



The Pakistan Credit Rating Agency Limited

**Rating Report**

**Premier Insurance Limited**

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

Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Aug-2022	A+ (ifs)	-	Negative	Maintain	-
31-Mar-2022	A+ (ifs)	-	Negative	Harmonize	-
26-Aug-2021	A	-	Negative	Maintain	-
26-Aug-2020	A	-	Negative	Maintain	-
30-Nov-2019	A	-	Negative	Maintain	-
03-Jun-2019	A	-	Negative	Maintain	-
07-Dec-2018	A	-	Negative	Maintain	-
29-Jun-2018	A	-	Negative	Maintain	-
03-Oct-2017	A	-	Stable	Maintain	-
06-Apr-2017	A	-	Stable	Maintain	-
30-Sep-2016	A	-	Stable	Maintain	-

**Rating Rationale and Key Rating Drivers**

The rating reflects continuing efforts of the new leadership to steer the Company towards positive performance. The management of Premier Insurance is cautiously underwriting business, though the market share remained limited. Annual financials showed slight signs of improvement which bodes well for the Company, going forward. Whereas, there was a decline in business during the period ended Mar'22. Net losses have been reduced for CY21, owing to better investment performance. Whereas, there was an increase in losses during 3MCY22. The equity levels going forward must be maintained as the unappropriated loss amount is concerning. The new leadership has envisaged business plan in order to steer Premier Insurance into profitable growth. There has been change in the operational management of the Company.

The insurance industry in Pakistan is relatively small compared to its peers in the region. The insurance penetration and density remain very modest as compared to other jurisdictions while the insurance sector remains underdeveloped relative to its potential. CY20 was full of challenges and unprecedented pressures, locally as well as in the global economy. However, CY21 has been the road to recovery from these setbacks of the previous year. In terms of GPW, Pakistan's general insurance industry have a total size of PKR ~34.1bln for 1QCY22 (CY21: PKR~112.8bln), have shown a growth of ~19% YoY basis. Investment income has also been a support to the bottom-line performances of the Companies during the period. Overall industry has earned profit after tax of PKR 3.5bln for 1QCY22 (CY21: PKR 13.4bln), owing to lower profitability and lower underwriting profits for period ended Mar'22.

The rating is dependent on positive performance matrix. Meanwhile, the management has to carefully manage its insurance asset liability structure wherein timely realization of outstanding premium along with smooth settlement of claims is critical. Any further dilution in the risk profile of the Company may impact the rating.

**Disclosure**

<b>Name of Rated Entity</b>	Premier 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>	Waqas Ahmad   waqas.ahmad@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Premier Insurance Limited (Premier Insurance) is a public limited Company, listed on the Pakistan Stock Exchange under the symbol – PINL.  
**Background** Premier Insurance was incorporated in 1952 and is listed on PSX. Premier Insurance, with its head office in Karachi, operates through two business Hubs – South and North – having twelve (12) branches as at end CY21.  
**Operations** Premier Insurance offers General Insurance solutions under two categories; i) Commercial Line business; which includes fire, marine, motor, health, shop owners, and other specialized insurance, and ii) Personal Line business; which includes travel risk, personal accident, motor, home owners and property insurance.

## Ownership

**Ownership Structure** Premier Insurance is part of Crescent Group, owned by Sheikh family of Chiniot, with an effective shareholding of 70% at end CY21. State Life Insurance Corporation of Pakistan is another prominent shareholder (11%). The Shareholding of the Company is diverse; held by a large number of family members.  
**Stability** There was no change in the shareholding structure of the company at end-Dec21. Shareholding is considered stable as majority is closely held.  
**Business Acumen** Among Crescent Group, Bashir family is single majority stakeholder (45%). After sad demise of his father Mr. Zahid Bashir (late) in Jan'20, his shareholding in Premier Insurance was transferred to his son Mr. Sharik Bashir.  
**Financial Strength** The Crescent Group operates in diversified sectors including textile, steel, sugar, software, and power.

## Governance

**Board Structure** Premier Insurance has an eight (8) member Board of Directors (the Board), including the CEO, from which six representatives are Crescent Group family members, one representative from State Life Insurance and one independent director.  
**Members' Profile** Mr. Khalid Bashir, the Chairman of the Board since Apr-15, is a seasoned entrepreneur. He also previously held the position of CEO from Feb-13 till Mar-14. The Company currently has one independent director - Mr. Asadullah Khawaja.  
**Board Effectiveness** The Board is assisted by seven committees: (i) Investment Committee, (ii) Audit Committee, (iii) Ethics, Human Resource, Remuneration & Nomination Committee (iv) Claim Settlement Committee. (v) Underwriting Committee, (vi) Risk Management and Compliance Committee and (vii) Reinsurance & Co-Insurance Committee. The presence of Board members in the said committees reflects the Board's intention to closely monitor the Company's operations, enhancing the oversight function of the Board.  
**Transparency** The external auditors M/S EY Ford, Chartered Accountants gave an unqualified opinion on the financial statements for the year ended CY21.

