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GIC Re

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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 31st December 2023

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 Thursday, February 8, 2024, to discuss financial results for the quarter ended 31st December 2023.

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 Savaliya
Digitally signed by Suresh Kanubhai Savaliya
Date: 2024.02.12 16:58:56 +05'30'

Suresh Savaliya
Company Secretary &
Compliance Officer

"General Insurance Corporation of India Limited

Q3 FY24 Earnings Conference Call"

February 08, 2024

MANAGEMENT: **MR. RAMASWAMY NARAYANAN - CHAIRMAN AND MANAGING DIRECTOR - GENERAL INSURANCE CORPORATION OF INDIA LIMITED**
MS. JAYASHREE RANADE – CHIEF FINANCIAL OFFICER, GENERAL INSURANCE CORPORATION OF INDIA LIMITED
MS. RADHIKA RAVISHEKAR – CHIEF INVESTMENT OFFICER, GENERAL INSURANCE CORPORATION OF INDIA LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to Q3 FY24 General Insurance Corporation of India Earnings Conference Call. As a reminder, all participants' line 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 a touch-tone 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, sir.

Binay Sarda: Thanks, Muskan. Good morning to all the participants on the call, and thanks for joining this Q3 FY24 earnings call for General Insurance Corporation of India. Please note that we have mailed out 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 exchanges. 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 achievement 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 deep overview of the quarter gone past, which will then be followed with a Q&A session.

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

Ramaswamy Narayanan: Good morning, everybody, and thank you for joining us for this call. I'm pleased to announce the financial performance for the quarter ended 31st December 2023. As we have mentioned in the past calls that while achieving underwriting profits is paramount for us, we believe that this journey will unfold over time rather than in a single fiscal period.

Over the past three years, we have diligently focused on consolidating our portfolio, discerning where our strengths are, and refining our business appetite. This consolidation has not only helped us in improving our bottom line, but has also equipped us with a clearer understanding of our own risk appetite and the market dynamics.

Let me now take you through some of the key highlights of the financial performance. The gross premium income of the company was INR8,778.26 crores for Q3 FY24 as compared to INR10,099.4 crores for Q3 FY23. The investment income stood at INR3,093.01 crores in Q3

FY24, as compared to INR2,600.03 crores in Q3 FY23. The incurred claims ratio stood at 103.1% in Q3 FY24 as compared to 96.9% during the corresponding quarter.

Combined ratio in Q3 FY24 stood at 120.47% versus 116.22% during the corresponding quarter of the previous year. The adjusted combined ratio, by taking into consideration the policyholders' investors' investment income, works out to 94.43% for nine months ended FY24 as compared to 93.63% in nine months FY23.

Profit before tax stood at INR1,923.81 crores in Q3 FY24 as against INR1,295.1 crores in Q3 FY23. And profit after tax stood at INR1,517.95 crores in Q3 FY24 compared to INR1,199.01 crores in Q3 FY23. Solvency ratio stood at 2.94 as on 31/12/23 as compared to 2.38 as on 31/12/2022. Net worth of the company, without the fair value change account, increased to INR35,031.89 crores on 31-12-2023 as against INR29,761.8 crores as on 31/12/22. And the net worth, including fair value change, increased to INR77,626.89 crores as against INR63,556.21 crores as on 31-12-022.

On the premium breakup, domestic premium for the nine months ended FY24 is INR19,579.91 crores, and the international book is INR8,878.20 crores. The percentage split is domestic is 69% and international is 31%. There is a de-growth in the domestic premium by 5%, while the international book has increased by 4%.

As we move forward, buoyed by a robust bottom line and a very healthy solvency, our focus shifts towards strategic growth. With the Indian treaty renewals around the corner, we are looking to actively engage with the Indian insurance market and grow our book. We are prepared to capitalize on opportunities wherever they arrive and which are aligned with our risk appetite. We shall continue our -- on our collective pursuit of underwriting profitability striving to achieve a combined ratio that reflects our commitment to excellence.

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 Anirudh Agarwal from Valuequest Investment.

Anirudh Agarwal: Congratulations on a good set of numbers. Few questions from my side. First, sir, was on the marine losses. So if you can just explain what are these losses pertaining to and for how long we expect the losses on the marine segment to continue?

Ramaswamy Narayanan: Okay. Do you want me to take this question? Or are you...

Anirudh Agarwal: One-by-one, I think is...

Ramaswamy Narayanan: All right. Sure. Okay. So marine, yes, I think even in the last quarter, we had brought this out. This one particular treaty that we had written in the US market, which we have since discontinued, and obviously, there is no premium coming in there, just the final accounting figures. At the same time, the claims which are developed -- developing over the time, they are coming to us.

Especially in the last two quarters, there has been a bit of stress. And I believe definitely in the October to December quarter, what we are seeing is obviously -- when the year is ending for the U.S. market, obviously, some claims have come up for payments. And based on how the book is developing, our actuaries have also decided to ensure that the reserving is robust. So to that extent, we have added about INR300 crores of IBNR for this quarter.

I believe we are adequately provided for this particular treaty and for this particular business. Obviously, the stress is seen because as you can make out, since it is a treaty that we have discontinued, there is no premium coming in and whereas the claims for the previous periods are coming in. So that is where the stress is. We believe that we have provided for it, but we are not taking it easy, we are engaging with the company to ensure that we understand what is happening and we are able to ensure that this doesn't come back and stress our books anymore.

Anirudh Agarwal: Right. So fair to say that this is the worst of it on the marine side? Or is there something more incremental you feel could come in the...

Ramaswamy Narayanan: Anirudh, honestly, well, I wouldn't want to give a kind of a picture that makes people think that everything is hunky dory. The point is that we have provided for it -- so again just to give you a little bit of understanding on this. Typically, in the U.S. for us to write business, we have to provide letters of credit for the expected losses. So we've already provided that and based on that, we also ensured that on the business side we have provided for it in IBNR.

