

# General Insurance

May 2020



# Insurance Sector Overview

**Total No. of Companies:**  
26

**Total GPW (PKR mln):**  
103,848

**Total Market Share (%):**  
100

**Large Companies**

**No. of Companies:**  
5

**GPW (PKR mln):**  
67,238

**Market Share (%):** 65

**Medium Companies**

**No. of Companies:**  
8

**GPW (PKR mln):**  
27,271

**Market Share (%):**  
26

**Small Companies**

**No. of Companies:**  
13

**GPW (PKR mln):**  
9,339

**Market Share (%):** 9

**Dec'19**

**Total No. of Companies:**  
26

**Total GPW (PKR mln):**  
93,924

**Total Market Share (%):**  
100

**Large Companies**

**No. of Companies:**  
5

**GPW (PKR mln):**  
62,217

**Market Share (%):** 66

**Medium Companies**

**No. of Companies:**  
8

**GPW (PKR mln):**  
23,873

**Market Share (%):**  
25

**Small Companies**

**No. of Companies:**  
13

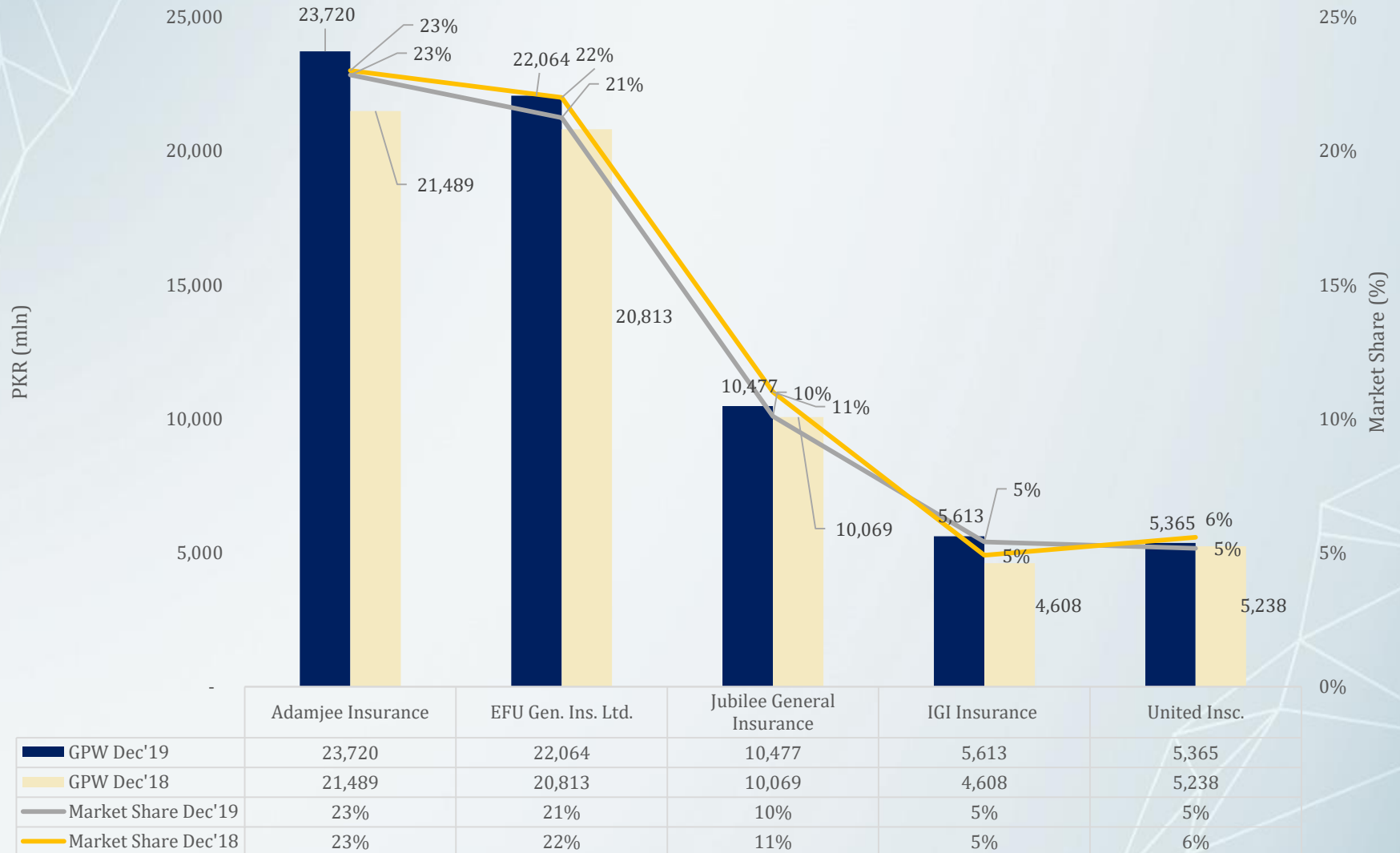
**GPW (PKR mln):**  
7,834

**Market Share (%):** 8

**Dec'18**

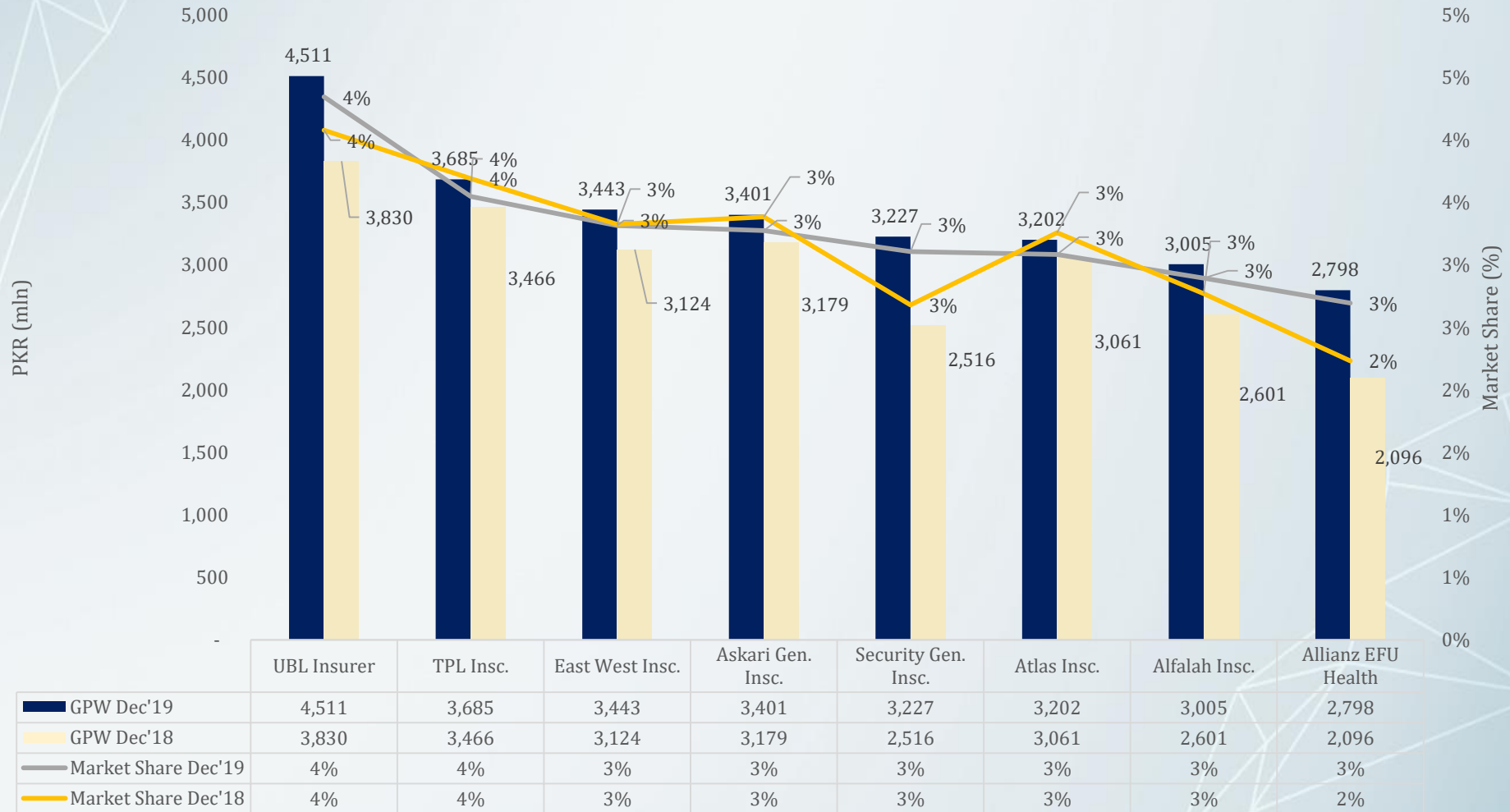
# Large Sector Performance

## Gross Premium Written



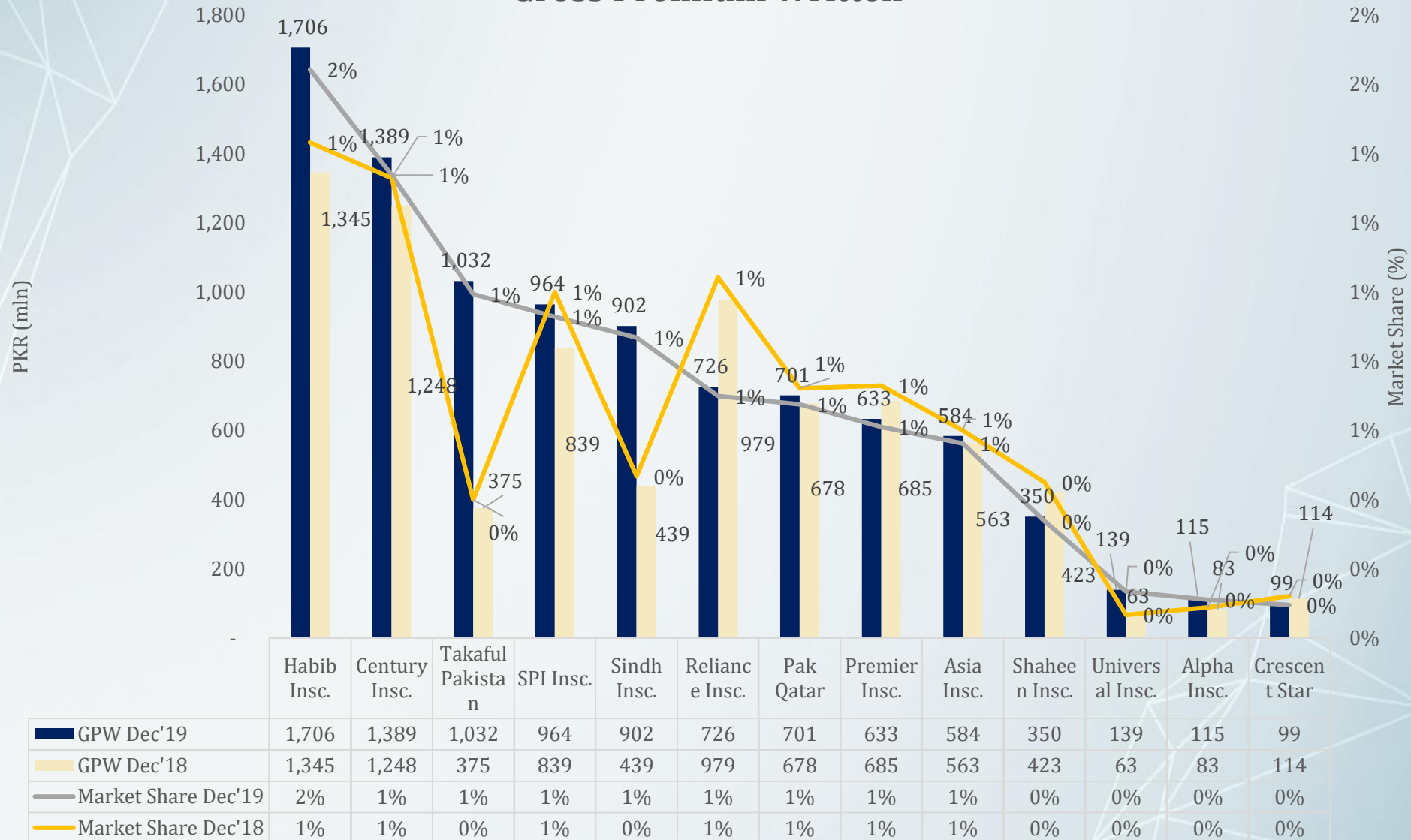
# Medium Sector Performance

## Gross Premium Written



# Small Sector Performance

## Gross Premium Written








# Industry Dynamics (CY19)- Overall

	TOTAL	LARGE	MEDIUM	SMALL
No. of Companies	26	5	8	13
Investment Income	7,932	5,284	1,966	683
U/W Results	4,435	2,123	2,184	128
Equity	97,509	57,600	26,757	13,152
Investment + Cash & Bank	108,460	62,776	32,633	13,052









\*Financials in PKR (mln)

# Industry Dynamics (CY19)- Large Companies

	Market Share (%)	Investment Income	U/W Results	Equity	Investment+ Cash & Bank
	23%	1,381	726	21,839	27,054
	21%	2,387	503	20,033	16,575
	10%	955	327	9,028	14,331
	5%	485	205	2,622	3,600
	5%	76	362	4,078	1,215

\*Financials in PKR (mln)









# Industry Dynamics (CY19)- Medium Companies

	Market Share (%)	Investment Income	U/W Results	Equity	Investment+ Cash & Bank
	4%	107	494	1,863	1,188
	4%	135	215	491	2,003
	3%	26	300	1,512	1,268
	3%	224	222	2,179	2,876
	3%	1,037	299	14,969	16,522
	3%	243	611	3,816	5,715
	3%	111	93	1,458	2,211
	3%	83	-51	468	848

\*Financials in PKR (mln)



# Industry Dynamics (CY19)- Medium Companies

	Market Share (%)	Investment Income	U/W Results	Equity	Investment+ Cash & Bank
	2%	95	101	1,295	1,465
	1%	35	142	1,908	2,032
	1%	13	1	474	626
	1%	21	2	815	506
	1%	361	72	1,784	3,280
	1%	105	63	1,059	1,081
	1%	5	0	649	598
	1%	-134	-234	1,008	903

\*Financials in PKR (mln)

