

General Insurance Sector Update



October 2017

Insurance Sector Overview

Gross Premium Written	No.of players	GPW CY16 (PKR mln)	Rated PACRA	Rated JCR	Dual Rated
Large (>5%)	4	46,209	4	2	2
Medium(2-5%)	12	22,179	9	4	1
Small(<2%)	13	10,078	8	7	2
Total Rated	29	78,466	21	13	5
Non-Rating	9				
Total	38				

Large Industry Performance

Companies	GPW (mln) 1H17	GPW (mln) 1H16	Change % 1H 16-17	GPW (mln) 2016	GPW (mln) 2015	Change % 15-16
Adamjee	10,445	8,806	19%	16,451	13,637	21%
EFU General	9,873	8,445	17%	17,195	15,214	13%
Jubilee	4,536	4,935	-8%	8,253	8,061	2%
United	2,735	2,108	30%	4,310	3,566	21%
Total	27,589	22,190	24%	46,209	40,478	14%

Medium Industry Performance

Companies	GPW (mln) 1H17	GPW (mln) 1H16	Change 1H 16-17	GPW (mln) 2016	GPW (mln) 2015	Change CY15-16
UBL Insurer	1,693	1,370	24%	2,334	1,600	46%
Atlas Insurance	1,221	1,364	-10%	2,396	1,964	22%
Alfalah Ins. Co	1,149	1,103	4%	2,023	1,546	31%
Askari Gen. Insc.	1,127	1,253	-10%	2,349	2,011	17%
TPL Direct Ins.	1,088	993	9%	2,054	1,635	26%
East West Insc.	1,000	983	2%	2,066	1,768	17%
Allianz EFU Health	990	1,164	-15%	2,005	1,665	20%
SPI Insurance	408	458	-11%	1,008	814	24%
Security Gen. Insc.	357	829	-57%	2,087	1,851	13%
Sindh Insurance	40	379	-90%	2,408	74	3154%
IGI Insurance		458			2,344	
Total	9,073	11,106	-18%	22,179		20%

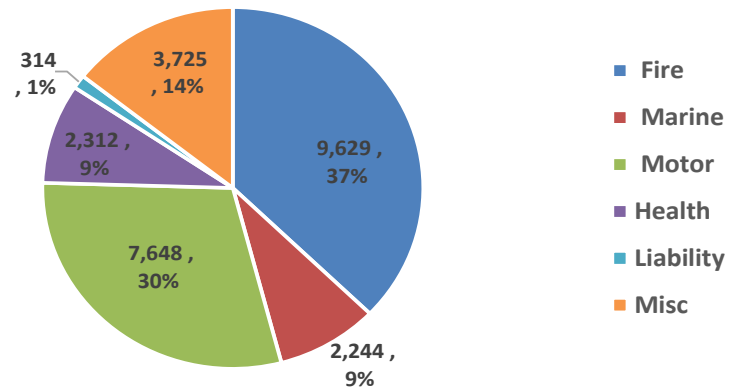
Small Industry Performance

Companies	GPW (mln) 1H17	GPW (mln) 1H16	Change % 1H 16-17	GPW (mln) 2016	GPW (mln) 2015	Change % CY15-16
Habib Insurance	578	784	-26%	1,400	1,123	25%
Century Insurance	566	568	0%	1,008	1,035	-3%
Reliance Insurance	422	580	-27%	1,202	1,114	8%
Premier Ins.	373	730	-49%	1310	1,408	-7%
Pak Qatar	325	261	25%	653	702	-7%
Asia Insurance	212	294	-28%	551	450	22%
Pakistan Gen. Ins.	211	184	15%	352	458	-23%
Shaheen Ins.	175	170	3%	340	309	10%
Takaful Pakistan	121	146	-17%	219	334	-34%
Alpha Insurance	57	70	-19%	151	180	-16%
Crescent Star	37	130	-72%	189	266	-29%
Universal Ins.	8	15	-47%	35	45	-22%
Total	3,085	3,932	-22%	7,410	7,424	0%

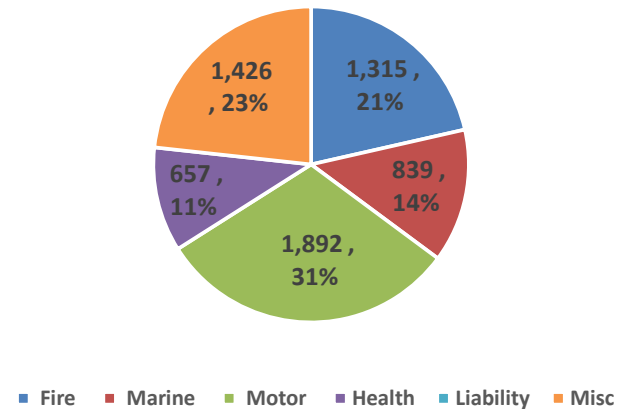
Industry Performance- Segment

- Large Sector dominated by fire
- Medium, small and takaful sectors dominated by Motor segment

