



## The Pakistan Credit Rating Agency Limited

### Rating Report

#### Jubilee General Insurance Company Limited

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##### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
05-Nov-2021	AA+	-	Stable	Maintain	-
05-Nov-2020	AA+	-	Stable	Maintain	-
29-Nov-2019	AA+	-	Stable	Maintain	-
31-May-2019	AA+	-	Stable	Maintain	-
06-Dec-2018	AA+	-	Stable	Maintain	-
27-Apr-2018	AA+	-	Stable	Maintain	-
22-Jan-2018	AA+	-	Stable	Maintain	-
23-Jun-2017	AA+	-	Stable	Maintain	-
30-Dec-2016	AA+	-	Stable	Maintain	-
31-Dec-2015	AA+	-	Stable	Maintain	-

##### Rating Rationale and Key Rating Drivers

The core sponsorship of Jubilee General Insurance Limited (JGICL or the Company) is held by the Agha Khan Development Network (AKDN). The strong presence of AKDN in the financial industry allows JGICL to unlock synergistic benefits through group financial institutions i.e., Habib Bank Limited and Jubilee Life Insurance Company Limited. The rating takes comfort from the group business potential of the Company. The sound board structure aligned with experienced management personnel places confidence in the sustainable operations of JGICL. Further, the rating reflects the robust risk management framework, facilitating the Company to achieve adequate profitability. Positive growth witnessed in the macroeconomic indicators boded well for the insurance industry, however, the ongoing pandemic may have negative implications prospectively. A diversified revenue strategy is pursued by JGICL, with focal business derived through fire segment at ~38% GPW concentration, whereas, a balanced GPW mix of 17% is acquired through motor, health and miscellaneous segments in 6MCY21. The total segmental mix converged into Gross Premium Revenue of PKR 6,288mln (CY20: PKR 10,311mln; CY19: PKR 10,477mln) depicting a stable revenue progression through the period. Through adaptation of a secure return strategy, channeled through government securities and a healthy mix of equity securities, JGICL managed to generate boosted investment income results. The investment income stands at PKR 1,107mln at 6MCY21 and is expected to follow suit, given the ongoing trend. The enhanced GPW profile, combined with effective expense management and investment results seeded profitability growth. Jubilee General has sound equity base and sufficient liquidity engendering strong risk absorption capacity. The business strategy, going forward, is focused on improving its market position and consequent profitability from core business.

Sustainability of motor business, progress in fire segment and efficient expense management remained critical to the financial performance, with further progression being envisaged. The liquid investment book is almost two third diverted towards fixed term avenues, while the rest is deployed in equities. The rating is dependent upon sustained competitiveness of the company while upholding the profitability.

##### Disclosure

<b>Name of Rated Entity</b>	Jubilee General Insurance Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	IFS Rating
<b>Applicable Criteria</b>	Methodology   General Insurance Rating(Jun-21)
<b>Related Research</b>	Sector Study   General Insurance(May-21)
<b>Rating Analysts</b>	Wajahat Arjumand Ansari   wajahat.ansari@pacra.com   +92-42-35869504

## Profile

**Legal Structure** Jubilee General was established in 1953 and holds title of being the third largest general insurance company of Pakistan, being listed on the Pakistan Stock Exchange.

**Background** In 2003, Jubilee General was acquired, and successfully integrated Pakistan operations of Commercial General Union Insurance. During CY11, the company was rebranded to 'Jubilee General' from its retrospective identification as "New Jubilee".

**Operations** Division of Jubilee General's operations diverges into four zones and two commercial units, with zonal division as; (i) Southern Zone, (ii) Lahore Zone, (iii) Multan Zone, & (iv) North Zone. The company's operational network is spread over 28 branches across Pakistan.

## Ownership

**Ownership Structure** The core ownership of JGICL lies with the AKDN Group, acquired through various financial institutions, associated companies and individuals, further, secondary ownership of the Company lies with the Hashoo Group, routed through companies and individuals.

**Stability** The Aga Khan Development Network, with its founder being His Highness, the Aga Khan, has diversified operations comprising of development agencies, with focus on health, education, economic recovery, environment, disaster reduction and micro finance activities as their operational axis.

**Business Acumen** The Agha Khan Development Network (AKDN) includes Aga Khan Fund for Economic Development, Aga Khan Agency for Micro-finance, Aga Khan Foundation, Aga Khan University, University of Central Asia and Aga Khan Trust for Culture, as their prominent organizations. Hashoo Group holds the second largest interest in the company, possessing a diversified business portfolio, key significance held by the Pearl-Continental and the Marriot Hotel chains.

