

RATING REPORT

Jubilee General Insurance Company Limited

REPORT DATE:

November 8, 2016

RATING ANALYSTS:

Muniba Khan

muniba.khan@jcrvis.com.pk

Narendar Shankar Lal

narendar.shankar@jcrvis.com.pk

RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Long-term	Long-term
IFS	AA+	AA+
<i>Rating Date</i>	<i>Nov 8, '16</i>	<i>Dec 31, '15</i>
Rating Outlook	Stable	Stable
<i>Outlook Date</i>	<i>Nov 8, '16</i>	<i>Dec 31, '15</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 10% or more):	Chief Executive Officer: Mr. Tahir Ahmed
Aga Khan Development Network – 38.3%	
Habib Bank Limited – 17.8%	
Hashoo Group – 13.6%	
General Public – 24.4%	

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 was incorporated as a public limited company in 1953. The company is primarily engaged in provision of general insurance services and is listed on the Pakistan Stock Exchange. JGI operates through a network of 28 branches with its Head Office established in Karachi.

RATING RATIONALE

Jubilee General Insurance Company Limited (JGI) is the third largest general insurance company in Pakistan's private sector. It has an operational history of more than 60 years. Aga Khan Development Network is the majority shareholder with a vested interest of 38.3%. Overall corporate governance framework draws support from strong board oversight and adequate policy & procedural framework. A stable and professional management team has been instrumental in implementing consistent business strategy. Moreover, risk absorption capacity of JGI is considered strong.

Rating Drivers

- 1. Business Volumes:** In 2015, growth in JGI's premium base outpaced industry growth rate increasing its market share to 13.0% (2014: 12.7%). JGI underwrote gross premium of 8.0b (2014: Rs. 7.0b) in 2015. Business mix witnessed a tilt in the outgoing year with a lower share of fire and property premiums vis-à-vis the preceding years. While on the other hand, share of engineering and bond segments increased on account of new infrastructure projects coming in. Gross premium amounted to Rs 4.8b in HY16. The company also improved performance in its Window Takaful Operations with contributions increasing to Rs. 157.2m (2015 (8 months): Rs. 114.9m) in HY16.
- 2. Underwriting Performance:** The assigned rating also derives strength from improved underwriting performance of JGI. Claims, on both gross and net basis, depicted a favourable trend in 2015. However, loss ratios in the accident and health segment continue to remain on the higher side given specific nature of the business. Management believes that investment in health infrastructure and robust monitoring measures could help to improve the performance of this sector, going forward. In June 2016, gross and net claims ratios were reported higher as a result of a few high quantum claims experienced in fire and property segment.
- 3. Reinsurance:** The company has adequate reinsurance arrangements with a diversified panel of entities. Risk profile of the reinsurance panel is considered sound as majority of the reinsurers are rated 'A-' or higher. In line with its growth strategy and soft reinsurance market, management increased total treaty capacities of bond, engineering and fire segments for 2016.
- 4. Investments:** JGI holds a sizeable investment portfolio comprising blue-chip stocks along with strategic investment in associates, namely Jubilee Life Insurance (JLI) and Jubilee Kyrgyzstan Insurance Company (JKIC). During 2016, the company gradually reduced its exposure in mutual funds on account of imposition of a uniform corporate tax rate (31%) on all sources of income for insurance companies. Liquidity from this source was deployed in the stock market during the same year. As a result, exposure to market risk increased on a timeline basis.
- 5. Profitability:** In line with past trends, profitability derived strength from sound underwriting performance of the company coupled with sizeable contribution from the investment income. JGI managed to control expenses and despite the imposition of super tax, JGI managed to improve its bottom-line in 2015 on account of a higher premium base. In the first half of 2016, profitability of JGI reduced vis-à-vis corresponding period in 2015; uniform tax rate on all sources of income resulted in lower investment income, while underwriting performance was also affected adversely on account of occurrence of some sizeable claims. Going forward, management of the company expects profit before tax to be higher in view of higher premiums. However, increase in effective tax rate may affect the bottom line adversely.
- 6. Capitalization & Liquidity:** Given the increase in capital base on account of profit retention, leverage indicators of the company improved in 2015. In terms of solvency, JGI is considered sound as the company maintains sizeable cushion over the minimum regulatory requirement for capital. Liquidity profile is also considered sound in view of presence of sizeable liquid assets in relation to total liabilities. Insurance debt in relation to gross premiums has improved on yearly basis.

JCR-VIS Credit Rating Company Limited

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

Jubilee General Insurance Company Limited

Appendix I

FINANCIAL SUMMARY			
	<i>(amounts in PKR millions)</i>		
BALANCE SHEET	DEC 31, 2015	DEC 31, 2014	DEC 31, 2013
Cash and Bank Deposits	1,716.8	1,021.1	1,010.4
Investments	14,594.9	13,573.2	10,831.9
Investment Properties	2,563.5	2,326.4	1,803.9
Insurance Debt	997.5	966.4	975.7
Total Assets	15,187.9	13,538.8	12,812.0
Net Worth	5,906.4	5,423.9	4,763.3
Total Liabilities	9,251.1	8,115.9	8,052.2
INCOME STATEMENT	DEC 31, 2015	DEC 31, 2014	DEC 31, 2013
Net Premium Revenue	4,150.8	3,644.6	3,525.8
Net Claims	2,174.4	2,082.7	2,154.7
Underwriting Profit	329.6	224.1	178.8
Net Investment Income	1,052.2	803.1	803.5
Profit Before Tax	1,713.3	1,269.8	1,220.2
Profit After Tax	1,352.7	1,079.1	1,045.3
RATIO ANALYSIS	DEC 31, 2015	DEC 31, 2014	DEC 31, 2013
Market Share (Gross Premium) (%)	13.0%	12.7%	13.5%
Cession Ratio (%)	45.8%	47.5%	46.5%
Gross Claims Ratio (%)	34.5%	53.9%	63.2%
Net Claims Ratio (%)	52.4%	57.1%	61.1%
Underwriting Expense Ratio (%)	38.3%	36.5%	33.8%
Combined Ratio (%)	90.6%	93.3%	94.9%
Net Operating Ratio (%)	81.4%	85.1%	87.4%
Insurance Debt to Gross Premium (%)	12.5%	13.9%	14.9%
Operating Leverage (%)	30.2%	30.7%	43.4%
Financial Leverage (%)	32.6%	35.2%	55.4%
Adjusted Liquid Assets to Technical Reserves (%)	226.9%	194.7%	153.0%

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

JCR-VIS Credit Rating Company Limited

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

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				
	11/8/2016	AA+	-	Stable	Reaffirmed
	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.				
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2015 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.				