



The Pakistan Credit Rating Agency Limited

Rating Report

Premier Insurance Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
23-Aug-2024	A (ifs)	Stable	Maintain	-
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	-

Rating Rationale and Key Rating Drivers

The rating reflects Premier Insurance Ltd.'s ('Premier Insurance' or 'the Company') association with Crescent Group, which holds a significant presence in the textile, sugar, steel and power segments of Pakistan and the Company's long-standing presence in the insurance industry. During CY23, the Company's GPW declined by ~10%, reporting at PKR 700mln. The Company also saw a reduction in its net insurance claims expense, which led to a decrease in its underwriting loss. However, it remained unable to generate positive returns. The Company's investment income saw a significant uptick leading to improved net income during CY23. The combined ratio has slightly improved but remains inflated due to higher legacy claims from fire and property segments. 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.

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 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	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 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, homeowners, 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 CY23.

Ownership

Ownership Structure Premier Insurance is part of Crescent Group. The sponsoring family owns a major stake of ~70% in the Company at of CY23. 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. A strong track record bodes well.

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

Governance

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

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 BDO Ebrahim & Co. gave an unqualified opinion on the financial statements for the year ended CY23.

Management

Organizational Structure The Company has clear reporting lines: Sales and Operations are separate. Sales is divided into North and South Zones, each overseen by an executive director. Operations include six departments: Underwriting and Risk Management, Claims, Corporate Services, Finance, IT, and HR.

Management Team Mr. Nadeem Maqbool, the CEO since Jan-20, and Mr. Sharik Bashir, appointed as Executive Director in Mar-20, oversee 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 of Independent Directors, the CEO, and the CFO. The committee is responsible for approving new investment strategies and policy frameworks.

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 Pakistan's General Insurance industry has a total size of PKR 182bln during CY23 (CY22: PKR 143bln), exhibiting a growth of ~27%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~46% in underwriting results (CY23: PKR 4.7bln, CY22: PKR 3.2bln). The net income of the industry also experienced an increase of ~60% to PKR 18bln during CY23 (CY22: PKR 11bln). Overall, the industry's overall outlook remains stable with substantial liquidity available with players.

Relative Position Premier Insurance is categorized among small players with a market share of less than ~1% as of CY23.

Revenue During CY23 the GPW of the Company reported a ~10% decline reflecting the strategic revamp towards a better risk profile of the portfolio. During CY23 GPW reported at PKR 700mln (CY22: PKR 775mln). The GPW is ~74% driven from the conventional business. During CY23 Health (~42%) and Fire (~20%) stood as the most performing segments. During 3MCY24 the GPW of the Company reported at PKR 107mln reflecting a slight increase (3MCY23: PKR 100mln).

Profitability The underwriting performance of the Company improved but still was unable to generate profits. During CY23 the Company reported an underwriting loss of PKR 68mln (CY22: loss of PKR 280mln). The improvement was attributed to the decline in the net claims expense along with management expenses. The weak underwriting performance was supplemented by a healthy investment income due to which the Company was able to report net profitability. During CY23 the Company reported a PAT of PKR 19mln (CY22: loss of PKR 211mln). During 3MCY24 the underwriting results reported a loss of PKR 15mln (3MCY23: loss of PKR 32mln). During 3MCY24 the Company reported a net loss of PKR 4mln (3MCY23: loss of PKR 23mln).

Investment Performance The Company's investment book reported at PKR 1,423mln during CY23, primarily invested in Subsidiaries/Associates (~37%) and Equity Securities (~32%). During CY23, the investment income of the Company grew by ~211% reporting at PKR 87mln (CY22: PKR 28mln). The Company was able to report a healthy investment income due to no impairment recorded for the equity securities during the period. During 3MCY24 the Company reported an investment book remained stable and generated a return of PKR 10mln.

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

Financial Risk

Claim Efficiency During CY23 the net claims expense reported at PKR 229mln reflecting a decline of ~45% (CY22: PKR 423mln). This impacted the claims outstanding days which increased to 666 days from 584 days in CY22. During 3MCY24 the net claims expense reported at PKR 54mln (3MCY23: PKR 72mln). During 3MCY24 the claims outstanding days remained stagnant.

Re-Insurance Premier Insurance's reinsurance partners for CY24 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 During CY23, the Company's current ratio stood at 0.7x (CY21: 0.8x), and in 3MCY24, it stood at 0.6x (3MCY23: 0.7x), indicating weak coverage. The liquidity coverage for provisions for outstanding claims (including IBNR) improved to 0.8x as of CY23 from 0.5x in CY22. AS at 3MCY24, the liquidity coverage stood at 0.8x (3MCY23: 0.4x).

Capital Adequacy The Company meets the statutory capital adequacy requirement of PKR 500mln. The Company's equity base reflected an uptake of ~15% during CY23 after being on a downtrend; owing to increase in the reserves and Qard-e-Hasna. During CY23 the equity base reported at PKR 986mln (CY22: PKR 859mln). During 3MCY24 the equity base further improved to PKR 996mln.



PKR min

Premier Insurance Limited
Public Listed Limited

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

A BALANCE SHEET

1 Investments	1,422	1,423	1,317	1,634
2 Insurance Related Assets	838	917	1,239	1,560
3 Other Assets	354	313	271	287
4 Fixed Assets	196	197	206	214
5 Window Takaful Operations	-	-	-	-
Total Assets	2,810	2,850	3,034	3,695
1 Underwriting Provisions	309	378	448	437
2 Insurance Related Liabilities	1,319	1,315	1,576	1,731
3 Other Liabilities	347	307	143	184
4 Borrowings	4	4	8	10
5 Window Takaful Operations	-	-	-	-
Total Liabilities	1,978	2,003	2,174	2,363
Equity/Fund	996	986	859	1,333

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	107	700	775	770
2 Net Insurance Premium/Net Takaful Contribution	115	467	440	344
3 Underwriting Expenses	(130)	(535)	(719)	(591)
Underwriting Results	(15)	(68)	(280)	(247)
4 Investment Income	10	87	28	190
5 Other Income / (Expense)	3	8	47	23
Profit Before Tax	(2)	27	(204)	(34)
6 Taxes	(2)	(8)	(7)	(8)
Profit After Tax	(4)	19	(211)	(42)

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	64	184	168	168
2 Net Takaful Contribution	23	89	90	57
3 Net Takaful Claims	(22)	(85)	(113)	(72)
4 Direct Expenses Including Re-Takaful Rebate Earned	(0)	(0)	(5)	(2)
Surplus Before Investment & Other Income/(Expense)	1	4	(29)	(16)
5 Investment Income	(1)	(4)	(2)	(1)
6 Other Income/(Expense)	3	11	7	3
Surplus for the Period	3	11	(24)	(14)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	17	63	61	40
2 Management, Commission & Other Acquisition Costs	(39)	(78)	(68)	(60)
Underwriting Income/(Loss)	(21)	(15)	(6)	(20)
3 Investment Income	1	4	2	1
4 Other Income/(Expense)	(1)	(3)	(0)	(3)
Profit Before tax	(21)	(14)	(4)	(22)
5 Taxes	-	-	-	-
Profit After tax	(21)	(14)	(4)	(22)

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	46.7%	49.0%	96.2%	88.2%
Combined Ratio (Loss Ratio + Expense Ratio)	113.1%	115.0%	163.8%	171.9%
2 Investment Performance				
Investment Yield	2.9%	6.4%	1.9%	11.7%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.8	0.8	0.5	0.5
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	81.8%	82.7%	86.8%	69.7%

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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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)
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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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- (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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- (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)

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- (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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