

“General Insurance Corporation of India Limited Q4 FY21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, Good day and welcome to General Insurance Corporation of India Q4 FY21 earnings conference call. As a reminder, all participant lines will be in 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 would now like to hand the conference over to Mr. Binay Sarada from Christensen Advisory. Thank you and over to you, sir.

Binay Sarada: Thanks, Janice. Good evening to all the participants on the call. And thanks for joining this Q4 FY 2021 earnings call of 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 it has been uploaded on the stock exchange website. In case if 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 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 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 Re represented by Mr. Devesh Srivastava – Chairman-cum-Managing Director and other top members of the management. We'll be starting the call with a brief overview of the quarter gone past, which will then be followed with a Q&A session. With that said, I will now hand over the call to Mr. Devesh Srivastava. Over to you, sir.

Devesh Srivastava: Thank you, Binay. Good afternoon everyone. I am pleased to announce the financial performance for the quarter and full year ended 31st March 2021. Before I take you through the key operating financial highlights for the year, I hope that all of you are safe, and have been taking adequate precautions to protect yourself and your family from the second wave of the Covid-19 pandemic.

Though our gross premium was impacted due to the pandemic, our performance at the underwriting level improved significantly due to our relentless focus on putting necessary measures in place to bring down the incurred claims ratio. It is heartening to note that the combined ratio is showing a positive trend despite the challenging environment. Let me now take you through some of the key highlights of the financial performance.

The gross premium income of the company was Rs.47,014 crore for financial year 2020-21 as compared to Rs.51,030 crore for financial year 2019-20. The investment income increased by 24% to Rs.8,820 crore in FY21 as compared to Rs.7,125 crore in the previous year. Incurred claims ratio declined to 92.4% in FY21 as compared to 97.5% in FY20. Combined ratio in FY21 improved to 112.03% versus 114.38% for FY20. The adjusted combined ratio by taking into consideration the policyholders’ investment income works out to 95.85% for FY21 as compared

102.47% in FY20. The company recorded profit before tax or Rs.3,163 crore in FY21 as against a loss before tax of Rs.445 crore in FY20 and profit after tax of Rs.1,920 crore in FY21 against net loss of Rs.359 crore in FY20 on account of better performance at the underwriting level and increase in investment income.

Solvency ratio improved to 1.74 as on 31st March 2021 compared to 1.53 as on 31st December 2020. Net worth of the company without fair value change account increased to Rs. 22,452 crore as on 31.03.2021 as against Rs. 20,529 crore as on 31.03.2020. Net worth of the company including fair value change account increased to Rs.49,643 crore on 31st March 21 as compared to Rs.35,425 crore as on 31st March 2020.

On the premium breakup, domestic premium for FY21 is Rs. 30,009 crore and the International is Rs. 17,004 crore. The percentage split is domestic 63.8% and international 36.2%. So, there is a degrowth in the domestic premium by around 17.2% while the international book has grown by 14.9%. We will continue to work towards bringing down the combined ratio and improve our performance at the underwriting level. We are confident of improved performance going forward and remain optimistic on future prospects. Having given the highlights, we will now open the floor for questions from the interested parties. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Prithvish Uppal from IDBI Capital.

Prithvish Uppal: My question is regarding your portfolio of health and life. So, what we observed during the quarter is that the claims and subsequently the underwriting in these two segments are quite high. So, given the second wave impact, if you can just give it some color in terms of how do you see these segments shaping up? Secondly, we have done really well in the aviation segment, and we have reported underwriting profits also in the motor segment. So, I would believe that this would also be a factor that there have been lockdowns and less traffic on the road. So how sustainable you think underwriting profit in this segment is going to be going forward? And thirdly, if you can just give some amount of color in terms of how we are looking at our underwriting from a risk selection point of view because we have really done well so far this quarter? So, what has led to this improvement in terms of the selection that led to a lower claim ratio? So that is it from my side.

