



General Insurance Corporation of India as a reinsurer- Challenges and prospects in current scenario

Rahul Shukla¹, SK Shukla²

¹ Research Scholar, Department of Commerce, University of Lucknow, Uttar Pradesh, India

² Supervisor, Department of Commerce, University of Lucknow, Uttar Pradesh, India

Abstract

Till the year 2016 General Insurance Corporation of India was Sole reinsurer in the Indian reinsurance market. Thereafter competitors have been entered into the Indian reinsurance market in the form of branch offices of foreign reinsurance Companies. Entry of these foreign competitors have broken the monopoly status of GIC Re. So, we can say that these entrants are big challenges in front of GIC Re. Despite these challenges GIC Re is maintaining its dominant position in domestic market with more than 70% market share.

This paper is an attempt to study the various challenges are being faced by GIC Re and Prospects available to GIC Re.

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Keywords: Reinsurance, insurance, GIC re, challenges, prospects

Introduction

General insurance Corporation of India came into existence on 22.11.1972. It was incorporated under the Companies Act 1956. General Insurance Corporation of India is also well known as GIC Re. Where GIC refers as General Insurance Corporation of India and Re stands for Reinsurer. The supervision of the GIC Re is under the Ministry of finance Government of India. In Mumbai the registered and head office of GIC Re is located. Both the popular and recognized stock exchanges BSE & NSE of India are being trading the shares of GIC Re. From inception GIC was engaged in the general insurance business with its four wholly owned subsidiaries till the year 2000. From the year 2000 the operations of GIC were restructured and the holding position of GIC over its four wholly owned subsidiaries become ended. From the month of 11/2000 the GIC is in operations as sole Indian reinsurer. GIC Re provides its reinsurance services to Life as well as Non-life Insurance sectors in India and overseas. At present GIC Re has three subsidiaries.

- GIC Re Corporate Member Limited
- GIC Re South Africa Limited
- GIC Perestrakhovanie LLC, Russia

Objectives of the Paper

- To study the various challenges in front of GIC Re
- To study various prospects available to GIC Re

Research Methodology

Methods of collection of data is important part of research design. I have used both the methods of data collection during the course of my study. Primary data has been collected through telephonic interview of concerned officials of IRDAI and GIC Re. Collection of secondary data has been made through annual reports of GIC Re, annual reports of branches of foreign Companies operating reinsurance business in India, Newsletters published by GIC Re, Journal, Magazines and web portal.

Challenges in front of GIC Re

- From the year 2016 branch offices of the foreign reinsurance companies were permitted by government of India through IRDAI official notification to operate their reinsurance operations in India. At present following branch offices of the foreign reinsurance companies are operating their reinsurance business in India

Serial No	Name of the Branch	Country
1	Allianz Global Corporate & Specialty SE, India Branch	Germany
2	RGA Life Reinsurance Company of Canada, India Branch	Canada
3	Swiss Reinsurance Company Limited, India Branch	Switzerland
4	Hannover Ruck SE- India Branch	Germany
5	General Reinsurance AG- India Branch	Germany
6	SCOR SE- India Branch	France
7	XL Insurance- Company SE, India Reinsurance Branch	United Kingdom
8	Factory Mutual Insurance- Company, India Branch	USA
9	AXA France Vie – India Reinsurance Branch	France
10	Munchener Ruckversicherungs – Gesellschaft Aktiengesellschaft- India Branch	Germany
11	Lloyd's India Reinsurance Branch Markel service India Private Ltd – A service Company of Lloyd's India	United Kingdom

