

# “General Insurance Corporation of India Q2 FY21 Earnings Conference Call”

**November 17, 2020**

**MANAGEMENT TEAM OF GENERAL INSURANCE CORPORATION OF INDIA:**  
**MR. DEVESH SRIVASTAVA - CHAIRMAN AND MANAGING DIRECTOR;**  
**MR. DEEPAK PRASAD - CHIEF UNDERWRITING OFFICER;**  
**MS. SUCHITA GUPTA - GENERAL MANAGER & CFO;**  
**MR. SHASHIKANT MORE - GENERAL MANAGER;**  
**MR. SATYAJIT TRIPATHY - GENERAL MANAGER;**  
**MS. GIRIJA SUBRAMANIAN – GENERAL MANAGER;**  
**MR. HITESH JOSHI - DEPUTY GENERAL MANAGER.**

**Moderator:** Ladies and gentlemen, good day and welcome to the General Insurance Corporation of India Q2 FY21 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 the operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you sir.

**Diwakar Pingle:** Thanks, Rio. Good evening to all participants in the call and thanks for joining the Q2 FY21 earnings call for General Insurance Corporation of India. The press release has been mailed out to everyone and you can also see the results on our website as well as on the stock exchanges.

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 and achievement to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results of the quarter and answer our questions, we have with us the Management of GIC represented by Mr. Devesh Srivastava, Chairman and the Managing Director and other top members of the Management. We will be starting the call with a brief overview of the quarter gone past given by Mr. Srivastava after which we will have a Q&A session. With those short words, I would like to hand over the call to Mr. Srivastava. Over to you, sir.

**Devesh Srivastava:** Thank you Mr. Pingle. Good afternoon everyone. I take this opportunity to wish all of you a very happy and prosperous Diwali. I am pleased to announce the financial performance for the quarter ended September 30<sup>th</sup>, 2020. Though the insurance industry continues to be affected by the impact of COVID-19, the influence has reduced significantly. We are witnessing an improvement on the external front and expect our underwriting performance to show better results and trends going forward. As such, we anticipate a turnaround in overall performance in the coming quarters.

Let me now take you through some of the key highlights of the financial performance. The gross premium income of the company was Rs. 10,651 Crore for Q2 FY21 as compared to Rs. 9,459 Crore in Q2 FY20, an increase of 12.6% Y-o-Y. The investment income increased significantly by 54% to Rs. 2,767 Crore in Q2 FY21 as compared to Rs. 1,795 Crore in the corresponding quarter of the previous year. Incurred claims ratio stood at 101% in Q2 FY21 as compared to 108% in Q2 FY20. Combined ratio in Q2 FY21 was 122% versus 123% for Q2 FY20. The adjusted combined ratio by taking into consideration the policy holders investments income, works out to 97% for Q2 FY21 as compared to 107% in Q2 FY20.

The company recorded profit before tax of Rs. 412 Crore in Q2 FY21 as against a loss before tax of Rs, 620 Crore in Q2 FY20. Profit after tax was Rs. 230 Crore in Q2 FY21 as against a net



loss of Rs. 595 Crore in Q2 FY20. Solvency ratio improved to 1.63 versus 1.52 as on 30th June 2020. Net worth of the company without fair value change account recorded as Rs. 20,123 Crore as on 30-9-2020 as against 20,529 Crore as on 31-3-2020. Net worth of the company that is including fair value change account increased to Rs. 39,628 Crore as on 30-9-2020 as compared to Rs. 35,425 Crore as on 31-3-2020.

On the premium breakup, domestic premium for Q2 FY21 is Rs. 5,888 Crore and the international is Rs. 4,763 Crore. The percentage split is domestic 55% and international 45%. There is de-growth in the domestic premium by around 5% while the international book has grown by around 47%. We are confident of improving performance in the coming quarters and expect improvement in terms of combined ratio and performance at the underwriting level. Having given the highlights, we are now happy to take your questions. Thank you.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Ashwin Agarwal from Akash Ganga Investments. Please go ahead.

**Ashwin Agarwal:**

Sir, during the last two years, every time on the conference call, the management is very confident of better underwriting profits and better combined ratio and all efforts are also being made, but for some reason or the other, global event, catastrophe event or COVID, the performance is only deteriorating, so what kind of task force or efforts or strategy we have put in place at least going forward, we can get the benefit of the hardening of the global premiums and also show substantial improvement in our underwriting profits, can you please elaborate?