**Financial Strength** AKDN, in addition with Jubilee Life and Jubilee General, holds a key stake in one of the largest private sector banks, Habib Bank Limited (HBL), by acquisition of its controlling interest in 2004, through privatization. HBL graces a rating of 'AAA' by JCR - VIS.

## Governance

**Board Structure** The extensive board structure of Jubilee General, being composed of ten members. All members on the board are non-executive, with the exception of the CEO, Mr. Hassan Khan, as the only executive member present.

**Members' Profile** The board profile comprises of all independent and non-executive directors, with exception of the CEO. Mr. R. Zakir Mahmood, having vast banking experience, is the Board Chairman. The directors are reputed professionals of the financial industry and possess a diversified experience portfolio, boding well for governance of the Company.

**Board Effectiveness** The board has four board committees, governed by non-executive and independent members, providing strategic oversight to the company. The four committees are namely; (i) Audit Committee (ii) Finance & Investment Committee (iii) Board Risk Committee (iv) Human Resource Remuneration and Nomination Committee.

**Transparency** AF Fergusons & Co. Chartered Accountants are the auditors of Jubilee General Insurance and have provided an unqualified opinion on the Financial Statements of 2020.

## Management

**Organizational Structure** A detailed hierarchy of the organization has been developed by the company, in order to accommodate the expanding operations of the Company, efficiently defining the scope of responsibilities whilst maintaining a good control environment.

**Management Team** Mr. Hassan Khan was reappointed as MD & CEO of Jubilee General Insurance w.e.f. from 1st January 2020. He has over 21 years of diversified experience of the financial sector, with prominence in investment management operations in Pakistan.

**Effectiveness** The company has six management committees, a) Underwriting Committee, b) Claims Settlement Committee, c) Re-insurance/Co-insurance Committee, d) Enterprise Risk Management Committee and e) Takaful Committee (f) Executive Management Committee (MANCOM)– all headed by the CEO (Mr. Hassan Khan).

**MIS** A web-based real time ERP solution has been adapted by the company. The system generates comprehensive MIS reports, which covers the operations of all business segments of the company.

**Claim Management System** An ergonomic claims handling system has been developed by Jubilee General Insurance, which has an integrated Web-based real time settlement system, and updated MIS reporting. A centralized claims function has been implemented at its Head Office.

**Investment Management Function** Investment Decision Making is undertaken through the company's Finance and Investment committee at the board level. The committee members comprise the CEO, CFO and three non-executive directors.

**Risk Management Framework** A comprehensive risk management system has been implemented by the company, through its Risk Management Department, located at its Head Office in Karachi. The department is operated by professionals, associated with multiple niches, with ad hoc staff hired on a need basis.

## Business Risk

**Industry Dynamics** As at end-CY20, the industry has been able to ensure sustainability in the growth despite the current pandemic. Increase in bank financing along with growth in auto sector has improved sector dynamics. Investment income has been augmented as volumes in PSX have picked up. Companies have reduced management expenses; new innovative products are being launched, in order to engage new customer base.

**Relative Position** In relation to its peers, Jubilee General is the third-largest insurance company with GPW market share of 12.% (for conventional & takaful both) as at June-21, deeming it as a large company in the industry.

**Revenue** In terms of financial performance, JGICL capitalized on the recovering economy and achieved reasonable gross premium written during 6MCY21, amounting to PKR 6,288mln. The gross premium segment concentration remained inclined towards fire segment, contributing ~38% of the topline. Other segments contributed reasonably as well, with Miscellaneous, Health and Motor segment contributing ~17% each, along-with Marine (~8%) and Liability (~3%) respectively.

**Profitability** Sustainability of motor business, progress in fire segment and maintenance of expenses construed towards a combined (conventional + takaful) underwriting profit (inclusive of Wakala Fee) of PKR 162.5mln (CY20: PKR 102.7mln), placing confidence in the sustainability of operations.

**Investment Performance** The equity investments performed well, as timely disposal of securities resulted in a substantial gain during the period, valued at PKR 311.7mln (conventional). Further, a secured investment in government securities provided a secure return. With minor support derived from term deposits, ultimately, total investment income of PKR 1,107mln (CY20: PKR 2,167mln) was achieved at 6MCY21.

