



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
25-Aug-2023	A (ifs)	-	Stable	Downgrade	-
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	-

Rating Rationale and Key Rating Drivers

Pakistan's insurance industry is relatively small when compared globally. Locally, among the service sector, share of insurance in GDP and density (premium per capita) remains modest as the sector remains underdeveloped as per its potential. In terms of GPW, Pakistan's general insurance industry has a total size of ~PKR 41bln during 3MCY23 (3MCY22: ~PKR 34bln), showing a growth of ~21%. Moreover, improved underwriting and investment performance benefitted the industry's bottom-line by ~21% (3MCY23: ~PKR 4bln, 3MCY22: ~PKR 3.4bln). Despite economic challenges and unprecedented pressures in the locally economy, insurance industry overall outlook remains stable.

The rating reflects Premier Insurance Ltd.'s ('Premier Insurance' or 'the Company') association with Crescent Group, which holds significant presence in textile, sugar, steel and power segments of Pakistan. The Company's growth in GPW and resultantly its underwriting income remains sluggish. Moreover, the dwindling investment book's performance further impacted the Company's bottom-line and remains ineffective in offsetting the losses seeping in from the core business i.e., insurance. The combined ratio has slightly improved, however remains inflated due to higher legacy claims from the fire & property segment. Consequently, the Company reported significant losses during that period. The management remains cognizant and needs a cautious approach to manage the risk profile of the Company. Despite strong coverages, stretched claim efficiency stretches the financial risk of the Company. However, equity base and reinsurance agreements remain stable.

The rating is dependent on the performance matrix. Additionally, the management must prudently handle the insurance asset liability structure, ensuring timely premium realization and efficient claims settlement. A sustained improvement in its financials, coupled with effective risk mitigation remains crucial to the rating. The risk profile of the Company needs to be monitored diligently.

Disclosure

Name of Rated Entity	Premier Insurance Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Rating Modifiers(Jun-22),Methodology General Insurance Rating(Mar-23)
Related Research	Sector Study General Insurance(Jun-23)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Legal Structure Premier Insurance Limited ("Premier Insurance" or "the Company") was incorporated in 1952 as a public listed company, listed on the PSX.

Background In 1952, Mr. Zahid Hussain - the first Governor of the SBP brought together leading industrialists and founded Premier Insurance with a vision to serve the insurance needs in the young, growing economy of Pakistan.

Operations Premier Insurance offers general insurance solutions under two categories: Commercial Line and Personal Line. It provides coverage for fire, marine, motor, health, travel risk, personal accident, home owners, and other specialized segments. The Company's head office is in Karachi and operates through two hubs - South and North - with 12 branches as of CY22.

Ownership

Ownership Structure Premier Insurance is part of Crescent Group. The sponsoring family owns major stake of ~70% in the Company at of CY22. 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 The Crescent Group's presence provides stability to the Company's ownership structure, and there have been no significant changes in the shareholding. The majority of the shares are closely held, contributing to the stability of the shareholding.

Business Acumen Among Crescent Group, Bashir family is single majority stakeholder (45%). The Group has experienced many business cycles. Currently, the Group has interests in various sectors. Strong track record bodes well.

Financial Strength Crescent Group, holds significant presence in textile, sugar, steel and power segments of Pakistan.

Governance

Board Structure Premier Insurance's Board consists eight members, including one Executive, two Independent and five Non-Executive Directors The Board is dominated by the presence of sponsoring family.

Members' Profile Mr. Khalid Bashir, an experienced entrepreneur, has been the Chairman of the Board since Apr'15. He also served as the CEO from Feb'13 to Mar'14. The Board composition changed, adding two Independent Directors, Mr. Salmaan Rafi and Ms. Ruqsana Saleem.

Board Effectiveness The Board's strong oversight is evident through committee formations. The Board is supported by three committees: Investment, Audit, and HR & Remuneration, ensuring effective monitoring of operations. Minutes are diligently maintained, reflecting transparency.

Transparency The external auditor's M/S EY Ford Rhodes, Chartered Accountants gave an unqualified opinion on the financial statements for the year ended CY22. BDO Ebrahim & Co. has been appointed as the Company's external auditor for CY23.

