

JCR-VIS Credit Rating Company Limited

Founder Shareholder - Islamic International Rating Agency (IIRA), Bahrain
Joint Venture Partner - Credit Rating & Information Services Ltd. (CRISL), Bangladesh
Member - Association of Credit Rating Agencies in Asia (ACRAA)

Press Release

JCR-VIS Reaffirms IFS Rating of Reliance Insurance Company Limited

Karachi, December 29, 2016: 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 rating continues to be 'Positive'. The previous rating action was announced on December 30, 2015.

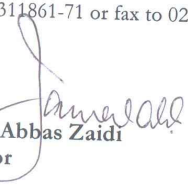
The assigned rating to RICL incorporates strong liquidity profile, adequate capitalization indicators and reinsurance program along with improving underwriting performance. While maintaining other key rating parameters, increasing market share (in terms of both gross and net premiums) and sustainability & quantum of underwriting profits will be positive rating drivers for the company. RICL is backed by Amin Bawany and Al-Noor Group of Companies, two prominent industrial groups.

Gross premium depicted a growth of 8.4% and 9.7% during FY15 and 9M16, respectively. Marine, aviation and transport segment represents over half of gross premiums followed by fire & property and motor business. In terms of net premium revenue, motor represents around half of total net premiums. 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. For 2016, retention and treaty capacities have witnessed steady increase in key business segments. Maximum retention on net account in any business segment is low in relation to company's equity base. Gross and net claims ratios of the company have consistently remained below industry average. With a decline in expense ratio, RICL managed to post improved underwriting profits during 9M16. However, expense ratio continues to be on the higher side in relation to peers. Overall profitability of RICL is supported by sizeable investment income.

Liquidity profile of the institution has improved with higher liquid assets in relation to liabilities and increase in cash flow from operations. Moreover, insurance debt in relation to gross premium has remained within manageable level. Capitalization levels of the institution have increased over time on account of retained profits. Leverage indicators are on the lower side and indicative of room for growth.

For further information on this rating announcement, please contact the undersigned (Ext: 516) or Mr. Javed Callea (Ext: 501) at 021-35311861-71 or fax to 021-35311872-3.


Jamal Abbas Zaidi
Advisor

Applicable rating criterion: Methodology: General Insurance (September 2016)
<http://www.jcrvis.com.pk/kc-meth.aspx>

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Head Office : VIS House, 128/C, 25th Lane Off. Khayaban-e-Ittehad Phase VII, D.H.A. Karachi. Ph: (92-21) 35311861-70 Fax: (92-21) 35311872-73
Lahore : VIS House, 431 - Block-Q, Commercial Area, Phase II, DHA, Lahore. Ph: 042-35723411-13 Fax: 042-35708410 Website: www.jcrvis.com.pk