# RATING REPORT

# The United Insurance Company of Pakistan Limited

**REPORT DATE:**
July 27, 2023

**RATING ANALYSTS:**

Maham Qasim
maham.qasim@vis.com.pk

Qudsia Abbas
qudsia.abbas@vis.com.pk

## RATING DETAILS

| | Latest Rating | Previous Rating |
|---|---|---|
| **Rating Category** | **Long-term** | **Long-term** |
| **IFS** | AA+ | AA+ |
| **Rating Date** | *27 July'23* | *31 March'22* |
| **Rating Outlook** | Stable | Stable |
| **Rating Action** | Reaffirmed | Harmonised |

## COMPANY INFORMATION

| | |
|---|---|
| **Incorporated in 1959** | **External Auditors:** M/s. RSM Avais Hyder Liaquat Nauman, Chartered Accountants. |
| **Public Limited Company** | **Chairman:** Mr. Jamil A. Khan<br>**Chief Executive Officer:** Mr. Muhammad Akram Shahid |
| **Key Shareholder(s):** | |
| United Track System (Private) Ltd – 26.7% | |
| United Software and Technologies International (Pvt.) Ltd – 20.2% | |
| Margalla News International – 14.6% | |
| Tawasul Risk Management Services (Pvt.) Ltd – 9.8% | |
| United International Farms (Private) Ltd – 9.5% | |

## APPLICABLE METHODOLOGY(IES)

**VIS Entity Rating Criteria: General Insurance (March 2022)**
https://docs.vis.com.pk/docs/VIS%20General%20Insurance%20-%2020220331%20-%20FinalFinal.pdf

***Rating Scale & Definations:***
***https://docs.vis.com.pk/docs/VISRatingScales.pdf***

# The United Insurance Company of Pakistan Limited

## OVERVIEW OF THE INSTITUTION

UICPL was founded in 1959 and got nationalized in 70s. UICPL operates though more than 150 branches all over the Pakistan. It is involved in General businesses including Group Health Insurance, Travel Insurance (Health), Travel Bonds & Guarantees, Livestock and Crop Insurance.

**Profile of Chairman**
Mr. Jamil A. Khan is the Chairman of the Company. He has Extensive Pakistan and International experience at senior positions with comprehensive skills in strategic planning, implementation and to act as prudent and diligent business person in conducting the affairs of the financial and non-financial organizations.

**Profile of CEO**
Mr. Muhammad Akram Shahid assumed the role of CEO in April 2021. He has extensive experience in the insurance industry. He is a Law graduated from S.M. Law College and certified Director from Pakistan Institute of Corporate Governance (PICG).

**Financial Snapshot**
Net Worth: 1Q23: Rs. 4.9b; FY22: Rs. 4.0b; FY21: Rs. 4.0b.
Net Profit: 1Q23: Rs. 345m; FY22: Rs. 913m; FY21: Rs. 512m.

## RATING RATIONALE

**Rating Rationale**

The rating assigned to The United Insurance Company of Pakistan Limited (UICPL or 'the Company') takes into account the sound business profile of the United Group with business interests in insurance, information technology, dairy, and vehicle tracking. UICPL being the group's flagship company is a major player among the leading general insurers and has an established and growing takaful segment of the business. Rating derives comfort from growth in topline and improvement in underwriting performance during the review period despite stressed global and domestic economic environment prevalent. The business risk profile of insurance industry is elevated owing to projected slowdown in the domestic economic activity due to high interest rates, rupee devaluation, heightened inflation levels, destruction caused by floods coupled with expected rate hardening by international reinsures. The rating incorporates slight increase in loss ratios both on gross and net basis on a timeline during the period under review owing to higher incidence of claims reported in all segments barring motor segment coupled with high retention on net account. However, on the other hand, expense ratio improved slightly in line with rationalization of management expenses and increase in operating scale. Subsequently, combined ratio remained unchanged exhibiting profitable underwriting operations.

