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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 year ended 31st March 2024</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 Wednesday, May 29, 2024, to discuss financial results for the year ended 31st March 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: 2024.05.31 17:34:33 +05'30'

Suresh Savaliya
(Company Secretary & Compliance Officer)

“General Insurance Corporation of India Limited

Q4 FY'24 Earnings Conference Call”

May 29, 2024

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

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

Moderator: Ladies gentlemen, good day, and welcome to the General Insurance Corporation of India Q4 FY'24 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 over to Mr. Binay Sarda from Ernst & Young. Thank you, and over to you, sir.

Binay Sarda: Thanks, Susan. Good morning to all the participants on the call and thanks for joining this Q4 FY'24 Earnings Call for General Insurance Corporation of India. Please note that we have mailed out the press release to everyone, and you can now see the results on our website as well as it has been uploaded on the stock exchange. In case if you have not received the same, you can write to us, and we'll be happy to send it over to you.

Before we proceed with the call, let me remind you that the discussion may contain forward-looking statements that may involve known or unknown risks, uncertainties and other factors. It must be viewed in conjunction with our businesses that could cause future results, performance 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 will be starting the call with a brief overview of the quarter 1 part, which will then be followed with a Q&A session.

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

Ramaswamy N.: Good morning, everybody, and thank you for joining us for this call. And I'm very pleased to announce the financial performance for the quarter and the full year ended March 31, 2024. As we reflect on the recent trajectory of our reinsurance company, it's imperative to acknowledge that the challenges we have navigated, particularly within the realm of property reinsurance and more prominently the catastrophe segment over the past six to seven years. The landscape, both domestically and internationally, has been marked by a series of catastrophic events that have reverberated across the market, inducing significant strain for all reinsurers alike.

Nevertheless, amidst all this adversity lies opportunity and it is heartening to witness the hardening of markets on the international level, yielding tangible benefit for our end hours. While it is almost unrealistic to expect an immediate turnaround in our combined ratio dipping below 100%, we have managed to bring down our combined ratio to 89% for the quarter, the last quarter that is, on the back of our steadfast commitment to meticulous risk evaluation and underwriting practices.

Let me now take you through some of the key highlights of the financial performance. The gross premium income of the company was INR8,723.65 crores for the last quarter of '24 as compared to INR7,369.74 crores for Q4 FY'23. The investment income stood at INR2,971.48 crores compared to INR2,897.21 crores in Q4 FY'23. Incurred claims ratio was at 68.9% in Q4 FY'24 as compared to 73.7% during the corresponding quarter of the previous year.

Combined ratio stood at 89.26% for Q4 FY'24 versus 89.15% during the corresponding quarter of the previous year. The adjusted combined ratio by taking into consideration the policyholders' investment income, works out to 88.02% for FY'24 as compared to 86.96% in FY'23. Profit before tax stood at INR3,171.34 crores in Q4 FY'24 as against INR3,000 crores in Q4 FY'23, and profit after tax stood at INR2,642.48 crores in Q4 FY'24 compared to INR2,563.84 crores in Q4 FY'23.

Solvency ratio stood at 3.25 as on 31/03/24 as compared to 2.61 as on 31/03/2023. Net worth of the company without fair value change increased to INR37,581.78 crores as on 31/03/24 as against INR32,356.08 crores as on 31/03/23. Net worth of the company, including fair value change, increased to INR81,330.25 crores on 31/03/24 as against INR63,749.61 crores as on 31/03/'23.

On the premium breakup, domestic premium for FY'24 is INR25,804.02 crores and the international is INR11,377.73 crores. The percentage split is domestic 69% and international 31%. There is a growth in the domestic premium by 1.7%, and the international book has grown by 1.5%.

We remain resolutely devoted to safeguarding our bottom line while targeting growth, ensuring that every facet of our business contributes positively to our overarching financial health. To that extent, we've already grown our domestic business as on 01/04/2024 by a significant margin.

At the core of our operations lies an unwavering dedication to risk management, a principle that we hold close to our hearts. As stewards of risk for other entities, we bear a profound responsibility to manage these risks with utmost diligence and expertise, striving to mitigate adverse outcomes to the best of our abilities. As such, we are confident in improving our underwriting profitability on a consistent basis going forward. Having given the highlights now, we'll open the floor for questions from interested parties. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditi Joshi from JPMorgan.

