

Press Release

VIS reaffirms IFS Rating of United Insurance Company of Pakistan Limited

Lahore, August 5, 2024: VIS Credit Rating Company Limited (VIS) has reaffirmed Insurer Financial Strength (IFS) rating of 'AA+ (IFS)' (Double A Plus IFS) of United Insurance Company of Pakistan Limited (UICPL 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'. Previous rating action was announced on July 27, 2023.

The rating assigned to UICPL takes into account the sound business profile of the United International Group with business interests in insurance, information technology, dairy, and vehicle tracking. UICPL being the group's flagship company is a major player among the leading general insurers and has a well-established and growing takaful segment of the business. Rating derives comfort from growth in Gross written premium (GWP) during the review period despite stressed global and domestic economic environment prevalent. The business risk profile of insurance industry has improved slightly owing to slight recovery of the domestic economic activity with recent reduction in interest rate, rupee stabilization and lower inflation rate, however, it is still high due to rate hardening by policyholders and impact of ongoing conflicts between Russia & Ukraine and Israel & Palestine. Going forward, the management projects that the Company would be able to close CY24 with an organic growth of 20% in topline.

The rating incorporates higher loss ratio recorded on gross basis than the peer median aligned with higher incidence of claims pertaining to motor and crop segment but with increase in reinsurance ceded, the net loss ratio remained low than the peer mean and median. Additionally, expense ratio improved slightly in line with rationalization of management expenses and increase in operating scale. Subsequently, combined ratio remained unchanged indicating profitable underwriting operations.

The rating further incorporates reinsurance arrangements largely with counterparties having sound credit risk profiles with appropriate risk retention on net account to maintain risk appetite of the Company. Moreover, the liquidity profile remained sound as exhibited by liquid assets maintained in relation to net technical reserves. In addition, the investment portfolio continues to support the bottom line; the credit and market risks originating from the same are also manageable. Going forward, the rating remains dependent upon effective management of financial risk profile amid challenging business environment and the need to address the increasing operating leverage and aging of claims. The management is also focusing on digital technology to enable the Company improve customer experience, streamline processes, and increase the availability of online insurance products and services

For further information on this rating announcement, please contact at 042-35723411-13 or email at info@vis.com.pk.

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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