**Devesh Srivastava:**

So Mr. Agarwal, if you look at our performance, when you say that we have been having a higher combined in the last couple of years, we would also urge you to have a look at how the global reinsurance companies have performed in these last 2 years. There have been record cat events in these last 3 years, in fact, 2017 and then 2018, picking a current year basis and even 2019 then, we had three years of continuous cat events. In fact, it has not been witnessed in the 100 year history of cat events in the world. That is what has led to the hardening of rates now, which is also something that you spoke about. When we say that our foreign book has grown appreciably by 47%, it is also a factor of the hardening of the rates that we have been witnessing and that is what is resulting in this increase of our book. Now, for our combined ratio which is our topmost priority now, when you stop looking at a topline and have only a bottomline focused growth, that is when results start creeping in. Now, in reinsurance, things do not happen overnight because we are not a manufacturing industry, it is more of a finance industry that is giving support to the insurance company. In a direct insurance company if something you have put up a rate for a certain, let us say motor class of business and your car is renewing and instead of giving Rs. 100 for a premium, now you have to pay Rs. 125 that direct company will see that gain of Rs. 25 immediately, whereas for a reinsurance company there is a lag and that lag will always show. So anything that we do will always have the actual effect coming in numbers after a small amount of lag. Now, in our own case also, that is very much true and now you also look at the fact that for reinsurance company, generally the biggest period when they can actually make a difference is on the 1st of January when the global treaties renew. For us fortunately in



GIC, there are two such dates, not only the 1st of January that is important because the international book largely renews in the 1st of January, but fortunately because India runs from 1st April to 31st March our domestic business which is the large chunk of our business renews on the 1st of April. So effectively we have these two dates to make a change and to effect changes, results of which will show in the subsequent 2 or 3 quarters thereafter. So we have affected quite a few changes in the 1st April renewals this year because now the focus is only on bottomline. A similar process is being undertaken now as we approach our 1st January renewal which is in our international book we will renew, which is also a time when we are seeing the rates hardening and then we are also starting our preparation for the domestic book which renews on the 1st of April in 2021. So that is the planning that we are putting into effect. We are going down to the very basics, checking each and every treaty, looking at what is making sense to us, task forces are certainly there, the departments are doing a huge amount of churn of all the data and we being the national reinsurer, are replete with data. We have more data than anybody else can boast of. That data we are utilizing very effectively now to churn, to model, to ensure that we do just the best of business because as is fairly evident Mr. Agarwal that we do not look at topline anymore, without a bottomline.

**Ashwin Agarwal:**

That is quite heartening, just a follow on, whether there would be any protest by the domestic insurance companies on 1st of April if we increase, say, the agriculture crop insurance and other lines of premiums also, because last year also we had increased substantially, there were some kind of protests, I don't know what it resulted into, so we will be able to pass on everything what we intend to?

**Devesh Srivastava:**

Mr. Agarwal, what happened last year was, you are talking about an endorsement that GIC brought into the market, which said that this is going to be the minimum rate at which you are going to cede into our treaties which was a very bold move really because nowhere in the world, given that the world is a global village today, can you say that this is the product and this is the price for it, take it or leave it, but we did exactly that and it was something that we could do only because of our dominance in the Indian market and those rates have held. There have been no breaches that we are aware of because everybody now has fallen in line and that is why you see the fire rates in the direct market have hardened by almost 35%. So when you talk about the domestic market, domestic market is still some time away on the 1st of April. Before that we have the renewal which is where the globe renews on the 1st of January. Now, the trade of reinsurance is such that no reinsurer wants to write 100% of the pie. It is a business in which you spread your risk, spread as much as possible, so that you get the benefit of diversification. Now, when the 1st January renewals are happening, no reinsurer will be writing 100% of any treaty, so he would be writing let us say a big magnanimous lead line of 25% or 30%. That still leaves 75 to 70% to be written by other reinsurers who are technically called the follow reinsurers, because we get the same terms and conditions as the leader. Now, if the leader has given very competitive terms and rate that is not in sync with what the world today demands, the cedent insurance company who is seeking that protection will only have 30% offer line from the leader and the 70% will remain unplaced in the market which is a very dangerous situation and so nobody wants it. So typically what happens is the leader will price it in a manner that will



ensure that 70% balance or the 75% balance also gets placed in the market. That is typically how the trade of reinsurance functions.