Aditi Joshi: Yes. So just a couple of questions. Firstly, on the underwriting in the health reinsurance segment. So can you please help us understand as in what led to the improvement in the fourth quarter? Was it majorly attributed to the group Mediclaim side? And the second is on the domestic on the fire segment. So can you just explain or help us understand like what led to such high deterioration in the underwriting in that segment?

And just last third question is on the fourth quarter acquisition costs. So the cost ratios have gone up both quarter-on-quarter and year-on-year basis in the fourth quarter. So can you please help us understand the reason behind that? And also, what are your thoughts on outlook, especially on the acquisition cost for this full year 2025?

Ramaswamy N.: Thanks, Aditi. Yes, I'll take fire first. Fire, the combined ratios have deteriorated simply because of the catastrophic events. Now if you look at India, we have had about nine catastrophic events in the country during the last year, out of which at least five were very significant where GIC's loss on each of these were at least INR150 crores.

Now if I look at the entire catastrophic events which happened in the country, they have typically added about INR3,350 crores to our overall losses coming out of these CAT events, which if you look at it from an overall perspective of the INR33,000 plus crores of earned premium that we have had for the year, it actually means that the 10% share of the losses. If it had been a benign year and if these losses have not been there, our combined would have come down by 10 percentage points.

So that is the kind of levels of catastrophic events that we've had in the previous year. So that obviously has had an effect on the combined ratio for fire. So that is where the deterioration has happened. But this is something that we have known over the years because the losses have started from something like June and gone right up to -- these events have gone right up to December end. So that is something that has happened in the last year, which have deteriorated the fire.

On health, well, you talked about two things. One is, of course, why things have improved. Well, I think the losses have improved simply because some of the treaties that we have written have been very profitable, and that honestly has also contributed to acquisition cost going up. Because then you do write profitable business, you end up giving a bigger portion of commission back to the company as acquisition costs.

So actually, these both are linked together. The health portfolio has improved because the quality of business written has been good, and these have been basically retail businesses that we have been writing. And obviously, since the costs involved on the direct side is also high for these kind of businesses, our acquisition cost has also gone up. Does that answer you?

Aditi Joshi: Yes. And if I can also just follow up on the motor as well as in -- this was also a pretty good performance. So given that a few primary insurers are not very much comfortable about the motor third party pricing hike, let's say, in the full year 2025. So if we were just to assume that the prices in the motor third-party segment for the primary insurer, they remain unchanged. So what impact will that have on reinsurance business overall? Because I just wanted to understand as if the underwriting motor segment can be seen as improving in 2025?

Ramaswamy N.: So there are two aspects to this. When you look at motor, there is third party as well as own damage. I agree with what you said with regard to third party and there is something that, as an industry, we are taking up that the motor third-party rates have not changed for a long time now. And maybe with the way loss ratios are going up, maybe it's time to have a relook at third-party rates and it's time for a change there.

And we stand along with the rest of the primary insurance market in this, and we believe that pricing needs to be managed better. That is on the third-party thing. On the Motor OD, what happens is there are two problems in that class of business.

One is, of course, the losses which could happen due to catastrophic events like in India, the major part of the events are mainly floods, and they normally affect the motor cars -- motor vehicles first. So obviously, from a CAT perspective, losses could go up there. Secondly, I think the acquisition costs on the direct side for motor is also going up year-on-year.

So these two really do affect that class of business. We, of course, try and see that the kind of business that we write from the market are profitable to us. So we are looking at this business keenly. And if it works for us, we write. If it doesn't work, then obviously, we walk away from that. That is where we are. But I think on the whole, the motor needs to be managed better in terms of the cost and in terms of motor third-party pricing.

Moderator: The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, just last year, in domestic fire segment, we had price hardening environment. So few primary companies are saying that it has softened in the current year. I just wanted to understand how the April renewal have happened in fire segment in the domestic market in the current year? That's my first question.

And given we already have one CAT even with cyclone in West Bengal region, when -- and then monsoon probably, one more will be there. If there is a softening market, do you think that the combined in the next year could be under pressure from a domestic market point of view? That's the first question, sir. And second, on Sikkim dam loss, are we fully provided or maybe the potential risk coming from that -- that's on domestic market. That's my first question.

