



The Pakistan Credit Rating Agency Limited

Rating Report

Jubilee General Insurance Company Limited

Report Contents

1. Rating Analysis
2. Financial Information
3. Rating Scale
4. Regulatory and Supplementary Disclosure

Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
03-Nov-2022	AA++ (ifs)	-	Stable	Maintain	-
31-Mar-2022	AA++ (ifs)	-	Stable	Harmonize	-
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	-

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. A diversified revenue strategy is pursued by JGICL, with focal business derived through fire segment at ~37% GPW concentration, whereas, a balanced GPW mix of 18% is acquired through motor, 17% through health, and 18% through miscellaneous segments, being prominent, in CY21. The total segmental mix converged into Gross Premium Revenue of PKR~12,005mln (CY20: PKR~10,311mln) depicting a growth of ~16% YoY through the period. Through adaptation of a secure return strategy, channeled through government securities and a mix of equity securities, JGICL managed to generate investment income of PKR~1,637mln as at end-CY21. The enhanced GPW profile, combined with strong operating performance 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

Name of Rated Entity	Jubilee General Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology General Insurance Rating(Mar-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study General Insurance(May-22)
Rating Analysts	Behrooz Fareed behrooz.fareed@pacra.com +92-42-35869504



Profile

Legal Structure Jubilee General Insurance Company Limited (JGICL or Jubilee General) is a public listed entity registered on Pakistan Stock Exchange.

Background In 2003, the Company acquired, and successfully integrated Pakistan operations of Commercial General Union Insurance and was rebranded to 'Jubilee General' during CY11.

Operations Division of Jubilee General's operations diverge 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 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 (AKDN), 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 AKDN includes Aga Khan Fund for Economic Development, Aga Khan Agency for Micro-finance, Agha 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 Board structure of Jubilee General is comprised of ten members. The board comprises six non-executive, three independent directors and one executive director (CEO of the Company).

Members' Profile Chairman board, Mr. R. Zakir Mahmood has a vast banking experience. He had been President and CEO of Habib Bank Limited for 12 years. Mr. Mahmood is the Chairman of Aga Khan University Hospital, Kyrgyz Investment & Credit Bank and First MicroFinance Bank, Tajikistan. He has served as director of various other organizations as well. All 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) HR 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 CY21.

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 During CY21, the sector experienced ~7% growth YoY basis rising to PKR~703bIn (CY20: PKR 656bIn). Equity of the sector grew as well by ~5%. Underwriting grew up by ~75% YoY in CY21 as compared to CY20. During CY21, upsurge in auto sales and health products remained pivotal for growth. Underwriting profitability has been maintained through reduced management expenses while innovative products are being envisaged. However, current political instability and worsening economic condition could adversely impact insurance industry.

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 End-Dec21, deeming it as a large company in the industry. Being associated with two gigantic groups also provide competitive edge over its rivals.

Revenue In terms of financial performance, JGICL posted a reasonable growth of ~7% in its aggregated GPW & GCW during CY21, amounting to PKR 12,005mln. During 2QCY22, the Company maintained its growth trend with similar flight to rose up-to 4%. Gross premium segment concentration remained inclined towards fire segment, contributing ~38% of the topline.

Profitability During CY21, profit after tax surged to PKR~1,669mln (CY20: PKR~1,585mln) showing a growth of ~7% due to trickled down effect of better GPW and GCW. As far as 2QCY22 is concerned the profit after taxation has improved to PKR~582mln as compared to previous corresponding period.

Investment Performance Equity investments couldn't perform well owed to vacillating performance of PSX and declining economic prospects during the period. Further, a secured investment in government securities provided a secure return. With minor support derived from term deposits, ultimately, total investment income achieved for the period ended CY21 was PKR 1,637mln (CY20: PKR 2,033mln) down by 19%.

Sustainability JGICL 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, JGICL plans to achieve 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 Claim efficiency days of the Company deteriorated to 443days during CY21 (341days: CY20). However, reverted back to 344 days during 2QCY22. as compared to last corresponding period (CY20: 256). Liquidity ratio of the Company has largely remained stagnant at level of 2.5x since 2020.

