Go Digit General Insurance Limited (GODIGIT)
Q2 FY 2027 Earnings Conference Call
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MANAGEMENT: Kamesh Goyal - Chairman
Jasleen Kohli – Managing Director and Chief Executive Officer
Adarsh Agarwal - Appointed Actuary
Ravi Khetan - Chief Financial Officer
Piyush Bothra – Head Financial Reporting and Investor Relations

MODERATOR: Rushad Kapadia – ICICI Securities Limited
Ansuman Deb - ICICI Securities Limited

Presentation

Operator: Good evening, ladies and gentlemen, and welcome to the Q2 and H1 FY '27 Earnings Call for Go Digit General Insurance. Post opening comments from the management, we will commence with the Q&A session. Anyone who has a question can press the raise hand icon at the bottom of the screen. We will take the questions one by one from the queue. Request you to please state your name and organization before you go ahead with your question.

I would now like to hand over the floor to my colleague, Ansuman Deb, to introduce the management and take the proceedings forward. Over to you, Ansuman.

Ansuman Deb: Yeah. Good evening, ladies and gentlemen. We have the senior management of Go Digit General Insurance. I now hand over the call to Chairman and Founder, Mr. Kamesh Goyal. Over to you.

Kamesh Goyal: Thanks, Ansuman. Good evening, everyone, and thanks for joining the Q2 earnings call. We also have Jasleen Kohli, our MD and CEO; Ravi Khetan, our CFO; Adarsh Agarwal, who is our Appointed Actuary; and of course, Piyush Bothra, who Head our Investor Relations. So as again, like each time I speak, I just want to quickly refresh the framework which we have. Same framework every quarter. We explain how we think, not just what happened. Two changes in how we are reporting this quarter. Change one, we now report only on Indian Accounting Standards, no IGAAP. Transition date, 1st of April 2025. Comparatives also on the same basis. Indian Accounting system shows the economics more accurately. It obviously does not change them.

The market is still soft other than property, where since mid-September, we have seen some increase. No TP price hikes till now.

Commissions continue to be high, and claim cost, especially in Q2, went up, one, due to the floods in Gujarat, and two a smaller event in Northeast. And overall, we continue to choose profitability over growth, and we continue to hold that choice as we speak. We always say that we do not worry about things we cannot control. We worry about things we can control. And like I said in the last couple of times, we are not betting on a TP price hike, on how courts read the judgment, or on capital markets. We just try and position ourselves looking at where the market is today.

In Q2, flood losses were about Rs. 63 crores on net basis. The amount last quarter, which is last year Q2, was about Rs. 10 crores. So purely on that basis, we lost about Rs. 53 crores more compared to Q2. I have been speaking for last three quarters about private car own damage loss ratios. We will follow with some details later, but it seems that the own damage loss ratio has started to turn for better. Like always, we will take every question, even if it means we have to slightly exceed one hour.

Now going to Slide Number 4. Piyush, you can go to Slide 4, where we publish the numbers. Motor market share is about 5.68% in Q2, slightly better than Q1 of 5.58%. Own damage share improved from 4.76% in Q1 to 4.99% in Q2. August has been our best motor month in this financial year. AUM have gone up to now Rs. 24,371 crore. This again is book value. We started looking at book value from last quarter, and this is up 15.9%.

Moving further, now going to actually Slide 5. And I think this slide is something I will maybe spend a bit of a more time on this slide because, as we said already, we are presenting this on the Indian Accounting system. So insurance revenue moved to Rs. 2,720 crore versus Rs. 2,675 crore. PAT, excluding mark-to-market movement in capital markets, to be Rs. 208 crores against Rs. 277 crore. Flood losses, as I said, contributed Rs. 63 crores this quarter against Rs. 10 crores. Excluding flood, PAT would be Rs. 255 crores versus Rs. 285 crores last year.

When we look at the overall reconciliation from last year to this year in terms of profit before tax of Rs. 190 crores, which is includingmark-to-market and essentially excluding mark-to-market, you will see that out of Rs. 190 crores and Rs. 276 crores, mark-to-market was similar losses. Last year, Rs. 94 crores, this year, Rs. 88 crores. Flood losses, this quarter, Rs. 63 crore, last year was Rs. 10 crore. Profit commission on reinsurance last quarter was Rs. 32 crores. This quarter is Rs. 4 crores and private car own damage loss ratio has an impact of Rs. 23 crores. So when we look at this against Rs. 348 crores of last year, with this reconciliation, one can see that we are actually touching Rs. 360 crore. And PAT also on a similar basis, we would be slightly better compared to the last quarter.

The CISR combined ratio is 99.8% versus 94.9%. Excluding flood, this 99.8% would actually be 97.4% versus 94.5% of last quarter, so about 2.9% higher. Solvency continues to be strong at 2.40x. ROE for this quarter is 4.4% on iGAAP net worth, because solvency is still on iGAAP. And additional net worth which we have of roughly about Rs. 3,300 crores plus it cannot be distributed or used to write business today. This is also something which we have spoken in the past. So when we look at our profit after tax without MTM, for Q1, it was Rs. 239 crores, and Q2 without flood losses is Rs. 255 crores of this year. So sequentially, Q-on-Q, there is growth only.