Devesh Srivastava: Well, to answer your question about health and life, obviously, under the COVID regime, so to say, you know that both health and life have been a challenging segment. Now, health as such is more of a retail product and it does not require much of reinsurance. So, our book of health is largely based on the obligatory sessions that we get from the domestic market. In health, we have seen some strain coming in because of COVID. But in the same breath, I would hasten to add that due to the fact that many of the planned hospitalizations that could have normally taken place had COVID not being there, were pushed. So it was an offsetting factor. But the more important bit for us is that, thanks to the fear of COVID in everyone's mind, lots of people started looking at health insurance as a purchase which broadened the base.

Also the fact that more of retail health picked up which is a very heartening factor for us and that helps us. I mean the growth in health was flat so to say, despite the fact that people were not renewing very vigorously, but a flat growth for us in the insurance space, coupled with the fact that we have done some very prudent reserving as well because of COVID. That reserving is something that any reinsurer would be doing because that is what is sanity. And you know that COVID is still not over so you provide for the worst. And that is why our health portfolio is where it stands today.

On the life sector, again though, I mean, if you see it in its entirety, life is just about two-and-a-half percent of our entire portfolio, but it has registered a good growth 30% obviously, because the base is small, but that is a sector that we are looking to grow, especially because it acts as a very good balancing force for our non-life book. We are growing that as well. The prices are challenging because there are the players - the FRBs and GIC Re are all there in this space, looking at a very small slice of the life reinsurance market, but we are still a dominant player in this sector.

You also spoke about aviation and motor. Yes, aviation has been having a lot of downside in the earlier years. But thanks to the shrinking of capacity globally, aviation sector has seen an upswing in the premium rates, which has helped us a great deal. Also that in COVID when there were not too many planes flying in there was not much of an air traffic, that has also helped us for our claim ratio stabilizing.

But the major factor still was the fact that the premiums have seen a huge upswing in the aviation sector. Motor similarly, is again something that doesn't require much of reinsurance and much like health, a large part of our book is the obligatory sessions that we get from the market. But again, thanks to COVID, there were not too many motorcars plying.

Also the fact that the automotive sector is in itself at a bit of a stretch, especially more so in the initial COVID period so there was though a downswing in the premiums but the claims also did not see much of a movement there. So the aviation and the motor sector have both done well for us. Coming to the last bit where you mentioned about underwriting and risk selection, that is the basic tenet of reinsurance that you should be extremely prudent in setting a risk, exactly what we are doing know and that is what is being reflected in our figures.

The basic thrust for long term sustainability is still your thrust on having very good risk selection, coupled with all the underwriting discipline that you can muster, and get on to your book, because that is your sustainable model, your investment income at best only add to whatever you make from your operating profit. And that is the journey that we have undertaken for ourselves and our figures redeem our faith in the strategies that we have set for ourselves being the right one.

Moderator:

Thank you. The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.

Vipul Shah: Pardon me for my ignorance about your business, but I just want to know how the profits are distributed between policyholders and shareholders because I see two types of reserves in your results presentation. Is there any formula for dividing the profits to the respective shareholders and the policyholders? Can you elaborate please?

Devesh Srivastava: Yes, surely. We have Mrs. Jayashree Ranade, ma'am, can I request you to come in here please?

Jayashree Ranade: Policyholders' funds and shareholders' funds are defined as policyholders' funds constitute our unexpired risk reserves, outstanding loss reserve and premium deficiency reserve so that is the total of it. Similarly, shareholders' reserve funds are capital plus free reserves. So, now we have total reserves split into two - all our investment income and all of our reserves, so investment income is divided into this - these are called policyholders' funds and the other one which I told you shareholders' funds. So total funds are bifurcated into these two things.

So, policy holders' funds basically constitute the reserves of the insurance policy related or reinsurance policy related funds. Now, various bifurcations are done based on these policyholders' funds and shareholders' funds. Should I elaborate further or is it okay?

Vipul Shah: No ma'am, what I want to understand is out of the net profit is there any formula based on which the certain percentage would go automatically to shareholders' funds and certain percentage would go to policyholders' fund?

Jayashree Ranade: Sir, our net profit constitutes part of what we call a profit and loss account and also there are other accounts - fire, marine and miscellaneous accounts right? So, for all insurance related components are part of revenue account - fire revenue account, marine revenue account and miscellaneous revenue account.

