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Applicable Criteria

- General Insurance and Takaful Operator (Jun 16)
- Rating Modifiers | Outlook and Rating Watch (Jun 16)

Related Research

- Sector Study | General Insurance (Nov 16)

PACRA Upgrades IFS Rating of The United Insurance Company of Pakistan Limited

Rating Type	Insurer Financial Strength(IFS)	
	Current (09-Mar-2017)	Previous (25-Nov-2016)
Action	Upgrade	Maintain
IFS Rating	AA-	A+
Outlook	Stable	Positive
Rating Watch	-	-

The rating reflects United Insurance's strong business fundamentals emanating from a sustained growth in GPW. This has enabled United to emerge as fourth largest player in the general insurance industry. Notably, the management has been successful in translating volumetric growth into profitable underwriting results. The company's insurance book is characterised by diversity across product slate and granularity in terms of wide spread of policies. This also benefits in relatively better claims experience. The company has lately strengthened its MIS that should enable efficiency in claims settlement and add transparency. This is important to support the company's relative position. Going forward the company will continue to focus on solidifying its market position through expansion in branch network and backing on its experienced sale team. The management envisages growth invariably in all segments; wherein, bond, livestock, healthcare, and travel insurance would remain the main areas of focus. Of late, United Insurance deployed incremental cash float in strategic investment (APNA Microfinance Bank). This is yet not yielding dividend, but the sizeable market value of the same provides comfort. However, given targeted growth in the business, current liquidity position of the company needs strengthening. United Insurance continues to have a sound panel of reinsurers with a combination of both proportional and non-proportional treaties, allowing the company to tap large business.

The rating is dependent upon holding underwriting profits, while sustaining market position. The expansion strategy may absorb cash, but this should be balanced with needed built up of liquid investments. Income from investment book should continue to benefit the bottom-line. Implementation of "Claims Tracking system", along with planned intelligence tools, should improve MIS system; hence, claims turnaround time. The company is expected to improve its governance framework, with enduring emphasis on compliance.

About the Entity

UIC, established in 1959, is listed on the Pakistan Stock Exchange. It is operating through an extensive network of more than 100 branches concentrated in the North region of Pakistan. The company is part of The United International Group (UIG) which controls ~92% shareholding in the company. The Company is led by strategic vision of the chairman of United International Group Mian M. A. Shahid, an insurance veteran. UIG has sizeable stake in microfinance banking, through Apna Microfinance Bank, and insurance industry, through UIC and SPI Insurance. The company is rotating its auditors. The group's presence in insurance is being augmented through takaful operations in both insurance companies. Other ventures include tracking business, farming and software.

The overall control of the company vests in seven member BoD. It has one independent director. The CEO, Mr. Rahat Sadiq, a qualified chartered insurer from UK has been associated with the company for nearly a decade. He is assisted by team of experienced professionals long associated with the company.

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