Moving further, I have already covered about AUM and profit details. Also I think one point I also want to add here, which we always do, we can stay on the previous slide, Piyush. I will tell you when we have to move. So one point we always have said that we always look at for fire engineering liability loss ratio on a gross basis, because we are very conscious of the fact that ability to write commercial business requires not only high reinsurance capacity, but also the flexibility in terms of pricing and underwriting.

Despite the flood losses which we saw in Q2, our fire gross earned loss ratio, and this is I am giving figures just on a gross earned premium basis, no discounting, nothing, is 59%. Engineering is 62.4%, and liability is 25.7%. And for entire H1, we are looking at fire at 61.5%, engineering at 56.1%, and liability at 45%. So basically, our treaties, especially for all commercial three lines of business, till now continue to show very favorable results.

Now moving to the next slide. When we look at this slide, insurance revenue is gross. Reinsurance now is a separate line, which is net expense from the reinsurance contracts. IRDAI loss ratios are gross or combined ratios on a gross basis, and they leave reinsurance out. Claim ratio is 62.4% versus 48.2%. Combined ratio is 95.9% versus 79.7%. CISR, which includes the net cost of reinsurance, as I said, is 99.8% versus 94.9%, excluding flood, this becomes better. So the difference from the IRDAI ratios is the reinsurance line essentially, net cost of Rs. 70 crores versus Rs. 382 crores. So these two timing items drive most of it. Last year, we had one-time release of reinsurer shares of IBNR after the profit commission review. And this year, we earned reinsurance commission deferred from the treaties written in the H2 of last year. Flood recoveries obviously add to it.

Now again, in the Indian Accounting system, claims are booked at present value. The interest on that money is charged back as insurance finance expense. So Rs. 171 crore this quarter is an expense against our investment income. So one, do not get the full discounting benefit and investment income on top. The two offset. It is also important for investors and analysts, that is why I am adding this point that CISR

with the loss expense and commission split is the right comparison, whether we are looking at insurers in India or as well as globally. Until other insurers, multi-line insurers publish on Indian Accounting system, and we realize that the like-for-like comparison will be limited. I am just looking at some of the other points which I want to expand, I would say maybe two points more. New business in two-wheeler in this quarter grew by 15% on collected basis, and our long-term advanced premium as of September 30, 2026, stands at Rs. 3,556 crores against Rs. 3,209 crores in March '26.

Now moving to next slide. So GDPI was minus 1.2% versus industries plus 7% GWP was minus 3.6%, and flat, I would say, GWP if you exclude health reinsurance inward and government health business, which we had said already in Q1 we did not renew as pricing was found to be unattractive. Motor, we have minus 4.1% degrowth, which is essentially driven by private car, which is minus 10.7%. And within private car, standalone own damage premium is down 40% after the price corrections we had taken specifically in April and May. Two-wheeler is up 18.6%. CV, commercial vehicle, is also down 20%. And within this, school bus, auto rickshaws segment which has been degrowing, I would say, typically for the last three quarters, as we feel that the current commissions do not really make economic sense writing this business. Fire gross written premium is minus 29.9%.

In terms of number of accounts, etc., we continue to be present across. Some pricing discipline coming in from mid-September, and as I already said, that we continue in our philosophy to protect the treaty for all commercial lines of business. I am again just looking at a few more numbers. I think premium retention a figure which we have continuously been sharing, increases to 84.3% versus 79.1%. Higher retention continues to be a core strategy for us, and we have spoken in the past about the retention leading to a higher AUM.

Now moving to the next slide. Now, I think most of the points in terms of CV, etc., we have covered. There was premium income of personal accident which moved to group health in Q2, so a bit of a change in classification. Previously, this was in our base in PA, now it has moved to group health. And again, this year we have not booked Rs. 95 crores of government health and health reinsurance premium. If we exclude that, as I said, we would be more or less at a flat growth rate. Overall, I would say that compared to Q1, Q2 numbers in terms of growth, negative growth, have reduced. And looking again with the festival season of October, November as we go forward, we will see on a month-on-month basis how Q3 goes.

Now, looking at the Slide 9, I have already given numbers, but maybe I can cover a bit in more detail now the private car OD. If you recall, in July, we had said that we expect private car own damage loss ratio

to stabilize in Q2. So the attritional loss ratio came down from 85.3% in Q1 to 81.1% in Q2. So we actually saw the improvement. Frequency also fell in both August and September of this class of business, while severity stayed stable. Obviously, due to the impact of flood, the Q2 loss ratio is now 93%. But as I said, with the attritional loss ratio showing improvement, we feel that the tide on the private car loss ratio on OD side has actually turned. And whatever actions we had taken starting from February, but significantly more in April and May, this is something which is helping us to reach here.

