



MAGIC
of 10

— 10 GLORIOUS YEARS OF GIC Re —

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Brokers Meet 2010



With our Middle East Associates at Dubai



AM Best Rating Exercise 2010 in Progress



Team GIC Re (Right) at Baden - Baden

Editor's Thoughts:

The dawn of a new decade is a good chance to introspect on the happenings of the last decade and reflect on how it should change in times to come. It is with this perspective that we have brought out this edition of GIC Re News on the completion of 10 glorious years of GIC-Re, highlighting the journey and the transformation of the Indian Reinsurer over the years since it donned the mantle of a pure reinsurer from November-2000.

The emergence of GIC Re as a reinsurer of choice, strong provider of capacity and risk bearer, particularly in the Afro-Asian markets, is indeed a matter of pride to us. As we look back at the vision, commitment and total dedication of a few generations of reinsurers before us, on whose solid ground we stand today, we realise that we owe the same legacy to our future generations as well. Expanding our global footprint by opening foreign offices and foraying into new areas like Life and Retakaful amongst many other similar initiatives, while still playing a prominent role in the domestic market, has been challenging and exciting. GIC Re has indeed come a long way, focusing on a national reinsurer's role, and balancing market requirements and expectations in sync with reinsurance ideologies and practices. Consistency, stability and reliability are hard won accolades that GIC Re can truly be proud of.

Scripting the success story of GIC Re over the last 10 years for this edition by going down memory lane has been an inspiring endeavour, drawing us into memories in frozen time frames cloaked with awe and reverence. One could sense the pride and the nostalgia of the team as we set out to demystify the reinsurance landscape over the years. The realisation dawned that every organisation needs to recapitulate its history and milestones periodically not only to instil pride, loyalty and belonging to the organisation, but also for the learnings from the past.

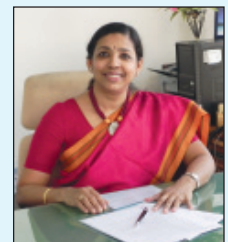
Shifting focus to the present, thanks to the efforts of the marketing teams of GIC Re sent out across markets world wide, the January renewals saw an increased participation by GIC Re in foreign market treaties. We now look forward to the India Rendezvous 2011 in Mumbai and the domestic market renewals season ahead for which preparations are already underway for providing support and stability to the market. We are confident that GIC Re's performance for this financial year will be robust and will surpass market expectations.

As the new year of the new decade unfolds before us, the famous lines from 'Ithaka' by the Greek poet Constantine P. Cavafy seem apt to describe our journey through the decade.

*" When you set out for distant Ithaka,
Pray that your journey be long
full of adventures, full of awakenings
Do not fear the monsters of old
You will not meet them in your travels
if your thoughts are exalted and remain high.
Have Ithaka always in your mind.
Your arrival there is your appointed lot,
being rich with riches gathered on the way
and not expecting more from Ithaka."*

Wishing you all a very joyous and buoyant 2011.

Alice G. Vaidyan





From CMD'S Desk

The decade of nineties saw things moving fast on the economic front in the country. The process of liberalisation was being implemented across the board and insurance sector was no exception. Private insurance players were allowed to set shop.

With the advent of these private players things heated up. The four public sector general insurance companies, which were till now the subsidiary companies of General Insurance Corporation of India ceased to be under the umbrella of GIC and became independent. For GIC it was a challenge to put in place a system so that the trials and tribulations, that were bound to come up in the new scenario, could be met effectively.

This required some amount of liberty, autonomy and freedom so that we could meet the challenges head on. As a first step towards this process, the four companies were delinked from the General Insurance Corporation of India and it no longer remained the holding company. In November 2000 GIC was designated the Indian Reinsurer and thus came into existence GIC Re.

New markets had to be scouted and new business partners and alliances developed. It required a sea change in the way we did business as we stepped out from our home turf, where we were the monarch of all we surveyed, to the big bold world and make a mark there.

In its new incarnation, the Indian Reinsurer had to prove itself worthy of the trust and faith reposed in it by the stakeholders. The million dollar question on everyone's lips were: 'Will GIC Re be able to take up the new role in the fast changing scenario? Would it survive the onslaught by the foreign players?' Many a big ship flounder in uncharted waters!

However, the solid infrastructure that we inherited with a dedicated band of employees possessing a will to succeed ensured that no matter what external environment is, we would reach the top! We had much in the treasure troves of GIC of yore, and we leveraged and capitalised on these to the organisation's advantage.

As Indian Reinsurer we entered international markets and garnered business on our merits. To achieve success is difficult, but to retain and maintain it is even more difficult. And there has been no looking back ever since!

Today we have arrived at a stage where we are known for our financial status, stability, strength, brand equity and also for providing personalised, professional and quick service to our customers. Reinsurance is the business of relationships and we believe in building relationships.

Yes, the decade that we have just completed has not been a cake walk but then success doesn't come easy! Today we have arrived at a point in our journey of time where global insurance industry sits up and takes note of us. India is the world's preferred destination for future and so is GIC Re.

I wish you and your family a very happy, healthy and successful year ahead.

Yogesh Lohiya

Captains of Team GIC Re during the decade 2000-2010



*D Sengupta, Chairman
June 1998-June 2002*



*P C Ghosh, Chairman
October 2002-January 2005*



*R K Joshi, CMD,
February 2005-April 2007*



*Yogesh Lohiya, CMD,
May 2007-current*

10 GLORIOUS YEARS OF GIC Re

GIC Re is not a new organisation. It came into being way back in 1972 (22nd November, 1972 to be precise) through an Act of the Parliament of India, called the GIBNA (General Insurance Business Nationalization Act, 1972).

Its sister concern, Life Insurance Corporation of India (LIC) had already been nationalised earlier in 1956 and the Government sought to replicate the experience in General Insurance as well, albeit with a difference. Rather than create a monolith like LIC, 4 subsidiary companies were created by merging the 107 existing private insurance companies headquartered at the 4 metro cities. However, to have parity in products and policies, GIC was made the holding company.

This model served the Indian non-life industry pretty well till the wave of liberalization swept the country and the Malhotra Committee was formed in 1992 to examine the merits of allowing the entry of private players into the country.

The Insurance bill took its time seeing the light of the day and the formation of the Insurance Regulatory and Development Authority heralded the entry of private players into the Indian market. It was important to give these players a level playing field and consequently the 4 subsidiary

Competing with organisations that were celebrating their centenaries wasn't an easy task as GIC Re began its journey as the Indian Reinsurer in 2000. It was a daunting task ahead of GIC Re. I am happy to say that GIC Re in the very first decade of its existence has set benchmarks that could be the envy of many a veteran in the sector.

