RATING REPORT

IGI General Insurance Limited

REPORT DATE:
December 22, 2023

RATING ANALYSTS:
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RATING DETAILS		
Rating Category	**Latest Rating**	**Previous Rating**
Insurer Financial Strength	AA+	AA+
Rating Date	*22nd December, 2023*	*29th December, 2022*
Rating Outlook	Stable	Stable
Rating Action	Reaffirmed	Reaffirmed

COMPANY INFORMATION	
Incorporated in 2016	**External auditors:** M/s A.F. Ferguson & Co. Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Shamim Ahmad Khan
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Tahir Masaud
IGI Holdings Limited – 100%	

APPLICABLE METHODOLOGY(IES)
Applicable Rating Criteria: General Insurance (Oct 2023)
https://docs.vis.com.pk/docs/GeneralInsurance-2023.pdf

APPLICABLE RATING SCALE(S)
VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

IGI General Insurance Limited

OVERVIEW OF THE INSTITUTION

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 nine 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.

RATING RATIONALE

IGI Holdings Limited (IGI Holdings) holds 100% stake in IGI General Insurance Limited (IGI). IGI Holdings is associated with Packages Group, a diversified conglomerate with strong financial strength, holding investments in companies that have presence in the manufacture and sale of packaging material, paper, paperboard and corrugated boxes, biaxial oriented polypropylene film and cast polypropylene film, inks, production and sale of ground calcium carbonate products, and companies engaged in insurance (life and non-life), stock brokerage and real estate businesses.

Group
IGI Holdings Limited (Parent company)
IGI Life Insurance Company Limited (Subsidiary of Parent)
IGI Investments (Private) Limited (Subsidiary of Parent)
IGI Finex Securities Limited (Subsidiary of Parent)
IGI FSI (Private) Limited
Packages Limited
Packages Convertors Limited
Packages Real Estate (Private) Limited
Bulleh Shah Packaging (Private) Limited
Tri-Pack Films Ltd
Packages Lanka Private Limited
DIC Pakistan Ltd.
Flexible Packages Converters Pty Limited
OmyaPack (Private) Limited
S.C. Johnson & Son of Pakistan (Private) Limited

Rating assigned to IGI derives strength from association with its primary shareholder, improved penetration of un-tapped markets and surpassing business targets despite downturn in global and local economic indicators during the rating review period. Rating incorporates a mixed trend in underwriting performance with reduction in the outgoing year on account of sizable losses under fire segment; the same was marked by recovery during HY23. Subsequently, the recovery in loss ratio resulted in the improvement of combined ratio and net operating ratio during the rating review period. On the other hand, despite incurrence of a historical loss, the reporting of positive bottom line during CY22 exhibits the resilience of the Company's operating performance along with sound reinsurance coverages. The rating further incorporates reinsurance arrangements largely with counterparties having sound credit risk profiles with appropriate risk retention on net account to maintain risk appetite of the Company. Assigned rating also accounts for the stability and expertise of the management team in the insurance sector. With projected slowdown in the economic activity due to high interest rates, rupee devaluation, and elevated inflation levels, key focus area for the management would remain historically tested fire and motor segments which would be important from the underwriting risk perspective. Conservative investment mix continues to support the rating. On the other hand, the insurance debt in relation to gross premium has largely remained range bound and commensuarte with the assigned rating. Nevertheless, the aging of receivables is considered satisfactory. Moreover, the rating remains sensitive to increase in operating leverage in line with growth in operating scale and limited growth in equity base due to significant dividend opayouts. Going forward, achieving growth in market share while maintaining loss ratios, underwriting quality and profitability metrics would remain an important rating driver.

Insurance Sector Update

Global Perspective

Despite building macroeconomic challenges, the insurance industry continued to grow in FY22, both globally and in Pakistan. Global insurance industry faced repricing of risks due to macroeconomic stresses and natural catastrophes with economic losses from natural disasters recorded higher in FY22; however insured losses covered 45% of these damages amounting to USD 125 billion. In addition, claims increased as high inflation increased the cost of repairing buildings, motor vehicles and other fixed assets that are usually covered by insurance. This led to continued rise in premium rates to cover the expenses. However, elevated interest rates augmented the investment income for insurers across the globe.

