



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Insurance Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
05-May-2023	AA (ifs)	-	Stable	Maintain	-
07-May-2022	AA (ifs)	-	Stable	Maintain	-
31-Mar-2022	AA (ifs)	-	Stable	Harmonize	-
07-May-2021	AA-	-	Stable	Upgrade	-
27-Aug-2020	A+	-	Stable	Maintain	-
27-Aug-2019	A+	-	Stable	Maintain	-
04-Mar-2019	A+	-	Stable	Maintain	-
13-Dec-2018	A+	-	Stable	Maintain	-
24-May-2018	A+	-	Stable	Maintain	-
30-Dec-2017	A+	-	Stable	Maintain	-
16-May-2017	A+	-	Stable	Upgrade	-

Rating Rationale and Key Rating Drivers

TPL Insurance's rating is driven by its strong position in the relevant universe of players. The Company's efficient management systems, in tandem with sustained growth and operational efficiency are reflected in the rating. Further, consistency in implementing prudent financial strategies also played a pivotal role in the maintenance of the entity's rating. The aforementioned factors also enabled the perpetuation of a stable outlook. Company is driving GPW mainly from motor segment (~72.3%) as a result of which concentration risk is surfaced. Additionally, impetus is derived from abundant liquidity in the form of high liquid investments and cash reserves. Reinsurance treaties provide sufficient coverage to risks. The rating is supported by the induction of foreign investors. German-based institution, DEG and another foreign company namely Finnish Fund for Industrial Cooperation Ltd. acquired 15.87% and 17.02% stake in the Company respectively. This investment will provide further impetus to TPLI's vision of introducing innovative and tech-driven products, such as yield-based crops and livestock insurance thereby increasing the penetration of insurance in Pakistan. Moreover, other than organic growth, company is looking for inorganic growth by way of acquisition/amalgamation with local insurance company operating within Pakistan. TPL Insurance is expanding its footings across the digital market as it has recently become the 1st Insurer in Pakistan with its presence in the Metaverse, whereby focusing on the next generation of its customers.

The rating is dependent upon the Company's ability to diversify its revenue stream. The inclusion of the foreign partner should provide oversight and impetus to the business and financial risk profile while aiding growth trajectory of the Company.

Disclosure

Name of Rated Entity	TPL Insurance Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Rating Modifiers(Jun-22),Methodology General Insurance Rating(Mar-23)
Related Research	Sector Study General Insurance(May-22)
Rating Analysts	Muhammad Noor Ul Haq noorulhaq@pacra.com +92-42-35869504



Profile

Legal Structure TPL Insurance Limited was incorporated in Pakistan in 1992 as a public limited company. It was listed on Pakistan Stock Exchange in Sep'11.

Background TPL Insurance (TPLI) is a pioneer in seamless insurance services in Pakistan, through state-of-the-art Insurtech infrastructure. Since its inception, the Company has grown from strength-to-strength, delivering superior and hassle-free Insurance products to individual and corporate clients.

Operations TPLI offers all lines of General Insurance including Auto, Fire, Marine, Health, Home, Travel, Mobile, Cyber Risk, Engineering and Agriculture, with both Conventional and Takaful (Islamic) solutions for its customers. The company launched Window Takaful in Sep'14.

Ownership

Ownership Structure Associated companies owns a 53.60% stake in the Company, with prominent shareholding held by TPL Corp Limited at 52.87%, whereas TPL holdings (Private) limited owns 0.73% stake. Foreign companies owns 32.90% stake in the Company, with prominent shareholding held by DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH at 15.87%, whereas Finnish Fund for Industrial Cooperation Ltd owns 17.02% stake. The remaining holding of Company is distributed among a consortium of Banks, DFI & NBFI, mutual funds and individuals.

Stability The strategic linkage with strong local and foreign groups reinforces the stability of the Company. Through sponsors' continuous support, stability to sustain operations and longevity of the Company is ensured.

