

General Insurance Corporation of India

January 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Issuer rating*	0.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

*The rating is subject to the company maintaining a solvency ratio above 1.5x.

Rationale and key rating drivers

The rating of General Insurance Corporation of India (GIC Re) continues to factor in the majority ownership by the Government of India ([GoI] holds 82.4% stake in GIC Re as on September 30, 2024) and GIC Re's strategic importance as the dominant and sole Indian reinsurer. GIC Re has a dominant market share of ~60% in India's reinsurance industry. The rating further continues to consider its experienced management, diversified business profile, comfortable liquidity, and solvency position. While CARE Ratings Limited (CARE Ratings) takes cognisance of the company's modest premium growth and underwriting performance in FY24 and H1FY25, its profitability was supported by healthy investment yields. Going forward, the company's ability to achieve business growth and improve underwriting performance are key monitorables.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Not applicable.

Negative factors: Factors that could individually or collectively lead to negative rating action/downgrade:

- Material dilution in the ownership by expected support from/strategic importance to GoI.
- Inability of the company to keep solvency ratio sufficiently higher than the regulatory requirement of 1.5x.
- Weakening underwriting performance and profitability on a sustained basis.

Analytical approach:

Standalone; factoring the sovereign ownership and support from GoI.

Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings' expectation that GIC Re would grow its business while maintaining comfortable solvency levels.

Detailed description of key rating drivers:

Key strengths

Ownership by GoI and its status as the dominant Indian reinsurer

GIC Re's credit profile derives strength from its strong parentage, with the GoI holding 82.4%, and its strategic importance as a dominant and sole Indian reinsurer in the domestic market. Being the sole reinsurer in the country, GOI formulates and implements policy through GIC Re. The company maintains market share of ~60% in the India's reinsurance industry.

GIC Re derives inherent advantages by receiving a certain cession of reinsurance business as obligatory business domestically, apart from having the right of first refusal for residual risks. It receives a statutory cession of 4% on every policy, subject to certain limits.

CARE Ratings expects GIC Re to continue to maintain its market leadership, given its position as the only reinsurer in India.

GIC Re is managed by a broad-based Board of Directors, led by Ramaswamy Narayanan, Chairman and Managing Director. Additionally, the Board comprises a government nominee director and four independent directors. M. P. Tangirala, who serves as

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

the non-executive nominee director is also the Additional Secretary, Ministry of Finance. The company's operations are conducted by a competent management team having vast experience in the insurance and reinsurance sector.

Well-diversified business profile in reinsurance

GIC Re derives business from the domestic and the foreign market having 61% and 39% share in the overall premiums written in FY24. In the foreign market, GIC caters to 110 countries, of which top three were United Kingdom (6%), USA (5.8%), and Israel (2.2%) in FY24. In terms of overall GPW mix, major contributors continued to be fire (36%), motor (18%), Agri (15%), and health (10%), collectively consisting of ~79% of overall premiums for FY24.

In the domestic market, as on March 31, 2024, the company's major segments were Fire at 19% of total GPW (PY: 18%), Health at 15% (PY: 13%), Motor at 12% (11%), Agri at 10% (PY: 14%) and Life at 4% (PY: 4%). The overall premiums underwritten have declined since FY20, given the company's conscious decision to curtail lossmaking contracts. Material movement within the domestic segments was evident in the share of Agri reducing to 10% in FY24 (PY: 14%) considering increase in premium retentions by insurers, supported by government extended surplus-sharing models (SSM). Health segment's share inched up to 15% in FY24 (PY: 13%), given the healthy growth of 26% shown by standalone health insurers (SAHIs) and subsequent growth in GIC's business. The share of other business segments in domestic market remained largely unchanged.

In the foreign market, the company's exposure is largely towards Fire, which consisted 16% of overall GPW (PY: 18%) and Motor at 7% (6%). The share of fire insurance business reported a decline with the company curtailing underwriting in loss-making treaties.

Comfortable solvency position

GIC Re's solvency ratio improved to 3.25x as on March 31, 2024, against 2.61x as on March 31, 2023 (PY: 1.96x). While the company has taken measures to improve its underwriting performance, the increase in solvency is attributable increase in net assets and due to reduction in quantum of premiums underwritten which led to solvency ratio increasing further to 3.42x as on September 30, 2024.

