

General Insurance Corporation of India

March 29, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Claims Paying Ability	---	CARE AAA (In); Stable [Triple A (Insurance); Outlook: Stable]	Reaffirmed

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating factors in General Insurance Corporation of India's (GIC Re) Majority ownership by Government of India (GoI), GIC Re's strategic importance as the dominant Indian reinsurer, good solvency position and comfortable liquidity profile. Ownership by GOI, solvency position and profitability are key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Ownership by Government of India and GIC Re's status as the dominant Indian reinsurer

GIC Re's credit profile derives strength from strong parentage (As on December 31, 2017 Government of India holds 85.78% equity stake in GIC Re) and its strategic importance as a dominant Indian reinsurer in the domestic market.

Experienced Management

GIC Re is headed by Mrs. Alice G. Vaidyan who took charge as the Chairman cum Managing Director in January 2016. She is assisted by a competent management team, consisting of professionals having significant experience in insurance and reinsurance sector.

Good Solvency Position

The solvency position continues to remain strong, with GIC Re reporting a margin of 2.40 times as on March 31, 2017 compared to 3.48 times as on March 31, 2016. The decrease in solvency ratio is mainly due to 82% yoy growth in the gross premiums underwritten, led by significant increase in crop insurance premiums due to Pradhan Mantri Fasal Bima Yojana insurance scheme (PMFBY). Moreover, the solvency ratio does not take into account the unrealized gains in the fair value change account in GIC Re's balance sheet that stood at Rs.30,036 crore as on March 31, 2017 (Dec '17 : Rs.33,815 crore; Mar '16: Rs. 23,451 crore). The solvency margin as on December 31, 2017 was 1.87 times.

Comfortable Liquidity Position and Asset Profile

GIC Re's liquidity position is comfortable with liquid assets to technical reserves at around 2.64 times as on March 31, 2017 as compared to 2.67 times as on March 31, 2016. The provisions of Insurance Act and guidelines issued by Insurance Regulatory and Development Authority of India (IRDAI) determine the broad composition of GIC Re's investments. Government securities and other approved securities continue to form the largest component of investments, accounting for 35% of the investment book (at book value). Share of investments in equity stood at around 20% of the investment book (at book value) as on March 31, 2017. Substantial portion of GIC Re's investment is readily marketable thereby extending it ample liquidity support. Cash and equivalents comprise of 13% of GIC Re's total assets as on March 31, 2017.

Well diversified business profile in reinsurance

GIC Re accepts almost all classes of non-life re-insurance business from the public and private sector general insurance companies in India. In addition to obligatory cessions, GIC Re also enters into treaty and facultative reinsurance arrangements with direct insurers. It has also started accepting life re-insurance since FY04, although business under the same remains small as percentage of the overall underwriting book.

GIC Re also accepts reinsurance from foreign insurance companies. In FY17, around 30% of GIC Re's total Gross Premium Written (GPW) is sourced from overseas markets (FY16 45%) with a view to reduce dependence on domestic business to

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

further diversify the geographical concentration of its book and increased retentions by the domestic insurers. GIC Re's risk exposures is diversified and comprise treaty cessions through obligatory route as well as non-obligatory cessions, facultative covers for domestic as well as overseas insurers, excess of loss cover, market surplus treaties etc.

Key Rating Weakness

Losses at underwriting level, however, company reporting healthy profits on account of income from investments

Loss ratio for the company decreased marginally in FY17 compared to FY16. This was because the loss ratio in Credit and Other Miscellaneous segments (which includes crop reinsurance, accounting for 29% of the gross premium written) declined significantly during FY17. Overall, the company reported an underwriting loss of around Rs.606 crore in FY17 as against underwriting loss of Rs.1183 crore in FY16. However, the company booked investment income to the tune of Rs.4584 crore (P.Y.: Rs.4152 crore) which enabled GIC Re to report a PAT of Rs.3,128 crore (P.Y.: Rs.2,848 crore) for FY16. In 9MFY17, the company reported PAT of Rs.2,482 crore.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios - Financial Sector](#)

[Insurance Claims Paying Ability](#)

About the Company

GIC Re was incorporated in November 1972, as a part of Government of India's (GoI) move to nationalize the general insurance business. It is majority owned by GoI and it is the dominant Indian reinsurer. Apart from the domestic operations, GIC Re has overseas offices viz, representative office in Moscow and branch offices in London, Dubai and Kuala Lumpur. GIC Re also has presence in Bhutan through its joint venture, GIC Bhutan Re (GIC Re holds 26% stake) and in South Africa through its wholly owned subsidiary, GIC Re South Africa Limited. The Corporation has also exposure in the share capital of Kenindia Assurance Company Ltd, Kenya; India International Insurance Pte Ltd, Singapore; Asian Reinsurance Corporation, Bangkok; East Africa Reinsurance Company Ltd., Kenya and Agriculture Insurance Company of India Limited for strategic reasons. Further, GIC Re also has a stake in GIC Housing Finance Company Ltd. GIC Re is present in various segments of reinsurance of which major segments are fire, health, motor, agriculture, marine, aviation and engineering.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Net Premium Earned	15,173	26,714
PAT	2,848	3,128
Tangible Net Worth	15,832	18,446
Total Policyholders Fund	29,556	41,682
Solvency Ratio (times)	3.48	2.40

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Claims Paying Ability	-	-	-	-	CARE AAA (In); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Claims Paying Ability	LT	-	CARE AAA (In); Stable	1) CARE AAA(In); Stable (20-Apr-17)	1)CARE AAA(In) (20-Apr-16)	-	1)CARE AAA(In) (17-Mar-15)

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CIN - L67190MH1993PLC071691