



General Insurance

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General Insurance

Contents	Page.
Global Outlook	1
Local Overview	2
Local Conventional Overview	4
Sector Dynamics By Player Size	5
Local Takaful Overview	8
Local Business Risk	9
Business Risk Profitability	10
Local Financial Risk	11

Contents	Page.
Financial Risk Expense Ratio	12
Financial Risk Loss Ratio	13
Regulatory Framework	14
Rating Curve	16
SWOT Analysis	17
Outlook	18
Bibliography	19

General Insurance

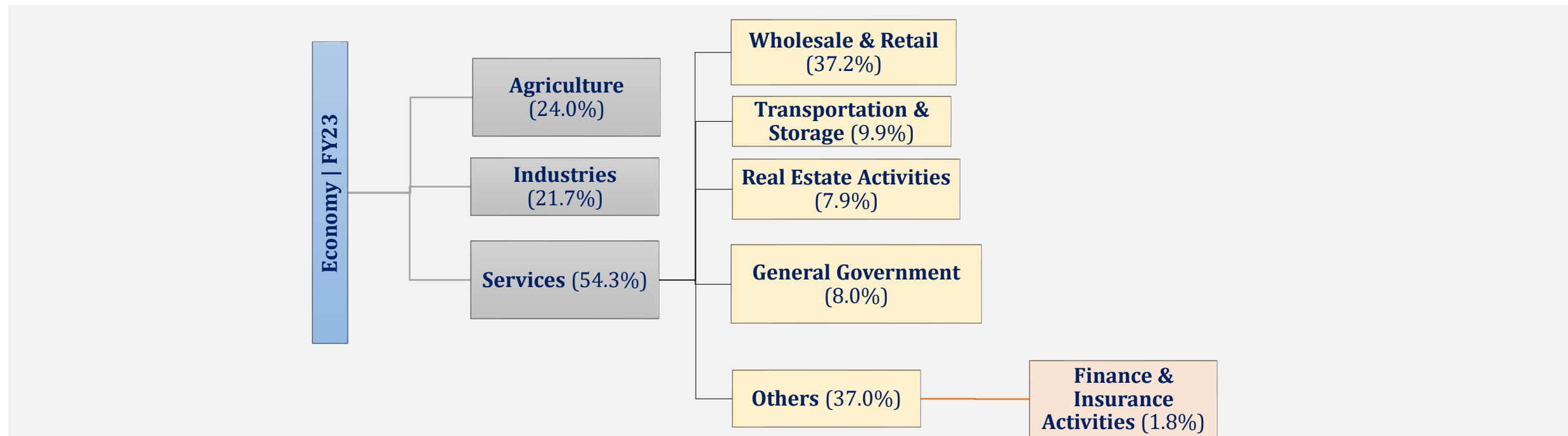
Global | Outlook

- In terms of Gross Premium Written (GPW), the global non-life insurance sector grew by ~7.5% YoY and recorded a Gross Premium Written of USD~7.1tln during CY23. This growth was likely reflective of higher natural hazards, increased reinsurance costs, and the overall inflationary pressures across the globe.
- Going forward, the expectation of increasing frequency and severity of natural hazards, rising reinsurance costs, supply chain issues and labor shortages will continue to put upwards pressure on the premiums pricing. It is anticipated that, on average, gross written premiums will rise by ~10.0% in CY24.
- The global premium increase was primarily driven by Property & Casualty segment in CY23 where it recorded ~32.7% YoY growth. This was observed across all regions around the globe.
- The profitability of non-life insurance sector refined, with improved investment and slowing inflation will ease claims severity. Non-life insurance sector return on equity (ROE) rose to ~ 7.8% in CY23 (SPLY: ~3.4%), and is expected to reach ~ 9.3% in CY24.
- Overall, the USA remained the insurance market leader in CY23, capturing ~43.6% of global market share, followed by China and UK contributing ~10.2% and ~ 6.3% in global market share, respectively.

General Insurance

Local | Overview

- In FY23, Pakistan’s GDP (nominal) stood at PKR~79.7trn (FY22: PKR~63.3trn), contracting, in real terms, by ~0.17% YoY (FY22: ~6.3% growth). The Service segment held ~54.3% share in GDP during the year. However, the country’s nominal GDP during FY24 is projected to clock in at PKR~106.0trn with ~2.4% YoY growth in real GDP, depicting an improved economic activity compared with SPLY. The SBP estimates real GDP growth at ~2-3% for FY24, while IMF’s forecast for the same stands at ~2.0%. Meanwhile, the Service segment is expected to contribute ~53.3% to GDP in FY24.
- During FY23, ‘Financial and Insurance Activities’ contributed ~1.7% to the country’s GDP (nominal) (SPLY: ~1.8%), while in 9MFY24, this clocked in at ~1.5% (SPLY: ~1.7%).



*FY24 values are Provisional – Sectoral Shares in GVA (GDP-Taxes-Subsidies) at current Price

General Insurance

Local | Overview

- The Sector's total Gross Premium Written (GPW) stood at PKR~181.6bln as of End-CY23 (SPLY: PKR~142.9bln), up ~27.1% YoY.
- This study classifies the sector into three broad categories; Large Market Players with individuals market share >~5%, (in terms of GPW), Medium Market Players (market share >~2%) and Small Market Players (market share <~2%).
- Out of 28 registered general insurance companies in Pakistan (as of End-CY23), ~5 fall under the 'large players' category (~67.7% market share in CY23) with GPW amounting to PKR~104bln, marking a YoY growth of ~31.3% .
- Meanwhile, ~8 companies (~26.4% market share in CY23) remained in the 'medium players' category, with gross premium amounting to PKR~41.2bln, a ~23.1% YoY growth, while ~15 companies made up the 'small players' category capturing ~6.9% of the market by writing gross premium of PKR~10.9bln, up ~11.1% YoY.

Figures in PKR mln, unless stated otherwise

Sector Snapshot	CY22	CY23
Contribution to GDP (%)	1.7	1.8
No. of Companies	28	28
Gross Premium Written* (PKR mln)	142,902	181,678
Net Premium Revenue Growth*	13.8%	14.1%
Large Market Players		
Total Companies (No.)	5	5
Market Share (%)	65.0%	67.7%
Medium Market Players		
Total Companies (No.)	8	8
Market Share (%)	27.4%	26.4%
Small Market Players		
Total Companies (No.)	15	15
Market Share (%)	7.6%	6.9%
Regulator	Securities And Exchange Commission Of Pakistan (SECP)	
Association	Insurance Association Of Pakistan (IAP)	

General Insurance

Local | Conventional Overview

- GPW for large players amounted to PKR~104.3bln in CY23 (CY22: PKR~79.4bln), whereas, for the medium and small players, it amounted to PKR~41.2bln and PKR~10.9bln, respectively (CY22: PKR~33.5bln and PKR~9.2bln, respectively).
- Investment income for large players was ~2.2x that of medium market players in CY23 (SPLY: ~3.0x) and ~4.6x that of small players (SPLY: ~5.4x). Meanwhile, underwriting (U/W) profit for the sector increased by ~46.0% YoY in CY23 (SPLY: ~54.0 % growth).
- Highest chunk of the sector's profit before tax (PBT) was recorded by large players in CY23, ~2.2x and ~3.7x that of medium and small players' (SPLY: ~2.6x and ~8.4x). The combined PBT for the sector was recorded at PKR~28.3bln in CY23 (CY22: PKR~15.0bln), rising by ~88.1% YoY. Moreover, combined equity of the sector players stood at PKR~126.2bln, up ~20.0% YoY.
- The sector's combined Liquid Assets (Investment, Cash and Balance) increased ~51.7% YoY in CY23 to PKR~174.9bln (CY22: PKR~115.3bln). Of these, large players comprised ~59.1% during the year, ~2.1x of collective liquid assets of medium and small players.

