

Sector Update : General Insurance



May 2019

Insurance Sector Overview

Gross Premium Written (GPW)

Type†	No. of Companies	Dec '18		No. of Companies*	Dec '17	
		PKR (mln)	Market Share		PKR (mln)	Market Share
Large	5	62,216	68%	5	56,070	67%
Medium	8	22,084	24%	8	19,346	23%
Small	15	7,783	8%	15	7,856	9%
Total	28	92,083	100%	28	83,348	100%

Movement in Rankings

Period\ Type	Large	Medium	Small
Dec-17	4	8	17
Dec-18	5	8	15
Companies	+ IGI	+ SGI	- SGI
		- IGI	- PGI

† Large = >5% market share

Medium = ≥2% and <5% market share

Small = ≤ 1% market share

* Classification of companies in 2017 adjusted according to Rankings of 2018 for comparability – GPW and Market Share of 2017 also adjusted accordingly.

Insurance Sector Overview

Rating Agency

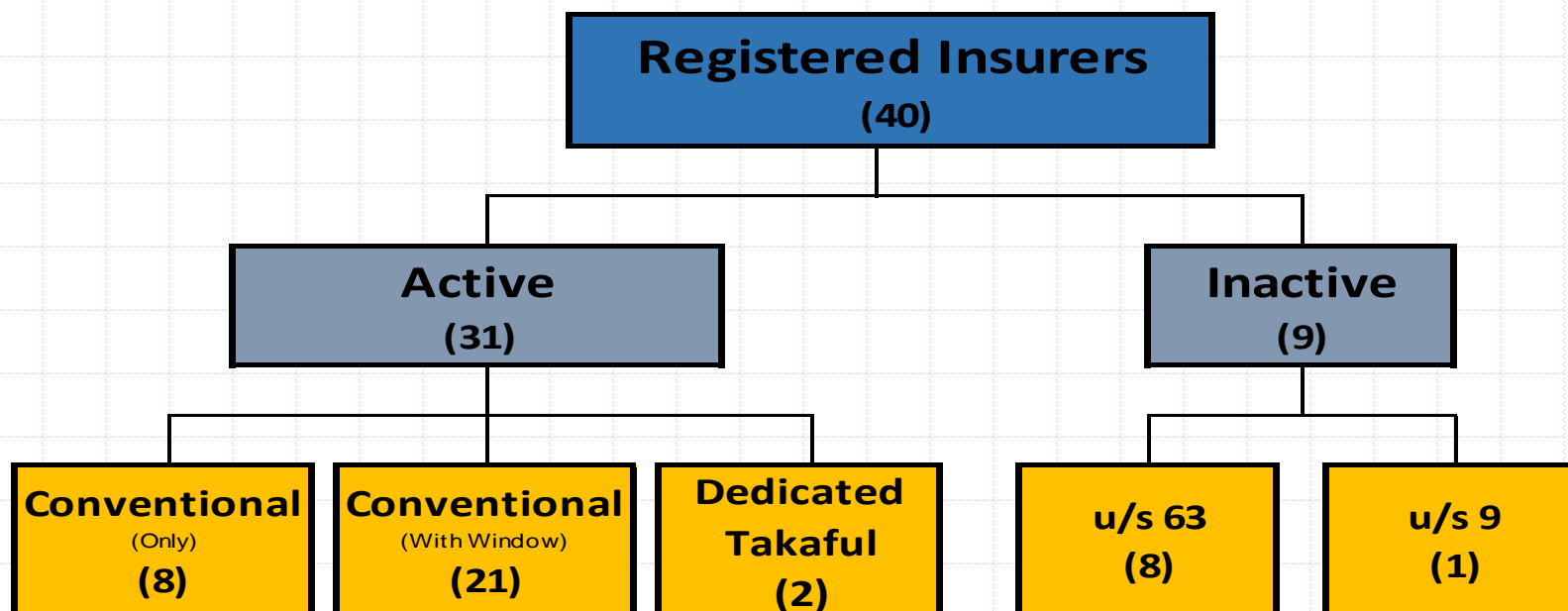
PACRA (Only)	Dual*	VIS (Only)
14	7	7

Companies member of

SECP	IAP
40	30

Non IAP

- 1 Pak Qatar General Takaful Limited (Rated)
- 2 Continental Insurance Company Ltd
- 3 Trafco Insurance Company Limited
- 4 The Asian Mutual Insurance Company Limited
- 5 Silver Star Insurance Company Limited
- 6 PICIC Insurance Limited
- 7 New Hampshire Insurance Company Limited
- 8 National Insurance Company Limited
- 9 Pak-Kuwait Tafakul Company
- 10 Progressive Insurance Company Limited