# Industry Dynamics (CY19)- Medium Companies



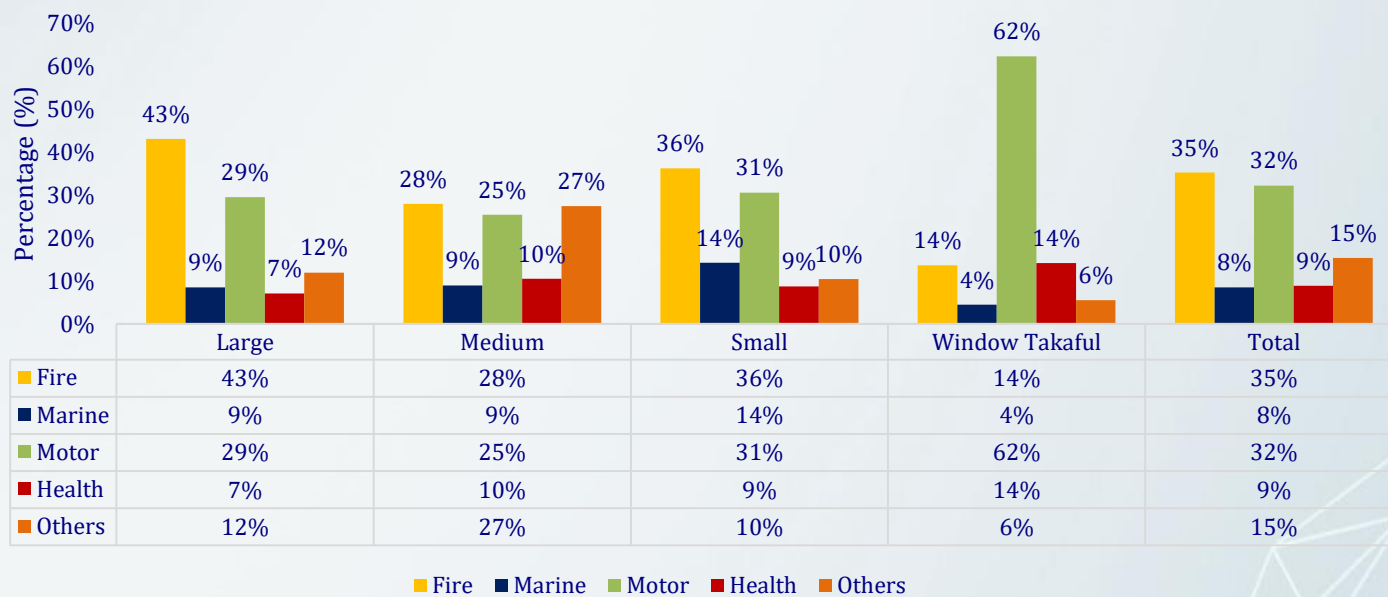
Market Share (%)	Investment Income	U/W Results	Equity	Investment+ Cash & Bank
1%	53	-63	1,051	852
0.3%	67	65	621	587
0.1%	14	7	822	232
0.1%	43	-56	706	796
0.1%	5	28	960	94

\*Financials in PKR (mln)

