



The Pakistan Credit Rating Agency Limited

# ADAMJEE INSURANCE COMPANY LIMITED (AICL)

## RATING REPORT

	<b>NEW [FEB-17]</b>	<b>PREVIOUS [FEB-16]</b>
Insurer Financial Strength (IFS) Rating	AA+	AA+
Outlook	Stable	Stable

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FEBRUARY 2017





## GENERAL INSURANCE Financials [Summary]

The Pakistan Credit Rating Agency Limited

### Adamjee Insurance Company Limited (AICL)

PKRmln

<b>BALANCE SHEET</b>	<b>30-Sep-16</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
	<b>9M</b>	<b>Annual</b>	<b>Annual</b>
<b>Investments</b>			
Liquid Investments	12,175	10,031	9,599
Investment in Associates	7,752	7,336	6,409
Other Investments	1,056	925	351
	20,984	18,292	16,359
Insurance Related Assets	13,062	9,320	8,114
Other Assets	5,309	4,644	4,359
<b>TOTAL ASSETS</b>	<b>39,354</b>	<b>32,256</b>	<b>28,832</b>
Equity	17,432	15,647	14,104
Underwriting Provisions	8,140	6,142	5,501
Insurance Related Liabilities	10,125	7,788	7,463
Other Liabilities	3,658	2,679	1,763
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>39,354</b>	<b>32,256</b>	<b>28,832</b>
<b>INCOME STATEMENT</b>			
	<b>30-Sep-16</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Gross Premium Written (GPW)</b>	<b>12,708</b>	<b>13,639</b>	<b>12,101</b>
Net Premium Revenue (NPR)	6,891	7,747	6,303
Net Claims	(4,219)	(4,780)	(4,088)
Net Operational Expenses	(2,229)	(2,742)	(2,372)
<b>UNDERWRITING INCOME - Adjusted</b>	<b>444</b>	<b>225</b>	<b>(158)</b>
Investment Income	2,827	2,494	2,161
Other Income/ (expense)	81	108	27
<b>PROFIT BEFORE TAX</b>	<b>3,352</b>	<b>2,827</b>	<b>2,030</b>
<b>RATIO ANALYSIS</b>			
	<b>30-Sep-16</b>	<b>31-Dec-15</b>	<b>31-Dec-14</b>
<b>Underwriting Results</b>			
Loss Ratio	61%	62%	65%
Combined Ratio	94%	97%	103%
<b>Performance</b>			
Operating Ratio	51%	64%	68%
Investment Yield	9%	-6%	20%
<b>Liquidity &amp; Solvency</b>			
Liquidity Ratio – times	1.9	2.4	2.7

Adamjee Insurance Company Limited (AICL)

Feb-17



**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
<b>AAA</b>	<b>Exceptionally Strong.</b> 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.
<b>AA+</b> <b>AA</b> <b>AA-</b>	<b>Very Strong.</b> 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
<b>A+</b> <b>A</b> <b>A-</b>	<b>Strong.</b> 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.
<b>BBB+</b> <b>BBB</b> <b>BBB-</b>	<b>Good.</b> 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.
<b>BB+</b> <b>BB</b> <b>BB-</b>	<b>Moderately Weak.</b> 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> <b>B</b> <b>B-</b>	<b>Weak.</b> 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.
<b>CCC</b> <b>CC</b> <b>C</b>	<b>Very Weak.</b> 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.
<b>D</b>	<b>Distressed</b> 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.



**Name of Issuer**  
**Sector**  
**Type of Relationship**  
**Purpose of the Rating**

Adamjee Insurance Company Limited  
 General Insurance  
 Solicited  
 Independent Risk Assessment

**Rating History**

Date	Rating	Outlook	Action
-	AA+	Stable	Maintain
26-Feb-16	AA+	Stable	Upgrade
11-Jun-15	AA	Positive	Maintain
11-Jun-14	AA	Stable	Maintain
28-Jan-13	AA	Stable	Maintain

**Related Criteria and Research**

Rating Methodology  
 Sector Research

Insurer Financial Strength Rating  
 Insurance | General - Viewpoint | Nov-16

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[Rating Team Statement](#)

**Rating Procedure**

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](#)

**Rating Shopping**

PACRA maintains principle of integrity in seeking rating business.

PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public sources we consider to be reliable

but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information.

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PACRA, the analysts involved in the rating process, and members of its rating committee do not have any conflict of interest relating to the credit rating done by them

The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest

The analysts and members of the rating committees including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Officer PACRA

The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This is, however, not applicable on investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees

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PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship

**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 BoD and SECP

**Confidentiality**

PACRA has framed a confidentiality policy to prevent abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties

Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter

**Prohibition**

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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 a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. ([www.pacra.com](http://www.pacra.com)). However, actual transition of rating may not follow the pattern observed in the past