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GIC Re

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To,

The Manager	The Manager
Listing Department	Listing Department
BSE Limited	The National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Tower	Exchange Plaza, 5th Floor, Plot C/1,
Dalal Street	G Block, Bandra Kurla Complex
Mumbai – 400001	Mumbai - 400051

Scrip Code: (BSE – 540755/ NSE – GICRE)

Dear Sir/Madam,

Sub: <u>Transcript of conference call held with Investors and Analysts to discuss the financial results for the quarter ended 31st December 2022</u>

In compliance with Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached herewith Transcript of the conference call held with Investors and Analysts on Friday, February 10, 2023, to discuss financial results for the quarter ended 31st December 2022.

The same is also available on the website of the Corporation at www.gicre.in.

Kindly take the above information on record.

Thanking You

Yours sincerely

For General Insurance Corporation of India

SATHEESH KUMAR S Digitally signed by SATHEESH KUMAR S Date: 2023.02.13 17:46:22 +05'30'

(Satheesh Kumar)
CS & Compliance Officer

"General Insurance Corporation of India Q3 FY23 Earnings Conference Call"

February 10, 2023

MANAGEMENT: **MR. DEVESH SRIVASTAVA – CHAIRMAN AND MANAGING DIRECTOR, GENERAL INSURANCE CORPORATION OF INDIA**
MR. HITESH JOSHI –GENERAL MANAGER, GENERAL INSURANCE CORPORATION OF INDIA
MS. JAYASHREE RANADE –GENERAL MANAGER, GENERAL INSURANCE CORPORATION OF INDIA
MS. JAYASHRI BALKRISHNA – DEPUTY GENERAL MANAGER, GENERAL INSURANCE CORPORATION OF INDIA
MS. RADHIKA RAVISHEKHAR – ASSISTANT GENERAL MANAGER, GENERAL INSURANCE CORPORATION OF INDIA

Moderator: Ladies and gentlemen, good day and welcome to the General Insurance Corporation of India Q3 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes.

Should you need assistance during the conference call, please signal an operator by pressing '*' 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 Ernst and Young. Thank you and over to you Sir.

Binay Sarda: Thanks Myron. Good afternoon to all the participants on the call and thanks for joining this Q3 FY23 Earnings Call for General Insurance Corporation of India.

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

Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risk, uncertainties and other factors. It must be viewed in conjunction with our businesses 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 GIC represented by Mr. Devesh Srivastava – Chairman and Managing Director and other top members of the management. We will be starting the call with a brief overview of the quarter gone past and then we will follow it up with a Q&A session.

With that said, I will now hand over the call to Mr. Devesh Srivastava. Over to you, Sir.

Devesh Srivastava: Thank you Binay. Good afternoon everyone. I am pleased to announce the Financial Performance for the Quarter Ended December 31st, 2022.

Before discussing the Results, I would like to thank all our shareholders for having faith in our underwriting capabilities and for patiently supporting us during the hard times. Over the past few years, we have continued to refine our approach and become more selective with a sole focus on underwriting profitability. We have witnessed the hardening of rates, which has further helped us get our act together and focus on improving our performance at the underwriting level.

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

The gross premium income of the company was Rs. 10,099.40 crores for Q3 FY23 as compared to Rs. 10,240 crores for Q3 FY22. The investment income has increased to Rs. 3025.66 crores in Q3 FY23 as compared to Rs. 2,271.14 crores in Q3 FY22. The incurred sales ratio declined to 96.9% in Q3 FY23 as compared to 121.9% in Q3 FY22. The combined ratio in Q3 FY23 stood at 114.74% versus 126.54% in Q3 FY22. The adjusted combined ratio by taking into consideration the policy holders investment income works out to 93.63% for the 9 month of FY23 as compared to 104.62% for the 9-month FY22.

