



# General Insurance

## Sector Study

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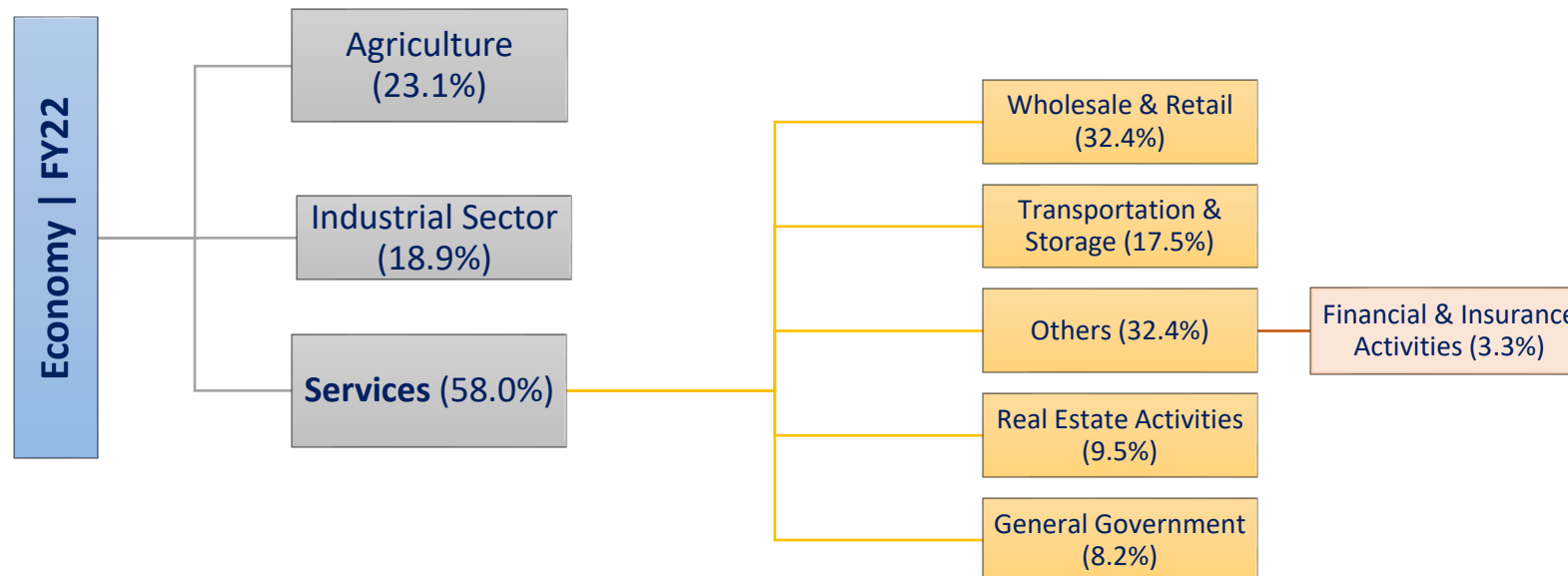
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## Global | Outlook

- Globally, the average gross premium written increased by ~10% in CY22, and as of Dec'22, stood at USD~60,000. This growth was likely reflective of higher natural hazards, increased reinsurance costs, and the overall inflationary pressures across the globe.
- Going forward, the expectation of increasing frequency and severity of natural hazards, rising reinsurance costs, increasing inflation, supply chain issues and labor shortages will continue to put upwards pressure on premiums pricing. It is anticipated that, on average, gross written premiums will rise by at least ~10% in CY23.
- However, in the case of non-life insurers, real premium growth is forecast to dip below ~1%, owing to rising inflation and slowing global growth. Similarly, the global ROE pertaining to the non-insurance segment is expected to halve to remain at just ~3.4% in CY23 on account of weak underwriting performance and investment results.
- The inflationary impact on non-life insurance sub-segments, such as property, motor and health is expected to stay above average in CY23, on the back of rising raw material prices and growth in wage rates, social inflation and increase in medical costs, respectively.
- While inflation and the ongoing global recession is likely to adversely impact insurers in the form of higher claims costs and reduced demand, higher interest rates may provide a hedge in the form of improved investment returns.

## Local | Overview

- The General Insurance Sector of Pakistan, operating with approximately ~28 non-life insurance companies and ~9 life insurance companies, falls under the Services segment of the economy.
- During FY22, the Financial & Insurance activities contributed ~4.4% to the overall Services segment of the economy (FY21: ~3.2%) and made up ~2.4% of the total GDP during the same period (FY21: ~1.8%) (based on GDP at current basic prices). During the ongoing FY23, the sector has contributed ~4.5% to the GDP.



# GENERAL INSURANCE

## Local | Overview

- The General Insurance sector of Pakistan is currently worth PKR~143bln as of CY22 (CY21: PKR~114bln), up ~25% YoY.
- This study has classified the sector into three broad categories; Large Market Players with market share > ~5%, Medium Market Players with market share > ~2%, and Small Market Players with market share < ~2%, based on GPW.
- The total number of registered general insurance companies in Pakistan is to ~28. Of these, ~5 companies fall under the large players category, hinting a significant market share these players possess.
- ~8 companies having able to capture more than ~27% of the market, remain in the medium category while ~15 entities falling in the small players category capture less than ~7.6% of the market.
- The combined market share of the large insurance companies increased to ~65% in CY22, while that of medium and small players decrease to ~27% and ~7.6% during the same period.

Sector Snapshot	CY21	CY22
<b>No. of Companies</b>	28	28
<b>Gross Premium Written (PKR mln)</b>	113,642	142,902
<b>Net Premium Revenue Growth*</b>	16%	14%
<b>Large Market Players</b>		
Total Companies	5	5
Market Share	63.8%	65.0%
<b>Medium Market Players</b>		
Total Companies	8	8
Market Share	28.1%	27.4%
<b>Small Market Players</b>		
Total Companies	15	15
Market Share	8.1%	7.6%
<b>Regulator</b>	SECP	
<b>Association</b>	IAP	

\*Inclusive of Takaful Contributed Revenue

# GENERAL INSURANCE

## Industry Dynamics | Overview

- GPW for the large players valued at PKR~79bln in CY22 (CY21: PKR ~70bln), whereas, for the medium and small players, it amounted to PKR~34bln and PKR~9bln, respectively (CY21: PKR~30bln and PKR~13bln, respectively).
- The investment income for large players (CY22: PKR~7bln) is ~3x that of medium market players (CY22: PKR~2bln).
- However, medium insurance players have ~2x investment income as that of the small insurance companies.
- Underwriting (U/W) result for the sector fell by ~54% in CY22 (CY21 YoY growth: ~75%).
- Highest chunk of the sector's profit before tax (PBT) also goes to large companies and is more than combined profit to both medium and small companies. The combined PBT for the sector was recorded at PKR~15bln in CY22 (CY21: PKR~19bln), falling by ~21%.
- A decline of ~6% was also witnessed in combined equity of the sector players as well (CY21: PKR~107bln)
- The sector's combined Liquid Assets (Investment, Cash and Balance) declined by ~17% YoY in CY22 to PKR~115bln (CY21: PKR~138bln). Large companies possessed ~1.1x of the collective liquid assets of medium and small insurance companies.

