

Press Release

GIC Re announces financial performance for the quarter and nine months ended December 31, 2017

Mumbai, February 12, 2018: GIC Re announced financial performance for the third quarter and nine months ended December 31, 2017 at a board meeting of company held in Mumbai today. Ms. Alice Vaidyan, CMD highlighted the strong growth and better profitability during Q3 in the context of bright prospects for the insurance sector.

- Growth in Gross Direct Premium Income of the company was 36.8% with premium of ₹33,274.35 crore in the nine months ended 31.12.2017 from ₹24,323.61 crore in the same period of previous year.
- Investment Income increased by 28.4% to ₹3,611.85 crore for the nine months ended 31.12.2017 as compared to ₹ 2,811.85 crore for the nine months ended 31.12.2016.
- Profit After Tax (PAT) for the nine months ended 31.12.2017 was INR ₹ 2,481.99 crore compared to ₹ 554.82 crore during same period of last year.
- Incurred Claims Ratio decreased from 87.4 % in the nine months ended 31.12.2016 to 84.7% in the nine months ended 31.12.2017.
- Combined Ratio is 101.1% for the nine months ended 31.12.2017 as compared to 105.9% for the nine months ended 31.12.2016.
- The company recorded an underwriting loss of ₹ 327.44 crore for the nine months ended 31.12.2017 as against an underwriting loss of ₹ 1,875.72 crore during the corresponding period last year.
- Net Worth of the company (without fair value change account) increased by 35% to ₹ 20,776.01 crore on 31.12.2017 from ₹ 15,384.78 crore on 31.12.2016. (Net Worth on 31.03.2017 stood at ₹ 17,946.63 crore).
- Growth in net worth (including fair value change account) was 31.4% at INR 54591.20 crore as against INR 41,554.20 crore.
- Return On Equity (ROE—Annualized), improved to 15.9% in the nine months ended 31.12.2017 compared to 4.8% in the previous year showing a growth of 331.3%.
- Solvency Ratio of 1.87 as on 31 December 2017, which is above the minimum required Solvency Ratio of 1.50.
- Investment Assets (including fair value) increased by 24.9 % from ₹ 86,236.08 crore as on 31.12.2016 to ₹ 107,671.95 crore as on 31.12.2017.



Summary of Revenue and Profit and Loss Account

(₹ crore)

SL No	Particulars	Three Months Ended			Nine Months Ended		Year Ended
		31 Dec, 2017	30 Sept, 2017	31 Dec, 2016	31 Dec, 2017	31 Dec, 2016	31 March, 2017
1	Gross Premium	8,869.98	7,209.61	8,205.53	33,274.35	24,323.61	33,585.44
2	Net Premium	7,477.13	5,865.89	7,635.60	30,354.44	22,274.90	30,174.56
3	Earned Premium	8,557.68	9,707.39	5,715.56	31,042.72	16,970.49	26,714.90
4	Incurred Claims	7,704.11	7,878.64	5,721.26	26,290.45	14,828.02	21,646.41
5	Incurred Claims Ratio (on earned premium)	90.0%	81.2%	100.1%	84.7 %	87.4 %	81.0%
6	Net Commission	1,095.32	1,075.54	1,413.07	4,823.57	3,948.17	5,404.40
7	Net Commission Percentage (on Net Premium)	14.6%	18.3%	18.5%	15.5 %	17.7 %	17.9%
8	Expenses of Management	51.35	49.47	54.71	153.72	188.71	239.73
9	Expenses of Management Ratio (on net premium)	0.7%	0.8%	0.7%	0.5%	0.8 %	0.8%
10	Profit/(Loss) on Exchange	(126.09)	46.47	71.46	(102.41)	118.70	(30.83)
11	Underwriting Profit/(Loss)	(419.19)	750.20	(1,402.02)	(327.44)	(1875.72)	(606.47)
12	Investment Income	1,195.59	1,253.85	883.94	3,611.85	2,811.85	4,584.35
13	Other Income less Outgoings	11.58	(86.35)	18.15	(187.36)	(273.00)	(354.02)
14	Profit Before Tax	787.98	1,917.70	(499.93)	3,097.05	663.13	3,623.86
15	Provision for Taxation	115.22	498.59	(98.94)	615.06	108.31	496.19
16	Profit After Tax	672.76	1,419.11	(400.99)	2,481.99	554.82	3,127.67
17	Combined Ratio %	-	-	-	101.1 %	105.9 %	99.7%

Financial Data

₹ crore

Particulars	Nine months ended 31.12.2017	Nine months ended 31.12.2016	Growth %	FY 2016-17	FY 2015-16
GDPI	33,274.35	24,323.61	36.8 %	33,585.44	18,435.81
Profit After Tax (PAT)	2,481.99	554.82	347.4%	3,127.67	2,848.39
Return on Equity (ROE)*	15.9%	4.8%		17.4%	19.2%
Combined ratio (%)	101.1 %	105.9 %		99.7 %	107.4 %
Solvency Ratio (times)	1.87	2.21		2.40	3.48

