



ANALYSIS OF NON-LIFE
INSURANCE COMPANIES IN
PAKISTAN FOR THE HALF YEAR
ENDED 30th JUNE 2016

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INTRODUCTION

We have analyzed financial statements of 20 Non-Life Insurance Companies whose financials were available as at 9th September 2016.

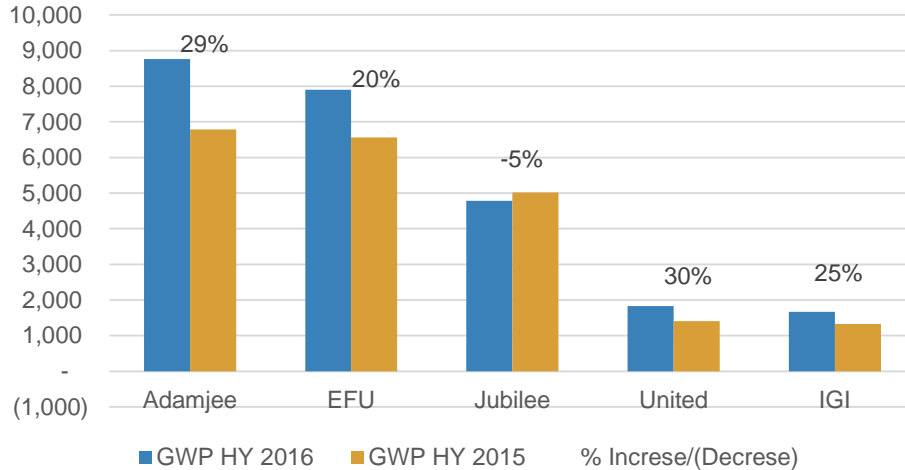
Companies Included in the analysis

1	Adamjee Insurance Company	11	Century Insurance Company
2	EFU General Insurance	12	SPI Insurance Company
3	Jubilee General Insurance Company	13	Asia Insurance Company
4	The United Insurance Company of Pakistan	14	The Pakistan General Insurance Company
5	IGI Insurance	15	Shaheen Insurance Company
6	Atlas Insurance	16	The Crescent Star Insurance Company
7	Askari General Insurance Company	17	Alpha Insurance Company
8	East West Insurance Company	18	PICIC Insurance
9	Habib Insurance Company	19	The Universal Insurance Company
10	TPL Direct Insurance	20	Century Insurance Company

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GROSS WRITTEN PREMIUM

PKR (Million) Gross Written Premium (Top 5)



Total Gross Premium Written by the 20 insurance companies showed an increase of 18% from PKR 27.4 billion to PKR 32.3 billion

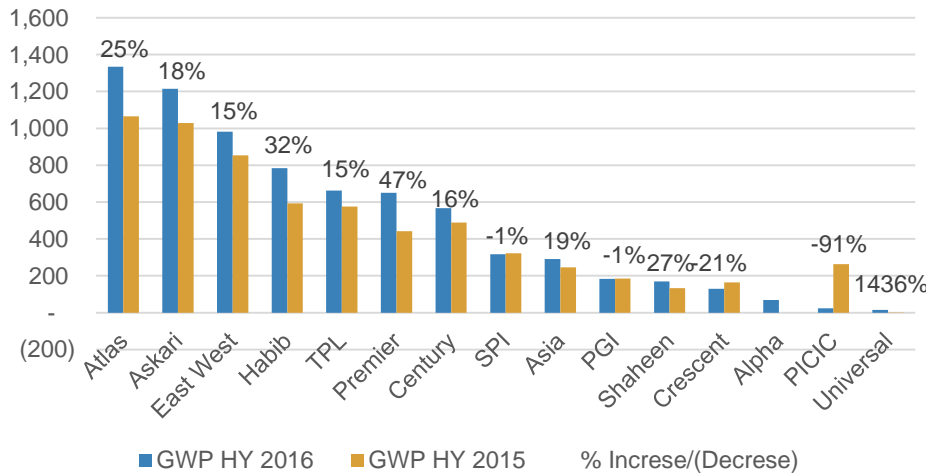
The market share of Top 5 Companies remained stable at 77%, as for the six month period in the year 2015

Among top-5, Jubilee Insurance showed a decrease of 5% in Gross Premium Written compared to an increase in the range of 20%-30% for the remaining companies in top 5

