

July 22, 2020

Lead analysts:

Alla Borisova, Associate Director
+7 (495) 139-0480, ext. 153
alla.borisova@acra-ratings.ru

Alexey Bredikhin, Director
+7 (495) 139-0483
alexey.bredikhin@acra-ratings.ru

Key rating assessment
factors

ACRA assigns AA(RU) to “GIC Perestrakhovanie” LLC, outlook Stable

The credit rating of “GIC Perestrakhovanie” LLC (hereinafter, the Company) is based on the strong financial profile and moderately strong business profile coupled with adequate management and the very high likelihood of extraordinary support from the parent company, which has high creditworthiness.

“GIC Perestrakhovanie” LLC is a recently established reinsurance company and is a wholly owned subsidiary of General Insurance Corporation of India (hereinafter, GIC Re, the Supporting Organization, or the SO). GIC Re is a state-owned reinsurance company. In 2018, it ranked 11th globally in terms of reinsurance premium size. The Company will provide reinsurance coverage to insurance companies based in Russia and other FSU (Former Soviet Union) countries.

Moderately strong business profile. GIC Re has operated on the Russian market for more than 15 years. The Company will enter into reinsurance contracts using the existing client base and underwriting approaches approved by the SO. The largest part of insurance risk will be transferred to the GIC Re via a retrocession mechanism. In view of historical data and the Company’s plans, ACRA assumes that the Company will rank 7th to 9th among Russian companies in terms of reinsurance premium volume and hold a market share of 2–3%.

According to ACRA’s criteria, the diversification of the client base is expected to be below average due to the relatively high share of major assignors. The diversification of sales channels is assessed as no lower than average because the Company works with a large number of brokers and will also enter into contracts without resorting to intermediaries. ACRA views the quality of the range of products offered by the Company as high because the Company can make use of the underwriting expertise of the SO and offer its clients coverage against a broad spectrum of insurance risks, excluding personal insurance.

In the near future, ACRA assumes that the rate of growth of the Company’s reinsurance premium, calculated taking into account the historical data of GIC Re, may lag behind the market averages in connection with the recent downgrade of the SO’s credit rating by one of the international rating agencies. At the same time, ACRA expects operating efficiency to be high given the comparatively low level of losses (around 70% for the past five years).

The strong financial profile stems from the high capital adequacy, high quality of assets, and strong liquidity. These estimates are determined by the conservative policy of the Company with regard to insurance risks and asset risks.

The ratio of available capital to capital at risk, calculated according to ACRA’s methodology, is 3.7, which contributes to the high capital adequacy of the Company. In addition, the SO is expected to inject capital into the Company by the end of this year.

The high assessment of the quality of assets is related to the fact that the Company invests primarily in low-risk assets and maintains a high capital to asset ratio. The Company’s plans involve keeping this indicator at no lower than 0.3 over the next three years. The high concentration of assets affects the final assessment of their quality.

The strong liquidity stems from high assessments of liquidity ratios. According to the Company’s business plan, the short-term and long-term liquidity ratios should range from 1.3 to 1.5 in the next three years.

The quality of management of the Company is adequate, based on the positive assessment of the experience and structure of management, and also the risk management and corporate governance standards. Other components of the factor were rated as neutral.

Very high likelihood of extraordinary support from the Supporting Organization. In ACRA's opinion, the SO can provide sufficient long-term and short-term financing to the Company if necessary and perform capital injections. ACRA assesses the country risk of the SO's jurisdiction (India) against the country risk of Russia as comparable. ACRA assesses the SO's creditworthiness as strong.

The degree of integration between the Company and the SO is assessed as very strong in view of the following:

- Deep operational integration between the Company and the SO (the Company's corporate governance standards and risk management system are established in accordance with the intragroup approaches of the SO);
- GIC Re provides a full and unconditional guarantee to all the Company's counterparties who have entered into reinsurance agreements;
- GIC Re provides reinsurance coverage for all the types of insurance risks in the Company's portfolio;
 - The Company carries out its functions as part of the SO's strategy in the Russian and the other FSU markets, which have significant growth potential.

Given the small size of the Company compared to the SO and the potential significant reputational risks for GIC Re should the Company go bankrupt, ACRA expresses its opinion on the level of support from the SO by adding three notches to the SCA of the Company.

- Achieving the operating efficiency and balance sheet structure indicators set out by the Company's business plan.

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Higher business profile assessment and stabilization of growth rates at a level no lower than the average market indicators.

A negative rating action may be prompted by:

- Lower assessment of the SO's willingness to provide extraordinary support.

SCA: a.

Adjustments: none.

Support: SCA + 3 notches.

Key assumptions

Potential outlook or rating changes factors

Rating components

Issue ratings

Regulatory disclosure

No outstanding issues have been rated.

The credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Insurance Organizations on the National Scale for the Russian Federation](#), the [Methodology for Analyzing Relationships Between Rated Entities and Supporting Organizations Registered Outside the Russian Federation](#), and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

A credit rating has been assigned to "GIC Perestrakhovanie" LLC for the first time. The credit rating of and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on the data provided by "GIC Perestrakhovanie" LLC, information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the GAAP statements of "GIC Perestrakhovanie" LLC. The credit rating is solicited, and "GIC Perestrakhovanie" LLC participated in its assignment.

No material discrepancies between the provided information and the data officially disclosed by "GIC Perestrakhovanie" LLC in its financial statements have been discovered.

ACRA provided no additional services to "GIC Perestrakhovanie" LLC. No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2020

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bln. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – www.acra-ratings.com/criteria.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – www.acra-ratings.com. Information is provided on an “as is” basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by legislation of the Russian Federation.