



The Pakistan Credit Rating Agency Limited

Rating Report

IGI General Insurance Limited

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
25-Feb-2022	AA	-	Stable	Maintain	-
26-Feb-2021	AA	-	Stable	Maintain	-
28-Feb-2020	AA	-	Stable	Maintain	-
29-Aug-2019	AA	-	Stable	Maintain	-
27-Feb-2019	AA	-	Stable	Maintain	-
18-Dec-2018	AA	-	Stable	Maintain	-
29-Jun-2018	AA	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The rating takes comfort from IGI's association with its parent, IGI Holdings, which has injected a sizeable capital into the company. This is preserved mostly in the form of liquid investments. The IGI Holdings Co has an express mandate to proactively support the company in times of need. The top group resources provide strategic direction and oversight. Given the established customer base and stability in the operational performance of the Company, healthy growth in the financial performance is anticipated for the year-end CY21.

Presently, the general insurance industry witnessed a growth of ~19% on a YoY basis as of Sep-21. The insurance industry has undergone prominent changes both in terms of its size and products while entering into untapped sectors. The insurance industry is capturing market share through offering Islamic Takaful Window operations which are gaining market acceptance rapidly. The Company also followed the industry trend and, expanded and recorded growth in its total assets. The top-line of the Company (GPW) showed a growth of almost 35% (including window takaful operations) over the corresponding period last year. Moreover, the Company has built its liquid investment book to equity ratio which confirms the Company's ability to cover its short-term due obligations on time quite efficiently. The interest rates have been changing frequently for the last couple of months and the Company reported a decline in investment income because of the rolled-over effect of interest rates.

Upgradation of IT infrastructure has yielded improved efficiency - notably in claims management. Further, the Company continues to enjoy a sound re-insurance panel that provides extensive risk absorption coverage. IGI's panel includes Hannover Re (rated AA- by S&P), Swiss Re (rated AA- by S&P), MS Frontier Re, Scor Re (rated A+ by S&P), Korean Re (rated A by AM Best), Arig (rated B++ by AM Best), and Pak Re.

The rating is based on the improved financial position and financial performance of the Company. The financial position of the Company has strengthened over the period. The increased GPW is also one of the key rating drivers. The liquid investment book has improved and contributed to maintain the rating.

Disclosure

Name of Rated Entity	IGI General Insurance Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology General Insurance Rating(Jun-21)
Related Research	Sector Study General Insurance(May-21)
Rating Analysts	Wajahat Arjumand Ansari wajahat.ansari@pacra.com +92-42-35869504



Profile

Legal Structure IGI General Insurance Limited (“IGI General”) is a public limited company incorporated on November 18, 2016 under the Companies Act 2017 and engaged in the general insurance business. IGI General is a wholly owned subsidiary of IGI Holdings Limited and is part of Packages Group.

Background Packages Group established foothold in the financial sector (i) IGI General Insurance, (ii) IGI Life, (iii) IGI Investment Bank Limited and (iv) IGI Finex Securities Limited. The group initiated corporate restructuring, envisioned to create a Holding Company (HoldCo), thereby separating strategic investment from its insurance business. This would benefit in creating value in excess of its parts

Operations IGI General Insurance is headquartered in Karachi. It has offices in 8 cities nationwide consisting of Karachi, Lahore, and Islamabad etc. to provide prompt services to the customers. Company has 4,000 corporate and 20,000 individual customers.

Ownership

Ownership Structure IGI Holdings holds ~100% ownership stake in the Company.

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 Company is providing general insurance and getting its core strength from revenue of fire and property damage segment (~34%) followed by motor segment.

Governance

Board Structure The Company has six-members board chaired by Mr. Shamim Ahmad Khan, One is an executive director and rest are non-executive director (including one female director). The board has no independent directors.

Members’ Profile The profile of entire board is satisfactory, with a mix of experienced legal professionals and investment experts. The chairman of the board, Mr. Shamim Ahmad Khan has served various government organizations in different capacities, namely; Securities and Exchange Commission of Pakistan (SECP) and Ministry of Commerce (MoC).

Board Effectiveness The directors have a presence on other boards of listed companies as well, however availability of directors has been ensured via high attendance in board meetings.

Transparency M/s A.F Ferguson & Co., Chartered Accountants are the external auditors of the company and expressed unqualified opinion on the year end financial statements of CY20. The audit of CY21 is under process.

Management

Organizational Structure The Company has a comprehensive organizational structure with clear reporting lines, ensuring segregation of duties. The overall functions of the Company are divided into the following departments: (i) Underwriting (ii) Reinsurance & Risk Management (iii) Claims (iv) Marketing and Sales (v) Finance (vi) Group Shared Services (GSS) under the IGI FS umbrella.

Management Team Management team is being headed by the CEO, Mr. Tahir Masaud. The CFO, Chief officers and heads of department are under the reporting of the CEO.

Effectiveness Mr. Tahir Masaud is the CEO of IGI General Insurance Limited as well as IGI Holdings Limited. Mr. Masaud brings with him over 20 years of rich and varied experience gained in senior leadership positions within the general insurance sector of Pakistan and United Kingdom. The CEO is supported by a management team comprising qualified and experienced professionals.

MIS The IT system is fully integrated in all major departments and ensures proper financial and operational control. The system for reporting has been designed as per the requirements of the Company.

Claim Management System The claims process is initiated with claim intimation by the client (via email, letter or phone call) and is recorded directly on claims register. For claim validation/authentication purposes, the company also uses external surveyors as per Company policy.

