



General Insurance

Sector Study

TABLE OF CONTENTS



Contents	Page No.
Overview Global Industry	1
Overview Local Industry	2
Industry Dynamics – Overall	3
Large Companies	4
Medium Companies	7
Small Companies	10
Takaful Snapshot	15
Segment Dynamics	16
Segment Dynamics Motor Segment	17
Business Risk	18

Contents	Page No.
Financial Risk	19
Expense Ratio	20
Loss Ratio	21
Regulatory Framework	22
Rating Scale	23
SWOT Analysis	24
Outlook & Future Prospects	25
Bibliography	26



GENERAL INSURANCE

Overview | Global Industry

- Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company.
- **General Insurance** (also known as non-life insurance) is the type of insurance which provides protection or cover against risk of financial loss arising from certain events, not determined to be a life loss. General Insurance is typically defined as any insurance that is not life insurance and covers protection against risks for a number of asset types. The most common forms of general insurance include (i) Fire (ii) Marine (iii) Motor (iv) Health and (v) Miscellaneous.
- During CY19, the global general insurance direct premiums grew ~3% and reached USD~3,376bln as compared to the previous year (CY18: USD~3,266bln). Meanwhile, CY20 was a challenging year for the industry due to disruptions created by the COVID-19 pandemic and resulting economic fallout. The sector’s premiums are expected to remain flat in CY20 while recovery is expected in CY21.
- The adjacent table shows top 10 countries in terms of Non-life premiums written during CY19. The most significant share is occupied by the United States which constitutes ~54% of total non-life premiums written at USD~1,832bln.

Year	Non-life Direct Premiums Written (USD bln)
CY17	3,067
CY18	3,267
CY19	3,376

Top 10 Countries – CY19		
Rank	Country	Non-life Premiums Written (USD bln)
1	United States	1,832
2	China	288
3	Germany	142
4	Japan	118
5	United Kingdom	102
6	France	95
7	South Korea	80
8	Canada	80
9	Italy	44
10	Taiwan	20

GENERAL INSURANCE

Overview | Local Industry

- In terms of Gross Premium Written (GPW), Pakistan's general insurance industry had a total size of PKR~108,322mln in CY20, (less than ~1% of its GDP), with a growth of ~3.7% from the previous year (CY19: PKR~104,453mln).
- The insurance industry in Pakistan is relatively small compared to its peers in the region. The insurance penetration and density remains very modest as compared to other jurisdictions while the insurance sector remains underdeveloped relative to its potential. Gross premiums written of non-life insurers in India reached USD~26.5bln in FY21, from USD~26.4bln in FY20.

Industry Overview	CY18	CY19	CY20	1QCY21
No. of Companies	27	27	28	28
Large	5	5	6	6
Medium	8	8	7	7
Small	14	14	15	15
Gross Premium Written (GPW) (PKR mln)	93,926	104,453	108,322	28,698
Growth (YoY)	-	11.2%	3.7%	16%
Market Share (%)				
Large	66%	65%	68%	65%
Medium	25%	26%	23%	27%
Small	8%	9%	10%	8%
Regulator	Securities & Exchange Commission of Pakistan (SECP)			
Industry Association	The Insurance Association of Pakistan (IAP)			

GENERAL INSURANCE

Industry Dynamics – Overall

- There were a total of 28 companies in the general insurance industry in CY20 (27 in CY19) with a GPW of PKR~108bln (PKR~104bln in CY19).
- General Insurance Industry can further be classified into Large, Medium and Small Players based on their market shares as per the GPW.
- Large Companies are considered those having a market share of 5% and above, medium companies 2% and above but less than 5% and small companies having less than 2% market share.

Particulars <i>(Figures in PKR mln)</i>	Total (1QCY21)	Total (CY20)	Total (CY19)	Growth (CY20) (%)	Large	Medium	Small
No of Companies	28	28	27	8%	6	7	15
Gross Premium Written (GPW)	28,698	108,322	104,453	4%	73,394	24,605	10,323
Investment Income	4,101	8,825	7,934	11%	6,431	1,182	1,109
U/W Results - Conventional	2,002	4,057	4,243	-4%	2,259	1,499	300
Equity	98,517	107,021	97,690	8%	75,064	14,349	16,467
Investment + Cash & Bank	132,343	140,862	108,801	29%	102,427	21,085	16,381



GENERAL INSURANCE

Industry Dynamics – Large Companies (CY20)



Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
EFU Gen. Ins. Ltd.	22,639	20.9%	2,230	739	20,713	30,943
Adamjee Insurance	19,805	18.3%	1,110	376	22,901	28,882
Jubilee General Insurance	10,311	9.5%	1,906	24	9,904	17,384
Security General Insurance	8,903	8.2%	724	369	14,527	17,825
IGI Insurance	6,014	5.6%	399	300	2,616	3,859
United Insurance	5,722	5.3%	62	452	4,404	3,535
Total	73,394	67.8%	6,431	2,259	75,064	102,427

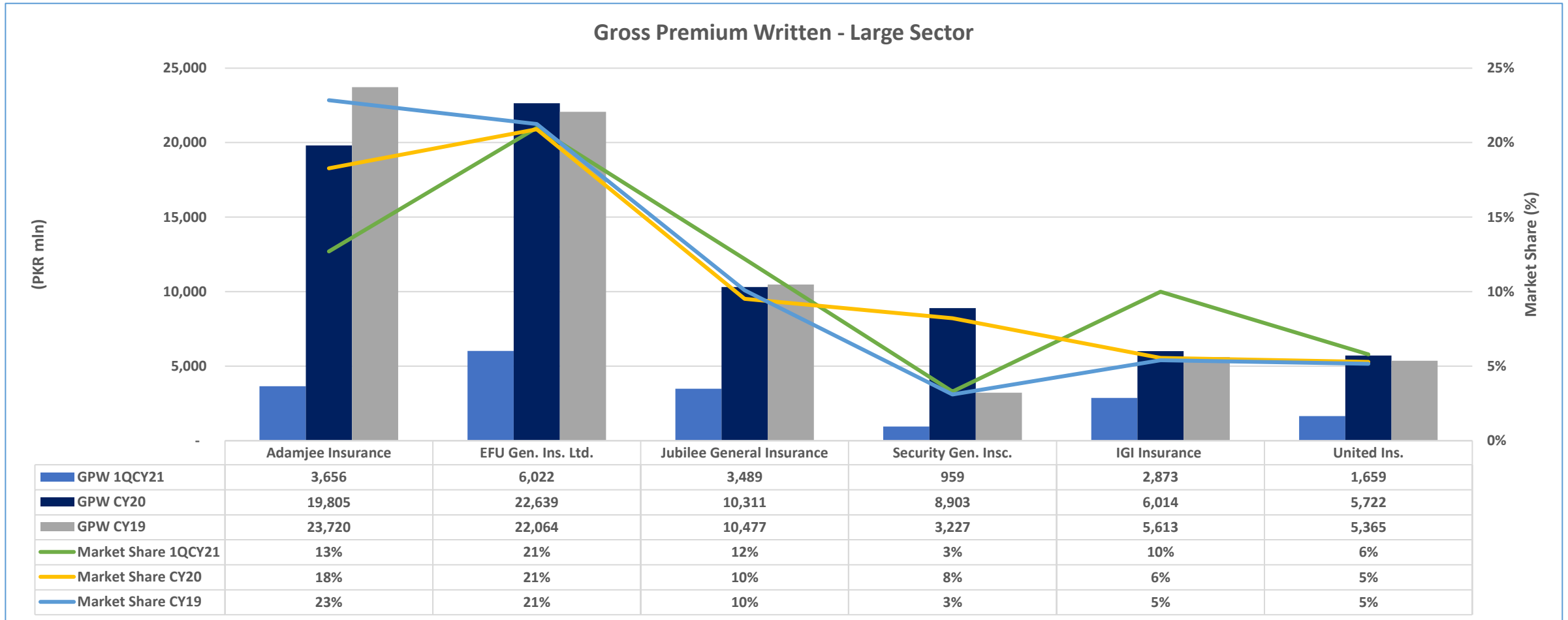


Industry Dynamics – Large Companies (1QCY21)



Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
EFU Gen. Ins. Ltd.	6,022	21.0%	920	493	18,897	27,819
Adamjee Insurance	3,656	12.7%	966	216	22,923	28,925
Jubilee General Insurance	3,489	12.2%	571	106	9,817	16,525
Security General Insurance	959	3.3%	895	74	14,591	16,474
IGI Insurance	2,873	10.0%	46	115	2,537	4,403
United Insurance	1,659	5.8%	22	291	4,012	2,988
Total	18,658	65%	3,420	1,295	72,777	97,134

Large Sector Performance





Industry Dynamics – Medium Companies (CY20)



Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
UBL Insurer	4,605	4.3%	128	54	2,259	2,235
TPL Insurance	3,986	3.7%	91	116	456	2,327
East West Insurance	3,675	3.4%	84	331	1,757	1,545
Askari Gen. Insurance	3,331	3.1%	300	232	2,430	3,345
Atlas Insurance	3,323	3.1%	255	600	4,956	7,462
Alfalah Insurance	3,184	2.9%	219	94	1,838	3,066
Allianz EFU Health	2,501	2.3%	105	72	653	1,106
Total	24,605	22.7%	1,182	1,499	14,349	21,085



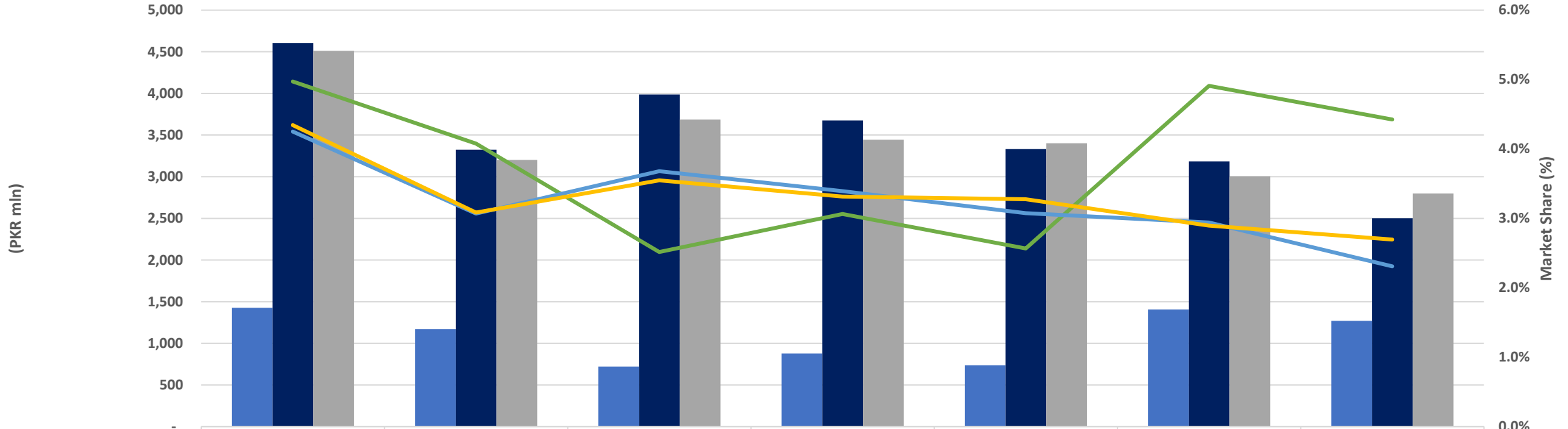
Industry Dynamics – Medium Companies (1QCY21)



Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
UBL Insurer	1,427	5.0%	42	220	2,028	1,885
TPL Insurance	722	2.5%	8	31	815	1,605
East West Insurance	879	3.1%	18	155	1,784	1,599
Askari Gen. Insurance	736	2.6%	67	40	2,249	3,140
Atlas Insurance	1,170	4.1%	56	175	2,476	6,872
Alfalah Insurance	1,408	4.9%	68	35	1,684	3,208
Allianz EFU Health	1,269	4.4%	18	-38	506	1,315
Total	7,612	26.5%	285	619	11,597	19,621

Medium Sector Performance








Gross Premium Written - Medium Sector



	UBL Insurer	Atlas Insurance	TPL Insurance.	East West Inc.	Askari Gen. Inc.	Alfalah Ins. Co	Allianz EFU Health
GPW 1QCY21	1,427	1,170	722	879	736	1,408	1,269
GPW CY20	4,605	3,323	3,986	3,675	3,331	3,184	2,501
GPW CY19	4,511	3,202	3,685	3,443	3,401	3,005	2,798
Market Share 1QCY21	5.0%	4.1%	2.5%	3.1%	2.6%	4.9%	4.4%
Market Share CY20	4%	3%	4%	3%	3%	3%	2%
Market Share CY19	4%	3%	4%	3%	3%	3%	3%



Industry Dynamics – Small Companies (CY20)

Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
 Habib Insurance	1,805	1.7%	99	121	1,374	1,611
 Salaam Takaful	1,606	1.5%	79	21	441	958
 Century Insurance	1,477	1.4%	85	194	2,132	2,318
 SPI Insurance	919	0.8%	25	13	774	504
 Chubb Insurance	870	0.8%	60	75	765	813
 Asia Insurance	680	0.6%	111	-26	1,063	799
 Reliance Insurance	631	0.6%	89	29	1,153	992










Industry Dynamics – Small Companies (CY20) (Cont.)



Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
Premier Insurance	607	0.6%	39	-183	863	1,623
Pak Qatar General Insurance	602	0.6%	60	15	555	705
Sindh Insurance	505	0.5%	389	54	2,288	3,762
Shaheen Insurance	254	0.2%	65	50	660	669
Universal Insurance	141	0.1%	-55	-62	830	484
Crescent Star Insurance	105	0.1%	2	20	1,029	252
Alpha Insurance	97	0.1%	60	-58	700	801
Co-op Insurance	24	0.0%	2	36	1,839	89
Total	10,323	9.5%	1,109	300	16,467	16,381



Industry Dynamics – Small Companies (1QCY21)

Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
 Habib Insurance	385	1.3%	58	41	1,261	1,340
 Salaam Takaful	509	1.8%	16	4	360	1,004
 Century Insurance	293	1.0%	38	53	2,114	2,276
 SPI Insurance	194	0.7%	5	4	730	424
 Chubb Insurance	199	0.7%	13	27	793	790
 Asia Insurance	232	0.8%	17	-16	987	799
 Reliance Insurance	138	0.5%	26	5	1,013	820



Industry Dynamics – Small Companies (1QCY20) (Cont.)



