

Press Release

VIS assigns initial IFS Rating to Askari General Insurance Company Limited

Lahore, February 29, 2024: VIS Credit Rating Company Limited (VIS) has assigned an initial Insurer Financial Strength (IFS) rating of 'AA+ (IFS)' (Double A Plus IFS) to Askari General Insurance Company Limited (AGICO or 'the Company'). The IFS rating of 'AA+' denotes very strong capacity to meet policyholders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small. Outlook on the assigned rating is 'Stable'.

The rating assigned to AGICO takes into account strength of its primary shareholder, Army Welfare Trust that has a presence in various sectors of the economy. The business risk profile of the insurance industry is currently elevated owing to projected slowdown in the domestic economic activity due to high interest rates, rupee devaluation, and heightened inflation levels coupled with expected rate hardening by international reinsurers. The rating factors in growth in business volumes on account of inflation and forex impact in premiums, and onboarding of few new clients. While underwriting profit decreased, bottom line was supported by increasing investment income. Investment portfolio is dominated by debt securities (primarily PIBs & Ijarah Sukuk) followed by mutual funds; the credit risk emanating from the same is manageable. Going forward, the Company's investments are planned to be directed towards Shariah-Compliant instruments. Successful implementation of the planned strategy would be important for the assigned rating, going forward.

Rating is also supported by reinsurance arrangements largely with counterparties having sound credit risk profiles. AGICO is considered sound from solvency risk point of view as the Company has adequate cushion in terms of admissible assets over its liabilities. On the other hand, operating and financial leverages scaled up on a timeline and are higher than the peer median. With significant uptick expected in business volumes, the leverage indicators are projected to increase further during the rating horizon. Going forward, improvement in underwriting profits through rationalization of loss ratios, adequate mitigation of market risk and improvement in profitability would remain important rating drivers. Lastly, adequate management of leverage indicators to remain aligned with assigned rating would be important.

For further information on this rating announcement, please contact Ms. Arooba Ashfaq at 042-35723411-13 (Ext: 8011) or the undersigned at 042-35723411-13 (Ext: 8008) or email at info@vis.com.pk



Maimoon Rasheed
Director

Applicable Rating Criteria: General Insurance

<https://docs.vis.com.pk/docs/GeneralInsurance-2023.pdf>

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

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