



The Pakistan Credit Rating Agency Limited

ASKARI GENERAL INSURANCE COMPANY LIMITED (AGICO)

IFS RATING REPORT

	NEW [SEP-17]	PREVIOUS [MAR-17]
Insurer Financial Strength (IFS) Rating	AA-	AA-
Outlook	Stable	Stable

Profile & Ownership

- Askari General Insurance Company Limited (AGICO), listed on all three bourses of the country, commenced commercial operations in 1995
- Army Welfare Trust (AWT), holding 59% stake, is the sponsor of the company, while Fauji fertilizer company (FFC) hold 2% ownership through employee’s provident funds
- AWT, set up in 1971 by Pakistan Army, is currently engaged in real estate, security services, sugar, and lubricants. The group is eyeing entry in life insurance and asset management business

Governance and Management

- AGICO’s eight-member BoD, chaired by Lt. Gen. Khalid Rabbani (Retd); 6 representatives of AWT including retired army officials, senior executives of AWT, one FFC representative and one independent member
- Mr. Abdul Waheed, CPA (USA) - a seasoned and experienced professional - is CEO of AGICO since July 2010; assisted by a team of professionals

Business Risk

- AGICO’s GPW expanded by 10% in 1H17 (CY16: 17%). Market share has slightly decreased from 3% to 2.5%.
- Motor business is dominating (CY16: 38%, H17: 45%), followed by miscellaneous (24%), health (18%), fire (13%) and marine (7%) at CY16. However, portfolio is more evenly distributed and fire segment is outpacing miscellaneous in 1Q17:16% and 1H17: 19%.
- Loss ratio sustained at 48% (1H16:48%), fire showed increase at 1H17: 31% (1H16: 15%), health dropped from 85% at 1H16 to 77% at 1H17. While the loss ratio of other segments remained almost same.
- Expense ratio decreased 38% (1H16: 43%) resulting decreased combined ratio 86% (1H16:91%).
- In 1H17 investment income is seeing 90% increase (PKR 105mln), continues to further boost the bottom-line (PKR 135mln).

Business Strategy

- The company eyes bringing innovation to its existing product slate, while expanding in non-conventional avenues
- Travel insurance has been expanded through distribution channels, established with IATA members
- Converting the tracker segment as a separate company is also on cards
- Going forward, development is also sighted in health segment; Critical illness insurance is introduced

Financial Risk

- The size of liquid investment book (end June17: PKR 1,861mln) representing 1.2 times of equity.
- Liquid portfolio is majorly distributed to equity scrips (77%), investment in Govt. securities and (3%), bank deposits (15%) and debt securities (3%); credit risk exposure is low as debt securities have been selected from AA category funds and scrips.
- AGICO’s risk absorption capacity is reflected by its strong liquidity position, providing 3.8 times cover to the claims liability at end-Dec 16.
- The cash management practices reflected by premium days (CY16: 96days, CY15: 94days) & (1H17: 125days, 1H16: 74days).
- Claim days increased in CY16 period to 139days (CY15: 122days) and 184 days at 1H17 (1H16: 131days)

RATING RATIONALE

The rating captures strong risk profile of the company along with sustained profitability. The company's strategy has led in volumetric growth and improved core underwriting performance. Askari Insurance has been able to keep expenses under check while pursuing growth. The strong liquidity profile provides cushion to the risk absorption capacity. Askari Insurance continues to have a sound panel of reinsurers with favourable treaty terms. The management's efforts for improving the overall quality of control environment, supported by real time operating software providing tools for holistic oversight and efficient decision making, are bearing fruits. Going forward, it intends to fortify its position in non-conventional segments, while using alternative distribution channels. The rating incorporates ensuing synergistic and oversight benefits from its association with army institutions. This is also reflected in gradually increasing insurance volumes from these institutions.

KEY RATING DRIVERS

The rating is dependent on the company's ability to hold its enhanced system share in the competitive landscape, while boosting the underwriting profitability. The risk absorption capacity should be kept aligned to expanding insurance book.

INDUSTRY

Pakistan's general insurance has witnessed continuous growth (CAGR 4 years 12%). While conventional segments of fire and motor growth has been driven by private sector credit off take by the banks, the miscellaneous segment has seen largest growth in non-conventional avenues; bond business, health, crop, livestock, etc. The industry is exploring various untapped avenues, while upgrading its operating platform.



GENERAL INSURANCE Financials [Summary]

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Askari General Insurance Company Limited (AGICO)

BALANCE SHEET	30-Jun-17	31-Dec-16	31-Dec-15
Investments			
Liquid Investments	1,861	1,739	1,130
Other Investments	202	61	65
	2,063	1,800	1,195
Insurance Related Assets	1,389	1,173	722
Other Assets	866	870	581
TOTAL ASSETS	4,318	3,843	2,498
Equity	1,470	1,389	780
Underwriting Provisions	1,318	1,290	987
Insurance Related Liabilities	1,211	863	584
Other Liabilities	319	301	146
TOTAL EQUITY & LIABIL	4,318	3,843	2,498

INCOME STATEMENT	30-Jun-17	31-Dec-16	31-Dec-15
Gross Premium Written (GP)	1,127	2,350	1,719
Net Premium Revenue (NPR)	1,515	2,959	971
Net Claims	333	662	(561)
Net Operational Expenses	65	150	(358)
UNDERWRITING INCOME	1,913	3,772	52
Investment Income	105	135	147
Other Income/ (expense)	(1)	2	3
PROFIT BEFORE TAX	2,016	3,909	202

RATIO ANALYSIS	30-Jun-17	31-Dec-16	31-Dec-15
Underwriting Results			
Loss Ratio	22%	22%	58%
Combined Ratio	40%	41%	95%
Performance			
Operating Ratio	33%	36%	79%
Investment Yield	6%	8%	13%
Liquidity & Solvency			
Liquidity Ratio – times	3.2	3.8	3.2

Asakri General Insurance Company Limited (AGICO)

Sep-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
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.