* Dual Rated means rated by both PACRA and VIS

U/S 63 of Insurance Ordinance 2000: Company is ceased from entering into new contracts of insurance
U/S 9 of Insurance Ordinance 2000: Company has applied for revocation of registration

Large Industry Performance

Gross Premium Written (GPW)

Companies		Rating Agency	Rating	Dec '18		Dec '17	
				PKR (mln)	Market Share	PKR (mln)	Market Share
1.	Adamjee General Insurance	PACRA	AA+	21,489	23%	19,265	23%
2.	EFU General Insurance	Dual	AA+	20,813	22%	20,404	24%
3.	Jubilee General Insurance	Dual	AA+	10,068	11%	8,336	10%
4.	United Insurance	Dual	AA	5,239	6%	5,126	6%
5.	IGI General Insurance	Dual	AA	4,608	5%	2,939	4%
Total				62,216	68%	56,070	67%

** in case of different rating assigned by both Rating agencies, ratings assigned by PACRA has been taken into account

Medium Industry Performance

Gross Premium Written (GPW)

Companies		Rating Agency	Rating	Dec '18		Dec'17	
				PKR (mln)	Market Share	PKR (mln)	Market Share
1.	Askari General Insurance	Dual	AA	3,179	3%	2,766	3%
2.	East West Insurance	PACRA	A+	3,124	3%	2,531	3%
3.	UBL Insurer	VIS	AA-	3,100	3%	3,009	4%
4.	Atlas Insurance	PACRA	AA	3,060	3%	2,502	3%
5.	Alfalah Insurance	PACRA	AA-	2,600	3%	2,256	3%
6.	Security General Insurance	VIS	AA	2,516	3%	2,000	2%
7.	TPL Insurance	PACRA	A+	2,409	3%	2,293	3%
8.	Allianz EFU Health	VIS	A+	2,096	2%	1,989	2%
Total				22,084	24%	19,346	23%

Small Industry Performance

Gross Premium Written (GPW)

Companies		Rating Agency	Rating	Dec '18		Dec '17	
				PKR (mln)	Market Share	PKR (mln)	Market Share
1.	Habib Insurance	PACRA	A+	1,327	1%	1,163	1%
2.	Century Insurance	VIS	A+	1,310	1%	1,061	1%
3.	Reliance Insurance	VIS	A	879	1%	1155	1%
4.	SPI Insurance	PACRA	A	840	1%	1,009	1%
5.	Premier Insurance	PACRA	A	685	1%	1,009	1%
6.	Pak Qatar General	Dual	A	677	1%	615	1%
7.	Asia Insurance	PACRA	A	564	1%	687	1%
8.	Sindh Insurance	PACRA	A+	426	0%	403	0%
9.	Shaheen Insurance	PACRA	A	424	0%	343	0%
10.	Takaful Pakistan	Dual	A-	376	0%	150	0%
11.	Crescent Star Insurance	PACRA	A-	115	0%	113	0%
12.	Alpha Insurance	VIS	A	83	0%	106	0%
13.	Universal Insurance	PACRA	A-	64	0%	29	0%
14.	Co-op Insurance	VIS	BB	10	0%	9	0%
15.	Excel Insurance	PACRA	A-	2	0%	4	0%
Total				7,783	8%	7,856	9%

Industry Dynamics (CY18)- Overall

Companies		No. of Companies	Investment Income	U/W Results	PBT	Equity	Investments + Cash & Bank
1.	Large	5	4,599	3,838	9,402	54,105	72,699
2.	Medium	8	1,368	1,570	3,055	22,875	24,504
3.	Small	15	660	-5	686	13,269	13,915
Total		28	6,627	5,403	13,142	90,249	111,118

