

7 February 2023

To Corporate Relations Department <b>BSE Limited</b> 1 <sup>st</sup> Floor, New Trading Ring, Rotunda Building, P J Tower, Dalal Street, Mumbai 400 001	To Corporate Listing Department <b>National Stock Exchange of India Ltd</b> Exchange Plaza, 5 <sup>th</sup> Floor Plot No.C-1, G Block Bandra-Kurla Complex Bandra (East), MUMBAI 400 051
<b>BSE CODE: 532978</b>	<b>NSE CODE: BAJAJFINSV</b>

Dear Sir/Madam,

**Subject: Transcript of Conference Call held in respect of the Financial Results for the quarter and nine months ended 31 December 2022**

**Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') r/w Clause 15 of Part A of Schedule III to the SEBI Listing Regulations**

In furtherance of our letters dated 25 January 2023 and 31 January 2023, the transcript of the investors conference call held on Tuesday, 31 January 2023 in respect of Financial Results for the quarter and nine months ended 31 December 2022 has been hosted on the website of the Company and is available at 'QUARTERLY EARNINGS CONFERENCE CALL RECORDING & TRANSCRIPTS' drop down available at <https://www.bajajfinserv.in/finserv-investor-presentation>.

Further, for ease of reference, we have enclosed the transcript(pdf) as attachment.

Kindly take this on record.

Thanking you,

Yours faithfully,  
**For Bajaj Finserv Limited**

**Uma Shende**  
**Company Secretary**  
Email ID: [investors@bajajfinserv.in](mailto:investors@bajajfinserv.in)

Encl: as above



“Bajaj Finserv Limited  
3Q FY23 Earnings Conference Call”  
**January 31, 2023**



**MANAGEMENT:** **MR. S. SREENIVASAN – CHIEF FINANCIAL OFFICER – BAJAJ FINSERV LIMITED**  
**MR. TAPAN SINGHEL – CHIEF EXECUTIVE OFFICER – BAJAJ ALLIANZ GENERAL INSURANCE**  
**MR. TARUN CHUGH – CHIEF EXECUTIVE OFFICER – BAJAJ ALLIANZ LIFE INSURANCE**  
**MR. RAMANDEEP SAHNI – CHIEF FINANCIAL OFFICER –BAJAJ ALLIANZ GENERAL INSURANCE**  
**MR. BHARAT KALSI – CHIEF FINANCIAL OFFICER – BAJAJ ALLIANZ LIFE INSURANCE**

**MODERATOR:** **MR. SAMEER BHISE – JM FINANCIAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the 3Q FY 2022-2023 Earnings Conference Call of Bajaj Finserv Limited, hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Bhise from JM Financial. Thank you, and over to you, sir.

**Sameer Bhise:** Thank you, Rutuja. Good morning, everyone, and welcome to the 3Q FY23 earnings conference call of Bajaj Finserv. I would like to take this opportunity to thank the management of Bajaj Finserv for allowing us to host this call for yet another quarter.

From the management team, we have Mr. S. Sreenivasan (CFO, Bajaj Finserv), Mr. Tapan Singhel (CEO, Bajaj Allianz General Insurance), Mr. Tarun Chugh (CEO, Bajaj Allianz Life Insurance), Mr. Ramandeep Sahni (CFO, Bajaj Allianz General Insurance), and Mr. Bharat Kalsi (CFO, Bajaj Allianz Life Insurance). We will open the call with opening comments from Sreenivasan sir, post which we'll move to Q&A.

Over to you, sir. Thank you so much.

**S. Sreenivasan:** Thank you. Good morning, everyone. Welcome to the conference call to discuss the results of Bajaj Finserv Limited for Q3 of FY '22-'23. Before I get into the performance, let me just make some standard hygiene announcements.

As before, in this call, we will largely be concentrating on the consolidated results, as well as the results of our insurance operations through Bajaj Allianz General Insurance (BAGIC) and Bajaj Allianz Life Insurance (BALIC), and where material, the standalone results of our company Bajaj Finserv Limited (BFS).

Bajaj Finance Limited (BFL), which is another major subsidiary of ours, has already had its conference call. However, if there are any high-level questions on BFL, we'll be glad to take that as well. We will not be taking any questions on the status of Allianz's stake in our insurance companies. The status has remained the same as at the end of the previous quarter, and there is no change there. Any statements that may look like forward-looking statements are just estimates and do not constitute an assurance or indication of any future performance result.

A brief remark on Ind AS – as required by regulation, BFS prepares its financials in compliance with Indian Accounting Standards or Ind AS. The insurance companies are not yet covered under Ind AS. They have prepared the Ind AS financials only for the purpose of consolidation. Accordingly, for BAGIC and BALIC, the standalone numbers reported in our investor presentation, and which will be discussed below, are based on the non-Ind AS accounting

standards, or Indian-GAAP as applicable to insurance companies. Our results, the press release accompanying the results, and our investor presentation have been uploaded on our website yesterday.

Let me now come to the performance for Q3 FY23 and 9M FY23.

Let me start with BAGIC.

For the quarter, BAGIC reported a growth of 28.6% in gross domestic premium income as against the private sector growth of 22.3% and the industry growth of 18.5%. Even if we exclude the tender-driven volatile businesses (basically Crop and General health businesses), BAGIC has grown at a fairly healthy 12.8% in Q3 FY23 and 14.6% in 9M FY23. In the intensely competitive motor segment, BAGIC has been selective, seeking to grow in counters with high profitability.

To add some more, the growth in GDPI was attributable to Retail and Group Health which grew at 11.2% and 41.2%, respectively, commercial lines (fire, engineering, marine and liability) at 14.9% and overseas medical (travel insurance) at 44%. Overall, in Q3 FY23, BAGIC had a motor growth of 6% - the two-wheeler segment growing 24%, while the four-wheeler segment grew 8%, and the CV segment degrew by 5%. Specifically, BAGIC chose to give up business in larger cities where price competition was more intense.

The growth in commercial lines were aided by BAGIC's strong bancassurance network and multiline agency channel, supported by strong underwriting and large reinsurance capacity for covering large risks. BAGIC continued its robust performance across retail, commercial and industrial risk categories. Fire and Marine segments continued their growth momentum. Engineering and liability lines have also shown strong growth, continuing their momentum from the previous quarter. Overall, commercial lines continue to do well with Q3 FY23 and 9M FY23 growth of 14.9% and 15.2% respectively, against the industry growth of just 8.3% and 14.4%.

