

RATING REPORT

Jubilee General Insurance Company Limited

REPORT DATE:

January 7, 2019

RATING ANALYSTS:

Muniba Khan

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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, '18</i>	<i>Jan 23, '18</i>
Rating Outlook	Stable	Stable
<i>Outlook Date</i>	<i>Dec 31, '18</i>	<i>Jan 23, '18</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 – 38.8%	
Habib Bank Limited – 19.2%	
Hashoo Group – 16.0%	
General Public – 26.0%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – General Insurance (September 2016)

<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 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, high solvency level along with robust liquidity profile of the company. Leverage indicators of the company continue to remain within manageable levels.

Given current dynamics of insurance industry, JGI posted gross premium of Rs. 7.7b during the outgoing year, which was marginally lower than Rs. 7.9b written in 2016. As a result, growth was slower than industry in 2017. This was a deliberate strategy of management to reduce its fronting business and strengthen business on its net account; net premium of the company improved to Rs. 4.6b (FY16: Rs. 4.1b) in FY17. Share of fire in the premium base has been maintained at around 25% and continues to represent largest business segment of the company. Management continues to focus on building its retail business through technological advancements. Gross premium of the company amounted to Rs. 7.7b in 9M18; premiums are expected to be supported by these initiatives going forward.

Table 1: Business Mix

<i>In Rs. Millions</i>	9M18	CY17	CY16
Fire and property damage	31.1%	25.0%	28.4%
Marine, aviation and transport	7.7%	8.0%	8.1%
Motor	15.3%	18.1%	17.3%
Liability	5.3%	5.0%	5.0%
Accident & Health	15.2%	19.1%	12.9%
Miscellaneous	25.3%	24.8%	28.3%
Total Gross Premium	7,742.7	7,694.2	7,850.5

Historically, underwriting results of JGI have depicted growth on the back of positive claims experience across all segments, barring accident & health business. However, profit from underwriting operations reduced significantly during the ongoing year on account of a few major losses in its fire segment. In order to recoup these profit levels, management is undergoing an underwriting exercise to revamp its policy.

Table 2: Underwriting Profit (Loss)

<i>In Rs. Millions</i>	9M18	CY17	CY16
Fire and property damage	(206.5)	17.7	31.9
Marine, aviation and transport	76.6	123.5	97.0
Motor	175.5	246.8	224.0
Liability	10.4	17.8	11.4
Accident & Health	(209.3)	(157.7)	(166.2)
Miscellaneous	119.7	95.2	198.8
Total Underwriting Profit	(33.7)	408.7	473.0

JGI has a diversified reinsurance panel with mostly 'A' and above rated companies; XL Catlin Singapore Pte Ltd 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 major segments. With a strategy to grow net premium, overall cession of JGI has declined to 37.1% in 2017 from 45.1% in 2016. Maximum retention on net account in relation to equity remained within manageable levels.

Table 3: Cession Ratio

	9M18	CY17	CY16
Fire and property damage	66.8%	54.3%	62.1%
Marine, aviation and transport	20.1%	15.3%	25.5%
Motor	3.7%	3.2%	2.3%
Liability	96.0%	96.5%	96.9%
Accident & Health	0.0%	0.0%	0.0%
Miscellaneous	78.6%	67.9%	71.3%
Overall Cession Ratio	47.9%	37.1%	45.1%

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 39% of total investments at end-9M18 while remaining exposure is mostly deployed in government paper. Both credit and market risk arising from the portfolio is considered manageable. Despite a downward trajectory in stock market, the company earned a significant investment income to support its underwriting operations.

In line with the regulatory framework, management plans to implement a model to strengthen its risk management processes. This model would entail different sources of risk and assign weightages and will be analyzed on an ongoing basis. Implementation of the said model is expected to conclude by end-June 2019. There is stability in senior management; management team of the company comprises highly experienced individuals that have been associated with JGI for several years.

Jubilee General Insurance Company Limited

Appendix I

FINANCIAL SUMMARY			
	<i>(amounts in PKR millions)</i>		
BALANCE SHEET	SEP 30, 2018	DEC 31, 2017	DEC 31, 2016
Cash and Bank Deposits	1,238.8	1,893.3	1,504.7
Investments	11,609.0	11,416.6	11,310.1
Investment Properties	658.5	658.9	665.3
Insurance Debt	3,400.1	1,782.8	1,460.5
Total Assets	23,190.5	19,773.2	17,411.2
Net Worth	8,178.6	8,371.2	6,599.9
Total Liabilities	15,012.0	11,402.1	10,811.3
INCOME STATEMENT			
	SEP 30, 2018	DEC 31, 2017	DEC 31, 2016
Net Premium Revenue	3,733.6	4,610.7	4,170.9
Net Claims	2,194.3	2,450.1	2,030.3
Underwriting Profit	(33.7)	408.7	473.0
Net Investment Income	857.6	869.3	1,111.4
Profit Before Tax	1,173.9	1,615.8	1,854.1
Profit After Tax	761.0	1,083.0	1,179.4
RATIO ANALYSIS			
	SEP 30, 2018	DEC 31, 2017	DEC 31, 2016
Market Share (Gross Premium)		11.0%	12.1%
Cession Ratio	47.9%	37.1%	45.1%
Gross Claims Ratio	66.2%	44.4%	55.9%
Net Claims Ratio	58.8%	53.1%	48.7%
Underwriting Expense Ratio	42.1%	39.4%	41.8%
Combined Ratio	100.9%	92.6%	90.5%
Net Operating Ratio	87.8%	76.9%	77.2%
Insurance Debt to Gross Premium	32.9%	23.2%	18.6%
Operating Leverage	37.1%	34.7%	30.2%
Financial Leverage	50.1%	40.4%	36.4%
Adjusted Liquid Assets to Technical Reserves	179.1%	235.1%	231.5%

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

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				
	12/31/2018	AA+	-	Stable	Reaffirmed
	1/23/2018	AA+	-	Stable	Reaffirmed
	11/8/2016	AA+	-	Stable	Reaffirmed
	12/31/2015	AA+	-	Stable	Reaffirmed
	12/30/2014	AA+	-	Stable	Reaffirmed
	12/12/2013	AA+	-	Stable	Reaffirmed
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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