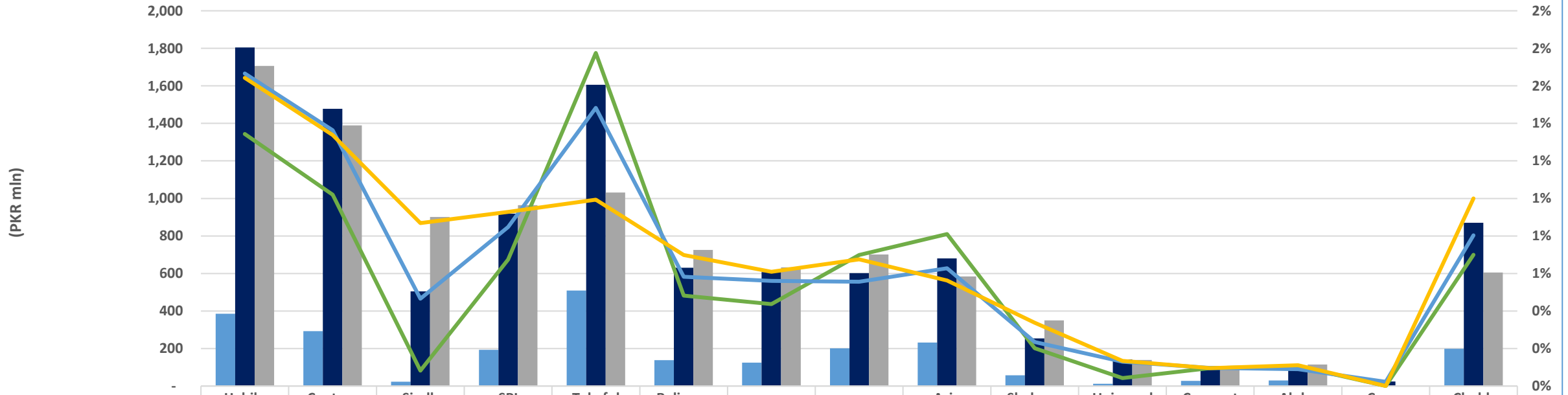
Companies (Figures in PKR mln)	GPW	Market Share	Investment Income	U/W Results - Conventional	Equity	Investment + Cash & Bank
Premier Insurance	125	0.4%	11	-44	810	1,626
Pak Qatar General Insurance	201	0.7%	9	15	466	787
Sindh Insurance	24	0.1%	155	6	2,240	3,581
Shaheen Insurance	58	0.2%	13	4	663	614
Universal Insurance	12	0.0%	26	-11	844	504
Crescent Star Insurance	27	0.1%	1	8	1,045	253
Alpha Insurance	30	0.1%	8	-9	691	770
Co-op Insurance	-	-	-	-	-	-
Total	2,428	8.5%	396	88	14,017	15,589



GENERAL INSURANCE

Small Sector Performance

Gross Premium Written - Small Sector



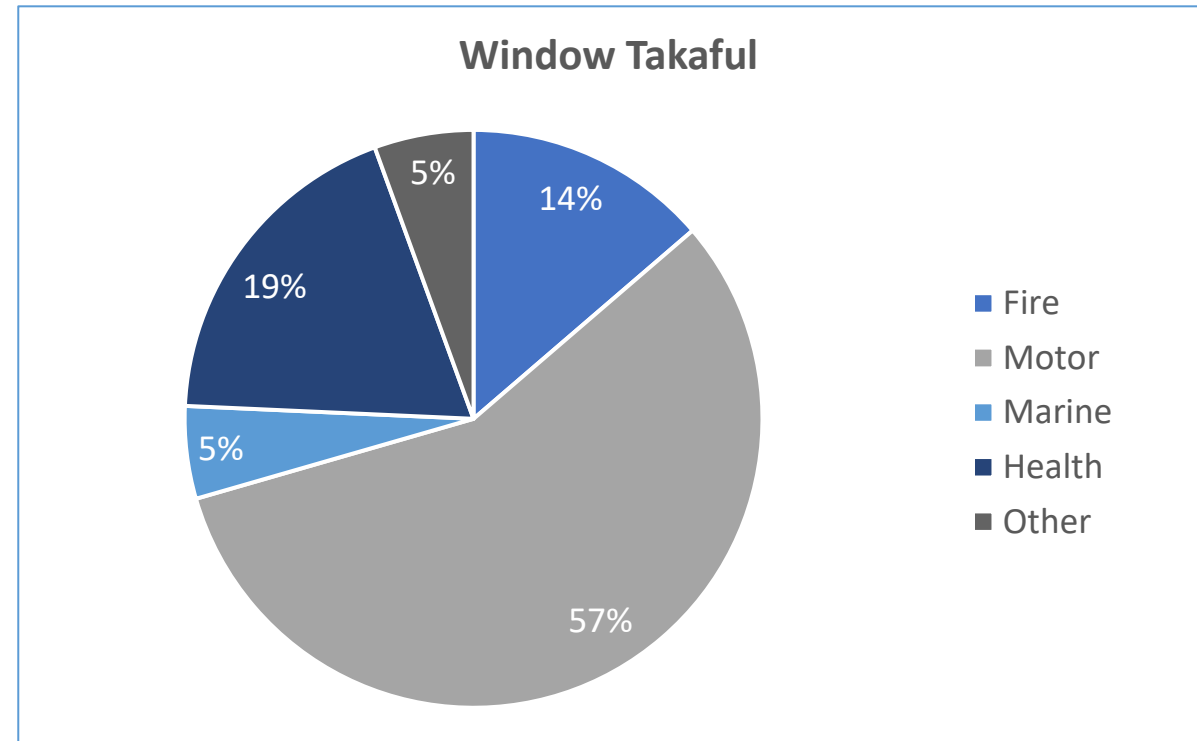
	Habib Insurance	Century Insurance	Sindh Insurance	SPI Insurance	Takaful Pakistan	Reliance Insurance	Premier Ins.	Pak Qatar	Asia Insurance	Shaheen Ins.	Universal Ins.	Crescent Star	Alpha Insurance	Co-op Insurance	Chubb Insurance
GPW 1QCY21	385	293	24	194	509	138	125	201	232	58	12	27	30	0	199
GPW CY20	1,805	1,477	505	919	1,606	631	607	602	680	254	141	105	97	24	870
GPW CY19	1,706	1,389	902	964	1,032	726	633	701	584	350	139	99	115	-	605
Market Share 1QCY21	1%	1%	0%	1%	2%	0%	0%	1%	1%	0%	0%	0%	0%	0%	1%
Market Share CY20	2%	1%	0%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	1%
Market Share CY19	2%	1%	1%	1%	1%	1%	1%	1%	1%	0%	0%	0%	0%	0%	1%

GENERAL INSURANCE

Takaful Snapshot

- There are 23 companies with window takaful operations in the industry. Window Takaful operators are conventional insurance companies authorized by the regulator to operate Takaful business, enabling firms to offer Shariah Compliant and conventional products side by side. The takaful segment had a total GPW of PKR~12,639mIn in CY20, a growth of ~8% from CY19 when GPW stood at PKR~11,653mIn. GPW generated through takaful operations comprise ~12% of the general insurance total GPW.
- 7 companies occupy ~74% of takaful operations market share, the details of which are shown in the table below.

