



The Pakistan Credit Rating Agency Limited

Rating Report

The United Insurance Company of Pakistan Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
19-Apr-2024	AA+ (ifs)	Stable	Maintain	-
19-Apr-2023	AA+ (ifs)	Stable	Maintain	-
19-Apr-2022	AA+ (ifs)	Stable	Maintain	-
31-Mar-2022	AA+ (ifs)	Stable	Harmonize	-
30-Apr-2021	AA	Stable	Maintain	-
30-Apr-2020	AA	Stable	Maintain	-
26-Sep-2019	AA	Stable	Maintain	-
27-Mar-2019	AA	Stable	Upgrade	-
24-Dec-2018	AA-	Stable	Maintain	-
28-Jun-2018	AA-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The assigned ratings of The United Insurance Company of Pakistan Limited (“United Insurance” or “the Company”) reflect its strong presence in the insurance industry. Moreover, prudent managerial practices ensure quality and control standards. United Insurance’s GPW posted growth (~18%) during CY23, reporting at ~PKR 10bln (CY22: ~PKR 8.5bln), primarily driven by its conventional portfolio (~78%). Takaful business was envisioned to gather support once M/s SPI Insurance Company Limited (SPI) was merged with and into the United Insurance. However, this requires further effort and commitment. Currently, the major contribution of ~48% in the GPW stems from the miscellaneous segment (including hospitalization, travel, and bond business), followed by crop insurance contributing ~18% to the overall GPW. Going forward, the Company banks on its ever-growing crop insurance segment to gather further support and capture the market. This along with stable footing in motor and health segments, holds the Company’s underwriting results. However, higher outstanding claims highlight dependence on liquidity; though a bulk of it is receivable from reinsurance. The combined ratio stood at (~77.8%). The investment book, majorly comprising government securities and cash & bank balances, reported an uptick in income of ~20% during CY23. Thus supplementing the Company’s overall bottom line. The divestment from APNA Microfinance Bank has had an impact on the Company’s standing. On the financial risk front, the Company holds a robust panel of reinsurers along with a strong equity base. However, liquidity needs to be enhanced. Moreover, a successful and timely materialization of the Company’s envisioned plans to diversify into real estate and in life insurance business remains imperative to the ratings.

The ratings are dependent upon the envisaged plan of sustaining its relative positioning and its control environment. Continued generation of internal capital, enhancement of liquidity and opening of new venture (The United Life Assurance) in near future is considered essential.

Disclosure

Name of Rated Entity	The United Insurance Company of Pakistan Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-23),Methodology General Insurance Rating(Mar-23)
Related Research	Sector Study General Insurance(Jun-23)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Legal Structure The United Insurance Company of Pakistan Limited ("United Insurance" or "the Company") was incorporated on 20-Oct-59 as a public listed company.

Background United Insurance was established in 1959 by Mr. Fakhruddin Valika, a notable industrialist, the Company commenced its operations with 20% equity from the Pakistan Insurance Corporation (now Pakistan Reinsurance Company). Since its inception, it has emerged as a major player in Pakistan's insurance industry, serving clients in both Pakistan and East Pakistan (Bangladesh). Initially authorized to offer both Life Assurance and General Insurance services, the company later shifted its focus primarily to general insurance while continually diversifying its range of offerings over time.

Operations The company primarily engages in general insurance and is a qualified domestic insurance provider under the Insurance Ordinance, 2000. It offers Fire & Property Damage, Marine Aviation & Transport, Motor, Crop, and Miscellaneous General Insurance, as well as Window Takaful Operations since August 18, 2014. The company operates through 150 branches mainly in Punjab, with its registered office in Karachi and head office in Lahore.

Ownership

Ownership Structure United Group controls ~89.3% of shares in the Company whereas the remaining holding is vested among individuals and Institutions (~10.7%).

Stability The overall shareholding structure of the Company has remained stable since the last rating review.

Business Acumen Mr. M. Akram Shahid established United International Group ('the Group') in 1996. He holds vast industry-specific experience which has helped all the ventures of the Group to develop a strong footprints.

Financial Strength The Sponsors holds considerable financial standing across various business sectors - insurance, technology, tracking, healthcare, and risk advisory.

Governance

Board Structure The overall control of the Company vests in the seven-member BoD including the CEO. There are two Independent Directors including the Chairman, two Executive Directors and three Non-Executive Directors.

