

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

RATING REPORT

Jubilee General Insurance Company Limited

REPORT DATE:

January 23, 2018

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>Jan 23, '18</i>	<i>Nov 8, '16</i>
Rating Outlook	Stable	Stable
<i>Outlook Date</i>	<i>Jan 23, '18</i>	<i>Nov 8, '16</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 – 38.2%	
Habib Bank Limited – 18.2%	
Hashoo Group – 13.2%	
General Public – 24.2%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology –General Insurance (March 2017)

<http://jcrvis.com.pk/kc-meth.aspx>

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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.

Profile of Chairman

Mr. Towfiq A. Chinoy is serving as Chairman of JGI since 1997. He presently also serves as Chairman of Packages Limited & HBL Asset Management Limited and director of Pakistan British Council.

Profile of CEO

Management team at JGI is spearheaded by Mr. Tahir Ahmed. Mr. Ahmed is a seasoned professional possessing more than three decades of experience in the insurance sector.

Financial Snapshot

Net Equity: 9MFY17: Rs. 6.7b; FY16: Rs. 6.6b; FY15: Rs. 5.9b

Net Profit: 9MFY17: Rs. 795.6m; FY16: Rs. 1,179.4m; FY15: 1,352.7m

RATING RATIONALE

The assigned rating draws strength from JGI's extensive experience history and being amongst the largest private general insurance companies in Pakistan. JGI's association with a strong primary sponsor is also a key rating factor. Rating also take into account company's sound capitalization indicators, strong liquidity profile and solid underwriting performance on a timeline basis. JGI's senior management team comprises qualified and experienced resources; majority of them having long association with the company that has been instrumental in effective implementation of the business strategy. Overall corporate governance framework gathers support from strong board oversight and adequate policy & procedural framework.

Rating Drivers

- Business Volumes:** Market share of the company decreased to 12.1% (FY15: 13.0%) during FY16 as the industry witnessed a growth of 5.7% while the gross premium of JGI remained largely stagnant. As per management, muted growth in business volume was on account of losing a major client. Although business mix remained diversified with fire, motor, and miscellaneous as major business segments. The company has shown some growth in gross premium during 9MFY17 and targets to surpass the full year business volume of FY16. Window Takaful Operations of the company continue to exhibit increasing contribution on a timeline basis.
- Underwriting Performance:** During FY16, gross claims ratio increased considerably mainly on account of higher loss ratio in the fire segment. However, with adequate reinsurance coverage, impact on net claims remained muted. Claims ratio in accident and health segment continue to remain on the higher side while net claims ratios in 9MFY17 increased on account of higher net claims in the miscellaneous segment.
- Reinsurance:** The company has adequate reinsurance arrangements with a diversified panel of reinsurers. Risk profile of the reinsurance panel is considered sound as majority of the reinsurers are rated 'A-' or higher. Given the anticipated growth in infrastructure projects, treaty capacities of bond, engineering, motor and fire segments were enhanced for FY17.
- Investments:** Investment portfolio of the company mainly comprises equities and government paper. Within equity portfolio, JGI holds sizeable investment in blue-chip stocks along with strategic investment in associates, namely Jubilee Life Insurance Company Limited and Jubilee Kyrgyzstan Insurance Company Limited. In view of the sizeable equity portfolio, the company is subject to considerable market risk. With largely volatile capital market during the ongoing year, market value of investment portfolio witnessed a decline in 9MFY17.
- Profitability:** In line with past trends, profitability derived strength from sound underwriting performance of the company coupled with sizeable contribution from the investment income. However, bottom line declined on account of change in tax regime on capital gains during FY16. On account of higher management expenses, underwriting expense ratio increased in FY16, however, combined ratio of the company remained at 90.5% on account of lower net claims ratio. During 9MFY17, underwriting expense ratio remained stable while combined ratio increased modestly.
- Capitalization & Liquidity:** Given the increase in capital base on account of profit retention, operating leverage of the company improved, while financial leverage remained largely stable during the period under review. Liquidity profile is also considered sound in view of presence of sizeable liquid assets in relation to total liabilities. Insurance debt of the company increased on a timeline basis and represented 34.9% (FY16: 19.0% (FY15: 12.5%)) of the gross premium by end-9MFY17. However, insurance debt of the company, net of business from CPEC project, remained largely stable.

FINANCIAL SUMMARY			
<i>(amounts in PKR millions)</i>			
BALANCE SHEET	SEP 30, 2017	DEC 31, 2016	DEC 31, 2015
Cash and Bank Deposits	1,898.9	2,167.4	1,716.8
Investments (at MV)	14,493.4	14,370.0	14,594.9
Investment Properties	2,563.5	2,563.5	2,563.5
Insurance Debt	2,950.9	1,460.6	997.5
Total Assets	18,968.7	17,411.2	15,187.9
Net Worth	6,654.6	6,599.9	5,906.4
Total Liabilities	12,008.6	10,727.1	9,251.1
INCOME STATEMENT	SEP 30, 2017	DEC 31, 2016	DEC 31, 2015
Net Premium Revenue	3,462.4	4,170.9	4,150.8
Net Claims	1,835.2	2,030.3	2,174.4
Underwriting Profit	232.9	397.0	388.6
Net Investment Income	680.9	1,111.4	1,052.2
Profit Before Tax	1,216.5	1,854.1	1,711.3
Profit After Tax	795.6	1,179.4	1,352.7
RATIO ANALYSIS	SEP 30, 2017	DEC 31, 2016	DEC 31, 2015
Market Share (Gross Premium) (%)	-	12.1%	13.0%
Cession Ratio (%)	36.8%	45.1%	45.8%
Gross Claims Ratio (%)	44.2%	56.0%	34.5%
Net Claims Ratio (%)	53.0%	48.7%	52.4%
Underwriting Expense Ratio (%)	40.3%	42.0%	38.3%
Combined Ratio (%)	93.3%	90.5%	90.7%
Net Operating Ratio (%)	69.9%	72.5%	77.4%
Insurance Debt to Gross Premium (%)	34.9%	18.6%	12.5%
Operating Leverage (%)	38.0%	35.0%	42.7%
Financial Leverage (%)	46.2%	42.3%	46.0%
Adjusted Liquid Assets to Technical Reserves (%)	225%	271%	309%

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				
	23/1/2018	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
	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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