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To,
The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street
Mumbai – 400001

The Manager
Listing Department
The National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, Plot C/1,
G Block, Bandra Kurla Complex
Mumbai - 400051

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

Dear Sir/Madam,

Sub: Transcript of conference call held with Investors and Analysts to discuss the financial results for the quarter ended 30th June 2022

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 Wednesday, August 17, 2022, to discuss financial results for the quarter ended 30th June 2022.

The same is also available on the website of the Corporation at www.gicofindia.com.

Kindly take the above information on record.

Thanking You

Yours sincerely

For General Insurance Corporation of India


(Satheesh Kumar)
CS & Compliance Officer

भारतीय साधारण बीमा निगम
(भारत सरकार की कंपनी)

General Insurance Corporation of India
(Government of India Company)
CIN NO.: L67200MH1972GOI016133 IRDA REGN No.: 112

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“General Insurance Corporation of India Limited Q1 FY23 Earnings Conference Call”

August 17, 2022

MANAGEMENT **MR. DEVESH SRIVASTAVA - CHAIRMAN AND
MANAGING DIRECTOR, GENERAL INSURANCE
CORPORATION OF INDIA LIMITED**
**MR. HITESH JOSHI - GENERAL MANAGER, GENERAL
INSURANCE CORPORATION OF INDIA LIMITED**
**MS. JAYASHREE RANADE - CHIEF FINANCIAL
OFFICER, GENERAL INSURANCE CORPORATION OF
INDIA LIMITED**



Moderator: Ladies and gentlemen, good day, and welcome to General Insurance Corporation of India Q1 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Binay Sarda from Ernst & Young. Thank you, and over to you, Mr. Sarda.

Binay Sarda: Thanks, Tanvi. Good evening to all the participants on the call and thanks for joining this Q1 FY '23 earnings call for General Insurance Corporation of India. Please note that we have mailed the press release to everyone and you can also see the results on our website as well as 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 which may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future result, performance or achievement to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results and answer our questions, we have with us the management of GIC represented by Mr. Devesh Srivastava, Chairman and Managing Director and other top members of the management. We'll be starting the call with a brief overview of the quarter gone past, and then we'll follow-up with a Q&A session.

With that said, I'll now hand over the call to Mr. Devesh Srivastava sir. Over to you, sir.

Devesh Srivastava: Thank you, Binay ji. Good evening, everyone. I'm pleased to announce the financial performance for the quarter and full year ended June 30, 2022. We would like to reaffirm that we are continuously taking all necessary measures to improve our overall profitability, and it has been our constant endeavor to bring down the combined ratio below 100. We continue to be selective with the sole focus on underwriting profitability.

Let me now take you through some of the key highlights of the financial performance. The gross premium income of the corporation was Rs. 11,021 crore for Q1 FY '23 as compared to Rs. 14,289 crore for the Q1 FY '22. The investment income stood at Rs. 1,890 crore in Q1 FY '23 as compared to Rs. 1,794 crore in Q1 FY '22. Incurred claims ratio stood at 94.7% in Q1 FY '23 as compared to 104.3% in Q1 FY '22. Combined ratio in Q1 FY '23 decreased to 110.97% versus 123.36% for Q1 FY '22. The adjusted combined ratio, by taking into consideration the policyholders' investment income, works out to 97% for Q1 FY '23 as compared to 112% in Q1 FY '22.



The company recorded profit before tax of Rs. 988 crore in Q1 FY '23 as against loss before tax of Rs. 1,166 crore in Q1 FY '22, and profit after tax of Rs. 689 crore in Q1 FY '23 against loss after tax of Rs. 771 crore in Q1 FY '22. Solvency stood at 2.14 as on 30/6/2022 as compared to 1.74 as on 30/6/2021. Net worth of the company, without fair value change account, stood at Rs. 24,744 crore as on 30/6/2022 as against Rs. 21,285 crore as on 30/6/2021. Net worth of the company, including fair value change account, stood at Rs. 53,741 crore as on 30/6/2022 as against Rs. 50,673 crore as on 30/6/2021.

On the premium breakup, domestic premium for Q1 FY '23 is Rs. 8,247 crore and the international is Rs. 2,774 crore. The percentage split is domestic 75% and international 25%. So, there is a degrowth in the domestic premium by around 21%, while the international book has decreased by 28%. We are seeing gradual improvement in the external environment and remain confident of improved performance going forward as we expect the combined ratio to start moving downwards in the coming quarters.