Figures in PKR mln

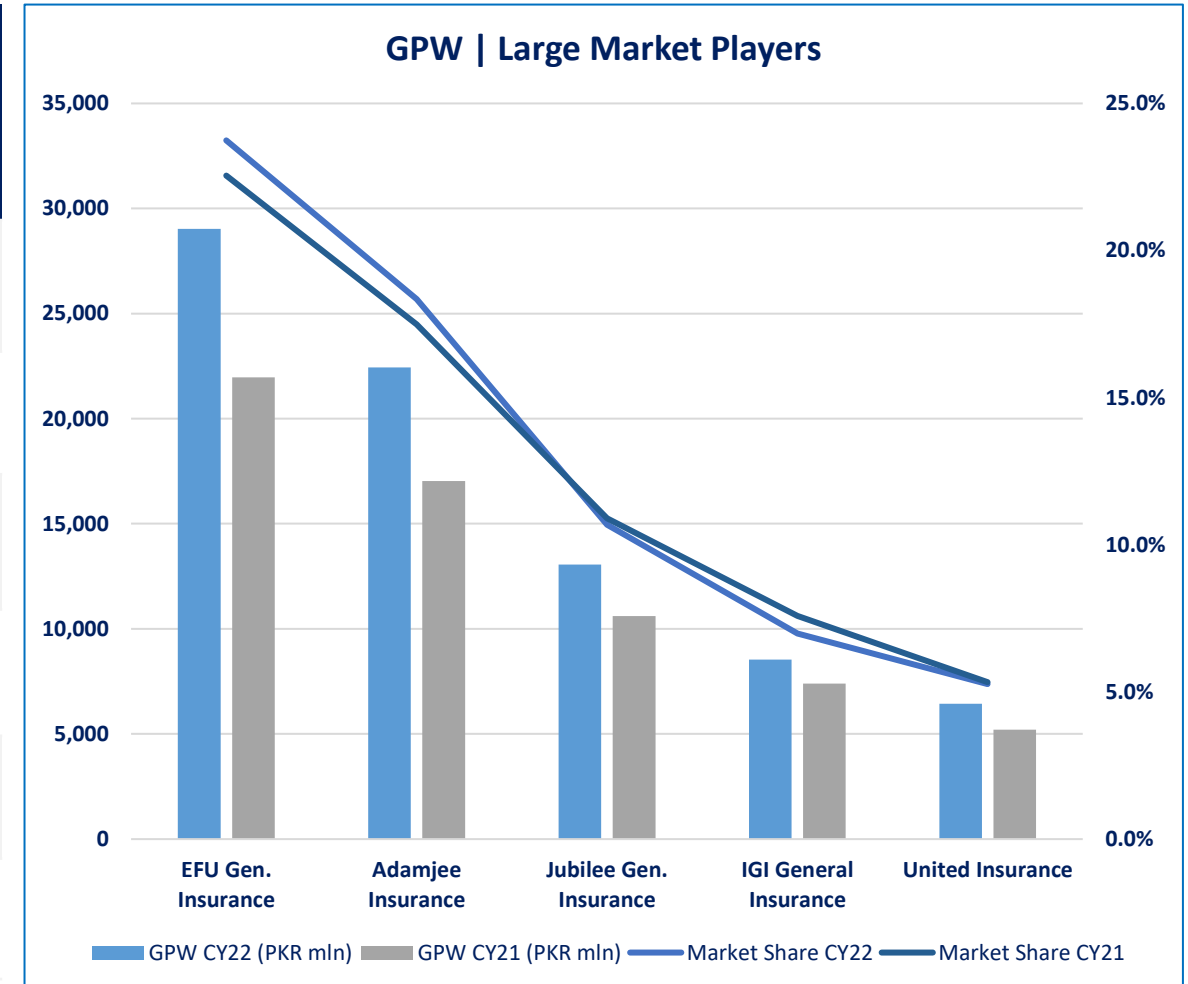
Sector Snapshot   CY22	Total	Large	Medium	Small
No. of Companies (Nos.)	28	5	8	15
Proportion of Market Share	100%	65.0%	27.4%	7.6%
Gross Premium Written (GPW)	122,288	79,499	33,519	9,270
Investment Income	9,979	6,625	2,128	1,226
U/W Results- Conventional	3,237	1,487	1,810	(60)
Profit Before Tax	15,013	10,573	3,958	482
Equity	101,153	60,597	29,075	15,482
Investment+ Cash & Balance	115,343	59,556	37,104	18,681

# GENERAL INSURANCE

## Industry Dynamics | Large Players

Figures in PKR mln

Companies (CY22)	Market Share	Gross Premium Written	Investment Income	Underwriting Profit/(Loss)	Equity	Investment + Cash & Bank	Profit Before Tax
EFU Gen. Insurance	23.7%	29,025	2,312	70	18,427	2,187	3,116
Adamjee Insurance	18.4%	22,442	2,184	(209)	24,919	36,267	3,147
Jubilee Gen. Insurance	10.7%	13,057	1,681	249	10,536	19,457	2,470
IGI General Insurance	7.0%	8,538	334	254	2,737	2,926	641
United Insurance	5.3%	6,437	114	1,123	3,978	2,720	1,199
<b>Total</b>	<b>65.0%</b>	<b>79,499</b>	<b>6,625</b>	<b>1,487</b>	<b>60,597</b>	<b>59,556</b>	<b>10,573</b>



