

GIC in Russia. New company, same partners – plans, projects, perspectives.

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On January 30, 2020, the Central Bank of the Russian Federation issued a reinsurance license to GIC Reinsurance LLC, a subsidiary of the state reinsurance corporation of India General Insurance Corporation of India (GIC Re). Such a considerable amount of foreign investment into Russian Federation with a launch of a new reinsurance company from scratch has become a remarkable event for the whole market. Mr. Sanjay Mokashi, CEO of the Reinsurer, spoke about the circumstances surrounding the launch of the project, goals and objectives the company faces.

Mr. Mokashi S.V. - Graduated from the University of Osmania (1989, Master of Commerce). Since 1990 – with GIC Re. Since 2007 – on senior positions, including: 2007-2013 – Chief Underwriter at GIC Re London branch; 2014-2018 – Chief Manager of the Department of Aviation Reinsurance (Mumbai); 2018-2019 - Assistant General Manager, Head of Aviation (Mumbai). Since November 2019 – CEO of GIC Perestrakhovanie, Moscow

Dear Mr. Mokashi, what is GIC Re today? What is its position in the international market, and how Russian market appeared within it's focus?

GIC Re today is now one of the largest international Non-life reinsurers, being within a global Top 10. As per 2019-20 financial year, the volume of the GWP reached over 6,7 bln USD; net worth –4,8 bln USD; assets - 15 bln USD.

Since 1972 - the year of its incorporation - the sole shareholder of GIC Re was the Government of the Republic of India. In 2017 the corporation went for IPO, and now about 14% of its shares are traded on the stock exchange. GIC Re is a key reinsurer in India, where the company's market share exceeds 70%. At the same time, Indian and international business is split as 70/30 in the portfolio of the corporation itself.

2019 was a challenging year for GIC Re, primarily in terms of losses from international natural disasters, as well as domestic agriculture, for which the company is the main reinsurer- this affected the company's results. GIC Re, however, continues to enjoy the unfettered support of the Government of India and is actively pursuing policies aimed at drastically improving results.

Entering Russia in 2020 through the launch of a subsidiary - this is part of the global and rather long-term initiative of GIC Re to expand its international reinsurance operations, which was launched back in 2002. It was then that the strategy was adopted with the goal of becoming a leading international provider of reinsurance and risk solutions, and in addition to the domestic market of India, was redirected to new regions, effectively using the accumulated potential and creating additional sustainable revenue opportunities. The expansion of international operations through the opening of a branches, subsidiaries and joint ventures is an integral part of the GIC Re strategy.

The spread of GIC Re's international operations is very wide – over 160 countries! The corporation is actively working and looking for opportunities to expand its business in developed countries, where

demand is stable, and in emerging markets, where it is either just emerging or actively growing. So, today GIC Re has branches in London (2007), Kuala Lumpur (2007), Dubai (2007); subsidiaries in South Africa (2014) and Russia (2020); a syndicate in Lloyd (2018); a joint insurance company in Bhutan (2013), and we are preparing to open another separate unit in Brazil. In general, the study of the prospects of expansion on the world map is a continuous process!

GIC Re always very carefully plans any of its initiatives with long term goals in mind. In relation to the international market we doubly took into account the factors of market opportunities, and understanding of local business, and business environment, as well as options for strategic partnerships with foreign reinsurers based on their regional experience and affordable economies of scale.

The opening of the company in Russia is a step in the same way carefully considered, hatched since the early 2000s. You know that since 2002, and in Moscow there was an official representative of GIC Re. For more than a decade and a half we studied market opportunities, regulatory environment, built relationships with cedants and brokers remotely. After that, at the turn of 2017-2018, it was decided to open a subsidiary. It definitely became a reflection of the special and privileged strategic cooperation between India and Russia, as the story is about a subsidiary of a Government company!

What history of work did the company have with Russia before obtaining the license, what risks did it take, which insurers and brokers cooperated with?

GIC Re is historically one of the most active non-European reinsurers in the Russian market and the former Soviet Union. Developed for a decade and a half, the actual business comprises cooperation with all major insurers and brokers in the region. The corporation participates in all the most well-known treaty and facultative placements across all traditional non-life business classes; has extensive experience in settling a wide variety of and multi-size losses, including those most widely known on the market over the past decade..

Why did you decide to grow your business in Russia through the creation of a subsidiary? What are the advantages?

The creation of a subsidiary from scratch is conditioned by the peculiarities of the local regulatory framework, market features, the advantage of ruble payments, as well as the purely technical advantages of having a separate, capitalized legal entity.

The focus is on the philosophy, tradition, appetite and underwriting approach of GIC Re in the regional market, but at the same time against the background of the reduction of the distance of daily, hourly communications; the maximum growth of responsiveness; important for the market calculations in rubles, as well as dialogue in the native language.

As part of this approach, it is assumed that the core of the subsidiary's business will be the already established and calendar-based renewable portfolio of GIC Re in Russia and the CIS, and further progressive development will be carried out entirely independently, on the open market and in close proximity to its client.

At the same time, GIC Perestrakhovanie has the full support from the parent company in all respects - capital, underwriting practices and risk assessment, system and instrument of ERM, retrocession protection of the portfolio, as well as the existence of a complete irrevocable and unconditional parental guarantee on obligations.

In a nutshell, with the level of reinsurance capacity, appetite and underwriting policy, GIC Re as a partner approaches all its clients at an arm's length distance, speaks with them in the same language, transacts in rubles and with the participation of Russian team members is ready for all market realities.

