"General Insurance Corporation of India Q3 FY21 Earnings Conference Call"

February 12, 2021

MANAGEMENT: **MR. DEVESH SRIVASTAVA – CHAIRMAN AND MANAGING DIRECTOR, GENERAL INSURANCE CORPORATION OF INDIA**
MR. SATYAJIT TRIPATHY – GM & HEAD (AGRI VERTICAL)
MRS. JAYASHREE RANADE – DEPUTY GM & CHIEF INVESTMENT OFFICER
MR. DEEPAK PRASAD – CHIEF UNDERWRITING OFFICER & CHIEF MARKETING OFFICER
MS. GIRIJA SUBRAMANIAN – GM, GENERAL INSURANCE CORPORATION OF INDIA
MR. HITESH JOSHI – DEPUTY GM, GENERAL INSURANCE CORPORATION OF INDIA
MS. MADHULIKA BHASKAR – CHIEF OF INTERNAL AUDIT, GENERAL INSURANCE CORPORATION OF INDIA
MR. SATEESH BHAT – APPOINTED ACTUARY (GENERAL INSURANCE)
MRS. SUCHITA GUPTA – GM & CFO, GENERAL INSURANCE CORPORATION OF INDIA

Moderator: Ladies and Gentlemen, Good day and welcome to the General Insurance Corporation of India Q3 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 call, please signal an 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. Binay Sarda from Christensen IR. Thank you and over to you, sir.

Binay Sarda: Thanks Aman. Good evening to all the participants in the call and thanks for joining this Q3 FY21 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 exchange. In case we 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 could cause future results performance for achievement to differ significantly from what is expressed or implied by such forward-looking statements.

To take us through the results of this quarter and answer our questions we have with us the management of GIC represented by Mr. Devesh Srivastava – Chairman and Managing Director and other top members of the management. We will be starting the call with brief overview of the quarter gone past which will then be followed by 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 evening everyone. I am happy to announce the financial performance for the quarter ended 31st December 2020. It is heartening to note that the negative impact due to the pandemic is reducing gradually. We witnessed growth in business volume during the quarter compared to the preceding Q2 FY21. Our performance continued to get better and we foresee significant improvement in terms of underwriting performance in the coming quarters.

Now me now take you through some of the key highlights of the financial performance:

The gross premium income of the company was Rs. 11,668 crores for Q3 FY21 as compared to Rs. 11,539 crores in Q3 FY20. The investment income increased significantly by 30% to Rs. 2,624 crores in Q3 FY21 as compared to Rs. 2,018 crores in the corresponding quarter of the previous year. Incurred claims ratio declined to 89% in Q3 FY21 as compared to 108% in Q3 FY20. Combined ratio in Q3 FY21 improved to 108% versus 130% for Q3 FY20.

The adjusted combined ratio by taking into consideration the policy holder investment income works out to 89% for Q3 FY21 as compared to 113% in Q3 FY20. The company recorded profit before tax of Rs. 1,516 crores in Q3 FY21 as against loss before tax of Rs. 1,065 crores in Q3 FY20 and profit after tax of Rs. 987 crores in Q3 FY21 as against net loss of Rs. 1,069 crores in

Q3 FY20 on account of better performance at the underwriting level and increase in investment income. Solvency ratio stands at 1.53 as on 31st December 2020. Net growth of the company without fair value change account recorded as Rs. 21,204 crores on 31.12.2020 as against 20,529 crores as on 31.3.2020. Net loss of the company including fair value change account increased to Rs. 45,952 crores as on 31.12.2020 as compared to Rs. 35,425 crores as on 31.3.2020.

On the premium breakup domestic premium for Q3 FY21 is Rs. 7,428 crores and the international has increased 4,240 crores. The percentage split is domestic 64% and international 36%. There is a degrowth in the domestic premium by around 3% while the international book has grown by 9%. We are seeing signs of turnaround and expect to improve our overall performance in the coming quarters. We are confident that underwriting performance will improve going forward and we are already seeing positive signs of a turnaround.

Having given the highlights now we will open the floor for questions from the interested parties. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ajox Frederick from B&K Securities. Please go ahead.