Companies	GPW (PKR mln)	Market share
EFU Gen. Ins. Ltd.	2,398	19%
Salaam Takaful Ltd.	1,606	13%
Adamjee Insurance	1,526	12%
TPL Insurance	1,239	10%
Jubilee General Insurance	1,201	10%
United Insurance	801	6%
Pak Qatar	602	5%
Others	3,266	26%
Total	12,639	100%

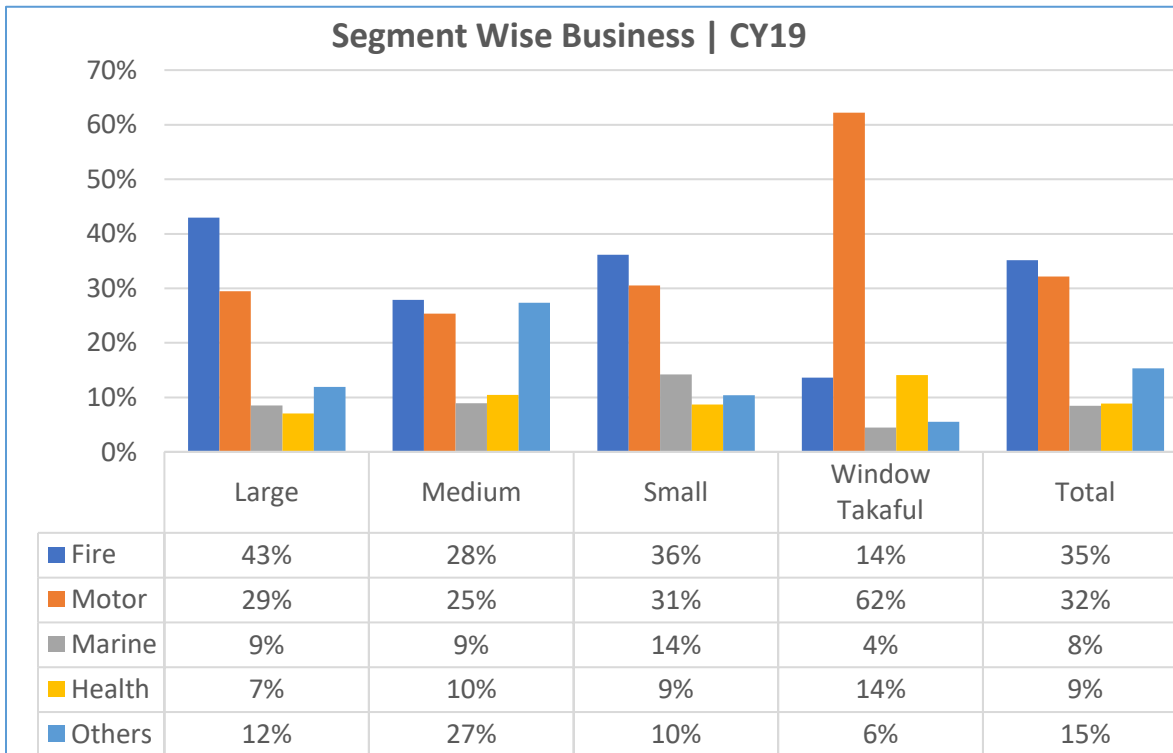


GENERAL INSURANCE

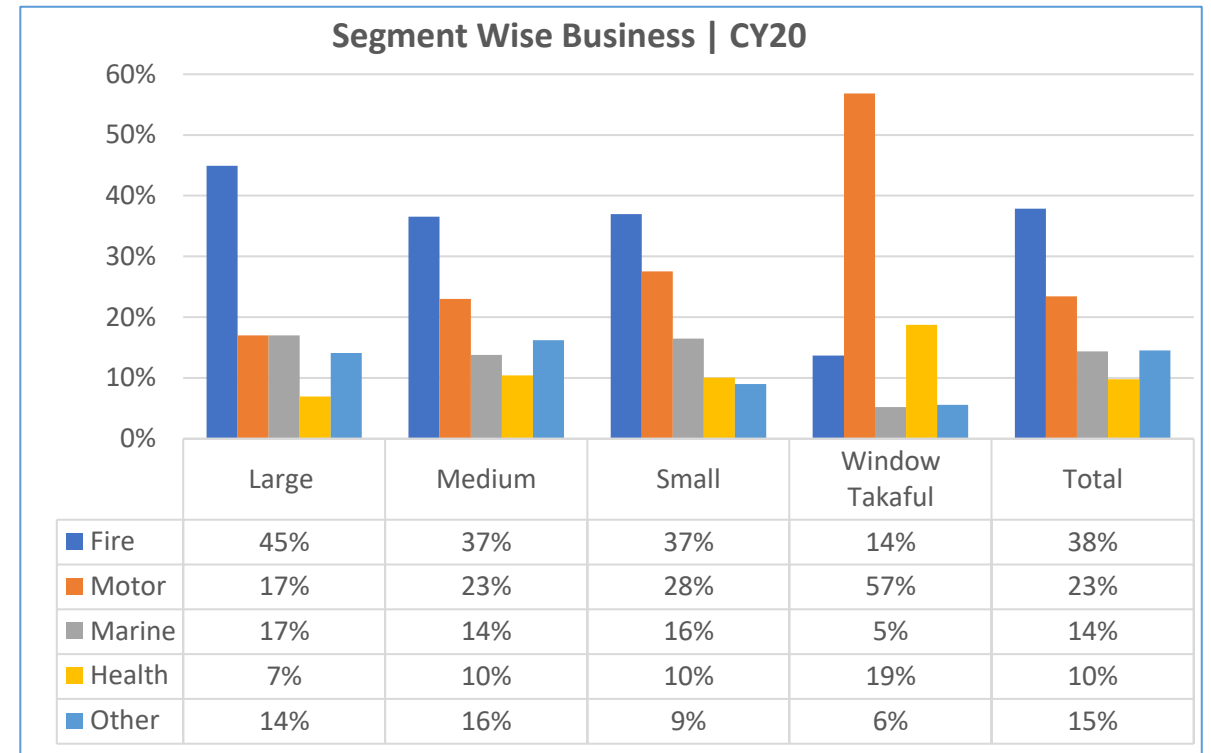
Business Risk | Segment Dynamics

- Fire and motor insurance are the leading segments in the overall industry.
- Large companies are dominated by the fire segment on account of corporate business.
- Motor segment is dominated the Takaful sector through banking channels.
- The health segment has the smallest share in the overall industry.

