



The Pakistan Credit Rating Agency Limited

Rating Report

The United Insurance Company of Pakistan Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
18-Apr-2025	AA+ (ifs)	Stable	Maintain	-
19-Apr-2024	AA+ (ifs)	Stable	Maintain	-
19-Apr-2023	AA+ (ifs)	Stable	Maintain	-
19-Apr-2022	AA+ (ifs)	Stable	Maintain	-
31-Mar-2022	AA+ (ifs)	Stable	Harmonize	-
30-Apr-2021	AA	Stable	Maintain	-
30-Apr-2020	AA	Stable	Maintain	-
26-Sep-2019	AA	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The IFS rating assigned to The United Insurance Company of Pakistan Limited ('United Insurance' or 'the Company') gathers support from its sound presence in the insurance industry. The Company's Gross Premium Written (GPW) saw an impressive growth of ~29% during CY24, reaching around PKR 13bln (compared to PKR 10bln during CY23), with the growth primarily driven by its conventional portfolio, which accounts for ~81% of the total GPW. Moreover, growth in the Takaful business adds support to the Company; however, effort and commitment are needed to fully realize the potential. Currently, the miscellaneous segment (which includes hospitalization, travel, and bond business) is the largest contributor, accounting for ~40% of the total GPW, followed by crop insurance, which contributes roughly ~22%. Looking ahead, the Company is banking on continued growth in the crop insurance segment to capture more market share, along with maintaining a stable position in the motor and fire & property insurance segments, which together support its underwriting results. However, the Company faces some challenges, particularly in terms of higher outstanding claims, which highlight its reliance on liquidity. Despite this, the bulk of these claims are expected to be settled by reinsurers. The combined ratio stands at ~71%, indicating a sound operational performance. On the investment side, the Company has seen a notable increase in income from its investment book, which is predominantly composed of cash and bank balances as well as government securities. This uptick in income has positively contributed to the Company's overall financial performance. From a financial risk perspective, United Insurance benefits from a strong panel of reinsurers and a solid equity base. However, there is a need to improve its liquidity profile, particularly as the Company looks to diversify into the real estate and life insurance sectors. The successful and timely execution of these diversification efforts will be crucial for the ratings. The Company has lately divested 59mln shares in APNA Microfinance Bank.

The rating is dependent on the management's ability to effectively leverage its well-established platform for business expansion. Furthermore, the successful execution of its strategic objectives is critical. Maintaining a strong liquidity profile and enhancing equity levels are also key factors in sustaining the IFS rating.

Disclosure

Name of Rated Entity	The United Insurance Company of Pakistan Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Assessment Framework General Insurance(Mar-24),Methodology Rating Modifiers(Apr-24)
Related Research	Sector Study General Insurance(Jun-24)
Rating Analysts	Zaeem Ul Rehman zaeemulrehman@pacra.com +92-42-35869504

Profile

Legal Structure The United Insurance Company of Pakistan Limited ('United Insurance' or 'the Company') was incorporated as a public listed company on 20-Oct-59. The Company is listed on PSX.

Background United Insurance was set up by Mr. Fakhruddin Valika. Initially, the Company was authorized to offer both Life Assurance and General Insurance services; however, later it remained focused on general insurance while continually diversifying its product range. In 2023, SPI Insurance Company Ltd. was merged with and into the Company.

Operations The Company primarily engages in general insurance and underwrites business in Fire & Property Damage, Marine Aviation & Transport, Motor, Crop, and Miscellaneous segments as well as operates a Takaful Window since 18-Aug-14. The Company operates through 150 branches mainly in Punjab, with its registered office in Karachi, and a head office in Lahore.

Ownership

Ownership Structure United International Group ('the Group') holds majority stake of ~86.69%; out of which the Associated Companies hold ~80.9%, while Directors hold ~5.79% stake in the Company. Banks, DFIs and NBFIs hold ~4.38%, followed by NIT and ICP holding ~2.16% stake in the Company. The Company has a free float of ~6.41%.

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

Business Acumen The Group has expanded its footing in diversified business avenues - like insurance, banking, technology, tracking, health care, and risk advisory. All these companies are performing well in their respective sectors.

Financial Strength The Group holds considerable financial muscle to support the Company, if and when needed.

Governance

Board Structure The overall control of the Company vests in the seven-member BoD, including the CEO. There are two Independent, two Executive and three Non-Executive Directors. There is sufficient independence in the decision making and policy formation process.