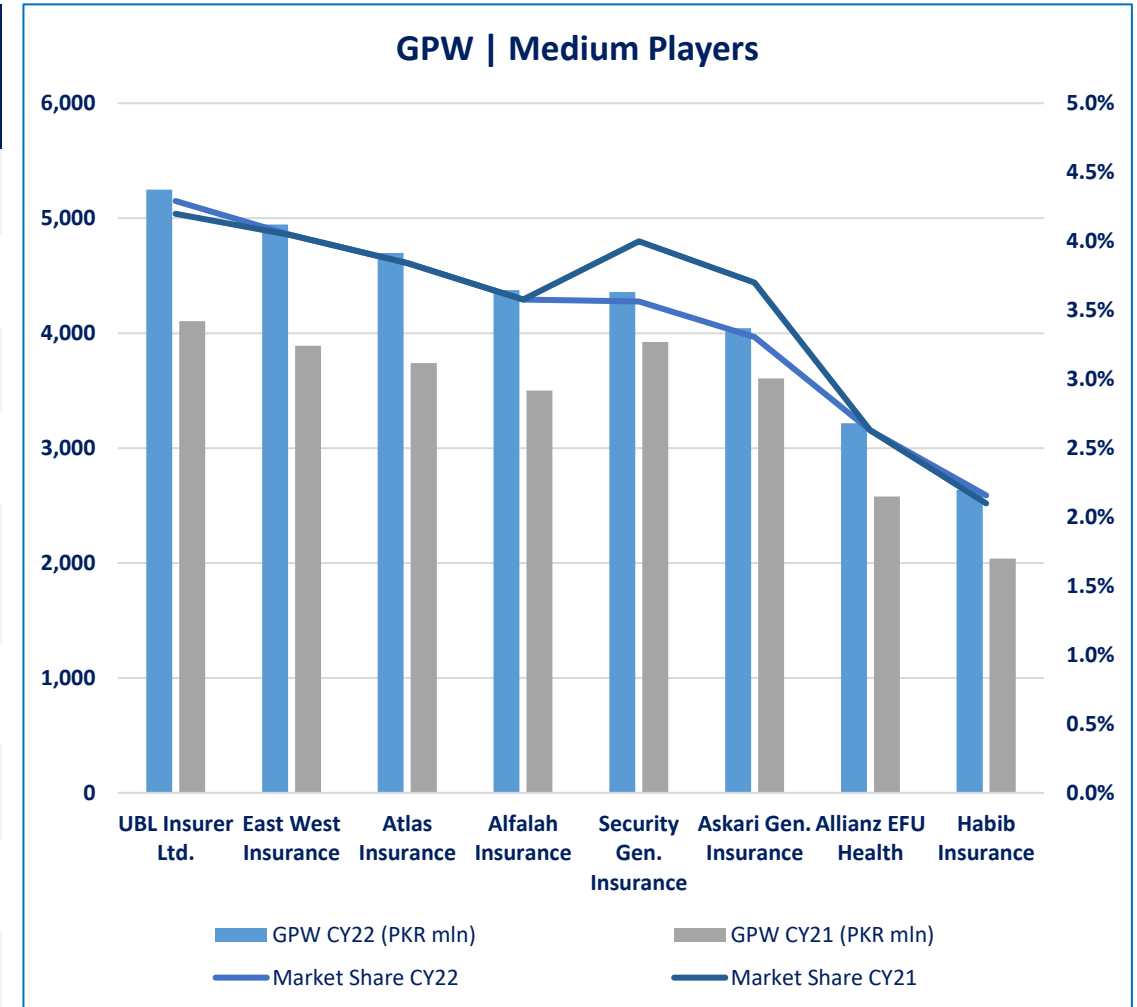
Note: Market Shares are based on GPW.

# GENERAL INSURANCE

## Industry Dynamics | Medium Players

Figures in PKR mln

Companies (CY22)	Market Share	Gross Premium Written	Investment Income	Underwriting Profit/(Loss)	Equity	Investment + Cash & Bank	Profit Before Tax
UBL Insurer Ltd.	4.3%	5,248	232	39	1,856	2,055	138
East West Insurance	4.0%	4,946	185	415	2,468	2,330	477
Atlas Insurance	3.8%	4,697	46	916	3,585	6,196	1,096
Alfalah Insurance	3.6%	4,375	232	37	1,994	2,761	457
Security General Insurance	3.6%	4,359	862	295	14,922	17,140	1,043
Askari General Insurance	3.3%	4,042	288	186	2,462	3,430	498
Allianz EFU Health	2.6%	3,215	158	(58)	620	1,252	107
Habib Insurance	2.2%	2,637	125	(21)	1,168	1,940	141
<b>Total</b>	<b>27.4%</b>	<b>33,519</b>	<b>2,128</b>	<b>1,810</b>	<b>29,075</b>	<b>37,104</b>	<b>3,958</b>

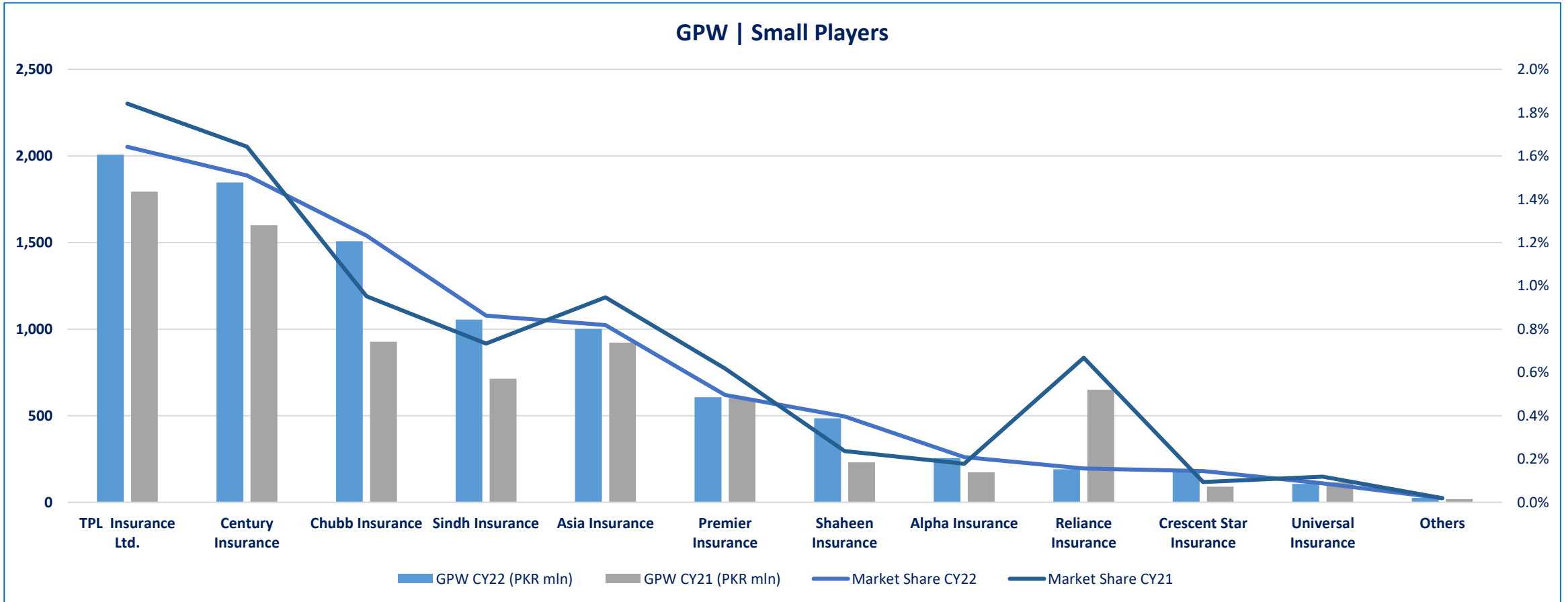




## Industry Dynamics | Small Players

Figures in PKR mln

	Market Share	Gross Premium Written	Investment Income	Underwriting Profit/(Loss)	Equity	Investment + Cash & Bank	Profit Before Tax
TPL Insurance Ltd.	1.6%	2,008	85	185	2,144	3,309	65
Century Insurance	1.5%	1,847	195	221	2,429	2,670	465
Chubb Insurance	1.2%	1,507	136	176	1,105	1,523	296
Sindh Insurance	0.9%	1,055	530	(132)	2,778	4,337	(132)
Asia Insurance	0.8%	1,001	(29)	(75)	838	738	(91)
Premier Insurance	0.5%	607	28	(244)	350	1,237	(176)
Shaheen Insurance	0.4%	486	81	(36)	732	718	77
Alpha Insurance	0.2%	256	48	(68)	688	808	(11)
Reliance Insurance	0.2%	192	20	(26)	1,077	935	39
Crescent Insurance	0.1%	177	9	(35)	1,109	260	36
Universal Insurance	0.1%	107	6	(153)	730	488	(147)
Others	0.0%	26	116	76	1,501	1,659	61
<b>Total</b>	<b>7.6%</b>	<b>9,270</b>	<b>1,226</b>	<b>(60)</b>	<b>15,482</b>	<b>18,682</b>	<b>482</b>



