GIC Re

Ref. No.: GIC-HO/BOARD/SE-Q2-T/222/2024-25 November 19, 2024

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: Transcript of conference call held with Investors and Analysts to discuss the unaudited financial results for the quarter ended 30th September 2024

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 Wednesday, November 13, 2024, to discuss the unaudited financial results for the quarter ended 30th September 2024.

This is pursuant to and in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable laws.

Kindly take the above information on record.

Thanking You.

Yours Sincerely
For **General Insurance Corporation of India**

Suresh Kanubhai Savaliya

Digitally signed by Suresh Kanubhai Savaliya
Date: 2024.11.19 17:01:33 +05'30'

Suresh Savaliya
(Company Secretary &
Compliance Officer)

Encl.: As above

"General Insurance Corporation of India Limited

Q2 FY '25 Earnings Conference Call"

November 13, 2024

MANAGEMENT: **MR. RAMASWAMY NARAYANAN – CHAIRMAN AND MANAGING DIRECTOR – GENERAL INSURANCE CORPORATION OF INDIA LIMITED**
MR. RAJESH LAHERI – DEPUTY GENERAL MANAGER – GENERAL INSURANCE CORPORATION OF INDIA LIMITED
MRS. RADHIKA RAVISHEKAR -- CHIEF INVESTMENT OFFICER -- GENERAL INSURANCE CORPORATION OF INDIA LIMITED

MODERATOR: **MR. BINAY SARDA – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to General Insurance Corporation of India Q2 FY '25 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Binay Sarda from EY Investor Relations. Thank you, and over to you, sir.

Binay Sarda: Thank you. Good morning to all the participants on the call, and thanks for joining this Q2 FY '25 Earnings Conference Call for General Insurance Corporation of India. Please note that we have mailed out the press release to everyone and you can see the results on our website as well as it has been uploaded on the Stock Exchanges. In case if you have not received the same, you can write to us and we'll be happy to send it over.

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 business that could cause future results, 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. Ramaswamy, Chairman and Managing Director; and other top members of the management. We'll be starting the call with a brief overview of the quarter gone past, which will then be followed by Q&A session.

With that said, I'll now hand over the call to Mr. Ramaswamy, sir. Over to you, sir.

Ramaswamy Narayanan: Good morning, everybody, and thank you for joining us in this call. I'm pleased to announce the financial performance for the second quarter ended September 30, 2024. Our Q2 FY '25 performance reflects resilience and strategic discipline in a very challenging environment. Over the past few years, we have benefited from hardening rates across the reinsurance market, which have somewhat mitigated the negative impact due to catastrophic events.

While our reinsurance business has faced challenges, particularly as we navigate the realities of climate change with more frequent and severe events, we remain focused on reducing our combined ratio, aiming to bring it down lower by about 3, 4 percentage points. This progress is supported by our ongoing efforts to enhance the quality of our portfolio through prudent risk selection, weeding out unprofitable lines and focusing on business that positively contribute to our bottom line.

Let me now take you through some of the key highlights of the financial performance. The gross premium income of the company was INR8,413.49 crores for Q2 FY '25 as compared to INR10,762.14 crores for the previous quarter. The investment income stood at INR3,483.34 crores in Q2 FY '25 as compared to INR3,266 crores in Q2 FY '24. Incurred claims ratio stood at 93.6% in Q2 FY '25 as compared to 98.4% during the corresponding quarter of the previous year.

Combined ratio in Q2 FY '25 stood at 114.05% versus 115.83% during the corresponding quarter of the previous year. The adjusted combined ratio by taking into consideration the policyholders investment income works out to 88.86% for the half year ended September 30, 2024, as compared to 93.63% in half year FY '24.

Profit before tax stood at INR2,281.13 crores in Q2 FY '25 as against INR1,847.6 crores in Q2 FY '24. And profit after tax stood at INR1,860.76 crores in Q2 FY '25 compared to INR1,605.09 crores in Q2 FY '24. Solvency ratio stood at 3.42 as on 30/09/24 compared to 2.82 as on 30/09/23. Net worth of the company without fair value change increased to INR39,481.33 crores on 30/09/2024 as against INR33,266.61 crores as on 30/09/2023. Net worth of the company, including the fair value change, increased to INR90,917.7 crores on 30/09/24 as against INR71,376.53 as on 30/09/2023.

