



The Pakistan Credit Rating Agency Limited

Rating Report

Atlas Insurance Limited

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Rating History

Table with 5 columns: Dissemination Date, IFS Rating, Outlook, Action, Rating Watch. Rows show historical ratings from 2018 to 2024, all maintaining an AA+ (ifs) or AA rating with a 'Stable' outlook.

Rating Rationale and Key Rating Drivers

Pakistan's General Insurance industry has a total size of PKR 182bln during CY23 (CY22: PKR 143bln), exhibiting a growth of ~27%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~46% in underwriting results (CY23: PKR 4.7bln, CY22: PKR 3.2bln). The net income of the industry also experienced an increase of ~60% to PKR 18bln during CY23 (CY22: PKR 11bln). Overall, the industry's overall outlook remains stable with substantial liquidity available with players.

Atlas Insurance Limited's ('Atlas Insurance' or 'the Company') rating reflects a strong association with Atlas Group ('the Group') that has demonstrated resilience over time. The Group holds diversified interests in Auto, Engineering, Power, Financial sectors and Trading. Atlas Insurance is a non-life insurance company offering conventional and takaful insurance, where conventional business constitutes the majority (~90%) of the Company's operations. The rating takes comfort from the Company's healthy business & financial profile. Atlas Insurance holds a sustained relative position among its peers. During CY23, the GPW of the Company posed a growth of (~24%) emanating majorly from the fire & property segment (~45%) followed by marine & aviation (~21%). Moreover, the overall portfolio stood affirmed with value driven growth, as an impact of inflation. The support is also driven by a healthy combined ratio clocked in at (~64.9%). The rating also takes comfort from the Company's robust investment income, which contributes significantly to the overall strength of the bottom line. Strong risk absorption capacity, supported by sufficient liquidity. Atlas Insurance has demonstrated its commitment to the Shareholders by paying dividends, highlighting its financial stability. The presence of internationally recognized and highly rated reinsurance provides support. Effective corporate governance practices bodes well for the Company.

The rating is dependent on sustained improvement in business and financial metrics of the Company in line with its relative positioning within the industry. At the same time, the liquidity profile should continue to offset the liabilities.

Disclosure

Table with 2 columns: Field Name, Value. Fields include Name of Rated Entity (Atlas Insurance 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)), and Rating Analysts (Mir Muhammad Hamza | Mir.Hamza@pacra.com | +92-42-35869504).



## Profile

**Legal Structure** Atlas Insurance Limited ('Atlas Insurance' or 'the Company') was incorporated as a public limited entity in 6-Sep-1934.

**Background** The Company is a part of Atlas Group ('the Group'), a leading conglomerate holding interests in Auto, Engineering, Power, Financial and Trading sectors. In 1934, Muslim India Insurance Company Ltd. was established; the Group acquired the Company in 1980. Later, in 2006, the name of the Company was changed to Atlas Insurance. The Company became licensed Window Takaful Operator on 2-Mar-16 by SECP under Takaful Rules, 2012

**Operations** The Company is engaged in the general insurance business, both conventional and takaful. The Company operates a network of 27 branches divided into two zones: South (includes Karachi, Sukkur and Hyderabad) and North (includes Lahore, Rawalpindi, Islamabad, Faisalabad, Sialkot, Sahiwal, and Multan).

## Ownership

**Ownership Structure** The Group holds ~78% stake in Atlas Insurance. Rest is owned by Public Sector & Joint Stock Companies (~4.9%), Financial Institutions (~0.8%) and General public holds (~16%) of the stake.

**Stability** The Company's affiliation with Atlas Group augments stability in the ownership structure.

**Business Acumen** The Group is among the biggest conglomerates operating in diversified sectors across Auto, Engineering, Power, Financial and Trading sectors.

**Financial Strength** The Group holds considerable financial muscle, assets base of over a billion USD, to support the Company, if and when needed.