Profit before tax stood at 1,595.79 crore in Q3 FY23 as against loss before tax of Rs. 101.67 crores in Q3 FY22 and profit after tax stood at Rs. 1,200.71 crore in Q3 FY23 as against the net loss of Rs. 28.48 crore in Q3 FY22. The Solvency ratio increased to 2.38 as on 31.12.2022 as compared to 2.25 as on 30th September 2022. Net growth of the company without fair value change account increased to Rs. 27,822.39 crores as on 31.12.22 as against Rs. 22,605 crores as on 31.12.2021. Net growth of the company including fair value change account increased to Rs. 61,616.80 crores as on 31.12.2022 as against 53,723 crores as on 31.12.2021.

On the premium breakup:

Domestic premium for the 9 months of financial year 23 is Rs. 20,662.02 crores and the international is Rs. 8,559.83 crores. The % split is domestic 71% and international 21%. There is a degrowth in the domestic premium by 8% while the international book has decreased by 18%. We continue to work tirelessly towards a well thought out strategy to get as close to 100% in combined ratio in the shortest possible time and we are seeing our efforts paying dividend. It has been our relentless focus to make our portfolio healthier and emerge as a much better and profitable reinsurere over the long term. We are actively monitoring the competitive dynamics in the domestic and international market and accordingly formulating our response on a continuous basis. We remain optimistic and are fairly confident of improved performance going forward.

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

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: Sir, if you look at the combined ratio breakup of 150 we believe that domestic business has turned around let us say combined less than 100 for 9 months FY23 while overseas business remains the drag on the entire combined, so if you can give us a color what led to that elevated combined in case of overseas business because that number if I see is even higher compared to what it was in H1 FY23 and what led to the improvement in the domestic ratio that was my first question?

Devesh Srivastava: Sanketh you are absolutely spot on when you say that the combined for the domestic is for the 9 month period down to 99 which is of course a very gratifying factor for us, but yes foreign is still high and because the foreign business has been so globally that is exactly the reason why you are seeing hardening of rates, I would request Mr. Joshi our General Manager looking after reinsurance to pick it from here please.

Hitesh Joshi: So as you observe that as we discussed earlier that there is a degrowth in foreign which is much more than the domestic and as I mentioned just now there is a meaningful and actually quite significant hardening of the international property in reinsurance pricing. So, we can expect very good improvement in the foreign going forward and as sir said it is a market wide phenomenon during last 5 years which is culminating in a very significant hardening, the hardening which is the entire reinsurance market globally has not seen in last three decades. It is such a severe reaction of the pricing correction.

Sanketh Godha: Sir January renewals according to you what is the extent of price hardening you have seen sir?

Hitesh Joshi: Again as we have discussed earlier in various such calls that it will be difficult to paint a gross picture, but different geographies have different hardening trends say, for example, Asia PAC is seeing something like 20% to 50% say US is seeing something like say 30% to maybe 100% plus and again within these broad ranges of hardening there is a differentiation between at what layer whether it is a bottom layer or a top layer whether the program is seen losses, whether the expiring price is adequate, what is the composition of peril, what is the restructuring in the program. So, there are various aspects to the changes in rate and earnings, but very broadly speaking Asia PAC would be say 20% to 40% to 50% depending on the particular account and the history of the account and geography in hold.

Sanketh Godha: But sir this hardening given we are almost 150 combined in overseas business in the current 9 months so this hardening should be good enough assuming the same amount of CAT events happened and all those things so it should bring back the overseas book next year closer to the domestic numbers or you still believe there may be some inadequacy in the price hikes?

Hitesh Joshi: I think it will not be correct to speculate right now as to where we will land in terms of the combined ratio, but the kind of broad consensus and view which is emerging in the reinsurance market is that this hardening is going to sustain for at least a couple of more years. So, if there is still felt that there is a price adequacy I think the market will continue to correct, but on the flip side if there is an interest rate hardening maybe the better investment income for the western reinsurance players will kick in. So, we will need to wait to see how this dynamics of the price improvement and the investment income will play out.

