

Sector Update : General Insurance



October 2018

Insurance Sector Overview

Gross Premium Written (GPW)

Type	No. of Companies	Jun '18		Jun '17	Dec '17		Dec '16
		PKR (mln)	Market Share		PKR (mln)	Market Share	
Large	4	27,466	63%	27,589	52,354	63%	46,209
Medium	8	11,856	27%	9,557	20,286	24%	18,047
Small	17	4,096	10%	3,789	10,163	12%	12,925
Total	29	43,418	100%	40,935	82,803	100%	77,181

Rating Agency

PACRA	Dual*	JCR
13	9	7

Companies member of

SECP	IAP
38	29

Non IAP

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

Pak Kuwait Insurance Company

*Dual means a company rated by both CRAs (PACRA and JCR)

Large Industry Performance

Gross Premium Written (GPW)

Companies		Rating Agency	Rating	Jun '18		Jun '17	Dec '17		Dec '16
				PKR (mln)	Market Share		PKR (mln)	Market Share	
1	EFU Gen. Ins. Ltd.	Dual	AA+	9,975	23%	9,873	20,405	25%	17,195
2	Adamjee Insurance	Dual	AA+	9,648	22%	10,445	18,522	22%	16,451
3	Jubilee General Insurance	Dual	AA+	5,730	13%	4,536	8,337	10%	8,253
4	United Insurance	PACRA	AA-	2,113	5%	2,735	5,090	6%	4,310
Total				27,466	63%	27,589	52,354	63%	46,209

Medium Industry Performance

Gross Premium Written (GPW)

Companies		Rating Agency	Rating	Jun '18		Jun '17	Dec'17		Dec'16
				PKR (mln)	Market Share		PKR (mln)	Market Share	
1	IGI Insurance	Dual	AA	2,348	5%	1,289	2,938	4%	2,820
2	UBL Insurer	JCR	AA-	1,606	4%	1,693	3,009	4%	2,334
3	East West Insc.	PACRA	A+	1,414	3%	1,000	2,531	3%	2,066
4	Atlas Insurance	PACRA	AA	1,494	3%	1,221	2,503	3%	2,396
5	Askari Gen. Insc.	Dual	AA-	1,350	3%	1,127	2,766	3%	2,349
6	Allianz EFU Health	JCR	A+	1,124	3%	990	1,989	2%	2,005
7	Alfalah Ins. Co	PACRA	AA-	1,269	3%	1,149	2,257	3%	2,023
8	TPL Insurance.	PACRA	A+	1,250	3%	1,088	2,293	3%	2,054
Total				11,856	27%	9,557	20,286	24%	18,047

Small Industry Performance

Gross Premium Written (GPW)

Companies		Rating Agency	Rating	Jun '18		Jun '17	Dec '17		Dec '16
				PKR (mln)	Market Share		PKR (mln)	Market Share	
1	Century Insurance	JCR	A+	650	1%	566	1,055	1%	1,008
2	Habib Insurance	PACRA	A+	614	1%	578	1,163	1%	1,400
3	Reliance Insurance	JCR	A	563	1%	422	1,231	1%	1,202
4	Security Gen. Inc.	JCR	AA	508	1%	357	2,013	2%	2,087
5	SPI Insurance	PACRA	A	299	1%	350	1,010	1%	1,008
6	Pak Qatar	Dual	A	412	1%	325	614	1%	653
7	Asia Insurance	PACRA	A	288	1%	212	687	1%	551
8	Premier Ins.	Dual	A	247	1%	373	1,009	1%	1,310
9	Shaheen Ins.	PACRA	A	213	0%	175	343	0%	340
10	Takaful Pakistan	Dual	BBB+	128	0%	72	149	0%	219
11	Crescent Star	PACRA	A-	71	0%	37	133	0%	190
12	Sindh Insurance	PACRA	A+	40	0%	40	407	0%	2,408
13	Alpha Insurance	JCR	A	40	0%	57	106	0%	151
14	Universal Ins.	PACRA	A-	16	0%	8	28	0%	36
15	Co-op Insurance	JCR	BB	6	0%	6	9	0%	6
16	Excel Insurance	PACRA	A-	0.2	0%	0	4	0%	5
17	Pakistan Gen. Ins.	Dual	B+	0	0%	211	201	0%	352
Total				4,096	10%	3,789	10,163	12%	12,925

