



The Pakistan Credit Rating Agency Limited

Rating Report

Asia Insurance Company Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
23-Aug-2024	A++ (ifs)	Stable	Maintain	Yes
25-Aug-2023	A++ (ifs)	Stable	Maintain	Yes
26-Aug-2022	A++ (ifs)	Stable	Maintain	-
31-Mar-2022	A++ (ifs)	Stable	Harmonize	-
26-Aug-2021	A+	Stable	Upgrade	-
26-Aug-2020	A	Positive	Maintain	-
30-Aug-2019	A	Positive	Maintain	-
01-Mar-2019	A	Positive	Maintain	-
12-Dec-2018	A	Positive	Maintain	-

Rating Rationale and Key Rating Drivers

Asia Insurance Company Limited ('Asia Insurance' or 'the Company') reflects the Company's long and stable standing in the insurance industry. The Company is operating in non-life insurance ambit while offering both conventional and takaful products, where conventional business constitutes ~90% of operations. The rating also reflects Asia Insurance's association with InsuResilience Investment Fund an initiative created by KfW, the German Development Bank, on behalf of the German Ministry for Economic Cooperation and Development (BMZ). The fund drives adaptation to climate change by improving access and use of insurance in developing countries. Along with the capital injection, the fund also strengthens the governance framework of the Company through a nominee representation. With a focus on IT integration and the development of new products, GPW reported an uptick of ~22% during CY23, reaching PKR 1,349mln (CY22: PKR 1,102mln); where fire (~41%) and miscellaneous (~21%) remain the major contributing segments. During the period, the net insurance premium grew by ~13%, facilitating positive underwriting results. However, sustainable profits remain crucial for the rating, going forward. The Company maintained an investment book of PKR 951mln as of 3MCY24 (CY23: PKR 902mln), concentrated in cash and bank balances (~72%) to supplement its core operations and to provide liquidity. Combined ratio poses an improvement; however, remains high (CY23: ~98%, CY22:~107.3%). On the net level, the Company posts a profit of PKR 83mln, during CY23 (CY22: loss of PKR 71mln). The equity of the Company grew by ~9% during CY23, reaching PKR 982mln (CY22: PKR 900mln). However, financial risk is considered adequate where efficient management of claims requires focus. Capital structure remains adequate. The Company has been assigned a rating watch is assigned until consistency in robust income generation from core operations is achieved; here, investment income must support to offset challenges, where required.

During 3MCY24, GPW of the General Insurance industry held a total size of PKR 48bln (3MCY23: PKR 41bln), posting growth of ~17%. Underwriting performance also improved by ~103% (3MCY24: PKR 3bln, 3MCY23: PKR 1.5bln). Improved underwriting and investment performance contributed to the industry's earnings (3MCY24: PKR 6.3bln, 3MCY23: PKR 4bln). However, current economic conditions remain imperative for the overall performance of the insurance industry.

The rating is dependent on continued growth in core business along with support from the investment side so as to enhance profitability. Sustaining underwriting profits will be crucial, going forward. This along with the preserving the liquidity needs attention. Any further deterioration in financial risk may impact the rating.

Disclosure

Name of Rated Entity	Asia Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Assessment Framework General Insurance(Mar-24),Methodology Rating Modifiers(Apr-24)
Related Research	Sector Study General Insurance(Jun-24)
Rating Analysts	Muhammad Moaz muhammad.moaz@pacra.com +92-42-35869504

Profile

Legal Structure Asia Insurance Company Limited ('Asia Insurance' or 'the Company') was incorporated as a public listed company in Dec-79 as per Companies Act, 1913 (now Companies Act, 2017) and is listed on PSX since 1982.

Background Asia Insurance was established as a General Insurance Company. In 2002, the Company merged with Indus Insurance Company Limited in order to expand its operations. The Company commenced its Window Takaful Operations (WTO) in Aug-15.

Operations With its Head Office in Lahore, the Company operates a network of 28 branches across the country. The branch network includes specified branches with designated division for non-conventional avenues. Health, Travel and Agri-insurance divisions are based in Lahore, while Auto insurance division is based in Karachi.

Ownership

Ownership Structure Major shareholding of the Company (~67.8%) resides with Mr. Ihtesham ul Haq Qureshi and his family. While, InsuResilience Investment Fund holds ~25.4% shareholding in the Company. Remaining (~5.2%) is held by general public and government holdings (~1.4%).

Stability The ownership structure of the Company seems stable as majority stake is held by the sponsoring family with clear succession plan.

