- Nidhesh Jain:** Sure. And secondly, I have a question on reserve releases. How much management discretion -- how much discretion do a management have on the reserve releases in Motor TP and other lines of business because that is becoming a bit of an issue when we compare results across companies?
- Kamesh Goyal:** So, Nidhesh, I think I gave you numbers for last year of TP for the first three quarters, fourth quarter overall number, we also gave you a number for three quarters this year. I also suggested what the overall reserve would be. So in our case, this decision is completely of the actuaries.
- And management doesn't really get into this to say, increase it by -- because if you have reserve -- the actuaries feel that the total reserve release this year will be x amount. Now one can have a discretion to say you can make it x plus 5% or x minus 5%, but you cannot come out and say, make it 2x, make it half x, because there is a peer review in actuarial -- of actuarial colleagues also. The report also of all this reserving, et cetera goes to the regulator and they also look at this.
- So, I don't think in any decent company, management would try to influence reserve release artificially because if you start doing these things, then you're basically fooling yourself. And no good professional -- actuarial professional would be willing to just do what the management is saying. I wouldn't do that ever neither any of our colleagues. I obviously cannot talk about others.
- Nidhesh Jain:** Sure. That's it from my side.
- Moderator:** Thank you. We have our next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.
- Sanketh Godha:** Thank you for the opportunity. Kamesh, what I understood is that you had a reserve release of around INR336 crores in the 9 months.
- Kamesh Goyal:** Sorry, Sanketh, you have to speak a bit louder, I think closer to the phone, please.

Sanketh Godha: Is this better?

Kamesh Goyal: Yes, better now.

Sanketh Godha: Yes. So, the question I was asking is you had a reserve release of around INR336 crores. And if I take it plus or minus 5 percentage of the last year, it will be somewhere between INR550 crores to INR600 crores. So, a reserve release of another INR200 crores can potentially happen in fourth quarter, which means that if you end up doing anything of similar number, what you did it in the current quarter somewhere around that number.

So, is it fair to assume that this reserve release itself will improve your loss ratio or combined ratio by 10% -- 8 percentage to 10 percentage points in fourth quarter March 2025 ended up going so just wanted to confirm that, that math is right or not?

Kamesh Goyal: No. So, I was saying that last reserve release in 9 months it is INR336 crores. So, I said, based on where we are and I would again say this is not a guidance or anything. We could be say somewhere -- I don't foresee reserves going above 577 as of now. But what we are -- I was saying is that we could be somewhere around, say, 510, 520. Now exactly what this will be, will be decided by the actuary, our appointed actuary and our product heads.

But all I wanted to say is going forward, unlike last year where we saw quarter-on-quarter volatility on reserve release, now we have a very decent experience of 5 years, 6 years, COVID year is also behind. So we will see lesser volatility that 1 quarter x, next quarter 2x. I think that is something which I feel should not happen.

Sanketh Godha: Got it. And the next question what I had was on motor third-party growth basically. So, in third quarter, growth looks a little better at 6 percentage compared to industry growth of 8 percentage. And in 9 months, it is still very weak, 2 compared to industries' 8. So, you've mentioned in the past that you are cautious with respect to the space right now. So, have you seen any change in the behavior in the environment?

And given December month was -- or third quarter is marginally better, we expect motor TP growth to come back in a better way compared to -- or at least grow in line with the industry, which is not the case for 9 months at least?

Kamesh Goyal: So, Sanketh, last year for full year our TP market share was 6.5%. On 9 months, our market share in TP is 6.4%. In quarter 4 of last year our market share was only 5.7%. Now, again no guidance or anything in quarter 1 where our market share was quite low in motor and quarter 3 is only 6.2%. So, if this trend continues, if this trend continues and since we are coming in from a lower base last year, there should be growth in TP in this year.

But again I just want to say that though some people feel that we are degrowing TP and things like that. If you look at whole year market share over last year was 6.5%, 9 months in 6.4%. So it's not that things have substantially changed even on the TP side. And this after taking a very big and I think I said this earlier that we redid our TP portfolio in a very big way where in H1 of last year, our TP market share was 7.1%.

In H2, this had actually reduced to 6%. So, we -- last year in quarter 2 in the second half, we had actually taken a lot of corrective actions on TP once we realize that the TP hike is not coming to ensure that we meet our target loss ratio.

Sanketh Godha: Got it. But in broader sense, are you seeing a better environment now given you have inched a bit of market share? So, you're comfortable with the current pricing or payout structure in the TP business?

Kamesh Goyal: I would say, Sanketh, there are about -- in my view as a rough number and I think recently our industry had also met the IRDA on a discussion on this. What I understand is that about -- maybe about 40% of the TP book of the industry is rightly priced. Maybe 10% book might actually can even see some small reduction in premium. But there is about half -- roughly half book of TP of the industry which needs price increase because there is TP inflation and for the last 4 years, there has not been any increase in TP business.