Re-Insurance The Company has reinsurance treaties with 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 JGICL's investment portfolio is majorly liquid investments while the rest comprises strategic avenues. Total liquid assets parked with the Company stand at PKR~17,840mln as at end-Dec21 (CY20: PKR~16,326mln). Liquid investment as at end-2QCY22 was PKR~18,482mln. Liquid ratio of the Company comparing liquid assets to Net insurance premiums stood at 2.6:1 as at end-Dec21 (CY20: 2.5:1)

Capital Adequacy The Company has maintained sufficient equity levels of PKR 10.4bn as at CY21, remaining compliant with SECP's requirements. Jubilee General has an equity base of PKR~1,985mln as at CY21 (CY20: PKR~1,985mln). The Company witnessed increase in equity due to increase in reserves and unappropriated profits.



PKR mln

Jubilee General Insurance Company Limited
Listed Public Limited

Jun-22	Dec-21	Dec-20	Dec-19
6M	12M	12M	12M

A BALANCE SHEET

1 Investments	19,263	18,652	17,119	15,808
2 Insurance Related Assets	12,684	8,174	6,611	6,171
3 Other Assets	1,063	954	885	865
4 Fixed Assets	130	139	201	250
Total Assets	33,140	27,919	24,816	23,094
1 Underwriting Provisions	6,764	4,961	4,060	4,132
2 Insurance Related Liabilities	12,719	9,485	8,360	7,207
3 Other Liabilities	3,632	3,093	2,677	2,913
4 Borrowings	-	-	-	-
Total Liabilities	23,116	17,539	15,098	14,253
Equity/Fund	10,025	10,379	9,719	8,841

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	8,105	12,005	10,311	10,477
2 Net Insurance Premium/Net Takaful Contribution	3,213	6,318	5,918	6,140
3 Underwriting Expenses	(3,173)	(5,689)	(5,816)	(5,712)
Underwriting Results	41	629	103	429
4 Investment Income	732	1,637	2,033	1,156
5 Other Income / (Expense)	236	83	30	134
Profit Before Tax	1,009	2,350	2,166	1,718
6 Taxes	(427)	(681)	(581)	(501)
Profit After Tax	582	1,669	1,585	1,217

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	824	1,391	1,201	1,101
2 Net Takaful Contribution	337	685	588	551
3 Net Takaful Claims	(331)	(706)	(600)	(599)
4 Direct Expenses Including Re-Takaful Rebate Earned	9	10	8	3
Surplus Before Investment & Other Income/(Expense)	15	(11)	(5)	(45)
5 Investment Income	(11)	(3)	18	(5)
6 Other Income/(Expense)	25	33	39	43
Surplus for the Period	29	20	52	(7)

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	249	436	371	311
2 Management, Commission & Other Acquisition Costs	(176)	(308)	(288)	(209)
Underwriting Income/(Loss)	73	128	84	101
3 Investment Income	0	21	47	25
4 Other Income/(Expense)	12	(2)	(2)	(1)
Profit Before tax	85	147	128	125
5 Taxes	(34)	(43)	(37)	(36)
Profit After tax	51	104	91	89

C RATIO ANALYSIS

1 Profitability				
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful	60.2%	56.4%	61.8%	55.8%
Combined Ratio (Loss Ratio + Expense Ratio)	98.7%	90.0%	98.3%	93.0%
2 Investment Performance				
Investment Yield	7.7%	9.2%	12.4%	7.6%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	2.6	3.0	2.9	3.2
4 Capital Adequacy				
Liquid Investments / Equity (Funds)	184.4%	171.9%	168.0%	169.7%

Insurer Financial Strength (IFS) Rating

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

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

<p>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’.</p>	<p>Rating Watch 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.</p>	<p>Suspension 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.</p>	<p>Withdrawn 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.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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

Restrictions

(3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)

(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

(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 | Clause 11-(A)(p).

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(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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(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(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)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(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)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(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)

Monitoring and review

(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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