



The Pakistan Credit Rating Agency Limited

Rating Report

IGI Life Insurance Company

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Jun-2023	A++ (ifs)	-	Stable	Maintain	-
29-Jun-2022	A++ (ifs)	-	Stable	Maintain	-
31-Mar-2022	A++ (ifs)	-	Stable	Harmonize	-
29-Jun-2021	A+	-	Stable	Maintain	-
29-Jun-2020	A+	-	Stable	Maintain	-
27-Dec-2019	A+	-	Stable	Maintain	-
27-Jun-2019	A+	-	Stable	Maintain	-
26-Dec-2018	A+	-	Stable	Maintain	-
27-Jun-2018	A+	-	Stable	Maintain	-
29-Sep-2017	A+	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The rating derives assurance from IGI Life Insurance Company's association with "Packages Group" as well as the Company's strong governance structure. Packages Group, with the brand "IGI", has been operational in the industry since 1953. "IGI" has been a step towards a holistic presence in the insurance industry – General as well as Life, gaining synergistic benefits. Despite facing a challenging operating environment, the Company made strategic decisions to optimize its risk profile by selectively unloading certain business in CY22. This proactive approach aimed to strengthen the overall portfolio's risk profile and ensure sustainable growth in the long term. The underwriting performance of the entire industry was impacted by the complex operating conditions. However, the Company's prudent risk management practices demonstrate its commitment to maintaining a robust and resilient business model. The Company successfully transformed its operational losses into profits, reporting a profit in CY22 and continuing this positive trend in 1QCY23. This significant turnaround reflects the Company's effective strategies and diligent efforts in improving its financial performance. Looking ahead, the Company is confident in sustaining its profitability in CY23, further demonstrating its commitment to long-term growth and stability. Going forward, IGI Life aims to improve the profitability of the Company, by closing down its loss-making branches and gradually building up its portfolio through product diversification. The Company has an investment portfolio of PKR 18,923mln and equity of PKR 1,751mln as at Mar'23.

During FY23, Pakistan's Life Insurance sector faced challenges due to an unexpected rise in inflation which led to a decrease in disposable incomes. To adapt, sector players shifted their focus from first-year persistency to second year, prioritizing top-line growth. During the said period, unit-linked products remained attractive, offering fixed-rate investment opportunities amidst high policy rates. The sector's outlook is expected to remain Stable, supported by investment income in the next financial year. However, muted economic growth could adversely impact the sector if not timely mitigated.

The rating is dependent upon sustained improvement in the business and financial risk profile of the Company, in line with its relative positioning within the industry. Concurrently, improved equity and liquidity profile should be maintained, in order to cushion the policyholder's liabilities. The performance of 'Vitality' remains essential.

Disclosure

Name of Rated Entity	IGI Life Insurance Company
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Rating Modifiers(Jun-22),Methodology Life Insurance Rating(Mar-23)
Related Research	Sector Study Life Insurance(Jun-22)
Rating Analysts	Muhammad Noor Ul Haq noorulhaq@pacra.com +92-42-35869504

Profile

Legal Structure IGI Life Insurance Limited ("IGI Life" or the "Company") is a publicly listed company on the Pakistan Stock Exchange with the ticker "IGIL."

Background The Company was incorporated in 1994 and commenced its operations in 1995.

Operations The Company operates in three divisions: I) South, II) Central, and III) North, with its headquarters in Karachi. The Company's operational network consists of 18 branches dispersed over the aforementioned regions.

Ownership

Ownership Structure IGI Holdings holds the majority stake in the Company (~82.69%), whereas the remaining shareholding is distributed between a consortium of institutions, individuals and directors & related parties.

Stability The sound shareholding structure of the Company channeled through the Packages Group provides stability to the ownership profile of the Company.

Business Acumen The Packages Group, under the umbrella of "IGI Financial Services", established a foothold in the financial sector (i) IGI General Insurance (ii) IGI Life (iii) IGI Investments and (iv) IGI Finex Securities. These are a few one, the Group is involved in other businesses as well.

Financial Strength The sponsors maintain a strong presence in the Country. The Packages Group, under the umbrella of "IGI Financial Services" established foothold in the financial sector IGI Life, IGI Insurance, IGI Investments and IGI Financial Services. These are a few one, the Group is involved in other businesses as well.