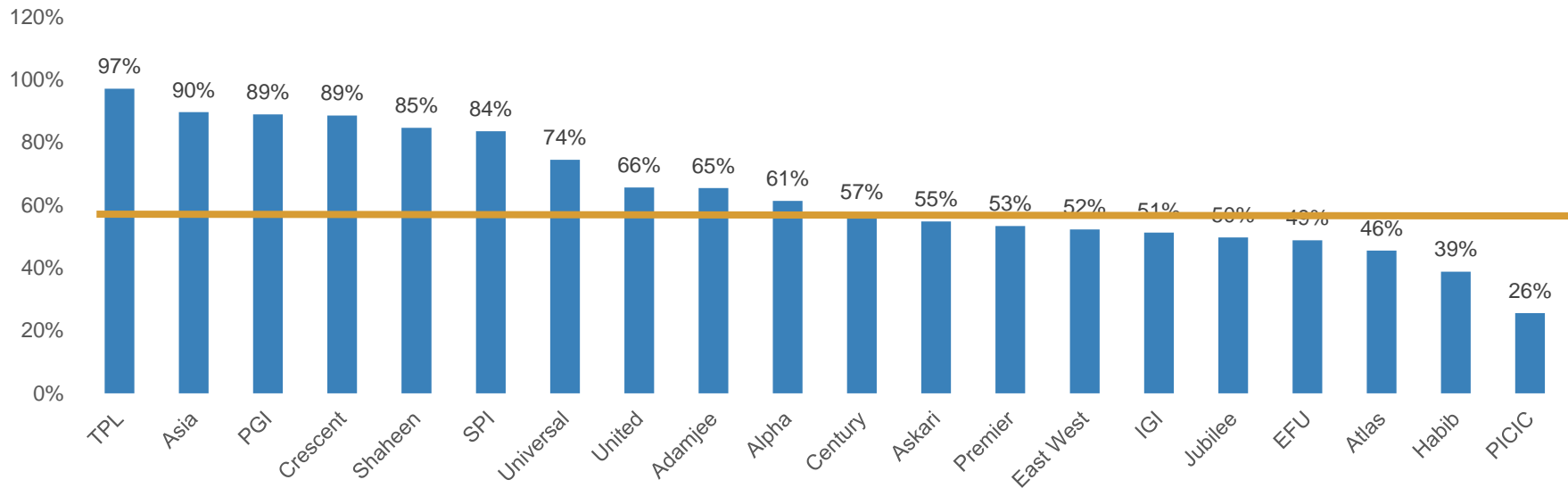
Highest decline in gross written premium is observed for PICIC Insurance at 91%

Highest growth is observed for Universal Insurance at 1436%, after steady decline in gross written premiums during the last few years

PKR (Million) Gross Written Premium (Others)



RETENTION RATIO



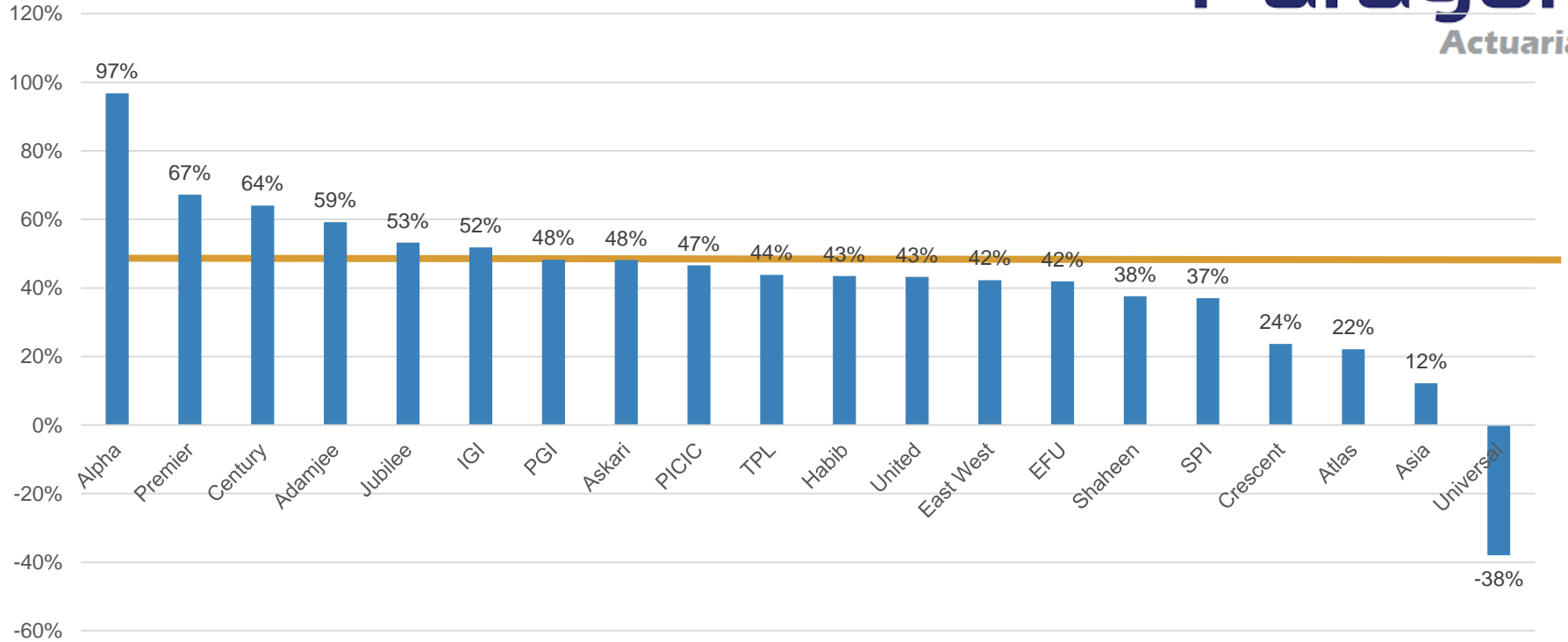
Highest retention ratio is shown by TPL at 97%, whereas lowest retention ratio of 26% is reflected by PICIC

