



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
03-Nov-2023	AA++ (ifs)	-	Stable	Maintain	-
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	-

Rating Rationale and Key Rating Drivers

In terms of Gross Premium Written (GPW), the general insurance industry has a total size of ~PKR 84bln during 6MCY23 (6MCY22: ~PKR 66bln), exhibiting a growth of ~28%. However, the underwriting performance of the industry witnessed a dip of ~72% and reported at ~PKR 863mln during 6MCY23 (6MCY22: ~PKR 2.9bln). Investment income contributed to the industry's earnings reported at ~PKR 7.7bln during 6MCY23 (6MCY22: ~PKR 5.1bln). However, current economic conditions remain imperative for the overall performance of insurance industry.

The rating drives comfort from Jubilee General Insurance Company Limited ('Jubilee Insurance' or 'the Company') held by the Agha Khan Development Network ('Agha Khan Network'). The strong presence of Agha Khan Network in the financial industry allows Jubilee Insurance to reap benefits through Group's financial institutions i.e., Habib Bank Limited and Jubilee Life Insurance Company Limited. Moreover, strong governance framework and aligned managerial practices sustain the well-established operational network of the Company. GPW grew by ~42% during 9MCY23, mainly trickling from fire segment at ~43%; whereas, a balanced mix is acquired through motor ~13%, health ~15%, and miscellaneous segments ~22%. Through adaptation of a secure return strategy, channeled through government securities and a mix of equity securities, Jubilee Insurance managed to generate investment income of ~PKR 2.2bln during 9MCY23. Positive underwriting results along with improved investment income seeds the Company's bottom-line. 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 business segments and efficient expense management remains imperative to the financial performance. Moreover, investment book's performance, diverted towards fixed term avenues, is crucial for ratings sustenance. The rating remain dependent upon the Company's sustained market position and benefiting from the sound Group profile.

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-23),Methodology Rating Modifiers(Apr-23)
Related Research	Sector Study General Insurance(Jun-23)
Rating Analysts	Nabia Rauf nabia.rauf@pacra.com +92-42-35869504



Profile

Legal Structure Jubilee General Insurance Company Limited ("Jubilee General" or "the Company") was incorporated as a public listed company in May-1953.

Background In 2003, the Company acquired and successfully integrated Pakistan operations of Commercial General Union Insurance. During 2011, the Company was rebranded as Jubilee General.

Operations The Company operates conventional insurance and window takaful businesses. Within both, Jubilee Insurance is mainly engaged in fire, marine and aviation, motor and accident/health segments. The Company operates through a network of more than 27 branches across Pakistan. Division of Jubilee General's operations diverge into four zones (Southern Zone, Lahore Zone, Multan Zone, & North Zone) and two commercial units.

Ownership

Ownership Structure Major stake of the Company lies with the Aga Khan Development Network and the Hashwani Group (~77%). Director's hold (~7%) stake, while Financial Institutions hold (~2%) stake of the Company. Remaining ~14% stake is held by general public.

Stability Ownership of the Company seems to remain stable as the sponsors hold prominent position in various sectors of the Country..

Business Acumen The sponsors have strong acumen and diversified business portfolio providing significant support to the ownership structure.

Financial Strength The Company gather financial strength from the Aga Khan Development Network and the Hashwani Group, if needs be.

Governance

Board Structure Overall control of the Company lies with ten Board Members; comprising six Non-Executive, three Independent and one Executive Director. The BoD has adequate presence of sponsoring families with one female Directors.

Members' Profile Mr. Akbar Ali Pesnani is the Chairman of the Board since Jun-23 and is associated with the Company since 2006. He holds a diversified professional experience of more than 40 years. Other members on the Board carry diversified experience. The Board houses professionals who have served at leading positions in various sectors.

Board Effectiveness During CY22, the Board met four times. The Board has five sub-committees namely: (i) Audit Committee, (ii) Finance & Investment Committee, (iii) Board Risk and Compliance Committee, (iv) HR Remuneration and Nomination Committee and (v) Information Technology Steering Committee. These committees are chaired by Non-Executive and Independent members.