The expanding global footprint with excellent growth in the foreign portfolio amply proves the capabilities of the team GIC Re.

Today, you have arrived at a stage where you are known for your financial prowess, stability, strength and brand-equity. I am confident that the motivated employees of the Corporation will make things happen in a way that you continue to create landmarks and set new milestones.

The past decade of GIC Re has been a successful one and I am confident that this will enable building up a brilliant decade ahead. I am sure the next decade would see GIC Re emerge as a Reinsurer with a difference and it would etch out sterling standards in prudent underwriting, risk management, strong IT infrastructure and corporate governance."

Tarun Bajaj

Joint Secretary, Dept of Financial Services, Ministry of Finance, Government of India



London Branch Inaugurated; January 2008

During the recent global financial crisis when the big players went down under, GIC not only emerged unscathed but stronger and came out with flying colours. The superb ratings and rankings, leadership in the Afro-Asian and Middle East Insurance markets, improving financials and above all harmonious human relations in the organisation all go to show that there is only one way for GIC Re and that is the way Up.

GIC Re has not only performed well for itself but has also contributed a great lot to improve, support and sustain the Indian general Insurance market that is yet in a transitory phase and requires a nurturing hand to see it through the growing years! It goes to the credit of the team of professional managers and other members of the GIC Re family that they could descry what lies ahead of them.

I am happy that I was associated with this outstanding organisation as a Director on the Board in the not too distant past and was able to observe from close distance the wonderful team that you lead. I am confident that the years ahead will be even more eventful and successful for GIC Re.

T S Vijayan

Chairman, LIC



companies were made independent Board run companies and delinked from GIC, which itself was made an independently Board run Insurance company, wholly owned by the Government of India. The Gazette notification to this effect was published on the 3rd of November, 2000.

Looking back, these 30 years were extremely constructively spent. While as the holding company, GIC could cater to the needs of the Indian industry, it also met the requirement of the retail clients. Many policies to serve the public were introduced as also were policies in sync with the social objective of the government. Profit was not the motive.

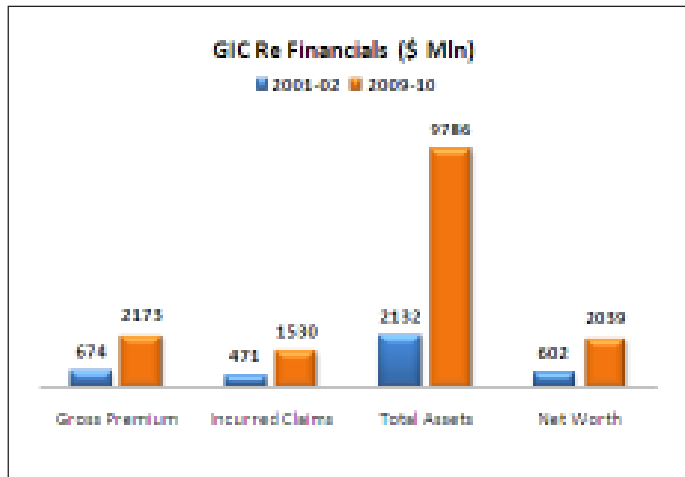
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Serving the country was. It was to GIC's credit that the subsidiary companies had a presence in almost every district of the country and the distribution channel ran deep into the remote areas. Furthermore, despite its social commitment and various Act of God perils that plagued the sub-continent, never once did GIC have to draw funds from the sovereign government. These were also the years that our reserves were augmented and tremendous brand value built, especially in the Afro Asian region.

I sincerely congratulate all friends at GIC Re for the great success achieved in the first decade since being designated as the Indian Reinsurer. You have every reason to be proud not only for the results and the growth rate which GIC Re has realized but also for the first-class image and big name you have built up. Certainly, the achievements will be greater and the success will be more in the next decade. You will continue investing in the human resources to match and excel the skills of the most developed markets. The so far gained experience will also encourage adopting progressive plans beyond the national borders to be the major player particularly for the FAIR Markets. It is so evident, that the great capacity and professional services of GIC Re are highly needed and the road for further heights in the next decade will be better paved.



Ezzat Abdel-Bary,
Secretary General, Federation of Afro Asian Insurers & Reinsurers (FAIR)



Shri R. Gopalan, Secretary, Dept. of Financial Services, Ministry of Finance, visits GIC Re ; June 2010

Given this background, it can be well said that GIC Re was born with a silver spoon in its mouth. In the same breath, one must hasten to add that great Corporates are never born. They are made. The first decade is often the deciding factor and lays the tone and tenor for the coming years. After all it is on a solid foundation that strong structures are built.

We can draw immense satisfaction from what has been achieved and the direction we are progressing towards. Even though GIC came into existence way back in 1972, the birth of GIC Re in its new reincarnation in 2000 and its performance thereafter is what history will judge it by.

The reader will agree that the transition from a holding company to a pure



When I look back, I recollect those days with some sense of fulfillment and the people of GIC Re must be commended towards pulling their act together and actively trying to change the way of their lives. New ideas came from all over. I think that all of us played the game in its true spirit and enjoyed the success.

By March 2002, the initial phase of transformation was achieved. Happenings thereafter and the results that are before us very strongly prove, that with a strong will, hard work and perseverance along with the increased support from the shareholders, GIC Re is marching along the leadership path.

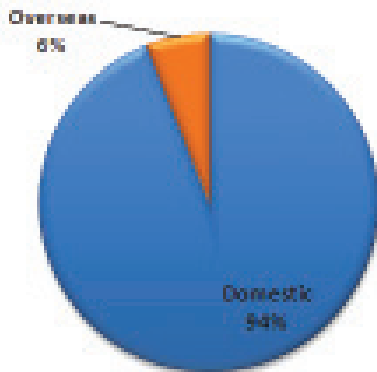
GIC Re must accentuate on enhancing knowledge and ability to understand and analyze the business of risk transfer and be a valuable guide. It has to enhance its physical appearance in the developing countries as also the emerging countries. Investments in increasing the ability to do new products and the necessity to create surpluses and enhance the financial strength of the company, which is already quite strong, has to be ensured. I also have no doubt that able hands of such people will take GIC Re to new heights.



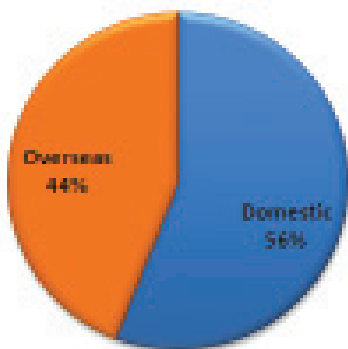
D Sengupta
Ex- Chairman, GIC Re

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Net Premium (2001-02)



Net Premium (2009-10)



reinsurer is a major one. Whether one can weather it is the million dollar question. Well we have, and admirably so.