Ramaswamy N.: Sure. So on the domestic market, yes, you are right that the market has softened a bit. The 1st April renewals, I think it remained flat from a reinsurance perspective. But from what we understand, the direct insurers have -- are maybe in the process of cutting prices due to competition.

Now this is something that needs to be arrested and this is something that we are focusing on. We are totally clued in to this. Our message to the insurance companies have always been that they must learn to manage pricing and they must ensure profitability for the treaties, which gives them the capacity to write these businesses.

Because if that doesn't happen, if there is no profitability, if losses are getting passed on to reinsurers, then these capacities will no longer remain and that will be to the detriment of this market. Because if you see, typically, insurance companies retain less to themselves and cede more to reinsurers, especially when it comes to classes like property.

So it makes sense to ensure that these capacities are managed well, are treated well and that there is profit left at the end of the day for reinsurers. Otherwise, these capacities will go off. So that is something I think companies need to understand and leave the message that we have always been giving and we'll continue to give. And this is something that we are managing, and we engage with the markets to understand how things are happening.

Sanketh Godha: Last year, how much price or price correction or price decline you have seen in the April renewals of our property price last year or is it flat year-on-year?

Ramaswamy N.: Yes, yes. So compared to last year, it was more or less flat. I'm talking about reinsurance rates here. But what will happen is there is also a direct rate that we have to worry about. And that is where we are seeing the softening happening because there is competition in the market and people are trying to increase their top line.

So obviously, there is softening there. And that is something that we are looking at very carefully to see whether our capacities are getting compromised in that. So that is on the softening part. Secondly, you wanted to know about Sikkim. I think we are adequately provided for Sikkim based on the surveyor report and based on what our actuaries think the loss will be, we are completely provided for that. There is no under-provisioning in Sikkim.

Sanketh Godha: But sir, when the softening market is there and even the primary players are competing on price and given CAT events are not subsiding, already one is happening now as we speak. So how confident you are that, that the fire combined ratio will hold up for the next year?

Ramaswamy N.: So one part that we have to understand is in the reinsurance business, it is all about spreading your risks and managing your overall portfolio. And if we end up writing only portfolio -- only property business, then obviously, we are at risk there because like you said, the catastrophes keep on increasing. Climate change is something that we have seen is a reality.

Plus, in case pricing goes down, then obviously, it is a problem. But the way we have grown our business in financial year 2025 is, we have grown it kind of across different classes. A major part of our growth has come from health, especially retail health, which actually is a good spread for us against the catastrophic events that are happening on the property side. So that is something that we are managing. We are pretty confident that we'll be able to manage our combined ratios going forward.

Sanketh Godha: Got it, sir. And second on the overseas business, our combined ratio for the full year is 125%. It's still higher, maybe improved compared to the last year. But you spoke about an initial remark about overseas rate hardening. So just if you can tell us how much rates have hardened in overseas market compared to the last year. And with the rate hardening, assuming similar claims payout, likely improvement in the combined ratio in the overseas business you expect in FY'25?

Ramaswamy N.: We do expect improvements, and the reason is very simple. For us, the problem was not property. Property has actually worked very well for us internationally, because that way it has been a relatively benign year. I'm not saying that catastrophes did not happen, but at least, as reinsurers, we were a little away from those losses. For us, the problem was one particular contract, and I think I've spoken enough on this in previous calls as well, so one particular contract that we wrote in the U.S. in the years 2017 to 2020, primarily focusing on marine and motor as classes and which we came out in 2020. But these are long-tail classes. So obviously, the losses have come now.

So in the year, we actually ended up paying close to $260 million as losses in this year on this contract. Now if you see $260 million close to INR2,100 crores, if I had not written this contract and if these losses had not happened, honestly, it would have taken off 20 percentage points from my international books combined. My combined would have been 105% for this year.

So really, it is just one contract, which has really skewed our book. So that is why we are confident that going forward, in the next year, we will not have a similar problem because we have already provided the worst-case scenarios in our books our actuaries have taken into account how the losses have developed over the last several years. And based on that, the provisions have been done.

For these businesses, we also provide letters of credit because this is the business in U.S. and we don't have an office there, so we need to provide that. So we have ensured that our books are now ring-fenced. Our portfolio is now kind of in a better position as far as this particular contract is concerned, which is why we are pretty confident that going forward for this year, the international book will look better.

