

Reinsurance strengths that go beyond boundaries.

GIC Re. The global face of Indian reinsurance.

**FY 2018 – Q3
Financial Results Presentation**

Mumbai, 12th February 2018



Agenda



Market Review

Strategic Overview

Financial
Performance



Market Review



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Reinsurance Industry - Role

- Reinsurance is the foundation for economic growth through risk transfer mechanism
- The risks flow through insurers to reinsurers
- GIC Re has been playing a key role in the Indian reinsurance market and able to maintain about 60% share in the Indian reinsurance market.
- Insurance is written on the strength of reinsurance support
- Reinsurance support aims at
 - Providing insurers capacity to write more – proportional
 - Providing insurers protection against bottom line volatility – non-proportional – major risks
 - Providing insurers protection against balance sheet protection – non-proportional - catastrophe
- Reinsurer insulates himself from the insurer's adverse financial performance
- Reinsurers have devices to guard against anti-selection

Global Operating Environment

Overall, the international primary insurance sector will grow by 4.5% p.a. on average in 2018

GIC Re ranked 12th largest composite reinsurer in the world on gross premiums written in 2016 and 8th largest on gross non-life premiums (AM Best)

Size of the reinsurance market in 2016 was USD 230 bn

Price hardening was witnessed at January renewals in some geographic segments following major catastrophe events.



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Domestic Operating Environment

Insurance sector in India is projected to touch USD 350-400 billion by 2020

Insurance penetration reached 3.4 per cent in FY17 and is expected to cross 4 per cent in FY18.

Budget 2018 will deepen health insurance coverage and reduce protection gap for the Indian population.

Crop insurance has become the third largest line of non-life business, after motor and health insurance.



Reinsurance industry in India

GIC Re largest player in India: market share of approx. 60% in fiscal 2016-17

Gross written premiums of general insurance industry in 2016-17: INR 1,34,177 crore

Retention ratio of industry in 2016-17: 70.2%

Reinsurance premiums in India expected to touch INR 70,000 Crore by 2022

GIC Re expected to maintain market leadership going forward on strong financials, adequate capacity and expertise

Strategic Overview



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Competitive Strategy Pillars

Prudent Underwriting

- Geographical Diversification
- Lines of Business Diversification
- Continued focus on Risk Selection
- Deployment of Modelling and Pricing Techniques and Tools

Exposure Management

- Modelling accumulation of exposures
- Rebalancing the risk portfolio
- Well-rated retrocession counterparties

Talent Management

- Recruitment of Experts
- Low attrition rate

Efficient Asset Management

- Healthy Investment Income
- Diversified Investment Portfolio
- Effective Asset Liability Management

Effective Risk Management

- Conservative Claim Reserving
- Following best practices such as conducting stress test to assess resilience