Health insurance performance has improved in Q3 as compared to previous quarters of FY23. Overseas Medical or travel insurance continued its momentum, growing at 44%. BAGIC growth in retail health 11.2% was better than the overall market (Pvt + PSU players) growth of 10.1%. In Group Health, BAGIC witnessed strong growth of 41.2% in Q3 FY23 vs industry (Pvt + PSU players) growth of 30.6%. For the industry, overall retail health growth, including standalone health insurers or SAHI was 32% in Q3 and 25.2% in 9M FY23.

A positive feature in Q3 of FY23 was on the claims front, where sequentially from Q1 FY23 the claim ratio has improved. It first improved by 2.4% in Q2, and then it has further improved by 3.4% in Q3. This was due to better selection of business, and normalization of aberration such as high motor own damage loss ratios. If you recall in Q1, when we had a spike in our loss ratios, we had said that we will be taking corrective action to bring down the loss ratios. And typically,

in the general insurance business, these take six to nine months to play out because the existing book will continue to have higher losses, while the new book will be written with stronger underwriting. And the results of that are already visible.

For Q3 FY23, the loss ratio stood at 72.1%, as against 69.6% of Q3 FY22. The increase was attributable to high inflation in Motor and Health segments, partially offset by lower commercial claims. Moreover, BAGIC has also taken additional net impact of Rs. 9 crores on account of the adverse court order with respect to Osmanabad Kharif 2020 crop season. At this stage, we do not have any information, which makes us believe that any further provision is required in respect of the kharif 2020 crop season.

The combined ratio for Q3 FY23 stood at 100.3% versus 98.9% in Q3 FY22. Nevertheless, higher frequency in Motor and Health ex-COVID and the impact of inflation on costs are expected to remain. BAGIC will monitor these developments closely and endeavor to initiate corrective action as required.

In a market where most companies are reporting large underwriting losses, this result, we believe, displays BAGIC's commitment to a balanced and profitable growth on the back of strong underwriting and selection

The profit after tax was Rs. 278 crores in Q3 FY23 and Rs. 1,026 crores in nine months FY23. The AUM grew by 8% to Rs. 25,977 crores for the nine months ended 31st December 2022. The lower PAT was mainly attributable to higher combined ratio and lower realized gains on investments. Clearly, the realized gains on investments quarter-on-quarter can be volatile. And this quarter, it was a bit lower than the same quarter of last year.

In summary, for the quarter with strong external headwinds in the form of price competition in motor segment, and BAGIC has chosen to hold its own with a satisfactory combined ratio.

I will move to Life Insurance next.

Overall, the Life Insurance industry saw momentum pick up in Q3 after a muted Q2. During the quarter, while few private players saw a slowdown in their growth as compared to the previous year, BALIC continued its month-on-month growth trajectory and reported an industry-beating individual rated premium growth of 22%, against the industry and private player growth of 12% and 16%, respectively.

Similarly in the nine months of FY23, BALIC IRNB or Individual Rated New Business grew 38% as against the industry growth of 16%, and private players growth of 19%. In fact, in the nine months FY23, BALIC was the second fastest-growing life insurer among the top 10 private players on an IRNB basis. And on a three-year CAGR of 35% on IRNB basis, BALIC remains the fastest-growing life insurer in the industry. This compares with the pre-COVID base.

BALIC improved its market share of IRNB from 6.4% to 7.4% among private players in 9M FY23. Total number of new business policies for BALIC also grew 24% to 1.52 Lakhs in Q3 FY23, while for the nine months ended 31, December 2022 the total number of new business policies issued grew by 33% to 4.09 Lakhs.

Overall IRNB mix for Q3 stood at par 19%, non-par savings 37%, term 4%, annuity 7% and ULIP 33%. As we have mentioned before, BALIC's primary differentiator in the market is balance - a balance across products, a balance across distribution and a balance between growth and profitability. Most lines have shown growth in absolute terms. The business mix changes reflect relative differences in growth, and hence are not a matter we are concerned about in the short run. During the quarter, growth was driven by all our main channels with Agency, Institutional Business and BALIC Direct growing at 28%, 18% and 15%, respectively.

Another point I would like to highlight here is the strong year-on-year increase in persistency across vintages, especially in the later buckets, where 49<sup>th</sup> month persistency increased by 4% to 63% and 61<sup>st</sup> month persistency improved by a further 3% to 49%. As a result of the actions taken on persistency over the last few years, our renewal book is looking quite solid, and we were able to record a 30% growth in renewal premiums in Q3 FY23.

New Business Value net of expense overrun, the key metric of profitability, increased by 38% from Rs. 152 crores in Q3 FY22 to Rs. 210 crores in Q3 FY23. For the nine months under 31, December 2022, the NBV was Rs. 535 crores as against Rs. 314 crores for the nine months ended 31, December 2021. This is a growth of 71% in the nine months.

BALIC Profit After Tax (PAT) for Q3 FY23 de-grew by 8% to Rs. 81 crores as against Rs. 88 crores in Q3 FY22, mainly on account of the higher new business strain, given the higher growth in new business, and was partially offset by lower death claims.

Overall, a relatively strong quarter for BALIC.

Finally, both the insurance companies are financially among the most solvent – BALIC with 529% solvency and BAGIC with 373%. They are both well poised together any external adversity. All our businesses have further augmented their digital capabilities, which, along with greater digital acceptance by customers, should we hope, help create the foundation to deliver a strong performance in the last quarter of FY23. Both BAGIC and BALIC have seen an increase in the utilization of the digital properties by customers and intermediaries. Further details regarding BALIC and BAGIC's digital capability are covered in the investor deck uploaded on the website. I would urge everybody to go through the same in detail.

Coming to our lending businesses, BFL and BHFL.

BFL already had its investor call, and we will only broadly touch upon BFL results. Both Q3 and nine months of FY23 were excellent for BFL as the company delivered on all its long-term financial guidance metrics, AUM and profit growth, return on assets, return on equity, as well as gross and net NPA. The return on assets on an annualized basis are about 5.4% now.

Continuing on its growth story. BFL acquired 3.14 million new customers in Q3 and 8.48 million new customers in nine months of FY23. Building on this customer franchise, the number of new loans booked in Q3 FY23 increased to 7.84 million as against 7.44 million in Q3 FY22. The company's diversified business model has enabled it to record strong AUM growth, as seen from the total AUM standing at Rs. 2,30,842 crores on 31<sup>st</sup> December 2022 as against just Rs. 1,81,250 crores on 31<sup>st</sup> December 2021.

BFL continues to maintain a management overlay provision of Rs. 1,000 crores at a consolidated level for COVID and other unexpected contingencies. The gross and net NPA continued to be under control. The gross and net NPA for BFL has been 1.14% and 0.41%, respectively. BFL ended the quarter with a profit after tax of Rs. 2,973 crores on a consolidated basis, which was 40% higher than the same quarter of the previous year. The capital adequacy continues to be strong and stood at 25.14% out of which the Tier 1 capital stood at 23.28%.

