



ANALYSIS OF NON-LIFE
INSURANCE COMPANIES IN
PAKISTAN FOR THE 9 MONTHS
ENDED 30th SEPTEMBER 2016

CONTENT

Introduction
Gross Premium
Retention Ratio
Loss Ratio
Commission Ratio
Expense Ratio
Investment Ratio
Profit Before Tax
Return on Equity
Underwriting Profits
Takaful Window
Conclusion



INTRODUCTION



We have analyzed financial statements of 17 Non-Life Insurance Companies whose financials were available as at 9th November 2016.

Companies Included in the analysis

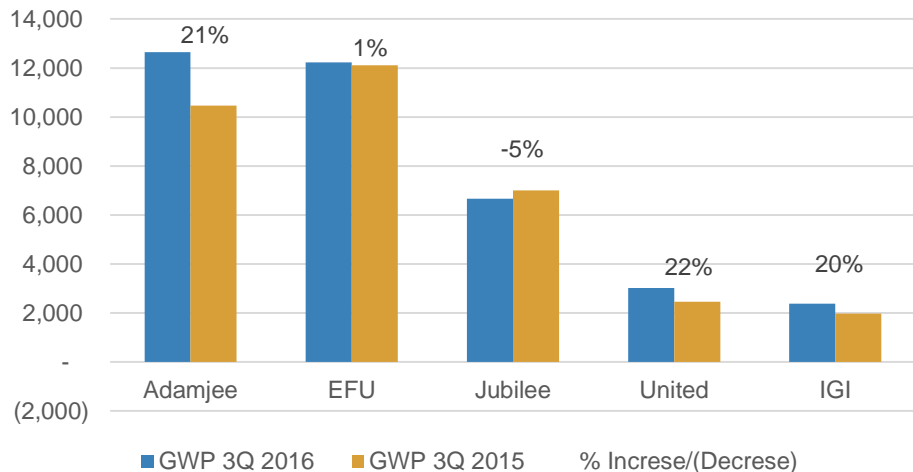
1	Adamjee Insurance Company	11	Premier Insurance Company
2	EFU General Insurance	12	Century Insurance Company
3	Jubilee General Insurance Company	13	Asia Insurance Company
4	The United Insurance Company of Pakistan	14	Shaheen Insurance Company
5	IGI Insurance	15	The Crescent Star Insurance Company
6	Atlas Insurance	16	PICIC Insurance
7	Askari General Insurance Company	17	The Universal Insurance Company
8	East West Insurance Company		
9	TPL Direct Insurance		
10	Habib Insurance Company		

For further information contact us at info@paragonact.com

GROSS WRITTEN PREMIUM



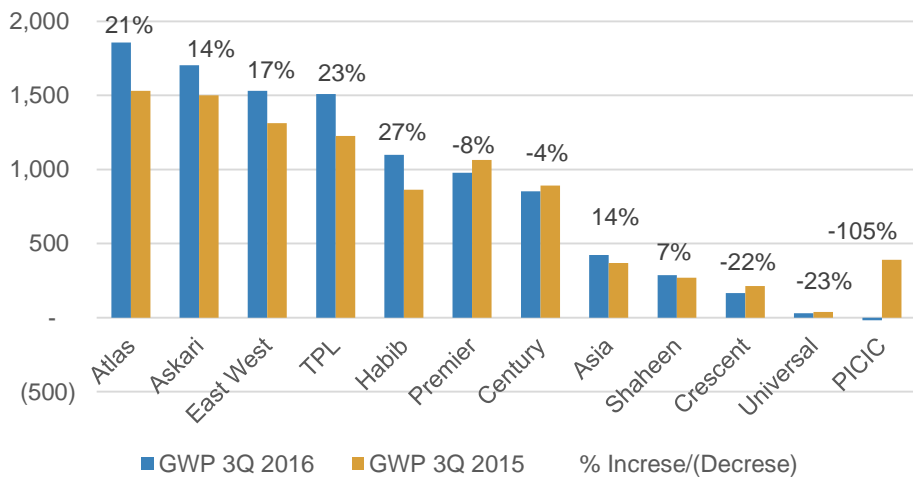
PKR (Million) Gross Written Premium (Top 5)



Total Gross Premium Written by the 17 insurance companies showed an increase of 8% from PKR 43.6 billion to PKR 47.3 billion

The market share of Top 5 Companies remained stable at 78%, as for the nine month period in the year 2015

PKR (Million) Gross Written Premium (Others)

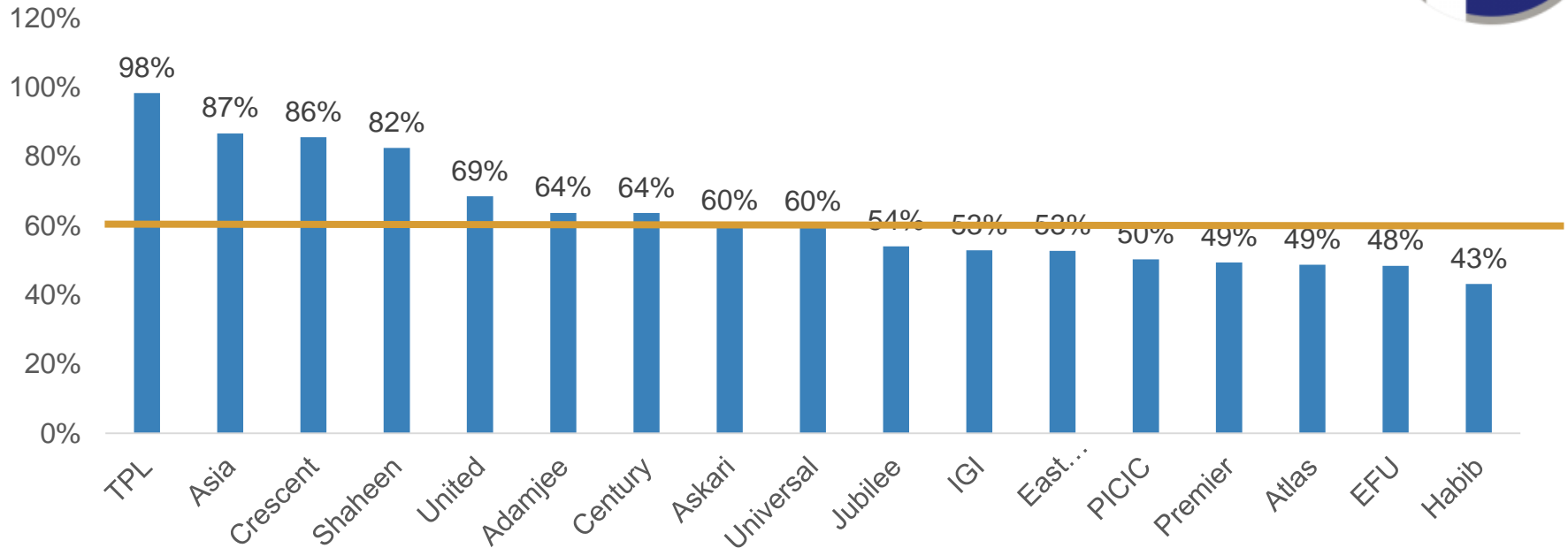


Among top-5, Jubilee Insurance showed a decrease of 5% in Gross Premium Written and EFU showed an increase of 1% compared to an increase in the range of 20%-22% for the remaining companies in top 5

