



“General Insurance Corporation of India Q4 2018 Earnings Conference Call”

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**MANAGEMENT: MRS. ALICE VAIDYAN – CHAIRMAN AND MANAGING
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INDIA**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Q4 FY18 Earnings Conference Call for General Insurance Corporation of India. As a remainder, 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 “*” 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 Christensen. Thank you and over to you, sir.

Binay Sarda: Good evening to all the participants on the call. And thanks for joining this Q4 and Full Year FY2018 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 not received the same, you can write to us and we will 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 would 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 of this quarter and answer our questions we have with us the management of GIC represented by Mrs. Alice Vaidyan – Chairman and Managing Director and other top members of the management. We will be starting the call with a brief overview of the company and the financial highlights of the quarter given by Mrs. Vaidyan on the performance of the company, which will then be followed with a Q&A session.

With that said, I will now hand over the call to Mrs. Vaidyan. Over to you, ma'am.

Alice Vaidyan: Good evening, everybody. I have pleasure in announcing the financial performance of the GIC Re for the year ended March 31st. I will start by just giving the highlights of the performance.

The growth in gross premium income of the company was 24.5% and we completed a premium of Rs. 41,799 Crore for the year ended 31 March, 2018, as compared to Rs. 33,585 Crore in the previous year ended 31-3-2017. The investment income has increased by 17.6% to Rs. 5,392 Crore for this year compared to Rs. 4,584 Crore for the earlier year. Profit after tax for this year was Rs. 3,234 Crore as compared to Rs. 3,128 Crore for the previous year. Incurred claims have however increased from last year's 81% to 86.5% for this year. Combined ratio is 104% for this year as compared to 99.7% for the year ended 31-3-2017.

Net worth of the company without fair value change has increased by 19.9% to Rs. 21,526 Crore from Rs. 17,947 Crore. The growth in net worth, including fair value change account, was 7.04% at Rs. 51,360 Crore as against Rs. 47,983 Crore as on last March.

Return on equity for this year is 15% as compared to 17.4% in the previous year. Solvency is 1.72 as on 31st march, 2018 which is above the minimum required solvency of 1.5. Total assets have increased by 16.1% from Rs. 94,949 Crore to Rs. 1,10,227 Crore as on this year end. And the EPS has also increased from 36.37 for the year to 37.27 for this year.

Having given the highlights, I would just summarize that we have recorded a growth of 24.5% and the record premium for GIC at Rs. 41,799 Crore. Profit after tax, as spoken earlier, is Rs. 33,234 Crore. And we have also declared dividend of 270% and issue of bonus shares has also been announced at 1:1 ratio.

Having said this, I think we had a fairly stable year in the year gone by. And given that you have a general idea of the profile of the company. I would now like to take questions from those who would like to know something about performance of GIC.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

Anand Bhavnani: My first question is regarding agriculture insurance. In agriculture insurance we had a very bad year, for the full year we had underwriting losses of Rs. 2338 Crore as compared to profits of Rs. 650 Crore in 2017. So if you can help us understand how would we be adopting to different strategy in order to avoid similar losses in the coming years?

Alice Vaidyan: If you have been watching the trends in the market for the crop insurance scheme, the Prime Minister's Fasal Bima Yojana was launched last year. So last year when you said that we made a profit because that was also because the claims had not been fully reported, so of course the premium was there in the market and then this year the claims have come in. So, if you are to actually analyze the performance of the scheme over two years, it will be just about an average of 107% combined ratio. But what we have done now is that we are looking at claims of last year, so the claims ratio actually from 80% has just about gone to 86%, which if you are talking about agriculture as a line of business is not a bad claims ratio as all. It is because of the other costs that the losses have come in. For this current year we have tightened the structure in such a way that the reinsurance protection that we give to the companies in the market, we have toned down the commissions which we give them, we are also tightening the cost of our own protection. So we are confident that given that the weather prediction for this year is good, even better than 2017-2018. We feel that with the measures we have put in place we are confident that we will be within the targeted combined ratio.

Anand Bhavnani: Ma'am, what is the combined ratio that we are targeting over the next two to three years in this particular segment?

Alice Vaidyan: See, now this will be third year of the scheme. So to give realistic projections I think we should be somewhere between 100% - 105% combined ratio which augurs very well for the scheme.

That is the projection which we think we will achieve, but internal targets will be definitely to have it within 100%, combined ratio.

Anand Bhavani: Last question. Of this crop insurance business that we underwrite, how much of the business would not be reinsured if not for GIC?

