



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
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

The rating reflects established position of the Company in its niche market. The company has been sustainably augmenting its market positioning with significant growth in the topline. The third largest player in the motor segment, TPL Insurance Limited holds a substantial share in industry's GPW of the segment. The company has also built its presence in the Islamic side - Takaful. They company is growing into non-motor avenues with strengthened management team. Advanced technology infrastructure has continued providing an edge to the company amidst high competition. The financial risk profile is equipped with sound liquidity.

With structured efforts, TPL Insurance Limited is fortifying its inroads in commercial lines. This has added diversity to product slate of TPL Insurance Limited. Capitalising on a strong foothold in niche market TPL Insurance Limited is establishing relationships with intermediaries? bankers and auto manufacturers. With the rise in business size, the underwriting profitability must improve.

Disclosure

Name of Rated Entity	TPL Insurance Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology General Insurance(Jun-18)
Related Research	Sector Study General Insurance(Nov-18)
Rating Analysts	Rohail Amjad rohail.amjad@pacra.com +92-42-35869504



Profile

Legal Structure TPL Insurance Limited (formerly TPL Direct Insurance Limited) is a limited liability company. The company is listed on Pakistan Stock Exchange.
Background The company was incorporated in 1992 and is headquartered in Karachi, Pakistan. TPL Insurance Limited is a subsidiary of TPL Corp Limited.
Operations TPL Insurance has been in insurance operations since 2005. The company operates in Auto, Health, Micro, Fire and Marine insurance business.

Ownership

Ownership Structure TPL INSURANCE LIMITED is a 94% subsidiary of TPL Corp. Previously, it was a subsidiary (69.12% holding) of Greenoaks Global Holdings Limited (GGH).
Stability There was no change in the ownership structure this years.
Business Acumen TPL INSURANCE LIMITED is the 94% subsidiary of TPL Corp. TPL Corp is a 57% subsidiary of TPL Holdings.
Financial Strength TPL Corp Limited – close to three and a half billion rupee corporate conglomerate in turnover terms – has expanded its footings in diversified business avenues with sizable portfolio of strategic investments.

Governance

Board Structure TPL Insurance Limited has a seven members Board including the CEO.
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 The presence of strong strategic partners on board, TPL Corp, enhances the governance framework of the company. The incumbent partner has brought requisite challenge and fresh vision for the company.
Financial Transparency The company's auditor EY Ford Rhodes Chartered Accountants, issued an unqualified audit report for the year ended December 31, 2017 and unqualified review for the half year ended 6MCY18.

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. Meanwhile, a separate department has been established for emerging non-motor segments.
Management Team Mr. Muhammad Aminuddin, has joined TPL Insurance as the new CEO (w.e.f August 2018) replacing Mr. Saad Nissar. Mr. Aminuddin is an experienced professional having an exposure of more than 2 decades in corporate finance, Banking and Insurance sector. He is assisted by a team of professionals.
Effectiveness The MIS sent to new sponsor directors is detailed and sent every month. Moreover, new sponsor directors have more frequent interaction with the management during initial years after acquisition
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 centre of TPLI , (ii) Trakker Business Partners (TBPs) (i.e. TPL's dealers), or (iii) the claims department
Investment Management Function TPL Insurance 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 funds.
Risk Management Framework TPL Insurance Limited's risk management parameters are tailored to match its exclusive packages. There are three exclusive packages, which comes under the umbrella of comprehensive insurance. These include (i) Executive Policy (ii) Gold Policy and (iii) Platinum Policy.

Business Risk

Industry Dynamics Pakistan's general insurance witnessed continuous growth (CAGR 4 years 11%) but economic slowdown may hamper future growth rate. Fire and motor segments have been growth drivers. Miscellaneous segment has seen largest growth in non-conventional avenues, third-party, health, crop etc. Industry is bringing in technological advancements aimed to enhance efficiency and customer experience.
Relative Position TPL Insurance is a medium sized company with 3% market share at 9MCY18.
Revenue At end- Sep'18, the company's GPW clocked in at PKR 1.8bln (including Takaful) rising by 8% YoY. Motor segment was the forte of the company comprising 84% of the total GPW, followed by Health(8%), Fire (4%), Marine (3%) and Other (1%). The non auto line has experienced a growth of 189% on account of new client acquisitions.
Profitability Conventional underwriting posted a profit of PKR 121mln, against profit of PKR 137mln in 9MCY17 declining by 11%. As for the Window Takaful underwriting Operations, there was an underwriting loss of PKR13mln (CY17: Profit PKR 68mln)
Investment Performance Investment income (9MCY18: PKR 36mln), comes from stable stream of bank deposits carrying low financial risk.
Sustainability TPL Insurance has a high growth strategy in place. The company is eyeing 3 to 4 times growth in the next five years; capitalizing on strong footprints in retail, motor segment growth is inevitable, while corporate insurance strengthening remains to be seen.

Financial Risk

Claim Efficiency The company's Liquid assets to Net claims ratio increased to 2.2x at end- Sep18 (Sep17- 1.7x) on account of controlled claims expense.
Re-Insurance Reinsurance arrangements are with reputable reinsurers; Reinsurer panel for conventional business: Swiss Re (Rated 'AA-' by S&P), Hannover Re (rated 'AA-' by S&P); Reinsurer panel for Window Takaful Operation: Hannover Re, Bahrain (rated 'AA' by S&P) and GIC Re, Dubai (Rated A- by A.M Best)
Liquidity TPL Insurance Limited's investment book (PKR 860mln) constitutes .77 times of its equity base at end-Sep18. Predominant portion (PKR 860mln) has been deployed in liquid avenues, mainly in TDRs of different banks
Capital Adequacy At end-Sep18, paid-up share capital stood at PKR 939mln well beyond the Minimum Capital Requirement (MCR) for non-life insurers, defined as per SECP's regulation.



The Pakistan Credit Rating Agency Limited
TPL Direct Insurance Limited (TDIL)

BALANCE SHEET	Sep-18	Dec-17	Dec-16
	9Months	Annual	Annual
Investments			
Liquid Investments	860	1,203	996
Other Investments	-	-	75
	860	1,203	1,071
Insurance Related Assets	35	280	285
Other Assets	1,253	683	524
Asset- Window Takkaful	332	335	319
TOTAL ASSETS	2,479	2,500	2,199
Equity	1,113	1,122	1,045
Underwriting Provisions	667	676	704
Insurance Related Liabilities	320	165	188
Other Liabilities	216	304	83
Liabilities- Window Takkaful	160	234	178
TOTAL EQUITY & LIABILITIES	2,479	2,500	2,199
INCOME STATEMENT (Extracts) *			
	Sep-18	Dec-17	Dec-16
Gross Premium Written (GPW)	1,820	2,293	1,796
Net Premium Revenue (NPR)	1,693	2,068	1,558
Net Claims	328	893	686
Net Operational Expenses	320	852	931
Underwriting Results	113	112	119
Investment Income	26	15	58
Other Income/ (expense)	(50)	156	62
Profit/ (Loss) before tax	97	163	40
RATIO ANALYSIS (Conventional)			
	Sep-18	Dec-17	Dec-16
Underwriting Results			
Loss Ratio	42%	43%	44%
Combined Ratio	87%	84%	104%
Performance			
Operating Ratio	90%	84%	97%
Investment Yield	2%	1%	5%
Liquidity & Solvency			
Liquidity Ratio – times	3.3	9.3	7.9

*Including Takaful Operations



INSURER FINANCIAL STRENGTH (IFS) RATING 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.

Rating Team Statements

(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

Restrictions

- (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.
- (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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