## Governance

**Board Structure** The Board comprises 7 members, including: 2 Independent, 4 Non-Executives and 1 Executive Director.

**Members' Profile** The Board is chaired by Mr. Ifikhar H. Shirazi since 2019. He holds over 34 years of management experience. The BoD holds diverse profiles which remain pivotal in formulating policies for the Company.

**Board Effectiveness** To ensure effectiveness, three Board level committees are placed for smooth operations, namely; i) Audit Committee (BAC) ii) Investment Committee (IC) iii) Ethics, Human Resources and Remuneration Committee (E,HR&R). The Board meets every quarter to discuss strategies and performance outcomes. Minutes of these meetings are adequately drafted. Board committees also meet on quarterly basis and minutes are documented adequately.

**Transparency** M/S EY Ford Rhodes, Chartered Accountants are External Auditors; expressed an unqualified opinion on the financial statements of CY23.

## Management

**Organizational Structure** The Company institutes a horizontal structure with seven departments. Each department is headed by a Department Head, who report to the CEO. The CEO reports to the BoD. However, the Head of Internal Audit and HR&R department administratively reports to the CEO and functionally to the Board of Audit Committee (BAC) and E,HR&R committee, respectively.

**Management Team** The CEO, Mr. Babar Mahmood Mirza is a veteran of insurance industry and has extensive domestic and international experience of ~32 years. He has been associated with the Company from 6 years and is ably assisted by a team of well-qualified professionals

**Effectiveness** There are four management committees, namely; a) IT Committee, b) Claims Settlement Committee, c) Underwriting & Re-insurance/Co-insurance Committee, and d) Risk Management and Compliance Committee. These committees meet on quarterly basis with minutes of the meeting being documented extensively.

**MIS** The system comprises centralized database and web based front-end for development and reporting. It assigns authority levels to its users and enforces strict compliance with internal procedures. IT system supports Head Office operations as well as remote users provide real-time updates.

**Claim Management System** Atlas Insurance has comprehensive Claim Policy with clearly defined approval authorities. The Company follows up the case with the surveyors and their performance is assessed on semi-annual basis, mainly focusing on their response time and quality of survey.

**Investment Management Function** The Board's IC sets guidelines and policies for the Company. Investment advisor, Atlas Asset Management Ltd, prudently invests and manages the Company funds. Performance is evaluated by the IC every quarter.

**Risk Management Framework** The Company has implemented a detailed Risk Management Framework. These guidelines tend to institute a strong risk environment, while laying down underwriting and reinsurance guidelines and identifying functions and responsibilities of all participants from the Board to the support staff.

## Business Risk

**Industry Dynamics** Pakistan's General Insurance industry has a total size of PKR 182bln during CY23 (CY22: PKR 143bln), exhibiting a growth of ~27%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~46% in underwriting results (CY23: PKR 4.7bln, CY22: PKR 3.2bln). The net income of the industry also experienced an increase of ~60% to PKR 18bln during CY23 (CY22: PKR 11bln). Overall, the industry's overall outlook remains stable with substantial liquidity available with players.

**Relative Position** Atlas Insurance is ranked among medium tier players with a market share of ~3.7% (as of Dec-23) as per Insurance Association of Pakistan (IAP).

**Revenue** The Company operates as a conventional (~90%) and window takaful (~10%). During CY23, the Company underwrote GPW (conventional + takaful) of PKR 6,512mln (CY22: PKR 5,233mln), showing growth of ~24%; mainly triggering from conventional side. On segment level, Fire holds the highest share of (~45%), followed by Marine (~21%), Motor (~19%) and Misc (~15%). The Company reported a GPW of PKR 2,361mln during 3MCY24 (3MCY23: PKR 2,013mln) posting a growth of ~17%, mainly from conventional side.

