



The Pakistan Credit Rating Agency Limited

## Rating Report

### IGI General Insurance Limited

#### Report Contents

1. Rating Analysis
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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Feb-2023	AA+ (ifs)	-	Stable	Maintain	-
31-Mar-2022	AA+ (ifs)	-	Stable	Harmonize	-
25-Feb-2022	AA	-	Stable	Maintain	-
26-Feb-2021	AA	-	Stable	Maintain	-
28-Feb-2020	AA	-	Stable	Maintain	-
29-Aug-2019	AA	-	Stable	Maintain	-
27-Feb-2019	AA	-	Stable	Maintain	-
18-Dec-2018	AA	-	Stable	Maintain	-
29-Jun-2018	AA	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The rating takes comfort from IGI's association with its parent, IGI Holdings, which has injected a sizeable capital into the Company. This is preserved mostly in the form of liquid investments. The IGI Holdings has an express mandate to proactively support the Company in times of need. The top group resources provide strategic direction and oversight. Given the established customer base and stability in the operational performance of the Company, healthy growth in the financial performance is anticipated for the year-end CY22. Presently, during 9MCY22, general insurance industry has a total GPW size of PKR ~114bln (9MCY21: PKR~89bln), registering a growth of ~28% YoY basis. The insurance penetration and density remained very modest as compared to other jurisdictions while the insurance sector still remains underdeveloped relative to its potential. The insurance industry is capturing market share through offering Islamic Takaful Window operations which are gaining market acceptance rapidly. The Company also followed the industry trend and, expanded and recorded growth in its total assets. The top-line of the Company (GPW) showed a growth of 20% in 9MCY22 (including window takaful operations) over the corresponding period last year. Moreover, the Company has built its liquid investment book to equity ratio which confirms the Company's ability to cover its short-term due obligations on time quite efficiently. The Company reported an increase in investment income because of the rolled-over effect of interest rates. Upgradation of IT infrastructure has yielded improved efficiency - notably in claims management. Further, the Company continues to enjoy a sound re-insurance panel that provides extensive risk absorption coverage. IGI's panel includes Hannover Re (rated AA- by S&P), Swiss Re (rated AA- by S&P), Saudi Re (rated A by Moddy's), Kuwait Re (rated A by S&P), Korean Re (rated A by A.M. Best) and Pak Re (rated AA by VIS).

The rating is based on the improved financial position of the Company. The financial position of the Company has strengthened over the period. The increased GPW is also one of the key rating drivers. The liquid investment book has improved and contributed to maintain the rating.

#### Disclosure

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



## Profile

**Legal Structure** IGI General Insurance Limited ("IGI General" or "the Company") is a public unlisted company.

**Background** The Company was incorporated on November 18, 2016 under the Companies Act 2017 to which the non-life insurance segment was transferred by IGI Insurance Limited (now IGI Holdings Limited) under corporate restructuring scheme. Packages Group established a foothold in the financial sector through multiple ventures. The group initiated corporate restructuring and envisioned creating a Holding Company (HoldCo), thereby separating strategic investment from its insurance business.

**Operations** The Company is engaged in providing non-life insurance products including Fire, Motor, Marine, Travel, Health, Personal Accident, Home and Miscellaneous. IGI General is headquartered in Karachi. It has offices in 8 cities nationwide. Company has 4,000 corporate and 20,000 individual customers.

## Ownership

**Ownership Structure** IGI Holdings holds ~100% ownership stake in the Company.

**Stability** The sound shareholding structure of the Company channeled through the Packages Group provides stability to the ownership profile of the Company.

**Business Acumen** The Packages Group, under the umbrella of "IGI Financial Services", established a foothold in the financial sector (i) IGI General Insurance (ii) IGI Life (iii) IGI Investments and (iv) IGI Finex Securities. These are a few one, the Group is involved in other businesses as well.

**Financial Strength** The sponsors maintain a strong presence in the Country. The Packages Group, under the umbrella of "IGI Financial Services" established foothold in the financial sector IGI Insurance, IGI Life, IGI Investments and IGI Financial Services. These are a few one, the Group is involved in other businesses as well.

## Governance

**Board Structure** The Company has a six-member board comprising an executive and five non-executive directors (including one female director). Currently, the board has no independent directors.

**Members' Profile** The profile of entire board is strong, with a mix of experienced legal professionals and investment experts. The Chairman of the board, Mr. Shamim Ahmad Khan has served various government organizations in different capacities, namely; Securities and Exchange Commission of Pakistan (SECP) and Ministry of Commerce (MoC).

**Board Effectiveness** The board is comprised of a mix of executive and non-executive directors in line with the guidelines of code of corporate governance applicable to the insurance companies. Overall board oversight is considered effective with quarterly board meetings while minutes of the meetings are documented adequately.

