Ref. no.: GIC-HO/BOARD/SE-Q1-IMP/141/2024-25 14th August 2024

To,

The Manager	The Manager
Listing Department	Listing Department
BSE Limited	The National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Tower	Exchange Plaza, 5th Floor, Plot C/1,
Dalal Street	G Block, Bandra Kurla Complex
Mumbai – 400001	Mumbai - 400051

Scrip Code: (BSE – 540755/ NSE – GICRE)

Dear Sir/Madam,

Sub: Transcript of conference call held with Investors and Analysts to discuss the unaudited financial results for the quarter ended 30th June 2024

In compliance with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Transcript of the conference call held with Investors and Analysts on Monday, 12th August 2024, to discuss unaudited financial results for the quarter ended 30th June 2024.

This is pursuant to and in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable laws.

Kindly take the above information on record.

Thanking You.

Yours Sincerely
For General Insurance Corporation of India

Suresh Kanubhai Savaliya
Digitally signed by Suresh Kanubhai Savaliya
Date: 2024.08.14 17:25:49 +05'30'

Suresh Savaliya
(Company Secretary & Compliance Officer)

भारतीय साधारण बीमा निगम
(भारत सरकार की कंपनी)
General Insurance Corporation of India
(Government of India Company)
CIN: L67200MH1972GOI016133 IRDA REG NO.: 112

'सुरक्षा', १७०, जे. टाटारोड, चर्चगेट , मुंबई ४०००२०
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General Insurance Corporation of India Limited

Q1 FY '25 Earnings Conference Call

August 12, 2024

MANAGEMENT: **MR. RAMASWAMY NARAYANAN – CHAIRMAN AND MANAGING DIRECTOR – GENERAL INSURANCE CORPORATION OF INDIA LIMITED**
MR. RAJESH LAHERI – DEPUTY GENERAL MANAGER – GENERAL INSURANCE CORPORATION OF INDIA LIMITED

MODERATOR: **MR. BINAY SARDA – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to the General Insurance Corporation of India Q1 FY '25 Earnings Conference Call. 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. Binay Sarda from EY investor relations. Thank you, and over to you, sir.

Binay Sarda Thanks, Neha. Good morning to all the participants on the call, and thanks for joining this Q1 FY '25 earnings call for General Insurance Corporation of India. Please note that we have mailed out the press release to everyone, and you can now see the results on our website. As well, it has been uploaded on the Stock Exchange. In case if you have not received the same, you can write to us, and we'll be happy to send it over to you.

Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results of this quarter and answer our questions, we have with us the management of GIC represented by Mr. Ramaswamy, Chairman and Managing Director; and other top members of the management. We'll be starting the call with a brief review of the quarter gone past, which will then be followed with a Q&A session.

I would now like to hand over the call to Mr. Ramaswamy. Sir, over to you.

Ramaswamy Narayanan Good morning, everyone, and thank you for joining us in this call. I'm pleased to announce the financial performance for the first quarter ended June 30, 2024. While you would know the past year has been a period of unprecedented challenges for the reinsurance industry, a relentless barrage of catastrophic events had tested our resilience and expertise, yet within this turbulent landscape, opportunities have emerged.

And at GIC Re, we believe that the essence of the reinsurance business lies in spreading risks and effectively managing our overall portfolio. While we acknowledge the inevitability of catastrophic events, our focus remains on managing these risks prudently. To this end, we have made concerted efforts to derisk our portfolio by diversifying across various classes of business. This strategy ensures that, even if one particular class underperforms, the impact on our overall book is mitigated by the positive performance from other classes.

Our continuous focus on rigorous risk assessment and disciplined underwriting practices has resulted in maintaining a healthy combined ratio. This quarter, we achieved a combined ratio of 109.6%, reflecting our commitment to enhancing our operational efficiency and managing risks effectively.

Let me now take you through some of the key highlights of the financial performance. Gross premium income of the company was INR12,405.68 crores for Q1 FY '25 as compared to INR8,917.71 crores for Q1 FY '24. The investment income stood at INR2,758.99 crores in Q1 FY '25 as compared to INR2,559.31 crores in Q1 FY '24.