The birth of GIC Re itself was a baptism by fire. 9/11 had just happened and the

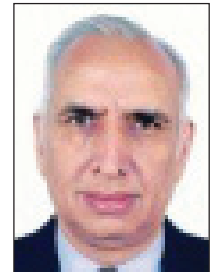
I am very much delighted to note that GIC Re has successfully completed a decade of existence. I am also happy to note that in this period GIC Re has scaled new heights in all the spheres thereby achieving the coveted 16th position in the global arena of reinsurance. This has happened due to the contribution of 'Team GIC Re' under the able and dynamic leadership of Mr. Yogesh Lohiya, CMD-who is known for his leadership as well as superb techno-marketing skills in the Indian as well as Global Market.

I am confident that in the years ahead GIC Re would be achieving zenith of excellence and ensconce firmly its position in the top 10 reinsurers globally.

S K Kanwar

Advisor Insurance, Reliance Industries Limited

Former CMD New India Assurance Co. Ltd. & United India Insurance Co. Ltd.



GIC Re and Hannover Re sign an Agreement of Cooperation for Life reinsurance ; June 2008

As GIC Re celebrates the 10th Anniversary of being designated as the Indian Reinsurer it is an appropriate time not just to offer congratulations for the past ten successful years but also look to forward to the challenges of the next decade.

Given the freedom to focus on a pure reinsurer role, GIC Re has grown rapidly and profitably. Domestic market growth has been complemented by a dramatic increase in overseas income, now contributing 44% of total income from a level of 5% just ten years ago. GIC Re has truly grown to be one of the major Reinsurers.

Compared to their global competitors GIC Re is blessed with another key advantage - access to high quality human capital which is the raw fuel for success. As in every industry and every business the importance of having the right employees and the right leadership in place cannot be overstated. GIC Re's success over the past ten years owes everything to the professionalism of its hard-working staff and to the vision of its leadership. The global reinsurance and insurance industry is watching GIC Re's evolution with great anticipation. The next decade will be a remarkable one in which to be part of the GIC Re story.



James Vickers,

Chairman, Willis Re International & Specialty

reinsurers around the world had withdrawn terrorism cover. The domestic market was in turmoil and as clients sought terrorism cover, GIC Re rose to the occasion by forming and managing the terrorism pool. This helped the domestic market stand on its own feet and not be wholly dependent on outside forces who may have their own compulsions which would override our demands on them.

The learning curve at GIC Re is always on an upward swing. Consequently, the knowledge and experience gained in administering the Terrorism Insurance Pool was very successfully utilized in starting the Indian Motor Third Party Pool at the behest of the Regulator with the

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The then CVC Shri Pratyush Sinha and Vigilance Commissioner Smt. Ranjana Kumar, visit GIC Re; Sept 2009

participation of all non-life insurance companies. The kitty soon became large and GIC Re gained more experience in the process. GIC Re has been a founding member of the Federation of Afro Asian Insurers and Reinsurers (FAIR) and one of its most important and active players. GIC Re was the President of FAIR during 2005-07. It was only natural that when FAIR decided to set up a NAT CAT Pool for its members, GIC Re was the pre ordained manager for this Pool.

Our Pool story continues with the Indian Government in the process of setting up a Nuclear Insurance Pool to meet the enormous liabilities arising from a nuclear fallout. GICReNEWS shall keep

My impression has always been that GIC Re is a very professional organisation with exceedingly high standards of integrity.

GIC Re has now sought to establish itself as a Reinsurer of choice in the International Markets in addition to being an Afro-Asian Reinsurer. In this regard, the strength of GIC Re's balance sheet has stood it in good stead as well as the implicit financial backing which it receives from the Government of India.

GIC Re has been able to achieve this goal by fomenting and nurturing long term relationships with its Brokers and Cedants alike, which has helped it achieve a good rating from A M Best.

We at Kiln have been associated with GIC for several decades. We are very proud of this relationship which has in the recent past, grown stronger. We wish GIC all the very best in the next decade and we look forward to our continued association with them.



Habib Kattan,
Group Head of Ceded Reinsurance, Kiln Group



Dubai Branch Inaugurated; February 2007

This is indeed an important milestone. In the competitive and complex international reinsurance markets, GIC Re has established a well-respected name in terms of strength, capacity, reliability and promptness in service. It is therefore not a surprise that GIC Re has grown from strength to strength, rapidly.

As a national reinsurer GIC Re has provided exemplary support to the Indian market, particularly to the new insurance companies. This has ensured stability while providing a high level of retention capacity in the India market.

The roles played by GIC Re in these crucial years after the opening up have been immensely valuable and have provided strength and credibility to the Indian market.

I congratulate you and your team on your achievements.

S V Mony

Ex-Chairman, GIC Re



its readers posted of the developments in this regard in its forthcoming issues.

Interestingly, 9/11 also provided an opportunity for us in the Aviation Sector. Hitherto GIC was largely arranging reinsurance for the national carriers – Air India and Indian Airlines with the aviation market facing upheaval, GIC Re decided to enhance its presence in the global aviation market and today is the 5th largest aviation reinsurer.

The initial years saw almost our entire income from obligatory cessions. With the sector having been simultaneously opened, the new companies sought

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capacity and GIC Re was glad to partner them. The relationship has continued through the years and has turned into a symbiotic one.

Going forward, it was realized that while sovereign backing was an asset, to project itself as a professional organization, GIC Re must obtain a rating and AM Best rating of A- (Excellent) continues to be with us for over 8 years now.

The growth of a Company is akin to the rotation of a fly wheel. The first few rotations are slow but momentum is built up with each subsequent roll. In much the same way, it is interesting to note that the Global Rating Agency, S & P comes out with a list of top 40 Global Reinsurers at the September Rendezvous at Monte Carlo. Obviously, despite its many strengths, GIC was nowhere near this exclusive Club in 2000. With immense pride, do I write that in the list of S & P for 2010, we feature at the 16th spot. By any yardstick, it is not a mean achievement to rub shoulders with the best in the field.

By becoming a pure reinsurer and hiving off the non-life direct insurance companies, GIC Re now had all its eggs in one basket, thereby negating the very basic tenet of insurance, viz. spread. Loss of the home turf was sought to be compensated by getting a geographical spread and offices in London, Dubai and Malaysia have come into being. Additionally, we have a representative office in Moscow and an eventual

GIC Re, as we know it today, has taken great strides to be a top class reinsurer and the same is visible from the kind of ratings it has enjoyed in the international market. The business of Insurance and Risk Management to become world class calls for excellence, innovativeness and leadership qualities and this has been amply demonstrated by GIC Re.