Industry Dynamics (CY18)- Large Companies

Companies		Investment Income	U/W Results	PBT	Equity	Investments + Cash & Bank
1.	Adamjee General Insurance	1,285	808	2,253	19,815	26,195
2.	EFU General Insurance	1,774	2,339	4,275	20,442	28,290
3.	Jubilee General Insurance	1,388	212	1,631	7,908	13,854
4.	United Insurance	14	258	751	3,619	1,160
5.	IGI General Insurance	138	221	491	2,321	3,200
Total		4,599	3,838	9,402	54,105	72,699

Industry Dynamics (CY18)- Medium Companies

Companies		Investment Income	U/W Results	PBT	Equity	Investments + Cash & Bank
1.	Askari General Insurance	74	168	421	1,821	2,242
2.	East West Insurance	-1	144	146	1,161	1,124
3.	UBL Insurer	0	0	0	0	0
4.	Atlas Insurance	235	656	982	3,461	3,639
5.	Alfalah Insurance	40	27	119	1,066	1,608
6.	Security General Insurance	995	294	1,292	13,870	14,015
7.	TPL Insurance	1	178	15	935	1,179
8.	Allianz EFU Health	24	103	80	561	696
Total		1,368	1,570	3,055	22,875	24,504

Industry Dynamics (CY18)- Small Companies

	Companies	Investment Income	U/W Results	PBT	Equity	Investments + Cash & Bank
1.	Habib Insurance	47	49	60	856	788
2.	Century Insurance	202	-41	158	1,339	1,356
3.	Reliance Insurance	-20	103	110	1,720	1,798
4.	SPI Insurance	18	94	100	542	339
5.	Premier Insurance	45	-73	-0	1,180	1,456
6.	Pak Qatar General	15	11	37	1,120	1,027
7.	Asia Insurance	11	-17	24	1,033	814
8.	Sindh Insurance	258	6	279	1,479	3,161
9.	Shaheen Insurance	33	110	89	684	715
10.	Takaful Pakistan	5	2	-76	332	588
11.	Crescent Star Insurance	0	-89	-49	927	239
12.	Alpha Insurance	44	-98	-53	706	839
13.	Universal Insurance	-12	-38	19	808	201
14.	Co-op Insurance	0	0	0	0	0
15.	Excel Insurance	14	-24	-11	544	593
	Total	660	-5	686	13,269	13,915