**Ashwin Agarwal:** Sir, can we lastly achieve a combined ratio of 100 may be in the year FY21-22 with all these positives coming in?

**Devesh Srivastava:** Mr. Agarwal, we have given a commitment to all our stakeholders that we will try our utmost to better the combined in 6 to 8 quarters. We are working towards it actively. There is absolutely no let up on that.

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

**Deepika Mundra:** Sir, just on both the international and the domestic combined ratio, your international business in terms of the topline growth has been very strong for the past 3 quarters now, like you mentioned because of the pricing action taken and on domestic also, we have seen last year the pricing action on the fire line since last year and even on crop to that extent, in the first half of this year we have not seen any decrease in the combined ratio, so actually pinpoint as to where the mismatches in terms of the flow through of the price increases?

**Devesh Srivastava:** Ma'am, price increases in the domestic market as I mentioned earlier will have a lag effect that by the time it comes into GIC's books. We have with us our Chief Underwriting Officer, Mr Deepak Prasad who also heads the property vertical, so I just request sir to come in here and say something.

**Deepak Prasad:** I think the lag remains in the fact that between the direct market and us there is always a normal lag of about 1 to 2 quarters, like some of the cedants would not have given their statement of account for the first quarter, so what we would do is we would estimate the premium and we estimate the claim also. So how do you estimate? Estimates go as per the previous 2 or 3 year's performance that we have had, so that could be precisely the reason for it to not show up, but I am sure normally by the end of third quarter or so, things would start showing up. It is already I think if I am correct, property domestic is already showing up with combined ratio of less than 100%, down to if I am correct 96 or 97%, so as the quarters pass by, we will see more effect coming into place. Does that answer your question?

**Deepika Mundra:** Yes sir, in partly and if you can comment on the international side as well, I mean Jan 1st is your next year renewal, but even last year I think you have had some strong momentum on the renewal side, so again the combined ratio has already moved in the last few quarters, so if you could guide us to how is that expected to play out?

**Deepak Prasad:** The fact remains, I think the Hurricane season has come to a close, now in US and we have seen 1, 2, 3, 4, 5, 6, 7, 8, 9 incidents for the year totaling to around Rs 976 Crore, so what we have done is, whatever loss intimations we have received, we have put it on the book and whenever we have not received the loss intimation that also we have picked up as incurred but not reported



to the tune of Rs 520 Crore. So that is being a bit conservative, but as the time passes you will see releases coming from IBNR and things getting better.

**Deepika Mundra:**

Sir, can I just ask a question on the segmental underwriting numbers as you have released, any one-off over there and secondly in terms of motor and health, last quarter, you had mentioned that the low frequency of claims will be, which is seen in the lockdown would come through in this quarter, the benefit of that, but I am not seeing anything much on the health side, looking at the underwriting loss?

**Devesh Srivastava:**

Ma'am that is also because in the health sector, as we had mentioned and I think last time there was a lot of debate also on that, questions were asked on our fixed margin treaties which is also called the capital-gearing treaties. Since we have not written all those treaties this year, there has been the release, you adjust your books of accounts to take care of that in all profit commissions and everything, all commissions are booked. That is the reason. We also have Suchita ma'am here who heads up the health vertical. Ma'am, can I request you to please come in here?

**Suchita Gupta:**

See, in health, though the premiums are increased, we have that capital gearing as sir was telling, the premium dropped by around Rs 300 Crore this quarter because we have to move out of that. The insurance companies had not renewed those treaties. Also from March, government has seen which was underwritten by GIC last year we have moved to the trust mode, so there also, there was a lower of 115 Crore of loss in business over there and also March, government has seen also some losses were booked in the obligatory part of it for COVID and the capital gearing went off and we had to book profit commission because of which the commission has also increased - these are the few reasons why our combined for health has deteriorated a little this quarter. Anything else, does that help you?

**Deepika Mundra:**

Yes.

**Moderator:**

Thank you. The next question is from the line of Madhukar Ladha from HDFC Securities. Please go ahead.

**Madhukar Ladha:**

Sir, can you comment a little bit on the domestic crop side combined ratio there has shot up and I believe this year we had also taken sufficient price hikes and we were pretty sort of had done a pretty tight modeling as well, so why our combined ratio has gone up again?