The average retention ratio is 57%

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



LOSS RATIO



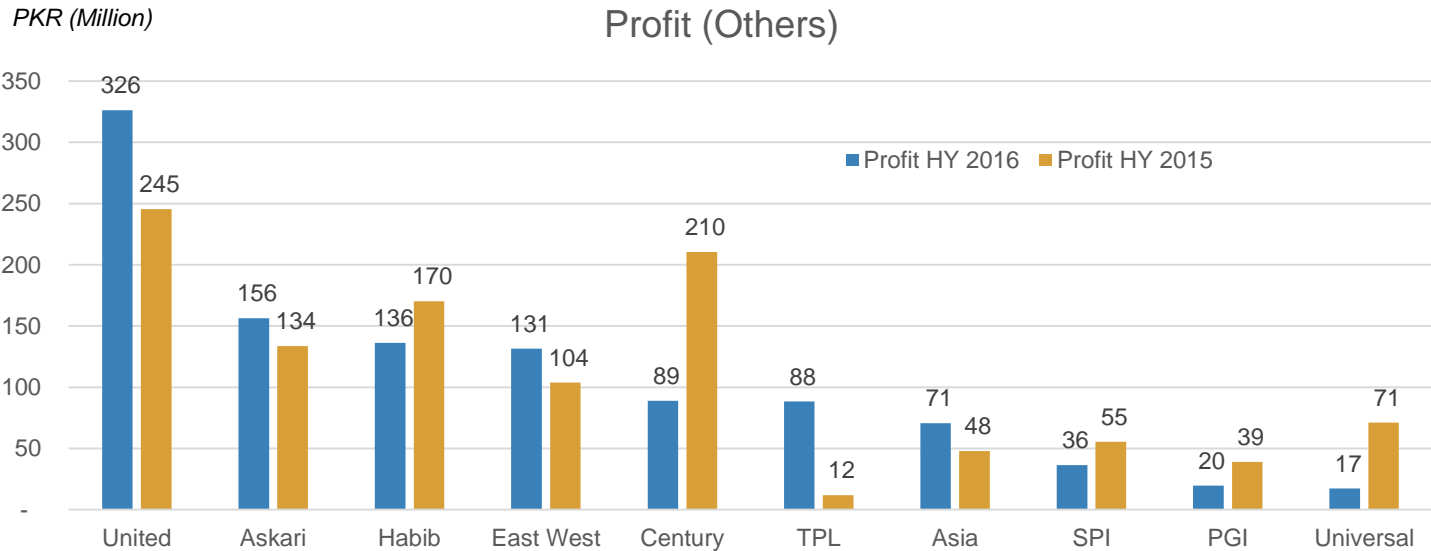
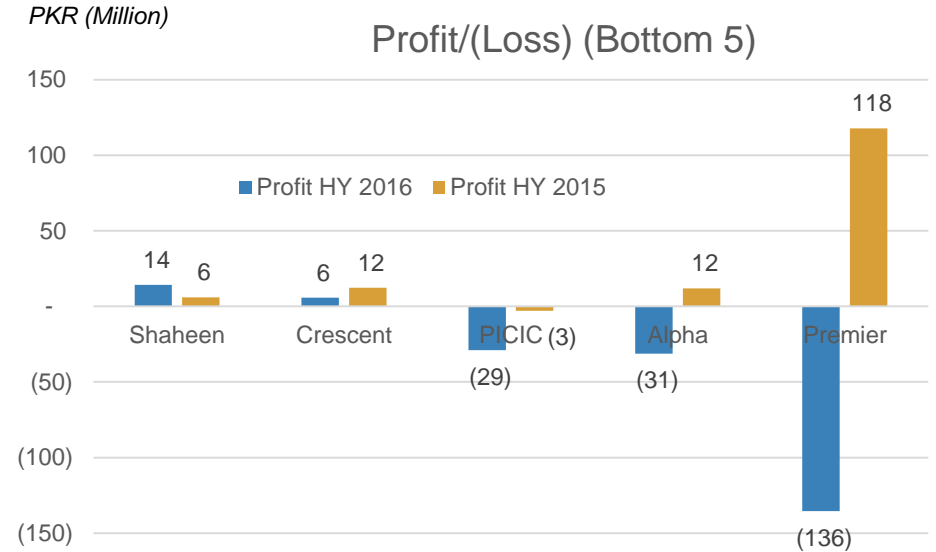
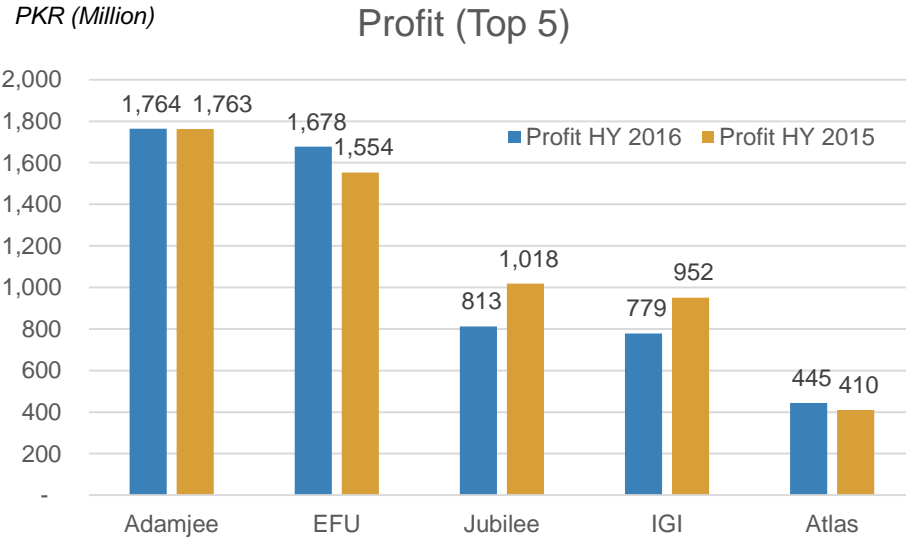
Highest loss ratio is shown by Alpha Insurance at 97%, whereas lowest loss ratio of -38% is reflected by Universal (mainly due to release in reserves)

