RATING REPORT

The Askari General Insurance Company Limited

REPORT DATE:
December 27, 2017

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	**Long-term**	**Long-term**
IFS	AA-	AA-
Rating Outlook	Stable	Stable
Outlook Date	*27-Dec'17*	*08-Aug'17*

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%	
Muhammad Iqbal : 7.9%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – General Insurance Rating (March, 2017)

http://www.jcrvis.com.pk

Askari General Insurance Company Limited

RATING RATIONALE

The rating of Askari General Insurance Company Limited (AGICO) draws strength from sound underwriting performance, strong liquidity profile and sustainable investment income. The company's association with Army Welfare Trust (AWT) is also a key rating factor. Synergies with the primary sponsor is expected to be more pronounced, going forward.

Underwriting Performance

The company has been able to improve its market share on a timeline basis. The increase in gross premium written (GPW) (2016: Rs. 2.2b; 2015: Rs. 2.0b) was mainly on account of higher contribution from the miscellaneous segment. However, overall GPW continues to be dominated by motor, health and fire segments. During 9MFY17, gross premium amounted to Rs. 1.6b; the management has embarked upon exceeding 2016 figure on a full year basis. The management expects volumes to grow on the back of CPEC related infrastructure projects.

Overall claims performance has remained satisfactory over time. Over the years, the company has depicted an improving trend in income from core underwriting operations. AGICO posted underwriting profit (annualized) of Rs. 226.5m (2016: Rs. 181.6m; 2015: Rs. 160m) in 9M17. Underwriting profitability has largely emanated from fire, motor and miscellaneous segments while accident & health business has remained marginally in losses. The bottom line gains impetus from investment income.

Reinsurance Arrangements

Reinsurer panel of the company is sound with reinsurers having Insurer Financial Strength (IFS) rating of 'A-' and above. With segments being largely covered by surplus share treaties, AGICO has lower retention on its net account with an exception of accident & health segment. For FY17, AGICO's own retention and treaty capacities remained largely unchanged. During 9M17, overall cession decreased to 36.2% (2016: 41.2%) with relatively higher retention in the miscellaneous segment.

Investments

As per policy, the company limits its exposure in listed equities. As a result, risk profile of the investment portfolio is considered low with four-fifth of the investments made in fixed income mutual funds having high fund stability ratings and other fixed income avenues including TDRs and PIBs. Quantum of equity portfolio is around one-fifth of investment portfolio. The composition of the investment portfolio is expected to largely remain the same with investment largely concentrated in liquid avenues. Moreover, the company has an investment in property including two offices in Islamabad Stock Exchange.

Capitalization & Liquidity

With rights issue and profit retention, equity base enhanced to Rs. 1.39b (FY15: Rs. 975.8m) by end-2016 and further to Rs. 1.52b by end-9M17. Resultantly, leverage indicators of the company improved, however remains higher vis-à-vis peers. 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. However, insurance debt in relation to gross premium increased to 62.2% (2016: 41.6%; 2015: 32.6%) by end-9M17. JCR-VIS expects the company to keep insurance debt in commensurate with the outstanding rating.

OVERVIEW OF THE INSTITUTION

AGICO commenced commercial operations in 1995 and is listed on Pakistan Stock Exchange. With a network of 20 branches, the company is engaged in general insurance business. The financial statements for 2016 were audited by M/s KPMG Taseer Hadi & Co.

Profile of Chairman

Lt. Gen (R) Khalid Rabbani is an ex-serviceman and is currently acting as Managing Director of Army Welfare Trust. He has done his graduation from Staff College Quetta. He also holds a Master's degree from Quaid e Azam University. He was awarded Hilal-e-Imtiaz (military) for his distinguished services to the forces.

Profile of CEO

Mr. Abdul 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: 9M17 – Rs.1.4b, Dec16 – Rs. 1.5b,

Net Profit: 9M17 – Rs. 190.9m, Dec16 – Rs. 236.8m

The Askari General Insurance Company Limited — Appendix II

FINANCIAL SUMMARY

(amounts in PKR millions)

BALANCE SHEET	SEP 30, 2017	DEC 31 2016	DEC 31, 2015
Cash and Bank Deposits	182.2	151.9	115.3
Investments (MV)	1,630.3	1,527.4	1,167.7
Investment Properties	43.4	44.4	45.7
Insurance Debt	976.0	935.8	654.0
Total Assets	3,924.0	3,726.6	2,849.7
Net Worth	1,518.2	1,385.2	975.8
Total Liabilities	2,405.8	2,341.4	1,873.9

INCOME STATEMENT	SEP 30, 2017	DEC 31 2016	DEC 31, 2015
Net Premium Revenue	989.6	1,255.2	1,091.9
Net Claims	451.2	644.5	537.8
Underwriting Profit / (loss)	169.9	181.6	160.0
Net Investment Income	85.5	122.2	104.0
Profit Before Tax	276.6	320.5	274.9
Profit After Tax	190.9	236.8	198.5

RATIO ANALYSIS	SEP 30, 2017	DEC 31, 2016	DEC 31, 2015
Market Share (Gross Premium) (%)	-	3.5%	3.3%
Cession Ratio (%)	36.2%	41.0%	42.3%
Gross Claims Ratio (%)	46.0%	54.6%	51.7%
Net Claims Ratio (%)	45.8%	51.3%	49.3%
Underwriting Expense Ratio (%)	37.4%	34.2%	36.1%
Combined Ratio (%)	83.3%	85.5%	85.4%

Net Operating Ratio (%)-After removing impact of other income	81.6%	82.8%	83.6%
Insurance Debt to Gross Premium (%)	62.2%	41.6%	32.6%
Operating Leverage (%)	88.8%	88.7%	112.5%
Financial Leverage (%)	75.2%	78.7%	99.4%
Adjusted Liquid Assets to Net Technical Reserves (%)	162.4%	150.8%	132.9

ISSUE/ISSUER RATING SCALE & DEFINITION

Appendix III

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

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

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'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

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURE — Appendix IV

Name of Rated Entity	The Co-operative Insurance Society of Pakistan 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		
12/27/2017	AA-		Stable	Reaffirmed
8/31/2017	AA-		Stable	Reaffirmed
2/06/2017	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 financial strength only and is not a recommendation to buy or sell any securities.
Probability of Default	Not Applicable
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