One of the strong performers in the quarter has been Bajaj Housing Finance, the 100% mortgage subsidiary of BFL. It continues to do well. The AUM grew by 33% to Rs. 65,581 crores as of 31<sup>st</sup> December 2022 from Rs. 49,203 crores. Profit after tax grew by 81% to Rs. 334 crores in Q3 FY23 as against just Rs. 185 crores in Q3 FY22. For the nine months ended December 31<sup>st</sup>, the profit after tax grew 87% to Rs. 956 crores.

The capital adequacy ratio is fairly comfortable at 23%, with GNPA and NNPA continuing to be under control at 0.23% and 0.10 %.

In summary, a very strong quarter for both BFL and BHFL.

Consequently, the BFL consolidated results reflected an all-time high quarterly profit.

Now I'll give you some update on our newer companies, which is Bajaj Finserv Direct or Bajaj Market, and Bajaj Finserv Health or EBH, as we call it.

During Q3 FY23, Bajaj Markets has attracted about 84 lakh consumers on its digital platform, of which about 2 lakh became customers. This is against 80 lakh consumers and 2 lakh customers in Q2 of FY23. Bajaj Markets' lending (unsecured + secured, both BFL and partnerships) disbursement for the quarter stood at Rs. 1,175 crores as against Rs. 1,052 crores in Q2 FY23. It also sourced 62,000 cards in Q3 FY23 as against 61,000 cards in Q2. In Q3 FY23, Bajaj Markets reported a total income of Rs. 104 crores versus Rs. 56 crores in Q3 of FY22. For the nine months ended 31<sup>st</sup> December 2022, the revenue was Rs. 278 crores.

Coming to Bajaj Finserv Health - during Q3 FY23, Bajaj Finserv Health carried out 9.1 lakh health transactions, having 3.9 lakhs+ monthly active users. For the quarter, EBH had 9.74 lakh paying users with 3.1 lakh users having renewable products. EBH is also managing OPD benefits for over 250 employers, covering 2.2 lakh-plus members under this managed care services.

At the same time, EBH is powering Health Prime rider product, which is a BAGIC product, which offers OPD, tele-consultation and various other non-hospitalization benefits. I'm glad to say that this product, which was launched in January of 2022 has already crossed 10 lakh members. The company is now building wellness benefits as well as fitness, dietician, mental health. And going forward over the next two years, we will see stronger focus on those areas, moving away from illness to wellness. In Q3 of FY23, EBH reported total income of Rs. 45 crores versus Rs. 28 crores in Q3 FY22. And for the nine months, the total revenue was Rs. 117 crores versus Rs. 60 crores in nine months of FY22.

Now a brief one on our consolidated financial results, the details of which are in our press release. Consolidated total income, 23% increase to Rs. 21,755 crores. Consolidated profit after tax, 42% increase to Rs. 1,782 crores. For the nine months ended, the consolidated total income was up 18% at Rs. 58,447 crores, and consolidated profit after tax was 45% higher at Rs. 4,648 crores.

Under the Ind AS, the insurance subsidiaries have chosen to hold a part of their equity securities portfolio as fair value through profit and loss account. What this means is that the unrealized mark-to-market gains on investments included in consolidated profit tends to be volatile. Although they are unrealized, we still need to make a provision in the books. So there were -- on account of this, there have been MTM impact. We tend to call this out separately so that investors can make an appropriate judgement of all the core results.

If one were to exclude the volatile impact of MTM losses and gains, the core profit after tax would have increased by 34% in Q3 FY23 and 57% in the nine months.

This, in short, is a brief on the results for Q3 of FY23, and I will now invite questions from the participants. Thank you.



**Moderator:** First question is from the line of Avinash from Emkay Global Financial Services.

**Avinash:** I have a few questions. Firstly, on BAGIC. In terms of commercial lines, the removal of IIB cap or the floor on pricing has, in a way, sort of opened the road for competition as far as floor pricing in commercial lines is concerned. So post that, how is the commercial line pricing environment?

Secondly on BALIC, on the group side of business, particularly protection, there is a slight decline in premium. Is it coming from the GTI or credit life and is it volume or pricing-led? And also on the fund management side, of course, that business is not profitable, still what is driving this? Like many others are you also doing less business on the group fund management side?

And lastly what would be on your hedging strategy. Of course, you have FRAs and partly paid bonds. I wanted to understand how is the supply of partly paid bonds and what sort of comfort you have as of the corporate where you can subscribe to part-time also? These are my three questions.

**S Sreenivasan:** Yes. Thank you. I will just summarize the three questions. The first question was for BAGIC, where you want to know about commercial lines' pricing because of the removal of the IIB cap or a floor on pricing. The second question was to BALIC on the protection side, with a focus on group protection as well, and what are we doing on the fund management side. And lastly, you wanted a view on the FRA and partly paid bonds. I'll just pass it on to Tapan first to take the question on BAGIC. And thereafter, Tarun will land on the question of BALIC.

**Tapan Singhel:** Thank you, Sreeni. Let's understand what this IIB rate was to begin with. So GIC, our national reinsurer, had put in underwriting guidelines in terms of what to accept in its books. We said that the average claims, which is part of IIB (you can get the data from IIB) is what the minimum it will accept in terms of the reinsurance. So, it is not that the other reinsurers in the market who were free to write the risk at anything.

So everybody has their own underwriting norm. I think it's the GIC underwriting norm and in which they say, this is what they will be looking for. Now what the regulations mentioned is that you cannot put in not specific like this in terms of linking into some part of it. So fundamentally, what was the weakness in the norm was that good risk would also have to be priced if we got the lower strata. They cannot go and get benefit of it.

Now with this coming in, there would be underwriting norms in which some risks may actually get better discounts. And the earlier times also the worst of risk can be priced more aggressively. So if we look at the underwriting norms, which were set up by GIC - they are not something which is set up by everybody across the industry as it was made out to be. And as I mentioned earlier that other reinsurance do not have these kinds of norms stated there. So, in my view (let's see how the future holds up), for good risk, obviously, the pricing would get much better. And for risks which are not so good, it will remain. It has been something which is there just two three years back. That's how the pricing used to happen.

So I do not see a very huge shift in terms of fall in prices. There would be some fall in price because the good risk would be a written at a little bit better price. So that will be there, but it's not something that would be catastrophic in nature in terms of the way the prices behaved - it tumbled down completely. I don't see that happening.