Members' Profile Mr. M. Ashraf Khan, the Chairman since Apr-24, has over 35 years of professional experience. Earlier, Mr. Jamil A. Khan chaired the BoD. Mr. Ihsan ul Haq Khan, an Independent Director, has more than four decades of banking experience. All Directors bring diversity to the policy formation process.

Board Effectiveness The BoD has three committees: Ethics, HR & Remuneration, Investment, and Audit Committee, to ensure the effective and efficient operations. These Committees meet on a quarterly basis to review the performance and operations. Minutes of the meetings are formally documented.

Transparency The Company's external auditor M/s Avais Hyder Liaquat Nauman, Chartered Accountants, expressed an unqualified opinion on the financials for Dec-24. The firm is QCR rated and on the SBP's panel of auditor's in the category 'A.'

Management

Organizational Structure The Company has established a clear segregation of duties within its organizational structure. The CEO manages core insurance-related activities and the Executive Directors oversee business development functions. However, the CEO is the man the last mile.

Management Team The management team is led by the CEO, Mr. M. Akram Shahid, since 3-May-21. He has played a vital role in establishing the Company's market presence. All members of the senior management hold considerable industry related know-how.

Effectiveness The management is facilitated by Underwriting, Claim Settlement, Reinsurance and Coinsurance, and Risk Management & Compliance Committee. All these Committees hold quarterly meetings to review the performance and set future strategies. Meeting minutes are formally documented.

MIS United Insurance has an in-house-built ERP solution. The real-time MIS capturing critical information may help improve the overall efficacy of the decision-making process. Meanwhile, the development of a business intelligence system is in the offing.

Claim Management System The Company has a centralized claims processing function. Although the claim is initially intimated at the respective branch, the authority for the appointment of surveyor and approval of the claim amount rests with the head office.

Investment Management Function The BoD approved Investment Policy Statement (IPS) provides detailed guidelines, an execution structure, and benchmarks for diverse investment categories. Quarterly assessments by the Investment Committee evaluate the performance.

Risk Management Framework The underwriting and risk management function is centralized at head office, where policies above PKR 100mln are approved head office. Whereas, for policies approval and issuance below PKR 100mln, three zones in Lahore, Islamabad, and Karachi are setup.

Business Risk

Industry Dynamics Pakistan's general insurance industry has a total size of ~PKR 168bln during 9MCY24 (9MCY23: ~PKR 144bln), exhibiting a growth of ~17% in terms of GPW. The industry reported an increase of ~82% in underwriting results. The investment income also experienced an increase of ~28.5%. However, current economic conditions remain imperative for the insurance industry's overall performance.

Relative Position United Insurance has ~4.6% of market share as of Sep-24, and is ranked among the top five players of the general insurance sector.

Revenue The Company generates GPW from both Conventional (~81.5%) and Takaful (~18.5%) operations. During CY24, GPW improved by ~29.4% to PKR 13bln (CY23: PKR 10bln), attributed to inclusion of takaful business from SPI Insurance. Conventional business was primarily driven by the Misc. segment (~49.8%), followed by Crop (~17.7%), Fire & Property (~13.4%), Motor (~13.1%), and Marine (~5.8%).

Profitability During CY24, the underwriting performance of the Company reported at ~PKR 2.1bln in CY24 (CY23: ~PKR 1.3bln). With driving support from investment income (CY24: ~PKR 544mln, CY23: ~PKR 178mln), the bottom line of the Company improved to ~PKR 2bln in CY24, from ~PKR 1.2bln in CY23.

Investment Performance The Company's investment portfolio is characterized by cash & bank balances (~57%), followed by government securities (~19%), investment in properties (~12%), debt instruments (~8%), and equity instruments (~3%). During CY24, the investment income of the Company witnessed an uptake of ~206% and was reported at ~PKR 544mln (CY23: PKR 178mln), primarily driven by gain on disposal of investment in govt securities.

Sustainability The Company plans to setup a life insurance company; however, the recently enhanced minimum capital requirement by SECP requires attention. Additionally, the Company's management is actively identifying growth opportunities.

Financial Risk

Claim Efficiency The Company's risk absorption capacity, reflected by liquid assets coverage to outstanding claims, stood at 0.8x as of CY24 (CY23: 0.6x). Whereas, claims outstanding days reduced to 323 days (CY23: 344 days), majorly owing to an decrease in insurance/takaful claim expense. As of CY24, insurance/takaful claim expense clocked to ~PKR 5.1bln (CY23: ~PKR 4.4bln).