**Profitability** During CY23, the underwriting performance of the Company slightly decreased to ~PKR 956mln (CY22: ~PKR 971mln) owing to higher claims incurred during the period. Whereas, the bottom line of the Company was supported by healthy investment income; the Company reported PAT at ~PKR 1,022mln during CY23 (CY22: ~PKR 738mln). During 3MCY24, PAT of the Company stood at ~PKR 391mln

**Investment Performance** The Company has maintained a healthy investment book clocking in at ~PKR 9,195mln during CY23 (CY22: ~PKR 6,828mln); and generated investment income of ~PKR 722mln during CY23 (CY22: ~PKR 66mln). Investment book is majorly concentrated with equity securities (~45%), followed by cash & bank (~25%), government securities (~16%), and debt instruments (~11%). During 3MCY24, investment book of the company stood at ~PKR 10,078mln and generated investment income of ~PKR 260mln.

**Sustainability** Expansion is also on cards with new branches to be added to the existing branch network. The Company is now focusing on flourishing its window takaful operations – especially in the motor segment.

## Financial Risk

**Claim Efficiency** As of CY23, the Company's claims outstanding days increased slightly to 266 days (CY22: ~229 days), primarily due to an increase in outstanding claims. The claims liquidity ratio (claims to liquid investments) rose to 46% as of CY23 (CY22: ~42%). Additionally, the commercial efficiency ratio remained stable at ~1.0x as at CY23 (CY22: 1.0x). As of 3MCY24, the commercial efficiency of the Company stood at ~1.1x.

**Re-Insurance** The Company has re-insurance arrangements with some of the best renowned international reinsurers including Swiss Re (rated "AA-" by S&P), Hannover Re (rated "AA-" by S&P), Malaysian Re (rated "A-" by A.M Best), Labuan Re (rated "A-" by A.M. Best), PRCL (rated "A" by VIS) among others. Treaty arrangements predominantly comprises surplus treaties.

**Cashflows & Coverages** The Company maintains a healthy liquidity profile, liquidity coverage ratio (liquid assets / net insurance & takaful claims) stands at ~5.3x as of CY23 (CY22: ~4.9x). To further augment the liquidity profile, the Company has maintained a healthy investment book of ~PKR 6,711mln as of CY23 (CY22: ~PKR 5,653mln). Whereas, net liquidity ratio [(liquid assets - borrowing) / outstanding claims] stands at 2.2x as at CY23 (CY22: ~2.6x). Liquid investment book further improved to ~PKR 7,173mln as at 3MCY24.

**Capital Adequacy** The Company has a paid-up capital amounting to PKR 1,494mln, which is well above the Minimum Capital Requirement (MCR) for non-life insurers established by SECP. The Company possesses an equity base of PKR 4,855mln as of CY23 (CY22: PKR 3,655mln). As of 3MCY24, equity of the Company stands at ~PKR 5,502mln.



PKR Mln

Atlas Insurance Limited Public Limited	Mar-24	Dec-23	Dec-22	Dec-21
	3M	12M	12M	12M
<b>A BALANCE SHEET</b>				
1 Investments	10,078	9,195	6,828	7,320
2 Insurance Related Assets	4,641	4,176	2,692	2,025
3 Other Assets	807	694	514	323
4 Fixed Assets	299	234	222	148
5 Window Takaful Operations	-	-	-	-
<b>Total Assets</b>	<b>15,826</b>	<b>14,299</b>	<b>10,257</b>	<b>9,817</b>
1 Underwriting Provisions	3,273	2,600	1,997	1,561
2 Insurance Related Liabilities	4,135	4,125	2,711	2,515
3 Other Liabilities	2,834	2,643	1,794	1,454
4 Borrowings	82	76	100	60
5 Window Takaful Operations	-	-	-	-
<b>Total Liabilities</b>	<b>10,324</b>	<b>9,444</b>	<b>6,602</b>	<b>5,590</b>
<b>Equity/Fund</b>	<b>5,502</b>	<b>4,855</b>	<b>3,655</b>	<b>4,227</b>