The rating further incorporates reinsurance arrangements largely with counterparties having sound credit risk profiles with appropriate risk retention on net account to maintain risk appetite of the Company. Assigned rating also accounts for the stability and expertise of the management team in the insurance sector. Moreover, the liquidity profile remained sound as exhibited by liquid assets maintained in relation to net technical reserves. The rating takes note of offloading of illiquid strategic investment in a microfinance bank that was previously a drag on profitability and liquidity indicators. In addition, the investment portfolio continues to support the bottom line; the credit and market risks originating from the same are also manageable. The operating leverage increased on a timeline and is higher than medium of peer companies; the same needs to be curtailed going forward in order to avoid risk accumulation. Moreover, the ageing of claims compares unfavorably to majority of peers. Given, timely repayment of claims is critical from ratings perspective the management has been advised to expedite the process of settlement of claims. The projected improvement in key performance indicators with successful execution of merger with SPI Insurance Company Limited has been in-built in the rating. Going forward, the rating remains dependent upon effective management of financial risk profile amid challenging business environment.

### Insurance Sector Update

*Global Perspective*

Despite building macroeconomic challenges, the insurance industry continued to grow in FY22, both globally and in Pakistan. Global insurance industry faced repricing of risks due to macroeconomic stresses and natural catastrophes with economic losses from natural disasters recorded higher in FY22; however insured losses covered 45% of these damages amounting to

USD 125 billion. In addition, claims increased as high inflation increased the cost of repairing buildings, motor vehicles and other fixed assets that are usually covered by insurance. This led to continued rise in premium rates to cover the expenses. However, elevated interest rates augmented the investment income for insurers across the globe.

*Local Perspective*

Pakistan's insurance industry posted growth despite weak macroeconomic situation in CY22 with continued dominance of Life Insurance & Family Takaful segments in terms of assets and gross premiums. Gross premiums increased from Rs. 417.2 billion in CY21 to Rs. 531.7 billion in CY22 with Life & Family Takaful segment, and Non-Life & General Takaful segments posting increases of Rs. 81.9 billion and Rs. 29.4 billion respectively. Moreover, the industry's asset base grew by 14.8% in CY22 to Rs. 2,459.9 billion particularly on the back of significant growth in the Life Insurance segment. Moreover, despite building macroeconomic pressures characterized by dwindling foreign reserves, stabilization measures, slowdown in economic activity, etc. along with catastrophic floods affecting one-third of the country during the year under review, all segments of the industry continued to expand. This was the result of a combination of general factors affecting the whole insurance industry such as inflation leading to a rise in premium rates and idiosyncratic factors pertaining to all segments. The growth in Life Insurance segment was an outcome of the implementation of the government's health insurance programs carried out by State Life; the same increased health coverage to the low and middle-income strata of society. However, the claims ratio for the sector witnessed an increase due to a rise in group claims and higher surrender claims by individuals. Nevertheless, since life insurers maintain most of their investments in government securities due to lackluster performance of capital market, the resulting higher investment income boosted their profitability due to hike in interest rates.

In non-life insurance sector, motor premiums drove the growth in net premiums as the cost of motor vehicles increased drastically during the outgoing year. However, torrential rains and flooding, some major fire incidents, and higher cost of repairing fixed assets contributed to the larger increase in claims. Accordingly, financial performance indicators for the non-life sector slightly weakened on a timeline. Further, the industry's combined ratio increased in CY22, which was driven by a spike in both net claims and expense ratios. With the increase in combined ratio, insurers are expected to reprice their products in the ongoing year. Going forward, due to the prevailing slowdown in economic activity and stressed macro financial conditions, the growth trajectory in non-life premiums is expected to be uncertain while the growth in the life sector will continue to largely depend on traction in the health insurance programs. Moreover, the SECP has issued instructions of phase wise implementation of IFRS 17. The implementation is expected to translate in sizable provisioning burden for the industry; however, the actual impact of the same on industry capitalization is yet to be ascertained. No final timeline for the same is announced yet.