Sanketh Godha: Sir, if the price hardening is there and if volumes do not correct these number of contract what you do, do not correct then we can see the overseas business growth to pick up substantially in next year because it is (-18%) as you said in the current year can it become meaningfully positive with the price hardening?

Hitesh Joshi: Sorry I did not get the last sentence.

Sanketh Godha: Sir, what I was trying to say is that in current year since 9 months FY23 we are minus 18% with the overseas business, so with the kind of price hardening we are seeing the possibility of growth to happen only because of the price hike assuming they do the same amount of contracts next year also then we can say a significant positive growth to happen in next year only because of the price hike for overseas business?

Hitesh Joshi: Yes I would say that we can expect that.

Sanketh Godha: Mid-teens I mean 12% to 15% kind of its growth is very much possible in FY24 for the overseas business, foreign business?

Devesh Srivastava: See Sanketh growth is not the issue I mean you can grow in any market reinsurer never have a problem with growth. The whole idea is to be profitable and that is why you have to find your way through.

Sanketh Godha: My question was more just because of the price hike the growth should be in mid-teens assuming and if you have been prudent for a while now with respect to contract selection and if you maintain the prudence I am assuming you have maintained so then the price hike itself should drive the growth closer to (-18%) to (+5%) to (+15%) kind of a number?

Devesh Srivastava: Yes Sanketh certainly the risk adjusted rate change is substantial there is no doubt about it. So, what you are saying appears very plausible.

Sanketh Godha: And domestic business correction what you have seen 8 odd% is largely because of the obligatory part or the crop part or something else also has seen a slowdown in that thing?

Hitesh Joshi: I think it is more across the world and now increasingly our approach is bottom up. So, we are looking at each individual contract in terms of price adequacy. So, it is not specific to a particular contract I think as far as crop is concerned we did degrowth and grooming during last two, three years. Of course, this current year was one more year, but then it is more bottom up. So, it is varying degree for various classes.

Sanketh Godha: And anything you have heard from the IRDA incrementally what they are going to do with or their upwards to the obligatory part the 5 has got reduced to 4 whether it will further come down next year or this 4% is going to remain for couple of years and then gradually reduce to 3, 2 and 1?

Devesh Srivastava: Sanketh we have only statistics to say see you know that it used to be 20% once upon a time then it came down to 15% to 10%, to 5% and it is being 4 even last-to-last year now it is 5 last to last year reduced to 4 last year and it concludes 4 this year. So, the reinsurance regulations clearly state that the main objective of the reinsurance regulation is to retain premium in the country as far as possible. So, we only have to wait, this is something of a decision that is taken at the highest level, it will be difficult for us to speculate and say something with any amount of certainty.

Sanketh Godha: And my intention was to ask whether your dialogue has started and any communication you have to convey to us whether this number is going to come up in near future or not that is the only reason I was asking, but okay I understand?

Devesh Srivastava: It is always year-to-year so what the notification that has come out right now is for the year 23 and 24 and it is always year-to-year notification.

Sanketh Godha: And with this 98 point or 99 combined what you have reported for the domestic business despite obligatory coming off any reason you contribute to it is largely because of the decline in crop or if price hardening environment to some extent is visible in the domestic business especially in the commercial line?

Devesh Srivastava: Sanketh I would say it was a culmination of lot of factors you see crop was one, IIB rates that we have put in is another also the fact that we have been looking at businesses with a very keen eye. So, it has been a culmination of a lot of factors and the entire management has worked towards this, this is a result of that. We are not able to ascribe it to a single source.

Sanketh Godha: Last two data keeping questions one just wanted to understand why tax rate around 7% is lower in the current quarter and the next question is if you can breakdown in some which is around 2,600 crores in the current quarter broken down into capital gains and the dividend income and the interest income?

Jayashree Ranade: Tax rate is actually we have obtained for lesser tax rate regime 22% and hence the tax impact is lesser this time also we have got some credit for last year dividend which we paid in our provision for taxation that is also impacted around 124 crores. So, this is why the tax impacted come down in this quarter.