Highest decline in gross written premium is observed for PICIC Insurance at 105%

Highest growth is observed for Habib Insurance at 27%

RETENTION RATIO



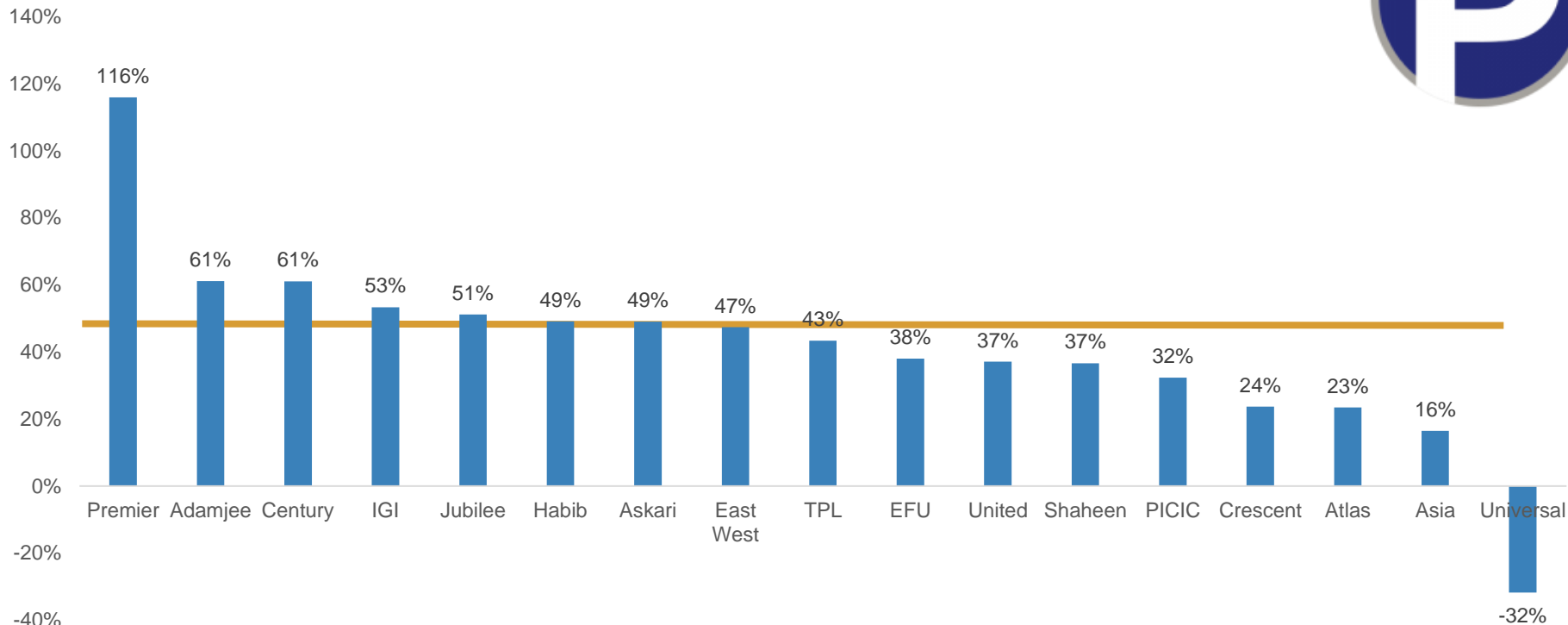
Highest retention ratio is shown by TPL at 98%, whereas lowest retention ratio of 43% is reflected by Habib Insurance

The average retention ratio is 58%

The retention ratios have been calculated as ratio of net earned premium and gross earned premium



LOSS RATIO



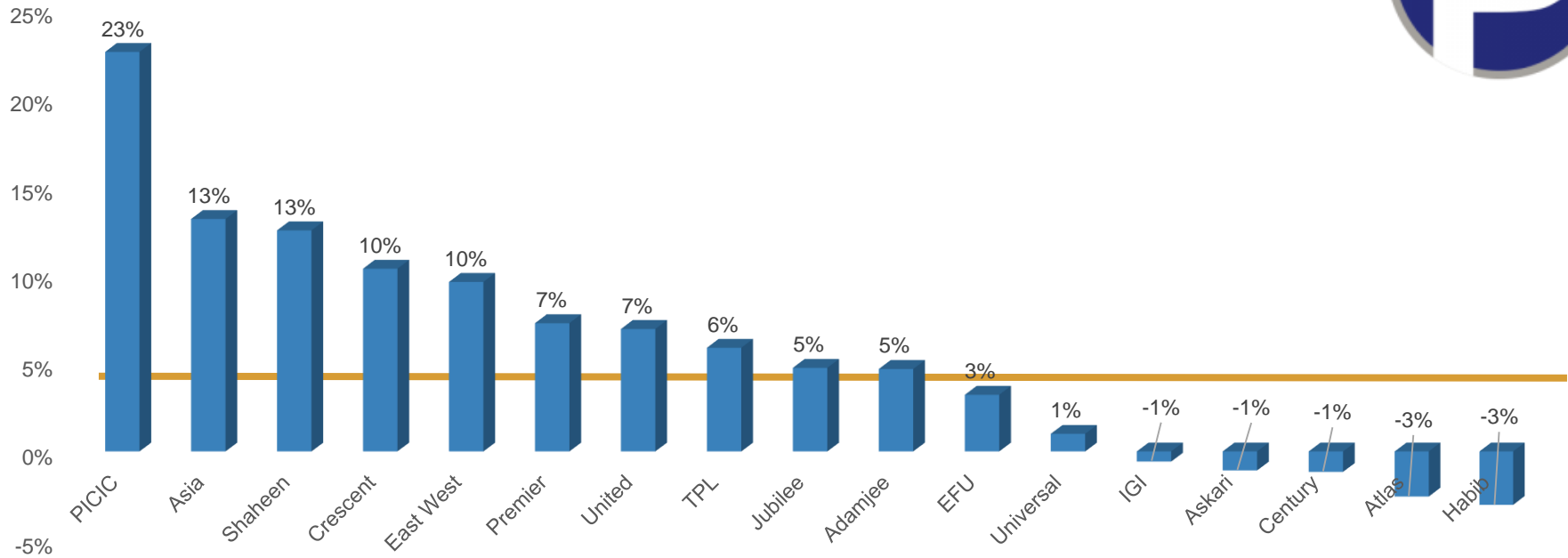
Highest loss ratio is shown by Premier Insurance at 116%, whereas lowest loss ratio of -32% is reflected by Universal (mainly due to release in reserves)

The average loss ratio is 49%

The loss ratios have been calculated as a ratio of net claims and net earned premium



