



The Pakistan Credit Rating Agency Limited

Rating Report

Adamjee 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
01-Mar-2025	AA++ (ifs)	Stable	Maintain	-
01-Mar-2024	AA++ (ifs)	Stable	Maintain	-
02-Mar-2023	AA++ (ifs)	Stable	Maintain	-
31-Mar-2022	AA++ (ifs)	Stable	Harmonize	-
02-Mar-2022	AA+	Stable	Maintain	-
02-Mar-2021	AA+	Stable	Maintain	-
04-Mar-2020	AA+	Stable	Maintain	-
02-Sep-2019	AA+	Stable	Maintain	-
05-Mar-2019	AA+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The IFS rating of Adamjee Insurance Company Limited ('Adamjee Insurance' or 'the Company') drives strength from the strong backing of the Nishat Group ('the Group'), majorly through MCB. Strong business acumen, combined with the requisite representation of the Group on the Board, strengthens the governance framework. The Company holds the dominant position in the general insurance industry. It underwrites conventional and window takaful business in Pakistan and UAE, where the conventional segment constitutes the majority (~94%) of the Company's business. At present, UAE region accounts for ~34% of the Company's total business, as an impact of gradual increase over the years, while the remaining ~66% of the business is generated from Pakistan. Fire & Property remains the top-performing segment, contributing ~61% to the GPW, followed by Accident & Health (~15%), Motor (~11%), Marine (~8%), and Miscellaneous (~5%) segments within Pakistan. However, Motor dominates the portfolio composition in UAE market. During 9MCY24, overall GPW witnessed a value-driven growth of ~34%. Additionally, the Company has managed its operations which led to an overall underwriting profit of ~PKR 315mln (9MCY23: ~PKR 622mln - loss). However, business in UAE region continues to book losses at the underwriting level (PKR ~508mln), primarily trickling in from the Motor segment. Thus, further enhancement of profits from the core business through prudent underwriting practices remains crucial, going forward. The Company's performance has been strengthened through effective management of investment income flowing mainly from an investment book comprising Group companies. This led to an improved profitability. Despite being a leader in Pakistan's general insurance, managing the combined ratio remains crucial. The financial risk gathers strength from substantial liquid investments and equity base. However, effective management of claims remains a challenge for the Company. Reinsurance arrangements with international partners provide additional protection, instilling confidence in the Company's ability to navigate uncertainties effectively. Overall, Adamjee Insurance is well-positioned and digitally mechanized for sustained growth in the dynamic insurance sector. Its market leadership, robust financial standing, strategic investments, and strong governance underscore its resilience and ability to deliver long-term value. Going forward, enhancing claims management efficiency will be critical to sustaining disciplined underwriting performance.

The rating depends on the profitability of the core business and investment income. Sustaining strong market position, along with growth in the underwriting profits, remains fundamental to the rating. A sustainable segment mix and efficient expense management remains critical to the financial performance, with further progress envisioned

Disclosure

Name of Rated Entity	Adamjee 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	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Legal Structure Adamjee Insurance Company Limited ("Adamjee Insurance" or "the Company") was incorporated in Sept-60 under the repealed Companies Act 1913 (now called the Companies Act 2017) as a public listed concern.

Background The Company was established with a paid-up capital of ~PKR 2.5mln, and later, in 1972, it tapped in UAE market. Over time, there have been significant developments in the segmental mix and product slate. In 2004, significant ownership stake was acquired by the Nishat Group (the Group) through MCB. The Company acquired the license to begin window takaful operations in 2016.

Operations The Company operates in both, Conventional and Takaful business, to underwrite in fire, motor, marine & transport, accident & health, and miscellaneous segments. The Company operates through a network of 115 branches, in addition to 20 specialized agriculture field offices, and three branches are located in UAE. The head office is located in Lahore.

Ownership

Ownership Structure The Group owns a majority stake through MCB (~20%) and other Group entities (~20.5%). Joint Stock companies / Pension funds hold ~30.3%, whereas ~4% stake is held by Foreign Companies. Directors hold ~0.03% while the remaining stake (~25.2%) is held by the general public.

Stability The ownership seems steady as the majority stake is held by the Group, holding interests in various business sectors in local and international arena.

Business Acumen The Group leverages expertise and a diversified business portfolio to drive policy, governance, and captive business for the Company.

Financial Strength The Company is a part of the Group that holds significant financial footings across the banking and textile sectors.

Governance

Board Structure The overall control of the Company lies with an eight-member Board (BoD), out of which, five are Non-Executive (including one female), one is an Executive (the CEO), and two are Independent Directors. The BoD is dominated by the representatives of the Group.

