

## RATING REPORT

### IGI General Insurance Limited

**REPORT DATE:**

September 24, 2018

**RATING ANALYSTS:**

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**RATING DETAILS**

Rating Category	Initial Rating
Insurer Financial Strength	AA
<i>Rating Date</i>	<i>September 13, 2018</i>
Rating Outlook	Stable
<i>Outlook Date</i>	<i>September 13, 2018</i>

**COMPANY INFORMATION**

<b>Incorporated in 2016</b>	<b>External auditors:</b> M/s A.F. Ferguson & Co. Chartered Accountants
<b>Public Limited Company</b>	<b>Chairman of the Board:</b> Mr. Shamim Ahmad Khan
<b>Key Shareholders (with stake 5% or more):</b> IGI Holdings Limited – 99.99%	<b>Chief Executive Officer:</b> Mr. Tahir Masaud

**APPLICABLE METHODOLOGY(IES)**
**JCR-VIS Entity Rating Criteria:** General Insurance (March 2017)

<http://www.jcrvis.com.pk/kc-meth.aspx>

## IGI General Insurance Limited

### OVERVIEW OF THE INSTITUTION

### RATING RATIONALE

*IGI General Insurance Limited (IGI) was incorporated as a public limited company in 2016, under the Companies Ordinance, 1984. Primary business of the company includes provision of both general insurance and window takaful operations. IGI commenced its window takaful operations with effect from July 2017.*

*The company has a registered office situated in Karachi and operates through a network of eight branches nationwide.*

#### **Profile of Chairman:**

*Mr. Shamim Ahmad Khan is associated with the Company as a Non-Executive Director. He has served various government organizations in different capacities namely Securities and Exchange Commission of Pakistan (SECP) and Ministry of Commerce (MoC).*

#### **Profile of CEO:**

*Mr. Tahir Masaud is the Chief Executive Officer of IGI General Insurance Limited. Mr. Masaud brings with him over 17 years of rich and varied experience gained in senior leadership positions within the general insurance sector in Pakistan and United Kingdom. His background includes sales and marketing administration, product development and project management.*

The rating assigned to IGI General Insurance Limited (IGI) derives strength from the sponsor profile of Packages group, a business conglomerate which began operations as a paperboard manufacturer in 1956. In general insurance business, IGI provides all core covers including fire & property, marine, engineering, bond etc for both private and corporate customers. Given that IGI is a wholly owned subsidiary of IGI Holdings Limited, there is only one prominent shareholder of the company.

The company is led by a team of well-qualified professionals possessing rich experience in the general insurance industry. IGI has a structured oversight mechanism while it plans to maintain a well-defined investment management, going forward. International best practices are being followed in pricing of services from related parties. IT infrastructure in place includes an Oracle based ERP system.

#### **Rating Drivers**

- 1. Business Volumes:** Gross premium of the company written in 2017 amounted to Rs. 3.4b (FY16: Rs. 2.8b), depicting a growth rate of 21.4% which is reported higher than the industry growth rate. The company underwrites business under three main segments of fire, engineering and motor.
- 2. Underwriting Performance:** The assigned rating also derives strength from improved underwriting performance of IGI. Despite a higher claims ratio, on net basis, IGI posted an underwriting profit of Rs. 116.2m for 2017 (2016: Rs. 11.3m; 2015: Rs. 79.7m). However, combined ratio was reported higher than the industry average.
- 3. Reinsurance:** Along with a steady growth over the years, IGI also maintained an adequate risk profile. The rating also draws comfort from its sound reinsurance panel and treaty structure. Enhanced focus on underwriting quality has allowed the company to report a healthy bottom line over the three-year horizon.
- 4. Investments:** Investment portfolio of the company comprised statutory related government paper at end-December 2017. However, its exposure was enhanced to mutual funds and short term government paper during the period ending June 2018. Investment portfolio must translate into healthy investment income for the company in order to support operations.
- 5. Liquidity:** The rating takes into account positive results from underwriting operations and liquidity profile of the institution. However, adjusted liquid assets in relation to technical reserves improved to a comfortable level of 2.1x in 2017. Moreover, the company is also making efforts to improve cash flow from operations.
- 6. Profitability:** In line with past trends, profitability derived strength from sound underwriting performance of the company coupled with sizeable contribution from the investment income. Nevertheless, investment income of IGI as a subsidiary will need to build its portfolio for a steady stream of income. Improvement in underwriting performance was primarily on account of improvement in lower expense base with an expense ratio of 38.3% in 2017 vis-à-vis 40.5% in 2015.
- 7. Capitalization & Liquidity:** In line with regulatory requirement, IGI has a paid up capital above Rs. 500m, at end-December 2017. Rating is constrained by the competitive environment in which the company operates and concentration in the business profile. With growth in business volumes and impact of restructuring, leverage indicators of the company have trended upwards in 2017. Given the future growth plans of the company, risk adjusted capitalization levels may be increased in order to improve leverage indicators.

