

ACE INSURANCE LIMITED (ACE Pakistan)

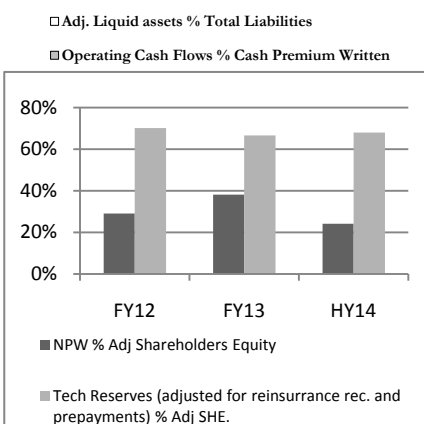
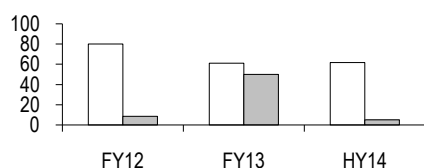
Chairperson & Chief Executive Officer: Ms. Zebra Naqvi

January 01, 2015

Analysts: Talha Iqbal
Faiq Sattar

Category	Latest	Previous
IFS	AA <i>Oct 17, 2014</i>	AA- <i>Oct 21, 2013</i>
Outlook	Stable <i>Oct 17, 2014</i>	Stable <i>Oct 21, 2013</i>

Key Financial Trends



(In Rs. M)	FY12	FY13	HY14
Gross Premium	602.6	579.9	311.3
Market Share	1.3%	1.2%	N/A
Net Claims ratio	3.6%	19.2%	12.5%
Combined ratio	41.8%	60.1%	80.4%
Net Profit	89.4	80.5	20.3
Equity	401.2	397.7	343.5
Operating Leverage	29%	38.2%	48.1%
Financial Leverage	129%	196.9%	176.4%
Insurance debt% Gross Premium	7.4%	7.8%	xx%

Rating Rationale

The assigned rating of ACE Insurance Limited (ACE Pakistan) derives strength from the ACE Group. ACE Pakistan is a wholly owned subsidiary of ACE INA International Holdings, Ltd. Delaware, USA., which is part of ACE Group. ACE Group is one of the world's largest multiline Property and Casualty insurers with operations in 54 countries. Financial strength of the parent entity has improved as evident from an upgrade in its Financial Strength Rating to 'AA' by an international rating agency. At year-end 2013, ACE Limited, reported \$28.8b in net equity (FY12: \$27.5b) while the Group posted net profit of \$3.8b (FY12: \$2.7b). ACE Tempest Reinsurance Company Limited is the prime reinsurer of the company which has a strong credit risk profile, with a financial strength rating of 'AA' from Standard & Poor's.

The assigned rating incorporates ACE Pakistan's strong risk adjusted capitalization level as evident from low net risk retention, conservative investment profile, sound liquidity indicators and a stable & professional management team. Support from the parent entity is evident in terms of sizeable treaty capacities, largest in the domestic context, providing ACE Pakistan significant advantage in terms of business generation while allowing the company to manage risk on net account. Reinsurance treaties provide coverage for risks written outside Pakistan as well; enabling geographical risk diversification. Moreover, technical support from the Group provides strength to underwriting operations.

Business mix continues to be led by the Fire & Property damage segment (86% of premiums in 2013), which also includes energy, engineering and terrorism related risks. The company has the technical capacity to underwrite specialized risks. Gross premium written in FY13 stood lower at Rs. 579.9m (FY12: Rs. 602.6m). Premium written by the company were lower in FY13 vis-à-vis projections in the backdrop of limited infrastructure activity and decline in foreign direct investment in the Country. Moreover, some business had been shed, given that risk profile was not considered within acceptable parameters. The company has achieved around 86% of the projected gross premium in the first nine months of the on-going year. Underwriting profitability of the company declined slightly in 2013 on account of increase in claims ratio in the F&PD segment while overall profitability was also lower due to decline in return on bank placements.

Capitalization indicators of the company are considered adequate.. Overall liquidity profile of the company is strong in view of high liquid assets in relation to liabilities and strong operating cash flows. Credit risk exposure of ACE Pakistan is limited in view of strong financial profile of its reinsurer, conservative investment profile and manageable level of insurance debt in relation to gross premiums.

Overview of the Institution

Incorporated on August 6, 2001, ACE Insurance Limited - Pakistan is engaged in underwriting general insurance business. Financial statements for 2013 were audited by M/s A.F. Fergusons & Co., a member firm of Price Waterhouse Coopers. The company has total staff strength of 17 JCR-VIS