Business Acumen TPL Insurance Limited is (~52.87%) subsidiary of TPL Corp. TPL Corp is the Investment Holding Company of TPL Group with investments across multiple sectors through its various subsidiaries. Moreover, the direct presence of DEG and Finnish Fund further enhances the business enthusiasm.

Financial Strength The financial profile of the sponsoring groups is quite sound, reflected by their highly successful business ventures in various sectors.

Governance

Board Structure TPL Insurance Limited has an eight-member Board including the CEO. Presently, there are two independent directors, one executive directors, three non-executive directors and two nominated directors chairing the board. Three board level committees have been established for smooth operations throughout the organization, namely; i) Audit Committee ii) Investment Committee iii) Ethics, Human Resources and Remuneration Committee.

Members' Profile Mr. Jameel Yusuf is the Chairman of the Board. He is an experienced business professional and has been associated with many other not for profit organizations. He has also been awarded with the Sitar-e-Shujaat for his gallantry services.

Board Effectiveness Board Committee meetings are conducted on quarterly basis with minutes of the meeting being documented extensively.

Transparency The Company's External Auditor, M/s BDO Ebrahim & Co. (Chartered Accountants) issued an unqualified opinion on the financial statements for the year ended CY22.

Management

Organizational Structure The Company has developed a defined organizational structure and different type of activities are properly segregated and managed through various departments. The operations are divided into 1) Underwriting 2) Claims 3) Finance and 4) Sales & Distribution 5) Internal Audit. There are four committees, falling under the ambit of the Management Committee, namely; a) Underwriting Committee, b) Claims Settlement Committee, c) Re-insurance/Co-insurance Committee d) Risk Management and Compliance Committee.

Management Team Mr. Muhammad Aminuddin, the Chief Executive Officer of the Company, has been associated with the Company since August 2018. Mr. Aminuddin is an experienced professional having an exposure of more than two decades in Corporate Finance, Banking and Insurance sector.

Effectiveness The management committees meet on quarterly basis with minutes of the meeting being documented extensively.

MIS The MIS sent to directors is detailed and sent every month. Moreover, directors have more frequent interaction with the management.

Claim Management System The department comprises of individuals having multiple years of experience in claims handling. Claim approval is centralized at Karachi head office. The loss executive or the agent (call center) captures the incidence of claims in 'Claim Intimation Slip (CIS)' when verbal intimation is received through (i) 24/7 call center of TPLI, (ii) Trakker Business Partners (TBPs) (i.e. TPL's dealers), or (iii) the claims department.

Investment Management Function TPLI has a formal Investment Policy Statement (IPS) providing fundamental guidelines and execution structure to the investment process. This incorporates a predominant portion of funds to be placed in bank deposits and money market/fixed income funds.

Risk Management Framework TPL Insurance has a formal Risk Management Committee under the supervision of Chairman that ensures the implementation of Enterprise Risk Management Program. The program aims effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations such that all the measures for managing risks entity-wide are addressed and strategic objectives are achieved.

Business Risk

Industry Dynamics During 9MCY22, general insurance industry has a total GPW size of PKR ~114bln (9MCY21: PKR~89bln), registering a growth of ~28% YoY basis. Investment income has deteriorated to PKR ~8bln for 9MCY22 (9MCY21: PKR 9.45bln), despite hike in policy rate, insurance companies had to bear losses in equity securities.

Relative Position TPL Insurance is a medium sized company with ~3% market share as at Dec'22.

Revenue Company underwrote gross premium of PKR ~3,823mln during CY22 as compared to PKR 3,284mln last year (CY20: PKR 2,747mln; CY19: PKR 2,505mln); showing an increase of ~16.4%. This increase in GPW is due to higher inflationary pressure, reflected a spike in asset prices. Motor remained the highest grossing segment with ~72.3% segmental mix followed by fire & property (11.8%), accident & health (10.40%), miscellaneous (3.71%) and marine (1.76%).

Profitability The Company's underwriting income depicted an increase during CY22 to PKR 185mln (CY21: PKR 115mln; CY20: PKR 116mln; CY19: PKR 111mln). The increase in underwriting results is due to the increase in gross premium written that ultimately translated into underwriting profitability. Moreover, the bottom line was further supported with an increase of other income amounting to PKR 62mln during CY22 (CY21: PKR 32mln; CY20: PKR 114mln; CY19: PKR 71mln).