Sanketh Godha: Going ahead we can safely assume that your marginal tax rate will be 25% except for the one off of dividend income?

Jayashree Ranade: Certainly going forward it will be somewhat in the range of 25% of that.

Sanketh Godha: And investment income you can break it down 2,600 into capital gain, interest income and dividend income?

Radhika Ravishekar: The breakup of that income will be interest is around 1,172.29 crores, dividend is around 91 and the balance is on profit on sale of investment that is 1,217.29 crore so the breakup of 2,480.

Moderator: Thank you. We have the next question from the line of Kailash Baheti an Individual Investor. Please go ahead.

Kailash Baheti: My question is number one there is this AM based report refers to a qualification with reference to certain reconciliation have those been completed in receivable payables or these are still there and we will qualify as enterprise risk?

Jayashri Balkrishna: This quarter audit report we actually with this qualification regarding the concerns of reconciliation and confirmations. We have initiated a system now in GIC which we also advice along with concurrence of auditors the system is there where the confirmations are inserted in our computerized system. So, with that last two quarters most of the confirmations have been received and the balances are confirmed. So, this quarterly report if you see the qualification has been removed by the auditors and now it is emphasis of matter and we will try and reconcile the balance 10%, 20% also in the next quarter and this comment will go off. So, the qualification is already removed this quarter.

Kailash Baheti: Just to understand even the AM Best also has said that your enterprise risk management is still evolving and which means that it is not strong enough according to them when are you doing something to improve there and therefore by the end of the year you have a robust risk management system even according to AM Best standards?

Devesh Srivastava: This is one area where we have given AM Best the push already. Earlier when we had an A rating the ERM system was found to be absolutely suitable and that is why that rating was there. Now you cannot call it at a later date that it is still evolving so that was the wrong nomenclature to have been used by AM Best, but be that as it may there has been substantial work that is being done on the ERM because it is a continuous process and not only for AM Best but for the corporation as a whole. We do believe that the ERM systems here should be robust. We have gone ahead and in fact we even made out a capital management plan which is something that would be important for the corporation going forward. So, it is an ongoing process and it is on.

Kailash Baheti: My next this can be a suggestion or a question is that usually the investor presentation which is circulated by the companies is given along with the result and that is across the world except in your case probably the investor presentation is put up later and number two the investor presentation is also not very exhaustive, very informative and has a pattern which is there for many years. It would be good for the image of a company if the investor presentation quality improves and it is also circulated along with the results because later on people I mean that is the time when people look at the investor presentation later on it actually loses its relevance?

Devesh Srivastava: Mr. Baheti that suggestion is very well taken. Thank you for that, we will definitely take care of it.

Kailash Baheti: While you said that in reinsurance growth is not a problem at the same time the investors look at growth in a company, so it is that you are not getting good enough businesses which are profit making and therefore degrowth not that I am complaining about the company turning stellar profitability, but growth is also important so when do you expect to return to growth, when do you expect to get adequate business which is profitable to return to growth?

Devesh Srivastava: More certainly see the whole idea was of consolidation because we had expanded quite a bit and it was important for us that going forward our systems or processes should be set in place so that whatever we write is something that we take informed decisions about and that is why we have taken this a great amount of pruning that had to be done has been done I would say that we have almost reached an inflection point now and now going forward you will see growth, but with profitability that is going to be the essential difference and profitability will be the key, but I do agree that growth is something that you cannot wish away.

Kailash Baheti: And this year maybe your ROE will touch maybe close to 20% or higher, do you expect that you have a minimum threshold on ROE which will be your object every year, year after year so that the consistency brings desired value for the shareholders?

Devesh Srivastava: Definitely we would want that consistency to be part that is part of our business. A reinsurer basically does what it provides consistency to the operations of an insurance company thereby to the insured, therefore to the commerce of the entire country in fact. Reinsurer are the one who actually believe in getting that evening out the crest and trough. Similarly, we would also want that consistency to be there and be there for the long term because our business is long term while we could not really want to put a figure to it, but yes consistency is what is always going to be the hallmark of a reinsurer and that includes GIC as well.

