

## Askari General Insurance Company Limited

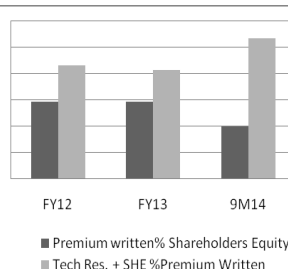
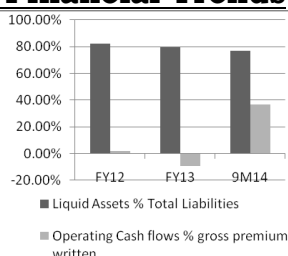
Chairman: Lt. Gen. (Retd.) Tabir Mahmood; Chief Executive Officer: Mr. Abdul Wabed

April 15, 2015

**Analysts:** Amir Shafique  
Zaigham Abbas Shah

Category	Latest	Previous
IFS	<b>A+</b> April 15, '15	<b>A+</b> Feb 18, '14
Outlook	<b>Stable</b> April 15, '15	<b>Stable</b> Feb 18, '14

### Key Financial Trends



(In Rs. M)	2012	2013	9M14
Gross Premium	1,415	1,605	1,239
Market Share	3.2%	3.3%	2.8%
Net Premium	700	842	708
Net Claims ratio	53%	55%	57%
Combined ratio	99%	93%	93%
Net Profit / (Loss)	75	119	123
Equity	509	650	778
Operating Leverage	137%	130%	121%
Financial Leverage	189%	125%	113%
Insurance debt % Gross Premium	25%	23%	32%

### Rating Rationale

AGICO is mainly sponsored by the Army Welfare Trust (AWT) owning 23 companies in financial services, banking and consumer goods. The Fuaji Consortium (FC) has indirect shareholding through Askari Bank Limited (ABL). In 2014, ABL announced divestiture of its entire stake to AWT subject to regulatory approval. The divestment shall allow AWT to have controlling stake in AGICO.

Gross premium amounted to Rs. 1.65b (FY13: Rs. 1.61b; FY12: Rs. 1.41b), depicting an increase of 2.8% on annualized basis in 9M14. As a conscious strategy, the company's business mix largely comprises motor and health. There was some decline in business from the miscellaneous segment due to non-renewal of a major policy in engineering; however, the management expects to recapture the business in 2015. Gross premium target for 2015 is 2b.

AGICO has a diversified reinsurer panel; business has been placed with reinsurers having Insurer Financial Strength (IFS) rating in the "A" band and above. Scor Re is the lead reinsurer in major business segment. The company has obtained a terrorism and health cover with Hannover Re and PRCL in the lead, respectively. AGICO has a catastrophic XoL cover for fire and engineering. Barring terrorism, maximum retention on net account has remained unchanged at Rs. 17.5m. Maximum retention in terrorism is Rs. 50m per risk. Treaty terms have largely remained the same. Overall cession decreased to 37.9% (FY13: 41.1%, FY12: 47.6%) in 9M14. The decline was largely in line with reducing proportion of engineering business in miscellaneous; the business is passed on to the reinsurer.

Overall claims performance has remained satisfactory over time. The increase in net claims ratio is on account of health business that is largely retained on net account. Claims ratio in other segments is within manageable limits. Over the years, the company has depicted an improving trend in income from core underwriting operations. AGICO posted underwriting profit (annualized) of Rs. 71m (FY13: Rs. 59.7m; FY12: Rs. 9.3m) in 9M14. Underwriting profitability has largely emanated from motor and engineering segment while health business was marginally in losses. AGICO earns a significant amount of commission from reinsurers. Accounting for commission income, underwriting expense ratio has improved on a time line basis. Combined ratio continues to be below 100%. The bottom line has also gained impetus from investment income.

Total investment portfolio amounted to Rs. 1.1b (FY13: Rs. 947.3m) at end-9M14. Around 70% of the portfolio comprises investment in cash/income funds. A sizable portion includes exposure in listed equities mainly through stock funds. Credit and market risk associated with cash/money market funds is considered limited as they include investment in short term instruments and government securities; exposure in income funds largely comprise funds having a Fund Stability Rating (FSR) in the 'A' band. Liquid assets in relation to total liabilities stood at 0.58x (FY13: 0.55x). Liquid assets provide sufficient cushion against liabilities and are considered adequate.

AGICO's leverage indicators have trended downwards over time on the back of internal capital generation. The company has applied for a window takaful operation license to Securities and Exchange Commission of Pakistan. Takaful operations are expected to begin during 2Q15; pending regulatory approval. There were two changes at senior management level positions during 2014; board has depicted stability and includes one independent director. The company has fully implemented an integrated ERP developed on dot net.

### Overview of the Institution

AGICO commenced commercial operations in 1995 and is listed on all the three stock exchanges of the country. With a network of 19 branches, the company is engaged in general insurance business. The financial statements for 2014 were audited by M/s KPMG Taseer Hadi & Co. [JCR-VIS]