**Transparency** M/s A.F Ferguson & Co., Chartered Accountants are the External Auditors of the Company. The auditors have expressed an unqualified opinion on the Company's financial statements for the year ended 31st December 2021.

## Management

**Organizational Structure** The Company has a comprehensive organizational structure with clear reporting lines, ensuring segregation of duties. The overall functions of the Company are divided into the following departments: Underwriting, Reinsurance & Risk Management, Claims, Marketing and Sales, Finance, Group Shared Services (GSS) under the IGI FS umbrella.

**Management Team** Mr. Tahir Masaud is the CEO of the Company as well as IGI Holdings Limited. Mr. Masaud brings with him over 2 decades of rich and varied experience gained in senior leadership positions within the general insurance sector of Pakistan and United Kingdom. The CEO is supported by a management team comprises of qualified and experienced professionals.

**Effectiveness** The management committees meet on a regular basis. The agenda of the meetings include challenges and their solution, mobilization of resources, assessment of upcoming projects and etc.

**MIS** The IT system is fully integrated in all major departments and ensures proper financial and operational control. The system for reporting has been designed as per the requirements of the Company.

**Claim Management System** The claims process is initiated with claim intimation by the client (via email, letter or phone call) and is recorded directly on claims register. For claim validation/authentication purposes, the Company also uses external surveyors as per Company policy.

**Investment Management Function** IGI General has its investment committee which looks after the Company's investments. This committee is chaired by Mr. Syed Hasnain Ali along with three other members.

**Risk Management Framework** The treaty capacities are optimal with surplus arrangements, which are adequate for risk management. The Company has diversified its panel of reinsurers, boding well for its financial risk.

## Business Risk

**Industry Dynamics** In terms of Gross Written Premium (GWP), the general insurance industry has a total size of PKR ~114bln in 9MCY22 compared to PKR ~89bln in 9MCY21, exhibiting a growth of 28.0%. The industry reported a significant decrease of 38.8% in underwriting results to PKR 2.7bln in 9MCY22 (9MCY21: PKR 4.4bln). The net income of the industry experienced a drop of 26% to PKR 7.4bln in 9MCY22 (9MCY21: PKR 10bln). The recent floods have also caused losses to the economy. This will affect the insurance industry's performance during the ongoing quarters.

**Relative Position** The Company is placed among the large players in the industry. The Company has a market share of 7% as of Sep'22 in the General Insurance Industry.

**Revenue** Company underwrote gross premiums of PKR ~8,510mln in CY21 against PKR ~6,014mln last year; showing an increase of PKR ~2,496mln reflecting a growth of 41% YoY. During 9MCY22, Company's GPW stood at PKR ~8,058mln with 35% derived from Fire and 24% from the Motor segment.

**Profitability** Company reported an aggregated reinsurance expense of PKR 4,109mln in CY21(CY20: PKR 3,232mln). Claims incurred during CY21 were PKR ~2,136mln against PKR ~1,358mln in CY20, showing an increase of PKR ~778mln. Whereas, PAT declined to PKR ~296mln against PKR ~463mln last year, down by 36% (CY19: PKR 592mln). A declining trend is observed due to high trending underwriting expenses. During 9MCY22, Company reported an aggregated insurance expense of PKR 3,777mln and Claims incurred of PKR 2,149mln. The surge in loss ratio to 64% was mainly due to Fire (111.1%) and Health segments (77.5%). Company reported a combined ratio of 93.4% and PAT of PKR ~367mln.

**Investment Performance** The major portion (60%) of the Company portfolio is invested in government securities as at end-Sep22. Company reported an investment income of PKR ~185mln and PKR ~398mln in CY21 and CY20 respectively. Company reported an investment income of PKR~ 316mln for the period 9MCY22.

**Sustainability** The management of the Company aims to enhance top-line through captive underwriting, extensive efforts are being undertaken in this regard. It further aims to develop a market-related business in the medium term.

## Financial Risk

**Claim Efficiency** The receivables position remains high in line with the growth in premium income, as the contribution due but unpaid reported at PKR ~1,307mln during, CY21 (CY20: PKR 1,004mln; CY19: PKR 767mln), showed a continuously increasing trend over the years. As at end-Sep22, Company reported contributions due but unpaid reported at PKR~ 1,661mln. Company's outstanding days stood at 166.

**Re-Insurance** IGI's panel includes Swiss Re (rated AA-, S&P), Hannover Re (rated AA-, S&P), Saudi Re (rated A, Moddy's), Kuwait Re (rated A, S&P), Korean Re (rated A, A.M. Best) and Pak Re (rated AA, JCR).

