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## FOR IMMEDIATE RELEASE

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

**SINGAPORE, 6 October 2022**—AM Best has revised the Long-Term Issuer Credit Rating (Long-Term ICR) outlook to negative from stable 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 negative from stable reflects AM Best’s view of increasing pressure on GIC’s Re’s ERM assessment. In fiscal year 2022, the company’s financial accounts have been subject to a qualified audit opinion in respect of the reconciliation of receivables and payables, indicating deficiencies in internal financial controls. In addition, whilst management has taken action to strengthen the company’s ERM framework over recent years, the company’s risk culture and governance are viewed to be evolving at this stage.

GIC Re’s balance sheet strength assessment is underpinned by its risk-adjusted capitalisation, which remained at the strongest level at fiscal year-end (31 March) 2022, as measured by Best’s Capital Adequacy Ratio

—MORE—

—2—

(BCAR). In addition, the company's regulatory solvency ratio has strengthened over recent periods, although it remains sensitive to underwriting performance. Other balance sheet strength considerations include GIC Re's high risk investment portfolio with substantial equity holdings, which has historically subjected the company's reported capital and surplus to volatility due to unrealised equity investment movements.

The company's operating performance is assessed as adequate. GIC Re has reported positive operating results over the past five years with an average return-on-equity ratio of 3.9% (fiscal years 2018–2022). Although underwriting performance has been consistently loss-making over the past five years with an average combined ratio of 109.3%, the company has exhibited improvements in technical metrics in recent periods as a result of implementing portfolio remediation measures. Overall operating results remain reliant on investment income (including realised gains on trading securities) to offset underwriting 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 70% market share, based on ceded domestic written premium in fiscal year 2021. 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 around 35% of business sourced outside of India in fiscal year 2022.

**Ratings are communicated to rated entities prior to publication. Unless stated otherwise, the ratings were not amended subsequent to that communication.**

**This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office**

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—3—

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