The average loss ratio is 49%

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



PROFIT (BEFORE TAX) FOR THE PERIOD



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Highest profit is shown by Adamjee at 1.76 billion followed by EFU at 1.68 billion

Highest loss is shown by Premier at 136 million followed by Alpha and PICIC at 31 million and 29 million respectively

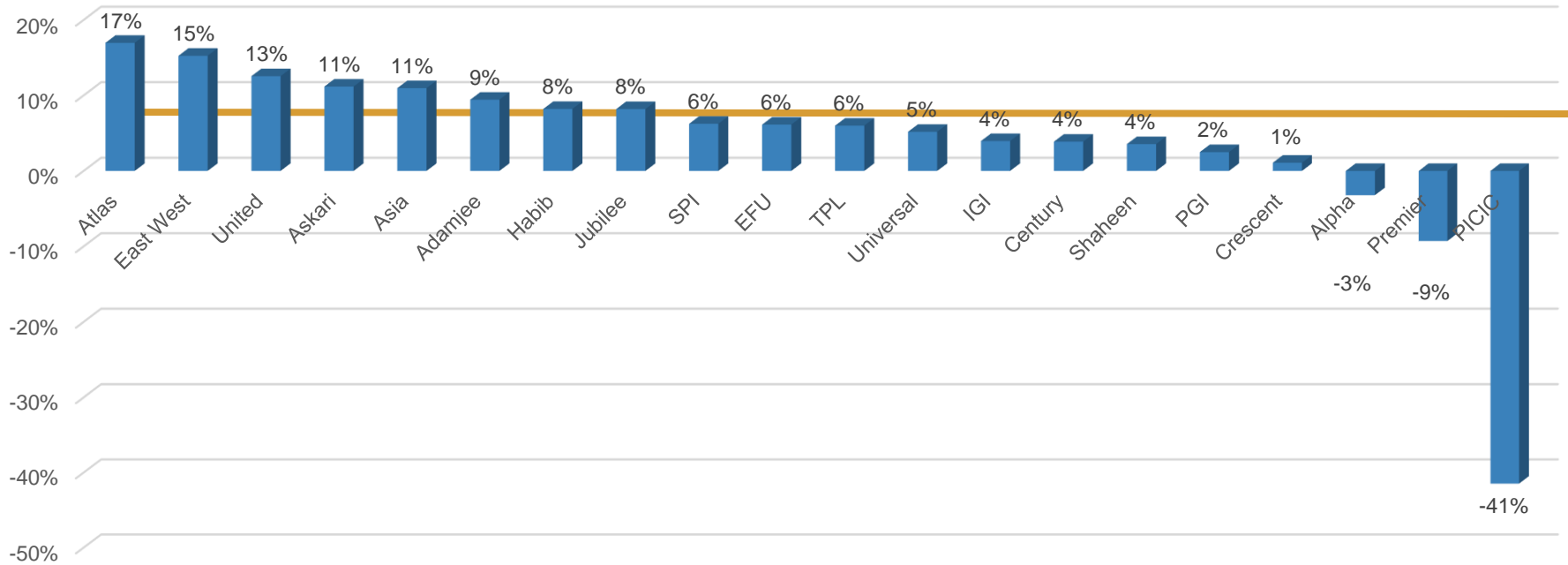
Overall the profits have declined from 6.9 billion to 6.3 billion for the same period in year 2015 i.e. a decline of 8%