Ajox Frederick: I have two questions one on the health performance side this time the underwriting was pretty much very strong in PAT and I was asking the reason behind that, the second thing is you were indicating about positive signs of turnaround if you can just elaborate on where you are seeing those turn-around happening in what business line those are my two questions?

Devesh Srivastava: On the health side obviously, there is no I am saying the fact the pandemic has been unprecedented with a world coming under a lockdown. So if you see how the domestic market has progressed quarter-on-quarter and in health in fact a huge part of the entire portfolio of the GIC health almost 97% is domestic health. The progress has been that the post quarter April to June was very sluggish obviously then as things picked up so did the health portfolio but the fear of pandemic made a lot of people buy health insurance so those are the huge growth in the retail health sector of the domestic market which to us is a very healthy sign that people are realizing the worth of insurance and getting into it. So that was a good sign another good point was that a lot of claims that would have normally happened did not take place and planned operations were postponed because of pandemic obviously nobody wanted to go to a hospital during those dreadful times. Things are easing out now, but we know that the claims that have been postponed also are going to be there so we have reserved very prudently as well and that is where our health books stands, but health is something that we are looking forward to in a big way especially in those schemes coming in and India having a huge population and the government want you to cover it all up we are into the health sector and we see that as one of our big ones in the near future. Now you talked about the turnaround that we spoke of in our brief statement.

Ajox Frederick: So the benefit came through because of lower claims and not because of higher prices so is that how I should take that?

Devesh Srivastava: No not really you see there is as we have always maintained that there is a lag of quarter or maybe two quarters between the direct insurance company and a reinsurance company. So currently the claims have started coming in a lower number because obviously the first quarter there were hardly any clams, second quarter they grew gradually and then in the health policy started being sold there was a price increase also registered and over and above the fact that lot more many people were buying health insurance. In fact, Bombay emerged as the health capital of the country with the number of people buying retail health. So the entries in the premium of health policy will be coming in the second quarters also I mean there would be trickle down in this one as well, but not much as we could expect in the subsequent quarters. So if that is fine that I am talking about the turnaround so as we have always maintained that our entire emphasis was on getting on to a bottom line obviously for the reasons that is the more sustainable way for company to make that you start making profits in the area of our operations. So our entire focus of the management was towards having a better combined and with that we have been writing much more prudently we have actually hived off a portfolio the ones that were not making sense and taken a lot of internal measures as well having stick to underwriting control and sorts and every underwriter having been given that fact that he has to get to a much lower combined. So obviously in a reinsurance sector nothing happens overnight things take a lot of time not a lot of time they do take time it is not an overnight thing that you have. So those things have started happening now and we are seeing the green shoots and that is why we are very hopeful that going forward we are on the right track and that we are doing what we have set out to do.

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

Madhukar Ladha: I wanted to understand what is happening on the agri side even this quarter I think we seem to have underwriting losses, and this is despite the price hike that have been taken?

Devesh Srivastava: Much that I would like to speak about agri but then we have the man of all seasons, Mr. Tripathy is there who you know is the head of the agri vertical. I will request him to come in please.

Satyajit Tripathy: Regarding agri I have to say that if you see the 31st, December 2019 gross premium for agri we were having something like close to 14,830 crores of premium against which this year on December 2020 we had premium of around 8,860 crores, but the incurred claims of the earlier year are also standing in the books. Majority of them have been settled and still there are claims for the year 18-19 that has developed a little bit late ~~debtor related a little bit~~ which were holding at around 99% has gone up to around 104% for which we have provided and despite the Kharif season of this year 2020 being one of the best year we continue to remain very conservative on that while I will speculate to say that the overall Kharif claim will be something at around 75% or less. Going ahead we still maintain a gross loss provisioning of around 83% in our books plus the Rabi season which is growing quite well at this point of time without reporting any kind of claims or adverse season we will continue to have the same kind of provisions that we have provided for Kharif. So when we come to March and we take a final call as to how the Kharif and the Rabi crop cutting season will be over by that time, how the seasons have planned out I will be absolutely sure that combined ratio for agri which is hovering at around 104% would be below 100%. We could have made it I mean little less provisions also, but Rabi sometimes bring some surprises that is why we have continued to maintain it at the same level as Kharif and have gone ahead with the provisions. I am absolutely sure that when we come to March our book will be absolutely below 100 as far as the agri combined ratio is concerned.