With the advent of liberalisation the Indian Insurance Market has got intensively competitive but has set an example in terms of standardising the way insurance business is done healthily and at the same time trying best to ensure that the interests of ultimate customers are well protected.

I would say to a large extent the credit for this should go to GIC Re and its top management who had the foresight to visualise and anticipate the consequences.

When the International Reinsurers were shying away to lend their support to Indian Insurers, GIC Re stood firm like a strong pillar and provided maximum reinsurance support for all classes.

We, as brokers, who have been catalysts for substantial amount for Reinsurance business, both Inward and Outward, look forward to GIC Re as a trend setter. We shall continue to service the capacity building exercise for GIC Re to make it one of the leading Reinsurers of the World.

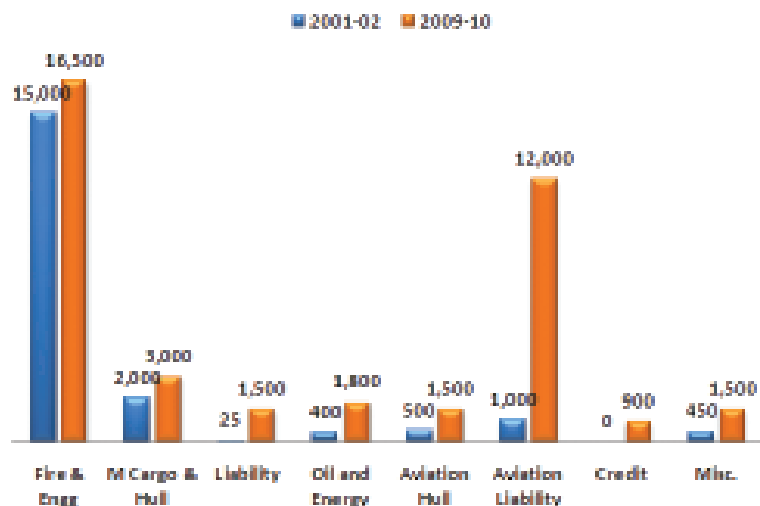
On behalf of Insurance Brokers Association of India, we wish GIC Re progress, prosperity and success and it continues to achieve further landmarks in future as National Reinsurer of India.

Bharat J Boda,

President, Insurance Brokers Association of India



Capacities Offered-Domestic (₹ Min)



GIC Re has shown tremendous progress during the first decade. Every decision taken by GIC Re has been very independent and at times courageous. This approach has given tremendous boost to GIC Re's growth within short span of time. GIC Re is today a recognised international reinsurer.

GIC Re has improved its style of functioning. Quick response to customers are possible only when every employee of the organization remains alert and also knows his responsibility towards duty. We are glad to notice that GIC Re has achieved this level.

The growth path picked up by GIC Re is commendable.

Harshad Parekh

Director & C.E.O. INTERLINK INSURANCE & REINSURANCE BROKERS PVT. LTD.



reinsurer status in Brazil. An office in South Africa is also on the anvil.

Diversification was also indulged in by a foray into the Life Re market and a partnership with Hannover Life Re was entered into. This was further augmented by underwriting Retakaful business in accordance with a Sharia Council.

While growth and diversification are important in the progress of an organisation, more important is the

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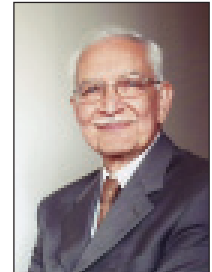
period when one pauses to take stock and see that the path being pursued is correct and the best interests of the stakeholders is protected. With this in view, GIC Re appointed an International Consultant to help it chart its Vision 2025. This was an important initiative and will help us plan for the coming years with greater clarity. The report also helped us rework our HR Strategy apart from our Marketing focus and IT support. An offshoot of this was Enterprise Risk Management (ERM) implemented for perhaps the first time in the Indian Insurance Market as also Business Continuity Plan (BCP) which has put us on terra firma.

The challenge of transforming a holding company of direct insurance companies to a reinsurer of world class repute and recognition must have been enormous. But it is to the credit of the Team at GIC Re that it has not only overcome the challenge very

successfully but also created for itself a position in the world reinsurance industry very few would have imagined a decade back.

I must also acknowledge the phenomenal growth registered by GIC Re in the last few years, particularly the performance in 2010 when the net worth, total asset and the reserve have all grown substantially.

With this kind of growth and quality technical expertise and responsive innovation GIC has the potential to emerge as one of the top five (5) reinsurers of the World within a decade.



Mahendra Mehta

Chairman, Kenindia Assurance Company Ltd., Kenya

It is very creditable that an organization which was a holding company of four subsidiaries just a decade back could transform itself into a reinsurer of choice. While the first ten years of GIC Re have been full of achievements, the challenges are also big in the next decade.

During this journey GIC also expanded overseas and now a bulk of its revenue comes from the overseas market. It is heartening to see GIC emerge as a powerful reinsurer. During this period GIC also supported the new companies which had entered the sector quite well. In last year or so GIC has made inroads to the life insurance market and am sure this would also grow over a period of time.

For us at Bajaj Allianz General Insurance the support of GIC has been exceptional, I can say that we wouldn't have been where we are today without GIC's support. A big thank you to everyone at GIC and best wishes for the next decade.



Kamesh Goyal, Managing Director and CEO

Bajaj Allianz Life Insurance Co. Ltd. and Country Manager, Allianz.

GIC Re's changing role over the last 10 years is one to be highly commended. It has been operating against the backdrop of a domestic Insurance Market which has been going through a dramatic period of liberalisation. Along with this challenge GIC Re has been successful in serving the needs of its clients by providing not only significant capacity and pricing but also training and education. We have seen GIC Re move very quickly to balance its changing Indian portfolio through the expansion of its International business.

We have welcomed GIC Re to the London market where it is now an active player in assuming Reinsurance business. The challenge for GIC Re over the next decade will be continuing to invest astutely as it further develops into a truly global reinsurer.

We hope that, by using its first-hand knowledge, GIC Re will seize the initiative to expand in the arena of Agriculture and Micro insurance, not only in providing Reinsurance support within India but in the development of these products in prospective countries around the globe where GIC Re's expertise and knowledge can help to develop solutions for this vast potential need.

Henry C.V. Keeling

President & CEO, International Operations Guy Carpenter & Company Ltd



While privatisation has become the name of the game, we at GIC Re take immense pride in being a 100% government owned company. The government guides us in our policies and helps project GIC Re as the Indian Reinsurer. The recent visit of Mr. R. Gopalan, Secretary, Department of Financial Services, Ministry of Finance, Government of India was a high point in our calendar of events in 2010.

