"General Insurance Corporation of India Q2 FY19 Earnings Conference Call"

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MANAGEMENT: MS. ALICE G. VAIDYAN – CHAIRMAN AND MANAGING DIRECTOR, GENERAL INSURANCE CORPORATION OF INDIA

Moderator: Ladies and gentlemen, good day and welcome to the General Insurance Corporation of India Q2 FY19 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle of Christensen IR. Thank you, and over to you, sir. sir.

Diwakar Pingle: Thanks Inba. Good afternoon to all the participants on the call. And thanks for joining this Q2 FY19 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 you have not received the same, you can write to us and we will be happy to send it over to you.

Before we proceed with this 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 business risks 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 top management of GIC Re, represented by Ms. Alice G. Vaidyan – Chairman and Managing Director and other top members of the management. We will be starting the call with a brief overview of the quarter and the financial highlights given by Ms. Vaidyan which will then be followed with the Q&A session.

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

Alice G. Vaidyan: Good afternoon everybody and welcome to the GIC Re financial performance for the half year ended September 30th 2018. Before I start with the highlights of this half yearly performance may I take this opportunity to inform you that since the last quarter, GIC Re has now emerged as the 10th Largest Reinsurer in the World, so we are now among the global top 10 of the world on the basis of net reinsurance premiums written which is as per S&P rankings and we have also been adjudged by Forbes in the Global 2000 Best Regarded Companies of the World, we have figured in at 156th rank. We have also figured in the Forbes 2018 Global list of 2000 World's Best Employers. So this is a matter of great pride for us that as an organization, we have grown in stature and we have been acknowledge by the world markets.

Now coming to the main highlights of this quarter performance. GIC Re financial performance was approved at the board meeting of the company held in Mumbai today morning. The growth in the gross premium of the company was 11.1% and we have clocked a premium of Rs.27,117.40 crore for the half year ended 30-09-2018 from Rs.24,404.37 crore in the previous half year ended 30-9-2017. The investment income for the half year ended 30-09-2018 was higher at Rs.3,283.76 crore as compared to Rs.2,417.81 crore last year showing a growth of 35.8%. The net worth of the company without fair value change account increased by 14.8% to Rs.21,297.78 crore on 30-09-2018 from Rs.18,549.91 crore as on 30-09-2017. The growth in net worth of the company including fair value change account was 3.6% and we are now at Rs.51,266.29 crore against Rs.49,496.10 crore as on 30-09-2017. Profit after tax for the half year ended 30-09-2018 recorded Rs.1,285.27 crore compared to Rs.771.42 crore for the first quarter ended 30-06-2018. Return on equity, ROE un-annualized has increased to 6% for the half year ended 30-06-2018 as compared to 3.5% in the first quarter ended 30-06-2018. Solvency ratio was 1.73 as on 30th September 18 which is above the minimum required solvency of 1.50 and above the solvency of 1.72 of 31st March 18. Total assets increased by 10.7% from Rs.1,07,034.55 crore as on 30th September 17 to Rs.1,18,502.88 crore as on 30-09-2018. If you just see the composition of international and domestic business for the half year, we are now at domestic 76.2% and foreign at 23.8%, compared to 78.79% and 21.21 for the similar period of last year. The growth for the domestic business has been 7.5% and international business has grown by 24.7% and we have overall recorded a growth of 11.1%. I think all the other details are there in the sheet given so if you want to ask any questions, we take the questions.

Moderator: Thank you very much ma'am. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Avinash Singh of SBI Cap Securities. Please go ahead.

Avinash Singh: Couple of questions, the first one, what has been the extent of losses from Kerala floods because your combined ratio target that is typically to reach under 100 that again looks difficult for the full year, so last year you had overseas losses, now this year it seems to be no losses at all there. So some color on that so that we can have some adjusted combined ratio number. So that was the first one. Second, particularly the health segment appears to be deteriorating so what exactly is causing it, is it some business that is the mandatory 5% in India or is part of the overseas portfolio that is deteriorating? So that is my second question and thirdly, just a data - what is your extent of ILFS exposure? Thanks.

