RATING REPORT

Security General Insurance Company Limited (SGICL)

REPORT DATE:

February 3, 2022

RATING ANALYSTS:

Tayyaba Ijaz
tayyaba.ijaz@vis.com.pk

RATING DETAILS		
	Latest Rating	**Previous Rating**
Rating Category	**Long-term**	**Long-term**
IFS	AA	AA
Rating Date	*Jan 31, '22*	*Dec 31, '20*
Rating Outlook	Stable	Stable

COMPANY INFORMATION	
Incorporated in 1996	**External Auditors:** A.F. Ferguson & Co, Chartered Accountants
Unquoted Public Limited Company	**Internal Auditors:** Ahsan & Ahsan Chartered Accountants
	Chairman: Mian Hassan Mansha **Chief Executive Officer:** Mr. Farrukh Aleem
Key Shareholder(s) (above 5%):	
Nishat Mills Limited - 15.02%	
Adamjee Insurance Co. Ltd – 14.22%	
Mian Hassan Mansha – 13.30%	
Mian Umer Mansha – 13.30%	
Mian Raza Mansha – 11.95%	
Roomi Holdings (Pvt.) Limited – 9.66%	
Mrs. Naz Mansha – 7.50%	
Roomi Enterprises (Pvt.) Limited- 8.57%	

APPLICABLE METHODOLOGY(IES)
Applicable Rating Criteria: General Insurance (November 2019) ***http://www.vis.com.pk/kc-meth.aspx***

Security General Insurance Company Limited (SGICL)

OVERVIEW OF THE INSTITUTION

SGICL was incorporated as an unquoted public limited company in May 1996. Headquartered in Lahore, the company operates with a ***network of 8 branches*** *providing insurance coverage against risks related to fire, marine, motor, and other categories.*

Profile of Chairman

Mian Hassan Mansha continues to Chair the Board. Mr. Hassan carries over 13 years of professional experience and is on the Board of various Nishat group companies.

Profile of CEO

Mr. Farrukh Aleem serves as Chief Executive Officer (CEO) of the company. Mr. Aleem carries 15 years of experience in the insurance industry and holds a postgraduate degree in Business Administration.

Financial Snapshot

Net Equity: 9MCY21: Rs. 17.1b; CY20: Rs. 14.4b; CY19: Rs. 14.9b

Net Profit: 9MCY21: Rs. 1.3b; CY20: Rs. 707.1m; CY19: Rs. 959.4m

RATING RATIONALE

The rating assigned to Security General Insurance Company Limited (SGICL) takes into account its association with a large diversified conglomerate "Nishat Group" having business interests in banking, textile, cement, power generation, real estate, hospitality, automobile, dairy and paper products. The gross premium exhibited robust growth on account of major business underwritten in marine segment during Dec'2020 while exhibiting steady growth during 9MCY21 vis-à-vis corresponding period last year. Financial and operating leverage have remained low on a timeline basis and reflects strong loss absorption capacity. The liquidity position is considered adequate in terms of sizeable liquid assets in relation to technical reserves and borrowings. However, insurance debt in relation to gross premium needs to remain within the peer group parameters.

The assigned rating is also supported by a sound reinsurance panel; all reinsurers, except one, are rated in category 'A' or higher. The conservative approach towards underwriting insurance policies, effective pre-screening of market-based clients for their past track record, and adequate reinsurance coverage led to consistently good claim performance. The rating also derives strength from recurring investment income from blue chip companies. The management expects growth in business in tandem with economic expansion and enhanced marketing efforts.

