Century Insurance Company Limited

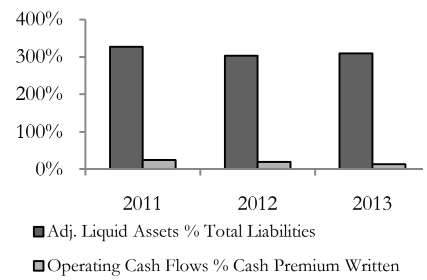
Chairman: Mr. Iqbal Ali Lakhani; Chief Executive: Mr. Mohammad Hussain Hirji

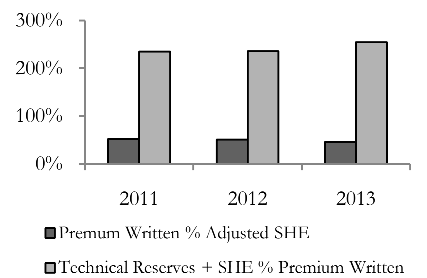
June 24, 2014

Analysts: Amir Shafique
Muniba Khan

Category	Latest	Previous
IFS	A+	A+
	June 24, 2014	*Mar 8, 2013*
Outlook	***Stable***	***Stable***
	June 24, 2014	*Mar 8, 2013*

Key Financial Trends





(In Rs. M)	2011	2012	2013
Gross Premium	535	585	667
Market Share *	1.3%	1.3%	1.4%
Net Premium	225	268	322
Net Claims ratio	36%	42%	50%
Combined ratio **	91%	98%	101%
Net Profit / (Loss)	25	116	147
Adjusted Equity	1,012	1,141	1,433
Operating Leverage	29%	24%	22%
Financial Leverage	32%	21%	19%
Insurance debt % Gross Premium	32%	31%	30%

**(based on private insurance industry sector)*
***Includes general and administrative expenses also*

Rating Rationale

Century Insurance Company Limited (CICL) is backed by the Lakson Group of Companies, an industrial group, having prominent presence across several sectors including paper & packaging, FMCGs and financial services. The company enjoys both financial and business support from the group. Over the years, business from related parties has remained above 40% of total premium underwritten. CICL reported gross premium of Rs. 667.1m (FY12: Rs. 585.1m) with fire and marine collectively representing 55.7% of the total in 2013.

CICL incurred an underwriting loss of Rs. 3.9m in 2013 as compared to a profit of Rs. 5.1m in the preceding year. The weakening in underwriting results is largely attributable to high net claims ratio in health segment, for which the company was unable to arrange reinsurance cover. Underwriting expense ratio has improved over the year; it still remains relatively on the higher side vis-à-vis peers, given that a sizeable amount of business is mobilized from related parties.

CICL has an adequate reinsurer panel featuring 'A-' and above rated reinsurers for both proportional and non-proportional treaties. There was just one change on the reinsurer panel in 2014 with Q-Re exiting and its share allocated to Malaysian Re. The company primarily has surplus treaty in major business segments along with XoL treaty to protect its net retention. Scor Re is the lead reinsurer in fire, marine cargo, engineering and bond segments while Hannover Re holds the largest share in terrorism and marine hull/last voyage. CICL was not able to renew treaty for health for 2014. Health segment is now retained completely on net account. Earlier, the company was placing health business on facultative basis with AsiaCare. Treaty capacities along with retention in marine and motor segment were enhanced. While cession ratio in fire segment has remained high at 88%, which comprises more than one-third of business, overall cession has come down on account of lack of reinsurance cover in health. Its impact on future underwriting results will be tracked by JCR-VIS. Maximum single party claim amount that can fall on net account is Rs. 15m, in case of terrorism risks.

The company's investment portfolio comprises 1/3rd exposure in equities while the remaining is deployed in cash/income funds and debt instrument. In recent years, the portfolio has generated steady stream of income and supported the bottom line of the company. CICL has benefited from the upward rally in the stock market. Given the increase in benchmark rate last year, return on the fixed income portfolio has also improved. Given the portfolio composition, credit and market risk is considered manageable. The investment function is outsourced to an associate concern namely; Lakson Investments Limited (LIL). Considering the rise in management fee, the company intends to limit the out-sourcing arrangement to equities only.

Insurance debt amounted to Rs. 201.3m (FY12: Rs. 183.4m), representing 30.2% (FY12: 31.4%) of gross premium at end 2013. Almost one-third of this is outstanding from related parties. Aging profile of insurance debt is considered satisfactory with a major chunk of premium due within 1 year bucket. Adjusted liquid assets as a proportion of total liabilities are considerably high while operating cash flows are also adequately positive. Total adjusted equity (adjusted for market value of investments) increased to Rs. 1.4b (FY12: Rs. 1.1b) in 2013. Given the equity base, leverage indicators are relatively on the lower side vis-à-vis peers and indicate room for growth, assuming risk retention levels do not change materially

In tandem with plans to open a separate health department, CICL appointed a dedicated head of Underwriting (Health). There was stability at senior management level positions. CICL has implemented an Oracle based General Insurance Accounting System (GIAS) to support core operations.

Overview of the Institution

Incorporated in 1985, CICL commenced operations in 1989 and is engaged in providing general insurance cover. The company is listed on the Karachi and Lahore Stock exchanges. Its head office is located in Karachi and operates with a network of 8 branches JCR-VIS

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
		RATING TYPE: IFS		
24-Jun-14	A+	Stable		Reaffirmed
08-Mar-13	A+	Stable		Upgrade
19-Mar-12	A	Stable		Reaffirmed
07-Jan-11	A	Stable		Reaffirmed
04-Jan-10	A	Stable		Reaffirmed