

Date: 21<sup>st</sup> June 2024

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 financial year ended 31<sup>st</sup> March 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 on performance review of the Company for the quarter and financial year ended 31<sup>st</sup> March 2024.

The above information is being made available on the Company's website at [www.godigit.com](http://www.godigit.com).

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

Thanking you,

Yours sincerely,

For **Go Digit General Insurance Limited**

**Tejas Saraf**  
**Company Secretary & Compliance Officer**

**Encl: As above.**



“Go Digit General Insurance Limited  
Q4 & FY '24 Earnings Conference Call”

June 14, 2024



**MANAGEMENT: MR. KAMESH GOYAL – CHAIRMAN – GO DIGIT  
GENERAL INSURANCE LIMITED  
MS. JASLEEN KOHLI – CHIEF EXECUTIVE OFFICER –  
GO DIGIT GENERAL INSURANCE LIMITED  
MR. RAVI KHETAN – CHIEF FINANCIAL OFFICER – GO  
DIGIT GENERAL INSURANCE LIMITED  
MR. TEJAS SARAF – COMPANY SECRETARY – GO  
DIGIT GENERAL INSURANCE**

**CALL**

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

**Moderator:** Ladies and gentlemen, good day and welcome to the Go Digit General Insurance Limited Q4 FY '24 Earnings Conference Call hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing star and 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, sir.

**Ansuman Deb:** Thanks, Dorwin. Good evening, ladies and gentlemen. On behalf of ICICI Securities, we welcome you all to the Q4 FY '24 Results Conference Call of Go Digit General Insurance. We have the senior management of the company on the call.

I now hand over the call to Chairman Mr. Kamesh Goyal for his opening remarks, post which we will open the floor for Q&A. Over to you, sir.

**Kamesh Goyal:** Thanks, Ansuman and good evening, everyone. First of all, welcome everyone for joining our post-listing first call, quarterly call. I think going forward, we obviously would be doing calls within a month of the quarter ending this time due to IPO, the call got delayed.

With me also, we have on the call our CEO, Jasleen, our CFO, Ravi Khetan, and also our Company Secretary, Tejas. As I start the call, maybe speak for a few minutes on the presentation. I'll refer to the pages briefly and then we'll be happy to answer any questions that you may have.

So, if you look at the first slide, we have completed and crossed INR9,000 crores of premium income in the last whole year. Overall market share on GWP basis is about 3.1. In terms of products, we have now a wide range of products available, a very large number of customers and the number of policies issued. We have now settled close to about 20 lakh claims, since we started.

Averaging roughly in a month, about 80,000-90,000 claims in a month. The assets under management have grown as of 31st March to about INR15,700 crores. Our manual policy issuance continues to be quite low. And our NPS, which is internal score, continues to be good for both claims as well as non-claims. Our customer rating on social media is also 4.7 out of 5 on Google Review and 4.9 out of 5 on Facebook.

Moving to the next slide, I think if you look at, we have given three years number, INR5,200 crores, INR7,200 crores and about INR9,000 crores. The growth in net earned premium has been doubled. So, from FY '22 to FY '24, we have doubled our net earned premium. And if you look at the next line, which is the premium retention ratio, the premium retention ratio has also been increasing each year. And in FY '24, this number was about 85.8%, which I believe would be amongst the highest in the industry.

And as in some of our interactions, we have discussed that retaining more premium is a strategy which we follow in the company. Our combined ratio in FY '24 was 108.7, which is about 1%

higher than the previous year. Most of it is related to some large losses in property, which we had and some NAT CAT losses. And I'll go into that a bit later.

Our profit for the year is about INR182 crores. And for the quarter, it's INR53 crores, which is double to what we had in quarter 4 of '23. The net worth of the company as of March '24 is about INR2,500 crores. The solvency ratio was 1.61 as of 31st March '24, compared to 1.78, which we had. The capital which we had read through the IPO came in May. So, obviously, the solvency number, which would be materially different as of 30th of June '24.

Moving on to the next slide. I think if you look at the premium numbers, I have spoken already. If you look at, I think, in terms of GWP mix, you can actually see our own damage mix has increased from 16% to 22% in FY '24. TP has actually reduced from 46% to 39%. Health travel NP has increased from 13% to 19%. Fire is more or less flat, and the others have reduced in the year FY '24.