**Devesh Srivastava:**

Sure Madhukar, happy to take that. I would have liked to answer it, but we have the ultimate expert, Mr. Tripathy there. I will request him to come in, please.

**Satyajit Tripathy:**

The combined ratio in domestic crop is purely because of an accounting adjustment that has been done. If you look into the gross premium of agri for this second quarter, we have booked a total premium of around Rs 5999 Crore. The issue here is we are showing an overall underwriting loss of Rs 730 Crore which is purely arising out of taking the estimate out of the gross premium. Around Rs 780 Crore of estimates which were there earlier has been taken out from this estimate because it is not being considered for admissible assets, so once we are getting into the rabi



season, that is December quarter, when the rabi premium will be booked, the book will absolutely come into 100 and below. It is purely because of an accounting entry at the top end. There is nothing more, the crop portfolio is doing excellently well, the season has gone down fine, but we have taken a hard decision this time to take out the estimate and go purely by whatever is admissible within the one year premium that has been owed to us. So the earlier year premium of 17-18, 18-19 amounting to 780 Crore has been taken out from the gross premium resulting in Rs 730 Crore of underwriting loss. Had it been there, we would have been below 100.

**Madhukar Ladha:** And may I ask why we have removed that Rs 780 Crore in the premium for the earlier years and so you are saying that the premium has been removed from the topline, but the claim remains, but why did we remove, the matching should have happened, right?

**Satyajit Tripathy:** The matching should have happened, the IRDAI requirement currently is for crop earlier they were allowing. Now the requirement has come down to 270 days for crop premium to be taken into consideration. We have taken it up to one year and we are not taking up the previous years now.

**Madhukar Ladha:** I still did not fully follow this because.

**Satyajit Tripathy:** Because what happens, if I take out the claim also whenever the amount for payment will come, it cannot be accounted for again in the book by putting a fresh number which will show the earlier numbers as wrong, so the claim amount remains, the premium amount being not admissible has been taken out from the calculations.

**Madhukar Ladha:** Why is it not admissible?

**Satyajit Tripathy:** It is not admissible as per regulatory requirement.

**Madhukar Ladha:** And sir, why is profitability in the motor segment, domestic motor also low, so given that we had lockdown in the first quarter and I expected this quarter to show lower combined ratios, but we are still at about 112%?

**Satyajit Tripathy:** I will tell you exactly why. If we look into the quarter 1 press release which we had given, the domestic motor, the total amount of incurred claims was given at around Rs 810 Crore and the motor gross premium was given as Rs 1726 Crore. Now, when we come to this quarter, in motor domestic incurred claims have been pegged at Rs 2274 Crore from Rs 800 odd Crore it has gone out to Rs 2274 Crore and this reporting has come from basically PSU companies. So PSU company's accounts which were not received even in the quarter 1 for the March year ending has now come and that has been booked, so whatever accounts were there for the PSU companies have been received and have been booked, so the jump from the Rs 810 Crore of domestic incurred claims in quarter 1 has gone to Rs 2274.86 Crore. So that is why the domestic combined ratio is showing 112.21% and which has been adequately provided for also in our books. We



think this particular line will remain stable from here onwards and we are not going to see any further hikes in incurred claims.

**Madhukar Ladha:** But ideally it needs to come down, because 112 is also?

**Satyajit Tripathy:** It will come down when you receive the quarter one, quarter two accounts for the PSU companies going ahead in the third and fourth quarter, obviously it will normalize.

**Moderator:** Thank you. The next question is from the line of Srinath V from Bellweather. Please go ahead.

**Srinath V:** Sir, just again going back to the agri book, could you please explain why the regulator has disallowed that premium, is it pertaining to a prior period or because that loss number has significantly impacted, we would have a Rs 1000 crore net profit otherwise, so that is why we have been worried about why that was disallowed?

**Satyajit Tripathy:** No, this is disallowed normally for all kinds of premium. Earlier, you can have the estimates in your books. You can put it up to 3 years also, but that is not going to help you in your admissible asset calculation for solvency, so there is no point putting it and then not getting calculated for your other calculations. That is why this has been taken care of in this particular quarter and we are already into rabi now. So the rabi premium which is due will be booked, 50% of which will be booked in the third quarter will obviously negate the impact that has been taken in the second quarter. So since regulator allows for 270 days, we had extended and taken it up to one year. That is why this Rs 770 Crore of reduction in the gross premium figures in agri.

