

## RATING REPORT

### Century Insurance Company Limited

**REPORT DATE:**

November 15, 2017

**RATING ANALYSTS:**

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#### RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Long-term	Long-term
IFS	A+	A+
<i>Rating Date</i>	<i>November 15, '17</i>	<i>August 23, '16</i>
<b>Rating Outlook</b>	Stable	Stable

#### COMPANY INFORMATION

<b>Incorporated in 1985</b>	<b>External auditors:</b> KPMG Taseer Hadi & Co. Chartered Accountants
<b>Public Limited Company</b>	<b>Chairman of the Board:</b> Mr. Iqbal Ali Lakhani
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Mohammad Hussain
Premier Fashions (Pvt.) Limited – 29.0%	
SIZA Services (Pvt.) Limited – 23.6%	
SIZA (Pvt.) Limited – 14.2%	
SIZA Commodities (Pvt.) Limited – 9.9%	
General Public – 14.9%	

#### APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria : General Insurance (March 2017)

<http://jcrvis.com.pk/docs/Meth-GenInsurance201702.pdf>

## Century Insurance Company Limited

OVERVIEW  
OF THE  
INSTITUTION

## RATING RATIONALE

*Century Insurance Company Limited (CICL) was incorporated in 1985 as a public limited company. Financial Statements of 2016 were audited by MEY Ford Rhodes Chartered Accountants. KPMG Taseer Hadi & Co. Chartered Accountants have been appointed as auditors for 2017. The registered office of the company is located in Karachi.*

Century Insurance Company Limited (CICL) is a part of diversified Lakson Group of Companies and is engaged in provision of general insurance services. Majority shareholding of the company is vested with associated companies and related parties, while general public also holds sizeable proportion of the overall shareholding. The company is listed on Pakistan Stock Exchange (PSX).

**Rating drivers**

**Business Growth:** The company continues to maintain a diversified portfolio mix. Management has adopted a cautious approach with regards to the health portfolio due to high incidence of claims in this segment. Hence, health portfolio decreased in 2016 vis-à-vis the preceding year. Motor segment registered sizeable increase on the back of growth witnessed in the automotive sector. Business acquired from related parties was higher in comparison to last year; however, gross claims ratio was lower in case of the related party business. In 9M17, gross premiums underwritten remained moderately higher vis-à-vis corresponding period in 2016 due to growth in all segments barring the motor segment.

**Reinsurance:** Reinsurance panel of CICL is considered sound as the minimum Insurer Financial Strength (IFS) rating of any reinsurer on the company's panel is A-. The treaty capacities in almost every segment have been enhanced for 2017 with a view to increase the quantum of business. Retention on net account in relation to equity is considered manageable in key segments, except for the health segment. Hence, caution must be exercised with regards to growth in this particular segment.

**Claims & Cessation:** In line with the altered business mix, the cessation ratio of company increased during the outgoing year. Net claims ratio depicted marginal increase on account of higher quantum of claims emanating from the health segment. The company continues to retain almost entire health business on its books. In 9M17, claims performance improved on the back of lower claims from health segment.

**Investments:** Size of the investment portfolio (in terms of market value) depicted sizeable increase during the outgoing year. Composition of the investment portfolio witnessed a tilt towards equity securities, as around two-third of the total investment portfolio had direct or in-direct exposure to equities at end-2016. Rating is constrained by sizeable exposure to market risk in the form of equity investments; a downward trajectory in the equity market may have unfavorable impact on profitability and capitalization indicators adjusted for market value.

**Profitability:** Underwriting performance of the company improved in 2016 on the back of improvement in underwriting expense ratio. However, the overall profitability of the company declined during the same period as the income earned from investments was lower. Management had registered one-time capital gain in 2015, which had resulted in sizeable increase in investment income. In 9M17, the profit before tax of CICL was higher than the corresponding period of preceding year. The increase was achieved by virtue of improvement in underwriting performance. Going forward, the investment income may be lower due to adverse movement in the equity market.

**Liquidity:** Growth in liquid assets was primarily a function of higher deployment in mutual funds and listed equity securities. Liquid assets of the company are considered more than adequate to meet the current liabilities of the company. Net operating cash flow of the company increased on the back higher cash flow from operating activities in 2016. However, as a proportion of net premium revenues, net operating cash flow still remains on the lower side. Going forward, improvement in this ratio is required in order to commensurate with the rating.

**Capitalization:** CICL is considered sound from solvency point of view as the company has adequate cushion in terms of total admissible assets over its liabilities. The financial leverage ratio of the company decreased in 2016 on account of decrease in technical reserves and increase in adjusted shareholder equity of the company. Operating leverage ratio was higher during the same period, thereby signifying increase in risk profile of the company. In 9M17, adjusted shareholders equity depicted sizeable decrease on account of downward revision in unrealized gains.