# Segment Dynamics

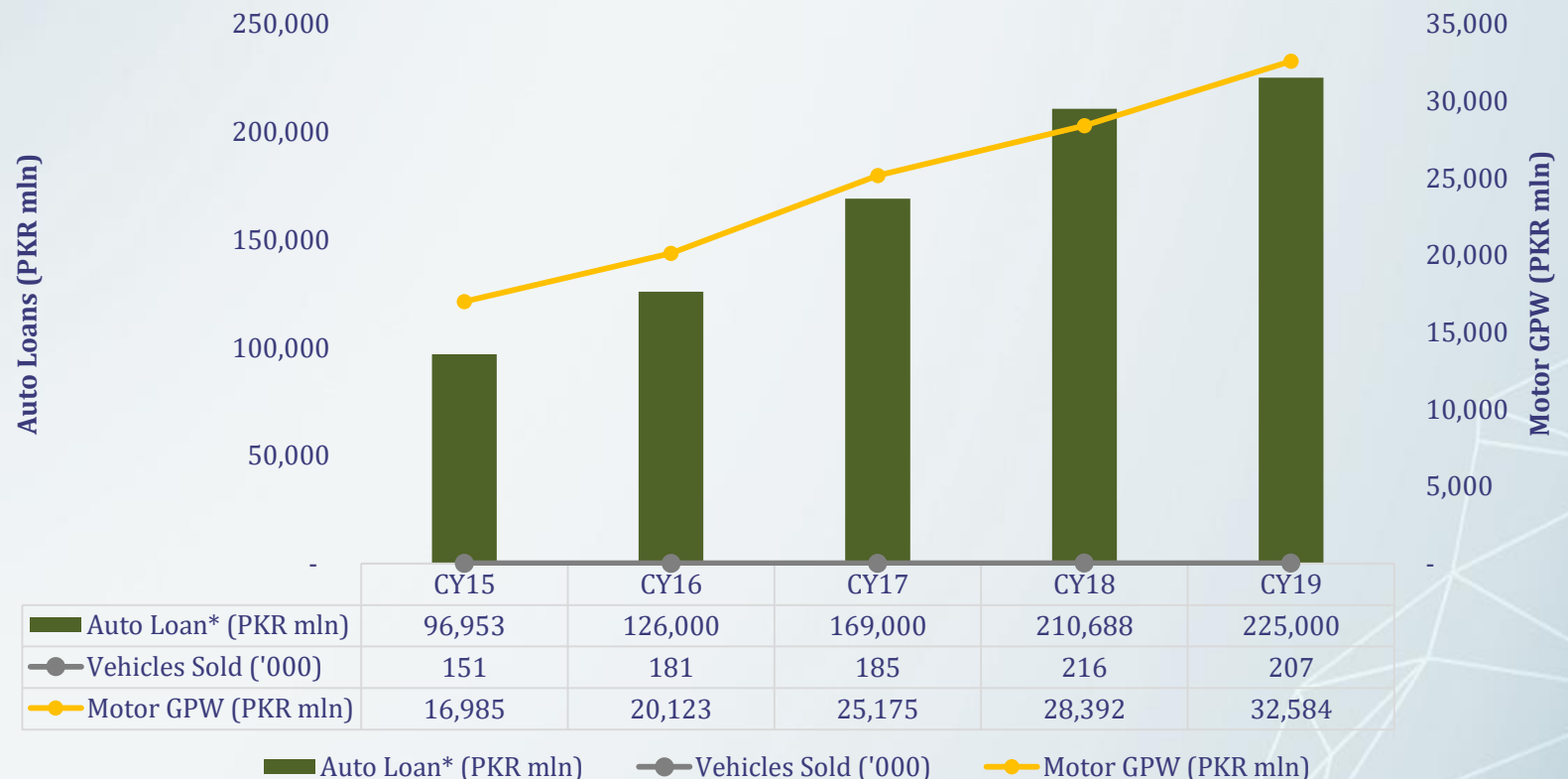
- Industry wide, Fire and Motor segments are the leading segments
- The large companies dominate the fire segment on the account of corporate business
- Motor segment dominated the Takaful sector through the banking channels
- Health segment is mostly avoided by all companies and usually taken up in combination with business of other segments.

## Segment-wise Business



# Motor Segment

- Major portion of Motor Insurance is driven by bank and economic activity in the country
- Auto Sales were already witnessing major downturn since 2019 with higher exchange and interest rates – over 50% decline in sales.
- The COVID-19 lockdown resulted in further decline due to lower demand and manufacturers temporarily shutting down operations



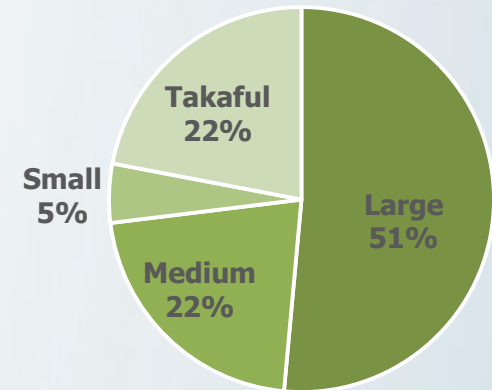
\*Auto loan by commercial banks, outstanding balance at year end