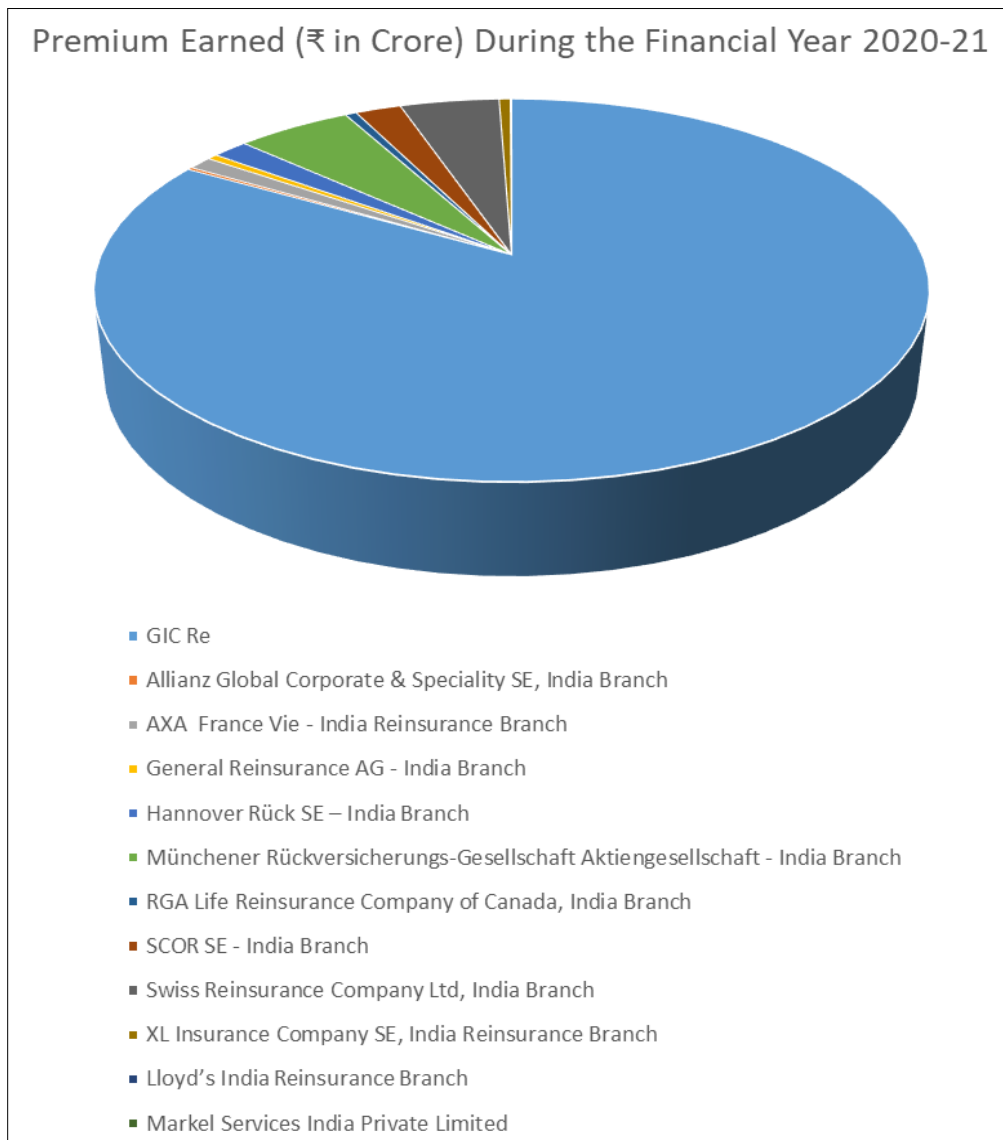
Source: www.irdai.gov.in

Above 11 branches of foreign reinsurance companies have been knocked off the monopoly position of the GIC Re in India. From the year 2016 GIC Re has to face competition with these branch offices of 11 foreign reinsurance Companies.

Table 1

Serial No	Reinsurance Companies	Premium Earned (₹ in Crore) During the Financial Year 2020-21
1	GIC Re	39,865.89
2	Allianz Global Corporate & Speciality SE, India Branch	106.68
3	AXA France Vie - India Reinsurance Branch	525.38
4	General Reinsurance AG - India Branch	222.00
5	Hannover Rück SE – India Branch	785.03
6	Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft - India Branch	2,539.76
7	RGA Life Reinsurance Company of Canada, India Branch	250.39
8	SCOR SE - India Branch	1,010.46
9	Swiss Reinsurance Company Ltd, India Branch	2,192.00
10	XL Insurance Company SE, India Reinsurance Branch	247.92
11	Lloyd’s India Reinsurance Branch	-
	Markel Services India Private Limited	27.80