Segment Wise Business | CY19



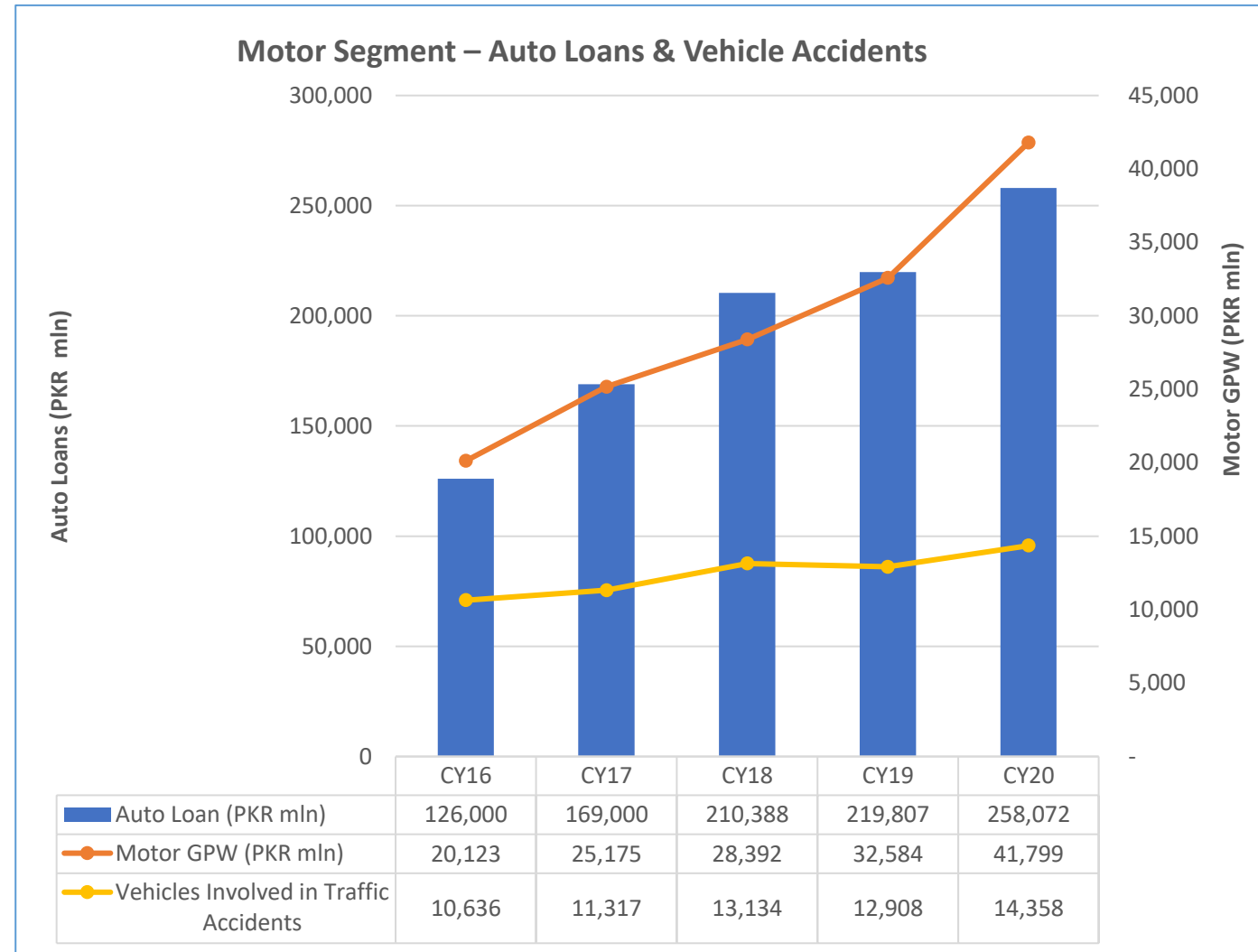
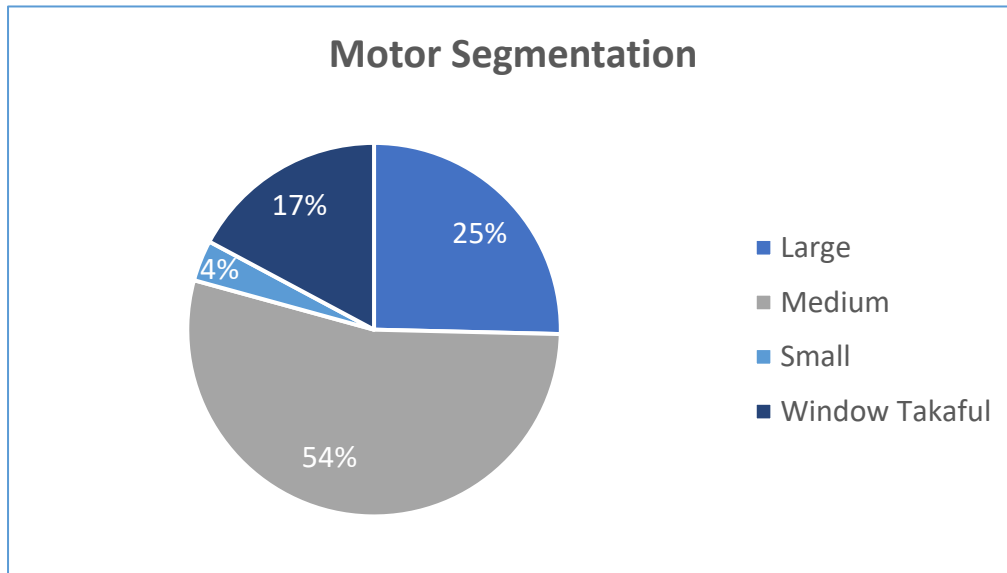
Segment Wise Business | CY20



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Business Risk | Segment Dynamics | Motor Segment

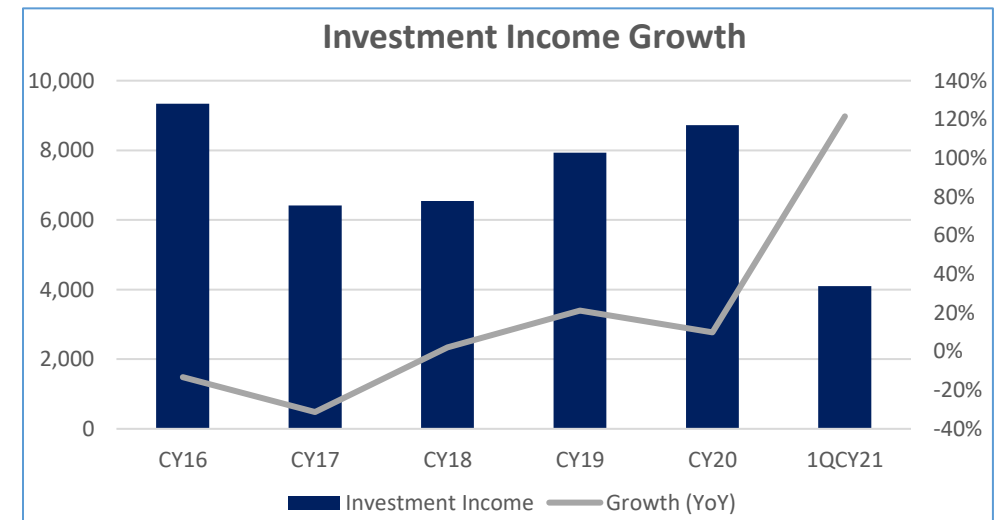
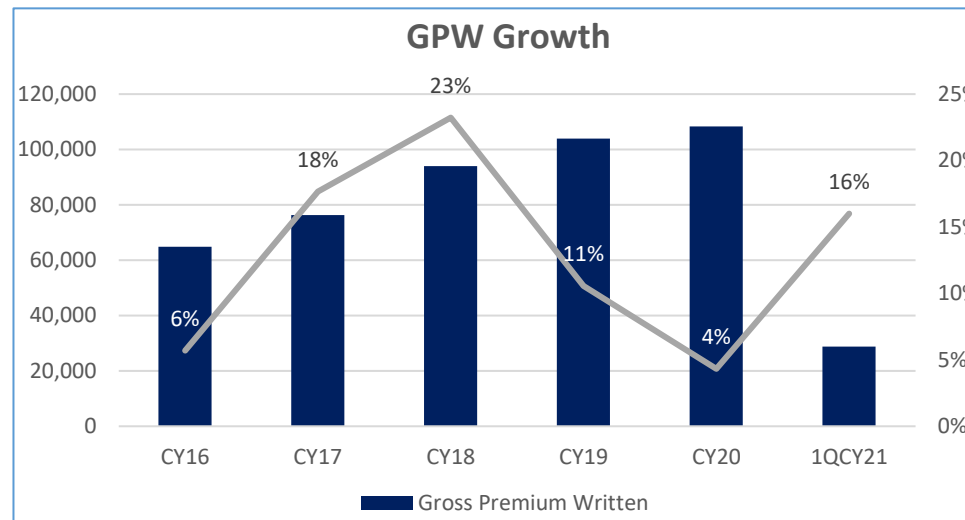
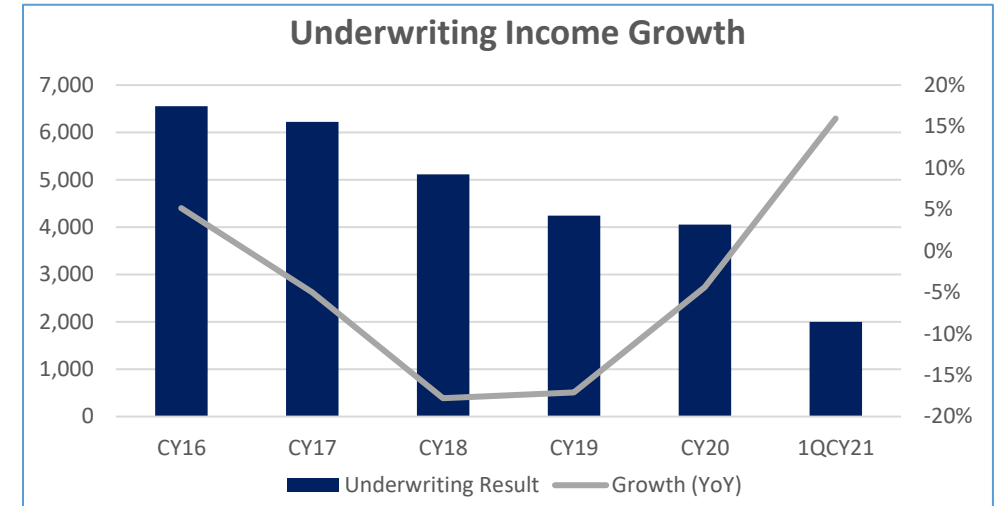
- GPW of the motor segment have historically risen alongside increases in auto loans and number of vehicles involved in traffic accidents.
- The reduced interest rates boosted auto loans by ~17%, while the general insurance industry’s GPW rose by ~28% in CY20. Vehicle accidents also increased ~11% in during the year.
- Going forward, the sector is expected to benefit from the recovery in automobile industry, particularly the increase in passenger car sales.