Management

Organizational Structure The Company's structure has clear reporting lines. Sales and operations are separate, with sales divided into North and South Zones. Operations include six departments: Underwriting and Risk Management, Claims, Corporate Services, Finance, IT, and HR. Two executive directors oversee the South and North Zones respectively.

Management Team Mr. Nadeem Maqbool, the CEO since Jan-20, and Mr. Sharik Bashir, appointed as Executive Director in Mar-20, oversees operations. The management team comprises qualified professionals supporting the CEO.

Effectiveness Premier Insurance has established four management committees: Claim Settlement, Underwriting, Risk Management & Compliance, and Reinsurance & Coinsurance. These committees consist of departmental heads and convene monthly to review performance, address operational matters and provide support for ongoing re-organization efforts.

MIS The management relies on MIS reports to monitor zone-wise contributions and real-time claims position. However, the current MIS reports are basic, focusing on comparing budgeted and actual financial results to identify variances.

Claim Management System The claim processing process requires approval from the Head Office/Zonal Office, while the reporting of claims is handled by the respective branches attending to the claim.

Investment Management Function Premier Insurance has established an Investment Committee consisting Independent Directors, the CEO, and the CFO. The committee is responsible for approving new investment strategies and policies framework.

Risk Management Framework The management has put in place a detailed Risk Management Framework to create a strong risk environment. This framework includes guidelines for underwriting and reinsurance and clearly defines the roles and responsibilities of everyone involved, from the Board to the support staff.

Business Risk

Industry Dynamics In terms of Gross Written Premium (GWP), the general insurance industry has a total size of ~ PKR 41bln in 3MCY23 (3MCY23: ~PKR 34bln), exhibiting a growth of ~21%. Similarly, the underwriting performance of the industry also improved to ~PKR 1.5bln during 3MCY23 (3MCY22: ~ PKR 1.2bln), posting an increase of ~25%. Improved underwriting and investment performance contributed to the industry's earnings reported at ~PKR 4bln during 3MCY23 (3MCY22: ~PKR 3bln). The industry's overall outlook remain stable.

Relative Position Premier Insurance is categorized among small players with a market share of less than ~1% as of Mar-23.

Revenue During CY22, the Company underwrote a GPW of PKR 775mln (inclusive of PKR 168mln of Takaful Contribution) (CY21: GPR - PKR 770mln (inclusive of PKR 168mln of Takaful Contribution), depicting limited growth of ~0.6%. The majority (~78.3%) of GPW is from conventional business. GPW is driven from Fire (~38%), Health (~24%), Motor (~23%), Marine (~10%), and Miscellaneous (~5%) segments. Under Takaful, the major concentration is Motor (~48%) and Health (~42%) segments. During 3MCY23, the Company reported a growth of ~15% in GPW to PKR 100mln (inclusive of PKR 39mln of Takaful contribution).

Profitability During CY22, the Company's underwriting losses increased by ~15%, reaching PKR 283mln (CY21: PKR 247mln). Investment income decreased significantly by ~85% to PKR 28mln (CY21: PKR 190mln). Consequently, the Company reported a net loss of PKR 214mln (CY21: PKR 42mln). During 3MCY23, the underwriting loss was PKR 32mln, with investment income at PKR 9mln, resulting in a net loss of PKR 23mln.

Investment Performance During CY22, the investment income declined to PKR 28mln (CY21: PKR 190mln) due to weak equity market performance. During CY21 the Company experienced a one-off dividend income of PKR 131mln. During 3MCY23 investment income stood at PKR 9mln. Investment portfolio comprises ~44% of equity securities, reflecting high-risk. During 3MCY23, investment portfolio decreased by ~8% (3MCY23: PKR 1,211mln, CY22: PKR 1,317mln).

Sustainability Going forward, the management envisages sustaining the ongoing strategy whilst being prudent in its approach when underwriting the business.

Financial Risk

Claim Efficiency The receivables position has improved, however remains high, with contributions due but unpaid reported at ~PKR 957mln in CY22 (CY21: PKR 1,097mln). As of 3MCY23, the Company reported contributions due but unpaid at ~PKR 951mln (3MCY22: ~ PKR 1,218mln). The outstanding days stood at 846 days in 3MCY23 (3MCY22: 336 days, CY22: 587 days, CY21: 365 days).

