The Pakistan Credit Rating Agency Limited

Rating Report

TPL Insurance Limited

Report Contents

Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
02-May-2025	AA (ifs)	Stable	Maintain	-
03-May-2024	AA (ifs)	Stable	Maintain	-
05-May-2023	AA (ifs)	Stable	Maintain	-
07-May-2022	AA (ifs)	Stable	Maintain	-
31-Mar-2022	AA (ifs)	Stable	Harmonize	-
07-May-2021	AA-	Stable	Upgrade	-
27-Aug-2020	A+	Stable	Maintain	-
27-Aug-2019	A+	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

Pakistan's general insurance industry has a total size of PKR ~168bln during 9MCY24 (9MCY23: ~PKR 146bln), exhibiting a growth of ~15%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~81% in underwriting results (9MCY24: ~PKR 7.7bln, 9MCY23: ~PKR 4.2bln). The net income of the industry also experienced an increase of ~33% to PKR 17bln during 9MCY24 (9MCY23: PKR 13bln). Overall, the industry outlook remains stable with substantial liquidity available to players.
The IFS rating of TPL Insurance Limited ('TPL Insurance' or 'the Company') gathers support from its stable position in the peer universe. The Sponsors hold adequate acumen, with the requisite presence on the Board and managerial framework. The Company underwrites business in both Conventional (~49.7%) and Window Takaful Operations (~50.3%), and witnessed a substantial growth of ~23% in GWP. Motor remained the top contributor, generating ~64% of the overall GWP, followed by Fire & Property (~17%), Accident & Health (~11%), Miscellaneous (5%), and Marine & Transport (~3%). However, at the underwriting level, the Company only generated ~PKR 37mln. The combined ratio remained significant, highlighting the need for a prudent underwriting strategy going forward. The investment income, despite being small, supports the bottom line. Going forward, efficient management of the investment book is required for sustained profits. On the financial risk front, the Company holds adequate liquidity with the majority of the investment book comprising bank deposits. Higher claims stress the efficiency. The Company works with an adequately rated panel of reinsurers. Equity is maintained at an adequate level.

The rating depends on the Company's ability to diversify its revenue stream. The inclusion of foreign partners is expected to provide oversight and remains imperative to the overall risk profile of the Company. Prudent management of business and financial risk remains crucial for the ratings. Considerable challenges to the financial performance and position of the Company require attention.

Disclosure

Name of Rated Entity	TPL Insurance Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology | Rating Modifiers(Apr-24),Assessment Framework | General Insurance(Mar-25)
Related Research	Sector Study | General Insurance(Jun-24)
Rating Analysts	Faiqa Qamar | faiqa.qamar@pacra.com | +92-42-35869504

Profile

Legal Structure TPL Insurance Limited ('TPL Insurance' or 'the Company') was incorporated in 1992. The Company has been listed on PSX since Sep-2011.

Background The Company started its operations in 1992. In 2005, the Company became Pakistan's 1st Direct Insurance Company. Later, in 2021, DEG Germany Equity Investments invested in the Company. In 2014, the Company started its Window Takaful operations. Over the years, the Company has developed state-of-the-art Insurtech infrastructure and has grown in delivering superior and hassle-free insurance products to individual and corporate clients.

Operations The Company operates in both Conventional and Takaful business. Within both, the Company is engaged in Auto, Fire, Marine, Health, Home, Travel, Mobile, Cyber Risk, Engineering, Agriculture, and Miscellaneous segments. The Company operates through a network of six branches, including the HO in Karachi.

Ownership

Ownership Structure Major stake of the Company ~53.6% lies with the Sponsors through associated companies. Foreign investors, including DEG (~16%) and Finnish Fund for Industrial Cooperation Limited (~17%), hold cumulatively ~32.9%. Financial Institutions and Mutual Funds hold (~2.9%) stake. While Directors and senior management hold ~1.44% stake. The remaining stake is held by the general public (~6.1%), others hold (~3.06%).

Stability The ownership seems steady as the majority stake is held by the Sponsors, having significant financial footings across property and IT sector.

Business Acumen The Sponsors possess robust expertise and a diversified business portfolio through their various subsidiaries.

Financial Strength The financial profile of the Sponsoring groups is quite sound, reflected by their highly successful business ventures in various sectors. This provides financial strength to the Company, if needed.

Governance

Board Structure The overall control of the Company lies with an eight-member Board - three Non-Executive, two Nominated, one Executive, and two Independent Directors. The Board has female presence and is dominated by the representatives of the Sponsors.