Figures in PKR mln, unless stated otherwise

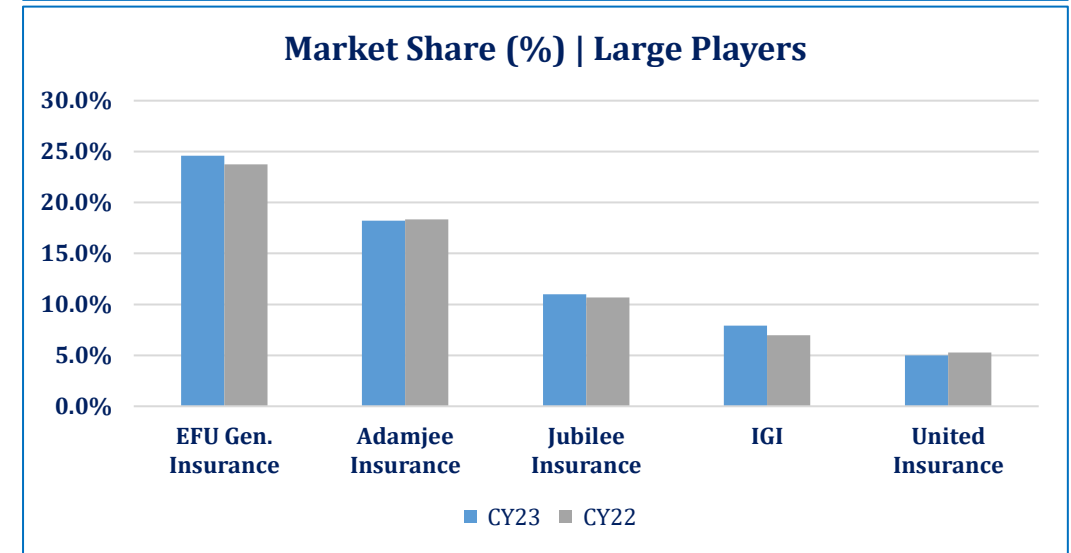
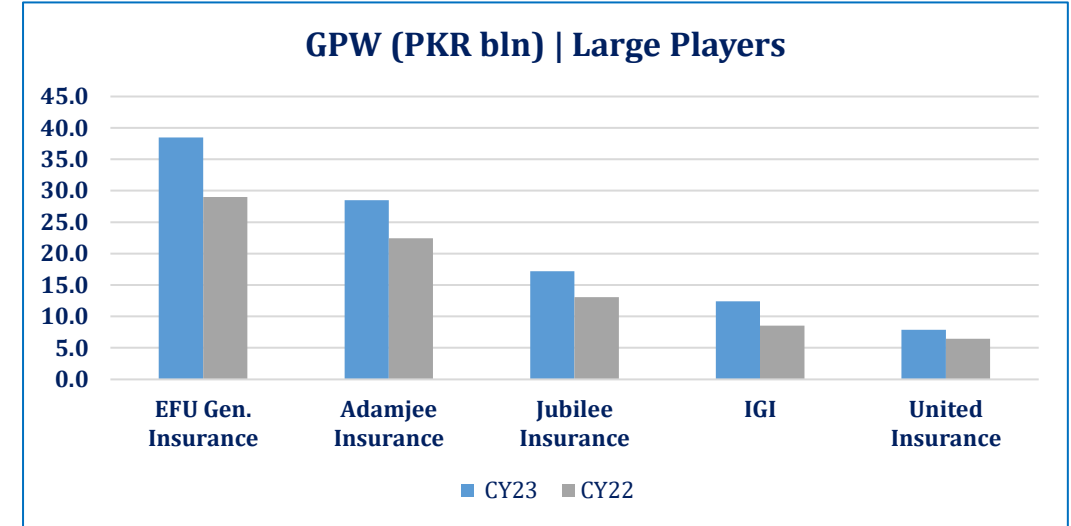
Sector Snapshot CY23	Total	Large	Medium	Small
No. of Companies (No.)	28	5	8	15
Market Share (GPW)	100%	66.7%	26.4%	6.9%
Gross Premium Written* (GPW)	156,611	104,390	41,279	10,942
Investment Income	18,599	11,133	5,034	2,432
Underwriting Profit/Loss	4,730	2,684	1,909	137
Profit Before Tax	28,253	16,556	7,291	4,406
Equity	126,258	71,719	36,604	17,934
Investment+ Cash & Balance	174,977	103,405	49,947	21,625

General Insurance

Sector Dynamics | Large Players

Figures in PKR mln

Large Players	Market Share	GPW	Investment Income	Underwriting Profit/Loss	Equity	Investment+ Cash & Bank	Profit Before Tax
EFU General Insurance	24.6%	38,450	2,390	1,649	20,408	32,056	5,460
Adamjee Insurance	18.2%	28,485	4,261	(1,365)	30,620	41,292	3,912
Jubilee Insurance	11.0%	17,171	3,600	853	13,477	23,472	4,569
IGI	7.9%	12,389	658	460	2,843	4,251	1,243
United Insurance	5.0%	7,895	223	1,088	4,372	2,335	1,370
Total	66.7%	104,390	11,133	2,684	71,719	103,405	16,556



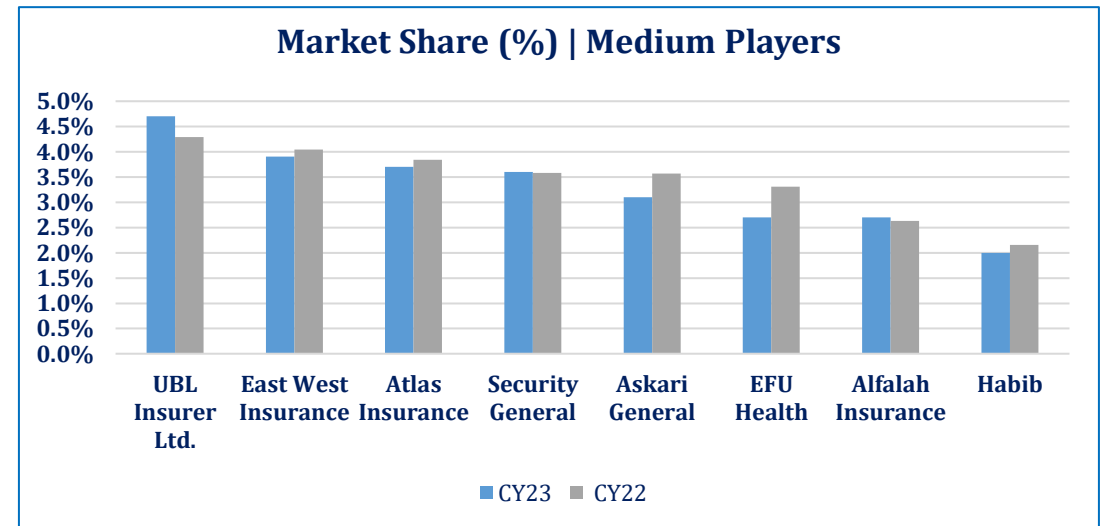
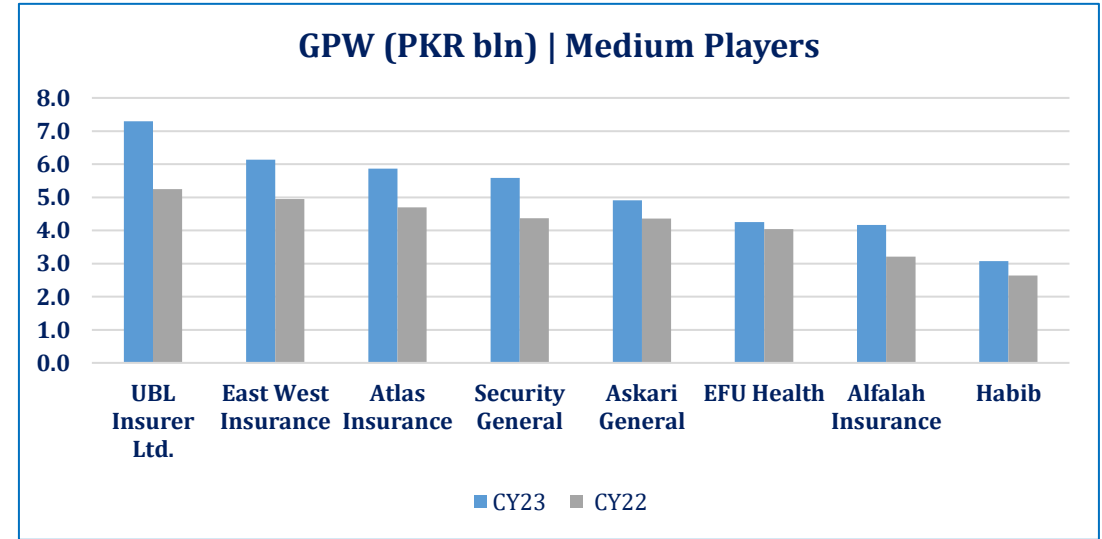
Note: Large Players own market share greater than 5% in terms of GPW. Only local contribution of GPW is included for Adamjee Insurance.