Incurred claims ratio stood at 89.8% in Q1 FY '25 as compared to 95.1% during the corresponding quarter of the previous year. Combined ratio in Q1 FY '25 stood at 109.6% versus 118.47% during the corresponding quarter of the previous year. The adjusted combined ratio by taking into consideration the policyholders' investment income works out to 92.97% for Q1 FY '25 as compared to 95.97% in Q1 FY '24. Profit before tax stood at INR1,393.16 crores in Q1 FY '25 as against INR935.18 crores in Q1 FY '24. And profit after tax stood at INR1,036.36 crores in Q1 FY '25 compared to INR731.79 crores during the corresponding quarter of the previous year.

Solvency ratio stood at 3.36 as on 30/06/24, as compared to 2.88 as on 30/06/23. Net worth of the company without the fair value change account increased to INR38,635.23 crores on 30/06/24, as against INR32,984.27 crores as on 30/06/2023. Net worth of the company, including the fair value change account, increased to INR85,926.02 crores on 30/06/24 as against INR69,650.29 as on 30/06/23.

On the premium breakup. Domestic premium for Q1 FY '25 is INR10,360.63 crores, and the international book is INR2,045.04 crores. The percentage split is domestic 84% and international 16%. As you have seen, there is a growth in the domestic premium, while the international book has decreased.

It has been our constant endeavor to bring down the combined ratio of our book and enhance our overall performance. We remain optimistic about our future, supported by an improving external environment and our disciplined approach to managing our books. Our broad portfolio diversification continues to position us well for sustained success. As we look ahead, we remain committed to executing our strategy and delivering value to our stakeholders.

I also have the pleasure in informing you that since our last meeting, the company has two Executive Directors now: first one, Mr. Hitesh Joshi, whom you are aware, he was earlier GM in General Insurance. And we are also joined by Ms. Radhika, who was earlier General Manager, United India. GIC hopes to leverage on their experience and knowledge to further our business performances.

Having given the highlights, now we will open the floor for questions from interested parties. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session The first question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Yes. Thank you for the opportunity. Sir, my first question is on your overseas combined ratio. Last year, you highlighted that you largely provided for the marine exposure, which was old book. But if you look at the numbers even today in the overseas business in marine line, which is cargo and hull put together, it is more than 500, 600 percentage, so still some provisioning with respect to this business is left over, which is still haunting your overseas combined business? That is my first question.

Ramaswamy Narayanan: Okay. Do you want me to answer now or wait for your rest of the questions?

Sanketh Godha: Okay. I can -- and second question is on growth, sir. Sir, basically if I look at the numbers, the health and agri did meaningfully very well. How to read the numbers? Is it just a recognition change that the crop was returned more in the first quarter itself and that's why you recognized more? Because last year, we wrote around INR10,000 crores of crop -- whether a similar trend will happen or we have changed the strategy to take more crop exposure in the current quarter; and equally whether it is true with the health business? If you can answer these two questions, I have two more, then probably I will ask.

Ramaswamy Narayanan: Yes, sure. So the first question, Sanketh, and thank you for your interest. On the overseas combined ratio and how marine is still haunting that. Yes, we have made our provisions, but if you see, what has happened is, effectively the premium has come down. Now we need to just understand this a bit. This after all is a contract that we stopped writing in 2021. But yes, it is long tail, so what has happened is the claims have come later. But premiums have also been coming, though not in the range that when we were actually writing it. This year, the premium has completely stopped. At least in the first quarter, we have not seen any premium from that particular contract, so which has basically affected marine and motor.

If you see the marine and motor premiums, you would see that it has shrunk -- both have shrunk. And basically the reason is premium which used to come from that one particular contract that we wrote in the US has completely stopped, at least in the first quarter. And the moment the premium becomes negative -- or the premium growth becomes negative and the claims continue at the same range, you would see that the combined would go up. And that is what we are seeing here. I think our provisions with respect to the contract is quite good, but we have paid some claims, which we have reflected in those accounts.

Second, on the growth, but I would like to essentially tell you that when you look at the growth this time, it essentially looks like a 40% growth, it's actually not, and I'll tell you why. Last year, around the same time during the first quarter, IRDAI has changed the estimation policy. This meant that we really had to adjust our book in the first quarter last year to take care of that, which meant the first quarter premium last year was quite low compared to what it should have been, which is why when you look at the premium today that we have shown for the current year, it looks as if we have grown 40% year-on-year.

