



Chairman and Managing Director

July 03, 2020

Dear All,

AM Best has downgraded the financial strength credit rating of General Insurance Corporation of India (GIC Re) below A- (Excellent) negative outlook, to B++ (Good) with stable outlook.

The revision is based on the financials as at 31.03.2020. The principal driver behind the revision is the impact of financial market volatility as a global consequence of the Covid-19 pandemic.

GIC Re had total assets of INR 1,16,196 Crores (excess of USD 15bn) and net worth of INR 35,425 Crores (excess of USD 4.5bn) as at 31.03.2020. The domestic exposure of GIC Re to Covid-19 insurance claims is extremely limited.

It may be noted that while capital and surplus had gone down by around 30% as at 31.03.2020, this has since improved in line with the global equity markets and will be reflected in our next financial statements. Overall our investment portfolio is weighted approximately 75% towards gilts, 20% equities and 5% other investments.

GIC Re fully recognises the recent under performance of elements of the portfolio and has already taken decisive actions in both portfolio composition and terms and conditions. We are pleased that AM best recognises these significant actions. India did see some abnormal monsoon behaviour during 2019-20, which resulted in heavy agricultural losses for GIC Re. In response, GIC Re cut its domestic agriculture capacity by 45%. Agriculture, which formed about 30% of the risk portfolio on the back of government supported national crop scheme, is set to come down to about 18% during 2020-21. Thus, a major source of strain on GIC Re's financials has been already addressed as at the date of this communique.

GIC Re has already led decisive action on the domestic Indian property portfolio in 2019/20. These improvements will better the financial results going forward. These together with supplemental measures on the underwriting discipline and portfolio rebalancing will put GIC Re on the path of sustained underwriting profitability.

We have thus already addressed all the major issues within our control of profitability and portfolio size. We have taken further action to strengthen our balance sheet by increasing our outwards reinsurance purchases on the domestic portfolio by 37.5 percent, growing in size from USD 2.1Bn for 2019-20 to USD 2.7 Bn for 2020-21, using high credit quality retro-cession counterparties.



भारतीय साधारण बीमा निगम

**General Insurance Corporation of India
(Government of India Company)
CIN: L67200MH1972GOI016133 IRDA REG NO.: 112**

"SURAKSHA", 170, J. Tata Road, Churchgate,
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Our Syndicate 1947 at Lloyd's and our subsidiaries at Johannesburg and Moscow stand on their own rating and are unaffected. They will continue to provide a high degree of service to their clients with the full backing of the parent.

With over a 75% market share in India based on strong domestic relationships and preferential right to GIC Re in domestic placements, the market position of GIC Re remains undiminished.

GIC Re continues to enjoy the full and unqualified support of our key shareholders and remains circa 85% owned by the Indian Government.

GIC Re continues to value its stature, its relationships and its competitive ethics. It values the contribution it has been making and looks forward to continue to make to client's businesses. It has stood by its clients and markets on a long-term relationship basis and avoided taking a path of opportunistic alliances, tactical gains and legalistic positions. We believe that this is the right philosophy and remain committed to our approach despite the difficulties faced by us. We remain confident that we will, on the strength of position outlined above sustain our relationship with you and sail through these temporary headwinds.



Devesh Srivastava

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