Highest increase in profits was shown by TPL an increase of 655% from 12 million to 88 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 is shown by Atlas Insurance at 17%, whereas lowest is reflected by PICIC at -41%

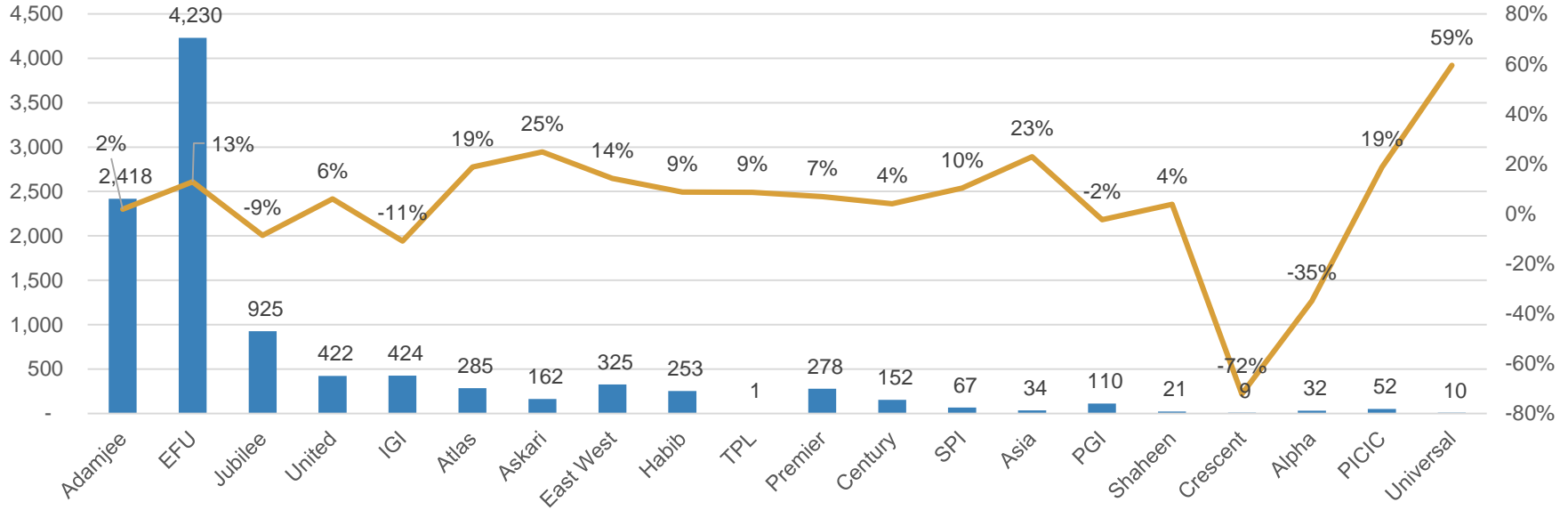
The average return on equity is 7%.

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 4.2 billion, with underwriting profit ratio of 13%

The average underwriting profit ratio is 7%.

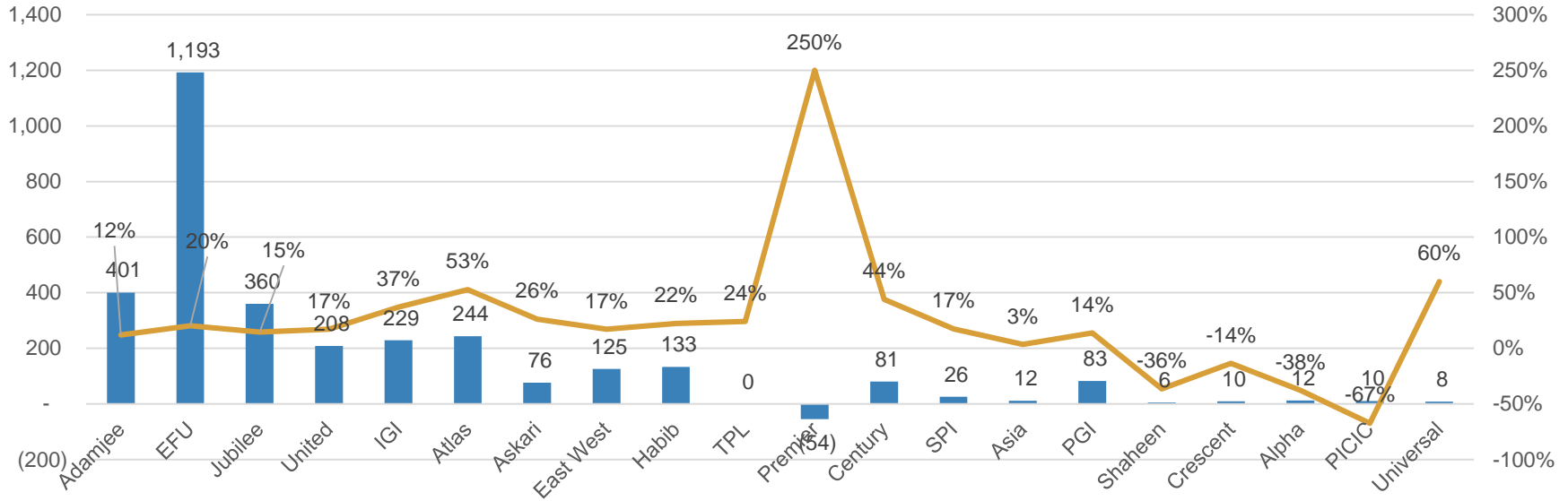
After Universal, whose results are skewed, the highest underwriting profit ratio is shown by Askari at 25%

