

RATING REPORT

Askari General Insurance Company Limited

REPORT DATE:

February 21, 2017

RATING ANALYSTS:

Waqas Munir, FRM

waqas.munir@jcrvis.com.pk

Maham Qasim

maham.qasim@jcrvis.com.pk

RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Long-term	Long-term
IFS	AA-	A+
Rating Outlook	Stable	Stable
<i>Outlook Date</i>	<i>Feb 6, '17</i>	<i>Apr 15, '15</i>

COMPANY INFORMATION

Incorporated in 1995	External auditors: KPMG Taseer Hadi & Co
	Chairman of the Board: Lt. Gen. (R) Khalid Rabbani
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Abdul Waheed
Army Welfare Trust : 59.2%	
Individuals: 22.01%	
Muhammad Iqbal : 7.6%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – General Insurance Rating

<http://www.jcrvis.com.pk/images/methodology.pdf>

Askari General Insurance Company Limited (AGICO)

OVERVIEW OF
THE
INSTITUTION

RATING RATIONALE

AGICO commenced commercial operations in 1995 and is listed on Pakistan Stock Exchange. With a network of 19 branches, the company is engaged in general insurance business. The financial statements for 2015 were audited by M/s KPMG Taseer Hadi & Co

Profile of Chairman

Lt. Gen (R) Khalid Rabbani is an ex-serviceman and is currently serving as the Managing Director of Army Welfare Trust.

He has done his graduation from Staff College Quetta. He also holds a Masters degree from the Quaid e Azam University. He was awarded Hilal-e-Intiaz (military) for his colored and distinguished services.

Profile of CEO

Mr. Waheed has diverse experience in financial management, banking, and leasing sector. Mr. Waheed has held the position of CEO since 2010.

Financial Snapshot

Net Equity: 9M16 – Rs. 1.33b, Dec15 – Rs. 976m, Net Profit: 9M16 – Rs. 180.6m, Dec15 – Rs. 198.5m

The rating assigned to Askari General Insurance Company Limited (AGICO) take into account sustained performance of the company evident from improved underwriting results, adequate capitalization and strong liquidity profile. Ratings also draw comfort from association of the company with Army Welfare Trust (AWT); related synergies are expected to be more visible in the coming years.

Underwriting Performance

Growth in business volumes of the company have outperformed industry growth leading to improved market share for AGICO. Gross premium of the company increased to Rs. 2.0b (FY14: Rs.1.7b), depicting an increase of 17% in FY15. Business mix remained largely unchanged with motor being the forte of the company; proportion of this segment has remained within adequate levels. Management projects positive momentum in volumes to continue on account of boost in overall insurance business in line with infrastructure projects under CPEC. Moreover, AGICO has recently launched its health segment in collaboration with AXA (rated AA- by both S&P/Moody's), a renowned group in Europe. This initiative is also expected to have a positive impact on business volumes and profitability in the coming years, given that the company continues prudent underwriting. Furthermore, claims and expense ratios of AGICO compares favorably to the peer insurance companies. Improvement in core underwriting performance reflected positively on the bottom line of the company; motor segment has depicted sustained profitability over the years. JCR-VIS has been given to understand that AGICO's diversified book of business and future plans will allow it to continue to maintain a risk profile consistent with its rating.

Reinsurance Arrangements

AGICO follows a conservative approach in underwriting with support of a diversified reinsurance panel having sound Insurer Financial Strength (IFS) ratings. With segments being largely covered by surplus share treaties, AGICO has lower retention on its net account in comparison to peers depicting reinsurer comfort on the company's underwriting ability. Reinsurance panel largely remained unchanged during FY16. Barring retention and treaty capacity enhancement in project bond cover, treaty limits and retention remained unchanged in other business segments.