General Insurance

Sector Dynamics | Medium Players

Figures in PKR mln

Medium Players	Market Share	Gross Premium Written	Investment Income	Underwriting Profit/Loss	Equity	Investment + Cash & Bank	Profit Before Tax
UBL Insurer Ltd.	4.7%	7,293	380	435	2,833	4,404	915
East West Insurance	3.9%	6,140	424	390	3,326	3,495	677
Atlas Insurance	3.7%	5,862	603	921	4,771	8,351	1,823
Security General Insurance	3.6%	5,582	2,085	400	18,215	22,591	2,046
Askari General	3.1%	4,908	450	173	2,749	4,204	704
EFU Health	2.7%	4,253	308	(221)	694	1,693	103
Alfalah Insurance	2.7%	4,166	479	51	2,513	3,170	864
Habib Insurance	2.0%	3,075	305	(241)	1,503	2,038	160
Total	26.4%	41,279	5,034	1,909	36,604	49,947	7,291



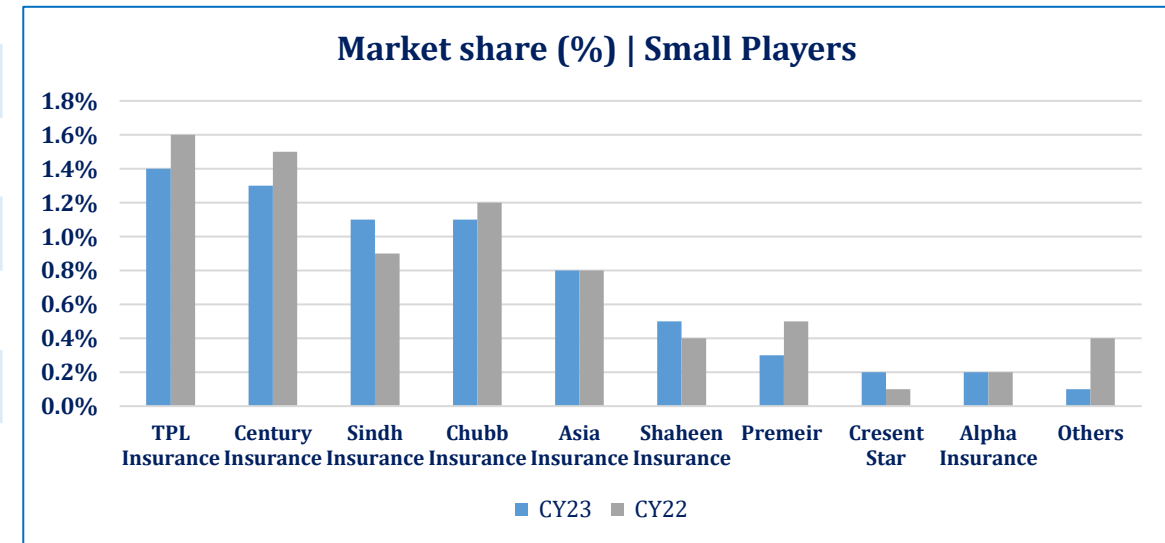
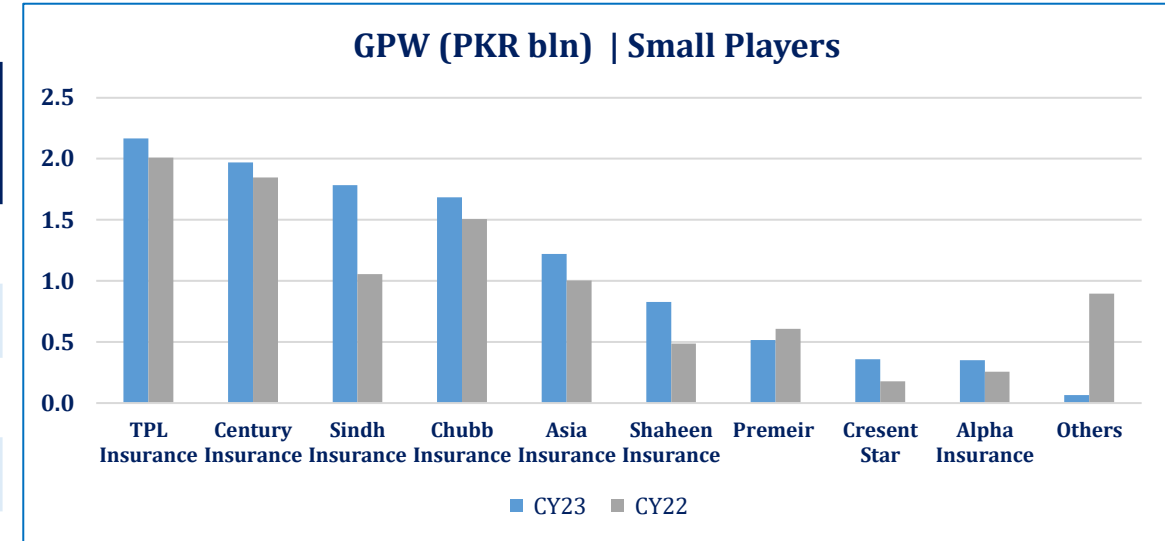
Note: Medium Players own market share greater than 2% and in terms of GPW.

General Insurance

Sector Dynamics | Small Players

Figures in PKR mln

Small Players	Market Share	Gross Premium Written	Investment Income	Underwriting Profit/Loss	Equity	Investment+ Cash & Bank	Profit Before Tax
TPL Insurance	1.4%	2,167	342	(155)	2,638	4,253	1,172
Century Insurance	1.3%	1,969	450	252	2,823	3,303	830
Sindh Insurance	1.1%	1,785	923	24	3,255	4,603	999
Chubb Insurance	1.1%	1,684	286	466	1,543	2,056	738
Asia Insurance	0.8%	1,220	54	12	905	720	157
Shaheen Insurance	0.5%	826	113	22	845	935	162
Premier	0.3%	516	46	(57)	947	1,347	16
Crescent Star	0.2%	359	21	1	1,184	434	40
Alpha Insurance	0.2%	351	137	(79)	718	779	85
Others	0.1%	66	61	-349	3,077	3,195	207
Total	7%	10,942	2,432	137	17,934	21,625	4,406