Alice G. Vaidyan: I will take your first question, we are talking about the Kerala flood. So, I agree with you that we have always maintained that on a short term basis we intend to be within 95 to 100 % combined ratio and for long term, we have to be within 95% - that is the stated goal of the company. But as you would have seen, we do have natural catastrophe events coming in. So for the Kerala floods, the total losses to GIC Re, it was under 850 crores, for our net book it is only 250 crore because that portfolio has been protected. So, the combined ratio has deteriorated. It has come to 108% on an accounting basis- this is as per IRDAI formula it has come to 110%. So apart from Kerala floods we had some other risk losses, 4 big losses have come in mainly from BPCL, NTPC, from Nirma from other two losses, like Vivantia and the Mylan Labs and all that. Few risk losses have also come in. So apart from that we have had some development in the losses on the international side and you have seen the catastrophe losses which have come in internationally so they are also on the radar, but like you said the forecast of the company remain that we need to have combined ratio within 100 and generally I would also say that we have been little conservative in reserving this time because the Kharif agriculture losses have not come in fully so we thought we should be conservative side not knowing the losses which will come in. So from that point also, we have shown a slightly higher percentage for combined ratios.

On the second question of your health portfolio, we have slightly de-grown this time, because we are trying to come out of loss making treaties, it is not so much for the domestic portfolio as it is for our foreign portfolio - we have taken a little bit of health losses mainly from Dubai. But focus is on and we are monitoring the foreign offices who are writing health business. On the IL&FS front, we do not have any equity exposure, the debt exposure is around Rs 1152 crore in total. Would you want any details on that?

Avinash Singh: Yes, have you provided anything, or it still remains the standard, so what kind of provision have you made because some of the other institutions have started making provisions?

Management: The default took place in the last week of September. So, the provision was not made in this quarter, next quarter it will be made and our total exposure is around Rs 870 crore and other exposure is GIC terrorism pool that is not of GIC Re, that is of entire insurance market that is around 22 crore.

Avinash Singh: Okay, thanks. And follow up on the first one, the large cat and large man-made risk losses, could you provide a sort of disclosure, what has been the extent of natural catastrophe losses and also what they categorise as large man-made losses. So at least that helps understanding that what is the trend on adjusted basis versus plain ratio or combined ratio.

Alice G. Vaidyan: You want us to define what would be catastrophe risk, is it?

Avinash Singh: No, I am saying the factual number like Kerala flood is a cat loss, similarly the large losses whatever your categorization be the Rs10 crore per loss or 50 crore per loss, how much of that sort of large losses you may incur?

Alice G. Vaidyan: Quantify.

Avinash Singh: Yes, the number for the quarter.

Alice G. Vaidyan: Yes, we can do that. That we can make available to you.

Moderator: Thank you. Our next question is from the line of Avinash Kovvuri from Sutherland. Please go ahead.

Avinash Kovvuri: My question is regarding the cat loss - it is continuous to the previous, right now the California floods and the fire happening, so any cat exposure have you got in North American markets?

Alice G. Vaidyan: No, for this Californian wildfire, we do not have real exposure, that is on the Western side of US we do not have much exposure there. So, it was only last year we had exposure to Harvey, Irma, Maria losses which we have taken and accounted for, so for the Californian wildfire, we really don’t have big exposure.

Avinash Kovvuri: And my second question is regarding the aviation portfolio since you are one of the top five aviation reinsurance provider - just wanted to know your market outlook because recent line air crash in Indonesia - just want to know your overview the industry how you are looking at aviation going forward.

Alice G. Vaidyan: See for aviation what has happened is we have had very safe year till about last year but this year there have been a few aviation losses. We are one of the top five players in aviation as you have pointed out. I think aviation losses are public information only-, we have had some big losses on the aviation side. From the Embraer, HAL Sukhoi, Air Niugini, PT Lion, Fly Jamaica, UTAir Russia and all that - there have been some total losses on the aviation side. And because we are a big player our exposure has been roughly around 6 to 7% - the line size which we have on that. So we have taken around $6 lakh USD, overall 18 million that we have taken losses in aviation.

Avinash Kovvuri: And my final question is regarding the forex - I would like to know your hedging policy, because all the emerging currencies are down today year on year so what is your foreign hedging strategy going forward?

Alice G. Vaidyan: I will ask Mr. Tripathi to answer that.

Management: Normally we don’t transfer forex between different countries and our Indian operation. Whatever operation is happening at various branches, the currency is kept there to meet the expenses on a day to day basis. Since we do not transact foreign currency from India to outside or from outside to India, we do not have a hedging policy as of now - each company, each branch is dealing with a local currency at that place. Basically all these things are done from London account. And we have account there in Pound, Euro and Dollar. And all those are paid out of our London account so that is why we do not have any specific hedging policy to manage foreign currency volatility and whatever gains and losses are shown in the P&L account, they are basically notional gains and losses.