**Srinath V:** So effectively the agri's performance in combined is not as bad as what is the ground performance?

**Satyajit Tripathy:** I will go to the extent of saying that it is not a true reflection of how agri is performing on ground. Since we have taken a one-time call, we would see whatever decisions we had taken in respect of agri. as to supporting only the private companies, reducing our capacity is absolutely in line and we are going to see the third quarter and year end results absolutely in line of our action that has been taken.

**Srinath V:** On the international fire book sir, last year we had got about 15% kind of price hike year-on-year, just want to understand on various conditions, what kind of price hikes are you seeing this market gives us from January given that our combined ratios in the international book persist to be extremely very strained on property casualty?

**Devesh Srivastava:** The property book is really hardening, in fact, the London market today is agog with all the activities that it can master, to say how much it is going to be in sorts. We have Mr. Hitesh Joshi who is actually hands on, because he is handling those treaties as they come for renewal, though of course we have his boss, Deepak sir, who can also tell you, but Hitesh bhai, can I ask you to come in there and give an impression of how the 1st January renewals are progressing?



**Hitesh Joshi:** Following the 2017 and 2018 losses, globally there is very significant counter reaction. Actually, if you look at 2017 and 2018, both the years the return on capital was negative. Most of the reinsurers were having combined of 110 plus and 2019 also, the reinsurers globally did not earn the return matching cost on capital, so a net negative result for the stakeholders. Aain 2020 turned out to be bad not because of the catastrophe but because of the COVID pandemic, so there is a very significant reaction and whatever was the alternative capital which was providing competition and preventing the hardening of the market that is all locked up till the time these catastrophic claims are settled, so presently depending on the geography and the type of contract, the hardening can be expected something in the range of 10 to 25%. Now the thing is, this is already in action for even January 2020 renewal and it is going to continue in January 2021 renewal as also most likely for January 22 renewal. Now the thing is that it is still not showing in our second quarter results that is because as Mr. Deepak Prasad just now said that there are some 9 events which has happened in US, Japan and some of the other geographies; now these claims there is no certainty about what are the claim amounts. So there is a very significant strengthening of reserves, for example there is a Typhoon Maysak and Typhoon Haishen. These are which happened near Korea and Japan and the figures are yet to come, but we have made a very significant reserving, very conservative reserving, so as sir said we have Rs 976 Crore of provisioning made during this quarter and this is certainly very much on the higher side. So it is not showing really in the figures, but as the time develops and reserves are released, the results should improve.

**Moderator:** Thank you. The next question is from Vipul Kumar Shah, who is an Individual Investor. Please go ahead.

**Vipul Kumar Shah:** Sir, can you tell me what is our annual budget on IT?

**Devesh Srivastava:** Mr. Shah, that is a tricky one, let me see.

**Vipul Kumar Shah:** No because why I am asking is because generally insurance companies in West spend a very huge sum of money on their IT systems and to the best of my knowledge if I remember we are spending very miniscule sums, so is that one reason why our performance is lagging?

**Devesh Srivastava:** Not really, Mr. Shah. You also bear in mind that unlike in insurance company which has 15,000 to 20,000 employees, I am talking about the other PSUs, GIC only has about 550 employees. So as far as the hardware and software goes, we are absolutely top-notch. We also use SAP as our basic platform on which we work, which is one of the best in the world. Girija ma'am, are you there, can you pop in here?

**Girija Subramanian:** Yes sir, actually we use SAP as a base software and over the last 10 years we have established our operations very well using SAP. We are on an ongoing process, we are upgrading our operation and our software also regularly depending on how, what kind of needs arise with the business and currently in fact in the next 6 months, we are going to invest heavily in risk management and also in solvency and capital management software, that is on the cards at the moment and as far as modeling goes, we already have the modeling tools for all the geographies



that we operate in which was a very significant investment which we have done across the last 5 years. Going forward, we will be enhancing this portion of our investments in the software side. We are also getting into this cyber security in a big way, so we are trying to find out what possible attacks could happen and how to fortify ourselves. That is all an ongoing process at the moment, so we are investing heavily in IT at the moment.

**Vipul Kumar Shah:** But ma'am you cannot quantify, how much we spend per annum or how much we spend over last few years?

**Girija Subramanian:** Actually the SAP software itself is a huge expense and then we have our entire hardware we have outsourced and we have it on the DCDR, so close to around Rs 50 to 75 Crore I must say on an annual basis.