Dominant Indian market position

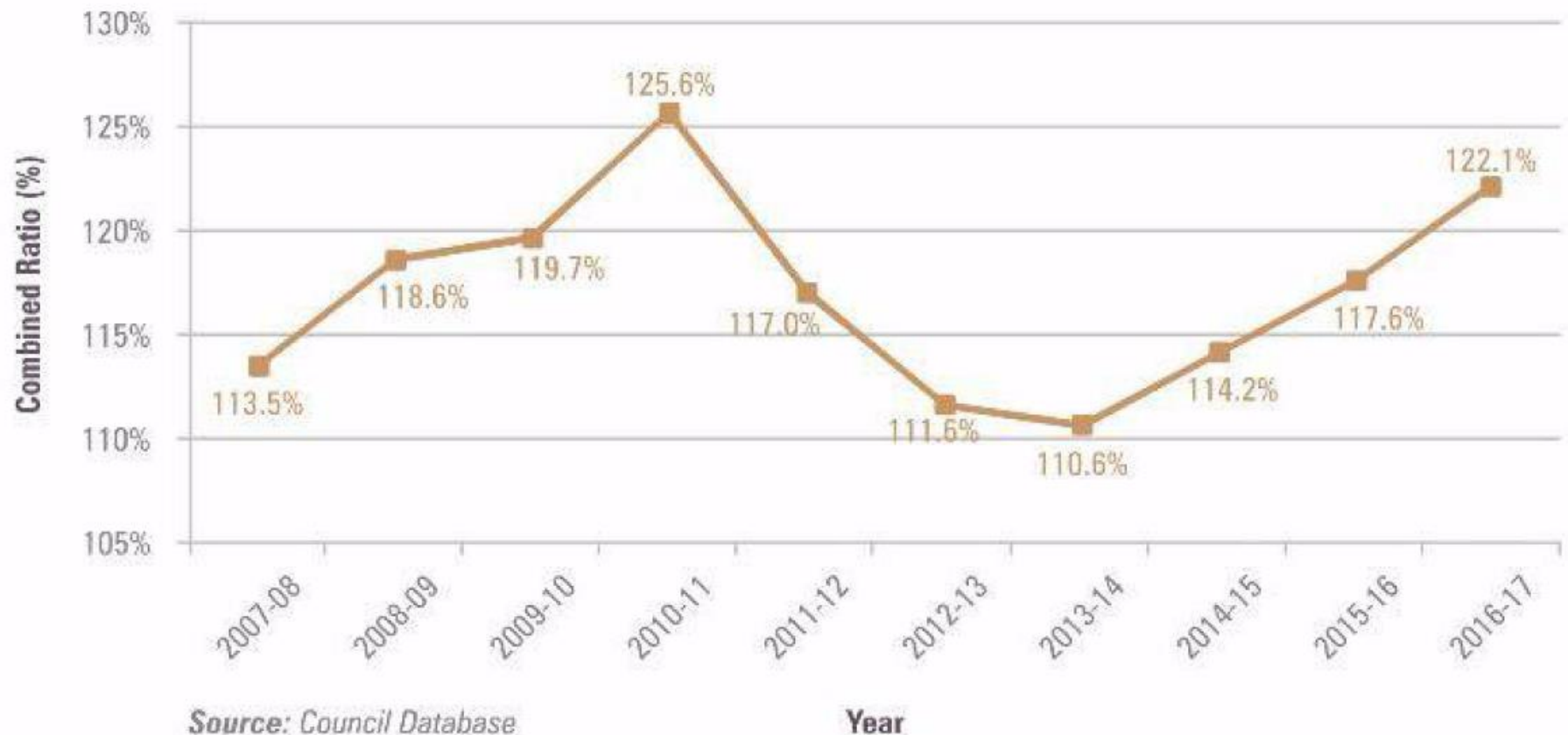
- Continued Obligatory cessions & Order of Preference
- Long term relationship with the market
- Well-positioned to exploit all opportunities