*Future Outlook*

Globally, it is expected that there will be premium rate hardening in CY23 in response to the high inflation, geopolitical tensions, natural catastrophes and financial market losses of CY22. These global insurance developments will lead to increases in reinsurance rates offered by international re/insurers which coupled with the exchange rate depreciation, may lead to increase in reinsurance expense for insurers in EMDEs, particularly non-life insurers that have extensive reinsurance arrangements with international reinsurers. The rate hardening along with the elevated policy rate is expected to influence insurers' financial performance in the near term. Global premiums are expected to grow at 2.1% in real terms on average in 2023. Given that non-life insurance is correlated with economic growth and the latest data indicates that Pakistan's economy will significantly slowdown in 2023, accordingly the growth trajectory of non-life premiums in Pakistan could also face pressures. Moreover, if inflation remains elevated, then there could be further rate hardening leading to an uncertain growth trajectory for non-life premiums. Furthermore, in the backdrop of elevated interest rates, non-life insurers may also consider recalibrating their investment portfolios in order to pad the bottom-line. Life insurance business, with a longer time horizon, is expected to remain relatively immune to the prevailing macroeconomic pressures. The growth in this sector is now partially dependent on the continuity of the government's health insurance programs.

*Source: Financial Stability Review – 2022 | State Bank of Pakistan*

**Business Strategy**

The Company is operating through a widespread national network of 150 branches with branch network largely concentrated in Punjab. UICPL primarily offers insurance covers for fire and allied perils, marine cargo, marine hull, motor theft and damage, crop and miscellaneous risks including loss of cash in safe and cash in transit, engineering losses, health, workmen's compensation, aviation, livestock and natural calamities. The business mix of the company remained completely unchanged during the outgoing year with miscellaneous segment being the largest contributor followed by fire segment. Miscellaneous segment entails accidental coverage, cash in transit insurance and workmen's compensation. The Gross written premium (GWP) increased sizably by almost 24% to Rs. 6.4b (FY21: Rs. 5.2b) during the outgoing year and was largely driven by addition of new airline business in the miscellaneous segment. The positive trajectory of topline continued in the ongoing year also with GWP increasing around 10% to Rs. 1.6b during 1QFY23 as opposed to Rs. 1.5b in the corresponding quarter last year; the increase emanated from all segments except miscellaneous segments. The contribution of crop segment increased significantly during the ongoing year on account of major initiatives taken by State Bank of Pakistan (SBP) in collaboration with Federal and Provincial Governments. On the other hand, despite revision in motor pricing rates to compete better in the market, the contribution of motor segment only increased slightly on a timeline as a combined impact of increase in car prices along with drop in the car leasing business in line with increasing market interest rate scenario prevalent. Moreover, marine business mostly remained stagnant during the rating review period.

Going forward, the management projects that the Company would be able to close FY23 with an organic growth of 20% in topline along with additional sum to be received from the merger of SPI Insurance Company Limited (SPI) within UICPL; the cumulative GWP is estimated at Rs. 10.0b. Growth in the Company's existing business is expected to emanate from miscellaneous, fire and health takaful while motor and marine segments are expected to remain steady during the ongoing year. The snapshot of business mix is presented in the table below:

| Rs. in millions | FY20 | FY21 | FY22 | 1QFY23 |
|---|---|---|---|---|
| **Fire** | 760 | 933 | 1,127 | 309 |
| **Marine** | 290 | 312 | 389 | 86 |
| **Motor** | 662 | 727 | 904 | 240 |
| **Crop** | 917 | 763 | 974 | 432 |
| **Miscellaneous** | 2,292 | 2,462 | 3,042 | 541 |
| **Gross Premium** | 4,921 | 5,197 | 6,437 | 1,608 |

Overall cession ration reduced during the outgoing year; the same reflectively positively in the growth of net premium revenue to Rs. 3.4b (FY21: Rs. 2.7b). Going forward, UICPL plans to expand and diversify its operations with introduction of life insurance during the ongoing year.

According to the management, the Company obtained the license to operate in the life insurance segment in FY22 and is expected to initiate operations in 4QFY23. The impact of new products launched under this segment will fully materialize by end-FY24. Moreover, as the insurance market grows increasingly competitive, the Company is intensifying its efforts to sustain profitability with implementation of modern strategies and cutting-edge underwriting criteria to capture a greater market share. The management is also focusing on digitalization as digital technology will enable the Company to improve customer experience, streamline processes, and increase the availability of online insurance products and services. The cession ratio in all segments is presented below:

| | FY20 | FY21 | FY22 | 1QFY23 |
|---|---|---|---|---|
| **Cession Ratio** | **46.3%** | **51.1%** | **46.3%** | **48.8%** |
| **Fire** | 56.6% | 47.6% | 36.8% | 38.5% |
| **Marine** | 45.4% | 46.6% | 34.9% | 45.2% |
| **Motor** | 52.6% | 45.7% | 48.6% | 37.4% |
| **Crop** | 41.7% | 31.4% | 45.8% | 20.3% |
| **Miscellaneous** | 43.1% | 60.7% | 50.8% | 83.1% |