Now, these accounts if you see, premium - commission - claims are recorded under various categories into these revenue accounts. Whereas, investment income is divided into policyholders that is the revenue account and shareholder that is your profit and loss account into the proportion of policyholders' funds and shareholder's funds.

So, this is the only investment income and the expenses. Investment related expenses are divided, the rest all insurance related are gathered into the revenue account, the balance is transferred into profit and loss account. And finally, the net profit is arrived at. So to say yes, you are right in a way that investment income of the corporation is divided into policyholder's funds and shareholder's funds and finally worked out as a net profit, which we have worked out at 3,000 odd figure and finally net profit before the tax is 1,920 which all belongs to shareholders.

Vipul Shah: Okay, ma'am. Can I take this offline with you?

Jayashree Ranade: Sure certainly.

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

Sanketh Godha: I have two questions with respect to the financials. One is why our tax rates have been very high in the current fiscal and even for the quarter? Just wanted to understand why is it so? And what we can expect going ahead? So that is the first question. And second question - we have a write back of Rs.424 crore in the fourth quarter. So just wanted to understand was it with respect to reinsurance or with respect to investments which has come back to us and therefore we have written back the provisions?

Devesh Srivastava: Jayashree ma'am, can you take that also please?

Jayashree Ranade: Yes please. Provision for taxation, the tax rate for this year is calculated based on the income tax laws applicable to us. In the earlier years we used to have an exemption for our profit on sale of long-term investment, that is under Section 10(34) which used to get exemption.

Last year there was a loss. So, there was not much of an issue in that in the sense tax calculation was different. So, in the current year since there is a profit now entire applicable rate of 30% plus will be applicable to us, because Section 44 says that taxable income to be considered as noted in the profit and loss account. That is why the increase in tax rate.

Sanketh Godha: But ma'am, just to continue on this. We had some MAT benefits and all those things. So, ultimately our tax rate should have been lower than 30% odd and it is almost 39% for the full year and 38% for the quarter. So, still it remains very high compared to usual standards even if you have not moved to 25% new tax regime?

Jayashree Ranade: You are right but the basic reason for increase is that exemption under section 10(38) is gone. Now, all the other things I will tell you here. Certain provisions which we made like provision for doubtful investments, doubtful loans are added back into as per regulation, we cannot get those exemptions. So that has to be added back. So, if you add back that, actual taxable profit becomes quite high and that is why 39% it is booked on, yes.

Sanketh Godha: Got it ma'am. And can you explain that write back of Rs.424 crore provisioning?

Jayashree Ranade: Yes, this is an exercise which is carried out this year to reconcile the balances pending into our books. Reinsurance balances are consistently and continuously flowing to and fro from ceding company to reinsurer, from reinsurer to us like inward and outward and things like that. So, there was a reconciliation exercise which was carried out and based on various advises we could finalize the reconciliations up to a particular period. Let us say it is up to 31st March 2018 so we could get a confirmation from the parties and things like that, and in this process, there was a write back which was put into the P&L.