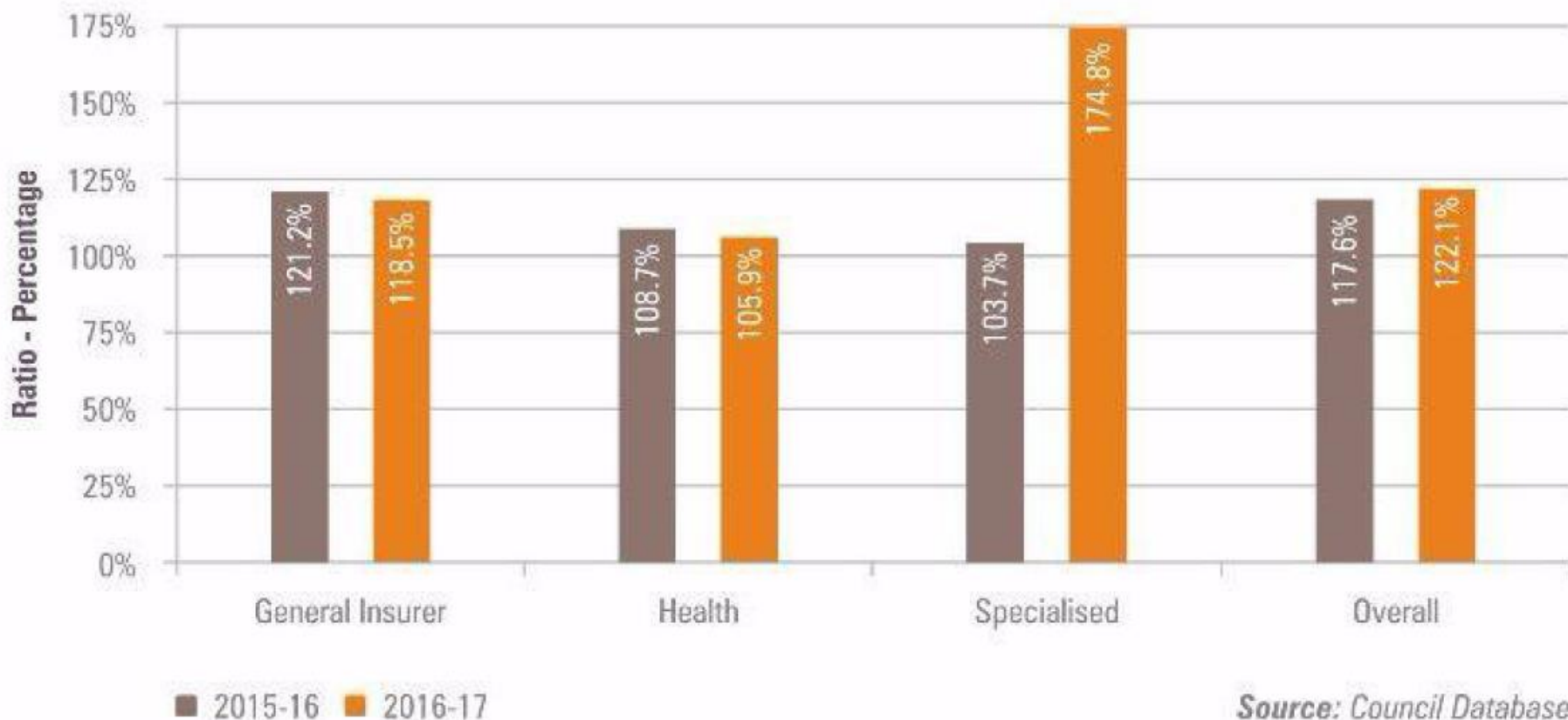
Global Scenario

- 2017 second-costliest year on record for natural-disaster insured losses
- The losses amounted to over \$130 billion
- 60 percent of these losses were caused by Hurricanes Harvey, Irma, and Maria.
- Global majors are likely to experience combined ratios higher than 105%, going up to 115% due to cat losses
- Improvement in prices for January renewal

Combined Ratio – Indian non-life insurance FY 2017



Combined Ratios – Indian non-life Insurance - Segment-wise



Budget 2018

- LTCG tax on equity is will not be materially affect GIC Re since the scheme has a provision of grandfathering.
- The higher MSP and agrarian-focused budget will benefit GIC Re.
- Proposed health scheme is likely to give a boost to the insurance penetration and significant growth of the non-life market. The growth due to this scheme could rival crop segment in the medium term.



Strategic Approach

- GIC Re to leverage its position of 12th rank based on the scale it affords and excellent credit rating domestically and globally.
- With record losses in 2017, GIC Re benefited from price hardening in select segments / geographies
- Indian market with its unprecedented growth, particularly in agriculture and health affords an opportunity to leverage GIC Re balance sheet
- Solvency pressures on Indian insurance market players could lead to higher reinsurance cessions, growing the reinsurance market size
- This would provide GIC Re an opportunity to sustain its market share
- Phased adoption of modelling capabilities to ensure better exposure management and deriving value extraction from it

Strategic Approach

- To counter greater volatility through balance sheet strength based on conservative reserving.
- Medium term goal of domestic : international book balance of 60:40
- Sustained emphasis on insulating portfolio performance from Indian market performance
 - Market combined ratio – about 122% for 2016-17 (117% for 2015-16)
 - Leveraging geographic diversification in agriculture class
- Continued focus on underwriting profitability through
 - Class-specific evaluation
 - Weeding out the contracts with inadequate pricing
 - Incentivisation based on individual company / contract performance

Strategic Approach

- Industry Performance
 - Consolidation of PSU companies should lead to better discipline in the market
 - Listing of insurers will lead to greater bottom line focus.
- Leverage Lloyd's platform in FY19 to expand GIC Re presence in international markets.
- Process underway for setting up subsidiary in Russia to focus on CIS countries