Members' Profile The BoD's Chairman, Mr. Jamil A. Khan, boasts a longstanding association with the financial sector. He holds more than 38 years in senior positions at national and international assignments. He has been associated with the Company since 2018.

Board Effectiveness The Board has three committees: (i) Ethics, HR & Remuneration Committee, (ii) Investment Committee & (iii) Audit Committee, to ensure the effective and efficient operation of the business. Board committees meet on a quarterly basis to conduct thorough reviews of the Company's performance and operations. minutes of the meetings are formally documented, ensuring transparency, accountability, and proper governance within the organization.

Transparency The Company's External Auditor M/s Avais Hyder Liaquat Nauman, Chartered Accountants, expressed an unqualified opinion on financials for the period ended CY23. The firm is also QCR and on SBP's panel in category "A".

Management

Organizational Structure The Company has established a clear segregation of duties within its organizational structure. The CEO manages core insurance-related activities and the Executive Directors oversee business development functions.

Management Team The management team, led by CEO Mr. M. Akram Shahid since 3-May-21. With extensive insurance industry experience, he played a vital role in establishing a strong Company presence, leading a seasoned team to significant success. Most upper management has over a decade of experience.

Effectiveness The management is facilitated by four management committees, namely: (i) Underwriting Committee, (ii) Claim Settlement Committee, (iii) Reinsurance and Coinsurance Committee, and (iv) Risk Management & Compliance Committee. All of the committees hold quarterly meetings to review the performance of the Company and set future strategies, and meeting minutes are formally documented.

MIS United Insurance has an in-house-built ERP solution. The real-time MIS capturing critical information may help improve the overall efficacy of the decision-making process. Meanwhile, the development of a business intelligence system is in the offing.

Claim Management System United Insurance has a centralized claims processing function. Although the claim is initially intimated at the respective branch, the authority for the appointment of the surveyor and approval of the claim amount rests with the head office.

Investment Management Function The Board approved Investment Policy Statement (IPS) provides detailed guidelines, an execution structure, and benchmarks for diverse investment categories. Quarterly assessments by the Investment Committee evaluate investment performance.

Risk Management Framework The underwriting and risk management function is centralized at head office. Every policy with a sum insured above PKR 100mln is required to be issued from the head office. Whereas, for policies approval and issuance below PKR 100mln, United Insurance has established three zones in Lahore (Zone 1, Head Office), Islamabad (Zone 2) and Karachi (Zone 3).

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 GWP. The underwriting performance of the industry is improved by ~266% on YoY. The net income of the industry also experienced an increase of ~170% to PKR 20bln during 9MCY23 (9MCY22: PKR 7.4bln). Overall, the industry's outlook remains stable with substantial liquidity available with players.

Relative Position United Insurance is among the large players in the industry. The Company has a market share of 5.8% as of Sep-23 in the General Insurance Industry.

Revenue The Company's GPW is derived from both Conventional (~78%) and Takaful (~22%) operations. During CY23, GPW improved by ~18% to PKR 10,066mln (inclusive of Takaful at PKR 2,171mln) (CY22: PKR 8,539mln (inclusive of Takaful at PKR 2,102mln)). The improvement in GPW was primarily attributed to the impact of rupee-dollar parity on asset pricing. Conventional business was primarily driven by the miscellaneous segment (~48%), followed by Crop (~18%), Fire & Property (~15%), Motor (~13%), and Marine (~6%).

Profitability During CY23, the underwriting performance of the Company remained stagnant, reported at ~PKR 1,253mln in CY23 (CY22: ~PKR 1,250mln). Whereas, the bottom line of the Company was supported by investment income, which amounted to ~PKR 178mln during CY23 (CY22: ~PKR 149mln). With driving support from investment income, the bottom line of the Company improved to ~PKR 1,218mln in CY23, from ~PKR 1,084mln in CY22.

Investment Performance The Company's investment portfolio is characterized by a diverse mixture, with a significant concentration in Cash & bank balances (~45%), followed by government securities (~39%), debt instruments (~12%), and equity instruments (~4%). During CY23, the investment income of the Company witnessed an uptake of ~19% and was reported at ~PKR 178mln (CY22: PKR 149mln).

Sustainability Going forward, the Company plans to enter the life insurance industry and anticipates a positive reception.