Now we can move to the next slide on investments. I think you guys know this better. We had a fairly volatile quarter two, both for equity markets, and we also saw interest rate spike. In equity, we are roughly at about Rs. 148 crore or so of unrealized capital gains. Based on where the market is today, we feel this number would have doubled in unrealized gains. Equity mix now is 9.6%, about 3 times of what it was in IPO. And we obviously, as I have been saying in the last three quarters, and we are also demonstrating that when the markets fall, we will keep on adding equity. And I would say in hindsight, one can say that to be sitting at a significantly higher target, close to a 10% with unrealized gains in this market, is something which is satisfactory.

When we look at debt, because you would remember I gave you some specific numbers, and if we look at March '25, our duration was 5.2. March '26, the duration had become 4.5. In June, it became 4.9. September, duration was 4.8. October, the duration was 4.9. So if I just look at from April to October, our reinvestment rate in fixed income in June quarter was 7.8%, September 7.7%, and October, we have been able to invest money at an investment yield of about 8%. So on fixed income also, we are coming in from 5.2, now we are at 4.9. And this is also something I would say, I have been saying in the past that we have the ability to go up to 5.2 again in duration based on where we see the interest rates are. And again, I am saying like equity in hindsight, the fixed income play has also been consistent with whatever we have been doing in the last seven, eight years, where our fixed income book has shown real good yield.

So overall, when you look at the yield with a small capital gains, we are looking at roughly about 7.4%, close to 7.4% of the yield in this. So again, I just want to reemphasize what we have been saying. From day one, we look at core insurance profitability, which basically means dependence on capital gains. Realized capital gains is a lot less. We try and always go for a better asset allocation based on market, where we feel the market is, rather than taking a bet in a disciplined sort of a capital allocation. And despite a significant flood losses in the quarter, our commercial treaties continue to show fairly good results. And quarter-on-quarter, excluding flood losses, we are actually shown increase in profit from Q1 to Q2.

I think I will maybe, since I have covered most of the points in equity and asset investments already, I think we can now probably move to Piyush to the next slide. Now again, as I said, these are Indian Accounting Standards, gross loss ratios discounted. Now when we, I will just maybe add a caveat that they are not comparable with IGAAP net ratios we used to show earlier. For example, TP is 45.2% here against 74.1%, and difference is discounting and reserves, which comes back through insurance finance expense. So this is just, I am repeating, I know this point, but I just wanted to ensure that we are actually explaining the numbers in the way we see it. Overall, actually, if you look at from Q2, loss ratios are more or less stable between Q1 and Q2.

If you obviously exclude flood, because this is on a gross basis, on a net basis, then the loss ratios are showing a decent trend, including health, travel, and personal accident. And since some other companies have also started publishing a bit more detailed loss ratio in health, I just want to remind everyone that out of our entire book, less than 6%, 7% is retail health. Rest is actually coming in from the group health insurance.

I think that was the last slide. In this, we will be now happy to answer any questions along with my colleagues.

Question-and-Answer Session

Operator: Thank you. We will now start with the question-and-answer session. Anyone who has a question, request you to kindly press the raise hand icon at the bottom of your screen, and we can take questions one after the other. I repeat, anyone who has a question, request you to kindly press the raise hand icon. Yeah, we have the first question from Mahek Shah. Mahek, kindly state your name and organization, and kindly go ahead with your question.

Mahek Shah: Yeah. So I am Mahek Shah from Emkay Global. I had this one question on the distribution paper. So, the distribution paper just talks about benefit in terms of commission ratios moving down, especially for the TP book. So I just wanted to know what kind of benefit you are seeing in terms of your own TP book, how profitability is expected to move in terms of if at all the distribution paper is in the mirrors as per the final one. So just wanted to know your thoughts on how profitability is expected to move, especially with respect to the TP book.

Kamesh Goyal: Thanks, Mahek, for the question. I would say, I think discussion paper has come out with this new EoM guidelines and commission. And in the last almost 10 quarters since we have got listed, we have actually been saying that the EoM guidelines, the way they are, they have

actually increased commission because some large companies who write crop, government health kind of a business, they use that to increase commission on the retail side. And the regulator's intent, which was correct to reduce the expenses, in fact, the reverse has happened. I have also been saying that our Board decided and guided the management not to write loss-making business just to manage expenses.

So I think when you look at this discussion paper, I think it acknowledges that the present EoM guidelines have not resulted in the outcome which was intended. And it has now suggested some action points where there is an EoM, but within that, there is commission. It also has suggested, as an example, that business like crop should get 1/3 of the weightage. I think at this stage, based on the discussion paper, we would not like to speculate as to what the final guidelines will be. As far as the financial modeling goes, I think you have all the disclosures of our company on the website split between commission and operational expenses. My suggestion would be you may want to run the financial modeling yourself. We have not really run that until now.

Mahek Shah: Got it Sir. Thank you so much.

Kamesh Goyal: Thank you.

Operator: Thank you. We have the next question from Sanketh. Sanketh, kindly unmute and go ahead.

