

“General Insurance Corporation of India Q4 and FY19 Earnings Conference Call”

May 29, 2019

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RE**

Moderator: Ladies and gentlemen, good day and welcome to the General Insurance Corporation of India Q4 and FY19 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. 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 Mr. Sarda.

Binay Sarda: We welcome all the participants on the call, and thanks for joining this Q4 and full year FY19 earnings call for General Insurance Corporation of India.

Please note that we have mailed out the press release to everyone and you can also see the results on our website as well as it has been uploaded on the exchanges. In case you have not received the same, you can write to us and we will be happy to share the same to you.

Before we proceed with the call, let me remind you that anything that is said which has a forward-looking statement that may involve known or unknown risks, uncertainties, and other factors should be viewed in conjunction with our business that could 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 the GIC represented by Mrs. Alice Vaidyan - Chairman & Managing Director and other top members of the management. We will be starting the call with a brief overview of the quarter gone by given by Mrs. Vaidyan and performance of the company, which will then be followed by the Q&A session. With that said, I now hand over the call to Mrs. Alice Vaidyan. Over to you ma'am.

Alice G. Vaidyan: Good afternoon everybody. As you are aware, GIC Re announced the financial performance for the year ended March 31st 2019 at our board meeting held in Mumbai on the 23rd, and we have the pleasure to announce the highlights of the financial performance. The growth in the gross premium income of the company as you would have seen was 6% with a premium that we clocked 44,238 crores for this current year from 41,799.37 crores in the previous year. The investment income has increased by 18.7% to 6401.34 crores this year as compared to 5392.03 crores last year. Incurred claims ratio has improved for this year to 89.5% as compared to 91.8% for the nine months ending 31-12-2018. Commissions also during the year have reduced to 15.7% on net premium from 16.9 in the previous year of 2017-18.

The combined ratio, as you would have seen, has improved to 105.9% for the year 18-19 from 107.6 for the nine months ended 31-12-18. So, there has been an improvement in the underwriting results for the quarter of January to March 2019 showing an underwriting profit of

101.16 crores. The adjusted combined ratio by taking into consideration the policy holders' investment income works out to 94% for the year ended 31-3-2019. The profit before tax for the year 18-19 has been recorded as 3433.82. This is as compared to the previous year's 3658.26 crores.

Profit after tax for the year was 2224.30 compared to 3233.58 for the previous year, mainly due to an increase in the tax provision on account of change in law. So, there has been an increase of over 800 crores over last year for tax alone. Solvency ratio has improved to 2.06 as on 31st March 2019 as compared to 1.72 the previous year 31-3-18 and which is also above the minimum required solvency ratio of 1.50.

Net worth of the company without fair value change has increased by 3.75% to 22,334.42 crores from 21,525.92 crores. And if you are taking the growth in net worth including the fair value change account, it was 2.73% at 52,765.05 crores against 51,360.18 crores last year. And total assets also have increased by 8.40% from 1,09,672.39 crores of last year to 1,18,883.62 crores as of March this year.

The highlights like you would have seen is that we have recorded a growth of 6% in annual premium. The PBT was 3434 for this year, the dividend proposed is 135%, and the solvency ratio has improved to 2.06%. I think all the other details including the three months ended this year as compared to the whole year's performance have all been shared with you.

On the premium breakup, I would just say that for the domestic and the international, domestic premium overall for GIC is 30,972.21 crores and the international is 13,265.79 making it a total of 44,238 and the percentage split is domestic 70% and international 30%. This is as compared to 71.32 and 28.68 of last year, the split. So, the growth in the domestic premium has been 3.9% and the growth in the international book has been 10.7%. Across the portfolios, we have shown the growth percentages. If you were looking also at the combined ratio how we have performed across different lines of business, you will see that other than for marine and health, across most of the sectors, we are talking of motor, engineering, workmen compensation, liability, personal accident, agriculture, other miscellaneous, marine cargo, marine hull, all have shown combined ratios within 100% which I think has worked very well in the interest of the organization. Having given the highlights, now, I think we will wait to take the questions from the interested parties.

