



Date

18-Jun-21

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Applicable Criteria

- Methodology | GI | Jun-20

Related Research

- Sector Study | General Insurance | May-21

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PACRA Upgrades IFS Rating of Alfalah Insurance Company Limited

Rating Type	IFS	
	Current (18-Jun-21)	Previous (26-Aug-20)
Action	Upgrade	Maintain
Long Term	AA	AA-
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

The rating takes into account Alfalah Insurance's robust financial profile, emanating from i) healthy business volumes arising from health and motor segments ii) consistent profitability providing support to equity base and ii) investment book that contributes a sizeable income stream hence providing cushion to the bottom line.

Alfalah Insurance capitalizes on its unique portfolio in health segment in collaboration with a renowned telecom operator. This has yielded noteworthy results, leading to business expansion and branding of the company. The inherent practice of retaining risk in motor segment has yielded higher underwriting profitability. Synergies with Bank Alfalah has provided positive momentum in volumes in motor segment and improved business volumes via the health product post COVID. Non-captive business volumes have multiplied over the years, providing comfort to the top-line. A healthy investment income lends support to the bottom-line. Enhanced liquidity and sound cash flow generation ability, leading to an improved combined ratio, provides strength to the rating. Rating also draws strength from sponsorship of the company i.e. Abu Dhabi Group and the association with group bank – Bank Alfalah. Further, the rating takes into account series of reinsurance treaties signed with internationally rated reinsurance companies.

Prior to COVID-19, the general insurance industry witnessed a growth of 11% YoY. The pandemic affected the volumes, which led to a contraction in the growth. However, volumes have picked up post-June 2020 amidst increase in economic activities throughout the country. The industry has managed to sustain the business volumes and profitability through improvement in investment income as at December 2020.

The rating is dependent on the company's ability to augment its market position in the competitive landscape, while upholding the underwriting performance. Strengthening of liquid profile is vital along with prudent management of claims and receivables.

About the Entity

Alfalah Insurance Company Limited, commencing business in Sep'06, is engaged in providing non-life insurance services. Alfalah Insurance, with its head office in Lahore, operates through two business Hubs North and South with a total of 10 branches. Abu Dhabi Group (ADG), consisting of members of UAE's ruling family and leading businesses, owns Alfalah insurance through key sponsoring individuals and group companies including Bank Alfalah Limited.

The company's seven-member board, including CEO, is chaired by H.H. Sheikh Nahayan Mabarak Al Nahayan. Three board members come from the sponsoring group; two members represent Bank Alfalah Limited, while one member holds executive position in ADG. The CEO, Mr. Abdul Haye, is assisted by a team of professionals, possesses around three decades of related experience.

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 financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.