**Moderator:** Thank you. The next question is from Deepika Mundra from JP Morgan. Please go ahead.

**Deepika Mundra:** Just on the agri premium part of it, sir is this what is basically impacting the net premium earned in the quarter which is significantly lower and hence, can we assume that the impact on the combined ratio for the quarter is about 800 bps because of disallowance of the premium?

**Satyajit Tripathy:** I would not say exactly that this is a disallowance; there is a regulation which is in place and we should take that regulation to do the accounting accordingly. Now, if you look into agri, we have also this quarter, put the adjustment premiums for whatever protection we have bought for the earlier years. Now premium what happens, on the premium getting estimated, in a year's time and 2 years' time, they realize premium on basis on which we will pay our retro cost. Now, the realized premium for the earlier years, that is 2017-18, 2018-19, also demands that at this point of time we increased the retro premium which we had booked earlier from now onwards, so that we don't have further bookings to be done by March, so that also has been taken into account to the extent of around Rs280 Crore. So since these things are all based on very conservative practice that we follow, the resultant combined ratio is showing around 111 to 112 which stands to get corrected on the positive side going ahead.

**Devesh Srivastava:** Ma'am if I just may add to what Mr. Tripathy has just said, in agri we have taken landmark decisions this year for the Kharif 2020 which is what has resulted in not only the market getting more stable, also the fact that the premium rates became much better. We have seen an actual growth in the premiums for the Kharif season and the trend is very much under control, now the way that the agri portfolio is behaving. That has been good and on top of that, by the grace of God we have had a very divine monsoon ma'am, so it is all hunky-dory as far as our agri portfolio is concerned and we are very optimistic about it.

**Moderator:** Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Please go ahead.

**Sanketh Godha:** Just couple of questions I had - one, suppose if you could have followed the capital gearing treaties if they were allowed, then what kind of loss ratios or combined ratios we could have



seen. So basically my question is that what per cent of impact on the loss ratio because of capital gearing treaties, maybe if you can quantify that number in percentage terms, is it 5%, 7%, 8% because the capital gearing treaties of the combined ratios looks optically higher but by end of the year, it will normalize probably. That is point number one. And second thing, just wanted to understand Rs 976 Crore loss with respect to cat events look on the higher side. Can you say how much is on domestic and overseas? Is it because we have increased our XOL cover limit from Rs250 odd Crore to Rs500 odd Crore that has resulted into higher provision because we have started taking protection at a higher level rather than previously we were taking Rs 250 Crore. And finally third question is I wanted to understand is that on COVID business interruptions claims provisions what we have made in last quarter, whether that is adequate or do you see a negative supply because I think in UK geography that has not come in favor of insurance companies, so it is all insurance companies rather. So do we see likely more impact coming from business interruption related COVID claims in the Europe geography?

**Devesh Srivastava:**

Sanketh, for the first bit, I will again request Tripathy sir, because he also heads up the motor vertical and that is where you have these fixed margin treaties and after that Mr. Deepak Prasad, who is the Chief Underwriting Officer will take the other questions about Rs 976 Crore and also the protection that we have purchased.

**Satyajit Tripathy:**

If we look into the fixed margin treaties and its effects on motor, on the gross premium side, if you want a ballpark figure, I would say that may be around another 10% increase in the gross premium figure would have been there and may be on the domestic loss side, around 7 to 8% it could have been less, but that would have been not a great, what I would say situation for us. Knowing that the whole market is now out of the fixed margin treaties and it makes sense that the requirement for the market has moved out of the fixed margin treaty, we get into the main line of business and secure whatever profitability is there in the motor business into our books. Yes, may be for the first and second quarter around 8 to 10% of the gross premium would have been affected till now, but result wise, it will normalize when we come to the end of this year on the domestic book also in spite of not doing the fixed margin treaties.

**Sanketh Godha:**

Sir, when you said that 7 to 8% is only with respect to motor business, right or we are reflecting the....

**Satyajit Tripathy:**

Yes, only motor.

**Sanketh Godha:**

And similarly what would be the impact on the health sir, because of the capital gearing treaty, the loss ratio could have been 17% lower than on the health portfolio because there also the capital gearing treaties are prominent, what is likely impact it had on the loss ratio and it will normalize by end of the year?

