



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-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 (the Company) association with Packages Group as well as its strong governance structure. Packages Group, with the brand of "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. The topline of the Company has grown by 27.9% in CY-20, supported through a boost in Individual life regular premium, increasing by 34%, as well as Single premium/contribution individual policies displaying a staggering growth of 175% for the given period. The focus of the Development expenditure related to the "Vitality" product and expansion of IT infrastructure has adversely affected the bottom-line, however, the loss for the year has plummeted by 54.2%, compared on a YoY basis. Going forward, IGI Life aims to improve market penetration, on the back of expansion in their branch network and gradually building up their portfolio through product diversification.

During CY20, the total GPW of the industry grew by 4.6% to PKR 233bln in CY-20 as against a decline of 1.2% to PKR 223bln in CY-19. COVID-19 is an ongoing challenge. While it has taken a toll on many businesses, its ramifications are still unfolding. However, due to current pandemic situation, the demand for Life Insurance products is expected to increase over near term which in-turn is expected to result in new business growth for the industry.

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 LI(Jun-20)
Related Research	Sector Study Life Insurance(Jun-20)
Rating Analysts	Faraan Taimoor faraan.taimoor@pacra.com +92-42-35869504



Profile

Legal Structure IGI Life Insurance Limited (IGI Life) is a publicly listed company on the Pakistan Stock Exchange (PSX), with a trading symbol of "IGIL"

Background The company was incorporated in the country in 1994 and commenced its operations in 1995. The company is supported by the Packages Group through key stake of IGI Holdings in the company

Operations The operations of the company are divided in three divisions; South, Central and North. The Head Office of the company is located in Karachi. The company operates through a network of 34 branches spread throughout the aforementioned regions.

Ownership

Ownership Structure The ownership of IGI Life Insurance is majorly owned by IGI Holdings Limited (81%). Further, the shareholding is distributed between a consortium of institutions, individuals and directors & related parties.

Stability IGI Holdings (Key Shareholder) 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 ranked amongst the renowned industrial groups of the country, with a presence of over 60 years in the packaging market. The group owns renowned organizations such as Packages Real Estate, IGI Holdings Limited and IGI FINEX securities, confidence within the group.

Financial Strength Packages Limited, listed on Pakistan Stock Exchange, has strong presence in different dimensions of the packaging business, and is the group's flagship company for non-financial business, with long-term entity rating of "AA" by PACRA.

Governance

Board Structure The board comprises of seven board members. Mr. Shamim Ahmad Khan is the Chairman of the Board. Further, two independent members, three non-executive members and the CEO of the company, Mr. Syed Haider Ali, hold positions in the BoD.

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. The CEO of the company, Mr. Syed Haider Ali is a well reputed professional in the industry, and serves as a board member in various companies such as Bulleh Shah Packaging (Private) Limited, IGI General Insurance Limited and Nestle Pakistan Limited

Board Effectiveness There are six sub-committees of the board namely; (i) Audit, (ii) Claims, (iii) Underwriting & Reinsurance, (iv) Investment (v) Human Resource & Remuneration and (vi) Risk Management & Compliance.

Financial Transparency The auditors of the company A.F. Fergusons & Co. Chartered Accountants issued an unqualified audit report pertaining to annual financial statements for CY-20

Management

Organizational Structure The organizational structure of the company is well laid out. The organogram of the company is quite lean and has indirect reportability to the CEO, through Unit Heads of multiple departments

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). In August-2020, Mr. Abdul Haseeb Kasbati was appointed as the new CFO, whereas Mr. Tahir Masud had been appointed as the Head of Business and Operations.

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

Claim Management System IGI Life has a detailed claims settlement guideline in place with core objective of removing the gaps with effective controls. Once the claims department receives policyholders' request the policy review is carried out, if the claim is legitimate, a case is prepared and sent to head of claims or claims committee for approval.

Investment Management Function IGI Life has drafted a formal investment policy document which is approved by BoD and is reviewed annually. 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 are issued to the branches and agents and are updated from time to time. A risk register is maintained by the company. The register captures all the risks that are currently impacting the company or may have an impact in the future. It highlights the severity of the risk and controls in place for prevention along with department or individuals that are responsible for its mitigation.

Business Risk

Industry Dynamics During CY-20, the total GPW of the industry grew by 4.57% (PKR 233bln) and has shown a muted growth of -1.24% in CY-19 (PKR 223bln). Particularly two factors which contributed in the industry growth are i) Decline in discount rate and remain stable at 7% and ii) Recovery of stock market from under stress performance. The past year has been very challenging due to COVID-19 pandemic which has caused immense stress on most businesses

Relative Position IGI Life is classified as mid-sized company, and possesses a market share of ~3%.