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 1.1 billion, with underwriting profit ratio of 20%

The average underwriting profit ratio is 18%.

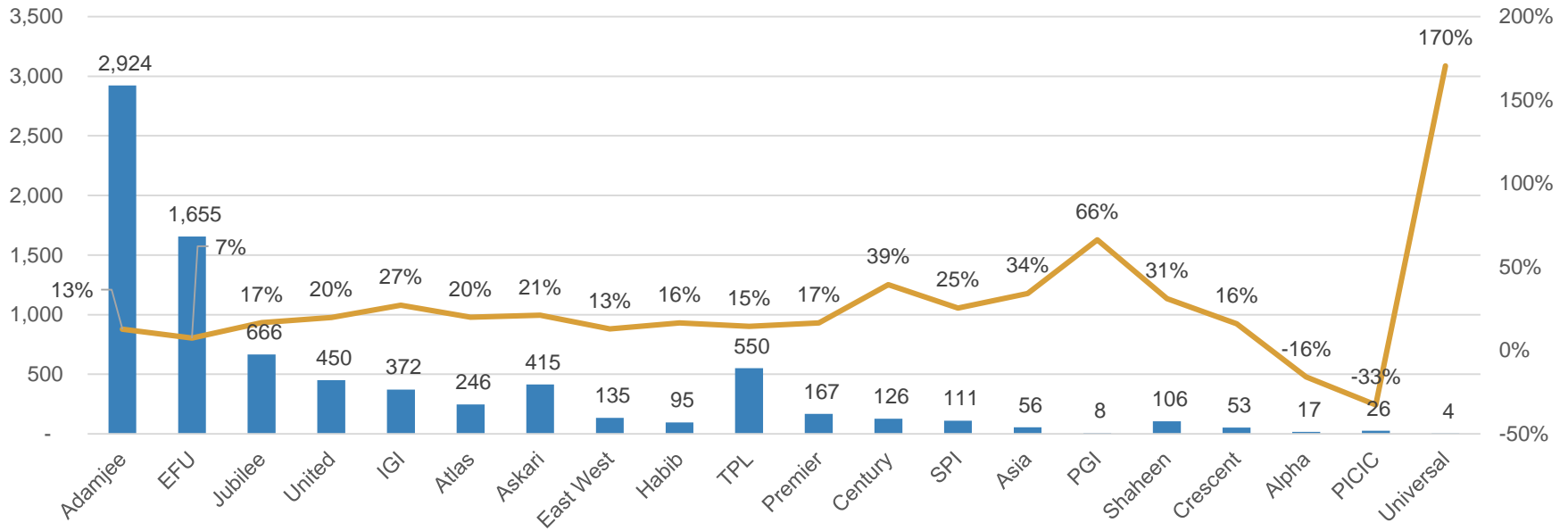
For Universal and Atlas Insurance the underwriting profit ratio is greater than 50%. The results are skewed for Premier due to negative entries

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 2.9 billion, with underwriting profit ratio of 13%

The average underwriting profit ratio is 15%.