GIC Re being a government entity is subject to lots of checks and balances. However, this helps us conduct our business in a most transparent and orderly manner based on sound and established principles and policies. GIC Re was unscathed in the recent global

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New Initiatives

GIC Re has adopted best global practices to follow the finest principles of integrity, transparency, disclosure, accountability and risk management. Absolute adherence to these is ensured by the following committees:

Board Level Committees

- Investment Committee
- Audit Committee
- Ethics Committee
- ERM Committee

Management Committees

- Executive Committee
- Underwriting Committee
- IT Committee
- HR Committee

GIC Re has also adopted a Whistle Blower Policy

New IT and Risk Management Initiatives Project e-Thru

Aimed at removing inefficiencies and inaccuracies in transactions between GIC Re and Business Associates

Enterprise Risk Management

It develops a robust and dynamic risk governance structure

Business Continuity Planning SAP-ERP System

This addresses the requirements of Reinsurance, Investments, Accounts and HR. Foreign branches and other offices have been integrated into the system. Management Information System is in place & periodic reports are drawn.

CAT Modeling System is also being utilised.

Editorial Desk

Heartiest Congratulations on the completion of a wonderful 10 years of service to the Insurance Industry.

Emergence of GIC Re as a pure reinsurer which also coincided with the opening up of the Insurance sector was most timely. GIC Re played the role as a quality service oriented and responsive reinsurer with aplomb and emerged as the partner of choice across public and private sector.

The next 10 years are going to be epochial for our industry, economy and the nation and we look forward to GIC Re emerging as a top Global reinsurer.

Sandeep Bakhshi

Managing Director & CEO ICICI Prudential Life Insurance Company Limited



meltdown and while most of the economies suffered terrible recessionary consequences, for us it was business as usual and an opportunity to consolidate our gains. The visit and address of the then Central Vigilance Commissioner, Mr. Pratyush Sinha to the office of GIC Re was another such momentous occasion for us GICians.

To showcase our achievements to the world, GICReNEWS has been doing admirably well and in 2007 was awarded the Gold Prize for its endeavors under the category of New Publications by the Association of Business Communicators of India (ABCI).

A decade is a small step for us even as it may be a giant leap for most

I have seen GIC Re emerging from its corporate transformation to seize the commanding heights of the insurance sector as the Indian reinsurer of choice. GIC Re's core competence in reinsurance, soundness as a risk manager, and dynamic, farsighted management team have earned it respect across the world.

GIC Re is now taking advantage of its brand recognition by embarking on an ambitious foreign expansion agenda. I was also witness to the leadership's efforts to improve the work and perk-related conditions of employees.

As GIC Re embarks on its second decade in its new avatar, I am confident that we will soon be able to take pride in GIC Re's emergence as a powerful, globally-respected reinsurer.

Prof. Rajeev Gowda. *Ex-Director GIC Re & Chairperson, Centre for Public Policy :*

Professor, Economics and Social Sciences Indian Institute of Management Bangalore



"The Government of India took a wise decision in the year 2000 to make GIC Re a pure reinsurer. Clearly India needed a focussed Indian Reinsurer & GIC Re perfectly fitted the bill. GIC Re had tremendous knowledge in the Insurance field and was the best vehicle to transform as a focussed Reinsurer.

International Business in less penetrated markets must be tapped by GIC Re. I have seen GIC Re taking right steps in that direction. This strategy be pursued by GIC Re vigorously.

GIC Re has grown as a Reinsurer and has completed 10 years of existence. My compliments to GIC Re for this feat.

Kamlesh Vikamsey

Ex-Director GIC Re



corporates. India, a land obsessed with cricket is obsessed with centuries. It is no surprise that the record for most centuries is held by an illustrious Indian who incidentally is Mumbai based but lets his bat talk around the globe, GIC Re believes in much the same philosophy.

The next 10 years are important as also are the next 25, the next 50 and the next 100.

Lets all raise a toast to GIC Re.

Devesh Srivastava

MIAMI RHAPSODY

GIC Re has assigned the responsibility of catering to its clientele from the Caribbean Islands, Mexico, Brazil and Argentina to its London Branch. While transacting the reinsurance business from these regions, the Branch has been interacting with the intermediaries and companies from the regions and has been getting an insight into their operations and their reinsurance specific needs.

Interestingly, some of the major players based in the US city of Miami exclusively write re/insurance business from the Caribbean and Latin America. Emergence of Miami as a major reinsurance market for these regions is not surprising. One of the main factors responsible is, its proximity to the Caribbean Islands and Latin America. In fact, Miami serves as the headquarters of Latin American operations for many multinationals from different sectors of business. Yahoo, Oracle, Cisco, FedEx, Microsoft, American Airlines, Disney, Exxon, Sony, and Wal-Mart are some of the big names who have chosen Miami to locate their Latin American Head Quarters.

The Latin American clients of these corporations find Miami a very comfortable place for transacting business as majority of the Miamians speak Spanish as their first language and a significant portion of the population is either Hispanic or Latino American. A bit more on these two words - a Hispanic is a Spanish speaking person (originating from any country) while a Latino is a person of Latin American origin. This distinction would blur for a Spanish speaking Miami resident where these two terms are used interchangeably. However, if a Miami resident is of Latin American origin, it would be best to call him a Latino American (although he speaks Spanish) as he may find the term 'Hispanic' offensive and the term Latino may be a matter of ethnic pride for him. Coming back to the factor being highlighted here, the Latin American clients feel at home in this city.

Connectivity with Caribbean Islands and Latin America is another major factor for Miami becoming a hub for business from these regions. There are daily flights to at

least twelve Caribbean destinations from Miami. Many professionals visiting Caribbean islands are most likely to travel via Miami. Almost all the major cities in Latin America are connected with Miami. Miami International Airport and the Port of Miami are among the nation's busiest ports of entry, especially for cargo from South America and the Caribbean. Connectivity is probably both a cause as well as a result of this city becoming a business Hub.

The tropical monsoon climate also makes Miami an attractive place for business. Being a tourist destination, visitors may find it easy to add a bit of pleasure to a business visit. While the summers are humid the winters are warm. Miami receives abundant rainfall, one of the highest among major U.S. cities. Most of this rainfall occurs from mid-May through early October. Our friends in Mumbai are likely to find all this too familiar. But there is one major difference - this city has a hurricane season as well! The hurricane season begins in June and continues till the end of November. Statistically, Miami is the most likely major city in the world to be struck by a hurricane! However, the city has been fortunate, as it has not been hit directly by any Hurricane after the Hurricane Cleo in 1964 though several hurricanes such as Andrew, Katrina and Wilma did affect the city albeit less seriously.