\*\*No. of vehicles include Cars, Buses & Trucks

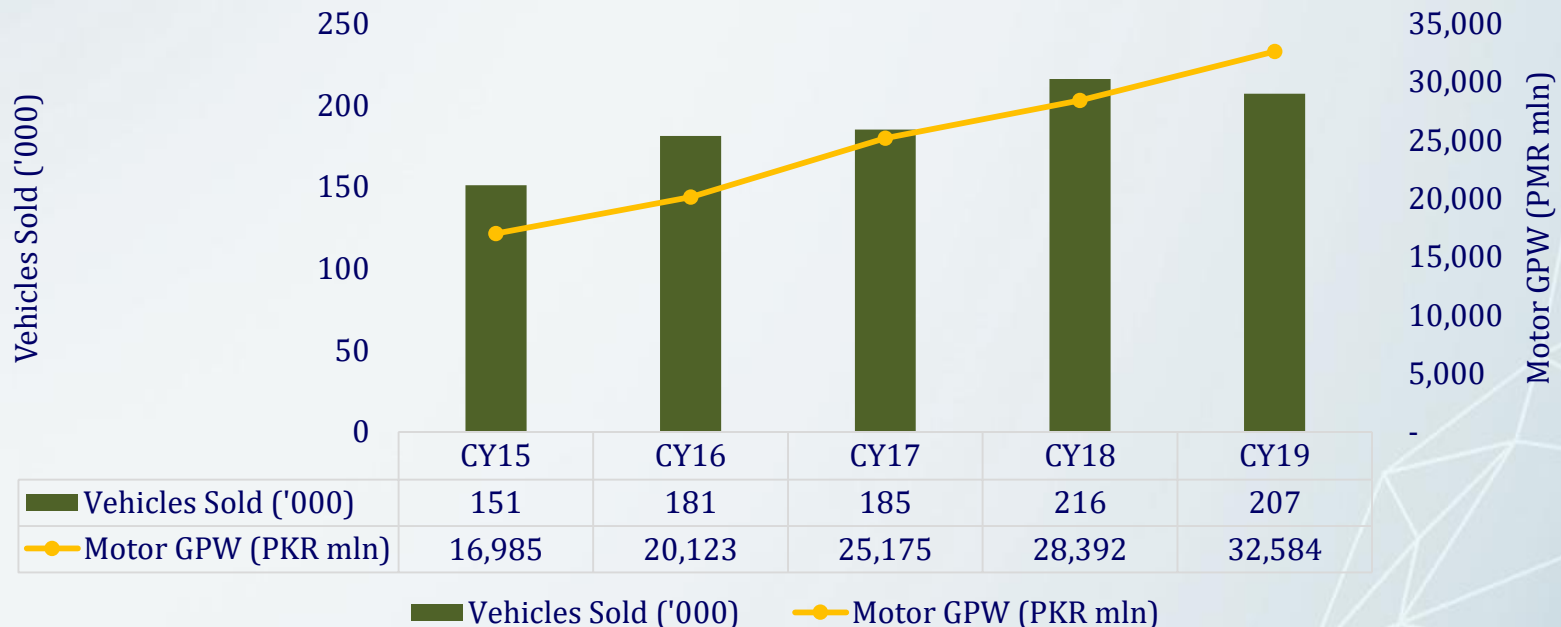
# Motor Segment

- The reduced interest rates will beef up the auto financing providing increased volumes.
- Large companies are expected to gain further market share while takaful rises on the back of Islamic banking volumes.

Motor Segmentation



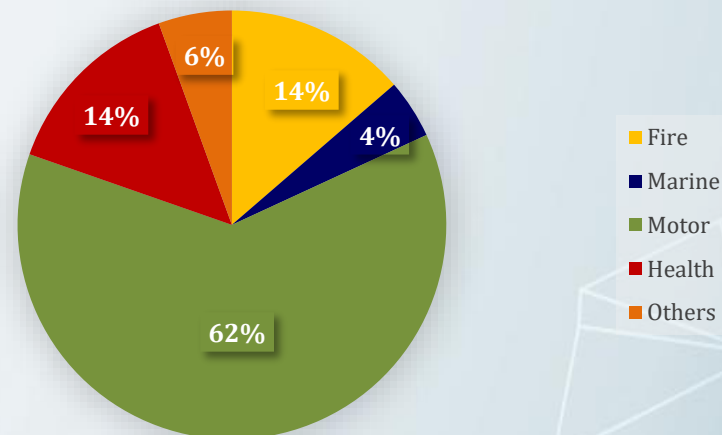
Motor Segment Growth |No. of Vehicles



## Companies having Window Takaful Operations and Dedicated Takaful Companies

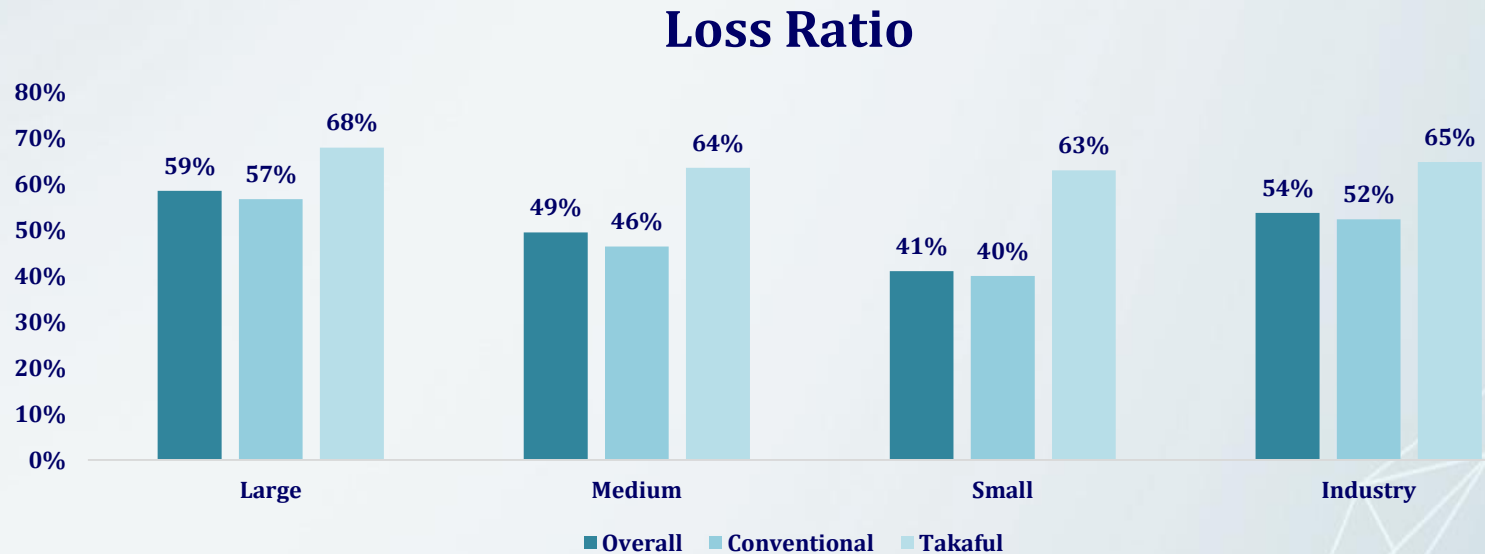
	GPW (PKR mln)	Market Share (%)
	2,290	20%
	1,212	10%
	1,179	10%
	1,054	9%
	1,032	9%
	1,101	9%
	701	6%
	522	4%