Source: www.irdai.gov.in



Source: Authors own presentation based on the above table-1

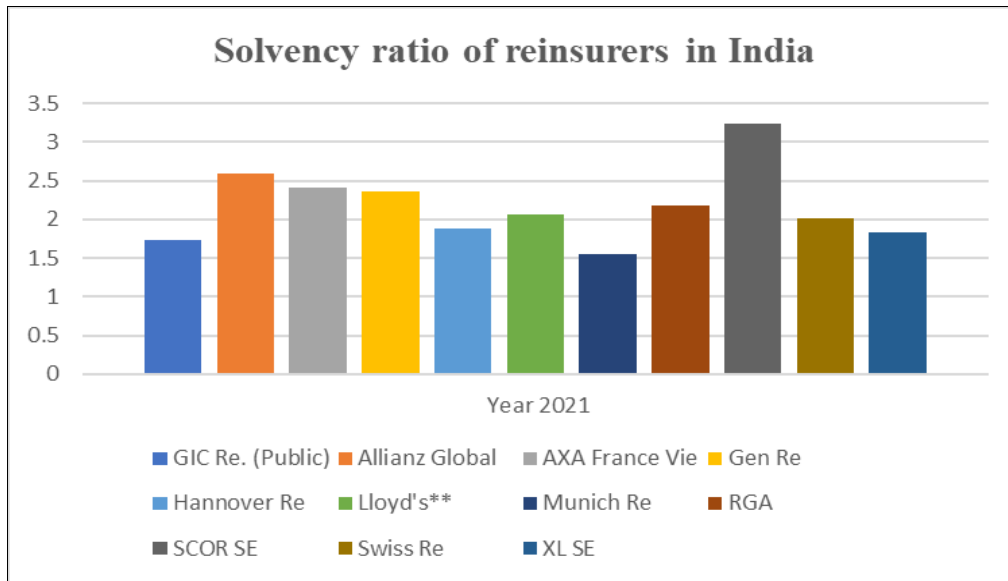
From the above chart it is apparent that in respect of net premium the GIC Re holds 84% share of domestic market however the 11 branch offices of the foreign companies holds 16 % of the share. Out of 11 foreign competitors Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft - India Branch has been captured 6% Indian reinsurance market and Swiss Reinsurance Company Ltd, India Branch has been captured 4% Indian reinsurance

market. The 11 branch offices of the foreign reinsurance companies have been fragmented the sole reinsurer position of the GIC Re in Indian market. It is still matter of satisfaction that GIC Re which is a sole Indian reinsurance Company, captures majority of market share. But it is also ponderable that competition in front of GIC Re has been started. That competition leads to uncertain fate and risk in front of GIC Re.

Table 2: Solvency Ratio of Reinsurers (As on 31st March)

Reinsurers	Year 2021
GIC Re. (Public)	1.74
Allianz Global	2.60
AXA France Vie	2.42
Gen Re	2.37
Hannover Re	1.88
Lloyd's**	2.07
Munich Re	1.55
RGA	2.18
SCOR SE	3.24
Swiss Re	2.01
XL SE	1.83

Source: www.irdai.gov.in



Source: Authors own presentation based on the above table-2

From the above chart it is apparent that solvency ratio of most of the foreign reinsurance players was much better than GIC Re. SCOR SE has best solvency ratio. Which was 3.24 times. The solvency ratio of GIC Re was 1.74 times. Out of 11 foreign reinsurance players only one reinsurance player Munich Re has lower solvency ratio in comparison to GIC Re. Which was only 1.55 times. In nutshell it may be stated that the solvency ratio of GIC Re is not better in comparison to the its foreign competitors.

- In insurance industry there is tendency of negligence. Many insurance companies whether they fall under the category of Life insurance or general insurance (Non-life insurance) are transferring only mandatory reinsurance requirement which is 5% of every policy with GIC Re. However, these Companies do not want to break this mandatory reinsurance requirement and reinsure their major portion of insurance policies with GIC Re.
- During the study for this research it was brought into the notice by the concerned officials of the GIC Re which is also evidenced in the financial performance of GIC Re that GIC Re is facing some internal mismanagement related issues. Due to which the performance of GIC Re is not very much sound.
- In the period of study, it has also been noticed that the fund management of GIC Re is not very much optimistic. GIC Re needs to review its investment policies so that it can gain maximum returns on the investments.