On the premium breakup side, domestic premium for H1 FY '25 is INR16,330.8 crores and the international is INR4,488.36 crores. The percentage split is domestic 78% and international 22%. There is a growth in the domestic premium by 24.8%, while the international book decreased by 31.9% in this half year.

As we have discussed in the past, GIC has been striving to get its A- rating from AM Best reinstated since that would have a positive impact on our international business. I'm very pleased to inform all of you that AM Best has upgraded GIC to A- Excellent with a stable outlook. And based on this upgrade, we are now looking to boost our international book going forward.

As we look ahead, our commitment to building a more stable, diversified and resilient portfolio remains steadfast. By strengthening our risk management practices and ensuring broad diversification, we aim to mitigate volatility and deliver meaningful return to our stakeholders. Our disciplined approach, combined with the continuous growth in the domestic market, positions us well for sustainable success. We believe that the strategic steps we are taking will drive long-term stability and enhance shareholder value, reflecting our commitment to a balanced high-quality reinsurance portfolio.

Thank you once again, and I look forward to questions from your side.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Karthikeyan K, who's an individual investor. Please go ahead.

Karthikeyan K: I have few questions. The first one is like we have got the rating upgrade. And so what is the outlook for the growth -- premium growth for the H2 of this year?

Ramaswamy Narayanan: So you said -- do you want to reply now? Or do you want to put all your questions?

Karthikeyan K: No, I would like to ask the questions one by one.

Ramaswamy Narayanan: All right. So Karthikeyan, thanks for the question. The rating upgrade has happened. So now we'll be looking to enhance our international book. But honestly the effect will start coming in only in the next year because 1st Jan renewals is when we would be looking to write bigger lines or write -- again, the strategy is going to be immediately to bring back the accounts that we lost during the rating downgrade, and of course, target some new businesses that are there in the market.

So the effect of that, you will get to see only starting maybe April 2025 because by the time we write the business and it is booked in our accounts, it will be the next year. So as of now, we are not really changing our outlook for H2 '25.

Karthikeyan K: So in the starting of the year what you had guided is like 15% revenue growth, I mean, premium growth...

Ramaswamy Narayanan: That will continue, yes.

Karthikeyan K: Okay. And sir, the losses whatever we are seeing in the fire and motor. I mean we have provided with all the losses that happened in the half of the year, like, say, the cyclone and the impact in the hurricane like Helene and Milton that happened in the US. So what's the impact on our H1 results?

Ramaswamy Narayanan: So normally we do provide for all the events which could affect us. So these are all initial provisions, of course, based on the initial discussions that we have had with our business partners. So there is a chance for us to get some release going forward because Helene and Milton, when we started talking about it, in the initial stages, the losses that people thought it could hit was quite high.

But even last week, when we spoke to people, I think Milton which used -- I mean, people talked about it being close to $50 billion market loss, now seems to be more close to anywhere between $20 billion to $24 billion. So hopefully, going forward -- we have provided at the complete level. But hopefully, going forward, there will be some releases also happening by the end of this year.

Karthikeyan K: [inaudible]. Okay. So the third question I had is like, we had written a parametric based insurance in alignment with global reinsurer. Sir, do we have had experience in the past or are we doing it the first time, just to be clear?

Ramaswamy Narayanan: We have done it previously as well. But every -- what happens is typically covers do change every time you want to do something that works better. Now parametric is something that we have done with agriculture, for instance. We have done quite extensive business on agriculture parametric business. The one that you are referring to is parametric business which is related to catastrophic events and that too for a particular state.

Now this is not something new. This happens abroad as well. And I think as a country, we start -- we will need these kind of covers going forward because if you see, typically, in any catastrophe events which happens in the country, the protection gap is huge. The insured losses are only maybe 8% to 12% of the economic losses.

So obviously, this is something that we've been working with the government as well, and other governmental agencies to find a solution by which people who are not in a position to cover themselves or buy protection, the state or the government comes forward and takes these kind of parametric covers.

The advantage of a parametric cover is that the claim settlement is very fast. You don't really need to have a lot of surveyors moving around, trying to get to the figures and things like that. These are kind of -- in case an event happens and depending on the kind of event at the level at which happens, the payout happens to be a customer. So I think it's a good way to cover a major portion of our country. So I think going forward you will see more such parametric covers happening in the country.

Karthikeyan: Okay. And sir, actually, what is being written in the media and all that, like, I mean, the tax for medical insurance or term insurance will be made nil, I don't know. I mean it may not happen or happen. So does that have an impact for us in terms of growth? What kind of impact will we have that -- there is a relative tax reduction?