When we look at the industry growth and compare that to Digit's growth, industry has grown in motor own damage by about 17% against our 42%. TP is about 10%, which is similar to ours. Fire, industry grew by 7%, we grew by 19%. And health, etcetera, also, we grew more than the industry. When we look at the right side, and especially look at Q4, you will notice that in motor TP, I think, because that seems to be an outlier, we have actually de-grown by 11% in this quarter.

Now, I think two things I wanted to say. One is that we as a company always plan continuously look at businesses where we feel it doesn't make sense economically for us to do business. And we would actually then get out of those segments if we don't find the margins to be attractive. And in case of TP, we need to keep in mind that in the last four years, we have only seen an increase in TP only for one year. And we feel that due to third-party inflation, increase in minimum wages, etcetera, the TP business needed some corrective action to be taken.

Now, when I say corrective action, what it basically means is, depending upon what the commission we can afford to pay, we can pay that commission. And we also continuously try and look at the new opportunities or the new segments which we can tap. Now, even in this quarter and this is the time you might recall, it's the time when the roadshows had really started in March.

Even in this quarter, we decided to take the corrective action and also try to find some segments where we can now try and gain some growth in the TP segment. Fire, again, was compared to the industry with a decent growth. So, in all other than TP segment, we had better growth than the industry.

And here again, I would just want to emphasize this point again that we as a company don't feel that there is an ideal LOB mix. We, on a very continuous basis, look for opportunities where the business is profitable or it is not profitable. And then we take corrective action based on our understanding of the business.

Going to the next one, I think this is more a movement of the combined ratio over three years, as well as quarter on quarter. If you look at the combined ratio, as I said, was about a percentage higher than the previous year. If you look at quarter four, expenses have gone down.

Expense ratio and loss ratio was higher at about 72.2%. Quarter four of FY23 was a, I would say, slightly outlier in terms of the loss ratio. And I will cover that as we come to the triangles, especially of the TP business. This is profit after tax. And I think I've already covered it. There's really nothing to be repeated. I think one thing, as I said, we believe in higher retention ratio, which basically means our growth in AUM is faster.

And if you look at from FY23 to FY24, we have roughly increased organically the AUM by about INR2,700, INR2,800 crores. And this year we had raised INR350 crores of sub-debt to support the solvency. So if we remove that, then we raised about organically increased the AUM by about INR2,700, INR2,800 crores.

The investment income is decent. We crossed INR1,000 crores in investment income. So if you actually see FY22 to FY24, our investment income has actually more than doubled. And you can also see that the investment yield is also now about 7.3%, which is almost 100 basis points better than the previous year. Moving to the next slide, I think this is more asset allocation. Our equity allocation has continued to be lower.

It's only 1.6%. And when we look at our solvency of 161%, since solvency ratio was a bit lower, any unrealized losses in equity passed through the solvency or passed through the P&L. That is why we have not really taken asset allocation more towards equity. Now with higher solvency ratio, that's an opportunity which we have.

Our overall investment has been more and more in the fixed income and especially in the government bonds also. And in banking and finance, you can see that this year we have increased our allocation. Some of it is also coming in for the Tier 1 capital or Tier 2 capital, which the banks raised. So some of those bonds have also come under this.

I think when we look at loss ratio, if you look at our own damage loss ratios has been coming down year by year, 74, 69, 66. TP loss ratio has been coming down. But in TP loss ratio, we always look at loss ratio over a period of three years or four years, rather than just looking at one single year. And that is also, I would say, transparent from the triangles. And especially when we think about rigid tensions, we had only completed five years as of FY23. So you'll actually notice that our review of third party reserves in the first four years was not there.

And that is the reason why Q4 FY23, we actually had a significantly lower loss ratio. In health, our loss ratio has increased two reasons. One is that if you look at FY22, this was a year of COVID. And at that time, Digit had written, we had written a lot of COVID health insurance. So we actually had a significantly lower loss ratio. Some of that also came in FY23.

The loss ratio still was at about 72% lower than, I would say, the industry health loss ratio. And this has increased last year due to the growth in the employer-employee health insurance business. The amount of data which had an employer-employee health insurance, both for

quotation purpose, as well as for claims, etcetera, was significantly lower since our portfolio was more diverted towards COVID in the earlier years.