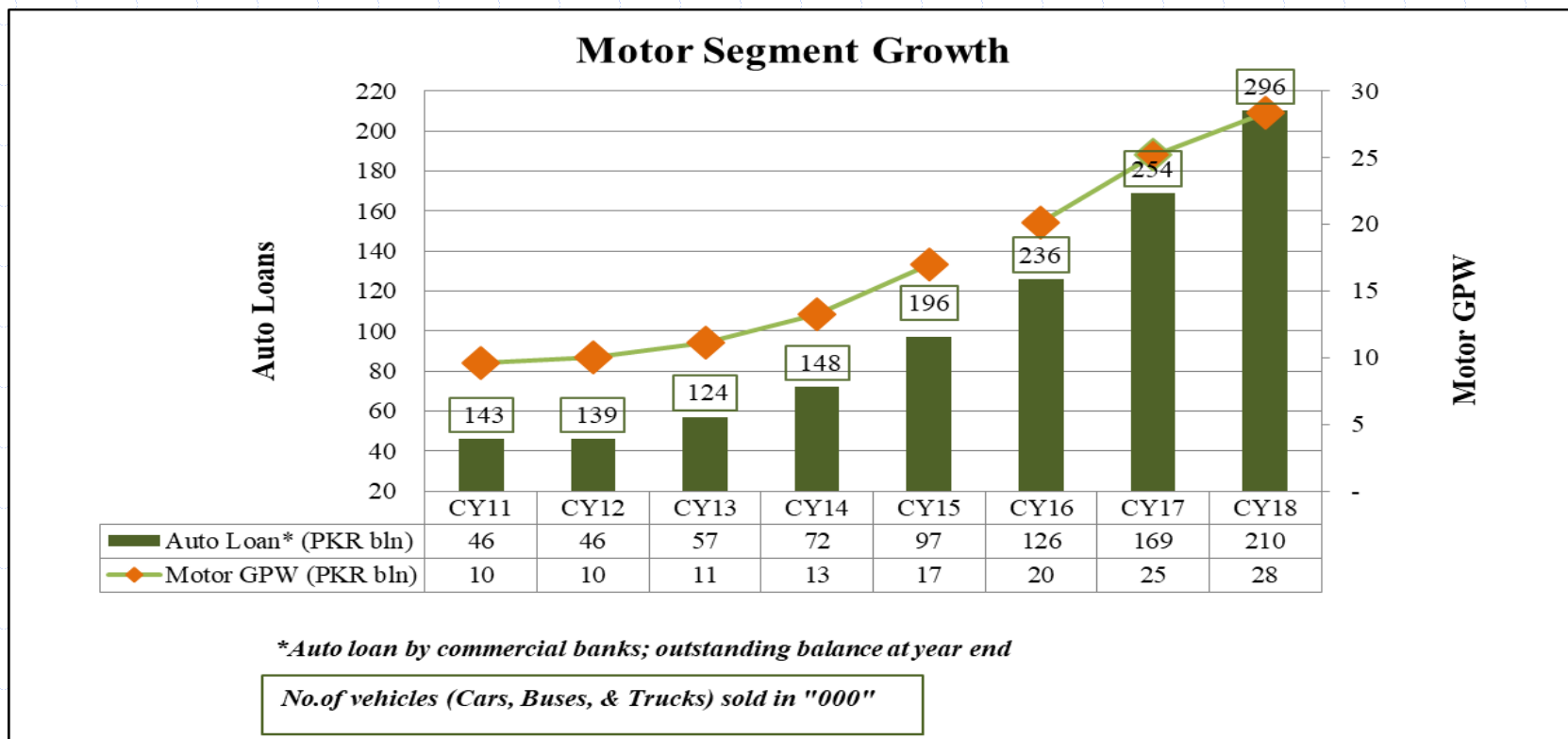
Segment Dynamics

- Industry wide, Fire and Motor segments are the leading segments
- Fire is the pre-dominant segment in large sized companies
- Motor segment dominated the medium, small and takaful sector companies premium.
- Health segment mostly avoided by all companies and usually taken up in combination with business of other segments.
- “Others” segment includes Crop; Livestock; Terrorism; Bond; Banker’s Blanket; Travel etc

Segment-wise Business (CY18)						
	Fire	Marine	Motor	Health	Others	Aggregate
Large	36%	9%	32%	6%	16%	100%
Medium	27%	11%	33%	10%	19%	100%
Small	27%	11%	39%	9%	14%	100%
Window Takaful	12%	4%	66%	7%	11%	100%
Total	34%	10%	33%	7%	17%	100%

Motor Segment

- Motor segment has seen a uniform increase over the years.
- Auto lending by banks has seen a uniform increase depicting a direct relation with the no. of vehicles sold as well as increase in GPW of Motor segments.
- The GPW has shown a continuous increase despite the rate of premium charged decreasing from 3.5% to 2.0% over the last few years.
- Motor segment showed an increase of 19% YoY in CY18. This trend is expected to continue in future as motor is considered a low hanging fruit for insurance companies.



Window Takaful Snapshot

- Companies having Window Takaful Operations (> PKR 100mln)

