RATING REPORT

Alpha Insurance Company Limited

REPORT DATE:
May 14, 2025

RATING ANALYSTS:
Musaddeq Ahmed Khan
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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	**Long-term**	**Long-term**
IFS	A+ (IFS)	A+ (IFS)
Rating Outlook/ Rating Watch	Stable	Stable
Rating Action	Reaffirmed	Reaffirmed
Rating Date	*May 14, 2025*	*February 01, 2024*

COMPANY INFORMATION

Incorporated in 1951	**External auditors:** Grant Thornton Anjum Rahman Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Tariq Ikram
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Dr. Syed Arif Hussain
State Life Insurance Corporation– 95%	
Individuals - 5%	

APPLICABLE METHODOLOGY(IES)

Applicable Rating Criteria: General Insurance
https://docs.vis.com.pk/docs/GeneralInsurance-2023.pdf

VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Alpha Insurance Company Limited

OVERVIEW OF THE INSTITUTION

Alpha Insurance Company Limited was incorporated in 1951. State Life Insurance Corporation is the parent company of the organization, possessing 95% stake in the company. Registered office of the company is located in Karachi. AICL has branch network in all the major cities of Pakistan including Lahore, Multan, Faisalabad, Peshawar, Islamabad, Rawalpindi, and Karachi.

Profile of CEO:

Dr. Arif Hussain has 24 years of experience in the insurance industry, holding progressive senior level positions, including experience in underwriting, reinsurance, claims management, and marketing. Hussain holds an M.B.B.S. and an MBA. Before joining Alpha Insurance, he served as the CEO of Dawood Family Takaful Limited, headed Takaful Pakistan Limited, and was the Head of Takaful at East West Insurance Company Limited.

RATING RATIONALE

The rating assigned to Alpha Insurance Company Limited (AICL or "the Company") is underpinned by the financial strength and sponsor profile of its principal shareholder, State Life Insurance Corporation of Pakistan (SLIC). SLIC, the largest life insurance company in the country, is wholly owned by the Government of Pakistan and carries a AAA rating assigned by a local rating agency.

However, the rating remains constrained by persistent underwriting losses and comparatively lower business volumes relative to peers. On the other hand, AICL reported profitability in CY23 and 9MCY24.

The Company's investment mix is primarily composed of government securities, with the remaining majority held in stable and highly rated equity securities, resulting in manageable credit risk exposure. Reinsurance arrangements are predominantly with counterparties that have sound credit risk profiles, and the Company maintains an appropriate level of risk retention aligned with its risk appetite.

From a solvency perspective, AICL is considered sound, with a sufficient buffer of admissible assets over liabilities. While operating and financial leverage has increased in line with the Company's growing operations, both remain below the peer median. As business volumes are expected to rise significantly, leverage indicators may shift over the rating horizon.

Going forward, the reversal of underwriting losses through improved combined ratio management and sustained profitability will remain key rating drivers.

Insurance Sector Update

Global Overview

The global insurance industry has demonstrated remarkable resilience and adaptability amidst evolving macroeconomic conditions and heightened geopolitical tensions. In 2023, the industry recorded its strongest growth since 2006, expanding by 7.5%. Global premiums reached USD 7.2 trillion, divided among life insurance (USD 2.8 trillion), property and casualty (P&C) (USD 2.1 trillion), and health insurance (USD 1.4 trillion).

Regional market dynamics underscore significant variances in growth. North America continues to dominate the P&C and health insurance segments, contributing 54.2% and two-thirds of global premiums, respectively. The Asia-Pacific region led the recovery in life insurance, buoyed by China's post-pandemic rebound (7.7% growth) and India's exceptional growth trajectory of 13.6%. In Europe, life insurance premiums grew by 3.3% in 2023 after a contraction in 2022, though challenges persist, including a heavy reliance on single-premium products.

Sustainability and ESG (Environmental, Social, and Governance) integration have become central to insurers' strategies, with almost all firms embedding sustainability goals into their investment portfolios. Clean energy and transition technologies are particularly prominent themes. Technological innovation, especially through artificial intelligence (AI), is gradually replacing traditional insurance processes. AI is now critical for underwriting, claims management, and risk modeling, while advancements in IT enable real-time customer engagement and personalized products.