Members' Profile The Chairman of the Board, Mr. Jameel Yusuf, has been associated with the Company since its inception. He has more than three decades of experience. Mr. Aqueel E. Merchant, an Independent Director, has more than three decades of experience in consulting services covering banking, FMCGs, and government clients. He has been associated with the Company since 2022. All other members possess diversified backgrounds and acumen.

Board Effectiveness During CY24, the Board met four times. The Board is assisted by four committees, namely: (i) Audit, (ii) Investment, (iii) Ethics, Nomination, Human Resource & Remuneration. Ethics, Nomination, Human Resource & Remuneration Committee met twice, and all committees met quarterly. All Committees are headed by a Non-Executive and Independent Director and meet on a quarterly basis. Minutes of the meeting being documented extensively.

Transparency M/S. BDO Ebrahim Chartered Accountants & Co. issued an unqualified audit report on the financial statements as of CY24. The firm is QCR rated and on SBP's panel in category "A"

Management

Organizational Structure The Company operates through six departments, namely: (i) Underwriting, (ii) Claims, (iii) Sales, (iv) Operations, (v) Finance, and (vi) Digital Department. The HoD reports directly to the CEO, who then reports to the BoD. However, the Head of Internal Audit and HR administratively reports to the CEO and functionally reports to their respective BoD Committees.

Management Team Mr. Mohd. Aminuddin has been associated with the Company as the CEO since Aug-18. He has more than three decades of professional experience. The CFO, Mr. Yousuf Zohaib Ali, has been associated with the Company since Oct-20 and has more than two decades of experience. He is assisted by a team of professionals.

Effectiveness The Company has four management committees, namely: (i) Underwriting, (ii) Re-insurance & Co-insurance, (iii) Claim Settlement, and (iv) Risk Management & Compliance Committee. These committees are chaired by the Independent Directors and meet quarterly.

MIS The MIS generates monthly comprehensive reports for the BoD. This also provides management with sophisticated management tools in a structured way, which helps the Company to bring operational efficiency.

Claim Management System Claims approval is centralized at HO. The loss executive or the agent (call center) captures the incidence of claims in 'Claim Intimation Slip (CIS)' when verbal intimation is received through (i) 24/7 call center of TPLI, (ii) Trakker Business Partners (TBPs) (i.e. TPL's dealers), or (iii) the claims department.

Investment Management Function The Board's investment committee oversees the investment function with the CFO's support.

Risk Management Framework The Company's risk management policies are designed to control risks to align with market conditions and company activities.

Business Risk

Industry Dynamics Pakistan's general insurance industry has a total size of PKR ~168bln during 9MCY24 (9MCY23: ~PKR 146bln), exhibiting a growth of ~15%, in terms of Gross Written Premium (GWP). The industry reported a growth of ~81% in underwriting results (9MCY24: ~PKR 7.7bln, 9MCY23: ~PKR 4.2bln). The net income of the industry also experienced an increase of ~33% to ~PKR 17bln during 9MCY24 (9MCY23: ~PKR 13bln). Overall, the industry overall outlook remains stable with substantial liquidity available with players.

Relative Position TPL Insurance is a medium-tier player with a market share of ~2.2% in terms of GWP as of 9MCY24.

Revenue The Company generated GWP from Conventional (~49.7%), followed by Window Takaful (~50.3%). During CY24, the Company generated GWP of ~PKR 5bln (CY23: ~PKR 4.1bln), a value-driven increase of ~23%. Motor stood as the top-performing segment, contributing ~64% to GWP, followed by Fire & Property (~17%), Accident and health (~11%), Miscellaneous (~5.2%), and Marine & Transport (~3%). Going forward, GWP is expected to follow the same trajectory.

Profitability During CY24, the Company reported an underwriting profit of ~PKR 37mln (CY23: ~PKR 155 mln-loss) due to controlled management expenses. Investment income supported the bottom line reported at ~PKR 72mln (CY23: ~PKR 1.1bln). Upholding prudent underwriting practices will remain beneficial, resulting in an improved bottom line during CY25.

Investment Performance The investment book of the Company majorly comprises Cash and Bank balances (~82%). During CY24, the Company reported investment income of ~PKR 389mln (CY23: ~PKR 445mln), a decline due to reduction in policy rate during the year. Going forward, prudent investment management would enhance the bottom line.

Sustainability The Company needs to prioritize operational efficiency so as to add value to its existing operations.

