



Date

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Analysts

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Applicable Criteria

- General Insurance and Takaful Operator (Jun 16)
- Rating Modifiers | Outlook and Rating Watch (Jun 16)

Related Research

- Sector Study | General Insurance (Nov 16)

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PACRA Maintains Entity Rating of IGI Insurance Limited; Rating Watch

Rating Type	IFS	
	Current (30-Dec-2016)	
Action	Maintain	
Long Term	AA	
Short Term	-	
Outlook	Rating Watch-Developing	
Rating Watch	RatingWatch	-

The rating draws comfort from the investments-holding company structure of IGI Insurance. This, while generating non-core revenue stream, provides strong risk absorption capacity to the company, engendering high level of resilience and flexibility against varied risks. The company continued to march on growth trajectory, invariably in all segments, while maintaining diversification of premium mix. Advanced IT platform supports efficient operations, particularly superior claims handling system. Comfort is drawn from the sound governance practices of the group.

The rating placed on rating watch, with developing status. The sponsors of IGI group intend to redesign the overall structure of its multiple businesses engaged primarily in the ambit of financial services. Formation of a financial services Holding Company (Holdco) is proposed. A two-step transaction is envisaged comprising i) merger of IGI Investment Bank Limited (IGI IBL) with and into IGI Insurance company (IGI) and ii) de-merger of IGI to form a Holdco having separate subsidiaries for different business lines – General Insurance, Life Insurance, Brokerage and Investments. The merger and de-merger would be under share swap arrangement; whereby shareholders of IGI IBL will be issued IGI's shares according to a swap ratio of 1:92, while swap ratio of hived down insurance entity is yet to be decided. The company is in process of applying court petition. The merger of IGI IBL with and into IGI have minimal impact on profile of IGI, due to its small size (1.6% of merged entity). However, hived-down of insurance would change the entire corporate structure, and, hence, would necessitate rating review. The de-merger to form a holding company will bring further focus to the group's strategy to deliver various financial services. PACRA would continue to monitor these developments and the rating would be updated accordingly.

About the Entity

IGI Insurance Limited (IGI), established in 1953, is engaged in offering general insurance services. IGI, listed on Pakistan Stock Exchange, is the flagship company of the Packages Group. Currently, the company, in addition to underwriting insurance business, acts as an investments-holding company of the group. The packages group including Ali Family holds ~62% stake in the company. The Packages Group ranks among the larger industrial groups of the country, having diversified interests in packaging, dairy, pharmaceutical, and financial sectors.

Eight-member Board of Directors - comprises two independent directors, two executive directors (including the CEO) and four non-executive directors representing the main sponsoring family. Syed Babar Ali is the Chairman of the board. The board comprises seasoned professionals with a diverse portfolio of experiences. Mr. Chaudry Tahir Masaud, CEO, is an ACII and MBA from LUMS, having diversified national and international insurance related experience of over 20 years.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer

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