



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	IFS Rating	Outlook	Action	Rating Watch
23-Feb-2024	AA+ (ifs)	Stable	Maintain	-
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

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 9MCY22 (9MCY22: PKR 7.4bln). Overall, the industry overall outlook remains stable with substantial liquidity available with players.

The ratings derive comfort from the strong backing and governance instituted by the Sponsors - the Packages Group through IGI Holdings. Moreover, a prudent approach of management to sustain the overall quality and control environment remains imperative for the ratings. IGI General Insurance Limited holds a stable risk profile. The topline of the Company is mainly inflationary driven with slightly increased business volumes. During 9MCY23, the Company generated consolidated GPW of ~PKR 11bln (9MCY22: ~PKR 8bln), witnessing a growth of ~39%. Fire and property segment contributed ~41%, followed by motor ~19%, miscellaneous ~18%, accident & health ~13% and marine & transport ~8% of the total GPW. Underwriting performance witnessed a surge and the Company secured a profitable bottom-line, gaining support from the investment income. Going forward, an increased inclusion of digitization may support the overall business volumes. On the financial risk front, the Company holds adequate liquidity; however, considerably higher claims further stress the efficiency. The equity base remains stable.

The rating is dependent on sustained improvement in business and financial metrics of the Company in line with its relative positioning within the industry. At the same time, the liquidity profile should continue to offset the liabilities.

#### 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-23),Methodology   Rating Modifiers(Apr-23)
<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** IGI General Insurance Limited ("IGI General" or "the Company"), was incorporated on 18-Nov-16, as a public unlisted company.

**Background** Packages Group has consolidated its investment in the financial sector (insurance and brokerage) in IGI Holdings Ltd. ('IGI Holdings' or 'the Holdco'). The Holdco holds considerable investment in the insurance sector, both in general and life insurance domains, through IGI General and IGI Life Insurance. IGI General operates in the non-life insurance segment, both in conventional and window takaful. The Company remains the main dividend generator for the Holdco.

**Operations** The Company mainly operates in Conventional and Takaful business domains. Within both, the Company is mainly engaged in fire, motor, marine, travel, accident and health, home and miscellaneous segments. The Head Office is located in Lahore and operates through a network of ten branches nationwide.

## Ownership

**Ownership Structure** The Company is a wholly owned (100%) subsidiary of IGI Holdings.

**Stability** The ownership of the Company seems to remain stable as the major stake resides with the Sponsors, having considerable financial footing in various business sectors of the economy.

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

**Financial Strength** The Company is a wholly-owned subsidiary of IGI Holdings (rated by PACRA | AA/A1+) upholds a strong financial position. The Holdco has a consolidated equity base of PKR 58bln as of 9MCY23; with the PAT of PKR 3bln during 9MCY23.

## Governance

**Board Structure** The overall control of the Company lies with six-members Board - three Non -Executive, two Independent Directors, (including one female) and one Executive Director (the CEO). The Board is dominated by the representatives of the Packages Group.

**Members' Profile** The Chairman of the Board, Mr. Shamim Ahmad Khan is associated with the Company since 2018. He holds an overall experience of above 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 three committees, namely: (i) Audit, (ii) Investment and (iii) Ethics, Human Resource & Remuneration Committee. All the committees are chaired by Non - Executive Directors and met four times.

**Transparency** The External Auditors of the Company M/S A.F Ferguson & Co., Chartered Accountants has issued an unqualified audit report pertaining to the financial statements for CY22. The firm is QCR rated and on SBP's panel in category "A".

## Management

**Organizational Structure** The Company operates through six departments:(i) Underwriting, (ii) Reinsurance & Risk Management, (iii) Claim Management, (iv)Marketing and Sales, (v) Finance and (vi) Group Shared Services (GSS). All the Heads reports to the CEO, who then reports to the BoD. However, the Head of Internal Audit, Investment and HR functionally to the respective BoD Committee and administratively to the CEO.