Alice Vaidyan: Okay. See, in the first year of the scheme, our ratio was over 50%, it was just 50% - 52% was the share which we had which we have now toned it down, given that other reinsurers are also getting into the scheme. So this year about 46% is the share which GIC has. So as other reinsurers also become confident of the scheme and they come in, we would also like to see that our shares are stabilized around this figure.

Anand Bhavani: Ma'am, my question is slightly different. I wanted to understand that if GIC does not write the business how much of the primary crop insurance would go non-reinsured, nobody else would take it if GIC would not take it?

Alice Vaidyan: That is an indirect question. So around 50% would go uninsured, 45% to 50% would go uninsured. But of course, in reinsurance there are ways and means of doing it in the sense that the companies would automatically increase their retention and a lower portion would be reinsured, it would be structured around that way.

Anand Bhavani: And last question, can you give us some understanding of by what percentage points was the reinsurance premium increased for other lines in the financial year beginning April?

Alice Vaidyan: You mean the total market premium of agriculture?

Anand Bhavani: No, we might have increased the reinsurance, you said reduce the commissions, so by what percentage points did we get the commissions in order for us to have a better year going forward?

Alice Vaidyan: By around 7 percentage points.

Anand Bhavani: Okay. So the commissions have gone down by 7% in agriculture or across our entire portfolio?

Alice Vaidyan: Yes, so that will bring in big difference to the results of the portfolio.

Anand Bhavani: This is 12% on the portfolio level or for the crop insurance?

Alice Vaidyan: Crop insurance.

Anand Bhavani: And portfolio level, ma'am?

Alice Vaidyan: Portfolio level the commissions have come down generally, it has come down from 20% to 16% and we are targeting to bring it down to around 15% overall.

Moderator: Thank you. Our next question is from the line of Bhavin Shah from Sameeksha Capital. Please go ahead.

Bhavin Shah: So, you have an objective of I think you had in the previous interactions you have indicated to investors that you want to bring the combined ratio below 100%. But we have clearly gone in the opposite direction this year compared to last year. And my observation is that in any new business we seem to be worried little too much about the market share rather than protecting our profitability. And then as things do not pan out we try to take corrective measure. But by that time it is little too late. And I think we can think of number of examples in which this has happened, whether the things happen in Dubai or whether it is some other examples internationally, or now with the crop insurance. So it sort of seems to suggest that sort of first kind of drive blind and then afterwards being very careful try to course correct. Why is it like that, why cannot we have more robust practice of writing insurance based on the actual estimates and being willing to give up business, why do we have to do 50% of the crop insurance, is there a pressure from the government to do so or we are doing it as a business that we want to do? And if we are doing that then why should we even have this kind of combined ratio, I do not understand actually, there is a bit of contradiction between stated objective of hitting combined ratio below 100% and the way you are running the business.

Alice Vaidyan: See, I may respond to your question in this way that, I think you should appreciate that we have this focus of having a combined ratio in the first place within 100%. So within the organization the entire senior management, all the underwriters, down to the junior level, we all have got only combined ratio targets and we are focused on one target, that is the only objective in GIC. And also to tell you that we do not have growth target, given that we are in a high growth market and GIC Re is neither keen to increase our market share, it is a fact that we are a dominant reinsurer with a market share. But like I was answering the earlier question, 52% market share has come down to 46% in the crop, going forward it will further come down. See, we are not in the numbers game nor are we looking at top-line growth at all, what we are actually only focusing is on bottom-line, combined ratio. Now if you have seen the results, the entire domestic book of GIC, I am not talking about international, if you see the combined ratio of our entire domestic book is 96%, which includes agriculture. So this is how reinsurers work, you may have one-off line which has losses, but overall for the domestic book is combined ratio of 96%. And I think like I explained, this was the second year of the scheme, losses have come in in this year. But like you said, we are doing course correction, you are probably right in saying we should have anticipated but I think for a scheme of this size sometimes it may be difficult to anticipate the changes. But we are very happy that we have done course correction and we are confident about the way forward for the scheme. And I think the fact that domestic combined ratio is 96% should give you enough comfort that we are very focused about the combined ratio, whether it is crop or our entire portfolio.

Bhavin Shah: So overall combined ratio is not at 96%.

Alice Vaidyan: Sorry, 98% domestic, I am saying.

Bhavin Shah: No, that is good, domestic is 98%, that is good, appreciate that. But overall we are much above that.

