



The Pakistan Credit Rating Agency Limited

Rating Report

IGI Life Insurance Company

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
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	-
09-May-2017	A+	-	Stable	Initial	-

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. Although there has been a decline in the topline of the Company for the period ended Mar'22, the Company has shown a growth of 15% in GPW for the period ended Dec'21, supported through a boost in individual life regular premium, increasing by 21%. The second-year premium has shown a growth of 71% YoY basis. Moreover, the Company has managed to turn its operational losses into profits, the Company has earned profit before taxes of PKR 5mln for for the period ended Mar'22. 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 investment portfolio of PKR 18,987mln and equity of PKR 1,739mln as at Mar'22.

Gross Premium Written (GPW) of the Life Insurance industry in Pakistan stood at PKR~95bln during 1QCY22 (1QCY21: PKR~62bln; CY21: PKR~291bln; CY20: PKR~233bln), showing a YoY growth of ~53%. Major growth was observed in Govt. sector. Past year has been very challenging due to the COVID-19 which has caused immense stress on most businesses. CY21 has shown a recovery in business and a positive trend in the growth of the industry, as compared to the corresponding period. Recent hike in the policy rate will be a source of safe return for the Companies on Govt. investments. On the other hand, a massive hike in inflation is also going to affect the surplus income of the general public.

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	Criteria Rating Modifiers(Jun-21),Methodology Life Insurance Rating(Mar-22)
Related Research	Sector Study Life Insurance(Jun-21)
Rating Analysts	Waqas Ahmad waqas.ahmad@pacra.com +92-42-35869504



Profile

Legal Structure IGI Life Insurance Limited (IGI Life) is a public listed company, possessing a trading symbol of "IGIL" on the Pakistan Stock Exchange.

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

Operations The Company operates through three divisions, namely; i) South ii) Central iii) North, with its Head Office situated in Karachi. The operational network of the Company is comprised of 21 branches spread throughout 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 IGI Holdings is supported by the Packages Group, a conglomerate organization with widespread operations in various sectors, with major presence observed in packaging, dairy, pharmaceutical, and financial sectors.

Business Acumen Packages Group is considered one of the most renowned industrial groups in Pakistan, having presence of over 60 years in the packaging market. The Group owns well reputed organizations such as Packages Real Estate, IGI Holdings Limited and IGI FINEX securities, placing confidence within the group.

Financial Strength Packages Limited has a strong presence in various segments of the packaging business, and is the group's flagship company for non-financial business, being graced with a long-term entity rating of "AA" by PACRA.

Governance

Board Structure The board of IGI Insurance consists of seven members, containing well-reputed professionals in the industry.

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 Commerce.

Board Effectiveness The Company has set up six board committees in order to ensure board effectiveness, namely; (i) Audit, (ii) Claims, (iii) Underwriting & Reinsurance, (iv) Investment (v) HR & Remuneration and (vi) Risk Management & Compliance.

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 CY21.

Management

Organizational Structure A lean organizational structure of the Company is observed, with indirect reporting lines of the operational staff converging towards the CEO of the Company,

Management Team The Chief Executive Officer (CEO), Mr. Syed Hyder Ali, oversees operations of the Company through four key individuals – Head of Business and Operations, Chief Financial Officer (CFO), Chief Operations Officer (COO) and Group Chief Investment Officer (GCIO).

Effectiveness The CEO of the Company is updated through the MIS on a regular basis. There are three management committees in place to oversee the operations and assess internal controls in place at regular intervals.

Claim Management System A detailed claims settlement claim system has been set in place in order to ensure smooth and efficient progression of any claim received. As the claims departments receive a policyholder request, a policy review is held in order to assess the legitimacy of the claim. Subsequently, the case of the policyholder is made and forwarded to the head of claims or claims committee for approval.

Investment Management Function A formal investment policy statement has been drafted by IGI Life Insurance for investment guidelines. The IPS is approved by the board of directors and review annually. The Management investment committee (MIC), chaired by deputy CEO, has authority for implementation, monitoring and proposition of changes in investment strategy and policy.

Risk Management Framework The Company has developed a detailed underwriting manual and field underwriting guidelines, which are issued to the branches and agents, being updated from time to time. A risk register is maintained by the Company. The register accounts for any current and potential risks that may impact the Company. It highlights the severity of the risk and controls in place, for prevention along with department or individuals responsible for its mitigation.

Business Risk

Industry Dynamics GPW of Life Insurance industry in Pakistan stood at PKR~95bln during 1QCY22 (1QCY21: PKR~62bln; CY21: PKR~291bln; CY20: PKR~233bln), showing a YoY growth of ~53%. Major growth was observed in Govt. sector. Past year has been very challenging due to the COVID-19 which has caused immense stress on most businesses. CY21 has shown a recovery in business and a positive trend in growth of the industry, as compared to the corresponding period. The recent hike in policy rate will be a source of safe return for the Companies on Govt. investments. On the other hand, a massive hike in inflation is also going to affect surplus income of general public.