On the Window Takaful Operations (WTO) front, the gross and net contribution increased to Rs. 2.1b (FY21: Rs. 1.4b) and Rs. 986.8m (FY21: 653.8m) respectively during FY22 with major increase manifested in miscellaneous and motor segments; the miscellaneous segment continued to represent the largest proportion. The participants incurred a surplus of Rs. 162.2m during FY22 in comparison to Rs. 83.1m booked in preceding year. The increase in the surplus can be attributed to the growth in profitable contracts in health coverage provided in miscellaneous segment. Moreover, the WTO have been profitable for the past couple of years; the management expects to maintain growth momentum while expanding the scale of Takaful operations.

**Claims Experiences**

The claims performance showed slight weakening both on gross and net basis on a timeline during the period under review mainly in line with higher incidence of loss events in all segments barring motor segment. The overall uptick in net claims is also on account of higher business retention on net account during the period under review. Moreover, the net claims of miscellaneous segment increased as a result of higher claims recorded in health and travel sub-segments in line with related activities reverting back to normal post COVID-19 pandemic disruptions. Further, the increase in the fire segment loss ratios was on account of two major claims paid during FY22. In addition, higher net claims recorded in the crop segment was an outcome of a major claim settled with Agriculture Department - Punjab during the outgoing year. Similarly, a one-off claim of J.K Spinning Mills Limited was also settled in the marine segment during FY22; therefore, the management expects the net claims in marine segment to return to historical FY21 level in the ongoing year. On the other hand, a sharp increase in loss ratios for crop segment is expected going forward owing to higher loss events recorded due to destruction caused by floods in Punjab and Sindh. Nevertheless, UICPL's management plans to keep the net claim ratio at around 24% for FY23. Going forward, the effective management of loss ratios along with timely payment of claims will remain important from ratings perspective. The segment-wise net claims ratios are presented in the table as follows:

| | FY20 | FY21 | FY22 | 1QFY23 |
|---|---|---|---|---|
| **Net Claims Ratio** | 23.5% | 19.6% | 22.4% | 21.4% |
| **Fire** | 37.1% | 19.7% | 25.7% | 22.4% |
| **Marine** | 0.3% | 6.7% | 14.1% | 12.6% |
| **Motor** | 64.8% | 29.3% | 14.3% | 18.5% |
| **Crop** | 12.0% | 15.0% | 17.4% | 18.1% |
| **Miscellaneous** | 27.8% | 20.1% | 27.2% | 25.1% |

**Underwriting Performance**

UICPL's underwriting performance exhibited a positive trend on account of increase in scale of operations and rationalization of management expenses. The improvement in the total underwriting profit is underpinned by high net premium revenue of Rs. 3.4b (FY21: Rs. 2.7b; FY20: Rs. 1.9b) and reduction in underwriting expenses. The reduction in underwriting expense ratio on a timeline to 43.3% (FY22: 45.5%; FY21: 44.9%; FY20: 52.7%) by end-1QFY23 is primarily an outcome of growth in scale of operations and increase in average ticket size of policies written due to induction of new clients from airline industry. On the other hand, the net commission expense increased to Rs. 260.5m (FY21: Rs. 157.8m; FY20: Rs. 95.5m) as a result of reduction in business ceded to reinsures during FY22. As per the management the increase in net commission expense is a combined impact of increase in commission expense in line with higher commission paid to agents linked to increase in business volume coupled with decrease in cession leading to lower commission income since there was no increase in the rates of commission paid/received during the period under review. Similarly, in line with further uptick in topline net commission expense was recorded higher at Rs. 95.8m at end-1QFY23 as compared to Rs. 60.4m recorded at end-1QFY22. Resultantly, despite increase in claims ratio, combined ratio remained almost unchanged on a timeline at 64.7% (FY22: 67.8%; FY21: 64.5%) on account of improvement underwriting expense ratio; the same exhibits that the company reported profit from its insurance operations. Net operating ratio has slightly increased to 63.2% (FY21: 61.6%) at end-FY22 despite growth in net premium and higher investment income on account of higher combined ratio in the outgoing year stemming from increased incidence of claims. The management projects around 10% increase in net premium revenue in FY23 driven by expansion in scale of operations and introduction of life insurance segment.

