



The Pakistan Credit Rating Agency Limited

JUBILEE GENERAL INSURANCE COMPANY LIMITED

(JUBILEE GENERAL)

IFS RATING REPORT

	NEW [JUNE-17]	PREVIOUS [DEC-16]
Insurer Financial Strength (IFS) Rating	AA+	AA+
Outlook	Stable	Stable



Profile & Ownership

- Jubilee General, incorporated in 1953, is the third largest general insurance company in Pakistan and is listed on Pakistan stock exchange
- Significant shareholders include Aga Khan Development Network (57%) including Habib Bank Limited (18%), and Hashoo Group (16%)
- AKDN Group has ownership stake in commercial ventures operating in sectors like insurance, banking, hotels, education, and tourism
- HBL is the country's largest private sector bank and is rated 'AAA'.

Governance and Management

- Nine member board of directors, including CEO; includes four representations of AKDN, three of Hashoo Group and one of HBL
- Mr. Towfiq H. Chinoy, a distinguished industrialist, is board chairman
- Mr. Tahir Ahmed, the company's MD since Jul-05, is an engineer, MBA, and a Chartered Insurer, with extensive experience in insurance
- Qualified and experienced professionals assists the MD

Business Risk

- The company has a market share of 11% in CY16 (CY15: 12%)
- GPW mix is very well diversified in fire segment (29%), miscellaneous (28%), motor (17%), health (13%), marine (8%) and liability (5%)
- Slight increase in GPW (CY16: 8,254mln CY15: 8,061mln) however decreased in 1Q17
- Net loss ratio sustained at 49% (CY15: 52%) with health loss ratio the highest (80%)
- Operating expenses though kept in check, small NPR growth translated into combined ratio increasing to 88% (CY15: 91%)

Business Strategy

- Jubilee General envisages continuing its growth strategy while ensuring improved profitability
- Collaboration with Jubilee Life Pakistan for its health business, sharing common operating platform, augments operating efficiency
- Product innovation with focus on retail and micro insurance
- The company eyes business opportunities emanating from CPEC

Financial Risk

- The size of liquid investment book (CY16: PKR 10,456mln) provides robust risk absorption capacity
- The risk profile of the investment portfolio remained balanced with more than half of the funds deployed in low risk bank deposits and Government securities
- Strong liquidity position, providing 2.4 times cover to the claims liability at end – Dec’16
- Premium outstanding days remain low compared to peers (65 days);
- Reinsurers include Swiss Re, Hannover RE, SCOR Re and Lloyd’s of London.

RATING RATIONALE

The rating reflects Jubilee General's robust risk management framework facilitating the company in sustaining sound underwriting performance. The company is in consolidation phase – with sustained topline and underwriting profitability. The contribution of investment income has also been intact. The rating recognizes the management's persistent efforts of penetrating relatively untapped segments, also reflected in its diverse premium mix compared to peers. Jubilee General has sound equity base and sufficient liquidity engendering strong risk absorption capacity. The company's efforts for improving the overall quality of control environment are bearing fruits. The ability of key sponsor, Aga Khan Development Network (AKDN), to foster synergies amongst its financial institutions operating in Pakistan - HBL, Jubilee General, and Jubilee Life - and in the group's different insurance companies across the globe, is also a consideration. The business strategy, going forward, is focused on improving its market position through increasing retail penetration and focusing motor insurance; benefiting from synergies with HBL. Jubilee is eyeing high business opportunities for future with the advent of CPEC projects and improved economic dynamics of the country.

KEY RATING DRIVERS

The rating is dependent upon sustained competitiveness of the company with improvement in market share and underwriting profitability. Recently upgraded claims handling system should be reflected in improved Turnaround Time (TAT) of claims.

INDUSTRY

Pakistan's general insurance continued growth trajectory (CAGR 4 years 10%). While fire and motor growth is driven by credit off by the banks, the miscellaneous segment has seen largest growth in health, crop, and livestock. The underwriting profitability improved, though change in tax laws shall impact net profits, going forward. Growth prospects are sanguine.



RATING SYMBOLS & DEFINITIONS:

**INSURER FINANCIAL STRENGTH (IFS)
RATING SCALE & DEFINITIONS**

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of the insurance company to meet policyholders and contractual obligations.