Capital management strategies are also evolving in response to macroeconomic changes. Higher interest rates have improved investment yields, prompting insurers to increase allocations to private markets and alternative assets, such as infrastructure debt. Liquidity management remains a top priority as insurers strive to balance portfolio diversification with maintaining stable risk levels. Meanwhile, regulatory developments and geopolitical tensions are among the top macroeconomic concerns for insurers, further complicated by diverging monetary policies across regions.

Looking ahead, the global insurance market is projected to grow at an annual rate of 5.5% over the next decade, with life and health insurance driving much of this expansion. Asia is expected to remain the primary growth engine, accounting for nearly half of the absolute premium increase. However, the industry must address key challenges, such as balancing insurability and affordability amidst rising climate and cyber risks, tackling inequalities exacerbated by demographic and economic shifts, and adapting to regulatory changes in a fragmented geopolitical environment.

Local Overview

The insurance sector in Pakistan, demonstrates a complex and evolving landscape. The industry is divided into life and non-life insurance segments, with significant contributions from both conventional and takaful (Islamic insurance) operations. However, insurance penetration remains low, at just 0.79% of Gross Domestic Product (GDP). In 2023, the life insurance sector reported a gross premium of PKR 404 billion, with claims paid amounting to PKR 289 billion. Health policies dominated the product distribution, constituting 41% of the total premium, followed by participating policies at 30% and unit-linked policies at 23%. The non-life insurance sector, on the other hand, recorded a gross premium of PKR 227 billion, with claims paid totaling PKR 84 billion. Fire and property damage insurance accounted for the largest share of the premium at 31%, followed by motor insurance at 20% and engineering insurance at 16%.

The financial performance of the sector highlights a substantial investment income, with the life insurance segment reporting total assets of PKR 2,518 billion and investments of PKR 1,911 billion as of Dec'23. The non-life insurance segment also showed strong financial health, with total assets of PKR 381 billion and investments of PKR 145 billion as of Dec'23. The takaful sector, although smaller, shows promising growth potential, particularly in the family takaful segment, which contributed 35% of the total private sector premium. The general takaful segment accounted for 11% of the total non-life insurance industry premium.

Challenges facing the sector include low motor insurance adoption, limited local reinsurance capacity, and a shortage of skilled human resources. The SECP's strategic plan underscores the importance of adopting IFRS-17 by January 2026, embracing technological advancements, strengthening legislative frameworks, and enforcing compulsory insurance schemes to tackle current challenges. Overall, the insurance sector in Pakistan is poised for potential growth, driven by both conventional and takaful operations. The industry's financial stability, coupled with strategic initiatives by the SECP, positions it well for future expansion and increased penetration in the national economy.

Auditor's Opinion

Grant Thornton Anjum Rahman Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of December 2023.

Business Update – AICL

Business Strategy

AICL is primarily engaged in providing general insurance and window takaful operations (*initiated this year*) to six primary segments namely fire & property damage, marine, aviation & transport, motor, accident & health (A&H), bond and miscellaneous segments. The Company operates via eleven branches spread across Pakistan.

AICL's business mix exhibited some changes during 9MCY24; the same is dominated by fire & property business followed by A&H, motor and marine segments. On the other hand, the proportion of miscellaneous and bond segment continued to remain low however slight increase was witnessed in the miscellaneous segment during 9MCY24.

Gross written premium (GWP) increased to Rs. 376.0m (CY22: Rs. 255.5m) during CY23 on account of the forex impact. Further, the growth momentum was sustained in 9MCY24 with GWP increasing by 72% to Rs. 455.5m (9MCY23: Rs. 264.1m) by end-Sept'24 wherein GWP of takaful and conventional segments was Rs. 34.5m (9MCY23: 11.8m) and Rs. 421.0m (9MCY23: 252.4m) respectively. All segments reported a growth during 9MCY24 in terms of GWP. Bond segment is relatively new, and its share remains nominal in the business mix. AICL engages in facultative business; however, the proportion of facultative business compared to GWP was recorded at 35% during 9MCY24.