Alice Vaidyan: 103.9%, we are talking of 104%. But overall if you are seeing, Mr. Bhavin, what you have to see is that like we have told earlier, 2017 was one of the bad year for reinsurance market worldwide. And if you see the combined ratios of all other reinsurers worldwide, I am talking of Munich Re combined ratio of 114%, Swiss Re is 111.5%, SCOR is 103.7%, Hannover 100.4%, Lloyd is 114%, and XL Catlin is 111%, even China Re is 103%. So world over reinsurers have taken losses because after 2011, the year during which we had Thailand floods and New Zealand earthquakes and Japanese tsunami, this was the worst year after that where we had Harvey, Irma, Maria, Mexican earthquake, Californian fire, all of it coming in the same year. On the reinsurance front also it was not a good year for reinsurers worldwide, but we are very happy that we have put up a very sturdy book and 103.9% combined ratio - I think this is something you should appreciate from an overall perspective, given that domestic market has done well.

Bhavin Shah: Okay. So this crop insurance hit that we have taken, has it come from the Kharif and Rabi season that just concluded or from the previous year because of the delay in claims?

Alice Vaidyan: Yes, so last year's claims have come in this year. But what should give you comfort is that we have taken all claims of kharif and rabi for this year, given that we also do actuarial estimation of claims which are not reported going by the trend. So our actuaries have given a very conservative estimate, that means we have taken all claims into account, so no claims of this year will come to the next year.

Bhavin Shah: What I am driving at is FY17-18 was by and large a good year for agriculture, FY16-17 was not so good.

Alice Vaidyan: It was a better year, claims were 81% and last year was 86%.

Bhavin Shah: No, I am not talking about claims, I am talking about actual agriculture production. So, that is why I was trying to understand whether this claim that we had to pay in the year that concluded FY17-18, was this related to the losses incurred by farmers in financial year 2017-2018 or previous year?

Alice Vaidyan: Previous year figures were also there in this year's figure, it is both years.

Bhavin Shah: And madam, some of the other companies that you mentioned, they all released reserve triangle information. So when do we receive that?

Alice Vaidyan: We are working on it actually, just give us a little time, we have spoken with the actuarial department, we can give you for the company as a whole but actually what we want to give you is line of business wise, so we are working on that.

- Moderator:** Thank you. Our next question is from the line of Rahul Marathe from Aakash Ganga Investments. Please go ahead.
- Rahul Marathe:** Sir, some of the media reports there is a proposal given by reinsurance committee for removal of first right of refusal for GIC Re for few lines of business. So, what is your view on this?
- Alice Vaidyan:** Somebody did mention to me about this, but this is not brought to our knowledge. We are aware that committee report is pending with IRDAI and it will be taken up in board meeting, but that does not exclude the lines of business as has been stated by what you are hearing is hearsay. In the right of first refusal all lines are there for us.
- Rahul Marathe:** Also, we had seen results of Agricultural Insurance Company of India, so they reported positive combined ratio of about 95%, so how they were able to report such a good combined ratio, because they are primarily into crop business?
- Management:** See, Agricultural Insurance Company of India actually has got close to 10% plus commission from GIC Re. When you account for this commission with overall combined ratio of 104% you come to something like 96% combined ratio. Otherwise they were one of the worst affected during the Kharif 2017 season and their result on the loss ratio basis is close to 90% plus.
- Rahul Marathe:** And one more last question, so ma'am gave the domestic combined ratio of 98%, so what would be our global combined ratio for our book?
- Alice Vaidyan:** Only for international it is 116%, we took a hit from Harvey, Irma, Maria- 116% and the 98% together has made it 103.9%.
- Rahul Marathe:** What is our target in the next three, four years for global book?
- Alice Vaidyan:** See, I will always maintain our targets short-term to medium-term we want our books to be within 95% to 100%. Long-term we are looking at 90% to 95%, both for international book and for the domestic book.
- Rahul Marathe:** And ma'am, now that we are part of the Lloyd's syndicate, so what are we seeing in terms of growth for the international book?
- Alice Vaidyan:** See, we have just started the syndicate, it has become operational from April 1st, so this gives us access to good quality business as well. So we have made a slow start and I think now we will slowly get to increase our international line of business as well. If you see right now the composition is around 70:30 in that ratio, we want to make it 60:40. So, we need to grow our international book of business and I think slowly we will be getting there.
- Rahul Marathe:** And the overall growth for the entire book for this year, what would be our targets for premiums for financial year 2018-2019?

Alice Vaidyan: Right now we have completed Rs. 41,799 Crore overall and given that we have been growing at around,... last year we grew much higher at 82%, this year it is 24.5%. So even if we have a target of around 16% to 18% growth, we should still be able to complete around Rs. 50,000 Crore premium.

Moderator: Thank you. Our next question is from the line of Ayush Khaitan from Prospero Finvest. Please go ahead.

Ayush Khaitan: First on agri insurance, I know you have answered the question, but I wanted to know the agri is making operational loss because our premium is low or why is that happening, do we see increase in premium over the coming period?

Alice Vaidyan: If you will see the claims ratio is 81% and 86%, so it is not that the portfolio as such is making losses. So we have the commissions and our own cost of protection, so that is making it go beyond 100%. That is why I said that we are putting measures in place to see that the commission and protection cost will make it a viable proposition, around 100% we are aiming for combined ratio.

Ayush Khaitan: Ma'am, I am talking about low premium, I mean actually pricing of the premium is around something low which is going to be hurtful for our company.

Alice Vaidyan: See, we are playing a big role in holding on to the actuarial pricing. If you see GIC has been for all the tenders which have been floated by government, if the price is not actuarially supported we have not been supporting the companies. And they have been forced to give back the tenders to the government and it is being retendered also. So we are playing a big role in holding on to the actuarial pricing. And I think this year also we are confident that we will be able to hold on to the pricing.

Ayush Khaitan: And second one on motor segment, we had reported an operating loss during the quarter, so I guess this is after a long time. So if you have any one-off kind type, why has this happened?

Alice Vaidyan: See, in insurance if you see actually this is something which we have been wanting to talk to you,, you cannot actually look at quarter-to-quarter performance because of the seasonality of the premiums which come in. So sometimes you have agriculture premium coming in in the first quarter or second quarter, we have international premiums coming in January. So a quarter-to-quarter comparison may not work very well for insurers or reinsurers, but you see overall if you are comparing year-to-year that would work well for reinsurers, because sometimes claims are reported very late but the moment it is reported then we take it into consideration, so it may not match the premium. Sometimes the government premium also, the schemes are floated earlier so the premiums are accounted early, something like that.

Ayush Khaitan: And lastly, suppose if our combined ratio is 100% then our main source of income will be investment income indirectly?

- Alice Vaidyan:** Yes, definitely.
- Ayush Khaitan:** So what are the investment yields we are targeting?
- Management:** Investment yields we are targeting around 11.75% to 12%, because previous year we have done 12% with realized gains and without profit on sale on investment it is 7.38%. So that will also remain almost same because we right now are having good opportunities for investing and all, so it will be more than 7.25%.
- Ayush Khaitan:** So what will be our composition of book in our investment?
- Management:** Right now in our investment composition, equity is 20% and rest is 80%.
- Moderator:** Thank you. Our next question is from the line of Avinash Singh from SBICAP Securities. Please go ahead.
- Avinash Singh:** Again, a question on crop insurance. So a number of factors working together, like going into next year, you would expect the primary ones to keep more on their book, also more and more global insurers coming. And also solvency is 172%, I mean you do not have comfort like 220% anymore. So in backdrop of all these things could you please quantify like last year you had done 13,000 Crore of premium in crop, what sort of premium you are looking to write in the coming year in crop insurance? That is question number one. Related to that only, I mean in terms of commission, so how it started in terms of quantum on your crop insurance book, how much commission you provided when you started, where currently the commissions are and where do you see the commissions going forward?
- Management:** If we look into the agri book as such, the first question regarding the premium, we do not expect a significant jump in premium for the year 2018-2019. As per our estimates depending on the market capacity that is available we do not expect premium overall for the market going beyond 27,000 Crore for 2018-2019. Of that we are having close to a capacity provision of around 46%, so GIC is not looking beyond 13,500 Crore to 14,000 Crore at the maximum for the coming year as far as premium is concerned for agri insurance. Regarding the portion of commission, the average commission paid earlier year was close to the range of 11% to 12% for the previous year of 2017-18 which has now been brought down to a range of 3% to 5% across all companies. So when we look into the total premium we can calculate and quantify the maximum commission outgo is 5% of the total estimated premium of around 14,000 crore - how much it would be.
- And as far as any other aspect of the crop insurance is concerned, we are very much negotiating on the Retrocession side, that is on the protection side and we expect that for the year going ahead that is 2018-19 the retro cost for us also will be significantly negotiated down. So keeping all these factors together, we expect that we would very well manage within 100% of combined ratio for agri.

