



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Insurance Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
03-May-2024	AA (ifs)	Stable	Maintain	-
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	-

Rating Rationale and Key Rating Drivers

Pakistan's general insurance industry has a total size of PKR 166bln during 9MCY23 (9MCY22: PKR 113bln), exhibiting a growth of ~47%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~266% in underwriting results (9MCY23: PKR 9.9bln, 9MCY22: PKR 2.7bln). The net income of the industry also experienced an increase of ~170% to PKR 20bln during 9MCY23 (9MCY22: PKR 7.4bln). The industry's overall outlook remains stable with substantial liquidity available with players.

The IFS Ratings of TPL Insurance Limited ('TPL Insurance' or 'the Company') is driven by stable position in the relevant universe. Effective governance framework and managerial practices has maintained a controlled environment. Overall growth of the Company remain stagnant due to restricted growth (~7%) in GWP, backed by value uptick. Major (~67%) contribution in GWP is shown by motor segment, followed by fire & property (~16%), accident and health (~12%), miscellaneous (~4%) and marine & transport (~2%) segments. The Company booked underwriting losses due to higher claims and few one off managerial expenses. Bottomline gathers support from investment income. Lately, the merger of New Hampshire Insurance Company with and into the Company is expected to support the overall performance of TPL Insurance, going forward. However, contingencies of the merged company needs to be addressed so as to reap the benefit of this transaction. On the financial risk front, the Company holds adequate liquidity; however, higher claims stress the efficiency. The Company works with an adequately rated panel of reinsurers (enhanced treaty limits); along with holding an adequate equity base.

The rating is dependent upon the Company's ability to diversify its revenue stream. The inclusion of the foreign partners is expected to provide oversight and remains imperative to the overall risk profile of the Company. Prudent management of business and financial risk remains crucial for the ratings. Considerable challenges on the financial performance and position of the Company requires attention.

Disclosure

<b>Name of Rated Entity</b>	TPL Insurance Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	IFS Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-23),Assessment Framework   General Insurance(Mar-24)
<b>Related Research</b>	Sector Study   General Insurance(Jun-23)
<b>Rating Analysts</b>	Nabia Rauf   nabia.rauf@pacra.com   +92-42-35869504



## Profile

**Legal Structure** TPL Insurance Limited ('TPL Insurance' or 'the Company') was incorporated in 1992. The Company is listed on PSX since Sep-2011.

**Background** The Company started its operations in 1992. In 2005, the Company became Pakistan's 1st Direct Insurance Company. Later, in 2021, DEG Germany Equity Investments invested in the Company. In 2014, the Company started its Window Takaful operations. Throughout the years, the Company developed state-of-the-art Insurtech infrastructure and has grown in delivering superior and hassle-free Insurance products to individual and corporate clients.

**Operations** The Company operates in both, Conventional and Takaful business domains. Within both, the Company is engaged in Auto, Fire, Marine, Health, Home, Travel, Mobile, Cyber Risk, Engineering, Agriculture and Miscellaneous segments. The Company operates through a network of six branches, including HO in Karachi.

## Ownership

**Ownership Structure** Major stake of the Company ~53.6% lies with the Sponsors through Associated Companies. Foreign investors holds ~33% stake - DEG (~16%) and Finnish Fund for Industrial Cooperation Limited (~17%). Financial Institutions and Mutual Funds hold (~5.3%) stake. While, Directors hold ~1.37% stake. The remaining stake is held by general public (~4.5%), others hold (~1.4%) and foreign public (~0.07%)

**Stability** The ownership seems steady as the majority stake is held by the Sponsors, having significant financial footings across property and IT sector.

**Business Acumen** The Sponsors possess robust expertise and a diversified business portfolio offering substantial support to the Company, if needs be.

**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** The overall control of the Company lies with eight-member Board - three Non-Executive, two Nominated, one Executive, and two Independent Directors. The Board has female presence and is dominated by the representatives of the Sponsors.

**Members' Profile** The Chairman of the Board, Mr. Jameel Yusuf is associated with the Company since inception. He holds an overall experience of more than three decades. All other members possess diversified backgrounds and rich business acumen. They have served at leading positions throughout their professional career and provide their expertise in strategic decision-making process.