COMMISSION RATIO



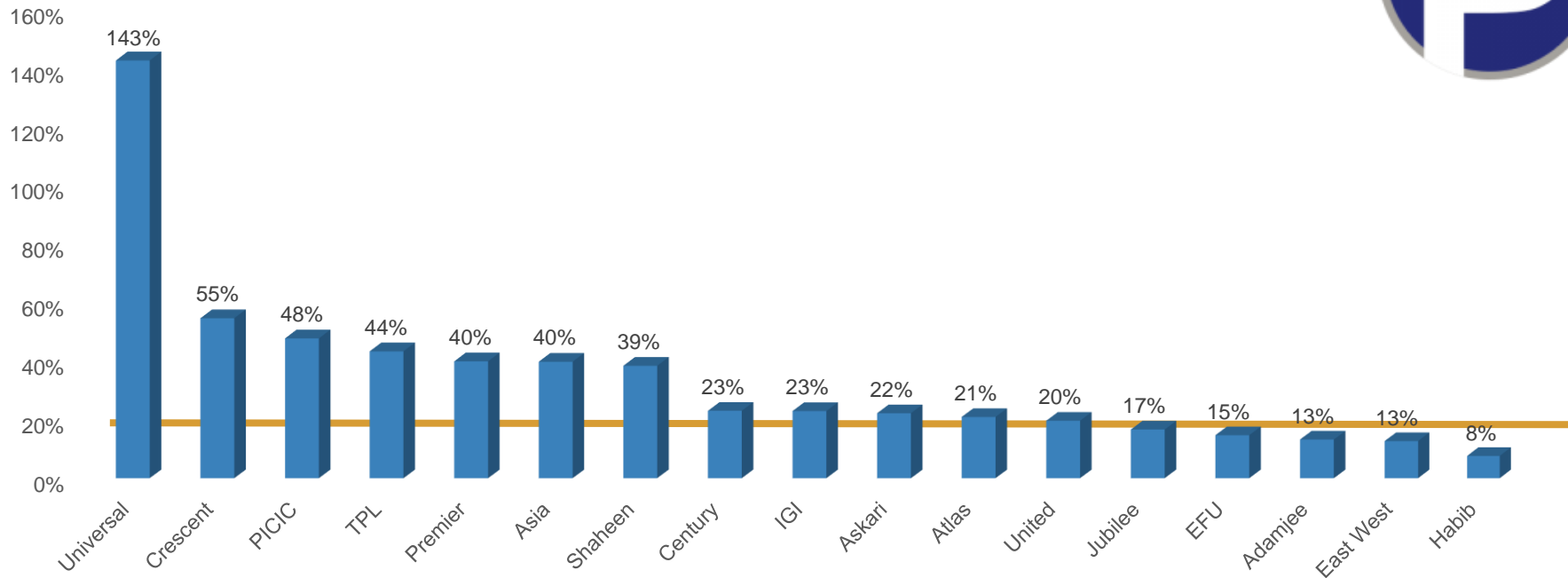
Highest commission ratio is shown by PICIC Insurance at 23%, whereas lowest commission ratio of -3% is reflected by Habib Insurance

The average commission ratio is 4%

The commission ratios have been calculated as a ratio of net commission and gross written premium



EXPENSE RATIO



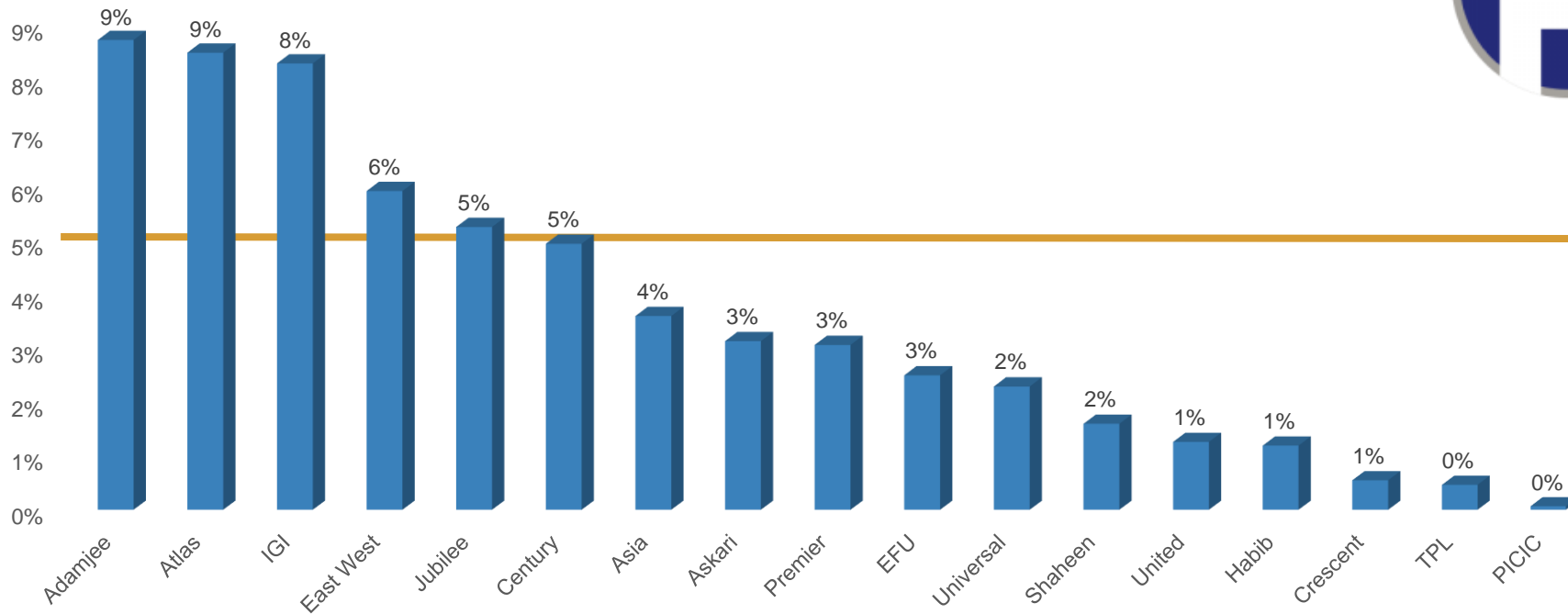
Highest expense ratio is shown by Universal Insurance at 143%, whereas lowest expense ratio of -8% is reflected by Habib Insurance

The average expense ratio is 18%

The expense ratios have been calculated as a ratio of 'management and G&A expense' and gross earned premium



INVESTMENT RATIO



Highest investment ratio is shown by Adamjee Insurance at 9%, whereas lowest investment ratio of 0% is reflected by PICIC Insurance

The average investment ratio is 5% for the 9-month period

The investment ratios have been calculated as a ratio of net investment income and assets at the beginning of the period

