



The Pakistan Credit Rating Agency Limited

PRESS RELEASE

07-Apr-2020

PACRA SECTORWATCH | CORONAVIRUS | GENERAL INSURANCE

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan's economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government's response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR
INSURANCE	GENERAL INSURANCE
SIZE	<ul style="list-style-type: none"> - Gross Premium Written (GPW): around PKR 95bln as at Dec'19 (PACRA estimate), PKR 86bln as at Dec'18 - General Insurance as a percentage of total GDP ~1%
NUMBER OF PLAYERS	<ul style="list-style-type: none"> - 28 General Insurance Companies - 18 listed on PSX
PACRA PENETRATION	<ul style="list-style-type: none"> - 21 General Insurance companies rated by PACRA - PACRA rated universe ~ 87% of total industry GPW
IMPACT	<ul style="list-style-type: none"> - 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

DISCLAIMER

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