**Board Effectiveness** During CY23, the Board met four times. The Board is assisted by four committees, namely: (i) Audit, (ii) Investment, (iii) Ethics, Nomination, Human Resource & Remuneration, and (iv) Compensation Committee. Ethics, Nomination, Human Resource & Remuneration Committee met twice and all committees met quarterly. All Committees are headed by Non-Executive and Independent Director and meet on quarterly basis. Minutes of the meeting being documented extensively.

**Transparency** M/S. BDO Ebrahim Chartered Accountants & Co. issued an unqualified audit report on financial statements as of CY23. The firm is QCR rated and on SBP's panel in category "A".

## Management

**Organizational Structure** The Company operates through six departments namely; (i) Underwriting, (ii) Claims, (iii) Sales, (iv) Operations, (v) Finance and (vi) Digital Department. The HoDs report directly reports to the CEO, who then reports to the BoD. However, the Head of Internal Audit and HR administratively reports to the CEO and functionally reports to their respective BoD Committees.

**Management Team** Mr. Muhammad Aminuddin, is associated with the Company as the CEO since Aug-18. He holds an overall experience of more than three decades. has been associated with the Company since August 2018. The CFO, Mr. Yousuf Ali is associated with the Company since Oct-20. He holds an overall experience of more than two decades. He is assisted by a team of professionals.

**Effectiveness** The Company has four management committees, namely: Underwriting, Re-insurance & Co-insurance, Claim Settlement, and Risk Management & Compliance Committee. These committees are chaired by the Independent Directors and meet on quarterly basis.

**MIS** The MIS generates monthly comprehensive reports for the BoD. This also provides management with sophisticated management tools in a structured way, which helps the Company to bring operational efficiency

**Claim Management System** Claims approval is centralized at HO. 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** The Board's investment committee oversees the investment function, with the CFO's support.

**Risk Management Framework** The Company's risk management policies are designed to control risks to align with market conditions and company activities.

## Business Risk

**Industry Dynamics** Pakistan's general insurance industry has a total size of PKR 166bln during 9MCY23 (9MCY22: PKR 113bln), exhibiting a growth of ~47%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~266% in underwriting results (9MCY23: PKR 9.9bln, 9MCY22: PKR 2.7bln). The net income of the industry also experienced an increase of ~170% to PKR 20bln during 9MCY23 (9MCY22: PKR 7.4bln). Overall, the industry overall outlook remains stable with substantial liquidity available with players.

**Relative Position** TPL Insurance is a medium tier player with a market share of ~3% in terms of GWP.

**Revenue** The Company generated GWP from Conventional and Window Takaful Business. Due to value-driven increase in the business, total GWP grew by ~7% (CY23: ~PKR 4.1bln, CY22: ~PKR 3.8bln). Motor was the top performing segment contributed ~67%, followed by fire & property ~16%, accident and health ~12%, miscellaneous ~4% and marine & transport contributed ~2% of the total GWP. Going forward, it is expected that GWP will follow the similar trend, yet it remains essential to prioritize efforts aimed at increasing volumes.

**Profitability** During CY23, the Company incurred an underwriting loss of ~PKR 155mln, owing to higher underwriting expenses However, during CY22, recorded an underwriting profit of ~PKR 185mln. Underwriting expenses rose ~16% and stood at ~PKR 3.2bln (CY22: ~PKR 2.7bln), mainly due to higher management expenses. Investment and other income contributed to the bottom line and Profit after Tax surged and reported at ~PKR 1.1bln (CY22: ~PKR 18mln). Upholding prudent underwriting practices will remain beneficial for achieving break-even at the underwriting level, resulting in an improved bottom line during CY24.

**Investment Performance** During CY23, the Company recorded investment income of ~PKR 445mln (CY22: ~PKR 85mln), showing an increase of ~426% owing to higher returns.

