NEW INDIA ASSURANCE CO. LTD

Registered Office: New India Assurance Building, 87, M G Road, Fort, Mumbai, Maharashtra 400001

Q3 & 9M FY18 Conference Call"

Transcript

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Moderator: Good morning, ladies and gentlemen. I am Lizann, the moderator for this conference. Welcome to the conference call of The New India Assurance Company Limited arranged by Concept Investor Relations to discuss Q3FY18 Results. We have with us today Mr. G. Srinivasan, Chairman and Managing Director and Ms. S. N. Rajeswari, Chief Financial Officer. At this moment, all participant lines are in the listen-only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. G. Srinivasan. Thank you and over to you, sir.

G. Srinivasan: Thank you very much. Good morning to everyone. This concall as we know is to discuss the financial results of New India Assurance for Q3 and also for the first 9 months of the current financial year. I am glad to inform you that New India has posted very strong results for the period.

Our premium for Q3 was about Rs 6,385 crore with a growth of about 23%. We have grown very strongly. Our profit after tax is Rs 617 crore. The same period last year, we posted a small loss of Rs 24 crore. The combined ratio for the quarter has come down to 109.1 % as against 123.9% for the same period last year. The adjusted combined ratio has come down to 92.9% as against 108.2% for the same period last year. The increase in profitability and the drop in the combined ratio and adjusted combined ratio is largely because of reduction in the incurred claims ratio as well as management expense ratio. The incurred claims ratio came down to 82.82% as against 95.61% for the same period last year and the expense ratio for the quarter was 17.5 % as against 21.2% for the same period last year.

Just going through the results for the first 9 months of the current year, the company has completed a premium of Rs 19,208 crore with a growth of 17%. Made a profit after tax of Rs 1,865 crore as against Rs 455 crore for the same period last year, a growth of about 310% at profit after tax. The combined ratio came down to 110.8 % as against 121.2% for the same period last year. The adjusted combined ratio was 93.2 % as against 104.1% for the same period last year. Again, the increase in profitability as well as the reduction in both the ratios has been because of the drop in the incurred claims ratio as well as management expense ratio. The incurred claims ratio came down to 85.89% as against 93.27% for the same period last year. The expense ratio came down to 16.89% as against 20.89% for the same period last year. So this has contributed to the improvement in the combined ratio as well as the adjusted combined ratio and resulted in almost threefold increase in the profits. The Return on Equity for the first 9 months stands at 18.3%. The solvency of the company as on 31st December 2017 is 2.39. It is a very strong number.

The net worth of the company as on 31st December including fair value is Rs 40,983 crore. The assets under management, the investments is about Rs 65,772 crore. So in all you would see there is very strong improvement in the performance of the company and very strong results.

The insurance sector as I have been saying in the past is poised for great growth. There are lot of opportunities given that the recent budget has many positives for the insurance sector. They have come out with a very large national health protection scheme covering about 50 crore people. We feel it is going to be a game changer for the insurance industry in terms of increase in the insurance penetration. Similarly, section 80D benefits has been enhanced for senior citizens from Rs 30,000 to Rs 50,000. The schemes like Jan Dhan and products like Suraksha Bhima Yojana which the government had brought in, they have announced their intention to expand them, especially the Jan Dhan accounts which are running into crore will be used for micro insurance. That is a great move for the insurance sector. And in general strengthening the rural economy and also push to the infrastructure sector like aviation, transport and coastal transport would provide lot of opportunities for the insurance sector. So I look forward to the future with lots of optimism. I think with these initial comments, now I would like to open the forum for discussion. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Vikas Agarwal from AAA Investments. Please go ahead.

Vikas Agarwal: My first question was actually referring to slide 4 of your investor presentation where we say that we aim to obtain better commercial arrangements from reinsurers. So why do you think we will be able to negotiate better rates?

G. Srinivasan: See, basically New India is a very strong company and with a long legacy and we are the largest reinsurer in terms of volume for the reinsurers. And one more advantage New India possesses is its international 'A' rating. So these are some of the advantages and people know the underwriting domain expertise of New India Assurance and also they know the business opportunities. So we feel that this will give us an edge in terms of negotiating better rates with the reinsurers.

Vikas Agarwal: Okay. Because I think GIC Re possess the right of first refusal, so that is why this question.