Business Acumen The sponsors are well versed with industry and business dynamics. Mr. Ihtesham ul Haq, the driving force behind the business, started his career as an industrial engineer. Later on, he launched his own business in electrical and construction work by establishing Falcon Engineering. It is the main representative of FLSmith of Denmark, one of the leading cement plant manufacturers in Pakistan.

Financial Strength Mr. Ihtesham ul Haq has a number of varied businesses including the electrical and construction work business named Falcon Engineering. Moreover, sizeable investment in Asia Insurance comparative to other ventures, the Company has emerged as the core business. The Company has a strong sponsorship profile.

Governance

Board Structure Asia Insurance's Board comprises seven members - two Independent Directors, four Non-Executive Directors, one Executive Director. There is female presence on the BoD, along with a nominee director of InsuResilience Investment Fund.

Members' Profile The Board's Chairman, Mr. Ihtesham ul Haq, has established and manages various businesses in construction and software (CSoft). He ventured into the insurance industry by setting Indus Insurance. Nominee director of foreign investment fund, Mr. Thibaud Ponchon, adds quality to the BoD.

Board Effectiveness The Board is assisted by three Committees: Audit (BAC), Investment (IC) and Ethics, Human Resource & Remuneration (E,HR&R). The BoD met 5 times during CY22 with full attendance. While, the committees met 4 times, with full attendance.

Transparency The External Auditors, M/S BDO Ebrahim & Co. Chartered Accountants, has expressed unqualified opinion on financial statements of CY23. The firm is QCR rated and is on SBP's panel in Category 'A'.

Management

Organizational Structure The organizational structure comprises Operations-Underwriting and Reinsurance, Claims, Sales and Marketing, Finance and Accounts, I.T. and Human Resources and Administration function. Each functional head reports to the CEO, who then reports to the BoD. However, Heads of Internal Audit and HR function reports the BoD audit and HR committee, respectively.

Management Team Mr. Zain ul Haq Qureshi, the CEO, has fourteen years of experience and was appointed to the role in 2020. Recently, Ms. Rafia Asraf joined the Company as the CFO, bringing with her a wealth of experience spanning 17 years.

Effectiveness The management is supported by four management Committees: Underwriting, Re-insurance & Co-insurance, Claims Settlement and Risk Management & Compliance Committee. The management committees met 4 times during CY23. Meeting was well attended with minutes being formally drafted.

MIS Asia Insurance has developed an in-house, centralized, real-time Oracle-based operating system. Key MIS reports used by the management includes Monthly Business Summary Reports; segment-wise and branch wise premium written and collected report, segment-wise and agent wise premium in comparison with last year, and branch wise report on premium written and outstanding.

Claim Management System The Company is working on digitizing claim system after which claim can be filed giving a call to any branch across the country. The appointed surveyors are licensed by SECP.

Investment Management Function Asia Insurance has a formal investment policy statement (IPS), approved by Board, providing fundamental guidelines and execution structure to the investment process at the Company.

Risk Management Framework The Company has implemented risk management policy which identifies major risks which may threaten the existence of the Company.

Business Risk

Industry Dynamics During 3MCY24, GPW of General Insurance industry held a total size of PKR 48bln (3MCY23: PKR 41bln), posting growth of ~17%. Underwriting performance also improved by ~103% (3MCY24: PKR 3bln, 3MCY23: PKR 1.5bln). Improved underwriting and investment performance contributed to industry's earnings (3MCY24: PKR 6.3bln, 3MCY23: PKR 4bln). However, current economic conditions remain imperative for the overall performance of insurance industry.

Relative Position Asia Insurance, a small sized player, holds a market share of less than~1%.

Revenue During CY23, GPW reflected a growth of ~22%, reported at PKR 1,349mln compared to PKR 1,102mln in CY22. The major portion of GPW is driven by Conventional Business (~90%), with the remainder (~10%) from the takaful window. The Fire and Misc. segments contributed significantly to GPW, accounting for ~41% and ~21%, respectively. During 3MCY24, GPW remained consistent, reported at PKR 331mln, the same as in 3MCY23.

Profitability The Company reported a profit after tax of PKR 83mln in CY23, a turnaround from a loss after tax of PKR 71mln in CY22. This improvement was driven by positive underwriting results (CY23: PKR 15mln, CY22: loss of PKR 59mln) and increased investment income (CY23: PKR 54mln, CY22: loss of PKR 26mln). During 3MCY24, the Company earned a profit of PKR 39mln, compared to a loss after tax of PKR 16mln in 3MCY23.