Insurance Sector Update: The gross premiums/takaful contributions underwritten by the industry grew by 8% in 2020, as data published by Insurance Association of Pakistan (IAP). Historically, growth in the insurance premiums has remained well above the GDP growth. Future industry growth is likely to pick pace as the ruling government enters its final 2 years, wherein historically it has been noted that infrastructure projects are ramped up. Nevertheless, industry experts remain conservative in their projections, maintaining the same within the single digit domain and close to the GDP growth projection of ~5%. As a result, non-life insurance penetration, estimated at ~0.2%, remains notably lower than regional peers. Given the meagre growth in premiums, the industry's combined ratio increased driven by an uptick in both net claims and expense ratios. The investment performance remained strong during the period, with overall investment income posting an uptick of 13%. The sector's operating leverage remains around ~50%, which is on the lower side and there is certainly room for additional insurance penetration in the domestic market. Overall capitalization & liquidity buffers in place are considered to be adequate. Industry capitalization & liquidity are expected to persist. The implementation of IFRS 17 has been postponed till January 1' 2023. The SECP has issued instructions of phase-wise implementation of IFRS 17, as per which SGICL has duly submitted gap analysis. The related provisioning impact on the industry is yet to be ascertained.

Business Strategy: The company primarily offers insurance cover for fire and property damage, marine, aviation and transport, motor, and miscellaneous risks including crop, livestock, burglary, loss of cash in safe and cash in transit, engineering losses, business interruption losses, accident, and natural calamities. The business mix of the company was tilted towards fire segment during 9MCY21 (9MCY21: 66.3%; CY20: 27.3%; CY19: 71.4%); however, SGI has underwritten a major business in marine segment from Pakistan International Airlines (PIA) to the tune of Rs. 5.5b in Dec'20 which resulted in increase in contribution from marine to 64.1% (CY19: 4.0%) during CY20. Gross written premium augmented by around three-folds to Rs. 8.8b (CY19: Rs. 3.1b) in the outgoing year while the company has written Rs. 3.6b of gross premium (9MCY20: Rs. 2.9b) in 9MCY21. Business mix of SGI is presented below:

Business Mix	CY19	CY20	9MCY21
Fire	71.4%	27.3%	66.3%
Marine	4.0%	64.1%	15.0%
Motor	13.7%	4.9%	10.7%
Miscellaneous	10.9%	3.6%	8.0%
Gross Premium (Rs. m)	**3,121.7**	**8,799.0**	**3,623.6**

PIA business had previously been written by a state-owned insurance company and as per management, acquiring this business is an indicator of trust in the market. SGI has taken various steps amidst covid to strengthen its human resource team and hired experienced resources in various divisions who were laid off by other insurance companies. SGI has expanded its marketing team in high revenue generating cities including Lahore and Karachi to drive growth. The management is in process of active negotiations with PIA regarding its insurance business; the outcome of the same remains to be seen.

As the PIA business was written on December 29, 2020, overall cession was recorded lower at 76.5% (CY20: 90.8%; CY19: 74.0%) mainly on account of decrease in premium ceded under marine segment during 9MCY21. In line with sizably higher premium earned, net premium revenue amounted to Rs. 691.7m (9MCY20: Rs. 612.7m; CY20: Rs. 815.9m; CY19: Rs. 696.0m) in 9MCY21. Related party business accounted for 35.8% (CY20: 14.1%; CY19: 37.2%) of gross written premium in the ongoing year. The snapshot of business mix is presented in the table below:

Cession	CY19	CY20	9MCY21
Fire	72.5%	79.6%	78.6%
Marine	73.9%	99.6%	89.4%
Motor	46.6%	54.1%	46.8%
Miscellaneous	86.7%	69.2%	73.8%
Overall Cession Ratio	**74.0%**	**90.8%**	**76.5%**

Business from takaful operations increased, though slowly, to Rs. 74.0m (CY20: Rs. 67.9m; CY19: Rs. 39.7m) in 9MCY21. The management foresees growth in takaful operations given the company is in process of finalizing agreements with three other Islamic banks; presently, the company is on board with MCB Islamic Bank Ltd. (MIB).