I think now we have reached a stage where we feel we have a decent idea in terms of pricing and quotation, what's the quality of data we get from different partners, etcetera. Fire, I think, was a tough year last year. In the next slide, we'll show you what exactly happened. Marine, I think, is more or less okay. Engineering also was a year where we saw some NAT CAT losses. Overall, the loss ratio was about 70% for the year.

Again, I think the way we drive business, we look at loss ratio more on for the year basis for things like own damage, health, etcetera. Fire, TP, we would see it more from a three-year perspective because you can have a NAT CAT event or a large loss which can impact your loss ratio. So I'm just trying to give perspective as to how we look at loss ratios.

And obviously, quarter by quarter is something in the loss ratio. We wouldn't worry too much about it because we also have seasonality in almost all lines of business. Moving to the next slide, this is a slide you can actually see on a Digit net basis.

We actually had an impact of about INR70 crores, which basically meant that in case of property and engineering, this had a very, very significant impact. But what is interesting is that because we have a very high net earned premium of almost INR7,000 crores, the impact on the overall loss ratio for the year is only 1%. And I think this is, from our perspective, is important because on one side, obviously, higher business you retain, larger the chances of losses.

And we know that last year was a very unique year where we had three major NAT CAT events or four and we also had one large loss. And all these events were relatively small from a perspective that the NAT CAT or excess of loss treaty wouldn't get triggered. So the net hit to the bottom line for this was higher, especially in property and engineering, as you can see.

One would expect, I would say, half of these losses or one third of these losses to come every year. But the losses will never, ever be uniformly distributed. And I think as we continue to grow our net earned premium, I think and continue to be cautious or whatever we can do in terms of underwriting, I think the overall impact on a year is unlikely to be substantial.

And I think this is the message I wanted to give. I'm not giving any sort of a guidance on NAT CAT events, etcetera, because this is something which is completely, completely unpredictable. I think this is the last slide before I move to the triangles. I think our focus on API integration, etcetera, is very strong. And you can also see in two years, we have almost doubled the number of APIs we have. And now 51% of our policies are issued through the APIs.

So this again is, I would say, part of our core strategy in terms of how we underwrite, how we onboard, how we service policies. And this is something which will continue to be the focus for us. Now I'm moving to the slides after the thank you slides for additional information.

The first is the Reserving Triangle for Whole Account. We started really for, and were there for about four months in the year 17-18. And after that, all the data is for every single year. So the number is INR6.9 crores, which was the original estimate. We had got one very large TP claim,

so the reserves were increased. Then you can actually see over a period of time, even this small year also had a positive release for us, favorable development.

After that again, if you actually see from INR392 crores, three years later, this was about 379, 380, not material change. And after that, there has been a change. So every year you can actually see that overall our reserving has been, I would say, adequate on the whole account basis. And this is something which obviously we'll keep publishing every year. The next one is more for motor TP. And here, as I said, we got a large TP claim.

The reserve was only INR5.1 crores. And this has a very small negative development as of now of about INR60 lakhs. In all others, if you see for March 19, for four years, we actually did not review our reserves at all for '18, '19, which got reviewed four years later.

And similarly, I think if you look at up to '20, that there has been slight increase here and there by INR2, INR3, INR4 crores. I think now the methodology, our experience on TP, all of that I think is quite decent now and you can actually see that overall -- we have been providing based on this information and especially if you look at up to March 20, March 21 was a COVID year, and I think we'll wait and see as to how this develops. You can see that there has been adequate reserving even in motor TP.

The next is Whole Account, excluding motor TP. This is every single line of business, excluding TP. And here again, you can actually see that reserving has been adequate. I think for us in Digit our philosophy, for reserving is that we need to always be adequately reserved. I think having surprises on reserving, negative surprises, is something which shouldn't really happen. So that's why I think maybe I'm spending slightly longer time on giving the reserving.

The last thing I wanted to say before I hand over to the questions is on IFRS earnings. I think as we know that the listed companies will start reporting from next year, the IFRS earnings. And I think there was some questions. Obviously, people generally wanted to know about IFRS and things like that. So these are our IFRS results. Our reconciliation has also been audited by our joint statutory auditors. So this reconciliation is audited by them.