# GENERAL INSURANCE

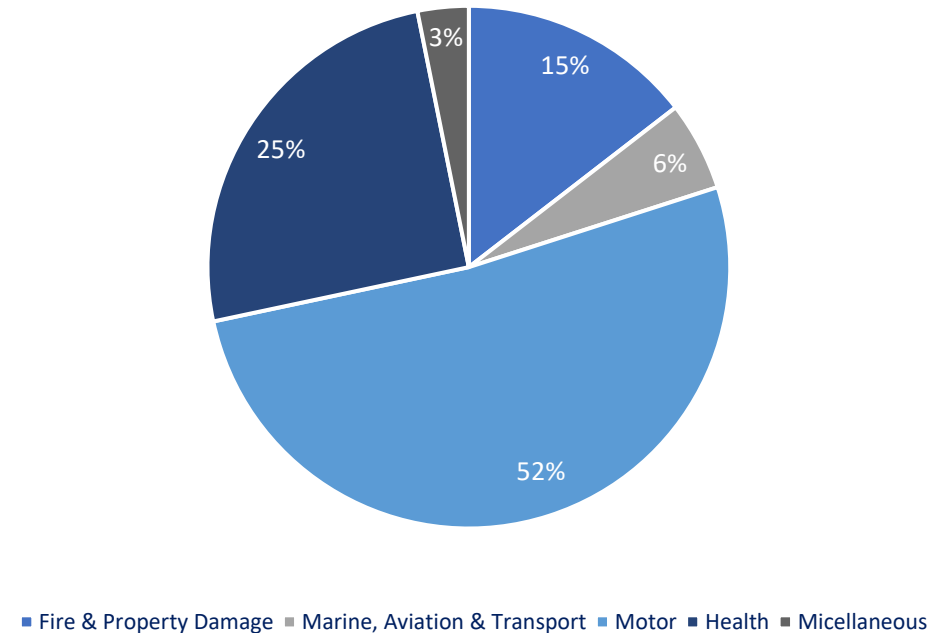
## Takaful Snapshot

- Out of the ~28 insurance companies in the country, ~22 also operate Window Takaful (Shariah-compliant services in the sector). However, ~8 companies out of these ~23 capture almost ~80% of the market share. The Window Takaful's combined GPW (Contribution Underwritten) amounted to PKR~20,614mln in CY22 (CY21: PKR~16,220mln), experiencing a substantial YoY increase of ~27% .
- The largest proportion (~52% in CY22; CY21: ~46%) of the Window Takaful segment can be attributed to the motor insurance, while ~25% of it is health insurance in CY22 (CY21: ~19%).

### TOP 10 TAKAFAL PLAYERS | CY22

Sr. No.	Companies	Gross Premium Written	Investment Income	Market Share
1	Salaam Takaful Ltd.	3,001,850	20,854	14.6%
2	EFU Gen. Insurance	2,931,815	387,631	14.2%
3	Adamjee Insurance	2,513,854	56,053	12.2%
4	United Insurance	2,101,884	3,309	10.2%
5	TPL Insurance Ltd.	1,815,105	48,149	8.8%
6	Jubilee Gen. Insurance	1,741,082	244,618	8.4%
7	IGI General Insurance	1,551,607	3,052	7.5%
8	Pak Qatar Gen. Takaful	1,205,295	66,674	5.8%
9	UBL Insurer Ltd.	890,211	30,939	4.3%
10	Atlas Insurance	536,090	43,240	2.6%
11	Others	2,324,882	59,865	11.3%
	<b>Total</b>	<b>20,613,675</b>	<b>964,384</b>	<b>100%</b>