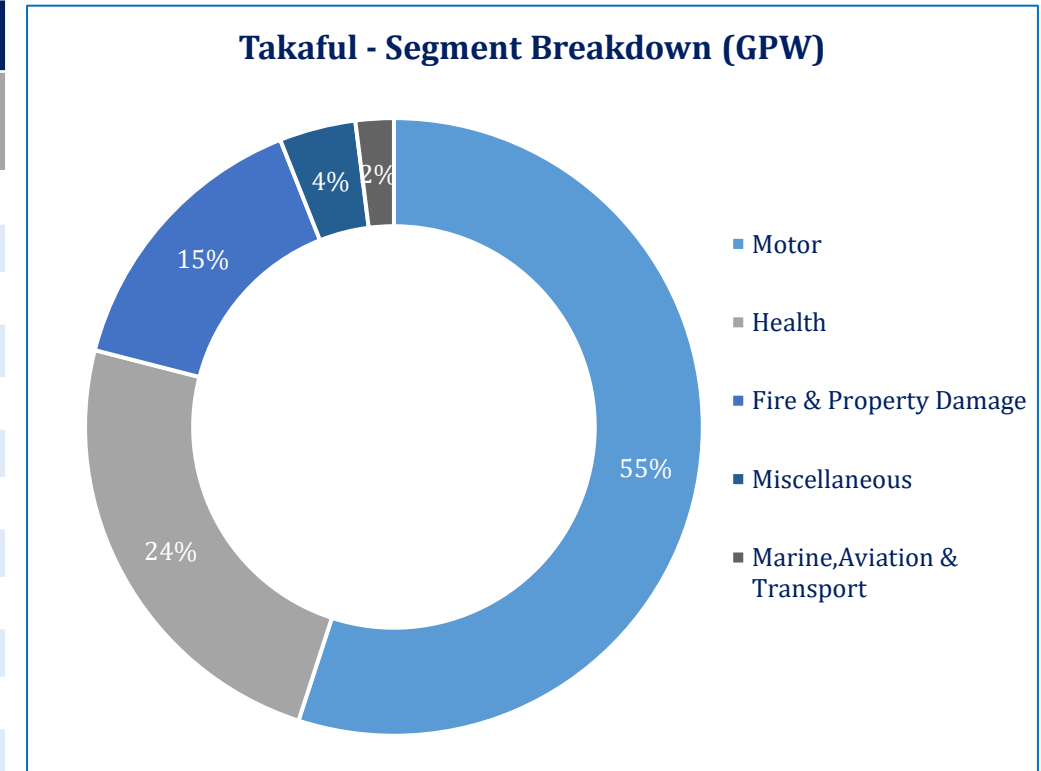
Note: Small Players own market share less than 2% in terms of GPW.

General Insurance

Local | Takaful Overview

- Out of the ~28 insurance companies, ~22 also operate Window Takaful (Shariah-compliant services). However, ~10 companies out of these captured ~85.3% of the market share in CY23. The Window Takaful's combined GPW (Contribution Underwritten) amounted to PKR~25,061mln in CY23 (CY22: PKR~20,614mln), marking YoY growth of ~21.6%.
- A significant proportion of the Window Takaful segment (~55.4% in CY23; CY22: ~52.0%), in terms of GPW, was attributed to motor insurance, while ~23.6% was allotted to health insurance in CY23 (CY22: ~25.0%).

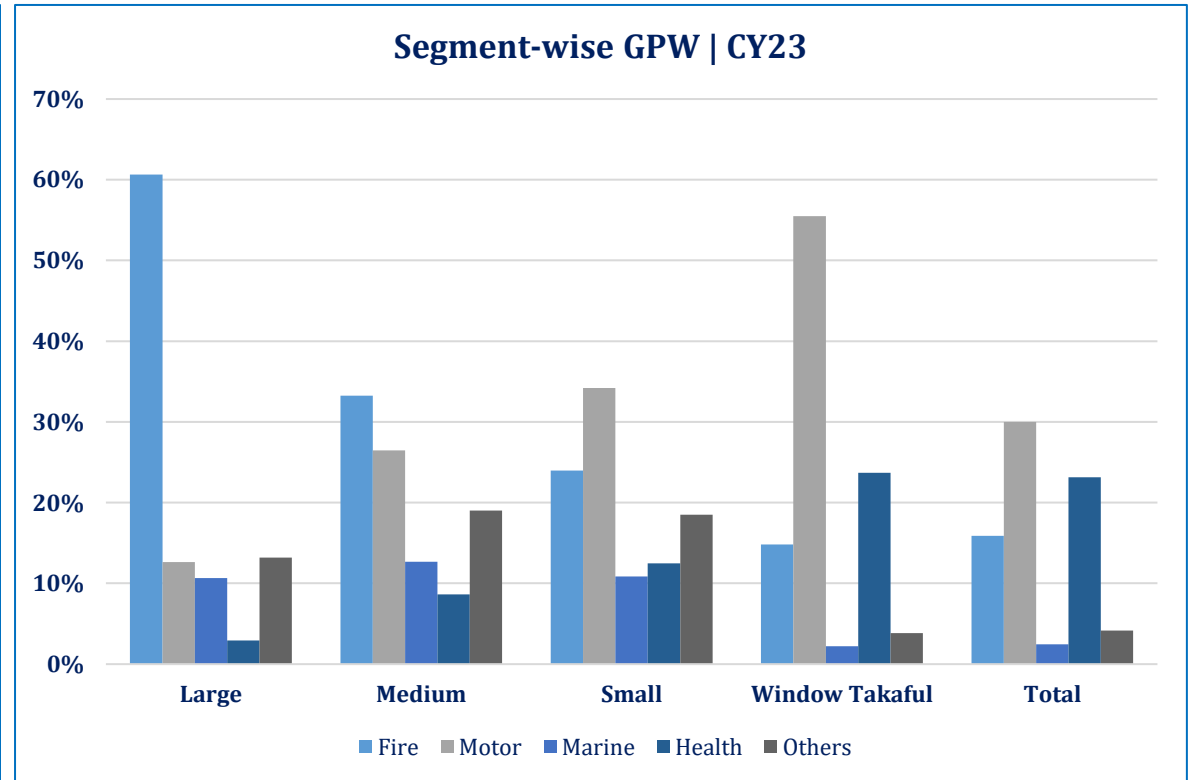
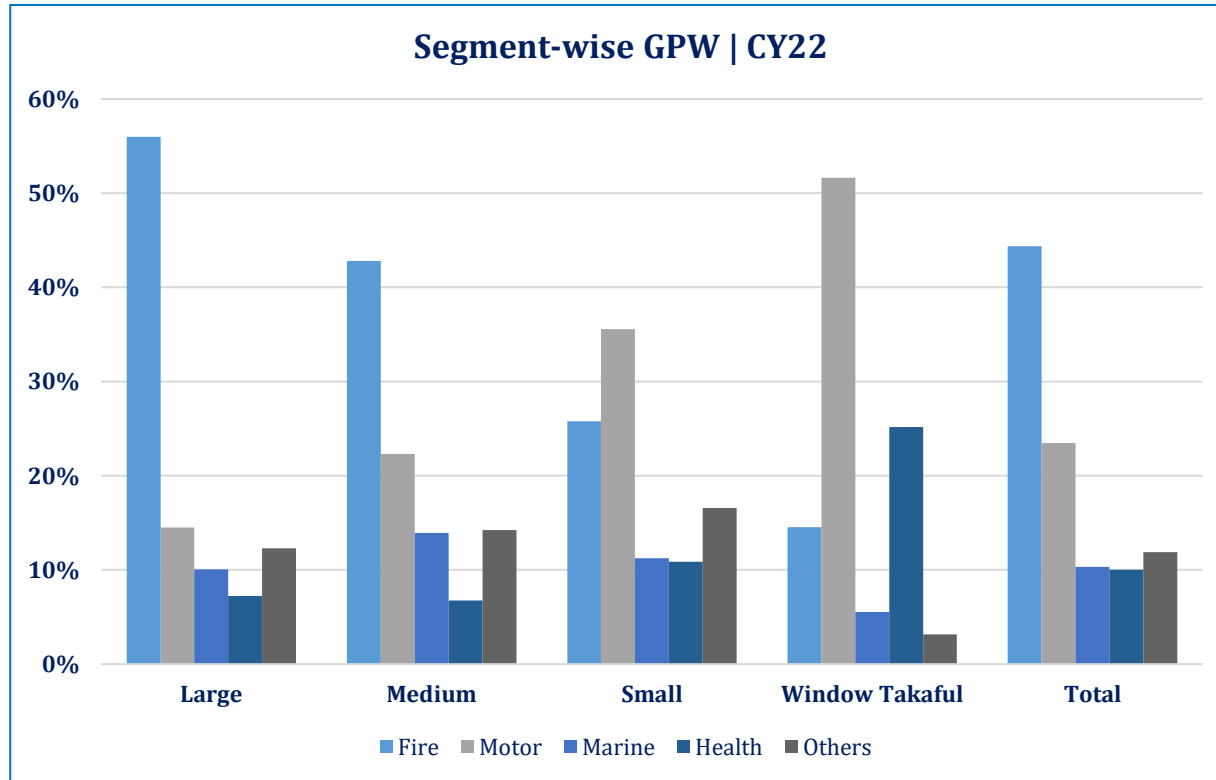
Top 10 Takaful Players - CY23				Figures in PKR mln
Sr.	Companies	GPW	Investment Income	Market Share (based on GPW)
1	Salaam Takaful Ltd.	4,098	109	16.4%
2	EFU General	3,070	402	12.3%
3	Adamjee Insurance	2,865	100	11.4%
4	Jubilee Insurance	2,288	89	9.1%
5	United Insurance	2,171	27	8.7%
6	IGI	1,947	9	7.8%
7	TPL Insurance	1,917	102	7.7%
8	Pak Qatar Takaful	1,267	117	5.1%
9	UBL Insurer	1,036	164	4.1%
10	Alfaluh Insurance	676	69	2.7%
11	Others	3,726	208	14.7%
	Total	25,061	1,396	100.0%