Ramaswamy Narayanan: Yes, I think the growth will be there. You are talking about the GST on medical insurance, which people are asking to bring it down. Now that's obviously something that the government is considering. We still do not know what will be their thoughts, so I wouldn't want to speculate on that. But to come back to your point on the question, will it have an impact on growth? Yes, of course.

Because I think once the GST comes down and people are able to afford more, so normally you would see that people would end up buying for the same amount of money that they would have anyway paid. So in case I've been paying INR10,000 for a cover out of which INR8,000 is the actual premium and say, INR2,000 is the tax, you would still end up paying INR10,000 -- I mean, you'd still be happy paying that INR10,000, and since the tax is not there, you would actually end up buying more.

So yes, there will be growth even on the direct side. People are anticipating quite a bit of growth happening, new people coming into buy covers. So that will definitely impact our growth as well.

Karthikeyan: So last quarter you had mentioned that there is some impact on the property side like where people are reducing prices to gain market share. So what was the impact? I mean, in Q2, are you now facing similar situation or is there any improvement or anything what's happening there?

Ramaswamy Narayanan: So yes, there is an impact in the sense that pricing has come down on the direct side. So we've also kind of brought down our estimates for the growth in this market. So to that extent, you would see some impact in our gross premium estimates as well. Because the direct pricing has gone down, we are in touch with the market participants to understand how we can control this. But yes, there will be an impact on the premium.

Karthikeyan: The final question I have is with the rest of the P&L and cash flow statement, there's some change in way the cash flow statement is presented for the Q2 this year, where we are adhering to the Accounting Standard 3 that is prescribed by IRDA. But what happens to you like, see, the cash flow statement, see the lines which are saying that the income, what is dividend or the interest, whatever we are receiving, that is part of the operation side. That is part of the operations of the company, but that is characterized as investing activities. Is that confusing to the investors?

Ramaswamy Narayanan: I'll ask Rajesh Laheri, our accounts DGM to take this one.

Rajesh Laheri: Yes. So if you go by the format, which is provided by the IRDA for AS3 basically, specifically, they have provided that particular format, and we are going by that format. In their format, they have given specifically that investment income should be part of your investment activities. Accordingly, we have taken into investment activities.

Karthikeyan: Okay. So this is as per the accounting standards adapted?.

Rajesh Laheri: This is as per Accounting Standard as well as IRDA format, which is prescribed by the IRDA.

Karthikeyan: Okay. So, if I go to the P&L, right, for this quarter, we have already provided for a dividend which we paid after the AGM, am I right?

Rajesh Laheri: No. So, in our final records, we have not provided for the dividend. So, dividend is -- final dividend is -- as per the payment whenever we are making that gets booked.

Karthikeyan: That will be accounted for the quarter 3.

Rajesh Laheri: No. Not quarter 3. When we are declaring basically, the quarter 2 was that case actually September we have declared that dividend and paid. So in that quarter only it gets accounted.

Karthikeyan: So that means it's already accounted for Q2. Am I right?

Rajesh Laheri: Yes.

Karthikeyan: But in the cash flow statement, that is not reflecting there, right?

Rajesh Laheri: Because if you see that our balance sheet, dividend wise it's still not paid. Dividend wide paid on 1st of October. So that's why dividend paid is coming 0. So in the next quarter 3, Q3...

Karthikeyan: Yes. But if I look on the P&L statement, right, I'm looking at the Page number 6...

Rajesh Laheri: If you see their balance sheet, in balance sheet you can see the dividend payable is outstanding in schedule 13. So that's why it's getting nullified basically. The actual payment is 0. Actual payment...

Karthikeyan: I understand, sir. Now my question here is, if I go to the Page number five of the Q2 FY '25 results, where the profit that is being carried to balance sheet is mentioned as INR106 crores, right, but the actual profit is INR1,860-odd crores. So -- but the -- whatever is carried is -- it is showing it as after the reduction of dividends. There is a discrepancy between the P&L statement and the balance sheet.

Rajesh Laheri: Yes. So dividend is impacting our profit and loss carry forward basically to balance sheet, but dividend is still not paid, that is getting advantage in our Schedule 13 as dividends payable and cash flow is zero.

Moderator: The next question is from the line of Ganesh, who's an individual investor.

Janesh: This is Janesh here. Sir, congratulations for a good set of numbers, first of all. Just have -- and again, congratulations for the rating upgrades, which you have been waiting for such a long time. The question to -- I have a couple of questions with regard to the international business basically. How are we going to take this opportunity going ahead? When we are looking at, let's say, trading out on the international business, how are the risk metrics, which are going to operate now with this rating upgrade, and what kind of a growth -- I mean what -- I mean we have shrunk this book quite substantially.

So for next couple of years, how do we see the book shaping up on the international side? And because you have a lot of capital which is also available, which you can utilize very efficiently in the market. That is the first question. Second, on the macro side, I mean, when you're looking at, there are so many moving parts which are there right now, especially the -- globally, the interest rates have been falling. But at the same time, there are also uncertainties getting created around the US dollar and many other currency movements which are there. In such scenario, how are we going to position ourselves?

And what are the risks you foresee including the geopolitical situations which are there? And how are we going to navigate through this? If you can just give some understanding about the company's philosophy on this?

Ramaswamy Narayanan: Thank you. So on the international business, yes, you are right in saying that we have a good solvency. There is availability of capital. So we need to grow. And yes, we are looking to grow. But then it is not going to be a full hope kind of a thing where we are just going to go and write what about business is available there. The underwriting discipline will continue -- the business that we are looking for must match our risk appetite.

And more importantly, more than anything else, we need the confidence that it will add to our bottom line. Otherwise, honestly, it doesn't make sense to write any business, which is only going to come and give losses to us. So that's number one. Going forward, we have some strategies about how we are planning to get into the international business back again. So like you said, yes, we did cut down quite a bit of business.

Some of them were forced on us because when we had our credit rating downgrade, we lost some of the good businesses where they wanted a specific kind of security. And since we didn't have that, we lost it. Some of the others, we purposely cut it out of our book because it is not adding value. When we analyzed it over a period of years, it was generally not adding value to our overall book. So those businesses will still continue to keep away from. The business -- so the immediate action is to look at the business that we have lost due to the credit rating downgrade and try and get that back.

The advantage there is the company also knows you, you know them, you know what kind of business it is, the comfort is there, so it's easier to get that back. So we will start doing that. We'll also -- there's a lot of good business available in the market today. We'll continue to look at that. But then we also have to understand that -- and this kind of leads on to your second question, which is the biggest risk that we see today is the climate change.

There is so much happening which as a company, we need to understand, we need to take on board, and we need to be prepared for it. So climate change has changed so much. I mean we are really not talking of some kind of a slight change which is going to hit us. The frequency has gone up. Frequency of events have gone up, disability has gone up. More importantly, it is happening in places which are supposed to be not hot spots.

So if you look at the floods that happened in Dubai in April. Dubai is not supposed to be a cat prone country at all. I don't think the direct companies -- I don't think when they price the product, I don't think they really add up any margin for catastrophic events, but that was a big loss. And honestly, a lot of people have taken a hit out there.

Similarly, I mean, going forward, if you see there are areas where losses have happened where people have not -- people have had a very severe stat shock. Spain is another case in point where recent floods have happened, and they have been unprecedented. So climate change according to me is our biggest risk. We need to factor for that. We need to understand it. So again, going internationally, that is something that we would look for. We would want to partner with people who understand specific geographies so that we don't end up making a big mistake there.

Again, geopolitical situations are changing. We need to be careful about how things work. What we thought was a very small war in Ukraine has continued over the last 3 years now. New areas are coming up where these kind of geopolitical tensions are there. So you don't want to get into a situation where you have invested as in you have taken business from somewhere and that suddenly changes because of the way the geopolitical situations are changing.

So we are very careful on that front, but the advantage is we have been in this market for a long time. On the international side, we have some great partnerships and great relationships. So we hope to leverage that and start writing businesses going forward. Like I said, it will start from 1st Jan. Again, that effect will be seen only in '25/'26. But I think overall it will possibly take about 2 or 3 years before we reach a certain kind of the right mass for the international business that we are looking for.

Currently, the capital that we're having and the high solvency that we are having, we are essentially maintaining that because like you said, there are various other moving parts happening now. IFRS is coming in. RBC is coming in. I'm sure when RBC is implemented by the regulator here, the solvency, as we see here will come down a bit. More importantly, the solvency of direct insurance market might come down, and that will give us opportunities to provide reinsurance solutions to players in this market.

So honestly, a lot of moving things happening. It's not a decision that we can take that today. We take a decision and it will pan out over 5 years. I think we need to look at our plannings, our budgets, our business parameters regularly and change according to the changing situations in the market.

Janesh: Okay. And is there any number like I'm saying you've already guided for 15% growth for FY '25. Is there something which we can expect for FY '26 in terms of the growth? And also the more important number is the combined ratio, which we aspire to move more towards 100%. So where do we see that journey shaping up in next couple of years?

Ramaswamy Narayanan: Yes. So basically, the journey towards reaching 100% is something that will happen over maybe the next 3 to 5 years. It will not happen immediately over 1 year because like you called it, it's a journey. It's not about just going, touching that number and coming back to 108 or 109. We would like to do it in such a way that once we touch 100, we stay there rather than just touching it and coming back.

So it needs to be a journey that we need to do. It will take some time because the market that we are in also needs to improve. The Indian market where we write predominantly a big portion of our book. If it continues to be in a 110, 115 kind of combined ratio, for us to reach 100 immediately will be a tough one. I think the market needs to change in that front. And of course, as we write more and more international business, we hope that we'll be able to reach there.

Already, if you see, that journey has started. So last year we ended with 112. This year for the half year ended 30th September, we are already at 111. There are, of course, 2 more quarters to go, and I'm hoping that we will not have any major catastrophes in the next 2 quarters. But then I think that is what we are trying, essentially to cut down the losses. And if you go through the figures, you will see that we've actually cut down the losses in this quarter as well. So that augurs well for us, and we are moving, I think, in the right direction.

Janesh: And best of luck for the future of this company.

Ramaswamy Narayanan: Thank you so much.

Moderator: The next question is from the line of Aditi Joshi from JPMorgan.

Aditi Joshi: Sorry, I joined a little bit late, so please accept my apologies if I repeat the question. Sir, firstly, on the overseas portfolio, first of all, congratulations on the credit rating upgrade. Especially on the overseas portfolio, can you just provide a little bit of more detail as in which business line you think you will be more focusing on within the overseas and which you think in your view will be easier for you to make negotiations first and make a deal in the fast manner? Like what will be your preferred portfolio to start with in the overseas line?

And just I guess that because overseas were also getting a bit competitive and because we have had some relationships in the past. So, I think what level of aggression can we see in the overseas business line as in -- are we trying to stay more competitive to secure more business there? Or we'll just also be focusing on the profitability and not have such level of aggression there?

And one more question that was related to the U.S. portfolio losses that was on the book, but you have stopped writing the portfolio. So just any update as -- did you see any more claims in this quarter? And how is the reserving so far for that particular risk portfolio?

And just one last question also if I can ask. You have flagged that the biggest risk for you will be the natural catastrophic losses, and I think because the severity frequency might continue. So what are the measures -- risk management measures in your view will be best to take?

Ramaswamy Narayanan: Thanks, Aditi. That's quite comprehensive. So just to take a point by point. On the overseas portfolio, I had also said earlier. So yes, because of the international credit rating upgrade, we now get a chance to look at better quality business and are able to write that. So what we will do going forward is, of course, 1st Jan is when a major portion of this business renews. So that is what we are targeting now.

So the immediate target is there are -- there was a lot of -- so if you look at our international book, the way it has panned over the last few years. When the credit rating downgrade happened, obviously, we lost some of the good businesses where we didn't have the necessary security to pitch for that. So we lost them, and these were basically long-standing relationships where the relationship continues even though we are not writing that business.

Second, of course, we also cut out a lot of business, which when we analyze didn't make quite sense to us, was not making the kind of money that we were looking for. So the first part of that business that we lost during the credit rating downgrade is what we would be attacking now.

Well, attack is the wrong word. We'll be looking to get it back. It will be, I believe, comparatively easier because the relationship is there. The clients know us. We know them. We know the business. So it's much easier to look at those businesses. Apart from that, good businesses that is available in the market, we'll definitely look at it. So that's what we are going to do.

To come back to your point, yes, we are not going to be aggressive in the sense that we'll be aggressive in trying to look for businesses that work for us, but that doesn't mean that we'll be aggressive in poaching that business or trying to bring down the pricing just to get that business. We'll definitely not do that.

In the market, as it is, we have an advantage because our expense ratios are lower. So accordingly, we will work on that and ensure that we are able to write business at the right price. Your second point was -- or rather your third point was -- since, like I said earlier, NatCat could be an issue. So what we are planning to do. Well, so this is the business we are planning to write anyway.

But even though the climate change has meant that the business becomes that much more difficult, but I think at the end of the day, it's all about ensuring that the pricing is right. Secondly, you write the business that matches your risk appetite and more importantly, you manage your exposure as well. If you're able to manage your exposures well and write it at the right price, I think this business will still make money.

Over the last 2, 3 years now, we have been seeing. Earlier, yes, 6, 7 years, international business was loss-making for all reinsurers. But I think over the last couple of years, now the business has become more profitable, definitely more manageable. So that is what we're planning to do.

On the U.S. portfolio that you talked about, the Marine motor book that we were writing, which caused the losses last year. So that continues to improve. We do end up -- so currently, there is no premium coming from that business. I think the -- even the runoff of the premium has kind of stopped now, but the losses continue to come, but the provisioning is quite robust, and adequate and we don't believe there is going to be a shock.

In the third quarter, which is in the month of October, we've actually got some releases on the letter of credits that we have posted for this business. So that means it is quite a happy situation that the losses are coming down. We'll of course take action on that and we'll speak to them further. And based on that, we feel that the provisioning has come down at their level. Then from our side also, we will be able to take some releases on the provisioning.

But that will, of course, happen only in the third or fourth quarter. Currently, we don't -- I mean, in the second quarter, obviously, we have not taken cognizance of that. But as of now, it looks okay. I don't expect any major shocks to come from that portfolio anymore. I think our provisioning should take care of future losses.

Aditi Joshi: Got it. And just a couple of questions, if I can follow-up, please. On the natural catastrophic losses, we have not had that retrocession policy at the moment to manage the risk. But going forward, are you -- is this option under the consideration given we get the deal at the right pricing, et cetera?

And just one follow-up question. I mean, one more question, if I can ask. On the health side, we have had a very good growth. So is it right to understand that the majority of it is from the group health? And if it is, what is the type of that business? I'm assuming it's a treaty in nature and there might be a proportional one. So just some clarity will be helpful.

Ramaswamy Narayanan: Sure. So on the retrocession, you're right. So we didn't buy it simply because we are talking of the retrocession for our foreign book. We continue to buy our retro for the domestic one. On the foreign, as it is our book as strong, and when we looked at the pricing that we got for the retrocession, it was actually not making sense. There was hardly any risk transfer that we were getting on that. This is why it was decided that we would not buy it this year.

You're absolutely right in understanding that this is not a decision that is etched in stone that we will not buy it anymore again. It just means that as we start writing more businesses, and when we look at the deal, when we look at the pricing that we get from our retrocessioners, then we'll definitely take a call. Yes, as we start writing more business, it will make sense to buy some kind of retro protection for our own book but that we will do depending on what is the business that we write on 1st January and what kind of deal we get from the retro partners.

On the health side, no, it's not a group health that we are writing. It is actually retail health. So retail, as you know, since it is a small ticket business, it normally doesn't come into the reinsurance market. But we were fortunate enough to get a couple of treaties on the retail health side. And yes, you are right that it is a proportional quota share kind of a treaty that we are writing. Currently working well. We're, of course, looking at it very carefully to ensure that it doesn't bleed for us.

Aditi Joshi: Got it. And just very last question, if that is okay. Going forward, you think the health growth will be more from the -- continually coming from the retail or we can see more of the group health. Just your thoughts on that.

Ramaswamy Narayanan: Again, it would -- Aditi, it would depend on pricing. Let us be very honest here. I mean so we look at all these things. It's not as if we don't look at group health. It's not as if we don't look at government health schemes. We look at all of them. Insurers do approach us with all these policies.

Wherever it makes sense for us, so I think we write only one government health scheme as of today. Wherever it makes sense for us, wherever we feel that the pricing is right, wherever we feel that the insurance company involved, has the wherewithal to manage the entire project in the state. As long as they can do that, they are in control of that. We don't mind supporting them.

So honestly, at this stage, I will not be able to tell you whether we will not grow in group and government. I don't know. If the pricing is right, if the overall scheme looks profitable, we'll definitely write, we'll definitely look at it.

Moderator: The next question is from the line of Deepak Gupta from SBI Pension Funds. Please go ahead.

Deepak Gupta: Sorry, I joined in late. So this question maybe a repetition. My first question was, there something called adjusted combined ratio which you've announced in your press release. If you could give us the nominal ratio for that, how exactly is that calculated?