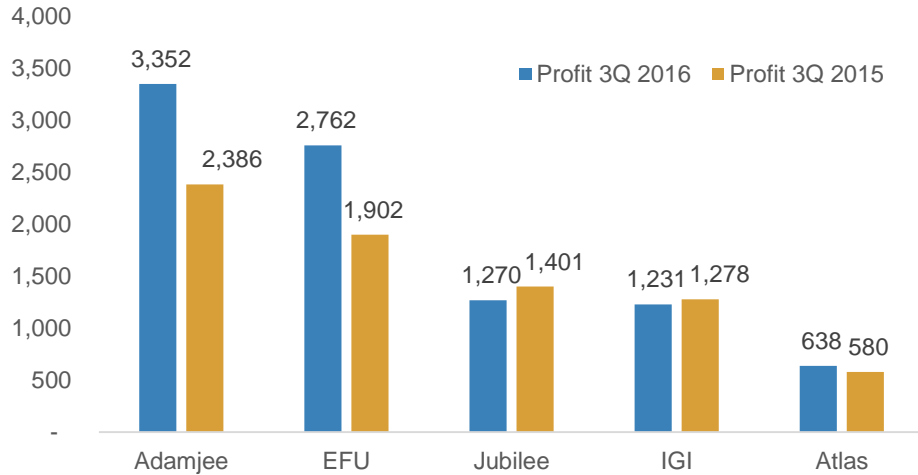


PROFIT (BEFORE TAX) FOR THE PERIOD



PKR (Million)

Profit (Top 5)

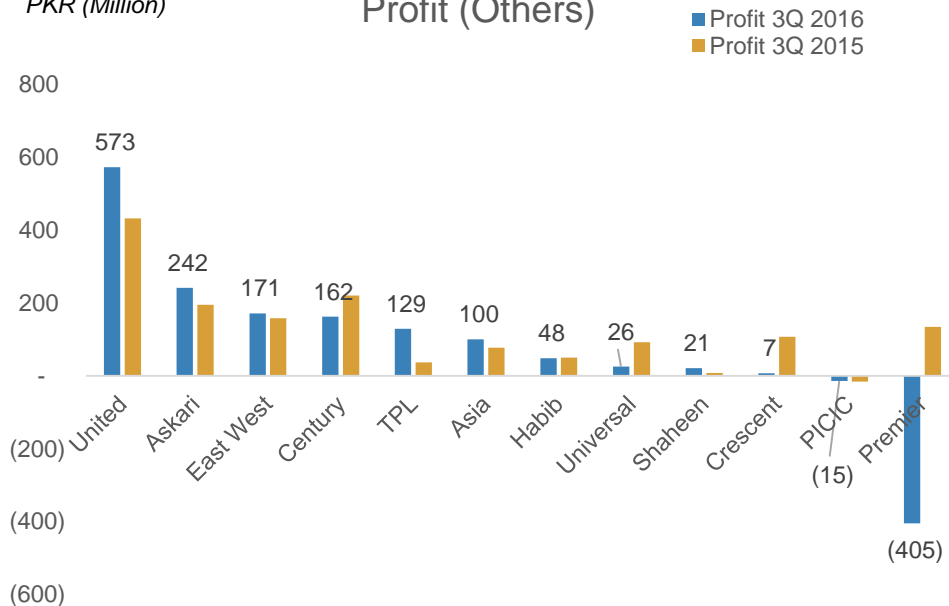


Highest profit is shown by Adamjee at 3.35 billion followed by EFU at 2.76 billion

Highest loss is shown by Premier at 405 million followed by PICIC at 15 million

PKR (Million)

Profit (Others)

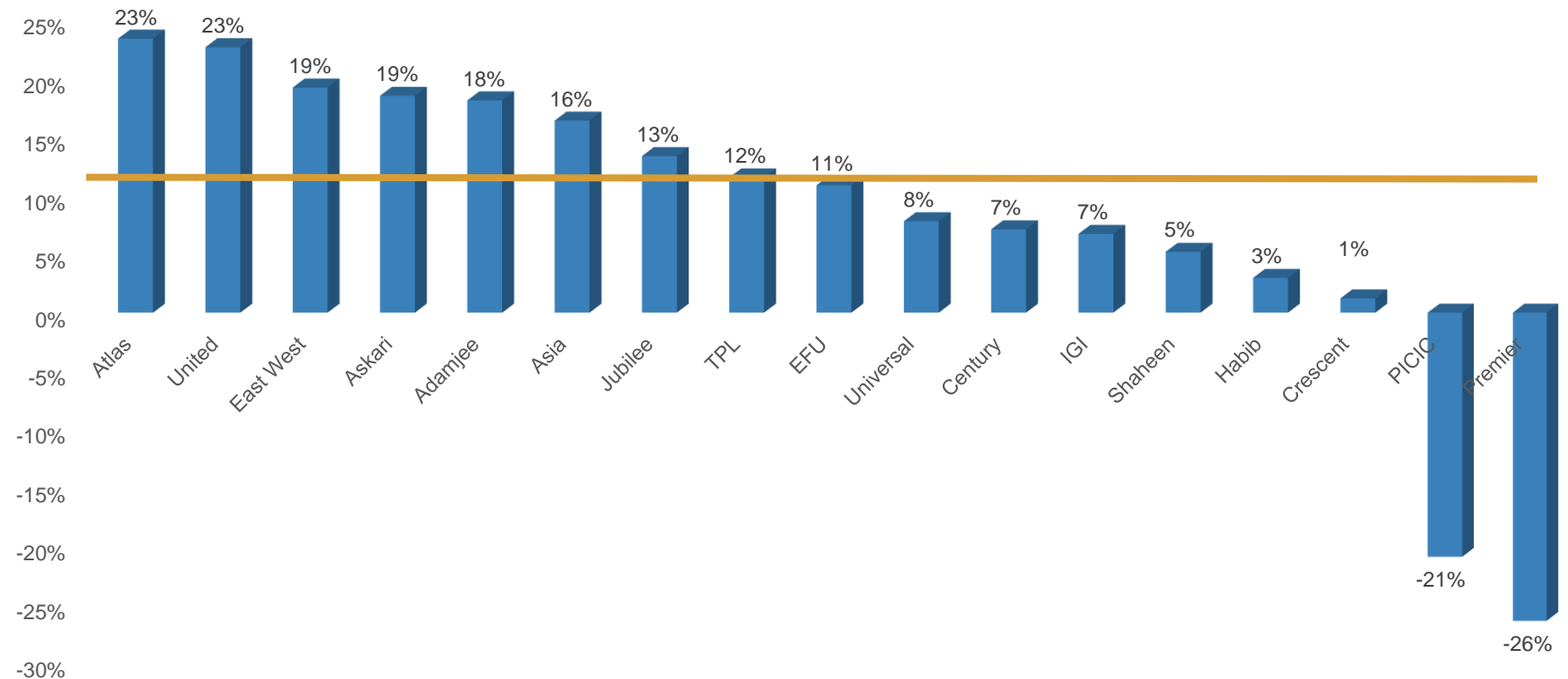


Overall the profits have increased from 9.0 billion to 10.3 billion for the same period in year 2015 i.e. an increase of 14%

Highest increase in profits is shown by TPL an increase of 252% from 37 million to 129 million during the same period last year

The Profit shown is 'Profit Before Tax' as per financial statements of the companies

RETURN ON EQUITY



Highest return on equity (for the 9-months) is shown by Atlas Insurance at 23%, whereas lowest is reflected by Premier at -26%

The average return on equity is 12%.