## Management

**Organizational Structure** The organizational structure of the Company is designed with properly defined reporting lines. The sales function is segregated from operations. The sales function is separated into North Zone and South Zone. Operations are divided into six departments; (i) Underwriting and Risk management, (ii) Claims, (iii) Corporate Services, (iv) Finance, (v) IT, (vi) HR. There are two executive directors – one heads the South Zone and the other heads the North Zone.  
**Management Team** Mr. Nadeem Maqbool has been CEO of the Company since Jan'20. Mr. Sharik Bashir was appointed as the executive director of the Company on Mar'20 after sad demise of his father Mr. Zahid Bashir (late), he handles all the operations of the Company after the CEO. Mr. Nadeem Maqbool (CEO) is supported by a team of qualified professionals.  
**Effectiveness** A management committee has been formed which comprises all departmental heads, chaired by the CEO. With ongoing operational re-organization, the committee meets on monthly basis to review performance and resolve operational issues on timely basis.  
**MIS** There are MIS reports used by management, covering zone wise contribution and claims position on a real-time basis. The MIS reports used by management are rudimentary; comparison of budgeted and actual financial results, identifying the variances.  
**Claim Management System** The claim processing process is subject to the approval from the Head Office/ Zonal Office. Claim reporting are done by branch who are attending to the claim.  
**Investment Management Function** Premier Insurance has formed an Investment Committee that approves all new Investment strategies and policies framework. The committee comprises of independent and other directors including CEO and CFO.  
**Risk Management Framework** The management has developed and implemented a detailed Risk Management Framework. These guidelines tend to institute a strong risk environment, while laying down underwriting & reinsurance guidelines, identifying functions and responsibilities of all participants from the Board to the support staff.

## Business Risk

**Industry Dynamics** The insurance industry in Pakistan is relatively small compared to its peers in the region. The insurance penetration and density remain very modest as compared to other jurisdictions while the insurance sector remains underdeveloped relative to its potential. CY20 was full of challenges and unprecedented pressures, locally as well as in the global economy. However, CY21 has been the road to recovery from these setbacks of the previous year. In terms of GPW, Pakistan's general insurance industry have a total size of PKR ~34.1bln for 1QCY22 (CY21: PKR~112.8bln), have shown a growth of ~19% YoY basis. Investment income has also been a support to the bottom-line performances of the Companies during the period. Overall industry has earned profit after tax of PKR 3.5bln for 1QCY22 (CY21: PKR 13.4bln), owing to lower profitability and lower underwriting profits for period ended Mar'22.  
**Relative Position** Premier Insurance is categorized as a small-sized insurance company with a market share of less than 1% as of Mar'22.  
**Revenue** Conventional GPW decreased to PKR 58mln for 3MCY22 (3MCY21: PKR 96mln), showing 40% decline compared to same period last year. Whereas, annual GPW of the Company increased by 13% YoY to PKR 602mln for CY21 (CY20: PKR 533mln). The Company maintained GPW from Window Takaful Operations for 3MCY22 to PKR 29mln (3MCY21: PKR 29mln). Whereas annual GPW from Window Takaful Operations of the Company for CY21 increased by 125% YoY to PKR 168mln (CY20: PKR 75mln). Premier Insurance's GPW for 3MCY22 is dominated by fire (36%), followed by health (21%), motor (20%), marine (14%) and misc. (8%).  
**Profitability** The Company's underwriting losses increased by 34% to PKR 75mln for 3MFY22 (3MCY21: loss of PKR 56mln), owing to lower GPW. On the annual basis, the Company earned underwriting losses of PKR 247mln for CY21 (CY20: loss of PKR 186mln). Although, the Company's underwriting losses are on increasing trend but net losses are displaying improvement. The Company has earned losses of PKR 42mln for CY21 (CY20: losses of PKR 118mln; CY19: losses of PKR 244mln).  
**Investment Performance** The Company has invested a total of PKR 1,634mln as at period ended Mar'22. Premier Insurance earned an investment income of PKR 9mln for 3MFY22 (CY21: PKR 178mln).  
**Sustainability** Going forward, the management envisages sustaining the ongoing strategy whilst being prudent in its approach when underwriting the business.

