

**NEW JUBILEE INSURANCE COMPANY LIMITED (NJI)****RATING (NOVEMBER 2006)
NEW JUBILEE INSURANCE COMPANY
LIMITED**

	NEW	PREVIOUS
Insurer Financial Strength	AA	AA

RATING HISTORY

AA+					
AA	-----				
AA-					
A+					
	Mar 03	Nov 03	Sep 04	Oct 05	Nov 06

FINANCIAL DATA

PKR (mln)

	31-Dec-05	31-Dec-04
Total Assets	2,785.4	2,436.7
Total Equity	1,193.2	747.4
Underwriting Results	69.6	67.6
Pre-tax Profit	614.4	272.0
Loss Ratio (%)	60.44	61.38
ROE (%)	57.32	29.75
Premium Solvency Ratio (%)	103.98	113.54
Financial Base / NPW (%)	171.88	195.53

ANALYSTS

Talal Naeem
+92 42 586 9504
talal@pacra.com

Shahzad Saleem
+92 42 586 9504
shahzad@pacra.com

**RATING RATIONALE
ASSESSMENT**

- The rating reflects NJI's sound underwriting practices and a strong financial base, which adequately supports the management's lately adopted accelerated growth stance. At the same time, the rating recognizes the company's balanced business mix and efforts at further strengthening of risk management systems. This is expected to ensure that the company remains well positioned to meet the challenges of the increasingly competitive environment in the insurance sector.
- In recent years, there is a gradual shift in the company's approach towards both risk and growth. Capitalizing on its financial strength, providing it the capacity to manage a larger quantum of insurance risk, NJI has shifted its reinsurance arrangement to non-proportional treaties as against proportional treaties. Recently, the company is aggressively pursuing growth opportunities. However, this is being done after building up requisite human resource infrastructure and strengthening of risk evaluation and monitoring systems. The company, in addition to offering tailor-made solutions, is developing new products while identifying niche markets. NJI is becoming more active in procuring business by acting as lead insurer in contrast to the previous practice of participating as coinsurer in large syndicated insurance arrangements. This also enables better evaluation of the risk being insured. At the same time, the management intends to maintain an appropriate mix of different classes of business – fire, marine, motor, liability, health and other miscellaneous categories. All these initiatives, while improving the company's competitiveness, are expected to augment its underwriting performance. However, since the implementation of this strategy has started recently, the benefit in terms of revenue augmentation is likely to accrue over the medium-term.
- During 2005, though the growth in GPW was moderate, it was much higher in terms of net premium because of significant increase in retention level. Overall loss experience was in line with the historical trend. However, lower commission income due to change in treaty arrangement and higher management and commission expenses resulted in an overall increase in expenditure. This, in turn, restricted the improvement in underwriting performance. NJI is aggressively procuring business volumes in the current year, with premium written during first nine months of 2006 showing substantially higher levels than the total premium in the previous year. Meanwhile, the loss trend has not experienced any major variation and expenses are declining proportionally. Resultantly, underwriting performance is improving.
- NJI maintains excess of loss arrangements accompanied by facultative contracts with international reinsurers mostly having rating of 'A' category and above. In line with the management's strategy, the retention level is increasing consistently with the volume expansion. To manage the increasing risk and chastened by high losses in fire category, the company has built an experienced team of engineers to better evaluate different types of risks while advising risk mitigating techniques to policy holders.
- The investment portfolio composition remains largely unchanged with the highest contribution by equity investments including mutual funds, constituting around 50% of total portfolio, followed by bank deposits, fixed income securities and investment properties. NJI's equity investment portfolio is of high quality having substantial unrecognized revaluation surplus – around PKR 882mln at end-Sep 06. Given the capital gains tax exemption, the unrecognized surplus is a source of potential capital gains, as availed by management during 2005 and the current year. The equities investment portfolio also provides a stable dividend stream.
- The company follows a prudent dividend distribution policy, which has helped in maintaining a healthy financial base despite steady business expansion. NJI enjoys a strong solvency position, higher than most of the peers, and maintains adequate liquidity mainly in the shape of a sizeable investment portfolio.

PROFILE

- NJI, established in 1953 as a general insurance company, is listed on Karachi and Lahore stock exchanges of Pakistan. Major shareholders of NJI include Aga Khan Development Network and Hashoo group, jointly owning majority shareholding. Mr. Tahir Ahmed, appointed as Chief Executive in July 2005, is a graduate engineer and also a Chartered Insurer in addition to having an MBA degree. He possesses extensive experience in the field of insurance.
- The company operates through an extensive network of 19 branches throughout the country. NJI, with slightly less than 10% market share, has maintained its position as the third largest general insurance company operating in Pakistan with an established franchise.

PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. None of the information in this document may be copied or otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's written consent. Our reports and ratings constitute opinions, not recommendations to buy or to sell.