Members' Profile The BoD is chaired by Mr. Umer Mansha with an overall experience of above two decades in various Group companies and has been associated with the BoD since 2007. Mr. Imran Maqbool, a Non-Executive Director, with an overall experience of more than three decades in banking, has been associated with the BoD since 2012. All other members possess diversified and rich business acumen.

Board Effectiveness The BoD meets quarterly and is assisted by Audit, Investment, and Ethics, Nomination, Human Resource & Remuneration Committees. Audit and HR Committees are headed by an Independent Director and meet quarterly & twice a year, respectively.

Transparency The Company appointed M/S. Yousuf Adil & Co. as the external auditor that issued an unqualified audit report on financial statements as of CY23. For CY24, the Company has appointed KPMG Taseer Hadi & Co. as the external auditor. Both firms are QCR-rated and on SBP's panel in category "A."

Management

Organizational Structure The Company operates through Window Takaful Operations, Investment, Risk Management, Information Systems, Compliance & Claims, Actuarial Services, Finance, HR, General Services, Legal, Salvage & Auction. All the Heads report to the CEO, who then reports to the BoD. However, the Head of Internal Audit and HR functionally reports to the respective BoD committee and administratively to the CEO.

Management Team Mr. M. Ali Zeb is the CEO since May-13. He has been associated with the Company since Apr-05 and holds an overall experience of more than two decades. The CFO, Mr. M. Asim Nagi, has been associated with the Company since Nov-11 and has had an overall experience of more than two decades. He is assisted by a team of professionals.

Effectiveness The management is assisted through Underwriting, Re-insurance & Co-insurance, Claim Settlement, and Risk Management & Compliance Committees, which are chaired by the Chairman or the CEO. Meetings are held on quarterly basis.

MIS The Company deploys IBM Congos business development tool and its related dashboards. This provides management with sophisticated management tools in a structured way, which helps the Company to bring operational efficiency.

Claim Management System The claim management system works through an authority matrix, where claims up to ~PKR 25mln are approved by the Deputy Executive Director. While, claims above ~PKR 25mln are approved by the CEO and the respective management committee.

Investment Management Function A formal IPS sets the primary guidelines for investment decisions. The BoDs IC oversees the management of the investment portfolio and makes final decisions. The portfolio is managed by the investment department, with the support of the CFO.

Risk Management Framework The Company's risk management policies are designed to control risks to align with market conditions and the Company's activities.

Business Risk

Industry Dynamics Pakistan's general insurance industry has a total size of ~PKR 99bln during 6MCY24 (6MCY23: ~PKR 84bln), exhibiting a growth of ~18% in terms of Gross Written Premium (GWP). The industry reported an increase of ~130% in underwriting results (6MCY24: PKR 6bln, 6MCY23: PKR 2.6bln). The investment income of the industry also experienced an increase of ~52% to PKR 11.7bln during 6MCY24 (6MCY23: PKR 7.7bln). However, current economic conditions remain imperative for the insurance industry's overall performance.

Relative Position The Company is ranked among the top tier players with a market share of ~26.2% in terms of GPW as of 6MCY24.

Revenue The Company generates GPW from Conventional (~94%) and Window Takaful (~6%) businesses. Due to a value-driven increase in the business, overall GPW grew by ~34% reported at ~PKR 46.9bln (9MCY23: ~PKR 35bln) mainly driven from the conventional business. During 9MCY24, Fire and Property was the top performing segment, contributing ~40%, followed by Motor ~38%, Accident and Health ~13%, Marine and Transport ~6%, and Miscellaneous contributed ~3% of the total GPW. Going forward, GPW will follow a similar trend.

Profitability During 9MCY24, the Company generated an underwriting profit of ~PKR 315mln (9MCY23: ~PKR 622mln-loss) due to the trickle-down impact. Underwriting expenses rose ~24% and stood at ~PKR 20.8bln (9MCY23: ~PKR 16.8bln), mainly due to increased claims. Investment income contributed to the bottom line, and profit after tax stood at ~PKR 2.9bln (9MCY23: ~PKR 1.9bln), showing an increase of ~53%. Upholding prudent underwriting practices will remain beneficial for achieving improved profits at the underwriting level, resulting in an improved bottom line during CY25.

Investment Performance Investment book comprises Equity Securities (~55%), followed by Cash and Bank (~29%), Government Securities (~7%), Investment Properties (5%), and Subsidiaries 4%. During 9MCY24, the Company recorded investment income of ~PKR 4.3bln (9MCY23: ~PKR 3.3bln), showing an increase of ~30% owing to increased dividend income and return on debt securities. Going forward, increased investment income will supplement the bottom line.

Sustainability The Company envisions on prioritizing operational efficiency and adding value to its existing operations.