Financial Performance



Financials at a glance

Particulars	9M - FY 2018	9M - FY 2017	Growth %	FY 2016-17 (in Rs. Crore)
Gross Premium	33,274.35	24,323.61	36.8 %	33,585.44
Profit After Tax	2,481.99	554.82	347.4%	3,127.67
Return on Equity	15.9%	4.8%		17.4%
Combined ratio	101.09 %	105.95 %		99.7 %
Solvency Ratio (times)	1.87	2.21		2.40
Net Worth	54,591.20	41,554.20	31.4%	47,983.00



Key Financials

Particulars	Nine Months Ended (in Rs. Crore)		Year Ended (in Rs. Crore)
	December 31, 2017	December 31, 2016	March 31, 2017
Gross Premium	33,274.35	24,323.61	33,585.44
Net Premium	30,354.44	22,274.90	30,174.56
Earned Premium	31,042.72	16,970.49	26,714.90
Incurred Claims	26,290.45	14,828.02	21,646.41
Incurred claims ratio (on earned premium)	84.7 %	87.4 %	81.0%
Net Commission	4,823.57	3,948.17	5,404.40
Net Commission Percentage (on Net Premium)	15.5 %	17.7 %	17.9%
Expenses of Management	153.72	188.71	239.73
Expenses of Management ratio (on net premium)	0.5%	0.8%	0.8%
Profit/(Loss) on Exchange	(102.41)	118.70	(30.83)
Underwriting Profit/(Loss)	(327.44)	(1875.72)	(606.47)
Investment Income	3,611.85	2,811.85	4,584.35
Other Income less Outgo	(49.11)	(273.00)	(354.03)
Profit Before Tax	3,097.05	663.13	3,623.86
Provision for Taxation	615.06	108.31	496.19
Profit After Tax	2,481.99	554.82	3,127.67
Combined Ratio %	101.1 %	105.9 %	99.7%



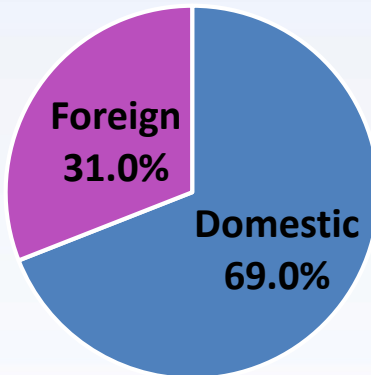
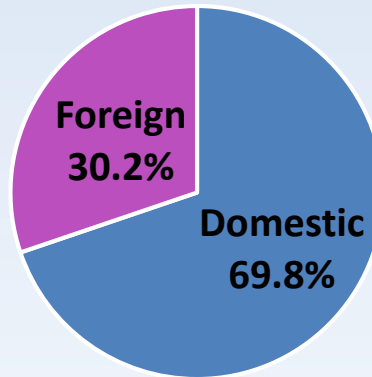
Break-up of Gross Premium

Gross Premium	9M-31.12.2017 (in Rs. Crore)	9M-31.12.2016 (in Rs. Crore)	Growth %
A) Fire	6,978.57	5,809.94	20.11 %
B) Miscellaneous - Total	25,078.00	17,454.60	43.86 %
Misc - Motor	5,930.88	4,646.32	27.65 %
Misc - Health	4,042.32	3,152.11	28.24 %
Misc - Agriculture	12,120.78	7,019.43	72.67 %
Misc - Other LOBs	2,984.02	2,636.74	13.17 %
C) Marine	884.94	772.10	14.61 %
Marine - Cargo	299.65	318.04	(5.78) %
Marine - Hull	585.29	454.06	28.90 %
D) Life	332.84	286.97	15.98 %
Total – A+B+C+D	33,274.35	24,323.61	36.80 %