Moderator:

Ladies and gentlemen, we will now begin the question & answer session. We have our first question from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra:

Ma'am my first question is that in the fourth quarter, why did the retention ratio decreased so much? Because the net premium growth has been much lower. The second question is on the crop segment. We have seen a much improved underwriting result over there. Just wanted to understand if there has been some reserve release in the crop segment?

- Management:** Retention ratio is reduced from 90% to 88% for the current year. This is basically because of the increase in cost of retrocession premium and so premium on our retrocession business has increased and that is why there is a 2% decline from the last year comparatively.
- Deepika Mundra:** Ma'am specifically for the fourth quarter, why is there a retention ratio decline? The rest of the year I think it was still fairly flat on a year-on-year basis.
- Alice G. Vaidyan:** Retention ratios are normally not seen on a quarter-to-quarter basis. It is fixed on an annual basis for the company. So, we don't look at it on a quarter-to-quarter basis because when we buy the protection of the company at the start of the financial year, we fix the retention ratios and that is applicable for all the lines of business for all the quarters during the year. So, that does not change actually.
- Deepika Mundra:** I just wanted to understand if there is a change in trend. Secondly, on the crop segment, could you clarify the reason for the much improved underwritings?
- Alice G. Vaidyan:** I will give it to Mr. Tripathy who will explain. As you would have seen that the performance has been good, 13,289 crores. The growth was consciously kept at this level, 1.1% only, but if you see the combined ratio, it is 97%, and Mr. Tripathy will explain the reasons for that.
- Management:** Actually, the basic reason is we have enforced a lot of discipline on pricing in the market. Along with that, there has been loss corridor imposed on the cedent companies which have been hit. So, when the loss corridors have been hit, the account goes net to the companies and not to GIC. Along with that, the pricing discipline that has been maintained across the country, across various seasons, across various geography across region has actually yielded this kind of result, and we expect that going ahead also, we will be able to maintain this kind of combined ratio for the agri portfolio. We have been constantly monitoring this throughout the various regions of the country. Despite deficit rainfall, we have been able to manage it and are hopeful that we will continue to go in this way.
- Alice G. Vaidyan:** I think you would have seen that it has been a very satisfactory performance for agriculture, and the GIC has been supporting the entire market. If you see all the companies, both the crop seasons, entire country we are covering and the diversity in our book I think basically has given us the strength in the portfolio.
- Moderator:** We have the next question from the line of Rahul Marathe from Akash Ganga Investment. Please go ahead.
- Rahul Marathe:** The first question is what would be our combined ratio for domestic business and the international business separately?
- Alice G. Vaidyan:** For domestic business, it is 100.4%. For international business, it is 116%.