Ramaswamy Narayanan: So when you look at it, simple combined ratio is where you are the premium less claims, less expenses, and you arrive at the ratio, right? What also happens is when you look at our investment book, we have two sets of floats there. One is, of course, the equity holders' funds. Second is what we call as policyholder's funds. Now this is a fund that is created for multiple reasons.

One, in the Indian market, you have a situation where the premium gets paid upfront. Without that, the insurer is not on risk. So the premium comes up-front and the claims happens over a period of time. So the float gets created, number one. Number two, on some of the claims side, especially when you look at some of the long-tail classes like [inaudible]. Deepak, apologies for that. But yes, so just to explain, like I said, so 2 funds get created.

One is the shareholders' fund, we keep that aside. Then other is the policyholder's funds, one, which we get because the premium is coming up-front and the claims has not happened. Second, even on the claims side, there's a lot of outstanding claims and IBNR that gets created, especially for classes like say, motor third-party or those kind of long-tail classes. So this is money that is remaining with us, right?

And this money is with us because we are doing this business. But we internally is we obviously segregate both of these, the policyholders as well as the shareholders. The policyholder's fund, the investment income that we get, we flow it back to the business results. And once we do that, whatever is the combined ratio we get with that, that is what we call as adjusted combined ratio. Just to show that the operations is profitable because the investment coming -- investment income coming from the policyholder's funds obviously belongs to the business.

Deepak Gupta: Understand. Fair enough. Secondly, my question is you really targeted combined ratio that we're looking at for the international book because that keeps taking you over combined ratio down meaningfully. How do we look at that? And we've been hearing that since the waiting upgrade you'll be getting better businesses. How will that impact the profitability in the international book? If you could give us some more clarity on that.

Ramaswamy Narayanan: Sure. So when we target, it will obviously be -- we'll be targeting businesses internationally, which will give us combined of less than 100, and that is obviously possible. Today, if you look at the combined ratio in our book, it is also, the stress is mainly because of 1 contract that we wrote a few years back, and we have stopped also now, which is now the losses are coming. It's a slightly long tail classes. It has got motor and marine in that and that was written in the US.

So obviously, those claims are what is actually affecting the combined ratio of the international book. Once we take that off, actually it looks quite good. And going forward, as we write more and more profitable property business internationally, I think our overall combined should come down for the international book as well.

That's what we are targeting anyway. Like I said earlier, the idea is not to just target top line growth in the international book. Idea is to write that kind of book, which would also profitably impact our bottom line.

Deepak Gupta: And thirdly, on your investment book, if you could give us a breakup between debt and equity and what are the investment yields on the debt side?

Ramaswamy Narayanan: Yes. I can ask my CIO to take this question. Radhika, can you?

Radhika Ravishekar Okay. The entire assets, the fixed income securities, that is on the debt side, we have 74.33% of our investment assets in fixed income. Equity is only 15.41% of our investment assets. There is INR15,509 crores. The market value of that is INR66,788 crores.

Deepak Gupta: Okay. And ma'am, do you have any NPAs on your debt side?

Radhika Ravishekar Yes. Gross NPA is only one point. But net NPA is NIL for us. And the gross NPA is 1.83%.

Deepak Gupta: Okay. So the recent downgrades of a PSU entity, no bonds of that is held by GIC, I suppose.

Ramaswamy Narayanan: No new NPAs, Deepak. These are all old ones that we have taken. Reliance Capital is there. ILFS is there. These are the bigger ones.

Deepak Gupta: Okay. But there will be no new downgrades which has happened this quarter for you?

Ramaswamy Narayanan: No, no.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for the closing comments.

Ramaswamy Narayanan: Thank you, everyone, for all your support, all your questions. It's always gratifying to listen to you and understand your view point also. Just want to say that with the international credit rating upgrade, we're now very positively poised to actually diversify our book well, but we also remain committed to the Indian market. It's a growing market. And whatever we need to do to ensure that apart from the growth, this market also remains viable for all market participants.

We'll continue to do whatever is required. Hopefully, going forward, as we meet every quarter, you will see better results from this company and more importantly, better controls over the businesses that we are writing. So we are constantly seized of the fact that we need to improve the performance and more importantly also improve the environment that we are working in, ensuring that we're very strong in risk management features as well.

We'd be more than happy to interact with all of you again. Thank you so much. Take this opportunity to wish you a belated season greeting on account of Diwali. Please have a great day ahead.

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