Moderator: Thank you. Our next question is from the line of Aarsh Desai from Vallum Capital. Please go ahead.

Aarsh Desai: So, my question was with regard to our health insurance book - as you said that we had a couple of losses with relation to our international book. I just wanted to know what is the extent that we have gotten out of that sort of underwriting in Dubai and for the remaining half of the year do we see possible underwriting profit in health insurance per se?

Alice G. Vaidyan: Yes, going forward we think that this portfolio will improve definitely because for the losses which we have seen from Dubai, we are not growing in that segment now, so the idea is to come out of loss making treaties and show profitable results for the portfolio.

Aarsh Desai: I get that, what I mean to ask is to what extent is that still left, in the sense of how many treaties do we still have to get out and how much more pain can we see further and as on the existing treaties, I get that we aren’t growing further in the health but from the existing treaties?

Alice G. Vaidyan: Yes, even the existing treaties we are trying to come out from, it is not additional treaties we are going to write. So we are confident that by the end of this year we will be able to make a turnaround in this portfolio.

Aarsh Desai: And what combined ratio do we see year end at for the entire portfolio.

Alice G. Vaidyan: It is definitely within 100. Overall also it is our goal to keep it within 100 and GIC Re will make all out efforts to see that the performance of each portfolio improves, so that we show a combined ratio overall within 100.

Aarsh Desai: So, if the half year as we ended is around 110 odd so for the full year to be below 100 for the second half of the year, you would have to have a combined ratio of somewhere around 90 somewhere in that range.

Alice G. Vaidyan: Yes, so like you said we cannot actually predict the catastrophe losses but now going by the trend what we have seen is we have estimated higher end trends, it has only come down so going by the estimates of the past years and the future trends as we see it now, we feel that we will be able to show positive results by the end of the year.

Aarsh Desai: Okay. And this time in our engineering book I see we have made a Rs 185 crore loss - what would this loss relate to.

Alice G. Vaidyan: For the engineering book you mean.

Aarsh Desai: Yes.

Alice G. Vaidyan: Because we have lot of projects, it must be not one loss it must be the combination of many losses.

Aarsh Desai: I get it but usually we do not have such a big loss in engineering that is why I was wondering.

Alice G. Vaidyan: It is the NTPC loss which has come in, it is mainly from that.

Aarsh Desai: Okay. NTPC loss, and what is the outlook on our crop insurance with the remaining half of the year, how has the crop been, what sort of losses we have seen in the initial season?

Management: This is Tripathi from agriculture team. The year 18-19 for Kharif season, the yield estimates have started to come in, we find that the rainfall distribution has been rather good this year barring the North East, so the overall LPA deficit of around 9% - there is concern in only two states on the Western side of India of which we are not into one of the major states, it is not into our treaty in big way, only in what we have taken we have some concern and we have deployed our people to see the crop cutting experiments that have already happened there. We will know the crop cutting results by the end of November for the whole, as of now our experience is that, our understanding is that it will remain close to what has been for the year 2016 and 17 - the year has come to a loss of around 79% - we expect that slightly closer to that in the year 18-19 Kharif as of now. We will know the development as we go ahead in November.

Aarsh Desai: Correct, and my last question was with regards to our investment income - this time a lot of our underwriting loss specially for the quarter has been masked by the amount of investment income that you generated but although you generated around Rs1600 crore investment income for this quarter, with this sort of markets that we have been witnessing for the last three months, a lot of sale of equity wouldn’t have happened at lucrative prices, as such a lot of quantum would have been sold, so what is your take on the amount of investment income that is being generated?

Management: Actually this amount of income generated was when the market was in very right situation, it was very high in the month of August and that time only major selling took place from our side and we got good prices for our sales. Now we are purchasing when the market is down.

Moderator: Thank you. Our next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Sir, I just wanted to understand on the motor line in particular what is the reason for the higher losses and secondly is this largely a domestic business with treaty type of contract, so just wanted to understand basically the nature of the business and the key driver of the loss.

