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## FOR IMMEDIATE RELEASE

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### **AM Best Revises Issuer Credit Rating Outlook to Stable for General Insurance Corporation of India**

**SINGAPORE, 17 September 2021**—AM Best has revised the Long-Term Issuer Credit Rating (Long-Term ICR) outlook to stable from negative and affirmed the Financial Strength Rating (FSR) of B++ (Good) and the Long-Term ICR of “bbb+” (Good) of General Insurance Corporation of India (GIC Re) (India). The outlook of the FSR is stable.

The Credit Ratings (ratings) reflect GIC Re’s balance sheet strength, which AM Best assesses as strong, as well as its adequate operating performance, favourable business profile and appropriate enterprise risk management (ERM). In addition, the ratings factor in a neutral impact from the company’s ultimate majority ownership by the Government of India.

The revision of the Long-Term ICR outlook to stable from negative reflects improvement in the company’s key balance sheet strength fundamentals in fiscal year 2021. Prospectively, AM Best expects GIC Re’s balance sheet strength will remain underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). Although AM Best expects the ongoing COVID-19 pandemic and challenging market conditions to continue to pressure the company’s underwriting and investment activities over the near to medium term, the overall operating results are expected to remain profitable. In addition, AM Best expects GIC Re to continue to demonstrate improvements in its ERM.

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In fiscal year 2021, the company’s risk-adjusted capitalisation rebounded to the strongest level, as measured by BCAR. This follows a notable recovery in GIC Re’s shareholders’ equity, which had seen a sharp decline in fiscal year 2020 due to unrealised market value losses from investments. In addition, the company reported an improvement in its regulatory solvency position in fiscal year 2021, after it dropped to marginally above the regulatory minimum requirement in fiscal year 2020. However, AM Best views the company’s regulatory solvency position to remain sensitive to changes in future underwriting performance.

AM Best assesses the company’s operating performance as adequate as evidenced by GIC Re’s track record of profitable operating results over the past five years, aside from fiscal year 2020 when the company reported a pre-tax operating loss due to weakened underwriting and investment performance. Given the consistently loss-making underwriting performance over the past five years, the company’s overall operating results remain reliant on investment income (including realised gains on trading securities) to offset technical losses, with the balance of earnings not expected to change materially over the near term.

The business profile assessment of favourable reflects GIC Re’s position as a leading reinsurer in India, with an approximate 75% market share based on ceded domestic written premium. The company continues to have close relationships with direct insurers in India, and local regulations provide GIC Re with a competitive advantage in obtaining domestic reinsurance placements. In addition, the company maintains a geographically diversified underwriting portfolio, with over 35% of business sourced outside of India in fiscal year 2021.

AM Best views GIC Re’s ERM as appropriate given the current size and complexity of its operations. The company continues to target improvements in its risk management capabilities, as well as develop its risk culture and governance. These areas of improvement are expected to be supported by the strengthening of data quality and actuarial tools, as well as reinsurance systems and controls over the medium term.

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