Local Perspective

Pakistan's insurance industry posted growth despite weak macroeconomic situation in CY22 with continued dominance of Life Insurance & Family Takaful segments in terms of assets and gross premiums. Gross premiums increased from Rs. 417.2 billion in CY21 to Rs. 531.7 billion in CY22 with Life & Family Takaful segment, and Non-Life & General Takaful segments posting increases of Rs. 81.9 billion and Rs. 29.4 billion respectively. Moreover, the industry's asset base grew by 14.8% in CY22 to Rs. 2,459.9 billion particularly on the back of significant growth in the Life Insurance segment. Moreover, despite building macroeconomic pressures characterized by dwindling foreign reserves, stabilization measures, slowdown in economic activity, etc. along with catastrophic floods affecting one-third of the country during the year under review, all segments of the industry continued to expand. This was the result of a combination of general factors affecting the whole insurance industry such as inflation leading to a rise in premium rates and idiosyncratic factors pertaining to all segments. The growth in Life Insurance segment was an outcome of the implementation of the government's health insurance programs carried out by State Life; the same increased health coverage to the low and middle-income strata of society. However, the claims ratio for the sector witnessed an increase due to a rise in group claims and higher surrender claims by individuals. Nevertheless, since life insurers maintain most of their investments in government securities due to lackluster performance of capital market, the resulting higher investment income boosted their profitability due to hike in interest rates.

In non-life insurance sector, motor premiums drove the growth in net premiums as the cost of motor vehicles increased drastically during the outgoing year. However, torrential rains and flooding, some major fire incidents, and higher cost of repairing fixed assets contributed to the larger increase in claims. Accordingly, financial performance indicators for the non-life sector slightly weakened on a timeline. Further, the industry's combined ratio increased in CY22, which was driven by a spike in both net claims and expense ratios. With the increase in combined ratio, insurers are expected to reprice their products in the ongoing year. Going forward, due to the prevailing slowdown in economic activity and stressed macro financial conditions, the growth trajectory in non-life premiums is expected to be uncertain while the growth in the life sector will continue to largely depend on traction in the health insurance programs. Moreover, the SECP has issued instructions of phase wise implementation of IFRS 17. The implementation is expected to translate in sizable provisioning burden for the industry; however, the actual impact of the same on industry capitalization is yet to be ascertained. No final timeline for the same is announced yet.

Future Outlook

Globally, it is expected that there will be premium rate hardening in CY23 in response to the high inflation, geopolitical tensions, natural catastrophes and financial market losses of CY22. These global insurance developments will lead to increases in reinsurance rates offered by international re/insurers which coupled with the exchange rate depreciation, may lead to increase in reinsurance expense for insurers in EMDEs, particularly non-life insurers that have extensive reinsurance arrangements with international reinsurers. The rate hardening along with the elevated policy rate is expected to influence insurers' financial performance in the near term. Global premiums are expected to grow at 2.1% in real terms on average in 2023. Given that non-life insurance is correlated with economic growth and the latest data indicates that Pakistan's economy will significantly slowdown in 2023, accordingly the growth trajectory of non-life premiums in Pakistan could also face pressures. Moreover, if inflation remains elevated, then there could be further rate hardening leading to an uncertain growth trajectory for non-life premiums. Furthermore, in the backdrop of elevated interest rates, non-life insurers may also consider recalibrating their investment portfolios in order to pad the bottom-line. Life insurance business, with a longer time horizon, is expected to remain relatively immune to the prevailing macroeconomic pressures. The growth in this sector is now partially dependent on the continuity of the government's health insurance programs.

