Tata AIG General Insurance Company Limited
Peninsula Business Park, Tower A, 15th Floor,
Ganpat Rao Kadam Marg,
Lower Parel, Mumbai - 400 013
Tel No. +22 6669 9697
www.tataaig.com
IRDA Registration No. : 108
CIN : U85110MH2000PLC128425

29th May 2024

The Manager
Listing Department
Wholesale Debt Market
BSE Limited
Phiroze Jeejeebhoy Tower
Dalal Street,
Mumbai-400 001

Sub: Intimation for affirmation of credit ratings under Regulation 51(2) and Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

BSE Security ID	Security Code	ISIN
815TAGICL33	975114	INE067X08034

Dear Sirs,

We wish to inform you that in accordance with Regulation 51(2) and Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations"), the credit ratings for the Unsecured, Subordinated, Rated, Fully paid-up, Listed, Taxable, Redeemable and Non-Convertible Debentures ("NCDs") issued by Tata AIG General Insurance Company Limited ("Company") has been affirmed by India Ratings and Research Private Limited, the Credit Rating Agency as under:

Credit Rating Agency	Security Description	Previous Ratings / Outlook	Ratings post credit rating exercise / Outlook
India Ratings and Research Private Limited	Unsecured Non-Convertible Debentures **Security ID:** 815TAGICL33 **Security Code:** 975114 **ISIN:** INE067X08034	IND AAA/Stable	IND AAA/Stable **(Affirmed Ratings)**
ICRA Limited		AAA (Stable)	AAA (Stable) **(No revision at present)**

The intimation dated 28th May 2024 for affirmation of ratings received from India Ratings and Research Private Limited is enclosed for your reference.

We request you to kindly take the same on record and oblige.

Thanking you,

Yours faithfully,
For Tata AIG General Insurance Company Limited

ASHISH SARMA Digitally signed by ASHISH SARMA Date: 2024.05.29 11:12:48 +05'30'

(Ashish Sarma)
Company Secretary, Chief Legal & Compliance Officer
Membership No. ACS 18936

Encl: As above

CC:
- **Axis Trustee Services Limited**
- **National Securities Depository Limited**
- **Central Depository Services (India) Limited**
- **ICRA Limited**
- **NSDL Database Management Limited**

India Ratings & Research
A Fitch Group Company

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India Ratings Affirms TATA AIG General Insurance Company's Subordinated Debt at 'IND AAA'/Stable

May 28, 2024 | General Insurance

India Ratings and Research (Ind-Ra) has affirmed TATA AIG General Insurance Company Limited's (TAGI) subordinated debt's rating as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating/Outlook	Rating Action
Subordinated debt*	-	-	-	INR5.45	IND AAA/Stable	Affirmed

*Details in below annexure

Analytical Approach

Ind-Ra has factored in the strong and timely financial support from TAGI's 74% parent, TATA Sons Private Limited ('IND AAA'/Stable), if required, while arriving at the rating.

Detailed Rationale of the Rating Action

The affirmation reflects TAGI's strong parentage, established franchise with wider product lines driving premium growth, experienced management, established risk and underwriting processes, adequate reinsurance across products with high severity, adequate solvency buffer and a well-managed investment book mitigating claim risk. The rating also factors in the combined ratio, which remains elevated due to higher expense ratio, where consistency in underwriting profits remains monitorable. Further, Ind-Ra will monitor the timeliness of capital raising through promoters to maintain adequate buffer over regulatory minimum on solvency margin.

List of Key Rating Drivers

Strengths
- Strong parentage with established franchise presence
- Experienced management
- Significant player in commercial lines of business; expanding into retail motor and health
- Established claim processing and underwriting practices
- Investment book remains well managed

Weaknesses

- Claim ratio normalising; expense ratio remains elevated impacting underwriting performance
- Timely availability of capital remains monitorable

Detailed Description of Key Rating Drivers

Strong Parentage with Established Franchise Presence: TAGI is held by Tata Sons and American International Group (AIG), with a shareholding of 74% and 26%, respectively. TAGI has a long operational track record of over two decades. The rating continues to factor in TAGI's strong linkages with its parents in the form of brand sharing, board overlap and capital support as demonstrated in the past. The presence of Tata Sons' group chief financial officer and executive director on TAGI's board signifies the group's focus on financial services from a long-term growth perspective. TAGI also benefits from its association with AIG, providing technical expertise in product development, along with driving its relationship with global reinsurers in managing risk.