## Takaful Segmentation



# Loss Ratio-Analytical Analysis

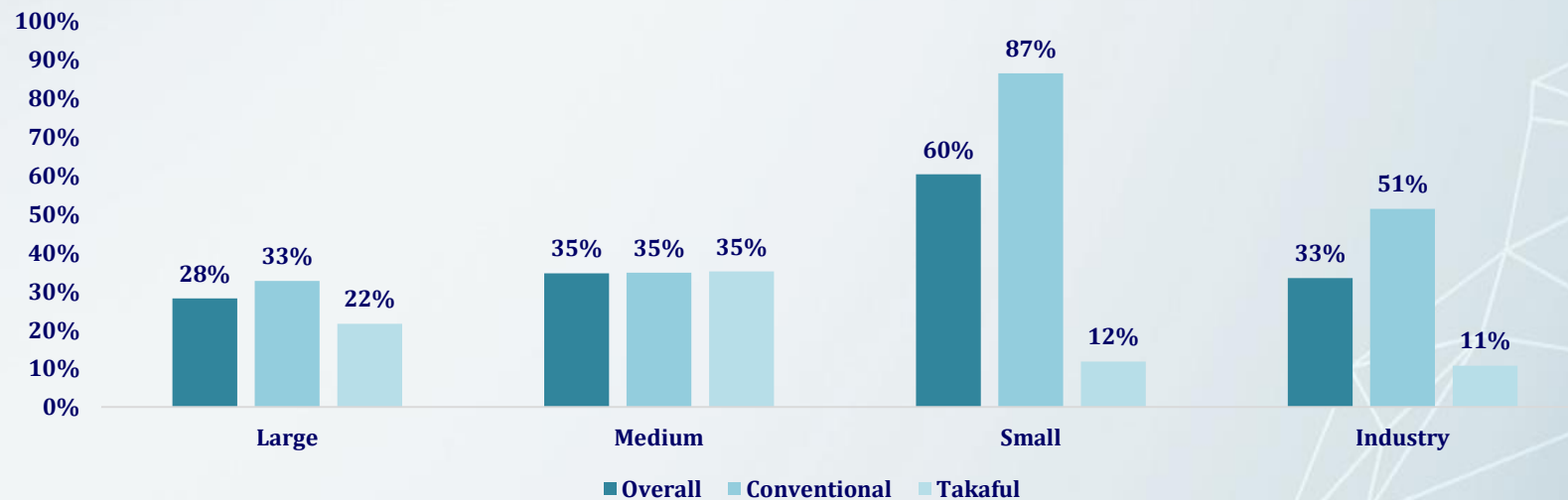
- Loss Ratio decreased in proportion to the size of the company emphasizing large companies pay out more claims with respect to premium generated.
- Takaful operations of small sized operators suffer a higher loss ratio due to small size window size.
- Industry wide, Loss Ratio in Takaful operations remained stagnant at 65% reflecting stability (CY18: 66%)



# Expense Ratio-Analytical Analysis

- Expense Ratio showed an inverse relation to the size of the company emphasizing large companies are better able to keep the expenses under control.
- This can be attributed to economies of scales along with quality of resource being hired by Large Companies as compared to Small Companies.
- Expense Ratio of Takaful Operations in Large and Medium sized companies is lower than Conventional Operation due to Share Services being utilized and charging of expenses in disproportional ratio to encourage Window Operations.
- The high expense ratio for smaller companies leads to underwriting losses or negligible profitability through core operations

