

currency

\$1	Rs 46.33
Euro 1	Rs 65.90
£1	Rs 83.57
£1	\$ 1.80
Euro 1	\$ 1.42

indicators

FII net sell equity: \$148.40 mn (on Sept. 19)
Forex Reserves \$2,79,626 m (on Sept. 5)
Inflation 12.14 per cent (on Sept. 6)
Gold Rs 12,600/10gm

news glance

**Air India in
deal with**

AIG puts insurers on edge

BY OLGA TELLIS

MUMBAI

Sept 21: Indian non-life insurance companies are reportedly anxious about what could be the fall out of the New York-based AIG Inc. bail out if the ratings on its reinsurance arm are lowered.

AIG Inc. was a once-upon-a-time insurance giant that was bailed out by an \$85 billion loan by the US Fed Reserve Bank of New York.

The Hyderabad-based India Insure Risk Management and Insurance

Broking Services Private Ltd in its recent newsletter said "any downgrade of the parent would have a ripple effect on its arm."

It says if the reinsuring arm's rating falls below the BBB (Triple B) prescribed by IRDA, local insurers will have to look for a new reinsurer.

It may be recalled that the parent company AIG Inc used to be rated Triple A, but after the 9/11 and other incidents where several insurance companies took a beating, AIG has been now rated at A- (minus). It's still

some way to go to Triple B. Mr C. Radhakrishna, director of the Hyderabad-based India Insure speaking to this newspaper said, "the anxiety is definitely justified when such a huge giant falls. The anxiety is not misplaced. There is fear about what could be in store."

Most of the big IT companies for instance are reinsured with AIG that has one of the largest reinsurance portfolios.

It is also reinsurer for Air India and is market leader in providing cover for

directors and officers' insurance, according to the newsletter.

These companies have been put on alert by this crisis and may at the time of renewal look at another reinsurer. They anyway have the right to ask their insurer with whom it is reinsuring, say industry sources.

Some industry sources however are of the view that since the Tatas are their partner in India, the Tatas would never let the company default.

Mr Rahul Agarwal, CEO

and managing director, Optima Insurance Company said the parent AIG has been making profits of about \$15 billion annually and they may not have a problem serving the \$85 billion loan given by the US Fed.

They may hive off their non-core business to pay off their debts." He said, "they may be downgraded but they certainly won't go below Triple B."

He also feels that they will not sell their India stake, as India is one of their key operations.