

OCTOBER 27, 2015

CARE REAFFIRMS CLAIMS PAYING ABILITY/FINANCIAL STRENGTH RATING TO CANARA HSBC ORIENTAL BANK OF COMMERCE LIFE INSURANCE COMPANY LTD

Ratings

Facilities	Ratings ¹	Remarks
Claims Paying Ability/Financial Strength	CARE AAA (In) [Triple A (Insurance)]	Reaffirmed

Rating Rationale

The rating continues to factor in the strong parentage of Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd (CHOICE) with high degree of support, synergies & brand linkage enjoyed by the company, experienced management, high persistency ratios, apart from strong solvency and liquidity position. The rating also takes cognizance of good asset quality, controlled operating costs and strong systems & processes.

Going forward, the continued support of the shareholders, the ability to increase its share of traditional products and improvement in profitability with maturing portfolio of policies will be the key rating sensitivities.

Background

CHOICE is a joint venture of Canara Bank (51%), HSBC Insurance (Asia Pacific) Holdings Ltd (26%) and Oriental Bank of Commerce (23%). CHOICE, incorporated on September 25, 2007 is licensed by IRDA (Insurance Regulatory & Development Authority) to carry out life insurance business in India. The company commenced operations in June 2008.

The company is engaged in the business of life insurance and pension. The business spans across individual and group products covers non-participating unit linked lines of business. The Company operates on a banc assurance model and it has an exclusive access to around 60 million customers and a network of over 8,102 bank branches of its 3 corporate agents. CHOICE has also tied up with three Rural Regional Banks - Pragathi Gramin Bank in Karnataka and Shreyas Gramin Bank in Uttar Pradesh in December 2009 and South Malabar Gramin Bank in June 2010.

The company has sold 502,893 policies since inception with 60,606 sold in FY15 (refers to the period April 1 to March 31). The total assets under management as on August 31, 2015 were Rs. 9,491 crores.

The company reported a net profit of Rs.102.9 crore and Net Written Premium of Rs.1,642.3 crore during FY15 against a net profit of Rs.66.2 crore and Net Written Premium of Rs.1,809.4 crore during FY14.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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