Sanketh Godha: Yeah. Thank you for the opportunity. This is Sanketh from Avendus Spark. Sir, this question is on your loss ratio, which clearly includes discounting factor. And ideally, we would love to see loss ratios reported without factoring the discounting factor. So just wanted to understand, if motor TP loss ratio is 44.3% for 1H or 45% for the quarter two, how that number looks without discounting? And just from a like-to-like comparison, either from 1H to 1H, what is the discounting rate you have assumed in the current year and what was in the previous year? And how much it would have helped in reporting either a higher or lower loss ratio? And second, I just wanted to understand this discounting factor is largely applicable only for motor third-party or any other line of businesses which are a little long term in nature or you have written long-term contracts like home fire insurance or long-term PA or credit protection businesses, there where we have applied discounting approach or we are just doing it on an annual basis? That's my first question.

Kamesh Goyal: Thanks, Sanketh. So before I ask Ravi to answer or Adarsh to answer on the discount rate, I think, if I remember correctly, we had a short call after our Q1 results. And I think the question which was something which you also mentioned is that we can only cover on

what is published. And the challenge, I would say, we will see on a continuous basis if we publish one number, one would actually say that, no, what is it on the other side? So all I'll say is, which I said already earlier, Sanketh, that if we look at, it's not that one is getting the full benefit of discounting on the loss ratio. The investment income also get reduced. And the number I gave, if I recollect, is Rs. 171 crores just for Q2.

Now the second point is discount applies to all lines of business. So that, I would say, is the second point. TP obviously being more long-term in nature, you would see the impact more on the loss ratio, but because the impact is more on the improving loss ratio, one would also have an impact, countervailing impact on the investment income where it will go through the investment expense.

Now I'll pass it on now to Ravi and Adarsh to basically say what is the discount rate which was there in the first quarter, what is in the second quarter on this. Adarsh?

Adarsh Agarwal: Yeah. So we are using the risk-free rate as the discount rate, and each time we use the respective quarter closer rate. And we also adjust the discount rate for the illiquidity premium, where we use the gap between risk-free rate and the AAA corporate bond yield rate difference of that, and 25% of that goes into the discounting. So if we compare Q1 versus Q2, there is not significant impact on the discount curve, and hence the discounting. And overall, on motor TP line of business, of course, it will vary from period to period and accident year to accident year. But on overall basis, on outstanding liabilities plus IBNR, we have close to about 20% impact for TP of discounting.

Kamesh Goyal: Adarsh, you also give the exact discount rate methodology you have explained of Q1 and Q2, what that number is, though not significantly different?

Adarsh Agarwal: Just a minute. So the discount rate will vary by the term of the liability. And I am looking at the September discount rate for the liabilities, which are up to one year. The discount rate is about 6.2% to 6.6%. As we go longer term, then more than eight years, discount rate becomes close to about 7.5%. But there is a curve by the duration of the liabilities, and discounting rate vary by that.

Sanketh Godha: Sorry, Adarsh, I missed your illiquidity premium, what you have attributed while discounting.

Adarsh Agarwal: So Sanketh, basically for discounting, what we use is the risk-free yield curve, which is the government bond yield curve.

Sanketh Godha: Yeah.

Adarsh Agarwal: And at the quarter end. And then what we also do, we calculate the AAA bond yield curve at the same time of period, and the difference between these two yield curves, 25% of that is added as an illiquidity premium. And the concept why we do add this illiquidity premium is because the assets that we are holding, ideally, this discounting should replicate the assets we are holding and the return that we get there. But that calculation becomes too dynamic and complicated, so this is the approximation which is suggested in the IFRS and Ind AS guidelines. So the difference of the two and 25% of that is added as an illiquidity premium on top of the risk-free yield curve to arrive at the actual yield curve for discounting of liabilities.

Sanketh Godha: Understood. So Adarsh, in simple words, in a scenario when the spread between government bond and corporate paper will expand meaningfully, maybe there will be times when it will happen, or if it is volatile across the years, then accordingly, it is fair to say that your illiquidity premium will also have its own creation of noise in the numbers.

Adarsh Agarwal: Yes, it will have an impact, Sanketh, on the discounting.

Kamesh Goyal: So Sanketh, I think the way one should look at it is whatever is the change in discount rate, it will basically get unwinded in the next quarter. So sometimes one will benefit, sometimes one will see a negative impact of the discount rate.

Sanketh Godha: My worry is that the predictability of the numbers, so how dynamic it could be. Because and to your point, when you just mentioned that investment income is also lower because of the discounting factor, then ideally, the combined ratio or CISR, what we are trying to communicate that also doesn't look logically right. Then we need to add financial result to the entire CISR and see how the trend is behaving. That probably will be the more ideal way to analyze from KRA point of view how the company is looking if we use IFRS as a benchmark.

Kamesh Goyal: So Sanketh, I think when we do in February our Annual Analyst Day, we will be happy to discuss some of these things in detail. But I actually had a chance to discuss with some couple of CFOs of maybe the top three insurance groups in the world when we were also moving to Indian Accounting system or IFRS 17. Everyone said that this small, I would say, change can always be there. Obviously, a lot more in life, lot less in P&C. But I did not hear from them or any of the analyst report where any analyst has actually come to a conclusion that IFRS 17 will not give a better situation than the earlier accounting systems. But as I said, we will be happy to cover this topic in lot more detail in terms of where we are.