Source: Financial Stability Review – 2022 | State Bank of Pakistan

Business Strategy

IGI is primarily engaged in providing general insurance and window takaful operations to five primary segments namely fire & property damage, marine, aviation & transport, motor, accident & health and miscellaneous. The company operates via nine branches spread across Pakistan; no new branch was opened during the rating review period. Although the business mix of the Company remained dominated by fire segment followed by motor, there was slight change during the ongoing year with Accident & Health (A&H) segment surpassing the motor segment as the second main contributor. Higher premiums were recorded in A&H on account of better reception of health policies by individuals coupled with structural change in A&H to improve the underwriting performance of the segment; the Company focused more on retail-based business during the review period. In addition, the Group has partnered with a digital distribution partner therefore additional business was written by the Company under the A&H segment in the ongoing year. On the flip side, the business volumes in the motor segment were marked down by a combined outcome of multiple factors including significant increase in car prices, reduction in the car leasing business in line with high market interest rate environment and restriction on car leasing on banks up to Rs. 3.0m by the regulator. In addition, the share of miscellaneous segment declined on the timeline owing to voluntary discontinuation of certain engineering policies underwritten in FY21. Subsequently, despite weak macro environment, IGI was able to surpass its GWP target of Rs. 9.5b for FY22; business volumes increased to Rs. 6.8b (FY22: Rs. 10.0b; FY21: 8.5b) during HY23. Along with addition of new clients, growth in gross premiums has also been facilitated by increase in sum insured across various business lines in turn underpinned by inflation. The facultative business accepted during FY22 was reported at Rs. 85.5m (FY21: Rs.71.9m); the same is expected to remain in single digits by end-FY23 with the proportion of the same to GWP remaining low. The co-insurance business reaped during the ongoing year was recorded lower at Rs. 1.3b (FY21: Rs. 1.8b) during FY22; the same however increased to Rs.1.6b during HY23. Business generated from group companies support overall gross premiums with the same constituting around 5.5% (FY21:12%) of overall gross premiums during FY22. The managements projects that the company would be able to close FY23 at GWP of Rs. 14.0b; the same is realistic and achievable as the Company closed Oct'23 with a GWP of Rs. 13.0. The snapshot of business mix (conventional & takaful) is presented in the table below:

Business Mix	CY21	CY22	HY23
Fire and property damage	30.0%	35.0%	39.2%
Marine, aviation and transport	11.0%	12.7%	7.6%
Motor	25.2%	25.5%	19.0%

Accident & Health	14.6%	12.8%	20.2%
Miscellaneous	19.1%	13.9%	14.1%
Total	**8,510.7**	**10,044.2**	**6,830.0**

To maintain low loss ratios and healthy underwriting performance, the Company follows a steady business growth approach whereby business with reputed clients with tested track records is undertaken. Going forward, the growth in business volumes is projected to be maintained by fire and motor segment; both cumulatively are expected to constitute 60% during the rating horizon. In addition, IGI will continue to tap middle tier clients to avoid imbalance of institution's risk appetite and risk exposure. The cession ratio increased slightly during the outgoing year on account of increase in average sum insured under quota share cum surplus treaties. However, the same significantly increased during the ongoing year due to sizable closing unearned premium reserve recorded at Rs. 3.5b (HY22: Rs. 2.8b) in respect to closing prepaid reinsurance ceded; the same is going to revert back to normal once unearned premium reserve is realized at end-FY23. The highest cession was recorded in the miscellaneous segment owing to higher sum policies ceded to reinsurers. As per the management, the cession ratio exceeded 100% in the fire segment owing to country's highest ever claim recorded during FY22; the same resulted in considerable reinstatement premium being paid during the rating review period. As a result, the Company decided to cede more risks in fire segment to manage the volatility arising from the aforementioned loss. In addition, the cession ratios have always remained high in the miscellaneous segment as out of the entire foreign trade credit business almost 95% is ceded. On the contrary, the entire Accident & Health business is retained on Company's books. Going forward, the overall cession ratio is expected to remain at current levels if there is no change in the revenue mix. The breakdown of cession segment wise is provided below:

Cession Ratio	CY21	CY22	HY23
Fire and property damage	83.3%	80.5%	100.2%
Marine, aviation and transport	66.4%	68.4%	97.1%
Motor	8.5%	8.7%	78.2%
Accident & Health	0.0%	0.0%	0.0%
Miscellaneous	72.3%	79.7%	98.0%
Overall Cession Ratio	**48.3%**	**50.2%**	**75.2%**

