

Press Release

JCR-VIS Reaffirms IFS Rating of Reliance Insurance Company Limited

Karachi, November 27, 2017: JCR-VIS Credit Rating Company Limited has reaffirmed the Insurer Financial Strength Rating of Reliance Insurance Company Limited (RICL) at 'A' (Single A). Outlook on the assigned ratings is 'Positive'. The previous rating action was announced on December 29, 2016.

The rating incorporates sound capitalization level of the company that has strengthened over time on account of profit retention. Overall liquidity profile of the company is also considered sound with positive operating cash flows. Strong reinsurance program, improving underwriting performance, increasing market share (in terms of both gross and net premiums) and sustainability & quantum of underwriting profits will continue to be key determinants for future direction of rating.

Gross premium of RICL grew by 8.0% with market share of the company improving to 1.85% in 2016. Business mix has remained unchanged with marine, aviation and transport segment representing more than half of gross business followed by fire & property and motor segments. Going forward, business volumes are projected to grow at a steady pace with growth planned in marine and motor business where loss ratios have remained manageable.

Reinsurance panel of the company is considered strong with Swiss Re as the lead reinsurer. Retention level and treaty capacities have witnessed steady increase given anticipated growth in business volumes. Gross and net claims ratios of the company have remained well below the industry average. Moreover, with a decline in expense ratio, underwriting profitability of the company also improved. Given the recent downward trajectory in stock market, the company may need to strengthen its underwriting operations in order to sustain its profitability and capitalization indicators.

Liquidity profile of the institution has improved with higher liquid assets in relation to liabilities and increase in cash flow from operations. Leverage indicators of the company are also considered sound and within prudent limits. Moreover, insurance debt in relation to gross premium has also remained within manageable levels.

For further information on this rating announcement, please contact the undersigned (Ext: 207) or Mr. Javed Callea (Ext: 201) at 021-35311861-71 or fax to 021-35311872-3.

Jamal Abbas Zaidi
Advisor

Applicable rating criterion: Methodology: General Insurance (March 2017)
<http://jcrvis.com.pk/docs/Meth-GenInsurance201702.pdf>

Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS Credit Rating Company Limited (JCR-VIS) does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the rating(s)/ranking(s) mentioned in this report. JCR-VIS is not an NRSRO and its credit ratings are not NRSRO credit ratings. JCR-VIS is paid a fee for most rating assignments. This rating/ranking is an opinion and is not a recommendation to buy or sell any securities. Copyright 2017 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.