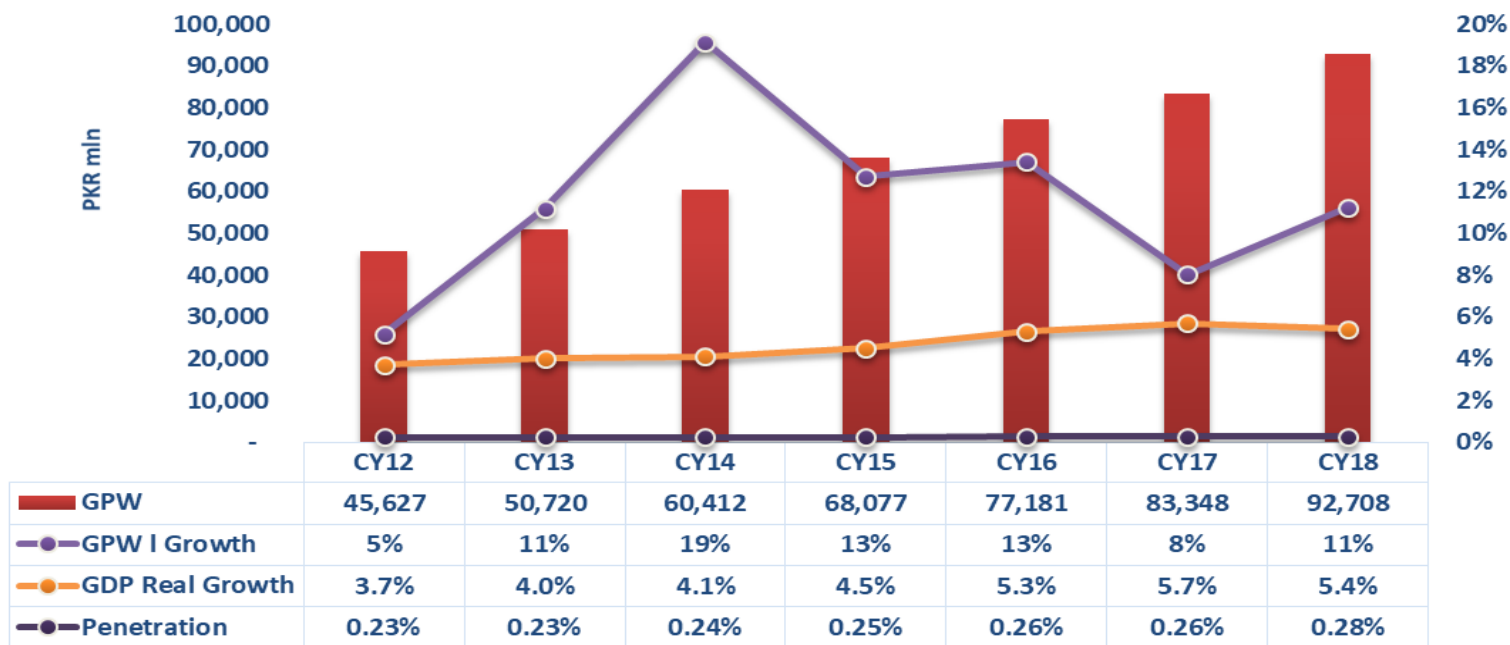
Company Name	Inception Year	GPW - 2018 Rs. (m)	Market Share (%)
EFU General Insurance	2014	2,033	22%
Adamjee Insurance	2015	1,102	12%
TPL Insurance	2014	1,059	11%
United Insurance	2016	1,011	11%
Jubilee General Insurance	2015	907	10%
<i>Pak Qatar General **</i>	<i>2007</i>	<i>677</i>	<i>7%</i>
UBL Insurer	2015	500	5%
<i>Takaful Pakistan **</i>	<i>2006</i>	<i>376</i>	<i>4%</i>
Askari General Insurance	2016	294	3%
Alfalah Insurance	2015	262	3%
SPI Insurance	2014	259	3%
Atlas Insurance	2016	211	2%
IGI Insurance	2018	190	2%
Premier Insurance	2015	149	2%
Reliance Insurance	2015	130	1%
Total		9,288	99%