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

### IGI General Insurance Limited

### Appendix I

<b>FINANCIAL SUMMARY</b>				
<i>(amounts in PKR millions)</i>				
<b>BALANCE SHEET</b>	<b>JUN 30, 2018</b>	<b>DEC 31, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>
Cash and Bank Deposits	159.1	2,467.7		
Investments	1,928.1	321.2		
Investment Properties	175.9	179.3		
Insurance Debt	970.3	701.8	767.4	681.7
Total Assets	6,396.4	5,744.5	19,449.0	14,650.6
Net Worth	2,075.6	2,091.0	13,612.6	12,260.7
Total Liabilities	4,292.0	3,653.5	5,836.5	2,389.9
<b>INCOME STATEMENT</b>				
Net Premium Revenue	1,071.7	1,645.1	1,380.7	1,121.9
Net Claims	575.6	933.2	697.9	586.4
Underwriting Profit	107.8	160.1	11.3	79.7
Profit Before Tax	209.4	248.8		
Profit After Tax	147.7	172.6		
<b>RATIO ANALYSIS</b>				
Market Share (Gross Premium) (%)				
Cession Ratio (%)	46.2%	41.5%	46.8%	49.0%
Gross Claims Ratio (%)	39.5%	51.6%	59.1%	48.0%
Net Claims Ratio (%)	53.7%	56.7%	50.5%	52.3%
Underwriting Expense Ratio (%)	36.2%	33.5%	48.6%	40.5%
Combined Ratio (%)	89.9%	90.3%	99.2%	92.7%
Net Operating Ratio (%)	83.6%	85.0%	-41.0%	-2.4%
Insurance Debt to Gross Premium (%)	43.1%	24.2%	27.2%	29.1%
Operating Leverage (%)	51.6%	65.4%	2.1%	2.3%
Financial Leverage (%)	136.5%	44.8%	2.4%	2.3%
Adjusted Liquid Assets to Technical Reserves (%)	68.1%	67.5%	1163.0%	2064.6%

## JCR-VIS Credit Rating Company Limited

### RATING SCALE & DEFINITIONS: INSURER FINANCIAL STRENGTH

#### AAA

Highest capacity to meet policyholder and contract obligations; Risk factors are negligible.

#### AA+, AA, AA-

Very high capacity to meet policyholder and contract obligations; However, risk is modest, but may vary slightly over time due to business/economic conditions.

#### A+, A, A-

High capacity to meet policyholder and contract obligations; Risk factors may vary over time due to business/economic conditions.

#### BBB+, BBB, BBB-

Adequate capacity to meet policyholder and contract obligations; Risk factors are considered variable over time due to business/economic conditions.

#### BB+, BB, BB-

Marginal capacity to meet policyholder and contract obligations; Risk factors may vary widely with changes in business/economic conditions.

#### B+, B, B-

Low capacity to meet policyholder and contract obligations; Risk factors are capable of fluctuating widely with changes in business/economic conditions.

#### CCC

Very low capacity to meet policyholder and contract obligations; Risk may be substantial.

#### CC

Weak capacity to meet policyholder and contract obligations; Risk may be high.

#### C

Very weak capacity to meet policyholder and contract obligations; Risk may be very high

#### D

Extremely weak capacity to meet policyholder and contract obligations; Risk is extremely high.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.jcrvis.com.pk/images/policy\\_ratings.pdf](http://www.jcrvis.com.pk/images/policy_ratings.pdf)

## JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

REGULATORY DISCLOSURES		Appendix III			
<b>Name of Rated Entity</b>	IGI General Insurance Limited				
<b>Sector</b>	Insurance				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Insurer Financial Strength Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Outlook</b>	<b>Short Term</b>	<b>Rating Action</b>
	<b>RATING TYPE: IFS</b>				
	13/9/2018	AA	Stable		Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	JCR-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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