Madhukar Ladha: Just a follow up on this so Kharif crop cutting season is over and it is completed right now and now we know that the actual loss ratios are only about 75% and still we are maintaining that additional 8% sort of.

Satyajit Tripathy: Around 8% we are maintaining because some of the states also have a little bit of late reporting on figures and everything. So, we maintain at around 6%, 7% higher which I am absolutely sure will come below ~~89%~~ 83% close to 75% when we come to March.

Madhukar Ladha: And what would be the Kharif season premium collection?

Satyajit Tripathy: Our understanding is that we are probably at around 7,800 crores of total business that we think for the whole year. Kharif will be for us will be something like 6,200 to 6,300 crores.

Madhukar Ladha: Sir also if I may ask a follow up the underwriting losses are also high on fire and motors any comments of there would be helpful?

Satyajit Tripathy: I can comment on motor. So motor if you see our combined ratio for the international market has been quite healthy and it is below 95% is close to 92 I am not wrong it will be something close to 92%, 93% and the domestic market the lag effect as we have been telling for so long is actually is taking it little bit more, but I am again quite I would say optimistic that the combined ratio of which is coming totally at around 101 would be below 100 going ahead.

Madhukar Ladha: So why is there such a large lag effect if you can explain that a little bit that will be helpful?

Satyajit Tripathy: The lag effect I mean whatever was there in the September quarter if you see from September quarter again, we have shown improvement in the December quarter and even from the December quarter when we go overall to March we will see the effect of what was there in the general market books in around September will be there in our books in March and this international renewals which we have done on 1st of January is not yet accounted in the books. We will throw a much more positive results when it is accounted for in the books by March.

Madhukar Ladha: Sir you mentioned that the motor loss ratios have improved in December, but actually if my numbers suggest that from the September to this quarter, we are actually September quarter we were at about 254 crores of positive underwriting profits and now we are at an underwriting loss of about 232 crores?

Satyajit Tripathy: When I compare this, I compared with the 31.12. 2019 to this quarter.

Madhukar Ladha: And comments on the fire segment I think would there be international books seems to be leading?

Satyajit Tripathy: Madhukar I will request Mr. Deepak Prasad who is the Chief Underwriting Officer, and he heads up the vertical as well.

Deepak Prasad: I think when you look at the fire portfolio both domestic as well as foreign have improved over previous year. However, international there are still some CAT events which have taken place for which we need to provide as IBNR. Though the intimations of claim have not been to that extent, but we have been conservative and kept this loss ratios there. It is good it will slowly over as we go over to quarter by quarter you will see this coming down.

Madhukar Ladha: What CAT events are these where is this exposure?

Deepak Prasad: One is in Japan and there are around two or three hurricanes around US so these two have really affected us and of course there is a pandemic I think we have kept a provision of $32 million for the pandemic.

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

Sanketh Godha: I have few questions first on the crop insurance when we give Rabi in the Quarter 1 we saw a decline of almost 35%, but in crop the decline seems to be little lower at around 8 percentage, sir just wanted to understand that we structurally believe that Rabi is a better crop compared to volatility or loss ratio perspective compared to Kharif so we will be more focused on Rabi incrementally going ahead?

Satyajit Tripathy: No it is not like that see what happens when you come to Rabi the majority of premium actually comes from the Rabi padding of Tamil Naidu so if you have the major premium of the Tamil Naidu state is from Rabi paddy. It starts from the autumn season and there are actually five different seasons for paddy during the Rabi itself, but we are not participating in Tamil Naidu state this year because of the arrangement they have which is slightly different from the original PMS arrangement and historically, Tamil Naidu has produced claims in excess of 100 continuously. So we have not participated in Tamil Naidu and Madhya Pradesh this year. Unfortunately, these two states will be reporting claims in excess of 150% this year Kharif and Rabi combined. Rabi at such is a less volatile season, but it has the ability to show some kind of surprises because ~~of health terms~~ hail storms and unseasonal rain affecting wheat crop which has not happened this year. We are not even in Maharashtra state which has some volatility in Rabi is not implementing the scheme in the Rabi season. So ~~we are~~ the state that are currently implementing Rabi season the premium amount will be less and there is no adverse report from anywhere in the country.