So I would tend to believe that kind of the downside is taken care of that we have provided robustly on this. But the way the last two quarters have spun a few surprises, I wouldn't want to give you a very feel-good kind of story here. But what I would like to say is this is something that we are actively engaging in, and we would like to ensure that this doesn't come back to haunt us at any time.

So one of the reasons for coming out of this treaty three years back was also this that we didn't believe that it was quite adding value to us. So we continue to engage with the company to ensure that we understand what is happening. I would love to believe that the worst is behind us and that whatever we have provided is adequate.

Anirudh Agarwal: Understood. Second question was on the Fire segment. So Fire is a segment that has pained us a bit in the last couple of years or so. This quarter, it seems that there is some turnaround there. Obviously, quarterly volatility will be there, I understand, but just in terms of your outlook on the Fire segment going ahead, especially the international side?

Ramaswamy Narayanan: Yes, indeed. Like we said in the previous analyst call as well, property and especially the CAT portion of the property business, has been difficult in the last 5, six years, especially internationally because of the kind of catastrophic events that have hit the market.

What has also happened is because of this CAT and -- we have now kind of affected all the reinsurance. The markets internationally have hardened, which we are seeing benefit of plus, touch wood, last year it has been a relatively benign year internationally. So that is what you are seeing in the property side. The figures are really looking good.

Again, you must also take into account the fact that in the domestic market, there have been two CATs in this quarter. There has been the Sikkim event as well as towards the end of -- I mean, in December, there was also the Tamil Nadu floods. So we have actually provided for both of them. And in spite of that, the figures are looking good. So we are ratified with the way it is working out and kind of bolsters our belief that this is something that should do well in the future as well.

Anirudh Agarwal: Right. Understood. And in terms of the pricing environment internationally, so the Jan renewals would have happened by now, right? So how has the experience been this year for international pricing?

Ramaswamy Narayanan: I think, it has been more or less, I would say, as expiring with risk-adjusted changes as well because I think a great fee -- a lot of changes were done last year. When the prices really went up, some of the terms and conditions changed drastically. But then, like I said, '23 has been a relatively benign year for reinsurers, not necessarily as a market because catastrophic events have been there. But then since the terms, conditions deductibles changed last year, I think reinsurers have all kind of done well. So this year, the renewal -- or for '24 the renewal was decent. I don't think prices went down anywhere, but I think we more or less saw a similar kind of pricing structures across.

Anirudh Agarwal: Understood. And sir, given that pricing has been broadly stable to better this year and hopefully, with some of these old treaty losses and all gradually coming off, so what is the outlook then on international underwriting front for next year?

Ramaswamy Narayanan: We should do well, Anirudh. Again, depending on how the year is catastrophe-wise, okay? So as a company, we have not greatly increased our writings internationally because even though AM Best gave us a credit boost this year in '23, it was still not enough for us to write the kind of businesses that we were looking for. So we have kind of gone ahead with expiring. There is not much of a change in what we have written. So we do believe that if everything remains the way it was in '23, it should do very well -- the book should do very -- the international book should do very well.

But in case there are some catastrophic losses, obviously, that would spike the claim ratios a bit. We'll see and -- we'll see how it works. But overall, we are quite satisfied with the book that we have. And hopefully, once we get the credit rating to A minus, that is the time we will look to focus on the international market to write businesses that currently we cannot write.

Anirudh Agarwal: Right. That is good to hear. Sir, for the credit rating upgrade or change, I mean, what is the key trigger, I mean, from the credit rating agency's perspective that they are waiting for -- to this?

Ramaswamy Narayanan: To a great extent from our interactions with them, what we understood is they are obviously looking for continuity, right? So on a stand-alone basis -- and this is purely our opinion on this. But purely on a stand-alone basis, our performance would have been good enough to get an A minus. But then we are obviously trying to see that whatever we are doing, we do it on a continuous basis so that there is no up and down happening in our results in the way we write businesses.

So if you see, they've actually given us a double boost last year from a negative outlook, normally, you would go into a stable and then you would go into a positive outlook. They've actually given us a double jump. And the next way up is essentially an A minus.

So we are very hopeful. Like I said, what they would obviously be looking at us is to ensure that whatever we have been saying over the last three years, we continue doing the same thing, we continue showing the same results, and there are no further shocks to our balance sheet or our system that they do not want to see. So if we can do that, I do believe, I mean, this our strong belief, I'm not trying to influence their thinking, but it's our strong belief that we should be able to get our rating this year.

Anirudh Agarwal: Perfect. Perfect. And just a last couple of questions. On the domestic side, sir, this combined ratio being slightly higher this quarter is a function of the two catastrophe events that you spoke of or anything else to lead into on the domestic side?

Ramaswamy Narayanan: No, it's basically that. It is basically that. There is a little bit of increase in motor and health as well, but that is normal. That is something which has happened in the market. If you see the entire insurance market, the motor loss ratios have gone up. So has the health. It's a normal function. And for us, motor and health are basically -- a major part of that comes from obligatory. So we kind of reflect the market performance here. So they have gone up slightly, which has added to the combined ratios going up. But majorly, it is because of the two CAT events that have happened in this quarter.

Anirudh Agarwal: Right. On health, sir, I mean, we've seen all the players, including the SAHI's, the loss ratios have been fairly elevated despite all the price hikes that those players have taken. So as the leading reinsurer, sir, is there anything that we can do to influence on the health side higher. Obviously, we had used that lever a couple of years back, which had worked out well. But on health, is there anything as a reinsurer that we can do to influence?

Ramaswamy Narayanan: Not as a reinsurer, Anirudh, but as a market, I guess, and I think that is happening also. I guess, more and more people need to be insured now. So that gives us a better spread. What we have seen now -- till now is post-COVID -- obviously, COVID was a big event, losses went up. Post-COVID, I think what has happened is the ticket size has gone up.

What used to be earlier of INR1 lakh, INR2 lakh, INR3 lakh cover has typically gone up to INR5 lakh, INR10 lakh kind of cover, which people are buying today, which is good. So you are really buying higher limits so higher premiums are coming in, so you can pay off the losses.