** Both are dedicated Takaful Companies – only included for completeness purposes.

GPW Snapshot

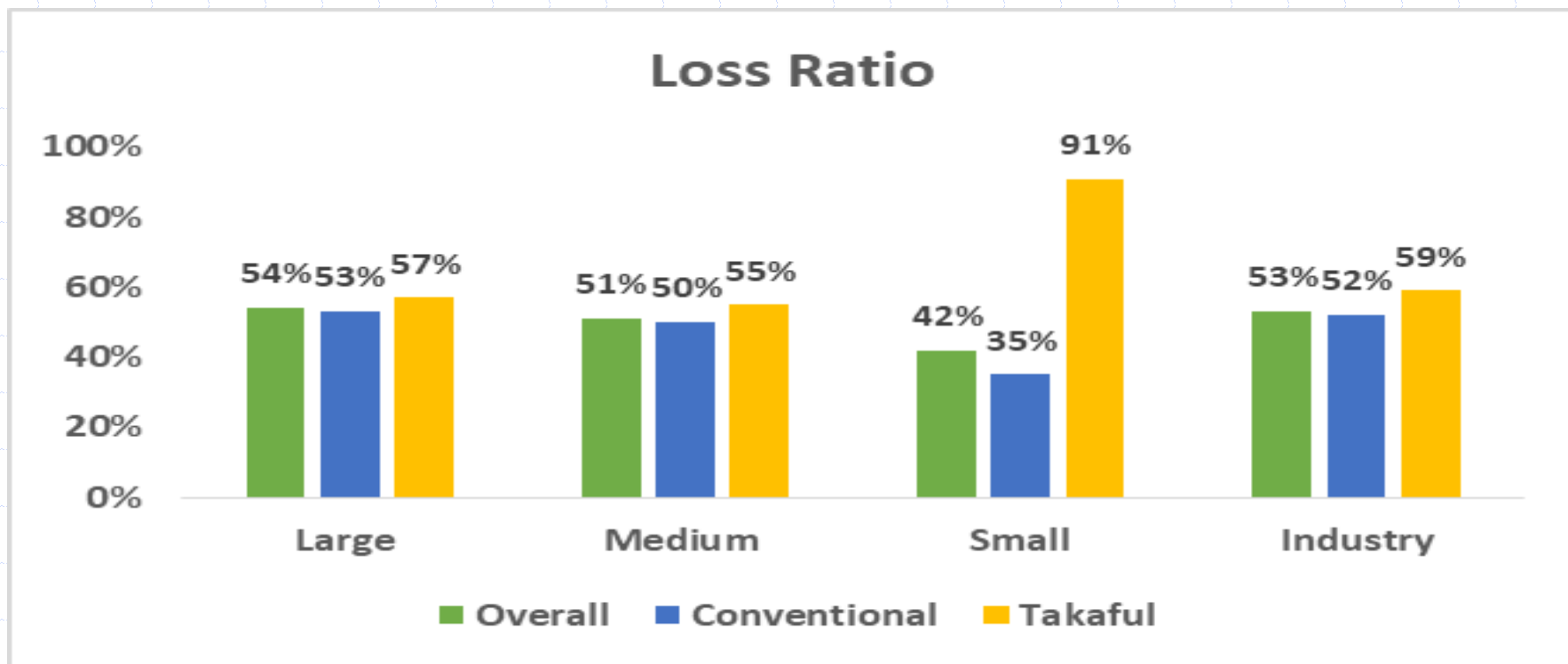
- GPW increased by 11.2% in CY18 as compared to the growth of 12.1% in the previous three years.
- Industry picked up its growth trend from CY17 which saw a dip to 8%.
- The increase can be attributed mainly to underwriting from fronting projects and rupee devaluation.
- Motor segment showed the most significant increase of 19% in CY18.
- Insurance penetration remains dismally low at 0.28% in CY18.