Sanketh Godha: In Rabi of Tamil Naidu if you have not done which used to have done in the last year so the decline should have been more in Q3 the amount of business what we have done, but it seems to be lower decline versus what you have seen in Kharif that is the reason I was asking that season?

Devesh Srivastava: See if you look into 3.12.2019 to 31.12.2020 the decrease in gross we can premium for agri is 40%. Last year December our premium was 14,835 this year the gross return premium is 8,860. So overall the reduction for GIC is into the tune of around 42% to 43% in agri on a Pan India basis and we have reduced the size significantly.

Sanketh Godha: Sir last quarter we have some kind of a premium not coming in and therefore reversing of the information to release the solvency, so just wanted to understand in agri crop premium how much is in the balance sheet as an outstanding premium receivable and you are confident same kind of a phenomena what you saw in Q2 will not repeat going ahead?

Devesh Srivastava: The RBI requirement regarding adjustable assets what the agri premium is up to 360 days beyond that amount whatever is there is not considered for admissible asset for calculation of solvency, but we keep it in our accounts as we are sure that this amount which is a subsidy amount of the previous year will be received duly from the state government. So from accounting point of view we continue to include it in our books but do not take it for calculation of our solvency

Sanketh Godha: My question is in Q2 we had a negative number in terms of crop insurance because we largely derecognized kind of revenue which we did not receive it or we believe that it will not come in or people went for under harvesting than what we initially anticipated it to be, so something of that kind phenomena because still the premium recognition is based on expected basis so just wanted to understand that how confident you are the similar thing may not play out going ahead?

Devesh Srivastava: No sir payout will definitely happen when payout is already due from the state government the central government money is already available in the escrow account that the authority is keep on pursuing the state government for release of their share and though delayed, we are absolutely optimistic that these amount whatever is standing in our books is the amount of around 1,600 crores will be received in due course.

Sanketh Godha: The other question is one health insurance segment for the quarter it has almost declined by 29% so just wanted to understand because the growth was better in Q2 it substantially jumped, but in Q3 it declining again 30 odd percentage, sir just wanted to understand what led to this decline whether it is domestic business, capital gearing treaty or we slowed down substantially in overseas business or it was option recognized in Q2 and therefore Q3 is weak in that sense?

Devesh Srivastava: I would request Suchita Madam who heads up the health vertical to come in here. She is the CFO as well.

Suchita Gupta: There is a slight increase compared to the last quarter if you see in the gross premium only thing is overall there is a decrease because of the loss of this capital gearing which was not renewed and some of it which we lost. Around 900 crores which was in capital gearing treaties was not renewed as normal, so that was my loss. In that we lost some of which we had in this Ayushman

Bharat instead of the insurance they have done the trust mode, it has only been our loss not more than that.

Sanketh Godha: If I look at the disclosure which you have given in the press release if I back calculate the quarterly figure of Q3 FY20 that number 1,480 crore in health insurance segment and if I do the back calculation for Q3 FY21 that number 1,056 crores. So it clearly indicates there is a decline of around 28%, 29% in Q3 I am not speaking with some 9 months perspective I am speaking only from 3 months perspective that there is a decline in third quarter as such from October to December, sir just wanted to understand what led to it is extreme largely by capital gearing treaty or something else?

Suchita Gupta: My figures are not showing a decrease that is why I cannot understand.

Sanketh Godha: When you answered the previous question on health insurance you ended that reporting underwriting profit in the current quarter, but when I looked your combined ratio disclosure for domestic and overseas it seems that bulk of the benefit claims over overseas segment rather than from the domestic segment because health ratio for 9 months FY21 in health still remains at 119% combined ratio while overseas it sharply improved to 72 so but given sir has said that may be less than 5% is contributed by the overseas health, sir that understand profit improvement does it explain the math actually?

