



The Pakistan Credit Rating Agency Limited

Rating Report

Askari General Insurance Company Limited

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
14-Feb-2022	AA	-	Stable	Maintain	-
16-Feb-2021	AA	-	Stable	Maintain	-
28-Feb-2020	AA	-	Stable	Maintain	-
28-Aug-2019	AA	-	Stable	Maintain	-
27-Feb-2019	AA	-	Stable	Maintain	-
30-Nov-2018	AA	-	Stable	Upgrade	-
29-Jun-2018	AA-	-	Stable	Maintain	-
29-Sep-2017	AA-	-	Stable	Maintain	-
17-Mar-2017	AA-	-	Stable	Upgrade	-

Rating Rationale and Key Rating Drivers

Askari General Insurance Company Limited has a solid risk profile. This is reflected in the assigned rating of the company. Askari General has exhibited sustained business volumes and underwriting performance in recent times through its underwriting strategy, with a focus to augment the bottom-line profitability. This has led to an improved combined ratio; a testament to sustained profitability in recent times. The management efforts for sustaining the overall quality of the control environment are supported by the real-time operating software. This provides tools for holistic oversight and efficient decision-making. A subsidiary, AskTech, a venture focused on vehicle tracking solutions, has been set up to yield technological synergies; this is expected to create diversification by enhancing customer experience. The continued improvement of Information Technology systems is of prime importance to capture business, with the COVID-19 persistence and changes in business trends. The Company’s fully functional android and IOS-based mobile app - Ask Health enhanced communication and coordination, facilitated through a 24/7 immaculate call center and brought reduction in Turn Around Time (TAT) in claims processing; therefore attracting a customer base. The sustained liquidity profile provides a cushion to the risk absorption capacity. Askari Insurance continues to have a sound panel of reinsurers with favorable treaty terms. Going forward, it intends to fortify its position in non-conventional segments, while using alternative distribution channels. The rating, likewise, takes into account Askari General’s association with Army Welfare Trust (AWT). During CY21, bank financing and automotive sector growth facilitated the industry's progression. A conservative investment approach was undertaken by the industry participants, with the investment mix majorly construing fixed income securities along with minor equity exposure. As COVID re-emerged through its “Omicron” variant, its potential implications are yet to unfold in the coming year. Reduction in management expenditure and product innovation shall remain crucial for the industry participants for the solidification of market position.

The rating is dependent upon the company's ability to sustain its market share and its profitability from the core business and investment income. At the same time, the proportional improvement must be recorded in its liquidity.

Disclosure	
Name of Rated Entity	Askari General Insurance Company 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	Waqas Ahmad waqas.ahmad@pacra.com +92-42-35869504



Profile

Legal Structure Askari General Insurance Company Limited (AGICO) is a public listed company.

Background Askari General Insurance Company Limited (AGICO) commenced commercial operations in 1995. The Company is listed on the Pakistan Stock Exchange. With its head office in Rawalpindi, the Company operates with a nationwide network of 20 branches.

Operations The Company's business comes from its branches in Islamabad and Rawalpindi, while majority of branches are located in Punjab followed by Sindh & KP and one corporate branch in Karachi, targeting corporate business from Southern Pakistan. The rest of the branch network has been classified as retail branches, focusing retail customers. The product portfolio of the company, in addition to four core insurance products (fire, marine, health and motor), includes health, bond, travel, and crop insurance. AGICO is also engaged in contractor's all risk insurance, including civil engineering projects.

Ownership

Ownership Structure AGICO's controlling stake is with AWT (59.3%). Given Askari Insurance being the only financial institution within AWT, this should engender higher attention and focus.

Stability There has been no change in the shareholding of the company recently.

Business Acumen AWT was set up in 1971 by Pakistan Army under the 'Societies Registration Act' with the mandate of promoting the welfare of retired personnel of the Army and their families through the creation of income and employment generating activities.

Financial Strength The financial strength of the group is deemed to be strong, with support being derived from its successful business ventures in multiple sectors.

Governance

Board Structure The overall control of the company vests in the eight-member BoD (excluding the CEO).

Members' Profile Board comprises five representatives of AWT – retired army officials including the Chairman – Lt. Gen. (R) Naveed Mukhtar, whereas three independent members are present on the board.

Board Effectiveness The presence of strong strategic parent group on board, AWT group, enhances the governance framework of the company. The company has established multiple board committees including the Executive, Risk Management & Compliance Committee, Audit Committee and Investment Committee.

Transparency The auditors of the company, KPMG Taseer Hadi & Co, expressed an unqualified audit opinion on Audited Financial statements Dec-20.

Management

Organizational Structure AGICO has a detailed organizational structure segregating the company's operations from the marketing function, with clearly demarcated reporting lines, to manage the conflict of interest in the two functions.

Management Team Mr. Abdul Waheed is the CEO of the Company with a demonstrated history of working in the insurance industry. There are separate individuals heading the underwriting, Claims, Finance & Sales department.

Effectiveness The CEO meets all department heads in a joint meeting every Monday, to discuss key issues and developments. This ensures smooth implementation of company's strategies while enhancing the overall control environment. Moreover, AGICO has a Disciplinary Committee – led by the CEO – comprising HR head, the CFO and the head of administration.

MIS Cognizant of the importance of up-to-date information for timely business decisions and in line with the industry trend, AGICO deploys real-time web-based.

Claim Management System Owing to the specialized nature of the claims in the health segment, the department has been separated from non-health claims and makes use of professionals from the health sector including medical practitioners. Claims settlement is completely centralized and handled at HO level. All intimated claims are routed through 'Claims Service Centre'.