You can see what the IGAAP profit is, what the net worth is in IGAAP. Then you can see what the deferred acquisition cost is IFRS 17. Then realized gain loss of investments, IFRS 9. Discounting impact of IFRS 17 and provision for deferred tax under IFRS, because we are profitable in IFRS, I think from year three. And all the losses have now been, I would say, passed through. So a tax is payable on that. And you can also see what the net worth is as per IFRS. And what the return on net worth is also as per IFRS.

So I think this is, as I said, as per IFRS 17, audited reconciliation. I think, as you know, that as of now the regulator is not asking us or any company to publish IFRS results. And in what shape and manner would the IFRS get implemented in India or by the regulator is something which we'll have to wait and see. But we just wanted to show the IFRS earnings. And this is something we will continue to do every quarter.

And obviously, once a year, these numbers would be, end of the year, would also be the audited reconciliation by statutory auditors, which are the same ones who do the IGAAP audit. So this

was really the last slide I wanted to speak. I think all of us are now available to answer any questions that you may have. Thanks for patient listening.

- Moderator:** The first question is from the line of Bhavesh Jain, an individual investor. Please go ahead.
- Bhavesh Jain:** Hello, sir. Thank you for the opportunity. I just have two, three questions. The first one is, can you provide the breakdown between in the health segment? How much is retail and how much is group?
- Kamesh Goyal:** Ravi, would we be publishing these numbers of retail and growth with our annual disclosures?
- Ravi Khetan:** No, sir. These are not published numbers.
- Kamesh Goyal:** So, Bhavesh, as of now, as I said, since we are not publishing, I would not want to comment on that. But I can definitely say that most of our portfolio would be group. And retail health insurance would be a smaller number. If I remember offhand, this would be close to about INR60 crores or so for last year.
- Bhavesh Jain:** Okay. So, sir, basically, the premise is that the group health insurance is basically considered a loss-making business for the insurance companies. So how are you planning for the profitability in the health segment?
- Kamesh Goyal:** So, Bhavesh, as I said, I think in group business, we feel that this business is fast-growing. Now, last year, it was already bigger than the retail business. I think retail business has its own challenges in terms of what happens after the waiting period of four years is over to the loss ratios. And a lot of new business, which is now coming, 50% of that almost in the industry is portability. So, overall, I think health business is definitely under stress.
- Group health, as you rightly said, is loss-making. But this is too big a segment for us to stay away. And since I was saying in the call that we didn't really have any data also in terms of how one can quote on this business. So I think we have developed this business also from a perspective of gathering data because this data otherwise is not available in the market. Going forward, I think on a quarter-by-quarter basis, we'll be able to see how the loss ratios of this segment of health care, etcetera, are developing.
- Bhavesh Jain:** Okay. And, sir, one more question is regarding the solvency ratio. So as you mentioned that our solvency ratio is different after the capital infusion, after the IPO. So can you tell me what is the
- Kamesh Goyal:** So, Bhavesh, I think we will publish it as of 30th of June, but our sense is this will be more than 200%. What exactly that number would be that we will know only on 30th of June, but we expect the solvency ratio to go beyond 200% definitely.
- Bhavesh Jain:** Okay sir. And one more question is regarding the expenses. There has been some change in the classification of the expenses and which you mentioned in the result PDF. So can you tell me what are the classifications we have done? What are the changes we have done?
- Kamesh Goyal:** Sure, Bhavesh. Ravi, you want to answer that?



**Ravi Khetan:** So Bhavesh you can look at the industry-wide financials. There was a movement of the expenses from Schedule 4 to Schedule 3 and we are also aligned with the industry and the changes are in line with the overall industry approach.

**Bhavesh Jain:** Okay. Thank you so much.

**Kamesh Goyal:** Thanks Bhavesh.

**Moderator:** Thank you. We have the next question from the line of Shubham from Investec. Please go ahead.

**Shubham:** Thanks for the opportunity. I wanted to ask what would be your combined ratio trajectory from here on? And my second question would be we have seen that there have been significant reserve releases in the last two years. So how will that work in future?

**Kamesh Goyal:** Okay. So two things here. One is that we actually don't have any guidance on this. We as a company as I tried to explain earlier, we basically don't think there is an ideal LOB mix which one wants to look at. Market is fairly dynamic. So one will have to keep wait and see as to how the business develops.