- Avinash Singh:** As a follow up, I mean if you could just help me because now for you, there is a gross and net because of Retrocession, so what was the sort of a gross and net combined ratio in the crop insurance line?
- Management:** If we look into the total business for us combined ratio for agri on a combined ratio basis it was close to 119 for the year 2017-18 and if we look into net basis it should come to something like 112.
- Avinash Singh:** You have benefitted from your Retrocession cover. I mean how are you expecting further renegotiation in terms of Retrocession is concerned?
- Management:** When we entered into the retro at the beginning of the first year, it was a 3-year multi-year contract. Now for the first two years, there has not been any recoveries for this. So based on this experience, we expect that for the year coming ahead that is 2018-19, we will be able to negotiate the rates downwards.
- Moderator:** The next question is from the line of Aarsh Desai from Vallum Capital. Please go ahead.
- Aarsh Desai:** The numbers are quite good on the domestic side. I think trending quite well out there, madam. I just want to confirm - you said in agriculture you are getting a commission on a 7% and agri being around 35% - 40% of our books, is it fair to assume that on an overall basis our combined ratio will come down by 2% to 3% only on the basis of increasing commission.
- Alice Vaidyan:** I think we are not clear the last part of your question can you repeat please.
- Aarsh Desai:** My question was: I believe you said that our commission in agriculture has come down by 7%.
- Alice Vaidyan:** Agriculture has come down 7%.
- Aarsh Desai:** Agriculture is around 35%, 40% of our overall books.
- Alice Vaidyan:** Not audible.
- Aarsh Desai:** An agriculture being 35% to 40% of our overall book, is it fair to assume that because if 40% of our overall book and commission are coming down by 7% our overall combined ratio of the book keeping everything else on constant will come down by 2.5% to 3%?
- Alice Vaidyan:** Definitely yes.
- Aarsh Desai:** So, it a fair assumption that everything else goes same, purely because of the commission, our combined ratio will be down by 2.5% to 3%.

- Alice Vaidyan:** Only commission will make this sort of difference and if we are able to even bring some difference in the protection of cost, if we are able to bring it down and the year is good probably, we will be very optimistic about the combined ratio.
- Aarsh Desai :** One other thing I noticed in health, we made a drastic improvement. Our combined ratio were really high and last year we started making a decent amount of a profit. This year, is profit in health insurance sustainable, is it because of the repricing has happened in health insurance across the market?
- Alice Vaidyan:** The question is not too audible you are saying that what is the reason for the profit are you asking?
- Aarsh Desai:** No, what I am telling you that in health insurance the profit that we made, is that sustainable for the coming year and is it because of the re-pricing that has happened across health insurance in the general insurance market?
- Alice Vaidyan:** We are confident that is sustainable. See even the health scheme which is going to come up now. We are studying the scheme and reinsurance will only be taken on terms that are viable to GIC Re.
- Aarsh Desai:** Just one last question - I believe you told us that in our foreign book, there were couple of these UAE treaties that was kind of loss making so I believe you were re-pricing them or you know shutting them down or not writing business anymore - has there been any update on that and that is the reason our motor book on an overall basis year-on-year?
- Alice Vaidyan:** See on the foreign book we have been making corrections like I said we have been walking away from loss making business. Our Dubai office will be a case study in point where we have allowed them to degrow on loss making business and their combined ratios have come down drastically from 116 to 103 so we are making a lot of progress in international business not accepting loss making treaty.
- Moderator:** The next question is from the line of Preeti R S from UTI Mutual Fund. Please go ahead.
- Preeti RS:** My question is on the solvency ratio: now that we are hitting 1.72 would we require capital going forward or to continue our growth?
- Alice Vaidyan:** See the point is that when we have our solvency ratio of 1.72 that would really mean that we are utilizing our capital effectively and we will keep our growth targets in mind this year where I do not think we will have to go for additional capital at all.
- Preeti RS:** If it all it does require which year would that be?
- Alice Vaidyan:** Pardon.

- Preeti Rs:** How many years can you go on without the capital requirement?
- Alice Vaidyan:** I think this year it is not more of growth. It is the losses that have really played on. The agri losses have brought down the solvency ratio but going forward we are confident of the combined ratio. So, I think there would not be any strain on the solvency ratio as such for the coming year. We can sustain it for couple of years at least.
- Preeti Rs:** On the international business, now that we are at 116% versus domestic business combined ratio about 96% which is exactly the reverse of what it used to be, is the foreign books the worst part of the combined ratio has played out - is that mainly because of Harvey, Irma?
- Alice Vaidyan:** We also feel that the worst is behind us because like I said reinsurance is cyclical in nature after 2011, 2017 was the next bad year so because of the losses which have come in - all this Harvey, Irma, Maria, Mexican earthquake, California fires and all that all in a year. So, all that has affected our combined ratio in international book, but that has the flip side as well in the sense because reinsurance is cyclical, the prices have hardened for the international book. In the January renewals, the prices have gone up and now we are confident that we will have a good year this year.
- Moderator:** The next question is from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.
- Abhishek Saraf:** My question is on agri insurance you said that this year you had lot of claims coming from last year, so is it possible to have some number that if we want to exclude that claims of last year, what could have been the combined ratio this year and you also said that going forward you do not expect like FY18 claims not spilling over to FY19. However, if I see IBNR reserve in agriculture so it seems to have gone out from 5900 odd Crore to around 12,000 odd Crore for agriculture from FY17 to FY18, so do not you think this IBNR reserving going up can probably have an impact and probably you will see claims of this year that is FY18 spilling over into FY19?
- Alice Vaidyan:** No what I meant to say is that we have done all the provisioning for all the claims which we expect to come have all been taken, so claims ratio when we say is a factor of the incurred losses as well as the estimates of the claims which are incurred but not reported - IBNR so we have been conservatively provided for all the losses, but like I said earlier if we were to really distribute the claims over two years, it would be around 107% combined ratio for the first and second year considering that claims of first year has come into the second year.
- Abhishek Saraf:** So if I have not mistaken last year FY17 your agri combined ratio was roughly around 96%, 97%?
- Alice Vaidyan:** 94. I think.
- Abhishek Saraf:** So if I exclude last year claim for this year than 120% on agri combined ratio how much can you just give some numbers.