Lastly, to expand operations, AICL is being included by National Insurance Company Limited (NICL) as a co-insurer partner for 50% of the State Life Insurance Cooperation's business subject to AICL's capacity based on reinsurance arrangements. Moreover, the Company is working on several digitization initiatives to increase market share.

BUSINESS MIX	**CY21**	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Fire and property damage	42.9%	44.8%	52.1%	37.8%	48.2%
Marine, aviation and transport	14.2%	15.4%	14.2%	15.7%	15.4%
Motor	21.5%	18.3%	19.1%	16.7%	20.1%
Accident and health	6.7%	10.5%	7.4%	18.0%	13.2%
Bond	0.0%	0.7%	0.5%	0.4%	0.6%
Miscellaneous	14.7%	10.3%	6.7%	11.5%	7.1%
Total Gross Premium	**174.1**	**255.5**	**376.0**	**455.5**	**252.4**

Claims Performance:

AICL's gross claims increased to R. 178.0m (9MCY23: Rs. 146.8m) by end-Sept'24, on account of higher claims emanating from A&H and marine segment. However, with an increase in GWP the gross claims ratio improved to 39.1% during 9MCY24.

Gross Claims Ratio	**CY21**	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Fire and property damage	-9%	77%	59%	26%	80%
Marine, aviation and transport	6%	36%	37%	68%	24%
Motor	24%	33%	21%	35%	26%
Accident and health	76%	41%	126%	61%	52%
Bond	#DIV/0!	0%	0%	0%	0%
Miscellaneous	36%	36%	75%	16%	55%
Total Gross Claims Ratio	**8.9%**	**54.3%**	**54.4%**	**39.1%**	**55.6%**

Net claims expense also increased significantly to Rs. 158.2m (9MCY23: Rs. 91.0m) by end-9MCY24, on account of higher expense pertaining to marine, motor and full retention of A&H segment. Despite this, in line with growth in net insurance premium, the net claims ratio remained range-bound at 55.2% (9MCY23: 55.1%). Net claims ratio was recorded the highest in A&H segment followed by marine and motor segment. The segment-wise net claims ratios are presented in the table below:

Net Claims Ratio	**CY21**	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Fire and property damage	4%	92%	52%	39%	49%
Marine, aviation and transport	9%	32%	48%	74%	49%
Motor	29%	42%	22%	40%	31%
Accident and health	76%	42%	198%	105%	127%
Bond	8054%	0%	0%	0%	0%
Miscellaneous	90%	62%	144%	35%	135%
Total Net Claims Ratio	**26%**	**64%**	**58%**	**55.2%**	**55.1%**

Reinsurance Arrangements:

Reinsurance treaties of the Company depicted some changes during CY24. As per the arrangements, all segments are covered by XoL treaties other than terrorism, for which there is a quota share treaty in place. Comfort is drawn from a diversified panel of local and international reinsurers that have strong credit ratings.

CESSION RATIO	**CY22**	**CY23**	**3QCY24**	**9MCY23**
Fire and property damage	22.5%	15.9%	25.1%	16.4%
Marine, aviation and transport	26.1%	39.9%	32.6%	35.1%
Motor	12.8%	11.5%	16.6%	10.8%
Accident and health	0.0%	0.0%	0.0%	0.0%
Bond	56.4%	100.4%	83.7%	93.6%
Miscellaneous	64.0%	65.2%	34.3%	64.6%
Total Cession Ratio	**22.5%**	**15.9%**	**21.62%**	**19.77%**

Underwriting Performance:

	CY22	**CY23**	**3QCY24**	**9MCY23**
Net Operating Ratio	113.6%	78.1%	100.1%	98.7%
Combined Ratio	**140.0%**	**132.9%**	**127.8%**	**135.2%**
Net Claims Ratio	*63.8%*	*58.2%*	*55.2%*	*55.1%*
Underwriting Expense Ratio	*76.1%*	*74.7%*	*72.6%*	*80.1%*

AICL has reported persistent underwriting losses on a timeline; the same increased significantly during 9MCY24 compared to subsequent period last year (SPLY). A nominal profit was recorded in the motor segment during the ongoing year whereas remaining segments posted losses on a timeline. Furthermore, an increase in investment income to Rs. 79.4m (9MCY23: Rs. 60.3m), due to higher dividend income supported the bottom line; the same was recorded higher at Rs. 13.4 during 9MCY24 as opposed to Rs. 4.8m in the preceding year. The Company recorded investment returns owing to the high yield of government securities coupled with the positive trajectory of stock market performance of the review period. However, investment income is recorded as the lowest among peer companies.