Second I would say is that from a combined ratio perspective when we think about higher retention of premium, which leads to higher leverage or higher growth in AUM, the same combined ratio will give very different ROE from that perspective. And you can also see that at our combined ratio and I'm sure you can compare it to others in the company, others in the industry that at our sort of a combined, what sort of ROE we are able to give.

But the way we drive business, we don't really -- we are not really in a position to give any guidance and nor we want to give guidance because we don't drive our business from that perspective.

**Shubham:** And regarding the reserve releases?

**Kamesh Goyal:** So reserve releases, as you said I think we do it on the basis that what we think or our actuaries think is the best estimate when we are providing them. Our attempt always is to ensure that we always provide for adequate reserving. We also know especially in case of TP etc that court judgments etc can also have an impact in future as to how the claims actually develop.

Even in fire in some large cases we have actually seen that in case of business interruption, especially if companies have customers have taken business interruption policy in a large claim which are not very frequent one can actually see the claim amount increase even after a year, year and a half. So the approach is to provide adequately for the reserves.

And each year we try and reflect as to what we think based on the information we have, what the reserves should be. Now how would they develop in future? I think we'll be publishing this number every year and that is what I can answer at this stage.

**Shubham:** Okay. Thank you.

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

**Prayesh Jain:** Yes. Hi. Good evening, everyone. So sir just one question on the distribution. So our distribution is dominated by brokers. How and how do you see this mix changing say in the next couple of years and what line of business which channel is something that you would be focusing on and what are the plans here? That would be my first question.

**Kamesh Goyal:** Sir good evening and thanks for your question. So broker actually is a very omnibus sort of channel. So when we think about motor dealers they come through OEM brokers. Corporate business obviously comes to corporate brokers. Then you have a lot of retail brokers who do business, I would say on a state or on a city basis and then you have aggregators who work on POSP model who also come as brokers.

So, if you just look at these four examples all of them come through brokers, but all four are very different distribution channels. Answering your question as to how we look at distribution etcetera I think we as a company are channel agnostic which basically means that we try and steer business through all possible distribution channels, looking at their own each channels, own loss ratio as well as acquisition cost.

And this is something our teams continuously look at to see where we can increase the presence or where with geographies we want to tap and like product mix there is no real channel mix which we steer towards to say in 2 years this is the channel mix which we want. Because I think again, based on our understanding of business market changes very fast.

So one should not in our view steer business from a particular channel mix or a product mix perspective in 2 years to 3 years because 99.9%, the chances are that one would be wrong. For just to give one example last year was very strong on new vehicle sales. Now because of that OEM brokers have done a good amount of business.

Now, their proportion would have increased and as you can see our proportion of own damage premium increased substantially last year, but if you go back to the year 2021 where because of COVID and semiconductor issues there was very less or there was negative growth in the new vehicle segment the OEM channel would have actually not done that well.

So, without us doing anything, in one year we would have seen the channel not growing as fast while in one year the channel would have grown much faster, while our focus wouldn't have really changed much during those 2 years. So basically this I think driving this in isolation without -- no we realized that the market dynamics and economic macroeconomics will have a very substantial impact on this.

So we try and increase our presence across all distribution channels based on our philosophy, but we don't really drive ourselves to a certain channel mix.

**Prayesh Jain:** Thanks sir that's really helpful for the understanding purpose. Our second question is on your motor business what's the mix today between commercial vehicles, two wheelers and passenger cars and any thoughts as to how this mix would pan out? I know you said you look for profitable

pockets, but inherently all these three segments have their own structure wherein probably something like a CV is a high on loss ratio, but low on expense ratio so vice-versa in a passenger car. So how do you think about the mix say from the next couple of year standpoint?

**Kamesh Goyal:**

So, we don't think on that basis. I think if you see about four years, three, four years back, in our first three years out of our six, seven years journey, first four years, we were substantially bullish on motor third-party business, while the industry was not as bullish. Last three years, industry, a lot of players have become very bullish on third-party business, while we are not as bullish, and you saw that we actually degrew a third-party book in quarter 4.

So, here again, I would say we don't really drive ourselves to see this is the CV mix we should have, or this is the private car. We can again look at where the opportunity is and which is a function of both the vehicle sales segment, as well as the competition dynamics. And just to talk about quarter 4 specifically, if we de-grew in motor third-party, you can be sure that the de-growth would have happened more because of commercial vehicles, because commercial vehicles have almost 90% of the premium coming in from third-party.