## Expense Ratio

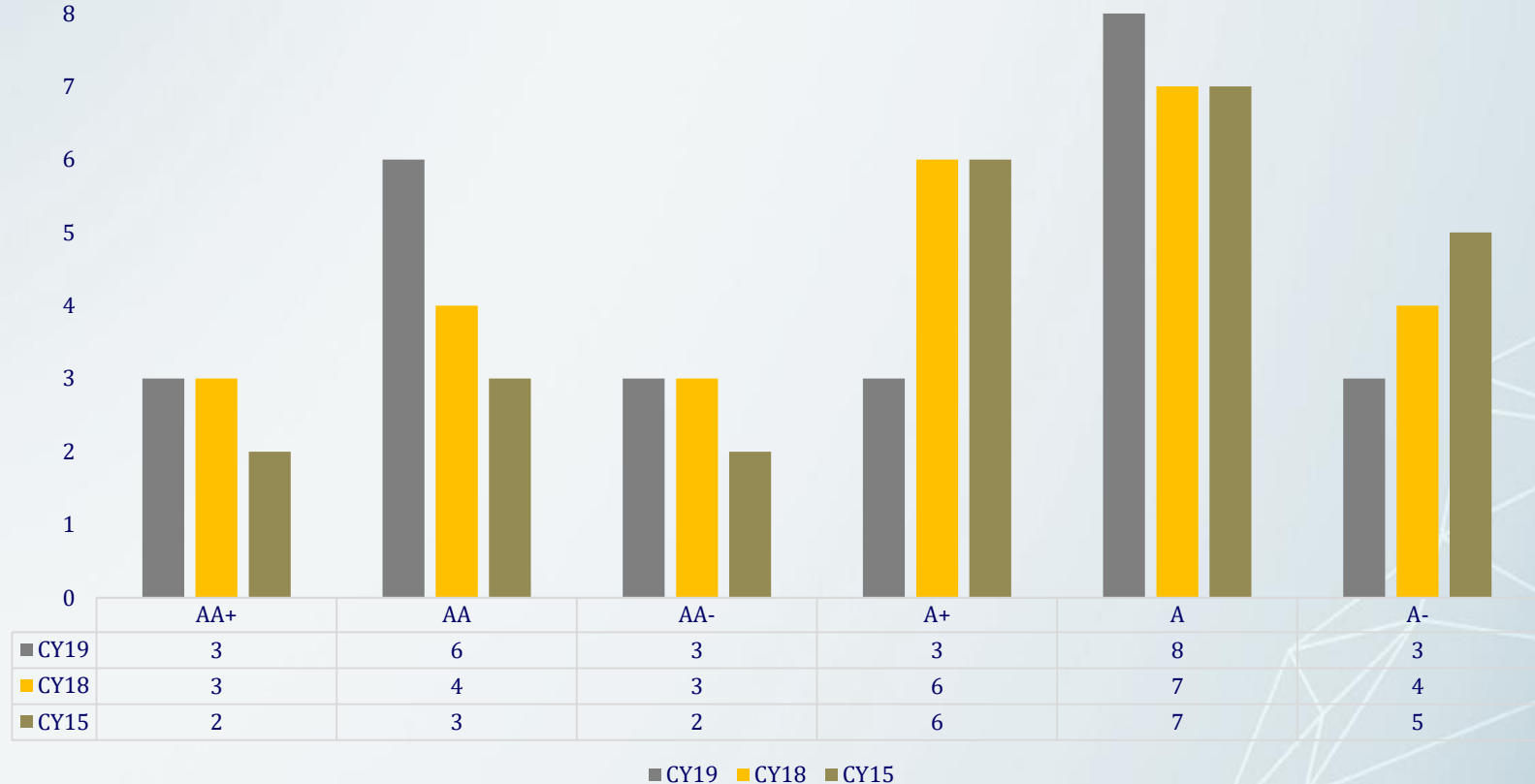




# Rating Paradigm

- Increased movement of entities in AA category paradigm.
- Higher ratings reflect increased competition amongst the peers
- Askari General and UBL Insurers moved to the AA category

## Rating Universe- General Insurance



# Challenges Posed by COVID-19

- The insurance industry is dependent on banking activity. Lack of trade quantum and capital investment will directly affect the business volumes for General Insurance
- With decrease in bank financing and slowdown in auto sector, the insurance sector is bound to face intense competition amongst peer companies
- Moral hazards may go up given the prevailing circumstances, leading to rise in loss ratios
- The dip in business volumes and reduced margins are likely to decrease the underwriting profits i.e. from core business
- Investment income is likely to plummet in the wake of depressing trends in PSX and reduced interest rates
- Companies may need to cut management expenses while the launch of innovative products would be the need of the hour, in order to engage new customer base
- Regulatory efforts are afoot to sustain the banking industry and keep the manufacturing industry afloat. This in turn will support the insurance sector

1. PACRA's in-house research and database
2. Insurance Association of Pakistan | Key Financial Data
3. Pakistan Economic Survey, issued by Finance Division, Government of Pakistan.
4. Swiss Re | Sigma
5. Pakistan Stock Exchange Limited | Market Information
6. Trading Economics
7. SECP | List of Insurers

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