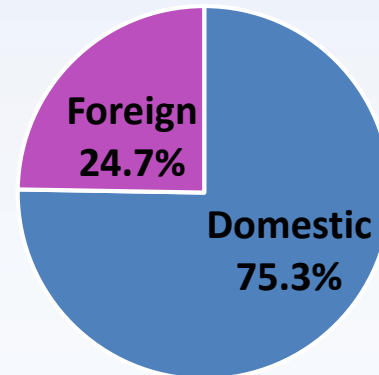


Portfolio Mix - Gross Premium

FY 2016-2017



9M-FY 2017



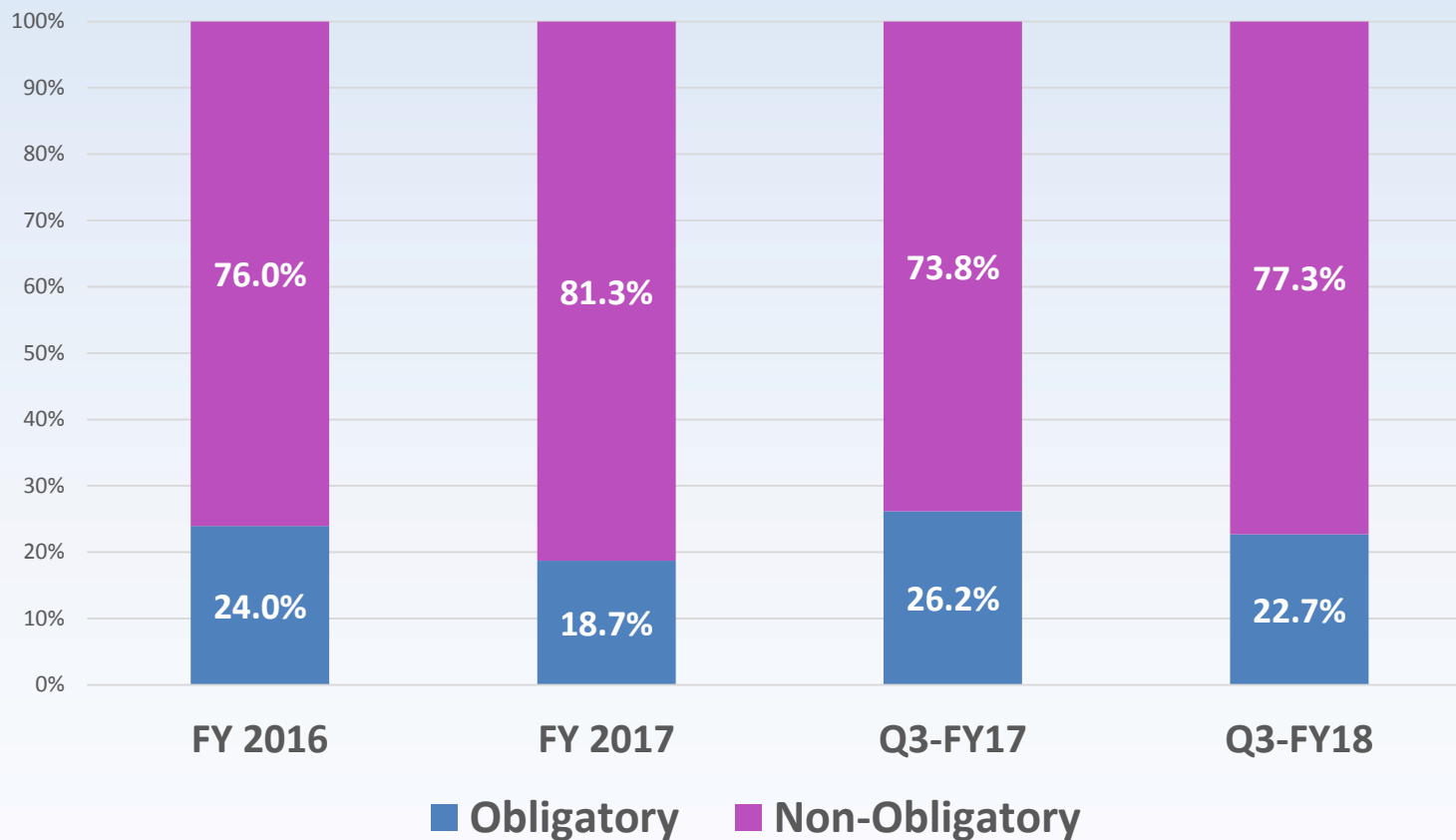
9M-FY 2018



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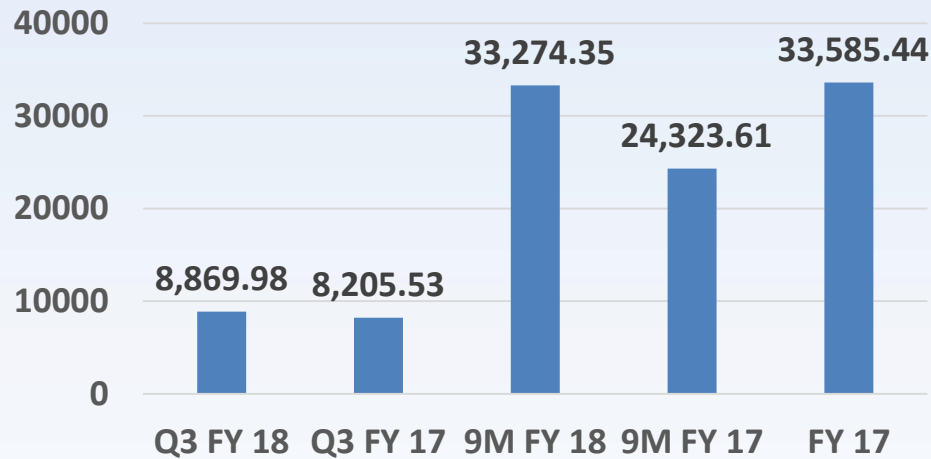
