



Rating Action

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PACRA maintains IFS rating of Adamjee Life Assurance Company Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of "A" (Single A) with "**Positive Outlook**" of Adamjee Life Assurance Company Limited (ALAC). The rating denotes strong capacity of the company to meet policyholder and contractual obligations.

The rating reflects ALAC's sustained progression in business volume emanating from its synergies with the group bank - MCB. With significant growth in its topline, the company has succeeded in achieving break-even and thereafter sustained surplus for four quarters of CY15; ahead of plan, and is continuously improving. The company's statutory funds are now self-subsistent without relying on capital contribution; accumulated deficit of statutory fund has been significantly reduced. ALAC is eyeing return of major portion of capital contribution by end-Dec'16 which will boost equity of the company, and remaining by end-Dec'17. The growth in volume is primarily Bancassurance driven. The management has built a sales force around agency model as well to add to its growth momentum. Although this would lead to high set-up cost yet success therein is important for future positioning of the company. Meanwhile, comfort is drawn from ALAC's strong risk absorption capacity, represented by sufficient liquidity and overall quality of its investment portfolio.

The positive outlook takes into account management's ability to improve its market position while sustaining its core profitability. The continued self subsistence of statutory funds along with complete payback of capital contribution and ensuring underwriting profitability, would benefit the rating. Moreover, prudent management of risk in wake of increasing business volumes and agency model would remain important.

About the Company: ALAC, starting operations in 2009, is a subsidiary of Adamjee Insurance (AICL) (74%). The other major shareholder is IVM Intersurer B.V. (26%), a company of Hollard (a leading Insurance Group of South Africa). AICL is the second largest non-life insurance company in the country, rated 'AA+' by PACRA. AICL is a part of Nishat group - a leading business conglomerate in Pakistan with strong presence in banking, insurance, textiles, and cement sectors. ALAC has been capable of adding ~1% to its market share each year achieving 5% market share, including public sector, in CY15 (on the basis of first year premium, excluding single premium). The agency model, introduced in CY14, has shown good performance; adding 1.6 policies per agent per month.

The company's BoD comprises six members, including the CEO - Mr. Fredrik De Beer. Four members represent AICL and two members, including the CEO, represent IVM. Mr. De Beer, associated with ALAC since inception, has experience of over three decades in various sectors including life and general insurance business. He is assisted by a team of professionals.

Applicable Criteria and Related Research

- Life Insurance and Family Takaful - Viewpoint | Mar-16
- Insurer Financial Strength Rating Methodology

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