

## UBL Insurers Limited

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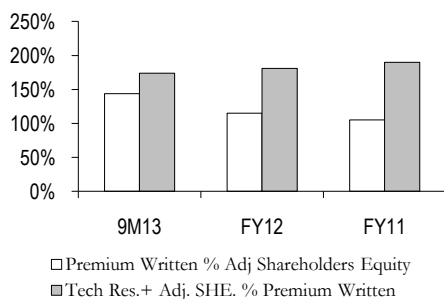
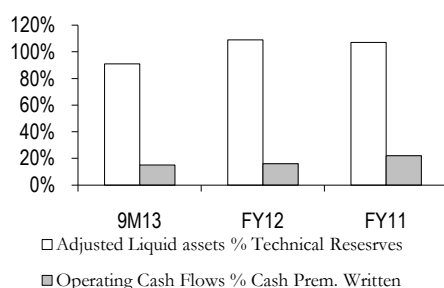
*Chairman: Mr. Aameer Karachiwala; Chief Executive Officer: Mr. Shariq Abdullah*

### Rating Rationale

Category	Latest	Previous
<b>IFS</b>	<b>A</b>	<b>A</b>
	Dec10,'13	Oct 19, '12
<b>Outlook</b>	<b>Positive</b>	<b>Stable</b>
	Dec10,'13	Oct 19, '12

The rating assigned to UBL Insurers Limited (UIL) takes into account the institutional backing of the company, with shareholders comprising one of the largest commercial banks in Pakistan and its major sponsors. In addition to financial support from sponsors, the company also has business support from United Bank Limited (UBL). Business from related parties comprises a sizeable proportion of the total premium written, although its proportion has declined in recent periods, as the company continues to enhance its presence in the market. Gross premium amounted to Rs. 739.2m in 9M13 against a full year target of Rs. 917m (FY12: Rs. 760.4m; FY11: Rs. 658.4m).

### Key Financial Trends



With related party business entailing minimal procurement cost, the company's underwriting expense ratio compares favorably to peers. High net claims ratio has so far resulted in losses from underwriting operations. There is nevertheless an improving trend in underwriting results, with losses reducing to Rs. 35m (FY11: Rs. 41.4m) in 2012 and Rs. 10.4m in 9M13. Net claims ratio is particularly high in the Banker's Blanket Bond (BBB) business, which comprises almost one-fifth of the company's premium base. Further revision in premium rates therein is being considered. The lead business segment is fire where the company has posted notable improvement in net claims ratio as additional treaty cover arranged for 2013 protected the company's net account. Given the current leverage profile and treaty arrangements in place, there is room for growth in business volumes, assuming results from underwriting operations continue to improve.

UIL has seven companies on its reinsurance panel. All reinsurers have sound IFS rating profile. In 2013, there was just one change on the panel with ACR Malaysia replacing Mitsui Sumitomo Re. Pakistan Reinsurance Company Limited and Scor Re have major share in fire, marine and engineering segments while lead reinsurers in other segments are Hannover Re, Korean Re and ACR Malaysia. In 2013, the company acquired special surplus cover in fire and engineering segments to protect its net retention. Moreover, treaty capacity in property CAT cover was enhanced. Retention increased in motor segment to Rs. 2m. Other treaty terms remained unchanged. Overall, cession has remained around prior year level.

The company has a conservative investment mix with more than 50% exposure in T-bills while the remaining portfolio comprises TDRs, TFCs and money market funds. Both credit and market risk arising from the portfolio are considered manageable; accordingly, the portfolio has generated steady stream of income. Given the upward trend in interest rates, it is likely that the portfolio would yield better returns, going forward. Overall profitability draws support from investment income and has consistently posted improvement since 2011.

(In Rs. M)	9M13	FY12	FY11
Gross Premium	739.2	760.4	658.4
Market Share	2.3%	1.7%	1.6%
Net Premium	248	278	253
Net Claims ratio	64%	69%	66%
Combined ratio	104%	113%	116%
Net Profit / (Loss)	25.3	28.8	127.9
Operating Leverage	36%	42%	40%
Financial Leverage	117%	87%	79%

At end 9M13, insurance debt amounted to Rs. 321.9m., representing 44% of gross premium. Ageing profile of insurance debt is considered satisfactory. Cash flows depicted improvement during this period, translating into increase in liquid assets to Rs. 730.2m. However, outstanding claims also increased simultaneously. Resultantly, liquid assets as a proportion of total liabilities decreased to 60% (FY12: 75%) and stood at 91% (FY12: 109%) in relation to technical reserves at end-9M13. Future trend in this respect may need to be closely monitored.

UIL appointed Mr. Babar Mehmood Mirza as the new Chief Operating Officer. Other than this, there was stability in senior management. UIL has Sidat Hyder's General Insurance System (GIS) to support operations. The internal audit function is outsourced to UBL. Recently, the management has developed/updated certain manuals including BCP and that pertaining to risk compliance.

### Overview of the Institution

UBL Insurers Limited is an unlisted public limited company which commenced operations in January 2007. UIL is a subsidiary of Bestway (Holding) Limited that holds 55.6% stake in the company. Holding of UBL has been maintained at 30% while that of Abu Dhabi Group is at 12.2%. M/s KPMG Taseer Hadi & Co. Chartered Accountants has been appointed as external auditors for 2012 JCR-VIS

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