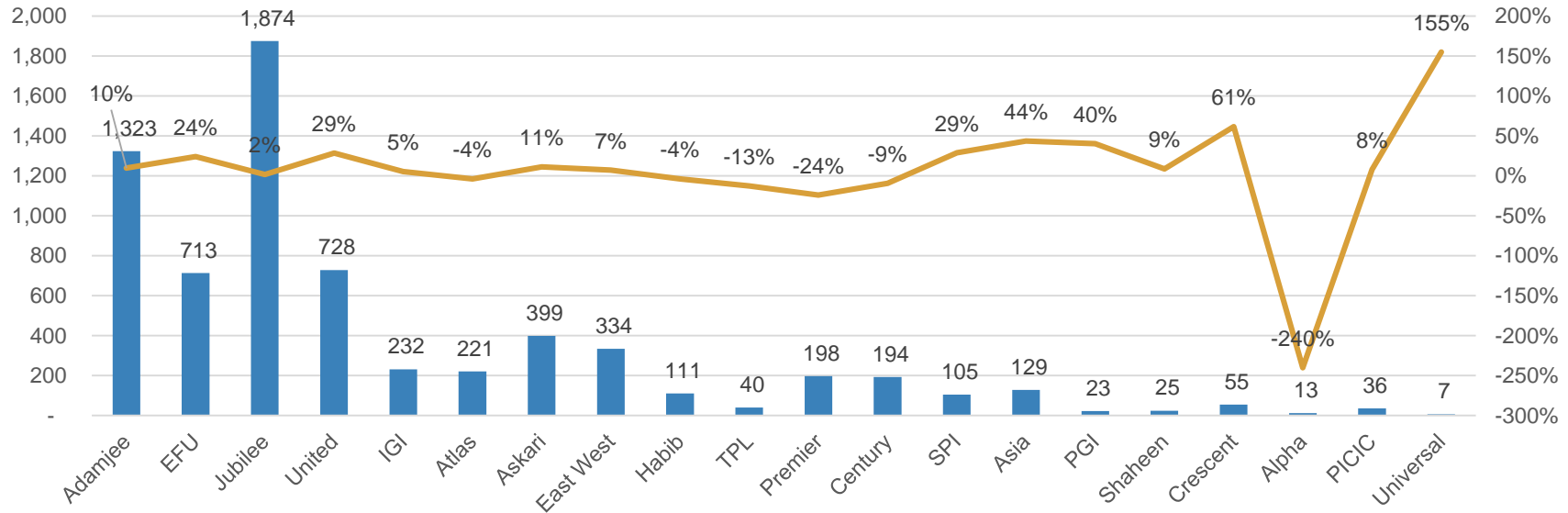
For Universal and PGI Insurance the underwriting profit ratio is 170% and 66% respectively.

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



MISC. (Health & Others) - UNDERWRITING PROFIT

PKR (Million)



Highest net earned premium is shown by Jubilee at 1.8 billion, with underwriting profit ratio of 2%

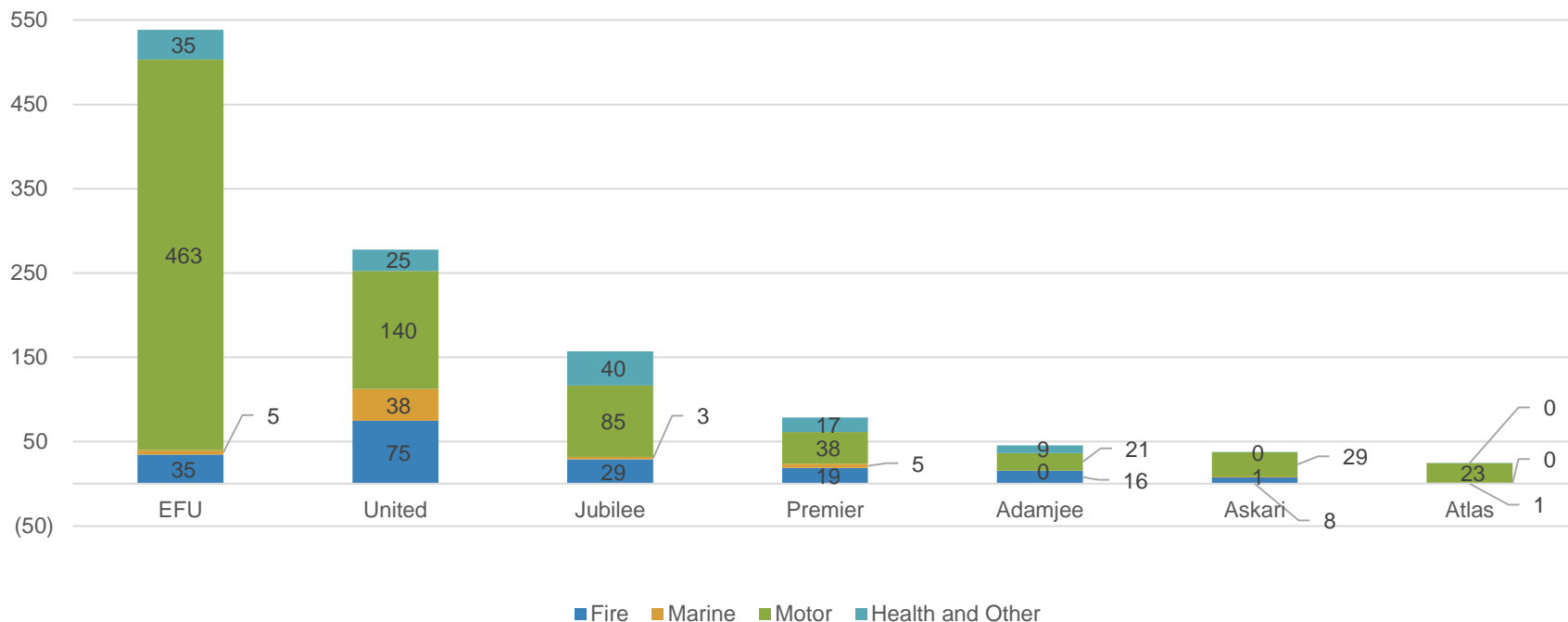
The average underwriting profit ratio is 10%.