It's really not that, it is just because of the adjustment. And basically, to a great extent, that adjustment was on account of agriculture where the estimation was slightly higher, which we needed to scale down last year. And that is why you see as if agri has grown. It's not really grown much. We continue to remain very cautious in agriculture. And we may possibly end up writing almost the same or maybe slightly more compared to last year. I don't see a major change there.

Health different story, altogether. Health, we have grown. And like I said in my earlier talk also, and maybe I would have talked about this during the May earnings call also, that we really do want to spread our books to ensure that we also move away from catastrophic business as much as we can. And health has been a good area for us to do. Typically, retail health is something that doesn't come much into the reinsurance market because insurance companies have the wherewithal and the capacity to retain it to themselves, but we've managed to get some good retail business this year which we wrote on 1st April. And you are seeing a part of that growth in the first quarter as well. So yes, there is growth in health, but I don't think there is as much growth in agri as you thought. It's more an accounting thing because of what we had to do last year.

Sanketh Godha: Got it. Sir, in the follow-up with respect to the marine thing. So we are taking a hit of almost INR750-odd crores in the current quarter. So this is almost done away with. And incrementally, you will not see that kind of a pain, and therefore this Q1 come-in. Because all other lines have shown a kind of improvement in the overseas business. Only these two have been pain points. So is it fair to assume that now it is done away with, and subsequent quarters, we can expect a better number, assuming no significant cat losses?

Ramaswamy Narayanan: Yes. That is what we would love to believe. The way we have provided and the way -- I mean there have been very detailed discussions with stakeholders in the US with whom we are dealing in this, but I'm just hoping that things don't deteriorate further there because motor, unfortunately, is a bit of a long-tail class. We strongly believe that we have provided correctly for this book. Unless things change dramatically in that market, I think we can safely say that the worst is behind us.

Sanketh Godha: Got it, sir. And the other questions which I had is that your international book has declined. This is largely because of motor you discontinuing there or other line of business have done well, and that number optically looks weak. That's the case, sir?

Ramaswamy Narayanan: So basically, yes, the international book has declined because, like I said, the contract that we stopped in '21, I think, whatever premium was left to come from there has stopped. At least in this quarter, we have not seen any premium. That's where we are seeing the decrease in the international book. Otherwise, every other business has kind of done the same thing that we did last year. Because honestly we didn't grow our international book in the current year, typically which would happen in the 1st of Jan of every year, in 1st Jan '24. We didn't grow our book much simply because we still are waiting for our international credit rating to improve, because only then would we be able to attract and write good-quality business which we want in our books.

Sanketh Godha: Got it, sir. And lastly, two things: one, if you can quantify your domestic cat losses and overseas cat losses in the current year, if there are any? And you indirectly alluded to the point, but when we can hear about your rating change from AM Best?

Ramaswamy Narayanan: Right, okay. So, on the catastrophic losses, I don't think we have very significant pain figures currently, but then, yes, there are provisions that we have done. So one thing is on the foreign property, in this first quarter, there have been a few events which have been reported. We are still in touch with our business partners in those markets. So basically to tell you the details, it is one is the Taiwan earthquake, second is the UAE floods, third is the Brazilian floods, fourth is the German floods, and fifth is the Japan EQ which has happened recently. Now these are all very recent events, so we're still -- I mean the initial feedback is, the losses are not much. But in a very prudent way, we have provided for these losses based on the underwriting and the data that we have on our books. Currently, we don't have any pain figures for any of these events.

Sanketh Godha: And how much you provided, sir, if you can quantify that number?

Ramaswamy Narayanan: I can give you two figures, the Taiwan EQ and UAE floods. Taiwan is INR73.68 crores and UAE floods is INR50.38 crores.

Sanketh Godha: Okay, perfect. And anything on domestic, sir?

Ramaswamy Narayanan: So domestic, nothing major, but what we have done is, in some of the CAT events that we had last year, if you remember, I've talked about five major CAT events which had hit us last year, out of the nine CAT events that we had. So some of them, we have slightly increased the provisioning, so that is it. I mean -- so domestic is recently okay compared to foreign currently on the CAT front, but basically these next two quarters would be where we would expect some losses to come in from catastrophes. We are, of course, very carefully monitoring events that are happening across the country.

Sanketh Godha: And nothing negative surprise from Sikkim sir, right?