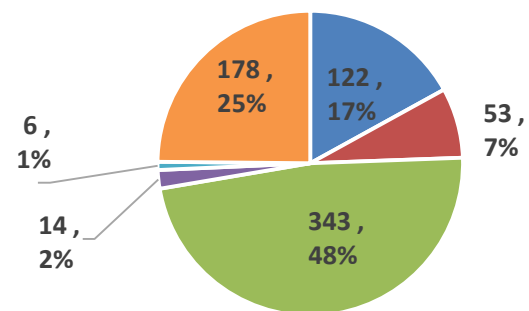
Large



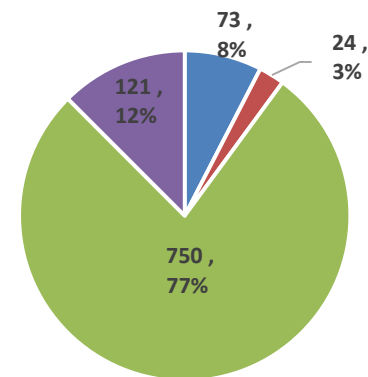
Medium



Small



Takaful Market Share- Segment



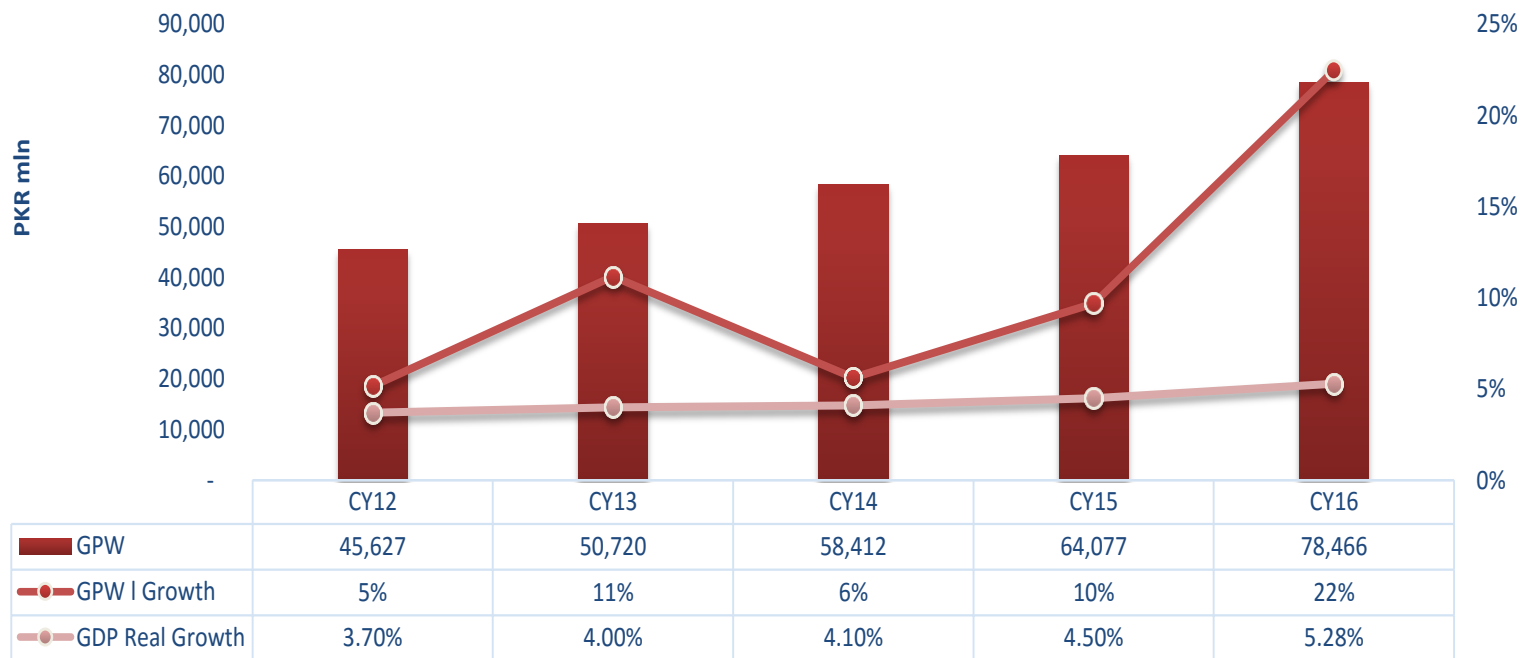
Takaful Snapshot

- Companies operating Takaful Windows

Company Name	Operations start year	GPW (mln)	Market Share
EFU	2014	688	25%
TDIL	2014	425	15%
Adamjee	2015	409	15%
Sindh	2014	322	12%
United	2016	328	12%
Jubilee	2015	298	11%
Alfalah	2015	95	3%
Askari	2016	80	3%
SPI	2014	59	2%
Premier	2015	37	1%
Atlas	2016	25	1%
Asia	2015	12	1%
Total		2,779	100%