Investment Performance During 3MCY24, the Company's investment book totals PKR 951mln, comprising cash & bank (~72%), equity instruments (~14%), government securities (~10%), and investment property (~4%) (CY23: PKR 902mln, CY22: PKR 856mln). The Company reported an uptake in investment income, with PKR 54mln in CY23 compared to a loss of PKR 26mln in CY21, largely due to revaluation gains. Similarly, during 3MCY24, investment income increased to PKR 25mln from a loss of PKR 3mln in 3MCY23.

Sustainability Going forward, the Company envisions increase in its share and GPW, with a focus on innovation and development of new business channels as they forecast an increase in demand towards agriculture.

Financial Risk

Claim Efficiency The claims outstanding days reduced to 274 as of CY23, compared to 191 days in CY22. The Company incurred claim expenses amounting to PKR 332mln in CY23, up from PKR 314mln in CY22. As at 3MCY24, claims outstanding days increased to 296, compared to 393 days in 3MCY23. Claim expenses remained relatively stable at PKR 68mln, compared to PKR 66mln in 3MCY23.

Re-Insurance Asia Insurance has reinsurance arrangements with Hannover Re ("AA-" by S&P), Tunis Re ("B+" by A.M Best), Saudi Re ("A-" by S&P), Swiss Re ("AA-" by S&P), Kenya Re ("B" by A.M Best), CICA Re ("A-" by A.M Best) and SCR Morocco ("A-" by A.M Best).

Cashflows & Coverages The majority of investment book is invested in liquid avenues to strengthen the liquid profile of the Company. The liquid investment book reported at PKR 910mln as at 3MCY24 (CY23: PKR 861mln, CY22: PKR 817mln). The liquid investment to Net Insurance Claims coverage improved owing to the uptake in the liquid investment book. The coverage reported at 2.7x as at CY23 increasing from 1x.

Capital Adequacy The equity base reflected an uptake of ~9% as at CY23 reported at PKR 982mln (CY22: PKR 900mln), breaking the declining trend which started in CY20. The equity base further enhanced to PKR 1,021mln as at 3MCY24 reflecting healthy uptake (3MCY23: PKR 901mln). The Company remains well-equipped in capital adequacy requirement of SECP.



PKR Mln

Asia Insurance Company Limited
Listed Public Limited

Mar-24	Dec-23	Dec-22	Dec-21
3M	12M	12M	12M

A BALANCE SHEET

1 Investments	951	902	856	877
2 Insurance Related Assets	897	936	941	738
3 Other Assets	268	314	298	236
4 Fixed Assets	149	156	185	133
5 Window Takaful Operations	-	-	-	-
Total Assets	2,265	2,308	2,280	1,984
1 Underwriting Provisions	628	621	511	501
2 Insurance Related Liabilities	364	484	590	274
3 Other Liabilities	136	109	127	90
4 Borrowings	111	112	152	129
5 Window Takaful Operations	-	-	-	-
Total Liabilities	1,239	1,326	1,380	994
Equity/Fund	1,021	982	900	990

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	331	1,349	1,102	1,001
2 Net Insurance Premium/Net Takaful Contribution	246	913	803	649
3 Underwriting Expenses	(233)	(898)	(862)	(632)
Underwriting Results	13	15	(59)	17
4 Investment Income	25	54	(26)	21
5 Other Income / (Expense)	18	86	(4)	(1)
Profit Before Tax	56	154	(88)	37
6 Taxes	(17)	(72)	17	(11)
Profit After Tax	39	83	(71)	27

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	34	129	100	77
2 Net Takaful Contribution	10	37	28	23
3 Net Takaful Claims	(6)	(52)	(29)	(25)
4 Direct Expenses Including Re-Takaful Rebate Earned	(0)	(1)	(0)	0
Surplus Before Investment & Other Income/(Expense)	5	(16)	(0)	(2)
5 Investment Income	-	-	4	2
6 Other Income/(Expense)	2	12	-	-
Surplus for the Period	7	(3)	3	(0)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	14	49	39	32
2 Management, Commission & Other Acquisition Costs	(8)	(26)	(23)	(20)
Underwriting Income/(Loss)	6	23	16	12
3 Investment Income	-	-	-	-
4 Other Income/(Expense)	4	12	3	2
Profit Before tax	10	35	19	15
5 Taxes	-	-	-	-
Profit After tax	10	35	19	15

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	27.5%	36.4%	39.2%	29.6%
Combined Ratio (Loss Ratio + Expense Ratio)	94.7%	98.1%	107.3%	97.4%
2 Investment Performance				
Investment Yield	10.7%	6.1%	-2.9%	2.5%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	3.9	2.7	1.6	3.8
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	89.1%	87.7%	90.8%	88.6%

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)	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>
---	---	--	---	---

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.

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

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 | 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)

Independence & Conflict of interest

- (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)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent