BADRI

Date: June 29, 2022

Pakistan's Listed General Insurance Industry Performance Analysis For The Year 2021

Badri Management Consultancy is proud to have won the Strategic Partner of the Industry at the 8th Middle East Insurance Industry Awards 2021 conducted by Middle East Insurance Review.

MIIA have held a predominant position by inspiring initiatives towards Product Innovation, Corporate Social Responsibility & Long-Term Sustainability. The fact that we won this award a second time around bring fruits to the efforts we are putting in. These awards are the reflection of the trust and loyalty of our esteemed clients, and the hard work and dedication of all our people at Badri.

We have started many new trends like regular research reports and industry workshops and training with the intention of raising the level of transparency and technical expertise within the industry. We consider ourselves as solution architects strengthening our partners to optimize performance and winning this prestigious award means we are going in the right direction.

Thank you, Middle East Insurance Review and the judges, for acknowledging all the efforts put in behind the scenes.

About BADRI Management Consultancy

Badri Management Consultancy is the fastest growing Actuarial Consulting Firm in the Middle East, recognized for its collaborative approach to working with our clients as Profit Optimizing Partners.

We are serving as Appointed Actuary for over 20 companies across the GCC. In addition, we are providing other services including:

- IFRS17 Implementations and Managed Services
- Enterprise Risk Management related advice
- Specialized services for Medical Insurance and TPAs
- Data Analytics and Business Intelligence
- End of Service Benefits Valuations
- Strategy Consulting including Digital Transformation
- Merger & Acquisition Consulting
- HR Consulting Services

BADRI

VISION

Solution architects strengthening our partners to optimize performance

MISSION

We help our clients be the best version of themselves by fostering partnerships, challenging norms and providing cutting edge solutions. We inspire our people to constantly evolve and chase excellence with integrity in a diverse, exciting and growth-oriented culture.

CORE VALUES

INTEGRITY

We uphold the highest standards of integrity in all our actions by being professional, transparent and independent.

CHASING EXCELLENCE

Through our empowered teams, we raise the bar by challenging norms to provide cutting edge solutions to our partners.

FOSTERING PARTNERSHIPS

We foster partnerships with all our stakeholders through collaboration, empathy and adaptability.

BREEDING EXCITEMENT

We value our people and create an exciting environment for them to develop.

GROWTH-CENTRIC

We believe in creating a vibrant culture through continuous personal and professional growth of our people, while also growing the business.

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INDUSTRY HIGHLIGHTS - 2021

Gross Premium Written - Conventional

PKR **76** Bn

2020: PKR 65 bn

Gross Contribution Written - Window Takaful

PKR **10** Bn

2020: PKR 8 bn

Retention Ratio - Conventional & Window Takaful

55%

2020: 54%

Gross Loss Ratio - Conventional & Window Takaful

43%

2020: 47%

Net Loss Ratio - Conventional & Window Takaful

47%

2020: 51%

Combined Ratio - Conventional & Window Takaful

86%

2020: 91%

Investment Income - Conventional & Window Takaful

PKR **7** Bn

2020: PKR 6 bn

PBT - Conventional & Window Takaful

PKR **14** Bn

2020: PKR 10 bn

Investment Return - Conventional & Window Takaful

10%

2020: 9%

Return on Equity - Conventional & Window Takaful

18%

2020: 14%

IFS RATING

Companies	2019		2020		2021	
	JCR-VIS	PACRA	JCR-VIS	PACRA	JCR-VIS	PACRA
AGIC	AA	AA	AA	AA	AA	AA
AICL		AA+		AA+		AA+
ASIC		A		A		A+
ATIL		AA		AA		AA
CENI	AA-		AA-		AA-	
CSIL		A-		A-		A-
EFU	AA+	AA+	AA+	AA+	AA+	AA+
EWIC		AA-		AA-		AA-
HICL		A+		AA+		A+
JGICL	AA+	AA+	AA+	AA+	AA+	AA+
PIL	BBB+		BBB+			
PINL		A-		A-		A
RICL	A		A		A	
SHNI		A		A		A
TPLI		A+		A+		AA-
UNIC		AA		AA	AA	AA
UVIC		A-		A-		A-

PACRA Key

Rating	Capacity
AAA	Exceptionally Strong
AA+ AA AA-	Very Strong
A+ A A-	Strong
BBB+ BBB BBB-	Good.
BB+ BB BB-	Weak.
B+ B B-	Very Weak
CCC CC C	Very high credit risk
D	Distressed

JCR-VIS Key

Rating	Capacity
AAA	Exceptionally Strong
AA+, AA, AA	Very Strong
A+, A, A	Strong
BBB+, BBB, BBB	Strong
BB+, BB, BB	Weak
B+, B, B	Very Weak
CCC	Very high credit risk
CC	Very high credit risk
C	Distressed
D	Distressed

ASIC, PINL and TPLI have experienced a rating upgrade with TPLI moving to a higher rating bracket. HICL on the other hand has experienced a rating downgrade. The rest of the companies have managed to retain their IFS ratings.

INSURANCE DENSITY AND PENETRATION

Year	Insurance Density (PKR)	Insurance Penetration
2016	221	0.15%
2017	310	0.20%
2018	331	0.20%
2019	352	0.20%
2020	348	0.19%
2021	378	0.19%

The Insurance Penetration ratio measures the proportion of GDP contributed by the written premium. The listed general insurance premiums contribute about 0.2% to Pakistan's GDP compared to a ratio of 0.9% and 0.7% for regional comparable countries namely India and Sri Lanka. While the insurance penetration in the US is around 8%

The Insurance Density measures the general Gross Written Premium per capita. The ratio for Pakistan shows an increasing trend year-over-year and stands at PKR 378 in 2021. While for regional comparable like India and Sri Lanka this number stands at USD 20 and USD 30, respectively. For developed countries such as the US, this number may reach USD 4,796.

The insurance industry plays a key role in managing the risks for individuals and large corporations included. This industry has a lot of potential for growth which can be materialized through government initiatives such as new types of compulsory insurance and awareness on financial literacy.

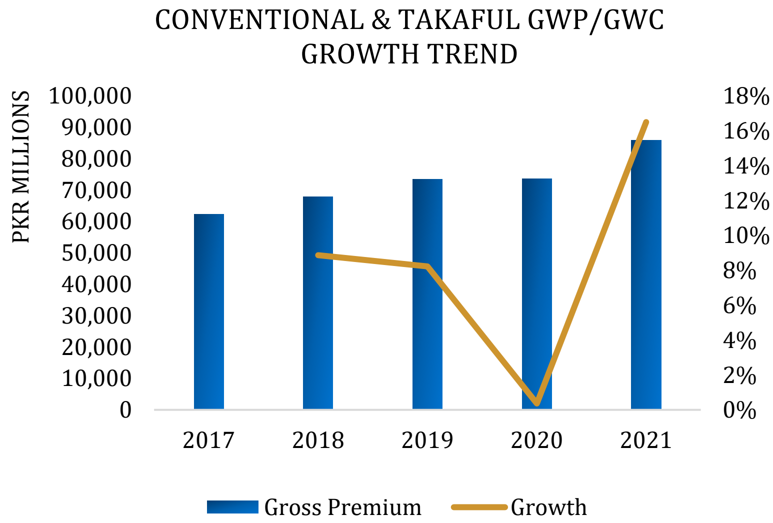
EARNINGS PER SHARE

Company	EPS 2020	EPS 2021
AGIC	5.50	5.10
AICL	5.93	8.41
ASIC	0.62	0.40
ATIL	7.60	9.84
CENI	4.82	5.52
CSIL	0.51	0.43
EFU	11.85	14.01
EWIC	1.70	2.30
HICL	0.50	0.86
JGICL	7.72	8.31
PINL	(2.32)	(0.54)
PKGI	0.90	0.28
RICL	1.13	0.88
SHNI	0.59	0.52
TPLI	(0.54)	0.90
UNIC	1.41	2.74
UVIC	(1.76)	0.81

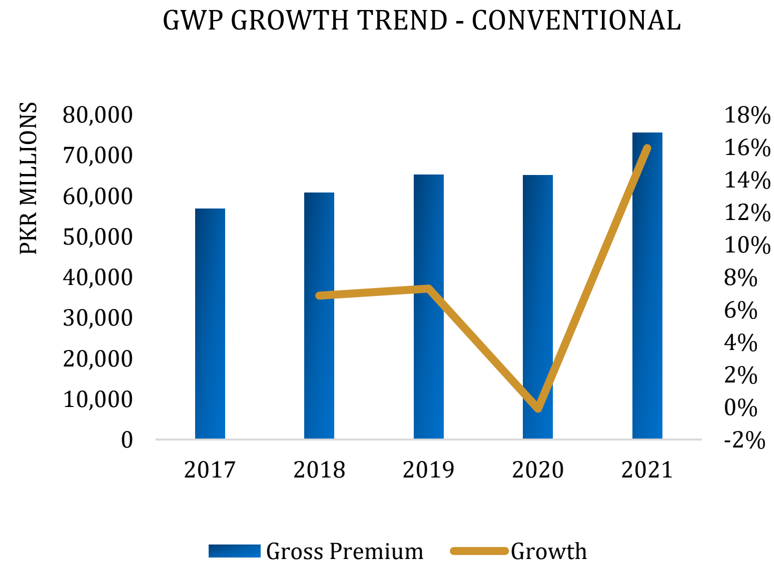
Most of the listed general insurance industry of Pakistan experienced an improvement in their EPS on account of better UW performance and investment performance.

GROSS WRITTEN PREMIUM - MARKET

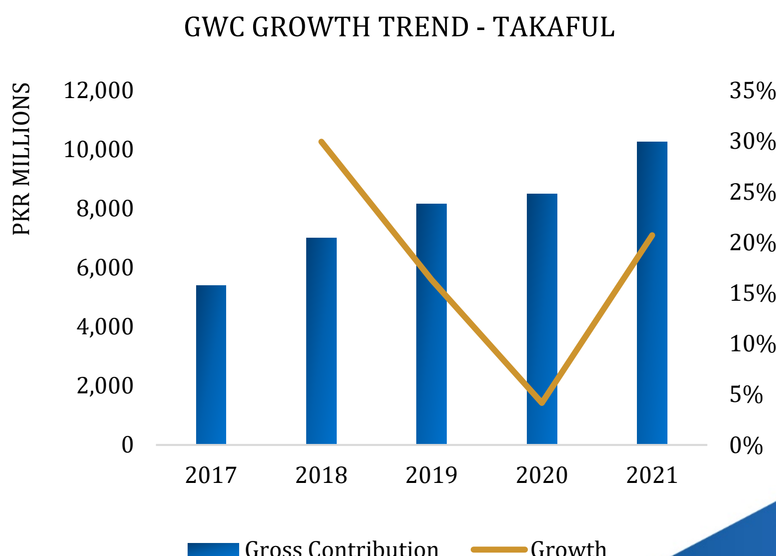
The listed general insurance industry of Pakistan experienced a 16% increase in the gross written premium/contribution during the year ended 2021 of PKR 86 billion. This was witnessed due to several factors starting from the successful containment of the pandemic. This resulted in a broad-based growth in Pakistan which was supported by a variety of indicators such as increased power consumption, cement dispatches and automobile sales volume along with increased vaccination rates of the population.



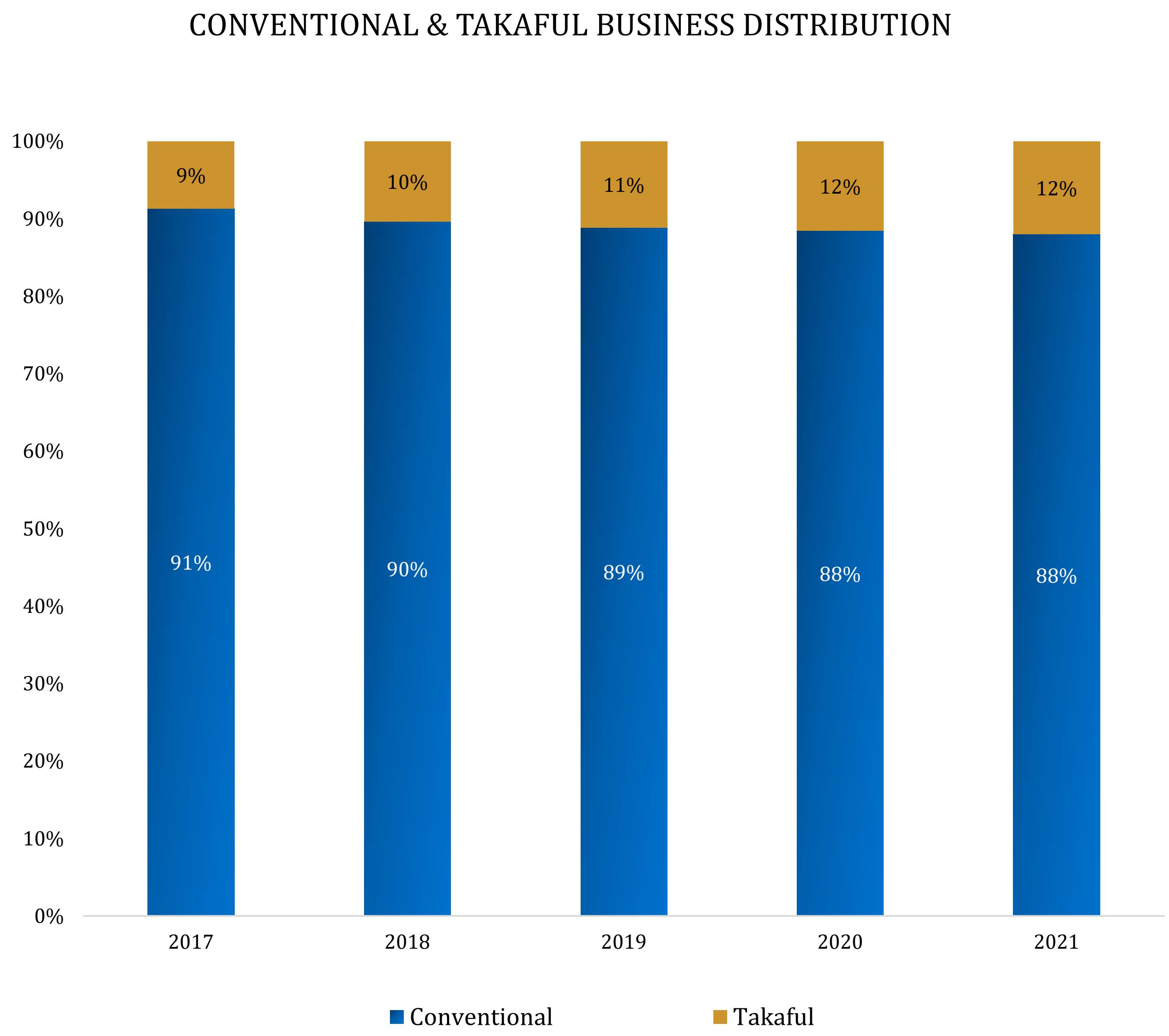
Conventional business is the main contributor to the industry's premiums which is almost 88% of the Gross Written Premium in 2021. The year ended 2021 experienced a 16% growth in premium resulting in the market premium of PKR 76 billion.



The listed takaful market experienced a decreasing growth rate till 2020 which bounced back to a double-digit growth in 2021 of 21%. Despite the COVID-19 lockdowns in 2020, the Gross Written Contribution (GWC) experienced a growth of 4%. It should be noted that the 2021 growth rate resemble the pre-COVID growth rates. The GWC for the listed takaful market stands at PKR 10 billion in 2021.



CONVENTIONAL VS TAKAFUL - DISTRIBUTION

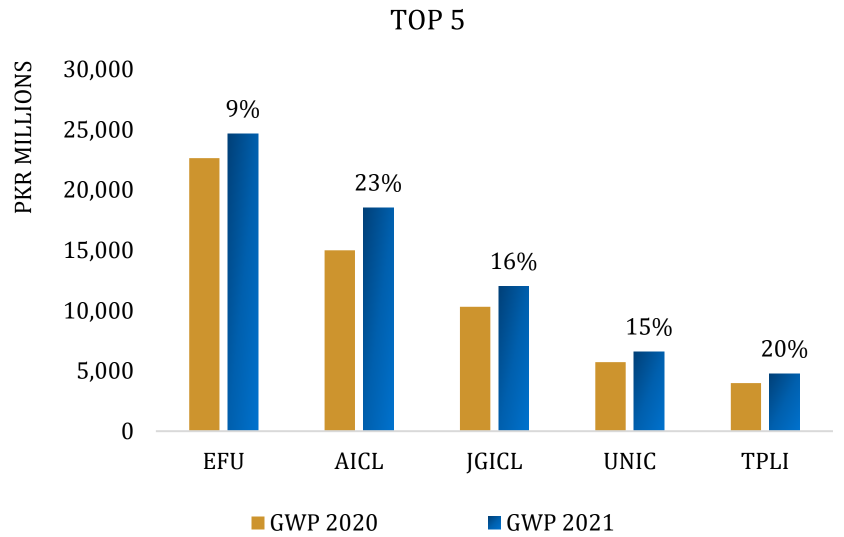


General insurers started operating windows takafuls following their approval by the SECP in 2014. While the majority of the business is still conventional, the takaful proportion can be observed to show a consistent increase throughout the 5-year period. The share of takaful stands at 12% for 2021 which is similar to the level in 2020.

GROSS WRITTEN PREMIUM - COMPANIES

The top 5 companies contributed PKR 67 Billion out of the PKR 86 Billion premium which constitutes 77% of the market.

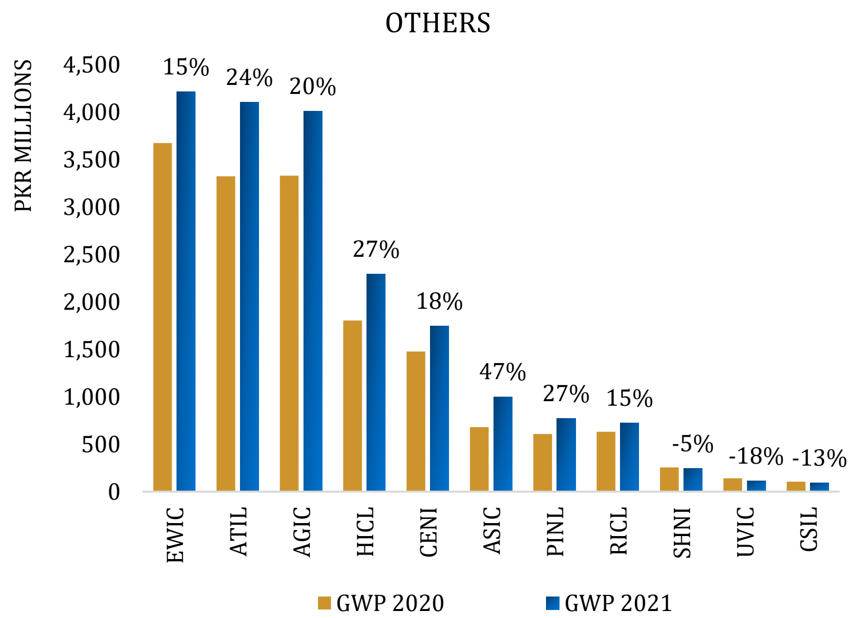
EFU can be seen as the market leader in the listed general insurance industry based on GWP with a market share of 29% for the year ended 2021 followed by AICL and JGICL at 22% and 14% respectively. The top 5 companies have experienced double digit growth in GWP except EFU.

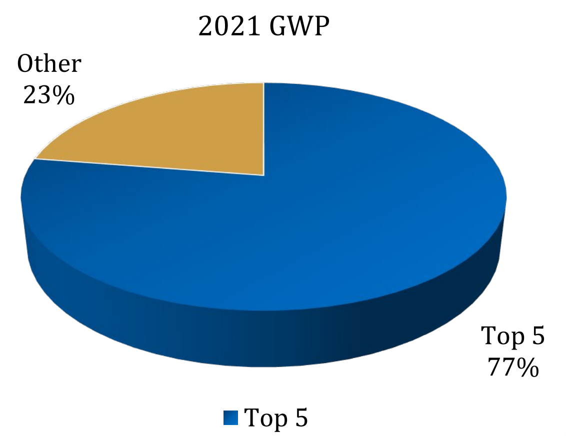


The rest of the market players experienced high GWP growth rates as well which were mostly in double digits. ASIC experienced the highest growth rate of 47%. Only 3 companies experienced a fall in their gross premium.

The overall growth in market premiums can be attributed to the economic recovery which gathered momentum in 2021. This was supported by an accommodative monetary policy of lower policy rates and the pent-up demand from 2020 which significantly increased auto financing with higher housing and construction loans during 2021.

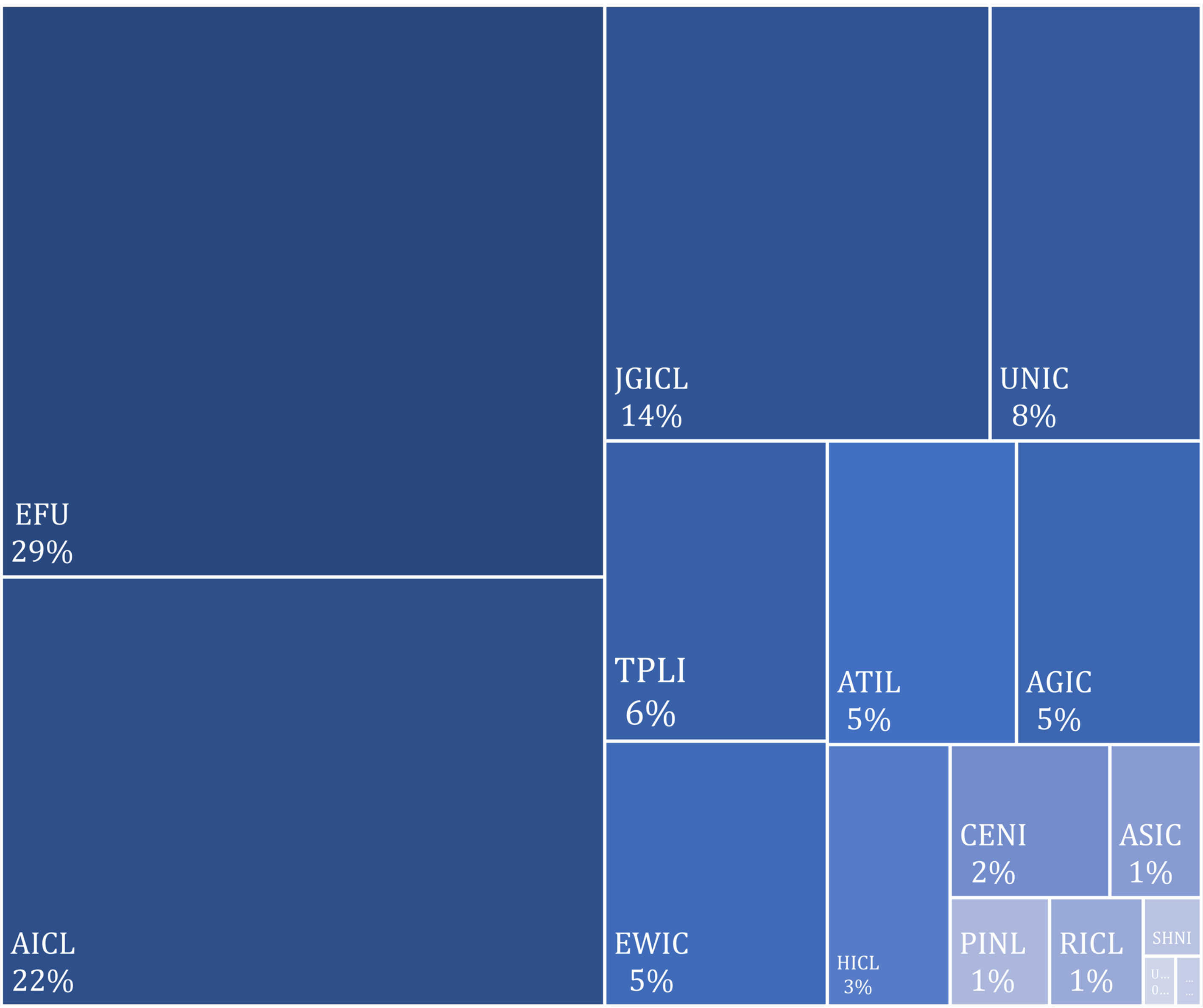
*****AICL includes business underwritten inside Pakistan only***





MARKET SHARE - COMPANIES

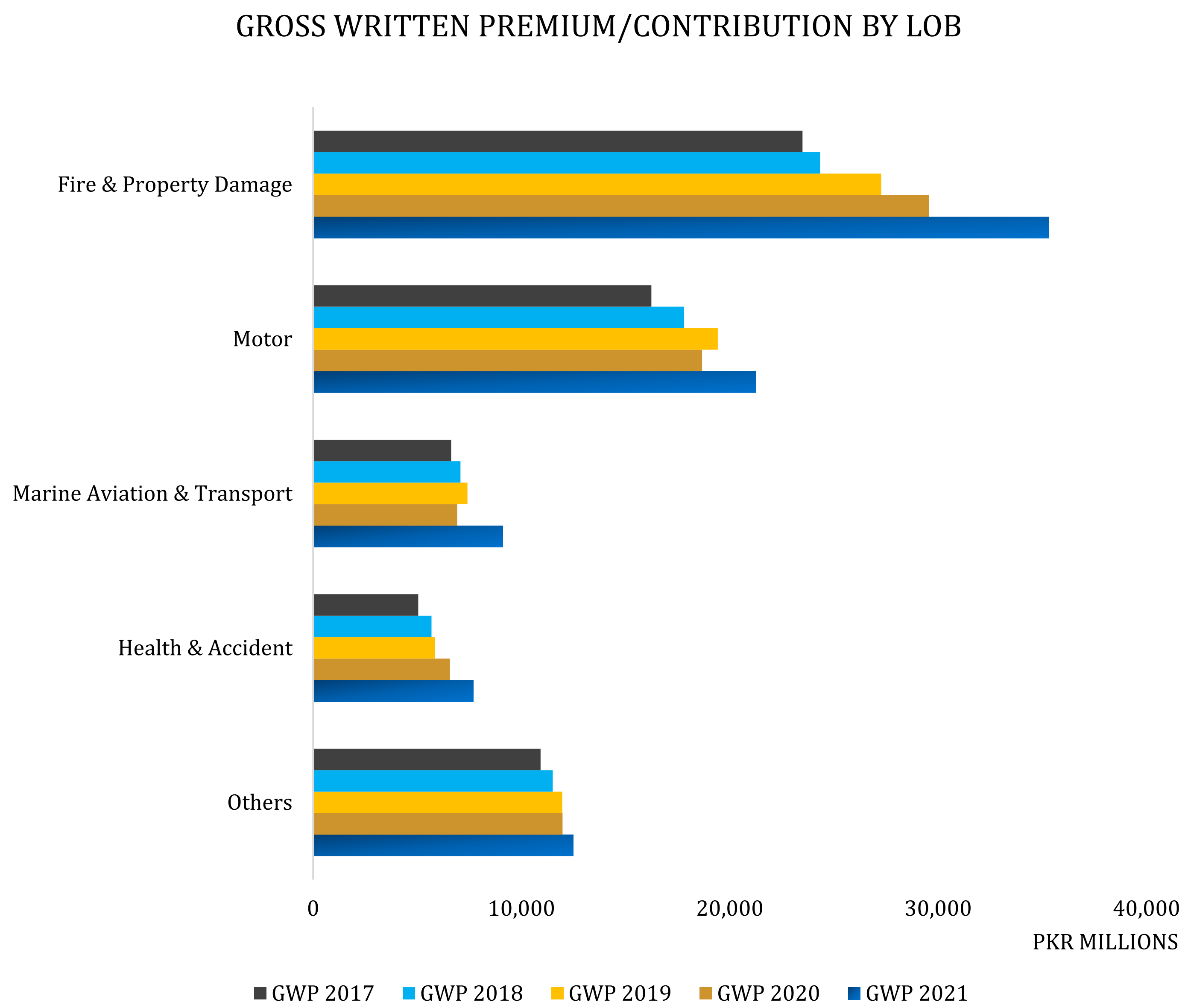
GWP - MARKET SHARE OF COMPANIES



EFU can be seen as the market leader in general insurance based on GWP with a market share of 29% for 2021 followed by AICL at 22% and JGICL 14% respectively. The Tree map shows companies with decreasing market shares as you go from the left chat to the right.

*SHNI, UVIC and CSIL which are in the bottom right have market shares that are less than 1%.
*****AICL includes business underwritten inside Pakistan only***

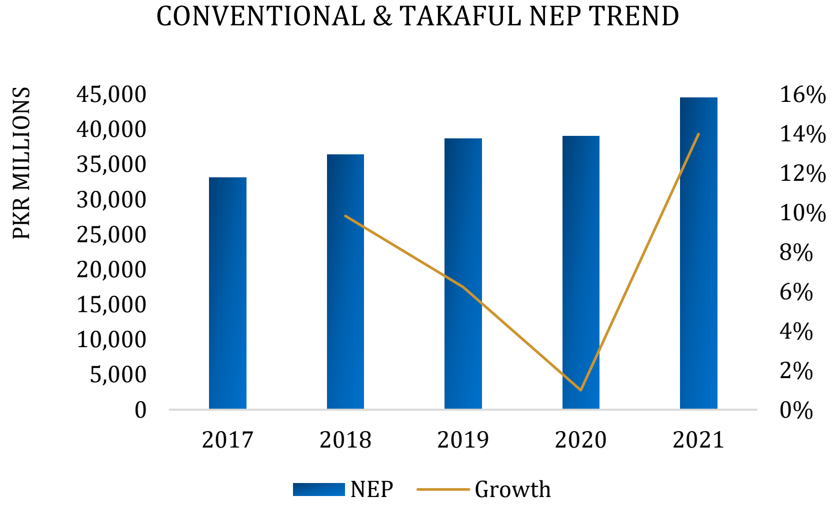
GROSS WRITTEN PREMIUM BY LINE OF BUSINESS



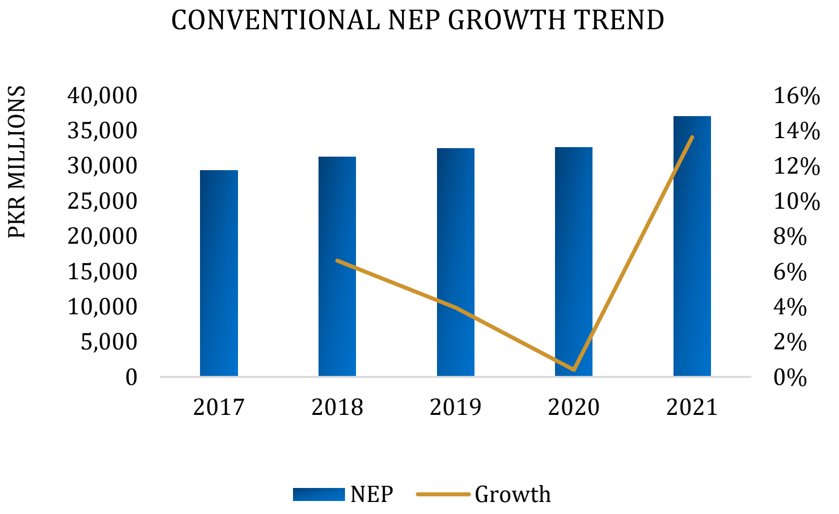
The year ended December 2021 saw GWP of PKR 86 billion which is the highest premium written over the five-year period. All the lines of business experienced an increase in premiums with the highest increase of 32% in the Marine line of business which is due to the economic recovery experienced in 2021 resulting in higher trade activity. The Fire business experienced a 19% increase in premiums while the motor line experienced a 14% increase. The State Bank Of Pakistan has maintained an accommodative monetary policy with low policy rates which have resulted in sharp increases in auto financing which has been supported by higher demand due to newer models in the market and delayed purchases from 2020. The Health business has also experienced a year-on-year increase in business written.

NET EARNED PREMIUM - MARKET

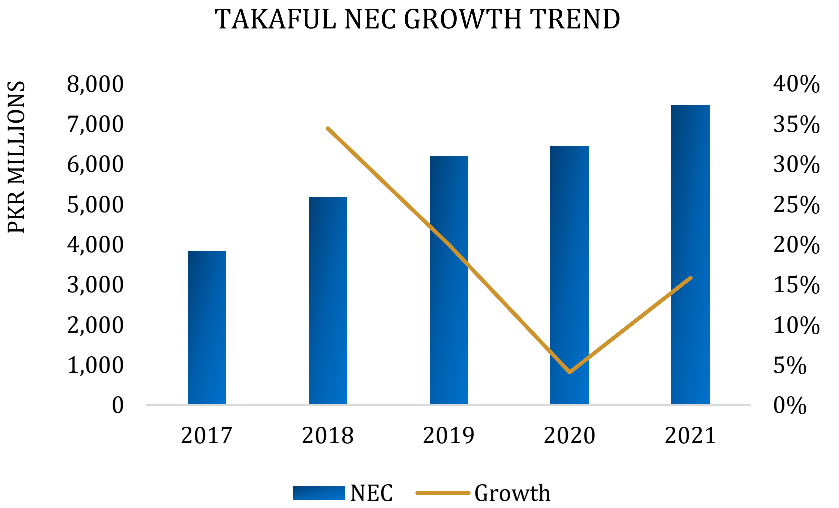
The total net earned premium for the conventional and takaful business combined amounted to PKR 45 billion for 2021, an increase of 14% compared to the corresponding period in 2020. The impact of increased GWP translates to the NEP as well. The 5-year trend shows a consistent year-on-year increase in NEP with a decreasing growth rate witnessed till 2020 The highest growth in NEP was experienced in 2021.



The conventional insurance business contributed PKR 37 billion to the market NEP which amounts to a proportion of 83%. The NEP growth rate has been relatively stable at around 4% with a higher growth rate of 14% experienced for the year ended 2021 compared to the corresponding period in 2020.



The NEP of takaful insurance business grew by 16% to PKR 7 billion earned in 2021. The NEP growth rate has experienced a decline since 2018 and the growth rate for the current period has not been able to keep up with the pre-covid growth rates of 20% and 34% experienced in 2018 and 2019.

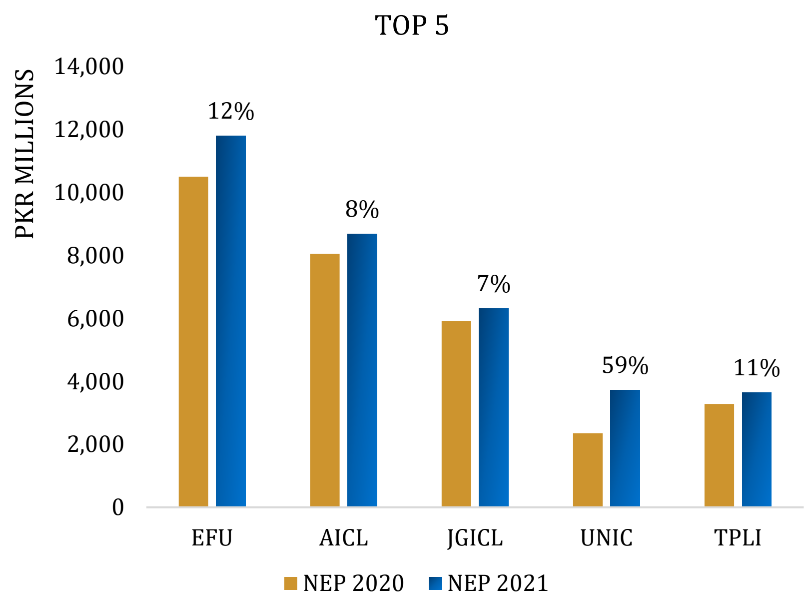


NET EARNED PREMIUM - COMPANIES

The net earned premium for the top 5 companies amounts to PKR 34 Billion which shows a 14% increase compared to the same period last year. The top 5 companies have 77% of the market in terms of the NEP.

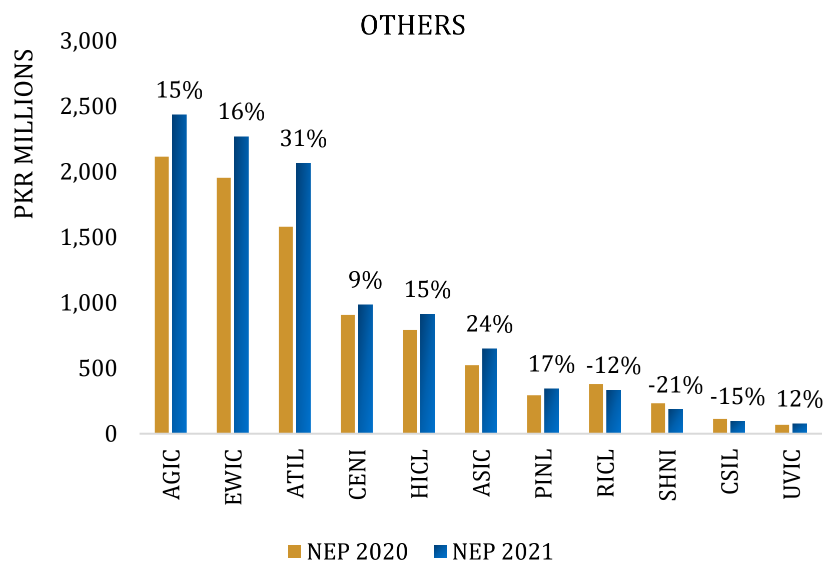
EFU leads the listed general insurance industry with a NEP of PKR 12 billion followed by AICL and JGICL of PKR 9 billion and PKR 6 billion, respectively.

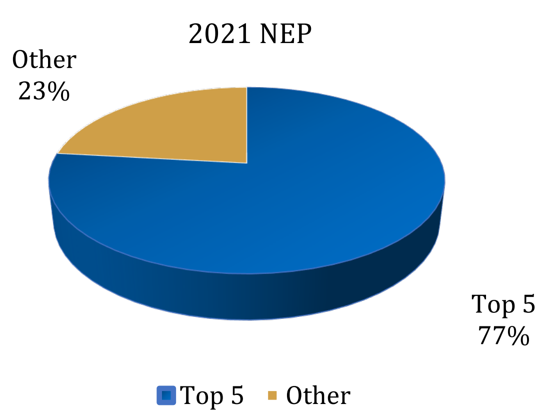
Amongst the top 5 companies, UNIC experienced the highest growth in their NEP of 59% in 2021.



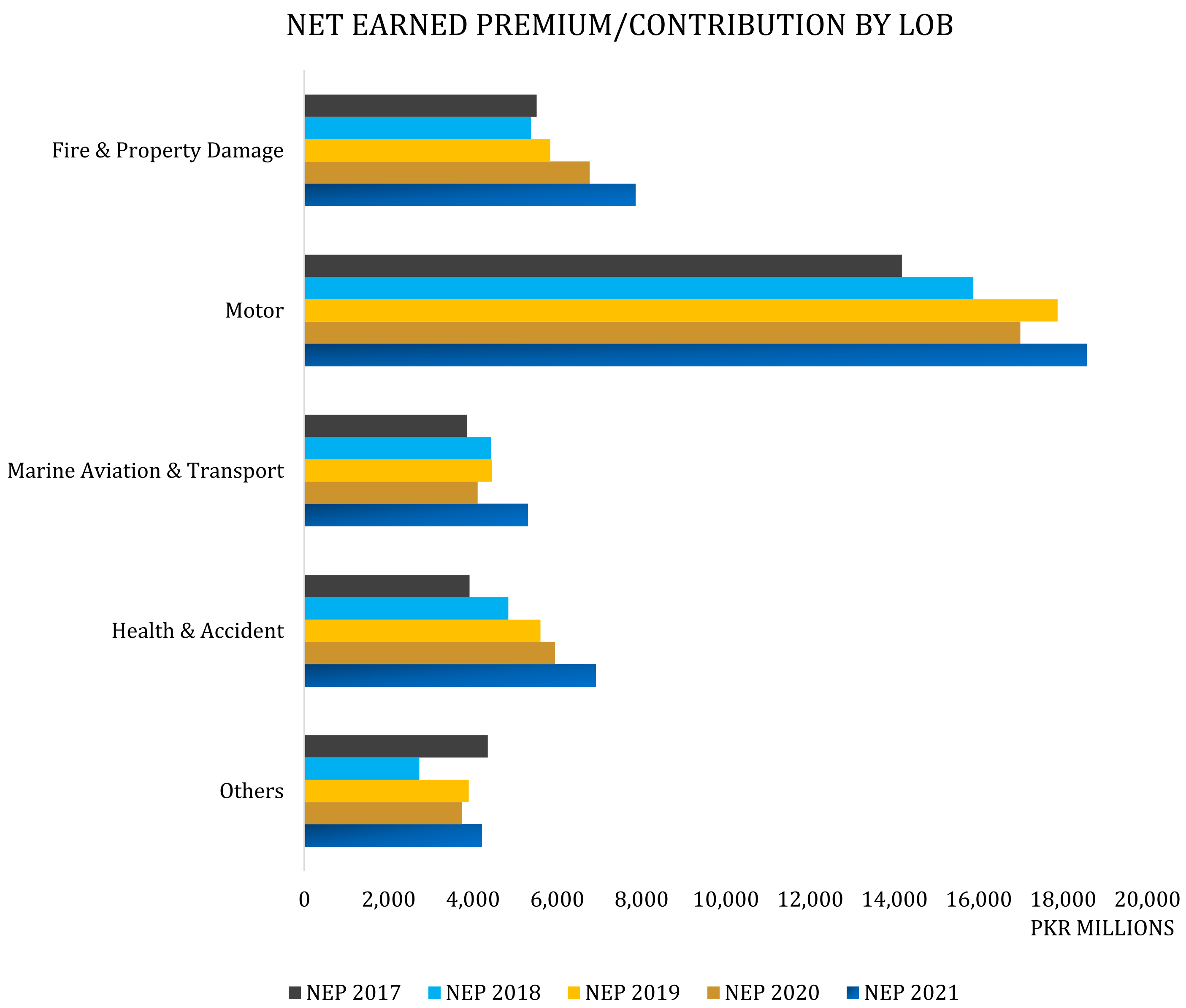
The other industry players hold a 23% market share in terms of the NEP which amounts to PKR 10 billion. The majority of the companies experienced a positive double digit NEP growth rate in 2021.

***AICL includes business underwritten inside Pakistan only**



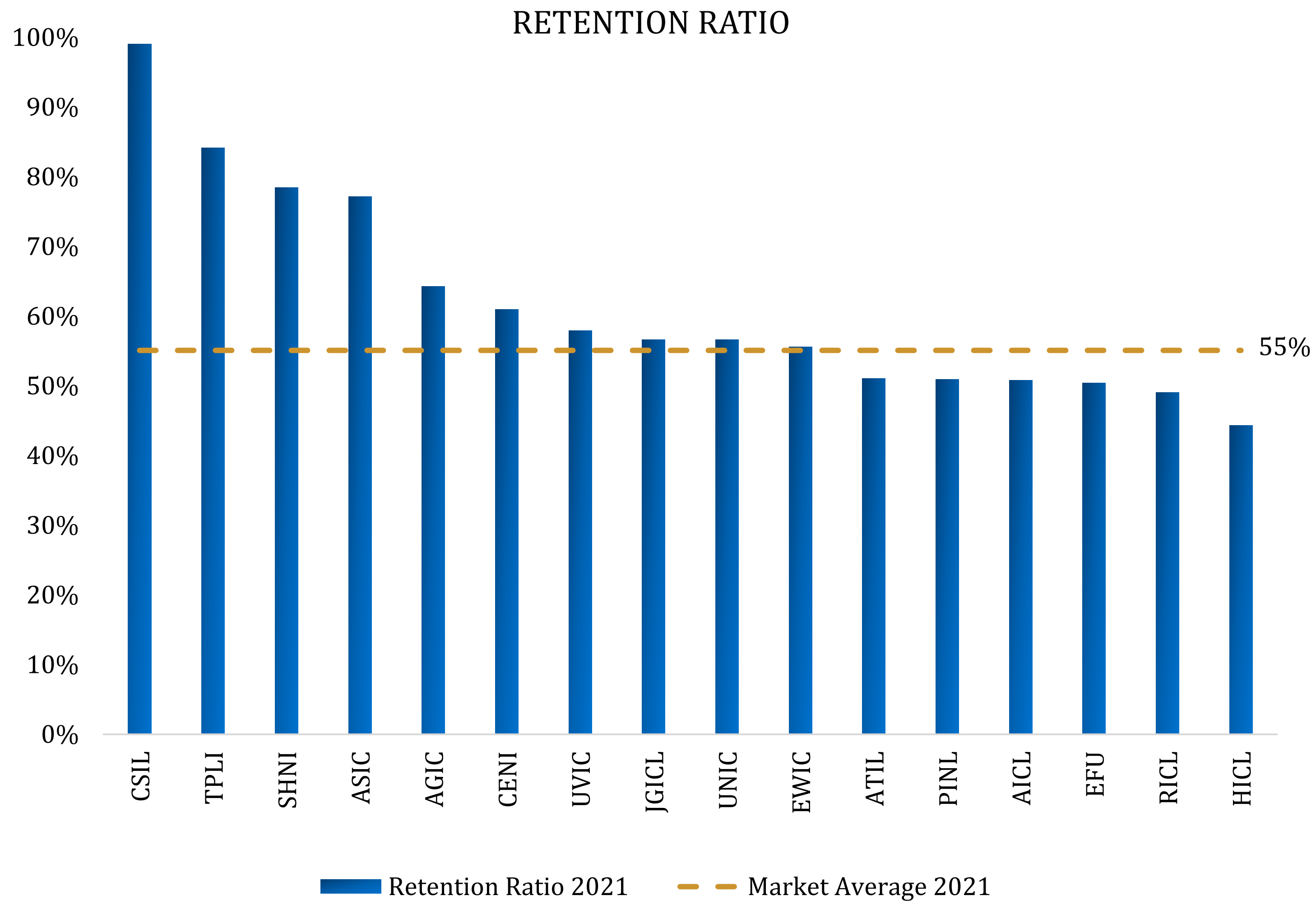


NET EARNED PREMIUM BY LINE OF BUSINESS



The higher premium written has also resulted in higher NEP which were about 14% higher than the 2020 level. The NEP depends on the earning pattern as well as the reinsurance arrangement of a particular business segment. The Fire and Property line has experienced a year-on-year increase in its NEP however, when comparing the GWP of this segment to its NEP, it can be observed that this segment is highly reinsured along with the Marine portfolio. This is because commercial lines are generally low frequency and high severity which requires a transfer of risk by the insurer. Furthermore, the motor line has been observed to consistently earn the highest net premium.

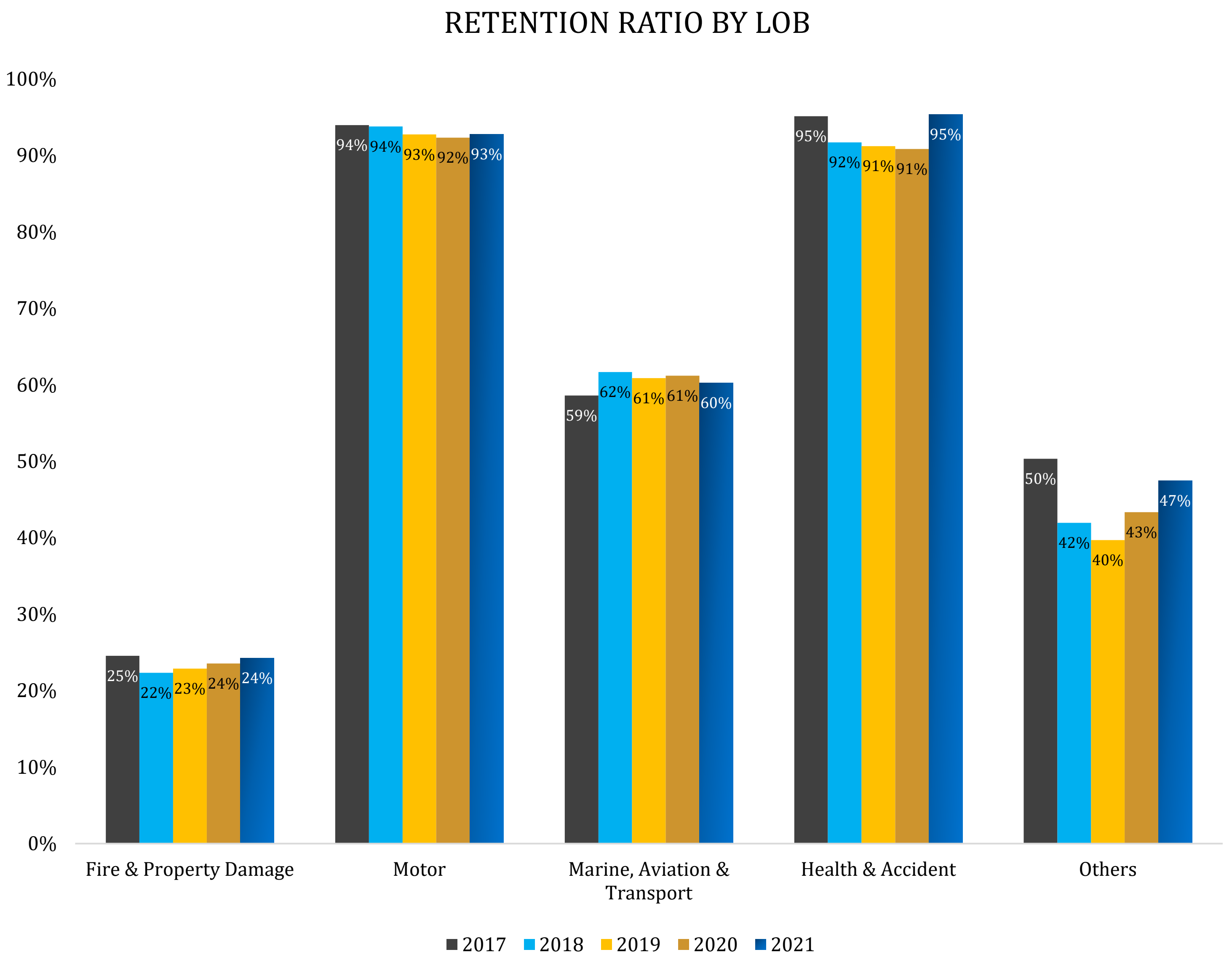
RETENTION RATIO - COMPANIES



The retention ratio has been calculated as the ratio of net earned premium to gross earned premium using gross of wakala expense numbers for the takaful segment. The market retention ratio is 55% (2020: 54%) which is the weighted average ratio for year ended 2021 and serves as a benchmark for our analysis.

The highest retention ratio of around 99% is reflected for CSIL while the lowest ratio was reflected by HICL at 44% which has its' main business proportion in the Fire and Property line. Retention ratios are generally reflective of the portfolio mix; Motor and Health generally tend to have higher retention ratios, while commercial lines such as Fire and Engineering have lower retention ratios.

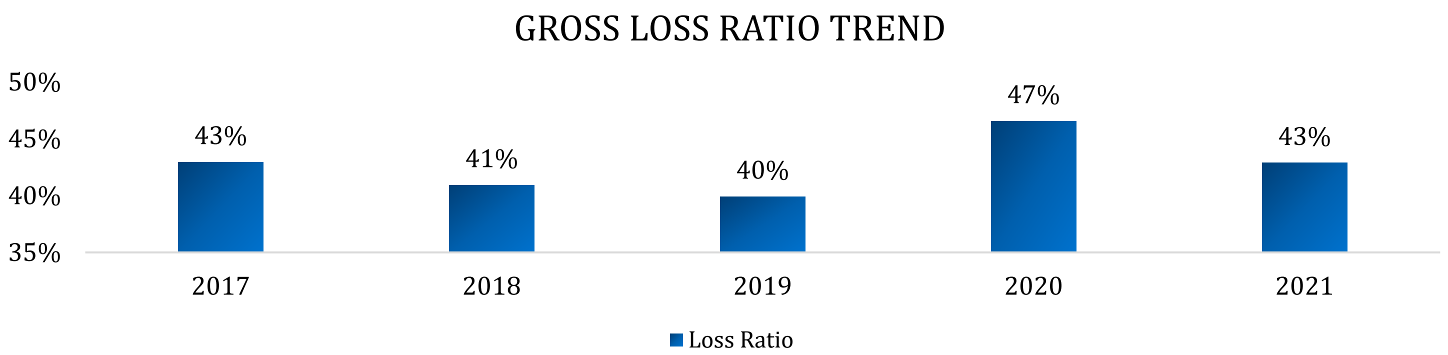
RETENTION RATIO BY LINE OF BUSINESS



The retention ratio is the percentage of business earned by insurance companies that is not reinsured. High frequency/low severity lines like Motor and Health have a high retention ratio as expected. On the other hand, volatile lines like Fire and Marine where the risk sizes may be bigger having a low retention ratio. Capital and capacity issues mean most large property risks in Pakistan are ceded out to the foreign reinsurance market.