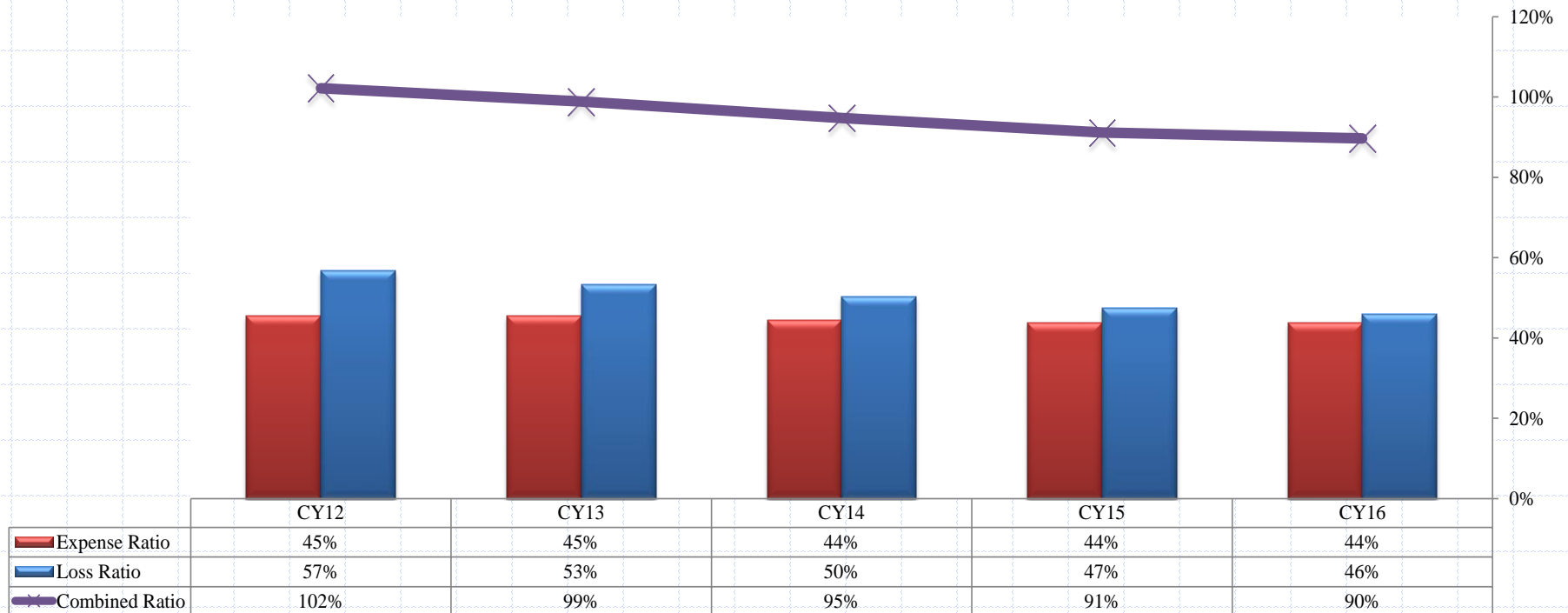
GPW Snapshot

- GPW increased by 16% in CY16 mainly due to uptick in economy, non-conventional avenues and takaful windows