**Tarun Chugh:**

Tarun here on BALIC. So the first question is around protection. I'll basically bifurcate this into two parts. One is credit life and group protection and the other is on the retail side. On the group side, we had a very sedate kind of first nine months. Largely because the partners we've been working with haven't really grown much. It's a unique situation that the partners who contribute to our significant percentage of credit life haven't really themselves grown. Market has grown faster in credit life. But on the retail side, where a lot of our focus has been, we've grown quite well, I would say. So if I just talk about the number of customers we've added, we had a 68% growth in terms of the number of customers we've added on the retail protection and that's quite healthy and quite as per the strategy that we have.

In terms of the price, that was your second question, pricing in credit life and group term life, which is the employer/employee has now stabilized -- group term life particularly has stabilized to pre COVID level. In retail protection also, whatever price hikes we have done, we are mostly done with, and it's stabilized there as well.

On the fund management side, I presume you're asking about the group employer/employee funds. It's not a very big focus business for us because the bottom line from that isn't really significant. But still having said that, it's a profitable business for us. And we expect that to grow with every deal that keeps coming in the market. It's a very lumpy business, difficult to forecast. And typically, it's very responsive to pay hikes that we see in the market, because gratuity and superannuation contributions get linked to that. It is a line of business. But like I said, it's not something that we expect to really focus on too much.

On the FRA, that is your third question, I'm asking Bharat to just respond to you.

**Bharat Kalsi:**

Thank you, Tarun. Thank you for the question. So, the questions, one is on the partly paid bond supply side as well as on the overall FRA. So I think FRA, as you are aware that it's an established practice, and we continue to follow that practice to hedge our portfolio. As far as partly paid bonds are concerned, we are already investing into a few top corporates only. But as a process, you are right to a good extent, that the supply side on the partly paid bond is less.

But what we are trying to do is that we are trying to go to the first class or the category A manufacturing companies in terms of if they are okay to issue partly paid bonds. So this is more at a discussion stage, but we will be very calibrated in terms of taking any credit risk. And hence, partly paid bond will always remain one of our key areas of hedging, but it all depends on which kind of corporates are willing to issue them.

- Avinash:** Just on group fund management, do you think the competition has intensified, particularly from the large incumbent in that segment? Is it from that reason or it is that spread is compressed by the larger player in that segment?
- Tarun Chugh:** Yes. So that is correct. The incumbent's focus has been on this. They are quite good at this and have a very good spread of corporates. Our overall fund management base for group funds remains quite healthy – above 10,000 crores. So, the overall portfolio does make money, and this is why we focus really on the bottom line here, but not necessarily significantly growing topline. We would only like to keep profitable business on our books.
- Moderator:** The next question is from the line of Bhavesh Kanani from ASK Investment Managers.
- Bhavesh Kanani:** My question pertains to the health insurance business in BAGIC. The share of retail health has been pretty low. So just wanted to get your sense on the strategic direction for this business, how do we look at the opportunity there, the profit pool, whether it interests us? And if so, what can be expected in terms of future growth from this business?
- S Sreenivasan:** I'll pass it on to Tapan to take that.
- Tapan Singhel:** If you look at retail premium for the industry also, it is not the leading business. It will be mostly Group Health, Government Health and then Retail Health - that is how it is structured as. Coming to BAGIC, in the COVID times, we had gone slow on Retail Health, because it was very uncertain. If you see the losses happening in the health portfolio, it's very high. The price corrections are not happening at the speed that it should be. But if you look at it when the market has corrected prices to a large extent on the Retail Health basis, and we also have done some correction on it, as we have mentioned last time.
- And now if you look at our focus, we have been growing with Retail Health. So we would remain focused on that. It depends how the market conditions were. COVID at the time had huge uncertainty -- and that time, we preferred to go slow compared to the market, simply because it is not very clear as to how the health portfolio would play out. But now if you look at it, we are again growing in health portfolio, and we are focusing on it.
- Bhavesh Kanani:** Any targets or any road map you have in mind of what kind of contribution you would look to get from the retail health?
- Tapan Singhel:** For us, it's actually a very similar strategy. We are very agile. Whatever looks good to us, we grow that more than the market. And what we find is not giving us good returns, we slow down as compared to the market. And you can see in motor itself, commercial vehicle at one time was giving us good returns, and we grew over the market. Now if you look at the commercial vehicle segment, it is much lower than the market. We don't try to fix targets and just go for it without looking at how the market behaves. So that is why we're able to keep our motive very clear. Number one is customer obsession - some of the products are very customer-centric.

And I would like to mention the product we came out with to solve the elderly care issue with respect to health. We have set up an IoT fall detection, a call center and ambulance to pick up an elderly, in case something goes wrong, from their home and take them to a hospital to be treated.

Even before the call us, on our own we get a call from the fall detection to our call center to pick them up. So we keep on pushing boundaries for customer excellence. We heard Sreeni's opening talk also, we came out with OPD, also a very strong product, in collaboration with Bajaj Finserv Health. So we keep on pushing bond in terms of customers servicing in excellence. That's the first thing that we keep on to and we'll keep on doing that as we progress also.

The second thing that our obsession is, as I mentioned to you, that we will go over the market if we feel the market is conducive and which is there. So we don't try to keep targets on it. The obsession with the customers or with innovative products that is useful to the society. We'll keep on doing that as we progress further.

**Bhavesh Kanani:** Any sense on where we are in terms of investing for expanding the retail health business? Any investment plans you can share?

**Tapan Singhel:** Yes. So if you look at our distribution, we are expanding to Tier 2, Tier 3, etc. - we have a plan. So as we expand distribution, predominantly the 2-3 lines of businesses get pushed, one is Motor and another one is Health. So you will see this happening with the expansion of distribution. So that is a clear investment that we are going ahead with and which we have been doing consistently.

**Bhavesh Kanani:** And last bit, what in your sense, is a sustainable ROE for retail health business?

**Tapan Singhel:** Retail health has been an interesting thing. And it's a good question. If you look at across the industry, currently, the profit in the retail health portfolio comes from new business. So any company which is growing new business aggressively has a lower loss ratio, and the old book has a pretty high loss ratio. That to me is not a business which is sustainable. All years and all books should be on a profitable basis, that's the way we look at it. And currently, that has driven a lot of the companies to grow under pressure very aggressively, because that makes books very profitable.

If we look at the loss ratio for the third or fourth year of their books, it will not be profitable with combined ratio of over 100. So fundamentally, if you look at retail health, I think the balanced pricing and solutioning, is what will give good ROE. Our obsession has always been to have a combined ratio, which should be close to 100 in a market like this. And that is what we keep on targeting for all lines of business.