**Cashflows & Coverages** Company's current ratio stood at 1.3x in CY21 (CY20: 0.94x, CY19: 0.97). At end-Sep22 Company's current ratio stood at 1.2x showing a strong liquidity position.

**Capital Adequacy** The Company is well equipped in capital adequacy as per the requirements of SECP. The Company's equity stood at PKR~ 3,220mln as at end-Sep22 (CY21: PKR~ 3,013mln, CY20: PKR ~2,872mln). The paid-up capital of the Company is PKR~ 1,918mln.



PKR mln

IGI General Insurance Limited  
Listed Public Limited

Sep-22	Dec-21	Dec-20	Dec-19
9M	12M	12M	12M

#### A BALANCE SHEET

1 Investments	4,105	4,034	3,859	3,768
2 Insurance Related Assets	13,545	6,260	4,339	3,027
3 Other Assets	2,191	1,653	2,153	1,907
4 Fixed Assets	911	889	881	859
5 Window Takaful Operations	-	-	-	-
<b>Total Assets</b>	<b>20,753</b>	<b>12,836</b>	<b>11,233</b>	<b>9,561</b>
1 Underwriting Provisions	4,376	3,324	2,345	2,217
2 Insurance Related Liabilities	11,057	4,625	4,589	3,116
3 Other Liabilities	1,969	1,725	1,264	1,237
4 Borrowings	131	148	162	178
5 Window Takaful Operations	-	-	-	-
<b>Total Liabilities</b>	<b>17,533</b>	<b>9,822</b>	<b>8,360</b>	<b>6,747</b>
<b>Equity/Fund</b>	<b>3,220</b>	<b>3,013</b>	<b>2,872</b>	<b>2,814</b>

#### B INCOME STATEMENTS

##### CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	8,058	8,510	6,014	5,613
2 Net Insurance Premium/Net Takaful Contribution	3,360	3,449	2,672	2,712
3 Underwriting Expenses	(3,138)	(3,184)	(2,355)	(2,411)
<b>Underwriting Results</b>	<b>222</b>	<b>265</b>	<b>317</b>	<b>301</b>
4 Investment Income	316	206	398	515
5 Other Income / (Expense)	20	49	(16)	17
<b>Profit Before Tax</b>	<b>558</b>	<b>520</b>	<b>699</b>	<b>833</b>
6 Taxes	(191)	(175)	(199)	(234)
<b>Profit After Tax</b>	<b>367</b>	<b>345</b>	<b>500</b>	<b>599</b>

##### PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	1,285	1,122	537	435
2 Net Takaful Contribution	606	487	211	172
3 Net Takaful Claims	(615)	(652)	(255)	(212)
4 Direct Expenses Including Re-Takaful Rebate Earned	45	43	32	12
<b>Surplus Before Investment &amp; Other Income/(Expense)</b>	<b>36</b>	<b>(122)</b>	<b>(12)</b>	<b>(28)</b>
5 Investment Income	48	23	17	11
6 Other Income/(Expense)	(8)	4	9	10
<b>Surplus for the Period</b>	<b>76</b>	<b>(95)</b>	<b>14</b>	<b>(8)</b>

##### OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	261	246	141	142
2 Management, Commission & Other Acquisition Costs	(185)	(168)	(111)	(47)
<b>Underwriting Income/(Loss)</b>	<b>75</b>	<b>79</b>	<b>29</b>	<b>96</b>
3 Investment Income	15	8	7	8
4 Other Income/(Expense)	0	(1)	1	0
<b>Profit Before tax</b>	<b>91</b>	<b>86</b>	<b>38</b>	<b>104</b>
5 Taxes	(29)	(25)	(11)	(21)
<b>Profit After tax</b>	<b>62</b>	<b>61</b>	<b>27</b>	<b>84</b>

#### C RATIO ANALYSIS

<b>1 Profitability</b>				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful	64.0%	61.9%	50.8%	52.0%
Combined Ratio (Loss Ratio + Expense Ratio)	93.4%	91.9%	88.4%	88.7%
<b>2 Investment Performance</b>				
Investment Yield	10.4%	5.2%	10.4%	14.4%
<b>3 Liquidity</b>				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.4	1.2	1.1	1.9
<b>4 Capital Adequacy</b>				
Liquid Investments / Equity (Funds)	110.4%	117.3%	116.0%	113.6%

**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)	<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.
AA++ (ifs) AA+ (ifs) AA (ifs)	<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.
A++ (ifs) A+ (ifs) A (ifs)	<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.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	<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.
BB++ (ifs) BB+ (ifs) BB (ifs)	<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++ (ifs) B+ (ifs) B (ifs)	<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.
CCC (ifs) CC (ifs) C (ifs)	<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
D (ifs)	<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 | 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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