



Rating Action

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PACRA Updates IFS Rating of Shaheen Insurance Company Limited

The Pakistan Credit Rating Agency (PACRA) has maintained the IFS rating of Shaheen Insurance Company Limited (SIC) at "**A-**" (**A minus**). The rating denotes strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.

The rating recognizes increasing role of Shaheen Foundation in the governance of the company under a framework of enhanced oversight and financial support. The company has experienced squeeze in its risk absorption capacity, as a result of sizeable cash flows being diverted to illiquid, non-earning avenues. However, this would be addressed through multiple steps envisaged by the board including injection of fresh capital (PKR 50mln), also ensuring compliance with the regulatory requirement. The underwriting performance of the company, with the management's focus on invigorating underwriting practices and controlling acquisition cost, has depicted some improvement. Moreover, there is continued focus on strengthening the operating platform for enhancing the quality of business performance and customer service.

The outlook on the rating is "**Negative**", which takes cognizance of the fact that sustainability in the underwriting performance is yet to be established. Moreover, the change in the ownership structure, though at an advanced stage, is still to be completed. Meanwhile, any abrupt change in the management, destabilizing the company's operations, would be critical for the rating.

About the company

SIC commenced commercial operations as a general insurance company in 1995, and is currently listed on all three bourses of the country. With its head office in Karachi, the company has a nationwide network of 13 branches and liaison offices. The company has announced 20% right shares (PKR 50mln) which, subject to regulatory approval, is expected to be completed by end Mar-12.

The ownership structure of the company is in a process of change. Hollard, the international partner, has decided to take an exit; while, the First Capital Group (FCG) is under financial stress. Shaheen Foundation has got requisite approvals to enhance its stake, making it majority owner in SIC.

Currently, the overall control of the company vests in seven-member BoD, four of them are representatives of SF and three of FCG. Mr. Asif Suleman, a Chartered Accountant, has been elevated to the position of CEO in 2010, previously working as CFO since 2004. Mr. Asif is assisted by a team of adequately experienced professionals. SF's board has lately appointed an executive director from Shaheen Foundation to exercise close oversight of the company's affairs.

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