Suchita Gupta: For me a very small portion of it is from overseas business largely it is all domestic only and that also obligatory business. I think if you can come back to me on your numbers separately, I will be able to help you out on this.

Sanketh Godha: Finally, two more questions just wanted to understand your January renewal trends in the overseas market and also how are you seeing the April pricing to behave in domestic segment that is one question second is basically on what loss can you anticipate from the glacier flood which happened in Uttarakhand or something if you have exposure to after tsunami or earthquake can hit them?

Deepak Prasad: I think there are two questions that you have raised one is about our January renewals how it has gone for the foreign and the second one is about this Uttarakhand loss.

Sanketh Godha: And third one is how you are seeing domestic pricing shaping up into current year you had a last two years continuous price hire in fire so similar kind of trend which is visible or how you are seeing the pricing to behave going ahead?

Deepak Prasad: I will address all the three the first one is about January renewable as you know we had this rating downgrade for the year. So there has been some loss of business to the extent of around 18% of the foreign book however it is much better than what we expected and the fact remains that it gave us an opportunity to churn around and see what was not desirable to get away from it. So we did get away from some business and we lost something on a total there is a decline of around 18% in the gross rate and premium.

Sanketh Godha: But sir pricing trend this is lost in the business because of the rating downgrade, but have the rates hardened globally for the January renewable and is it so?

Deepak Prasad: It has hardened quite a bit but not to the extent that we were looking at I think there was a lot of talk about hardening of rates, but yes there was around I would say anywhere between 8% to 15% of hardening that has taken place in the market depending on the geographies and loss ratios of various companies. So there has been a hardening but then yes we have had a loss of renewable as well.

Sanketh Godha: Just to conclude this part you are saying that the loss business 18% is because of the rating downgrade, but to the extent of business you have retained across the geographies you have seen depending upon the geography a rate hike of around 8% to 15% that is the rate?

Deepak Prasad: That is the rate increase in the market however taking into account the rate increase and what we loss at the end of the day we have lost around 18% of market that we were holding. Now coming to the Uttarakhand loss, I think there would be very minimal impact to GIC coming specifically from treaties to some extent though we have checked up on the major writings that we do. We do not seem to have been impacted with this Uttarakhand loss.

Sanketh Godha: So it will not trigger your retro right sir of 500 crore retro?

Deepak Prasad: Not at all.

Sanketh Godha: And if you can comment on domestic pricing also it would be great sir given we have two rounds of rate hikes in FY20 and FY21 so similar commentary would be helpful?

Deepak Prasad: In the first phase I think there were 9 occupancies which were taken up where we said we will go by the burn cost decided by IIB and we would not accept any business below that. In the second year we took all the 250 or so occupancy and said here also we will not accept anything below the burn cost. So that has stood the test of time till now most of the companies have followed in and we see increase in fire portfolio by nearly 34% which is driven by basically price increase because as you know during the pandemic most of the work had come to a standstill so we should have seen a decline, but in spite of the pandemic we have seen a growth of around 33%, 34%. So I guess the price rise that happened had stood the test of time we are getting into the fresh renewable in April for the domestic market we are trying to make sure that there is no decline in the pricing.

Sanketh Godha: Any expected price hike sir there?

Deepak Prasad: Now this year likely not what had happened last year that will continue to flow in now whatever hike takes place would come from the growth of business.

Sanketh Godha: And finally, on investment book investment in some 2,600 crore can you break it down into interest income or dividend income and capital gains?

Deepak Prasad: This I will pass on to my colleague, he will address this question.

Devesh Srivastava: Sanketh we do have that breakup.

Sanketh Godha: Ma'am if you can give investment income breakup into interest income, dividend income and capital gains it would be great?

Jayashree Ranade: Out of this 2,600 income Indian income is 2,550 yearly. Interest is around 907 crores, profit is 1,515 crore and dividend is 126 crores only for this three months. If you take it cumulatively our total investment income for up to the period 6,386 crores of which 2,588 crores is from interest, 577 from dividend and profit on sale of investment 3,220.