**Management Team** Lately, Mr. Faisal Khan has been appointed as the CEO. He holds an overall experience of above two decades. Previously, Mr. Tahir Masaud was the CEO. The CFO, Mr. Syed Awais Amjad, is associated with the Company since 2018 and holds an overall experience of above two decades. He is assisted by a team of professionals.

**Effectiveness** The Company has three management committees namely; (i) Underwriting, Re-insurance & Co-insurance Committee, (ii) Claim Settlement Committee and (iii) Risk Management & Compliance Committee. These committees are chaired by Non-Executive Directors and meet on quarterly basis.

**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 Company has an authority matrix for approval of claims.

**Investment Management Function** The Board's investment committee oversees the investment function, with the CFOs support.

**Risk Management Framework** The Company's risk management policies are designed to identify, analyze, and control risks, with regular reviews 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 9MCY22 (9MCY22: PKR 7.4bln). Overall, the industry overall outlook remains stable with substantial liquidity available with players.

**Relative Position** The Company is ranked as the 4th largest player with a market share of ~8% in terms of GPW.

**Revenue** The Company generated GPW from Conventional (~89%), followed by Window Takaful (~11%). Due to value driven increase in the business, total GPW grew by ~39% (9MCY23: ~PKR 11bln, 9MCY22: ~PKR 8bln) mainly trickling down from conventional business. Conventional business generated (~PKR 10bln), while the Takaful business generated (~PKR 1bln). Fire and property was the top performing segment contributed ~41%, followed by motor ~19% miscellaneous ~18%, accident & health ~13% and marine & transport contributed ~8% of the total GPW. Going forward, GPW is expected to show the same trajectory; however, efforts to boost volumes remains imperative.

**Profitability** During 9MCY23, following the prudent underwriting management and efficiently controlled underwriting expenses, the Company reported an uptake of 97% in its underwriting results at PKR 441mln (9MCY22: ~PKR 222mln). Further, the uptake in the investment income supplemented the bottom line of the Company as it grew by ~60% reporting at PKR 590mln (9MCY22: ~PKR 367mln). Going forward, prudent underwriting practices will remain beneficial.

**Investment Performance** During 9MCY23, the Company recorded investment income of ~PKR 426mln (9MCY22: ~PKR 316mln), showing an increase of ~35% due to higher returns of government securities. Going forward, prudent investment management will enhance support for the bottom-line.

**Sustainability** The Company remains focused towards operational expansion, adding value in existing operations through process automation.

## Financial Risk

**Claim Efficiency** As of 9MCY23, the claims outstanding days declined and stood at 403days (9MCY22: 166days). Net claims increased ~5% and stood at ~PKR 2.2bln (9MCY22: ~PKR 2.1bln). Outstanding claims reduced and stood at ~PKR 8.1bln (9MCY22: ~PKR 8.8bln). The management remains focused on minimizing outstanding claims to enhance operational efficiency.

**Re-Insurance** The Company has reinsurance agreements with leading reinsurers including: 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), Pak Re (rated AA, JCR) etc.

**Cashflows & Coverages** Liquidity ratio of the Company decreased and stood at 0.5x (9MCY22: 0.8x), owing to decreased liquid assets. Total liquid assets declined ~6% and stood at ~PKR 3.3bln (9MCY22: ~PKR 3.5bln). Going forward, liquidity needs to support so as to sustain the ratio.

**Capital Adequacy** Total equity increased ~7% and stood at ~PKR 3.4bln (9MCY22: ~PKR 3.2bln), due to increased unappropriated profit (9MCY23: ~PKR 0.9bln, 9MCY22: ~PKR 0.7bln). Admissible assets to total liabilities ratio stood stagnant at 0.7x, depicting adequate capital adequacy. Going forward, the Company's capital adequacy is expected to remain at an optimal level.



