

RATING REPORT

Jubilee General Insurance Company Limited

REPORT DATE:

January 13, 2016

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Long-term	Long-term
IFS	AA+	AA+
<i>Rating Date</i>	<i>Dec 31, '15</i>	<i>Dec 30, '14</i>
Rating Outlook	Stable	Stable
<i>Outlook Date</i>	<i>Dec 31, '15</i>	<i>Dec 30, '14</i>

COMPANY INFORMATION

Incorporated in 1953	External auditors: M/s KPMG Taseer Hadi & Co. – Chartered Accountants
Public Limited Company	Chairman of the Board: Mr. Towfiq H. Chinoy
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Tahir Ahmed
Aga Khan Development Network – 38.3%	
Habib Bank Limited – 17.8%	
Hashoo Group – 13.7%	
General Public – 24.8%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – General Insurance Rating

<http://www.jcrvis.com.pk/images/methodology.pdf>

Jubilee General Insurance Company Limited

OVERVIEW OF THE INSTITUTION

JGI is the third largest private sector insurance company in Pakistan. The company is engaged in general insurance business and is listed on the Karachi and Lahore stock exchanges.

RATING RATIONALE

Jubilee General Insurance Company Limited (JGI) is the third largest private sector general insurance company in Pakistan with over 60 years of experience in the sector. JGI is sponsored by Aga Khan Fund for Economic Development (AKFED), which operates as a network of affiliates with around 70 separate project companies across 30 countries. The assigned rating derives strength from improved underwriting performance of JGI along with stable investment income. Rating also incorporates sound capitalization indicators along with robust liquidity profile of the company.

JGI posted gross premium of Rs. 6.9b (FY13: Rs. 6.6b) during the outgoing year; growth was slower than industry in 2014. Share of fire in the premium base has been maintained at around 25% and continues to represent largest business segment of the company. Following receipt of necessary regulatory approvals, the company has initiated takaful operations in May 2015. Moreover, focus on retail portfolio expansion continued during the ongoing year. Gross premium of the company amounted to Rs. 7.0b in 9M15 vis-à-vis Rs. 6.1b in 9M14; premiums are expected to be supported by these initiatives going forward.

Underwriting results of JGI exhibited 33% growth in 9M15 vis-à-vis preceding full year as gross claims ratio trended downwards. Improvement in loss ratio is attributed to positive claims experience across all segments, barring liability business. While underwriting expense ratio depicted notable increase, it continued to remain favorable in relation to peers. Combined ratio of the company was reported at 90.3% (FY14: 93.3%; FY13: 94.9%) in 9M15 on account of lower net claims over past two years.

JGI has a diversified reinsurance panel with mostly 'A' and above rated companies.; Scor Re enjoys the lead share in fire and engineering segments while cover for marine is mainly provided by Chaucer Syndicate 1084, London. Treaty capacities have increased in fire, marine, engineering and bond segments. Moreover, loss retention in fire, engineering and bond was higher in 2015. Treaty terms for other segments remained unchanged. Overall cession has remained around prior year level at 47.5% (FY13: 46.5%) in 2014 and indicates adequate reinsurance protection.

Investment portfolio has grown over the years, translating into healthy investment income for the company. Proportion of investment in listed equities has been increasing, comprising 29% of total investments at end-9M15 while remaining exposure is deployed in mutual funds, real estate, government securities and Term Finance Certificates (TFCs). Gain on listed equities has largely been a function of uptick in stock prices during the period. Both credit and market risk arising from the portfolio is considered manageable.

JGI has established an internal audit function and appointed a Chief Risk Officer (CRO) to strengthen its risk management processes. Moreover, centralization of various departments has been completed to a large extent; improvement in operational efficiency is expected from these efforts going forward. The position of Internal Audit Head has experienced turnover and management is currently looking to hire a new resource. Other than this, there is stability in senior management.