GENERAL INSURANCE

Business Risk | Margins

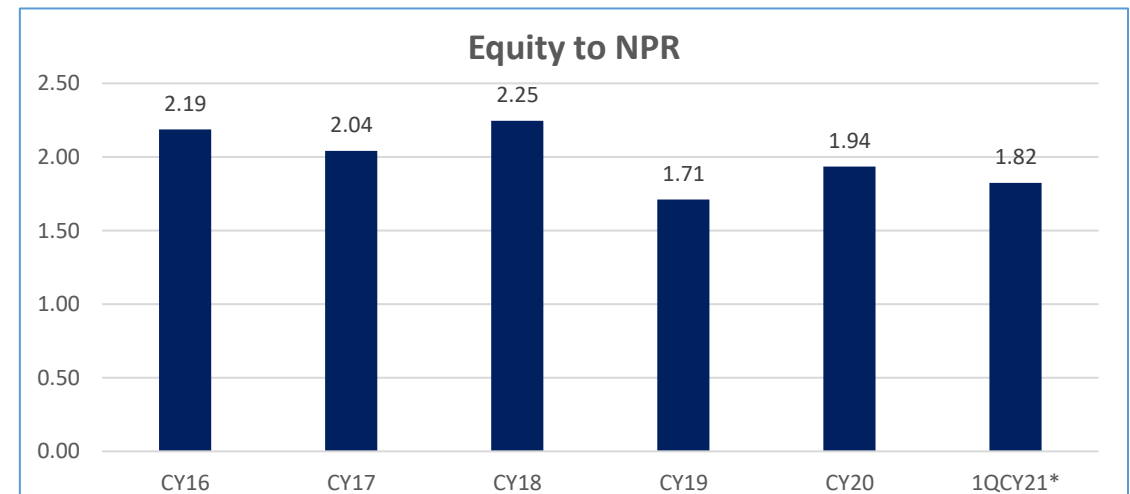
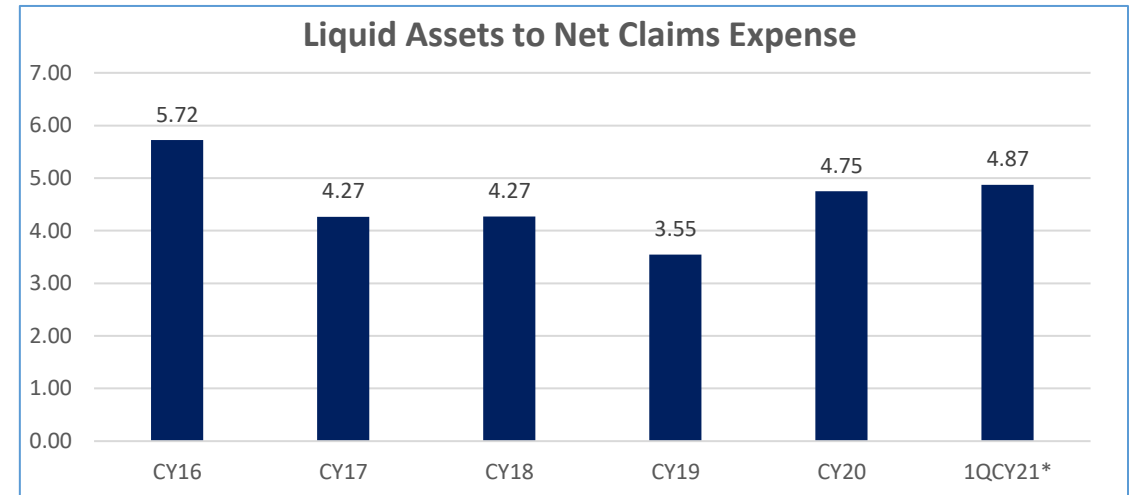
- The industry's underwriting income has reduced for consecutive years since CY17 including decline of ~4% during CY20. The underwriting income stood at PKR~4,057mIn in CY20 as compared to PKR~4,243mIn in CY19.
- Meanwhile, growth in Gross Premiums Written (GPW) slowed down during CY20 as GPW for the year clocked in at PKR~108,322mIn, an increase of ~4.3% from CY19 when GPW stood at PKR~103,848mIn. Growth of GPW during CY19 had stood at ~10.6%.
- In addition, the industry's investment income for CY20 stood at PKR~8,825mIn, a growth of ~11.2% YoY. This was significantly lower than investment income growth in CY19 which clocked in at ~21.2%.
- During 1QCY21, the industry's underwriting income grew by ~15% YoY as compared to 1QCY20. In addition, GPW increased ~16% as compared to same period last year while investment income in 1QCY21 grew by ~122% as compared to investment income in 1QCY20.