## B INCOME STATEMENTS

<b>CONSOLIDATED INCOME STATEMENT</b>				
1 Gross Premium Written/Gross Contribution Written	2,361	6,512	5,233	4,107
2 Net Insurance Premium/Net Takaful Contribution	767	2,718	2,437	2,063
3 Underwriting Expenses	(460)	(1,762)	(1,466)	(1,240)
<b>Underwriting Results</b>	<b>306</b>	<b>956</b>	<b>971</b>	<b>823</b>
4 Investment Income	260	722	66	353
5 Other Income / (Expense)	43	159	76	25
<b>Profit Before Tax</b>	<b>609</b>	<b>1,838</b>	<b>1,114</b>	<b>1,201</b>
6 Taxes	(218)	(815)	(376)	(346)
<b>Profit After Tax</b>	<b>391</b>	<b>1,022</b>	<b>738</b>	<b>855</b>

<b>PARTICIPANTS' TAKAFUL FUND - PTF</b>				
1 Gross Contribution Written	209	650	536	367
2 Net Takaful Contribution	63	167	176	140
3 Net Takaful Claims	(50)	(227)	(195)	(135)
4 Direct Expenses Including Re-Takaful Rebate Earned	12	35	20	3
<b>Surplus Before Investment &amp; Other Income/(Expense)</b>	<b>25</b>	<b>(25)</b>	<b>1</b>	<b>8</b>
5 Investment Income	25	68	32	12
6 Other Income/(Expense)	(10)	(28)	(15)	-
<b>Surplus for the Period</b>	<b>40</b>	<b>15</b>	<b>19</b>	<b>19</b>

<b>OPERATOR'S TAKAFUL FUND - OTF</b>				
1 Wakala Fee Income	54	168	128	93
2 Management, Commission & Other Acquisition Costs	(34)	(109)	(73)	(50)
<b>Underwriting Income/(Loss)</b>	<b>20</b>	<b>60</b>	<b>55</b>	<b>43</b>
3 Investment Income	15	51	32	11
4 Other Income/(Expense)	(0)	(1)	1	0
<b>Profit Before tax</b>	<b>35</b>	<b>109</b>	<b>87</b>	<b>54</b>
5 Taxes	(14)	(48)	(46)	-
<b>Profit After tax</b>	<b>21</b>	<b>61</b>	<b>41</b>	<b>54</b>

<b>C RATIO ANALYSIS</b>				
<b>1 Profitability</b>				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Premium	27.9%	34.4%	37.5%	36.6%
Combined Ratio (Loss Ratio + Expense Ratio)	60.1%	64.9%	60.1%	60.0%
<b>2 Investment Performance</b>				
Investment Yield	10.8%	9.0%	0.9%	4.8%
<b>3 Liquidity</b>				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	2.7	2.2	3.0	3.7
<b>4 Capital Adequacy</b>				
Liquid Investments / Equity (Funds)	130.4%	138.2%	154.7%	124.5%

### 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	Definition
<b>AAA (ifs)</b>	<b>Exceptionally Strong.</b> 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.
<b>AA++ (ifs)</b> <b>AA+ (ifs)</b> <b>AA (ifs)</b>	<b>Very Strong.</b> 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.
<b>A++ (ifs)</b> <b>A+ (ifs)</b> <b>A (ifs)</b>	<b>Strong.</b> 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.
<b>BBB++ (ifs)</b> <b>BBB+ (ifs)</b> <b>BBB (ifs)</b>	<b>Good.</b> 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.
<b>BB++ (ifs)</b> <b>BB+ (ifs)</b> <b>BB (ifs)</b>	<b>Modest.</b> 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>B++ (ifs)</b> <b>B+ (ifs)</b> <b>B (ifs)</b>	<b>Weak.</b> 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.
<b>CCC (ifs)</b> <b>CC (ifs)</b> <b>C (ifs)</b>	<b>Very Weak.</b> 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
<b>D (ifs)</b>	<b>Distressed.</b> 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><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> 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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- 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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- (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)
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(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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