- Sanketh Godha:** Okay but it is very high, so I was just wondering. Ma'am, anything we have provided with respect to the un-provided book, which though small number did you provide anything with respect to Reliance and all those things or we did not do any incremental provisioning there?
- Devesh Srivastava:** I will request Tripathy Sir to come in there please?
- Satyajit Tripathy:** Sure, sir. As you would have seen from our books, we have completely provided for the Reliance Capital and Reliance Home Finance as on 31st March 2021. So, all the stressed assets have been fully provided by us as on 31st March. We do not have any further such provision to be made.
- Sanketh Godha:** Sir, can you break down your investment income into interest income, dividend income and capital gains for full year and for the quarter sir if possible?
- Satyajit Tripathy:** I will request Jayashree madam to look into this.
- Jayashree Ranade:** Yes. Sanketh Ji, I can give you full year income. Yes. Our equity dividend is approximately Rs. 748.5 crore. Then our profit on sale of investments is approximately Rs. 4,166 crore. And overall is Rs. 8,444 crore Indian domestic. Of which the balance two if you remove, all interest income and in fact the rest is also interest income pertaining to our foreign business.
- Sanketh Godha:** Sir, I have couple of questions with respect to business. One is that we have been hearing that a few states are not comfortable with the crop schemes now especially we have heard about Maharashtra. So there is a possibility that crop size will further shrink in FY22 because few states might not use PMFBY as a way of insuring the farmers in their respective states.
- So, just wanted to understand the size how you see this crop business to play out? And second thing with crop any tweaking which has further happened, compared to what we have tightened a lot last year, any further tightening or relaxation has been offered to the primary companies with respect to crop insurance?
- Devesh Srivastava:** Sanketh, again I will request Tripathy sir to come in.
- Satyajit Tripathy:** Sure sir. Sanketh, as far as PMFBY is concerned, we do not see any shrinkage in premium this year okay, excepting MP, West Bengal, almost all other states have indicated that they will be at least following PMFBY this year. And MP and Bengal also have the Crop Insurance Scheme but in a different structure from the PMFBY. It is not strictly PMFBY. So, we are not seeing in that on a countrywide basis, we will not see a reduction in overall crop insurance premium.
- Now it is our choice whether we want to write all the crop insurance, or we want to write only PMFBY. Okay, now since PMFBY remains a Cabinet approved scheme, we continue to support that. We have not looked into other subsets of PMFBY which are being looked into by other states. Now, regarding tweaking, we have not done any further tweaking to what we had done last year, because this scheme is on for three years.

And we had in our treaty terms, we had made it clear to all companies that based on the performance of the first year, we will look into the terms and conditions in the subsequent year. So as luck would have it, the year has been very good. And most of the companies have almost reported a loss ratio of around much below 80%. So, there is no immediate cause for concern or for any tweaking of the existing terms and conditions.

Sanketh Godha: Sir, another couple of questions on the business is that we lost out around Rs. 700 crore of business last year in Jan renewals because of a rating downgrade. So in June renewals have we experienced in reinsurance market the same phenomena? And then second thing which I wanted to check was that sir, in renewal business in Jan renewals, what kind of price hardening you have witnessed with respect to overseas business?

Devesh Srivastava: Hitesh Bhai, can I request you please?

Hitesh Joshi: Yes, so Sanketh, international property renewal season is heavily concentrated in January month and we have talked about this January renewal during the last call because by that time the renewal season was over. Just to revisit that thing, whatever happened in the January renewals each geography and within that geography, different kinds of accounts, given their particular loss history and changes in exposure will exhibit different behavior.

A very broad brush picture of essentially Western markets, particularly US we can say that we could see accounts which has not had a significant recoveries on the expiring year, it would have a something like single digit rate growth and on this basis, with recovery under the program it can have a rate hardening of something like 10% to 25%. Apart from this there was a significant hardening in Japan and Europe also.

So, there was a hardening across geographies, across classes of business, across segments and this hardening varied depending on the client profile, the geography, the exposure and the underwriter's perception. Does it help, Sanketh?

Sanketh Godha: Okay sir. But in June also we get lot of renewal from Florida market or that coast. So sir, there also, if you have participated, we have seen further hardening sir?

Hitesh Joshi: Yes, hardening will continue. And it is expected to continue for next at least four to six quarters.

Sanketh Godha: Okay. Because I see that in the current quarter that is in the fourth quarter, the entire improvement in the combined ratio to 103 was driven by the working business. So sir, just wondering that is largely because of the rate hardening and probably no current events a big term current events happening in the quarter sir?

Hitesh Joshi: I would not say that this rate hardening will get immediately reflected in the finances because whatever we have written in January, the first installment will get booked say between March and May, and then the annual premium will be divided into four installments. So, it could be the reserve development and reversal of that in losses, which we provided on the Cat side, and it

will be a mixture of everything. But whatever is hardening, it will take time to get reflected in our finances.

Moderator: Thank you. The next question is from the line of Vinod Rajamani from HSBC. Please go ahead.

Vinod Rajamani: So, I just had a few questions. Number one, for the current financial year, what is your expectation of the split between the international and the domestic business? Just in terms of you know, what expectations you have, that is one. The second question is in terms of this, this push towards getting the combined ratio to 100, which remains a goal for the company?