GENERAL INSURANCE

Financial Risk

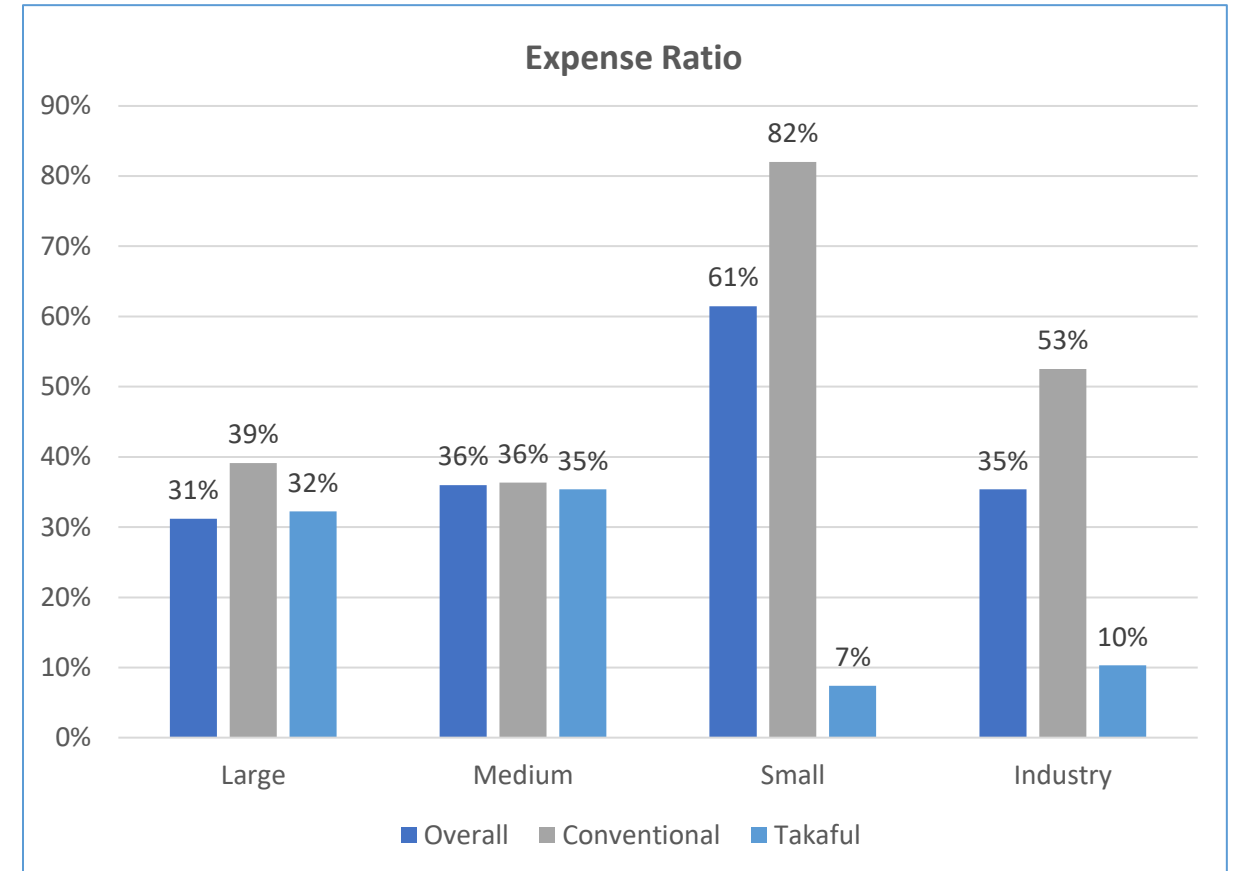
- Overall net claims expense (NCE) for the sector declined from PKR~30,682mIn in CY19 to PKR~29,450mIn in CY20 (4% decline YoY), majorly due to overall slowdown in transportation and industrial activities. Meanwhile, the sector's investment in liquid assets grew significantly from PKR~108,801mIn in CY19 to PKR~140,862mIn in CY20.
- Resultantly, the liquid assets coverage of net claims expense increased to 4.78 in CY20 from 3.55 in CY19. During 1QCY21, the liquid assets to net claims expense ratio stood at 4.87.
- The industry's underwriting strength also depicted slight improvement in CY20 since it recorded an increase of ~8% in its Equity base YoY basis reflecting a factor of ~2 times available equity against the Net Premium Revenues (1.7 in CY19).
- Therefore, the Equity to NPR ratio stood at 1.96 in CY20 as compared to 1.71 in CY20. During 1QCY21, the equity to net premium revenue ratio stood at 1.82.



GENERAL INSURANCE

Financial Risk | Expense Ratio

- Overall, expense ratio shows an inverse relationship with size of the insurance company indicating that large companies are usually able to keep better control of their expenses.
- This may be attributable to economies of scale alongside a better quality of resources being employed by large sized companies as compared to small companies.
- The high expense ratio for smaller companies leads to underwriting losses or negligible profitability through core operations.
- The industry's expense ratio for Takaful operations stood at ~10% in CY20 while the expense ratio for conventional operations stood at ~53% during the period. During 1QCY21, the expense ratio for the overall industry stood at ~30%.

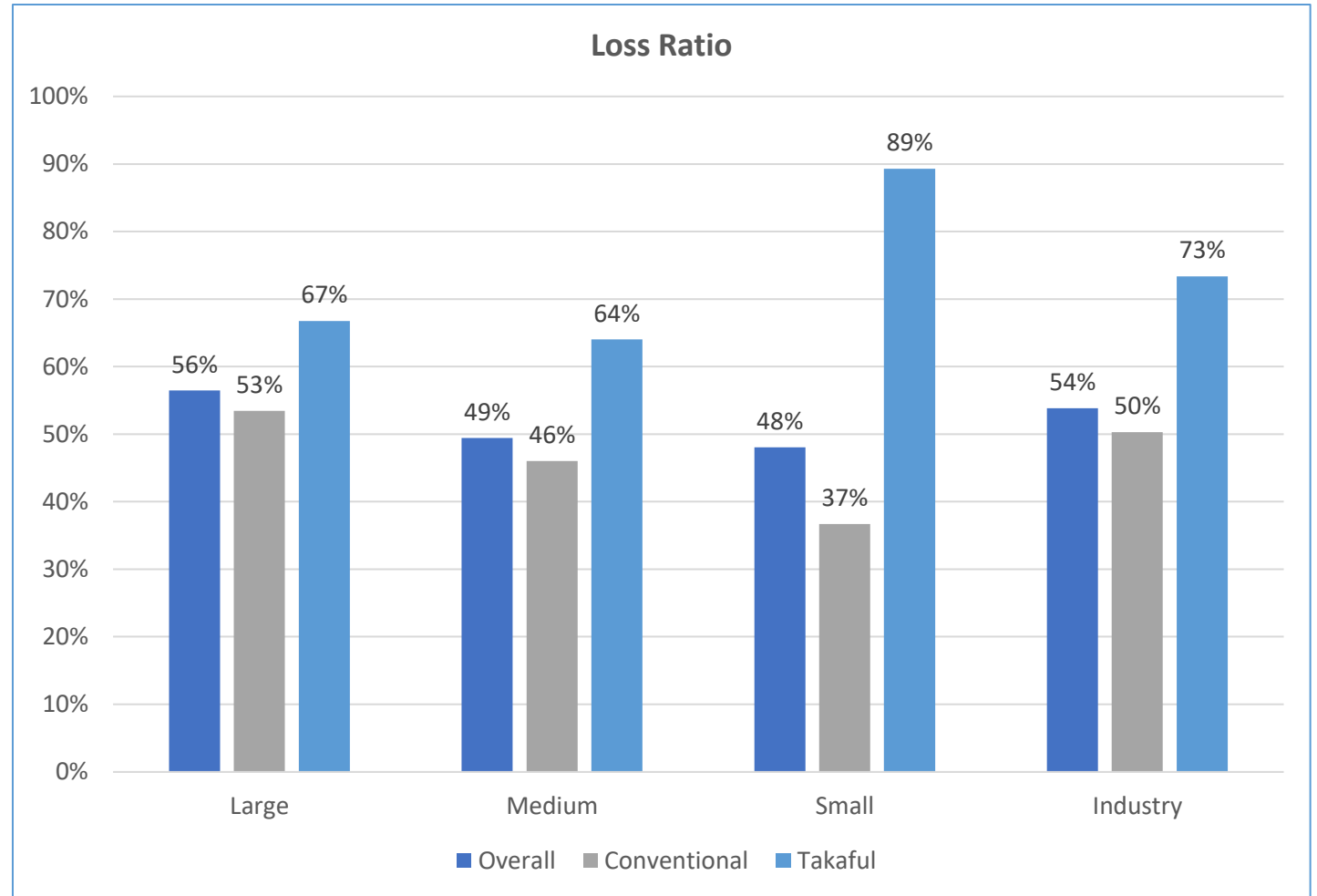




GENERAL INSURANCE

Financial Risk | Loss Ratio

- On an overall basis, the takaful business has the highest loss ratio, depicting more net claims paid out against motor insurance through banking channels.
- Takaful operations of small sized companies suffered a high loss ratio of ~89% due to small window size.
- For the entire industry, the loss ratio for Takaful operations stood at ~73% and loss ratio for conventional operations stood at ~50%. During 1QCY20, the overall industry's loss ratio stood at ~50%.