Alice Vaidyan: Yes, we will just work on that - I can give you before this session is over - maybe I will be able to share with you.

Moderator: The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: I have two questions. One that there is a possibility of fair value accounting to be introduced for the reinsurance company by 2020 or so, so if you could give me some idea that whether there will be material change in terms of your reporting structure. And my question is you have been mentioning about increasing your portfolio in the foreign book. I mean to say for the foreign reinsurance. So does that change significantly because float income is significantly lower in the foreign books and would that change the return ratios over a period of time?

Management: On the IndAS implementation, you are right. It will be implemented from 1st April 2020 and GIC is prepared for the implementation of the same. As regard the actual implementation, fair value right now which is sitting in the liability side that will be converted into retained earnings and we will have to identify which equity shares would be for the other comprehensive income and which equity will be available for sell, etcetera. So, at that time we will be in a position to decide which equity we will be doing. As far as the impact is concerned let say we have decided we will decide around 50% of our equity goes for the other comprehensive income and other 50% would be for the other thing. So accordingly, the treatment will be given, and we are still confident that we will be able to maintain our yield after the profit on sale - we are confident that we will be maintaining some equity available for sale so that we will be able to sell, and we will be able to gain profit out of it. But, the liability side the IndAS IFRS 4, they have not yet completed, and we still believe that could be another extension on IndAS implementation on the liability side and all are not expected to be ready to the best of my knowledge.

Manish Bhandari: My second question was regarding the international book. Your amount is invested in London bank with 1.25% or 1.5% and the management has been talking about the combined ratio in the international book of 95% or so, so is it possible to achieve both these things together I mean to say 91%, 92% and 1.25% is that number achievable by any process?

Alice Vaidyan: See we are looking to grow the international book of business definitely because if you see last year our international book was profitable. It is only this year 2017-18 given that 2017 was the bad year for reinsurance. But going forward we think that we are confident of bringing it back to the earlier levels of 96% combined ratio.

Manish Bhandari: Just last one question. On the agriculture side, this time I am told that out of 28- 29 treaties, Swiss Re has led three treaties and rest has been led by GIC, you see there is one noise which keeps coming about the entry of the European companies in the Indian market, so do you see any kind of competitive pressure changing as the foreign players gained slightly more confidence in underwriting in Indian agriculture side or may be Indian reinsurance portfolio?

Management: We have been seeing the participation of foreign reinsurance in the agri book in India for past two years. Having said that, we have not seen any kind of aggressive participation from them in

the Indian agri program. Foreign reinsurers have been actually nibbling at the agri book in India. At this point of time, they continue to lead in three companies, but you must understand that the percentage of business in these three companies is actually same as what GIC writes as a follow in the same company. While in the 15 companies where GIC is the leaders they are not able to participate up to that extent to what protection GIC is giving. So you must understand though they are leaders in three companies, GIC Re is also writing the same lines as them in those companies on the terms given by the foreign companies. We expect this trend to continue going ahead also. Their participation may remain at this level only. We do not expect them to become very aggressive underwriter in agri business in India in the foreseeable future.

Moderator: The next question is from the line of Anirudh Agarwal from AAA Investments. Please go ahead.

Anirudh Agarwal: First question was on the motor and health line so this year a combined ratio is at around 90% but I think that includes the impact of the reserve that we have released in the last quarter and excluding that maybe the combined ratio would have been 108%, 110% so what would this be going ahead?