- Rahul Marathe:** Ma'am, in your opening remarks, you said that except for marine and health, all other segments are showing combined ratios below 100%. So, what are the steps that we are taking for improving?
- Alice G. Vaidyan:** I said other than fire and health. So, motor, engineering, WC, liability, personal accident, agriculture, marine cargo, marine hull, all are showing within 100 combined ratio. So, it is basically only the property portfolio fire and health and aviation. The book is not big of aviation. These three are the only lines which are showing combined ratio over 100. All the others are showing within 100. That is what I was saying.
- Rahul Marathe:** And you indicated that for international, our combined ratio is at 116%. Why is it at such a high level? Is there pricing pressure in international market?
- Management:** This time again there was a hurricane loss. After many years, we are getting a year-on-year loss. If you remember, we had this Irma and Harvey losses earlier last year. But normally, we don't have 2 severe back-to-back years of losses. This time was one of the occasions. Jebi and Trami were 2 international losses that had hit all our books. It was not just for us. It was a problem for all the insurers and I think if you have seen the results of the other insurers, they too have had deteriorating ratios.
- Rahul Marathe:** Lastly, ma'am, what would be our combined ratio target for the current year for FY20?
- Alice G. Vaidyan:** As always, our combined ratio target would always be in the short to medium term within 100 and long term we are looking for something like 90 to 95. If you have seen, Rahul, what we have done is there is not so much focus on growth because we are in a high-growth market. So, the focus is always only on combined ratio and we are trying to better our combined ratio year on year. So, coming out of loss making treaties for the international business and all but focusing basically only on profitable business per se. So, the focus will always be to have within 100 combined ratio, but if you see the adjusted combined ratio which we have shown, if you are taking the investment income, it is showing 94% for the year, which I think is a very good combined ratio for the market given that the investment income has been good, and this compares to 94 of last year only. So, we are mostly on par with the adjusted combined ratio of within 100.
- Rahul Marathe:** As per some latest news reports, we had seen that GIC has increased premiums for fire business quite substantially. What would be your comments on that?
- Alice G. Vaidyan:** That has had a very positive impact on the entire market on all the companies because if you are aware of the history of insurance here, after de-tariffing in 2007, there was a big strain on the pricing because of the competition which came in, in a free market. All companies were giving discounts up to 90% or 95% and all that. So, we thought we should introduce some sort of discipline. So, as a reinsurer, I think given the commitment to the market, we have only taken the rates the pure what we call in insurance parlance, burn cost rate, just comparing the premium

and the claim. Basically, these are not GIC's rates. These are the rates of the information insurance bureau, IIB, the analytical wing of IRDA. From there, we have taken it and for some 8 occupancies where there have been very heavy loss ratios, and this has been a very consultative process. By talking to the insurance players only, this has been done. And I think if you look at it now, it has served the market well for the April market renewal. And basically this is also in the interest of we are talking of the retail customer or the average policy holder, the mid-segment customer, because the corporates only had been getting the benefits of the detariffing so to say. So, we think that this has a very positive effect and I think a very sustainable effect on the market going forward.

Moderator: We have the next question from the line of Akash Jain from Ajcon Global Services. Please go ahead.

Akash Jain: Madam, my question is regarding the impact of cyclone Fani in Odisha on our financials.

Alice G. Vaidyan: At this stage, we don't think cyclone Fani will have as severe an impact as we had in the past cyclonic seasons. When compared to the economic loss, the insured loss is likely to be much, much less. So, it may not dent GIC's book that much. As of now, the market also has not come out with the insured losses.

Moderator: We have the next question from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.

Abhishek Saraf: Just wanted to have your view given that now we are going a bit more measured way on the agri side which is also affecting growth as such but obviously it is coming at a more profitable rate. Going forward for FY20, would you like to give some guidance of what could be the overall growth that we are targeting? Could it be like sub 10% what we saw this year or how you see that playing out? Secondly, just taking from the previous question, ma'am if you can give us the combined ratio for domestic and international for the quarter 4 basis if that is possible?

Alice G. Vaidyan: Only for quarter 4?

Abhishek Saraf: Yeah, if you have it handy.

Alice G. Vaidyan: But the point is, in insurance, actually like you all too, we don't look at our performance quarter to quarter. It is always up to the quarter that we see because the business is seasonal. There are fluctuations depending on when the premium comes in. For a crop especially, the premium comes in at some time, claim comes in at a different point in time. It is not in the same quarter. So, we really don't see for the quarter performance. But I can give you an outlook on how the crop insurance will span out in the coming year. I will ask Mr. Tripathy to just give an outlook.

Management: Abhishek, our plan for agriculture for the years ahead is based on the fact that we will be writing a gross written premium of close to 13,000 to 14,000 crores as we are writing at this point of

time. The market is likely to grow at around 10% to 12% in the foreseeable future. However, GIC would like to consolidate its position on the amount of business that it is writing at this point of time. We are not chasing growth in agri line of business. First, we have to consolidate, have a combined ratio, and underwriting profit on this line of business before taking the next step of growing faster on this line of business. As you can see, quarter on quarter from last September till March, we have been showing underwriting profit in agri and a combined ratio of below 100, and that will remain our policy for the year ahead also. For the year 19-20 also, we have reduced our overall market share from 46% to 44%, and along with the obligatory, we will be within 40% to 44% of this market in the foreseeable future and have a combined ratio of below 100.

