



Date

19-Apr-22

Analyst

Waqas Ahmad
 waqas.ahmad@pacra.com
 +92-42-35869504
 www.pacra.com

Applicable Criteria

- Criteria | Rating Modifiers | Jun-21
- Methodology | General Insurance Rating | Mar-22

Related Research

- Sector Study | General Insurance | May-21

Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

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

Rating Type	IFS	
	Current (19-Apr-22)	Previous (31-Mar-22)
Action	Maintain	Harmonize
IFS Rating	AA+ (ifs)	AA+ (ifs)
Outlook	Stable	Stable
Rating Watch	-	-

United Insurance Company (“UIC” or “the Company”) is among the large-sized players in the insurance industry. The sponsors of the Company are in the process of merging a group company of United International Group (UIG), SPI Insurance Company with and into UIC, targeted timeline for completion of the merger is by the end Jun-22. The governance and management framework of the Company observed key changes, which are expected to enhance oversight by the board and further align sponsor & business objectives. The management is committed to achieving higher benchmarks in transparency and control environment as the system review is underway. The financial performance of the Company has exhibited a growth rate in the top line, driven by the miscellaneous segment, which largely comprised hospitalization, travel and bond business. The underwriting performance of UIC has escalated through its underwriting strategy, which has led to an improved combined ratio; a testament to enhanced underwriting profitability.

UIC has a secured investment portfolio, which further strengthens the liquidity profile of the Company. Apart from strategic investments, all investments are very liquid. This would be a source of further liquidity generation. Furthermore, the Company has envisaged a plan of diversifying into real estate investments. The investment income remained minuscule as the Company employs funds in its associated concern, “Apna Bank”, however, the appreciable increase in profitability provided comfort. The Company has a strong reinsurance panel led by Swiss Re (rated AA- by S&P), nearly all other reinsurers are in the “A” category, which provides strong coverage against potential and unforeseen losses.

The ratings are dependent upon the envisaged plan of sustaining its relative positioning and its control environment. Continued generation of internal capital, enhancement of liquidity and SPI Insurance Company’s merger with and into UIC is considered essential.

About the Entity

UIC, established in 1959, is listed on the Pakistan Stock Exchange. It is operating through an extensive network of 150 branches concentrated in the northern region of Pakistan. The Company is part of The United International Group (UIG) which controls 89.11% shareholding in the Company. Mr. Muhammad Akram Shahid entered the operational ambit of UIC as Chief Executive Officer. The Company is led by the strategic vision of the newly appointed CEO of UIC as well as the Chairman of United International Group Mian M.A. Shahid, an insurance veteran. UIG has a sizeable stake in microfinance banking, through Apna Microfinance Bank, and the insurance industry, through UIC and SPI Insurance Company. 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 the seven-member BoD. Mr. Jamil Ahmed Khan, an independent director, has been inducted as the Board Chairman. There are two independent directors including the Chairman, two members executive directors including CEO and the remaining three members are non-executive directors.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.