Industry Dynamics (1H18)- Overall

Companies		No. of Companies	Investment Income	U/W Results	Investments + Cash & Bank	Equity	Expense Ratio
1.	Large	4	2,897	926	68,746	52,165	44%
2.	Medium	8	423	1,241	15,242	10,274	32%
3.	Small	17	926	244	29,097	24,856	83%
Total		29	4,246	2,411	113,084	87,295	51%

Industry Dynamics (1H18)- Large Companies

Companies		Investment Income	U/W Results	Investments + Cash & Bank	Equity	Expense Ratio
1.	Adamjee Insurance	1,090	519	24,479	19,546	56%
2.	EFU Gen. Ins. Ltd.	924	539	30,516	21,665	41%
3.	Jubilee General Insurance	821	-130	12,678	8,024	39%
4.	United Ins.	61	-2	1,072	2,931	34%
	Total	2,897	926	68,746	52,165	44%

Industry Dynamics (1H18)- Medium

Companies		Investment Income	U/W Results	Investments + Cash & Bank	Equity	Expense Ratio
1.	Atlas Insurance	178	311	5,154	3,567	41%
2.	IGI Insurance	84	333	2,982	2,076	33%
3.	East West Insc.	40	162	1,134	1,173	34%
4.	UBL Insurer	28	167	960	1,246	35%
5.	Askari Gen. Insc.	28	174	2,016	1,570	36%
6.	Alfalah Ins. Co	27	4	1,377	1,073	48%
7.	TPL Insurance.	24	56	811	1,122	19%
8.	Allianz EFU Health	15	34	807	524	6%
	Total	423	1,241	15,242	10,274	32%

Industry Dynamics (1H18)- Small

	Companies	Investment Income	U/W Results	Investments + Cash & Bank	Equity	Expense Ratio
1	Security Gen. Insc.	494	121	15,941	14,680	41%
2	Sindh Insurance	126	54	2,988	1,360	99%
3	Habib Insurance	117	19	1,447	1441	62%
4	Reliance Insurance	52	21	746	856	47%
5	SPI Insurance	29	39	387	542	75%
6	Century Insurance	29	42	1,909	1,712	45%
7	Alpha Insurance	27	-27	554	737	96%
8	Excel Insurance	18	-4	661	600	-
9	Asia Insurance	14	15	853	992	64%
10	Shaheen Insurance	13	35	692	649	66%
11	Pak Qatar	8	10	496	310	60%
12	Takaful Pakistan	3	-1	525	350	109%
13	Universal Ins.	1	-28	464	771	265%
14	Crescent Star	0	3	306	981	94%
15	Co-op Insurance	0	0	62	560	96%
16	Pakistan Gen. Ins.	0	0	0	-	-
17	Premier Ins.	-5	-54	1,067	975	25%
	Total	926	244	29,097	24,856	83%

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 smaller companies. Large and medium sized companies tend to show a conservative share of health segment (around 12%).

Segment-wise Business

	Fire	Marine	Motor	Health	Others	Aggregate
Large	43%	11%	19%	13%	15%	100%
Medium	22%	16%	29%	12%	22%	100%
Small	17%	9%	41%	2%	31%	100%
Window Takaful	3%	2%	93%	2%	0%	100%
Total	31%	9%	37%	10%	13%	100%