Reinsurance Arrangement: SGICL's risk profile is supported by strong capitalization indicators and adequate reinsurance coverage provided by diversified panel of reinsures. Risk profile of the reinsurance panel is considered sound as majority of the reinsurers are rated 'A-' or higher. For FY21, Qatar Reinsurance Company, with a respective share of 2%, was removed from the existing panel of SGICL and their share was distributed amongst other reinsurers; no new reinsurer was added during the period. The table below depicts the rating profile of reinsurers along with their respective share:

Reinsurer	2020	2021	Ratings
Fire, Engineering, Misc Accident & Bond			
Quota share & Surplus-Treaty			
PRCL	35%	35%	AA+ (VIS)
Hannover Re	25%	25%	AA-; A+ (S&P; A.M. Best)
Malaysian Re	8%	8%	A- (A.M. Best)
Korean Re	8%	8%	A (S&P; A.M. Best)
Saudi Re	7%	7%	BBB+(S&P)
Sava Re	4%	4%	A (S&P; A.M. Best)
Labaun Re	7%	8%	A- (S&P)
Peak Re, Hong Kong	4%	5%	A- (A.M. Best)
Qatar Re	2%	-	
Fire, Engineering & CAT			
XOL-Treaty			
Hannover Re	65%	65%	AA-; A+ (S&P; A.M. Best)
PRCL	35%	35%	AA+ (VIS)

Marine Cargo			
Surplus-Treaty			
PRCL	35%	35%	AA+ (VIS)
Hannover Re	25%	25%	AA-; A+ (S&P; A.M. Best)
Labuan Re	5%	6%	A- (S&P)
Korean Re	15%	16%	A (S&P; A.M. Best)
Saudi Re	6%	6%	BBB+(S&P)
Malaysian Re	5%	7%	A- (A.M. Best)
Qatar Re	4%	-	
Peak Re, Hong Kong	5%	5%	A- (A.M. Best)
XOL- Treaty			
PRCL	35%	35%	AA+ (VIS)
Hannover Re	50%	50%	AA-; A+ (S&P; A.M. Best)
Korean Re	15%	15%	A (S&P; A.M. Best)
Motor and W.C.			
XOL- Treaty			
Hannover Re	65%	65%	AA-; A+ (S&P; A.M. Best)
PRCL	35%	35%	AA+ (VIS)
Crops			
XOL-Treaty			
Hannover Re	65%	65%	AA-; A+ (S&P; A.M. Best)
PRCL	35%	35%	AA+ (VIS)

In order to create room for additional risks, there were some enhancements made in treaty limits and exposure in 2021. Under special surplus treaty for Marine cargo, twenty additional lines have been added, in which SGI's max retention is Rs. 10m and max liability is Rs. 200m. Marine cargo surplus treaty maximum retention was also increased to Rs. 400m (CY20: Rs. 100m). For Motor insurance, 4th layer was added in XoL treaty with a limit of Rs. 10m in excess of Rs. 10m. For crop insurance, XoL limit was increased to Rs. 40.8m in excess of Rs. 20.8m (CY20: Rs. 20.4m in excess of Rs. 10.4m). As per SGICL's internal policy, the company cannot cede more than 30% of the premium written to a reinsurance company with a rating below 'A-'. Treaty capacities are tabulated in the table below:

In Rs. Million	**2020**			**2021**		
Treaties	**SGI's Max. Retention**	**No. of Lines**	**Max. Liability Under Total Treaty**	**SGI's Max. Retention**	**No. of Lines**	**Max. Liability Under Total Treaty**
Fire & Eng.						
Surplus – Fire (market business)	20m	26	520m	20m	26	520m
Surplus – Fire (group business)	35m	26	910m	35m	26	910m
Fire – Special Business	20m	37.5	750m	20m	37.5	750m
Surplus – Eng.	15m	20	300m	15m	20	300m
Catastrophe- Fire & Eng						
XoL						
1st Layer	50m in excess of 25m			50m in excess of 25m		
2nd Layer	100m in excess of 75m			100m in excess of 75m		