Financial Risk

Claim Efficiency United Insurance's risk absorption capacity, reflected by liquid assets coverage to outstanding claims, stood at 0.6x as of CY23 (CY22: 0.7x). Whereas, claims outstanding days increased to 344 days (CY22: 248 days). The increase in outstanding days majorly owing to an increase in insurance/takaful claims expense. As of CY23, insurance/takaful claim expense clocked to PKR ~5,064mln (CY22: PKR ~3,410mln).

Re-Insurance Reinsurance panel constitutes Swiss Re (Rated 'AA-' by S&P), Korean Re (Rated A by S&P), Hannover AG (Rated 'A+' by S&P), Pakistan Reinsurance (Rated AA locally), Chaucer MENA Underwriting Limited (Rated 'A' by S&P), Echo Re (Rated 'A-' by S&P), Canopus Asia (Rated 'A+' by AM Best), Societe Centrale de Reassurance (Rated 'B++' by AM Best), Africa Re (Rated 'A-' by S&P), Kuwait Re (Rated 'A-' by AM Best), Tunis Retakaful (Rated 'AA' by Fitch), Kenya Re (Rated 'B+' by AM Best)

Cashflows & Coverages United Insurance's liquid investment book in CY23 was reported at PKR 2,823mln (CY22: PKR 3,392mln). As of CY23 the Company's Liquid Assets/Outstanding Claims including IBNR reported at 0.6x (CY22: 0.7x) reflecting weak liquidity coverage.

Capital Adequacy The Company is well equipped in capital adequacy as per the requirements of SECP. The Company's equity was reported at PKR 5,463mln as of CY23 (CY22: PKR 4,955mln). The Company has a paid-up capital of PKR 3,468mln.



PKR mln

The United Insurance Company of Pakistan
Listed Public Limited

Dec-23	Dec-22	Dec-21	Dec-20
12M	12M	12M	12M

A BALANCE SHEET

1 Investments	3,155	3,643	2,739	3,535
2 Insurance Related Assets	8,425	7,927	4,728	4,949
3 Other Assets	2,800	2,116	2,528	894
4 Fixed Assets	1,958	1,619	1,231	1,252
5 Window Takaful Operations	-	-	-	-
Total Assets	16,337	15,305	11,226	10,629
1 Underwriting Provisions	3,463	3,270	2,756	2,683
2 Insurance Related Liabilities	5,576	5,711	2,829	2,914
3 Other Liabilities	1,786	1,286	1,031	866
4 Borrowings	49	83	93	91
5 Window Takaful Operations	-	-	-	-
Total Liabilities	10,874	10,350	6,709	6,554
Equity/Fund	5,463	4,955	4,517	4,075

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	10,066	8,539	6,580	5,722
2 Net Insurance Premium/Net Takaful Contribution	5,635	4,877	3,729	2,352
3 Underwriting Expenses	(4,382)	(3,627)	(2,666)	(1,922)
Underwriting Results	1,253	1,250	1,063	430
4 Investment Income	178	149	99	88
5 Other Income / (Expense)	152	(38)	(320)	3
Profit Before Tax	1,582	1,361	843	521
6 Taxes	(365)	(277)	(248)	(120)
Profit After Tax	1,218	1,084	595	401

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	2,171	2,102	1,384	801
2 Net Takaful Contribution	1,302	963	610	207
3 Net Takaful Claims	(1,028)	(771)	(571)	(303)
4 Direct Expenses Including Re-Takaful Rebate Earned	(97)	(49)	30	77
Surplus Before Investment & Other Income/(Expense)	177	144	69	(19)
5 Investment Income	15	11	9	2
6 Other Income/(Expense)	20	8	6	3
Surplus for the Period	212	162	83	(14)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	703	534	396	277
2 Management, Commission & Other Acquisition Costs	(715)	(551)	(382)	(280)
Underwriting Income/(Loss)	(12)	(17)	14	(3)
3 Investment Income	26	25	25	9
4 Other Income/(Expense)	(6)	(5)	(3)	(4)
Profit Before tax	8	3	35	2
5 Taxes	-	-	-	-
Profit After tax	8	3	35	2

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	35.4%	31.3%	29.6%	30.3%
Combined Ratio (Loss Ratio + Expense Ratio)	77.8%	74.4%	71.5%	82.1%
2 Investment Performance				
Investment Yield	5.2%	4.7%	3.2%	2.9%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.6	0.7	1.0	0.7
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	51.7%	68.4%	59.5%	86.0%

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

- 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)
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- (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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