Sanketh Godha: In India, claims take little longer period of time to settle compared to probably global economies, in motor TP especially.

Kamesh Goyal: Sanketh, we will see that in the triangles.

Sanketh Godha: Okay.

Kamesh Goyal: Because in Indian Accounting system, triangles will get published every quarter. So, one, you will be able to see the movement of the triangles on TP claims also on a quarterly basis. So, I honestly don't see it to be an issue from that perspective. Because if discounted is changing, then the liabilities will also change in the triangles.

Sanketh Godha: Understood. Yeah, got it. And Kamesh, will you be comfortable to disclose the combined ratio of our previous practice of reporting only considering DAC, but not factoring in the discounting factor kind of a number, which we did it till last quarter? Or IGAAP combined, you can say, with DAC benefit.

Kamesh Goyal: So Sanketh, I think this combined ratio in IGAAP is something which, from day one, we have said it is not which gives logical answers. As far as what you have suggested, I think we'll be more than happy to do this if we see other companies are also doing it.

Sanketh Godha: Understood.

Kamesh Goyal: So I think next year, after Q1 results in July, whatever others are publishing, all I can say is from our perspective is we are happy to be more transparent than others, and that is what we have been trying to do in the last two years also. But at this stage, you would appreciate that for us to continue to give two or three set of numbers and then have a discussion on each of them, it is not only confusing to others, but it is also confusing for us. But if it is required for peer benchmarking and others are publishing it, we will be more than happy to give it.

Sanketh Godha: Yeah, fair point. And lastly, when we are trying to do onerous assessment, anything, for example, I think we have a reversal in the current quarter, but we had an onerous contract in 1Q '27, if I do a back calculation. So, just wanted to understand, these onerous contracts are predominantly sitting in which product line, whether it is group health or government health or motor OD, anything? And when you are trying to classify onerous, are you following an approach whether OD is treated separately and TP separately, or it is OD and TP put together are treated this thing? See, honestly, you have suddenly reported IFRS numbers, and there are too many questions. I do not know whether this is a right forum or not, but just asking on onerous, at least if you can tell that point.

Kamesh Goyal: So basically, I think our onerous contract is coming from motor TP and group health. And we basically, with auditors and everyone, one has come out fairly granular in terms of the lines of business where we are testing it for onerous contracts. Now, this again, Sanketh, we will be more than happy, as we get into next year, that if analysts, some investors, they want to come out with some sort of a standard reporting for onerous contracts, we will be more than happy to follow that along with other companies.

And as for having some additional questions, I would say we can pick it up again in the next three, four weeks post-Diwali. I think, no, you can contact Ravi and Piyush for a discussion. But I will again repeat what I said. We have anyway intended that sometime when we do our annual analyst meet in February, we are going to cover Indian Accounting system in a bit more detail, so that as to how we are doing, and as the entire industry moves from 1st of April '27, then that is also something which one can look at. Maybe now we can go to some other questions because three participants I can already see have questions.

Sanketh Godha: Okay. I will jump back in the queue.

Kamesh Goyal: Fine.

Operator: Thank you. We have the next question from Ananga Rana. Request you to kindly go ahead with your question.

Ananga Rana: Yeah. So given that we are in a soft market, why has our expense ratio gone up? Are there specific areas where we are investing in, as in hiring more employees, etc.? Are there specific areas that we are focusing on?

Kamesh Goyal: So Ananga, if you look at, I think we have been saying it, and it will be visible from the numbers. On an operational expense basis, if we look at the top 10 companies, despite writing more retail business, we are industry's best. Why expense ratio goes up is essentially driven by two-wheeler business, where proportion of two-wheeler business is going up, and overall commissions on that are higher than the other line of business.

Ananga Rana: Got it. Okay. Thanks.

Kamesh Goyal: Thank you. Do we have anyone else?

Ansuman Deb: Yeah. We can take the call from Nidhesh Jain.

Operator: Nidhesh, kindly go ahead.

Nidhesh Jain: Hi. Thanks. Hi, Kamesh. In the insurance sector where there's a commission cap and motor TP remain tariff, how Go Digit will stand

in that scenario, and how you will position the company in terms of growth, etc.? Because pricing is fixed, commission is fixed, so how do you place yourself to, let's say, gain market share in that scenario?

Kamesh Goyal: So Nidhesh, I think as far as this goes, it actually doesn't really change. If you look at, we basically have two factors only on writing any business, whether it is TP or fire or anything else. One is price, and second is commission. Now, wherever pricing is fixed, now in the existing scenarios, companies were playing on commission. Now, in the new scenario, if somewhere commission reduces, then one can say, now, at this commission, what is the business I am happy to write? So if commission goes up, for example, in case of CVs, school buses, auto rickshaw I spoke about, and we felt it is not economical, we don't write that business. If commissions come down somewhere, we'll start writing that business if we are not writing today. But the focus of any underwriting company has to be on risk selection and better underwriting. Now, that would not change, irrespective of what expense of management regime one is in.