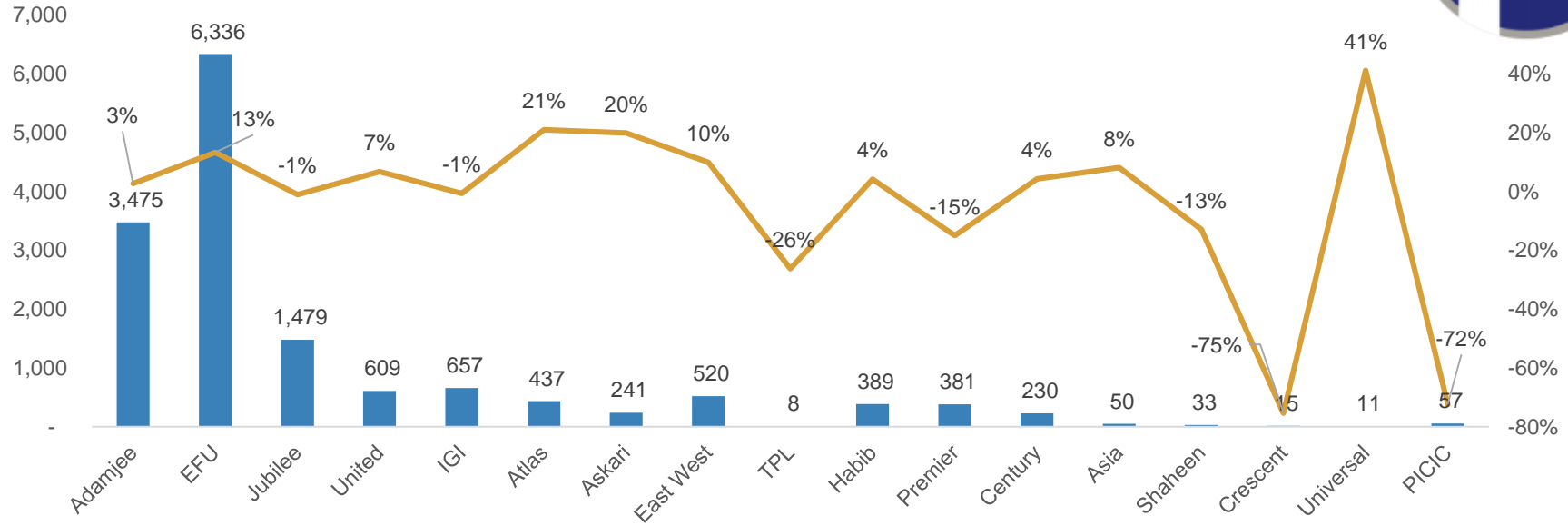
The return on equity has been calculated as a ratio of profit after tax and equity at the beginning of period



FIRE - UNDERWRITING PROFIT



PKR (Million)



Highest net earned premium is shown by EFU at 6.3 bilion, with underwriting profit ratio of 13%

The average underwriting profit ratio is 7%.

After Universal, whose results are skewed, the highest underwriting profit ratio is shown by Atlas at 21%

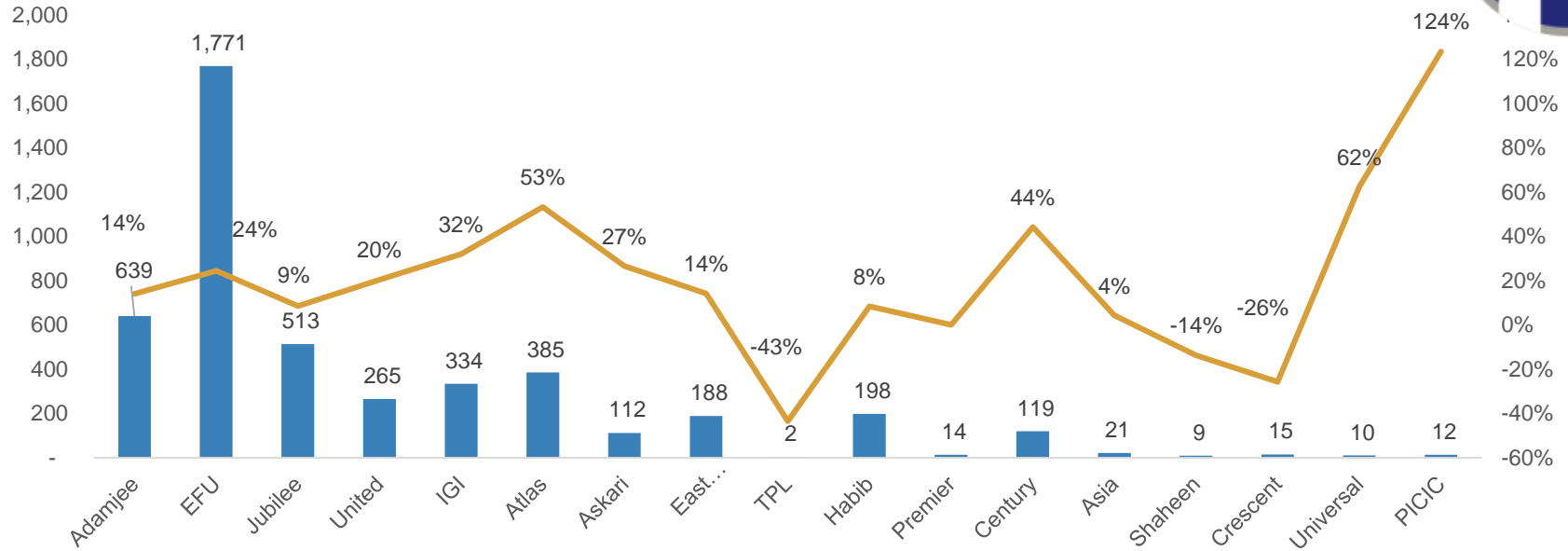
The underwriting profit ratio is calculated as a ratio of underwriting profits and earned premium



MARINE - UNDERWRITING PROFIT



PKR (Million)



Highest net earned premium is shown by EFU at 1.8 bilion, with underwriting profit ratio of 24%

The average underwriting profit ratio is 21%.