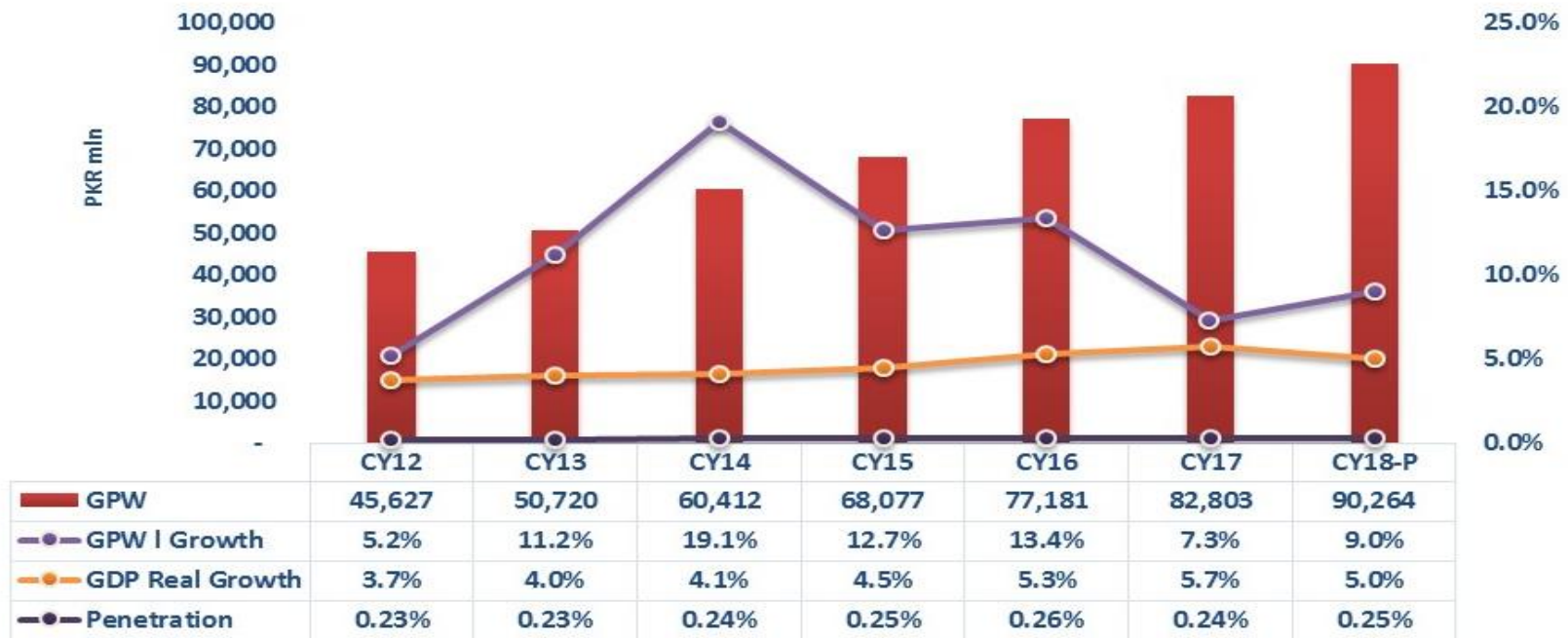
Window Takaful Snapshot

- Companies having Window Takaful Operations

Company Name	Inception Year	GPW - 1H18 Rs. (m)	Market Share
EFU Gen. Ins. Ltd.	2014	870	23%
TPL Insurance	2014	545	15%
Adamjee Insurance	2015	544	15%
Jubilee Insurance	2015	473	13%
United Insurance	2016	325	9%
UBL Insurance	2015	209	6%
Alfalah Insurance	2015	141	3%
Askari Insurance	2016	133	3%
SPI Insurance	2014	114	3%
Atlas Insurance	2016	90	2%
Reliance Insurance	2015	60	1%
Premier Insurance	2015	57	1%
Shaheen Insurance	2018	1	0%
Total		3,720	100%