So, in that quarter, the commercial vehicle segment would have de-grown. But again, in the next quarter, in the next two, three quarters, if there is an opportunity for us to grow in that segment, we can actually immediately grow in that segment because the distribution plays already there. And maybe I'll just take one more minute to explain this, that our industry is actually quite interesting because if you are growing fast, if you are growing 15%-20%, also 15%, one needs capital to provide for this growth because solvency is linked to the premium which you write.

And if one is writing this business at a loss, then again, you have to provide for the capital for the loss. So, we feel that this mechanism will ensure that any company which is becoming aggressive in a loss-making segment, sooner or later will have to put in more capital. And that capital will come with even lower ROE than what was available previously. So, those market correction volatility can happen from a quarter-to-quarter. But nobody can, on a continuously basis, write loss-making business. So, we'll see those corrections happening.

And that's the reason I feel that at this stage, no, we're not in a position to tell you when exactly will that business grow? We'll have to just wait and see when that correction happens.

**Prayesh Jain:**

My last question is on de-tariffing. If the motor TP business is de-tariffed, how do you think it would play out in the industry? We've seen all the segments where it's the only segment which is tariffed today. And it's been quite hyper-competitive. At least the OD segment is quite hyper-competitive. So, in that sense, do you think TP could, if de-tariffing happens, do you think that it can be under pressure of more competition and in that sense, more possibility of lower combines? Yes, that would be my last question.

**Kamesh Goyal:**

So, in TP, I believe the industry's focus has been that there has hardly been any increase in third-party premium rates in the last four years. So, we believe that the General Insurance Council has been engaging with the regulator that this third-party increase should happen. And the discussions have been going on.

As far as I think the de-tariffing goes, our view is that sooner or later, one should have de-tariffing simply because this is the only segment where there is no free pricing. Secondly, when the pricing is fixed, then people play on the commission, on the acquisition cost. So, if pricing becomes free, like it is in, say, own damage and you gave example of that, then people will play on the pricing with a certain commission in mind.

In private car today, a lot of companies in a comprehensive insurance take into account the third-party claims experience and then give a quote overall on comprehensive business. So, as of now, our understanding or assessment would be that with the free pricing, it's not essential some rates will go down, some rates and the commission will get adjusted a bit. In some places, the rates will also increase because overall for the industry, if you look at last four years, the business has not been profitable on the TP side.

So, if the rates just go one way down, then the losses for the industry will significantly increase, which means industry will need even more capital and then again, that correction will happen. So, overall, I think we would support anything which is towards freer pricing. But the first priority, I think, for the industry has been, and rightly so, to engage with the regulator for increase in the third-party premium rates, which haven't really increased in the last four years.

**Moderator:**

The next question is from the line of Dipanjan Ghosh from Citi. Please go ahead.

**Dipanjan Ghosh:**

Hi, good evening, sir. Just a few questions. First on your strategy on the B2B businesses, which is more of fire, engineering, maybe group help. Just want to get some sense of how you kind of see the businesses scaling up and what sort of reinsurance support would you require or how are the discussions going? And also, do you want to retain more or kind of how should one think of the tiering ratio in these businesses? So, the overall strategy on these businesses.

And also, in this context on the B2B businesses, just wanted to get some sense of, you know, what is the right to win in any of these businesses for someone who is, let's say, relatively smaller in scale? Do you focus on product bonding or it's more of the relationships that you really build out, or is it just based on pricing? My second question would be on the investment leverage, and how should one think of the trajectory of the investment leverage from here on? And my last question would be on the retail health business in terms of your plans on scaling that segment up. Those are my three questions.

**Kamesh Goyal:**

Thanks. So, let me start with your leverage question. So, leverage obviously will go down this year because we have raised capital of about INR1125 crores or so. So, our net worth will suddenly increase by one third. So, the leverage will go down. I think under normal circumstances and I'm not giving any guidance here, after this year is over, then again, I think the growth on the leverage increase should actually start happening again from next year.

We as a company believe in higher retention. And in each area, we try and define whether for one event, which could be one single claim or one single event, which is a flood or earthquake, what the capital at risk we want to deploy. And that is a function of what the net worth which we have.