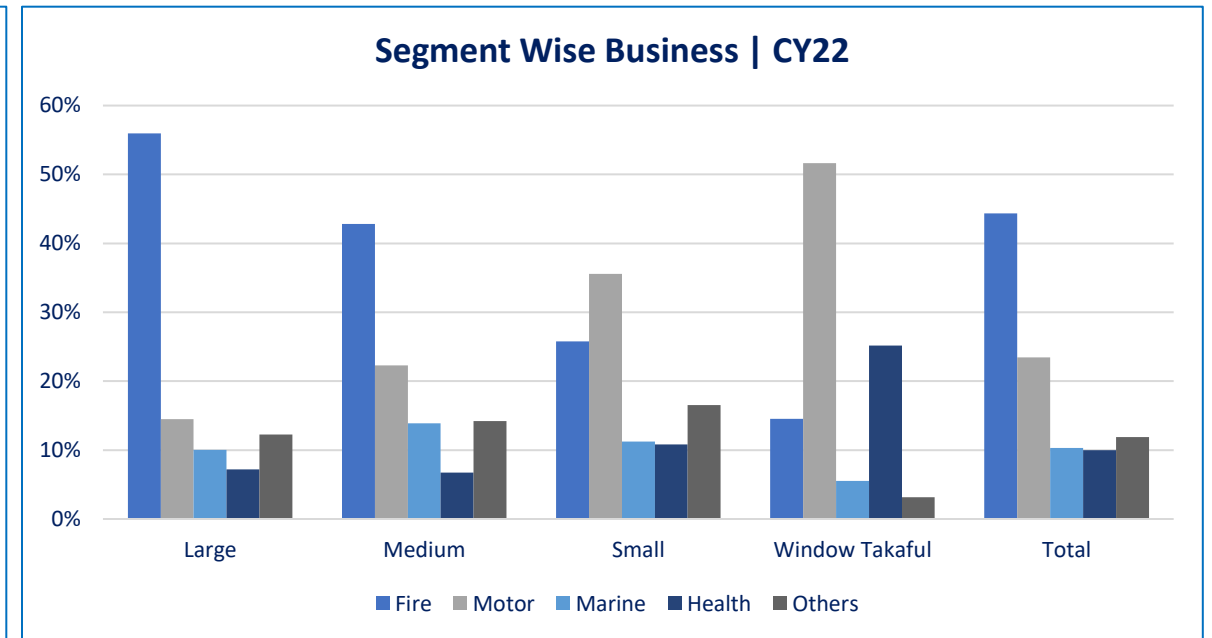
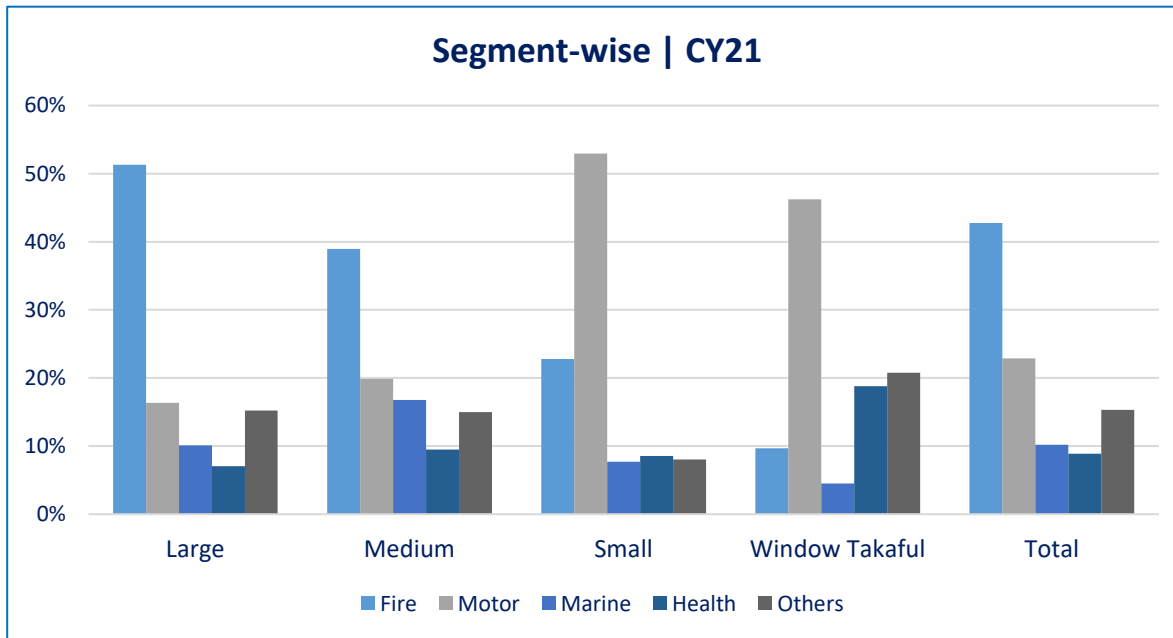
### TAKAFUL - Segment Breakdown (CY22)



# GENERAL INSURANCE

## Business Risk

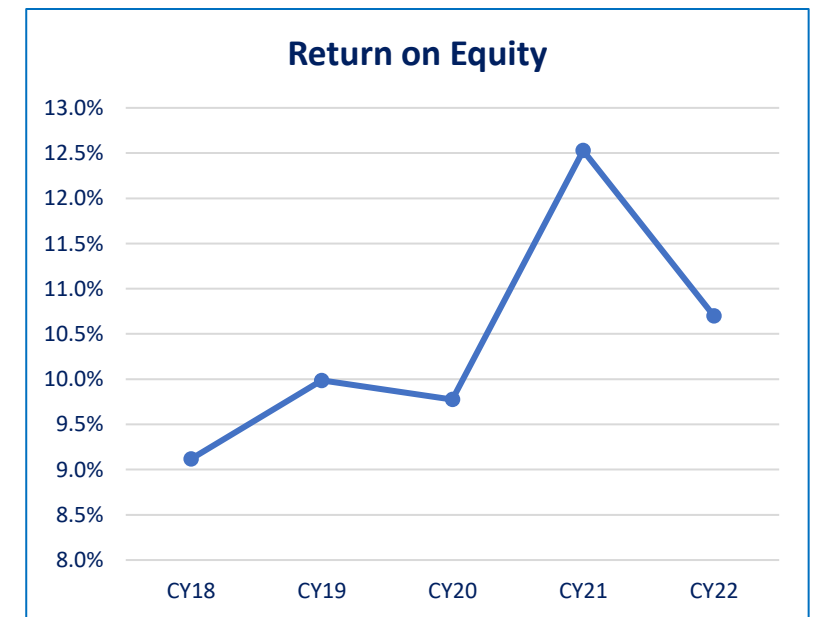
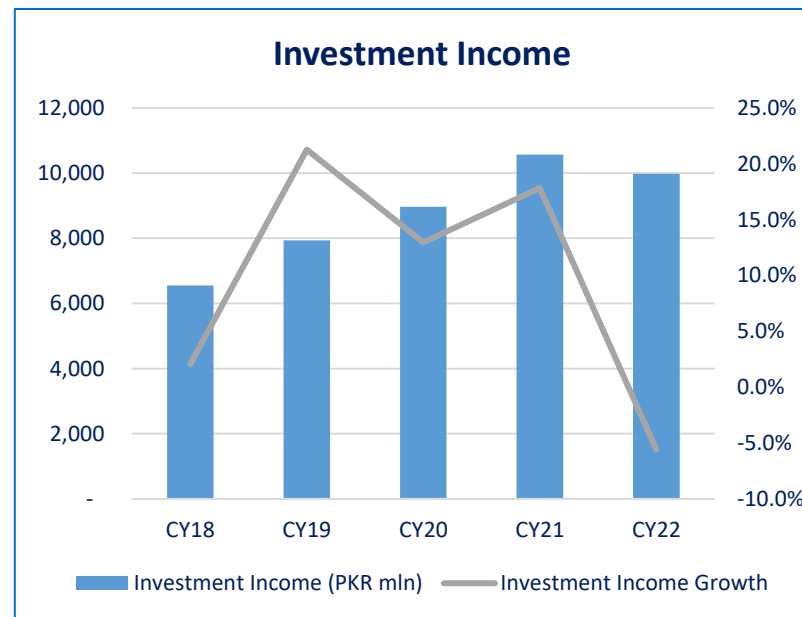
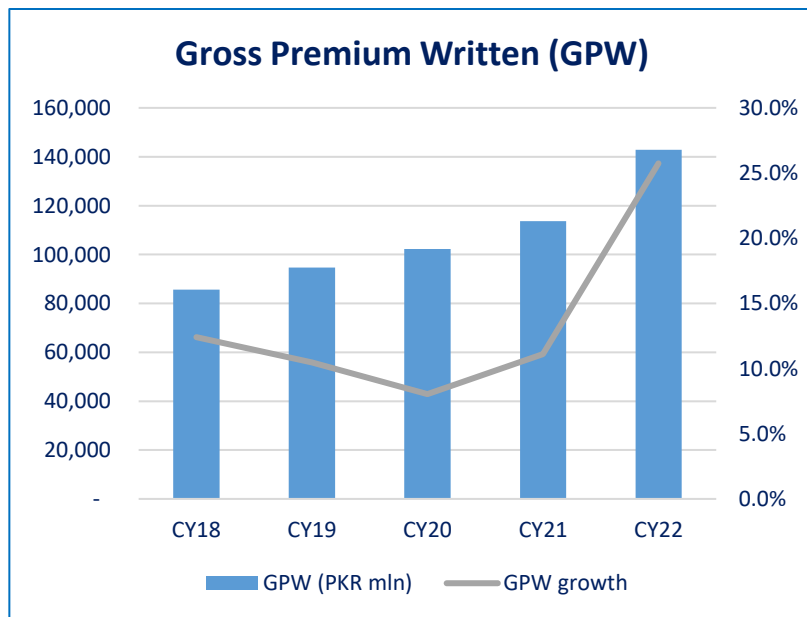
- The sector dynamics in light of the proportion of the different business segments have more or less remained stable in CY22, as against CY21. The
- The Fire and Property damage insurance leads the way with a share of ~44% in CY22 (CY21: ~43%). The share of Motor insurance has remained stable at ~23% during both years.
- The Marine and Health Insurance segments have both maintained the same levels in CY22, at ~10% and ~9%, respectively.