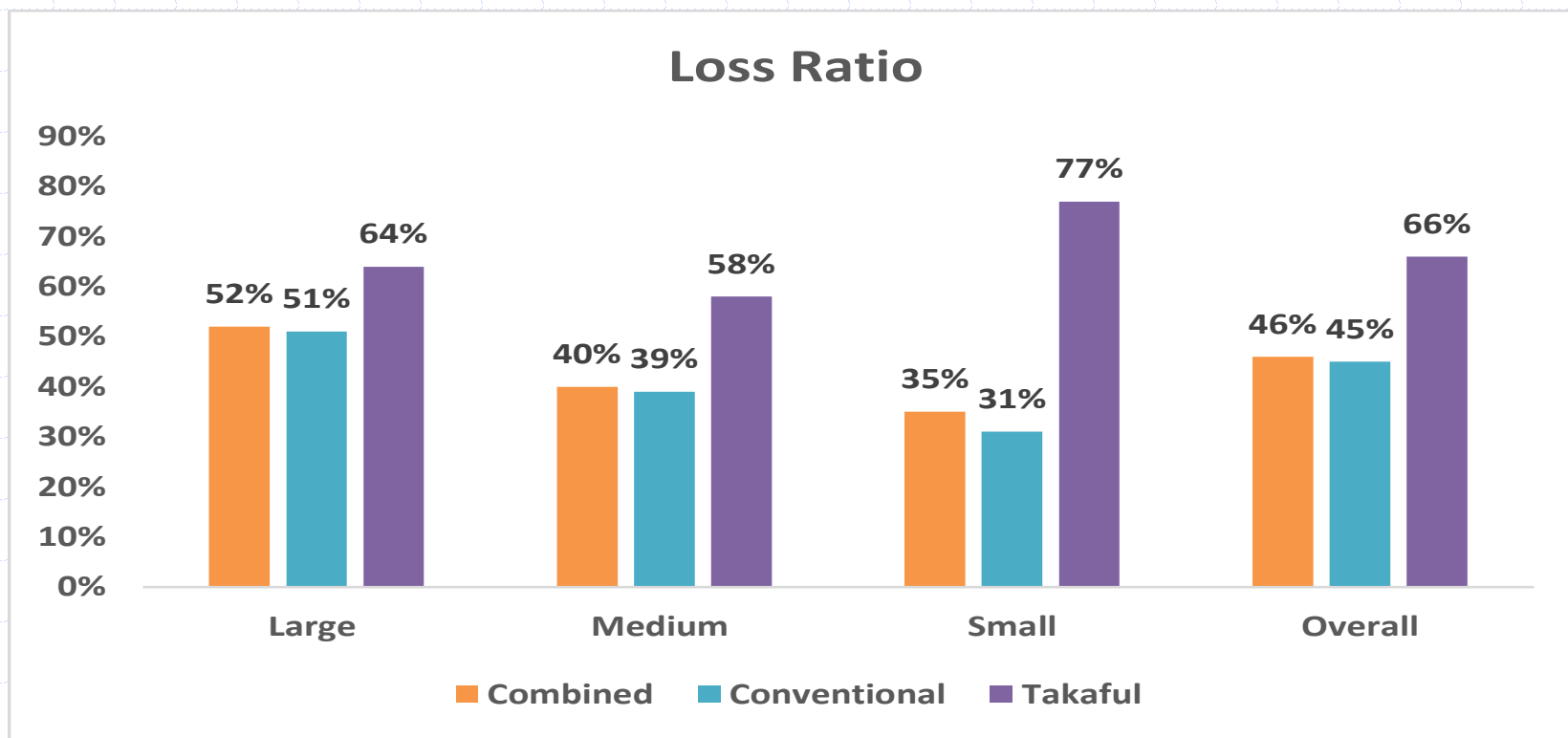
GPW Snapshot

- GPW increased by 7.3% in CY17 as compared to the growth of 13% in the previous two years
- The decrease can be attributed mainly to political uncertainty due to the the general elections & reduced underwriting from one off projects (i.e. engineering & CPEC)
- Insurance penetration remains dismally low at 0.24% in CY17 (CY18 Projected: 0.25%)