International and Domestic Business Composition

₹ crore

Gross Premium	Nine months ended 31.12.2017	Share (%)	Nine months ended 31.12.2016	Share (%)	Growth (%)	FY 2016-17
Domestic	25,047.10	75.3 %	16,793.94	69 %	49.1 %	23,440.34
International	8,227.25	24.7 %	7,529.67	31 %	9.3 %	10,145.10
Total	33,274.35	100.0%	24,323.61	100.0%	36.8 %	33,585.44

Breakup of Gross Premium

Gross Premium	Nine months ended 31.12.2017 ₹ crore	Nine months ended 31.12.2016 ₹ crore	Growth %
A) Fire	6,978.57	5,809.94	20.1 %
B) Miscellaneous - Total	25,078.00	17,454.60	43.9 %
Misc – Motor	5,930.88	4,646.32	27.6 %
Misc - Health	4,042.32	3,152.11	28.2 %
Misc - Agriculture	12,120.78	7,019.43	72.7 %
Misc - Other LOBs	2,984.02	2,636.74	13.2 %
C) Marine	884.94	772.10	14.6 %
Marine - Cargo	299.65	318.04	(5.8) %
Marine - Hull	585.29	454.06	28.9 %
D) Life	332.84	286.97	16.0 %
Total – A+B+C+D	33,274.35	24,323.61	36.8 %

- Fire class of business grew by 20.1% with a gross premium of ₹ 6,978.57 crore for the nine months ended 31.12.2017 as against ₹ 5,809.94 crore for the corresponding period in the previous year.
- Agriculture class of premium recorded a growth of 72.7% amounting to ₹ 12,120.78 crore for the nine months ended 31.12.2017 as compared to ₹ 7,019.43 crore in the nine months ended 31.12.2016.
- Health class of premium amounted to ₹ 4,042.32 crore in the nine months ended 31.12.2017 as against ₹ 3,152.11 crore in the nine months ended 31.12.2016, posting an increase of 28.2%.
- Motor business premium reflected growth of 27.6% with gross premium of ₹ 5,930.88 crore.
- Marine class of business showed growth of 14.6 % over the previous year with gross premium of ₹ 884.94 crore for the nine months ended 31.12.2017 as compared to ₹ 772.10 crore for the nine months ended 31.12.2016.
- Life business grew by 16% to ₹ 332.84 crore in the nine months ended 31.12.2017 from ₹ 286.97 crore in the nine months ended 31.12.2016.

Note:

Combined Ratio = (Net incurred claims/ Net earned premium) + (Management expenses + Commission on reinsurance)/ Net written premium

Net Commission = Commission paid on reinsurance accepted - Commission on reinsurance ceded.

About General Insurance Corporation of India (GIC Re)

GIC Re is the leader in the Indian reinsurance market. It is the largest reinsurer in the domestic reinsurance market in India, with gross written premiums of ₹ 1,34,177 crore and a market share of approximately 60% in fiscal 2016-17. It leads many of the domestic companies' treaty programmes and facultative placements. While foreign reinsurers have opened branch operations in India since early 2017, GIC Re is expected to maintain its market leadership and market share.

Internationally, GIC Re is an effective reinsurance partner for the Afro-Asian region, leading the reinsurance programmes of several insurance companies in Middle East and North Africa and SAARC countries. According to Standard and Poor's, in September 2017, GIC Re ranked 12th amongst the top 40 global reinsurers. It has offices in London, Dubai, Kuala Lumpur and a representative office in Moscow. In December 2017, GIC Re received approval to set up a syndicate at Lloyd's of London. This marks an inflexion point in its history. The move will help broaden and diversify its international portfolio.

The global economic environment is a key driver for insurance markets. Worldwide, insurance premiums are expected to grow at 4.5%. A major growth engine for this sector will be the emerging markets, with their economic recovery. These markets are projected to show relatively



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General Insurance Corporation of India

stable premium growth which averages out at 6.5% for 2017 and 2018. In contrast, premium development in industrialised countries is challenged by low interest rates and is expected to average out at 3% over 2018. By 2025, the market share of emerging markets in Asia will be at 21.4%, up from the present share of 18.7%.

The general insurance business in India continues to grow at a healthy rate. The insurance sector in India is projected to reach USD 350-400 billion by 2020. Penetration remains low at about 4%, and this is an area of great opportunity. Spurred by Government initiatives such as PMFBY, crop insurance is the third largest line of non-life insurance business after motor and health insurance.

The public listing initiative by Indian insurance companies has gained momentum. Listing will benefit them, since they will be able to build their brand, and this will improve penetration. Visibility in the market will improve their interaction with the public-at-large and attract investors.