**S Sreenivasan:** Just to add to what Tapan said, while there is a lot of focus on retail health, retail health as Tapan pointed out has a fundamental problem that everybody is depending on new customers coming in or price increases to be able to keep up with the deteriorating loss ratio as the customer profile

ages. But the group health is an important thing. And at BAGIC over the years, when we have felt that the market was not conducive, we have slowed down. But when the market is attractive, we have been more aggressive. Whenever we get business on our terms, we take it. And overall, in our group health, now we are able to operate it very profitably with a combined ratio of below 100%. And that is also growing at 40%.

So clearly, when we look at the overall health spectrum, it is about how much of the payments that you control, including group and retail - that is an important metric, and BAGIC stands fairly high in the pecking order on that. As the health insurance market evolves, I think both will have an important role to play. And in group you do have a chance that every year you get to re-underwrite the business. So it's not subject to acquiring new customers only. And it's also very service-sensitive being an employer/employee benefit. In both of these, BAGIC continues to invest and be strong. And we think that overall health business is doing quite well.

**Moderator:** The next question is from the line of Sanket Godha from Spark Capital.

**Sanketh Godha:** Sreeni, I have the first question for you. Just wanted to get your view on the composite licensing, given how Bajaj has both life and general insurance and where the ownership is common. So how do you see this composite license coming out, whether BALIC will compete with BAGIC on health, if they choose to do health? The broader idea, what you have on composite license? That's the first question. Then I have specific questions on BALIC and BAGIC, if you can respond to that?

**S Sreenivasan:** No, broadly, this is just a proposal now, empowering IRDA to create some classes of business and to offer licenses on a differentiated basis for people who want to do only certain class of business or more than one class of business. I believe that is now being under discussion with a large group of stakeholders. And we'll have to wait and see the final control before we take a call.

So at this stage, we cannot comment on whether it is a good thing or a bad thing. Clearly, prima facie, it looks like there are benefits of cost by sharing our branches and sharing of people. But at the operating level, at the risk level, I think the two are completely different businesses. So it's not necessarily that just by combining the two, you actually get a superior business. And there is an accumulation of risk across health and life. For example, when the person falls sick and they die, you end up paying much more than when a person's insurance is done by 2 independent companies. So there are pros and cons broadly, but we are studying this in detail, and we are studying practices across the globe. In some countries, life and health are together. In some countries like US, health companies are independent. In some countries like India, health has traditionally been for the non-life companies. So there are multiple models, and we will be studying all that and taking a view if and when it becomes law.

**Sanketh Godha:** Now on Bajaj Life, the question which I have is that if I look at the third quarter growth, the Axis Bank as a channel has grown lower than the company average only for the third quarter. I wanted to understand that now the market share story in Axis is almost over, and the growth will

be more in line with the channel growth. And then also just wanted to understand that whether you are seeing some kind of a pressure with respect to deposit mobilization target by the bank, and that is getting reflected in bank channel growth. Because overall, the bank channel growth has been lower compared to the company average.

The second point which I wanted to ask is that we had a pressure in deferred annuity business in the second quarter. We see the same pressure continuing in the third quarter too. So is there anything to read here, because the other larger companies have also launched that particular product. Is it because of the competition or some other reason, that's leading to slowdown in the deferred annuity?

**S Sreenivasan:** Yes. I think I'll pass it on to Tarun. One question was on bancassurance and Axis and is there a slowdown in growth, and if so, what is the way forward? And second question was whether the deferred annuity business de-growth was because of competition or was it a deliberate strategy of the company.

**Tarun Chugh:** Sanketh, thanks for the questions. The question specifically on Axis - we've maintained our market share in Axis despite not having an equity stake from there. I think that will continue. We expect our market share to hover around the current levels. In terms of the fact that whether the growth will mellow down - yes, it will grow as per the growth now of the bank and productivity that we're able to get. Of course, we always keep pursuing other white spaces where we can help the bank grow its third-party income business, and that work will always be on. That is what will decide the growth of Axis in the future. This quarter particularly was the quarter in which the base effect kind of annulled itself. Hence, particularly in December that came back to play.

As far as the deferred annuity is concerned, I know you're talking about the pressure, but honestly, as far as we're concerned, we were the market builders, we were the first ones to come up with a different equity. There is a lot of real memory about that in the market. We wanted to balance out our product mix in the quarter before. And that pressure of balancing out is now absolutely out of the window, so it's not a problem at all. And we will be back to doing as much as we possibly can in the annuity business. It's already growing at a healthy rate. And it has grown almost by 45% over the last 9 months (on New Business basis). I think it's back in action there and not an issue. The market recognizes who was being and we will keep getting that benefit. And we will be innovating further in this product.

**S Sreenivasan:** I think over the last 2 years, you must have seen that BALIC has expanded its bancassurance portfolio. We have IDFC First, City Union Bank, DBS, now we have added Punjab & Sind Bank, and J&K Bank. Typically, these are banks that are going to take some time to see some momentum, maybe a year or two. And we have started building a more diversified bancassurance portfolio and that effort will continue over the next few years.

**Sanketh Godha:** And the last one on Bajaj General, Motor TP loss ratio in third quarter has improved compared to what it was in first half. But 82 percentage seems to be still on the higher side compared to

what we have reported in historical part. Sir, I just wanted to understand that given the competition is not reporting these kinds of numbers, do we see a release happening in fourth quarter or in subsequent year, maybe because of our conservatism?

And secondly, the motor vehicle act benefit - given the Madras high court judgment has come - if you bake in that benefit, what is the likely improvement you can expect to happen in motor TP loss ratio or overall combined ratio for the company?

**S Sreenivasan:**

Before I pass it on to Tapan or Raman, let me just highlight that motor TP loss ratios quarter-on-quarter can be volatile. Historically, we have published our triangles, and you can see that we are generally reasonably conservative in our provisioning without being excessively prudent. And we will continue that strategy. We do not comment on what competitors are doing as a rule. Although we track them, and we know some of the numbers in greater detail that we studied from their public disclosures. But I think by end of the year, we will have a clearer picture.

We, as a rule, do not do big reversals at end of the year normally. And unless there is an actuarial reason to do so, as we build in enough margins for adverse deviation, we build in enough provisions for inflation and claims, we also build in provisions for any changes due to regulations such as the motor TP and the development thereafter.

Now I'll just hand it over to the management of BAGIC to add any other points they feel.

**Tapan Singhel:**

Thank you Sreeni, I think you covered it. It is a very relevant question. If you look at our overall combined ratio and you look at the reserving, then you get a very good comfort that as a company, we are very well reserved. And in spite of reserving very well, our combined ratio is also among the best in the industry. That is the first statement that should clearly come out from your question that you asked.