But, looking at Miami as an important place for Latin American / Caribbean operations only, would not do full justice to the city. It is a major center of commerce, finance and has a strong international business community. Several large companies such as Bacardi, Burger King, Telefónica USA, U.S. Century Bank, World Fuel Services etc. have their head quarters located in or around the city of Miami which incidentally is the 42nd largest city in the United States. It is the fourth-largest urbanized area after New York, Los Angeles, and Chicago with a population of about 5.5 million. It is a truly an international city with year-round good air quality, wide and well-planned roads

clean streets, vast green spaces, clean drinking water and tourist friendliness.

The most significant reinsurers operating in Miami are Everest Re, SCOR, Odyssey Re, Partner Re, Transatlantic Re, Travelers, Endurance, Catlin, Validus and Liberty. Everest Re with a premium income of about USD 400m appears to have the largest market share. The Miami offices of these companies exclusively write Caribbean and Latin American business and do not write any US business. It is gathered that Non-marine Treaty is the most important type of business transacted by these companies while less of facultative business is placed here. Most of the offices of insurance, reinsurance, broking companies are situated around Brickell Avenue, which is the financial district and "Manhattan of the South". You may also find familiar intermediary names such as AonBenfield, Guy Carpenter, Willis, CooperGay etc. here. While a Latin American Company is most likely to prefer Miami as the first destination for placing their programmes (outside of its own territory), Caribbean companies tend to choose and/or distribute their programmes between Miami and London.

No wonder, that the 2nd Caribbean Rendezvous of Aon Benfield was held at Miami during November, 2010. This conference was attended by reinsurers, insurers and clients dealing with Aon Benfield. As the event provides a useful forum where the participants can discuss and deal with topical relevant issues, GIC Re was represented for the first time at the Rendezvous. There is a greater likelihood of the meetings held with insurers/clients translating into business at this event because of the format of the event where longish discussions specific to particular contracts are held.

Miami is truly a growing hub for Latin American and Caribbean reinsurance business with its livin' la vida loca flavour which one might find quite distinct from other reinsurance markets in the world.

Sanjay Mokashi

BROKERS MEETING -2010

Reinsurance brokers operate globally and possess the experience & expertise that provides value to reinsurers. They possess a better knowledge of the market and also understand the operating system of the insurance and reinsurance business.

The reinsurance brokers, with their intimate knowledge of the primary and reinsurance markets help clients optimize their capital and capacity utilisation. They also enjoy information on changes in regulatory requirements, understanding of the competitive market dynamics; understanding of clients' business goals, targets and business philosophy.



Reinsurance brokers with skill, experience & knowledge of markets are well positioned to support companies beyond the placement of reinsurance. They thus possess a special place in reinsurance marketplace.

Reinsurance is a business of relationships and GIC Re has always believed in building and strengthening relationships with all its stakeholders. To facilitate a free exchange of views and draw on the wisdom of the insurance brokers' community we organize an annual year-end Meeting with Brokers at Mumbai. This annual get-together for the year 2010 was organized on 6th

December 2010 at Cricket Club of India. It was an informal gathering where representatives of —reinsurance brokers associated with GIC Re interacted with the top management of GIC Re.

CMD Mr. Yogesh Lohiya in his opening address appreciated the support provided by the brokers and thanked them for being a crucial part of GIC Re's progress over the last few years. He informed them of GIC Re's climb to 16th position in the S&P ranking of top global reinsurers on the basis of net premium written. In his brief address, he also touched upon various initiatives taken by GIC Re management



that will ensure orderly growth. He elucidated the steps taken to ensure governance and proper & systematic business operations. He mentioned initiatives taken in different areas, especially in human resource

management and Information Technology. Mr. Lohiya also informed the invitees about GIC Re's third branch and fourth overseas office that has now become operational in Malaysia.

This was followed by a presentation made by General Managers Mr R. Raghavan and Mr Sujay Banarji about GIC Re's performance and plans. Mr Banarji began the presentation by making a mention of GIC Re's plan to achieve a 50-50 split in its Domestic & Foreign business by 2015. He expressed confidence of achieving the target much ahead of the planned date, keeping in view the strength of GIC Re's capital, solvency, credit rating and support from business partners. He also gave an overview of capacities offered by GIC Re and its financial performance. Mr. Banarji expressed the hope that brokers will continue to support GIC Re's plans in future as well.

General Manager Mr. Raghavan spoke about the Enterprise Risk Management (ERM) exercise undertaken in GIC Re. He said, to support the fast growing business, an ERM architecture is ready and a properly drawn up & tested Business



Continuity Plan is in place at GIC Re. He also made a mention of the 'E-thru' project undertaken by GIC Re which has a direct & meaningful involvement of business partners in streamlining information flow, reducing paper flow and enabling straight through processing.

The Broking fraternity had a good time taking discussions further over dinner. Participants appreciated GIC Re's initiative of holding annual meets and informing its plans, strategies and goals that go a long way in furthering the mutual association and consolidating the already strong relations developed over years.

Deepak Godbole

A decade of successful and purposeful service of the nation, after being assigned a new role of National Reinsurer, is a proud moment for everyone connected with GIC Re. The support provided by GIC Re to the entire general insurance industry, has been commendable. Providing reinsurance solutions, managing various pools and providing capacities to the market, GIC Re has helped the industry to grow to the present level.

GIC Re has become a preferred reinsurance solutions partner, particularly to the Afro-Asian markets. With the present ratings and financial strength, I have no doubt that GIC Re will not only become a dominant reinsurance player in this part of the globe, but will also play a meaningful role in the developed world.

On completion of a decade in the new role, I salute the entire staff, officers of the company and wish them a bright future.

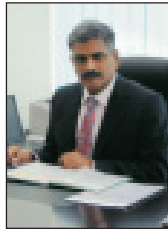
K C Mittal

Ex-Chairman, GIC Re



MALAYSIA OFFICE

Southeast Asia is an exciting and rapidly developing insurance/reinsurance market. GIC Re believes that Insurance Markets in ASEAN region will continue to grow in spite of global economic down trend.



To serve these exciting South East Asian markets at their door steps, GIC Re has established a new branch at Labuan, Malaysia and the operations of the new branch commenced on 11th of November 2010. The new branch would run under the name of "General Insurance Corporation of India, Labuan Branch".

GIC Re Malaysia office will have jurisdiction of following ASEAN countries:- Malaysia, Singapore, Thailand, Indonesia, Myanmar, Philippines, Vietnam, Cambodia, Laos and Brunei Darussalam.