What is more important is that more people start buying so that you have a lot of people in the pool. Some of them get or make claims and that gets paid. I guess, as more and more people join the pool of insured, I think that is when the business will also look good.

Anirudh Agarwal: Got it. Got it. Sir, on the investment book, just wanted to try and understand our overall investment book and philosophy. So if you can just share what the total investment book is for us as of date, what percentage of that would be equity and any unrealized -- what is the sort of unrealized yields that we could be sitting on?

Ramaswamy Narayanan: Sure, sir. So I'll get my investment team to discuss. Jayashree Ranade will be GM in-charge and Radhika Ravishekar, who is the Chief Investment Officer, they'll address this question, Anirudh.

Jayashree Ranade: Yes. Our CIO, Radhika, will just explain to you about the investment book value for the quarter.

Radhika Ravishekar: The investment total book value stands at INR93,108 crores, sir. Out of which fixed income securities is around 73.44%. Hello? And equity is 15.70%. That's a fair value -- at fair value of INR14,620 crores, and the market value stands at INR57,200 crores for the equity portfolio.

Anirudh Agarwal: Sorry. This INR14,000 crores of equity, is at cost and INR57,000 crores is the market value of the portfolio.

Radhika Ravishekar: INR57,200 crores is the market value. And INR14,620 is the fair value -- I mean book value.

Anirudh Agarwal: Okay, okay. So this INR43,000 crores of unrealized gains that you are sitting on. If we decide to book capital gain, then all that comes into the P&L over a period of time. I mean, that's correct or...

Jayashree Ranade: Yes. It's true to an extent, but yes, as per IRDA's format we had to show it as fair value change account. This is how it is. And of course, this is unrealized gain, as you are aware. And over the years, we are holding the stock. So like all other investors GIC unrealized gain that amount shows.

Anirudh Agarwal: Okay, okay. But there is no thought process right now in terms of booking additional capital gains or taking some of this because obviously, I mean, the portfolio has done very well in the last 1 year or so?

Jayashree Ranade: That is a kind of strategic decision which we take each year, okay, when the market grows, like any other investors, even GIC manages its investment in the same lines kind of market movement, sectoral analysis, fundamental analysis. And based on that, the purchase and sale decisions are taken.

Yes, you're right. To an extent, yes, as and when market goes up and whatever based on the market movement, we will definitely take the gains into books of account. Together, will be a kind of a one-off kind of a case. That, I have my own doubts whether we can do that.

Anirudh Agarwal: No, of course, I understand. And final thing on this quarter, is there any substantial capital gains that you are seeing? Or is it largely dividend and interest income in the investment income for this quarter and nine months, if you can just share the split?

Jayashree Ranade: Yes. Our...

Radhika Ravishekar: Dividend income.

Jayashree Ranade: For this -- up to this quarter, roughly INR3,000 crores is our profit on sale of investment, right?

Radhika Ravishekar: INR4,809 crores is income, excluding the profit on sale of security.

Anirudh Agarwal: This is for nine months of FY24?

Radhika Ravishekar: Yes, yes.

Jayashree Ranade: Yes.

Anirudh Agarwal: And last year, same number for nine months would have been...

Radhika Ravishekar: INR4,081, excluding profit. And profit was INR3,320. So it is INR7,401. And this quarter, it is INR7,915 crores.

Anirudh Agarwal: Okay. Got it. And outlook from here on, how do you look at investment income shaping up in terms of the portfolio duration and yield on the fixed income side?

Radhika Ravishekar: Yield, sir, is very good. It will remain up only because the interest rates and all are still not gone down. So last time, it was 6.74% on the fixed income. This time, it is 7.23% our yield on the fixed income, which is -- which will remain around 7.20% for the full year.

Moderator: The next question is from the line of Sumit Agrawal from Bandhan AMC.

Sumit Agrawal: Yes, am I audible?

Ramaswamy Narayanan: Yes, yes, you are.

Sumit Agrawal: So just taking from the investment question, you said 7.23% is the yield right now on the fixed income side. What would be the rough duration of the book, sir?

Radhika Ravishekar: Yes, 4.7.

Ramaswamy Narayanan: 4.7 is the duration.

Sumit Agrawal: Okay, sure. Secondly, if I look at the press release, this talks about net worth including fair value change and net worth excluding fair value change, the difference is about INR42,000 crores roughly.

Ramaswamy Narayanan: Yes.

Sumit Agrawal: And as explained earlier, the difference into book value of equity and the market value of equity, that number is somewhere around INR53,000 or INR54,000-odd crores. So does the -- so where does the rest of the amount goes actually, the fair -- I mean, is there some part of equity which does not get accounted in the fair value change?

Jayashree Ranade: No. Actually, book value of our investment is INR14,620 crores for the quarter ended and market value INR57,000 crores. Correct. So the difference is around that -- no, no. So fair value change account is INR42,595 crores which we have calculated. Overall net worth including fair value is INR77,626 crores. So this is how the calculation is done. So...

Ramaswamy Narayanan: Fair value on equity -- the fair value that you see on the equity side, what has added up to the fair value of when you're calculating the net worth as well. It's the same figure.

Sumit Agrawal: Yes, I mean, If I can just recap, so my question is, what does this fair value represents in the net worth? So this is roughly INR42,000-odd crores. What are the large component of this?

Jayashree Ranade: Fair value change account of equity.

Ramaswamy Narayanan: The fair value change account of equity is what is reflected here in the net worth as well.

Sumit Agrawal: Exactly. So the point is the difference between book value and market value, not -- that number is a larger number than INR42,000-odd crores. That means not entire part of the INR53,000 crores is getting accounted in fair value. So is there some portion of the equity which generally is not getting classified in the fair value change account?

Ramaswamy Narayanan: No, no, no, I don't think. Let me come back with the figures again. Give these figures again.

Sumit Agrawal: Okay.