Regulatory Framework

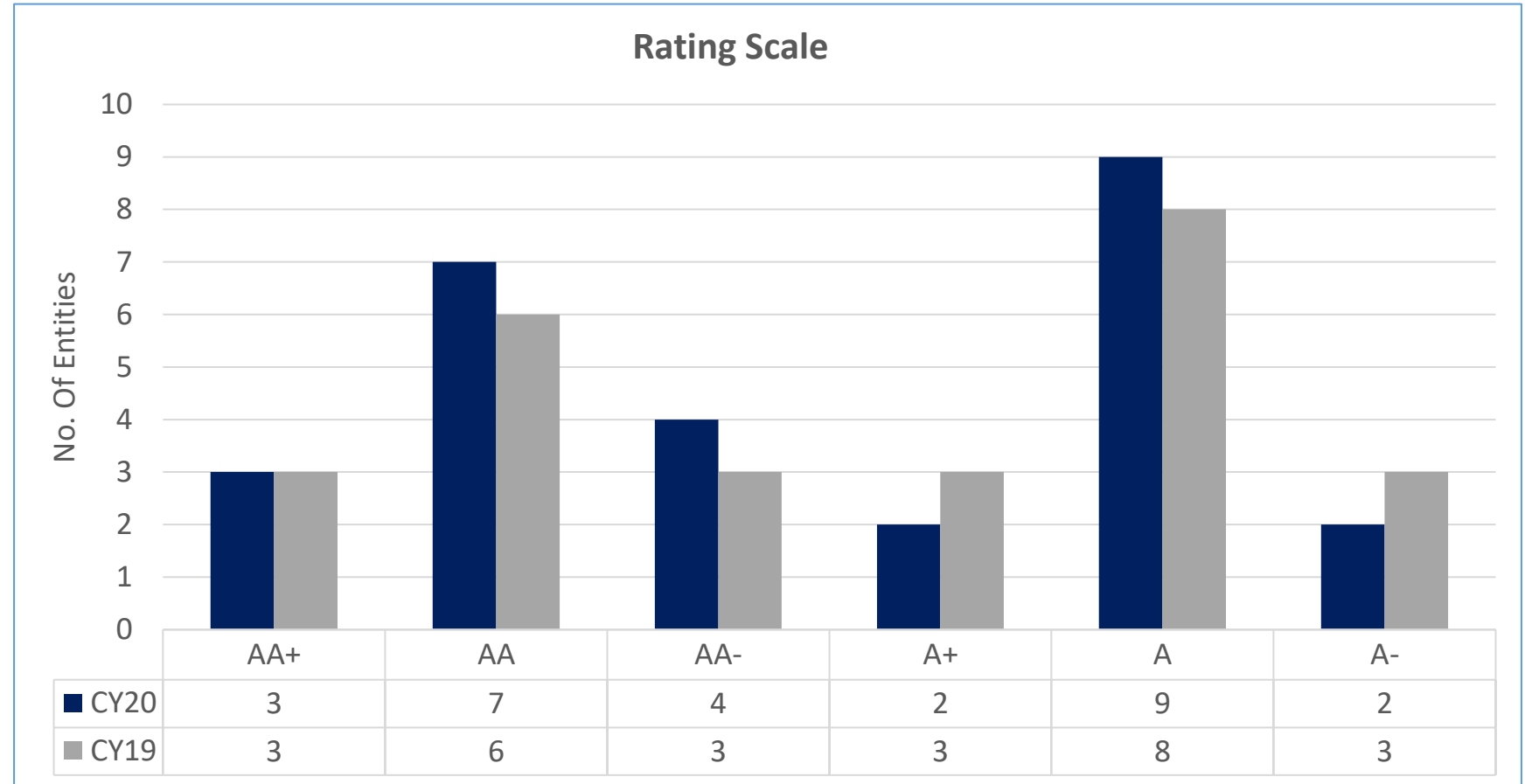
- The insurance industry is regulated by the Securities & Exchange Commission of Pakistan (SECP) which has promulgated several regulations or rules to govern the industry. These include:
 - Insurance Ordinance, 2000 (amended up to Nov 2011)
 - Insurance Rules, 2017
 - Corporate Insurance Agents Regulations, 2020
- As per these regulations, the Minimum Capital Requirement for Non-Life Insurers stands at PKR 500mln alongside which insurance companies are required to maintain a deposit with the State Bank of Pakistan (SBP) with a minimum amount being 10% of the insurer's paid up capital or any amount that may be specified by the SECP.
- In addition, insurance companies carrying out non-life insurance business are also required at all times to have admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement.
- The minimum solvency requirement is the greatest of
 - a) PKR 150mln;
 - b) 20% of its earned premium revenue in the preceding 12 months, net of reinsurance expense subject to a maximum deduction for reinsurance of fifty per cent of the gross figure; or
 - c) 20% of the sum of its liability for unexpired risk and its liability for outstanding claims, net of reinsurance subject to a maximum deduction for reinsurance in each case of fifty per cent of the gross figure.
- The Corporate Insurance Agents Regulations, 2020 were notified by the SECP on Dec-2020 and are aimed at strengthening the regulatory regime for distribution of insurance through corporate insurance agents. They include a code of conduct for agents to clearly define their responsibilities while dealing with policyholders. The regulations are also aimed at curtailing the issue of mis-selling and ensure provision of maximum and clear information regarding company's term and conditions of an insurance policy.



GENERAL INSURANCE

Rating Scale

- PACRA rates 20 General Insurance companies while VIS rates 13 General Insurance companies. 6 Companies have dual ratings from both CRAs.
- 2 entities received upgrades in their ratings, Salaam Takaful Limited (Formerly known as Takaful Pakistan Limited) was upgraded to A category and TPL Insurance was upgraded to AA- category.



GENERAL INSURANCE

SWOT Analysis



Outlook: STABLE

- The domestic economy has started to gradually recover from the impact of the COVID-19 pandemic which slowed down industrial activities and brought various businesses to a halt. The third wave of the virus is subsiding and vaccinations are increasing steadily reducing the likelihood of another severe wave which could hinder economic activity.
- Industrial activity has picked up in various sectors with the Large Scale Manufacturing Industries output increasing ~12.84% YoY during the first ten months of FY21. This is expected to bolster demand for insurance from the corporate sector which constitutes a significant portion of overall insurance demand.
- In addition, the new Auto Policy 2021-26 is expected to bring in reforms on the automobile sector which may lower the prices of vehicles for consumers and boost demand. Thus, demand in motor insurance is expected to add up with increased Auto-financing.
- With the revival of Industrial Activity, the private sector credit by banks and FIs is expected to rise going forward and would therefore simultaneously boost demand for the general insurance industry. The Insurance Sector is directly linked to the banking credit growth.
- As discussed, the industry's GPW currently stands at less than 1% of GDP and thus remains significantly underdeveloped. However, this also provides the industry ample room for growth going forward.
- The inflation level in the country has also declined. The average inflation rate during 11MFY21 stood at ~8.83% as compared to an average inflation rate of ~10.7% during FY20. Moreover, the interest rate is also not expected to witness any major hike in the short-term.

- State Bank of Pakistan (SBP)
- PACRA Database
- Entities Financial Statements
- Insurance Association of Pakistan (IAP)
- Pakistan Automobile Manufacturers Association (PAMA)
- Pakistan Bureau of Statistics (PBS)
- <https://www.ibef.org/industry/insurance-sector-india.aspx>

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