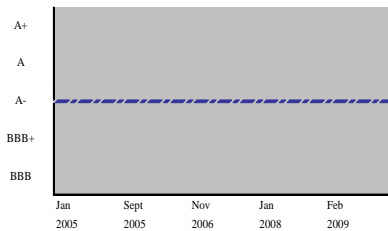


**RATINGS (MARCH 2009)**

**ASKARI GENERAL INSURANCE COMPANY LIMITED (AGICO)**

	NEW	PREVIOUS
Insurance Financial Strength	A-	A-

**RATING HISTORY**



**FINANCIAL DATA**

PKR (mln)

	30-Sept-08	31-Dec-07
Total Assets	1,188	1,118
Total Equity	326	289
Underwriting Results	75	80
Pre-tax Profit	40	70
Loss Ratio (%)	63.4	64.9
ROE (%)	16.1	19.7
Premium Solvency Ratio (%)	42.7	47.5
Financial Base / NPW (%)	104.3	115.5

\* Based on unaudited accounts

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**RATING RATIONALE AND KEY RATING DRIVERS**

- The rating reflects diversified portfolio mix of the company, enabling it to sustain growth, which is currently under pressure on account of subdued economic fundamentals of the country. In addition, the management is working on new products to capitalize on its significant presence in the health segment. Meanwhile, AGICO, mainly a non-captive company, has demonstrated sound underwriting results, attributable to its relatively conservative risk stance.
- The rating is dependent on the sustained competitiveness of the company in the wake of socio-political and economic challenges ahead. At the same time, gradual improvement in AGICO's solvency position, which is currently subdued, inline with its business growth remains critical. Meanwhile, any significant deterioration in underwriting results and/or its equity structure would have negative implications for the rating.

**ASSESSMENT**

- The company generated its business from diversified sources, with marginal contribution from the group companies. While AGICO's focus remained institutional clients, top tier client concentration remained low.
- AGICO experienced consistent growth in GPW both in 2007 and during 3Q08. This was an outcome of its relatively higher growth in health segment while maintaining the trend in other segments. At the same time, the company's retention levels remained largely the same (07: 73%; 3Q08: 76%). There was a slight increase in AGICO's motor claims during 2007 while a substantial hike in fire was experienced during 3Q08. This, to a great extent, was attributed to the social unrest that gripped the whole country towards the end of 2007. AGICO, contrary to the industry practice, books losses when the claim is lodged as against booking them in the period these are incurred. However, the overall loss ratio remained largely the same, owing to controlled claims in the marine segment. Although investment income has not been a major contributory towards AGICO's bottomline, yet devaluation of equity investments – accumulated in the beginning of 2008 – is expected to dampen its actual profitability. However, this would be reflected in reported results of 2009, due to the recent regulatory relaxation.
- Going forward, AGICO tends to continue its focus on traditional insurance products with a relatively higher emphasis on the health segment. The management plans to tap the growth potential in this segment by adding new products to its current portfolio. In this regard, AGICO seeks collaboration with different schools to offer hospitalization and clinical visits insurance cover to school going kids. Although motor insurance business is expected to decline with subdued auto sales, the increase in auto pricing is likely to provide some cushion. However, growth avenues of the company are expected to remain limited, given continuing subdued economic activity.
- AGICO has reinsurance arrangements with credible reinsurers. It has 65% of its coverage from 'A' rated reinsurance companies, while the remaining is from Pakistan Re.
- AGICO has a significant investment portfolio, constituting 43% of its total asset base at end-Sept08 (Book Value: PKR 515mln; Market Value: PKR 439mln). Investment book is dominated by equities (41%), followed by TFCs (27%). The market value of equity investments is expected not to improve due to ongoing slump in the capital market.
- AGICO's premium solvency ratio depicted a downward trend (9M08: 43%; CY07: 48%), attributable to lower growth in equity as compared to business growth. Furthermore, AGICO's solvency position, measured by admissible assets less total liabilities, remained limited and low compared to most peers, highlighting the need to strengthen its equity base, which is already under pressure due to loss on equities.

**PROFILE**

- AGICO commenced commercial operations as a general insurance company in 1995 and is listed on all three bourses of the country. The company underwrites almost all types of general insurance business. Army Welfare Trust (AWT), directly and through its group companies, holds majority shareholding (50%). AWT, set up in 1971, has evolved into a large business group, and is currently engaged in sugar, textile, real estate, banking, leasing, insurance, cement, and travel services. With its head office in Rawalpindi, AGICO operates a network of 20 branches covering all the major cities. The company has an oracle based insurance system, presently connecting two branches and the head office.
- AGICO has a professional management team. The CEO, Mr. Mohammad Hussain Hirji, an MBA, has recently been appointed as CEO of the company and possesses around 20 years of experience in the insurance business. AGICO's BoD comprises eight members including the CEO. Three of them are retired army officials while the remaining members are experienced business professionals.

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