Underwriting Profit Ratio is negative for a few companies. High ratios are shown by smaller companies who are mainly not writing health.

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



Gross Written Premium - HY 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 twenty non-life insurance companies, in the six months of 2016 amounted to PKR 32.3 billion, as compared to the premium written in the corresponding period of 2015 of PKR 27.4 billion which shows a growth of 18%. The premium retention ratio was at 57%

Average loss ratio for all companies analyzed was 49%

Total profit/loss generated for the six months of 2016 amounted to PKR 6.37 billion compared to the profit of PKR 6.92 billion for the corresponding period of 2015, a reduction of 8%, while the average return on equity was 7%.

Takaful window operations are still at an early stage with gross contributions of PKR 1.1 billion during the period

*Thank
you*



SECP Circular # 09 of 2016 - Guidelines for IBNR Reserve

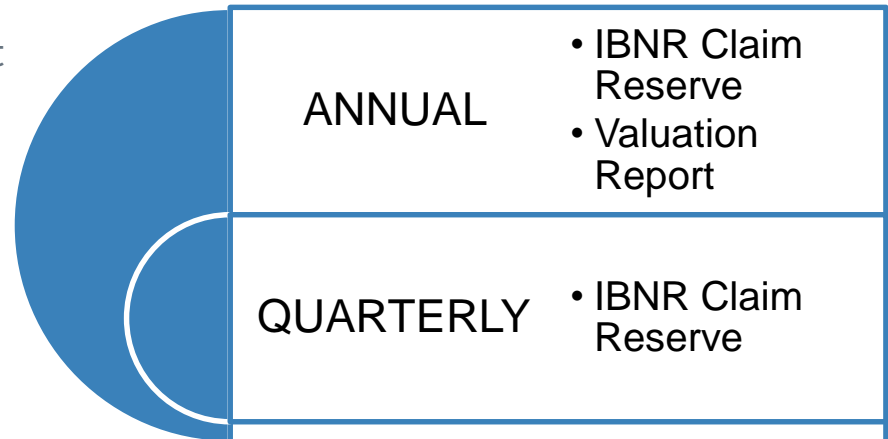
The Securities and Exchange Commission of Pakistan (SECP) has issued the guidelines for non-life insurance companies on methodology for estimation of 'Incurred But Not Reported (IBNR)' claims reserve.

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



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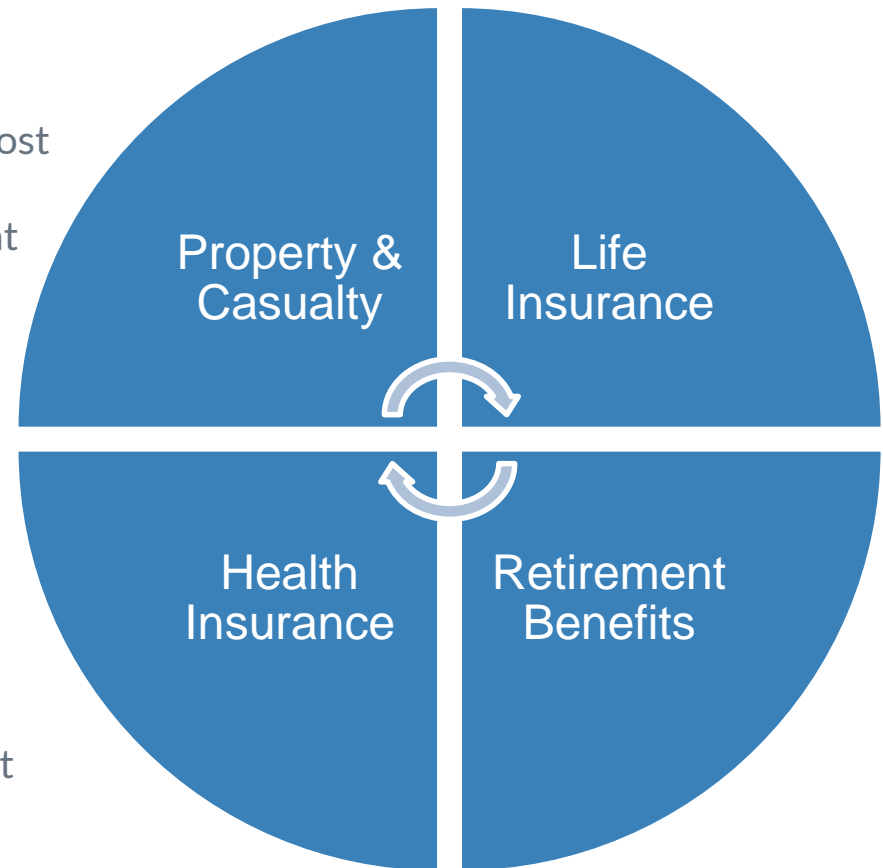
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