



THE PAKISTAN CREDIT RATING AGENCY LIMITED

IFS RATINGS REPORT

JUBILEE GENERAL INSURANCE

ENTITY	RATINGS	OUTLOOK	ACTION
Jubilee General Insurance	Long Term: AA+	Stable	Maintain

RATING RATIONALE

The rating reflects Jubilee General's robust risk management framework facilitating the company in sustaining sound underwriting performance. 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 and health 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 DRIVER

The rating is dependent upon sustained competitiveness of the company with improvement in underwriting profitability. Sustaining the market share is crucial.

Report Contents

1. Rating Analyses
2. Financial Information
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4. Regulatory and Supplementary Disclosure

JUBILEE GENERAL INSURANCE PROFILE	
Incorporated	1953
Major Business	General Insurance
Legal Status	Listed Public Limited Company
Head Office	Karachi

INDUSTRY SNAPSHOT
<p>Pakistan general insurance continued growth trajectory (CAGR 4 years 12%). 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.</p>

OWNERSHIP	GOOD
<ul style="list-style-type: none"> 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	GOOD
<ul style="list-style-type: none"> Nine member board of directors, including CEO; includes four representations of AKDN 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 The board has three committees, comprising non-executive members, providing strategic oversight to the company and, hence, strengthen its governance framework. 	

MANAGEMENT	GOOD
<ul style="list-style-type: none"> The company has a well-defined organizational structure and different operations are segregated and managed through Executive director and Departmental Heads. The company has four management committees, a) Underwriting Committee, b) Claims Committee, c) Re-insurance/Co-insurance Committee, and d) Risk Management Committee – all headed by the Chief Executive Officer. The company has instituted a detailed hierarchal organizational structure to cope with expanding operations and segregation of responsibilities while maintaining good control environment. 	

BUSINESS RISK	GOOD
<ul style="list-style-type: none"> The company has a market share of 11% at end-Sep17 (End-Sep16: 12%) GPW mix is very well diversified in fire segment (24%), miscellaneous (24%), health (20%), motor (19%), marine (8%) and liability (5%) Miscellaneous segment further comprises engineering, terrorism, Products of financial institutions and bond insurance. Slight decline in GPW (2%), due to decrease in fire (-18 %) whereas the miscellaneous segment dipped by 14% mainly on the account of reduced terrorism insurance. The investment income has decreased to PKR 809mln (end-Sep16: PKR 942mln) mainly due to lower capital gains. Net loss ratio increased to 56% (end-Sep16: 52%); herein higher loss ratio from liability segment (end-Sep17:68%, end-Sep16: 30%) was offset by decrease in net loss ratio of all other segments. The expense ratio witnessed a slight decrease on the back of reduced management and admin expenses (end-Sep17: 39%, end-Sep16: 42%) and increased Net Premium Revenue (end-Sep17: PKR 3.693bln, end-Sep16: PKR 3.185bln) Ensuing factors translated into combined ratio sustaining to 94% (end-Sep16: 94%) 	

BUSINESS STRATEGY	GOOD
<ul style="list-style-type: none"> 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 	

FINANCIAL RISK	GOOD
<ul style="list-style-type: none"> The size of liquid investment book (end-Sep17: PKR 10,391mln) 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 2.9 times cover to the claims liability at end – Sep'17 Barring marine, all segments have witnessed considerable improvement in turnaround time as the company has been increasing its focus on its reduction. The company undergone considerable development in revamping its claims handling system; i) Completely centralized at Head office in 2015, ii) Web-based real time settlement system, and iii) upgraded MIS reporting. 	



The Pakistan Credit Rating Agency Limited

GENERAL INSURANCE Financials [Summary]

Jubilee General Insurance Company Limited

BALANCE SHEET	30-Sep-17	30-Dec-16	30-Sep-16	31-Dec-15
Investments				
Liquid Investments	10,391	10,459	9,546	9,392
Strategic Investments	1,085	1,043	1,035	867
Other Investments	663	668	668	674
	12,139	12,170	11,249	10,933
Insurance Related Assets	5,043	3,568	5,618	2,528
Other Assets	2,192	1,948	2,450	1,816
TOTAL ASSETS	19,374	17,686	19,317	15,278
Equity	6,873	6,592	6,239	5,916
Underwriting Provisions	3,950	3,184	3,865	2,822
Insurance Related Liabilities	5,793	5,359	6,430	4,263
Other Liabilities	2,759	2,551	2,783	2,277
TOTAL EQUITY & LIABILITIES	19,374	17,686	19,317	15,278

INCOME STATEMENT	30-Sep-17	30-Dec-16	30-Sep-16	31-Dec-15
Gross Premium Written (GPW)	6,715	8,253	6,849	8,061
Net Premium Revenue (NPR)	3,693	4,420	3,185	4,173
Net Claims	(2,055)	(2,160)	(1,664)	(2,189)
Net Commission	(314)	(397)	(331)	(428)
Net Operational Expenses	(1,116)	(1,370)	(993)	(1,188)
UNDERWRITING RESULTS	208	494	196	368
Investment Income	944	1,199	946	1,334
Other Income/ (expense)	122	321	137	18
PROFIT BEFORE TAX	1,274	2,013	1,280	1,720

RATIO ANALYSIS	30-Sep-17	30-Dec-16	30-Sep-16	31-Dec-15
Underwriting Results				
Loss Ratio	56%	49%	52%	52%
Combined Ratio	94%	89%	94%	91%
Performance				
Operating Ratio	66%	54%	60%	59%
Investment Yield	8%	10%	10%	13%
Liquidity & Solvency				
Liquidity Ratio – times	2.9	3.1	2.2	3.2

Jubilee General Insurance Company Limited

Jan 2018

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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 Jubilee General Insurance Company Limited
Sector Insurance - General
Type of Relationship Solicited

Purpose of the Rating Independent Risk Assessment

Rating History

Dissemination Date	Long Term Rating	Outlook	Action
22-Jan-18	AA+	Stable	Maintain
23-Jun-17	AA+	Stable	Maintain
30-Dec-16	AA+	Stable	Maintain
31-Dec-15	AA+	Stable	Maintain
5-Jan-15	AA+	Stable	Maintain

Related Criteria and Research

Rating Methodology Insurer Financial Strength Rating Methodology
Sector Research Insurance | General - View Point | Oct 17

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[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.

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 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

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

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