Loss Ratio-Analytical Analysis

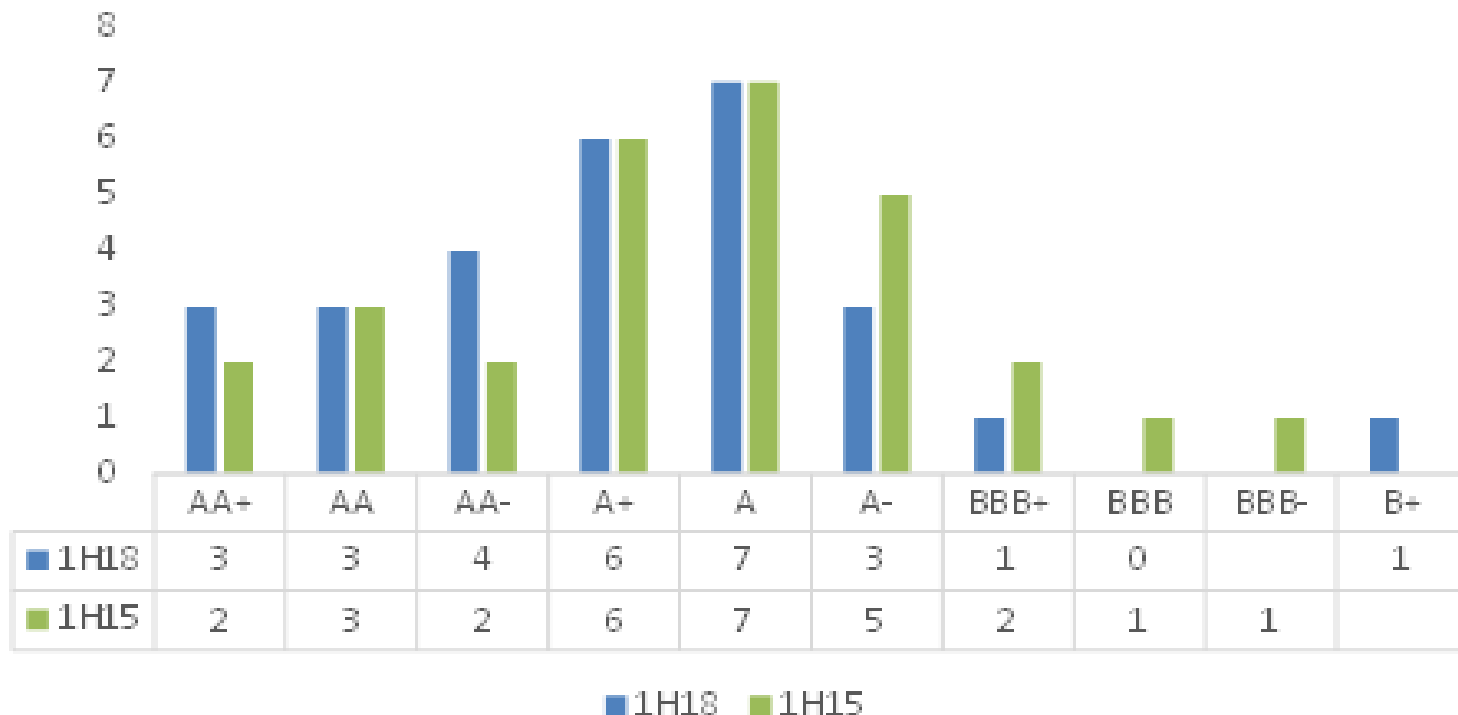
- Combined Ratio decreased in proportion to the size of the company emphasizing large companies pay out more claims with respect to premium generated
- Takaful witnessed high loss ratio as companies such as Adamjee, SPI, Pak Qatar & Asia Insurance witnessed a loss ratio (95%-105%) in this segment.



Rating Paradigm

- Increased movement of entities in AA category paradigm.
- Barring one entity, all are rated A- and above in 1H17, down from three in 1H15.
- Pakistan General insurance has been downgraded from A- to B+

Rating Pakistan Universe – General Insurance



Peer Countries Overview

	GDP (USD billion)	GDP per capita (USD)	GDP growth forecasted	Insurance Penetration*
Pakistan	305	1,547	5.0%	0.85%
Bangladesh	250	1,516	7.8%	0.79%
Sri Lanka	87	4,065	4.5%	1.19%
Vietnam	224	2,343	6.6%	1.56%
India	2,597	1,939	7.4%	3.69%

- 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

Peer Countries Overview

- In 2017, real GDP of Middle East grew by an estimated 1.1%, down from 2.5% in 2016. Growth was largely constrained by lower oil prices and the prevailing environment of political instability. Large markets like UAE and Saudi Arabia continued to cut back on public social spending as oil revenues declined. Inflationary pressures remained largely contained due to low energy prices and weak regional activity. However, the removal of subsidies in Gulf countries and implementation of VAT in UAE and Saudi Arabia have started to exert upward pressure on inflation. The outlook for the region remains positive; driven by improvements in the oil sector, expansionary fiscal policy and diversification plans.
- General Insurance constituted the lion's share (83%) of total premiums written in the Middle East, and grew at a more modest pace in 2017 (4.9%) compared to 2016 (7.6%). The deceleration was mainly due to slowdown in Saudi Arabia. Growth has been strong over the past decade, estimated at 13.6% on a compound annual growth rate basis over 2007–2017. The general insurance penetration rate was 1.5% last year, higher than the emerging market average but still below the global average of 2.0%. Saudi Arabia and UAE remain the region's biggest general insurance markets.

Insurance Sector Outlook

- Insurance sector had a huge growth over the last couple of years
- 2017 saw a reduced growth rate
- Slow down in economic activity may hamper growth rate in coming days
- Crucial developments are expected in non-conventional segments – third party, personnel lines and health segment
- Technology advancements will enhance efficiency and customer experience.

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