Re-Insurance Premier Insurance's reinsurance partners for CY23 include Scor Reinsurance Asia-Pacific Pte. Ltd (rated "AA-" by S&P), Korean Reinsurance Company (rated "A-" by AM Best), Labuan Re (rated "A-" by AM Best), Ocean Re (rated "A-" by AM Best), Tunis Re (rated "B+" by AM Best), Oman Re (rated "BB+" by Fitch), and Kenya Re (rated "B" by AM Best).

Cashflows & Coverages In CY22, the Company's current ratio stood at 0.8x (CY21: 0.9x), and in 3MCY23, it stood at 0.7x (3MCY22: 0.8x), indicating weak liquidity position. The liquidity coverage for provisions for outstanding claims (including IBNR) slightly weakened to 0.8x at of CY22 and CY21. In 3MCY23, the liquidity coverage was 0.7x (3MCY22: 0.8x).

Capital Adequacy The Company's equity depleted due to higher losses (CY22: PKR 859mln, CY21: PKR 1,257mln). In 3MCY23, equity further declined to PKR 748mln. However, the Company meets the statutory capital adequacy requirement of PKR 500mln.



Premier Insurance Limited
Public Listed Limited

	PKR mln	PKR mln	PKR mln	PKR mln
	Mar-23	Dec-22	Dec-21	Dec-20
	3M	12M	12M	12M

A BALANCE SHEET

1 Investments	1,211	1,317	1,634	1,623
2 Insurance Related Assets	1,124	1,239	1,560	1,255
3 Other Assets	300	271	287	308
4 Fixed Assets	202	206	215	224
5 Window Takaful Operations	-	-	-	-
Total Assets	2,837	3,034	3,696	3,410
1 Underwriting Provisions	348	448	437	340
2 Insurance Related Liabilities	1,581	1,576	1,731	1,487
3 Other Liabilities	155	143	184	182
4 Borrowings	5	8	10	10
5 Window Takaful Operations	-	-	-	-
Total Liabilities	2,089	2,174	2,363	2,019
Equity/Fund	748	859	1,333	1,391

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	100	775	770	607
2 Net Insurance Premium/Net Takaful Contribution	117	437	344	294
3 Underwriting Expenses	(149)	(719)	(591)	(480)
Underwriting Results	(32)	(283)	(247)	(186)
4 Investment Income	9	28	190	35
5 Other Income / (Expense)	1	47	23	40
Profit Before Tax	(22)	(207)	(34)	(110)
6 Taxes	(1)	(7)	(8)	(7)
Profit After Tax	(23)	(214)	(42)	(118)

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	39	168	168	75
2 Net Takaful Contribution	22	90	57	60
3 Net Takaful Claims	(29)	(113)	(72)	(57)
4 Direct Expenses Including Re-Takaful Rebate Earned	(0)	(5)	(2)	(6)
Surplus Before Investment & Other Income/(Expense)	(7)	(29)	(16)	(4)
5 Investment Income	(1)	(2)	(1)	0
6 Other Income/(Expense)	2	7	3	3
Surplus for the Period	(6)	(24)	(14)	(0)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	15	61	40	39
2 Management, Commission & Other Acquisition Costs	(26)	(71)	(60)	(37)
Underwriting Income/(Loss)	(10)	(9)	(20)	1
3 Investment Income	1	2	1	2
4 Other Income/(Expense)	(1)	(0)	(3)	(2)
Profit Before tax	(10)	(7)	(22)	1
5 Taxes	-	-	-	-
Profit After tax	(10)	(7)	(22)	1

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	61.8%	96.1%	88.2%	56.2%
Combined Ratio (Loss Ratio + Expense Ratio)	127.2%	165.0%	171.9%	161.8%
2 Investment Performance				
Investment Yield	2.9%	1.9%	11.7%	2.3%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.7	0.8	0.8	1.1
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	85.5%	86.8%	69.7%	61.8%

Insurer Financial Strength (IFS) Rating

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of an insurance company to meet policy holders and contractual obligations.

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (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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- (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).
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- (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)
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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)
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- (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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