Sanketh Godha: Got it, sir. Perfect. So means just asking from maybe -- I know you don't give the guidance numbers. But given this INR2,100 crores is one-off, maybe INR3,200 crores kind of a domestic CAT event is also a little extreme. If year looks little benign, even if this INR2,100 crores don't repeat, then are you very confident that there will be more like 105%, 107% kinds of combined in the FY'25 compared to 102%, what you have reported?

Ramaswamy N.: That is our desire. So I'm glad you put the number yourself, but that is our desire because this is where we believe our book will probably work very well. And then we take the next step towards reaching closer to 100% kind of stuff.

But if you actually look at it, I think you put the figures rightly. If you take away these 2 things, we're actually doing much better than 105%. But I don't think we should take the point that we will not have catastrophic events. As a company, we understand that these risks we have to take, these will be there. And we are ready for that. But taking your point forward, yes, if these kind of one-off extreme events are not there, then we are very confident of making 105% to 107%.

Sanketh Godha: Got it, sir. And 2 more questions I had. One is on your rating change. Now your solvency is 3.25. I believe you should get reiterated to A+ or A at least. So just wanted to understand the timelines when you are expected to see rating change, one thing. And second, if that happens, a likely impact on the overseas business growth if it happens. That's point #1.

And second question I had was with respect to crop, sir. Crop has declined by 27% in FY'24. It is closer to INR3,600 crores, INR3,700 crores today. So this number will further come off or this is like a bottom number. Now states have concluded tender 3-year contracts. So you're fairly confident that number might be flat going ahead or we can see a further thing in growth in this particular segment?

Ramaswamy N.: Yes. So Sanketh, I just hope that apart from being an analyst and investor, you also are a rating person because we actually want people like you to think of our rating. Well, I think it's the layer on the head when you said that the kind of balance sheet strength that we have, the solvency that we have and things that we have shown over the last 3 years, it's high time the ratings agencies realize that.

And I think even last year, we pushed a lot and we made these points to the rating agencies that when you compare us with the rest of the people in the world, we're actually quite strong. And this is not something that we say, this is what our clients say. So hopefully, yes, I think the rating agency will also look at us positively because last year, when they looked at us, we showed a good profit.

Our performance was good. Our solvency had gone up. They could always take the call that this is kind of a one-off. We will wait and see whether this will continue, right? So I think we have now proved it to them that this is something that will continue. And more importantly, in a year which has not been benign for us, there have been catastrophic events, there have been the stress that we have faced from the motor and marine portfolio.

So with all that, for our book to perform the way it has, for our profits to be at the level that it is. In fact, the INR6,500 crores net profit that we are talking about, these are record profit for GIC. We never have this kind of profit before.

So we've obviously shown to the world that as a company, we are going up. We are looking at ways to ensure that our book does not collapse in any way due to any event. And we have kind of ring-fenced our risks and managed our risks in a way that it will augur well for the company. So hopefully, I don't see any reason why a rating agency should not look at it positively. We are meeting with them in July, and we will continue to push and get our rating back to A-.

Now the next part of your question is to whether -- once we get our rating, whether our international book will go up. My immediate reply to that would be, yes. because that makes sense as you become an A- rated company, you get access to better international businesses, which we are looking for.

But that doesn't mean that we are going to go complete hog on growing our book irrespective of the quality of the book just because we have got our rating back. The rating will only ensure that we get access to good quality international book, and once we are comfortable about the business, about what it will do for us, how it will work for us overall, we'll, of course, continue to write and increase our international book. That is for the future.

Sanketh Godha: Got it, sir. And lastly, on the crop one?

Ramaswamy N.: The crop, yes, I think you gave the point yourself. So crop, what has happened is the tenders have changed. The way the crop business is being done. Earlier, it used to be individual years, now they are three-year businesses. So obviously, insurance companies have already done a three-year deal with the state governments. And changes will happen only in case there are huge differentials happening in the business.

So currently, we are more or less flat compared to last year, maybe slightly grown a little bit on the crop business compared to previous year -- for this year. But like you said, yes, it will more or less remain where it is. It will not go down in case we get to see some good opportunities because of some reinsurer moving away, then we might look at it. But at this point, it remains flat.