Domestic Business Mix



Gross and Net Premium

(in Rs. Crore)

Gross Premium



Net Premium

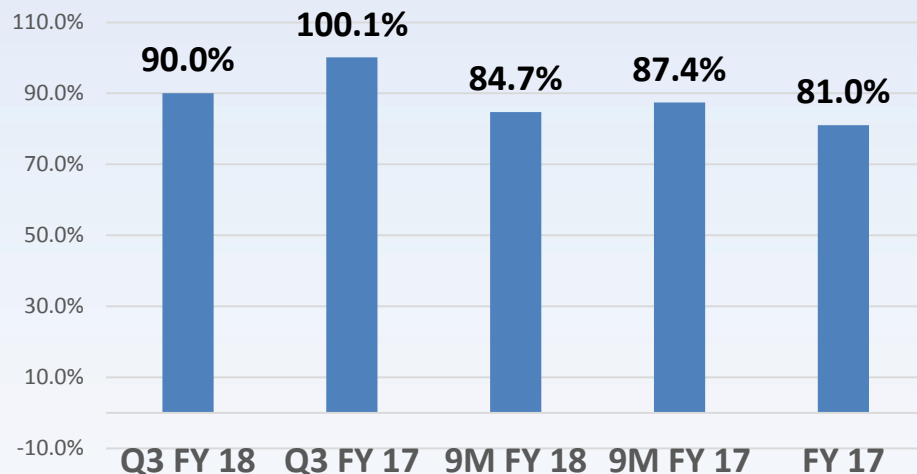


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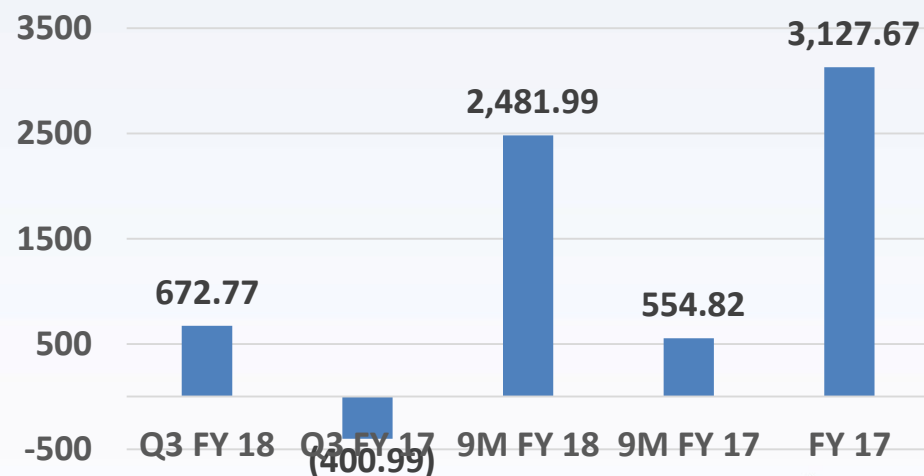
GIC Re23

