

General Insurance Corporation of India

April 20, 2017

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 and key rating drivers

The rating factors in GIC Re's 100% ownership by Government of India (GoI), GIC Re's strategic importance as the dominant national 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 national reinsurer in the domestic insurance market

GIC Re's credit profile derives strength from strong parentage (Government of India holds 100% equity stake in GIC Re) and its status as the dominant national reinsurer.

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 ratio of 3.48 times as on March 31, 2016. 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.23,451 crore as on March 31, 2016.

Comfortable Liquidity Position and Asset Profile

GIC Re's liquidity position is comfortable with liquid assets to technical reserves to around 2.67x as on March 31, 2016 as compared to 2.52 times as on March 31, 2015. The provisions of Insurance Act and guidelines issued by 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 36% of the investment book (at book value). Share of investments in equity stood at around 23% of the investment book (at book value) as on March 31, 2016. Substantial portion of GIC Re's investment is readily marketable thereby extending it ample liquidity support. Cash and equivalents comprise of 12% of GIC Re's total assets as on March 31, 2016.

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 addition to obligatory cessions, GIC Re also enters into treaty and facultative insurance arrangements with direct insurers. It has also started accepting life re-insurance since FY04, although business under the same remains small. GIC Re also accepts reinsurance from foreign insurance companies. Around 45% of GIC Re's total Gross Premium Written (GPW) is sourced from overseas business with a view to reduce dependence on domestic business given the possible

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

entry of the foreign players in re-insurance business in India 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 levels, however, company reporting healthy profits on account of income from investments

Loss ratio for the company decreased marginally in FY16 compared to FY15. This was because the loss ratio in fire, motor and health segment declined significantly during FY16. Overall, the company reported an underwriting loss of around Rs.1183 crore in FY16 as against underwriting loss of Rs.1394 crore in FY15. However, the company booked investment income to the tune of Rs.4152 crore (P.Y.: Rs.4256 crore) which enabled GIC Re to report a PAT of Rs.2848 crore (P.Y.: Rs.2694 crore) for FY16. In H1FY17, the company reported PAT of Rs.956 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 wholly owned by GoI and it is the dominant national reinsurer. Apart from the domestic operations, GIC Re has overseas offices viz, representative office in Moscow and branch offices in London, Dubai and Malaysia. 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, marine and engineering.

GIC Re reported a PAT of Rs.2848 crore on Gross Premium Written of Rs.18436 crore in FY16 as against a PAT of Rs.2694 crore on Gross Premium Written of Rs.15184 crore during FY15. Around 45% (as on March 31, 2016) of GIC's total Gross Premium Written (GPW) is sourced from overseas business. In H1FY17, the company reported a PAT of Rs.956 crore on Gross Premium Written of Rs.16,118 crore.

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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. The rating does not take into account any limitation that the insurer 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 terminate any insurance policy.

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) (20-Apr-16)	-	1)CARE AAA(In) (17-Mar-15)

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