General Insurance

Local | Business Risk

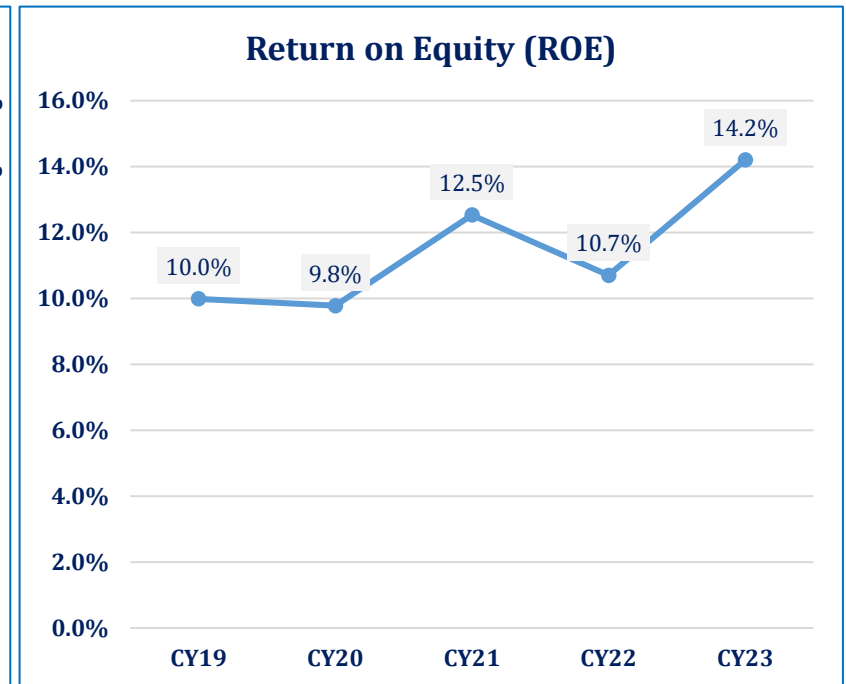
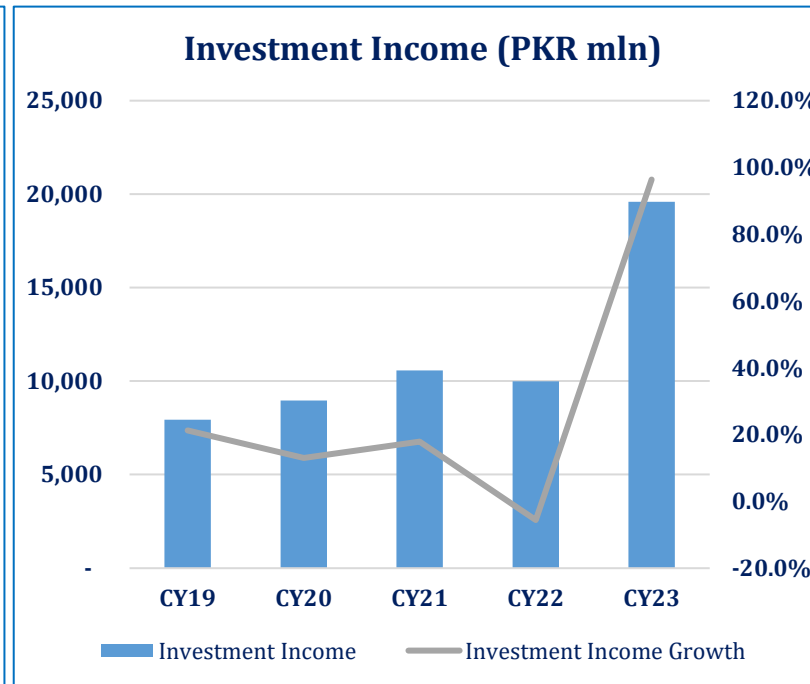
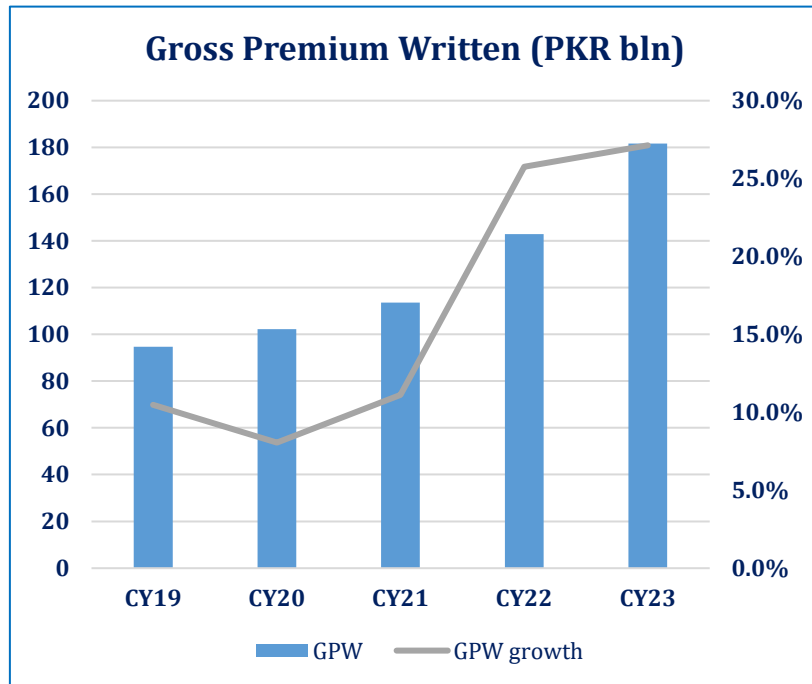
- The sector's proportionate share of different business segments has largely remained stable in CY23, as against CY22. Motor insurance led the way with a share of ~30.1% in CY23 (CY22: ~23.0%) by contributing PKR~29,304mln in CY23 (SPLY: PKR 27,317mln), a YoY increase of ~7.2%.
- The share of fire insurance segments has decreased to ~14.0% in CY23 (CY22: ~44.1%), with overall GPW amounting to PKR~7,982mln in CY23 (SPLY: PKR~5,538mln).



General Insurance

Business Risk | Profitability

- The Gross Premium Written (GPW) for the sector witnessed a growth of ~27.1% YoY and recorded at PKR~181.6bln (CY22: PKR~142.9bln).
- However, the sector’s investment income for CY23 was recorded at PKR~19,594mln, an increase of ~96.3% YoY. This likely came about due to increased investments in government securities, on the back of high interest rates (these rose from ~13.8% in Jul’22 to 22% in Jun’23).
- The sector’s profitability, in terms of ROE, exhibit an upwards trend. Therefore, the Return on Equity (ROE) increased to ~14.2% in CY23 (CY22: ~10.7%).

