



The Pakistan Credit Rating Agency Limited

Rating Report

Shaheen Insurance Company Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
23-Aug-2024	A+ (ifs)	Stable	Maintain	-
25-Aug-2023	A+ (ifs)	Stable	Maintain	-
25-Aug-2022	A+ (ifs)	Positive	Maintain	-
31-Mar-2022	A+ (ifs)	Positive	Harmonize	-
26-Aug-2021	A	Positive	Maintain	-
26-Aug-2020	A	Positive	Maintain	-
29-Aug-2019	A	Positive	Maintain	-
27-Feb-2019	A	Stable	Maintain	-
12-Dec-2018	A	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

Shaheen Insurance is a non-life insurance company offering conventional and takaful insurance, where conventional business constitutes the majority (~92%) of the Company's operations. During CY23, the GPW of the Company posed a growth of ~73% emanating majorly from the fire & property segment (~37%) followed by marine & aviation (~31%). Moreover, the overall portfolio stood affirmed with value-driven growth as an impact of inflation along with new business written under the Marine, aviation & transport segment. The underwriting performance has translated into positive results. However, due to the elevated expense ratio, the Company's combined ratio remains high (~92%). The rating also takes comfort from the Company's risk-free investment portfolio which generates considerable investment income contributing to the overall bottom line. On the financial risk front, Shaheen Insurance demonstrates strong risk absorption capacity and a solid liquidity profile, complemented by a well-established reinsurance panel, all of which contribute positively to its ratings.

During 3MCY24, GPW of the General Insurance industry held a total size of PKR 48bln (3MCY23: PKR 41bln), posting growth of ~17%. Underwriting performance also improved by ~103% (3MCY24: PKR 3bln, 3MCY23: PKR 1.5bln). Improved underwriting and investment performance contributed to the industry's earnings (3MCY24: PKR 6.3bln, 3MCY23: PKR 4bln). However, current economic conditions remain imperative for the overall performance of the insurance industry.

The rating is dependent upon sustained improvement in business profile of the Company. Growth in revenue streams are crucial. Sustaining equity levels and improvement in liquidity is core to the rating. This along with better investment income and corporate governance framework remains imperative for sustaining the rating.

Disclosure

Name of Rated Entity	Shaheen Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Assessment Framework General Insurance(Mar-24),Methodology Rating Modifiers(Apr-24)
Related Research	Sector Study General Insurance(Jun-24)
Rating Analysts	Mir Muhammad Hamza Mir.Hamza@pacra.com +92-42-35869504



Profile

Legal Structure Shaheen Insurance Company Limited ('Shaheen Insurance' or 'the Company') is incorporated as a public listed company, listed on PSX, since Mar-95.

Background The Company obtained the certificate for commencement of business in Jul-95. It was registered with the Controller of Insurance in Nov-95. Shaheen Insurance, historically, was a largely equal joint venture of Hollard Insurance (South African based company), First Capital Group (FCG) and Shaheen Foundation PAF.

Operations The Company operates as in conventional insurance along with providing window takaful insurance services. Within both, Shaheen Insurance is mainly engaged in underwriting of fire, marine and aviation, motor and accident/health segments; While engineering, travel, personal line, bond and crop insurance are clubbed under miscellaneous segment. The Company operates through a network of thirteen (13) branches across Pakistan.

Ownership

Ownership Structure The Company is majorly owned by Shaheen Foundation (~69.3%), followed by Foreign & Joint Stock Companies (17.9%), Central Non-Public Fund PAF (4.2%) and General Public (8.6%).

Stability Ownership of the Company seems to remain stable; as majority of the holding lies with the Foundation.

Business Acumen Shaheen Foundation PAF, established in 1977, promotes welfare activities for serving & retired PAF personnel and Martyrs through the creation of income and employment-generating activities. The sponsors of the Company has diversified interests in aviation, textile, trade, real estate and insurance sectors.

Financial Strength The Company's strength is attributed to its sponsorship by Pakistan Airforce, providing strong backing from the Government of Pakistan.

Governance

Board Structure Overall control of the Company vests in eight-member Board, comprises of two Independent Directors, one Executive and five Non-Executive Directors.

Members' Profile Chairman of the Board, AVM Junaid Ahmed Siddiqui (Rtd) has served the PAF for more than 35 years and has held various Command and Staff appointments. Mr. Arif is associated with the Company for five years. Other Members on the Board carry diversified experience. The Board houses retired PAF personnel and business professionals who have served at leading positions.