Moderator: The next question is from the line of Karthikeyan K, an individual investor.

Karthikeyan K: So firstly, congratulations on the good set of numbers for this year. So I have like three questions. The first question is like the commission ceded for this quarter specifically has gone up by 80% compared to last quarter. So you said that you are saying that the first question that it has gone up because of health retail participation increasing for us. Is that the only reason or any other reason is there? Because it's almost 80% higher.

Ramaswamy N.: There are multiple reasons why it would go up. So one, the major part is the health treaty because we have written a few treaties which are very profitable. So obviously, what happens is you tend to give back a higher share of the -- I mean, you tend to give back a higher share as commission.

Again, obligatory is one area where the commissions have gone up. Not the commissions per se, but what happens is, obligatory has a provision where after 3 years, if the company is showing profits, there are profit commissions to be paid back. And if you see over the last 2, 3 years, companies have been making profits in the previous years. And so obviously, there are elements of profit commission, which needs to be paid on obligatory.

So all these are combined together to ensure that commissions have gone up. But honestly, we don't worry too much about it simply because as long as your loss ratios are in control, I think you would expect to pay more for good quality businesses to write.

Karthikeyan K: So that means that the health business going forward will do well for us. Is that the understanding, sir?

Ramaswamy N.: Yes, yes. Some of the business that we wrote last year as well as what we have written on 1st April this year have been very good quality retail businesses in health. And as you would have seen from statistics as well, health in this market is growing very fast, whether it is the health done by GI companies or done by SAHI companies, they are growing very fast simply because I think post-COVID, most people have realized that they need to buy insurance and those who are already buying, they need to buy more. So health as a class has been growing fast. Retail health has been profitable, and we are glad to be a part of that.

Karthikeyan K: Okay. Got it. From the growth perspective, so you have been taking in some of the interviews, you are giving for the business channels. You said that there's a chance of 30% of the domestic business for this current financial year. So the 30%, what you said is in the obligatory or non-obligatory or combined -- both combined?

Ramaswamy N.: So the earlier one that I talked about was 30% on the non-obligatory. And not just non-obligatory, it was a comment on the business that we wrote on 1st April. What happens, if you take non-obligatory in total, there is some business that we write as treaty business on 1st April. And there is some business that is written throughout the year. It could be other facultative, it could be some small treaties that start at a different date.

So all these have not been calculated. Overall, if I look at the book today, what we wrote for financial year '24 and what we expect to write for financial year '25, we expect an overall growth of about 15% to 16%. I'm talking about this one for the total portfolio.

So we did about INR37,500 crores last year, that is FY'24 we expect a 15% to 16% growth. This will come from domestic non-obligatory. This will come from obligatory. And more or less, at this juncture, I think the international business will be flat. The call on international business will be taken once we get our credit rating back. And most of those renewals will happen on 1st of Jan. So obviously, at that time, we'll take a further call on how our total overall growth is going to happen.

Karthikeyan K: Got it, sir. So another question I have with -- we have accrued cash balances almost close to INR25,000 crores. Now if you see the kind of the past, so we -- now we went to INR50,000 crores of premium and then we have come back to almost close to INR37,000 crores. Do we need to hold that much of cash in the balance sheet? Or can we deploy productivity like investing in government securities or equities? Just a question on that?

Ramaswamy N.: So it actually includes two things, Karthikeyan. These cash and bank balances include our foreign balances as well as our domestic. So in the domestic, if you see in our overall investment, we have an internal benchmark where we keep about 7% to 8%, 7% to 9% as our -- as a margin, liquidity margin because we need to pay claims.

And currently, touch wood, some of these things are paying well for us also because these money market instruments are paying quite well because bank deposits are quite good. Internationally, we do not do equity or bonds or anything. We normally keep it as FDs because that is what RBI told us earlier. Again, touch wood, because of the war and inflation in the international markets, we have been able to get a much better rate of interest.

But this is something that we look at very closely. Our investment department and our accounts department are in regular touch to see that wherever possible, if you see some opportunities we'll obviously look at putting money into that.

But currently, this works well for us. Again, from an equity perspective, we will more or less remain where we are because we really don't want to go beyond 17% or 18% on a book value basis in equity. That is something that we will retain. Of course, the fair value is something substantially higher is simply because our investment department is doing a good job, and we are able to get much better returns and much better value for our investments. I think currently, we are very comfortable with the way we are investing our money.