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

Moderator:

We will now begin the question and answer session. The first question is from the line of Arjun from Spark Capital. Please go ahead.

Arjun N.:

Sir, just wanted to understand that we have seen a sharp decline in the crop segment. If you can point out the reason for this. Is it because of the new Beed model that is being implemented? How many states are adopting to this model? What would be the impact? First, your reason as to why the decline and the impact of Beed model and adoption, et cetera? Your commentary on that would be helpful.

Devesh Srivastava:

Arjun ji, I will just like to give first overview and then I will request the General Manager in charge of crop to step in. If you recall, about 4 or 5 quarters ago, crop was a very heavy percentage in our portfolio, and the demand was that we should trim it, get it to more manageable levels and contain the high combined ratio that crop was facing. So, this is the point where we started doing a lot of pruning of the portfolio, and today, we are at a point when our crop portfolio is about 25% of our total book in the Q1 that we have closed, which is where we would want to be. Now obviously, there have been changes in the scheme as well. PMFBY has also become the Beed model as you talk of. So, I will let Mr. Hitesh Joshi to step in now so that he can also chip in.

Hitesh Joshi:

So, sir, here, it is not really anything in particular about the Beed model because even with the same model, different states, different districts, different clusters can be priced in different ways by different market participants. So, the price adequacy can be present or absent despite the kind of model that is chosen by a particular state government. As sir said, it is our pruning of the portfolio which is leading us to degrowth in the agri portfolio. We have been far more selective in supporting the company in terms of the capacity extended and the terms that we offer. That is



the reason for the significant degrowth. I think we are at the absolutely right spot now in terms of agri profitability, and this is supposed to be a U-turn. We don't expect any more degrowth to be there, and we expect that portfolio will keep on improving going forward. Thank you.

Arjun N.: Sir, just one more question from my side. Sir, the overall decline of GWP, what would be the 5% to 4% cession. Because of that, what would have been the impact? Is it because of the mandatory cession came down? Because of that, what would have been the impact? And what is the overall general trend, which would have been otherwise contributed?

Devesh Srivastava: See, Arjun, sir, if you look at the way we have gone about pruning our portfolio, this was done as per a very decided and pointed strategy. We wanted to write healthy business on our books and do away with all the business that had been hurting us over the years. That is why the degrowth has been witnessed. But as Mr. Joshi very correctly mentioned, we are at a point of inflection now. And henceforth, the corrections that we were intending, has largely been carried out. So, now, it is a time to look forward and look upwards.

Now about the 5% to 4% that you speak about. Well, obviously, I mean, if you take our portfolio of the total Indian non-life insurance market which is about Rs. 2,20,000 crore, the 1% will clearly be about Rs. 2,000 crore. But on the same breadth, you must also consider that this is a high-growth market. If we see the June figures, there has been a growth, and a growth that is upward of about 20% year-on-year. So, that is also compensating. So, there are various ways and means. So, obviously, the decrease will affect our top line to a certain extent. But fine, there are enough ways for us available to make up that shortfall as well.

Arjun N.: If I can just squeeze in one more. Do you foresee this entire mandatory cession going away? And in that case, how the impact would be or how would you react? Just a hypothetical question.

Devesh Srivastava: Arjun ji, as we just said, see, there was a time when the mandatory cession was 30%. That time, the market was young and everybody needed the support. But as markets mature, which is in India now about 20 years that we have spent in the private setup and private companies were also allowed, the obligatory cession have come down 20% to 15% to 10% to 5% to now finally, 4%.

So, by that trend, going forward, yes, there will be a day when the obligatory cessions will come to a naught. But until that happens, it will continue to be something that will come to GIC, and there will be other ways because capacity is required. The way the market is growing, capacity will certainly be required. The way the risks are now being identified and ways and means being sought to mitigate it, insurance and reinsurance will be required. So, this market will require support and GIC is geared very much to provide the support to the cedents.

Moderator: The next question is from the line of Yazer K.M., individual investor. Please go ahead.

Yazer K.M.: Sir, I'm having 3 questions. One, regarding the provision for investment loss. What steps will be taken by the company to reduce these values because still it is in a higher rate, right? Then regarding the second question, this is regarding the net commission ratio. Compared to the competitors, I think it's really high because some of the competitor I look, it's just about 5 percentage. And finally, regarding the performance of company for the investor. What steps will be taken by the management to increase the valuation?

Devesh Srivastava: So, Yazer, your first question pertains to the investment bit. Now what exactly was it? Can you specify it again, please?