GPW Trend



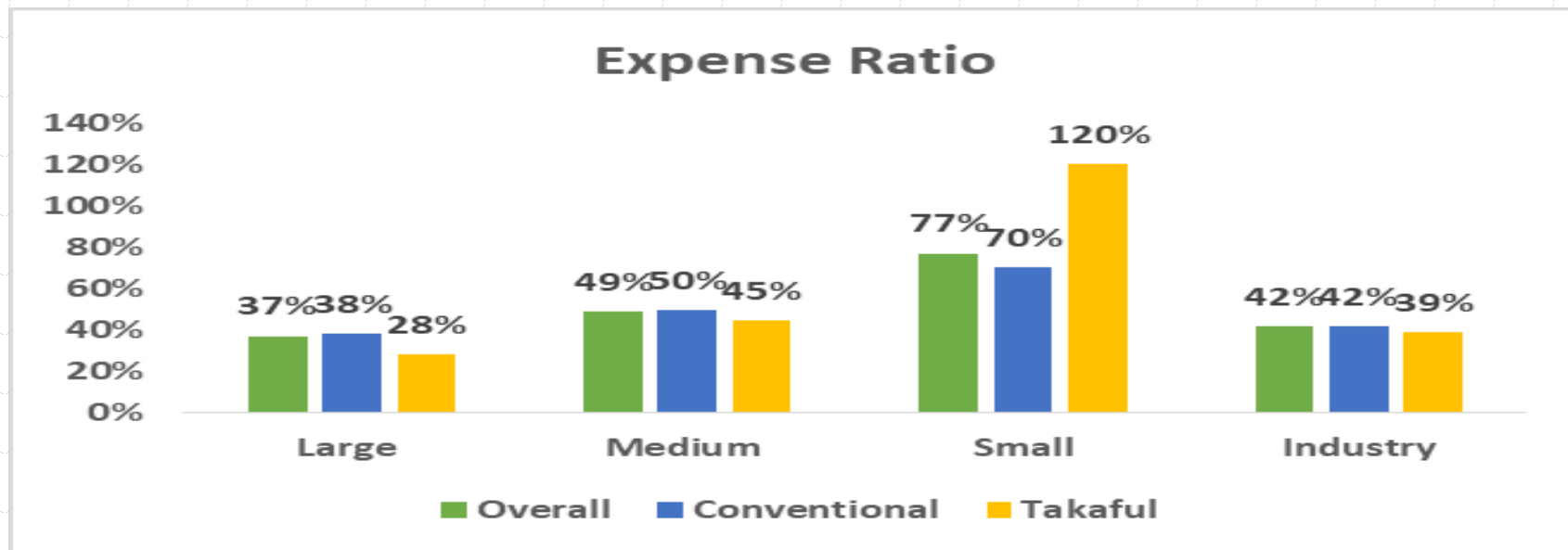
Loss Ratio-Analytical Analysis

- Loss Ratio decreased in proportion to the size of the company emphasizing large companies pay out more claims with respect to premium generated.
- Takaful operations of small sized operators suffer a higher loss ratio due to small size window size. (Avg. Takaful GPW of Small Sized Companies < PKR 100mln)
- Industry wide, Loss Ratio in Takaful operations witnessed a decrease from 66% (CY17) to 59% (CY18) reflecting upon good businesses being underwritten and window operators becoming more experienced.