Abhishek Saraf: Just if we impute that or extrapolate that forward, would that imply that overall our premium growth would be then less than 10% given that agri is a very big chunk of our overall portfolio and if that is going to be flattish for the next year, is it fair to assume that it will be less than 10% or in the vicinity?

Alice G. Vaidyan: Only agri you are saying or overall?

Abhishek Saraf: Overall ma'am.

Alice G. Vaidyan: It should be within 10% because given the base that we have now of 44,238 crores. Given the base that we have, I think we will have a more subdued. So, we can be around 10% we are talking of 48,000 crores or something. Somewhere around 50,000 crores basically.

Moderator: We have the next question from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: Ma'am, just wanted to understand the 8 occupancies where we have asked the industry to increase the rates on fire segment, what positive impact or delta impact we will have on GWP because of that reason and how much these 8 occupancies would be contributing to entire GWP or fire segment GWP?

Alice G. Vaidyan: For GIC or for the market?

Sanketh Godha: For GIC.

Management: For the market, it will be substantial, but for GIC, the domestic fire premium constitutes about 8% and so we expect only about 10% to 20% because most of the increase will be absorbed by the insurance companies. What comes out to us through obligatory is what the increase will directly be and some will flow out from the treaties as well. So, overall, on the domestic premium itself, we expect an increase of 15% to 20%.

Sanketh Godha: You mean to say that the 8 occupancies' effective price hike for GIC Re would be 15% to 20%, right?

Management: On the domestic premium, because the domestic book itself constitutes only 8% of the total book of GIC.

Sanketh Godha: Right ma'am, but my question was that assume these 8 occupancies say contribute 10% or 15% of the entire fire GWP, this 10% to 15% of the GWP will see how much price hike from GIC point of view?

Management: Like what I said, most of the increase can go only to the direct insurance companies. What comes out will be through obligatory and a portion of it from the treaty.

Sanketh Godha: So, what you mean to say is that the 8% of domestic GWP will see a growth of 15% to 20% only because of the price hike, right?

Management: Yes.

Sanketh Godha: This international business has seen a significant slowdown in the fourth quarter. Basically, it is a seasonally strong quarter because of the January renewals. Any specific strategy changes which we have done in the quarter or few geographies or few segments because of which there was a decline in growth?

Management: We have taken a conscious call to consolidate our position. This is what the chairman had said earlier as well. So, when the 1st January renewals came in when the international treaties largely renew, we did take a call to be more conservative with our lines and be more careful with the capacity we offer, and that is why you see the 10% reduction in our premiums coming in.

Sanketh Godha: In the past, we had mentioned that in Middle East, we are going slow with respect to the health premium and we want to focus on more developed markets. So, in the current year in January renewals, we did not participate much in those high combined markets like Middle East. The health segment is predominantly the reason why the international business has not grown?

Alice G. Vaidyan: Yes. Like we had told last time, we have come off the loss-making business of health insurance. It was a difficult call to make, around 100 million premium to come off. What we had told earlier has happened and Dubai has pruned their health portfolio. Going forward, we will only see good profits in the health portfolio.

Sanketh Godha: In April renewals for the crop insurance, have we further reduced our commission rates for the primary insurers? Last time we took a cut, we have reduced the commission rates. We are maintaining the same commission rates or we have further reduced it?

Alice G. Vaidyan: We are maintaining the same. When we did it last time, it was cut to the market level. So, we are maintaining the same.