Yazer K.M.: Sir, regarding the provision for investment loss, right, last quarter, it was thousands of crore. This quarter also, we have hundreds of crore for the provision loss, for the provision for investment loss. So, to reduce the value, any steps taken by the management?

Devesh Srivastava: So, I'll request our CFO, Ms. Jayashree Ranade to step in here.

Jayashree Ranade: Yes, this quarter also, we have recorded around Rs. 163 crore of provision for investments. This is basically the provision which we are incorporating for equities, which are consistently below the book value for over 3 years. So, this is a mechanism which we are bringing it into the book, so that kind of prudent provisioning is done.

It doesn't mean that our investments have really devalued or any such thing. Going forward, definitely whenever the opportunity comes, based on the market movements, the stocks which rise above the book value will be liquidated or will be replaced with the good stocks. So, that is one of the strategies which we have adopted. Making a provision is kind of a sound accounting practice and so we are adopting to this. I'm sure as the market goes up, this provision will also have a reversal effect going forward. Have I answered your query, sir?

Yazer K.M.: Okay. Then the second one, regarding the net commission ratio. Because the competitors are having very few, like 5% or something, but I think the HRA having at around 18%, right? So, it is a normal or I don't know what it is. So, please can you clarify?

Devesh Srivastava: Yazer, I really doubt if there can be anyone who has a commission ratio of 5%. I'm not very sure where you're getting the statistics from.

Yazer K.M.: I looked for this one, ICICI Lombard last time. Last 2 quarters, I was checking it, it's around 5%, it's like that.

Devesh Srivastava: You see, reinsurance commissions are very different from a direct insurance company's commissions. So, a real apple-to-apple would be to compare reinsurance commissions of company A with reinsurance commissions of company B, or with GIC for that matter being a reinsurer. So, there, if you see, our approximate outgo of 17% to 18% is in fact, quite good, I would say. It is a good commission ratio to have for the business that you are procuring. Then,

it has been quite steady over the years. It hasn't fluctuated or gone up or down much. That is pretty standard for us.

And with regard to your third question, it's about the investor value. See, the fundamentals that GIC has, the balance sheet that we have, our inherent strength that we have, the intellectual capital that we've built over the years, I think it's a testimony to the fact that GIC is a very, very solid company. There may be a gap between investor perception and what the company is all about, but see, nobody can deny the fact that today the Indian market is driven by GIC. And that is something that we take a lot of pride in, and also something that we take as a lot as our responsibility towards the market. So, it is now for the investor to see these aspects of the working of GIC.

Yazer K.M.: But as an investor, we are having a different situation, right? So, I am asking that one.

Devesh Srivastava: Yes. I mean, if you go purely by the share value and the market, yes, there is an erosion from the initial years. But I would always talk about the future that GIC has to offer, looking at our current very strong credentials now.

Moderator: We have a question from the line of Arjun from Spark Capital. Please go ahead.

Arjun N.: Sir, the impact of floods have already been factored in this loss ratios which happened across states in this last 2 months or will it be in the next quarter?

Devesh Srivastava: The impact of floods? See Arjun ji, the IBNRs already take care of this. When we close the quarter, the actual valuation is done about the IBNR, which is incurred but not reported, and an additional reserve is made for incurred but not enough reported. And they take into consideration all the events that have taken place which may affect our book, and reserving is made for that accordingly. So, the figures that you have are inclusive of the IBNR and IBNER figures.

Arjun N.: Sir, the foreign loss ratios or the incurred losses that we haven't disclosed has improved significantly. If you can give light on what has happened in the foreign book, where we see positives, or whether it is because of the rates hardening? That would be helpful.

Devesh Srivastava: I'll just request Mr. Joshi to comment.

Hitesh Joshi: I think it is a mixture of everything. It is the rate hardening as well as pruning as also our being more selective. So, it will gradually be more apparent in our results going forward. That is what we expect.

Moderator: The next question is from the line of Deepak Sonawane from Haitong Securities. Please go ahead

Deepak Sonawane: So, my first question is on growth, basically on foreign book. So, like 2 or 3 quarters back, we were quite optimistic on foreign motor, right? But in Q4 and even in Q3 FY '22, we were kind

of cautious on that, specifically in U.S. motor. So, is this trend continuing even in Q1, I mean, the 21% degrowth we have reported? Is it from that angle should we look at?

Devesh Srivastava: Deepak ji, it's not the motor alone, there has been a pruning in all the portfolio. Motor certainly has contributed to it. It has come down by about 20% from the quarter 1 of last year. So, what you're talking about, the U.S. motor, is something that obviously is continuing. I would request Hitesh ji to add something to it.