GIC Re maintains a diversified risk portfolio that includes property, motor, agriculture, marine, engineering, aviation, health, liability. Reinsurance premiums are expected to touch ₹ 70,000 crore by 2022. Its dominance of the Indian market stems from continued obligatory cessions and order of preference; a long term relationship with the Indian market; and a zest for growth with a keen eye that misses no new opportunity. Its strength lies in its geographical and business diversification, prudent risk selection and effective modelling techniques. Its investment portfolio is also well diversified, with effective asset-liability management. Importantly, GIC Re has some of the best talent in the industry, with a low attrition rate.

GIC benchmarks its performance against the best-in-class global players. The company has registered significant growth in the nine months ended 31 December 2017. With the competitive advantage that it enjoys and with a growth momentum, it can be expected to emerge into top 10 global reinsurers.

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



Reinsurance strengths that go beyond boundaries.

GIC Re. The global face of Indian reinsurance.



FY 2018 – Q3 Financial Results Presentation

Mumbai, 12th February 2018



Agenda

Market Review

Strategic Overview

Financial
Performance

Market Review

Reinsurance Industry - Role

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

Global Operating Environment

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

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

Size of the reinsurance market in 2016 was USD 230 bn

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



Domestic Operating Environment

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

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

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

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



Reinsurance industry in India

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

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

Retention ratio of industry in 2016-17: 70.2%

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

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

Strategic Overview



Competitive Strategy Pillars

Prudent Underwriting

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

Exposure Management

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

Talent Management

- Recruitment of Experts
- Low attrition rate

Efficient Asset Management

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

Effective Risk Management

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

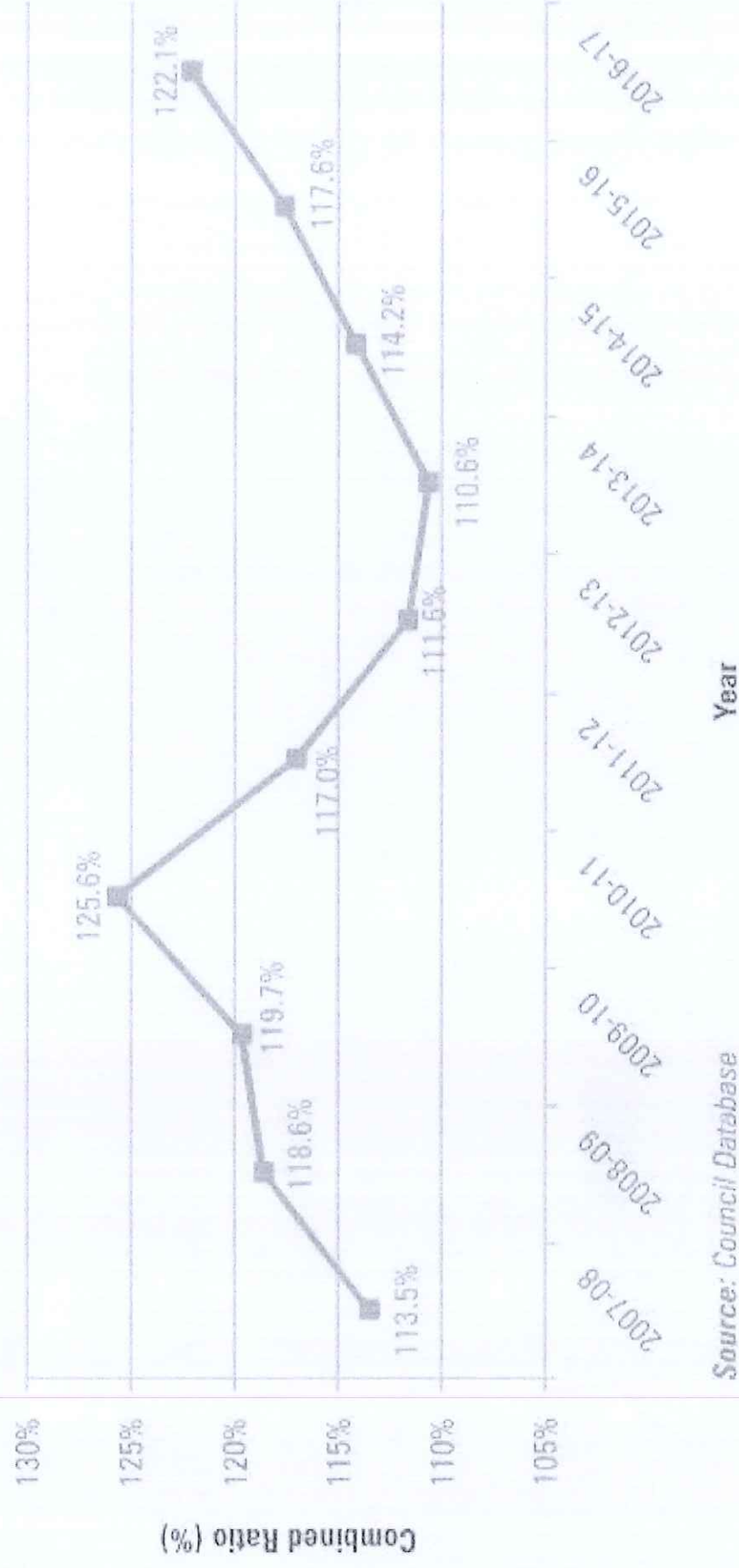
Dominant Indian market position

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

Global Scenario

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

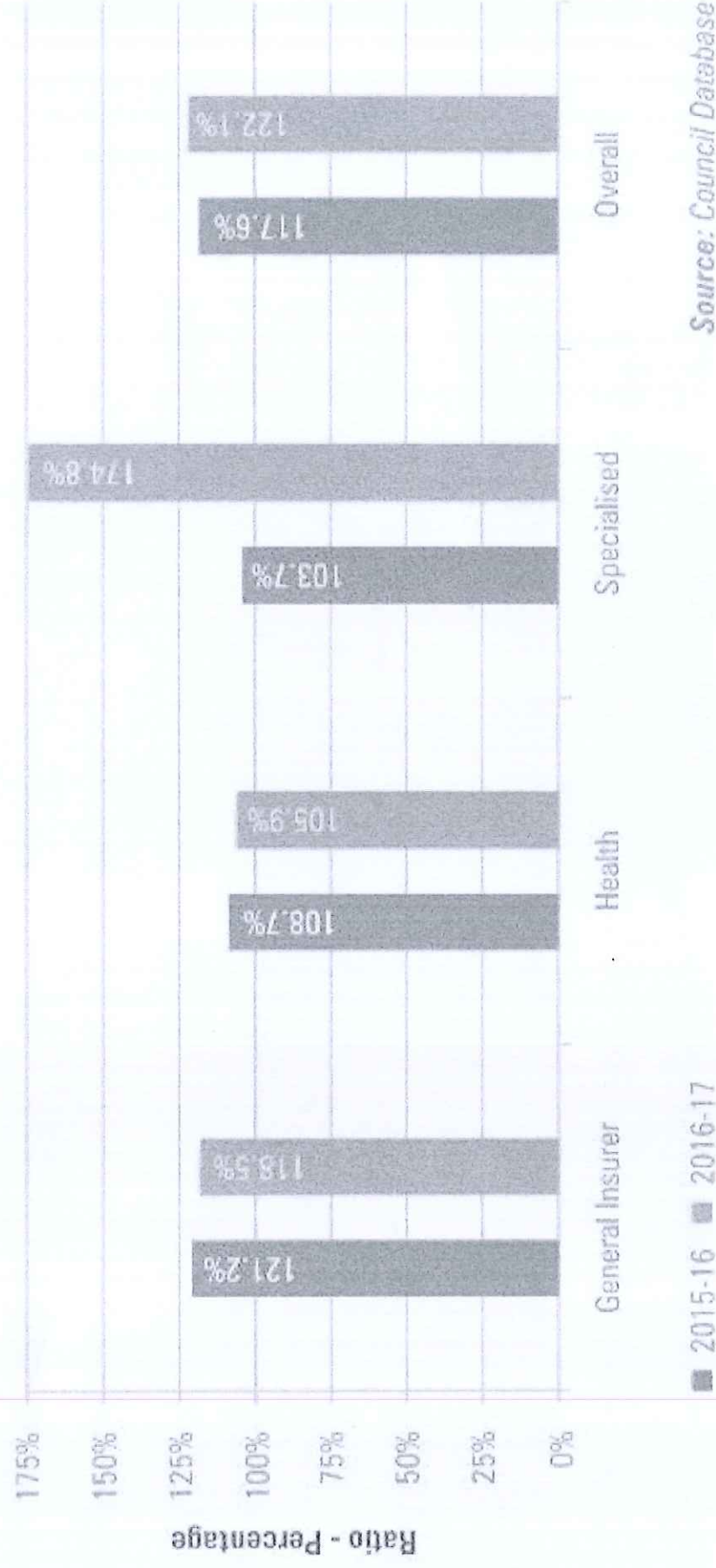
Combined Ratio – Indian non-life insurance FY 2017