G. Srinivasan: Actually no. That regulation is still in the making sir. It is not right of first refusal. It is right of offer. So what the regulator intends to do is, the reinsurers of the Indian market should be offered participation. So that is how it has to be seen. But for us, I mean as a very large player and with these strengths, I mean whatever be the situation we will be in a position to negotiate good terms with the reinsurers.

Vikas Agarwal: So which other reinsurers are we dealing with currently?

G. Srinivasan: Sir, we deal with many of the major reinsurers Berkshire Hathaway of the world like Munich Re, Swiss Re, Hannover, Scor, many of the Lloyd's syndicates, Zurich**,** so some of the major names in the international reinsurance market are all our reinsurers.

Vikas Agarwal: Okay. And one technical question actually. Sir, I think even the reinsurance companies have a policy where they set aside some gains for the policy holders, do these gains actually accrue to us?

G. Srinivasan: See, actually the policyholders funds which are there in the reinsurance balance sheet are similar to what we have. The funds belong to us but the income belongs to the reinsurers, it doesn't accrue to us.

Vikas Agarwal: Okay. Understood. And on the crop insurance side, what do you think is the growth outlook for the sector. I think we have seen very strong growth for the sector over the last couple of years. So what is the outlook going forward?

G. Srinivasan: So the crop insurance scheme was a new scheme launched in a very big way last year. The Pradhan Mantri Fazal Bhima Yojana was in the year 2016-2017. So in that year, the portfolio had almost a 300% growth. But this year, it is already kind of stabilized, but we are trying to bring in more farmers into the net and the government has announced the intention to provide more budget outlay for barring the premium. So this year the growth 2017-2018 is around 20%. So this is the kind of growth we will see going forward.

Vikas Agarwal: And this also I think we mentioned that we have taken significant reinsurance for the crop side. So is this proportionate reinsurance or what is the kind of treaty we have?

G. Srinivasan: We have a proportionate reinsurance wherein 80% of the business is reinsured with the reinsurers. Even for the balance 20%, we have what is known as an excess of loss reinsurance.

So that way we have covered ourselves adequately to remove the volatility of the results of this business from our financials.

Vikas Agarwal: Okay. And one final question actually on the National Health Insurance scheme that was unveiled in the budget. So do we think that the premiums are going to be sufficient? The figure seems very low.

G. Srinivasan: See, the government has clarified quite a few times that this is only an initial outlay. They have to finalize the product and also the packages with hospitals across the country. So the premium will be decided based on these important parameters and the government has said that whatever be the premium they are committed to funding it.

Moderator: Thank you. We will take the next question from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: My question pertains to the claims incurred. The claims incurred have gone down. I think it is because Q3FY17 was an effect of demonetization?

G. Srinivasan: In our sector, I wouldn't say that the demonetization had any major permanent impact. The drop in the claims ratio is the result of sustained efforts the company had put in the last 1-1.5 years. We have seen a drop in the health claims ratio, the motor own damage loss ratio, and the fire loss ratio, the three sectors. So we have taken some steps like re-pricing our health products, both retail as well as group and also claims management steps in health. Similarly in motor own damage, we did a better risk selection avoiding risks which were giving us more losses, also using professionals like automobile engineers to have a better control over the claims. In case of fire as well, we had recruited lot of risk engineers who helped us in looking at the quality of risk. We also prepared a set of declined risks, which are giving us large losses over the years to kind of avoid those risks. So lots of steps were taken which are now giving us results. That is why we are seeing a drop in the incurred claims ratio.

Charulata Gaidhani: Okay, so you say this is sustainable?

G. Srinivasan: Certainly, ma'am and our intention is to improve it further.

Charulata Gaidhani: Okay. My second question pertains to the difference between net premium written and gross premium written. I believe there is some payment that needs to be made in between.

G. Srinivasan: The difference between the gross premium and net premium is what is called as reinsurance. You know as direct insurers we take lot of risks and then you know we identify in every portfolio certain portion of the risk which needs to be transferred to the reinsurers, this is the principle of insurance, just spreading the risk ourselves. For example if there is a major natural calamity, we wouldn't like the entire losses to be falling into our balance sheet. So we will have a good reinsurance program, so that you know the large part of the losses are transferred to the reinsurers. So we have a very sound, conservative reinsurance programs which has been standing us in good stead over the years, so that is what is the difference between the gross premium and net premium return.

Charulata Gaidhani: So in this quarter, your reinsurance has gone up?