Board Effectiveness The Board met four times during the year. The Board is assisted by three committees namely: i) Audit Committee, ii) Investment Committee and iii) Ethics, Human Resource & Remuneration Committee. Attendance during BoD and Committee meetings remain substantial with minutes being adequately maintained.

Transparency The External Auditors of the Company M/s BDO Ebrahim & Co., Chartered Accountants expressed an unqualified audit report on the financial statements of CY23. The firm is QCR rated and on SBP's panel in category "A".

Management

Organizational Structure The Company operates through six departments: Operations- Underwriting and Reinsurance, Claims, Sales and marketing, Finance and Accounts, I.T, and Human Resource (HR&R) and Administration. Each department's Head reports to the CEO, who then reports to the BoD. However, the Head of Internal Audit and HR&R reports functionally to the respective BoD committees and administratively to the CEO.

Management Team The Company has a qualified and experienced management team. Mr. Syed Rizwan Akhtar serves as the CEO of the Company since Oct-21. Mr. Rizwan Akhtar has been involved in the insurance sector for more than a decade. Mr. Nisar Ahmad Almani serves as the CFO. Mr. Nisar holds an experience of more than 22 years and he is associated with the Company since 2014. The CEO along with CFO, makes pertinent decisions at a strategic level.

Effectiveness The management is facilitated by four management committees, namely: Underwriting, Re-Insurance & Co- insurance, Claim Settlement, and Risk Management & Compliance Committees. These committees meet on quarterly basis or whenever need arise.

MIS The system comprises a centralized database and web based front-end for development and reporting. The system assigns authority levels to its users and enforces strict compliance with internal procedures. IT system supports Head Office operations as well as remote users provide real-time updates.

Claim Management System Claims processing is centralized for better control and efficiency, with branches sending daily claim intimation reports to the Head Office, where all claims are paid. Intimation can be done via mail or telephone.

Investment Management Function The Company has a documented Investment Policy Statement (IPS) approved by BoD that provides guidelines, execution structure and sets benchmarks for each type of investment. Investment performance is evaluated by the Investment Committee every quarter.

Risk Management Framework The management, in line with efforts to standardize processes and improve controls, has developed detailed underwriting manual that has been implemented in all branches. All specialized risks are defined separately for various classes of risks, are referred to the Head Office for approval.

Business Risk

Industry Dynamics During 3MCY24, GPW of the General Insurance industry held a total size of PKR 48bln (3MCY23: PKR 41bln), posting growth of ~17%. Underwriting performance also improved by ~103% (3MCY24: PKR 3bln, 3MCY23: PKR 1.5bln). Improved underwriting and investment performance contributed to the industry's earnings (3MCY24: PKR 6.3bln, 3MCY23: PKR 4bln). However, current economic conditions remain imperative for the overall performance of the insurance industry.

Relative Position Shaheen Insurance falls among small sized players in the general insurance industry with less than ~1% market share.

Revenue Shaheen Insurance operates in both conventional (~92%) and window takaful (~8%). During CY23, the Company underwrote GPW (conventional + takaful) of ~PKR 899mln (CY22: ~PKR 519mln) witnessing an increase of ~73%; mainly triggering from the conventional side. On the segment level, Fire holds the highest share of ~45%, followed by Marine (~21%), Motor (~19%) and Misc (~15%). The Company reported a GPW of PKR 312mln during 3MCY24 (3MCY23: PKR 172mln) posting a growth of ~81%, mainly from the conventional side.

Profitability During CY23, the underwriting performance of the Company witnessed substantial improvement and reported positive underwriting results of ~PKR 40mln (CY22: loss ~PKR 38mln). Improvement in underwriting performance is owing to improved topline performance coupled with controlled management expenses. Whereas, the bottom line of the Company was supported by healthy investment income; the Company reported PAT at ~PKR 134mln during CY23 (CY22: ~PKR 52mln). During 3MCY24, PAT of the Company stood at ~PKR 44mln.

Investment Performance The Company has maintained a healthy investment book clocking in at ~PKR 1,020mln during CY23 (CY22: ~PKR 776mln); and generated investment income of ~PKR 123mln during CY23 (CY22: ~PKR 86mln). Investment book is majorly concentrated with Debt Instruments (~44%), followed by Cash & Bank Balance (~32%), government securities (~11%) and equity instruments (11%).