Where is that delta going to come from? Is it going to come because on the fire side, more or less it appears to be done. Then could it come from the international business? Could it come from health? Just some color on which lines of business could drive this improvement in to a 100% kind of combined ratio? These are the two questions I had.

Devesh Srivastava: Okay. See, the domestic foreign split, currently is 64:36, which is fairly close to where I mean, last year, we were at 71:29. So, there has been a certain movement, it depends, you see, since we had a lot of insight into what the agriculture portfolio domestically was doing, and decided to prune it. So, that has led to a big cut in our domestic book primarily coming from agriculture book. So, that is what is moved plus with the international rates also hardening, we have seen a growth there as well.

So, this is what has reached that 71:29 to 64:36. There is not going to be much of, you know, huge movement in this because, obviously, our ultimate goal is to be 50:50; 50 domestic and 50 foreign, but that is a long term goal towards which we will progress very steadily. It is not going to be a knee jerk rush towards one area or one geography and neglecting the others. That is not how GIC operates, it is going to be a slow and steady march. So that is for the split about the combined of 100.

Yes, definitely as a sustainable operation, we have set for ourselves our goal of getting to below 100 as soon as possible. But as soon as possible does not mean overnight obviously. It is a slow march, wherein you continuously keep on pruning your portfolio, you keep on adding better business to your portfolio, make your portfolio much healthier. Look at risk selection, look at the pricing models, you would run all that through your own systems to see that there's price adequacy.

So that there are a lot of things that go in within our own systems to ensure that whatever we are writing is going to yield the result that we expect it to yield and that is how you continuously churn your portfolio, to a certain extent prune it and then take it forward. So this is a journey that you have to start, which we have started and we are moving towards in the right direction as the trends indicate. So certainly, and very firmly on this path now.

- Vinod Rajamani:** Just in terms of which segments would you kind of highlight just in terms of the journey that you have articulated? Which segments are we likely to see this improvement in loss ratios going forward?
- Devesh Srivastava:** See the four big segments for GIC are as we have always maintained and said a lot many times agriculture, property, motor and health. Now both motor and health do not really need much of reinsurance being pretty much retail in their nature. That leaves property and agriculture that is where we are making this, you know, we're making the portfolio better trying to write much better business and get a growth with hugely bottomline focused angle.
- Moderator:** Thank you. The next question is from the line of Sahej Mittal from HDFC Securities. Please go ahead.
- Sahej Mittal:** I could not completely understand the tax rate explanations which you earlier gave. So, just if you can reiterate that on higher tax rates during this quarter and this year?
- Jayashree Ranade:** You are aware of the tax laws changed from 2019-20 regarding section 10(38) is replaced by 112A, right? So, insurance companies like us, we are not allowed to take that particular exemption now. And hence, our entire income including profit on sale of long-term investments or long term assets is also taxable. Now, last year was a different calculation because we were having overall loss. This year as per Section 44, we have to take our taxable income into account from the profit and loss account.
- Now to this, all additions will happen like wherever provisioning is been done for bad and doubtful investments or bad and doubtful debts, all this provisioning which we do in the profit and loss account is added back. So, this is why the net figure of taxable income has gone up. To that the normal tax rate was applicable to GIC and this is how the calculation has been done.
- Sahej Mittal:** But the long-term capital gains rate for the equity is 10% from what I understand?
- Jayashree Ranade:** Correct. So, we have not been allowed to take that exemption because we do not say it is capital gains, it is all net profit from the profit and loss account. I think this is what our auditors and consultants, and we have taken it up of course, for getting this exemption, but in a prudent way, we are providing this particular adding this income into our taxable income.
- Sahej Mittal:** And the other question was on the growth. So, for the general insurers per se in fourth quarter, we saw that general insurance did at about 12.5% in fourth quarter, whereas, on a year over year basis, while for us, there was a de-growth of about 1.5%. So, is it because we are de-growing crop segment?
- Devesh Srivastava:** No Mr. Mittal, you see, you have I mean, for us in the domestic portfolio, yes, we pruned our crop portfolio and made it much more robust. But we also grew in some other sectors where we had, you know, the rates were hardening and we were getting a good deal. So you tend to grow. You choose your risks wisely and move forward.