Source: Council Database

Combined Ratios – Indian non-life

Insurance - Segment-wise



Budget 2018

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



Strategic Approach

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

Strategic Approach

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

Strategic Approach

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

Financial Performance



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Financials at a glance

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



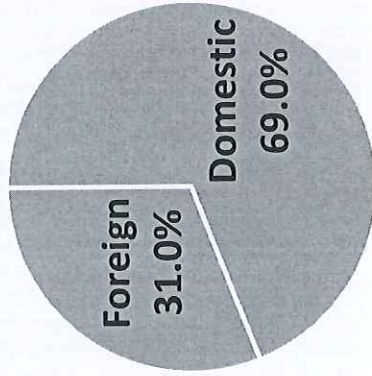
Key Financials

Particulars	Nine Months Ended (in Rs. Crore)		Year Ended (in Rs. Crore)
	December 31, 2017	December 31, 2016	March 31, 2017
Gross Premium	33,274.35	24,323.61	33,585.44
Net Premium	30,354.44	22,274.90	30,174.56
Earned Premium	31,042.72	16,970.49	26,714.90
Incurrd Claims	26,290.45	14,828.02	21,646.41
Incurrd claims ratio (on earned premium)	84.7 %	87.4 %	81.0%
Net Commission	4,823.57	3,948.17	5,404.40
Net Commission Percentage (on Net Premium)	15.5 %	17.7 %	17.9%
Expenses of Management	153.72	188.71	239.73
Expenses of Management ratio (on net premium)	0.5%	0.8%	0.8%
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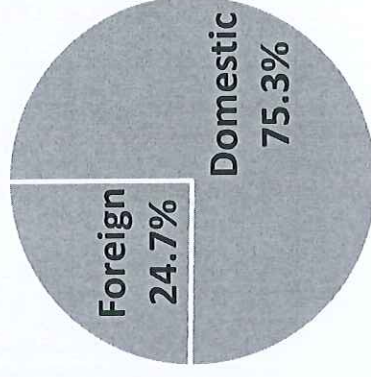
Break-up of Gross Premium

Gross Premium	9M-31.12.2017 (in Rs. Crore)	9M-31.12.2016 (in Rs. Crore)	Growth %
A) Fire	6,978.57	5,809.94	20.11 %
B) Miscellaneous - Total	25,078.00	17,454.60	43.86 %
Misc - Motor	5,930.88	4,646.32	27.65 %
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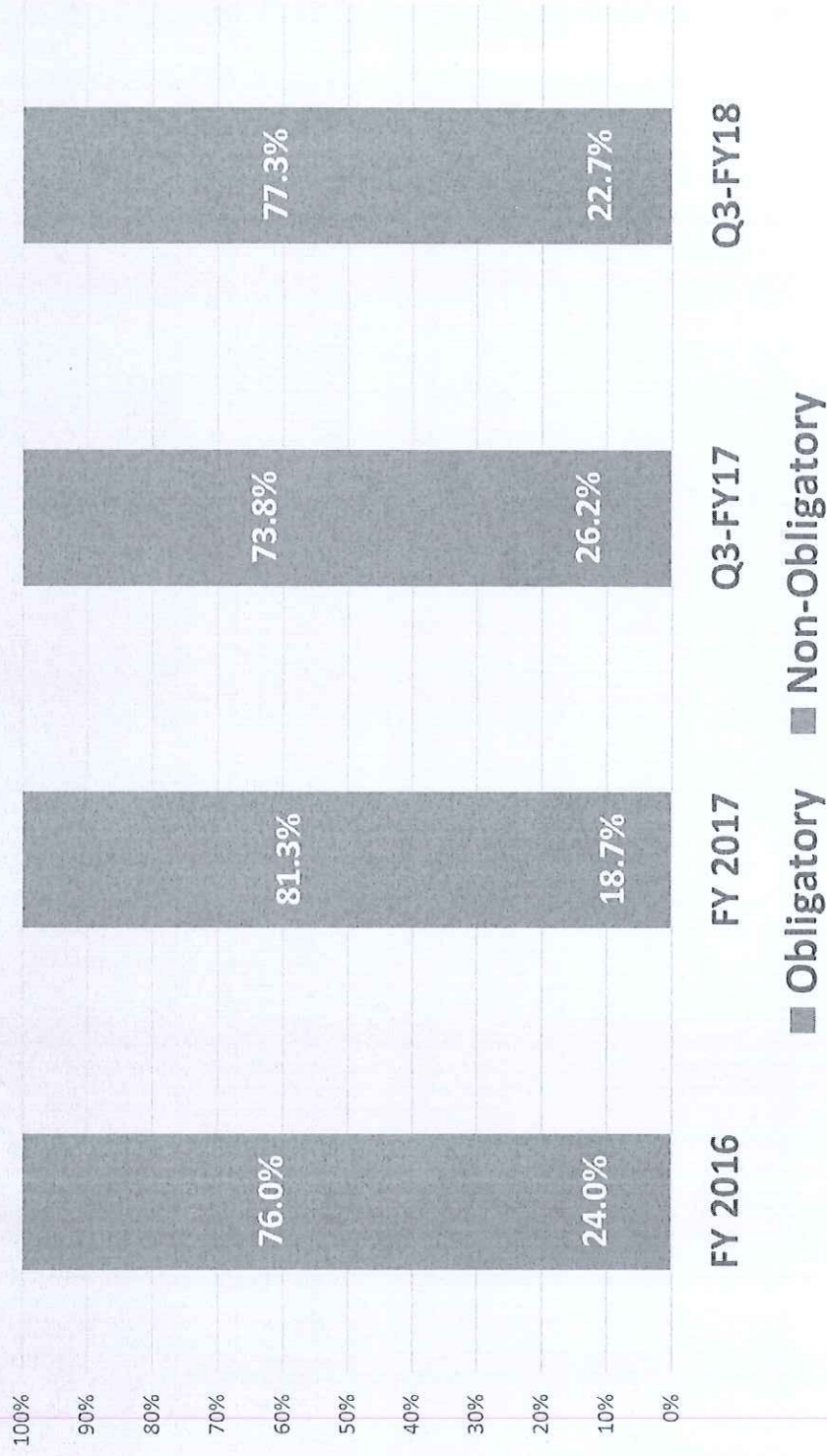
FY 2016-2017