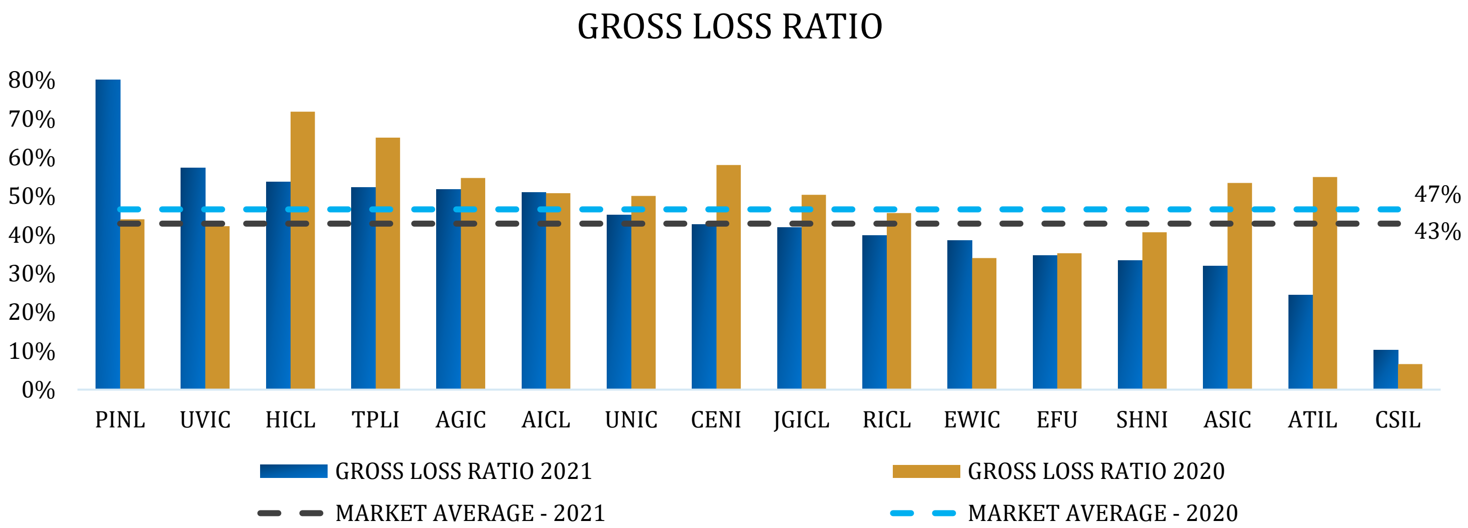
The bar graph shows that the retention ratios have been consistent within each line of business over the 5-year period with relatively lower retention ratios experienced by the Fire and Others line when compared within these lines over the 5-year period.

GROSS LOSS RATIO



The gross loss ratio has been calculated as the ratio of gross incurred claims to gross earned premium/contribution (Gross of wakala numbers are used for the takaful segment).

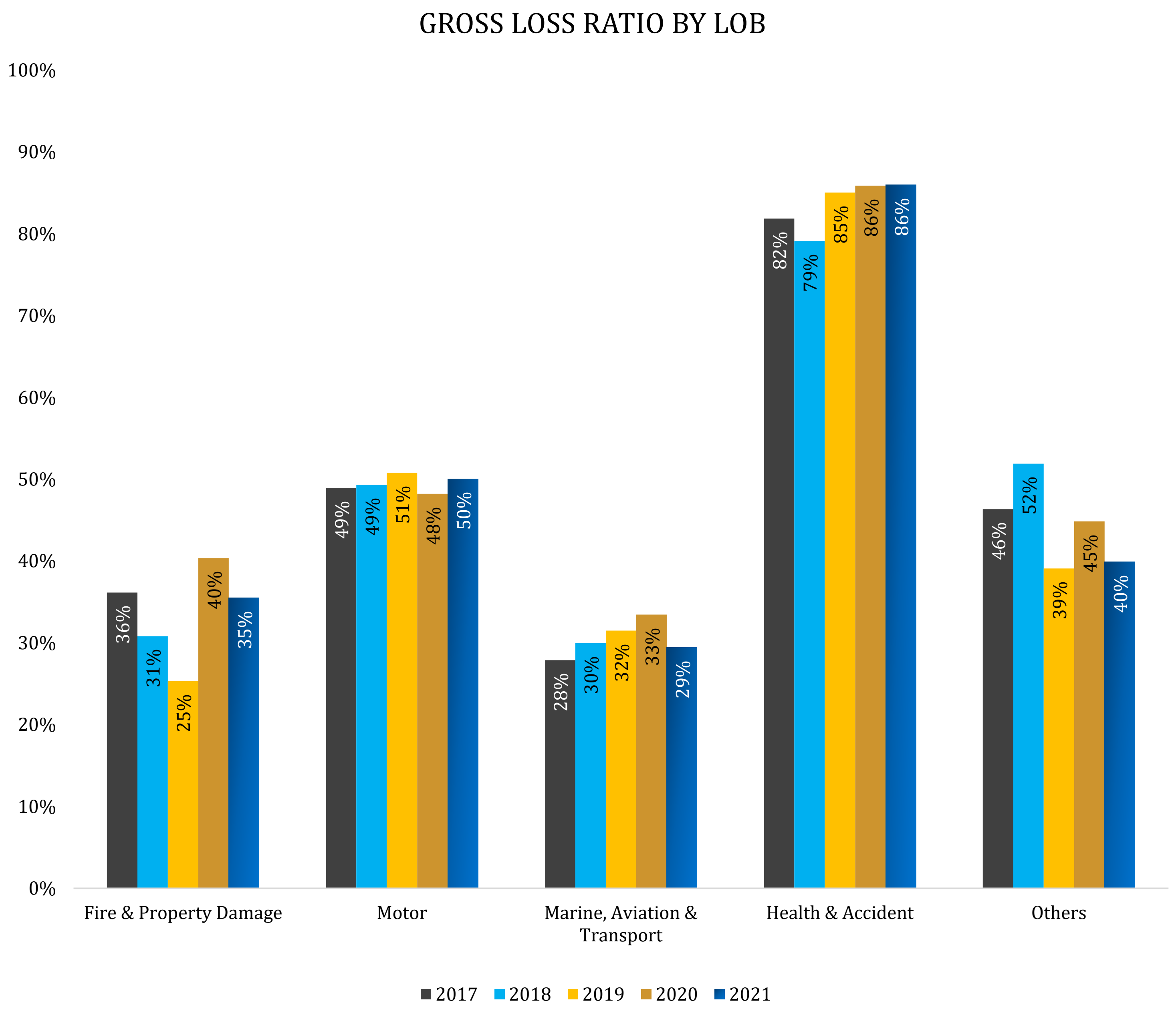
The market gross loss ratio exhibits a declining trend till 2019 followed by a steep rise of 7% in 2020 followed by a slight fall of 4% in 2021. The lower loss ratio in 2021 can be explained by lesser Fire and Property and Marine losses.



Overall, the gross loss ratio is lower for most listed companies 2021 when compared to the corresponding period in 2020. EFU and JGICL have managed to remain below the market average numbers while AICL experienced a ratio of 51%.

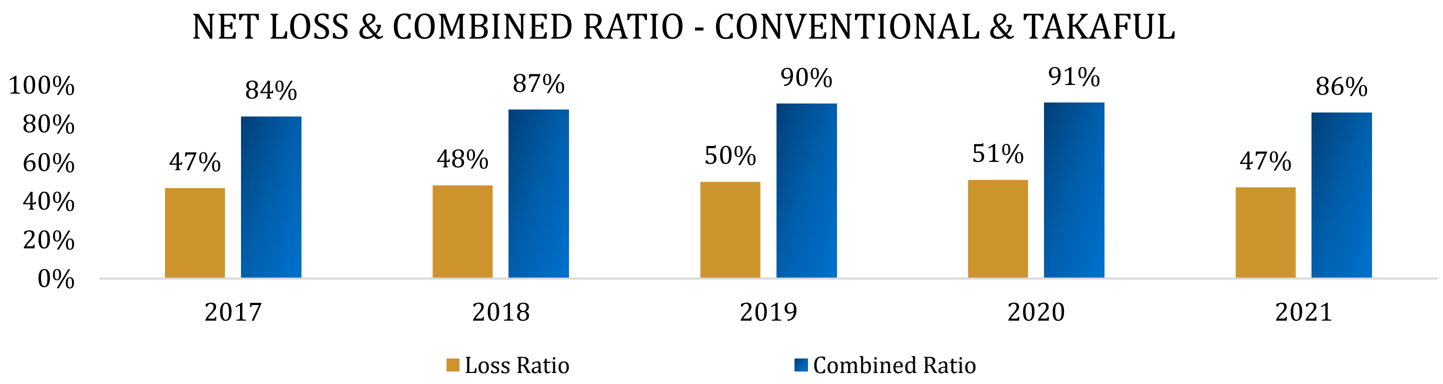
Disclaimer
*The ratio for PINL has been capped at 80%.

GROSS LOSS RATIO BY LINE OF BUSINESS



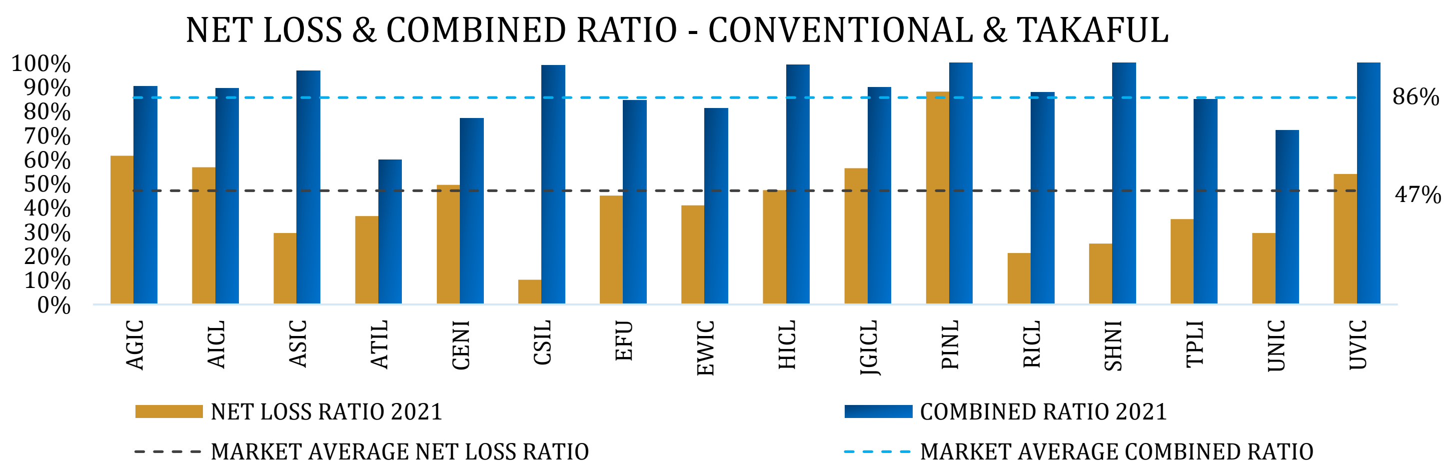
The gross loss ratios have trended up for Motor segment in 2021 with an increase of 2% compared to 2020. Lower Fire and Marine losses were experienced in 2021 compared to 2020. This is because 2020 saw large textile fire losses along with flash floods in some parts of the country especially the metropolitan city of Karachi. While the higher Marine losses would be due to hampering of global supply chains and trade due to lockdowns and covid restrictions.