On the Window Takaful Operations (WTO) front, the gross and net contribution increased to Rs. 1.6b (FY21: Rs. 1.1b) and Rs. 828.1m (FY21: 487.1m) respectively during FY22 with major increase manifested in A&H segment; the motor segment continued to represent the largest proportion. The participants reaped a surplus of Rs. 26.6m during FY22 in comparison to deficit incurred amounting to Rs. 95.0m in the preceding year. The surplus is attributable to positive underwriting result in motor segment followed by healthy investment income. However, business at the Takaful front is expected to grow at a slower pace vis-à-vis conventional insurance given that there is limited capacity in the reinsurance market.

Claims Experiences

The loss ratio was recorded the highest during the outgoing year in line with large quantum loss amounting to Rs. 4.5b reported in a group related concern pertaining to packaging sector. As per the management, the settlement of Rs. 3.6b was made till by end-Sep'22. The gross loss and net loss pertaining to the aforementioned account was recorded at Rs. 90m and Rs. 40m respectively. Moreover, the loss was settled by end-Nov'22. In addition to that, IGI also faced a claim of Rs. 480.5m on gross basis related to a cold chain refrigeration firm. Moreover, barring another claim amounting to Rs. 111.0m pertaining to flexible packaging industry, all other top-20 claims in fire segment were recorded below Rs. 100.0m during FY22. As a result, despite adequate reinsurance covers taken, the company's net loss ratio was recorded significantly higher in the fire segment due to one-off event at end-FY22. However, apart from a petroleum company loss booked at Rs. 1.8b at gross terms, no major loss was incurred in fire segment during the ongoing year. The same along with reduction in average claim cost during HY23, the net claim ratio was reduced to half during the ongoing year.

Furthermore, given the industry's trend, the net claims ratio emanating from the A&H segment continued to remain on a higher side during FY22 on account of full retention on net account. As per the management, the inflationary pressure contributed towards increased health insurance related claims as both the medicinal treatment and hospitalization cost became relatively costly during the rating review period. However, on account of exercise on identification of loss-making clients/groups in A&H segment carried out by the management at end-FY22, the net claims ratio improved during the ongoing year as a chunk of unprofitable business was tapered off. Further, claims ratio also increased for marine, on timeline during the ongoing year on account of large quantum losses irrespective of number of loss events remaining the same. In addition, stemming from risky engineering business discontinued post-FY21, the loss ratios in the miscellaneous segment improved on a timeline. Going forward, the targeted net claims ratio by IGI is 55% for FY23. The segment-wise net claims ratios are presented in the table below:

Net Claims Ratio	CY21	CY22	HY23
Fire and property damage	23.4%	104.7%	50.6%
Marine, aviation and transport	47.8%	50.2%	54.1%
Motor	57.9%	57.8%	52.9%
Accident & Health	103.7%	90.2%	58.7%
Miscellaneous	51.7%	46.4%	31.2%
Total Net Claims Ratio	**66.7%**	**69.2%**	**53.4%**

Underwriting Performance

The company's underwriting performance depicted a downward trend during the outgoing year primarily in line with deterioration of claims ratios as the expense ratio remained unchanged due to rationalization of management expenses. Nevertheless, the same improved during the ongoing year largely in with healthy recovery in claim ratio. The net commission expense booked in absolute terms increased significantly to Rs. 491.2m (FY22: Rs. 228.7m; FY21: Rs. 87.8m) in line with growth in A&H business given the same is retained in full on Company's books with no commission income to be received from reinsurer for ceding business. As per the management, as price-based competition is inherent in the insurance sector, high commission is often paid to agents to tap incremental business as the share of the pie has not increased sizably over the course of rating review. On the other hand, commission income in the fire segment was recorded higher on a timeline during the rating review period owing to increase in cession ratio.