9M-FY 2018

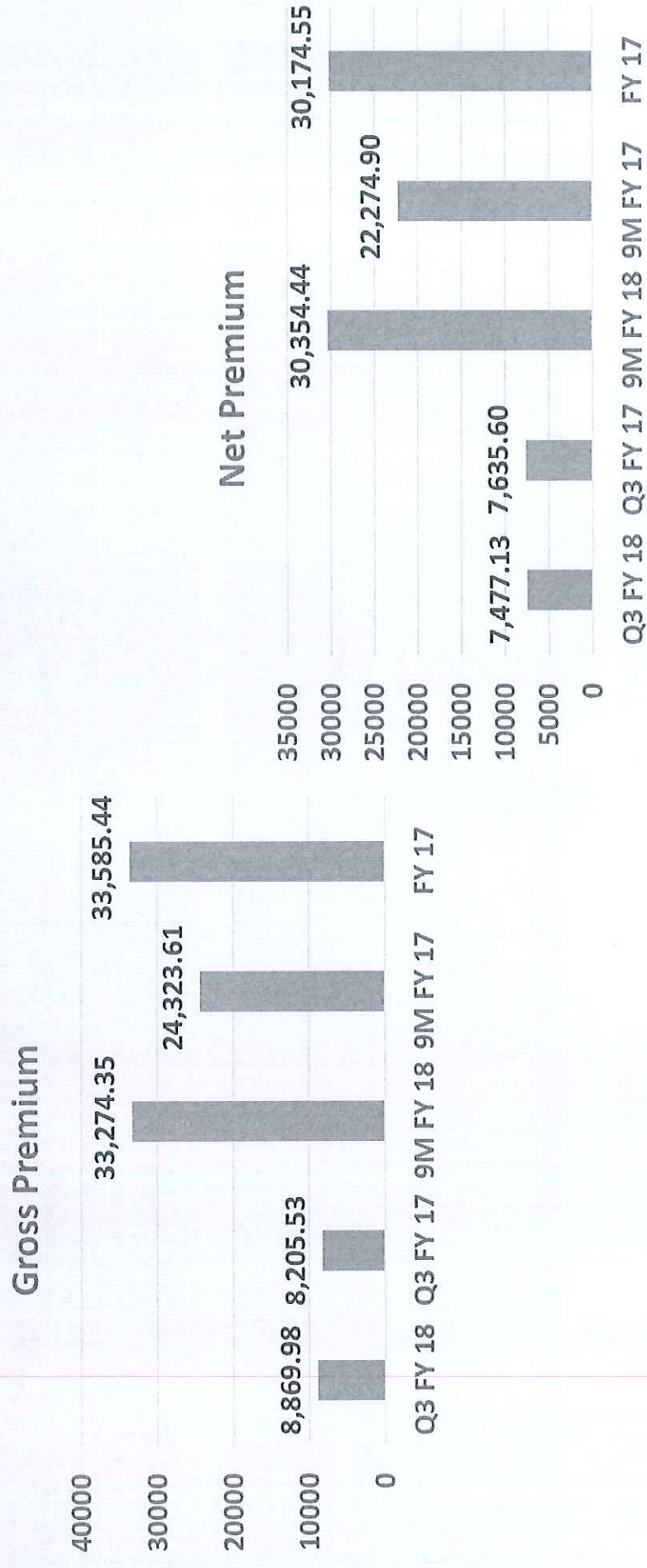


Domestic Business Mix



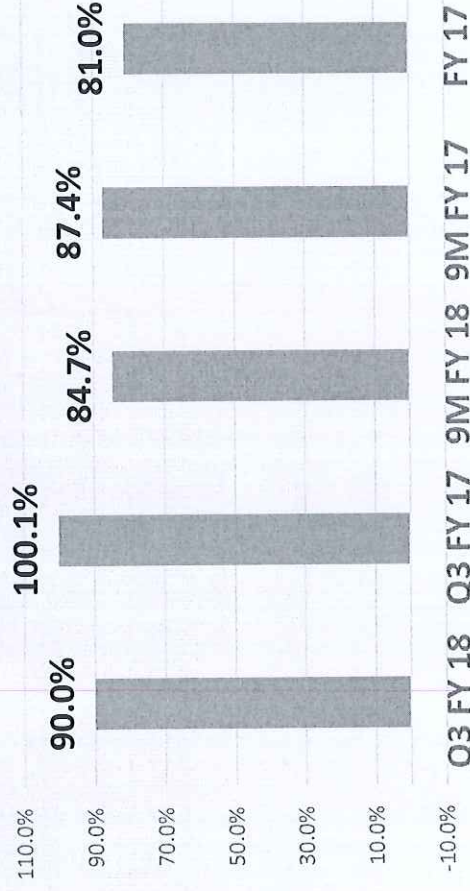
Gross and Net Premium

(in Rs. Crore)