Incurred Claims Ratio and PAT

Incurred Claims Ratio



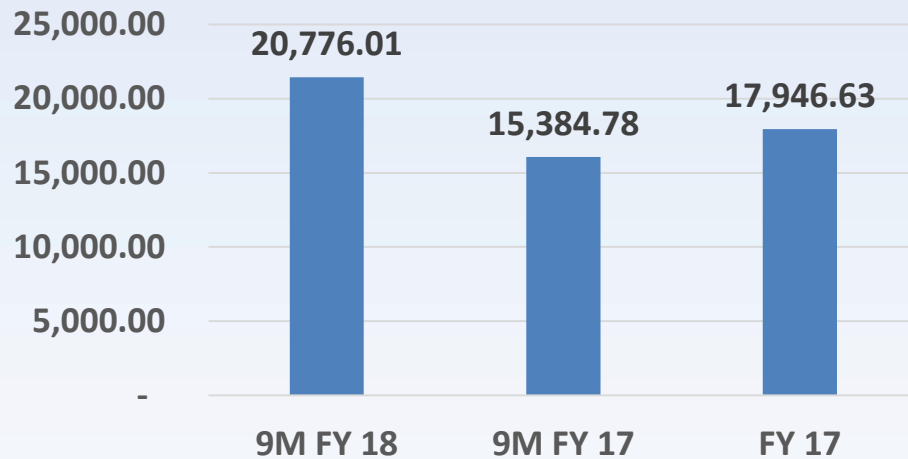
(in Rs. Crore)
Profit After Tax



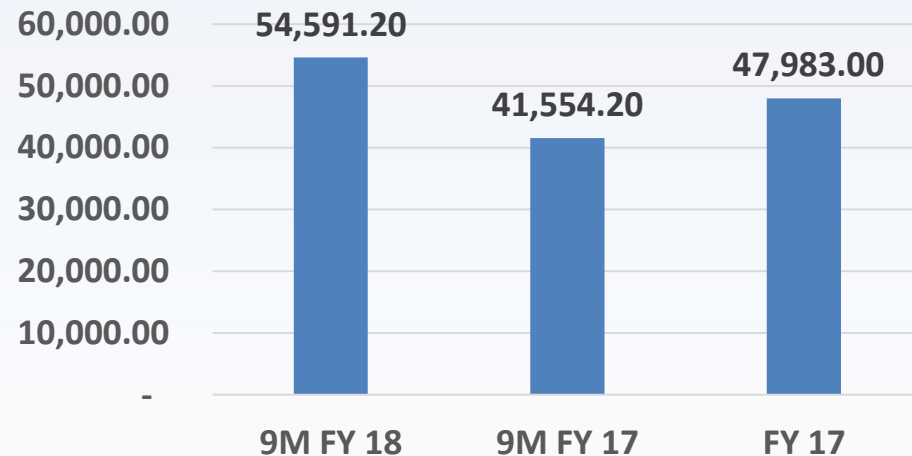
Net Worth

(in Rs. Crore)