Financial Risk

Claim Efficiency As of CY24, the claims outstanding days increased and stood at ~149 days (CY23: ~140 days). Outstanding claims increased ~10.5% and stood at ~PKR 1bln (CY23: ~PKR 0.9bln). Net insurance/takaful claims increased ~9.3% and stood at ~PKR 1.6bln (CY23: ~PKR 1.5bln). Motor claims inflate Claims Efficiency Days and require more time due to surveys and due diligence activities. It is pivotal to minimize claims to enhance operational efficiency.

Re-Insurance Reinsurance arrangements are with reputable reinsurers; Reinsurer panel for conventional business: Hannover Re (rated 'AA-' by S&P), PRCL (A by VIS), SAVA Re (A by A.M. Best), Trust Re (A- by A.M. Best), Labuan Re (A- by A.M. Best), Arche Re (A+ by S&P), Saudi Re (A- by S&P), Singapore Re (A by A.M. Best), Kenya Re (B by A.M. Best) and Oman Re (BBB- by Fitch).

Cashflows & Coverages As of CY24, the liquid assets/net insurance premium ratio improved and stood at ~1.2x (CY23: ~1.1x) due to an increase in liquid assets by ~7% reported at ~PKR 4.2bln (CY23: ~PKR 3.9ln). Liquid assets/outstanding claims ratio deteriorated slightly to ~3.9x (CY23: ~4x) due to an increase in outstanding claims. In the future, it is imperative that liquidity is maintained to support the sustainability of the ratio.

Capital Adequacy Total equity increased ~4% and stood at ~PKR 2.7bln as of CY24 (CY23: ~PKR 2.6bln), owing to increased profit accumulation. Admissible assets to total liabilities ratio slightly decreased to ~1.3x (CY23: ~1.4x), due to an increase in total liabilities reported at ~PKR 5.1bln (CY23: ~PKR 4.6bln). Going forward, maintaining an optimal level of capital adequacy is essential.

Financial Summary
PKR Mln

TPL Insurance Limited
Public Listed Company

			Dec-24	Dec-23	Dec-22
			12M	12M	12M
			Audited	Audited	Audited
A	**BALANCE SHEET**				
	1	Investments	4,554	4,253	3,309
	2	Insurance Related Assets	1,882	1,665	1,389
	3	Other Assets	1,182	1,090	851
	4	Fixed Assets	321	301	422
		Total Assets	7,939	7,309	5,971
	1	Underwriting Provisions	2,585	2,123	1,968
	2	Insurance Related Liabilities	1,527	1,388	1,230
	3	Other Liabilities	936	1,029	393
	4	Borrowings	140	130	235
		Total Liabilities	5,188	4,670	3,827
		Equity/Fund	2,751	2,638	2,144
B		**INCOME STATEMENTS**			
	1	Gross Premium Written/Gross Contribution Written	5,020	4,085	3,823
	2	Net Insurance Premium/Net Takaful Contribution	3,424	3,085	2,967
	3	Underwriting Expenses	(3,387)	(3,240)	(2,782)
		Underwriting Results	37	(155)	185
	4	Investment Income	389	445	85
	5	Other Income / (Expense)	(281)	882	(205)
		Profit Before Tax	145	1,172	65
	6	Taxes	(73)	(45)	(47)
		Profit After Tax	72	1,127	18
C		**RATIO ANALYSIS**			
	1	**Profitability**			
		Loss Ratio - Net Insurance & Takaful Claims / Net Insur	48.4%	49.1%	47.6%
		Combined Ratio (Loss Ratio + Expense Ratio)	98.9%	105.0%	93.8%
	2	**Investment Performance**			
		Investment Yield	8.8%	11.8%	3.0%
	3	**Liquidity**			
		(Liquid Assets - Borrowings) / Outstanding Claims Inclu	3.9	4.0	3.3
	4	**Capital Adequacy**			
		Liquid Investments / Equity (Funds)	163.9%	159.5%	152.7%

Insurer Financial Strength (IFS) Rating

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of an insurance company to meet policy holders and contractual obligations.

Scale	Long-Term Rating
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment.
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

Rating Modifiers | Rating Actions

Outlook (Stable, Positive, Negative, Developing)

Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business / financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch

Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension

It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn

A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.

Harmonization

A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note: This scale is applicable to the General Insurance & Takaful Operator, and Life Insurance & Family Takaful Operator methodology

Regulatory and Supplementary Disclosure
(Credit Rating Companies Regulations,2016)

Rating Team Statements
(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) **Conflict of Interest**
i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions
(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business
(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
(8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest
(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA´s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review
(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
(19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument;| Chapter III | 17-(d)
Probability of Default
(22) PACRA´s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA´s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA´s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)
Proprietary Information