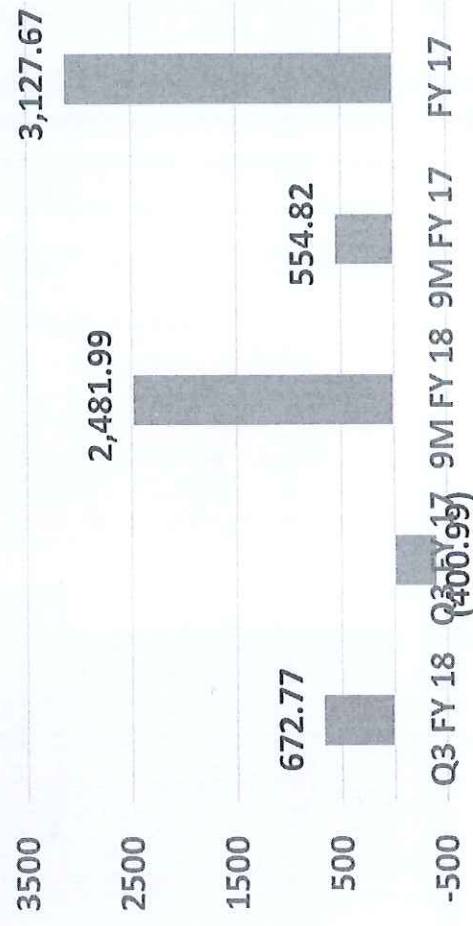


Incurred Claims Ratio and PAT

Incurred Claims Ratio



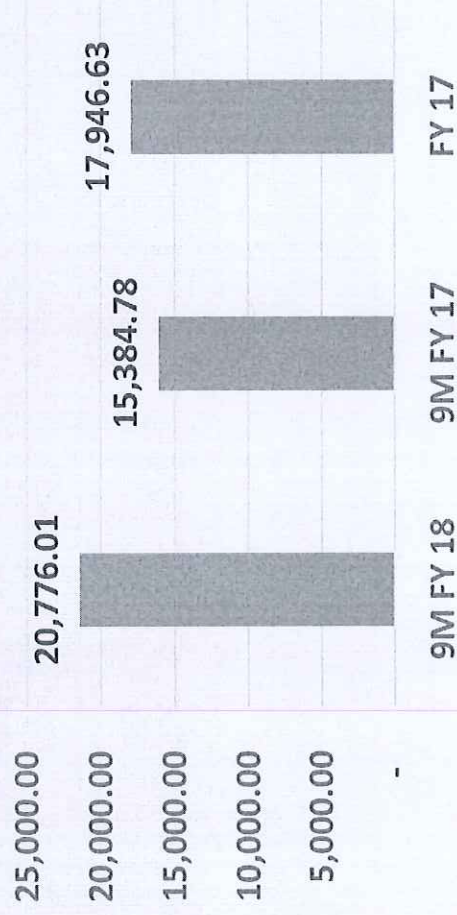
(in Rs. Crore)
Profit After Tax



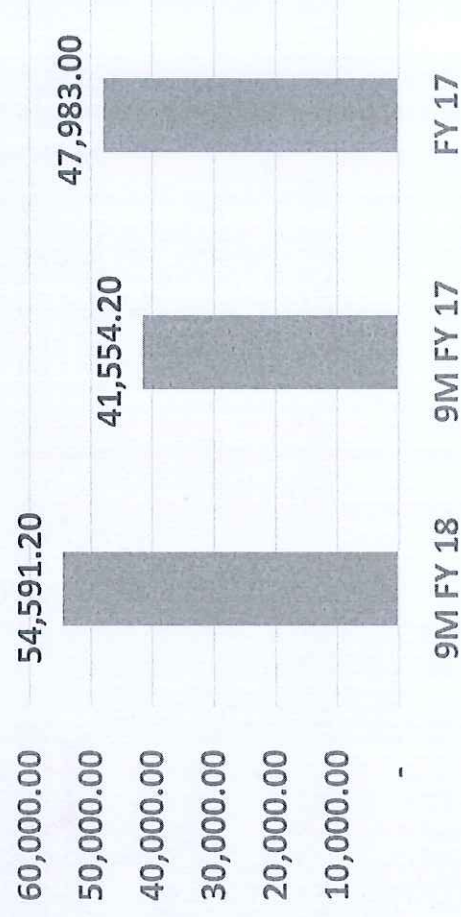
Net Worth

(in Rs. Crore)