Performance -Analytical Analysis

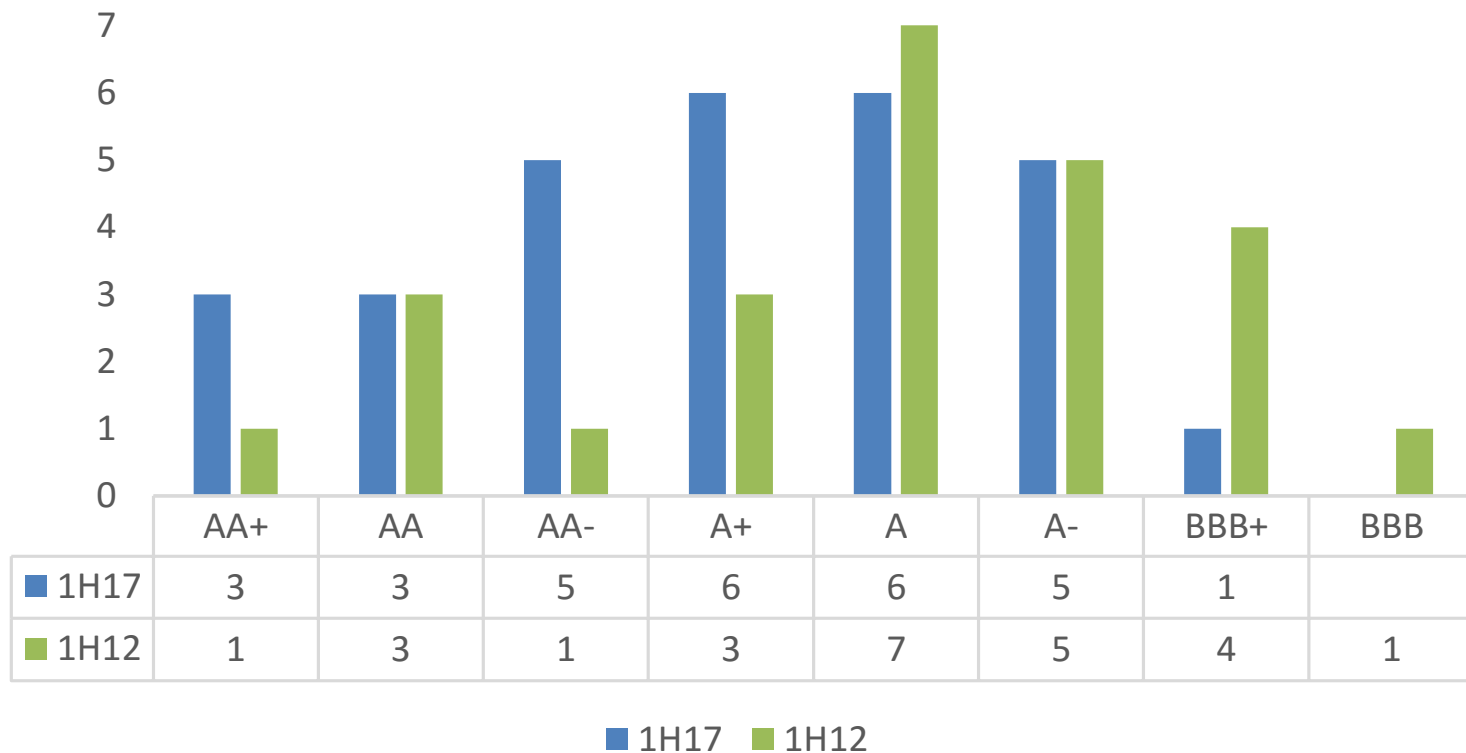
- Steady loss ratio due to better management of risk.
- Expense Ratio high as companies aim to tap further growth despite increased topline.
- Combined ratio remained under 100% boding well for the industry.



Rating Paradigm

- Increased movement of entities in AA paradigm.
- Barring one entity, all are rated A- and above in 1H17, down from five in 1H12.

Rating Universe - General Insurance



Rating Developments in CY17

	Latest	Previous
UBL Insurers *	AA-	A+
Security General *	AA	AA-
Universal	A-	BBB
TPL Direct	A+	A
Askari*	AA-	A+
Shaheen	A	A-
Sindh	A+	A
Asia	A	A-
Atlas	AA	AA-
Alfalah	AA-	A+
United	AA-	A+

* = Action by JCR

Peer Countries Overview

	GDP (USD billion)	GDP per capita (USD)	GDP growth forecasted	Insurance Penetration
Pakistan	265	1,400	5.3%	0.82%
Bangladesh	191	1,189	6.2%	0.72%
Sri Lanka	78	3,623	6.5%	1.06%
Vietnam	197	2,106	6.6%	1.56%
India	2,264	1,709	7.2%	3.42%

- Middle-low income markets.
- In Sri Lanka, insurers are facing pressures to meet various new regulatory requirements, including higher paid-up capital, the 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.

Insurance Sector Highlights

Developments:

- Increased economic activity leading to GPW growth i.e. 16%
- Increased role of the regulator ; SECP made it mandatory for insurance companies to comply with Code of Corporate Governance for Insurers 2016.
- These requirements have increased cost of compliance thereby putting pressure on already thin margins.
- Furthermore, the Insurance rules 2017 have mainly focused on reporting format. Now insurance companies are more emphasized to receive premium in advance.
- Budget implication: Homogenized Tax rate - 31%

Future Outlook:

- CPEC will provide new opportunities especially the large companies.
- Room to increase market penetration using Takaful segment.
- Companies ever increasingly investing in Human Resources and MIT to improve operational efficiencies.
- Greater desire by the insurance sector to introduce new and innovative schemes.
- Increasing urbanization and a rising middle income class, will add to demand for insurance.

Bibliography

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