



The Pakistan Credit Rating Agency Limited

CRESCENT STAR INSURANCE LIMITED (CSINSURANCE)

IFS RATING REPORT

	NEW [DEC-16]	PREVIOUS [APR-16]
Insurer Financial Strength (IFS) Rating	A-	A-
Outlook	RW – Developing	RW – Developing

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DECEMBER 2016



The Pakistan Credit Rating Agency Limited

**GENERAL INSURANCE
Financials [Summary]**

Crescent Star Company Insurance Limited (CSInsurance)

PKR mln

BALANCE SHEET	30-Sep-16 9M16	31-Dec-15 Annual	31-Dec-14 Annual
Investments			
Liquid Investments	94	74	90
Other Investments	555	297	184
	<u>649</u>	<u>371</u>	<u>274</u>
Insurance Related Assets	264	248	238
Other Assets	46	220	63
TOTAL ASSETS	<u>960</u>	<u>838</u>	<u>575</u>
Equity	374	510	352
Underwriting Provisions	130	116	116
Insurance Related Liabilities	72	94	59
Other Liabilities	71	119	47
TOTAL EQUITY & LIABILITIES	<u>647</u>	<u>838</u>	<u>575</u>

INCOME STATEMENT	30-Sep-16	31-Dec-15	31-Dec-14
Gross Premium Written (GPW)	166	266	237
Net Premium Revenue (NPR)	157	237	136
Net Claims	(37)	(92)	(25)
Net Operational Expenses	(119)	(183)	(156)
UNDERWRITING RESULTS	<u>1</u>	<u>(39)</u>	<u>(44)</u>
Investment Income	5	125	7
Other Income/ (expense)	1	3	3
PROFIT BEFORE TAX	<u>6</u>	<u>90</u>	<u>(34)</u>

RATIO ANALYSIS	30-Sep-16	31-Dec-15	31-Dec-14
Underwriting Results			
Loss Ratio	24%	39%	18%
Combined Ratio	100%	106%	133%
Performance			
Operating Ratio	96%	51%	125%
Investment Yield	7%	8%	12%
Liquidity & Solvency			
Liquidity Ratio – times	1.5	1.0	2.0

**RATING SYMBOLS & DEFINITIONS:**

INSURER FINANCIAL STRENGTH (IFS) RATING SCALE & DEFINITIONS

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of the insurance company to meet policyholders and contractual obligations.

RATING SCALE	DEFINITION
AAA	Exceptionally Strong. Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ AA AA-	Very Strong. Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small
A+ A A-	Strong. Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.
BBB+ BBB BBB-	Good. Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ BB BB-	Moderately Weak. Moderately weak with an uncertain capacity to meet policyholder and contract obligations. Though positive factors are present, overall risk factors are high, and the impact of any adverse business and economic factors is expected to be significant.
B+ B B-	Weak. Weak capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC CC C	Very Weak. Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Insolvency or liquidity impairment appears imminent.
D	Distressed Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and declared insolvent by the regulator.

Outlook (Stable, Positive, Negative, Developing)

Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch

Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

Suspension

It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future, but may stay in abeyance for long. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn

A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, or c) the rating remains suspended for six months.

Disclaimer: PACRA's IFS rating does not constitute any form of guarantee of the ability of the insurance company to meet policyholders' obligations; nor does it constitute a recommendation to effect or discontinue any policy of insurance. PACRA's rating is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



Rated Entity

Name of Rated Entity Crescent Star Insurance Limited (CSInsurance)
Sector Insurance - General
Type of Relationship Solicited

Purpose of the Rating Independent Risk Assessment

Rating History

Dissemination Date	Long Term	Outlook	Action
29-Dec-16	A-	RW-Developing	Maintain
18-Apr-16	A-	RW-Developing	Maintain
6-Oct-15	A-	Stable	Maintain
25-Mar-15	A-	Stable	Upgrade
1-Apr-14	BBB+	Stable	Initial

Related Criteria and Research

Methodology: Insurer Financial Strength Rating Methodology
Sector Research: Insurance | General - Viewpoint | Nov-16

Rating Analysts
 Muneeb Rashid Amara S. Gondal
muneeb.rashid@pacra.com amara.gondal@pacra.com
 (92-42-35869504) (92-42-35869504)

Rating Team Statement

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

Disclaimer

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Surveillance

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer.

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so.

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating.

Reporting of Misconduct

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the

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Probability of Default (PD)

PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of each rating notch. These studies are available at our website (www.pacra.com). However, actual transition of a particular rating may not follow the pattern observed in the past.