How many people do you have and how many are on the plan in future?

Currently, we are a team of 12 people, where just over half are Russians. This is GIC Re's traditional approach to its international divisions: the team must represent an effective mix of youth and experience; local professionals and Head office representatives; talent and qualification.

Financial Department employees are Russians - for us it is most important to comply with the Russian regulatory regime, the scale of accounting and reporting. All class Chief underwriters and Head of Claims are Indian, successfully worked in Mumbai. And in the top-management we have a great alloy of years of experience at GIC Re in my person and local professionals who have been well known to the Russian and post-Soviet markets for a long time: I mean first of all Dmitry Garmash, our Chief Operating Officer.

Of course, the number of employees is supposed to increase proportionately to the growing volumes of business, primarily in the direction of accounting and reporting - this is a key and extremely resource-consuming and a human-consuming aspect of reinsurance activities in Russia.

What will be an incoming portfolio in Russia? What business do you write, what do not write - and why? Are there any particularly preferred and targeted segments, risks and species?

As I have already emphasized, GIC Perestrakhovanie is unequivocally positioned as a successor, continuation of GIC Re's approaches and philosophy: it is important for us to maintain continuity for our customers and their understanding of our policies.

For the rest, our focus is all the classic lines of business segment "non-life": property, construction, aviation, oil production, cargo. All these classes the company is ready to write both on an facultative and treaty basis. Going forward there will be also interest in niche products such as D&O and BBB/ECC for which GIC Re has gained solid experience in recent years.

Geographically, Russia is in our focus, as well as the post-Soviet territories, with the exception of the Baltic states.

How do you build your relationship with the RNRC??

GIC Re and RNRC have known each other since the formation of the Russian national reinsurer. At the same time, since the first placement of RNRC's retrocession program it was GIC Re to become its main reinsurer, and continues to actively support the program today.

In the retro protection of GIC Perestrakhovanie book, the major reinsurer is GIC Re; there's nothing special with such approach as it ensures the additional business consolidation; support from Mumbai; guaranteeing the quality fulfil of obligations.

One of the most recent news is the downgrade of the GIC Re rating: agency A.M.Best has reduced it from "A-" to "B++" based on the results of the last financial year...

Yes, since the middle of last year, GIC Re's portfolio has suffered from significant losses from agricultural risks in India, and from a number of other natural disasters around the world. An important driver behind the revision in Rating is the impact of financial market volatility as a global consequence of the COVID-19 pandemic.

On the positive side, since then, GIC Re has taken all necessary steps to rectify the situation, including adjustments to the underwriting policy, a significant increase in rates in the domestic market. GIC Re also aims to reduce the share of Agriculture business in its portfolio during the current financial year.

Tellingly, as of June 30, 2020, the figures have improved significantly, and GIC Re is supported by the Government of India. In this regard, we consider this situation with the rating as interim, short-term and are absolutely confident in the imminent return to the echelon "A" soon!

GIC Perestrakhovanie has been recently assigned an AA(RU) rating from ACRA. Does it comprehensively reflect the position of the company to support your operations in the focus region?

Obtaining a rating from a domestic rating agency was on the plan from the very beginning. This is a necessary requisite of reinsurance market practice, and the prospective it is to be combined with a rating from one of the international rating agencies.

We highly appreciate the cooperation with ACRA. We initially did not expect a top notch rating in view of the recent turn of events connected to the rating of our parent company. At the same time, being a start-up we have accepted AA(RU) and are confident of improving it further soon after establishing our position in the local market. We are sure that this rating provides necessary comfort to the local insurers – first of all, Russian – with respect to us as resident reinsurer!

By the way, speaking of pandemics. We can't ignore this pressing issue for GIC Re and your company with economic consequences. How does it affect GIC Re business? Any adjustments to Moscow subsidiary's activities?

The pandemic has affected the entire global economy and the reinsurance industry, with GIC Re no exception, but it is too early to quantify its impact..

Reinsurance business, in fact, initially is quite well adapted to remote works, digital information exchange, so the transition to remote work is not difficult with a good level of IT development in the company - from infrastructure point of view today a lot of solutions are available! That's why we as a small company, and GIC Re as a large reinsurer with a staff of more than 600 people successfully switched to remote work.

Currently we in Moscow partially maintain the remote regime. And for these months we have enhanced our IT to support a full scale reinsurance process remotely.

How do you assess the prospects for the development of Russian-Indian cooperation in the field of reinsurance? Should we expect increased interest in Russia from other BRICS players?

Relations between India and Russia have a very long history and corresponding context - countries actively cooperate in many industries, and reinsurance can definitely become an additional area of development of this cooperation.

India is counting on this, so it has invested a lot of money in an independent company in Russia and expects to actively develop it. In addition, both the Insurance Regulator of India (IRDA) and Insurance Institute of India (I.I.I.) are interested in joint initiatives with the relevant market institutions in Russia and the former Soviet Union.

To note, India is the only country from BRICS which is actively pursuing its interest in the international development of reinsurance in most regions of the world and specifically in Russia.

We wish you the best of luck in implementing a large-scale project at such a difficult time!

Thank you! - Our parent company's logo has a Sanskrit phrase, spelled as: "Āpatkāle Rakshisyāmi". This translates to company's motto which is "to protect in times of distress". In my opinion it best fits the current situation and represents our key objective with relation to all our partners in the market!