| Rs. in millions | FY20 | FY21 | FY22 | 1QFY23 |
|---|---|---|---|---|
| **Fire** | 5.3 | 59.1 | 181.9 | 61.6 |
| **Marine** | 73.3 | 70.5 | 110.5 | 13.2 |
| **Motor** | 20.8 | 100.4 | 223.2 | 74.1 |
| **Crop** | 190.3 | 213.7 | 304.9 | 76.6 |
| **Miscellaneous** | 155.1 | 523.7 | 267.0 | 148.0 |
| **Underwriting Profit** | 444.8 | 967.5 | 1087.6 | 373.6 |

**Investment Mix**

Investment income showed positive trajectory and was recorded higher during the review periodc as a combined outcome of augmentation of investment portfolio to Rs.1.9b (FY22: Rs. 1.8b, FY21: Rs. 1.0b) coupled with benchmark rates being at the high end of the spectrum. The investment portfolio constitutes of equity securities, 5-10yr Pakistan Investment Bonds (PIBs) and term deposits maturing within a year. Major chunk of the investment portfolio constitutes of fixed rate PIBs amounting to Rs. 1.3b (FY22: Rs. 1.2b; FY21: Rs. 617.5m) at end-1QFY23 which the Company plans on holding till maturity. In accordance with the Insurance Ordinance, UICPL is required to maintain a 10% statutory reserve therefore PIBs amounting to Rs. 396.9m are placed as statutory deposit with SBP. Given the entire PIB portfolio is placed under HTM on amortized cost the same is not susceptible to mark-to-market losses arising due to interest rate fluctuations. Moreover, credit risk emanating from the investment portfolio is also considered manageable given 67.5% (FY22: 66.8%; FY21: 58.9%) of the total portfolio constituted of government securities at end-1QFY23 coupled with sound financial profile and credit ratings of the counterparties. Moreover, other than PIBs, the investment portfolio consists of term deposits maturing within a year amounting to Rs. 579.2m (FY22: Rs. 577.7; FY21: Rs. 400.1m). The rate of return on term deposit issued by various banks ranges from 5.60% to 14.25% per annum (FY21: 5.25% to 11.75% per annum); these term deposits have maturity dates falling between February 04, 2023 to November 07, 2023. Moreover, out of the aforementioned, deposits amounting to Rs. 463.3m are under lien of various banks against guarantees issued in favor of the Company. Moreover, UICPL also has equity investment in listed companies pertaining to various sectors; the same amounted to Rs. 23.3m (FY22: Rs. 29.1m; FY21: Rs. 30.8m) at end-1QFY23. Going forward, UICPL plans to continue with the existing investment mix with focus on secured investments of short tenor to mitigate market risk. Subsequently the management aims to the growth trajectory in investment income to support the bottom-line of the Company.

| | **FY21** | | **FY22** | | **Q1FY23** | |
|---|---|---|---|---|---|---|
| **Rs. in millions** | Market Value | % | Market Value | % | Market Value | % |
| **Equity Securities** | 30.8 | 3% | 29.1 | 2% | 23.3 | 1% |
| **Gov. Securities** | 617.5 | 59% | 1218.4 | 67% | 1250.5 | 67% |
| **Term Deposits** | 400.1 | 38% | 577.7 | 32% | 579.2 | 31% |
| **Total** | 1048.4 | 100% | 1825.2 | 100% | 1853.0 | 100% |