Sustainability The Company projects growth in GPW with a focus on tapping into captive business which carries huge potential opportunities in PAF.

Financial Risk

Claim Efficiency As of CY23, the Company's claims outstanding days witnessed substantial improvement stands at ~141 days (CY22: ~337). This significant improvement in claims outstanding days is due to an increase in claims payout. The claims liquidity ratio (claims to liquid investments) rose to 52% as of CY23 (CY22: ~18%). Additionally, the commercial efficiency ratio improved to ~1.2x as at CY23 (CY22: 0.9x). As of 3MCY24, the commercial efficiency stood at ~1.1x.

Re-Insurance On the basis of excess of loss (XOL), the Company has secured reinsurance arrangements with reputed re-insurers including Trust Re, Labuan Re, Pak Re, Saudi Re, Societe Centrale De Re, Kenya Re, Ocean Re, Tunis Re and Arab Re.

Cashflows & Coverages The Company maintains a healthy liquidity profile, liquidity coverage ratio (liquid assets / net insurance & takaful claims) stands at ~5.4x as of CY23 (CY22: ~7.9x). The Company has maintained a robust investment book of ~PKR 1,020mln as of CY23 (CY22: ~PKR 776mln). Whereas, net liquidity ratio [(liquid assets - borrowing) / outstanding claims] stands at 4.5x as at CY23 (CY22: ~5.4x). Liquid investment book stands at ~PKR 995mln as at 3MCY24.

Capital Adequacy The Company has a paid-up capital amounting to PKR 600mln, which is well above the Minimum Capital Requirement as per SECP. The Company possesses an equity base of PKR 860mln as of CY23 (CY22: PKR 738mln). As of 3MCY24, equity of the Company stands at ~PKR 889mln.



PKR Mln

Shaheen Insurance Company Limited Public Limited	Mar-24	Dec-23	Dec-22	Dec-21
	3M	12M	12M	12M

A BALANCE SHEET

1 Investments	1,251	1,187	943	838
2 Insurance Related Assets	361	332	198	165
3 Other Assets	118	107	86	78
4 Fixed Assets	94	76	56	40
5 Window Takaful Operations	-	-	-	-
Total Assets	1,824	1,701	1,283	1,120
1 Underwriting Provisions	307	282	175	106
2 Insurance Related Liabilities	295	283	211	187
3 Other Liabilities	288	256	141	104
4 Borrowings	15	19	19	26
5 Window Takaful Operations	-	-	-	-
Total Liabilities	905	841	546	423
Equity/Fund	918	860	738	697

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	313	899	518	243
2 Net Insurance Premium/Net Takaful Contribution	173	494	320	185
3 Underwriting Expenses	(144)	(455)	(357)	(228)
Underwriting Results	29	40	(38)	(43)
4 Investment Income	33	123	86	54
5 Other Income / (Expense)	14	19	29	12
Profit Before Tax	76	182	77	23
6 Taxes	(18)	(48)	(24)	5
Profit After Tax	57	134	52	28

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	22	73	34	12
2 Net Takaful Contribution	13	30	9	1
3 Net Takaful Claims	(1)	(16)	(12)	(6)
4 Direct Expenses Including Re-Takaful Rebate Earned	(0)	(0)	0	0
Surplus Before Investment & Other Income/(Expense)	12	14	(3)	(4)
5 Investment Income	0	3	2	1
6 Other Income/(Expense)	1	1	0	0
Surplus for the Period	13	18	(1)	(3)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	7	21	9	4
2 Management, Commission & Other Acquisition Costs	(6)	(17)	(9)	(4)
Underwriting Income/(Loss)	1	4	1	(0)
3 Investment Income	2	5	3	1
4 Other Income/(Expense)	1	1	(0)	(2)
Profit Before tax	4	10	4	(1)
5 Taxes	(1)	(3)	(1)	(0)
Profit After tax	3	7	3	(1)

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance	32.9%	33.5%	28.9%	26.1%
Combined Ratio (Loss Ratio + Expense Ratio)	83.3%	92.0%	111.8%	123.3%
2 Investment Performance				
Investment Yield	10.9%	11.6%	9.6%	6.6%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including	5.9	4.5	5.4	7.4
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	118.1%	118.5%	105.2%	98.0%

Insurer Financial Strength (IFS) Rating

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

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

<p>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'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. 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 rating outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

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- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is 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 | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) 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). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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