All business relating to these countries previously transacted by GIC Re HO, Mumbai has been transferred to GIC Re Malaysia Branch. Mr. Charles Asirvatham, AGM is the Resident Manager and Principal Officer. The branch is manned by experienced underwriters (Treaty/FAC) with necessary back office infrastructure. The office has on-line SAP connectivity with our core insurance solutions at Mumbai having state-of-the-art facilities with full underwriting authority and treasury functions.

GIC Re Malaysia Branch apart from writing conventional business can also underwrite Re-takaful, Life Re and Agri Re business emanating from ASEAN countries.

GIC Re has vast experience in handling micro insurance and mass based insurance schemes for agrarian

economies. This will help design suitable micro/mass based schemes for direct companies in ASEAN region.

The new branch has the same underwriting authority as GIC Re HO Mumbai. As such the new branch can handle all classes and types of business with ease. The Branch has also authority to settle claims independently.

The contact details of the new branch are:

General Insurance Corporation of India,
Kuala Lumpur Marketing Office,
Unit A-23A-1, Level 23-A
UOA Bangsar, 5, Jalan Bangsar
59000 Kuala Lumpur, Malaysia
Phone: +603 22820670
Fax: +603 22820680
email: charles@gicmalaysia.com.my
treaty@gicmalaysia.com.my

VISITS TO BUSINESS PARTNERS

In keeping with the objective of achieving a 50:50 mix of domestic and foreign portfolio GIC Re is enhancing its physical presence in different parts of the world. At present, GIC Re is having three branch offices London, Dubai and Kuala Lumpur. The representative office in Moscow plays an important role of a liaisoning for Russia & CIS countries.

To strengthen its business relations with the clients, the marketing teams of GIC Re undertake periodic visits to overseas clients regularly and also attend global con-

ferences/ seminars.

This year too during October-November 2010, GIC Re organized visits to 16 markets by 9 teams of executives covering mainly Africa & Asia Pacific. This year, GIC Re executive teams could visit business partners in Bangladesh, Srilanka, China, Taiwan, Hong Kong, Thailand, South Korea, Kenya, Nigeria, Uganda, Tanzania, Turkey, Greece, Israel, Australia & New Zealand.

It is said that 'reinsurance is relationship based business' and what could be better for about 100 business partners of GIC Re to see its executives flying all the way from India to meet them at their work place face to face and affording them an opportunity to know about its performance and plans?



And, the response from many companies visited was in that direction and was abundantly encouraging. While balance sheet data and credit rating gives GIC Re's business partners a high level of comfort in having business deals, personal contact could be said to be 'the icing on the cake'.

The message from GIC Re certainly was 'lets be trusted business partners' or rather 'lets be partners in progress'.

Deepak Godbole



IFRS- SOLVENCY II

There is an old concept of a Black Swan which states that viewing thousands of 'White swans' do not establish the fact that 'Swans are white', but noticing one 'Black swan' defies the entire premise. There lies the risk of unexpected events.

GIC Re, as a global reinsurer accepts risks from a wide range of insurance companies around the world. One may often wonder, what gives these companies confidence that GIC Re will pay their claims come what may? What gives them comfort is the financial strength, capital resources & solvency position that GIC Re has. And solvency is measuring of the quantum of capital an insurance company possesses. Thus, we come to our topic - solvency."

Insurance is a business of indemnifying losses. Risk is at core of activities and its capital is subject to many risks. But whether there is sufficient capital for various risks underwritten? Solvency Margin is an indicator which ensures that the insurers are maintaining enough capital to pay its liabilities and thus ultimate consumers' interest is protected. Regulators can monitor the health of the insurer through this indicator and intervene and instruct to infuse more capital, in case solvency margin is eroded substantially.

In India, Insurance Regulatory and Development Authority (IRDA) has prescribed minimum solvency ratio of 1.5 for non-life insurance companies. This ratio is worked out by considering net assets after adjustments (Available Solvency Margin) over required assets depending upon Premiums or claims for various classes (Required Solvency Margin).

European Union (EU) has issued directives regarding solvency since 1970 for insurers in member European countries. Solvency I refers to changes to EU's solvency regime for financial year beginning on 1st January 2004. Calculation of solvency margin under this regime is detailed but straightforward method which is based on assets net of liabilities as also premiums and average claims. It provided that the insurers should maintain 'Guarantee fund', which is one third of required solvency margin. Solvency I did not fundamentally change the requirements,

but the process of making the changes, resulted in wide-ranging reform – hence Solvency II.

What is solvency II

Solvency II is a revised set of capital requirements and risk management standards for the European insurance industry. As per directive, Solvency II will apply to all insurance and reinsurance firms with gross premium income exceeding • 5 million or gross technical provisions in excess of • 25 million from 1st November, 2012.

The regulations are based on a three pillar system.

Pillar 1 - This is a set of rules for financial strength of the insurer. Under this, norms of Minimum Capital Requirement (MCR), Solvency Capital Requirement (SCR) are given.

Solvency Capital Requirement will be based on analysis of the type of insurance risks, premiums received, probability of claims and working of technical reserves and solvency capital from standard formula or internal model. This represents the capital required to ensure that the insurance company will be able to meet its obligations over the next 12 months with a probability of at least 99.5%.

Minimum Capital Requirement is that part of capital which must be maintained to

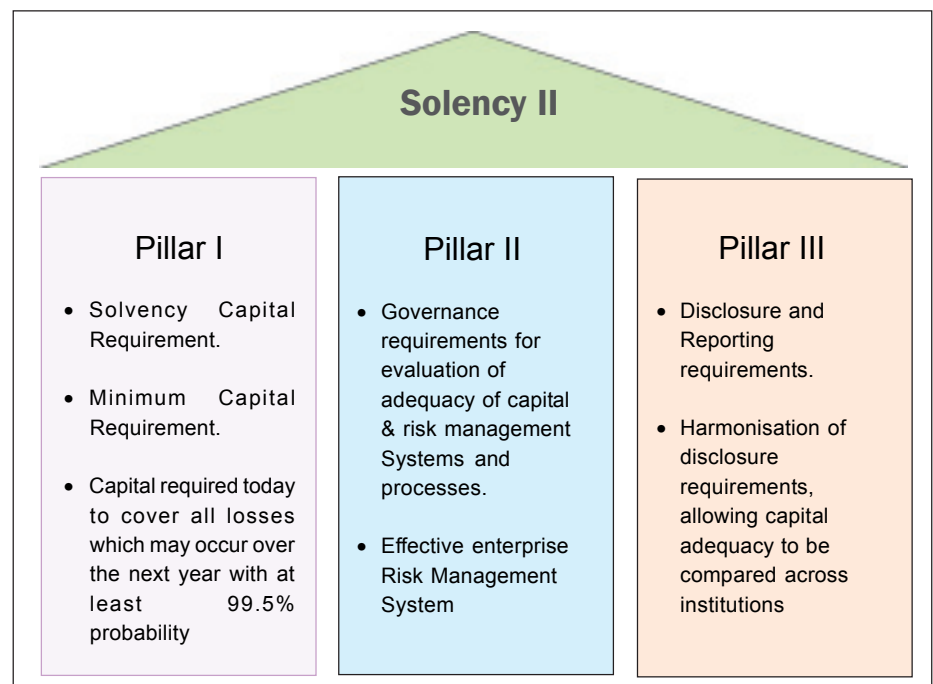
ensure safety of policyholders' fund and therefore must be maintained in addition to SCR. MCR cannot fall below 25%, or exceed 45% of an insurer's SCR.