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## Business Risk | Margins

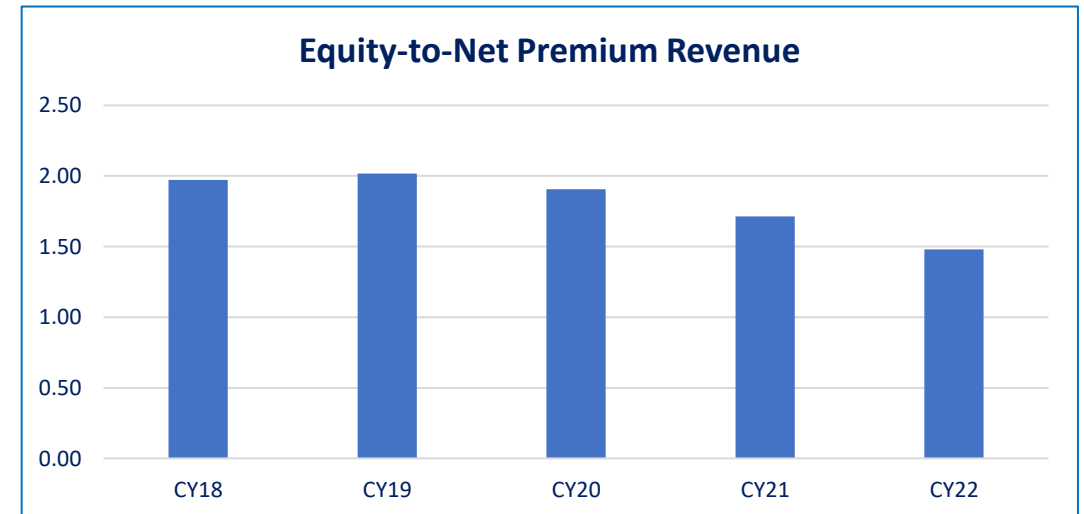
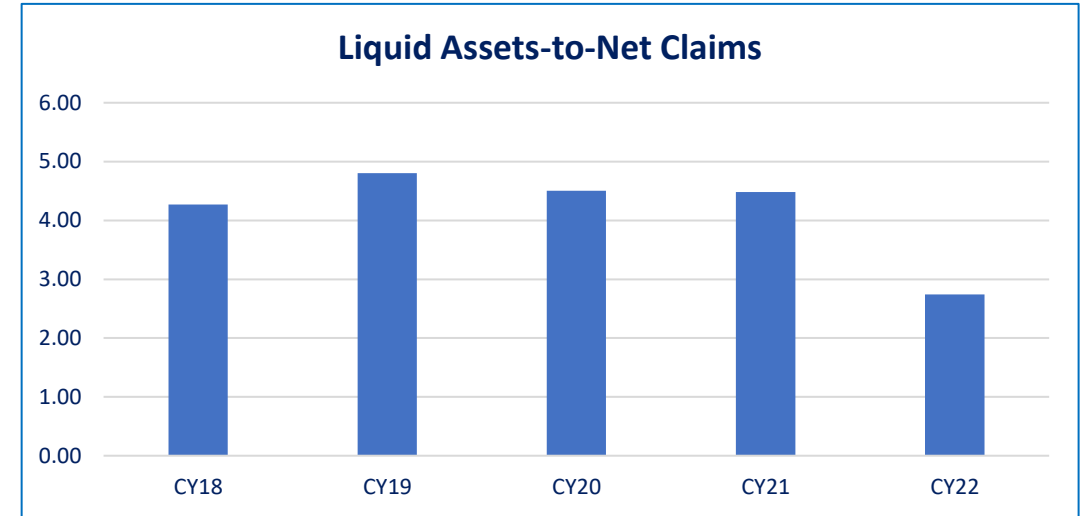
- The sector’s profitability continues to exhibit an upwards trend. Although the Return on Equity (ROE) decreased to ~11% in CY22 (CY21: ~13%).
- The Gross Premium Written (GPW) for the sector witnessed a YoY growth of ~26% in CY22 (~11% during SPLY) and recorded at PKR~142,902mIn (CY21: PKR~114bln).
- However, the sector’s investment income for CY22 was recorded at PKR~9,979mIn (CY21: PKR~10,569mIn), a YoY decline of ~6% YoY (CY21: ~18% YoY increase).