Jayashree Ranade: Fair value -- market is INR57,200 crores, right, for equity, and INR14,620 crores. So roughly, INR42,580 crores.

Sumit Agrawal: Okay. INR57,200 crores, okay. I thought you are saying INR67,200.

Radhika Ravishekar: Right.

Sumit Agrawal: Sure, sure. No, I get it, sir. I get it. Second question on solvency. So when solvency is getting calculated, does it take into account the fair value change when you...

Ramaswamy Narayanan: No, it does not, it does not. This is on book value.

Sumit Agrawal: Solvency is on book value. Okay.

Ramaswamy Narayanan: Yes. yes.

Sumit Agrawal: And -- sir, last question. So when you say -- I mean, we know about this. We have been trying to use the lower-margin business and make the balance sheet more healthy. But in your assessment, what will be the time lag when the entire process takes place and it ultimately starts reflecting in the combined ratios. Is it like a 1-year process or a 2-year process or being reinsurer it will take at least three to four years. I mean some time lines or some assessment you can give us, when would the lower -- reduction in lower margin business would result in slightly lower claims or healthy underwriting probably in terms of the reported numbers?

Ramaswamy Narayanan: I think that is already happening on a year-on-year basis. If you look at us from maybe the last four or five years, our margins have consistently kept on increasing, and that is something that we will do. It is not something that which will happen over a period of a year or two or three, that we'll -- so last March '23, we ended with a combined of close to 109%. Now obviously, the aim, if I may say, is to come below 100%.

Now 9% of combined ratio is something that may not happen, and I don't think it is very desirable to happen over a period of two or three years. It will happen over a period of time. The idea is to keep on improving, right?

So unfortunately, what is also happening is maybe when we are in the process of improving, there are some unfortunate pipes, which do come up. For instance, this year, there are two catastrophic events, which are -- while they are not large enough, but they are medium enough for us to have to provide for it, and it does come into our books, it does spike our claim ratios a bit.

What we are comfortable with is the kind of book that we are writing today, we believe that we should not be getting any kind of bad losses going forward. That is the comfort that we have. So to that extent, we have de-risked our book. As the markets improve, so obviously, the international market has improved because of the kind of losses that have happened over the past few years, we are getting the benefits of that.

If you see the property ratios internationally, they are quite good now. The same will happen for the Indian market, right? So as a market, we need to improve. What we need to also realize is GIC, as a reinsurer, as an Indian reinsurer writing 70% of its book in India. There is only so much we can do to ensure that we are doing a combined of 100% because unless the market also comes with us on that journey, it may not be workable.

So the market today typically works at a combined of anywhere between 115% to 120%. In that, GIC actually is doing much, much better. If you're -- today, if you're looking at my domestic combined, it is close to about 103%. So actually, I'm doing much better than the market. So that is something that we will continue to do. When we write business in this market, we really try to discern the good underwriters from the bad, and try to write more business with the good underwriters, with the good companies. That is something that we have continued to do. We'll continue to do.

For us, honestly, this is not something that we are keeping a target of two years and saying that is where you need to reach. We're saying this is a journey. And we all need to understand that in this journey we need to continuously improve. And that is something we are committed to.

Sumit Agrawal: Okay. Very helpful, sir. And one more thing, last one from my side. The press release talks about combined ratio adjusted combined ratio. So can you please clarify how is it calculated?

Ramaswamy Narayanan: So the combined ratio is essentially the actual business figure, which is premium less, claims less acquisition costs, which is the combined ratio. What happens in the market like India is the premium comes upfront. I think I've spoken enough on this. The premium comes upfront, the claims happens later, a float gets created, and that float is essentially of policyholder funds as we call it. And whatever investment income we generate out of that, we try to apportion it back to the business that we are writing. So if that investment income is taken -- so the combined ratio with investment income is something similar to the combined ratio when we look at our operational profit.

Sumit Agrawal: Okay. Okay. Okay. But the book value of investments, which we referred to some time back, entire of that would be belonging to the shareholders, right? That would be...

Ramaswamy Narayanan: No, no, no. There will be -- there are -- there policyholders' funds and there is shareholders' funds. So shareholders' funds typically would be the net worth kind of a thing. That will be the amount. And the balance will be your policyholders'.

Essentially, the money that I'm holding because of the business that I'm doing, obviously, money comes upfront, the claims happen at a later stage. So the money that is with me during that course of time is what is giving me the investment benefit, which I'm passing on to the benefit of the business.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, can you break down your 118 combined ratio for nine months into domestic and overseas? That's my first question.

Ramaswamy Narayanan: Okay. Just a moment. You want the combined ratio for domestic and...

Sanketh Godha: International.

Ramaswamy Narayanan: International separately. That should be okay. So domestic, the combined ratio is 104.67%, right, and the international 158%.

Sanketh Godha: Okay. Okay, sir. And sir, my second question is, basically, international business, if I look at it for many quarters -- since many quarters, I think more than 16-odd quarters, there is no respite in that particular business. We always have a combined ratio somewhere between 120% to 140%, 150% kind of a number. So -- and this business in last many years, maybe 2, three years, has seen a lot of price hikes, too.

But I understand that we have the rating downgrade may be the quality of business what you used to do might not be available now, but -- was not available -- but it affected the number, but just wanted to understand, how do you see this number to play out? And in the previous participant question you said that this year was relatively benign with respect to overseas CAT event.

Despite that, we have 158% percentage. I Just wanted to understand that part a little better. And if I understood, you're right, January renewals are happening at the same price what you had last year, right? And you're not seeing any change in the price or increase in the price with respect to January month?

Ramaswamy Narayanan: Right. So two things. One, yes, I agree with you. If you look at GIC's books over the last few quarters, definitely the international book hasn't done well. Barring for 1 year, if you see the previous years internationally, I think most reinsurers' books have not done well because there have been -- I guess, some 2017 onwards, there have been a plethora of catastrophic events, which have hit. So obviously, books have not done well. I agree on that.