RATING SCALE	DEFINITION
AAA	Exceptionally Strong. Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ AA AA-	Very Strong. Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small
A+ A A-	Strong. Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.
BBB+ BBB BBB-	Good. Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ BB BB-	Moderately Weak. Moderately weak with an uncertain capacity to meet policyholder and contract obligations. Though positive factors are present, overall risk factors are high, and the impact of any adverse business and economic factors is expected to be significant.
B+ B B-	Weak. Weak capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC CC C	Very Weak. Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Insolvency or liquidity impairment appears imminent.
D	Distressed Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and declared insolvent by the regulator.

Outlook (Stable, Positive, Negative, Developing)
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch
Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.

Suspension
It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future, but may stay in abeyance for long. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn
A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, or c) the rating remains suspended for six months.

Disclaimer: PACRA's IFS rating does not constitute any form of guarantee of the ability of the insurance company to meet policyholders' obligations; nor does it constitute a recommendation to effect or discontinue any policy of insurance. PACRA's rating is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.



Name of Issuer
Sector
Type of Relationship

Jubilee General Insurance Company Limited
Insurance - General
Solicited

Purpose of the Rating

Independent Risk Assessment

Rating History

Dissemination Date	Long Term Rating	Outlook	Action
23-Jun-17	AA+	Stable	Maintain
30-Dec-16	AA+	Stable	Maintain
31-Dec-15	AA+	Stable	Maintain
5-Jan-15	AA+	Stable	Maintain
9-Jan-14	AA+	Stable	Maintain
17-Jan-13	AA+	Stable	Upgrade

Related Criteria and Research

Rating Methodology
Sector Research

Insurer Financial Strength Rating Methodology
Insurance | General - View Point | Nov 16

Rating Analysts

| Faraan Taimoor Jhangeer Hanif
faraan.taimoor@pacra.com jhangeer.hanif@pacra.com
(92-42-35869504) (92-42-35869504)

[Rating Team Statement](#)

Rating Procedure

Rating is an opinion on relative credit worthiness of an entity or debt instrument. It does not constitute recommendation to buy, hold or sell any security. The rating team for this assignment does not have any beneficial interest, direct or indirect in the rated entity/instrument.

[Disclaimer](#)

Rating Shopping

PACRA maintains principle of integrity in seeking rating business.

PACRA has used due care in preparation of this document. Our information has been obtained directly from the underlying entity and public 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.

Conflict of Interest

PACRA, the analysts involved in the rating process, and members of its rating committee do not have any conflict of interest relating to the credit rating done by them

The analysts involved in the rating process do not have any interest in a credit rating or any of its family members has any such interest

The analysts and members of the rating committees including the external member members have disclosed all the conflict of interest, including those of their family members, if any, to the Compliance Officer PACRA

The analysts or any of its family members do not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This is, however, not applicable on investment in securities through collective investment schemes. PACRA has established appropriate policies governing investments and trading in securities by its employees

PACRA may provide consultancy/advisory services or other services to any of its clients or to any of its clients' associated companies and associated undertakings that is being rated or has been rated by it. In such cases, PACRA has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities

PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and ii) fee mandate - signed with the payer, which can be different from the entity

PACRA ensures that the credit rating assigned to an entity or instrument should not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship

Surveillance

PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the rated entity/ issuer, the security arrangement, the industry etc, is disseminated to the market, in a timely and effective manner, after appropriate consultation with the entity/issuer

PACRA reviews all the outstanding ratings on annual basis or as and when required by any stakeholder (including creditor) or upon the occurrence of such an event which requires to do so

PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

Reporting of Misconduct

PACRA has framed and implemented whistle-blower policy encouraging all employees to intimate the compliance officer any unethical practice or misconduct relating to the credit rating by another employees of the company that came to his/her knowledge. The Compliance Officer reports to the BoD and SECP

Confidentiality

PACRA has framed a confidentiality policy to prevent abuse of the non-public information by its employees and other persons involved in the rating process, sharing and dissemination of the non-public information by such persons to outside parties

Where feasible and appropriate, prior to issuing or revising a rating, PACRA informs the issuer of the critical information and principal considerations upon which a rating will be based and provide the opportunity to clarify any likely factual misperception or other matter that PACRA would wish to be made aware of in order to produce a fair rating. PACRA duly evaluates the response. Where in a particular circumstance PACRA has not informed the entity/issuer prior to issuing or revising a rating, it informs the entity/issuer as soon as practical thereafter

Prohibition

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. PACRA reports and ratings constitute opinions, not recommendations to buy or to sell

[Probability of Default \(PD\)](#)

PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past