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Key rating assessment  
factors

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

The credit rating of “GIC Perestrakhovanie” LLC (hereinafter, “GIC Perestrakhovanie” LLC, or 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 reinsurance company that is a wholly owned subsidiary of General Insurance Corporation of India (hereinafter, GIC Re, the Supporting Entity, or the SE). GIC Re is a state-owned reinsurance company. In 2019, it ranked 16<sup>th</sup> globally in terms of reinsurance premium size. “GIC Perestrakhovanie” LLC received a license and began carrying out reinsurance operations in 2020. The Company provides 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. “GIC Perestrakhovanie” LLC enters into reinsurance contracts using the existing client base and underwriting approaches approved by the Supporting Entity. The largest part of insurance risk is transferred to GIC Re via a retrocession mechanism.

According to ACRA’s criteria, the concentration of the client base is sufficiently high due to the relatively high share of major assignors. The diversification of sales channels is assessed as average because the Company works with a large number of brokers and enters into contracts without resorting to intermediaries. ACRA views the quality of the range of products offered by the Company as high because “GIC Perestrakhovanie” LLC can make use of the underwriting expertise of the SE 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 downgrade of the SE’s credit rating by an international rating agency last year. At the same time, ACRA expects the Company’s 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 taking into account the conservative policy of the Company with regard to insurance risks and asset risks.

The ratio of available capital to capital at risk, calculated as of March 31, 2021 according to ACRA’s methodology, is 2.2, which contributes to the high capital adequacy of the Company. In addition, “GIC Perestrakhovanie” LLC received a capital injection from the SE in Q2 2021.

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. As of March 31, 2021, this indicator was 0.48. The high concentration of assets affects the final assessment of their quality.

The strong liquidity stems from high assessments of liquidity ratios. The Company’s short-term and long-term liquidity ratios were 1.7 and 2.0, respectively, as of March 31, 2021.

**The quality of management** of “GIC Perestrakhovanie” LLC is adequate, taking into account the positive assessment of the experience and structure of management, and also the risk management and corporate governance standards. Other components of the factor are assessed as neutral.

**Very high likelihood of extraordinary support from the parent company.** In ACRA’s opinion, the SE can provide sufficient long-term and short-term financing to the Company if necessary and perform capital injections.

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

- Deep operational integration between the Company and the SE (the Company’s corporate governance standards and risk management system are established in accordance with the intragroup approaches of the SE);
- 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 operates under the SE’s strategy in the Russian and other FSU markets, which have significant growth potential.

Given the small size of the Company compared to the SE 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 SE by adding three notches to the standalone creditworthiness assessment (SCA) of the Company.

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

## Key assumptions

## Potential outlook or rating changes factors

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:

- Improved assessment of the SE’s creditworthiness.

### A negative rating action may be prompted by:

- Worsened assessment of the SE’s creditworthiness;
- Lower assessment of the SE’s propensity to provide extraordinary support.

## Rating components

**SCA:** a.

**Adjustments:** none.

**Support:** SCA + 3 notches.

## Issue ratings

There are no outstanding issues.

## Regulatory disclosure

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 Rated Entities Associated with a State or a Group, and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

The credit rating of “GIC Perestrakhovanie” LLC was published by ACRA for the first time on July 22, 2020. The credit rating 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 data provided by “GIC Perestrakhovanie” LLC, information from publicly available sources, and 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.

In assigning the credit rating, ACRA used only information, the quality and reliability of which was, in ACRA’s opinion, appropriate and sufficient to apply the methodologies.

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

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