

The Pakistan General Insurance Company Limited

January 21, 2013

Chairman: Ch. Manzoor Ahmed; CEO: Ch. Zaboora Ahmed

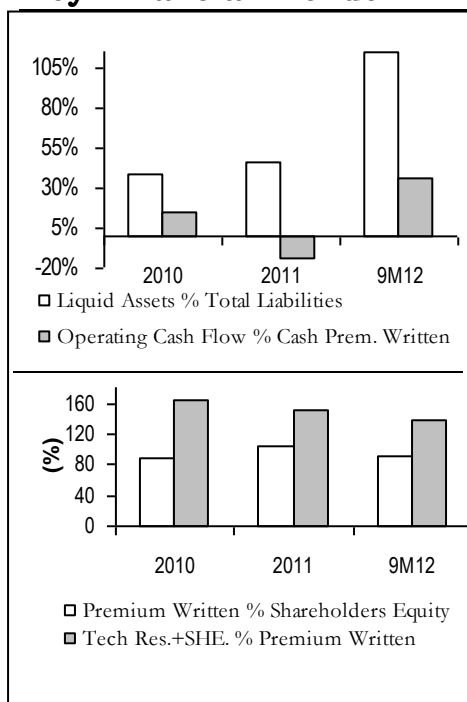
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Category	Latest	Previous
IFS	BBB+ Dec 31, 2012	BBB+ Jan 2, 2012
Outlook	Stable Dec 31, 2012	Stable Jan 2, 2012

Rating Rationale

The Pakistan General Insurance Company Limited (PGI) has exhibited steady growth over the years that continued during 2011 and beyond. Gross premium written witnessed an increase of 35.7% and augmented to Rs. 424m (2010: Rs. 312m). As the growth was manifested in all segments, business mix remained virtually unchanged with fire and marine combined constituting 80% of the business mix. The company is projecting similar trend in business mix, going forward. During 9M12, gross premium increased to Rs. 344m and it is projected to reach Rs. 500m for full year 2012.

Key Financial Trends



(In Rs. M)	2010	2011	9M12
Gross Premium	312	424	344
Market Share	0.7%	1.0%	NA
Net Premium	111	143	191
Net Claims ratio	62%	46%	21%
Combined ratio	115%	91%	44%
Net Profit / (Loss)	5	52	110
Net Equity	363	415	500
Operating Leverage	34%	46%	41%
Financial Leverage	27%	35%	20%
Insurance debt % Gross Premium	15%	44%	28%

Historically, claims ratio of PGI has remained well within prudent limits except for 2010 where floods had negatively impacted claims performance. For 2011, the company reported underwriting profit of Rs. 13m (2010: Loss Rs. 17m). Overall claims ratio improved significantly to 21% (2011: 46%; 2010: 62%) in 9M12. At the same time, considerable surge in net premium resulted in lower expense ratio of 23% (2011: 45%; 2010: 53%). Resultantly, combined ratio improved to 44% (2011: 91%; 2010: 115%) translating into underwriting profit of Rs. 107m during 9M12.

Lately, PGI has adopted a strategy to reduce its traditionally high investment in properties while focusing more towards liquid avenues of investment. Consequently, during 2011 and 9M12, the management sold some properties resulting in improved liquidity profile. Moreover, considerable recoveries were made against premium due but unpaid during 9M12. Cash generated was mainly parked in current and saving accounts while also utilized for enhanced exposure in equities. Liquid assets as a percentage of total liabilities surged to 115% (2011: 46%; 2010: 39%) as at end-9M12.

During 2011, operating cash flows remained under pressure on account of delay in premium receivable from clients. The company recorded cash outflow of Rs. 39.5m in 2011 versus cash inflow of Rs. 49m during 2010. However, the company reported cash inflow of Rs. 135m in 9M12 on account of improved collection against outstanding premiums. As a policy, PGI creates provisions against premium outstanding for more than two years.

IFS profile of reinsurers has experienced weakening in 2012, with the exit of Al-Fajer Re, Kuwait (B++ rated), which was replaced with Arab Union Re, Syria (BB rated). The reinsurance panel is led by Labuan Re (A- rated). While treaty capacities remained unchanged, reduced participation in treaties by some of the reinsurers enhanced retention of risks on the company's net account. The management plans to negotiate higher reinsurance cover in fire treaty for 2013.

Leverage indicators of the company had increased during 2011 since growth in business volumes outpaced the increase in core equity. However, improvement in leverage indicators is evident in 9M12. Leverage indicators still compare favorably to peers. However, enhanced retention of risks on net account has off-set the positive impact of decline in leverage indicators.

Overview of the Institution

The Pakistan General Insurance Company Limited is engaged in providing general insurance services since 1947. The company operates through a network of 33 branches and is listed on all three stock exchanges of Pakistan. The company has a registered office in Lahore. Financial statements for 2011 were audited by M/s M. Yousuf Adil Saleem & Co., Chartered Accountants [JCR-VIS]

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: IFS</u>				
25-Nov-13	A-	Stable		Upgrade
31-Dec-12	BBB+	Stable		Reaffirmed
02-Jan-12	BBB+	Stable		Upgrade
23-Nov-10	BBB	Positive		Reaffirmed
20-Oct-09	BBB	Positive		Reaffirmed