Governance

Board Structure IGI Life's board consists of seven distinguished industry professionals, including two female directors, and a balanced representation of independent and non-independent executives. The board operates through six committees: Audit, Claim Settlement, Underwriting & Reinsurance, Investment, Ethics, HR, Remuneration & Nomination, and Risk Management & Compliance, ensuring effective governance.

Members' Profile The Chairman of the board, Mr. Shamim Ahmad Khan has served various government organizations in different capacities, with prominent roles in SECP and Ministry of Finance.

Board Effectiveness The board composition adheres to the code of corporate governance for insurance companies, comprising both executive and non-executive directors. Effective oversight is ensured through quarterly board meetings, with comprehensive documentation of meeting minutes.

Financial Transparency The External Auditors of the Company, A.F. Fergusons & Co. Chartered Accountants, have issued an unqualified opinion pertaining to annual financial statements for CY22.

Management

Organizational Structure The Company follows a lean organizational structure, where operational staff reports indirectly to CEO Mr. Ali Nadim through various unit heads. Three management committees are responsible for overseeing operations and conducting regular assessments of internal controls.

Management Team Mr. Ali Nadim, the Company's Chief Executive Officer (CEO), controls operations through four important individuals: the Head of Business and Operations, the Chief Financial Officer (CFO), the Chief Operations Officer (COO), and the Group Chief Investment Officer (GCIO).

Effectiveness The CEO receives regular updates through the Management Information System (MIS). Formal minutes are prepared for management meetings, with a pre-shared agenda to ensure meeting quality and effectiveness.

Claim Management System A well-defined claims settlement system is in place to facilitate efficient processing of claims. Upon receiving a claim request, the claims department conducts a policy review to assess its validity. The case is then presented to the head of claims or claims committee for approval. This ensures a smooth and effective progression of the claims settlement process.

Investment Management Function IGI Life has a board-approved Investment Policy Statement (IPS) that guides its investment activities. The IPS is reviewed annually, and the Management Investment Committee (MIC), under the leadership of the CEO, oversees the implementation, monitoring, and proposed changes to the investment strategy and policy.

Risk Management Framework The Company maintains an updated underwriting manual and field guidelines, distributed to branches and agents. A risk register is diligently maintained, identifying and assessing risks with severity levels, existing controls, and assigned responsibilities for risk mitigation.

Business Risk

Industry Dynamics Life Insurance industry in Pakistan reported at ~PKR 370bln, indicating a notable growth of~ 28.5% YoY (CY21: ~PKR288bln). Life Insurance Industry in Pakistan is dominated by public sector contributing ~65.5% of Gross Premiums Written (GPW) during CY22. Net claims increased by ~48.8% to ~PKR 270bln during CY22. Investment income of industry increased by ~22.1% to ~PKR 126bln. Overall, higher GPW and improved investment income resulted in net profitability of ~PKR 17bln for CY22. Takaful industry plays a crucial role in the Islamic financial system, offering a diverse range of risk protection products and services that complement existing options for consumers.

Relative Position IGI Life is classified as a mid-sized company and possesses a market share of ~1.6% in terms of GPW as of CY22.

Persistency The Company has shown a first persistency ratio of ~69% for 3MCY23 (3MCY22: ~52%) while the subsequent year persistency was at ~74% for 3MCY23 (3MCY22: ~77%). High inflation which impacted the buying power of consumers was reflected in the drop of subsequent year persistency.

Revenue Gross premium written of the Company at 3MCY23 were ~PKR 1,779mln (3MCY22: ~PKR 1,631mln) exhibiting a growth of ~9.0% YoY basis. In CY22 Company reported a GPW of ~PKR 6,072mln depicting a decline of ~13.9% against CY21. Regular premium policies have continued to be focal, with considerable developments in Single premium as well.

Profitability IGI Life recorded a profit before tax of ~PKR 31mln for 3MCY23 against ~PKR 5mln in 3MCY22 (CY22: ~PKR 60mln, CY21: loss ~PKR 492mln). High acquisition costs remained the key expense for the period whereas weak underwriting performance was complemented through a healthy investment income. The loss ratio for 3MCY23 dropped to ~68.4% from ~89.4% in 3MCY22 (CY22: ~91.4%, CY21 ~PKR 71.9%). The Company has earned a profit after tax of ~PKR 22mln for 3MCY23 against ~PKR 3.7mln in 3MCY22 (CY22: ~PKR 42mln, CY21 loss ~PKR 349mln).