That has played out well because obviously, all reinsurers have decided that we can't take this anything more, and you see prices have strengthened. We are slightly behind on that, simply, yes, you got it absolutely spot on when you said because of our credit rating, we have not been able to kind of access some of the better-performing treaties in the market. But hopefully, going forward, we will do that.

In this particular year, in '23, that is, actually our books should have been very good. The international book should have really given us a good profit and works well for us. But unfortunately, this particular treaty that we had written in the U.S. kind of come and hit us. So if you see actually the property internationally is doing well, but it is the motor and marine, which is what the treaty was all about, is actually doing badly.

Like I said to the earlier person as well, why this is it looking so sharp today is because in both these portfolios, there is no new premium coming in because we have stopped that treaty. Now in case the premium was there and the losses were there, this would actually look decent. Yes, it would not look very great, but it will still be decent. But at this point, we've actually taken the call to come out of the treaty so there is no premium, but the losses are there, which we continue to pay, right?

I think from a long-term perspective, that is good because we have actually come out of a treaty which, going forward, would have been troublesome for us. So maybe the troubles we are taking today, going forward, this shouldn't trouble us. Once we get the rating back, we can also access some of the better-quality treaties that are available in the market and things should be better.

Sanketh Godha: Sir, this motor and marine, what you said have, completely runoff? Are you expecting still IBNR to be there in these two treaties and claims can come? Or you think everything -- most of the claims have been serviced and incrementally not see pain in these two treaties.

Ramaswamy Narayanan: So they are provided for. There is an IBNR component in this treaty. So not everything is paid for. Certain -- I would tend to believe that a significant portion of it is definitely. I'm just being very cautious here because I don't want you feel that tomorrow -- see after all it is a treaty, there could be -- because treaties typically stay alive about three to five years, especially these kind of treaties. So we are trying to just say that we have provided enough. Our actuaries have been completely going to be booked. We have spoken to the people concerned in the market as well to understand what we should expect from this.

Like I said, in the U.S. market for GIC, we have to provide letters of credit for the kind of claims that are expected, including IBNR. So we have already provided that. And keeping that in mind, we have done our provisions in the book. So we believe we are good compared, but I do not know whether anything small can come up in the future as well. But at this point, we would tend to believe that we are safe.

Sanketh Godha: But sir, you've discontinued this treaty from mid last year. So which means that as you said treaty typically runs for three to five years. So if you are fully provided, incremental pain should not come, but if there are some negative surprises, which treaty can throw up some more pain going ahead. But that's the way I need to understand it, right, sir?

Ramaswamy Narayanan: Yes, yes. So we stopped the treaty in 2021. So typically you would expect that it would run till about '25 at least for all the claims and things like that to come in. Being motor and marine basically, we would expect that. Like I said, we've kind of provided for everything that we believe is the losses that can come in basically because cedents there would not want to take that on their balance sheet, they would want to ensure that we provided the LCs for, what they believe are, the claims that should come to us.

So we believe we are fine. Like I said, anything new coming up in the market in the next two years might come to hit us, but we believe we are that much more safer as of now.

Sanketh Godha: Got it, sir. And the next question I had was, sir, that typically, if I look your FY22 and FY23 trend, your fourth quarter combined ratio is meaningfully superior compared to what you report in nine months. For example, in fourth quarter, you reported 74% combined of FY22. And last year, it was 89%. And it materially changes your full year number as you report this kind of a number.

So, sir, just wanted to understand that there is some kind of a provisioning reversal which happens in fourth quarter and that benefit gets reflected in the full year. And can we expect a similar trend to play out nine months number or 118%? But for full year, the overall combined could be materially better than 118% what you have reported in nine months.

Ramaswamy Narayanan: So coming back to your question, yes, normally, our fourth quarter figures are better than the other three quarters. There are a couple of reasons for this. One is, of course, if you typically see the fourth quarter is a relatively benign period of the year, both in India and internationally. So we don't expect normally any major catastrophic claim to come in. So that, of course, helps us very well.

Second is, again, from a perspective of accounting, a lot of accounting happens in the fourth quarter because that is when a lot of things also come in from the cedents themselves. A lot of accounting entries come in, then a lot of things get adjusted. Most of our -- so this year, if you see IRDA had also changed estimation policy. Because of which, the way we were estimating earlier has changed. So I would believe that in the fourth quarter we would actually show much better figures.

But let me also temper things. I mean, if you're really expecting that -- so last year, we closed at around 109. So if you are expecting we will come close to that, it might be a little difficult this year for the same reasons that I said, there have been two catastrophic -- medium-range catastrophic events, not huge, but still medium range for us, and the fact that the international marine and motor treaty have played out slightly negatively. We would still be maybe two or three points of what we were last year. But you are right, I think fourth quarter will be much better than what we have seen in the first three quarters.

Sanketh Godha: Got it, sir. And sir, one thing, if you can quantify the CAT losses absolute rupees crores both from domestic and overseas if any in the current quarter, absolute amount how much you have taken a hit, if that it would have not come then what is the likely combined for this?

Ramaswamy Narayanan: So typically Sikkim. Yes Sikkim we have provided about INR850 crores -- INR838 crores to be very precise. Cyclone Michaung, which is the Tamil Nadu floods, we have -- I think we have -- yes, INR754 crores is what we have provided. So both put together is around INR1,600 crores of IBNR that we see in these two CAT events which have happened in this quarter. So that is the substantial figure I'm talking about.

Sanketh Godha: Both are provided in this quarter itself? Sikkim can actually happened last quarter I believe.

Ramaswamy Narayanan: No, it happened this quarter.

Sanketh Godha: Okay. Okay.

Ramaswamy Narayanan: It happened this quarter. Yes. And we've also added another close to INR300 crores of IBNR for marine, like I said, based on how the quarter three and four have worked out. So actually speaking, we have almost added about INR1,800 crores, INR1,900 crores of IBNR in this quarter. And I believe that is good because that makes our reserving very robust. Obviously, it means that we don't have any nasty shocks coming in at the end of the year.