3rd Layer	325m in excess of 175m			325m in excess of 175m		
General Accident						
Quota Share	3.6m	-	8.4m	3.6m	-	8.4m
Marine Cargo						
Surplus	5m	20	100m	5m	20	400m
Special Surplus	-	-	-	10m	20	200m
Marine Cargo						
XoL						
1st Layer	3m in excess of 2m			3m in excess of 2m		
2nd Layer	45m in excess of 5m			45m in excess of 5m		
3rd Layer	50m in excess of 50m			50m in excess of 50m		
Bond						
Quota Share (per bond)	8m	-	32m	8m	-	32m
Quota Share (per contractor)	16m	-	64m	-	-	-
Motor						
XoL						
1st Layer	1m in excess of 0.6m			1m in excess of 0.6m		
2nd Layer	3.4m in excess of 1.6m			3.4m in excess of 1.6m		
3rd Layer	5m in excess of 5m			5m in excess of 5m		
4th Layer	-			10m in excess of 10m		
Crops						
XoL						
1st Layer	20.4m in excess of 10.4m			40.8m in excess of 20.8m		
Workers Compensation						
XoL						
1st Layer	0.4m in excess of 0.3m			0.4m in excess of 0.3m		

Claims Experiences: The conservative approach of the company towards underwriting insurance policies, effective pre-screening of market-based clients for their past track record, and adequate reinsurance coverage led to consistently good claim performance. Overall net claim ratio remained at 13.8% (CY20: 13.7%; CY19: 15.9%) in 9MCY21 in line with improvement in fire and marine segments. The segment-wise net claims ratios are presented in the table below:

Net Claim Ratio	CY19	CY20	9MCY21
Fire	2.9%	3.3%	2.6%
Marine	-12.0%	19.7%	8.5%
Motor	39.7%	36.9%	40.2%
Miscellaneous	45.5%	14.7%	20.7%
Overall Net Claim Ratio	**15.9%**	**13.7%**	**13.8%**

Underwriting Performance: During 9MFY20, underwriting results improved slightly due to increase in scale of operations. Underwriting profit was reported at Rs. 289.7m (9MCY20: Rs. 281.7m; CY20: Rs. 354.4m; CY19: Rs. 289.9m). Management expenses were recorded higher at Rs. 266.2m (9MCY20: Rs. 221.8m; CY20: Rs. 310.0m; CY19: Rs. 270.2m) in 9MCY21 mainly on account of inflationary adjustments. Net commission expense was recoded at Rs. 29.1m (9MCY20: Rs. 14.8m; CY20: Rs. 25.7m; CY19: Rs. 12.9m). Given marginal increase in underwriting expense ratio to 44.3% (CY20: 43.0%; CY19: 42.5%), combined ratio increased slightly to 58.1% (CY20: 56.7%; CY19: 58.3%). The combined ratio of the company continues to remains one of the lowest amongst the peer insurance companies. All segments reported profits during CY20 and 9MCY21, except for marine, which showed losses in CY21 due to higher allocation of expenses in line with its higher proportion in business mix. The snapshot of underwriting results is tabulated below:

Underwriting Profit	CY19	CY20	9MCY21
Fire	177	370	203
Marine	30	(178)	42
Motor	85	120	29
Miscellaneous	(2)	43	16
Total	**290**	**354**	**290**

The company generated a healthy investment income of Rs. 1.6b (CY20: Rs. 724.5m; CY19: Rs. 1.0b) during 9MCY21 on account of receiving additional dividend income from a bank which was put on hold for the last two quarters of the outgoing year on directives of the regulator amidst covid. Around 98% of investment income constituted dividend income and have provided considerable support to the core operations on a timeline basis. Other income which mainly pertained to return on bank balances amounted to Rs. 27.1m (9MCY20: Rs. 22.5m; CY20: Rs. 42.4m; CY19: Rs. 48.4m). During 9MCY21, contribution from takaful operations amounted to Rs. 15.2m (9MCY20: Rs. 8.3m; CY20: Rs. 11.2m; CY19: Rs. 3.2m). Accounting for taxation, net profit was recorded higher at Rs. 1.3b (9MCY20: Rs. 641.2m; CY20: Rs. 707.0m; CY19: Rs. 959.4m) during 9MFY20.