For PICIC, Universal and Atlas Insurance the underwriting profit ratio is greater than 50%. The results are skewed for Premier due to negative entries and are not part of the graph

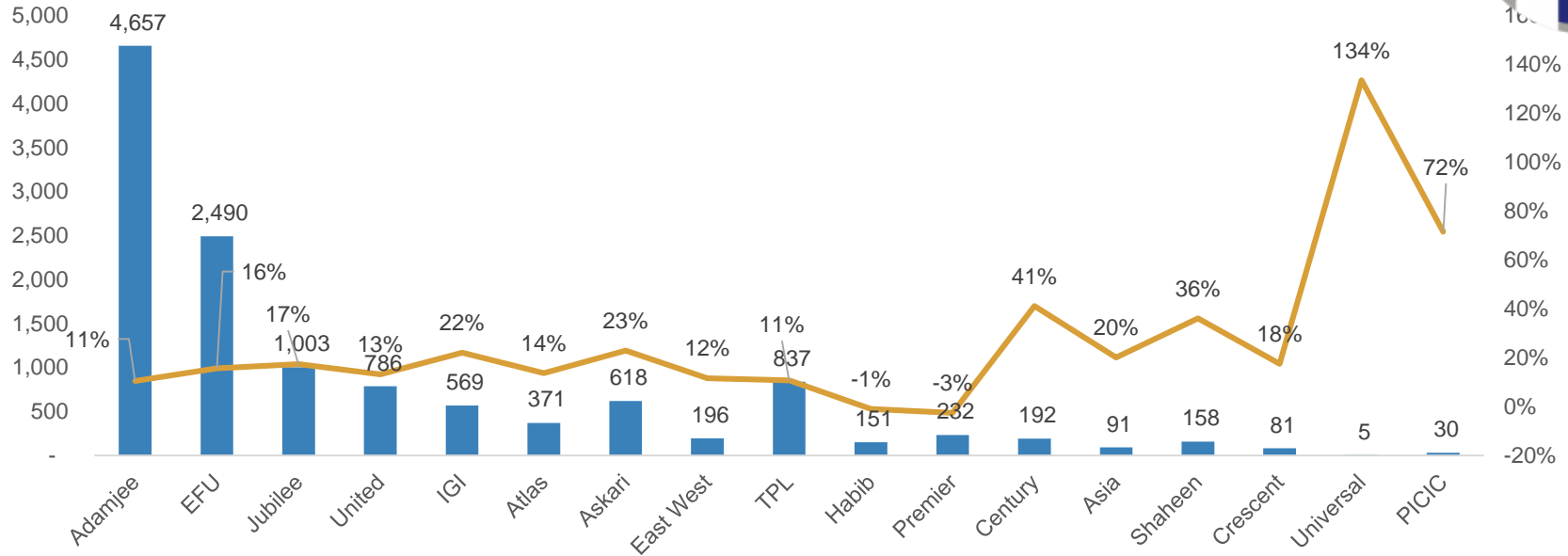


The underwriting profit ratio is calculated as a ratio of underwriting profits and earned premium.

MOTOR - UNDERWRITING PROFIT



PKR (Million)



Highest net earned premium is shown by Adamjee at 4.7 billion, with underwriting profit ratio of 11%

The average underwriting profit ratio is 14%.

For Universal and PICIC Insurance the underwriting profit ratio is 134% and 72% respectively mainly due to reversal in reserves

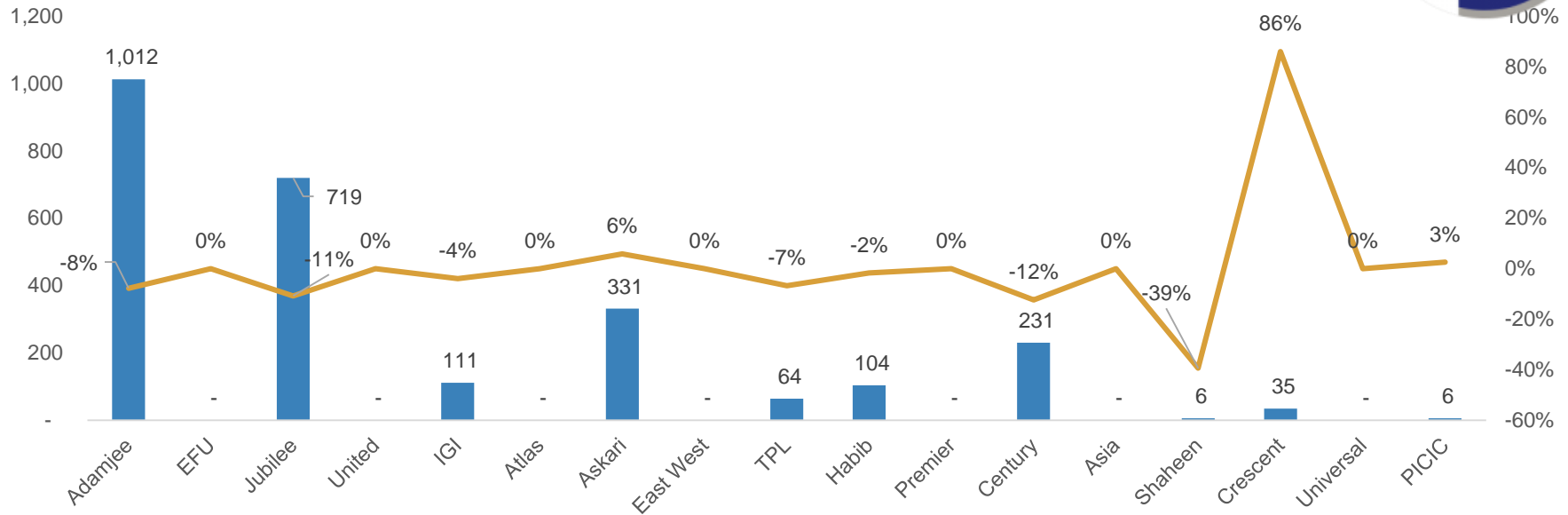
The underwriting profit ratio is calculated as a ratio of underwriting profits and earned premium.



HEALTH - UNDERWRITING PROFIT



PKR (Million)



Highest net earned premium is shown by Adamjee at 1.0 billion, with underwriting profit ratio of -8%

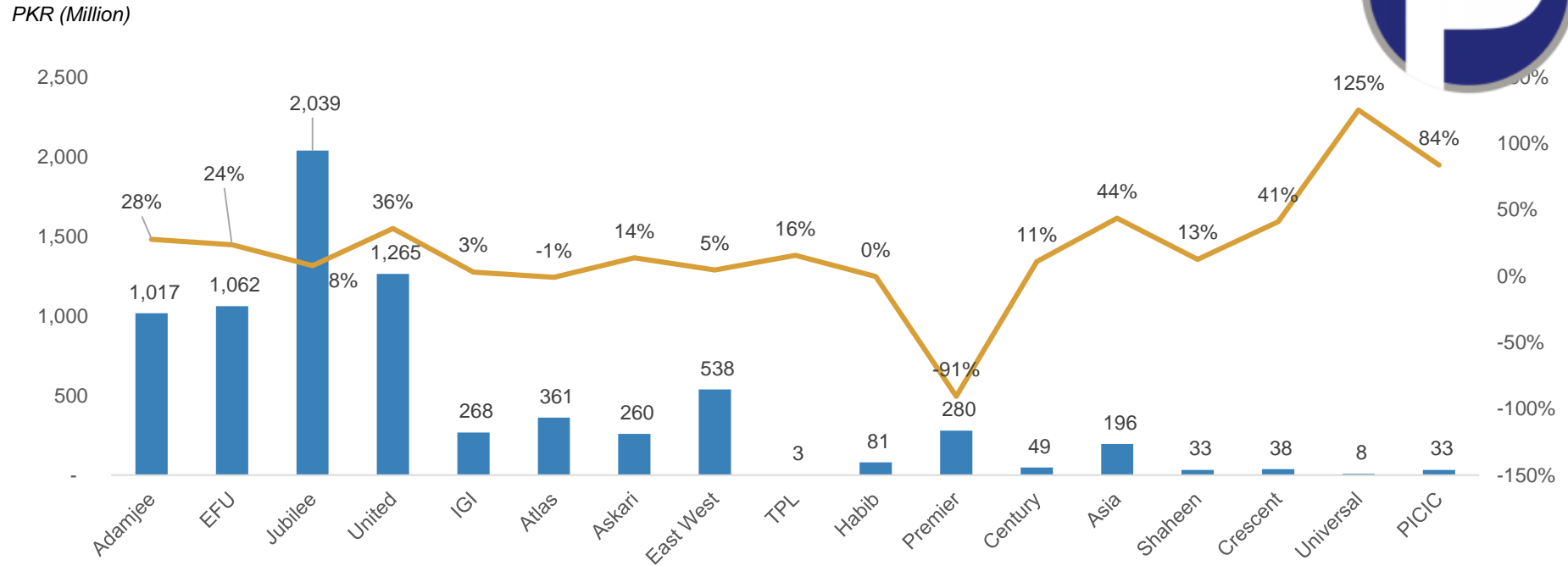
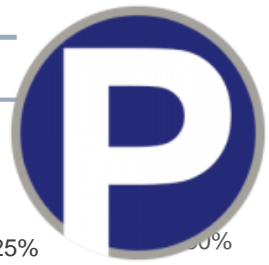
The average underwriting profit ratio is -6%.