Karthikeyan K: Okay. Sir, one final question I have. We have been trying to hire like a CFO and you have tried to hire actuary for General Insurance. Both the candidates kind of didn't join the company. So any specific reason for them not joining the company?

Ramaswamy N.: I wouldn't know. Unfortunately, they never came back to us saying what is the reason that they didn't want to join. Honestly, and I would say that this is their loss because they would have had a chance to be in a very good professionally managed company, which is doing well.

And honestly, from a business perspective, they would have got to see some businesses, which I don't think any of the insurance or reinsurance company today in India will be able to show. But anyway we do not have an issue with that. We were looking at trying to see whether we can get people from the market because we wanted to manage our internal processes.

Currently, we do have good people. Sateesh Bhat, who's our actuary on the non-life side continues and is doing well for us. On the CFO side, we have managed to find a candidate. He was already there. He was with us, but then we wanted to give him other responsibilities, which is why we looked at CFO from outside. But he's there with us. And I'm sure in other calls, he will definitely be in touch with you and give you details. So that is an internal candidate, Balkrishna Variar. He's been with GIC for over 36 years now. He's been a GIC loyalist who understands finance very well.

So we're very happy with our candidates that we have. We're also happy with the candidates who joined us. So we essentially went out to look for 4 candidates on a lateral basis: CFO, CS and 2 actuaries. The CS and the life actuary have joined, and I'm hoping that they are happy with the kind of environment that we have given them. So these things happen. I mean there's no point in worrying about why a person didn't join.

I would be more worried if a person joined and he is unhappy. So that is where we try to provide the best possible facilities and best possible environment for people to work and grow in this organization. Whether they join laterally at scale 7 level or they join at scale 1 level, we want people to join us. We want people to work with us. We want people to grow with us and be happy with us.

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

Aditi Joshi: Okay. Just a quick one. So first one, I'm sorry, if I missed. But on the credit rating timeline, just can you provide -- some of your guidance as in by when, if at all it happens, it will happen? And second is on the fourth quarter. We previously discussed that the reinsurance pricing in the fire in the outlook is about to be flat. But can you please share your thoughts? As in why the growth in the fourth quarter and the fire premium was very high?

And just lastly, on your strategy on to contain the natural catastrophic losses. Now it seems like it's going to be a business as usual. So what are your loss limiting strategy over there? Because it seems like you have significant losses coming in recently.

Ramaswamy N.: So on the credit rating timelines, normally, what happens is once we close our annual accounts, we send our data to them. They normally study it and they come and meet us. They come and meet us to understand the qualitative features that we have done during the year.

They have already been in touch with us, and they've said that they will be coming and meeting us in the month of July. So typically, what would happen is the data would go to the end of this month. They would study that. They would come to us in the month of July. We will discuss. And there will be few to and fros after that, depending on the kind of questions they have, the data requirements they have.

Hopefully, we would want them to come back with the rating at least by September end because that gives us then 3 months to really target international business growth. Because most of the treaty renewals happen on 1st Jan of every year. So that is what we would look to.

And previous years, they have normally done that either end of September or beginning of October, we have got our rating. Last year, which is '23, we actually got that pretty late. We got it towards the end of November, actually. So even though they have given us 2 pushes within week, we really couldn't use it much because the time was not enough.

So we would prefer that, and that's what we would be telling them that we would prefer to get the rating by end of September, beginning of October because that is when a lot of conferences -- international reinsurance conferences also happen, where we can target our customers, talk to them about what we have done. And hopefully, with the rating upgrade, we can convince them to show in their books which we can write.

So that is the timeline that we're looking at on the credit rating timelines. As regards the business for this year, so what I essentially said was there are 2 things happening. One is on the reinsurance side. Obviously, the rates were flat, maybe slightly higher in some cases, slightly lower in some cases. But overall, the market was flat. That is on the reinsurance pricing side.

On the direct pricing side, while last year, it was quite okay, the beginning of this year, which is hardly now 1.5, 2 months, there have been some instances where people have pushed down prices. So that is the initial part. We still have 10 months to go. So obviously, like I said earlier, these are messages we will continue to give to the markets that they must learn to protect the treaty capacities. They must learn to price properly, and they must not drastically reduce prices just to grow their top line.