Alice G. Vaidyan: See for the motor line of business if you have seen the Indian market scenario, the motor third party losses have always been the biggest contributer in the motor losses. And as a reinsurer in the market, we also tend to take a share of the motor losses of the market. So basically there are no reinsurance treaties which we bind with the companies for motor. The motor is not a line of business which requires reinsurance per se. Because the values are small, so most of the exposure come from the obligatory cessions - the mandatory 5% obligatory cessions GIC Re has for the market, it comes from there. So as part of the motor losses of the market, 5% share gets passed on to GIC Re.

Deepika Mundra: Okay. Understood, and ma'am just on the agri side as well, just want to understand the trend in the retention ratios over there. And what are the expected combined ratio over the year for the agri line?

Alice G. Vaidyan: If you have seen the agri line, even in the half yearly when we close we are at 98% only combined ratio for agri for the half yearly only. So it has been a five good seasons after the new group scheme has been implemented and we are very positive. So, if you see the premium figures we have not grown much, it is just about less than 2% growth in agri premium for the half yearly ended now. But the result - because the weather, the seasons have gone off well - it has turnout well and I think we are very very confident but being agri, we tend to reserve on the conservative side, because the claims have still not come in and Kharif has just concluded so we feel it's too early to judge and as data continues to develop, we still tend to be a little conservative with the reserving on the agriculture.

Deepika Mundra: I understood. And ma'am lastly on the claim, on the overall claim loss for the overseas business in the quarter - do you think if you could just compare it versus the domestic business in terms of what was the combined ratio and do you think that on the overseas business the provisioning is sufficient or there is any further risk of loss development over here?

Alice G. Vaidyan: Yes, if you see that compared to the domestic claim scenario, the overseas claims scene has not been favorable for this half yearly. It is higher but that is also because the major chunk of our renewable foreign business comes in January. So, it will not be right to really assess the performance of the foreign book portfolio based on existing premium because 75% of the foreign portfolio premium comes in January. So we have had some losses like you have seen we had some global catastrophe losses have come in from Jebi of Japan, Philippines typhoon all these we have seen, Mangkhut and all that. So we had a few losses but nothing of great concern but still like you said, we have to see how the cat develops so the earlier losses sometimes develop over a few quarters more, so we will wait and see that.

Deepika Mundra: Ma'am, one very last question from my side if that is okay. Just under cat losses you mentioned that it was Rs250 crore on the domestic book which is basically the Kerala floods, so overall what was the cat losses in the quarter that is overseas plus domestic?

Alice G. Vaidyan: If you see our cat losses overall, the provisioning has moved from around Rs100 crore to more than Rs2000 crore so that is taking into account the cat losses and the reserving also we have done. So apart from Rs800 crore of losses which we had from the domestic market, we have also had foreign losses coming in and the reserving on the agriculture side. So if you see the underwriting losses are around Rs 2098.

Moderator: Thank you. Our next question is from the line of Hitesh Gulati from Haitong Securities. Please go ahead.

Hitesh Gulati: My first question why has the commission numbers increased so much.

Alice G. Vaidyan: Commission numbers?

Hitesh Gulati: Yes, ma'am. If you look at the gross rate and premium and the commission and brokerage numbers year on year so that number has increased from something like 1070 to 1968.

Alice G. Vaidyan: See the commission figures as compared to, you are saying the last earlier quarter or last year?.

Hitesh Gulati: Last year, year on year.

Alice G. Vaidyan: 16.6% that has come down to 15.3% actually. The net commission which is calculated on the net premium that is how it is calculated that has come down from 16.6 to 15.3% for the half yearly from September 17 to September 18.

Hitesh Gulati: I am actually focusing on the quarter, so quarter three months ended September.

Alice G. Vaidyan: Figures up to the quarter may not give a correct picture because of the seasonality of the business that we have. Aggregates recorded in the first quarter, the foreign premium comes in January, the market renewal premium comes in April. So quarter to quarter may not be very ideal to compare but if you compare on a last half yearly to this half yearly, it has come down.

Hitesh Gulati: Okay. And ma'am just one more thing - on the segmental performance the SL credit losses line that has seen an underwriting loss which is quite significant, can you just throw some light on this?

Management: It is the domestic market - some losses have been reported by our major cedants soon after these jewelry frauds which came up - so anyway, we have asked them for listing and we need to see whether they are really liable for those losses or not.

Hitesh Gulati: Okay. And ma'am just on the health portfolio I understand someone asked this question before but how much of these losses that we see are domestic and how much will be international like or is it mainly only international?

Alice G. Vaidyan: Mainly it is international only, not so much of domestic losses because we do not have reinsurance treaties on health with most of the companies that I said like motor it is basically coming through the obligatory exposure which we have of the 5% mandatory business which comes in. Basically, foreign is under control and we are trying to trim the portfolio and also to make it profitable.

Moderator: Thank you. Our next question is from the line of Rahul Marathe from Akash Ganga Investments. Please go ahead.

Rahul Marathe: Just if you could provide the combined ratio for the domestic business and the international business and second question is if you could just provide some bifurcation for the underwriting losses between our facultative line of business and the treaty line of business.

Alice G. Vaidyan: Okay, so on your first question Rahul, the domestic is 102% combined ratio and the foreign is 138%.

Rahul Marathe: This is for the H1?

Alice G. Vaidyan: Yes, this half yearly and to give you the break up on facultative and proportional we will make the details available to you because we don't have that right away.

Rahul Marathe: Because it is my understanding that more of this losses have come from the facultative line, is my understanding correct for this?

Alice G. Vaidyan: No, we have some cat losses and some risk losses, the risk losses , part of it is from facultative, it is partly from the treaties also. Because we cover all the treatise in the market, most of the treaties are supported by GIC Re. So we get accumulation of exposure from all the company treaties, that is why.

Rahul Marathe: So majority of these losses are related to the treaty part?

Alice G. Vaidyan: Yes.

Moderator: Thank you. Our next question is from the line of Ravi Mehta from Deep Financial. Please go ahead.

Ravi Mehta: Just one question on the losses what you shared on Kerala floods some Rs850 crore losses whereas net is Rs250 crore so when I look at the Q2 numbers you have actually booked only Rs250 crore of loss in the claims.

Alice G. Vaidyan: Kerala floods is only 250 but we had some other risk losses which came in, like we have told before other major risk losses have come in from the Indian market itself and we have also booked some foreign losses as well and we have done some conservative reserving on the agriculture side so all this has added to the numbers you see as underwriting loss.

Ravi Mehta: Okay. And another question was on the commission ratio, I know someone asked before when we look at the commission and brokerage as a percentage of written premiums, so maybe for Q2 it is very high compared to the other quarters but it is evening out in the first half so how should we actually look at it?

Alice G. Vaidyan: Actually compare it with same quarter of the earlier year -so last year it was 16.6%, it has come down to 15.3%.

Ravi Mehta: This is on half yearly basis right?

Alice G. Vaidyan: See in insurance that will be a better picture, not for the quarter; up to the quarter will present more clear picture. It has actually come down so if you see the role that GIC Re has been playing we have been trying to trim the commissions to bring it down to very realistic levels. We have played a big role in bringing down the agriculture commissions as well so that has helped to show it as lower levels this year.

Ravi Mehta: But I think you had guided a number much lower level on an annualized basis if you can just revisit that. The commission ratio on an annual basis, what kind of number you are targeting because I think in the earlier call you were guiding you were trimming down the commissions for the portfolio not performing?

Alice G. Vaidyan: We brought it down from around 10 to 12% to around 3 to 5% - that is the level we have brought it down. So by the end of the year we will see definite improvement on the commission figures.

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

Krunal Shah: My question is regarding this Ayushman Bharat Scheme - so previously we were expecting a lot of business to come from it with reinsurance. Now that most of the states have trust model, do you think still GIC Re has a role to play in this scheme?

Alice G. Vaidyan: Yes we definitely have. Only four states have opted for the insurance model - as you have rightly said many have gone in for the trust model. In those four states who have bid for the tender and we are supporting one state in a bid. So when we find the price is adequate, the prices that we can take business at, that level only we would want to support the scheme. So we have supported one state and one company and going forward, if we find the price is right, we will do so and we also feel that may be the states who have opted for trust model might move to the insurance model - that is the market information - in times to come because insurance companies are after all known to run the business. So we are confident that Ayushman Bharat will contribute in a big way to the health insurance premiums of GIC Re.

Krunal Shah: Okay. But is there any provision wherein states have adopted the trust model could also reinsure themselves?

Alice G. Vaidyan: That is what we have been examining so we are just waiting for confirmations on that. We are also exploring because they would also need reinsurance, so some insurance funds are there, they can take from other states who don't have insurance funds like Kerala, Maharashtra, Gujarat they all have state insurance funds - they can take reinsurance definitely. The others will need to put some modus apparatus into place so we will wait for that to come in.

Krunal Shah: Okay. By when can we expect some clarity on that?

Alice G. Vaidyan: I think by next year only, - everybody is waiting and watching.

Krunal Shah: Okay. My second question is regarding the rates in the insurance market globally. So with interest rates rising now, are we seeing some hardening of rates happening?

Alice G. Vaidyan: For the reinsurance prices you are talking or investment?

Krunal Shah: Yes, globally reinsurance prices.

Alice G. Vaidyan: Reinsurance prices, last year after the Harvey Irma Maria losses and all that added to the prices though not in a big way - there was slight hardening of the premium and I think going forward when there are more cat losses, the prices will harden for some time. Reinsurance business as you know is actually cyclical. It is hard and soft market depending on the losses which come in. Right now the prices seem to be holding we will have to wait and watch but the only point is that there is lot of capacity in reinsurance. Capacity which comes in from the capital markets as well. The prices are not able to hold at some level because of the huge capacity which is there, there is no dearth of capacity that is why.

Krunal Shah: Okay, so the capacity still stays as of now.

Alice G. Vaidyan: Yes, both from the capital market and from the reinsurance market, staying at very high level.

Krunal Shah: Do you think that the rising of interest rates in the global markets in the US, will that reduce the capacity in some way.

Alice G. Vaidyan: We do not think so, but I will ask my investment person to give a view on that.

Management: We don't think our rising interest have got major bearing on the interest rates at this point of time. There are alternative source of financing such as catastrophe bonds are available but rising interest rates have directly no impact as of now on the pricing trend. The insurance will follow a different trend and global markets will follow a different rising interest rate trends.

Moderator: Thank you. Our next question is from the line of Abhishek Shroff of Deustche Bank. Please go ahead.

Abhishek Shroff: Ma'am I had just two small questions, first on our growth guidance for the year - so for the half year we have booked around 11% growth so what is the full year number that we are working with currently. And secondly on the FVCA, so if I see that there has been from June to September there has been a gain of around, accretion of around Rs 1000 odd crores. But given that the markets have been volatile and also that we have some gains in investment income so if you can just throw some light on how the FVCA has accreted by this much amount?

Alice G. Vaidyan: So the first question I will take, this is on the growth outlook. So 11.1% we have recorded half yearly. I think going forward also, by the end of the year also, we do not intent to grow in a big way we will see growth around 10 to 15% range only. On the investment side I will just ask.

Management: Actually market situation was very good in the month of August and the prices were ruling quite high that time and we capitalized on that period and maximum investment income has come around that time only and 10 or 15 days of September month also. So now the market is down so we are more in the purchasing mode. Selling was mostly done during that time and that is why the high income you will find.

Abhishek Shroff: Sir actually I meant not on the P&L side, actually gain that you have booked but from the end to end perspective which we carrying the FVCA because FVCA, my understanding is: it will be done on the last day of the quarter right. So from that perspective I just wanted to understand, because I understand that obviously the gains that we have booked by selling the equity so that would have flow through into the P&L but I want from FVCA angle.

Management: The FVCA movement if you see, it does not have much impact on our equity book because we run beta of less than one in the book okay. When we are running less than one beta on the equity side, the FVCA movement though impacted will not be impacted very greatly because on the bond side and on the fixed income side, the FVCA is not taken into account. It is only on the equity side and on the liquid mutual fund side, the FVCA is taken into account and on the liquid mutual fund side also, we were not affected by those mutual funds where the NAV got impacted because we had withdrawn the money from those mutual funds. So FVCA impact will not be huge for us and will remain balanced for the whole year leading up to March, that is what is our understanding and whatever profit we booked it was booked when the market was at its peak,;we have not booked profit when the market deteriorated in September and October; this is the time for us to buy and we expect that fair value impact will not be huge for us on the negative side till March.

Abhishek Shroff: One last question on the agri part, if I can. So, obviously we had been conservative and provided a higher reserving under IBNR and IBNER from a half yearly basis but if you can just throw some light on the fact that on a quarterly basis, it seems there is some reserving release so obviously if you can just throw some light why that has happened because if I see the segment wise breakdown on IBNR and IBNER so on, agri it has actually come down by roughly around 1400 crores.

Management: This release Abhishek has basically happened because for 16-17, most of the claims are already paid. And for 17-18 we are also closing now after the paid claims are done and the OSLR and IBNR are actually getting released so that is the reason we do not think that much of such IBNR and OSLR should be held in the reserving and should be released into the books. That is why for 16-17 and 17-18 this has been done and for 18-19, whatever additional IBNR that has to be done looking into the movement of the Kharif season, that has been provided by the actuary.

That is why there has been some release which has happened because of the earlier years claims which have already been through.

Abhishek Shroff: So sir is it fair to assume that going forward we can see some sort of release because we have been conservative this year till now.

Management: Till that, there should be further release going ahead and we will see the full impact by March next year because government of India wants that all the claims should be paid by 31st January 2019; if that actually happens there is the only Crop Cutting experiments that has been completed by March, we should be seeing further release into the books.

Moderator: Thank you. Our next question is from the line of Niraj Toshniwal of Emkay Global. Please go ahead.

Niraj Toshniwal: Just wanted to understand how your Lloyd's syndicate is developing and what has come up from there?

Alice G. Vaidyan: Lloyd's business just started operations in April, and we are starting with a small capacity around 15 million which will be scaled up in the years. So we will have some increase in the international book from our Lloyd's operation but initially intend to start in a small scale and then it will go up.

Niraj Toshniwal: Okay. And how has been the experience till now?

Alice G. Vaidyan: Yes, Lloyd's will always have a better experience than what we have in India because the market there itself is very profitable, so the experience so far has been very good.

Niraj Toshniwal: Okay. And ma'am one question on OFS - I think there has been some noise that government is planning to go ahead with 10% more sale in both, of yours and New India so your thoughts on that, because the prices are low so wanted to understand.

Alice G. Vaidyan: We also waiting for some instructions from the government - only we also have read in the papers so we will also wait for some concrete information to come through, but like you said the prices should hold till the time is right, this is what we feel.

Niraj Toshniwal: Okay. And any incremental color on the combined ratio going forward because there has been quite massive losses in terms of health, in terms of motor, in terms of aviation - I think we already discussed but just wanted to have some color how we are actually targeting 90% if at all we target 100% for the full year?

Alice G. Vaidyan: We are targeting, out target is always to be within 100, so we are not targeting 90 at this point in time.

Niraj Toshniwal: So 100 for the second half, basically not 90?

Alice G. Vaidyan: Yes, half yearly results have shown 108% so I think going forward we have another two more quarter closings. So we are very optimistic that the result should be good and we are also hoping that there will not be any big cat in the rest of month going forward.

Niraj Toshniwal: Thank ma'am just my question is, 100% target is for the second half, basically not for the full year?

Alice G. Vaidyan: We want to keep it for full year but like last year also, it was within 100 only. So many quarters we have tried to keep it within 100. Last year we have taken Harvey Irma Maria losses of course. So we would try to do it, that is the goal of the company but like you said we won't want to be over optimistic about it, be realistic about the results.

Niraj Toshniwal: And ma'am last quarter we spoke about that your commissions rate have actually come down in terms of payment to the General Insurance Company so you are getting a better rate probably so why commission rate has again inched up?

Alice G. Vaidyan: It has not inched up, if you are comparing to September last year and this year it has come down from 16.6% to 15.3%.

Niraj Toshniwal: Yes, but last call I think you said that it will be maintained at Q1 level probably because you are getting better rates from General Insurance Company.

Alice G. Vaidyan: It is only one more quarter which has passed by, so I think by the end of the year we will have much more improvement in the commission level going forward.

Management: Actually the impact of the reduction in the agri commission will be mostly reflected when we come to the last quarter of the year, it has already reduced by Rs 600 crore.

Moderator: Thank you. As there are no further questions from the participants. I now hand the floor back to Ms. Vaidyan for closing comments. Over to you.

Alice G. Vaidyan: I think we have explained our financial results for the half year ended 2018. And we note the concerns that we have had an increase in underwriting losses and the combined ratio has gone up but, I want to assure that the management will make all out efforts to see that we maintain both the growth also at around the same level and we will endeavor to make sure that the combined ratio will remain - we would want to keep it within 100% - somewhere around 100% level we want to maintain - that is what the management will endeavor. But otherwise I think with the focused management team we are all out to see that whether it is on the investment side or on the claim side or on the underwriting side. We will show very good results for the corporation going forward. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of General Insurance Corporation of India. That concludes this conference. Thank you all for joining us and you may now disconnect your lines.