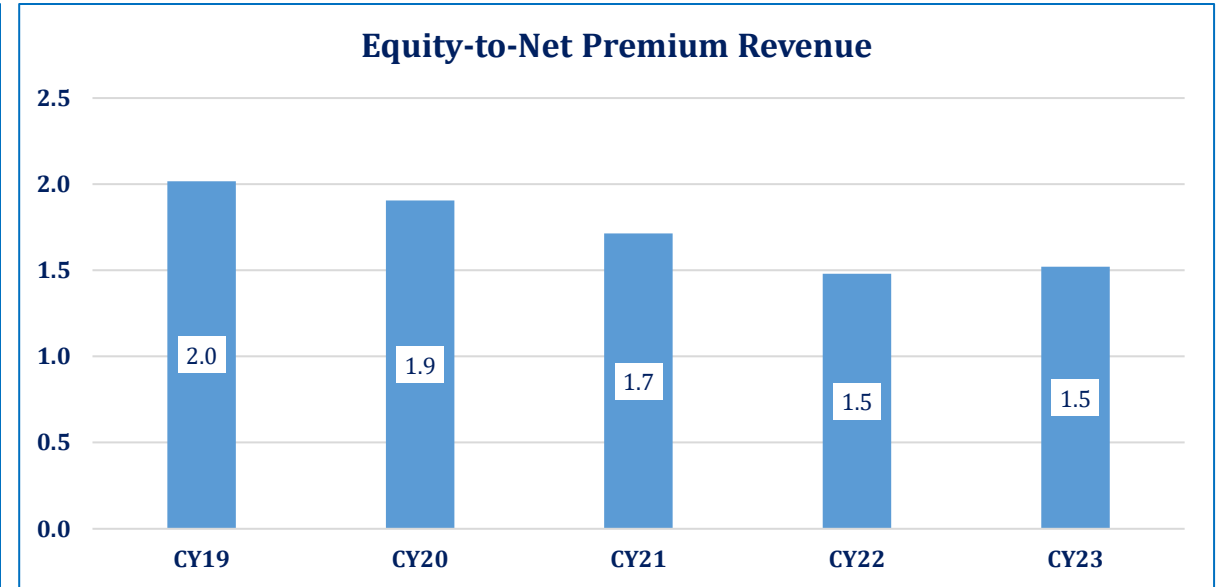
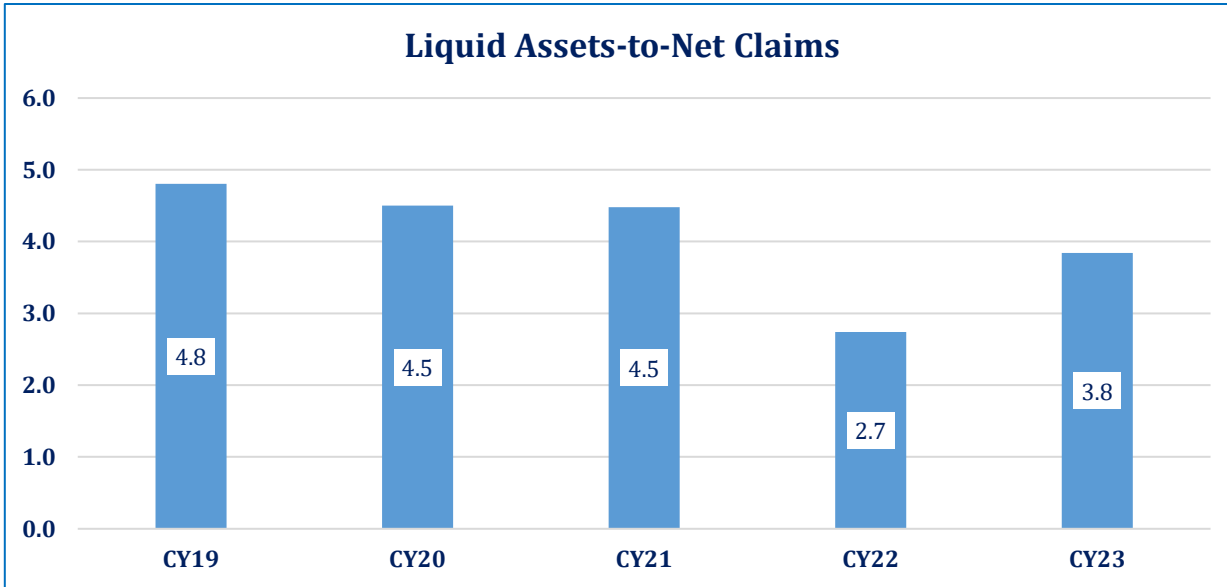


Note: Data includes Takaful contribution.

General Insurance

Local | Financial Risk

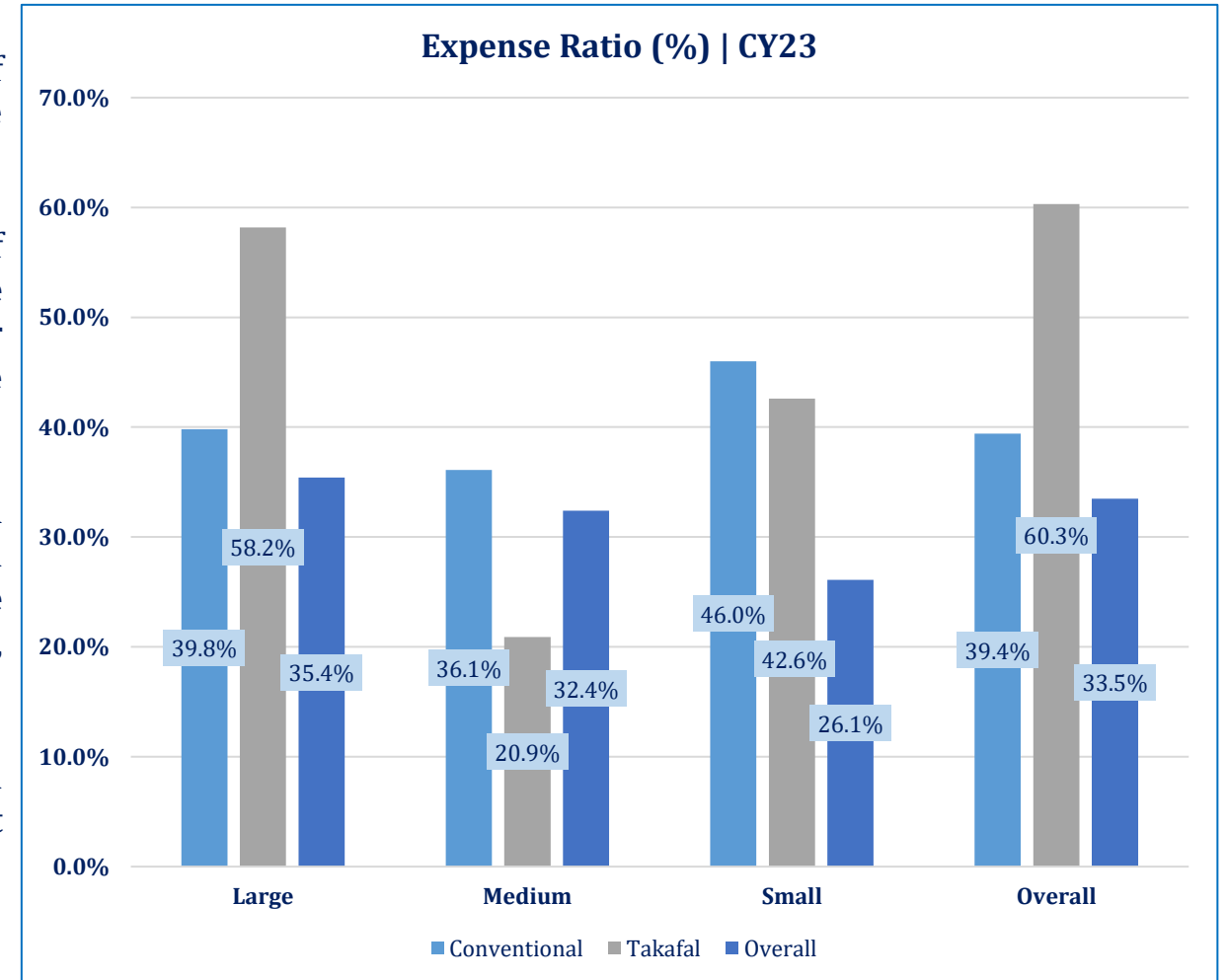
- The ratio of Liquid Assets-to-Net Claims remained stable during CY19-21, averaging ~4.6x. However, it dropped to ~2.7x in CY22 in response to increased claim costs due to inflation and rising interest rates.
- In CY23, the ratio recovered to its stable level at ~3.8, reflecting ~51.7% YoY increase in liquid assets (Investment and Cash & Bank Deposits), in line with greater returns on investment. On the other hand, net claims increased by ~8.3% YoY to PKR~45,559mln in CY23. Therefore, coverage of net claims through liquid assets was ~3.8x during the year (SPLY: ~2.7x), registering an improvement in liquidity.
- The sector’s underwriting strength depicted an increase in CY23 and recorded a growth of ~20.0% YoY in its equity base. However, the sector’s net premium revenue increased by ~17.3% YoY in CY23 and was recorded at PKR~70,654mln. Therefore, equity-to-net premium ratio recorded at ~1.5x in CY23.