Hitesh Joshi: It is the same thing. Essentially, we are taking a step back in preparation for taking a step forward. So, a bit of consolidation, we are getting familiarized with this particular segment of the U.S. market, which is a very peculiar model in terms of the way underwriting and distribution takes place in that market. So, it is kind of a preparation for more growth in that market.

Deepak Sonawane: And my second question is on the underwriting losses that have been reported on the health side. If you compare our underwriting losses and compare it to what all other non-life insurance have reported for Q1, we see there's some kind of mismatch because they have reported kind of a strong improvement, especially in claims ratio. And compared to that, are underwriting losses I'll say still way behind. So, is there any lag effect are we experiencing in terms of claims settlement or in terms of any underwriting changes you have done for the quarter?

Devesh Srivastava: See, Deepak ji, there will always be a lag effect between a direct insurer and a reinsurer. So, because after the quarter gets over, only then will they submit their statements of account. So, what is Q1 for them will be Q2 for us. So, a better way of comparing how we have performed in this quarter is to look at the way the quarter of the previous year, that is 30/6/2021 has ended. And there, if you see, the claim ratio has come down, the incurred claim ratio as a percentage of the net premium has come down from 129% to 109%. Sorry, this is Health. Right, so 104% to 94.9%.

Deepak Sonawane: Sir, 94.9% combined ratio is for health for Q1, right, this quarter?

Devesh Srivastava: That's correct. As compared to 104% for the previous quarter. The previous quarter means period quarter last year.

Deepak Sonawane: 2021, right?

Devesh Srivastava: That's correct.

Deepak Sonawane: And what was that number for Q1 FY '22?

Devesh Srivastava: So, that's what I'm telling you that the Q1 '21, I mean, 30/6/2021, we incurred of 104%. Incurred claim ratio of 104%, which for 30/6/2022 has come down to 94.7%.

Moderator: We have a question from the line of Manoj Sah from Laxgov Investments. Please go ahead.



Manoj Sah: My question is like as you said that, you had claims after a lag, are we done mostly with the COVID claims? Or are there still to go? As you said, normally, you get claims from the PSU insurance with a lag of 1 quarter or 2 quarters? That is first question. Also, as you said, you are repricing your premiums. So, has it been done, it has taken effect? Or with every quarter, we will see some improvement in the premium pricing? Can you comment on this?

Devesh Srivastava: Manoj ji, the lag that we spoke about was true for the market. It is not a public sector or a private sector thing, because when 30/6 happens and the accounts are closed for Q1, the private sector or the public sector put together, that means the non-life insurance market will report it 45 days from then. So, that means those figures will appear to us in quarter 2, which is 30th September figures. So, that lag is something that is a part of the way the business is conducted globally. It's not something that is here in India, but globally, this is how it all happens, that the lag effect does take place.

Now about the COVID claim, see, largely, the COVID claims came from our foreign writing. Because, as you know, in the Indian market, we were insulated by the GI council, which said that BI claims in the absence of PD is not tenable. Now with a large part of our book being domestic, that was already taken care of. For the foreign ones, we had been getting those claims, but they were already provided for in the IBNR and the IBNER, so it has already been taken care of. We also have some claims in the life portfolio where I'll request our life actuary to just give his thoughts so that you get a better idea about how the whole thing moves.

Management: With respect to the COVID claims on the life side, yes, the claims are still being reported. But more or less, they are at a manageable level now. Most of the COVID claims that we have seen on the life side coincide with something that we've known commonly, we refer to as the second COVID wave in India, that is the accident quarter or the event quarter can be clubbed as April, May, June 2021. So, given that we are 4 quarters ahead, most claims related to that quarter have been reported. But still, yes, COVID claims continue to be reported, but the magnitude is, how I should put it, the magnitude is very small compared to what we had observed 2 or 3 quarters back.

Manoj Sah: My second question was with respect to the premium repricing because I've been listening to your calls for last few quarters, but we have been talking about premium repricing and bringing down the combined ratio, but that has not reflected in the numbers, or maybe it's too soon to get noticed as of now. Because if we notice the last 7, 8 quarters, like I have been on the call, so it seems like nothing has got reflected in the stock price as of now because see either your combined ratio has to come down or the premium has to go up to make the company profitable, which you have been striving for. So, if you can comment on the premium repricing part.