Moreover, commission income emanating from marine segment increased during the outgoing year as the Company received higher end of the commission sliding scale rate on account of reporting relatively low loss ratio in the aforementioned segment. However, the rationalization of expense ratio was a factor of sizable growth in scale of operations coupled with higher ticket size insured. Given increase in claims ratios, particularly fire segment in the outgoing year, the combined ratio increased and was reported above 100% for FY22 indicating that the Company reported loss from its insurance operations. Nevertheless, the same was rescued during the ongoing year. Apart from marine and motor, all segments reported loss during both periods under review. The ability to maintain overall underwriting performance positive will remain imperative for ratings going forward. The snapshot of underwriting results (conventional & takaful) is tabulated below:

Underwriting Profit (Loss)	CY21	CY22	HY23
Fire and property damage	(94.0)	(426.1)	(139.8)
Marine, aviation and transport	121.0	124.9	44.6
Motor	259.0	301.3	266.6
Accident & Health	(207.1)	(108.3)	(74.7)
Miscellaneous	(89.1)	(19.6)	(44.6)
Total Underwriting Profit	(10.2)	(127.8)	52.1

Investment income continues to support the bottom line of the Company; the same was reported higher during the ongoing year on account of higher return on government securities and deposits on the back of monetary policy tightening resulting in high benchmark rates set by the central bank. Nevertheless, despite weak underwriting performance on account of high loss expense booked, IGI reported higher profit after tax for FY22 in line with increase in scale of operations and enhanced investment income. Moreover, profitability profile further improved during the ongoing year owing to combined ratio recorded below 100% coupled with uptick in WTO profitability metrics. The snapshot of underwriting ratios (conventional & takaful) is given below:

Reinsurance Arrangements

IGI's risk profile is supported by strong reinsurance coverage provided by diversified panel of internal and local reinsurers. Risk profile of the reinsurance panel is considered sound as all reinsurers are rated in 'A' band or higher. Moreover, the risk profiling was further cemented by exit of 'A-' rated reinsurer Peak Re and the subsequent share being taken up majorly by 'A' rated counterparts including Saudi Re, Korean Re and Kuwait Re. Apart from the aforementioned, there was no change in the reinsurance panel during the rating review period. Pakistan Reinsurance Company Limited (PRCL) has the highest share in major segments including property, general accident, engineering, bond and marine cargo by virtue of specific quota to be extended to local reinsurer followed by Hannover Re. On the other hand, Hannover Re leads in motor, crop, terrorism and catastrophic covers. The Company has negotiated quota cum surplus treaties for all its major segments protected further by non-proportional treaties. There have been numerable changes in the treaty term during the ongoing year with retention in property segment doubled to maintain premium income at around 1.0b as the commission rate on the sliding scale went down to 18.5% to 25% from 24% to 37%. In fire XoL, in the first two layers treaty capacity reduced to Rs. 600m (FY22: Rs. 700m); the retention was also reduced to Rs. 60m (FY22: Rs. 240m) to safeguard the Company from sizable losses. On the other hand, in layer 3 & 4 of fire XOL, only minor changes amounting to Rs.100m were evidenced in the treaty capacities and IGI's own retention. Furthermore, the retention in general accident and engineering segments were also recorded higher at 45% (FY22: 30%) and 30% (20%) respectively during FY23. Similarly, retention levels also increased for marine covers. However, despite the increase in retention the same was not reflective in the cession ratio owing to uptick in average sum insured leading to larger chunk being transferred to reinsures. Moreover, in line with anticipation of enhanced business in terrorism cover, the total treaty capacity was enhanced to Rs. 1.0b (FY22: Rs. 700m) during the ongoing year; however, the retention was maintained at 10%. On the flip side, with dip in motor business the total treaty capacity was trimmed down to Rs. 60m in FY23 as opposed to Rs. 100m in the preceding year. Subsequently, with increase in retention limits, size of maximum per risk claim largely increased during the period under review; however, the same is considered manageable in relation to the Company's equity base. Going forward, as per the management, no major change in the reinsurance panel, treaty terms and commission rate is expected in FY24.