Then these are some things that we'll continue to do. Now that our account closing is done, we'll be meeting our customers, understanding from them how the market is behaving and what their outlook is. And obviously, we will keep pushing our messages to all our clients. So that is where the pricing stands.

How do we look at the business? We look at the business positively. We believe the pricing is maintained well, this business should work for us. More importantly, like I said, what we have also done is we've tried to kind of de-risk our entire portfolio by ensuring that we write across classes. So even if 1 particular class behaves a little abnormally, we have money coming in from the other classes to kind of ensure that the overall book does not become bad. So that is something that we have done for this particular year, treaty renewals that we have done.

We have kind of grown across most of the classes. Some of the classes we have grown more, for instance, like I said, health retail is something that we have grown because we've seen the profitability, and we are happy to write there. But otherwise, finally we are doing what every reinsurer does, which is spreading the risk, either geographically or even within a geography across classes. So that is something that we continue to do, and we are very confident that our book will perform well.

Aditi Joshi: On the natural catastrophic losses, just from a retrocession perspective, do you have any changes in the strategy over there just to limit the losses. And on the premium reinsurance pricing, thank you for sharing your thoughts in the guidance. But I was actually trying to understand it more from a fire insurance in particular. And for the fourth quarter, so I see that there's quite good growth in there in the fourth quarter. So if you can help us understand that as well.

Ramaswamy N.: Yes. I think the growth is more or less normal in that. I think I'll just ask Rajesh to speak on that. He handles our account.

Rajesh Laheri: Actually fourth quarter accounts are usually, there will be changes, actually, say, London office, they book 100% premium and then earned over the period. So the gross premium will look higher in the fourth quarter. Similar things happen -- it happens as the accounts we receive, basically. So this quarter accounts is higher compared to other quarters. It usually happen in the fourth quarter, yes.

Ramaswamy N.: Especially on the fourth quarter, what happens is even domestically, for instance, we push hard to ensure that all the insurance companies provide their information and their accounts for the quarter because we need to complete for the entire year.

Normally, otherwise, for earlier quarters, there could be an occasion where for some clients, we might end up estimating because they have not sent in their accounts. But otherwise, for the fourth quarter, normally, all the adjustments is well taken care of. And that is where the growth, so to say is seen. Does that answer you, Aditi?

Aditi Joshi: Yes. And on limiting your losses on the natural catastrophic side, any plans of change in the retrocession, etcetera, just so that it's spread out and you do not have any -- a lot of stress on yourself. And yes, something changes on that side.

Ramaswamy N.: Well, not much of a change. Because honestly, as a reinsurer, who's writing big shares in this market. So on the property, we have -- we typically buy 2 programs, one for the international, one for the domestic.

Typically, what we buy is more to protect our balance sheet. We don't really buy lower-level retro protection simply because of 2 things. One, it is, from a cost perspective, pretty high. Honestly, it doesn't leave much in terms of recovery for us because upfront, we are paying a very high cost there. We normally are of the opinion that reinsurers of our size, we should be able to manage the so-called attritional losses.

Now when I talk about attritional losses here, I'm also talking about what we call attritional CAT losses, which means small CAT losses, for instance. Now if you look at the year '23, '24, like I said, there were 9 catastrophic events which happened. Now this is not really small. Some of them were really big.

Now overall, if you see, it's added about INR3,350 crores to my overall loss. And maybe the biggest loss I got was from Sikkim, which was about INR1,000 crores. Cyclone Michaung was about INR1,000 crores. The North India floods was about INR650 crores, INR700 crores. Cyclone Biparjoy was about INR500 crores. So all these were reasonably big events in the market.

But then if you see the way our book has responded, we have managed to take each of these losses to our balance sheet. And we have managed it very well. So what I'm trying to say is, typically, that is what we would like to continue that lower level CAT's, we should be able to absorb in our books and manage it through our premium. Whereas it is the really big ones which kind of go to more than INR2,000 cores, INR3,000 crores for GIC share, that is where we would be looking for retro protection.

And this is something that we have been doing over the years, and it's worked well for us. I think our results also are well managed. There is another aspect here, which you would have also noticed in the last couple of years. We have introduced the catastrophic reserve in our books where from the profits in the revenue accounts, every year, we'll transfer some amount into this catastrophic reserve.