Re-Insurance Reinsurance panel constitutes Swiss Re(Rated 'AA-' by S&P), Korean Re(Rated A by S&P), Hannover AG(Rated 'A+' by S&P), Pakistan Reinsurance(Rated AA locally), Chaucer MENA Underwriting Ltd.(Rated 'A' by S&P), Echo Re(Rated 'A-' by S&P), Canopus Asia(Rated 'A+' by AM Best), Societe Centrale de Reassurance(Rated 'B++' by AM Best), Africa Re(Rated 'A-' by S&P), Kuwait Re(Rated 'A-' by AM Best), Tunis Retakaful(Rated 'AA' by Fitch), Kenya Re(Rated 'B+' by AM Best).

Cashflows & Coverages United Insurance's liquid investment book in CY24 was reported at ~PKR 3.9bln (CY23: PKR 3.2bln). As of CY24, the Company's Liquid Assets/Outstanding Claims including IBNR reported at 0.8x (CY23: 0.6x) reflecting weak liquidity coverage. The Company withdraw investment from Govt securities. Investment Book from conventional business witnessed growth of ~23% whereas investment book of takaful business also increased by ~36%.

Capital Adequacy The Company's equity stood at ~PKR 6.4bln for CY24 (CY23: ~PKR 5.5bln) and witnessed an increase owing to increased profit accumulation. During CY24, Company paid cash dividend of ~PKR 1bln, that could potentially impact the Company's liquidity position and its ability to invest in its operations or pay off debts.



PKR Mln

The United Insurance Company of Pakistan Limited
Public Limited

Dec-24	Dec-23	Dec-22	Dec-21
12M	12M	12M	12M
Audited	Audited	Audited	Audited

A BALANCE SHEET

1 Investments	3,989	3,155	3,643	2,739
2 Insurance Related Assets	8,524	8,425	7,927	4,728
3 Other Assets	3,577	2,800	2,116	2,528
4 Fixed Assets	2,347	1,958	1,619	1,231
5 Window Takaful Operations	-	-	-	-
Total Assets	18,438	16,337	15,305	11,226
1 Underwriting Provisions	4,312	3,463	3,270	2,756
2 Insurance Related Liabilities	5,072	5,576	5,711	2,829
3 Other Liabilities	2,454	1,786	1,286	1,031
4 Borrowings	184	49	83	93
5 Window Takaful Operations	-	-	-	-
Total Liabilities	12,022	10,874	10,350	6,709
Equity/Fund	6,416	5,463	4,955	4,517

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	13,026	10,066	8,539	6,580
2 Net Insurance Premium/Net Takaful Contribution	7,195	5,635	4,877	3,729
3 Underwriting Expenses	(5,110)	(4,382)	(3,627)	(2,666)
Underwriting Results	2,086	1,253	1,250	1,063
4 Investment Income	544	178	149	99
5 Other Income / (Expense)	146	152	(38)	(320)
Profit Before Tax	2,776	1,582	1,361	843
6 Taxes	(766)	(365)	(277)	(248)
Profit After Tax	2,010	1,218	1,084	595

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	2,411	2,171	2,102	1,384
2 Net Takaful Contribution	1,184	1,302	963	610
3 Net Takaful Claims	(1,272)	(1,028)	(771)	(571)
4 Direct Expenses Including Re-Takaful Rebate Earned	10	(97)	(49)	30
Surplus Before Investment & Other Income/(Expense)	(77)	177	144	69
5 Investment Income	26	15	11	9
6 Other Income/(Expense)	35	20	8	6
Surplus for the Period	(17)	212	162	83

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	875	703	534	396
2 Management, Commission & Other Acquisition Costs	(846)	(715)	(551)	(382)
Underwriting Income/(Loss)	29	(12)	(17)	14
3 Investment Income	42	26	25	25
4 Other Income/(Expense)	3	(6)	(5)	(3)
Profit Before tax	74	8	3	35
5 Taxes	-	-	-	-
Profit After tax	74	8	3	35

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	36.2%	35.4%	31.3%	29.6%
Combined Ratio (Loss Ratio + Expense Ratio)	71.0%	77.8%	74.4%	71.5%
2 Investment Performance				
Investment Yield	15.2%	5.2%	4.7%	3.2%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	0.8	0.6	0.7	1.0
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	54.6%	51.7%	68.4%	59.5%

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	Long-Term Rating
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.

Rating Modifiers | Rating Actions

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) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) 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.
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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 General Insurance & Takaful Operator, and Life Insurance & Family Takaful Operator methodology

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(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

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- (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)
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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).
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- (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)

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- (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)
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- (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)

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- (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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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