Sanketh Godha: Just repeating myself 2,600 you said 907 crores is interest income in the current quarter, 1,515 crore is capital gain and 126 crores in dividend income.

Moderator: Thank you. The next question is from the line of Bunty Chawla IDBI Capital. Please go ahead.

Bunty Chawla: On the combined ratio if we observe the Marine actual is the portfolio where we have a slightly higher combined ratio other than the average 218.7 and specifically domestic if you see it is more than that, so any specific reason or one of has happened in this segment if you can highlight also and is it the part of the product always the combined ratio remains high if that is the reason then also we are growing in a Marine actual premium which has grown by 23% in 9 months FY21?

Deepak Prasad: The Marine hull combined ratio which is showing around 218.70 is a one-off effect of the account entries that has been met for this particular line of business. Normally it should be much below that and because of this accounting statement that has been done for reversing of some of the earlier premium this is showing a technically higher combined ratio 218, but otherwise if you see the gross premium is around 856 and on premium of 518 and on that premium the incurred premium is coming to something 1,040 crores that is why based on that only this combined ratio is common to around 218 and this will so much improved performance with the technical corrections being done in the next quarter.

Bunty Chawla: So what will be the normal scenario combined ratio for this?

Deepak Prasad: Normal scenario combined ratio will be anywhere in between 110 to 120.

Bunty Chawla: Secondly on the provisions we have done during this quarter on the doubtful debt is 85 crores roughly, but if we remember correctly already, we have provided for DHFL, IIFL other different where were stressed assets for the banking industry we have already been provided, so extra provisioning during this quarter any specific if you can share and any more provisions to be done during Q4 FY21?

~~**Deepak Prasad:**~~S.TRIPATHY Our gross provision has gone up from the second quarter of 1,619 to 1,691 crores. 74 crore of excess provision additional provision has been done this quarter which is purely arising out of the fact that we had promised a CAG that we will be providing for the reliance capital balance amount 25% each in quarter till March. So of the 201 crores of Reliance Capital that remain to be provided for 67 crore is taken in this quarter also and 67 will be taken in next quarter. In addition to that we had a default in simplex infra the amount principal being 15 crores we have gone ahead and provided 50% of that is 7.5 crores so the 67 crores plus 7.5 crores is 74.5 crores is the additional provision this quarter. We do not foresee any further provision in the fixed income portfolio in the near future.

Bunty Chawla: As you said 67 and 7 crores we have done for simplex infra so Q4 will be similar 74 crores which will complete the total provision on these portfolio?

~~**Deepak Prasad:**~~ S.TRIPATHY As of now whatever defaults we have already provided for DHFL, ILFS and other things. The Reliance Capital secured provision, secured debenture provision we are doing as per the RBI guideline and it will be again 67.5 crores and 7.5 crores for the fourth quarter for the fixed income portfolio which has been **asset** still now.

Bunty Chawla: So we can say there is no impact of the Supreme Court on gross NPA per se, is the pure fixed income portfolio which is doing well so do not need to have any NPA on that part and no provisioning as such?

~~**Deepak Prasad:**~~ S.TRIPATHY Absolutely I mean if you look into our overall books also our fixed income portfolio is comprising of 92.5% investment in AAA rated bonds and government securities. The regulatory requirement is around 65%. We maintain very high percentage in government securities and AAA rated bonds that too from the quality companies also and our overall investment in sovereign bond has gone up significantly higher. So we do not foresee any corporate defaults in our books going ahead.

Moderator: Thank you. The next question is from the line of Prayesh Jain from Yes Securities. Please go ahead.

Prayesh Jain: Sir firstly could you give me some granularity on the aspects of the business that you are rejecting in the sense that the way you mentioned about Tamil Naidu that we have not written in this season some more color on as to which are the businesses that you are not writing anymore which you would have written last year?

~~**Deepak Prasad:**~~ S.TRIPATHY Are you referring to agri.

Prayesh Jain: Agri and fire both possibly so basically my question is to understand which are the loss-making business particularly in crop and fire segment which were loss making and you are not looking to underwrite there are many more in this year or going forward?