Persistency The company recorded a first persistency of 66.5% (FY-19: 71.9%) while the subsequent year persistency was observed at 75.5% (FY-20: 79.3%). Improvement in the company's persistence is being pursued, through improved products and customer service quality

Revenue Gross premium revenue of the company has improved by 28% (FY-20: PKR 6.2bln, FY-19: PKR 4.8bln). Regular premium policies have remained a focal revenue source, with progress in Single premium policies being observed as well. Gradual progression in the Vitality product is sought in the longer term.

Profitability IGI Life posted a deficit before tax of PKR 95.7mln (FY-19: Deficit PKR 176.7mln) The decline was attributed to increase in acquisition costs and increase of change in insurance liabilities, however a 54% decrease is observed compared on a YoY basis. The loss ratio stood at 72% (FY-19: 102%) along-with the combined ratio at 114% (FY-19: 143%). The low loss ratio was mainly on the account of low claims in investment linked units and conventional life funds

Investment Performance The company reaped benefits from high investment income of PKR 1.7bln in FY-20 (FY-19: PKR 1.6bln). Return from government securities form a major contribution in the investment income, despite fall in interest rate implied by the State Bank of Pakistan

Sustainability Going forward, the company envisages high growth targets with focus on profitability. It aims to reduce dependency on single premium and shift towards regular premium. The launch of its product 'Vitality' will enable it to make inroads as the company aims to market the product extensively. 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 were recorded at 35 days (FY-19: 24 days), indicating a decline in claim efficiency

Re-Insurance IGI Life is strengthened by its Reinsurance arrangements with Hannover Re (AA- by S&P) and Munich Re (AA- by S&P). Catastrophic arrangements provide the company with cushion to absorb unforeseen risks. Treaties include retention limits segregated between quota share, surplus and XOL

Liquidity The total liquid assets parked with the company stand at PKR 19.2bln (FY-19: PKR 17.0bln).

Capital Adequacy IGI Life is compliant with SECP's mandated required capital of PKR 700mln. It has an equity base of PKR 2.1bln.



PKR mln

**IGI Life Insurance
Public Limited**

Dec-20	Dec-19	Dec-18
12M	12M	12M

A BALANCE SHEET

1 Investments	19,381	17,461	16,451
2 Insurance Related Assets	208	461	431
3 Other Assets	1,547	1,579	1,215
4 Fixed Assets	731	642	554
Total Assets	21,868	20,144	18,650
5 Underwriting Provisions	-	-	-
6 Insurance Related Liabilities	19,242	17,437	16,897
7 Other Liabilities	353	417	379
8 Borrowings	136	50	21
Total Liabilities	19,731	17,903	17,297
Equity	2,137	2,241	1,354

B INCOME STATEMENT

1 Gross Premium Written	6,161	4,815	4,794
2 Net Insurance Premium	5,950	4,657	4,656
3 Underwriting Expenses	(6,792)	(6,695)	(6,541)
Underwriting Results	(842)	(2,039)	(1,884)
4 Investment Income	1,672	1,600	1,118
5 Other Income / (Expense)	271	39	(51)
Profit Before Tax	(136)	(246)	(134)
6 Taxes	40	69	39
Profit After Tax	(96)	(177)	(95)

C RATIO ANALYSIS

1 Profitability			
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	72.2%	102.4%	110.0%
Combined Ratio (Loss Ratio + Expense Ratio)	114.2%	143.8%	140.5%
2 Persistency			
First Persistency ("Second Year Premium" as %age of last year "First Year Premium")	66.5%	71.9%	77.1%
3 Investment Performance			
Investment Yield	9.1%	9.4%	6.4%
4 Liquidity			
(Liquid Assets - Borrowings) / Outstanding Claims	39.9	45.7	57.8
5 Capital Adequacy			
Equity / Net Insurance Claims	0.5	0.4	0.3

Insurer Financial Strength (IFS) Rating

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

Scale	Definition
AAA	Exceptionally Strong. Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ AA AA-	Very Strong. Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.
A+ A A-	Strong. Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.
BBB+ BBB BBB-	Good. Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ BB BB-	Weak. Weak capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.
B+ B B-	Very Weak. Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Insolvency or liquidity impairment appears imminent.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Distressed. Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and 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.
- (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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