Pillar 2 – This includes governance requirements for evaluation of adequacy of capital and risk management systems and processes. Under these regulations, firms need to assess and manage the risks to which they are exposed and to assess their own capital needs and maintain that capital and the same is subject to supervisory review.

Therefore, an insurer must have an effective risk management system considering all risks, where Risk and capital management is integrated so that the insurer holds sufficient capital against risks.

Review Process will be carried out by the supervisory authority in reviewing insurance and reinsurance undertakings, ensuring compliance with the Directive requirements and identifying those with financial and/or organisational weaknesses susceptible to producing higher risks to policyholders.

Pillar 3 - This requires regulated firms to disclose publicly, key information that is relevant to market participants, thereby market discipline is maintained. The reporting will be uniform and consistent.



Insurers need to disclose more information publicly than at present. It may be in the form of Annual Solvency and Financial Condition Report. Also further information is required to be provided to Supervisory authorities as per their formats.

Financial Models

In principle, the Solvency Capital Requirement (SCR) will be determined as the 99.5% Value-at-Risk (VaR) of the Available Capital over a 1-year time horizon, i.e., the capital required today to cover all losses which may occur over the next year with at least 99.5% probability. There are two alternative approaches to calculate;

1.) Standard Model - In standard model, the capital requirement is evaluated for the separate risk classes via a combination of stress tests, scenarios and factor-based capital charges. The model includes underwriting, market, credit default and operational risks, based on aggregations of sub-risks, such as market interest rate risk and non-life underwriting CAT risk.

2.) Internal Model - An internal model incorporates identification, measurement and modeling of a company's key risk components and their correlations. An internal modeling framework works best with proper data management, actuarial and modeling expertise and a powerful simulation platform. In an internal model, the development of the entire balance sheet of an insurer needs to be determined for a one-year horizon. On this horizon the available capital needs to exceed the SCR with 99.5% certainty.

The concept of an "internal model" effectively refers to an enterprise-wide risk management framework. It covers both the quantitative requirements of Pillar 1 and the organizational and governance requirements of Pillar 2.

Thus it can be observed that the new solvency regime is risk based. It entitles insurers to calculate their own individual solvency capital requirement taking into account the risks they face. Capital requirements can be assessed using either an internal model or a standard formula. It prescribes changes in corporate governance, risk quantification and management, and financial reporting.

Regulators will play lead role of monitoring and supervision.

Implementation Process

European Union has an organised method of executing economic reforms, which is called Lamfalussy four-level process. This includes 'Level 1, where framework principles are set out, then under 'Level 2', detailed implementing measures that are needed to operationalise the reforms are developed. Subsequently 'Level 3 consists of guidance where Interpretation recommendations, consistent guidelines and common standards are issued. And then Level 4 comes in to operation where more vigorous enforcement action is taken by enhanced cooperation between member states, regulators and the private sector. Solvency II is being implemented accordingly.

Issues involved in implementation of Solvency II

Solvency II is under implementation and regulators in European Countries are actively working towards achieving the target date. However, Insurance companies' executives have made different statements on these reforms.

Insurers have expressed concern that Solvency II could lead to significantly higher capital requirements. As capital needs to be allocated on the basis risk underwritten, the more risky business will require more capital.

Further, if capital is truly assessed against the risk taken, then this should allow most insurers to get to the right price. Insurers have to be more efficient for their decision regarding distribution channel, geography and product. That could potentially be a catalyst for driving to a hard market.

Some smaller insurers may have difficulty meeting the Solvency II requirements, leading to mergers and acquisitions.

As tough capital requirements will be imposed on non-life insurers, reinsurers could see an increased demand for their services as a means of moderating risk.

Insurers will need to shift their product mix and achieve business diversification. There'll also be "a stronger focus on asset liability management, e.g. hedging, risk management and reinsurance."

Small and medium firms will struggle. They generally take a more standard approach and are more conservative and more

expensive in capital terms. The large diversified firms with big operations should see benefits and should get a competitive advantage.

Even though these views are expressed by various authority figures, all insurers and reinsurers in Europe are gearing up for the change.

Conclusion

"Solvency II is not just about Capital. It is a change of Behaviour" says Mr. Thomas Steffen, Chairman of Committee of European Insurance and Occupational Pensions Supervisors.

Shift to become aware of risks involved, makes the insurer more capital-efficient and more profitable. If you have a precise understanding of the risks inherent in your business you can address them accurately, allocating resources in a targeted way without wasting capital. Financial Model, which is essential part of Solvency II, is not very cumbersome now due to various software products available to help this process. The results of these calculations may give rise to change in strategic decisions like Investment Strategy, Reinsurance strategy and Product pricing etc. Therefore many insurers are finding opportunities to strengthen their operations, create a more informed basis for decision making and emerge stronger from the shake-up ahead. In the long-term, Solvency II will contribute to the development of global standards for both risk management and accounting.

Indian Insurance Sector is preparing itself for new accounting regulations i.e. IFRS. Our regulators have introduced Financial Condition Report (FCR), which includes analytical information about the companies' results, provisioning, reserves as also details relating to Reinsurance and Risk Management strategies. The concept of 'Economic Capital' is being discussed in our industry. These are the steps towards ensuring sufficient capital. So we are not very far away from adopting Solvency II regime. It's just a matter of time, and being an international player our policies have to be in tandem with the best practices being followed across the globe

Jayashree Ranade

10 GLORIOUS YEARS OF GIC Re



An Appeal to Our Readers

We welcome your feedback on the layout, contents and presentation of GIC ReNEWS.

GIC Re employees are welcome to send in their write-ups for publication in the next issue of the newsletter.

Readers can send in their feedback to the mail id: gicrenews@gicofindia.com

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