Sanketh Godha: And nothing in the overseas CAT event, right, sir, in this current quarter?

Ramaswamy Narayanan: No, no, no. Nothing overseas. We have not added anything in this quarter. No.

Sanketh Godha: Okay. And just two more. One is, sir, I think crop, for the quarter, the growth is lower -- or it's declined is largely because of the accounting change you alluded to, right, sir, because you are now recognizing not on estimation basis, but on actual basis.

Ramaswamy Narayanan: That yes. And of course, also, what we must realize is in the corresponding quarter last year, there was actual bookings of crops that got booked in the third quarter last year. That similar booking is not there. Some of them we have not written this year because we were not happy with the business the way it was priced. So we have actually cut down on our crop writings this year as you know. So that is showing up now.

Sanketh Godha: And one more thing. Your tax rate for nine months is 18%. So we should expect the tax rate to be around that number or it will go up to 25 points -- 25% by -- for the full year?

Ramaswamy Narayanan: I think yes -- one moment, yes.

Jayashree Ranade: During the quarter, this quarter, right, it will be around 25%. Some credits we could get because of our earlier adjustments of research . It was part of our books of account, but we had not brought it into P&L. So the amount is adjusted in this quarter. And hence, the slight reduction in the tax rate -- this tax percentage you can work out. But more or less, it will be 25% by year end. Of course, this credit will carry out around INR152 crores credit was taken this time.

Sanketh Godha: Okay. And in shareholders' account, other income, that number around INR419 crores seems to be much higher than the usual run rate what you report. What led to that jump, ma'am?

Jayashree Ranade: Yes, this is related to one provision which you have done during the year 2021, '22 for about INR1,500 crores in the respect of reduction in equity prices -- it's related to equity holding so far. So still the markets have come up slowly steadily. This calculation keeps on happening every quarter. And there is a reverse -- write-back of this provision to the extent of this amount. Most of the thing is that. Yes.

Sanketh Godha: How much is that amount, ma'am, write-back of provision.

Jayashree Ranade: Actually, as on 31st December, if you ask me, this amount is approximately INR797 crores. It's a provision. But the reversal is approximately...

Radhika Ravishekar: INR746 crores.

Jayashree Ranade: INR746 crores -- one minute. Yes, INR746 crores, right? Yes. No. The miscellaneous income of INR879 crores includes INR873 crores of reversal of provision?

Sanketh Godha: Okay. Okay. Okay, ma'am.

Jayashree Ranade: Of that INR400 crores is for this quarter, the rest is for the prior previous two quarters.

Moderator: The next question is from the line of Aditi Joshi from JPMorgan.

Aditi Joshi: I have two questions. The first one is on the gross written premiums for the quarter -- in the third quarter. We saw that the premiums in both the domestic and the international lines were a declining trend. So the reasons for that, I understand in international that you have refrained from renewing fee book. But what is the reason in the domestic business line? And if you can also comment on what sort of growth you are targeting in the next year as in full year 2025?

And the second is on the health insurance. Just following up on your comment that a lot of it as you said is coming in from an obligatory book. But I'm just wondering because there was an underwriting loss in the last quarter. So do you think that there are certain ways in which we can improve the performance of this segment? Yes, that's all.

Ramaswamy Narayanan: Sure. So on the gross premium, Aditi, on the domestic side, like I said earlier also, we have actually cut down on our agriculture writing. So this year, the schemes have changed a bit. This year, when I say, '23 the schemes changed a bit. There were some loss caps that states had brought in, what is known as the 80110 scheme where anything beyond 110, the state would step in. So what we saw that some of the companies were not very good at pricing it properly. We saw a lot of aggression in the market. So we actually stepped back a little from some of the agriculture treaties that we saw in the market. So obviously, the reduction that you see in the gross premium is because of that.

Second, on what do we see as growth, like I said, so there are a few things that we need to understand. From an international perspective, we may not see much growth going forward for '24, '25 simply because a major part of the treaty -- I mean, major part of our business comes from treaty and the treaties get written on the 1st of Jan.

So 1st Jan 2024, we kind of went ahead with expiring which will be more or less written almost the same kind of business that we have written, so we don't see much growth there. Whatever change we need to do would happen possibly in the 2025 renewal, assuming that we get our credit rating back to A minus this year from AM Best. So that is one part of it.

Second part is the domestic business, and that is where we are quite gung-ho about simply because of two reasons. One, we believe -- I mean you have seen our solvency ratio. We are in a very good position. So that allows us to look at opportunities in the Indian market. The Indian market, by itself, is growing well. There's a double-digit growth happening in the market. So obviously, as a very important reinsurer in this market, we get to see that growth in our books also. The Indian market renewals happens on 1st April.

We have already engaged with the market participants, especially the bigger ones. And my team is already speaking to the reinsurance people to ensure that we understand what their reinsurance requirements are, and we are there to support them for that. So hopefully, that will turn into a good growth for us. Hopefully, say a 10% growth definitely in this market can be achieved. So that is what we'll be looking for from the -- from a growth perspective going forward for '24, '25.

On the Health front, I think, like I said, a major part of that for us comes from obligatory. So there is nothing much we can do in pushing the loss ratios lower. We are, of course, talking to industry participants to understand what is happening. And like I said, one of the things that came out was the fact that there's one good thing happening, which is that the ticket price is going up. What used to be earlier INR2 lakh or INR3 lakh kind of a purchase of health cover is now changing where people are more interested in buying a INR5 lakh or INR10 lakh cover.

The advantage of that is you are getting a higher premium not necessarily that claims would reach that level. So that is a good point. But more importantly, for this sector to work better and for it to be properly diversified, you need more people getting into the pool. I think that is what the market participants are doing. In multiple ways, they're trying to get more people to buy health covers. Once that happens, I think this book will look good.