Investment Performance The underwriting performance of the Company was supported through the investment book performance. IGI Life earned a total investment income of ~PKR 499mln for 3MCY23 (3MCY22: ~PKR 350mln). Reflecting an uprise of ~42.5% YoY (CY22: ~PKR 1,648mln, CY21: ~PKR 1,277mln). Major contribution remained in the form of return on government securities amounting to ~PKR 448mln in 3MCY23.

Sustainability The Company aims for high growth and profitability by reducing dependency on single premium and emphasizing regular premium. It focuses on its Vitality product and expects healthy revenue growth in the medium to long-term, supported by positive macro-economic trends and unique offerings. Strengthening human capital and expanding the agent network through recruitment of professional personnel are also planned.

Financial Risk

Claim Efficiency The claims outstanding days have been increased to 183 days as at end-Mar'23 (3MCY22: 132days, CY22: 38 days; CY21: 35days). As at 3MCY23 Company reported net claims expense of PKR ~1,154mln reflecting a decline of ~18.1% YoY (3MCY22: ~PKR 1,410mln). During CY22 claims expense also reported an increase (CY22: ~PKR 5,302mln, CY21: ~4,917mln).

Re-Insurance The reinsurance portfolio of IGI Life comprises Hannover Re (AA- by S&P), American Life (AA- by S&P), Zurich Insurance (AA by S&P) and Munichner (AA- by S&P). The reinsurance treaties include retention limits segregated between quota share, surplus and XOL.

Cashflows & Coverages As at 3MCY23 Company had liquid assets of ~PKR 18,923mln (CY22: ~PKR 18,720mln, CY21: ~PKR 19,385mln). During 3MCY23, the Liquid Investments to Net Claims coverage clocked in at 4.1 times (CY22: 3.6 times, CY21: 3.9 times).

Capital Adequacy IGI Life is compliant with SECP's mandated required capital of ~PKR 700mln, as at 3MCY23 the Company has an equity base of ~PKR 1,751mln (CY22: ~PKR 1,740mln, CY21: ~PKR 1,744mln).



PKR mln

IGI Life Insurance Company
Listed Public Limited

Mar-23	Dec-22	Dec-21	Dec-20
3M	12M	12M	12M

A BALANCE SHEET

1 Investments	18,923	18,720	19,385	19,381
2 Insurance Related Assets	410	239	193	208
3 Other Assets	1,961	1,942	1,764	1,547
4 Fixed Assets	534	544	705	731
Total Assets	21,828	21,445	22,046	21,868
5 Underwriting Provisions	-	-	-	-
6 Insurance Related Liabilities	19,478	19,124	19,701	19,242
7 Other Liabilities	535	504	456	353
8 Borrowings	63	76	145	136
Total Liabilities	20,076	19,705	20,302	19,731
Equity	1,751	1,740	1,744	2,137

B INCOME STATEMENT

1 Gross Premium Written	1,779	6,072	7,057	6,161
2 Net Insurance Premium	1,688	5,800	6,838	5,950
3 Underwriting Expenses	(1,602)	(6,905)	(6,997)	(5,979)
Underwriting Results	86	(1,105)	(159)	(29)
4 Management Expenses	(167)	(809)	(907)	(813)
5 Investment Income	499	1,648	1,277	1,890
6 Other Income / (Expense)	10	47	14	53
7 Net Change in Reserve for Policyholders' Liabilities	(396)	279	(718)	(1,237)
Profit Before Tax	31	60	(492)	(136)
8 Taxes	(9)	(18)	143	40
Profit After Tax	22	42	(349)	(96)

C RATIO ANALYSIS

1 Profitability				
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	68.4%	91.4%	71.9%	72.2%
Combined Ratio (Loss Ratio + Expense Ratio)	104.8%	133.0%	115.6%	114.2%
2 Investment Performance				
Investment Income / Operating Profit	119.4%	-620.2%	603.9%	180.4%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims	32.49	29.89	37.87	40.33
4 Capital Adequacy				
Liquid Investments / Equity	10.80	10.76	11.11	9.07

Insurer Financial Strength (IFS) Rating

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of an insurance company to meet policy holders and contractual obligations.

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA’s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA’s prior written consent