Investments: Investment portfolio mainly comprises blue-chip companies, with strategic investment in group companies, namely MCB Bank Limited (MCB), Adamjee Insurance Company Limited (AIGL), DG Khan Cement Company Limited, Pakgen Power Limited, Lalpir Power Limited, Nishat Hotels and Properties Limited (NHPL), and Hyundai Nishat Motors (Private) Limited (HNML). The company mobilized long-term financing of Rs. 1.5b to purchase additional shares of NHPL and Rs. 300m to purchase shares of HNML in CY20. The facility carries markup ranging from 3M KIBOR plus fixed spread of 1.35% per annum, payable quarterly on the outstanding balance which amounted to Rs. 1.5b (CY20: Rs. 1.6b; CY19: Nil) at end-9MCY21. During 9MCY21, the company made further investment of Rs. 500m in NHPL and Rs. 30.5m in HNML. The management expects to receive dividend from these group companies in a year or two. Carrying value of investment portfolio stood higher at Rs. 19.2b (CY20: Rs. 16.5b; CY19: Rs. 16.2b) mainly due to unrealized gain on investments in HNML, NHPL and MCB. The company does not intend to make further investments in related parties in the medium term while it plans to retire borrowings well before schedule. Investment in Pakistan Investment Bonds amounted to Rs. 77.7m (CY20: Rs. 67.7m; CY19: Rs. 69.7m) and represents carrying amount of government securities placed as statutory deposit with SBP. An amount of Rs. 30m was placed as term deposits (CY20 & CY19: Nil) at end-9MCY21.

Liquidity and capitalization: Liquidity of the company is considered strong as reflected by sizeable liquid assets (including strategic listed investments) maintained in relation to borrowings and technical reserves (9MCY21: 771.1%; CY20: 695.5%; CY19: 1916.6%). Adjusting liquid assets for strategic investments, the proportion in relation to adjusted technical reserves and borrowings stood at 45.0% (CY20: 31.6%; CY19: 49.6%). Insurance debt in relation to gross premium has increased notably to 127.8% (CY20: 100.3%; CY19: 73.3%) by end-9MCY21 and has remained significantly higher than the rating benchmark and peer companies. Insurance debt decreased to Rs. 6.2b (CY20: Rs. 8.8b; CY19: Rs. 3.1b) by end-9MCY21. Amount due from insrance contract holders decreased to Rs. 4.5b (CY21: Rs. 7.8b; CY20: Rs. 1.2b) while amount due from insurers/reinsurers increased to Rs. 1.6b (CY20: Rs. 1b; CY19: Rs. 1.1b). Sizeable increase in receivables from insurance policyholders by the end of outgoing year was mainly on account business from one account - PIA. Aging of receivables from insurance contract holders reflect that Rs. 1.4b were outstanding for less than six months while Rs. 2.8b fall within 6-12 months period which included Rs. 2.6b due from PIA; the company has subsequently recovered Rs. 1.3b from PIA in months of October and November. As per management, amount due from policyholders above one year was Rs. 256.4m which are largely outstanding against claims settlement from the same parties. Receiveables due from insurer/reinsurers above one year and two years amounted to Rs. 108.1m and Rs. 494.2m, respectively, and were mainly outstanding against payables due to the same insurer/reinsurers. The company has created a provision of Rs. 96.9m (CY20: Rs. 96.9m; CY19: Rs. 92.2m) for doubtful insurance debt. During 9MCY21, the company generated higher net operating cash flows of Rs. 1.2b (CY20: Rs. 715.4m; CY19: Rs. 1.8b) due to increase in dividends received despite significantly higher reinsurance premium paid.

Paid up capital of the company remained at Rs. 680.6m, higher than the regulatory requirement of Rs. 500m. Equity base augmented to Rs. 17.1b (CY20: Rs. 14.4bl; FY19: Rs. 14.9b) on account of increase in fair value reserve and profit retention. During 9MCY21, the company paid dividend of Rs. 170.2m (CY20: Rs. 340.3m; CY19: 340.3m).

