

General Insurance Corporation of India

February 07, 2024

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) has been reaffirmed, factoring in the majority ownership by the Government of India (GoI holds 85.78% stake in GIC Re) and GIC Re's strategic importance as the dominant Indian reinsurer. The rating also considers its experienced management, diversified business profile, comfortable liquidity and solvency position. While CARE Ratings Limited (CARE Ratings) takes cognisance of the reduction in written premium because of conscious business measures, the underwriting performance has been improving in FY23. Going forward, the company's ability to improve underwriting performance and its impact on the profitability or solvency is a key monitorable.

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:

- Sovereign ownership and support significantly diluting.
- Solvency ratio declining below the regulatory requirement of 1.5x.
- Underwriting performance and profitability declining on a sustained basis.

Analytical approach:

Standalone, factoring in ownership of the GoI.

Outlook: Stable

The outlook is 'stable' considering CARE Ratings' expectations of GIC Re's business growing while maintaining comfortable solvency levels.

Detailed description of the key rating drivers:

Key strengths

Ownership by GoI, GIC Re's status as the dominant Indian reinsurer

GIC Re's credit profile derives strength from its strong parentage. As on September 30, 2023, the GoI held 85.78% shareholding in GIC Re. The rating also factors in GIC Re's strategic importance as a dominant Indian reinsurer in the domestic market. CARE Ratings expects GIC Re to maintain its market leadership considering it the sole reinsurer in the Indian market. GIC Re derives advantages from the certain cession of reinsurance business it receives as obligatory business domestically, apart from having the right to first refusal for residual risks. It receives a statutory cession of 4% on every policy, subject to certain limits.

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

GIC Re is managed by a broad-based Board of Directors, led by Ramaswamy Narayanan, Chairman and Executive Director. Additionally, the Board comprises a nominee director and four independent directors. The company's operations are conducted by a competent management team comprising a chief financial officer, a company secretary, and a compliance officer, having vast experience in the insurance and reinsurance sector.

Well-diversified business profile in reinsurance

About 31% of GIC Re's total gross premium written (GPW) in FY23 was sourced from overseas business (FY22: 35%). In terms of business mix for FY23, major contributors included fire (36%), motor (16%), agri (14%), and health (13%), contributing to roughly 80% of the overall premiums.

With a view to consciously scale down loss-making treaties, the company's GWP has been on a declining trend, having declined by 15% from ₹43,208 crore in FY22 to ₹36,592 crore in FY23 (H1FY24: ₹19,680 crore). The company has scaled down loss-making contracts within property (foreign), motor (foreign), and agriculture (domestic), due to which the underwriting performance has been improving.

Improving solvency position

GIC Re's solvency ratio improved to 2.61x as on March 31, 2023, as against 1.96x as on March 31, 2022 (PY: 1.74x). As mentioned above, the company has been consciously taking measures to improve its underwriting performance and solvency position. With this, GIC Re's solvency ratio further improved to 2.82x as on September 30, 2023.

Key weaknesses

Underwriting losses, although moderated, impacting overall profitability

GIC Re reported a profit-after-tax (PAT) of ₹6,312 crore on a GPW of ₹36,592 crore in FY23 as against a PAT of ₹2,005 crore on a GPW of ₹43,208 crore in FY22. As mentioned above, the company's underwriting performance has been improving on the back of its conscious strategy to do so.

The company's underwriting performance has been improving in both segments, domestic and foreign. In the domestic segment, GIC Re reported an underwriting profit of ₹1,241 crore in FY23 as against an underwriting loss of ₹832 crore in FY22. The life segment was a major contributor to this improvement, with an underwriting loss of ₹1,459 crore in FY22 to an underwriting loss of ₹55 crore in FY23. In the foreign segment, the company reported an underwriting loss of ₹3,583 crore in FY23 as against an underwriting loss of ₹3,845 crore in FY22. Consequently, the return on net worth (RONW) improved to 22.04% in FY23 (PY: 8.54%).

In H1FY23, GIC Re reported a PAT of ₹2,337 crore on a GPW of ₹19,680 crore as against a reported PAT of ₹2,550 crore on a GPW of ₹19,122 crore. While CARE Ratings takes cognisance of the reducing underwriting losses in FY23 through conscious business measures, going forward, the underwriting performance and its impact on solvency position will be key monitorable.

Liquidity: Strong

GIC Re had cash and cash equivalents of ₹23,284 crore as on March 31, 2023 (₹23,325 crore as on September 30, 2023). Of the total investment's portfolio of ₹110,683 crore as on March 31, 2023, the company invested ₹46,174 crore in government securities (G-secs; market value), which are highly liquid in nature. As against these, it had claim payments of ₹32,738 crore in FY23, which is sufficiently covered by cash and cash equivalents and G-secs.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks

GIC Re, being the country's reinsurer, is dedicated to promoting all-encompassing growth for a more promising future. It encourages inclusive diversity, digital change, and financial inclusivity. A solid Enterprise Risk Management framework and clearly defined corporate governance principles have enabled to build strong work ethics that serve as a pillar for operations and decision-making. Every choice the company makes has the clients', workers', and partners' best interests in mind. Company's business procedures take sustainability principles into consideration, which influences its goal of building a long-lasting company that satisfies the long-term needs and protection needs of clients.

Company's position as a Too Big to Fail D-SII (Domestic Systematically Important Insurer) by IRDAI highlights its crucial function in the Indian insurance sector. GIC Re works to resolve the numerous issues impacting the local and the global community. Company actively participates in the property, agriculture, and health insurance programmes backed by the central and state governments. Company's support to the renewable sector measured by facultative premium YoY went up by 64.5% and measured by risks supported went up by 22.22%. GIC Re manages a number of 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 instrumental in resolving issues pertaining to business and the general welfare of the country. The Company has put in place a business continuity plan in order to appropriately handle any situation that it may face. Response plans have been developed and are strictly adhered to in order to protect the Company's survival and well-being over the long run. As part of resource optimisation, the company encourages reducing energy use, water use, and waste in order to lessen its impact on the environment. The organisation has a strict 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. Company guarantees the safety of all confidential client and organisational data by enforcing a strict information security policy that addresses cyber security and data privacy.

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Government Support](#)

[Financial Ratios - Insurance Sector](#)

[Issuer Rating](#)

[Rating Outlook and Credit Watch](#)

[Insurance Sector](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Insurance	Other insurance companies

The entire general insurance business in India was nationalised by the 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 the GoI's move to nationalise the general insurance business. GIC Re was wholly owned by the GoI up to FY17; it sold 14.22% stake in GIC Re through an initial public offering (IPO) on October 25, 2017. As on September 30, 2022, the GoI continued to hold 85.78% shares of GIC.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Gross premium written	47,014	43,208	36,592	19,680
Earned premium	39,866	39,293	35,808	18,591
PAT	1,920	2,005	6,312	2,337
Total assets**	1,34,643	1,44,887	1,57,125	1,41,029
Tangible net-worth**	22,471	24,476	30,907	33,779
Solvency ratio	1.74	1.96	2.61	2.82

A: Audited; UA: Un audited; **Net of DTA and intangible assets

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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 along with Rating Outlook
Issuer Rating-Issuer Ratings		-	-	-	0.00	CARE AAA; Stable

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Issuer Rating-Issuer Ratings	Issuer rating	0.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Jan-23) 2)CARE AAA; Stable (26-Dec-22)	1)CARE AAA (Is); Stable (28-Dec-21)	1)CARE AAA (Is); Stable (30-Dec-20)

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated: Not Applicable
Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated: Not Applicable

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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