

RATING REPORT

Chubb Insurance Pakistan Limited

REPORT DATE:

January 4, 2017

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Long-term	Long-term
IFS	AA	AA
<i>Rating Date</i>	<i>December 30, 16</i>	<i>December 1, '15</i>
Rating Outlook	<i>Stable</i>	<i>Stable</i>

COMPANY INFORMATION

Incorporated in 2001

External auditors: A.F. Ferguson & Co., Chartered Accountants, a member firm of the PwC network

Public Limited Company (Unlisted)

Chairperson & Chief Executive Officer: Ms. Zehra Naqvi

Key Shareholders (with stake 10% or more):

Chubb INA International Holdings Limited, USA – 100%

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – General Insurance Rating (September 2016)

<http://www.jcrvis.com.pk/docs/Meth-GenInsurance201609.pdf>

Chubb Insurance Pakistan Limited (CIPL)

OVERVIEW OF THE INSTITUTION

Incorporated on August 6, 2001, Chubb Insurance Pakistan Limited is engaged in underwriting non-life insurance business. Financial statements for 2015 were audited by A.F. Ferguson & Co., Chartered Accountants, a member firm of the PwC networks.

Profile of CEO

Ms. Zehra Naqvi has over 30 years' experience in the field of insurance. Prior to joining CIPL, she worked with Guardian Royal Exchange and Adamjee Insurance Company. Ms. Naqvi holds bachelor's and MBA degrees from the Institute of Business Administration, Karachi.

Financial Snapshot

Net Equity: 9M16 – Rs. 416.9m, Dec'15 – Rs. 398.1m,

Net Profit (Loss): 9M16 – Rs. 13.9m, Dec'15 –Rs. (31.9m)

RATING RATIONALE

Sponsor Profile: Chubb Insurance Pakistan Limited (CIPL) is a wholly owned subsidiary of Chubb INA International Holdings Limited U.S.A. and is a part of Chubb Group. The company was incorporated in Pakistan as a Public Limited Company in August 2001. In January 2016, ACE Limited acquired The Chubb Corporation, creating a global insurance leader operating under the 'Chubb' name. Subsequent to the acquisition, effective April 2016, ACE Insurance Limited, Pakistan amended its name to Chubb Insurance Pakistan Limited.

Assigned rating derives strength from sound profile of the company's sponsor, Chubb Group, representing the world's largest property and casualty insurers. The support derived from the Group in terms of underwriting expertise and reinsurance coverage has also been taken into account, with the company enjoying one of the largest reinsurance treaty capacities in the country. As of September 30, 2016, Chubb had total assets of \$161.8b while equity base stood at \$61.8b. S&P has assigned 'AA' Insurer Financial Strength Rating to core operating companies of Chubb. Outlook on the assigned rating is 'Stable'.

Underwriting Performance: Business mix continues to be led by the Fire & Property Damage segment. During period under review, business volumes depicted significant decline primarily on account of international rating requirement by lenders. Resultantly, higher cession and increase in treaty cost due to prior period adjustments impacted the underwriting performance of the company. Management expects gross premiums to depict growth within the construction, marine and accident & health segments. Going forward, reinsurance arrangement has been rationalized to reduce volatility in earnings; impact of the same will be tracked by JCR-VIS.

Reinsurance: Support from the parent entity is evident in terms of sizeable treaty capacities, largest in the domestic context, providing CIPL significant advantage in terms of business generation while allowing the company to prudently manage risks. Reinsurance treaties provide coverage for risks written outside Pakistan as well; enabling geographical risk diversification.

Asset Quality: Overall credit risk exposure of CIPL is limited in view of strong financial profile of its reinsurer, conservative investment profile and manageable level of insurance debt in relation to gross premiums.

Liquidity & Capitalization: On a standalone basis, the rating incorporates CIPL's strong risk adjusted capitalization level as evident from treaty protection and conservative investment profile. We have noted that sponsors have injected Rs. 100m in the ongoing year in order to ensure compliance with regulatory requirement. Liquidity profile has weakened on a timeline basis, with decline in liquid assets in relation to liabilities and negative cash flows from operations. Future trend with respect to liquidity profile of the institution will continue to be tracked by JCR-VIS.

Chubb Insurance Pakistan Limited
Appendix I

FINANCIAL SUMMARY			
<i>(amounts in PKR millions)</i>			
BALANCE SHEET	SEP 30, 2016	DEC 31, 2015	DEC 31, 2014
Cash and Bank Deposits	274.9	641.4	626.0
Investments	319.2	519.0	565.0
Insurance Debt	216.0*	155.1	104.3
Total Assets	1,103.7	1,897.5	1,362.3
Net Worth	416.9	398.1	514.0
Total Liabilities	686.8	1,499.4	848.3
INCOME STATEMENT	SEP 30, 2016	DEC 31, 2015	DEC 31, 2014
Net Premium Revenue	77.4	66.5	244.9
Net Claims	8.9	39.1	10.2
Underwriting Profit	(0.8)	(77.6)	116.6
Net Investment Income	1.7	-	-
Profit Before Tax	20.4	(32.0)	277.5
Profit After Tax	13.9	(31.9)	182.6
RATIO ANALYSIS	SEP 30, 2016	DEC 31, 2015	DEC 31, 2014
Market Share (Gross Premium) (%)	n/a**	0.9%	1.4%
Cession Ratio (%)	87.6%	103.3%	62.2%
Gross Claims Ratio (%)	-11.9%	137.5%	14.5%
Net Claims Ratio (%)	11.5%	58.8%	4.2%
Underwriting Expense Ratio (%)	89.6%	178.2%	47.3%
Combined Ratio (%)	101.1%	236.9%	51.4%
Net Operating Ratio (%)	n/a**	183.0%	28.4%
Insurance Debt to Gross Premium (%)	51.9%*	28.5%	13.4%
Operating Leverage (%)	24.7%	16.7%	47.7%
Financial Leverage (%)	115.7%	265.9%	117.5%
Adjusted Liquid Assets to Technical Reserves (%)	68.2%	60.6%	103.7%
<i>*not adjusted for premium deferred not yet due</i>			
<i>** n/a: not available</i>			

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

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

REGULATORY DISCLOSURES		Appendix III		
Name of Rated Entity	Chubb Insurance Pakistan Limited			
Sector	Insurance			
Type of Relationship	Solicited			
Purpose of Rating	Insurer Financial Strength			
Rating History	Rating Date	Medium to Long Term	Rating Outlook	Rating Action
	RATING TYPE: INSURER FINANCIAL STRENGTH			
	12/30/2016	AA	Stable	Reaffirmed
	12/1/2015	AA	Stable	Reaffirmed
	10/17/2014	AA	Stable	Upgrade
	10/21/2013	AA-	Stable	Reaffirmed
	9/10/2012	AA-	Stable	Reaffirmed
8/1/2011	AA-	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.			
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