Apart from long-term borrowings mentioned earlier, the company has arranged short-term running finance facilities from various banks to ensure sufficient availability of funds. Short-term running finances available from commercial banks under markup arrangements amounted to Rs. 1.15b (CY20: Rs. 1.4b; CY19: Rs. 1.4b) out of which the company availed Rs. 247.9m (CY20: Rs. 309.3m; CY19: Rs. 193.2m) as of September 30, 2021. Net technical reserves increased to Rs. 893.5m (CY20: Rs. 684.9m; CY19: Rs. 668.9m) by end-9MCY21. Operating and financial leverage remained low at 5.4% (CY20: 5.7%; CY19: 4.7%) and 5.2% (CY20: 4.8%; CY19: 4.5%), respectively. Both operating and financial leverage remain the lowest amongst the peer insurance companies and well below the rating benchmarks for the assigned rating. The company has enough room to optimize its leverage indicators by expanding its business further.

Security General Insurance Company Limited — Annexure I

BALANCE SHEET	Dec 31, 2019	Dec 31, 2020	Sep 30, 2021
Investments	16,253.8	16,589.9	19,170.5
Insurance Debt	2,289.5	8,825.5	6,160.9
Cash and Bank Deposits	268.6	697.9	1,013.0
Total Assets	21,820.3	34,532.2	31,495.0
Paid Up Capital	680.6	680.6	680.6
Net Worth	14,917.6	14,410.6	17,091.7
Total Liabilities	6,902.6	20,121.6	14,403.2
INCOME STATEMENT	**Dec 31, 2019**	**Dec 31, 2020**	**Sep 30, 2021**
Gross Premium Revenue	3,122	8,799	3,624
Net Premium Revenue	696.0	815.9	691.7
Net Claims	110.5	111.5	95.5
Underwriting Profit	289.9	353.5	289.7
Net Investment Income	1,037.2	724.5	1,568.7
Profit Before Tax	1,354.0	1,008.0	1,777.7
Profit After Tax	959.4	707.1	1,262.1
RATIO ANALYSIS	**Dec 31, 2019**	**Dec 31, 2020**	**Sep 30, 2021**
Cession Ratio (%)	74.0	90.8	76.5
Gross Claims Ratio (%)	22.7	15.6	7.5
Net Claims Ratio (%)	15.9	13.7	13.8
Underwriting Expense Ratio (%)	42.5	43.0	44.3
Combined Ratio (%)	58.3	56.7	58.1
Insurance Debt to Gross Premium (%)	73.3	100.3	127.8
Operating Leverage (%)	4.7	5.7	5.4
Adjusted Financial Leverage (%)	4.5	4.8	5.2
Liquid Assets to Adjusted Technical Reserves plus Borrowings (%)	1916.6	659.5	771.1
Adjusted Liquid Assets to Adjusted Technical Reserves plus borrowings (%) **	49.6	31.6	45.0

**Annualized*
***Liquid assets adjusted for strategic investments*

ISSUE/ISSUER RATING SCALE & DEFINITIONS Annexure II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

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: 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.vis.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.vis.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.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'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.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when 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 DISCLOSURES	Annexure III			
Name of Rated Entity	Security General Insurance Company Limited (SGICL)			
Sector	Insurance			
Type of Relationship	Solicited			
Purpose of Rating	Insurer Financial Strength (IFS) Rating			
Rating History	Rating Date	Medium to Long Term	Rating Outlook	Rating Action
	RATING TYPE: IFS			
	01/31/2021	AA	Stable	Reaffirmed
	12/31/2020	AA	Stable	Reaffirmed
	04/12/2019	AA	Stable	Reaffirmed
	09/14/2017	AA	Stable	Upgrade
	06/16/2016	AA-	Stable	Reaffirmed
	09/23/2015	AA-	Stable	Reaffirmed
	04/22/2015	AA-	Stable	Reaffirmed
	02/04/2014	AA-	Stable	Upgrade
	12/26/2012	A+	Stable	Reaffirmed
Instrument Structure	N/A			
Statement by the Rating Team	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	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 debt issue will default.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, 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. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2020 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			
Due Diligence Meetings Conducted	Name	Designation	Date	
	Mr. Khuram Shahzad	CFO	December 13, 2021	