Now coming to the point that why is it like this? Now the claim inflation that we see in TP and then in the COVID time all of the courts were shut down. So it is not very sure in terms of how the number of cases, which we are carrying will play out. So obviously, we have to keep all that provision to perspective. One was inflationary impact. Second was the impact of court closure in the COVID times. Also, the trend that we see in terms of the loss ratios. So it's a full science in terms of how the reserving here would be done. But at no point in time do we want to be in a scenario where we would be under reserved. So, it's better that we take care of our reserving by taking into consideration all parameters and adding it well.

Now regarding the court cases that you're talking about, if it becomes a trend, then obviously, the long-tail TP becomes a short-tail which has 2 impacts. One impact will be in terms of your reserving, it actually becomes more clear - because in short tail, you won't have the vagaries of long-tail prediction as to how it is going to go. It will bring to the results a lot of clarity of how the loss ratios will move. That is a good part.

The other part will be impact on the reserves that companies have for investment. That will start coming down. So while you do this calculation, you should also see that perspective that in the short tail, a lot of money which companies have is the third-party money which is there with them. So that starts coming down. So that's a very interesting play, which will happen, but we will still wait and watch how it plays out. But I think it will be very good for the customers. it will eliminate a lot of fraud, and it also will ensure speedy justice. So from a customer perspective, it is very good. We welcome this if it happens. I hope we were able to answer your question.

**Moderator:** The next question is from the line of Bharat Shah from ASK Investment Managers.

**Bharat Shah:** I have two questions. One, on the life insurance, that's more of a suggestion. On the life insurance, if we provide complete EVOP walk on a quarterly basis, while not many do that, it will give a much better insight into the evolution of the character of the business - and how the past and the present, we can correlate a little better when the data is available. In absence of that, the data doesn't really become complete in itself.

On general insurance, when we see over the period of time that the character of the industry is much more focused on growth rather than growth along with profit and capital efficiency, how does it impact you as a player? Either it affects your growth, or it affects your capital efficiency, if you have to mimic the way industry is doing. Therefore, with the evolution of the character of the general insurance industry, it has an impact on the way you will perform. So just wanted to get your thoughts on this.

**S Sreenivasan:** Yes. Bharat, I will take it first half before passing on to the insurance company management. I'll take the general insurance question first. I think globally in general, insurance as you see there are 2 types of players people who seek to grow market share, and they define market share as gross written premium. And there are a few companies, maybe not more than the top decile, or top 2 deciles of companies, which actually delivered double-digit ROEs on a sustainable basis. I think in last few years, we have seen many disruptors entering the market. But if you see the combined business they have return in terms of premium, whether it is in US or China, these are a very small proportion of the market, right now will not be even 1% of the market.

So clearly, this is a business which is long term. Quarter-on-quarter, year-on-year, there can be volatility on claims. It is exposed to very large Act of God risks. And therefore, what our approach has always been to follow what is prudent, underwrite well, select business well. In terms of certain businesses, especially asset-based businesses like motor, pricing can play a big role because most of the young companies start with writing motor business. That's the easiest to write and sell. Which I think, at some point, they will run out of capital.

The point is do we want to acquire customers knowing fully well that we will lose money, or do we want to write business where we see a visibility of profit? It is possible that some businesses may not deliver profit in the first year, but if we see that over 3-4 years, we have a sustainable business to be delivered there of a reasonable scale, then we would go for that. I think the



company has a very detailed long-term planning and AOP process. And it is very dynamic. What you do today and select or deselect may change, maybe 6 months down the line. If the market conditions change, as some people withdraw or some people get more aggressive. In terms of expansion, I think Tapan can explain in better detail what the company plans to do, but this is largely my question.

On the life insurance front, yes, we have started disclosing the EV and the EV walk in great detail on half-yearly basis and not on quarter-on-quarter basis. We're also showing the 12-month rolling EV just for information. The reason we do that is because while the life business is very seasonal, with a large amount of business being written in Q4, and to some extent in Q3. But the first 2 quarters are generally very tepid. At the same time, the fixed expenses are stretched throughout the year. So quarter-on-quarter, EV will not be probably a good measure, or give an indication as to where the year might end at. Because in the last quarter, pretty much there are no extra expenses. Expense overruns are very well under control, that is the reason. However, if it is useful, we will consider publishing that from next year. We will discuss internally and take a call on that. We will do whatever the market is doing, and therefore, we will be aligned with that.

Now I'll pass it on to Tapan, and then to Bharat or Tarun to take the questions.

**Tapan Singhel:**

I think you gave a pretty valid answer in terms of how it should be. So our philosophy from the very beginning has been a balanced growth. We would be among the large companies. Having done this also, we have sustained this over so many years. It has never been a year in which we think is very comfortable in terms of the market behaving perfectly well for you to grow. So if you see for us, this is normal business. I don't think that we worry about the market behavior in terms of sacrificing the profits for growth. I think it doesn't worry us, because we have seen this for many years. What we are obsessed about and what is our philosophy is what we continue to maintain.

As I said on philosophy, that we should be one of the most customer-centric companies in the country. We should be one of the best claim settlers in the country. And if you look at our record, with close to 13 crores customers, and with the least grievance ratio as per IRDA website consistently for quarters together for over a decade. If you see these numbers, then you see that our philosophy remains the same - that service the customer very well, in a way to the best in the market come out with very customer-centric products. And we focus about growing business, but in a balanced way where you don't lose sight, that the balance sheet gets so upset that you really cannot sustain a company.

So we are building a company for hundreds of years. We're not building a company for a short-term basis. And in that, I think the market conduct of behavior, which to us is not comfortable has no impact on our strategy in thinking. We continue doing so. We continue investing into reaching deeper routes into the country. Our obsession is that today, if I divide by a number of customers to the total population of the country, we will be present in about one in four

households. So how can reach every household going forward in the country? How can we serve every Indian is what our philosophy is.

If you look at our philosophy they are very long-term. They're not very short term or in the next quarter philosophy that we have, and we will continue maintaining our strategy aligned to a long-term philosophy. To answer your question in short, our market will always be behaving in a certain way, and it's perfectly fine. I think that is why it's interesting for us to look at our business and continue to win, but not losing sight of our philosophies of how we want to build our business.

**Bharat Shah:** Yes. So in short, what you are saying is adverse or inferior behavior of some of the players in the industry will not cause damage to our long-term philosophy.

**Tapan Singhel:** No, sir, we should not worry about how others behave. In our personal life also and in business also, I think our obsession should be how we behave, what kind of character that we have and how do we keep on building on it. The market will keep on changing. I don't think we should be very worried about how the market plays.

**Bharat Shah:** Great to know that, because at times you develop a concern, whether in the quest and competitive behavior, will it alter the way we want to pursue the things that are. And on EVOP walk, the idea was not merely to get a quarter-to-quarter insight. It is basically to get insight into how the company is doing the business over the period of time. And therefore, compare the past to the present, then basically see how the future is shaping up. It's more from the perspective that when you have a series of data points of the period of time, you get a better judgment as to how the company is using its own insights appropriately.

The other question is that if we reflect over last few years, what are one or two things, both for life insurance as well as general insurance, in our opinion, that we could have done faster or better?

**S. Sreenivasan:** I will answer that question. In general insurance, what we have done exceptionally well is our very strong bancassurance tie-ups. We have added more than 240 partners. Most of the bancassurance business is commercial. And we have been growing those lines much better than the market. And we believe in the long run, commercial lines are a very important component of a P&C portfolio. They give both property and casualty business, as you say. And it also gives you large exposure to MSME and SME business, which otherwise is very difficult or very expensive to acquire. That is one definite plus point.

Second is the overall balance of the portfolio. We have not shied away from any line of business or any distribution channel. We are fairly strong players in bancassurance, we have a strong multiline agency network. We have one of the strongest OEM tie-ups for new cars. We also have a strong presence in the e-commerce led businesses. We do small ticket mass business, we do large ticket corporate business. We have outstanding reinsurance network as we believe. And therefore, these are some of the very good things which have been drivers of profitability.

What we could have done better in my view is that there could have been a little bit more traction on retail health. We still are not very clear about the profitability model for retail health because it does not generate float and you have to operate at about 92%, 93% combined ratio in order to be able to deliver a superior ROE -- that at the moment is not available in the market, and it is an aging portfolio. The prices, while not controlled, are still subject to approval by the regulators, and there is a big social impact there.

So in terms of health, as I explained before, we have done exceptionally well in group health business, which today is delivering a combined ratio below 100, and growing at more than 40% in this quarter. Overall health, both group plus retail, we have become one of the largest players in the market. As long as we are the strongest player, over time, we should be able to demand better terms from hospitals. At the moment in India, the insured use of hospitals is much less than the noninsured use. And therefore, internal companies tend to pay much higher than what individual pay for the same claim - that has been our experience. If you look at COVID, the average COVID claim was about Rs. 1,15,000 for the market as per IRDA's complete statistics of the market. At the same time, the non-COVID claims are hardly Rs. 60,000 to Rs. 70,000, which includes your cancer, cardiology, etc.

So clearly, there has been some aberration because of that. It is an area where we are now investing. We are now looking at continuously look at profit pools and the larger cities, we believe, is where competition is so intense that we need to use our financial strength, our balance sheet and our customer service to be able to expand our business into Tier 3, Tier 4 towns. There are a lot of regulatory changes, which may enable us to do that in terms of single composite limit for expenses.

There are going to be some digital properties like Bima Sugam, Bima Vahak, and we already are present in many of those markets - through crop insurance through our rural and other outreach businesses, etc. So we think this wind of intense price competition will correct itself over time. In the meantime, we have to continue to do what is good.

One good thing feature of us is that even in the last 4 years, our share of the industry's profit continues to be very strong. We probably deliver more than 30%, 35% of the industry's profit even today. And that is very important for us. Our solvency is very strong. Today, BAGIC itself has a surplus capital of more than Rs. 5,000 crores, and they are looking to increase dividends as we go along. So I would say retail health is an area where we want to focus and rebuild. The other areas where we want to maintain our strength are the corporate and commercial businesses. On motor business, we want to be cautious and focus more on 2-wheelers and select parts of commercial vehicle business and older private cars.

In terms of life business, I think pretty much everything has worked. We have used our surplus capital to good effect to build an industry beating performance over the last few years. We have gone from a negative margin after overruns to a significantly positive margin. Our NBV (New Business Value) has been growing for the last 4 years much faster than our premium, which itself was growing significantly above the market. We have built a strong proprietary sales

platform. Our agency is now delivering double-digit margins. And in terms of bancassurance where we had practically nothing to speak of 5 years ago, we have now a set of partners.

Clearly, what we could have done better is probably on the term life, which is a high-profit product where we could have probably done better. Unfortunately, COVID took us back, but that is just a reason for not doing it. We could have done it maybe 2 years before or later. But now the company has a defined focus, as Tarun explained, on pushing the percentage of term into the total. There are a lot of risks associated with them, especially writing whole of life and long-term businesses, because there is always the pressure of under pricing and then the claims hit you after a number of years. But we have very strong reasons to believe that reasonable traction can be obtained on term, which can alter the market.

So in terms of balance, they have done remarkably well. In terms of building more tie-ups on the institutional side like bancassurance, it is still work in progress. I don't know whether we could have done it faster. But definitely, we will continue to focus on that. And thirdly is to improve the efficiency of operations where we believe there are some pockets where we can further improve the efficiency and deliver a better result. So lastly, this is how we see it. Unless Tarun and Tapan want to add something to it.

**Tapan Singhel:** Sreeni I think you have given a very good summary.

**Tarun Chugh:** I agree.

**Moderator:** The next question is from the line of Nidhesh Jain from Investec.

**Nidhesh Jain:** On general Insurance, we have been doing 20% ROE in the past. Now the competitive intensity, I understand is quite intense in the motor segment. Probably because of that ROEs have now dipped to the 15%-16% for the 9 months. So in your experience for how long this competitive intensity is likely to remain, and consequently, when do we see ROE trajectory improving to 20% level that we used to see in the past?

**S. Sreenivasan:** I will take your question's first half. I think 20% is a number. I would not really say it is competitive pressure that has reduced the profitability. I think we have had 2 years of COVID claims in which BAGIC did very well to have lower percentage of exposure to COVID claims than their overall market share in retail and group health. And now I think as the market came back, there has been sort of pent-up demand or in terms of cars on the road are at an all-time high. The risk of driving has increased substantially. The non-COVID health inflation has got up quite a bit. And there is that onetime effect in this year that you have seen in terms of claims, as we explained very well in Q1.

This obviously cannot sustain, and we did increase price just before COVID as part of our normal actuarial increases. And we believe some of the other competitors will now be forced to look at price increases. It's what was reported in the press. As they increase the prices, that will also stabilize. So therefore, I do not see that this year it is 15% and next year it is 20%. This is a very

volatile business. Globally, if you see, nobody makes consistent ROEs in the business unless they give up growth, there's no such profit pool available. It is a market which follows what is called the underwriting cycle.