Alice Vaidyan: Going ahead we want to keep it within 100 and this corrections which have been happened in the motor portfolio - about third party premium going up and claims coming down, all that will have a very positive effect on the motor portfolio as such and on the health also we are very confident given that many companies are walking away from loss-making group Medclaim business and now the companies are getting listed also the trend is changing that people are actually focusing on the bottom line, so these two I think with market correction underway we are confident that both motor and health also will have positive combined ratios in our portfolio.

Anirudh Agarwal: And by when can we expect in FY19 is that a possibility?

Alice Vaidyan: For combined ratio the motor and health within 100?

Anirudh Agarwal: Yes.

Alice Vaidyan: That is what we are aiming at and we hope it will come by the end of FY'19 itself it should be within 100.

Anirudh Agarwal: And in motor what is the split between the own damage and the third party in your underwriting.

Alice Vaidyan: On the premium you are asking?

Anirudh Agarwal: Yes on the premium.

Alice Vaidyan: 30 must be TP and 70 OD approximately we are saying.

Moderator: The next question is from the line of Krunal Shah from Enam Investments. Please go ahead.

- Krunal Shah:** So my question is that in case the right of first refusal with GIC goes away, how confident are you maintaining the stable level of premium in this year to next year?
- Alice Vaidyan:** First of all, I do not think that right of first refusal is going to go away. But having said that the right of first refusal what it did actually do - it helps us to see all the business in the market - that is about it - which to a large extent may be 90% we will get to see all the business in the market given the confidence of the market in the GIC. So I think in all probability we will be able to maintain our premium levels even if ROFR is not there- we can add to our premium by maybe 1% or 2% that is about it.
- Krunal Shah:** If you see our premium level for this year the mix 30% is sort of agri we see just the 10% sort of growth in agri next year? So what would be the growth driver for the business this year if not agri what would lead the growth?
- Alice Vaidyan:** You have heard about that new health scheme of the government that could be one big driver in the market. Crop will still continue to drive growth in the market. It has become the third largest portfolio in the market after motor and health and motor also will drive the growth in the markets. So these three lines will still continue to be the big drivers - motor health and crop.
- Moderator:** The next question is from the line of Vipul Shah from Individual Investor. Please go ahead.
- Vipul Shah:** What is the size of investment book?
- Management:** Right now, we have a book value of Rs 47,816 Crore.
- Vipul Shah:** What will be the market value of those investments?
- Management:** Rs 47,000 has become almost Rs 77,000 crore as a market value.
- Vipul Shah:** Entire 47 you are telling?
- Management:** Yes, entire 47.
- Vipul Shah:** What should be the yield of rest 80%.
- Management:** 7.38 is the yield of interest and dividend. If we include profit on sale of investment it becomes 12%.
- Moderator:** We move to the next question - a follow up question from the line of Bhavin Shah from Sameeksha Capital. Please go ahead.
- Bhavin Shah:** So international business you mentioned the combined ratio for you and also for some of your peers, what we can clearly see from that that we are at the higher-end all these players in terms of our combined ratio so it exhibits the difficulty we face in running a profitable international

business, so how we do address this because it seems like all the hard work you are doing on the domestic side could go away because we leak so much on the international side?

Alice Vaidyan: See last year the international book was profitable so it is just that in a one-off bad year reinsurance tends to take loss, but reinsurance works that way - the balance between good and bad years and we will build up in reserves to pay out claim in a bad year and for a reinsurer we need to diversify that is the key of reinsurance, diversify across geographies and lines of business and as a multiline reinsurer - this is exactly what we are doing. We write business from 160 countries and even if you are looking at crop book, India is like a subcontinent. We have a well-diversified book across the entire country. So diversification is a must for a reinsurer. I know that in one off year we do have losses but I think we will focus on that - see that overall it works in the best interest of GIC.

Moderator: The next question is from the line of Ayush Khaitan from Prospero Finvest. Please go ahead.

Ayush Khaitan: Just one question. I guess domestic book get renewed during April or May month and the international get in January month, did we see any rise in premium for the renewed contract in domestic?

Alice Vaidyan: April is the domestic renewal and January is the international book renewal, but what happens in reinsurance the entire premium does not come in one go we have installment premium which come in. You are asking whether the premium has gone up is it?

Ayush Khaitan: Yes.

Alice Vaidyan: For the domestic book. Foreign definitely has gone up because of the Harvey, Irma, Maria losses. For international book the premiums have definitely gone up. In the domestic market also for this April business which we had, we have seen improved rates definitely across the market. Though in the domestic market if you see the direct business there has been some very intense competition among the direct companies as far as some facultative account are concerned.

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

Avinash Singh: Quickly on the footnote 10 of P&L regarding the change in accounting treatment of unexpired risk reserve, can you just give clarification on that number it has lot of increase or rather had we continued the old tradition our profit before tax would have been down by almost 2659 Crore so can you just provide more color on that?