~~Deepak Prasad:~~ S.TRIPATHY With the permission of Chairman, I will speak on agri. Agri if you see we have completely ~~in a doubt that PSU book~~ taken out PSU from our portfolio from the beginning of April 2020 when the renewals came we were very firm on not writing the PSU agri book and our book comprises purely from the private sector agri book that they are writing. The reason for not writing Tamil Naidu was Tamil Naidu government has decided to venture into a slightly different subset of the PMFBY where the state government has a coinsurance up to the extent of 80% and rest 20% will be taken up by the various companies. We were of the opinion that this is an arrangement which we would not like to see in our treaty, we have always followed the principle that we will try the risk and we will pay the claim fully and we will take the premium fully also. If the state government is able to write 80% in a business, they are well capable of writing 100% also and if there is lesser claim on that particular season for that state I mean below 80% or 70% you have to refund the premium also to the state government. So that does not make sense from a risk perspective that is why we have not written and in historically, also Tamil Naidu in the Rabi season always has seen monsoon affecting the coast and affecting the paddy crop significantly which has again happened this year also through unseasonal rain and the state will report in Rabi season paddy they will report claims. So we are not into that.

Prayesh Jain: So what will be the quantum of the business that we would not have return in this year and would have return last year?

Deepak Prasad: We have literally reduced our business book by 47% last year we had return close to 14,800 crores this year we will be ending something like 8,500 crores.

Prayesh Jain: And similarly, on fire?

Deepak Prasad: As far as fire is concerned the foreign renewals are just over in January what we have done is we have done away with most of the worldwide retro program that we used to write. These are programs that were belonging to various reinsurance companies that we used to participate on and it has the issues with exposure control because we used to write direct also and through these worldwide ratios also. So the same loss could hit us in various ways. So apart from keeping four worldwide retros we have come off all the worldwide retros that we wrote earlier.

Prayesh Jain: And in the domestic market?

Deepak Prasad: Domestic is still to start I think in starting April so it is being analyzed research prices being looked at very closely as to what we can provide in like of the competition that is around us so we are still working to it.

Prayesh Jain: Sir what would be the quantum of the business that we would have forgone in the international business on the fire side?

Deepak Prasad: I just want this worldwide retro we should have lost around 700 crores in Indian rupees.

Prayesh Jain: So more from a holistic purpose what is the combined ratio target that we would have in mind for this year and next year?

Deepak Jain: I think as far as combined ratios are concerned one would love to have it sub-100, but we do not see that happening for the year at least for the year we are looking at somewhere around I guess 106%, 107%.

Prayesh Jain: And from a medium-term perspective do you see it is coming down to 100% in the next couple of years?

Deepak Jain: Definitely yes.

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

Vinod Rajamani: Sir you eluded to the fact that the rating downgrade impacted you, the AM Best rating downgrade, have they given any kind of targets in the sense that for you to get an improvement in rating do you have to meet certain targets have they said that is question number one and question number two is in terms of some insurance setting up offices in SEBI like GIFT City and IFCA and trying to sort of target some international business and trying to sort of reduce the tax outgo by setting up there, is that likely to impact somebody like GIC who is a reinsurer and will you be also looking up set up in GIFT City or something like that these are the two question I had?

Devesh Srivastava: You see the way it function AM Best, basically being a rating agency is largely concerned with the fact that you should be able to meet your policy holders liability now that is where it all came in from, what if you go to the genesis of this entire thing what actually trigger it was that on 31st of March our obviously the Indian markets were down and since we hold a substantial equity portfolio obviously that also came down. Now for us in India because our financial year runs from the 1st of April to the 31st of March it somehow coincided with the market coming down as well, it was not only the Indian market that came down, I mean you are more well versed than I am in the international stock market. The entire international stock market goes down. India was the not the only one. When the Prime Minister announced closing down 22nd, 23rd March things almost came to a shutdown mode and 31st March was possibly one of the lowest days of the stock market. Since we close our book in the 31st of March we had to take that date as our equity date as well and that is what the whole problem was triggered. Now AM Best knows that GIC has a very strong balance sheet and if you see 31st March to where we are today the markets are up everything is hunky-dory. So there are a lot of long term measures that we have said that including the fact that we are now having a bottomline approach we go down very well with P&L because then your operations become self sustaining and this is ongoing process how you better tomorrow so that it is better than where we are today and that process is on GIC very firmly and we are all of the mind that we are on the right track. So I hope that answers your aimless question to what you are looking for. Coming to the GIFT City, GIFT City is something that we also have a first mover advantage the moment GIFT City was announced and offices were set up we have also set up our branch there and that branch is functional and in fact additionally even though the government of India in its regulation has allowed us to do only reinsurance business. We have been allowed by the regulator very kindly as a special case because GIC is treated very differently and especially from GIFT City we are allowed to do direct business as well. So we are targeting GIFT City in a big way and going forward we have a lot of plans for GIFT City which we intend to utilize and because that is something that we see a lot of future in.