Moderator: The next question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: So the first question goes around the risk management. So if we were to say, I mean, two parts to it, one that, I mean, just not a matter of quarter or 1, two years, almost for the last 7, eight years, international business has been just in a pain point. Now from a reinsurance perspective, it's sort of obvious argument that you need to be geographically diversified. But it seems that this diversification is not working, like 7, eight years in a continuous row when the price hike has environment has hardened, there have been good, bad ugly years, yet a very, very big loss.

Now the next question that is on this, you're also following up on the risk management practices. Particularly if we see around COVID times, you sort of had increased exposure in Life particularly in India, and you sort of had a big underwriting losses, almost INR1,000 crores plus from that Life line item. That's a small line item typically for you because you did not have a retrocession on the Life side.

Here, again, on the marine overseas, I mean, the book was sort of a stop -- the treaty was stopped in 2021. So of course, you would have IBNR at that time. But yet in FY24, you are seeing in two quarters -- around nine months, INR2,500 crores cost rather -- providing for those treaties and almost like your claims ratio are going. So now again, question here is that, wasn't there a sort of a retrocession cover for these kind of policies.

So the question here is that, okay, what kind of a retrocession policy do we have? Because it seems that, okay, in certain a smaller line item that claims ratios or claims -- absolute claims are going through the roof. And if that is sort of the case, I mean what are our sort of retrocession policies? And then also that what is our thought because it's not 1, two years, almost 7, eight years in a row and international has been just a pain point. So what is sort of our thought process there?

Ramaswamy Narayanan: Right. On the international side, I've already said, yes. It has been a pain for the last 7, eight years, but no, it's not really only been for GIC. It's been for across, all reinsurers have felt that pain. And that is where the change has happened. The change has happened particularly only last year. Otherwise, as a reinsurance fraternity, we have been very kind and we have been very tolerant about all the different losses happening.

Maybe these losses were happening across, so any one particular geography couldn't have been identified. So it has happened what we typically in this trade call as a soft market cycle. So that market price will continue for a very long time. And now maybe from last year, it has slightly hardened. And I think that hardening is continuing, people have begun to realize. So I think the effects of that -- the results of that would ideally come going forward.

It should have come this year for the negativity was caused by marine and motor for us. Otherwise, honestly, this year, the foreign books should have turned and maybe even the combined would have been below 100% as well. So that, yes, the point well taken about retrocession. But again, retrocession is something that we very clearly make it a point to understand our exposures and take retrocessions where we believe it would come and hit our balance sheet.

Now if you see GIC with the kind of size that we have, that it has, both in the kind of business that we do and the kind of balance sheet strength that we have, honestly, for us to go into the market looking for retrocession is very low down, doesn't work for two reasons. One, there is a reputation risk here. When you try and buy a retrocession very low down, people get the feeling that you possibly don't understand the business that you're writing. So you're trying to pass it off to reinsurers. So that is something that we don't want markets to take from us, number one.

Number two, more importantly is the cost. Now retrocession actually, if you look at the pricing, it is much higher than the normal pricing that reinsurers charge to their cedents. So somewhere we have to draw a line trying to figure out where we can get the maximum value for the retrocession that we buy. So as a matter of principle, GIC normally buys retrocession to protect its balance sheet from a really bad loss. Otherwise, we normally are -- I mean, what we tell ourselves is that we should be in a position to manage it from our day-to-day business, and that is what we do.

If you look at our business also, in spite of these two CAT losses happening in India and this motor and marine binder working adversely, we still are showing decent profitability figures. So that is what we would like to see that the P&L shouldn't get affected very badly. It definitely shouldn't come and hit our balance sheet that our assets are affected badly. Those kind of losses, we will obviously try to protect with our retrocessions. Otherwise, honestly, from a pricing perspective and from a reputation perspective, buying retrocession lowdown doesn't really work.

Avinash Singh: But again, here just two follow-ups. So one, again, on international, of course, in these same seven, eight years barring maybe a few quarters, the global big like a Swiss, Munich or Hanover I mean, the top five ones, they have done kind of a 100% -- some 100% kind of combined in these seven, eight years, whereas our combined ratio international is almost like for the last seven, eight years, it's like 115% plus. So definitely there's a big gap. So I mean, we cannot sort of explain it with what is happening in those markets, that's one.

And of course, I'm not questioning about domestic, because domestic more or less, you have two advantages. But even if it's a higher combined ratio, your float income is pretty high in domestic. So domestic can operate it to a different. My question always has been overseas because your investment returns are also poor generally in overseas book. And of course, so you have to operate in a different combined, but as a matter of fact that combined has been to other.

On retrocession my question was more again on the like, again, not just for this marine, of course, this marine anyway you're expertise still, but something like a Life going back during COVID times. Life is typically not having your expertise, but you had been increasing -- because the domestic market was growing in the Life primary being protection side. So you increased your share dramatically and of course, you saw big losses in COVID something like, okay.

It has wiped out your entire many years of maybe perhaps underwriting profit on the Life side. So when you are sort of venturing into an area that is not typically your forte, that was life. And actually you were not having a retrocession, but that was kind of a reflection a bit poor on risk management.

Ramaswamy Narayanan: So basically, if you look at our Life portfolio, it is comparatively still very small and definitely during COVID period also it was small. So honestly, it we didn't justify a protection purchase. Like again said, we go back to the fundamental thinking that -- is it something that will come and hit my balance sheet in a bad way is what we kind of look at when we decide to buy a retrocession. So honestly, yes, the portfolio itself was so small that there was no reason for us to look at buying a retrocession. Again, we have to ensure that it is also cost effective for us to buy that.

COVID, as you can appreciate, was a black swan event. I mean, it's an event which nobody really predicted would happen. And to that extent, obviously, loss ratios went up. But again, over a period of time now, that book is looking decent for us. We are trying to see how we can increase that book in this market. We have a good actuarial team in place who understand this business well, who are able to price this business well, understand risks that we are taking, the exposures that we are taking.

And obviously, once we reach a certain critical mass where we feel that we need to buy a retrocession for this, we'll, of course, go ahead and look out for it. At this moment, we still believe that the kind of business that we write is something that is best kept to our net, obviously. And once we grow it is the time will be for retrocession.