Transparency External Auditor of the Company, M/s AF Fergusons & Co. Chartered Accountants has issued an unqualified audit report on the financial statements as of CY22. The firm is QCR rated and on SBP's panel in category "A".

Management

Organizational Structure The Company operates through eight departments - ERM, Compliance & QA, Investments, Operations, Marketing, HR, IT, Finance and Administration. All Departmental Heads report to the CEO who then reports to the BOD. However, the Head of Internal Audit, HR, IT and Risk directly functionally to the respective BoD Committee and administratively to the CEO.

Management Team Mr. Hassan Khan, the CEO, has over 22 years of overall experience in the financial sector. Mr. Azfar Arshad, the COO, holds an overall experience of above two decades and joined the Company in 2004. Mr. Nawaid Jamal, the CFO, possesses an experience of above two decades and is associated with the Company since 2006.

Effectiveness The management is facilitated by seven committees, (i) Underwriting Committee, (ii) Claims Settlement Committee, (iii) Re-insurance/Co-insurance Committee, (iv) Enterprise Risk Management Committee, (v) Takaful Committee, (vi) Executive Management Committee (MANCOM) and (vii) Assets Allocation Committee – all headed by the CEO. All committees meet on quarterly basis; while minutes are adequately documented.

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 The Committee oversees the claim position of the Company and ensures that adequate claim reserves are made. It also pays attention to significant claim cases or event, which may give rise to a series of claims and determines the circumstances under which the claim disputes shall be brought to its attention and decides how to deal with such claim disputes.

Investment Management Function The BoD approved Investment Policy Statement (IPS) provides detailed guidelines, an execution structure and benchmark for diverse investment categories. Quarterly assessments by the Investment Committee evaluates the investment performance.

Risk Management Framework A comprehensive risk management system has been implemented by the Company and conducts business impact analysis; assess effects of impact of any physical disruption; financial implications and people to be affected followed by the mitigation of risk.

Business Risk

Industry Dynamics In terms of GPW, the general insurance industry has a total size of ~PKR 84bln during 6MCY23 (6MCY22: ~PKR 66bln), exhibiting a growth of ~28%. However, the underwriting performance of the industry witnessed a dip of ~72% and reported at ~PKR 863mln during 6MCY23 (6MCY22: ~PKR 2.9bln). Investment income contributed to the industry's earnings reported at ~PKR 7.7bln during 6MCY23 (6MCY22: ~PKR 5.1bln). However, current economic conditions remain imperative for the overall performance of insurance industry.

Relative Position Jubilee General is the third-largest insurance company with market share of ~12% during 6MCY23 (in terms of GPW).

Revenue The Company generates GPW from Conventional (~88%) and Window Takaful (~11%) businesses. Total GPW grew by ~42% (9MCY23: ~PKR 17bln, 9MCY22: ~PKR 8.1bln) emanating from conventional and takaful businesses (~36%). Fire & Property was the top performing segment contributing ~43%, miscellaneous ~22%, motor ~13%, and health ~15% to the total GPW. Moreover, increase in asset price owing to rupee devaluation has benefitted the GPW.

Profitability The Company's profitability is impacted by the underwriting results and investment income. The underwriting results showcased growth (9MCY23: ~PKR 781mln, 9MCY22: ~PKR 224mln). While, the investment income also grew to supplement the Company's bottom-line (9MCY23: ~PKR 2bln, 9MCY22: ~PKR 1bln).

Investment Performance The Company followed a prudent approach to mitigate the risk and a major portion of the total investment (~58%) is invested in government securities which led to ~83% increased investment income (9MCY23: ~PKR 2.2bln, 9MCY22: ~PKR 1.2bln) due to higher returns.

Sustainability With Jubilee Life Pakistan, the Company intends to follow its growth strategy in the longer run to ensure enhanced profitability. Considering consistent investment income generation, the bottom line of the Company looks promising.

Financial Risk

Claim Efficiency As of 9MCY23, owing to increased outstanding claims of ~PKR 8.7bln (9MCY22: ~PKR 6.4bln), claims outstanding days decreased and stood at 434days (9MCY22: 373days).

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 As of 9MCY23, the Company's liquidity ratio slightly decreased and stood at 2.3x (9MCY22: 2.6x) due to high claims incurred within the period.

Capital Adequacy As of 9MCY23, the Company has an equity base of ~PKR 12bln (9MCY22: ~PKR 10bln) showing an increase of ~14% owing to increased profits. The Company meets the statutory capital adequacy requirement of SECP.



PKR Mln

Jubilee General Insurance Company Limited Public Listed Company	Sep-23	Dec-22	Sep-22	Dec-21	Dec-20
	9M	12M	9M	12M	12M

A BALANCE SHEET

1 Investments	23,359	20,752	20,093	18,652	17,119
2 Insurance Related Assets	16,643	11,808	13,075	8,174	6,611
3 Other Assets	2,377	1,465	1,517	954	885
4 Fixed Assets	142	181	170	139	201
5 Window Takaful Operations	-	-	-	-	-
Total Assets	42,520	34,207	34,856	27,919	24,816
1 Underwriting Provisions	10,522	6,096	7,745	4,961	4,060
2 Insurance Related Liabilities	15,432	13,657	13,038	9,485	8,360
3 Other Liabilities	4,599	3,636	3,594	3,093	2,677
4 Borrowings	-	-	-	-	-
5 Window Takaful Operations	-	-	-	-	-
Total Liabilities	30,553	23,390	24,378	17,539	15,098
Equity/Fund	11,967	10,817	10,478	10,379	9,719

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	17,066	14,798	12,675	12,005	10,311
2 Net Insurance Premium/Net Takaful Contribution	6,489	6,965	5,111	6,318	5,918
3 Underwriting Expenses	(5,708)	(6,293)	(4,887)	(5,689)	(5,816)
Underwriting Results	781	672	224	629	103
4 Investment Income	2,216	1,683	1,295	1,637	2,033
5 Other Income / (Expense)	489	399	274	83	30
Profit Before Tax	3,486	2,754	1,792	2,350	2,166
6 Taxes	(1,470)	(936)	(673)	(681)	(581)
Profit After Tax	2,017	1,818	1,120	1,669	1,585

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	1,914	1,741	1,403	1,391	1,201
2 Net Takaful Contribution	758	740	540	685	588
3 Net Takaful Claims	(814)	(524)	(526)	(706)	(600)
4 Direct Expenses Including Re-Takaful Rebate Earned	11	11	13	10	8
Surplus Before Investment & Other Income/(Expense)	(44)	226	27	(11)	(5)
5 Investment Income	23	(7)	(7)	(3)	18
6 Other Income/(Expense)	73	65	45	33	39
Surplus for the Period	52	284	65	20	52

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	492	537	389	436	371
2 Management, Commission & Other Acquisition Costs	(284)	(340)	(255)	(308)	(288)
Underwriting Income/(Loss)	208	197	134	128	84
3 Investment Income	50	22	32	21	47
4 Other Income/(Expense)	28	26	(2)	(2)	(2)
Profit Before tax	286	245	164	147	128
5 Taxes	(126)	(87)	(60)	(43)	(37)
Profit After tax	160	158	104	104	91

C RATIO ANALYSIS

1 Profitability					
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Contribution	56.9%	56.1%	60.7%	56.4%	61.8%
Combined Ratio (Loss Ratio + Expense Ratio)	88.0%	90.3%	95.6%	90.0%	98.3%
2 Investment Performance					
Investment Yield	13.4%	8.5%	8.9%	9.2%	12.4%
3 Liquidity					
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	2.5	2.5	2.9	3.0	2.9
4 Capital Adequacy					
Liquid Investments / Equity (Funds)	187.6%	183.9%	183.4%	171.9%	168.0%

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

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- (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).
- (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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- (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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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