Conservative investments profile with limited exposure in stock market: The investment portfolio declined slightly on a timeline at end-HY23 owing to redemption of mutual funds. Nevertheless, the investment mix continued to be dominated by government securities on account of interest-bearing government securities becoming lucrative in line with benchmark rates recorded the highest ever during the review period. The enhanced investment in government securities was driven by liquidation of mutual funds during FY22. Subsequently, as around four-fifths of the investment portfolio mix constitutes of government instruments; the same assists in keeping the credit risk exposure within the Company's risk appetite levels. The fixed and floating rate PIBs approximately constitute an equal proportion. The floaters PIBs held by the company are longer tenor with an average effective yield of around 20% maturing in FY28 and FY29. Going forward, as per the prevailing market sentiment with interest rates expected to scale down during FY24, the investment strategy is to invest in medium tenor securities. The credit risk emanating from the investment portfolio is considered minimal given considerable investment in risk-free instruments coupled with sound financial profile and credit ratings of the counterparties. On the other hand, given the asset composition, the investment portfolio is subject to considerable market risk. In addition, IGI's investment in equity market has greatly been reduced with redemption of equity-based mutual funds; the direct stock market exposure was recorded meager at Rs. 95.1m (FY22: Rs. 86.2m, FY21: nil) at end-HY23. Investment committee guides the risk in equity market. Moreover, the Company has an investment in property having a market value of Rs. 407.8m at end-HY23. Going forward, IGI plans to continue with the existing investment mix with no additional capital to be invested in the stock market despite positive momentum witnessed.

Rs. in millions	**FY21**		**FY22**		**HY23**	
	Market Value	**%**	**Market Value**	**%**	**Market Value**	**%**
Mutual Funds	952.7	32.1%	4.8	0.2%	131.7	5.2%
Equity	*947.4*	*99.4%*	-	-	-	-
Income /Money Market	*5.31*	*0.6%*	*4.8*	*0.2%*	*131.7*	*5.2%*
Sovereign	-	-	-	-	-	-
T-Bills	601.1	20.2%	-	-	424.7	16.9%
PIBs	1,264.2	42.6%	1,622.7	76.8%	1,588.0	63.3%
Sukuks/TFCs	-	-	150	7.1%	-	-
Term Deposits	150	5.1%	250	11.8%	270	10.8%
Shares	-	-	86.2	4.1	95.1	3.8%
Total	**2,968.0**	**100.0%**	**2,113.7**	**100%**	**2,509.4**	**100%**

Adequate capitalization indicators with significant buffer over minimum solvency requirement; leverage indicators have increased during the ongoing year; significant increase in operating leverage on account of growth in operating scale: Capitalization levels of the Company have improved on a timeline basis as a result of internal capital generation. However, equity base remained stagnant during the ongoing year despite profit generation owing to cumulative dividend payment worth Rs. 285.0m for FY22 and FY23. On the other hand, IGI is considered sound from solvency point of view as the company has adequate cushion in terms of total admissible assets over its liabilities. The operating leverage ratio increased during the review period in line with augmentation of scale of operations along with equity remaining unchanged during HY23, the same indicates increase in risk profile of the Company. However, on account of appropriate reinsurance coverage the increase in operating leverage does not pose exponential risk to loss absorption capacity of the Company. Moreover, financial leverage ratio was reported higher at end-FY23 on account of increase in net technical reserves. The increase in technical reserves was manifested in both higher outstanding claims and unearned premium reserves; higher outstanding claims were an outcome of an unsettled fire claim., meanwhile, unearned premium has an element of cyclicality attached as some of the new business was reaped in July'22. Nevertheless, the aging profile of the claim's payable was satisfactory with no claims outstanding for more than a year at end-FY22. Moreover, the financial leverage in terms adjustment of reinsurance ceded and reinsurance recoveries against outstanding claims improved during the review period; the same depicts that the financial risk profile of the Company is well supported by reinsurance coverage. The leverage indicators of the Company continue to remain higher for the rating assigned on account of current capitalization levels amid aggressive dividend policy. Going forward, with steady growth expected in business volumes, the operating leverage is expected to increase therefore the management should re-assess the dividend policy.