- Sanketh Godha:** On the investment book, one thing is the breakdown into capital gains and the interest & dividend income for the year and the quarter. Second thing is whether we have any exposure to DHFL, ADAG, and maybe Essel Group kind of a thing? If you have any exposure, if you can quantify, it would be great.
- Management:** We don't have any exposure to the Essel Group. We have reasonably very small exposure to DHFL and very lesser amount of exposure to ADAG group, particularly in the Reliance Capital debenture. We don't have any further exposure in Reliance Infra or other exposure and it is very much within our control and it is hovering around 225 crores to 300 crores for DHFL and around same for Reliance Capital also. We don't have equity exposure in DHFL anymore.
- Sanketh Godha:** So, you are saying that in DHFL, it is around 225 to 330 crores and similar exposure for Reliance Capital too, right?
- Management:** Yes.
- Sanketh Godha:** Finally, the breakdown of investment book into capital gains and interest income?
- Management:** Profit on sale of investment was 2578 crores for the entire year. Interest was close to 3000 crores. Dividend was 556 crores.
- Moderator:** We have the next question from the line of Neeraj Toshniwal from Emkay Global. Please go ahead.
- Neeraj Toshniwal:** Just wanted to understand that we have raised this to CBDT to reduce the long-term capital gain which is impacting the general insurers and GIC Re and reinsurers in particular. Any update on that? And what do you think, I mean, they will again be back to 10% or how it is going to be?
- Alice G. Vaidyan:** We have raised the issue of this tax with the authorities. We are hopeful of getting some positive response. But if you see the taxes we have paid, it has been 800 crores over the last year, which is a substantial amount. So, we have taken it up and we are hopeful of a very positive response, let us see.
- Neeraj Toshniwal:** Uptil when we can hear ma'am regarding this?
- Alice G. Vaidyan:** Maybe in this financial year anytime because all companies have taken it up. Let us hope that we get a positive response.
- Neeraj Toshniwal:** Likewise, we have taken in fire, a step towards the burning cost. Any other segment we are actually about to looking at raising rates where we are actually having higher exposure towards bad claims? Anything on that?
- Alice G. Vaidyan:** On the fire, we have taken only for 8 occupancies now. As time goes on or as we find it appropriate, we might look at other sectors as well.

- Neeraj Toshniwal:** Anything in pipeline?
- Alice G. Vaidyan:** Nothing in the pipeline. We will take it up once this has stabilized. That should also be on the cards going forward. But across other segments also, marine also, they are trying to do as much improvements as they can to hold on to the pricing in the market. In any detariffed market, you can expect such blip happening, and given that India has a very price-sensitive and highly competitive market, we have to take some efforts to stabilize the pricing which we will do as a national reinsurer going all out.
- Management:** But apart from that, our ongoing exercise are improving results on our treaties is on. During this renewal also, we had reviewed on the treaties, and wherever there were high losses, we have introduced measures like loss corridor and reduced commissions. That is an ongoing process. That will always carry on.
- Neeraj Toshniwal:** So, how much impact we can see in this year for the treaties that we have taken on?
- Alice G. Vaidyan:** Definitely we will see a marked improvement in the fire section this year. That is our outlook for that, and given that the pricing improvements have happened and we are also taking measures to control the claims management, both in the domestic and international markets, we will see what impact it will have on us. But we are very hopeful that we will be able to definitely have a better combined ratio.
- Neeraj Toshniwal:** Two more questions. One is on your Lloyd's syndicate? How is it shaping up and any further update on that?
- Alice G. Vaidyan:** It is doing very well, the Lloyd's syndicate. The first year has been very good. And Lloyd's has also approved the business plan for the second year going forward. I think with a 3 years' plan, we hope to see a very good improvement and I think we will scale up our Lloyds operations also.
- Neeraj Toshniwal:** What is the target mix to be in domestic to international?
- Alice G. Vaidyan:** Now it is 70:30. As always, we will like to have it at 60:40 for the short-term. And long-term, we should be looking to something at 50:50 only, but immediately we will look at 60:40. But I think more than this, the Lloyd's syndicate I think they are looking for that knowledge transfer to happen, expertise from the international markets to come in, which is happening in a big way in GIC.
- Neeraj Toshniwal:** So, the 10% premium you told us about the domestic growth basically. So, how much we are pegging up growth rate for the international market?
- Alice G. Vaidyan:** We have grown only 3.9 for the domestic market and we have grown 10.7 for the international market.