Investment Performance Company has maintained a sizable investment book of PKR 3,309mln during CY22 (CY21: PKR 2,436mln; CY20: PKR 1,834mln; CY19: PKR 1,431mln) registering the growth of ~36%. Over the last year, the Company witnessed the growth of ~7.7% in investment income amounting to PKR 85mln during CY22 (CY21: PKR 79mln; CY20: 115mln; CY19: PKR 81mln).

Sustainability TPL Insurance is expected to gain strategic impetus in the growth of non-motor segment of the company post-acquisition by foreign investors. The retail-centric company expects to launch innovative non-motor products, deriving benefits from foreign investors' experience.

Financial Risk

Claim Efficiency During CY22, the Company reported claims of PKR 1,415mln as compared to claims incurred PKR 1,113mln during CY21 (CY20: PKR 970mln; CY19: PKR 882mln). Insurance & Takaful Claims / Liquid Investments stood at 76.9% during CY22 (CY21: 83.7%; CY20: 106.6%; CY19: 94.7%) depicting an increasing trend which means Company is able to meet the claims quickly with its liquid assets that may arise during the period.

Re-Insurance Reinsurance arrangements are with reputable reinsurers; Reinsurer panel for conventional business: Hannover Re (rated 'AA-' by S&P), SAVA Re (A by A.M. Best), Qatar General (A- by A.M. Best); Reinsurer panel for Window Takaful Operation mainly comprise of Labuan Re (Rated 'A-' by A.M. Best) and PRCL (Rated 'A' by JCR/VIS).

Cashflows & Coverages Liquidity coverage stood at 3.7x as at end of CY22 (CY21: 3.9x; CY20: 3.2x; CY19: 4.4x) on account of provisions for outstanding claims (including IBNR).

Capital Adequacy The Company has a paid-up capital amounting to PKR 1,983mln, which is well above the Minimum Capital Requirement (MCR) for non-life insurers established by SECP.



PKR mln

TPL Insurance Limited
Listed Public Limited

Dec-22	Dec-21	Dec-20	Dec-19
12M	12M	12M	12M

A BALANCE SHEET

1 Investments	3,309	2,437	1,834	1,432
2 Insurance Related Assets	1,389	1,183	921	501
3 Other Assets	851	765	488	604
4 Fixed Assets	422	401	258	429
Total Assets	5,971	4,786	3,501	2,966
1 Underwriting Provisions	1,968	1,755	1,446	1,253
2 Insurance Related Liabilities	1,230	1,021	896	510
3 Other Liabilities	393	283	190	173
4 Borrowings	235	199	130	277
Total Liabilities	3,827	3,259	2,661	2,212
Equity/Fund	2,144	1,527	841	754

B INCOME STATEMENTS

1 Gross Premium Written/Gross Contribution Written	3,823	3,284	2,747	2,505
2 Net Insurance Premium/Net Takaful Contribution	2,967	2,398	2,163	2,132
3 Underwriting Expenses	(2,782)	(2,284)	(2,047)	(2,021)
Underwriting Results	185	115	116	112
4 Investment Income	85	79	115	81
5 Other Income / (Expense)	(205)	(199)	(152)	(137)
Profit Before Tax	65	(5)	80	56
6 Taxes	(47)	(4)	(40)	(26)
Profit After Tax	18	(10)	40	31

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Premium	47.6%	46.4%	44.8%	41.4%
Combined Ratio (Loss Ratio + Expense Ratio)	93.8%	95.2%	94.6%	94.8%
2 Investment Performance				
Investment Yield	3.0%	3.7%	7.0%	6.0%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	3.3	3.2	3.1	4.1
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	152.7%	159.6%	218.2%	183.3%

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

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- 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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- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (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)

Monitoring and review

- (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 | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(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 | 18-(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 | 18-(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-(F-VII)

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