P&L (Extract) (PKR million)	**CY21**	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Fire and property damage	(12.3)	(59.0)	(32.8)	(22.9)	(20.4)
Marine, aviation and transport	(2.9)	(4.5)	(13.1)	(25.3)	(12.8)

Motor	(2.3)	(1.6)	9.0	5.8	2.7
Accident and health	(3.1)	3.5	(32.9)	(42.3)	(16.3)
Bond	2.5	(1.4)	(0.3)	(0.4)	(0.5)
Miscellaneous	(20.8)	(8.1)	(17.5)	(6.1)	(11.5)
Total Underwriting Profit/ (loss)	**(39.0)**	**(71.1)**	**(87.6)**	**(91.1)**	**(58.8)**
Investment Income (Conventional)	**55.4**	**48.1**	**136.9**	**79.4**	**60.3**
Other Income (Conventional)	**12.9**	**13.0**	**27.5**	**26.5**	**15.3**
Finance Cost	**(1.6)**	**(1.0)**	**(0.4)**	**(1.7)**	**(0.3)**
Profit from Window Takaful	**-**	**-**	**4.1**	**9.0**	**0.9**
Profit before Tax (Conventional)	**27.8**	**(11.1)**	**85.4**	**34.2**	**20.6**
Profit After Tax (Conventional)	**18.3**	**(14.3)**	**49.6**	**19.0**	**13.8**

Return from investments continues to support the underwriting operations of the Company.

The carrying value of the investment portfolio increased to Rs. 653.3m (CY23: Rs. 463.9m; CY22: Rs. 682.9m) by end-Sept'24. Asset class shifted towards T-bills during the review period whereas investment in PIBs reduced in line with declining interest rates. Given around 67% of the portfolio is vested in government securities coupled with remaining majority constituting of stable and high rated equity securities, the credit risk emanating from the investment mix is considered manageable. Moreover, equity portfolio comprised 33% investment vested in diverse set of blue-chip companies pertaining to oil and gas business, paper and board, commercial banks, chemicals, insurance and power generation and distribution companies. Owing to the positive trajectory of stock market performance, the Company reaped substantial unrealized gains in the review period that boosted the carrying value of equity investments. Nevertheless, stock market exposure will always carry price risk. Going forward, investment's policy involves around making diversified and secure investments while ensuring a sound balance between risk and return. Subsequently, the aim is for the growth trajectory in investment income to support the bottom line of the Company.

INVESTMENT MIX	**CY22**	**CY23**	**9MCY24**
Equities	191.7	165.4	213.3
PIBs	230.5	233.9	96.6
Treasury	260.7	64.6	342.5
Total	**682.9**	**463.9**	**652.3**

Liquidity

	CY21	**CY22**	**CY23**	**9MCY24**
Liquid Assets to Adjusted Technical Reserves	761.4%	454.0%	408.2%	261.1%
Insurance Debt/ Gross Premium	37.5%	41.9%	28.8%	18.0%

The quantum of liquid assets increased to Rs. 810.2m (CY23: Rs. 779.3m; CY22: Rs. 808.4m) by end Sept'24 in line with increase in the investments to Rs. 652.3m due an unrealized gain on the equities. However, the same maintained in relation to net technical reserves declined on a timeline to 261.1% (CY23: 408.2%; CY22: 454.0%) by end-Sept'24 owing to inherent cyclicality prevalent in the insurance sector. The absolute value of net technical reserves is expected to reduce once the unearned premium reserves are realized by end-CY24. Nevertheless, despite the aforementioned decline, the coverage of technical reserves is sizable and the liquidity profile is sound. Insurance debt in relation to gross premium decreased on a timeline to 18% (CY23: 28.8%; CY22: 41.9%) by end-Sept'24 on account of growth in the GWP of the Company.