NET LOSS & COMBINED RATIO - OVERALL



2021 has experienced the lowest net loss ratio over the 5-year period at 47%. It can be observed that the net loss ratios are either higher or similar to the gross loss ratios (shown on the previous page) which shows the inability of the market's reinsurance arrangements to absorb the losses. The market has experienced a decrease in the combined ratio in 2021 to 86% compared to 91% in the same period last year.

The expense ratio numbers are represented by the difference between the combined and net loss ratios which suggest that expense ratios have been stable within the 39% - 40% mark.



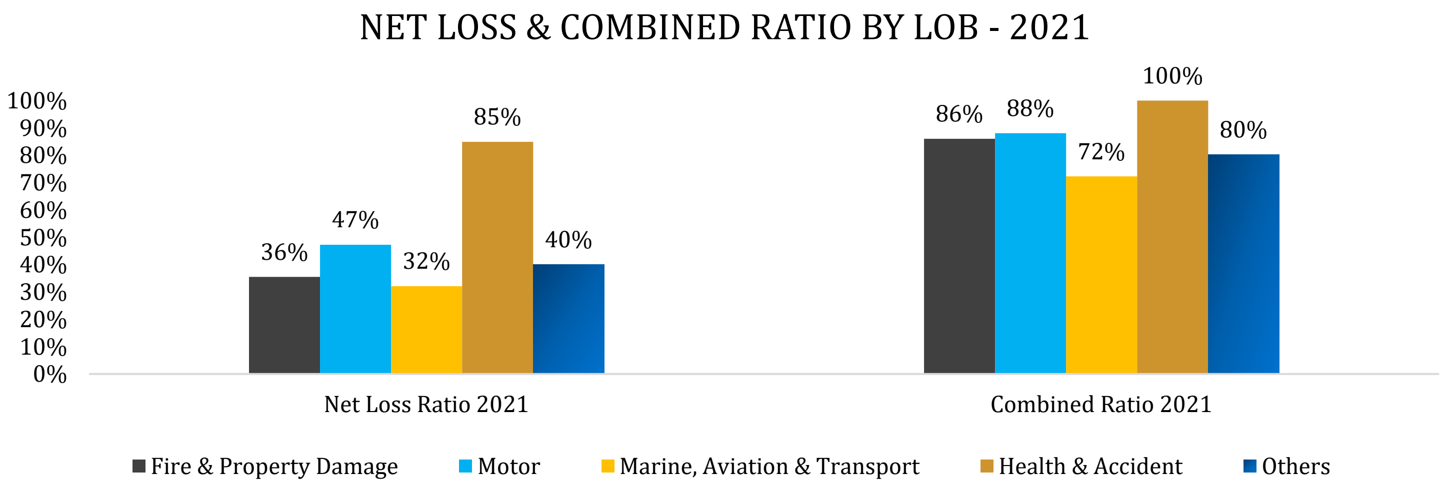
The net loss ratio is the ratio of net incurred claims over the net earned premium (Gross of wakala for the takaful segment) while the combined ratio includes management expenses and net commission as well.

The market net loss ratio is the weighted average net loss ratio which stands at 47% while the market combined ratio stood at 86% for the year 2021.

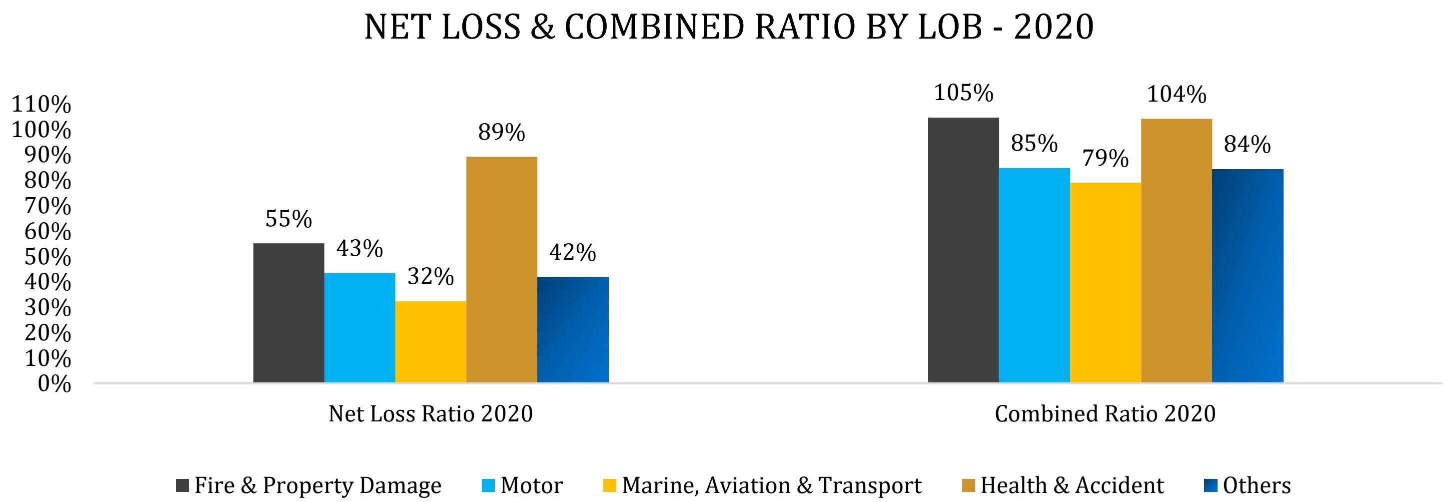
JGICL and AICL has net loss and combined ratios above the market averages while EFU has remained slightly below the market average figure. CSIL has the lowest net loss ratio of 10% while ATIL has the lowest combined ratio of 60%. it should be noted that any combined ratio greater then 100% translates into a net underwriting loss.

Disclaimer: PINL, UVIC, and SHNI have combined ratio in excess of 100%.

NET LOSS & COMBINED RATIO BY LINE OF BUSINESS

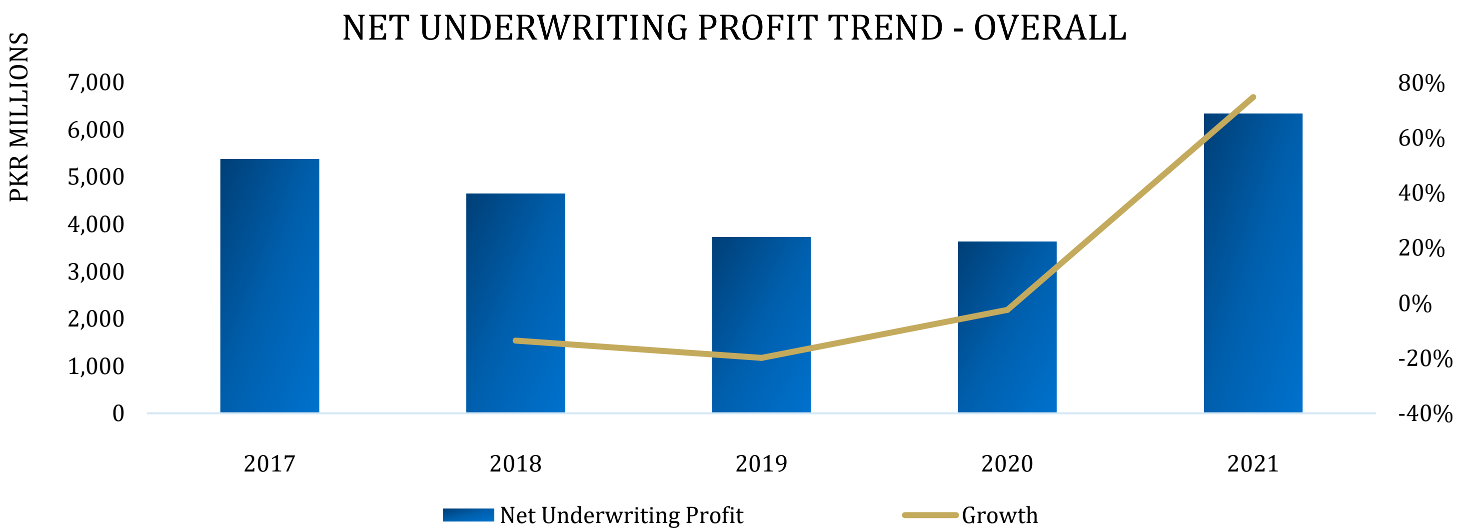


The bar chart shows the net loss and combined ratios across the various business lines for conventional and takaful segments combined. The overall net loss ratio was higher for Motor in 2021 compared to 2020. The Fire line has lower net loss ratio when compared to the gross loss ratio which suggests that some of the impact of the losses have been absorbed by the reinsurance arrangements in place. Similarly, the combined ratio has a similar trend to the net loss ratio trend. It can be observed that the Medical portfolio is barely profitable due to very high combined ratios for both periods while the Fire business has become profitable in 2021.

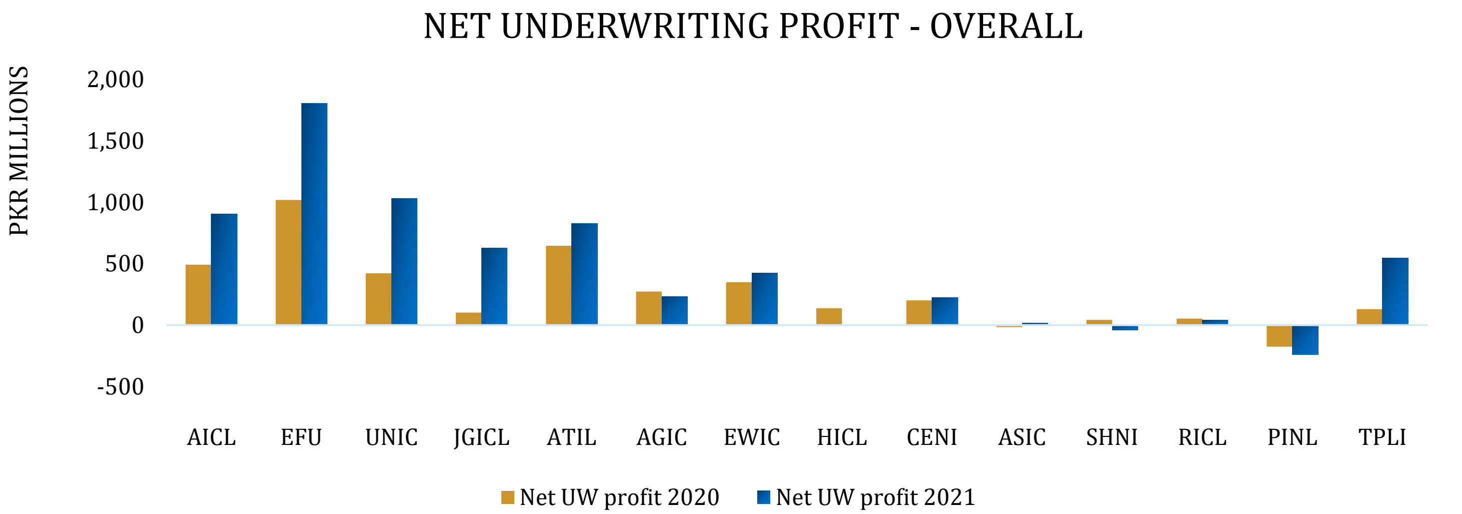


The combined ratio for the market in 2020 took a hit due to this ratio exceeding 100% for the Fire line, which is the largest line of business for the industry in terms of GWP. Furthermore, the medical line of business suffered high losses as well which exceed the premium earned resulting in a combined ratio of 104%.