So, what the general insurers have grown is certainly there and they will come towards with a lag of course, but the fact remains that we have de-grown in the domestic but grown in the foreign book. So that has offset because even the rates in the foreign have hardened and that is giving us a good bit of business coming our way.

Sahej Mittal: Okay. Is it that some of this growth will come with a lag and should we expect it on the domestic book?

Devesh Srivastava: No, say that again please?

Sahej Mittal: Is it that so what I realize that some growth in the domestic book will come with a lag. So, is it fair to assume that in FY22 some of it will come with a lag in the first quarter of FY22?

Devesh Srivastava: Yes, of course. That lag will be there for I mean, what you were talking about 31st March for the domestic market, direct market will come to us by the second quarter. I mean, that lag will definitely be there, but the growth is something that we are seeing. You see, I mean as reinsurers what is the raw material, that raw material to feed us is risk. And as our entire globe becomes more and more risk aware, more and more risks are coming into our books.

And that is where we are looking at a growth. You look at the property segment, which is largely driven by the growth coming in from infrastructure, there is so much of infrastructure happening that that big ticket growth is going to come into GIC's books also. So growth is something that is happening in the general insurance industry in the country, we have seen a 15% to 18% growth year-on-year. This year, of course thanks to COVID, it was down to 12%, 12.5%. But this is again something that's going to pick up and as it grows, as the market grows, GIC will also grow. The trick of the entire trade is to pick up your risks in a very prudent manner. The risk selection is what has become important for us as also the risk pricing.

Moderator: Thank you. The next question is from the line of Manoj Shah from LAX GOV Investments. Please go ahead.

Manoj Shah: Can you please comment on the hardening of rates, are we done with that or still some room to grow in the domestic market in the various segments like we have increased the rates in the fire and in the motor segment, but I think last year the rate increase was put on hold I suppose this year also it has not come in? So can you please comment on the hardening of the rates in the domestic market in the various segments?

And second question is like as we have seen that in the international segments also because of lots of claims, the hardening of rates is taking place and you are commenting that it will take another four to six quarters before this rate hike cycle is completed. So what happens like suppose once the rate hike is done, and based on the claims ratio, if claims subside, then does this hardening of rates are rolled back or once it got elevated, it remains there?. So just wanted to understand on that?

Devesh Srivastava: Hitesh Bhai, can you take that please? We will start with the international thing.

Hitesh Joshi: Essentially this expectation of the hardening to roll out within next four to six quarter is thanks to less than expected return on equity by the reinsurance sector in general at a global level during last four years starting from 2017, 18, 19 and 20. So, it will be difficult to comment as to what will happen after the cycle of four quarters is over. It will depend on the way the US market particularly the US hurricane season this year pans out - whether it is below, matching or higher than long term average of the US hurricane season and other significant catastrophe prone areas, particularly say Japan.

Apart from this expected cat seasons, there are also events happening and other kind of not so very prominent, well-known, well-publicized events like tornado and winter storm and all those things. So what will happen after four to six quarters, it will depend on the way these six quarters give the return on equity to the reinsurance sector and how the capital supply develops.

Maybe it can be expected to plateau unless there is a force which will maintain the hardening or if the capacity flows in a much bigger way that can lead to softening. But the reinsurance market is a global market, the risk is sliced and diced and it is shared by a number of reinsurers. So it is not that this after the cycle is over GIC will get affected. The entire reinsurance sector will move in tandem, with some variation across geographies and classes. I hope it helps.

Manoj Shah: Regarding the hardening of the rates in the domestic market, are we done with that? Or we expect in the motor segment or in other segments the rate hikes will continue?

Devesh Srivastava: Mr. Shah, You see, the rate is always commensurate with the capacity available, and how are you looking at the market panning out. So, when you talk about hardening of the market, what we did by getting in the IIB rates was essentially a rate direction, you know, in 2007-8, there was a tariff. And there was a discount being offered on the tariff by everybody because the market had become so competitive.

So year on year, discounts started happening on the tariff from 40% to 50% till a stage were reached, when the discounts being offered on the tariff rate was 99.5%. You can imagine what rate would we charge, which is where we saw the market on the cusp of an imminent collapse, which is what led us to take this very bold step. I mean, in hindsight, it all looks fine, because it has gone well, but that time, it was a very bold step that you are dictating a price for a product in a competitive market.