- Neeraj Toshniwal:** For the next year, how much in the domestic and the international book you are looking at in terms of growth rate?
- Alice G. Vaidyan:** Around 10% only we will be growing. We don't have very high growth target.
- Neeraj Toshniwal:** 10% combining both you are saying?
- Alice G. Vaidyan:** Yes.
- Neeraj Toshniwal:** Regarding the opening of the market to the other reinsurer players which has happened. If they are not happy with the rate you are quoting, they can move to other reinsurers. How things are shaping up there? Any loss of business or anything you have seen of late?
- Alice G. Vaidyan:** As of now, no loss of business at all. We wouldn't know why others are not going to other foreign reinsurers, probably they wouldn't. GIC has always been the first stop for all the insurance players in the market, and as a dominant reinsurer, we want that to continue. We want always to be the first preferred reinsurer, and given the commitment we have to the market and we have supported all the companies across all these years, I think that status is going to stay for GIC, and we don't really see any competition from other reinsurers going forward.
- Moderator:** We have the next question from the line of Vinod Rajamani from HSBC. Please go ahead.
- Vinod Rajamani:** Ma'am just 2 questions. One is these 8 fire occupancies; what proportion of the overall fire premium are they? The second question is that on your imminent retirement, has the process already begun for succession planning and so on?
- Alice G. Vaidyan:** Fire, you are saying for the rate occupancies, how much is it of the overall premium?
- Vinod Rajamani:** Overall fire premium.
- Alice G. Vaidyan:** For the industry?
- Vinod Rajamani:** For GIC.
- Alice G. Vaidyan:** For GIC, we don't really go by sector-wise. The direct companies issue the policies. Only what is reinsurable comes to GIC. Basically, 5% from the obligatory session and only high-value projects which are reinsured come to us. So, we really cannot go by a percentage basis on these occupancies which have seen an increase, but we look forward like Usha had mentioned, we are looking for 15% to 20% increase in our fire portfolio. And also improved results given that the premium base will be going up.
- For your second question, I really don't have an answer, but I can only tell you that I have taken the matter with ministry and I am hopeful that before I retire, somebody will be in place in GIC.

- Moderator:** We have the next question from the line of M.W. Kim from JP Morgan, Hong Kong. Please go ahead.
- M.W. Kim:** I have 2 questions. One is about the credit rating outlook. Now, the company is one of the top 10 global reinsurance companies in the league table. So, when you actually look at the overall S&P or the AM Best rating, actually the company's rating is relatively weaker compared to the other top players. So, my question is do you have any plan to enhance the balance sheet or the rating perhaps 1 or 2 notches higher? If yes, then, what would be your strategy? And the next question is that what would be your overall next 3 years' strategy in terms of the risk retention?
- Alice G. Vaidyan:** To your first question, did you say that we have a lower rating? Because we have AM Best A-excellent rating and given that the S&P's sovereign rating of India is lower, we cannot actually go for an S&P rating. That is why we have gone for AM Best rating and we are confident that as our performance has been improving year on year, we will see an upgrade in the rating going forward. But if you see the rating results, we are a very financially sound company. Our solvency is good, the balance sheet is strong. I think that should reflect in the rating outlook.
- The second question was regarding the retention, is it?
- M.W. Kim:** Yes.
- Alice G. Vaidyan:** You are asking about the market retention or GIC's retention?
- M.W. Kim:** I am asking about the GIC retention. The overall underwriting has not been favorable in the local market but in the next couple of years perhaps we would see the better underwritings, but I just want to know that what kind of the retention strategy going forward? How the company makes profit much better going forward?
- Management:** We have different retention levels for different lines of business. For example, for engineering or liability, those kind of lines, we will have less retention. Overall if you talk of retention for the company, we talk of a percentage of the net worth. So, overall, we would look for something around 3% of the net worth.
- Moderator:** We have the next question from the line of [Ashwin Agarwal](#) from Akash Ganga Investment. Please go ahead.
- Ashwin Agarwal:** Ma'am, post the IPO, because of external reasons and foreign incidents which you mentioned, the performance of GIC has been very disappointing which has resulted in an almost 50% erosion in the price compared to the IPO price also. You have briefed us on the various initiatives you have taken. Can you tell us how long will it take or do you expect the combined ratio this year to be under control, i.e., near about 100?