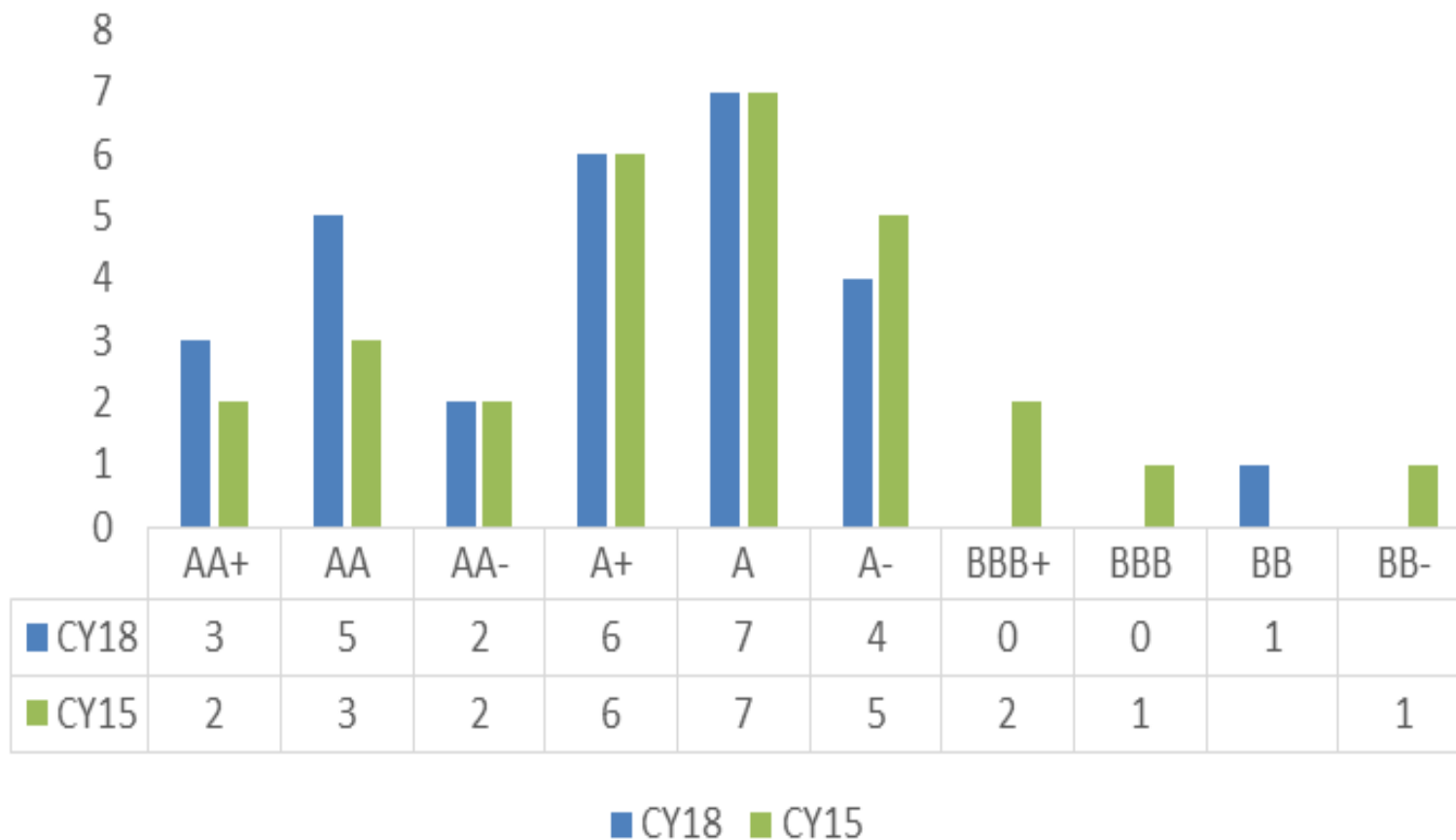
Expense Ratio-Analytical Analysis

- Expense Ratio showed an inverse relation to the size of the company emphasizing large companies are better able to keep the expenses under control.
- This can be attributed to economies of scales along with quality of resource being hired by Large Companies as compared to Small Companies.
- Expense Ratio of Takaful Operations in Large and Medium sized companies is lower than Conventional Operation due to Share Services being utilized and charging of expenses in disproportional ratio to encourage Window Operations.
- Takaful operations of small sized operators suffer a higher expense ratio due to small size window size. (Avg. Takaful GPW of Small Sized Companies < PKR 100mln)



Rating Paradigm

Rating Universe - General Insurance



** in case of different rating assigned by both Rating agencies, ratings assigned by PACRA has been taken into account

Peer Countries Overview

	GDP (USD billion)	GDP per capita (USD)	GDP growth forecasted	Insurance Penetration*
Pakistan	313	1,555	3.2%	0.9%
Bangladesh	250	1,517	8.0%	0.5%
Sri Lanka	87	3,842	3.6%	1.3%
Vietnam	224	1,835	6.9%	1.6%
India	2,601	1,964	7.2%	3.6%

- Middle-low income markets.
- In Sri Lanka, insurers are facing pressures to meet various new regulatory requirements, including higher paid-up capital, splitting of composite businesses and the introduction of a risk-based capital regime in 2016.
- In Pakistan, a low paid-up capital requirement has led to a large number of smaller players which lack the resources to invest in underwriting and distribution.
- The Bangladeshi market is similarly populated by many small players.
- Insurance growth in these Asian markets will continue to derive support from stable economic growth, averaging 5-7% over the next five years.
- The implementation of higher capital and solvency standards among other regulatory measures, will help to improve market efficiency and encourage consolidation.

* Includes both General and Life insurance

Insurance Sector Outlook

- Insurance sector had a healthy growth over the last few years. (CAGR: 12.1%)
- 2018 saw a robust growth rate as compared to 2017. (2018: 11%; 2017: 8%)
- Slowdown in Economy is evident, given declining GDP amidst rising interest rates, depreciating rupee and rising cost of production.
- Slow down in economic activity may hamper growth rate in coming days but this is expected to be somewhat compensated by uptick in Rupee dollar parity which is expected to increase insurance premiums at a vigorous rate.
- Large infrastructural projects pipeline seems dried up. This is likely to pose a challenge to future growth.
- Crucial developments maybe helpful in non-conventional segments – third party, personnel lines and health segment.
- The investment portfolios of the insurance companies may further shift from equity market to government securities.
- Technology advancements and digital insurance will not only help increase volumes but will also enhance efficiency and customer experience.
- Re-insurers may be taking a strict view given his return would be under pressure due to USD vs PKR parity.

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