In a way, pricing or commission is driven by the market. You as an insurer have a choice to say, what is a business I am willing to write, and what is a business I am not willing to write? And obviously, I am saying it as a general philosophy, because some business would be compulsory to write, at whatever rate they are. So from that perspective, we don't expect any change in the way we underwrite business.

Nidhesh Jain: Yeah, sure. Philosophy is understood, but how you source the business, I think because there could be repercussion on that front, because right now, one of the way to source business is to give better commissions, and now everyone is paying same commission. So how Go Digit stay relevant in minds of, let's say, distributor or customer to source that business?

Kamesh Goyal: So Nidhesh, I think maybe what you are trying to say, if I understood correctly, is that if we can't pay higher commission, one cannot write that business. But commission has been fairly volatile. This year, if you look at, we have actually lost market share in TP. Now it can only happen if other companies are paying more commission than us, isn't it? My sense is, how we source business, distributors, you have to work with distributors, obviously. We are a partnership-driven company. You also have to keep looking at new channels and new partnerships, through which you have to drive, say, for example, motor business. So I think that is something we'll keep on doing. It's not that before Digit came, nobody was focused on TP business, because everyone writes TP business, or fire for that matter, or motor own damage. So we don't really see how fixed commission changes either the underwriting game or the distribution game. What is it, it's for everyone. What is free, it's free for everyone.

Nidhesh Jain: So basically, in that regime, do you think Go Digit will benefit or Go Digit will be worse off?

Kamesh Goyal: In which case?

Nidhesh Jain: In case of fixed commission.

Kamesh Goyal: I see no reason why we will be worse off.

Nidhesh Jain: Sure. Sure. And secondly, so you have been a critic of IGAAP accounting, IGAAP combined ratio. Do you still see some shortcomings in IFRS combined ratio, or they are the true reflection of economic profit?

Kamesh Goyal: I think this CISR, and as I was replying to an earlier question, whomsoever I have spoken to globally, both insurance companies and read a few analyst reports, people feel that CISR is the best accounting system to show the results. What we have to keep in mind, and I think this is really important, and thanks for asking this question, whether you use IGAAP or you use Indian Accounting system or IFRS 17, the basic economics never change. It is just the timing of profit recognition which changes. Economics of business is driven around cash flows, Nidhesh. So expense is an expense, income is an income. So the issue is, in case of, if you look at, say, one big difference, or two big differences if I have to give.

In IGAAP, you can reinsure a five-year portfolio, and you can book the reinsurance commission of five years upfront, which obviously shows massive improvement in your results. And we have discussed this in the past, that this has been a way where even a lot of bigger companies don't increase retention, and keep reinsuring more and more for booking upfront profit. Now this would change in Indian Accounting system because reinsurance commission will also get deferred.

Now when we look at, say, claims. In case of claims, if suppose you are settling a claim of a particular line over four years, you will keep earning the investment income of that over four years. Now in Indian Accounting system, you take a net present value, the present value of those claims today, so you reduce that. But since you are already reducing your value, you actually have to expense it out from your investment income. So basically, economically, one will have to make money in this case, in case of claims, by earning more than what the rate at which you are discounting. So then again, this will not change the economics. It is just an issue of timing. So economics don't change under any accounting system. It will become significantly easier for people to compare results.

Now one question which lot of international analysts and investors keep asking us is, when in India you will see combined ratio below 100%? And I would always say that if you look at IFRS 17, we were below 100% last year. Even for a bad quarter, which is significantly influenced with the Gujarat flood claims, we are still below 100%. So it's not that India as a market is terrible compared to other markets. Obviously, we are not sitting on 95%, 96% sort of a combined ratio compared to some developed markets. But we can be there. Last year, if I remember, we were at 97.34% combined. This year, first quarter, we are again close to 97.04%. So I think for global investors and analysts also, it gives them a true picture. Otherwise, it becomes impossible for a person to understand how one market is and how one company is compared to the other if everyone is not following a same sort of accounting standard.

Nidhesh Jain: Yeah, sure. Sure. And just one more question is on, I think a couple of quarters back you mentioned that you are looking to introduce one product on the commercial lines which can become sizable over a two to three years period. So is there any update on that?

Kamesh Goyal: So we have introduced the product also in the market, that product has come. So we have started now building good capabilities in that. Some sort of volumes have started coming in. But I would again wait for another six months to say that how substantial this business is. But in terms of starting the business, we have started. We are giving a lot of quotes. A full pricing and rating model has been developed on that. It is now also being put on the portal, though the number of quotes we are giving today may be less than 20. But we foresee that if it becomes 100 or 200, then we should be there when the market turns on this.

Nidhesh Jain: Sure. Just last question is on Gujarat floods. So is your market share of losses similar to the industry, similarity of market share, or is it lower or higher in terms of Gujarat catastrophe?

Kamesh Goyal: So Nidhesh, I think this is easier to answer in case of non-motor claims because non-motor claims also flow through the reinsurers, etc. And one gets a better idea from the reinsurers as the data is collated. I think in case of non-motor, our share of fire, I would say more precisely, our share of losses in fire would be less than what our market share is. And if you look at, I think we probably are the only company which is still giving gross earned loss ratio. So I already mentioned those loss ratios.