Key weaknesses

Moderate profitability metrics

The company's underwriting performance has witnessed moderation in both domestic and foreign segments. In the domestic segment, GIC Re reported an underwriting loss of ₹1,371 in FY24 crore mainly contributed by Fire and Health segments due to higher claims in FY24 compared to previous year. In the foreign segment, the company's overall underwriting losses contracted to some extent with underwriting loss of ₹2,636 crore in FY24 compared to underwriting loss of ₹3,583 crore in FY23. This improvement is largely led by benign claims ratio for fire reinsurance. Consequently, overall claims for FY24 slightly reduced to ₹30,980 crore against ₹32,738 crore in FY23. The combined ratio inched up to 111.82% in FY24 from 109.31% in the previous year due to higher commission expenses.

Resultantly, the underwriting losses increased to ₹4,103 crore for FY24 compared to ₹2,937 crore in FY23. These underwriting losses are partly offset by the growth in investment yields and the increase in investment book. The investment income grew to ₹11,620 crore in FY24 (PY: ₹10,594 crore). As a result, GIC Re reported a profit-after-tax (PAT) of ₹6,497 crore on a GPW of ₹37,182 crore in FY24 against a PAT of ₹6,312 crore on a GPW of ₹36,592 crore in FY23. The return on net worth (RONW) stood at 18.67% in FY24 (PY: 22.04%). Notwithstanding the muted growth in written premium in FY24, the company's ability to achieve higher business growth with improved underwriting performance and profitability remains a key monitorable.

In H1FY25, GIC Re reported a PAT of ₹2,897 crore on a GPW of ₹20,819 crore against a reported PAT of ₹2,337 crore on a GPW of ₹19,680 crore in H1FY24.

Liquidity: Strong

GIC Re had cash and bank balances of ₹24,388 crore as on March 31, 2024 (₹25,100 crore as on September 30, 2024). The total investment portfolio stood at ₹131,425 crore as on March 31, 2024 (₹1,43,305 as on September 30, 2024), out of which the investments in government securities were at ₹51,196 crore (G-secs; market value) which are highly liquid in nature. As against these, the peak claim payout in the last three years stood at ₹36,626 crore indicating healthy liquidity cushion.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

GIC Re works to resolve the numerous issues impacting the local and the global community by participating in the property, agriculture, and health insurance programmes backed by the central and state governments. GIC Re manages several pools, including the Marine Cargo (Declined Risk) Pool, the Indian Nuclear Insurance Pool, and the Terrorism Risk Insurance Pool for the Indian Market, where company has been resolving issues pertaining to business and the general welfare of the country.

As part of resource optimisation, the company is working on reducing energy use, water use, and waste to lessen its impact on the environment. The organisation has a zero-tolerance policy against any type of fraud or corruption, as evidenced by the fully implemented Anti-Fraud Policy and the Prohibition of Insider Trading. The company also ensures the safety of all confidential client and organisational data by enforcing an information security policy that addresses cyber security and data privacy.

The company engages in social projects in collaboration with entities working towards the betterment of society. The company has undertaken three such projects for which impact assessment study is in progress.

Applicable criteria

[Policy on default recognition](#)

[Factoring linkages with Government support](#)

[Financial Ratios - Insurance Sector](#)

[Rating Outlook and Rating Watch](#)

[Issuer Rating](#)

[Insurance Sector](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Insurance	Other Insurance Companies

The entire general insurance business in India was nationalised by General Insurance Business (Nationalisation) Act, 1972 (GIBNA). The GoI, through Nationalisation, took over the shares of 55 Indian insurance companies and the undertakings of 52 insurers carrying on general insurance business. General Insurance Corporation of India (GIC) was formed in pursuance of Section 9(1) of GIBNA. It was incorporated on November 22, 1972, under the Companies Act, 1956 as a private company limited by shares. GIC Re was incorporated as a part of GoI's move to nationalise the general insurance business.

GIC was wholly owned by GoI till FY17. GoI sold 14.22% stake in GIC through an IPO on October 25, 2017. In September 2024, GoI sold stake equivalent to 3.39% via Offer for Sale (OFS). As on September 30, 2024, GOI continues to hold 82.40% shares of GIC.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY2025 (UA)
Gross written premium	36,592	37,182	20,819
Earned premium	35,808	33,576	18,911
PAT	6,312	6,497	2,897
Total assets*	157,125	178,286	194,882
Tangible net worth*	30,907	38,682	40,581
Solvency ratio	2.61	3.25	3.42

A: Audited UA: Unaudited; Note: The above results are latest financial results available.

*Net of DTA and intangibles

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2**Detailed explanation of covenants of rated instrument / facility:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Issuer rating-Issuer ratings	-	-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Issuer rating-Issuer ratings	LT	0.00	CARE AAA; Stable	-	1)CARE AAA; Stable (07-Feb-24)	1)CARE AAA; Stable (05-Jan-23) 2)CARE AAA; Stable (26-Dec-22)	1)CARE AAA (Is); Stable (28-Dec-21)

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Not applicable

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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