



Rating Action

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PACRA MAINTAINS IFS RATING OF THE UNITED INSURANCE COMPANY OF PAKISTAN LIMITED

The Pakistan Credit Rating Agency (PACRA) has maintained the IFS rating of The United Insurance Company of Pakistan Limited (UIC) at "A" (Single A). 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 reflects UIC's strong risk absorption capacity emanating from a robust financial base that adequately supports the company's high growth stance. The company's business plan predominantly focuses on wide-spread small sized business volumes. Although this has led to high business acquisition cost, the benefits are accrued in the form of low loss ratio, engendering superior underwriting performance compared to peers. The rating incorporates improved control environment supplemented by real time IT platform.

The rating is dependent on management's ability to successfully execute its business strategy of diversification and growth, while preserving underwriting profitability. A more structured approach towards claim handling, thereby bringing clarity as to the claims processing and reporting mechanism, would remain critical for the rating. Meanwhile, strengthening of governance framework, bringing further oversight to the corporate strategy, and compliance to the regulatory matters are important.

About the company

UIC, established in 1959, is listed on the Karachi Stock Exchange. It is operating through an extensive network of 110 branches covering all major cities of the country (with high concentration in the North region). Aside from the three major types of insurance products available in the market (Fire, Marine and Motor), the company is doing Crop, Livestock, and other micro insurance.

Majority ownership of the company is held by family and associates of the chairman of BoD, Mian M.A. Shahid. This represents diverse number of individuals, making ownership structure complex. Though sponsors intend to consolidate the ownership structure, with simultaneous improvement in the governance framework including induction of independent director/s, any material progress has to be made.

Mr. Shahid, a law graduate having extensive insurance industry experience, chairs the BoD and actively participates in management functions and heads various management committees. He is assisted by the CEO and a team of experienced professionals, most of them have been engaged from other insurance companies and financial institutions. The CEO, Mr. Khawas Khan Niazi, was promoted to this position in 2009. He has been associated with UIC since 2002 and has served as the company's CFO.

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