Management: We are having some special type of contract so under that contract there is a fixed amount of margin which the reinsurer gets. So what has happened in the earlier year. We have provided the outstanding losses also but in addition to that we had provided this reserve for unexpired risk for quite a long time, but what has happened this time - my auditors had been seeing for last two, three quarters and finally after the complete understanding now they have concluded that in this particular capital gearing treaty there is no need of URR because already OSLR is taking care

of URR because the risk does not go beyond this policy period or our treaty period. So in this year because of this unique nature of this particular treaty, URR is not required - entire risk is already booked in the current year itself. So we have reversed whatever URR provided in earlier year we have reversed that amounts to around 2600 Crore.

Moderator: The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.

Manish Bhandari: Ma'am this is some confusion on these health scheme that what is the breakeven price, and if you could throw some light that below what price will be not acceptable to you as a health insurance premium from whatever government may say?

Alice Vaidyan: See the point is that government has taken a call - this is a government scheme, this is government money. Today's paper says that the price could be around Rs. 1092 so the point is that there is no question of GIC deciding on the price the government has decided. Now how we structure the reinsurance support to the companies based on this price and on the book they write that is in our hand. So, we will be careful to see that we do not take more losses into our book even given this price that beyond what the company will take. So we will be very careful about the reinsurance support that we structure for the company.

Moderator: The next question is from the line of Anirudh Agarwal from AAA Investments. Please go ahead.

Anirudh Agarwal: The question is again on agri business one of the previous participants was trying to ask so would be a combined ratio in agri if we exclude the claim for the previous year?

Alice Vaidyan: Yes, we have just worked it out - it came to approximately 105 if we were to exclude the claims of the earlier year.

Moderator: The next question is from the line of Krunal Shah from Enam Investments. Please go ahead.

Krunal Shah: My question is regarding previous participant question regarding note #10, in terms of the claim in which line item that reversal reflect?

Alice Vaidyan: Motor, health and PA.

Krunal Shah: That means the change in the claim in which line items?

Management: The effect has come in the unexpired risk reserve not outstanding.

Management: In revenue account, the schedule is there under the premium where the premium earned for schedule 4 is there where the premium earned is given in Schedule 1 is premium earned, in that that reserve for unexpired risk come there this effect will be there at that point in time.

Moderator: The next question is from the line of Anand Bhavnani from Sameeksha Capital. Please go ahead.

- Anand Bhavnani:** So sir I were to adjust for the URR, our combined ratio firm wise is around 111.6 for the financial year, would that be the correct number adjusting for URR?
- Management:** For adjustment of URR, the impact has come to some extent on the combined ratio.
- Moderator:** The next question is from the line of Avinash Singh from SBICAP Securities. Please go ahead.
- Avinash Singh:** If you adjust for that declared dividend what kind of impact that declared dividend will have on solvency ratio?
- Management:** See on solvency there will be no effect of the dividend because it is declared from the profit after tax.
- Moderator:** We take the last question that is from the line of Anirudh Agarwal from AAA Investments.
- Anirudh Agarwal:** As per previous participant said that our combined ratio overall excluding the reserves was 111% or more but what can we expect in the coming year I mean we are seeing that we want to go below 100, but our performance is actually getting worse, even if we exclude for the impact of international, domestic combined ratio would have been worse had it not been for URR side so what do we see going ahead?
- Alice Vaidyan:** See world over reinsurance has shown worst combined ratios than GIC. That is why we have conservative reserving that we can actually use it in bad years. So that is the way we have gone but going forward given that the pricing has improved and that we are confident of our results this year. So we hope that combined ratios will improve going forward.
- Moderator:** Ladies and Gentlemen that was the last question. I now hand the conference back to the management for their closing comments. Thank you and over to you.
- Alice Vaidyan:** Thank you all for coming and I think we have been able to explain the performance of the company in detail to your satisfaction. I think as the senior management of GIC Re, we actually feel that in a year where we have seen international losses, we were able to show a very steady performance that is the way I would like to put it and the profit after tax also has increased. The combined ratio even at 104% I think it is well within the limits which we have targeted for ourselves. The return on equity also if you see is around 15% - what we have targeted is 15% to 17% and we are confident that given the growth trends in the market and the pricing power which GIC Re has in the market and given that good weather predictions are there for this year and the control we have over the international business as well, we expect we will have better results for this coming year going forward. Thank you very much.
- Moderator:** Thank you very much. Ladies and Gentlemen on behalf of General Insurance Corporation of India that concludes this conference. Thank you for joining us and you may now disconnect your lines.