Moderator: Thank you. The next question is from the line of Deepak Sonawane from Haitong Securities. Please go ahead.

Deepak Sonawane: So my first question is regarding motor insurance combined ratio for a foreign portfolio it has been I mean there is very huge amount of deterioration over the last few quarters even for 9 months as well it has gone to 149% from 128% from last year and we are being taken a stance that we are coming out of some kind of geographies few quarters back during the call you gave such an information, but still our combined ratio is really high any reason for that?

Hitesh Joshi: As sir said that we have this treaties and contract which tend to have a kind of tail which we call internally our industry so when a contract is discontinued you still continue to have the financial implications of those contracts for something like 4 to 8 quarters. So, I think this should taper off more steeply than can be otherwise expected. So, whatever business needed to be discontinued is discontinued but then still it has a certain lingering effect what we are seeing is certainly lingering effect of the discontinued business.

Deepak Sonawane: And this effect you expect this to be continued over the last how many quarters?

Hitesh Joshi : That is not an easy one to say because it depends on how the underlying losses behave and develop in a given geography, but it will be sticking neck out, but probably it can be for at the most around two quarters if at all.

Deepak Sonawane: We are sure that we fully come out of this kind of I mean the loss making portfolio right?

Hitesh Joshi: Almost.

Deepak Sonawane: And if you can give us breakup for foreign portfolio I mean we have reported around 8,600 crore foreign GWP if you can have breakup between this major lines that will be really helpful?

Devesh Srivastava: Mr. Sonawane you are looking at the major components right.

Deepak Sonawane: Yes major component it is I mean you check the presentations claim given, claim incurred and combined ratio and certainly not the GWP I am asking for international business only?

Devesh Srivastava: So, the big one would be fire is 4,786 crores, motor is 1,723 crores, aviation is 611, marine hull is 256 crores those are the big ones.

Deepak Sonawane: Sir my last question is on agri book so we are improving this book last two years if I am not wrong so what is the strategy for the next phase of growth in agri?

Hitesh Joshi: I think we have degrown enough and I think we are very happy with where we stand today. So any growth will be based on efforts and opportunities that we believe will be price adequate and which will contribute to our profitability and the return on equity.

Deepak Sonawane: So that means you will be remained selective in terms of geography, selective in terms of profile?

Hitesh Joshi: Absolutely.

Moderator: Thank you. We have the next question from the line of Malhar Ravalia an Individual Investor. Please go ahead.

Malhar Ravalia: Just given how the business has turned the corner and you are pointing to greater profitability ahead, do you want to comment on the outlook for dividends or other capital management that could be undertaken to unlock some shareholder value?

Devesh Srivastava: Malhar this would be I think difficult to comment on right now because we are a government company, there are certain guidelines there, but let us see, most certainly we do have our investors in mind paramount.

Moderator: Thank you. We have the next question from the line of Kailash Baheti an Individual Investor. Please go ahead.

Kailash Baheti: My follow on question is on the debt portfolio which is not fair valued are we sitting on gain or loss and the amount thereof?

Radhika Ravishekar: Our debt portfolio as you know is basically held to maturity so it will be basic on the yield one, what the benefit you get is on the yield which has shown a massive improvement.

Kailash Baheti: What will be the yield right now on your portfolio?

Radhika Ravishekar: Yield on my portfolio will be around 7.50 everything put together that is CGF, SGF, corporate debenture everything the entire fixed income category it is around 7.53% that is yield.

Moderator: Thank you. As we have no further questions we would now like to hand it over to the management for closing comments.

Devesh Srivastava: Thanks again for the interest that you have shown in the corporation. We have steadily progressed and that progress will continue in the coming years as well and GIC will emerge as a much stronger, much more resilient and a much stable reinsurer than before and that is the whole game plan going forward. So, thanks again for your time today.

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