Capitalization

	CY21	CY22	CY23	9MCY24
Operating Leverage (%)	14.4%	26.5%	34.4%	47.9%
Adjusted Financial Leverage (%)	14.4%	25.9%	26.6%	40.4%

Capitalization levels of the Company improved during the rating review period on account of improvement in fair value reserve to Rs. 91.8m (CY23: Rs. 61.7m) in line with higher unrealized appreciation on AWS investments coupled with increase in the unappropriated profit to Rs. 175.4m (CY23: Rs. 156.4m; CY22: Rs. 106.4m) during 9MCY24. AICL is considered sound from solvency risk point of view as the Company has adequate cushion in terms of admissible assets over its liabilities. The operating leverage increased on a timeline to 47.9% (CY23: 34.4%; CY22: 26.5%) on account of the combined impact of higher growth in net premium revenue in relation to increase in equity base at end-Sept'24. Financial leverage ratio also increased to 40.4% (CY23: 26.6%; CY22: 25.9%) in line with increase in net technical reserves to Rs. 310.2m (CY23: Rs. 190.9m; CY22: Rs. 178.1m) by end-9MCY24; the increase in the technical reserves was manifested in both outstanding claims and unearned premium reserves. The ageing of claims remained sound as no claim was overdue for more than one year at year-end CY23. Subsequently, leverage indicators exhibit sizable room for growth in the operating scale.

Alpha Insurance Company Limited Appendix I

FINANCIAL SUMMARY	CY21	CY22	CY23	9MCY24
Cash and Bank Balances	119.5	125.4	315.4	157.9
Investments	664.3	682.9	463.9	652.3
Liquid Assets	783.7	808.4	779.3	810.2
Insurance Debt	65.4	107.1	108.1	109.1
Liquid Assets	783.7	808.4	779.3	810.2
Total Assets	1,077.6	1,154.7	1,270.9	1,415.9
Ordinary Share Capital	500.0	500.0	500.0	500.0
Total Equity	713.0	688.2	718.1	767.2
Total Liabilities	364.6	466.5	552.8	648.7
Gross Premium Revenue	174	256	376	455
Net premium Revenue	103	183	247	275
Net Claims	26	117	145	141
Underwriting Profit	(39)	(71)	(83)	(79)
Investment Income	55	48	137	79.4
Other Income	13	13	28	27
Profit before Tax	28	(11)	85	34
Profit after Tax	18	(14)	50	19.0
Cession Ratio (%)	32.3%	21.3%	24.8%	17.0%
Gross Claims Ratio (%)	8.9%	54.3%	58.1%	37.7%
Net Claims Ratio (%)	25.5%	63.8%	58.2%	55.2%
Underwriting Expense Ratio (%)	110.7%	76.1%	74.7%	72.6%
Combined Ratio (%)	136.2%	140.0%	132.9%	127.8%
Operating Leverage (%)	14.4%	26.5%	34.4%	47.9%
Adjusted Financial Leverage (%)	14.4%	25.9%	26.6%	40.4%
Insurance Debt/ Gross Premium	37.5%	41.9%	28.8%	18.0%
Liquid Assets to Adjusted Technical Reserves	761.4%	454.0%	408.2%	261.1%

REGULATORY DISCLOSURES — Appendix III

Name of Rated Entity	Alpha Insurance Company Limited
Sector	Insurance
Type of Relationship	Solicited
Purpose of Rating	IFS Rating
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook/ Rating Watch	Rating Action
		RATING TYPE: IFS		
5/14/2025	**A+**	**-**	**Stable**	**Reaffirmed**
02/01/2024	A+	-	Stable	Reaffirmed
3/31/2022	A+	-	Stable	Harmonized
9/29/2021	A	-	Stable	Maintained
10/20/2020	A	-	Negative	Reaffirmed
6/28/2019	A	-	Negative	Maintained
1/31/2018	A	-	Stable	Reaffirmed
12/07/2016	A	-	Stable	Reaffirmed
12/15/2015	A	-	Stable	Reaffirmed
12/10/2014	A	-	Stable	Reaffirmed
9/30/2013	A	-	Stable	Maintained

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 insurer financial strength only and is not a recommendation to buy or sell any securities.
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Due Diligence Meetings Conducted

Name	Designation	Meeting Date
Dr. Arif Hussain	CEO	13th March, 2025