Avinash Singh: And lastly, sir, what are the steps you are taking, particularly from all the public sectors of primary reinsurer to sort of show some discipline in group health market because eventually that mandatory cession comes to you and that book is still, I mean, despite whatever steps they take -- say that they have taken, the group health market or their policies still continue to sort of bleed. So any step that you can take on and ask them to sort of come up with some pricing because if mandatory 4%, 5% cession that comes to you even on that book, eventually yielding to losses? Anything on that?

Ramaswamy Narayanan: Yes, Avinash, so what we do is -- I mean, so we do engage with them actively to understand what they are writing and where we can help them there and whether we can price it for them and help them in claims management and things like that. I'll be very honest to say that just having a 4% share for us to push for any changes doesn't really work. If the company tomorrow decides to retain 96% to its net, just on the basis of the 4% that it is feeding to me, I cannot really push for changes in terms.

But typically, what happens in group health is it is comparatively bigger sum insured and premium. They normally look out for some kind of reinsurance support other than obligatory. So that is where we step in. And it's not necessarily that we write everything, but there might be some other reinsurer would also go and support them.

So that is the area where we can push and try and ensure that rates become better, the kind of coverages that they are offering in groups are curtailed or it is ensured that it is priced for. It is not going free. So those kind of things we do, not so much as an obligatory underwriter, but more as a reinsurer in this market who understands how these group schemes have worked in the past, we are able to advise them on that, yes.

Moderator: The next question is from the line of Karthikeyan K, an individual investor.

Karthikeyan K: So I have a couple of questions. First is the credit rating. I mean congratulations that we got upgraded – so not just, that is good. And -- see that rating methodology has been changed. I mean, we never got a domestic rating and international rating in the last 20 years. Any reasons for the change? And how optimistic are we going to, I mean, to A plus -- A minus?

And second question is, see, we have been de-growing for the last, I mean, three years, right? So how -- I mean what kind of target we have for the next two, three years from the growth point of view?

Ramaswamy Narayanan: Right. Thanks, Karthikeyan. So first part on the rating, well, let me put it this way, something that they have offered additionally to us, okay? So till now they were essentially talking of rating us on an international basis. And we used to have our own credit rating by the Indian agencies, whether it is ICRA or CRISIL or whatever it is. So that used to anyway happen. So, I guess, they have now added this as another feature in their portfolio that apart from the international rating, they will also give us an Indian rating, which will kind of stand alongside the current ratings that we have with ICRA and others.

So I wouldn't say it is something different. It is just that they look at the Indian or the country rating slightly differently. Obviously, the things looked at are different. But on the international thing, they still go by the same kind of values and the same kind of things that they look for when they were rating us earlier as well. So we know what that is and we work alongside that. We are in constant touch with them to understand what is it that they feel we are lacking and what should we do differently.

We also speak to experts in that field people who have been in the credit rating areas for some time, maybe it is S&P or AM Best and try and understand from them how we should present our things, how we should de-risk ourselves, and how we should finally go to be credit rating agencies with our figures. So that is something that we do.

Coming back to your question about what do we feel about our rating? To be very honest, I mean, if you are asking me strictly my personal opinion, I would hope that this year we would get it, like I said, we have come to positive and the next step up is a A-minus rating. So we don't see any reason why we should not get that.

Like I said to an earlier investor as well. I think what AM Best looks for is clarity of thought in what we are doing. They want continuity. They want to see that whatever we have been doing for the last 2, three years, which have been successful, we should carry it forward. And that is what we propose to do.

So unless something very drastically bad happens in the next six months, I would want to believe that this year we should be hopefully able to get our A-minus rating back. And honestly, that -- once we get that, it opens up a lot of opportunities for us internationally to look at some good quality businesses, which unfortunately today, even with the good relationships that we have with customers worldwide, we are unable to write because we don't have the credit rating.

If I have to put somebody ahead of me, it costs me money, so it doesn't make sense. So that is one part. Just flowing down to your next question about what do we look at growth. So one part of growth, especially the international part, would depend on whether we are able to get our credit rating back this year. If we get it this year, obviously, you can look for some growth going forward in the 2025 renewals.

On the Indian market, we are very bullish. We believe we understand this market well. We have an exceptionally good business relationship with all the customers here. And with the kind of growth that this market has, they do need a lot of reinsurance, right? This market is also going into IFRS and risk-based capital in 2025. We again believe that's the time when on field or onshore reinsurers will play a big part in ensuring that insurance companies get the kind of reinsurance they want.

So we believe this is the time for us to grow in this market. But again, that is not to say that we are going to grow just haphazardly about just writing whatever comes to us. Our teams are looking at all the businesses that are happening in this business -- in this market. And we are already engaged with our customers to understand what kind of support they want and where we can fit in looking at our risk appetite.

So to give you a very short answer to your question, I believe growth will happen going forward in the next couple of years, both in the Indian market, and if we get the credit rating also in the international market.

Moderator: The next question is from the line of Ganesh Shah, an individual investor. If there is no response from the participant, we'll move to the next. That was the last question, I would now hand the conference over to management for closing comments.

Ramaswamy Narayanan: Thank you, everyone. So very grateful for you all taking time off and speaking to us. Hopefully, we would have been able to give you some confidence about how this management plans to take this company going forward. We are totally committed to ensuring that our bottom line does not suffer and whatever business that we write should positively contribute to our bottom line. Risk management is something that is very close to our heart. Since we also take the risks from other companies, we try and manage it to the best of our abilities.

Going forward, the message from the management is, we are looking for growth now since we do have a fantastic solvency ratio. We are confident about what we have done in the last three years. So we will take that forward, and we will grow our business, starting from the Indian renewals in April '24. And hopefully, with the credit rating coming our way in this year, we'll also grow our international book.

Thank you so much for all your questions, all your interest, and we look forward to meeting with you at some point. Thank you.

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.

Ramaswamy Narayanan: Thank you.