But we did that because we owe it to the market, and the market has now stabilized. But do remember that whatever IIB states is just a burn cost. It is the premium versus claims, meaning simple, no bells and whistles to that. So the rates have to still, you know, get better but actually the market has stabilized and at least, we do not intend to do anything further than. It is now for the insurance companies to realize that price adequacy is must for survival.

Manoj Shah: And sir, on the life insurance market, we are seeing that most of the life insurance companies are saying that they are increasing the premium rates for the term plan. And as per them, it is basically because the reinsurers are asking for a higher rate. So do we see more increase in the rates on the term plan?

Devesh Srivastava: See Mr. Shah again for the life portfolio, we are not a very big player in the market. We are certainly a dominant player, but not a very big player. We have every foreign reinsurers' branches also operating in the life space. And the market is very competitive. The market like reinsurance, what comes out is something that attracts every player in the market. And depending on what the proposal is, what is it that they are looking at, rates are quoted.

And it is an elaborate process, you have a full team here at GIC with actuaries and the full setup to look at the proposal in great detail and then come up with a rate. So, those rates are you know, it is not something that you can give a cedent, I mean, a very fancy rate and walk all the way to the bank with it. It has to be competitive or you lose out. So it is just, you know, taking into consideration what the risk is all about and pricing it correctly.

Manoj Shah: Okay, one more question if you may allow me. The net commission percentage has gone up any specific reason for that for the quarter as well as for the whole year?

Devesh Srivastava: What Mr. Shah, sorry what has gone up?

Manoj Shah: The net commission percentage or net premium?

Devesh Srivastava: No, it is. Yes, it has gone up a bit. But there were certain the fixed income treaties that we were writing, which have been discontinued from this year, and therefore those adjustments in the commissions for those treaties is what is being reflected. Otherwise the commissions normally tend to move in a very fixed band.

Manoj Shah: Yes, in the last call also something was spoken about this. But are we done with that or we may see it still coming up in next one or two quarters?

Devesh Srivastava: No, we are done with that. No more fixed margin treaty has been done anymore.

Manoj Shah: And any comment on the OFS part:

Devesh Srivastava: Mr. Shah, my guess is as good as yours. On our part, we have heard nothing from the government.

Moderator: Thank you. The next question is from the line of Jatin Sangwan from Kotak Securities. Please go ahead.

Jatin Sangwan: Sir, my question is related to what are the total number of COVID claims in health and life insurance space for the financial year 20-21?

Devesh Srivastava: That is a difficult question for me to answer. Really, I can definitely find out and get back to you. But the number exactly would be difficult for the live COVID claims. Unless, is Mr. Vikas there, maybe he would have an idea? No, I do not think he is there in this meeting. But I can definitely comeback to you on this.

Jatin Sangwan: Are you looking to raise rates for the health insurance policies?

Devesh Srivastava: No Sir. So as I've said earlier, health is largely a retail business, it seeks very little, or almost nil reinsurance. So whatever is there on GIC's books is largely from the obligatory sessions that we get from the market. So we really have no role to play in the rates of health insurance policies. But I can tell you from my touch of the market is what has happened is that because of the awareness being generated, people now want to buy health insurance.

And they want to buy a higher limit as well. And they want those policies to have a lot of bells and whistles. Having this cover, that cover, so anything that you add on will obviously have a little price associated with it. And that is why it may appear that the health policy rates are going up. But that is how it is a question of truly demand and supply. Nothing beyond that.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments. Over to you all members of the management.

Management: Thank you very much. On behalf of CMD, GIC and management of GIC, we thank you all for sparing your time to listen to the growth story that GIC is currently writing. And we have continuously kept the investor community informed quarter-on-quarter about our results and also have given our guidance as to how the future growth is panning out for GIC, more so for the general insurance and reinsurance business in India. And for any kind of further clarity on these issues and the topics that were discussed, you can feel free to contact us at any point of time. With this, we conclude this meeting with our heartfelt thanks to all of you. Thank you.

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