For us, quarter two in fire is actually slightly better than quarter one. So on the fire side, this is something which is, I would say, a good sign. Motor is very difficult to compare because when we look at floods, and why it is difficult is, if you are writing electrical vehicles, the chances are your losses will be lot more in case of floods. Because lot of batteries of manufacturers can't be repaired. Battery itself is 50%

of the value of a vehicle. So the salvage values are lot less in case of electric vehicles. When it comes to petrol or diesel vehicles, the salvage value in a total flood claim can be between 50% to 60%, obviously depending upon make, model, etc., of the market value. So motor is a bit difficult for, unless we really see the figures for us to say. But on fire, as I said, in our view, looking at the loss we had, looking at our overall treaty loss ratio, we would have done better than our market share and premium.

Nidhesh Jain: Sure. Thanks a lot, Kamesh.

Kamesh Goyal: Thank you.

Operator: Thank you. We have the next question from Dipanjan Ghosh. Dipanjan, kindly go ahead.

Dipanjan Ghosh: Hi, good evening, everyone. Sorry. So just from the health business, if I look at your Ind AS loss ratio on health, travel, and PA, both for 2Q and 1H, it has seen some improvement, especially 2Q. Firstly, would it be fair to assume that majority of that would be driven by the group employer-employee business, given that that would be the dominant portion of the business? That would be my first question. The second, in similar lines, I mean, given that now you have seen a phase where the group employer-employee business loss ratio seems to have stabilized or maybe improved also, do you think the pricing regime has improved and maybe over the next few quarters, growth trajectory can substantially improve? And finally, within your health portfolio, you mentioned retail would be around maybe single digits. Within the group business, how much would be employer-employee and non-employer-employee mix for the first half, if you can give that number?

Kamesh Goyal: So Dipanjan, I would say in case of group health, loss ratios will be more or less similar compared to where we were. And so the loss ratio would be for employer-employee. What I think we foresee can improve the pricing in employer-employee group health is that if the weightage given to it under EoM to this business is reduced. As we know, a lot of companies write this business to manage their EoM. So like crop, if this is also the weightage is reduced to say 1/3, etc., we will actually see this improving. And this is not just about EoM. I think I have in the media recently have given an interview that in case of group health employer-employee, loss ratios are more than 100% for the industry, just the loss ratio. While in case of retail health, the loss ratios are more between 65% to 75%.

So what is happening today is that these EoM guidelines are actually making retail customers subsidize corporate customers, and that is something which has to actually change. So this is way beyond the EoM. My sense is that with the debate which is happening, the

complaints which the discussion paper has given in case of retail health, etc., I think that is something which one should see some changes coming. If I see the recent media reports, I think four government companies who write very substantial group health business, they have extremely high combined ratio on the group health. So group health, we have to see if discipline has to come because it's already highly loss-making for the industry, is that people don't write this business to manage the EoM. So that I would say is the issue in health. Secondly, I think we continuously have been building the capability in case of group health. For example, fraud engines are now getting better every month.

We are now negotiating and discussing to have MoUs with more and more hospital, which are becoming more efficient, I think, from a cost perspective. So I think these are two, three areas also where we feel with the building of the capability and also similarly on the pricing side, I think a bit of improvement, just 5% increase in the pricing for group health will give us an opportunity to grow the business a lot more.

As for the split, I don't have it offhand, but my sense would be only on health because or maybe health and PA together, the employer-employee would be 80%, slightly up and down, but it will be 80%. Retail would be maybe about 6% or so, and the rest could be non-employer-employee in health and group health and PA. But this I am saying from memory. I don't have a exact number in front of me, Dipanjan.

Dipanjan Ghosh: No, that's fine, Kamesh. Just one small question if I can squeeze in. Your equity REITs and InvITs are almost touching 10%, maybe a fragment lower. Do you see scope for that increasing over medium term?

Kamesh Goyal: So, Dipanjan, I think we are at 9.6% on a book value basis. Market value would be slightly higher. And this excludes AT1 bonds. So I think, as I said, we have actually increased from roughly 3.4%, 3.5% to 9.6% or so in 2.5 years, and we still have no small unrealized gains. Now since we are at 10%, looking at our solvency, where we are today, plus the fact that we don't have, touch wood, any unrealized losses sitting on it, I think now we are looking at moving to 12.5% of AUM to equity, including REITs. But again, this will be followed based on what we think according to our capital allocation model, when is the time for us to invest.

And as I said, we have been doing it religiously quarter by quarter. With the growing AUM, we have been increasing the equity allocation. And secondly, also, I think we have to keep in mind that fixed income, which is still 90% for us, I gave details both on duration play as well as reinvestment yield. So fixed income, which has always

been our real, real good strength, we continue to do very well there. So on investments, both in equity and fixed income, we are sitting on some great optionality, Dipanjan, and I think this is something which I have been saying for the last two quarters, and also we are demonstrating how we are taking advantage on the market opportunities. Did I answer your question?

Dipanjan Ghosh: Absolutely, Kamesh. Thank you and all the best to the team.

Kamesh Goyal: Thanks a lot, Dipanjan.

Operator: Thank you. We have the next question from the line of Ansuman Deb. Ansuman, kindly go ahead.

Ansuman Deb: Yeah. Hi. Thanks for the opportunity. Sir, I have two questions. One is, if you can share something about the possible role of IDBI Bank going ahead in our business journey. That is one. And second is, throughout your conversation, I picked up certain notes where you kind of indicated there is some improvement in certain lines right now. I think motor OD you mentioned. So, in terms of green shoots, there has been some improvement is what I picked up. Am I reading right just these two questions?

Kamesh Goyal: Thanks, Ansuman. On motor OD private car, I think just to be clear, and I did not say it today, but in the last two calls, I have been saying when motor OD is a problem for us, it's only from a private car perspective. Two-wheeler, no problem. CV has been consistently there. So private car motor OD in attritional loss ratio, I had said in July that we expect it to stabilize. I think quarter two is showing us that it is maybe better than stabilizing because I give the exact numbers. We have seen actually quarter-on-quarter reduction in attritional loss ratio by roughly about 3-4%.

Now, if you just think from an earned premium perspective, or gross earned or net doesn't matter in OD because retention is more or less 95%, 96%, 4% obligatory. The actions which we have taken in April and May, after that business which we are writing obviously will have better loss ratio compared to what we were earlier. But that earning in premium, Ansuman, will flow month on month. So based on that, one would expect, and I am no forward guidance or anything, as the mix of business written after April increases, we will also see improvement going forward. And it was the same basis on which I had said in July that we expected to stabilize in case of private car in Q2. Did I answer this question before I move to the next?

Ansuman Deb: Yes. It is clear. Thank you.

Kamesh Goyal: Okay. Now, in case of IDBI Bank, I would say that first of all, this is something which is a transaction which is going between Fairfax and

the Government of India. And this is, I would say, we are not privy to where the transaction, etc., is when it is likely to be completed. And as Fairfax press release had also said that Fairfax intends to sell their shareholding in Digit GI, which is Fairfax shareholding in Digit GI to the IDBI Bank. Now in terms of, so I just want to say that other than what Fairfax publicly announced, I have no real other information other than what the press release had. I think when you look at bancassurance, and in case of Digit, though we work with lot of banks, both large private banks, we recently started with the large public sector banks, we work with NBFCs, but obviously we did not have one large bank as part of the group. And we know that bancassurance business typically, both in life, GI, health, is more profitable compared to the other channels. So I think if the transaction goes through and we are able to become like the bank becomes a corporate agent of Digit, then obviously this is something which we would want to, we would be happy to then try and develop a bancassurance relationship with a large bank.

Ansuman Deb: Understood. Thank you. Thank you.

Kamesh Goyal: Thanks, Ansuman.

Operator: Thank you. We have the next question from Nischint. Nischint, kindly go ahead with your question.

Nischint Chawathe: Hi. Thanks. I am just looking at the acquisition cost line, which is B2 in your financials. If you could just help us understand how much of it is to third parties and how much of it is not to third parties, Ravi?

Kamesh Goyal: Sorry, not to third parties means?

Nischint Chawathe: Some part of the acquisition expense is actually a commission which is paid out, and some of it could be which is linked to acquisition but not actually a commission.

Kamesh Goyal: Ravi, you want to answer because whatever we pay is commission is commission, Nischint, but maybe I will ask Ravi if you want to answer this, Ravi.

Ravi Khetan: So Nischint, we don't have this like concept which we are talking. What is paid is commission only. There is no any kind of third-party commission.

Nischint Chawathe: No, no. I mean to say that incentives that may be paid to the team, or so on, which is linked to business. Is that which does it come in B1?

Kamesh Goyal: Okay. Okay. So Nischint, maybe now I have understood the question. So you're saying other acquisition expenses which could be related to your own employees. Would that be correct?

Nischint Chawathe: That's right.

Kamesh Goyal: So Nischint, I don't have, we don't have this number readily available. But on an overall basis, we would not expect this number to be more than 1.5% of the premium. This would be a small number.

Nischint Chawathe: Got it. Got it. Thank you very much. That was my question. Thank you.

Kamesh Goyal: Okay. Thanks, Nischint.

Operator: Thank you. Since there are no further questions, I would now like to hand over the floor back to Mr. Kamesh Goyal for his closing comments. Over to you.

Kamesh Goyal: Thanks, everyone. I think, as I said, we had a decent quarter despite the Gujarat floods. Investment, again, we are nicely positioned. And we also, as I said, we are looking at on a quarter-by-quarter basis in the last two quarters, the de-growth, etc., is now reducing substantially. And with some pricing discipline coming back in fire, we hope the next quarters and couple of quarters are better from that perspective. Just want to thank you again for joining us, and from my and all my colleagues' side, wishing you all a very, very happy Diwali. Thank you.

Ansuman Deb: Thank you.

Operator: Thank you. Ladies and gentlemen, you may now disconnect.