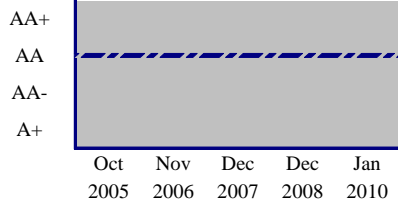




RATINGS (JANUARY 2010)

NEW JUBILEE INSURANCE COMPANY LIMITED (NJI)

	New	Previous
Insurer Financial Strength	AA	AA



FINANCIAL DATA

PKR (mln)

	30-Sep-09*	31-Dec-08
Total Assets	6,692	5,425
Equity	2,312	2,061
Equity**	2,974	2,257
Underwriting Results***	97	108
Pre-tax Profit	429	(179)
Loss Ratio (%)	60.7	60.9
ROE (%)	15.8	-11.9
Premium Solvency Ratio (%)	121.7	90.1
Financial Base / NPW (%)	218.1	159.1
Premium Solvency Ratio (%)	121.7	90.1

* Based on unaudited accounts for the period ended September 30, 2009.

** Adjusted for market value

*** After allocating management expenses

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RATING RATIONALE AND KEY RATING DRIVERS

- The rating reflects NJI's well designed risk management systems facilitating the company in sustaining sound underwriting practices. The rating recognizes the management's continuing efforts of exploring relatively untapped segments through innovative products, also reflected in its relatively more diverse premium mix compared to peers. Meanwhile, the rating takes into account NJI's sound equity base and sufficient liquidity engendering strong risk absorption capacity.
- Any material deterioration in the company's equity and/or significant decline in its underwriting business could have negative implications for the rating. Meanwhile, sustainable improvement in NJI's competitive positioning amongst the related universe of peers would have positive implications on its rating.

ASSESSMENT

- NJI continued generating its underwriting business through diversified sources. Although its portfolio mix tilted towards miscellaneous segment during 9M09, the overall business remained balanced with less reliance on motor segment as against close peers. At the same time, the miscellaneous segment was well distributed among different products, which included terrorism cover and recently introduced crop insurance.
- NJI, after experiencing a slowdown in 2008, achieved significant upturn in GPW growth during 9M09. This was mainly attributed to the company's efforts to capitalize on the growth potential of its diversified product basket in the miscellaneous segment. Since NJI's retention is comparatively lower in this segment, its overall cession witnessed a rise. Consequently, the company's 'net premium written' as a percentage of 'premium earned' declined during the period. NJI experienced significant hike in fire and health related losses, though these were cushioned by comparatively lower net losses in other segments. NJI's expense ratio was largely maintained. Since the company recognized the full impairment (PKR 651mln) on its investment book in 2008, the investment income earned during 9M09 lent significant support to NJI's profitability.
- Going forward, NJI intends to continue strengthening and expanding its already diverse product base. This would enable the company to penetrate a relatively untapped market as the traditional insurance segment face pressure on growth. In this regard, NJI's primary focus is likely to be personal line insurance, terrorism, crop and livestock coverage, engineering, and various types of liability coverage. Health segment is another potential avenue for growth, whereby NJI anticipates collaboration with its associate New Jubilee Life Insurance Company Limited. In conventional insurance business, NJI's target sectors remain textile, FMCG, pharmaceutical, banks and refineries. Meanwhile, the company may experience recovery in the motor insurance business as auto offtake picks up. At the same time, NJI anticipates gradual increase in support from Habib Bank Limited to its insurance business.
- NJI continues to maintain re-insurance treaties with international reinsurers mostly having rating of 'A' category and above. Meanwhile, the company has favorable terms and conditions with reinsurers especially in crop and catastrophic insurance covers.
- NJI has a significant investment portfolio, constituting ~45% of its total assets at end-Sep09. The investment book is dominated by income based mutual funds (44%, book value: PKR 1,345mln, market value: PKR 1,386mln), followed by equities (~24%, book value: PKR 717mln, market value: 1,365PKRmln) and bank deposits (~21%). The portfolio also includes investment properties, which are recorded at cost though these carry a significant revaluation surplus. Going forward, the company plans to increase its investment book by adding PKR 500mln each year.
- NJI's financial profile, though lower than peers, has seen improvement during 9M09, as a result of improved profitability. The company's strong liquidity remains a function of its sizeable investment book. Meanwhile, statutory solvency margin of the company remains well above the requirement.

PROFILE

- NJI, established in 1953 as a general insurance company, is listed on Karachi and Lahore stock exchanges of Pakistan. Significant shareholders of NJI comprise Aga Khan Development Network (49%) including Habib Bank Limited, and Hashoo Group (16%). NJI, with a market share of ~13%, has maintained its position as the third largest general insurance company operating in Pakistan with an established franchise. In addition to traditional insurance segments, NJI has significant presence in engineering, health, and personal line insurance.
- NJI's board of directors comprises nine members, including the Managing Director (MD). Apart from the CEO, all directors are non-executive members of the board. The Chairman of the board, Mr. Towfiq H. Chinoy, is an industrialist by profession and is on the board of many other companies. The company's MD, Mr. Tahir Ahmed, a graduate engineer and a Chartered Insurer, possesses extensive experience in the field of insurance. He has been associated with NJI since August 2004.