And I think the way one should -- one can see this also is to say that the regulator still is giving say, no TP obligation and things like that. It means that regulator feels that industry is not writing TP business freely. And if industry is not writing TP business freely, if -- then obviously, it means they're not finding the right price. So my sense is -- and again, this I'm seeing as an industry professional, this is not a biggest view that about 50% of the book needs some price increase.

Sanketh Godha: Got it. That's it from my side. Thank you.

Moderator: Thank you. We have our next question from the line of Dipanjan Ghosh from Citibank. Please go ahead.

Dipanjan Ghosh: Just two questions from my side. First, while you have mentioned that for the 9 months employer-employee business has degrown, But given that group health has seen a little bit of better growth in 3Q on a Y-o-Y basis, would you like to kind of break it up between the employer-employee and the non-employer-employee for the quarter? And if there are some improving trends while keeping in mind that you've already acknowledged that the pricing pressure sustained.

And also in the group employer-employee, when you look at the claims ratio and you mentioned that it has improved. So, if you can kind of quantify the number can also kind of highlight is it from the large corporate or the SME side or is it a mix change in favor of the lending linked products which is really driving this improvement?

Kamesh Goyal: Dipanjan, I think all I'll say is that in the non-employer-employee business, the growth rate is more definitely. Employer-employees there is a slight degrowth. And you'll have to excuse me, we don't want to give loss ratios in group health with that sort of a granularity.

Dipanjan Ghosh: But sir, just for the third quarter could you like mention if the employer-employee business has been degrowing even, let's say, for the last 3 months or 4 months? I mean has the trend directionally been improved there?

Kamesh Goyal: So, quarter 3 also in employer-employee, we saw degrowth.

Dipanjan Ghosh: Got it. Thank you sir and all the best.

Moderator: Thank you. We have a follow-up question from the line of Supratim Datta from AMBIT Capital. Please go ahead.

Supratim Datta: Thanks for the opportunity again. Just wanted to understand now that we have moved to this 1/n method of accounting. So, what happens to our AUM targets? And how are those changing? Have you had any discussions with IRDA for that?

Kamesh Goyal: No. Thanks, Supratim. I think I missed this point completely. So, I think last time, if you remember we had given the full time lines of the AUM. So, we actually on December 27, '24, we have received a letter from the regulator granting us forbearance for AUM for year '23-'24. So last year, they have already given us a forbearance. For '24-'25, obviously, once the year is complete and we update the regulator, we will know.

They've also asked us that we should give them a guidance on AUM for next year, '25-'26. And then they have asked us to give quarterly updates both to the board as well as to the regulator. But just to repeat, for year '23-'24, they have given us forbearance on the AUM.

Supratim Datta: Got it. And what happens to that AUM target of 30% now that we have moved to 1/n, will that also be revised or will it be looked at on the older version of -- if you could give us some sense on that?

Kamesh Goyal: At this time, Supratim, we don't know. But I think as we have been saying that as the year is over, '24-'25, we obviously will give an update on the AUM to the regulator and to the Board. And any development on that, we obviously will keep our investors and analysts posted on that. But as of now, we -- at least, we are not aware of if IRDA has made any changes to the AUM. So, till we see some circular, I would say the definition of GWP stays as it is.

Supratim Datta: Got it. And just one final question. So, you initially mentioned that you are booking the commissions upfront, but on the long-term policies, but the premium growth or the premium is going to come in the later years based on 1/n recognition. So does -- that implies that your commission ratio going forward should be coming down because as this premium starts coming in, there wouldn't be a corresponding commission attached to it.

And hence, we should see the commission ratio going down from 3Q onwards. Would that be a correct assumption to make?

Kamesh Goyal: So, mathematically, yes. But on the other hand if you say next year, you have again done this business. Then you'll again be booking that commission here. So, my sense suggestion Supratim is that there are companies which do substantial business on this 1/n. While AUM is something which one has to look at, one should also, as I was saying, if one is not showing the commission as an expense this year, future commission, then even the P&L is not actually an apple-to-apple comparison of previous quarter.

So, one should wait for the full year on AUM. I'm sure from a regulator's perspective since they are monitoring this very seriously, we will see in the next 3 months, 4 months, 5 months, if any changes, et cetera, are coming. As I said, I'm sure they will issue a circular for that. And we will also see how other players in the industry which till now were AUM compliant, can they continue to be compliant on AUM. And thanks, everyone for joining. I think we'll just pass it back to Ansuman.

Ansuman Deb: Thanks a lot everyone, for joining the call. And on behalf of ICICI Securities, I wish you all have a very good evening. Thanks a lot.

Kamesh Goyal: Thank you.

Moderator: Thank you. On behalf of Go Digit General Insurance Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.