## Financial Risk

**Claim Efficiency** Premier Insurance has managed to reduce claims days to 336days as at end-Mar'22 as against 365days at year end CY21, owing to higher claims paid by the Company. The Company has paid PKR 315mln for 3MCY22 (CY21: PKR 919mln).  
**Re-Insurance** Premier Insurance has reinsurance arrangements with reputable reinsurers; Reinsurer panel for conventional business: Scor Reinsurance Asia-Pacific Pte. Ltd, Singapore ("AA-" by S&P), Pakistan Reinsurance Co. Ltd. ("AA" by JCR-VIS), Korean Reinsurance Company, Singapore ("A-" by AM Best), Echo Re, Switzerland ("A-" by S&P) and Qain Hai Re, Singapore ("A-" AM Best). Reinsurer panel for Takaful Operations: Labuan Reinsurance (L), Limited, Malaysia ("A-" by A.M. Best), Pakistan Reinsurance Co. Ltd. ("AA" by JCR-VIS), Tunis Re and Tunisia ("B+" by A.M. Best).  
**Cashflows & Coverages** The investment comprises investment in equity stocks (47%), Investment property (18%), cash & bank deposit (10%). The Company also has a strategic investment of PKR 405mln i.e 8% stake in Crescent Powers Limited, which comprises 25% of total investments. The liquid investments of the company are 0.74x of the equity.  
**Capital Adequacy** Premier Insurance has a total equity of PKR 1,255mln, well above the required level i.e PKR 500mln.



PKR mln

Premier Insurance Limited  
Listed Public Limited

Mar-22	Dec-21	Dec-20	Dec-19
3M	12M	12M	12M

#### A BALANCE SHEET

1 Investments	1,634	1,634	1,623	1,414
2 Insurance Related Assets	1,465	1,550	1,255	1,200
3 Other Assets	314	297	308	317
4 Fixed Assets	213	215	224	235
5 Window Takaful Operations	-	-	-	-
<b>Total Assets</b>	<b>3,625</b>	<b>3,696</b>	<b>3,410</b>	<b>3,166</b>
1 Underwriting Provisions	331	437	340	329
2 Insurance Related Liabilities	1,865	1,731	1,487	1,400
3 Other Liabilities	163	184	182	211
4 Borrowings	10	10	10	13
5 Window Takaful Operations	-	-	-	-
<b>Total Liabilities</b>	<b>2,368</b>	<b>2,363</b>	<b>2,019</b>	<b>1,953</b>
<b>Equity/Fund</b>	<b>1,257</b>	<b>1,333</b>	<b>1,391</b>	<b>1,212</b>

#### B INCOME STATEMENTS

##### CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	87	770	607	633
2 Net Insurance Premium/Net Takaful Contribution	106	344	294	356
3 Underwriting Expenses	(181)	(591)	(480)	(614)
<b>Underwriting Results</b>	<b>(75)</b>	<b>(247)</b>	<b>(186)</b>	<b>(258)</b>
4 Investment Income	9	178	33	(129)
5 Other Income / (Expense)	1	35	43	108
<b>Profit Before Tax</b>	<b>(65)</b>	<b>(34)</b>	<b>(110)</b>	<b>(279)</b>
6 Taxes	(1)	(8)	(7)	35
<b>Profit After Tax</b>	<b>(66)</b>	<b>(42)</b>	<b>(118)</b>	<b>(244)</b>

##### PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	29	168	75	132
2 Net Takaful Contribution	21	57	60	83
3 Net Takaful Claims	(30)	(72)	(57)	(87)
4 Direct Expenses Including Re-Takaful Rebate Earned	(1)	(2)	(6)	(7)
<b>Surplus Before Investment &amp; Other Income/(Expense)</b>	<b>(10)</b>	<b>(16)</b>	<b>(4)</b>	<b>(11)</b>
5 Investment Income	(0)	(1)	0	6
6 Other Income/(Expense)	1	3	3	1
<b>Surplus for the Period</b>	<b>(9)</b>	<b>(14)</b>	<b>(0)</b>	<b>(4)</b>

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

1 Wakala Fee Income	15	40	39	50
2 Management, Commission & Other Acquisition Costs	(22)	(60)	(37)	(73)
<b>Underwriting Income/(Loss)</b>	<b>(7)</b>	<b>(20)</b>	<b>1</b>	<b>(23)</b>
3 Investment Income	0	1	2	(5)
4 Other Income/(Expense)	(1)	(3)	(2)	(3)
<b>Profit Before tax</b>	<b>(7)</b>	<b>(22)</b>	<b>1</b>	<b>(30)</b>
5 Taxes	-	-	-	-
<b>Profit After tax</b>	<b>(7)</b>	<b>(22)</b>	<b>1</b>	<b>(30)</b>

#### C RATIO ANALYSIS

<b>1 Profitability</b>				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful	103.2%	88.2%	56.2%	49.0%
Combined Ratio (Loss Ratio + Expense Ratio)	170.4%	171.9%	161.8%	172.4%
<b>2 Investment Performance</b>				
Investment Yield	2.1%	11.0%	2.2%	-9.0%
<b>3 Liquidity</b>				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.8	0.8	1.1	1.1
<b>4 Capital Adequacy</b>				
Liquid Investments / Equity (Funds)	73.9%	69.7%	61.8%	65.0%

**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)	<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>
---	---	--	---	---

**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 | 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)

### **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