Ramaswamy Narayanan: Not yet, not yet, not yet.

Sanketh Godha: Okay. And if you can finally comment on that rating change thing? That's it from my side.

Ramaswamy Narayanan: So what has happened is, after our -- so typically the procedure followed is, once our year-end closing is done and our numbers are revealed, we send all the data over to the rating agency, where they can study the numbers, go through their models and understand how we are performing. And after that, they come to us on a personal visit to understand the qualitative matters. So that happened on the 12th of July this year. So we have met them. We have given them all the details that they wanted. And of course, now as and when they ask us for incremental data, that is being provided to them. And we are hoping that they'll come back to us with our rating.

What we have requested -- so last year, if you remember, the rating happened in the month of November actually. So what we have -- and there we got a double jump, double boost compared to our earlier ratings. So what we have requested them this time is to, hopefully, give us our rating by September, September end so that, that gives us two or three months where we can then work with our business partners and speak to them about writing better businesses and more businesses from there. This is, of course, under the assumption that we would get a rating push this year. So we are in touch with AM Best on that. And we're also in touch with some of our business partners with whom we used to write quite a good amount of business so that we can tap into that business which is waiting.

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

Ramaswamy Narayanan: Thanks. Thanks, Sanketh.

Moderator: The next question is from the line of Aditi Joshi from JP Morgan. Please go ahead.

Aditi Joshi: Good morning. Thank you for taking my question. Sir, I have a couple of questions. So just following up on the crop comment that you made that the growth looks higher because of the changes last year, but I am just wondering that those changes, they do not apply this year because, if so, if they do apply this year, then probably the growth looks high. The second is that, can you please comment on the April renewal cycle in terms of the reinsurance pricing trend in various segments such as health or motor or even crop? Have you seen any insurance pricing hike in this renewal? And also, what is your outlook of the pricing trend for this rest of the year and the next year? This is one question.

And just on health side, you mentioned that you would like to focus and you are focusing on the retail side of the business. But if we look at the jump in the premiums in the health insurance business, it's quite a lot. So I'm just wondering then, what is causing that jump? Is it also some portion of that growth is coming from the group side as well? And also, just on the health insurance underwriting, the primary insurance -- non-life insurance have reported somewhat elevated claims. So how is your experience in the health insurance -- health reinsurance underwriting? Yes, these are my questions. Thank you.

Ramaswamy Narayanan: Okay. I was not quite able to understand your first question, but what I will do is I'll take the other two. So you wanted to know about the pricing outlook on the 1st April renewals. So, the pricing was flat, I mean. So if you're talking of the reinsurance pricing, that was pretty flat across, whether it was property or other classes. That is on the reinsurance pricing, typically the kind of non-crop pricing that we talk about. On the -- so basically again what happens is India is predominantly a proportional market where we support insurance companies proportionally. So basically a great deal of our time is taken up in trying to understand how the insurance market is performing.

So, the certain things that I would like to bring out here is so while on the 1st April renewal time underlines, the pricing was quite firm on the insurance side, I think, in this last one quarter, the April to June quarter, we were seeing a situation where, at least in property and maybe in group health, we were seeing quite a challenge in the pricing on the direct side. So insurance companies are being very, very competitive on the pricing, and so obviously that is a matter of concern for us. And we are interacting with the companies and looking at the situation very, very carefully. So that is on the pricing. Whether this pricing will remain like this on the direct side is something that we need to see. Like I said, all reinsurers are concerned about the way the pricing is moving. And we are in touch with our business partners to ensure that the viability of the market is maintained.

Second, on the health side, you said it looked as if a major part of our growth is coming from group. No, it's not. Let me also be very candid here in saying that the business that we wrote on 1st April on health, a major growth that we did, was basically on retail health. So the treaties that we wrote on 1st April are something that look at retail health and not group. We don't have a great appetite for writing group medical simply because of the way pricing happens there, about the way how competitive it is. And so, we're not very comfortable with that business.

Like I said earlier also to Sanketh, normally retail reinsurance is -- I mean, retail health is something that doesn't come into the reinsurance market simply because it is small ticket business, most companies are able to retain it. But then sometimes what happens is companies do look for reinsurance treaties to augment their capital to ensure that they are able to manage their capital better. So we've been able to spot a few opportunities in this and we've been able to write those treaties. And we're quite happy with that.

You talked about increased levels of claims happening, which is fine. So, the way we create these treaties is where there is a combination of claims ratios and expense ratios adding up to a certain level. So even if the claims go up slightly, it gets adjusted with the acquisition costs. So I think we're pretty comfortable in that business. And like I said, this is something that we've been targeting to do to ensure that, A, we get the chance to diversify our book, and B, we are able to look at profitable growth as well. So these are the two points I got from you, Aditi. If there is another question that I'm missing, please ask me again.

Aditi Joshi: Yes. So, on the crop side, firstly, can you -- I'm sorry, but can you please explain very briefly what was the changes in the accounting probably which happened last year? This is one. And the second, just following up on the growth, so as we mentioned that retail health does not come to reinsurers very easy. So what is your outlook on the growth of this business line for the rest of the year?

Ramaswamy Narayanan: Okay. So, I'll take the retail health first. So, yes, so the point is it is a treaty that we have written which encompasses business that the insurance company would write across the year. It's a treaty that looks at retail health businesses written by a particular cedent throughout the year. So we do expect this growth to happen through the year. What will happen next year is something that we will look to before the renewals next year.

Coming to agriculture, I'll just give you a brief. So you wanted to know what is the accounting thing. Basically, like I said earlier as well, last year, around this time when IRDAI came out with very clear instructions as to how we should be estimating our premium, obviously we had to change the way we were doing from the earlier times. So that's obviously caused the premium to come down last quarter, that is the quarter of the last year. So which is why, when you look at it with this year, it actually looks as if the growth is substantial, which is not.

I'll ask my DGM, Accounts, to just give you the brief on this, Rajesh Laheri. Rajesh?

Rajesh Laheri: Good morning. This is mainly because of the estimation policy changes. So IRDAI has asked us to estimate only one quarter, which is the current quarter, in which accounts are happening. But in case of agriculture, we do not get accounts for the one or -- previous one or two years also. So those figures we used to estimate till 31st March '23, in 30/06/2023, we have removed those estimations. That's why the premium, gross premium, has gone down sharply. Around INR1,000 crores premium has gone down because of the changes in estimation policy. That's why it was looking very low in 30/06/2023. And comparative figure, you can take it as INR1,618 crores. Then this growth will not be that sharp as it's looking currently.

Aditi Joshi: Okay. And so, growth is changing in the estimation policies, they do not apply in this quarter of -- first quarter 2025.

Ramaswamy Narayanan: No, we are already doing that. So what happened last year was, like Rajesh explained, earlier years -- or earlier quarters' estimation was also carried forward. Wherever we didn't get any premium for businesses that we were doing, we had estimated that in our books, but then IRDAI said, you can now estimate only for this quarter. So what we have done this quarter is we're estimating only for this quarter. What we did for the quarter ending 31st March '24, we estimated only for that one quarter.

So that is something that is carried forward, so you will not see any difference now. But when you look at 30th June '23, obviously the first quarter in which this change was done, obviously there was a huge change in the way the estimation was done, which is why 30/06/23 showed a sharply lower premium compared to what it should have been, which is why I gave that message earlier that maybe you shouldn't look at this as actually a 40% growth, it is not. I still maintain that this would be closer to about 15%, 16% growth quarter-on-quarter.

Aditi Joshi: Got it. Thank you.

Ramaswamy Narayanan: Thanks, Aditi.

Moderator: The next question is from the line of Jainish Shah, an individual investor. Please go ahead.

Jainish Shah: Yes. Thank you, sir, for giving me this opportunity. I have a few questions around the domestic premium market. Basically you've just alluded that, leaving apart the regulatory changes which were enforced in the last year, on a comparable basis, the domestic premium -- or the premium growth for the quarter is 15% to 16%. And this happened in spite of the international premium going down. If we can give a little bit more clarity on to how the business domestically has grown on a like-to-like basis on a comparable basis, that will be helpful.

And second, there are -- in the last quarter, I think there was a few guidance's or a few directions which the company has given, that is, it expects to grow 15% to 16% in the business in the current year; and also expect the combined ratios to be more closer to 105%, 106%. Given the current situation, and I know it's been a hard work which you've done in last few years, do we think the fruits of that is likely to come through in this year onwards? Or I mean saying which -- any particular time when you expect this to change? I know there is an event which you are expecting for the rating upgrade, but I mean, if you can just take us through that journey as to how do we look the journey for next 1.5 years or a couple of years, that will be helpful. Thank you, sir.

Ramaswamy Narayanan: Yes. Thanks Jainish, So, come to your first question like you brought out. After our financial year '24 finalization in May, I had given a guidance that we would typically be growing at around 15%, 16% for the year. I think that guidance remains. Whatever growth we are seeing is more or less in that. And that guidance have taken into account the fact that the domestic premium --

the international premium could go down because of something not coming from earlier contracts. So I think we are more or less on track with overall growth of about 15% for the year.

Obviously the growth will come from domestic this year. It will not come from international, because assuming that we get our rating upgrade as well, what would happen is, the business that we plan to write would start from 1st of Jan. And even if we were able to write decent increase in premium on 1st of Jan, it would really not reflect too much in our books because that will come into our books, there's normally a lag of at least six months before it hits our books. So you would possibly see that happening only in the next financial year, which is why this year, I think, whatever increase we are talking about would come from the domestic market.

The domestic-international skew will be higher. We are already seeing that, for the quarter, it is 84% domestic and 16% international. It may become slightly better than that. But if you see, that was one of the reasons why we wanted to diversify our book within India as well. The reason to go into health retail was also that. Because as a reinsurer, we normally look to diversify our books so that one particular event should not have any material impact on our overall performance. So when we realized that we may not be able to get the kind of diversification in geography, we have done that diversification in class of business. So rather than writing more in property, we are now writing in health. So there is now diversification. If you see our bigger books, it is typically property. It is motor, of course, being in this market. Health is a major, now, class for us. And of course, agriculture also comes in somewhere there. So we are trying to diversify ourselves within the market so that overall our performance can be better.

So I think the guidance from our side continues whatever we did tell you in the last earnings call because, honestly, in this one quarter, nothing much has changed. I think, to a great extent, we will wait for the next two quarters to tell us very clearly how the book is looking and how the business is shaping up because these are the next two quarters where you would expect to see some catastrophic losses coming by, or if the rating goes up, then we would also look to write some business on 1st Jan, which would give some different flavour to what we expect to do. Over the next couple of years, which is what you wanted, maybe two years or even three years, we would expect to grow our book reasonably, not necessarily only in domestic.

Like I said, in case we get our rating upgrade, we would also start growing internationally, but the idea would be to write businesses in such a way that our profitability is not impacted. In fact, our combined ratio should keep coming down. And that, we see happening, hopefully -- without any -- a very negative kind of CAT happening, I think we should be able to manage that going forward. In the next two, three years, yes, we would expect to bring our combined close to 105%, 106%.

Jainish Shah: So, this year, you think the combined ratio will be flat or it will be showing any improvement?

Ramaswamy Narayanan: It might be flat. We hope it will come with an improvement because I need to explain a bit here. Because the moment you grow your book, typically in a reinsurance business, what would happen is, in the first year, there could always be a strain on the combined. And there is a reason behind that. It depends on the kind of business that you're writing. It depends on the kind of books that you're writing. If you're writing predominantly a proportional book like what we are writing today and you grow your book, what would happen is, typically the reinsurance accounting is such that you would earn or you would recognize only 50% of the premium, right?

And supposing you are writing a profitable book and the loss ratio is, say, 55% or thereabouts, then you would -- typically what would happen is you typically end up paying about 40% as acquisition cost, assuming that you write a book -- you write a treaty at 5% profit. Now the problem with that is you are actually writing a profitable book, but the commission of 40% which you have to pay is paid upfront, right? So after that, even if assuming you book INR20 of loss as well, the problem is this. You have got a gross premium increase of INR100, on which you earn only INR50. You already paid out INR40 as commission. You booked INR20 as claims. On a good, profitable book of business, on year one, you still would be at INR60 vis-a-vis INR50 of earnings, so your combined is 120%. I'm just giving you an example.

So, doing the way our reinsurance book would evolve. So when you grow, like we have grown this time after three or four years of continuous degrowth, of weeding out unprofitable businesses and making the portfolio strong, the day you decide to grow, that first year, there could be -- I'm saying there could be chances that your combined could worsen or remain flat simply because the earning doesn't happen 100%. The earning is only 50% of the increased book that you're writing. Now if it were more non-proportional, then it is fine because in non-proportional the commissions or the costs that you pay out is only about 10% or 15%. So you still have scope there. So we need to really study our book and understand how losses would be booked in the year and then take a call. But I would say that we would more or less remain flat, as far as combined is concerned.