Ind-Ra understands that the financial services business remains a key focus area for the TATA group, and TAGI has a close oversight from the group's top management, although its share in the consolidated balance sheet and profitability of the ultimate parent and that of the group is modest. In addition, Tata Sons' management has stated that the financial services business continues to be among the core businesses for it, and that Tata Sons will maintain its majority ownership in the financial services business while providing all the required support to the business. TAGI received equity infusion of INR7.5 billion over FY18-FY20 from both the promoters for holding their share of equity.

TAGI had a sizable market share of 5.2% in the overall general insurance space at FYE24 (FYE23: 5.13%) and a market share of 8.0% (8.3%) in the private general insurance space. TAGI's growth based on gross direct premium (GDP) was higher at 15% in FY24 than the industry's growth of 12.8%. TAGI has 221 branches and an individual agent network of 89,054 personnel as of FY24.

Experienced Management: TAGI has an experienced and seasoned management across various lines of business with risk managers hired for the commercial lines of business. The various risk functions are defined with added fraud and analytics team since FY20, helping further control burn rates across segments. TAGI has an in-house actuarial team, and underwriting and claim-processing business heads, who have been with the company for a long tenure. There has been minimal attrition at the senior level.

Significant Player in Commercial Lines of Business; Expanding in Retail Motor and Health: TAGI has marginally improved its market share in the commercial lines of business to 8.8% in FY24 (FY23: 8.5%), while maintaining its market share in the motor business at 8.1% (8.2%). TAGI is under investment mode in the retail health insurance space with its expense ratio being higher due to investing in technology, setting an own claim processing centre and building agent network. As per management, with the recent regulatory changes on the expense of the management, commission structure, and use and file would aid product innovation and drive quicker reach to the market with products helping TAGI scale the business in medium term. In terms of fire, marine, liability and engineering segments, TAGI has business relations with all the top five global reinsurers, who participate in its reinsurance programme, thereby diversifying risk across reinsurers. The share of key verticals moved marginally lower. Thehealth insurance share in overall (including personal accident segments). GWP stood at 20.3% in FY24 (FY23: 20.6%) and for the commercial lines segment at 25.8% (26%). The share of motor segment also moderated to 48.2% in FY24 (FY23: 49.8%) in overall GWP, stemming from increased competition in the motor own damage (OD) space. While a large part of business sourcing is done through brokers, largely for commercial lines of business, TAGI's direct business has also seen a rising trend since FY22.

Established Claim Processing and Underwriting Practices: TAGI has established claim processing and underwriting practices with an in-house claim processing team. The company's association with high-quality reinsurers also limits the risks on its book. As per the policy, the company works only with 'AAA' rated reinsurers on the international scale; however, certain coinsurance arrangements with a lead insurer has led to TAGI being exposed to 'A+' and above rated reinsurers; nonetheless, all counterparties are well assessed. TAGI enters multiple facultative and treaty-based reinsurance to mitigate risk, largely in the commercial lines segment, where the net underwritten risk will be calibrated well with the internal risk policy. The volatility of claim ratio has been in range of 69% to 78% since the last six years, with further scale and diversification across segments likely to align the claim ratio further lower within this band, as per the management. The stability in underwriting and claim processes can also be established from loss triangles where, at the company level, long tail level and short tail level, there have been releases rather than shortfalls over FY20-FY23, indicating TAGI's conservative reserving policies.

Investment Book Remains Well Managed: TAGI's investment portfolio quality remains stable, as around 90% of its debt securities at FYE24 (FYE23: 88%) included sovereign and other securities rated at 'AAA', while the rest 10% was in 'AA+ and 'AA' rated corporates. Also, TAGI's liquidity is comfortable, with 48% (based on book value) of its debt investments being in government-backed securities. TAGI's investment philosophy remains conservative with adherence to regulatory guidelines and capping investment with a floor rating of 'AA' in corporate debt instruments. On the overall investment book, TAGI had a fair value gain of INR43.07 billion, largely coming from equity exposure, as of 31 March 2024.

Claim Ratio Normalising; Expense Ratio Remains Elevated Impacting Underwriting Performance: TAGI's underwriting losses are large due to investments in the health business over the last two years. The company's claim ratio has been normalising since FY20, and has remained below 76% since FY21, largely due to an improvement in fraud recognition and the analytics team aiding in underwriting new business. The claim ratio stood at 71.4% in FY24 (FY23: 73.6%, FY22: 75%). The loss ratio in the motor segment has improved to 67% in FY24 (FY23: 73.8%), whereas the commercial lines segment's performance, which was on an improving trend since FY19, moderated in FY24. As a strategy, TAGI is entering into small ticket premium loans, thus improving its pricing in both motor third party by calibrating vehicle product mix, along with catering to small and medium enterprises, and micro, small and medium enterprises in marine insurance, providing more of single transit policy than open policy.

