



The Pakistan Credit Rating Agency Limited

JUBILEE GENERAL INSURANCE COMPANY LIMITED (JUBILEE)

IFS RATING REPORT

	NEW [DEC-16]	PREVIOUS [DEC-15]
Insurer Financial Strength (IFS) Rating	AA+	AA+
Outlook	Stable	Stable

REPORT CONTENTS
1. RATING ANALYSES
2. FINANCIAL INFORMATION
3. RATING SCALE
4. REGULATORY AND SUPPLEMENTARY DISCLOSURE

DECEMBER 2016

Profile & Ownership

- Jubilee General, incorporated in 1953, is the third largest general insurance company in Pakistan and is listed on Pakistan stock exchange
- Significant shareholders include Aga Khan Development Network (57%) including Habib Bank Limited (18%), and Hashoo Group (16%)
- AKDN Group has ownership stake in commercial ventures operating in sectors like insurance, banking, hotels, education, and tourism
- HBL is the country's largest private sector bank and is rated 'AAA'.

Governance and Management

- Nine member board of directors, including CEO; includes four representations of AKDN, three of Hashoo Group and one of HBL
- Mr. Towfiq H. Chinoy, a distinguished industrialist, is board chairman
- Mr. Tahir Ahmed, the company's MD since Jul-05, is an engineer, MBA, and a Chartered Insurer, with extensive experience in insurance
- Qualified and experienced professionals assists the MD

Business Risk

- The company has a market share of ~12% (9M16)
- GPW mix is very well diversified in fire segment (29%), miscellaneous (28%), motor (17%), health (13%), marine (8%) and liability (6%)
- Miscellaneous segment further comprises engineering (31%), terrorism (21%), Products of Financial institutions (21%) and Bond (16%)
- Slight decline in GPW (2%), due to terrorism (~78%) and liability (25%) segment, however net premium revenue grew by 4% benefiting most from growth in fire (24%) and motor (14%)
- Gross loss ratio spiked due to one off claims in fire (9M16: 99%, 9M15: 39%); effective reinsurance placement, however, protected the company on net account
- Net loss ratio sustained at 52%; herein higher loss ratio from liability segment (9M16: 35%, 9M15: 17%) was offset by decrease in net loss ratio of all other segments.
- Operating expenses though kept in check, small NPR growth translated into combined ratio increasing to 94% (9M15: 90%)

Business Strategy

- Jubilee General envisages continuing its growth strategy while ensuring improved profitability
- Collaboration with Jubilee Life Pakistan for its health business, sharing common operating platform, augments operating efficiency
- Product innovation with focus on retail and micro insurance

Financial Risk

- The size of liquid investment book (end-Sep16: PKR 10,147mln) provides robust risk absorption capacity
- The risk profile of the investment portfolio remained balanced with more than half of the funds deployed in low risk bank deposits and Government securities (68%)
- Strong liquidity position, providing 2.4 times cover to the claims liability at end – Sep'16
- Premium outstanding days remain low compared to peers (111 days); herein 81% of the premium due is to be paid within 6 months
- In CY16, 71% of claims payable were settled, lower than CY15 (74%)
- The company undergone considerable development in revamping its claims handling system; i) Completely centralized at Head office in 2015, ii) Web-based real time settlement system, and iii) upgraded MIS reporting. However, the process requires improvement in monitoring of claims turnaround time (TAT)

RATING RATIONALE

The rating reflects Jubilee General's robust risk management framework facilitating the company in sustaining sound underwriting performance. The rating recognizes the management's persistent efforts of penetrating relatively untapped segments, also reflected in its diverse premium mix compared to peers. Jubilee General has sound equity base and sufficient liquidity engendering strong risk absorption capacity. The company's efforts for improving the overall quality of control environment are bearing fruits. The ability of key sponsor, Aga Khan Development Network (AKDN), to foster synergies amongst its financial institutions operating in Pakistan - HBL, Jubilee General, and Jubilee Life - and in the group's different insurance companies across the globe, is also a consideration. The business strategy, going forward, is focused on improving its market position through increasing retail penetration and focusing motor insurance; benefiting from synergies with HBL. Jubilee is eyeing high business opportunities for future with the advent of CPEC projects and improved economic dynamics of the country.

KEY RATING DRIVERS

The rating is dependent upon sustained competitiveness of the company with improvement in underwriting profitability. Recently upgraded claims handling system should be reflected in improved Turnaround Time (TAT) of claims.

INDUSTRY

Pakistan's general insurance continued growth trajectory (CAGR 4 years 10%). While fire and motor growth is driven by credit off by the banks, the miscellaneous segment has seen largest growth in health, crop, and livestock. The underwriting profitability improved, though change in tax laws shall impact net profits, going forward. Growth prospects are sanguine.



GENERAL INSURANCE Financials [Summary]

The Pakistan Credit Rating Agency Limited

Jubilee General Insurance Company Limited

	<i>PKR mln</i>		
	30-Sep-16	31-Dec-15	31-Dec-14
BALANCE SHEET			
Investments			
Liquid Investments	9,546	9,392	8,449
Strategic Investments	1,035	867	347
Other Investments	668	674	681
	11,249	10,933	9,477
Insurance Related Assets	5,618	2,528	2,486
Other Assets	2,450	1,816	1,576
TOTAL ASSETS	19,317	15,278	13,539
Equity	6,239	5,916	5,423
Underwriting Provisions	3,865	2,822	2,432
Insurance Related Liabilities	6,430	4,263	4,003
Other Liabilities	2,783	2,277	1,682
TOTAL EQUITY & LIABILITIES	19,317	15,278	13,539
INCOME STATEMENT			
Gross Premium Written (GPW)	6,849	8,061	6,961
Net Premium Revenue (NPR)	3,185	4,173	3,645
Net Claims	(1,664)	(2,189)	(2,083)
Net Commission	(331)	(428)	(330)
Net Operational Expenses	(993)	(1,188)	(1,008)
UNDERWRITING RESULTS	196	368	224
Investment Income	946	1,334	1,048
Other Income/ (expense)	137	18	(3)
PROFIT BEFORE TAX	1,280	1,720	1,270
RATIO ANALYSIS			
Underwriting Results			
Loss Ratio	52%	52%	57%
Combined Ratio	94%	91%	94%
Performance			
Operating Ratio	60%	59%	65%
Investment Yield	10%	13%	12%
Liquidity & Solvency			
Liquidity Ratio – times	2.2	3.2	3.0



RATING SYMBOLS & DEFINITIONS:

**INSURER FINANCIAL STRENGTH (IFS)
RATING SCALE & DEFINITIONS**

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

RATING SCALE	DEFINITION
AAA	Exceptionally Strong. Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ AA AA-	Very Strong. Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small
A+ A A-	Strong. 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.
BBB+ BBB BBB-	Good. Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ BB BB-	Moderately Weak. Moderately weak with an uncertain capacity to meet policyholder and contract obligations. Though positive factors are present, overall risk factors are high, and the impact of any adverse business and economic factors is expected to be significant.
B+ B B-	Weak. Weak capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC CC C	Very Weak. Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Insolvency or liquidity impairment appears imminent.
D	Distressed Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and declared insolvent by the regulator.

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, a) some material identifiable event and/or b) deviation from expected trend. 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 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, but may stay in abeyance for long. 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) cessation of underlying entity, or c) the rating remains suspended for six months.

Disclaimer: PACRA's IFS rating does not constitute any form of guarantee of the ability of the insurance company to meet policyholders' obligations; nor does it constitute a recommendation to effect or discontinue any policy of insurance. PACRA's rating 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.