Relative Position IGI Life is classified as a mid-sized company and possesses a market share of ~1.7% in terms of GPW as of Mar'22.

Persistency The Company has shown a first persistency ratio of 52% for 1QCY22 (CY21: 53%; CY20: 66%), while the subsequent year persistency was at 77% for 1QCY22 (CY21: 78%; CY20: 76%). Further improvement in persistence is being followed channeled through improved products and customer service quality.

Revenue Gross premium of the Company stood at PKR 1,631mln for the period ended 1QCY22 exhibiting a decline of 16% on YoY basis. Whereas GPW for CY21 was PKR 7,057mln (CY20: PKR 6,161mln) achieving a growth of 15% YoY basis. 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 5mln for 1QCY22 (CY21: Loss PKR 492mln; CY20: Loss PKR 136mln). High acquisition costs remained the key expense for the period whereas underwriting losses subsided through a healthy investment income. The loss ratio for 1QCY22 has increased to 89% (CY21: 72%; CY20: 72%). The Company has earned a profit after tax of PKR 3.7mln for 1QCY22 (CY21: Loss of PKR 349mln; CY20: Loss of PKR 96mln).

Investment Performance The underwriting performance of the Company was supported through the investment book performance. IGI Life earned a total investment income of PKR 350mln for 1QCY22 (CY21: PKR 1,350mln). Major contribution remained in the form of return on government securities amounting to PKR 295mln, whereas a redirection of funds into equity investment supplemented the dividend income, contributing PKR 21mln.

Sustainability Going forward, the Company envisages high growth targets with a focus on profitability. It aims to reduce dependency on single premium and shift towards regular premium. The revenue growth going forward is expected to remain healthy in medium to long-term following positive macro-economic trends coupled with unique product offerings. Furthermore, strengthening of human capital along with expansion of agent network with recruitment of professional and qualified personnel is also in the pipeline.

Financial Risk

Claim Efficiency The claims outstanding days have been reduced to 33 days as at end-Mar'22 (CY21: 35 days; CY20: 35days). Net Claims expense recorded at PKR 1,453mln as at end-Mar'22 (CY21: PKR 5,076mln).

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

Cashflows & Coverages The Company has total liquid assets of PKR 18,987mln as at end-March'22 (CY21: PKR 19,385mln; CY20: PKR 19,381mln). Majority of investments are invested in Govt. securities.

Capital Adequacy IGI Life is compliant with SECP's mandated required capital of PKR 700mln, as at end-March'22 the Company has an equity base of PKR 1,739mln.



PKR mln

IGI Life Insurance Company
Listed Public Limited

Mar-22	Dec-21	Dec-20	Dec-19
3M	12M	12M	12M

A BALANCE SHEET

1 Investments	18,987	19,385	19,381	17,461
2 Insurance Related Assets	289	193	208	461
3 Other Assets	1,874	1,764	1,547	1,579
4 Fixed Assets	681	705	731	642
Total Assets	21,831	22,046	21,868	20,144
5 Underwriting Provisions	-	-	-	-
6 Insurance Related Liabilities	19,526	19,701	19,242	17,437
7 Other Liabilities	428	456	353	417
8 Borrowings	138	145	136	50
Total Liabilities	20,092	20,302	19,731	17,903
Equity	1,739	1,744	2,137	2,241

B INCOME STATEMENT

1 Gross Premium Written	1,631	7,057	6,161	4,815
2 Net Insurance Premium	1,576	6,838	5,950	4,657
3 Underwriting Expenses	(1,795)	(6,997)	(5,979)	(5,698)
Underwriting Results	(219)	(159)	(29)	(1,041)
4 Management Expenses	(179)	(907)	(813)	(998)
5 Investment Income	350	1,350	1,672	1,600
6 Other Income / (Expense)	(15)	(58)	271	39
7 Net Change in Reserve for Policyholders' Liabilities	68	(718)	(1,237)	154
Profit Before Tax	5	(492)	(136)	(246)
8 Taxes	(2)	143	40	69
Profit After Tax	4	(349)	(96)	(177)

C RATIO ANALYSIS

1 Profitability				
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	89.4%	71.9%	72.2%	102.4%
Combined Ratio (Loss Ratio + Expense Ratio)	125.3%	115.6%	114.2%	143.8%
2 Investment Performance				
Investment Income / Operating Profit	-730.3%	475.6%	201.4%	-364.7%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims	34.64	37.87	40.33	46.30
4 Capital Adequacy				
Liquid Investments / Equity	10.92	11.11	9.07	7.69

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.

<p>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’.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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 following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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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)
- (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)

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- (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)

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