Liquidity profile demonstrates weakening on account of decline in liquid assets: In line with a significant claim amounting to Rs. 5.9b (Fy21: Rs. 3.7b) during the outgoing year, the liquidity profile in terms of liquid assets maintained in relation to net technical reserves (only adjustment for prepayments) represents deterioration. The claim payment resulted in redemption of mutual funds portfolio. In addition, with the cyclicality prevalent in the insurance sector, the technical reserves are expected to decline by end-FY23 once the unearned premium reserve is gradually realized. On the other hand, insurance debt in relation to gross premium largely remained range bound with peak evidenced at end-FY22 on account of increase in receivables due from insurer/reinsurer; the same is largely commensurate for the for the assigned rating. In addition, the operating ratio improved on timeline basis owing to a combined outcome of growth in net premium, decline is loss ratio and augmentation of investment income.

IGI General Insurance Limited **Appendix I**

FINANCIAL SUMMARY *(amounts in PKR millions)*				
BALANCE SHEET	**Dec 31, 2020**	**Dec 31, 2021**	**Dec 31, 2022**	**June 30, 2023**
Cash and Bank Deposits	231.6	203.7	382.7	37.3
Investments	2,903.7	2,968.0	2,113.7	2,509.4
Investment Properties	377.8	399.6	429.4	407.8
Insurance Debt	1,873.8	2,549.0	4,617.4	5,267.1
Total Assets	10,255.3	11,656.9	16,705.4	19,782.2
Technical Reserves	4,752.0	5,479.2	9,904.7	11,751.2
Paid-Up Share Capital	1,918.4	1,918.4	1,918.4	1,918.4
Net Worth	2,446.8	2,542.0	2,737.0	2,743.9
Total Liabilities	7,678.4	8,746.5	13,580.8	16,664.3
INCOME STATEMENT				
Net Premium Revenue	2,531.3	3,203.1	4,241.8	2,688.3
Net Claims	1,357.7	2,136.0	2,935.0	1,434.5
Underwriting Profit (only conventional)	249.8	264.6	195.4	184.6
Profit Before Tax	685.6	603.1	741.5	472.3
Profit After Tax	486.5	427.9	468.2	278.3
RATIO ANALYSIS				
Cession Ratio (%)	53.7	48.3	50.2	75.2
Gross Claims Ratio (%)	63.0	59.8	119.9	64.7
Net Claims Ratio (%)	53.6	66.7	69.2	53.4
Underwriting Expense Ratio (%)	42.4	33.6	33.8	33.4
Combined Ratio (%)	96.0	100.3	103.0	86.7
Net Operating Ratio (%)	81.6	90.9	92.8	77.5
Insurance Debt to Gross Premium (%)	31.2	30.0	46.0	32.7
Operating Leverage (%)	103.5	126.0	155.0	195.9
Financial Leverage (%)	153.3	163.3	299.6	343.6
Adjusted Financial Leverage (%)	64.8	88.0	125.6	101.3
Liquid Assets to Technical Reserves (%)	83.6	76.4	30.4	27.0
Liquid Assets to Adjusted Technical Reserves (%)	197.9	141.8	72.6	91.6

REGULATORY DISCLOSURES				**Appendix II**
Name of Rated Entity	IGI General Insurance Limited			
Sector	Insurance			
Type of Relationship	Solicited			
Purpose of Rating	Insurer Financial Strength Rating			
Rating History	**Rating Date**	**Rating**	**Outlook**	**Rating Action**
	22/12/2023	AA+ (IFS)	Stable	Reaffirmed
	29/12/2022	AA+ (IFS)	Stable	Reaffirmed
	31/03/2022	AA+ (IFS)	Stable	Harmonized
	05/11/2021	AA	Stable	Reaffirmed
	30/12/2020	AA	Stable	Reaffirmed
	06/12/2019	AA	Stable	Reaffirmed
	13/9/2018	AA	Stable	Initial
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.			
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			
Due Diligence Meetings Conducted	**Name**	**Designation**	**Date**	
	Mr. Ammad Nomani	Finance Manager	21-Nov-2023	