- During the period of study, it was noticed that GIC Re was facing Manpower mismanagement related issues. In the financial year 2020-21 there were only 567 employees on the roll of the GIC Re. However, during this financial year, the assets of the GIC Re were ₹ 1,34,661.00 crores. Which implies that the manpower was very short to manage such a huge asset.
- From the year 2019-20 whole world is facing the COVID-19 Pandemic. This pandemic has impacted to the business of GIC Re. It was the period when lockdown was only available way to protect the lives of the people in front of Nations. Due to this the economy of the whole world was suffered.
- The financial performance of the GIC Re is not very much sound. During the financial year 2019-20 GIC Re has incurred the losses for ₹ 359.09 crores. Which shows the inefficiency in the operations of the GIC Re. However, in subsequent financial year 2020-21 GIC Re earned profit of ₹ 1920.44 crores through which the losses of the previous year were set off. But it depicts that GIC Re is not earning continuously profits.

Prospects available to GIC Re

- GIC Re is planning to convert its office situated in Gujrat International Finance Tech- City (GIFT City) Gandhinagar Gujrat into a subsidiary Company which will deal with international business and also carry out direct insurance business from overseas. Moreover, this proposed subsidiary Company will also be able to take

advantages available in GIFT City like tax benefits and fund availability at lower cost from government of India. By doing this GIC Re will also positively contribute in the Make in India program conducted by Government of India.

- During the current financial year 2021-22 GIC Re has earned net profit of ₹ 2005.74 crores which is 4.4 % higher than the profit of previous financial year 2020-21 ₹ 1920.4 crores which indicates that during the current financial year 2021-22 GIC Re has improved its financial performance. Hence the funds availability is sufficient in the hand of GIC Re for future prospects and projects.
- GIC Re is mooting to expand its business at globe. GIC Re wants to cover most of the European and Asian countries like United States of America, Canada, France, Brazil, Australia and Japan. Through this expansion the GIC Re is planning to capture more market, fund and profitability. Being an Indian reinsurer its presence at globe would also be a matter of pride for the country. GIC Re is planning the expand its reinsurance business at globe through Mergers & acquisitions. Joint ventures etc.
- GIC Re can manage its funds optimistically. GIC Re can invest its funds globally by evaluating two main factors (i) High returns (ii) Security of investments. There are a number of investment opportunities are available to GIC Re at global level.
- GIC Re is a Government owned reinsurance Company hence its existing client insurance Companies and prospective client insurance Companies have good faith regarding settlement of claim if any.
- In comparison to new entrants in the domestic market GIC Re is offering diverse types of reinsurance products in the market.
- Despite the entry of branch offices of foreign reinsurance Companies from the year 2016, GIC Re maintaining its dominant position in the domestic reinsurance market.
- GIC Re has largest capital base in reinsurance sector in India the present market cap of GIC Re is ₹ 20,219 crores. Due to this GIC Re is enough capable to expand its business at globe.

Conclusion and suggestions

From the above analysis it is apparent that GIC Re is facing a number of challenges like challenges from new entrants in the form of branch offices of 11 foreign reinsurance Companies, lack of manpower, the management of investment is not optimistic, issues related to internal miss management etc. Despite a number of challenges GIC Re has a number of opportunities available like expansion of the business of reinsurance at global level. GIC Re is also mooting to convert its office situated in Gujrat International Finance Tech- City (GIFT City) into a Company etc. The financial health of the Company is also good however it can not be termed as excellent or very good. From the year 2016 Government of India through IRDAI has permitted to the operations of Branch offices of foreign reinsurance players. Despite the entry of foreign reinsurance players, the GIC Re is in dominance position in domestic reinsurance business with over 70% market share. In nutshell it may be concluded that the GIC has more opportunities in comparison to challenges which are being faced by GIC Re.

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