Underwriting Profit Ratio is negative for companies except Askari (6%), Crescent (86%) and PICIC (3%) insurance.

The underwriting profit ratio is calculated as a ratio of underwriting profits and earned premium.



MISC. (OTHERS) - UNDERWRITING PROFIT



Highest net earned premium is shown by Jubilee at 2.0 billion, with underwriting profit ratio of 8%

The average underwriting profit ratio is 15%.

Underwriting Profit Ratio is negative for Premier (-91%) and Atlas (-1%).

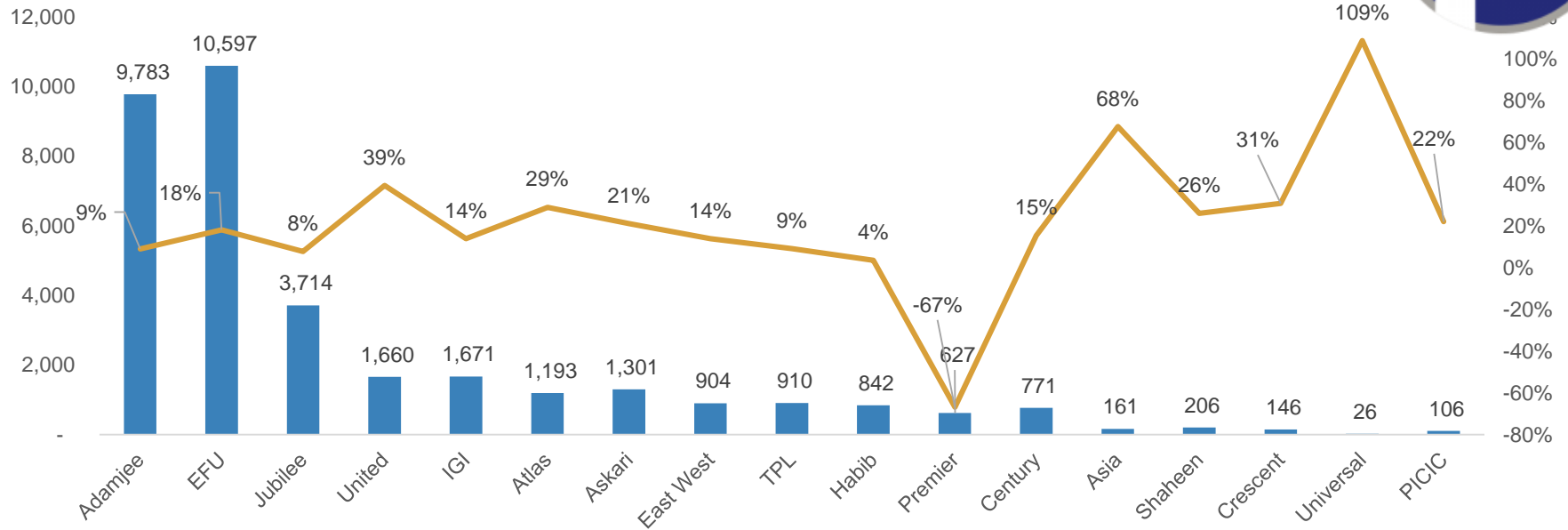
The underwriting profit ratio is calculated as a ratio of underwriting profits and earned premium.



ALL LINES OF BUSINESS - COMBINED



PKR (Million)



Highest net earned premium is shown by EFU at 10.6 bilion, with underwriting profit ratio of 18%

The average underwriting profit ratio is 14%.

Underwriting Profit Ratio is negative for Premier (-67%)

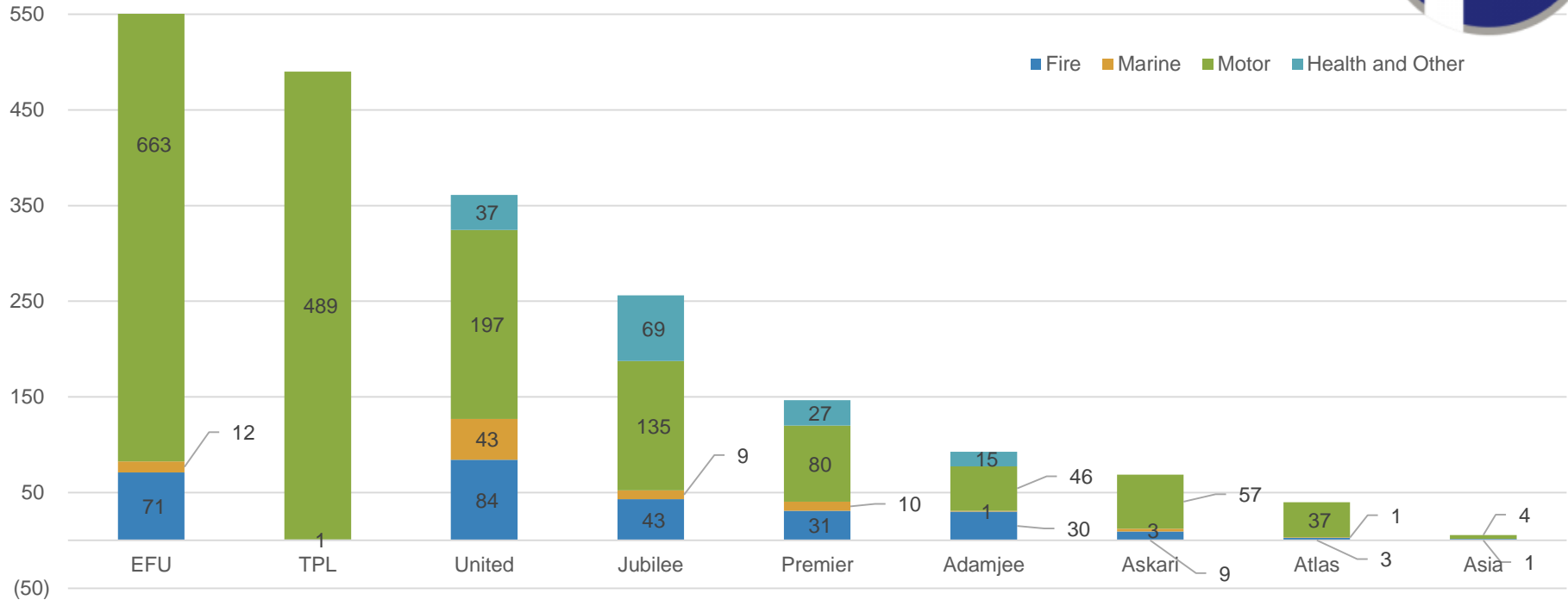
The underwriting profit ratio is calculated as a ratio of underwriting profit and earned premium.