**Suchita Gupta:**

For us, it will make a difference, because my topline will go down quite an amount, we have not been able to renew it, it has not come into the normal thing also and sir you were saying something.



- Devesh Srivastava:** No, I was just saying that ma'am that health is largely a twin of motor, the only difference being that in health we did not seek too much of the extra that we saw in motor.
- Sanketh Godha:** And on the protection of retro that is Rs 250 Crore increasing to Rs 500 crore and that is getting reflected in Rs 976 Crore of provisions what we made in the quarter.
- Devesh Srivastava:** I will just request Deepak sir to come in there, please.
- Deepak Prasad:** I think the question asked was about our deductible in the protection program and its effect on the various incidents that I told just now about Rs 976 Crore or something. So the question that comes up is in our foreign protection, the deductible has gone up from 25 million US to 50 million US. However, when you look at the amount per incident, I don't think it has much of an effect because most of them were even otherwise around ranging between Rs 50 Crore to around Rs 100 Crore except for two incidents, Hurricane Laura and California Wildfire which was Rs 300 plus Rs 200 Crore.
- Sanketh Godha:** But if you would have protection at better level then the losses would have gone?
- Deepak Prasad:** No, I agree with you, but basically when you are buying a protection, you have to look at what cost you get that protection, is it worth buying, is it just dollar swap or how do you want to get yourself protected, so I think we have done well with increase of the deductible. Apart from that, that also gives a confidence to the market that underwriters are confident of themselves and they can take care of the underwriting.
- Sanketh Godha:** But can you elaborate just saying on domestic side because there also we have increased from Rs 250 to Rs 500 Crore, so just wanted to understand, given we have so many cat events even in the current year, COVID in first quarter and may be Hyderabad floods and heavy rains in Mumbai, so do you think increasing something 250 to 500 Crore will be good enough for us or could be likely things that deductible will hit our loss ratio?
- Deepak Prasad:** No for the year as far as domestic cat activity is concerned, I think we have two major ones, Amphan and ones had followed it, Nisarga, but Nisarga was much smaller, Amphan, yes it did have something, but I guess Amphan happened when our previous protection was in place.
- Sanketh Godha:** So what are the gross losses on Amphan sir?
- Deepak Prasad:** Can I request Hitesh to give the gross loss if he has on hand?
- Hitesh Joshi:** It is just below the deductible for Amphan.
- Deepak Prasad:** Was it 250 Crore then?
- Hitesh Joshi:** No, Nisarga was fairly small, Amphan is just under the deductible, so actually it is not having any impact on the protection, it has no impact on protection.



- Sanketh Godha:** And my last question on overseas growth, 47%, can you quantify between two, price-led growth that is hardening-led growth and volume-led growth?
- Deepak Prasad:** It is very difficult to quantify between the two, but assuming if I have to look at fire domestic, I think in 2019-20, we had around 16% growth. This time, we are seeing a 30% growth, so it would be safe to say though there was no activity in the two quarters, so it would be safe to say out of the 30% growth that we see in the market, roughly 20 to 22% would be coming from the increase in the rates.
- Sanketh Godha:** But sir, my question was with respect to overseas business, which is seeing a very strong growth of 47% in the current quarter, sir just wanted to understand that is it largely because of the hardening in the reinsurance rate or we have participated in more treaties and that is why we are seeing such a strong growth in overseas business in the current quarter?
- Deepak Prasad:** Hitesh, can you come in for that?
- Hitesh Joshi:** The first thing is there is impact of about 5 to 6% of the Forex rate change and I would say that 60% growth is because of the rate hardening and something like 35-40% will be because of the higher volume.
- Sanketh Godha:** And on the COVID related business interruption claim, can you elaborate, sir?
- Hitesh Joshi:** We had reversal of something like Rs 45 crore of COVID provisioning this quarter and we still continue to maintain something like USD 32 million of provisioning for COVID.
- Sanketh Godha:** The outstanding provisioning is 32 million closer to?
- Hitesh Joshi:** No, this is not exactly outstanding, this is IBNR, so it is on a precautionary side.
- Sanketh Godha:** So sir, you mean to say that around Rs220-230 Crore have been till date provided, of which 45 Crore have been provided in the current quarter, right sir?
- Hitesh Joshi:** No, Rs 45 Crore has been reversed. In the last quarter, it was on the higher side.
- Sanketh Godha:** Rs 45 Crore with respect to COVID precautionary provisions what you have made, you have reversed in the current quarter.
- Hitesh Joshi:** We have reversed, yes. We still are carrying a reserve of something like 225 crore on IBNR side.
- Sanketh Godha:** For UK business interruption claim, which the award is still pending from the court, have you made any provisioning with respect to that particular claim, additional provision?
- Hitesh Joshi:** Yes, there is a provision of something like 8 million plus in the UK branch.