# GENERAL INSURANCE

## Financial Risk

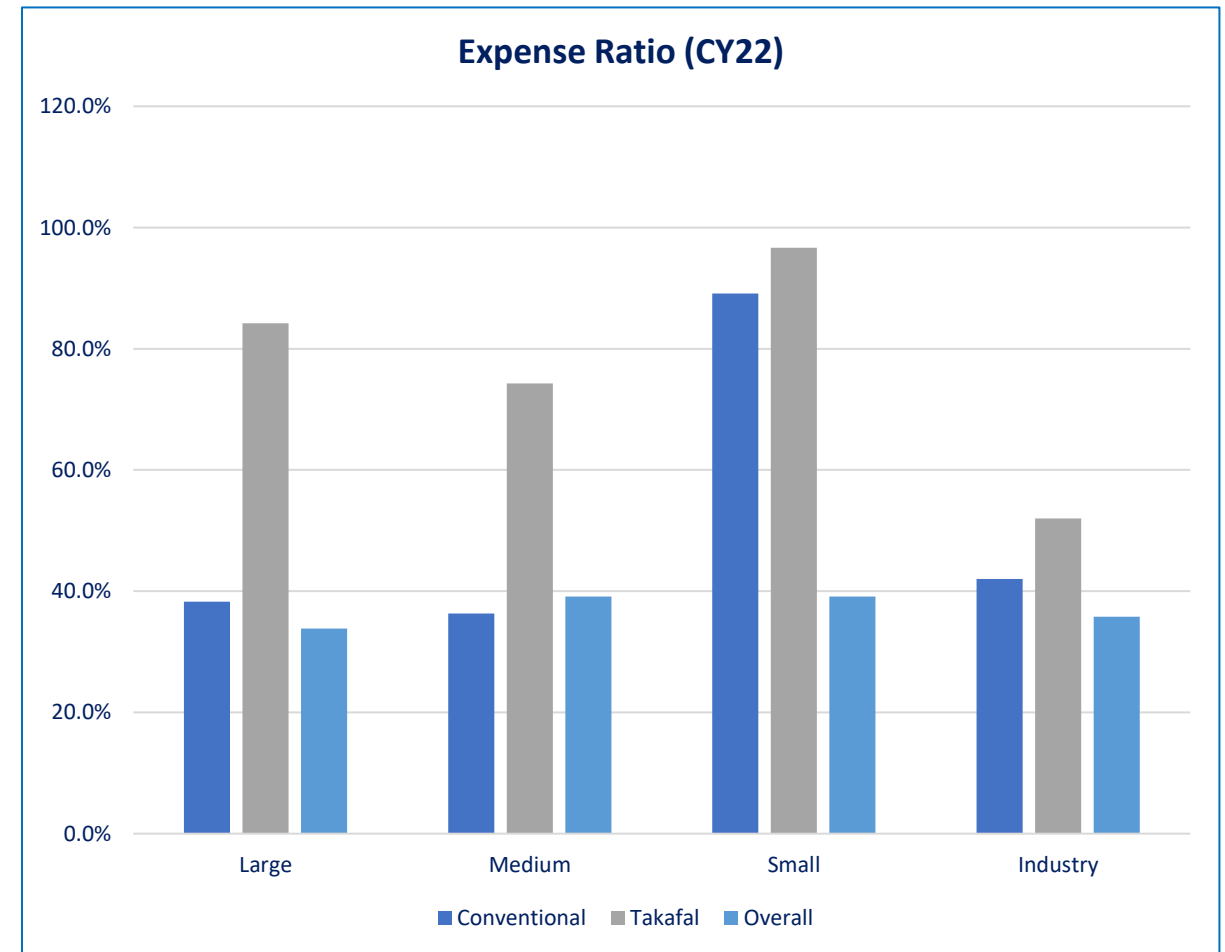
- The ratio between the Liquid Assets and Net Claims (including Takaful) has remained stable during the last four years (CY18-21) in the range ~4-5. However, in CY22, the ratio dropped to ~3, reflecting ~17% decrease in liquid assets (Investment and Cash & Bank Deposits).
- On the other hand, net claims increased by ~36% YoY in CY22 (CY21: ~5% YoY). The net claims rose to PKR~42,066mIn in CY22 from PKR~30,948mIn in CY21.
- The coverage of net claims from liquid assets was nearly ~4.5x in CY21, which declined to ~2.7x in CY22.
- The industry’s underwriting strength also depicted a decline in CY22 since it recorded an decrease of ~2% in its equity base on a YoY basis (CY21: ~5% increase). However, the sector’s net premium revenue (including Takaful operations) increased by ~14% YoY in CY22 and was recorded at PKR~71,226mIn.



# GENERAL INSURANCE

## Financial Risk | Expense Ratio

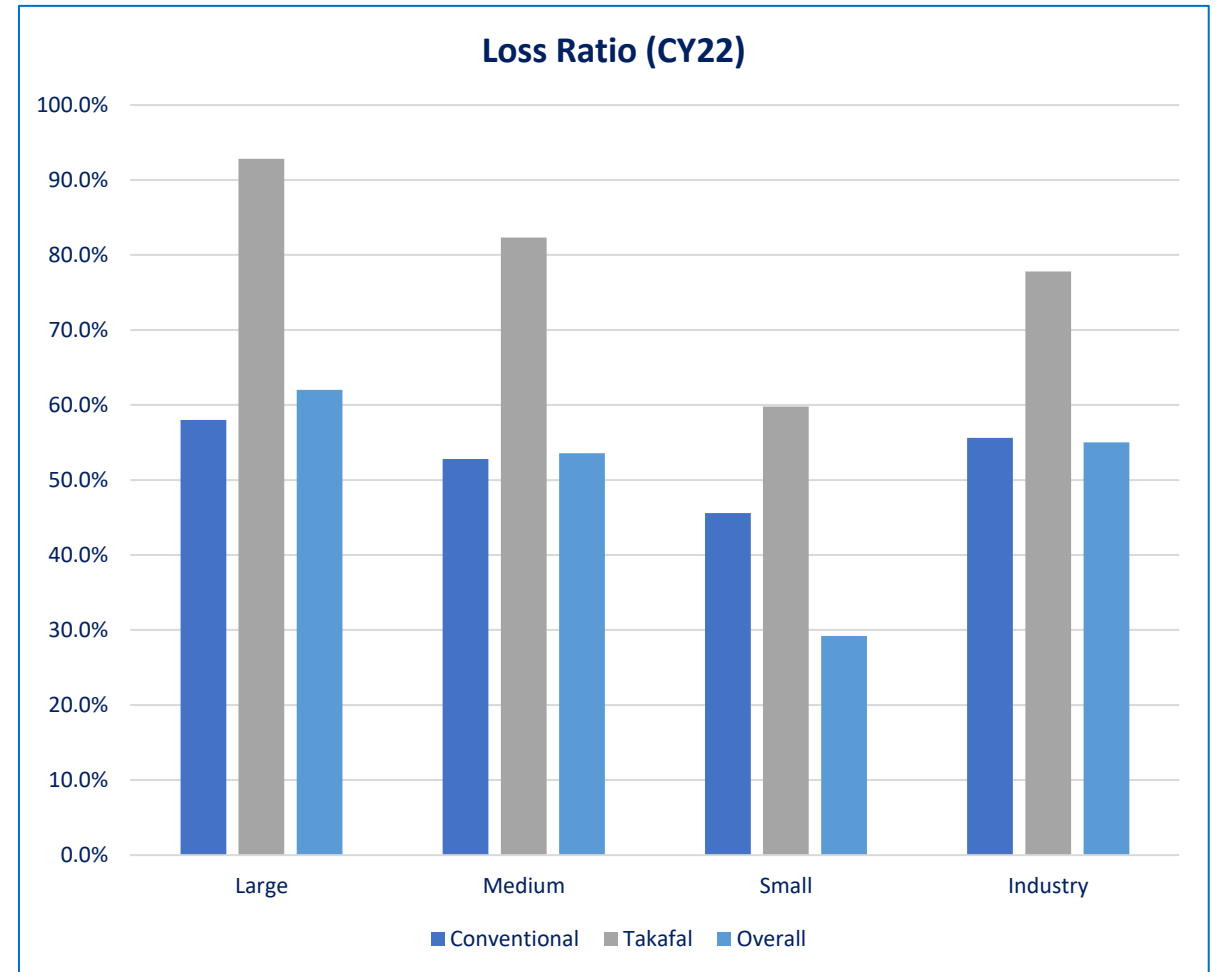
- The expense ratio generally exhibits an inverse relationship with size of the insurance company indicating that large companies are usually able to better manage their expenses.
- This may be attributable to economies of scale alongside a better quality of resources being employed by large-sized companies as compared to the smaller and/ or medium-sized companies.
- The high expense ratio for smaller companies leads to underwriting losses or negligible profitability through core operations.
- Large and medium-sized companies in the Takaful segment have significantly high expense ratios, ~84% and ~74%, respectively, in CY22 (~86% and ~81%, respectively during SPLY), as against the conventional segment, where the figures clocked in at ~38% and ~36%, respectively, during the same period (CY21: ~34% and ~33%, respectively).
- The industry’s expense ratio for Takaful operations stood at ~52% in CY22 (CY21: ~38%), while the expense ratio for conventional operations stood at ~42% during the same period (CY21: ~40%).