- Alice G. Vaidyan:** Like I have mentioned earlier also, the goal or the company's strategy is always to have a combined ratio within 100 and we will aim for that every year in short to medium term. But if you tell me that GIC's performance has been disappointing, I will not agree with you on that. That is basically because we have done well. You really cannot measure the net worth of a company based on the share price of a company. We think it is only a matter of time before you all understand the working of the insurance sector. Then, probably you will have a better understanding of the market and especially of the reinsurer in particular because as a dominant reinsurer we are, we have a book of 44,238 crores. We are the 10th largest reinsurer, solvency over 2, investment book has also been doing well. Combined ratio also has been improving. If you look at the Indian market, 106% combined ratio is an excellent combined ratio. And the adjusted combined ratio is around 94% and we have been giving constant dividends of over 1000 crores year on year. So, I don't think the performance has been disappointing at all. We will continue with our efforts to familiarize you with the insurance sector and the reinsurance sector in particular.
- Ashwin Agarwal:** I understand you points. I was referring only to the high combined ratio mainly from the international geography because of all those events. Only that extent, not the operations of the company in any way.
- Alice G. Vaidyan:** That is why we said in foreign geographies like Dubai if you have seen the other call, we have made a conscious effort to come out of the loss-making health portfolio and the Dubai office has actually turned around. In all geographies, we will make constant efforts to see that we write only profitable business and we make profit. That is always the constant endeavor in our foreign branches and also out of the 160 countries that we write business, that will always be the goal of the company.
- Ashwin Agarwal:** Ma'am last 2 points. One is on the IL&FS exposure, you have taken some hit and what is the recovery expected there? Secondly, you had planned an investor meet which was canceled because of some urgent trip of yours, and post that, there has not been any intimation of the investor meet. It would be appreciated if you can hold that investor meet.
- Management:** As far as IL&FS is concerned, you are aware that there is a moratorium from NCLT regarding any recovery process that can be done at this point of time. Pending that, no institution is in a position to actually put any notice for recovery of IL&FS. We are very hopeful that going ahead, the matter will get due resolution, and in a few more months and quarters, we will be seeing what kind of positive output is coming out of the IL&FS issue. At this point of time, as you are aware, there is a board in place, which is appointed by the government. They are taking all necessary steps to see that all the assets that are in place are going to be monetized. As soon as those things are in process, we expect that there should be recovery from the IL&FS. We have investment in the main company and we are hopeful that since we hold secured debentures, we will be able to recover reasonable amount of our principal from this issue.

