



The Pakistan Credit Rating Agency Limited

Rating Report

Jubilee General Insurance Company Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Apr-2018	AA+	-	Stable	Maintain	-
22-Jan-2018	AA+	-	Stable	Maintain	-
23-Jun-2017	AA+	-	Stable	Maintain	-
30-Dec-2016	AA+	-	Stable	Maintain	-
31-Dec-2015	AA+	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

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, reflected in its diverse premium mix . 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 which is a challenge giving muted growth lately.

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

Disclosure

Name of Rated Entity	Jubilee General Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Insurer Financial Strength (IFS) Rating General(Jun-17)
Related Research	Sector Study Insurance General(Oct-17)
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JUBILEE GENERAL INSURANCE PROFILE

Incorporated	1953
Major Business	General Insurance
Legal Status	Listed Public Limited Company
Head Office	Karachi

INDUSTRY SNAPSHOT

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.

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

- 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

- 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

- The company has a market share of 10.6% at end-CY17 (End-CY16: 11.1%), there is a dip in the market share.
- GPW mix is very well diversified in fire segment (24%), miscellaneous (24%), health (19%), motor (20%), marine (8%) and liability (5%)
- Miscellaneous segment further comprises engineering, terrorism, Products of financial institutions and bond insurance.
- Slight decline in GPW (-1.26%) is due to decrease in fire (-13.1 %) whereas the miscellaneous segment dipped by (-14.3%) mainly on the account of reduced terrorism insurance.
- The investment income has increased to PKR 1,220mln (end-CY16: PKR 1,199mln) mainly due to higher disposal gains.
- Net loss ratio increased to 56% (end-CY16: 49%); which is due to higher loss ratio from Misc. segment (end-CY17:53%, end-CY16: 29%).
- The expense ratio witnessed a slight decrease on the back of reduced management and admin expenses (end-CY17: 39%, end-CY16: 40%) and increased Net Premium Revenue (end-Sep17: PKR 3.693bln, end-Sep16: PKR 3.185bln).
- Ensuing factors translated into combined ratio sustaining to 95% (end-CY16: 89%).
- 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

- The size of investment book (end-CY17: PKR 12,651mln) provides robust risk absorption capacity, represents 177% of its equity base.
- The liquid investment portfolio is deployed in Government Securities (45.9%), Cash & Bank (23.6%), & equities (30.5%).
- 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 3.1 times cover to the claims liability at end – CY17
- 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.
- Jubilee General continues to maintain re-insurance treaties with international reinsurers mostly having rating of 'AA' and 'A' category including Swiss Re (AA- by S&P and A+ by AM Best), SCOR Re (AA- by S&P and A by AM Best), Allianz SE (AA by S&P and A+ by AM Best), Hannover Re (AA- by S&P and A+ AM Best) and several other reputed reinsurance companies. The company predominantly has XOL treaties for its major business segments including fire, marine cargo and motor.



The Pakistan Credit Rating Agency Limited

**GENERAL INSURANCE
Financials [Summary]**

Jubilee General Insurance Company Limited

	<i>PKR mln</i>			
BALANCE SHEET	CY17	CY16	CY15	CY14
Investments				
Liquid Investments	10,876	10,459	9,392	8,449
Strategic Investments	1,113	1,043	867	347
Other Investments	661	668	674	681
	12,651	12,170	10,933	9,477
Insurance Related Assets	3,915	3,568	2,528	2,486
Other Assets	1,935	1,948	1,816	1,576
TOTAL ASSETS	18,501	17,686	15,278	13,539
Equity	7,159	6,592	5,916	5,423
Underwriting Provisions	3,358	3,184	2,822	2,432
Insurance Related Liabilities	5,340	5,359	4,263	4,003
Other Liabilities	2,554	2,551	2,277	1,682
TOTAL EQUITY & LIABILITIES	18,410	17,686	15,278	13,539

INCOME STATEMENT	30-Dec-16	30-Dec-16	31-Dec-15	31-Dec-14
Gross Premium Written (GPW)	8,149	8,253	8,061	6,961
Net Premium Revenue (NPR)	4,931	4,420	4,173	3,645
Net Claims	(2,743)	(2,160)	(2,189)	(2,083)
Net Commission	(449)	(397)	(428)	(330)
Net Operational Expenses	(1,478)	(1,370)	(1,188)	(1,008)
UNDERWRITING RESULTS	261	494	368	224
Investment Income	1,220	1,199	1,334	1,048
Other Income/ (expense)	173	321	18	(3)
PROFIT BEFORE TAX	1,654	2,013	1,720	1,270

RATIO ANALYSIS	30-Dec-16	30-Dec-16	31-Dec-15	31-Dec-14
Underwriting Results				
Loss Ratio	56%	49%	52%	57%
Combined Ratio	95%	89%	91%	94%
Performance				
Operating Ratio	66%	54%	59%	65%
Investment Yield	#REF!	10%	13%	12%
Liquidity & Solvency				
Liquidity Ratio – times	3.1	3.1	3.2	3.0

Jubilee General Insurance Company Limited

Jan 2018

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INSURER FINANCIAL STRENGTH (IFS) RATING 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.

<p>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'.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>
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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.

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (12) 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 fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is 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 | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) 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 | Chapter III | 14-(f-VII)

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