General Insurance

Financial Risk | Expense Ratio

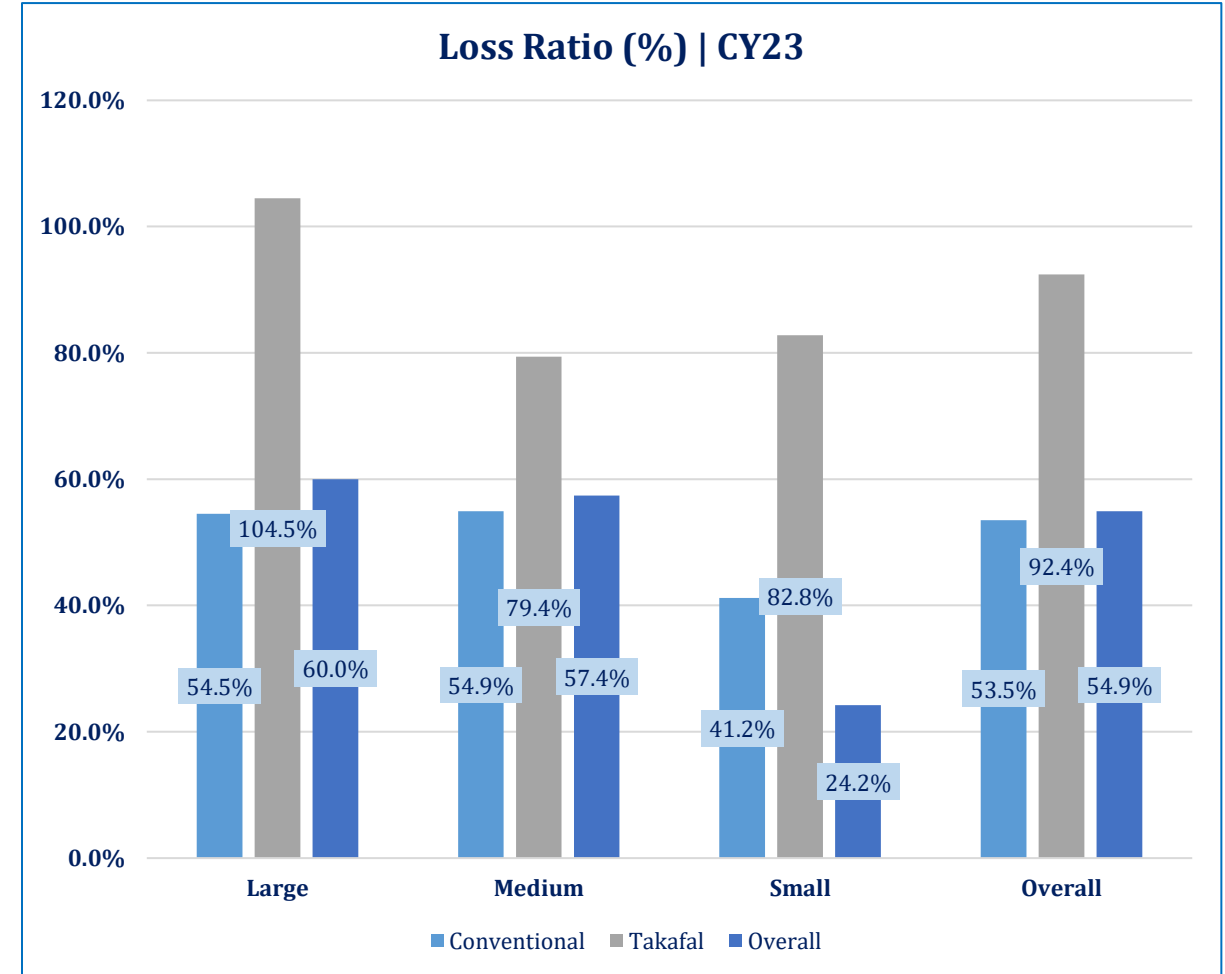
- The expense ratio generally exhibits an inverse relationship with size of the insurance company indicating that large companies are usually able to better manage their expenses.
- This is attributable to economies of scale alongside a better quality of resources being employed by large-sized companies as compared to the smaller and/or medium-sized companies. The high expense ratio for smaller companies leads to underwriting losses or negligible profitability through core operations.
- Large and small-sized companies in the Takaful segment had significantly high expense ratios, ~58.2% and ~42.6%, respectively, in CY23 (~86.1% and ~81.3%, respectively, during CY22). For the conventional segment, these clocked in at ~39.8% and ~46.0%, respectively, during CY23 (CY22: ~38.2% and ~36.0%, respectively).
- The overall expense ratio for Takaful operations stood at ~60.3% in CY23 (CY22: ~52.2%), while that for conventional operations stood at ~39.4% during the same period (CY22: ~42.3%).



General Insurance

Financial Risk | Loss Ratio

- On an overall basis, the Takaful business exhibited a significant loss ratio across all sector players, depicting higher net claims paid out against motor insurance through banking channels.
- Takaful operations of large-sized companies recorded a high loss ratio of ~104.5% in CY23 (SPLY: ~93.0%).
- Loss ratio for Takaful operations across sector players stood at ~92.4% in CY23 (CY22: ~78.0%), whereas the loss ratio for conventional operations stood at ~53.5% during the period (CY22: ~56.0%).
- The overall loss ratio, for both conventional and Takaful operations, as of CY23, stood at ~54.9% (CY22: ~55.0%) staying stable at the CY22 level.



General Insurance

Regulatory Framework

- The insurance sector is regulated by the Securities & Exchange Commission of Pakistan (SECP) which has promulgated several regulations or rules to govern the industry. These largely include the following:
 1. Insurance Ordinance, 2000 (amended up to Nov 2011)
 2. Insurance Rules, 2017
 3. Corporate Insurance Agents Regulations, 2020
- As per these regulations, the Minimum Capital Requirement for Non-Life Insurers stands at PKR~500mln while for Digital Non-Life Insurer is PKR~25mln for up to CY24 alongside which insurance companies are required to maintain a deposit with the State Bank of Pakistan (SBP) with minimum amount being 10% of the insurer's paid up capital or any amount that may be specified by the SECP.
- In addition, insurance companies carrying out non-life insurance business are also required at all times to have admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement.
- The minimum solvency requirement is the greatest of:
 1. PKR~150mln;
 2. 20% of its earned premium revenue in the preceding 12 months, net of reinsurance expense subject to a maximum deduction for reinsurance of fifty per cent of the gross figure; or
 3. 20% of the sum of its liability for unexpired risk and its liability for outstanding claims, net of reinsurance subject to a maximum deduction for reinsurance in each case of 50% of the gross figure.
- The Corporate Insurance Agents Regulations, 2020 were notified by the SECP in Dec'20 and aimed at strengthening the regulatory regime for distribution of insurance through corporate insurance agents. These include a code of conduct for agents to clearly define their responsibilities while dealing with policyholders. The regulations are also aimed at curtailing the issue of mis-selling and ensure provision of maximum and clear information regarding company's term and conditions of an insurance policy.