Now, I explained in this slide that last year was we saw four major events, plus one large loss, and we lost INR70 crores, which is very substantial. I think if you think about 180 crores is a profit for the year. And even assuming that 30%, one third of 40% of these losses are normalized, even then it has been very substantial on our bottom line.

But on the other hand, from a one year perspective, this is only 1% of our earned premium. Now, as for reinsurance, etcetera is concerned, I think all I can say is, and this is more of market knowledge, that we have fairly large capacities on reinsurance. And we also have decent freedom as to how we can, what sort of a business we can write.

And for each line of business, the premium retentions are actually disclosed. So as of 31st December, for fire, motor or each line of business, those numbers are there. And in the next 7-10 days, the number for the fourth quarter would also be up.

So you can actually have a look at what the retention is in each line of business. I don't want to give too much details on the reinsurance, because it's more like a confidential arrangement, which companies have with the reinsurance. And as I said, you can look at those losses and see what sort of losses which we had on our net on this basis.

Lastly, on retail health, I think, as I said earlier, one has to keep in mind this two things. One, obviously, is this waiting period of four years, the portability business, which is now becoming more and more, and the absolute fresh business is less. First year commissions are also very high.

So while this is a business, which we have been growing, but this is not something which we see as a do or die sort of opportunity. Getting a ROE of 15% on this business on retail health, even for some of the best players, is very, very difficult if we go by the numbers which we see. So that's all I can say on the retail health side.

**Dipanjn Ghosh:**

Sir, if you can just give a bit of some color on the first question on the B2B businesses, in terms of your strategies on those businesses, and whether it's relationship dependent or pricing dependent, or something else, and what do you think would be your right to win or scale up strategy from the 3-5 year perspective in the B2B businesses particularly?

**Kamesh Goyal:**

So I would say it's a mix of all. So first, obviously, is the relationship. Second is your ability to understand a business as to whether you would want to underwrite that business or not. And just to give you one example out of this, or two, maybe one business from the past, which we wrote, which was a satellite launch business, where we had written some portion of that business based because we saw that as a new opportunity.

Time spent on that was quite a lot to see what typically the failure ratio is of different countries, what the premium rates are, and things like that. And on the other hand, we said no to a business which pertained to this weather exposure for cricket matches, where if not even one ball is bowled, you have to pay for the financial loss.

And we did not participate at all for that business. So having an understanding of what the exposure is, what sort of a loss you can have is very critical in this. Third is your reinsurance

capacity, how much you can actually write a business. And can you write it as a leader? Can you take a meaningful share in it? And can you settle large claims? So it actually becomes a mix of all of this. As far as I think right to etcetera goes, as you rightly said, we are a small player in this.

But despite that, we did INR800 crores of property premium last year. And I think if you look at overall market share of property, and our overall market share, this will be very similar. And if you go back maybe three years, a market share in fire business would have been half of what it was last year.

So one has to keep trying based on these three, four things. And you have to earn that right every single day.

**Moderator:** Thank you.

**Kamesh Goyal:** You can take two more questions.

**Moderator:** Sure, sir. We do have two participants in the queue at the moment. The first is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

**Swarnabh Mukherjee:** Good afternoon, sir. Thank you for the opportunity. Three questions. So first on the motor business, I just wanted to take your views on the growth versus the cost of acquisition piece of the puzzle. So I mean, our growth rates have been very strong historically. And of late, we have been hearing from other insurers that the competitive intensity, the pricing levels, etcetera, seems to be showing some kind of normalization.

So I just wanted to take your views that how are you seeing the market at this point of time? Where can we see your cost of acquisition growing given the growth rates that you are putting in? Or whether you are seeing a different picture and should we see some normalization in your number also in the motor business? I heard your comment on TP that I thought I'd kind of take some more details from you regarding this.

The second question is on the, now that your investment group has also increased post IPO, I just wanted to understand how should we think about the asset allocation? Should we be heading to a slightly riskier asset leading to a better investment income that can support the ROE?

And in addition to that, so if I understand correctly, the IFRS numbers, the profitability as well as the ROE would see some impact on the mark-to-market components of the underlying assets. So there could be some volatility there. So if I were to understand that for your business, what could be a core ROE number with normalized investment allocation? Yes, these are my questions.

**Kamesh Goyal:** Thank you. So let me start on the investment side. I think every quarter will give you update both on our asset allocation as well as on investment yield. I think you guys are more on the investment area. You can actually decide for yourself what the trajectory on investment can be. Obviously, data is available for all other companies.