Investments

As per policy, the company limits its exposure in listed equities. As a result, risk profile of the investment portfolio is low with three-fourth of the investments made in fixed income mutual funds having high fund stability ratings. Quantum of equity related portfolio is one-fifth of company's own equity base. The composition of the investment portfolio is expected to largely remain unchanged with investment to be concentrated in liquid avenues. Income from investment portfolio continues to support the bottom line.

Capitalization & Liquidity

Paid-up capital increased to Rs. 543.7m (FY15: Rs. 388.3m; FY14: Rs. 388.3m) at end-9M16 on account of bonus and right share issue. Equity base (9M16: Rs. 1.3b, FY15: Rs. 970.6m FY14: Rs. 785.4m) has also received impetus from profit retention. Resultantly, leverage indicators of the company improved, however remains higher than peer companies. JCR-VIS expects management will target lower leverage indicators with a view to maintaining their rating in the future. Liquidity profile is considered sound reflected by sizeable liquid assets maintained in relation to total liabilities and technical reserves. JCR-VIS expects AGICO to maintain liquidity profile consistent with its outstanding rating. Insurance debt in relation to gross premiums remains within acceptable limits.

Governance and Control Infrastructure

AGICO's governance practices are considered adequate with two independent members on the Board. In line with launch of its health segment, the company has strengthened its IT infrastructure with introduction of applications enabling real time access of policy issuance and claims payment.

JCR-VIS Credit Rating Company Limited

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

Askari General Insurance Company Limited**Appendix I**

FINANCIAL SUMMARY			
<i>(amounts in PKR 000s)</i>			
BALANCE SHEET	Sep 30, 2016	DEC 31, 2015	DEC 31, 2014
Cash and Bank Deposits	140.6	115.3	134.0
Investments	1,540.7	1,157.9	1,014.3
Investment Properties	44.8	45.7	47.1
Insurance Debt	682.3	647.1	575.3
Total Assets	3,558.3	2,841.7	2,498.0
Net Worth inc reval. surplus	1,327.9	975.8	779.5
Total Liabilities	2,208.9	1,863.6	1,718.4
INCOME STATEMENT			
	Sep 30, 2016	DEC 31, 2015	DEC 31, 2014
Net Premium Revenue	938.4	1,091.9	971.5
Net Claims	459.8	537.8	561.4
Underwriting Profit / (loss)	146.0	160.0	51.7
Net Investment Income	89.8	104.0	136.4
Profit Before Tax	243.2	274.9	202.2
Profit After Tax	180.6	198.5	163.4
RATIO ANALYSIS			
	Sep 30, 2016	DEC 31, 2015	DEC 31, 2014
Market Share (Gross Premium) (%)	3.3	3.3	3.1
Cession Ratio (%)	40.2	20.5	40.2
Gross Claims Ratio (%)	57.7	51.7	53.2
Net Claims Ratio (%)	49.0	49.3	57.8
Underwriting Expense Ratio (%)	35.4	36.1	36.9
Combined Ratio (%)	84.4	85.4	94.7
Net Operating Ratio (%) - After removing impact of other income	81.5	83.6	93.4
Insurance Debt to Gross Premium (%)	40.1	32.2	33.5
Operating Leverage (%)	94.2	112.5	123.7
Financial Leverage (%)	89.6	99.4	117.5
Adjusted Liquid Assets to Liabilities & Technical Reserves (%)	49.0	44.8	40.6

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

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

'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

JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURE				Appendix III	
Name of Rated Entity	Askari General Insurance Company Limited				
Sector	Insurance				
Type of Relationship	Solicited				
Purpose of Rating	Insurer Financial Strength (IFS) Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: IFS				
	2/6/2017	AA-		Stable	Upgrade
	4/15/2015	A+		Stable	Reaffirmed
	2/18/2014	A+		Stable	Upgrade
	1/22/2013	A		Stable	Reaffirmed
	12/31/2011	A		Stable	Reaffirmed
	12/15/2010	A		Stable	Upgrade
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2015 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.				