**Sustainability** Jubilee General intends to follow its growth strategy in the longer term, while ensuring enhanced profitability along the way. Through development of synergistic efficiency with its sister concern, Jubilee Life Pakistan, the company plans to achieve a shared vision of profitability and prosperity over the longer term. Given the consistent investment income generation, the bottom line of the company looks promising.

## Financial Risk

**Claim Efficiency** Jubilee's strong liquidity position is reflected in its risk absorption capacity, realized by providing 2.9x cover to the claim's liability. In terms of claim concentration, Health remained heavily concentrated during the period, accounting for 49% of total claims, amounting to PKR 866.2mln.

**Re-Insurance** Jubilee General has continued to maintain its reinsurance treaties with its international re-insurers, which possess ratings of 'AA' and 'A' category, including Swiss Re (AA- by S&P; A+ by AM Best), SCOR Re (AA- by S&P; A by AM Best), Allianz SE (AA by S&P; A+ by AM Best), Hannover Re (AA- by S&P; A+ by AM Best) and several other reputed reinsurance companies.

**Cashflows & Coverages**

**Capital Adequacy** The Company has maintained sufficient equity levels of PKR 9.5bln as at 6MCY21, remaining compliant with SECP's requirements.



The Pakistan Credit Rating Agency Limited

## Jubilee General Insurance Company Limited

	PKR mln	PKR mln	PKR mln	PKR mln
<b>BALANCE SHEET</b>	<b>Jun-21</b>	<b>Dec-20</b>	<b>Dec-19</b>	<b>Dec-18</b>
<b>Investments</b>				
Liquid Investments	14,234	14,013	12,841	11,905
Strategic Investments	1,447	1,481	1,505	1,289
Other Investments	646	648	654	659
	<b>16,327</b>	<b>16,143</b>	<b>14,999</b>	<b>13,854</b>
Insurance Related Assets	5,635	4,305	4,253	4,748
Other Assets*	3,638	2,847	2,837	2,711
<b>TOTAL ASSETS</b>	<b>25,600</b>	<b>23,295</b>	<b>22,089</b>	<b>21,313</b>
Equity	9,484	9,547	8,712	7,908
Underwriting Provisions	4,529	3,575	3,674	3,636
Insurance Related Liabilities	8,399	7,215	6,423	6,710
Other Liabilities*	3,189	2,958	3,280	3,060
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>25,600</b>	<b>23,295</b>	<b>22,089</b>	<b>21,313</b>
<b>INCOME STATEMENT - Combined</b>	<b>Jun-21</b>	<b>Dec-20</b>	<b>Dec-19</b>	<b>Dec-18</b>
Gross Premium Written (GPW)	6,288	10,311	10,477	10,069
Net Premium Revenue (NPR)	3,059	5,918	6,140	5,637
Net Claims	(1,758)	(3,659)	(3,427)	(3,082)
Net Commission	(238)	(466)	(479)	(494)
Net Operational Expenses	(900)	(1,691)	(1,806)	(1,692)
<b>UNDERWRITING RESULTS</b>	<b>163</b>	<b>103</b>	<b>429</b>	<b>369</b>
Investment Income	1,107	2,167	1,332	1,416
<b>PROFIT BEFORE TAX</b>	<b>1,229</b>	<b>2,114</b>	<b>1,725</b>	<b>1,631</b>
<b>RATIO ANALYSIS - Conventional</b>	<b>Jun-21</b>	<b>Dec-20</b>	<b>Dec-19</b>	<b>Dec-18</b>
<b>Underwriting Results</b>				
Loss Ratio	56%	62%	54%	55%
Combined Ratio	95%	100%	93%	96%
<b>Performance</b>				
Operating Ratio	54%	60%	71%	68%
Investment Yield	14%	13%	9%	10%
<b>Liquidity &amp; Solvency</b>				
Liquidity Ratio – times	2.9	2.9	3.0	2.7

\* Includes Window Takaful

Jubilee General Insurance Company Limited

Jun-21

## Insurer Financial Strength (IFS) Rating

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

Scale	Definition
AAA	<b>Exceptionally Strong.</b> 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-	<b>Very Strong.</b> 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-	<b>Strong.</b> 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-	<b>Good.</b> 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-	<b>Weak.</b> 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.
B+ B B-	<b>Very Weak.</b> 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.
CCC CC C	<b>Very high credit risk.</b> Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	<b>Distressed.</b> 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.

<b>Outlook (Stable, Positive, Negative, Developing)</b> 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'.	<b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. 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 rating outlook of the respective opinion.	<b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	<b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	<b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.
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**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

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- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
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- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

### **Probability of Default**

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(f-VII)

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