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

Manoj Shah: Just wanted to know as you said that combined ratio would combine to 100 stakes and you expect on a longer term to come down to below 100 that is the target you are looking at. There are two components of that one is the incurred claim ratio which is in this quarter was close to 90% and net commission were around 18%, so are you looking that the incurred claim ratio will further come down or we can see some reduction in the net commission percentage as well?

Devesh Srivastava: As we have always maintained that now we are operating on a bottom line and the bottom line clearly means that you have to start making profits in the operations that you are in which is what the target is and the target therefore to achieve that is to get a combined below 100. Currently we are very solidly working with all the measures that we have taken better our underwriting performance to get our combined in the near future to below 100. Now there are three components that go into a combined approach it is your income versus your outgo and the outgo is your claims, your commissions and your expenses of management and your expenses of management are already the lowest in the world, nobody operates at expenses of management that is below 1% which is GIC USP I would say. Coming to the commission now commission is essentially what you pay for the business and that is fairly pretty much a constant that does not change much where actually you can make a differences is by getting your incurred claims ratio down and that obviously is a direct fall out of the type of business you write. The moment you start writing a business with an eye on the bottom line the incurred ratios start coming down exactly what we are targeting because we want to get the incur down and that is how the combined is going to come down.

Manoj Shah: This quarter we have like 89.6 for this three months so can we expect it to further down because of your past claim experience you have increased the rate over last two years and they are trickling as the renewals are coming in and we may see some impact in April as well. So we may expect for next two, three quarters that the higher rates will kick in and which will take care of your incurred claims also?

Devesh Srivastava: Also, you see higher rate is a short-term gains, but by writing prudently you are into the lockdown business. When you set emotions or thought process where you start writing to make a profit in the business that is where your incurred claims start coming down because you will just be very picky in choosing your business. In fact, reinsurance takes a lot of pride that my rejection rate of business coming in 70%, 80% that is where the real worth of a reinsurer comes in when you have shifted the grains in the shaft and get on to business that is good and which is a long term gains for us and long term goal for us in GIC.

Manoj Shah: Because I was hearing from other insurance company calls that for the life insurance business also you have put a mandatory that the medical underwriting has to be compulsory and you have increased the rates kind of it?

Devesh Srivastava: All these factors go hand in hand you cannot put them in cylos, but then they all contribute towards making your bottom line healthy and the basic thing is that you should be able to find your way from the bad ones and you have to find your way to the good eggs in the basket.

Manoj Shah: Is my assumption right that over next two, three quarter we may see a further improvement in Company's financials and the underwriting losses will come down and we may see turning to profitable?

Devesh Srivastava: Most certainly we are working towards exactly that goal.

Moderator: Thank you very much. That was the last question in queue. I will now hand the conference back to the management team for closing comments.

Devesh Srivastava: Thank you everyone. I will request Mr. Tripathy to give some closing remarks, please?

Satyajit Tripathy: We thank all the participants for sparing their valuable time to engage with the management of GIC and understand the Q3 results. We continue to strive for improved result and provide you with reasonable guidance based on our endeavor. We also assure you of our availability in case you wish to seek further clarification on any of the business matter that you require from GIC. On behalf of the management, I express my sincere gratitude again. Thank you.

Moderator: Thank you. 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.