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

### Century Insurance Company Limited

### Appendix I

<b>FINANCIAL SUMMARY</b>				
<i>(amounts in PKR millions)</i>				
<b>BALANCE SHEET</b>	<b>SEP 30, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>
Cash and Bank Deposits	362.7	408.6	173.5	245.2
Net Operating Cash Flow	22.4	49.0	38.0	62.2
Investments	1,501.9	1,498.4	1,733.0	1,095.9
Insurance Debt	495.0	341.0	363.1	198.4
Total Assets	2,912.8	2,660.7	2,660.4	1,876.7
Net Worth	1,738.3	1,709.3	1,753.9	1,185.3
Total Liabilities	1,174.1	951.4	906.5	691.4
<b>INCOME STATEMENT</b>	<b>SEP 30, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>
Gross Premium Written	858.9	1,008.6	1,034.8	755.3
Net Premium Revenue	426.5	659.3	515.0	388.5
Net Claims	190.5	390.5	299.8	201.9
Underwriting Profit/(Loss)	44.3	30.6	12.4	11.5
Net Investment Income	128.2	223.5	634.7	135.9
Profit Before Tax	192.7	264.7	649.3	158.5
Profit After Tax	109.0	185.9	638.3	142.4
<b>RATIO ANALYSIS</b>	<b>SEP 30, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>	<b>DEC 31, 2014</b>
Market Share (Gross Premium) (%)	N/A	1.56	1.69	1.33
Cession Ratio (%)	40.2	40.8	38.6	46.5
Gross Claims Ratio (%)	40.8	45.2	54.0	39.9
Net Claims Ratio (%)	44.7	59.2	58.2	51.6
Underwriting Expense Ratio (%)	44.9	36.1	39.4	44.7
Combined Ratio (%)	89.6	95.4	97.6	96.3
Net Operating Ratio (%)	64.4	92.6	93.5	93.7
Insurance Debt to Gross Premium (%) (Asset Quality)	43.2*	45.7	35.1	26.3
Operating Leverage (%)	24.3	32.9	29.0	21.9
Financial Leverage (%)	29.3	18.9	24.3	15.3
Adjusted Liquid Assets to Technical Reserves (%)	348.9	391.9	291.5	682.5

\*Annualized

# JCR-VIS Credit Rating Company Limited

### RATING SCALE & DEFINITIONS: INSURER FINANCIAL STRENGTH

**AAA**

Highest capacity to meet policyholder and contract obligations; Risk factors are negligible.

**AA+, AA, AA-**

Very high capacity to meet policyholder and contract obligations; However, risk is modest, but may vary slightly over time due to business/economic conditions.

**A+, A, A-**

High capacity to meet policyholder and contract obligations; Risk factors may vary over time due to business/economic conditions.

**BBB+, BBB, BBB-**

Adequate capacity to meet policyholder and contract obligations; Risk factors are considered variable over time due to business/economic conditions.

**BB+, BB, BB-**

Marginal capacity to meet policyholder and contract obligations; Risk factors may vary widely with changes in business/economic conditions.

**B+, B, B-**

Low capacity to meet policyholder and contract obligations; Risk factors are capable of fluctuating widely with changes in business/economic conditions.

**CCC**

Very low capacity to meet policyholder and contract obligations; Risk may be substantial.

**CC**

Weak capacity to meet policyholder and contract obligations; Risk may be high.

**C**

Very weak capacity to meet policyholder and contract obligations; Risk may be very high

**D**

Extremely weak capacity to meet policyholder and contract obligations; Risk is extremely high.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.jcrvis.com.pk/images/policy\\_ratings.pdf](http://www.jcrvis.com.pk/images/policy_ratings.pdf)

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

### REGULATORY DISCLOSURES

#### Appendix III

<b>Name of Rated Entity</b>	Century Insurance Limited			
<b>Sector</b>	Insurance			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Insurer Financial Strength (IFS) Rating			
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>Rating Type: IFS</b>			
	15-Nov-17	A+	Stable	Reaffirmed
	23-Aug-16	A+	Stable	Reaffirmed
	28-Jul-15	A+	Stable	Reaffirmed
	24-Jun-14	A+	Stable	Reaffirmed
	8-Mar-13	A+	Stable	Upgrade
	19-Mar-12	A	Stable	Reaffirmed
	7-Jan-11	A	Stable	Reaffirmed
<b>Instrument Structure</b>	N/A			
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