G. Srinivasan: In this quarter, the reinsurance has gone up because we had crop insurance where, as I told you the extent of reinsurance was relatively high. So you will see this quarterly variations and reinsurance depending upon the profile of the system we just booked.

Charulata Gaidhani: And typically what type of business do you reinsure more?

G. Srinivasan: Ma'am actually there is reinsurance in every class of business. There is what is called as obligatory reinsurance. 5% which the regulator would like us to place with Indian reinsurer. The other reinsurance arrangements are based on the nature of the portfolio. For example in portfolios like fire insurance, projects engineering insurance, aviation insurance, the extent of reinsurance is relatively higher whereas in areas like motor insurance, health insurance where the losses are typically small, the extent of reinsurance is smaller. So depending upon the line of business &the potential for losses, we prepared the reinsurance program.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec. Please go ahead.

Nidhesh Jain: Sir, my question is on motor own damage for almost all the players who have reported as of now. We have seen quite a strong improvement in motor own damage claims ratio. So is this anything which is going across the industry where we are seeing improvement in loss ratio? Is it because of pricing or is there any underlying consumer behavior change which is happening?

G. Srinivasan: There are couple of reasons why this is happening. One of course is the general realization on the players that this portfolio's profitability needs to go up. The second thing is the regulator had come out with a guideline called motor insurance service provider guideline with effect from 1st November bringing all the motor dealers under the regulatory ambit. Earlier these dealers were selling policies, but they were not under anybody's regulation. So this has also resulted in little bit of control over claims. We will see the impact of that more in the coming quarters and also the payouts to them have also been reduced and standardized. The third thing which has happened especially in our case we have analyzed and we found that product called nil depreciation policy was causing spike in our loss ratio. This is for all the players in the industry. So different companies have been adopting different approaches. So what we have done is, earlier we were giving for vehicles even up to 7 years. We have reduced it to 3 years. So this has also contributed to drop in the own damage loss ratios. These are some of the reasons why you would see a drop in the OD loss ratio.

Nidhesh Jain: So do you see, the OD, loss ratio that we are seeing in the own damage segment, are they sustainable or…?

G. Srinivasan: It would improve sir.

Nidhesh Jain: And how MISP guidelines benefit in the loss ratio because I was under the impression that it will benefit your OpEx ratio in the own damage segment. But loss ratio should remain same because of MISP.

G. Srinivasan: If you really see the motor dealer business, even for a vehicle which is same like a Maruti or Hyundai or any name you take, the loss ratio varies from dealer to dealer. So the dealers do have a role in the claims ratios going up. So this is what we have observed. But now what the guideline says is dealers who typically also have garages making repairs should not influence claims settlement. This is a guideline which has put in by the regulator and their books will be inspected and they should not have a role in appointment of loss assessors. So these steps have an influence in bringing down the claims because their books can be inspected by the regulator and if they are found to have an influence on the claim settlement that may even lose their ability to sell insurance policies.

Nidhesh Jain: Okay. So you are saying that behavior from a dealer perspective has actually changed where probably the leakages that were happening earlier are not happening?

G. Srinivasan: Yes.

Nidhesh Jain: And this quarter we have seen this 2 months of MISP roll out. So probably next quarter we will see further improvement in loss ratio, is that reasonable?

G. Srinivasan: Absolutely.

Moderator: Thank you. The next question is from the line of Anubhav Adalka from Antique Stock. Please go ahead.

Anubhav Adalka: I actually wanted to just get your view on the statement which FM made that the rest of the 3 public sector companies would be merged into one entity and then listed. So do you think it could be a threat to the business going forward or it could play the other way around? Just wanted to get your thoughts on that.

G. Srinivasan: Sir, of course the merger has just been announced. The full details are still not known. But what is obvious is the 3 companies will come together and I mean in terms of premium volume they will be bigger. But even if the 3 companies come together, New India would still be larger in terms of the financial strength. You know the mergers generally are very long term process and quite a challenging process. So we really have to see how it works because the main idea of the merger seems to be to list these companies and also to raise the capital for the companies.

These companies need capital to improve their solvency margins. So I personally feel that there is no negative as far as New India is concerned, maybe we may even get benefits, we are not sure, but we don't really see any issues. There could be an unintended benefit for New India Assurance.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: We were expecting the market to grow, I mean this first 9 months we have grown by 17% despite increase in insurance rate also, so like to like what kind of a growth that we have seen and going ahead, what kind of growth we are looking for?

G. Srinivasan: The quarter 3, we have seen a growth of around 23% and we are looking at a growth of 18% to 20% as something which is normal for the next many years. As I said, the insurance sector is poised for a great growth. 20% growth is going to be achievable for New India Assurance for many years in the future.

Bharat Sheth: And sir a broader question, generally how much is our reinsurance, depending on the change on the mix of the business, but looking at a broader perspective one has to really look at, I mean?

G. Srinivasan: Sir, Rs. 100 is our total premium. You would see around on an average, Rs. 18, it could be plus or minus Re. 1 this way or that way. Rs. 18 is reinsured, remaining Rs. 82 is retained by us.

Bharat Sheth: This 9 months, it is around 80%. So it will be a one-off I mean or something….

G. Srinivasan: Exactly because that is why I said that based on, because we had a higher crop insurance in the 9 months. It may not be the case for the next 3 months. So in crop insurance, the element of reinsurance is relatively higher. So you will see this coming back to close to 82 by the end of the year.

Bharat Sheth: Sir, I mean our claim ratio, income ratio has declined to 85.9% because of two things, one is a regulatory, we increase the premium in thought of the initiative we have taken. So how do we see this going ahead, I mean over next 2-3 years, your vision is to bring down this ratio?

G. Srinivasan: Sir, our intention is to bring down the loss ratios & incurred claims ratio. We also expect our expense ratio to come down. In case of incurred claims ratio, our focus has been on two lines of business. One is health, another is motor and in case of health, we have done re-pricing. We have also taken a lot of corrective steps like recruitment of doctors and then using our own TPA in a larger manner. So this is helping us to bring down the loss ratio and the fuller benefits of these steps will be seen in the next future quarters as well. We have not got the full benefits of the steps we have taken.

Bharat Sheth: But over next 2-3 years, where do we see this claim incurred ratio of our company?

G. Srinivasan: Sir, actually the combined ratio which is now around 110, the projection I had given is that it will come down to 105 next year, maybe in another two years it will come to 100. So, the expense ratio would be probably around 15, commission ratio would be about 8 and the loss ratio would be about 77%-78% over the next 3 years' time. So you will see the claims ratio moving towards that 77 numbers in the next 2-3 years.

Bharat Sheth: Great, Sir, you said that our AUM portfolio is Rs 65,000 crore, correct?

G. Srinivasan: Yes sir.

Bharat Sheth: That is our current market value?

G. Srinivasan: Yes, sir.

Bharat Sheth: And how much is if you want to divide between the, pertaining to the policyholder investment?

G. Srinivasan: Actually we keep them together. So we don't really segregate the investment. It is kept in one lot.

Moderator: Thank you. The next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.

Hitesh Gulati: Sir my question is on the health insurance segment. So what proportion of our total health would be retail, what would be group and what would be government schemes?

G. Srinivasan: Sir, about 35% is retail, 55% is group and 10% is government.

Hitesh Gulati: Okay. And what is the fair value change account as of December 2017?

G. Srinivasan: It is about Rs 25,755 crore.

Hitesh Gulati: And sir just one last question is on commission. The commission ratio has actually increased for this 9 months FY18 compared to 9 month FY17. Is that to do with the MISP guidelines where the additional payments to dealers are also being booked in commission?

G. Srinivasan: Two reasons. One is from 1st April, the regulator changed the commission and brokerage structure and also brought in a concept of reward. So that has actually resulted in an increase in the commission ratio for the whole industry. And also this MISP is also another reason, but that is only for the last two months.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Just two questions from my side. One was, how should we think about higher claims ratio in motor TP?

G. Srinivasan: Sir, motor TP as you know is a portfolio which is improving phenomenally in the last 5 years. The loss ratios used to be about 160%-170%, 5 years back. There was consistent increase in prices by the regulator every year, which led the loss ratios to come down. That is one thing. The second major change is going to happen, in fact I understand this motor vehicle amendment bill is listed today in the Rajya Sabha. So this bill has great potential for bringing down the TP loss ratio for the industry because the penalties for traffic violations are going to be increased. Licensing is going to be made stricter. And also a 6-months' time limit for filing compensation, in case this is also being brought about and also quicker settlement of claims for a lower amount is also being envisaged. So I personally feel this bill will have a great impact in reducing the number of accidents, reducing the number of deaths and disablements, which will help in bringing down the loss ratio.

Nischint Chawathe: Sir for this one as well as for MISP, how should we think about the benefits getting passed on to the customer?

G. Srinivasan: Sir what will happen, the industry will have at least a 10% saving in the payout to the dealers and also improvement in the claims ratio, I mean at least 5% to 7% on a conservative basis. So there is a possibility that some would like to pass on a part of it to the consumers. A couple of companies have already announced their intention to do that. We are closely watching the market and we will take a call appropriately as and when it is required. But you will see some part of the benefit would certainly be passed on to the consumers.

Nischint Chawathe: On the MISP side, have you started seeing, have you already passed on anything?

G. Srinivasan: Not yet sir.

Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal Securities. Please go ahead.

Atul Mehra: Sir, just on the health insurance scheme they announced in the budget. So firstly just wanted to get your thought process on the commercial viability of the scheme because what we understand is they budgeted for very small amount about Rs 4,000 crore in the budget. Even though the scheme seems very grand with 50 crore- plus lives covered. So what is your interpretation of the scheme as announced in the budget?

G. Srinivasan: What the government has said, repeatedly, there is a question which is being asked to the ministers and bureaucrats. See, the government has said that whatever they have allotted is only an initial outlay. The total premium will be borne 60:40 between center and state. So there is always states contribution. And they are also saying this year they have allotted something lower because they expect this to be rolled out by middle of the current financial year and they have repeatedly said that whatever be the money required, they will certainly put in. So here the premium would depend on the kind of packages we all tie up with various hospitals across the country and also the contours of the product which have still not been finalized. So the insurance industry will certainly get premiums which are viable and we will ensure that the scheme is something which makes commercial sense for the insurers.

Atul Mehra: And is there also a co-pay for the final customer, end customer or it will only be 60:40?

G. Srinivasan: Those things are not yet worked out. In fact, the government is forming some committees to work out the product features, whether there will be a co-pay or not would be decided by that committee. So those are all things which will have a bearing on the ultimate premium sir.

Atul Mehra: Right. And while, we look forward to implementation, do we see this in a similar form as the way crop insurance business is sourced through tenders and through bidding by all the players?

G. Srinivasan: It will follow the same pattern. Government generally follows the tender process for price discovery. So there will be tenders and it will be run by the state governments, the government has already announced that. So that will be the process which will be followed on a similar basis, like crop insurance.

Atul Mehra: Right. And secondly sir in case if we look at the motor business at this point in time, so how do we look at the market settling down maybe not now maybe 6 months down the line or one year down the line where all the benefits that the industry is now getting, do you think the industry will be in a position to retain it or would it be passed on to the customer in a bigger way as it is still early. But eventually how do you see it settling down?

G. Srinivasan: Sir, as I said the industry is benefitted to a significant extent because of this MISP. I expect part of this benefits would be passed on to the consumers, a part of it will be retained by the industry because with lot of difficulty the industry has moved with the regulator to get this achieved, to bring the dealers under the regulatory control. So that is how I expect things would settle down. Part of the benefit will stay with the industry. Part of it will be passed on to the consumers.

Atul Mehra: Right. And sir just one final question on health insurance for us, on the retail business for us, post we have taken the price increase and price rationalization, what would have been the new policy inflows for the first 9 months versus the first 9 months the previous year?

G. Srinivasan: Sir, I won't be able to give you the exact numbers but certainly we have become very attractive at the younger age group. So we are getting newer customers with people who are up to the age of 50. So earlier we had a situation wherein our premium rates were not very competitive in that age group. Here we have not only increased the price, we have also corrected the price across the age group. So we are getting more and more youngsters into our scheme but I am not able to give you an exact number on that sir.

Atul Mehra: Sure, I will maybe take that offline in case we get that numbers offline.

G. Srinivasan: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Vinod Rajamani from HSBC. Please go ahead.

Vinod Rajamani: Most of my questions are answered by previous questioners, but I had just one question. How much of your motor insurance segment is this long term two wheeler policies?

G. Srinivasan: Sir, at this point in time, in terms of premium it is not a major portion because in the long term, people would like to pay annual premiums. So we still see that tendency amongst customers. So it is not a significant proportion sir.

Moderator: Thank you. The next question is from the line of Neeraj Toshniwal from Emkay Global. Please go ahead.

Neeraj Toshniwal**:** Sir, just wanted to understand the tax benefits which have been passed in terms of senior citizen and very senior citizen in the retail health segment?