PKR Mln

IGI General Insurance Limited Public UnListed Company	Sep-23	Dec-22	Sep-22	Dec-21	Dec-20
	9M	12M	9M	12M	12M

#### A BALANCE SHEET

1 Investments	4,046	3,687	4,105	4,034	3,859
2 Insurance Related Assets	16,081	11,980	13,545	6,260	4,339
3 Other Assets	2,347	1,947	2,191	1,653	2,153
4 Fixed Assets	1,048	1,001	911	889	881
5 Window Takaful Operations	-	-	-	-	-
<b>Total Assets</b>	<b>23,523</b>	<b>18,615</b>	<b>20,753</b>	<b>12,836</b>	<b>11,233</b>
1 Underwriting Provisions	5,953	3,833	4,376	3,324	2,345
2 Insurance Related Liabilities	12,077	9,377	11,057	4,625	4,589
3 Other Liabilities	1,980	2,069	1,969	1,725	1,264
4 Borrowings	54	81	131	148	162
5 Window Takaful Operations	-	-	-	-	-
<b>Total Liabilities</b>	<b>20,063</b>	<b>15,361</b>	<b>17,533</b>	<b>9,822</b>	<b>8,360</b>
<b>Equity/Fund</b>	<b>3,459</b>	<b>3,254</b>	<b>3,220</b>	<b>3,013</b>	<b>2,872</b>

#### B INCOME STATEMENTS

##### CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	11,468	10,089	8,058	8,510	6,014
2 Net Insurance Premium/Net Takaful Contribution	4,426	4,600	3,360	3,448	2,672
3 Underwriting Expenses	(3,985)	(4,298)	(3,138)	(3,183)	(2,355)
<b>Underwriting Results</b>	<b>441</b>	<b>301</b>	<b>222</b>	<b>265</b>	<b>317</b>
4 Investment Income	426	419	316	210	408
5 Other Income / (Expense)	25	48	20	32	(25)
<b>Profit Before Tax</b>	<b>892</b>	<b>768</b>	<b>558</b>	<b>507</b>	<b>699</b>
6 Taxes	(301)	(273)	(191)	(175)	(199)
<b>Profit After Tax</b>	<b>590</b>	<b>495</b>	<b>367</b>	<b>332</b>	<b>500</b>

##### PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	1,574	1,552	1,285	1,122	537
2 Net Takaful Contribution	650	828	606	487	211
3 Net Takaful Claims	(676)	(907)	(615)	(652)	(255)
4 Direct Expenses Including Re-Takaful Rebate Earned	56	38	45	43	32
<b>Surplus Before Investment &amp; Other Income/(Expense)</b>	<b>29</b>	<b>(41)</b>	<b>36</b>	<b>(122)</b>	<b>(12)</b>
5 Investment Income	84	75	48	27	26
6 Other Income/(Expense)	6	(8)	(8)	-	-
<b>Surplus for the Period</b>	<b>120</b>	<b>27</b>	<b>76</b>	<b>(95)</b>	<b>14</b>

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

1 Wakala Fee Income	331	360	261	246	141
2 Management, Commission & Other Acquisition Costs	(228)	(272)	(185)	(168)	(111)
<b>Underwriting Income/(Loss)</b>	<b>103</b>	<b>88</b>	<b>75</b>	<b>79</b>	<b>29</b>
3 Investment Income	27	22	15	8	7
4 Other Income/(Expense)	0	(1)	0	(1)	1
<b>Profit Before tax</b>	<b>130</b>	<b>109</b>	<b>91</b>	<b>86</b>	<b>38</b>
5 Taxes	(51)	(36)	(29)	(25)	(11)
<b>Profit After tax</b>	<b>79</b>	<b>73</b>	<b>62</b>	<b>61</b>	<b>27</b>

#### C RATIO ANALYSIS

<b>1 Profitability</b>					
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Tak	49.4%	63.8%	64.0%	61.9%	50.8%
Combined Ratio (Loss Ratio + Expense Ratio)	90.0%	93.4%	93.4%	91.9%	88.4%
<b>2 Investment Performance</b>					
Investment Yield	14.7%	10.9%	10.4%	5.3%	10.7%
<b>3 Liquidity</b>					
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.4	0.4	0.4	1.2	1.1
<b>4 Capital Adequacy</b>					
Liquid Investments / Equity (Funds)	96.5%	95.5%	110.4%	117.3%	116.0%

### 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
<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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- (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)

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- (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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