That's a good part of our industry. Of other, you can look at four or five companies, what sort of a return they have, investment yield they have, and what sort of asset allocation they have. On the IFRS number, if you look at our slide, we have actually given all the data points, whether it is change in unrealized gains, whether it is discounting impact, whether it is default acquisition.

And I would leave it to each of you. I think you guys are the analysts who know this more than us as to what you should take into core ROE, what you don't want to. And everyone can have a different view. I think our job was to publish these numbers and how to interpret that, I would leave that to you. On the motor business, on the competitive intensity, etcetera, my sense is that business is competitive. I think that's the nature of business in India typically.

But secondly, as I said earlier, we have to just keep this in mind that if any company decides to grow in motor TP, motor OD, health, fire, every business aggressively, what will happen to the loss ratios? And what sort of capital requirement would happen or would come because of growth as well as because of your writing business at a much lower profitability. So over a period of time, all these things automatically find the normal level because there is no free capital available which is ready to come at seemingly even lower ROE, etcetera.

What we see our job is that we run the business from a long-term perspective. We would not write any business at a loss. If we know this business will be loss-making, we will not write it. We don't want to drive ourselves that we have to grow so much irrespective of what the market conditions are.

If market conditions are good, we can grow like hell in that segment, which is obvious from our TP, the way we grew TP initially. And if we feel market conditions are not good, we will de-grow that segment also. So, we don't put those sort of constraints on us to say, we have to have so much in this line of business or this product or this channel and we have to grow so much in a particular quarter.

We don't drive ourselves to that because business by nature, any business by nature is uncertain and we don't want to unnecessarily pretend that we will drive it in a certain way. Every quarter, we will be showing you loss ratios and the growth rate of each segment. And as I said earlier, we look at own damage, health, loss ratios on a yearly basis or last four-quarter basis rather than just one.

And TP and Fire more from a 3 year perspective than just one, because in TP, you have to see how the results are developing, how the extent your loss ratio is developing. And in Fire, obviously in 3 years, it gets normalized for large losses and some NAT-CAT events. So, that's how we look at business and that is how exactly we have tried in this presentation to show you data points, which we look at closely in terms of what we think is important. We have time now for one just last question. We actually have an external visitor coming in at sharp at six.

**Moderator:**

Certainly, sir. Thank you. We will take the last question, which will be from the line of Raghvesh from JM Financial. Please go ahead.

**Raghvesh:**

I wanted to understand on the motor business. In the OD and the TP, what is the share from the dealerships and the online? The assumption is that online would be largely third-party and OD

would be from the dealerships. Can you give a better sense of this? And in terms of the CEO, the combined ratio, is our digital business, both our own website and to third parties, already at par with the offline business? And if not, at what scale would it be at par?

**Kamesh Goyal:**

So, thanks for that. So, one is that we don't, I think, use these numbers externally for the reason that, as you said, our channel which, etc. can change substantially. And we feel that at this stage, we don't want to really discuss quarterly trends as to which channel we are focusing on or which channel is better. These things can change and do change very fast. As for the channel steering, as I mentioned earlier, we are channel-agnostic. We look at loss ratio and acquisition cost together when we look at profit equity. In the motor business, we normally...

**Moderator:**

Sorry to interrupt you, but this line is not very clear sir, at the moment.

**Kamesh Goyal:**

I was saying, in case of motor business, normally we look at it on a yearly basis, as far as combined ratio goes. In very exceptional cases, we might see it from an 18 month or a 2 year perspective. But we normally see motor business from a yearly perspective on acquisition cost.

**Raghvesh:**

And how better is it, better or worse is the digital own website and third parties as compared to the offline?

**Kamesh Goyal:**

So, I don't, again, want to get into this, but our experience is that online channels attract the best of customers and the worst of customers. So, we are not in a position to generalize that online customers are bad or online customers are always good.

**Raghvesh:**

Okay. Got it. Thanks.

**Kamesh Goyal:**

Thanks a lot. And I just wanted to thank everyone for joining for our first call and I also want to take this opportunity that a lot of you have supported us in the IPO. We are really, really thankful for your support and we'll do our best at all times to repay the trust that you have put in us. Thank you so much.

**Moderator:**

Thank you very much. On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.