- Alice G. Vaidyan:** And as a very prudent measure, we have provided 50% across our exposure to the group. Actually, as per IRDA or RBI circular, we could have provided 10% or 15%, but we chose to be conservative and we have provided more.
- Ashwin Agarwal:** Right, that is good. Coming to the investor meet, if you can respond.
- Alice G. Vaidyan:** I think we will have it at the earliest opportunity. There has been a request. Maybe in the next fortnight itself, before the second week of June, we will have it.
- Moderator:** We have the next question from the line of Abhishek Saraf from Deutsche Bank. Please go ahead.
- Abhishek Saraf:** On this IL&FS exposure, if you can just give a breakdown in terms of what is to holdco and if you have anything at the SPV level. And also if I heard Mr. Tripathy right, he was saying that we have a secured debenture at the holdco level. What exactly is the security against? Because if my understanding is right, holdco basically is a holding company for other operating company. Holdco itself does not have securable cash flow or asset. If you can just throw some light there. Secondly, again on the asset thing, gross NPAs have come down from 8% to 3% on a quarterly basis. What explains that? Have we written off some of the accounts or have there been recoveries in some of our lending?
- Management:** We will take the latter part of the question first. 8% to 3% is because we have taken the gross loan asset. Earlier when we had taken this, we had only taken the debenture part. That is why the 8% NPA had come as a percentage of the total debenture. Now we have taken the gross loan asset including the government securities and all kinds of fixed asset that we have. On the basis of that, we have a gross NPA of close to 3% at this point of time.
- Regarding the security on IL&FS, yes, we have exposure to the holding company and to the IL&FS Financials and ITNL. There is a security which is on a pool of assets. It is not a negative **lien** on the cash flow though for the financial company, it should be on the negative **lien** on the cash flow. We have a pool of assets on which there is security. So, as a secured debenture, we expect **recoveries** when the things are monetized. So, we are hopeful that for this holding company and the IFIN and the ITNL, we will be able to recover some part of our principal.
- Abhishek Saraf:** If you can just give me absolute amount of exposures in these three: Holdco, IL&FS Fin, and ITNL?
- Management:** Exposure to ITNL is around 85 crores. Then, the rest everything of the 718 crores is divided between IFIN and IL&FS.
- Abhishek Saraf:** For GNPA coming down from 8% to 3%, the numerator or the GNPA absolute amount is the same. It is just the denominator we have changed and calculating it in a different way, right?

- Management:** Actually gone up because we have taken the gross loan assets.
- Abhishek Saraf:** One last question on the agri part. You said that the market is expected to grow at 13% to 14% but we wouldn't be growing much or we will be rather flat. Just understanding from your vantage point, how do you see this agri thing playing out? Because either that will mean that other reinsurance companies are supporting this or do you see that the primary insurers will actually be taking it on their books? From a market participant perspective, how do you see this playing out next year?
- Management:** We expect that both the primary companies and other reinsurers would be increasing their shareholding in the overall business. We are in a position to increase but we would like to consolidate it at this point of time. For the past 3 years, we have been writing agri at a particular amount of gross written premium that is hovering between 12,000 to 13,000 crores. Now, we have been able to take combined ratio positive from this amount of GWP unless we are very sure going ahead that increasing business will give us a better combined ratio, we will not be increasing. We will increase gradually and we will see to it that we have underwriting profit from this line of business.
- Abhishek Saraf:** Given that there is not very favorable or mixed forecast on monsoon, have you started to see that on a primary basis also the rates are hardening in this business or within your discussion in the industry participants, are you seeing that there is a talk of hardening interest rates given that monsoon may not be good this time?
- Management:** Very early to say that how the monsoon is going to pan out. There may be slight deficit in rainfall but we expect that the distribution will be good. Rates have not hardened very significantly but cluster as well as the philosophy of the ceded company in pricing had actually improved. And since their approach at the field monitoring has improved significantly, we expect that this current pricing also will hold good going ahead and we look forward to having profit from this line of business though very marginal.
- Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.
- Alice G. Vaidyan:** I think we have answered all the questions and given a brief view on the performance of the company. I think the outlook is very good going forward, both for the industry and for GIC, because with all the pricing corrections which have come in both in the fire department and also given that we are going to see a good growth in the crop sector as well as in the health sector because of Ayushman Bharat, we have very positive outlook on the growth as well. As well as because of the market corrections including the motor third-party premium going up and all the regulations in place, we feel that the bottom line also - not only of GIC, but the entire market also - will show an upward trend. And I think this growth and the profits will also rub off on GIC. With that positive note, let me conclude the financial performance call. Thank you so much.

Moderator: Ladies and gentlemen, on behalf of General Insurance Corporation of India, that concludes this conference call. Thank you for joining with us, and you may now disconnect your lines.