Devesh Srivastava: See, even for life as also for non-life, the premiums have seen a northward trend. But to specifically answer your combined ratio query or question or point, see, in quarter 1 of last year, the combined was 123%, which is down to 111% this year, in this quarter now. So, there is a very perceptible and a very huge jump in the combine in a better sense.



So, I mean, whatever efforts we are making is coming to light and it's telling us that we are on the right path. So, there is no doubt in our minds that we are on the right path, and whatever we are doing is leading to us being a much more healthier corporation going forward. So, that is something that is very, very evident even from the figures that we have in front of us.

Manoj Sah: So, can you comment, can we see at some point in time, 2, 3 quarters down the line, we can have a combined ratio below 100%? Can we see that by the end of this year?

Devesh Srivastava: See, that is the endeavor. Now if you look at the way GIC performs, essentially, almost 90% of our business happens on just 2 dates, 1st April and 1st January. 1st April when the domestic insurance market renews, and 1st January when largely the international book renews. Now in these 2 dates are the only ones when you can make certain differences. So, obviously, it's not something that's going to happen overnight. And plus, GIC being a large ship, it will take time to turn around. But if you see the figures we have in front of us, I think the numbers are very convincing.

Manoj Sah: What I saw this quarter, combined ratio is around 111%. But if you see, compare it with the quarter-on-quarter with March quarter, it was like 74%, okay? That seems to be a little aberration kind of. But last year, it was like 123%, it has come down to 111%. But April, hovering around between 110% to 120%, 125%. So, can we see it going down below 100%? My question is that.

Devesh Srivastava: That is what I'm telling you that we are working towards making it go down below 100%. But March quarter, which you're talking about, I mean, don't take it quarter-on-quarter. We closed March at about 112% overall combined.

A better measure for our performance would be taking this quarter 1, comparing it to the quarter 1 of the previous year, because that is how the book is best compared. So, there is definitely a come down, and this trend is something that we feel is going to continue as we move from this quarter to the next and to the quarter thereafter.

Manoj Sah: So, are you trying to book good quality business so that we have a lower and lower combined ratio, kind of it? And leaving some business so that even if it is that there is no volume growth, but at least our combined ratio remains within a reasonable level?

Devesh Srivastava: Exactly, that's what we are saying. That is the entire endeavor. That is why you see a degrowth because we have pruned our portfolio. We are becoming very selective in what we write. So, we have sacrificed our top line at the altar of the bottom line.

Manoj Sah: See, but now days what we are seeing is like the company is getting claims with one or other event either in the international market or in the domestic market. Yes, we had COVID before that, some other things were there, the cyclones were there. Now, recently in last few months we have seen floods. So, it feels like a never-ending kind of a quarter. If someone who has invested in your company and been tracking for over the last 7, 8 quarters kind of stuff, even much beyond



that. So, sir, what I want to bring to your notice here is that investors' patience are running out those who have been holding your company share for quite a few years.

Devesh Srivastava: See, reinsurance is a long-term business, and never forget the fact that we are in the business of risk. So, we cannot shy away from risk, we have to embrace it. That is what the business is all about, exactly what we are doing. What we are being careful is who do we embrace or who do we take into our fold. Is it something that is perennially risk making, or is it something that has a very low possibility or a probability of having a loss? So, that is why we have to prune our portfolio and make it healthier, exactly what we are doing.

We cannot say that we will not write floods. If you don't write a peril of flood, what do you write, then? We are in this business. The whole idea is to choose which ones to write and which ones to let go. Exactly what we are doing, and we shall continue to do that in our portfolio because we are accepting only good business now.

Manoj Sah: So, can we assume that the next 2, 3 quarters, we will see some large improvement as we move on during this year?

Devesh Srivastava: That marked improvement is already very visible in the figures of quarter 1 that we have placed before you. And yes, going forward, most certainly, it should improve further.

Manoj Sah: Because I've been following your company for quite a few quarters, so I've been like trying to see when can we see some improvement. But as of now, it's coming very slowly that it is not getting even noticed kind of stuff. So, that's what I want to just bring to your attention, okay.

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

Devesh Srivastava: So, thanks, everyone, for your time today in the afternoon. As is very evident, we have been working on a very well thought of and chartered path, wherein we intend to get our combined within controls, get it as close to 100% in the shortest possible time. And going forward, we shall continue to make our portfolio healthier so that you have a more solid balance sheet for GIC, which is what a reinsurer is all about. And in the long term, we emerge as a much more healthier and a much better company than we were yesterday. This endeavor shall continue, and thank you again for your time today. Goodbye and take care.

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