# GENERAL INSURANCE

## Financial Risk | Loss Ratio

- On an overall basis, the takaful business exhibited the highest loss ratio across all players, depicting more net claims paid out against motor insurance through banking channels.
- Takaful operations of large-sized companies recorded a high loss ratio of ~93% in CY22, staying stable at the CY21 level.
- For the entire industry, the loss ratio for Takaful operations stood at ~78% in CY22 (CY21: ~73%), whereas the loss ratio for conventional operations stood at ~56% during the same period (CY21: ~53%).
- The conventional insurance loss ratio, for both conventional and takaful operations, as of CY22, stood at ~55% in CY22 (CY21: ~47%).



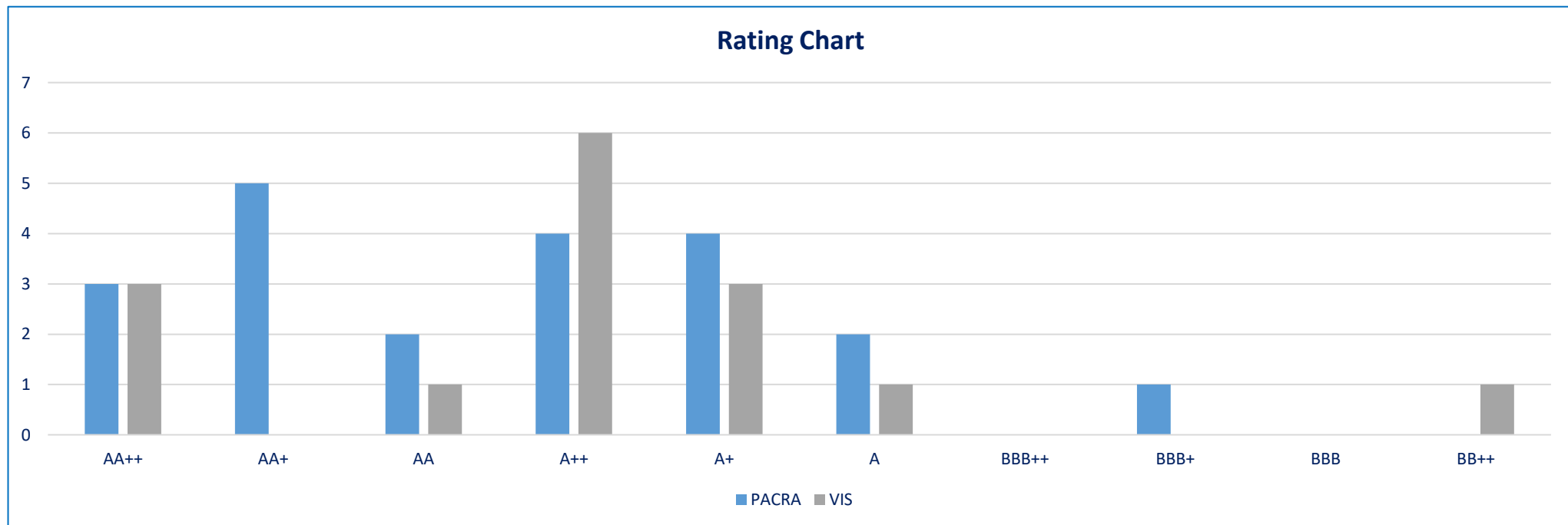


## Regulatory Framework

- 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:
  1. Insurance Ordinance, 2000 (amended up to Nov 2011)
  2. Insurance Rules, 2017
  3. 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
  1. PKR 150mln;
  2. 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
  3. 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 50% 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.

## Rating Chart

- PACRA rates 21 General Insurance companies while VIS rates 13 General Insurance companies. 6 Companies have dual ratings from both CRAs.
- 3 entities received upgrades in their ratings to AA++; while 2 additional companies were added AA+ category. One company was also downgraded to BBB+.



# GENERAL INSURANCE

## SWOT Analysis

- Strong regulatory oversight from Securities & Exchange Commission of Pakistan (SECP)
- The industry is organized and has strong representation in the form of the Insurance Association of Pakistan (IAP)

- Inadequate awareness about insurance policies among some segments of the population.



- Unstable macroeconomic environment
- Declining purchasing power and lower demand
- Lower auto sales due to import curbs and price hikes.

- Sufficient room for growth.
- Improved industrial activity and CPEC investments.
- Occurrence of natural hazards due to global warming

## Outlook: Stable

- Although the Gross Premium Written (GPW) for the conventional insurance increased by ~15% YoY in CY22 (CY21 growth: ~11% YoY), the Takaful segment's contribution underwritten witnessed a significant increase ~27% (CY21: ~28%) during the same period. This reflects the growing customer base on the window takaful operations given the people are shifting their preferences towards shariah-compliant options in the market. This also highlights the immense potential that the widow takaful operations possess within the economy.
- In terms of the profitability, however, the underwriting results for the sector fell by ~54% in CY22 (CY21 YoY growth: ~75%), dipping to PKR~3bln, as against PKR~7bln the year before.
- An increase of ~18% YoY had been observed for the sector in CY21 in terms of total investment income of the sector, combined for both conventional and takaful. However, during FY22, the figure slumped to PKR~10bln, as against PKR~11bln in CY21. Profit-before-tax for the sector also decreased to PKR~15bln in CY22, a YoY decline of ~27% (CY21: ~38% YoY increase).
- The sector's liquidity performance to cover net claims has also been adversely impacted during CY22. The ratio between the Liquid Assets and Net Claims (including Takaful) dropped to ~3, reflecting ~17% decrease in liquid assets (Investment and Cash & Bank Deposits). Liquid assets for the sector clocked in at PKR~115bln in CY22, as against PKR~138bln during SPLY.
- With the tightening of monetary policy and rise in interest rates, especially during 2HCY22, is likely to have jeopardized the upward trajectory of the sector's overall performance, making it more difficult of them to avail loan and invest. Because the Insurance Sector is directly linked to the banking credit growth, the high positive turnouts might decline slightly.
- The sector contributed ~2% to the GDP during FY22, and although it rose to ~4% during FY23, there is still room for reforms in the sector to encourage more firms to enter the market. This also calls for an awareness of the shariah-compliant options available so that the market can be further expanded.

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- KPMG
- EY

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