

Insurance Claims Paying Ability (CPA) Rating

Indian Insurance Sector has been growing at substantial rates over the past few years and the potential for being a high growth market is widely acknowledged. India's market share, insurance density and penetration levels in the insurance market have been steadily improving indicated by the absolute figures as well as relative ranking. The gap between these ratios and the average for Asian economies itself provides substantial growth opportunity. Combined with high GDP growth, the opportunities in Insurance sector are tremendous.

India has a total of 23 Life Insurers, 22 Non-Life Insurers and 1 Re-insurer. General Insurance Corporation of India (GIC Re) (Rated CARE AAAIn) is the only re-insurer in India and is a public sector entity. During FY10 the gross premium in the non-life sector increased YoY 14.5% while gross premium in the Life sector increased YoY by 19.7%.

CARE's Claim Paying Ability (CPA) rating is an opinion on an insurance company's financial strength and measures its ability to honour policy claims as per contractual commitments. The opinion is not specific to any particular insurance policy or contract.

CARE's CPA rating does not apply to non-policy obligations of the insurer, such as debt, nor does it address the suitability of terms of any individual policy or contracts. Additionally, the rating does not take into account deductibles, surrender or cancellation penalties, timeliness of payment nor the likelihood of the use of a defense like fraud to deny claims. The rating does not take into account any limitation that the insurers might face in settling its foreign claims due to exchange control/sovereign restrictions that might be placed on foreign currency payments by the Government of India.

CARE's CPA rating is not a recommendation to buy, hold or sell/terminate any security/insurance policy.

Benefits of CPA rating

The CPA rating is primarily useful to:

1. Buyers of insurance cover: Aids the existing as well as potential customers to evaluate the insurer's ability to service policy commitments as and when claims arise.
2. Insurance/Reinsurance Company: Helps the company in showcasing its financial strength and consequently increase its business opportunities. An independent opinion on financial strength also provides critical inputs for management.
3. Insurance Agents: Aid in selling insurance products.