

**International General Insurance Company Of Pakistan Limited (IGI)****Ratings (November 2006)**

International General Insurance Company of Pakistan Limited

**Rating**

		<b>New</b>	<b>Previous</b>
Insurer	Financial Strength (IFS)	AA	AA
<b>Outlook</b>		Positive	Positive

**Financial Data**

PKR (mln)

	<b>1-Dec-05</b>	<b>1-Dec-04</b>
Total Equity	1,228.8	994.3
Total Assets	2,957.9	1,626.1
GPW	642.6	430.3
Underwriting Income	190.1	106.9
Profit After Tax	289.7	232.6
ROE %	26.07	26.45
Loss ratio %	43.77	40.04
Premium Solvency Ratio %	349.54	606.67

**Analysts****Sumaira Fazal**

+92 42 586 9504

sumaira@pacra.com

**Shahzad Saleem**

+92 42 586 9504

shahzad@pacra.com

**Background**

- Packages Group- the majority shareholder of IGI- is one of the larger conglomerates of the country with interests in paper and board, milk and dairy, chemicals, investment banking and insurance. The company, listed on Karachi and Lahore stock exchanges, has history of more than fifty years of successful commercial operations.
- During 2004, IGI acquired Pakistan operations of Royal & SunAlliance (R&SA). IGI is the Global Network Partner of R&SA Global Network Limited for their global businesses in Pakistan. The current chief executive officer has over 13 years of experience in key management positions in the financial sector. Under the supervision of the new CEO, the organizational structure of the company was revamped during 2005. The company's operations are divided into various departments headed by general managers.

**Rating Rationale****Assessment**

- IGI's rating reflects its robust financial flexibility emanating from a very strong equity base and liquidity. The rating also factors in the company's healthy profitability driven by sound underwriting policies and the stable investment income stream. Meanwhile, the management's strategy of volume expansion, without compromising the underwriting quality, along with its initiatives to explore new business avenues are expected to help the company in meeting the challenges of increasing competition within the sector.
- IGI successfully integrated Pakistan operations of Royal & SunAlliance (R&SA) as indicated by almost the complete retention of its client base. Retention in the acquired business combined with organic growth helped the company to record all time high 49% premium growth during 2005. Loss ratio increased slightly owing to higher losses in marine and miscellaneous segments. However, increased underwriting revenues and controlled management expenses more than offset higher losses, enabling the company to augment its underwriting income. Meanwhile, a stable stream of investment income continues to supplement the company's bottom line, which enabled it to maintain its ROE despite equity increase.
- The company maintained the improving performance trend during 3Q06 reflected by volume expansion and controlled claims expenses. Having maintained its presence in almost all areas of business, IGI has become the fifth largest company in terms of gross premium written in the insurance industry. It has recently introduced two new products namely, Health and Travel insurance augmenting the miscellaneous segment. However, in recent years, motor insurance has been the largest contributor closely followed by fire insurance. Following the recent strategy of the management to be recognized as a market oriented company against the previous image of being a captive company, now the bulk of the company's business is coming from non-group companies. Going forward, with the same business philosophy, the proportion of captive business is expected to further squeeze. The management, leveraging on the company's core strength, plans to continue focusing on higher volume growth. The management has adopted multi-pronged strategy to achieve its targets, which covers (i) increasing the geographical outreach, (ii) entry into untapped areas by introducing specialized products, such as home insurance, personal insurance, power projects and financial lines, and (iii) ensuring sound risk management systems.
- The company's investment portfolio, dominated by equity securities, increased during 2005 mainly due to subscription of right issue of a group company. While the bulk of the portfolio comprises investments in group companies, carrying substantial unrecognized revaluation surplus, this does not prevent the company to utilize it for meeting any liquidity needs. Additionally, the company manages a modest equity trading portfolio to benefit from stock market fluctuations. The management has realized a portion of available unrecognized surplus. One of the objectives behind gradually realizing unrecognized surplus by divesting and reinvesting in largely the same securities is to make reported investments, and, in turn, the company's financial strength to be duly reflected in the balance sheet. Meanwhile, a stable dividend stream is likely to continue augmenting the investment income.
- IGI continues to maintain reinsurance treaties with credible international reinsurers. Gross capacities available to the company have been consistently increasing, which again highlights the confidence of reinsurers in the risk profile of the company. While the risk retention levels have increased, this remains in line with the management's strategy of capitalizing on the company's immense financial base. Meanwhile, the company follows detailed risk management guidelines and procedures for each line of business, separately.
- While the company's financial base and solvency ratios have witnessed some decline in 2005 and onwards— an outcome of sustained aggressive growth — these still remain at exceptionally high level. The company's capitalization is expected to be at a very strong level, supported by the management's policy of profit retention.

**Rating Outlook & Key Rating Drivers**

- The rating has been assigned a Positive Outlook, which recognizes the management's initiatives to establish IGI as an active and vibrant player in the insurance sector. The management is focused on volume expansion while ensuring sound risk management systems. However, significant benefits in quantitative terms are expected to be realised with a time lag. Additionally, considering the intensifying competition, the extent of the impact remains to be seen.