

The Co-operative Insurance Society of Pakistan Limited

January 15, 2013

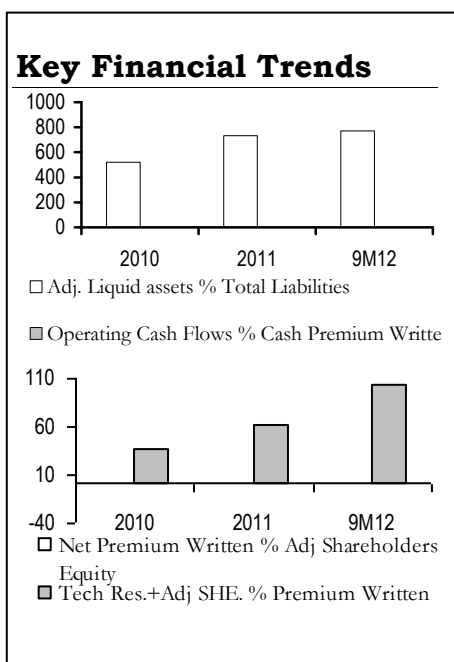
Chairman: Sb. Anwar-ul-Haq Piracha;; Senior Vice Chairman: Ch. Akhtar Mahmood

Analysts: Maimoon Rasheed
Usman Ali Khan

Rating Rationale

Category	Latest	Previous
IFS	B+ Jan 04, '13	B+ June 24, '11
Outlook	Stable Jan 04, '13	Stable June 24, '11

Business volumes of The Cooperative Insurance Society of Pakistan Limited (CISPL) are considerably low. CISPL was established by various cooperative societies from Punjab, Khyber Pakhtoonkhwa and Sindh in 1949. The majority of general insurance business is procured from Punjab Provincial Cooperative Bank Limited (PPCBL), which is also the society's largest shareholder. Over the years, business procured from PPCBL declined. Significant reliance on a single source for generating business has kept premium levels at a very limited level. The branch network may need to be utilized more efficiently to generate business. Gross premium declined to Rs. 3.3m (2011: Rs. 5.5m; 2010: Rs. 9m) during 9M12. The management is expecting gross premium to remain under Rs. 5m during 2012.



The society has re insurance cover available from Pakistan Re-insurance Company limited. During 2012, the society has negotiated surplus treaties in fire, marine, general accident, engineering, livestock and crops. Furthermore, the society has arranged quota share treaty for bond segment while motor has been covered under Excess of Loss (XoL). There was no change in treaty terms in 2012 in comparison to the preceding year. Moreover, retention on net account remained unchanged. Similar terms have mostly been arranged for 2013.

Despite marginal decrease in administrative expenses, combined ratio is well above 100%, an outcome of depressed business volumes. The company posted underwriting loss of Rs. 4.5m (2011: Rs. -3.9m; 2010: Rs. -4.2m) during 9M12. However, bottom line was supported by investment income comprising dividend and rental income; the society posted net profit of Rs. 0.24m (2011: Rs. 1.75m; 2010: Rs. 0.74m) during 9M12.

Total assets stood at Rs. 961m (adjusted for surplus of shares) during 9M12, mainly comprising land and building. Liquid assets are only Rs. 42m. Operating cash flows have declined over time, though remaining positive. Paid up capital of the company amounted to Rs. 300m, however, it includes the impact of transfer of surplus on revaluation to share capital account. Total equity was reported at Rs. 314m at end-Sept'12. Overall financial risk profile of the society is considerably weak. Growth in business volumes is required to improve financial performance, while maintaining risk within prudent limits.

(In Rs. M)	2010	2011	9M12
Gross Premium	9.0	5.5	3.3
Market Share	0.01%	0.01%	NA
Net Premium	9.0	5.3	2.7
Net Claims ratio	26%	0.8%	47%
Combined ratio	147%	175%	268%
Net Profit / (Loss)	0.74	1.75	0.24
Equity	312	314	314
Operating Leverage	2.5%	1.5%	0.8%
Financial Leverage	1.3%	0.7%	0.5%
Insurance debt % Gross Premium	-	0.6%	-

CISPL has not implemented accounting system; furthermore, branches are not connected to head office through any medium mainly due to budgetary constraints. The organization may benefit by strengthening information system and internal audit function. Overall management and governance infrastructure also requires significant strengthening.

Overview of the Institution

The Cooperative Insurance Society of Pakistan Limited (CISPL) was incorporated as a Cooperative Society under the Cooperative Societies Act, 1925 on August 6, 1949. Various Co-operatives societies from Punjab, Khyber Pakhtoonkhwa and Sindh are its shareholders. The society has a network of 2 zonal, 4 regional and 8 branch offices. [JCR-VIS](#)