Financial Risk

Claim Efficiency As of 9MCY24, the claims outstanding days increased and stood at ~349 days (9MCY23: ~293 days) due to timing difference. Net insurance/takaful claims increased ~23% and stood at ~PKR 13.9bln (9MCY23: ~PKR 11.3bln). Despite holding the ability to repay the claims, the Company requires a mechanism to manage claims in the local and international market.

Re-Insurance The Company has reinsurance arrangements with leading reinsurers, including Swiss Re (Rated 'AA-' by S&P), Hannover Re (Rated 'AA-' by S&P), SCOR Re (Rated 'A+' by S&P), and Trust Re. This association bodes well for the Company.

Cashflows & Coverages As of 9MCY24, liquid assets/net insurance premium cover improved to ~1.4x (9MCY23: ~1.3x), where liquid assets/ outstanding claims cover has also improved to ~1.8x (9MCY23: ~1.1x), demonstrating Company's ability to pay its claims. Both covers have enhanced due to an increase in liquid assets by ~53%, reported at ~PKR 46.3bln (9MCY23: ~PKR 30.3bln). This is expected to remain stable, going forward.

Capital Adequacy The shareholders' equity as of 9MCY24 stood at ~PKR 36.5bln (9MCY23: ~PKR 28.3bln), an uptick due to an uptick in profit accumulation by ~13%. The Company's paid-up capital remained stable at ~PKR 3.5bln (9MCY23: ~PKR 3.5bln). The trend is expected to remain same, going forward.



Adamjee Insurance Listed Public Limited	Sep-24	Dec-23	Sep-23	Dec-22	Dec-21
	9M	12M	9M	12M	12M

A BALANCE SHEET

1 Investments	58,270	46,361	43,151	36,190	36,005
2 Insurance Related Assets	44,670	37,260	44,842	30,869	20,079
3 Other Assets	5,685	4,409	3,849	4,440	2,748
4 Fixed Assets	4,358	4,359	4,397	4,408	4,372
5 Window Takaful Operations	-	-	-	-	-
Total Assets	112,984	92,390	96,239	75,906	63,204
1 Underwriting Provisions	29,154	20,511	21,975	16,066	11,728
2 Insurance Related Liabilities	36,541	33,213	38,763	30,155	19,824
3 Other Liabilities	10,787	7,563	7,241	4,300	4,867
4 Borrowings	-	38	-	46	1,009
5 Window Takaful Operations	-	-	-	-	-
Total Liabilities	76,481	61,325	67,979	50,566	37,428
Equity/Fund	36,502	31,064	28,260	25,340	25,776

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	46,909	44,329	35,082	35,191	24,785
2 Net Insurance Premium/Net Takaful Contribution	21,144	21,783	16,201	18,773	13,637
3 Underwriting Expenses	(20,829)	(22,921)	(16,823)	(18,824)	(12,806)
Underwriting Results	315	(1,138)	(622)	(51)	831
4 Investment Income	4,324	4,310	3,371	3,163	3,580
5 Other Income / (Expense)	198	718	554	(4)	61
Profit Before Tax	4,838	3,891	3,303	3,108	4,472
6 Taxes	(1,950)	(1,650)	(1,414)	(562)	(1,269)
Profit After Tax	2,888	2,240	1,889	2,545	3,203

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	3,020	2,866	2,372	2,514	1,465
2 Net Takaful Contribution	1,369	1,632	1,208	1,152	654
3 Net Takaful Claims	(1,618)	(1,767)	(1,274)	(1,281)	(610)
4 Direct Expenses Including Re-Takaful Rebate Earned	42	24	25	28	(5)
Surplus Before Investment & Other Income/(Expense)	(208)	(111)	(41)	(102)	39
5 Investment Income	120	80	52	45	13
6 Other Income/(Expense)	(8)	9	10	17	15
Surplus for the Period	(96)	(22)	21	(40)	67

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	711	831	611	641	431
2 Management, Commission & Other Acquisition Costs	(458)	(493)	(391)	(381)	(311)
Underwriting Income/(Loss)	252	338	219	260	120
3 Investment Income	123	145	96	34	5
4 Other Income/(Expense)	45	25	20	44	14
Profit Before tax	420	508	335	339	139
5 Taxes	(163)	(213)	(145)	(118)	(40)
Profit After tax	257	295	190	220	99

C RATIO ANALYSIS

1 Profitability					
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	65.9%	70.5%	69.9%	66.9%	57.2%
Combined Ratio (Loss Ratio + Expense Ratio)	98.5%	105.2%	103.8%	100.3%	93.8%
2 Investment Performance					
Investment Yield	11.0%	10.4%	11.3%	8.8%	10.9%
3 Liquidity					
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	1.8	1.1	1.1	1.2	1.8
4 Capital Adequacy					
Liquid Investments / Equity (Funds)	133.5%	104.9%	107.2%	112.5%	95.2%

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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- (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)
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- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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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)
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- (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 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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