- Sanketh Godha:** 8 million pound or \$8 million, sir?
- Hitesh Joshi:** \$8 million USD, at HO we have made a provision of something like \$24 million.
- Devesh Srivastava:** Sanketh, just to add to your question when we talked about the deductibles, when the underwriter is confident about his writing, it is only then that he goes in for a higher deductible. The fact that we did that both for our foreign and for our domestic business is ample testimony to the fact that that is the amount of confidence we have in our own underwriting. That is why not only increase, it is doubled effectively. That is the good point that is important.
- Sanketh Godha:** But given deductible has gone up now, have we saved significant amount on retro premium because of this thing?
- Devesh Srivastava:** Have we what, sorry Sanketh?
- Sanketh Godha:** Saved retro premium?
- Devesh Srivastava:** Yes, of course, you see a low deductible will have no premium and a higher deductible will mean that you are taking more of a hit and losses, so your reinsurers will also give you the premium relief.
- Sanketh Godha:** Yes, just wanted to understand how much crore rupees we have saved because of increasing our deductibles of Rs 500 Crore in domestic and then USD 50 million in overseas market?
- Devesh Srivastava:** Sanketh, you see this is a whole program, so we have saved here, then we have bought more on the top, so how do I, not an apple-to-apple. I have to sit with you to explain the thing, so you saved here and then you bought more on top. That is the higher layers we purchased because that is to prevent a bad earthquake from hitting our books.
- Moderator:** Thank you. The next question is from the line of Vinod Rajamani from HSBC. Please go ahead.
- Vinod Rajamani:** Just wanted to know the net commission number has gone up significantly during the quarter. Is it largely because the quality of business has improved, so on the international side, so we are taking better quality business, so we are paying more commission to gain that business or is it largely because the topline has increased and as a result we are paying higher commission or is it largely domestic led?
- Devesh Srivastava:** I just request Suchita ma'am to come in, she is the CFO and can explain the commission.
- Suchita Gupta:** Yes, the commission in some lines of the business has gone up. In fact for health it was because some profit commission was paid for that. This quarter it has gone up, so it is only in a few lines of business that we have paid more because of the higher business.



- Devesh Srivastava:** So, Vinod what I was saying is that if you recall, earlier we had mentioned that because these capital gearing treaties or the fixed margin treaties as we call it were not happening, we had to close our books for that and that is when you settled your accounts, so that commission bit which was there, all that gets settled as well, so these are that will get reflected in that commission.
- Vinod Rajamani:** So this is largely domestic sir, I mean this is not on the international side, this is largely the hike in the commission percentage, the commission rate is largely on the domestic side, is that right?
- Devesh Srivastava:** Yes, that is correct.
- Vinod Rajamani:** And this is again because of this, it is largely because of crop insurance and to some extent health?
- Devesh Srivastava:** No, crop has not increased the commission.
- Suchita Gupta:** No crop, only health.
- Vinod rajamani:** Only health, okay.
- Suchita Gupta:** Or wherever profit commission has been sustained.
- Moderator:** Thank you. That was the last question in queue. I would now like to hand the conference back to the management team for closing comments.
- Devesh Srivastava:** Thank you for that. We have been meeting you after every quarter and we have been facing very interesting questions. We are happy to see that there is so much of understanding of the business. We are also absolutely geared up towards getting our bottomline to be our main focus, nothing else matters. That is what the investors desire and that is what we will work assiduously towards. So in this quarter 2 results, we have done fairly better and the trends are now what is making our hearts feeling that yes, we are on the right track. The entire management team sits and puts its heads together and we have taken harsh and hard decisions also because we want to achieve what we have set out to, so that is about it from our end. I guess thank you so much for taking out time and being with us and taking so much of interest in our business. Thanks very much.
- Moderator:** Thank you very much. On behalf of General Insurance Corporation of India, that concludes the conference. Thank you for joining us, ladies and gentlemen, you may now disconnect your lines.