Jainish Shah: Okay. Thank you. And maybe one more, on a macro. Generally, I think, if we look at, the major change on the macro environment which happened post 2022 was an increase in the interest rates. And the capital shortages were seen in the industry on a global basis. Now that the trend is likely to change, probably the interest rates are likely to ease over next one year or so, how do we see the business shaping up? Or basically, the competition, do you think, is going to heat up that will have an impact on the margins? How is your expectation on the business environment, which is likely to be more evolved in an interest rate raising environment? Thank you. I'm talking about the US environment, basically the global interest rate environment. Thank you.

Ramaswamy Narayanan: Yes. I mean we do appreciate that. Again, globally, the way I see it, a couple of years, pricing has been quite good, I would say, on the reinsurance front. Losses have been reasonably comfortable. So obviously there is always a pressure to bring down pricing, so obviously more capacity is coming into the market. And obviously that's having a competitive pressure on pricing. So globally, yes, I would expect that, but India is slightly different. And again, I am talking about India simply because a major part of our book is here. So obviously what happens here affects us a much, much bigger way. Here I would say that, while the way we are looking at -- the interest rates could be easing, we feel that it might remain constant this year. And maybe going forward, in the next year, it could ease.

The point is, I guess, to a great extent, it will be more regulatory interventions which could drive things here. So we are looking at two possible drivers. One is, of course, IFRS. And second is, more importantly, RBC, which is Risk-Based Capital. Now we believe -- again there's a lot of things that are based on assumptions here. So we believe that, if RBC were to be implemented in this market, looking at the way pricing is happening -- and obviously, risk-based capital, you don't look at a very simplistic way of determining solvency. You look at exposures and how it is priced and how it could affect your book.

And with that thing in mind, I think quite a few companies would be strapped for capital, may not have a very good solvency ratio going forward. In such a situation, we believe that gives us opportunities to support, shall I say, better underwriting companies who need maybe some temporary reinsurance support. I think we should be in a good position to manage that and do well for ourselves. But like I said, it all depends on when these things happen and how the market takes it. So I think we are quite sanguine about the way the market is moving. I think, more than anything else, we are worried about how it is getting priced and how insurance companies are looking at the whole thing.

Jainish Shah: Thank you, sir. Thank you very much for this elaborated explanations. Thank you.

Ramaswamy Narayanan: Thanks, Jainish.

Moderator: Thank you. The next question is from the line of Ritika from Bandhan Mutual Funds. Please go ahead.

Ritika: Thank you, sir. Sir, firstly, if you could just reiterate the point that you were mentioning for the previous person's question that you think that RBC would actually lead to better opportunities for growth for you. Because what we understood there when we spoke to -- obviously we speak to limited and listed players who think that actually capital would be better off in the RBC regime. So that's the first question.

And the second, sir, just -- obviously because you're a good representative of the overall market, but given that PSU general insurers are also still a reasonable share of the market, certain media articles suggest that they have been asked to be very careful of the incremental business or, I don't know, on the health side and on the motor side, to actually write lower businesses which are loss making for them. So how does this impact you? That's the second question.

Ramaswamy Narayanan: Right. On the first question, Ritika, I think -- I mean, there are different views, different ways people are looking at it. And like I said, it all depends once we understand from the regulator how they are planning to implement risk-based capital. GIC has a lot of experience in handling RBC. So we have branches and subsidiary companies across the world where Solvency II is implemented. So we understand how these things work. We understand how -- what is looked at. What factors are looked at while determining solvency in a risk-based capital environment?

So we believe that, and again -- so like I said earlier, there are assumptions here. And our assumptions is based on the way pricing is done in this market, the way people take onboard liabilities. Today, it's a very simple solvency, factor-based solvency, where if you have a profitable book, your capital works well for you, but we believe that -- once it is based on the exposures taken onboard and whether those exposures are limited to a particular geography or is it well spread out, we believe that some of the companies could be strapped for capital. And that is where we look to provide reinsurance solutions to these companies and that is where we look at opportunities.