Investment Management Function Function AGICO maintains a formal Investment Policy Statement (IPS), formulated in March 2009 under the BoD guidelines, which was last updated in CY18. In line with the inherently risky nature of the equity market, AGICO's IPS has capped the investment in shares and equity-based mutual funds at 10% of the total investments.

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

Business Risk

Industry Dynamics Prior to COVID-19, the general insurance industry witnessed a growth of 11% YoY. The current pandemic affected the volumes, which led to a contraction in the growth. However, volumes have picked up post-June 2020 amidst an increase in economic activities throughout the country. Underwriting profitability i.e., the core business has been maintained through reduced management expenses while innovative products are being envisaged.

Relative Position AGICO is categorized as a medium-sized insurance company with a market share of about 3.08% as of Sep-21.

Revenue During the period 9MCY21, the Company posted growth of ~20% in the reported GPW on a YoY basis to stand at PKR 2.74bln. The motor segment became the forte of the Company, comprising 34% of the total revenue, followed by Health (26%), Miscellaneous (25%), and Fire (15%).

Profitability The company posted an underwriting profit of PKR 153.6mln in 9MCY21 (9MCY20: PKR 151.5mln) mainly driven by motor segment. The maintained status is mainly due to an increase in Health Claims in 9MCY21 PKR 738mln (9MCY20: PKR 485mln). The combined ratio remained relatively stable in 9MCY21 at 91% (9MCY20: 89%). Profit before tax clocked in 9MCY21 clocked in at PKR 392mln in comparison of profit of PKR 414mln in 9MCY21.

Investment Performance The investment income has declined by 11% due to the low rate of return on Deposits & Govt. securities. The company exhibited an investment income of PKR 194mln at 9MCY21, induced by return on government securities, dividend income and bank deposits.

Sustainability Going forward, the company aims to acquire untapped markets both in captive and non-captive businesses for sustainability of the business. The Company further aims to generate in miscellaneous and fire segments.

Financial Risk

Claim Efficiency The claims efficiency ratio of the company stands at 121 days during the period under consideration.

Re-Insurance The reinsurers panel includes Scor Re (rated 'A'), Trust Int'l (rated 'A'), Malaysian Re (rated 'A'), Korean Re (rated 'A'), Swiss Re (rated 'AA-'), Hannover Re (AA-), AON, Al Futtaim Wills, Mib, Nasco France, Al Wasl, J.B.Boda and PRCL (rated locally AA).

Cashflows & Coverages The company has a liquidity ratio of 4.4x at end-Sep 21 compared to 3.5x in Sep-20. The majority of investments are liquid, having a majority mix of Government Securities, which comprises 79% (PKR 2.2bln).

Capital Adequacy The company has equity of PKR 2.2bln, and the paid-up capital stood at PKR 840mln while meeting the SECP minimum capital requirement.



Askari General Insurance Company Limited
Listed Public Limited

PKR mln

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

A BALANCE SHEET

1 Investments	3,326	3,345	3,019	2,284
2 Insurance Related Assets	2,120	2,195	2,092	2,233
3 Other Assets	436	387	385	366
4 Fixed Assets	411	385	286	229
5 Window Takaful Operations	-	-	-	-
Total Assets	6,293	6,312	5,783	5,113
1 Underwriting Provisions	1,677	1,704	1,613	1,845
2 Insurance Related Liabilities	1,768	1,817	1,721	1,172
3 Other Liabilities	346	363	356	335
4 Borrowings	216	209	100	60
5 Window Takaful Operations	-	-	-	-
Total Liabilities	4,007	4,093	3,791	3,411
Equity/Fund	2,286	2,219	1,990	1,700

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	2,738	3,331	3,401	3,180
2 Net Insurance Premium/Net Takaful Contribution	1,848	2,115	2,268	2,007
3 Underwriting Expenses	(1,664)	(1,842)	(2,003)	(1,689)
Underwriting Results	184	273	265	318
4 Investment Income	214	299	230	78
5 Other Income / (Expense)	5	0	25	22
Profit Before Tax	403	572	520	418
6 Taxes	(115)	(165)	(148)	(125)
Profit After Tax	287	408	373	293

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	296	376	371	295
2 Net Takaful Contribution	83	107	112	99
3 Net Takaful Claims	(95)	(124)	(122)	(109)
4 Direct Expenses Including Re-Takaful Rebate Earned	15	19	14	4
Surplus Before Investment & Other Income/(Expense)	2	2	4	(6)
5 Investment Income	6	8	1	(0)
6 Other Income/(Expense)	2	2	6	3
Surplus for the Period	10	12	11	(3)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	121	148	139	96
2 Management, Commission & Other Acquisition Costs	(93)	(109)	(96)	(45)
Underwriting Income/(Loss)	28	39	43	51
3 Investment Income	14	21	22	4
4 Other Income/(Expense)	2	4	2	2
Profit Before tax	43	63	67	57
5 Taxes	(13)	(17)	-	-
Profit After tax	30	45	67	57

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Claims / Net Premium or Contribution	60.3%	58.7%	60.5%	58.7%
Combined Ratio (Loss Ratio + Expense Ratio)	90.1%	87.1%	88.3%	84.2%
2 Investment Performance				
Investment Yield	8.5%	9.4%	8.7%	3.4%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	3.994850204	3.31020717	3.683207078	3.882482607
4 Capital Adequacy				
Liquid Investments / Equity	132.0%	135.0%	133.8%	121.0%

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)

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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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- (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.
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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)
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- (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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- (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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