**Reinsurance Arrangement**

UICPL's risk profile is supported by strong reinsurance coverage provided by diversified panel of reinsurers. Risk profile of the reinsurance panel is considered sound as all reinsurers are rated in 'A' band or higher with majority share allocated to 'AA-' rated reinsurers in main segments. There were few changes in the reinsurance panel with Malaysian Re replacing Qianhai Re during the rating review period. Given the Company has non-proportional treaties in major segments, the international reinsurers including Swiss Re, Korean Re and Hannover Re constitute the highest share in major segments including Fire, Marine, General Accident, Crop and Motor. Although there have been slight changes in the respective shares of each reinsurer in the panel, treaties' total capacity, UICPL's maximum retention, liability under total treaty and cash call limits remained unchanged during the rating review period. Subsequently, size of maximum per risk claim is considered manageable in relation to Company's equity base. Going forward, as per the management, no major change in reinsurer panel, treaty terms and commission rate is expected in the foreseeable future. However, the management is trying to bring in more reinsurers.

**Capitalization**

Capitalization levels of the Company have improved as a result of internal capital generation. Moreover, UICPL is considered sound from solvency risk point of view as the Company has adequate cushion in terms of total admissible assets over its liabilities. The operating leverage ratio increased on a timeline during the review period in line with augmentation of scale of operations along with decline in cession ratio; the same exhibits increase in risk profile of the Company. Moreover, financial leverage ratio increased on a timeline basis by end-1QFY23 on account of increase in net technical reserves. The increase in technical reserves was manifested in higher outstanding claims; the same was an outcome of unsettled claims in all the segments especially the crop segment. However, with the adjustment of reinsurance recoveries made to technical reserves, adjusted financial leverage exhibits a declining trend on a timeline to 29.7% (FY22: 38.2%; FY21 32.3%) at end-1QFY23. The same depicts that the higher outstanding claims recorded are to be paid by the reinsurers in full therefore, the increase in simple financial leverage does not pose any risk to UICPL's risk profile. Nevertheless, the aging profile of claims' payable shows that 13% of the claims are past due for more than two years at end-FY22, the same is on a higher side compared to industry averages. Majority of these outstanding claims pertain to fire and miscellaneous segments; the same are a function of an unsettled fire claim of The Punjab Provincial Co-Operative Bank Limited and miscellaneous claim with a HM Holding (Pvt) Limited. Going forward, timely repayment of claims is critical from ratings perspective and the management has been advised to expedite the process of settlement of claims. Going forward, with steady growth expected in business volumes, the operating leverage is expected to increase slightly during the rating horizon. Moreover, since there is no immediate plan of equity injection from the sponsors, the capitalization indicators are expected to draw support from profit retention.

**Liquidity Profile**

In line with sizable claims booked during the ongoing year, the liquidity profile in terms of liquid assets maintained in relation to net technical reserves exhibits decline on a timeline; however, the same still remains sizable. Moreover, the liquidity indicators may decline in the ongoing year owing to claims incurred in crop segment due to floods in 2022; however, post the settlement of these claims the liquidity indicators may revert back to sound levels. In addition, with the cyclicality prevalent in the insurance sector, the technical reserves will further decline by end-FY23 as the unearned premium reserve is gradually realized. Moreover, insurance debt in relation to gross premium increased on a timeline on account of higher dues from policy holders. In addition to this UICPL's strategic investment in Apna Microfinance Bank was liquidated on the recommendation of Investment Committee; the shares were sold to sponsors/related parties at a price of Rs. 6 each given the same were not saleable in open market. The liquidation of aforementioned investment has relieved pressure on liquidity metrics and is taken positively from the rating perspective. Furthermore, liquidity profile also draws some support from cash and bank balances worth Rs. 563.0m (FY22: Rs. 894.3m, FY21: Rs. 764.9m) held at end-1QFY23.

**Merger of UICPL with SPI**

The Board of UICPL has approved the merger of SPI Insurance Company Limited (SPI) into the Company. As a result, a scheme of merger of SPI into the Company was filed with the Honorable Sindh High Court and members of both companies. The assets, liabilities and reserves of the related party have to be merged into assets, liabilities and reserves of the Company after completing other formalities under the scheme at end-1QFY23. For FY22, SPI reported asset base of Rs. 787.6m (FY21: Rs. 1.0b), equity base of Rs. 572.3m (FY21: Rs. 714.5m), and investment portfolio of Rs. 189.4m (FY21: Rs. 333.3m).