And the idea is then a really big catastrophic event hits us, either domestically or internationally, we'll be able to use the reserves or use the amount in this reserve to kind of ensure that the results don't look too bad for a particular year. So I think from all angles, we have tried to ring-fence our book from potential bad events hitting the market.

Moderator: The next question is from the line of Sanketh Godha, Avendus Spark.

Sanketh Godha: Sir, 2 data keeping questions. Can you tell me the capital gains booked in full year and fourth quarter -- for the fourth quarter '24 and FY'24? And also the amount of retained income? That's my first question. And second question is the tax rate for the full year is around 18 percentage. So you expect the tax rate to be at the current level or it will inch back to 25.2% kind of a number?

Ramaswamy N.: Okay. So capital gain will be handled by Radhika, who's our Chief Investment Officer, and tax will be handled by Rajesh, who is our finance guy.

Rajesh Laheri: So, Sanketh, tax rate is same as last year, overall 25.168%. So 22% would be tax rate, 10% is surcharge and 4% education sales thereon. This is on net basis becoming lower because of the INR152 crores we have pertaining to previous year is now we have received the order and accounted for in our books. So otherwise, tax rate will remain every year same as 25.168% as the government will announce.

Sanketh Godha: Got it. Perfect, sir. And capital gains, sir?

Radhika Ravishekhar: For the quarter, sir, the profit on sale is INR1,028 crores -- INR1,029 crores, as against the pre -- and for the full year, it is INR4,135 crores.

Sanketh Godha: INR4,135 crores. And can you tell me the corresponding numbers for last year now?

Ramaswamy N.: INR4,451 crores last year.

Sanketh Godha: Okay. Perfect. Perfect. That's it. And lastly, if you're okay, sir, to give a growth guidance for FY'25, what GWP growth you are expecting and the 2 split between domestic and overseas?

Ramaswamy N.: So the growth will be, as I said, it should be around 15%, 16% based on the growth that we have done on the 1st April renewals. So it doesn't really take into account what we will do during the year. This also doesn't take into account what we will do during 1st Jan renewals for the international book. Because the 1st Jan renewals will depend on our getting the credit rating.

If we get a credit rating, we might end up writing a bigger book simply because of the better quality business that we are able to see. So whatever growth projections we have said, we said -- so I told that we'll grow about 15%, 16% year-on-year for this year, that is FY'25.

It is based on what we have grown on 1st April. It is based on the obligatory increase that we expect. Now like I said, this would all depend on how the market grows. Again, in India, major part of the treaties that we write are proportional. So when it is proportional, it is also dependent on the insurance companies.

So overall, we have looked at the market growing maybe about 10% to 12% year-on-year. And on that, we have based on how much of that would pass on to us in terms of business. On that basis, our growth will be about 15% to 16%.

Sanketh Godha: Sir, when you say 15% to 16%, it's only domestic or are you including both domestic and international?

Ramaswamy N.: I'm talking about total figures. So we finished FY'24 with INR37,500 crores, right? So about 15%, 16% on that will be about INR6,000 crores. So that is the growth we are looking at.

Moderator: Ladies and gentlemen, as that was the last question for the day, I now hand the conference over to the management for closing comments. Over to you, sir.

Ramaswamy N.: Thank you, everyone. So thank you for taking time off and listening to us and asking us about how we see the business. We look at it very positively. I think the year, in spite of all the challenges that we have had, we've done well. The combined ratios, even though it is higher compared to the previous period, is still well within what we wanted it to be.

So from a performance perspective, we're very happy with what we have done. Investment as a portfolio continues to do well. It is something that is running on well-oiled engines. The worry has always been the performance of the actual business, the reinsurance business because climate change is a reality, catastrophes are increasing in terms of frequency and severity.

So I believe that the way we have managed our books, the way we have managed to spread our portfolio, the way we have managed to grow in the domestic market augurs well for this company. And going forward, we'll continue to do well. We will, of course, be in touch with you every quarter and even within that, if you have some questions, please feel free to speak to us or write to us, and we will be more than happy to provide you the information. We'll, of course, keep speaking to you and giving you details about how this company is performing.

Thank you for taking interest in us, and have a great day. Thank you.

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