

Jubilee General Insurance Company Limited

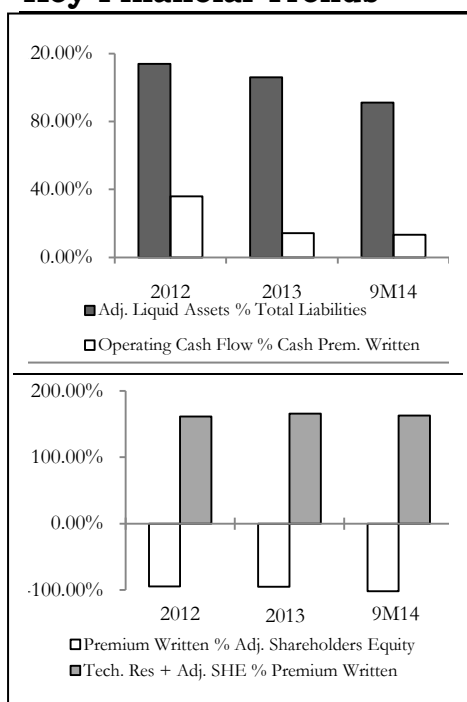
March 10, 2015

Chairman: Mr. Tonfiq H. Chinoy; President & Managing Director: Mr. Tahir Ahmed

Analysts: Amir Shafique
Muniba Khan

Category	Latest	Previous
IFS	AA+ Dec 30, '14	AA+ Dec 12, '13
Outlook	Stable Dec 30, '14	Stable Dec 12, '13

Key Financial Trends



(In Rs. M)	2012	2013	9M14
Gross Premium	6,008	6,569	6,071
Market Share*	13.6%	13.5%	13.7%
Net Premium	3,085	3,526	2,707
Net Claims ratio	62%	61%	61%
Combined ratio**	96%	95%	98%
Net Profit / (Loss)	879	1,056	789
Adj. Equity	6,325	8,133	9,415
Operating Leverage	49%	43%	38%
Financial Leverage	58%	55%	45%
Insurance debt % Gross Premium	15%	15%	26%

Rating Rationale

The assigned rating derives strength from Jubilee General Insurance Company Limited's (JGI) position as the third largest company in the private general insurance sector. The company has strong franchise established over a period of 61 years. JGI's principal sponsor, Aga Khan Fund for Economic Development (AKFED), is the economic development arm of the Aga Khan Development Network (AKDN) - a prominent group of development agencies having presence in over 30 countries. The rating also incorporates JGI's robust liquidity profile, stable investment income and the pace of internal capital generation, which has allowed the company to maintain sound capitalization level while pursuing its growth objectives.

The company has a balanced business mix, led by the fire segment. Fire represents more than 1/4th of total premium while motor and health segments have contributed more or less equal proportion of business over the years. The management is endeavoring to further diversify business by penetrating into retail segment, products for which were launched in 2013. Moreover, the company plans to commence Takaful operations in 2015. Growth momentum in business volumes is expected to be supported by these initiatives in future.

JGI has adequate reinsurance arrangements with reputable reinsurers having sound risk profiles. Major chunk of business is reinsured with companies having ratings in the 'A' and 'AA' bands. Scor Re has the largest share in fire and engineering while primary cover in marine is being provided by Chaucer Syndicate 1084, London. In line with growth plans, the management has negotiated enhanced treaty capacities in major business segments while keeping net retention at manageable levels. Cession has increased over time which largely remains a function of average sum insured.

The company has depicted continued growth momentum in business volumes on a year on year basis. Overall results from underwriting operations improved in 2013 and the trend has continued till end November 2014. JGI had experienced some adverse claims performance in fire and marine segments during 2013. Claims experience in fire was also not favorable during 9M14. The company has been able to curtail claims ratio on net account, indicating adequate reinsurance arrangements. Insurance debt vis-à-vis gross premium remains within manageable limits while aging profile of the same is also considered satisfactory.

JGI continues to generate steady earnings stream from a sizable fixed income portfolio. Moreover, gain on listed equities was healthy as the stock market remained buoyant. The company has a large investment portfolio, with more than half of the portfolio comprising cash/income funds, government securities and real estate. About one-fifth of the portfolio is deployed in listed equities. The prevalent declining interest rate scenario may have a negative impact on investment income from fixed income avenues. Both credit and market risk arising from the portfolio is considered manageable in relation to the company's capitalization level.

Efforts to improve the control environment and operational efficiency remain an on-going process at the company. JGI has established in-house investment function while an independent internal audit function is in the process of development; currently the latter is outsourced to a reputable audit firm. The company has segregated the positions of company secretary and chief financial officer in line with best governance practices. There were some changes at senior management level with appointment of key executives.

* Market share is based on gross premium of private sector general insurance

** Underwriting performance and combined ratio of the company include General and Administration Expenses

Overview of the Institution

Jubilee General Insurance Company Limited is listed on Karachi and Lahore stock exchanges and has a network of 28 branches. Financial statements for 2013 were audited by M/s Ernst & Young, Ford Rhodes Sidat Hyder & Company **JCR-VIS**

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JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating History

Rating Type	Rating Date	Medium to Long Term	Outlook	Rating Action
IFS	12/30/2014	AA+	Stable	Reaffirmed
IFS	12/12/2013	AA+	Stable	Reaffirmed
IFS	12/28/2012	AA+	Stable	Upgrade
IFS	12/28/2011	AA	Positive	Reaffirmed
IFS	1/3/2011	AA	Positive	Maintained