Jubilee General Insurance Company Limited
Appendix I

FINANCIAL SUMMARY			
	<i>(amounts in PKR millions)</i>		
	DEC 31, 2014	DEC 31, 2013	DEC 31, 2012
<u>BALANCE SHEET</u>			
Cash and Bank Deposits	1,021.1	1,010.4	1,259.5
Investments	13,573.2	10,831.9	8,326.7
Investment Properties	2,326.4	1,803.9	1,591.1
Insurance Debt	966.4	975.7	931.2
Total Assets*	18,656.4	16,184.9	13,009.8
Net Worth	5,429.7	4,763.3	4,077.2
Total Liabilities	8,115.9	8,052.2	6,684.5
<u>INCOME STATEMENT</u>			
	DEC 31, 2014	DEC 31, 2013	DEC 31, 2012
Net Premium Revenue	3,644.6	3,525.8	3,084.7
Net Claims	2,082.7	2,154.7	1,910.3
Underwriting Profit	224.1	178.8	120.1
Net Investment Income	803.1	803.5	631.3
Profit Before Tax	1,269.8	1,220.2	946.0
Profit After Tax	1,079.1	1,045.3	826.5
<u>RATIO ANALYSIS</u>			
	DEC 31, 2014	DEC 31, 2013	DEC 31, 2012
Market Share (Gross Premium) (%)	12.7%	13.5%	13.6%
Cession Ratio (%)	47.5%	46.5%	43.7%
Gross Claims Ratio (%)	53.9%	63.2%	50.9%
Net Claims Ratio (%)	57.1%	61.1%	61.9%
Underwriting Expense Ratio (%)	36.5%	33.8%	34.2%
Combined Ratio (%)	93.3%	94.9%	96.1%
Net Operating Ratio (%)	85.1%	87.4%	99.9%
Insurance Debt to Gross Premium (%)	13.9%	14.9%	15.5%
Operating Leverage (%)	30.7%	43.4%	48.8%
Financial Leverage (%)	35.2%	55.4%	57.5%
Adjusted Liquid Assets to Technical Reserves (%)	194.7%	153.0%	155.2%

*Adjusted for market value

JCR-VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: INSURER FINANCIAL STRENGTH

AAA

Highest capacity to meet policyholder and contract obligations; Risk factors are negligible.

AA+, AA, AA-

Very high capacity to meet policyholder and contract obligations; However, risk is modest, but may vary slightly over time due to business/economic conditions.

A+, A, A-

High capacity to meet policyholder and contract obligations; Risk factors may vary over time due to business/economic conditions.

BBB+, BBB, BBB-

Adequate capacity to meet policyholder and contract obligations; Risk factors are considered variable over time due to business/economic conditions.

BB+, BB, BB-

Marginal capacity to meet policyholder and contract obligations; Risk factors may vary widely with changes in business/economic conditions.

B+, B, B-

Low capacity to meet policyholder and contract obligations; Risk factors are capable of fluctuating widely with changes in business/economic conditions.

CCC

Very low capacity to meet policyholder and contract obligations; Risk may be substantial.

CC

Weak capacity to meet policyholder and contract obligations; Risk may be high.

C

Very weak capacity to meet policyholder and contract obligations; Risk may be very high

D

Extremely weak capacity to meet policyholder and contract obligations; Risk is extremely high.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

REGULATORY DISCLOSURES				Appendix III	
Name of Rated Entity	Jubilee General Insurance Company Limited				
Sector	Insurance				
Type of Relationship	Solicited				
Purpose of Rating	Insurer Financial Strength				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: INSURER FINANCIAL STRENGTH				
	12/31/2015	AA+	-	Stable	Reaffirmed
	12/30/2014	AA+	-	Stable	Reaffirmed
	12/12/2013	AA+	-	Stable	Reaffirmed
	12/28/2012	AA+	-	Stable	Upgrade
	12/28/2011	AA	-	Positive	Reaffirmed
	1/3/2011	AA	-	Positive	Maintained
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, 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(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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