Net Worth Excl. FVC



Net Worth Incl. FVC

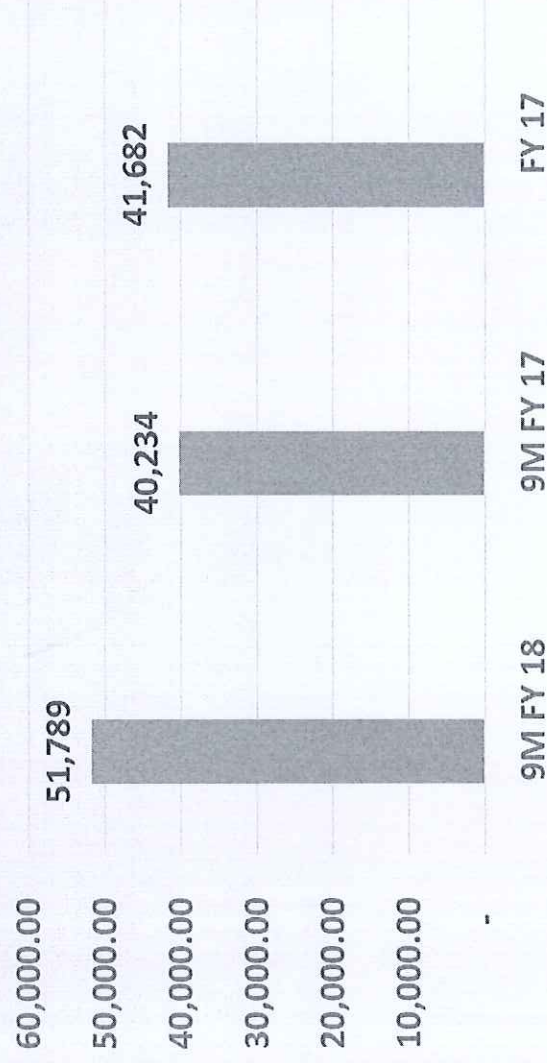


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Policyholders' Funds

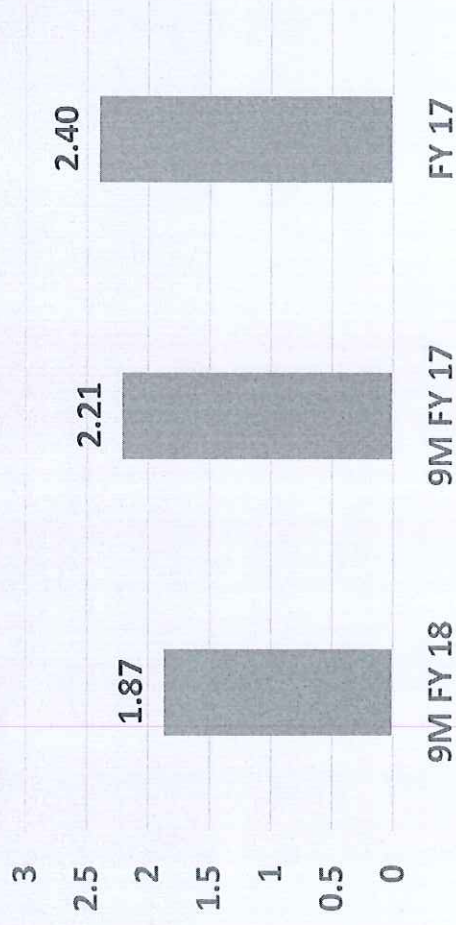
(in Rs. Crore)

Policyholders' Funds

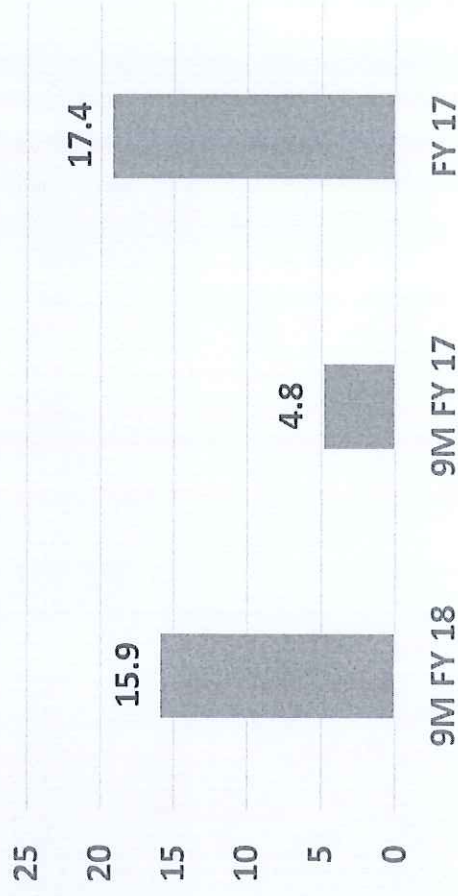


Solvency Ratio and RoE

Solvency Ratio



Return on Equity % (Annualised)



Thank you

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**The Indian Reinsurer
with a global footprint**
Leading Global Reinsurer



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