**Sustainability** The Company needs to prioritize operational efficiency so as to add value to its existing operations.

## Financial Risk

**Claim Efficiency** As of CY23, the outstanding days stretched and stood at 140days (CY22: 116days). Outstanding claims increased ~15% and stood at ~PKR 0.9bln (CY22: ~PKR 0.8bln). Net insurance/takaful claims increased ~13% and stood at ~PKR 0.4bln (CY22: ~PKR 0.3bln). Claims Efficiency Days are inflated by motor claims and require more time due to surveys and due diligence activities. It is pivotal to minimize claims to enhance operational efficiency.

**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 ratio of the Company slightly improved and stood at 1.1x (CY22: 0.9x), owing to increased liquid assets. Liquid assets increased ~33% and reported at ~PKR 4bln (CY22: ~PKR 2.9bln). Going forward, it is imperative that liquidity is maintained to support the sustainability of the ratio.

**Capital Adequacy** Total equity increased ~23% and stood at ~PKR 2.6bln (CY22: ~PKR 2.1bln), owing to increased profit accumulation. Admissible assets to total liabilities ratio stood stagnant at 1.4x, depicting adequate capital adequacy. Going forward, maintaining an optimal level of capital adequacy is anticipated.



**TPL Insurance Limited**  
Public Listed Company

Dec-23	Dec-22	Dec-21
12M	12M	12M

**A BALANCE SHEET**

1 Investments	4,253	3,309	2,437
2 Insurance Related Assets	1,665	1,389	1,183
3 Other Assets	1,090	851	765
4 Fixed Assets	301	422	401
<b>Total Assets</b>	<b>7,309</b>	<b>5,971</b>	<b>4,786</b>
1 Underwriting Provisions	2,123	1,968	1,755
2 Insurance Related Liabilities	1,388	1,230	1,021
3 Other Liabilities	1,029	393	283
4 Borrowings	130	235	199
5 Window Takaful Operations	-	-	-
<b>Total Liabilities</b>	<b>4,670</b>	<b>3,827</b>	<b>3,259</b>
<b>Equity/Fund</b>	<b>2,638</b>	<b>2,144</b>	<b>1,527</b>

**B INCOME STATEMENTS**

1 Gross Premium Written/Gross Contribution Written	4,085	3,823	3,284
2 Net Insurance Premium/Net Takaful Contribution	3,085	2,967	2,398
3 Underwriting Expenses	(3,240)	(2,782)	(2,284)
<b>Underwriting Results</b>	<b>(155)</b>	<b>185</b>	<b>115</b>
4 Investment Income	445	85	79
5 Other Income / (Expense)	882	(205)	(199)
<b>Profit Before Tax</b>	<b>1,172</b>	<b>65</b>	<b>(5)</b>
6 Taxes	(45)	(47)	(4)
<b>Profit After Tax</b>	<b>1,127</b>	<b>18</b>	<b>(10)</b>

**C RATIO ANALYSIS**

**1 Profitability**

Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	49.1%	47.6%	46.4%
Combined Ratio (Loss Ratio + Expense Ratio)	105.0%	93.8%	95.2%

**2 Investment Performance**

Investment Yield	11.8%	3.0%	3.7%
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**3 Liquidity**

(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	4.0	3.3	3.2
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**4 Capital Adequacy**

Liquid Investments / Equity (Funds)	159.5%	152.7%	159.6%
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### 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
<b>AAA (ifs)</b>	<b>Exceptionally Strong.</b> 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.
<b>AA++ (ifs)</b> <b>AA+ (ifs)</b> <b>AA (ifs)</b>	<b>Very Strong.</b> 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.
<b>A++ (ifs)</b> <b>A+ (ifs)</b> <b>A (ifs)</b>	<b>Strong.</b> 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.
<b>BBB++ (ifs)</b> <b>BBB+ (ifs)</b> <b>BBB (ifs)</b>	<b>Good.</b> 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.
<b>BB++ (ifs)</b> <b>BB+ (ifs)</b> <b>BB (ifs)</b>	<b>Modest.</b> 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>B++ (ifs)</b> <b>B+ (ifs)</b> <b>B (ifs)</b>	<b>Weak.</b> 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.
<b>CCC (ifs)</b> <b>CC (ifs)</b> <b>C (ifs)</b>	<b>Very Weak.</b> 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
<b>D (ifs)</b>	<b>Distressed.</b> 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><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> 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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- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (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 | 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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