

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:5881  
ANSWERED ON:02.05.2003  
NEW RATING SYSTEM FOR SECURITY  
JAGMEET SINGH BRAR

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether General Insurance Corporation (GIC) will devise an all new rating system for securities in consultation with Asian re-insurance companies of China, Japan, Korea, etc;
- (b) if so, the details thereof; and
- (c) the reasons for having the new rating system and problems being faced in the existing system?

**Answer**

Minister of State in the Ministry of Finance (SHRI ANANDRAO V. ADSUL)

(a) & (b): As a follow up of the decisions taken in the third Summit of the Asian Reinsurers held in Mumbai in February, 2003, a Committee consisting of representatives from Japan, China, Korea, Malaysia and India was constituted by the Asian Reinsurers to examine their rating system. GIC on its own will not devise any new rating system.

(c): Most of the Asian Reinsurers including that from India are rated as `BB` (Marginal) by Standard & Poor's (S&P) as it does not give companies a rating higher than the sovereign rating. Since India has been rated `BB` by S&P, General Insurance Corporation of India (GIC) has also been downgraded to BB (Marginal). Similar is the position of other Reinsurers in Asia. To overcome this problem and to increase the retention of business within Asian region, it was felt necessary by the Asian Reinsurers to explore the possibility of devising an `Asian Rating`. This will result in utilizing the full capacity of the Asian Reinsurers and in optimum retention of business within the region.