## The United Insurance Company of Pakistan Limited — Annexure I

| Financial Summary *(amounts in PKR millions)* | | | | |
|---|---|---|---|---|
| **BALANCE SHEET** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2022** | **Mar 31, 2023** |
| **Cash and Bank Accounts** | 457.3 | 764.9 | 894.3 | 563.0 |
| **Investments** | 597.6 | 1,048.4 | 1,825.2 | 1,853.0 |
| **Investment in Subsidiaries and Associates** | 1,933.9 | 350.4 | - | - |
| **Investment Property** | 31.2 | 51.9 | 251.0 | 283.7 |
| **Insurance Debt** | 1,509.6 | 1,138.3 | 1,611.5 | 1,888.5 |
| **Total Assets** | 9,860.7 | 10,245.9 | 13,000.4 | 13,694.3 |
| **Net Worth** | 3,754.1 | 4,020.3 | 3,977.6 | 4,851.0 |
| **Total Liabilities** | 5,681.7 | 5,886.4 | 8,318.8 | 8,150.2 |
| **Paid Up Capital** | 2,950.0 | 2,950.0 | 2,950.0 | 3,467.5 |
| | | | | |
| **INCOME STATEMENT** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2022** | **Mar 31, 2023** |
| **Net Premium Revenue** | 1,868.7 | 2,722.9 | 3,379.9 | 1,058.2 |
| **Net Claims** | 438.7 | 533.5 | 755.7 | 226.7 |
| **Underwriting Profit/(Loss)** | 444.8 | 967.5 | 1,087.6 | 373.6 |
| **Investment Income** | 57.2 | 63.6 | 111.0 | 38.4 |
| **Profit Before Tax** | 534.4 | 759.9 | 1,199.2 | 460.8 |
| **Profit After Tax** | 414.6 | 511.7 | 921.7 | 344.8 |
| | | | | |
| **RATIO ANALYSIS** | **Dec 31, 2020** | **Dec 31, 2021** | **Dec 31, 2022** | **Mar 31, 2023** |
| **Cession Ratio (%)** | 46.3% | 51.1% | 46.3% | 48.8% |
| **Gross Claims Ratio (%)** | 48.2% | 43.1% | 60.4% | 46.3% |
| **Net Claims Ratio (%)** | 23.5% | 19.6% | 22.4% | 21.4% |
| **Underwriting Expense Ratio (%)** | 52.7% | 44.9% | 45.5% | 43.3% |
| **Combined Ratio (%)** | 76.2% | 64.5% | 67.8% | 64.7% |
| **Insurance Debt to Gross Premium (%)** | 30.7% | 21.9% | 25.0% | 29.4% |
| **Operating Leverage (%)** | 49.8% | 67.7% | 85.0% | 87.3% |
| **Financial Leverage (%)** | 69.3% | 69.6% | 114.3% | 92.4% |
| **Liquid Assets to Net Technical Reserves (%)** | 40.4% | 64.8% | 59.8% | 53.9% |
| **Adjusted Financial Leverage (PG)** | 33.7% | 32.3% | 38.2% | 29.7% |
| **Net Operating Ratio (%)** | 72.4% | 61.6% | 63.2% | 56.5% |

**Annualized*

## REGULATORY DISCLOSURES — Annexure II

| | |
|---|---|
| **Name of Rated Entity** | The United Insurance Company 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 | Rating Outlook | Rating Action |
|---|---|---|---|
| **RATING TYPE: IFS** | | | |
| 27/07/2023 | AA+ | Stable | Reaffirmed |
| 31/03/2022 | AA+ | Stable | Harmonized |
| 14/10/2021 | AA | Stable | Upgrade |
| 10/06/2020 | AA- | Stable | Reaffirmed |
| 22/03/2019 | AA- | Stable | Initial |

| | |
|---|---|
| **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 particular debt issue will default. |
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**Due Diligence Meetings Conducted**

| Name | Designation | Date |
|---|---|---|
| Maqbool Ahmed | CFO | 17th May, 2023 |
| Saad Munir | DGM Accounts & Finance | 17th May, 2023 |