Net Worth Excl. FVC



Net Worth Incl. FVC

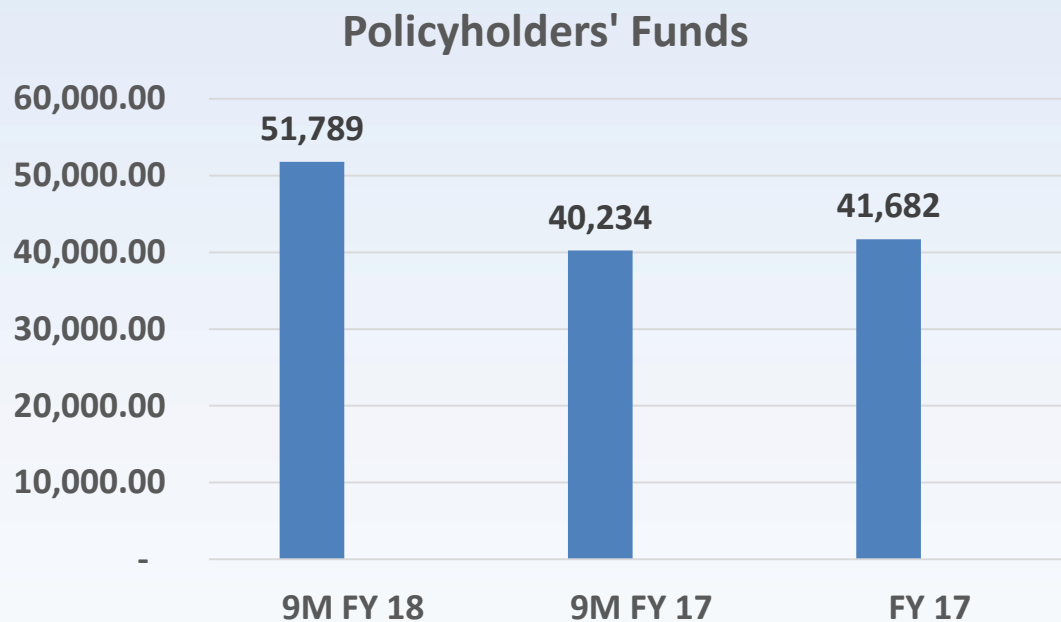


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GIC Re25

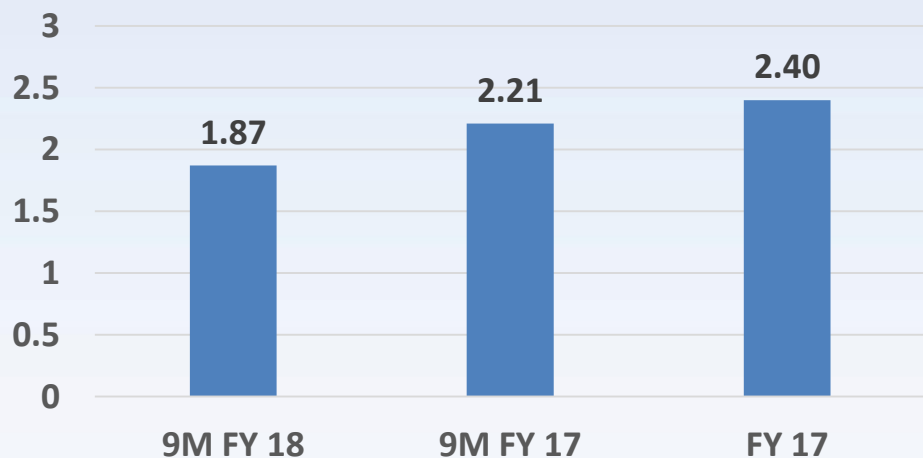
Policyholders' Funds

(in Rs. Crore)

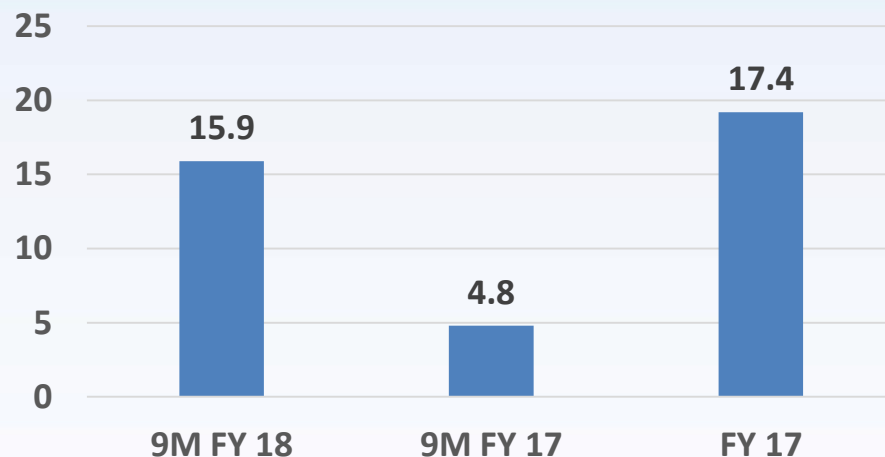


Solvency Ratio and RoE

Solvency Ratio



Return on Equity % (Annualised)



Thank you

Disclaimer: Certain statements in this document that are not historical facts are forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local, political or economic developments, technological risks, and many other factors. That could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. GIC Re will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances



**The Indian Reinsurer
with a global footprint**

Leading Global Reinsurer



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