G. Srinivasan: See, the advantage of that is today senior citizen's premiums are going up because their loss ratios are higher. So earlier they were getting only up to Rs 30,000 and so many of them were taking limited policies and also with lower sum insured. Today it gives them the ability to, pay the higher premiums as well as take bigger policies, so that they are able to get adequate cover. This will also mean more business for the insurance sector.

Neeraj Toshniwal**:** Okay. So how much, have we estimated the industry will benefit from this proposal?

G. Srinivasan: Sir, it is very difficult to actually estimate. Any number I give will be totally off the mark. So, it is very difficult to give an estimate on.

Neeraj Toshniwal**:** And on the other healthcare cover, I mean for 10 crore family, I just wanted to understand, I mean if the premium amount is too low, from what we hear in the media, would companies still be interested or government is, I mean how we are planning to do that, because…

G. Srinivasan: The government actually has clearly said that it is just an initial number they have put in and they have also said whatever be the premium required for running the scheme successfully, they will put it. They have sources of money to fund this scheme. So reinsurers will certainly, I mean once the product is finalized, once the hospital packages are finalized, would certainly work out reasonable premium which makes economic sense to us, which will help us to run the scheme successfully. So I don't really have any doubt on this because this is just a number as they had very little time and they have just given a number and they have clarified again and again that whatever be the amount required they will definitely put it. They have sources available.

Neeraj Toshniwal**:** Okay. And sir particularly from MISP, how much improvement we have seen in Motor OD if we can quantify?

G. Srinivasan: Sir my expectation is, it is actually too early with just two months but my expectation is a drop in the incurred loss ratio of 5% to 7% is possible. And also a drop of 10% in the payouts which we have been making to the dealers to pursue the premium. So about 15% to 17% is possible sir.

Moderator: Thank you. The next question is from the line of Avinash Singh from SBICAP Securities. Please go ahead.

Avinash Singh: One question on solvency capital regime, so the regulator has sort of invited some consultant to guide the regulator to sort of implement some risk based capital regime. If that were to happen, I mean how is that going to change the capital adequacy for your sector. I mean if you were to move from the current simple solvency regime to a risk based capital regime. How would we change them?

G. Srinivasan: Sir, my expectation is it would certainly lead to increased capital requirements for the whole industry. But as far as New India is concerned, we are adequately capitalized. We are now at 2.39. So even if the new risk based solvency regime is to be put in place, we will be very comfortable sir. We have no concerns on that.

Moderator: Thank you. The next question is from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

Abhijeet Sakhare: Two questions. One was could you give us the incurred claims ratio for retail group and government businesses within Health, please?

G. Srinivasan: So the retail loss ratios come to around 78% and the government is about 90%. These are the two areas you want sir?

Abhijeet Sakhare: And the group business.

G. Srinivasan: Group business is about 105% sir.

Abhijeet Sakhare: And majority of the benefit has come on the group and the government businesses, right?

G. Srinivasan: Actually the full benefits are still coming sir. I wouldn't say that full benefits have come, but certainly the group health loss ratios have come down significantly. The government also we have taken calls to do away with some of the government schemes. Also re-priced one major scheme which we were writing. So that is also contributing to better experience. But the benefit of it will still happen in the future quarters as well.

Abhijeet Sakhare: Okay. Second question was on your retail businesses, do you internally track what is the retention ratio across categories of businesses and what would be that number across health, Motor OD, Motor TP?

G. Srinivasan: Sir, as you would know New India has one of the highest retention ratios in the whole industry because of our brand and also the legacy. In retail health, the retension is little more than 90%. Whereas in motor it is around 80%, in other lines it is about 82%-83%. So we track the renewal ratios and we have good renewal ratios.

Moderator: Thank you. The next question is from the line of Nishant Shah from Macquarie Group. Please go ahead.

Nishant Shah: You mentioned that you are expecting some dealer commissions to drop down by about 10% and the incurred claims also to come down by about 6% after this MISP. And you also mentioned that some part of it you expect to retain some of the benefits. So like I am just referring to a newspaper article today like, it seems that one of your private sector peers has aggressively cut its motor insurance premiums to about 15%. So do you think that you, or the industry as a whole will still be able to retain something of the benefits from the MISP or do you think it will be just competed away for market share like by one player or maybe a couple of players going a little bit aggressive. Any comments there?