General Insurance

Regulatory Framework | SECP Five-Year Strategic Plan

- Realizing the importance of having long term vision with a clear strategic direction, the SECP in Mar'23, started to work on the strategic direction “Journey to Insured Pakistan” with an aim of strengthening the three pillars of the insurance sector such as policyholders, insurance providers and development of insurance intermediaries. Targeted outcomes of five-year plan are mainly focused on operational and strategic outcomes.

Operational Outcomes

Elevate the Individual lives covered under individual life policies to greater than 15.

Enhance the Insurance Penetration Rate from current rate of 0.87% to 1.5%.

Increase in Takaful contribution to more than 30%.

Expand the coverage of Motor Third-Party Liability (MTPL) insurance to encompass more than 20%.

Raise the Local Retention to exceed more than 60%.

Augment the digital distribution channel's market share to surpass 5%

Facilitate the availability of agriculture insurance for non-loanee farmers.

Promote the introduction of disaster insurance products.

Strategic Outcomes

Achieve premium growth from PKR~553bln to PKR~1,221bln by CY28.

Effectively lower the overall cost associated with regulatory compliances.

Successfully implement Risk-Based Capital (RBC).

Amended Insurance Ordinance.

Settlement of Sales Tax issue.

Digitalized regulatory approval.

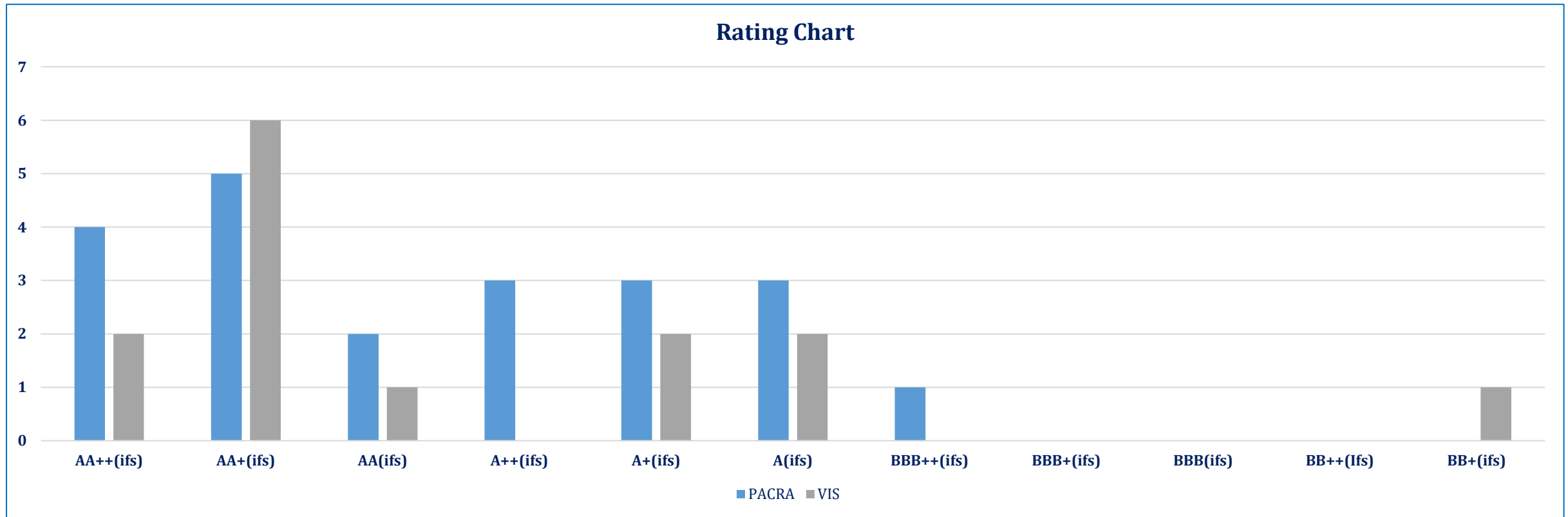
Successful implementation of International Financial Reporting Standards 17 (IFRS-17).

Substantially reduce the ratio of customer complaints.

General Insurance

Rating Curve

- PACRA rates 21 General Insurance companies under the Insurer Financial Stability Rating (IFS) Assessment Framework in the bandwidth of AA++ (ifs) and BB+ (ifs).



General Insurance

SWOT Analysis

- Strong regulatory oversight from Securities & Exchange Commission of Pakistan (SECP)
- The sector is organized and has strong representation in the form of the Insurance Association of Pakistan (IAP).



- Inadequate awareness about insurance policies among some segments of the population.
- Natural disasters due to environmental changes may impact adversely.

- Unstable macroeconomic environment
- Declining purchasing power and lower demand
- Lower insurance penetration and awareness.

- Sufficient room for growth.
- Improved sector investment activity due to higher interest rates.
- Employing digital technology infrastructure.

General Insurance

Outlook: Stable

- In FY23, Pakistan's GDP (nominal) stood at PKR~79.7trn (FY22: PKR~63.3trn), contracting, in real terms, by ~0.17% YoY (FY22: ~6.3% growth). The Service segment held ~54.3% share in GDP during the year. However, the provisional data released by National Accounts reveals that Pakistan's GDP during FY24 is expected to clock in above PKR~100.0trn in nominal terms with expected GDP growth rate in real terms of ~2.4%, depicting an improved economic activity during FY24 compared with SPLY. The SBP estimates GDP growth at ~2-3% for FY24, while IMF's forecast for the same stands at ~2.0%.
- Although Gross Premium Written (GPW) for the conventional segment increased by ~28.0% during CY23 (CY22 growth: ~15%), the Takaful segment contributed underwriting witnessed a growth of ~21.6% (CY22 Increase: ~27%). The GPW growth reflects the sector response to the inflationary pressure to maintain profitability and ensure timely coverage for the customers. Also the growing customer base on the window takaful operations reflects people preferences towards shariah-compliant options in the market however during CY23 growth rate of window takaful remained low as motor insurance is the major contributor in window takaful and sales of motor vehicles remained low in CY23 due to macroeconomic imbalances.
- In terms of profitability however, the underwriting results for the sector grew by ~46.1% in CY23 (CY22 ~-54%) increasing to PKR ~4.7bln in CY23 against PKR ~3.2bln during CY22.
- An increase of ~96.3% has been observed for the sector during CY23 in terms of total investment income of the sector, combined for both conventional and takaful. Profit before tax for the sector also increased to PKR ~28.2bln in CY23 as against PKR ~15.0bln during CY22.
- The sector's liquidity performance to cover net claims has improved during CY23. The ratio between the Liquid Assets and Net Claims (including Takaful) increased to ~3.8, reflecting ~51.7% increase in liquid assets (Investment and Cash & Bank Deposits). Liquid assets for the sector clocked in at PKR~174.9bln in CY23, as against PKR~115.3bln during CY22.
- With the easing of monetary policy by 150 bps in June'24 and inflation falling to 11.3% in May'24, it is likely to have the upward trajectory of the sector's overall performance during CY24, however investment returns can affect the profitability of the insurance sector. The sector contributed ~1.8% to the GDP during FY23, there is still room for reforms in the sector to encourage more firms to enter the market. This also calls for an awareness of the shariah-compliant options available so that the market can be further expanded.

General Insurance

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- Pakistan Economic Survey

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