Investment Management Function IGI General Insurance has its investment committee which looks after the Company’s investments. This committee is chaired by Mr. Syed Hasnain Ali along with three other members.

Risk Management Framework The treaty capacities are optimal with surplus arrangements, which are adequate for the risk management. The Company has diversified its panel of reinsurers, boding well for its financial risk.

Business Risk

Industry Dynamics The insurance industry in Pakistan is relatively small compared to its peers in the region. The insurance penetration and density remain very modest as compared to other jurisdictions while the insurance sector remains underdeveloped relative to its potential. In terms of Gross Premium Written (GPW), Pakistan’s general insurance industry had a total size of PKR~108,322mIn in CY20, (less than ~1% of its GDP), with a growth of ~3.7% from the previous year (CY19: PKR~104,453mIn). Currently, the general insurance industry has witnessed a growth of ~19% on YoY basis as of Sep-21.

Relative Position The Company is placed among the large players in the industry. The Company needs to develop marketable business to further improve its business positioning and to be placed in big players in the industry.

Revenue During 9MCY21, IGI General Insurance reported a GPW of PKR ~5,853mIn (9MCY20: PKR ~4,576mIn) in conventional business, this represents a 28% increase YoY. Premium earned for 9MCY21 stood at PKR ~4,810mIn (9MCY20: PKR ~4,132mIn) which represents 16% increase YoY, the main contribution of this increase was from Fire and Property damage followed by Motor segment. IGI General Insurance for its window Takaful operations as at 9MCY21 reported GPW PKR ~879mIn (9MCY20: PKR ~423mIn) representing 108% massive increase YoY.

Profitability The Company as at 9MCY21 registered a Net Premium Revenue of PKR 2,298mIn (Conventional PKR: 1,945mIn, PTF PKR: 353mIn) (9MCY20: PKR 1,880mIn) increased by 22% on a YoY basis. The increased revenue line combined with the Company’s net investment income generated a profit after tax of PKR 301mIn for the period ended 9MCY21 (9MCY20: PKR 376mIn), with such a minimal decrease being attributed to elevated claims expense profile.

Investment Performance The investments are deployed entirely in liquid avenues dominated by TFCs in banks, PIBs and T-Bills. IGI General Insurance has invested majorly in PIBs and T-Bills in this stage to keep it risk free. The Company mainly earned the investment income from Government securities. Investment income depicts a decline in performance decreasing from PKR 276mIn in 9MCY20 to PKR 114mIn in 9MCY21.

Sustainability The Company aims to enhance top-line through captive underwriting, extensive efforts are being undertaken in this regard. It further aims to develop a market-related business in the medium term; it is pivotal moving forward.

Financial Risk

Claim Efficiency Outstanding claims including IBNR represents a significant portion of total liabilities (33%). Claims outstanding days increased to 356 days (9MCY21) as compared to 222 days (CY20).

Re-Insurance IGI’s panel includes Hannover Re (rated AA- by S&P) , Swiss Re (rated AA- by S&P), MS Frontier Re, Scor Re (rated A+ by S&P), Korean Re (rated A by AM Best), Arig (rated B++ by AM Best) and Pak Re.

Cashflows & Coverages Liquidity coverage changed slightly and stood at 1.1x at end 9MCY21 as against 1.2x at 9MCY20 on account of provisions for outstanding claims (including IBNR).

Capital Adequacy The Company as at 9MCY21 has equity of PKR 2,502mIn, with paid up capital of PKR 1,918mIn, well above the regulatory requirement for general insurance companies by SECP.



PKR mln

IGI General Insurance Limited
Public Limited Company

Sep-21	Dec-20	Dec-19	Dec-18
9M	12M	12M	12M

A BALANCE SHEET

1 Investments	4,311	3,922	3,768	3,371
2 Insurance Related Assets	4,936	4,422	3,027	2,705
3 Other Assets	3,210	2,008	1,907	776
4 Fixed Assets	839	881	859	319
Total Assets	13,296	11,233	9,561	7,171
1 Underwriting Provisions	3,659	2,345	2,217	1,724
2 Insurance Related Liabilities	5,052	4,589	3,116	2,139
3 Other Liabilities	1,515	1,264	1,237	924
4 Borrowings	164	162	178	119
Total Liabilities	10,390	8,360	6,747	4,907
Equity	2,906	2,872	2,814	2,264

B INCOME STATEMENT

1 Gross Premium Written	6,703	6,014	5,613	4,608
2 Net Insurance Premium	2,298	2,531	2,569	2,288
3 Underwriting Expenses	(2,232)	(2,361)	(2,405)	(2,134)
Underwriting Results	238	317	312	198
4 Investment Income	162	398	515	173
5 Other Income / (Expense)	9	(16)	17	35
Profit Before Tax	409	699	844	406
6 Taxes	(115)	(199)	(234)	(140)
Profit After Tax	294	500	611	265

C RATIO ANALYSIS

1 Profitability

Loss Ratio (Net Insurance Claims / Net Insurance Premium)

65.1%	53.6%	54.9%	53.3%
-------	-------	-------	-------

Combined Ratio (Loss Ratio + Expense Ratio)

97.1%	93.3%	93.6%	93.3%
-------	-------	-------	-------

2 Investment Performance

Investment Yield

5.2%	10.4%	14.4%	5.1%
------	-------	-------	------

3 Liquidity

(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR

1.07	1.15	1.86	2.25
------	------	------	------

4 Capital Adequacy

Liquid Investments / Equity

130.2%	118.2%	113.6%	141.4%
--------	--------	--------	--------

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>
---	---	--	---	---

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.
- (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