TAKAFUL WINDOW



Gross Written Premium - 3Q 2016



Highest gross takaful contributions were written by EFU during the period

The main line of business for takaful window operation has been motor followed by fire



CONCLUSION



Total premiums written, by the seventeen non-life insurance companies, in the nine months of 2016 amounted to PKR 47.3 billion, as compared to the premium written in the corresponding period of 2015 of PKR 43.6 billion which shows a growth of 8%. The premium retention ratio was at 58%

Average loss ratio for all companies analyzed was 49% , while average underwriting profit ratio is 14%

Total profit/loss (before tax) generated for the nine months of 2016 amounted to PKR 10.3 billion compared to the profit of PKR 9.0 billion for the corresponding period of 2015, an increase of 14%, while the average return on equity was 12% for the nine-month period

Takaful window operations are still at an early stage with gross contributions of PKR 2.3 billion during the period

*Thank
you*

SECP Circular # 09 of 2016 - Guidelines for IBNR Reserve



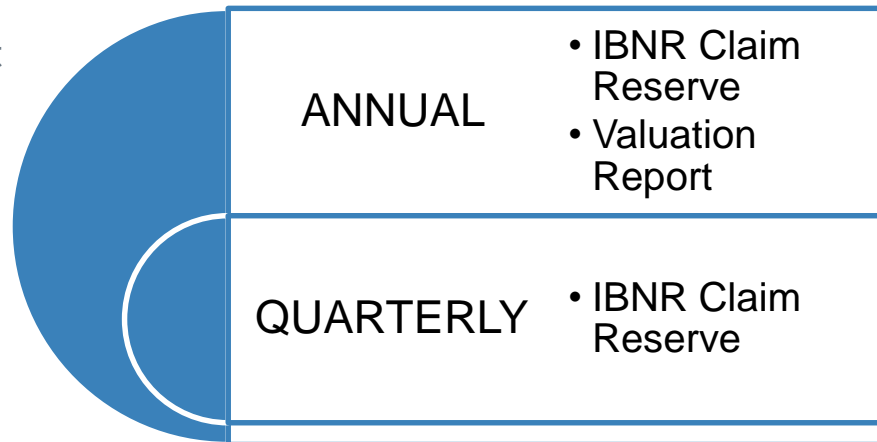
The Securities and Exchange Commission of Pakistan (SECP) has issued the guidelines for non-life insurance companies on methodology for estimation of 'Incurred But Not Reported (IBNR)' claims reserve.

The guidelines prescribe a standard method for the estimation of IBNR.

All non-life insurance companies are required to comply with the guidelines effective July 1, 2016

The following are the major points from the Guidelines

- ▷ IBNR should be calculated according to the guidelines and use of an Actuary is encouraged
- ▷ Valuation Report on estimation of IBNR needs to be submitted annually
- ▷ IBNR to be calculated both on Gross and Net of Reinsurance basis
- ▷ Settlement Expenses and reasonable provision for expected settlement cost to be included
- ▷ Adequacy of IBNR provisions for the last six-years to be evaluated



ABOUT PARAGON



▷ Vision

To become the trusted partner of our clients for actuarial advice

▷ Mission

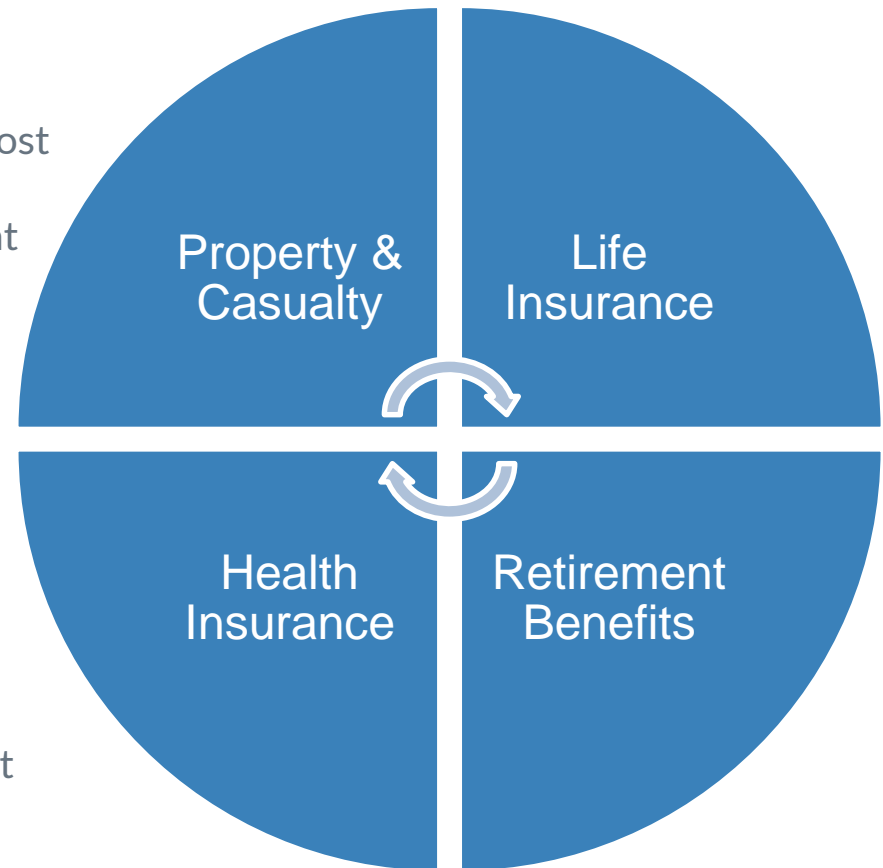
To provide quality actuarial services at affordable cost

We provide a full range of actuarial and management consulting services to clients in the areas of

- ▷ Life insurance
- ▷ General insurance
- ▷ Health insurance
- ▷ Retirement benefits (IAS 19R)

This includes extensive experience in pricing, profit testing, reserving and valuation.

Feel free to contact us and schedule an Appointment
info@paragonact.com



WHY CHOOSE PARAGON