Second, you talked about the advisory from the DFS to the insurance companies. Well, honestly it is meant for insurance companies. It has nothing to do with GIC. I guess, to a great extent -- again now I may not have 100% knowledge on this, but maybe to a great extent, the health portfolio that the PSU insurance companies are writing may not be profitable and which is why this advisory is given. Our share of health business from the PSUs are very less simply because these are big companies.

They have very good capacities and so they don't take much of reinsurance. Where they would look for reinsurance is on the group health or the government health schemes, and that is something which comes on a facultative basis. And GIC does not have much of an appetite for these kind of businesses because we feel that normally these end up being not well priced. And so it doesn't really fit into our appetite. So their writing or not writing that business would have no impact on our business at all.

Ritika: And sir, just one clarification. I'm sorry if I didn't get you correctly. To the question -- to the RBC comment, you were mentioning your competitiveness as a reinsurer increases versus other reinsurer. Are you -- or were you saying that the other GI players might have issue, and that's how you would look to maybe support more? I'm sorry. I just wanted that clarification.

Ramaswamy Narayanan: Yes, yes, indeed. So we feel that, some of the GI players, I'm talking of the insurance players here, they might find themselves in a bit of a difficulty in terms of capital because of the business that they are writing and where they are writing and how they are writing and how it is priced and all that stuff. So we believe that, in the short term, we could actually have some advantages there in writing certain business which we may otherwise not see in the market at all.

Ritika: All right, sir. That's very useful. Thank you so much.

Ramaswamy Narayanan: Thank you.

Moderator: The next follow-up question is from the line of Aditi Joshi from JPMorgan. Please go ahead.

Aditi Joshi: Thank you for the opportunity again. Just a couple of quick questions. So, on this acquisition costs that we have mentioned, in the first year, we have a significant acquisition cost booking. So when we adopt this IFRS standard, in which the acquisition costs are likely to be deferred over a period of the contract, so -- how much of the impact from the deferment of acquisition costs and from the other factors as well. On a combined basis, how much of the, let's say, improvement in the combined ratio we can expect under the IFRS accounting?

And the second one is on the reinsurance distribution and broking segment. I know a couple of new distributors are entering into the reinsurance space, so I just wanted to understand the impact for you, does it give you a significant growth opportunity for you? Or how are you looking at it from a distribution perspective?

Ramaswamy Narayanan: Did you talk about reinsurance brokers entering the field?

Aditi Joshi: Yes, Yes. Reinsurance brokers, Yes.

Ramaswamy Narayanan: Okay. All right, all right. So on the IFRS, we are still studying, Aditi, but I'll ask Rajesh to explain to you what our understanding is. But as I said, we are still in talks with our partners to understand how this entire thing will work. Rajesh?

Rajesh Laheri: You're right, basically. So like we are doing earning for the premium, in IFRS, we'll be doing earning for the deferred -- commission expenses will be deferred. So that benefit will be there in IFRS. But as I told you, that we are still getting knowledge from the partners, and how it will impact. Typically that will come in later on, but yes, that -- and the commission will be deferred. Like in premium, we are earning premium we are providing.

Ramaswamy Narayanan: So, Yes, I hope that, I guess, going forward, we'll be able to address that further, but that is the initial understanding. On the reinsurance brokers coming in, we welcome them, Aditi, because, honestly, we deal and we do business with all the brokers in this market. We have no problems there as long as they are able to show us business that is to our appetite, that is priced well, that is managed well. And with the loss ratios, we can see that loss ratios can be kept within a certain range. I think we are more than happy. So if the arrival of these reinsurance intermediaries broaden the market and bring more business into the market, more than happy to work with them.

Aditi Joshi: Got it. Thank you so much.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Ramaswamy Narayanan: Thank you, everyone, for all the support, for the way you've been following our company and all your questions. Because honestly, it helps us to think differently, understand your viewpoints as investors and analysts, and allows us to take corrective actions as and when required. Like I said earlier as well, we are committed to ensuring that we make our portfolio much more stable, less prone to losses or sudden spurts in losses, ensure that there is diversification across the board to ensure that the returns to the stakeholders is meaningful.

Thank you once again for all the support. And I know that Monday morning, it's quite difficult to find time. Thank you that you're here, and wish you a great week ahead.

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