TAGI's combined ratio (FY24: 109.4%, FY23: 109.6%) remains higher than that of its peers due to its higher expense ratio. The expense ratio increased to 37.9% in FY24 (FY23: 36%, FY22: 32.8%) due to build-ups and investments in broadening teams of motor OD and health segments, and a presence in the retail business. The underwriting profits on a segment-basis remain negative; nevertheless, the high proportion of long-tail business (such as motor third-party, liability, engineering) in the overall GWP has been aiding investment leverage benefit, thereby supporting the overall profitability through healthy investment income.

Timely Availability of Capital Remains Monitorable: The management plans to maintain a solvency floor of around 1.7x (FY24: 2.09x), at which, it will raise fresh equity capital or subordinated debt to boost growth or meet capital needs due to higher claims. In case of a shortfall or an event of stress, the agency believes TAGI will need the support of its promoters to maintain the solvency margin above the regulatory level, where the ability of promoters to infuse capital on a timely basis will be a key monitorable.

Liquidity

Adequate; Equity Infusion to Help Maintain Capital Buffers: TAGI had a sizeable net worth (excluding fair value change) of INR46.8 billion during FY24 (FY23: INR39.9 billion) and its solvency ratio stood at 2.09x (1.94x). The agency believes the solvency level during FY24 would have improved with a stabilising expense ratio and with an improvement in the internal accruals.

TAGI's cover for liabilities (unexpired risk reserve + claims outstanding + due to other insurance companies) through assets (investment book + cash & bank balance) stood at 1.55x in FY24 (FY23: 1.37x). Liquidity remains stable with the company's ability and flexibility to raise capital as per the need from the shareholders, as and when required.

As per Ind-Ra's expectations, TAGI's solvency margin (FY24: 2.09x, FY23: 1.94x) utilisation is highly sensitive to growth in GWP and net claim ratios. As per Ind-Ra's stress test, the solvency margin is likely to remain adequate to absorb a net claim upto 80% or below in FY25, factoring in growth of less than 40% without breaching the minimum threshold on the solvency margin. However, any capital infusion or subordinated issuance could help maintain solvency at adequate levels, above the regulatory minimum. Also, TAGI has been maintaining adequate internal accurals (return on equity: FY24: 15.8%, FY23:14.9%), supporting its overall solvency profile.

Rating Sensitivities

Positive: Not applicable.

Negative: The following events could, individually or collectively, lead to a negative rating action:
- any change in the rating of Tata Sons or a change in the shareholding structure, impacting the majority structure;
- inability to manage volatility in the claim ratio on a sustained basis, along with a weakening of the underwriting performance affecting the profitability and solvency buffers;
- any rise in the combined ratio, leading to losses or the solvency ratio reducing below 1.7x on a sustained basis.

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on TAGI, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

TAGI is a joint venture between the Tata Group and AIG and commenced operations on 22 January 2001. Under its two main business verticals - consumer lines and commercial lines - TAGI offers an extensive range of general insurance covers that cater to various individual and business insurance needs. The products range from home insurance, motor insurance, travel insurance, health insurance, rural-agriculture insurance, among others, for individuals under the consumer line vertical, and property and business interruption insurance; professional and general liability insurance; and special products such as reps and warranties, and environmental insurance under the commercial lines vertical.TAGI had assets under management of INR311.5 billion at FYE24 and a workforce of about 8,751 employees in 221 branches across India.

FINANCIAL SUMMARY

Particulars	FY24	FY23
GWP includes reinsurance accepted (INR billion)	154.23	134.48
Net worth (INR billion)	46.76	39.92
Net profit after tax (INR billion)	6.85	5.53
Solvency margin (%)	209	194
Combined ratio as reported (%)	109.4	109.6
Return on net worth (%)	15.8	14.9
Source: TAGI, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (billion)	Rating	1 June 2023
Subordinated debt	Long-term	INR5.45	IND AAA/Stable	IND AAA/Stable

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Subordinated debt*	High

* As instrument is part of regulatory capital, where the solvency margin should remain above the regulatory minimum for coupon payment or impact of such payment results in loss or increase in net loss, prior regulatory approval is required for payment.

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

Annexure

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
Subordinated debt	INE067X08034	27 September 2023	8.15	27 September 2033	INR5.45	IND AAA/Stable
				Total utilised limit	**INR5.45**	

Source: NSDL, TAGI

APPLICABLE CRITERIA

Rating FI Subsidiaries and Holding Companies

Insurance Rating Criteria

Evaluating Corporate Governance

Financial Institutions Rating Criteria

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About India Ratings and Research: India Ratings and Research (Ind-Ra) is committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit www.indiaratings.co.in.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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