G. Srinivasan: Sir, my comment is I saw the newspaper report over the announcement of a company. So, I mean, a similar announcement was made by another company about a month back. So that hasn't really put any pressure on the market to give away everything to the consumers. So my sense is there are many bigger players in the market and they haven't really done that way. So what will happen is part of the benefit rightfully will go to the consumers. Part of the benefit will remain with the industry.

Nishant Shah: So the regulator would have also allowed this to happen expecting a substantial chunk of it to be passed on to the end consumer, right? So do you foresee any regulatory issues also coming through if this is not being passed on?

G. Srinivasan: I do not expect the regulator to intervene in this because the regulator basically had wanted to create a good framework because the way the business was dealt was not to the comfort of the regulator, not to the comfort of the industry also. So that is how this change came. I do not expect the regulator to intervene in this.

Moderator: Thank you. The next question is from the line of Pinkesh Jain from Way2Wealth Securities. Please go ahead.

Pinkesh Jain: Sir, to gain more perspective about this National Health Protection scheme, so the bureaucrats have said that they have started this Rajasthan scheme wherein Rs 3 lakh cover is being given at a premium of Rs. 1,260 per family. So at those rates how viable is the scheme?

G. Srinivasan: Sir what the government is saying is, the numbers which they have put in as a budget outlay is just an initial outlay and they have said that whatever is the right premium which is required, they will certainly be able to fund it because they have now health cess imposed and also they have other sources to fund it. And also 40% of the premium is going to be borne by the state government. So what I expect is, once the product and hospital packages are finalized, the insurance industry will certainly look at proper price and the government will certainly give it because they know that the insurance industry also needs to make some margin to run the scheme successfully.

Pinkesh Jain: And per se this Rajasthan scheme, so sir, I mean what are your views on this?

G. Srinivasan: No, you said the numbers as Rajasthan scheme, so that is based on the experience the insurance company had in Rajasthan.

Moderator: Thank you. The next question is from the line of Charulata Gaidhani from Dalal & Broacha. Please go ahead.

Charulata Gaidhani: Sir you mentioned the breakup of retail group and government. That is for the entire business or it is only for health?

G. Srinivasan: This is only for health ma'am.

Charulata Gaidhani: Okay. And on overall basis can you give the breakup?

G. Srinivasan: On an overall basis, I can break the 100% into 65% of retail, 35% as corporate or commercial. And in terms of the government, what you really call as government is a question. So there are public sector undertakings giving business. So I won't be able to give you a number on the government. But 65:35 retail, corporate commercial.

Charulata Gaidhani: Okay. And how much would be the tax rate going forward?

G. Srinivasan: As far as we are concerned, we are still in the MAT because we still have some carry forward underwriting losses which may come to us over the next 4-5 years. So we will be in MAT and even in MAT, we get some exemptions for dividends. So generally we expect our taxation rate to be around, 16% and it could vary marginally from quarter-to-quarter but on an average around 16%.

Charulata Gaidhani: Okay, right. And the last question in terms of revenue growth, you said 20% growth is sustainable for a real long term. How much of this would be volume driven and how much of this would be price driven?

G. Srinivasan: Ma'am actually both will happen because in terms of volume driven, what is happening is, there is better understanding of insurance and as the standard of living of the people increases, they have more disposable incomes and they think of insurance. There are certain insurances like health insurance, householders insurance etc. These are all becoming almost necessary for every individual and every family. So that will be one reason how growth would happen. There is also a rate correction happening especially in certain lines like health insurance, fire insurance, so that will also contribute to the increase. I mean, if you really ask me how much of 20% is due to this, I won't be able to give you a breakup ma'am.

Moderator: Thank you. We will take the next question from the line of Bharat Sheth from Quest Investments. Please go ahead.

Bharat Sheth: The employee cost, I mean remuneration has come down in absolute term from Rs 1,700 crore to Rs 1,580 crore. So any specific reason?

G. Srinivasan: Sir actually if you look at our company, there are lot of retirements of senior people happening. So even though we recruit youngsters in lesser number, actually our number of employees are coming down. It was about 20,000 three years back, today we are only about 18,000. So what we are seeing is that high cost senior employees are superannuating, that is the reason why we are seeing the employee remuneration coming down. But we are able to increase our business because the technology is helping us to scale up without having track to human resource.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

G. Srinivasan: We are extremely thankful to all the investors and analysts who came for this call and we can assure that New India will do its best to improve its performance in the coming quarters as well. Thank you very much.

Moderator: Thank you, ladies and gentlemen for being a part of this conference call.

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