The underwriting cycle globally is very well known of a period of high prices, and then losses mounting and then prices hardening, and therefore, companies soften on growth. In terms of the reinsurance market, you've had a lot of companies going under as well. And then the market corrects itself. It's completely different from the investment cycle or a business cycle. And this is the beauty of the insurance business.

And therefore, the cycle has to play itself out. In a retail market, where new competitors are entering, obviously, price competition will be felt in the easy to sell businesses. And therefore, one has to look for alternatives and come up with those lines in a more profitable manner and build the right skills, capabilities and risk management. Our endeavor is to do that. I do not say that we have reached where we want to, but it is work in progress.

And through our long-range planning and annual operating plan process, we continue to improve. Substantial improvements have been made in digital outreach to customers in terms of digital experience and claims, and we will see as we go along. We also are now focusing a lot on loyalty in general insurance. General insurance customers globally are very fickle - the best service does not necessarily mean that there's loyalty. There's a combination of service and price and engagement will deliver that. And that project, you will see will evolve over the next 2-3 years in a more meaningful manner to all our premium customers.

**Nidhesh Jain:** As a follow-up, do you see any signs of price hardening and cycle correcting over the next 12-18 months? Or still there are no signs?

**Tapan Singhel:** I think that we have to wait and watch now. If you again look at the industry overall, I'll take it to year 2007 when repricing happened for most of the lines of businesses. That time the industry had been operating at a combined ratio which was not very good for years. So as I mentioned earlier, I think that there will be cycles, but it has to some way settle down. But will it happen in the next 12 months, I cannot comment on that because you have to wait and watch how it goes. So, it depends on the appetite of people, or the capital that they have, the strategy of how they would like to behave in the market. So, it will be difficult for us to predict in terms of how the market would behave in terms of price correction in the next 6-12 months.

**Nidhesh Jain:** Secondly, on life insurance, we have seen pretty robust growth in retail protection in this quarter, while peers are not able to show growth. So, what have we done differently which has led to such sharp growth? And how is the growth outlook in retail protection for FY24?

**Tarun Chugh:** Yes. So yes, we've grown faster than peers, and I think we shall continue to do that. I think you should expect that to be bare minimum for BALIC. What has really worked for us is really the way our Agency and the BALIC Direct channel has particularly ramped up. And of course, on Institutional Business, the scale-up has been happening for a few years. And going forward,

retail protection, which has become a strong part of our direction to move ahead with being more and more prominent. I think that's where we want to really make a difference.

Underlying all of this growth, I think the big thing, which is not getting picked up so often is the number of policy growth that we've had. That was the one question I was asked about 9 months back. It was something we wanted to correct, and that was the one thing we wanted to correct. And while a lot of insurance companies are focusing on increasing per policy ticket size, we maintain a robust ticket size per policy. But scale of customers, the number of customers we add, is something which is critical. At the same time, keeping our ticket size growing with inflation, and that is what is more and more to expect of us in the future as well.

**Nidhesh Jain:** And lastly, just 2 common questions for both companies. Commission is expected to be deregulated for both general insurance and life insurance next year. So, do you see any implication for our business because of that? And lastly, Bajaj Finance has come out with long range strategy where they've shown aspiration of over 5 years. Do you have plans to share similar long-range strategy for life insurance and general insurance business?

**S Sreenivasan:** Tapan, would you like to take that first?

**Tapan Singhel:** Thank you, Sreeni. So, I think it's a good move in terms of the regulation of commission. Because typically, if you look at when this commission regulations were established, it was in an era in which the only distribution was agency. So now you have different distribution like banca to direct to web -- some will require more commissions, some would require more expenses to be added, and that should be left to the companies to decide how to play out within the expense of management limit. So, I think that's a very progressive move by the regulator, and it is going to benefit in terms of establishing different modes of distribution, put in together.

So I don't see it as a major impact coming through in terms of our strategy of lines. But I think it's a very progressive step, and we welcome that going forward. And your second question was on?

**Nidhesh Jain:** On the long-range 5-year strategy.

**Tapan Singhel:** Bajaj Finserv as a holding group, along with the group companies, engages in setting up AOP for all the group companies. I think that's a phenomenon that we do it together. And whether to disclose or not, that's a call we can take later. But to give you an assurance that every company in Bajaj Finserv group of companies has this long-range plan which they would be establishing every year.

**Nidhesh Jain:** On Life insurance, do you expect any impact because of commission regulation?

**Tarun Chugh:** See, I think it was quite well answered by Tapan already. I think the only added it to all of this in the EoM guideline, which doesn't seem to catch people's eye is the positive. While capping the EoM very much at the current limits, there is a provision in the new EoM guidelines. Let's

see how they come out, but that's there's a provision there, where for any reduction in EoM we have, a portion of it has to result in benefits going to the customer.

I think this is something that most people miss out on. I think it's a very forward-looking step that IRDA has taken. And so, it's not that something you want to give extra to the distributor after that matter or even the company would want to keep. But IRDA is interested that a part of that has to go to the customer. I think all of that envelope is the pretty positive progressive movement from IRDA. It will help the life insurance sector as well.

**S Sreenivasan:**

If I can just add to what Tapun and Tarun said, what will happen in the expense cap is, let's say, there are people who come into the market and who want to gain market share. Today, they spend a lot on expenses, and try to gain market share and whatever that is easier to sell first and then they graduate on to more complex businesses. It's typically the strategy of any company that is in LI or GI.

Now with the expenses being capped they get some delay for the first 5 years. But thereafter, they will have to then focus on good underwriting. Which means that the only way they can take market share away is not by spending more money, but it is by taking more losses - either you underprice or pay higher claim ratio or take higher guarantees or whatever, depending on the type of business. That is a recipe for disaster, because that is like saying that the bank will take market share by taking a lot of credit losses, but by keeping its opex under control.

I don't think any financial institution can work like that. Similarly in insurance, it cannot be like that. And ultimately, whatever the limit is, the companies have to spend a big portion of that in customer service and managing grievances and managing third-party courts. And depending on the business, there are a variety of things that they need to do. So therefore, this will in the long run, support businesses building good brands over long run, building quality business, focusing on customer value, customer service and customer engagement. In the short run, there will be a lot of disruptors and tailwinds, and we just have to see that we tackle them properly.

**Moderator:**

Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to Mr. Sameer Bhise for closing comments.

**Sameer Bhise:**

Thank you, everyone, for joining this call today. And also, a big thanks to the management of Bajaj Finserv Limited for giving us this opportunity to hold the call. We will end the call here. Thank you so much.

**S Sreenivasan:**

Thank you all. Thank you, JM.

**Moderator:**

Thank you, on behalf of JM Financial that concludes this conference. Thank you for joining us and you may now disconnect your lines.