NET UW PROFIT - OVERALL

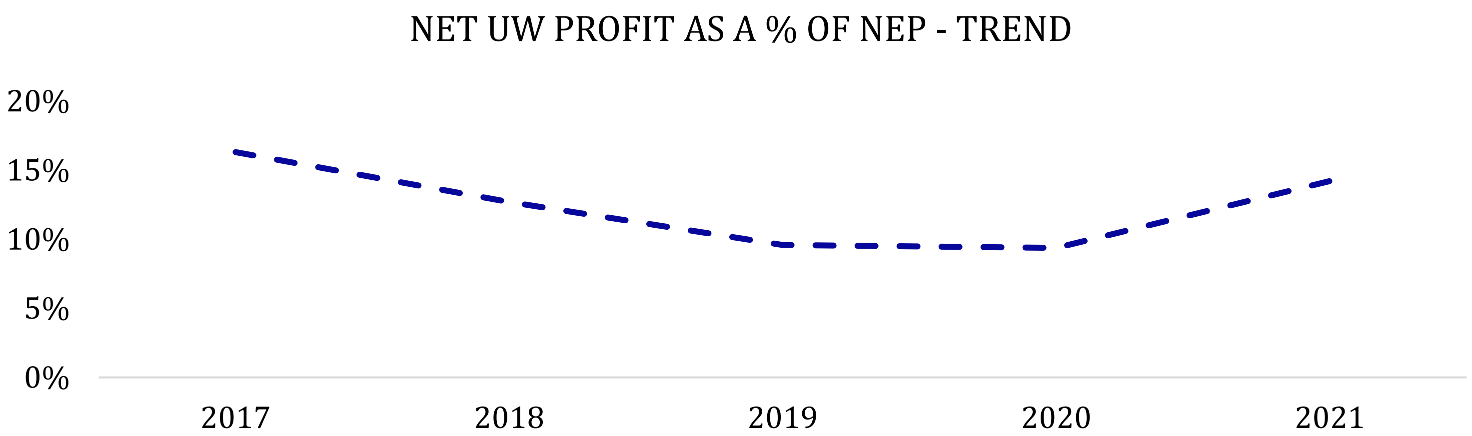


The market experienced a year-over-year decrease in underwriting profitability till 2020 which can also be observed by a rise in combined ratio over this period. The market experienced a sharp rise in UW profitability in 2021 of 75% amounting to a figure of PKR 6 billion. The UW profitability improved on account of higher industry-wide premium and lower net loss ratios.

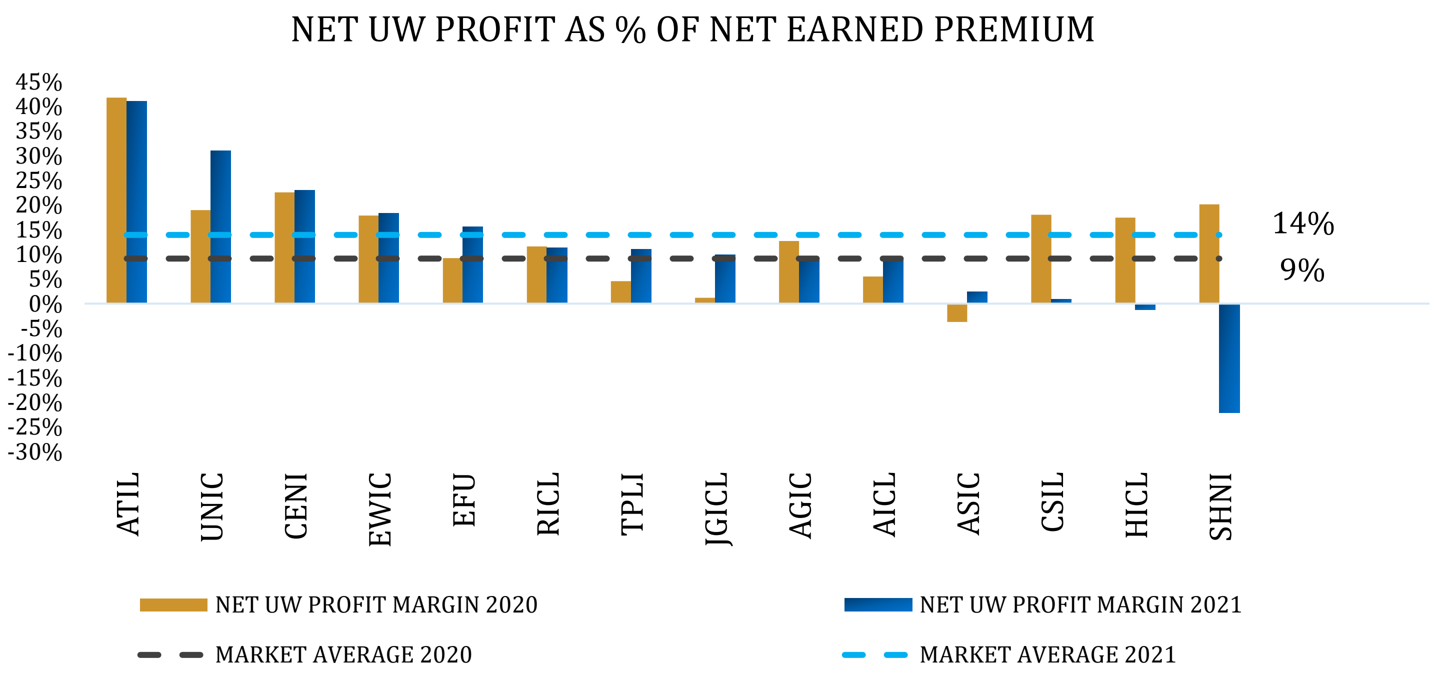


The bar graph shows the underwriting profitability by companies for the listed general insurance sector. EFU has experienced the highest UW profits in 2021 while JGICL has experienced the highest increase in UW profitability of 512%.

NET UW PROFIT AS A % OF NEP

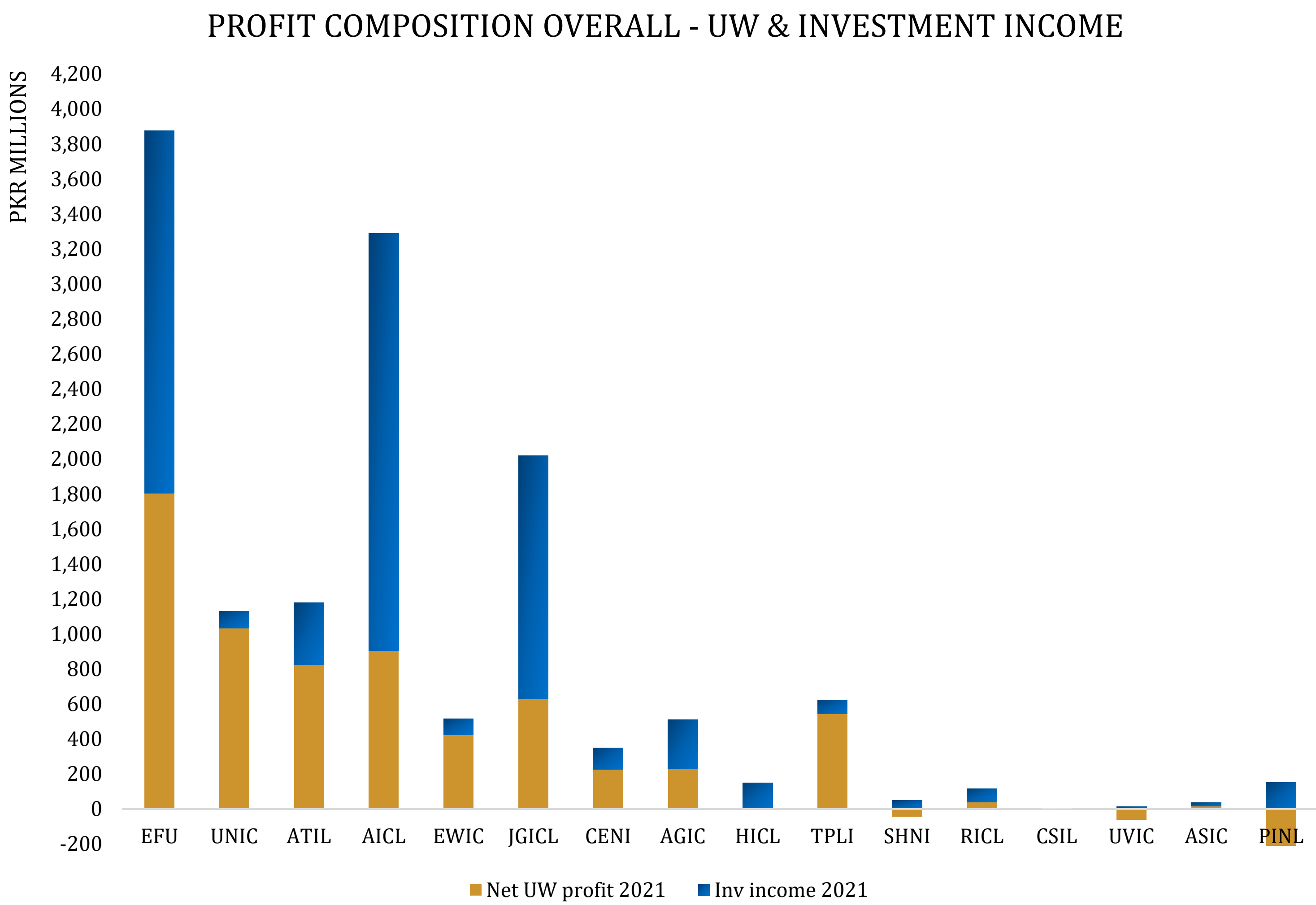


The net underwriting profit margin has fallen over the 5-year period for the conventional and takaful business and currently stands at 14%. This corresponds with the trend observed for the combined ratio which has increased since 2017 to 2020 with a decrease of 5% experience in 2021. This 5% decrease in combined ratio translates into a 5% increase in the UW profit margin.



ATIL has the highest UW profit margin of 41% in the current period while the lowest ratio is reflected in UVIC's financials of -80% (not shown in the chart). On average, companies have experienced a faster rise in net UW profitability in the current period than the increase NEP. Hence, the market net UW profit margin has risen to 14%.

INVESTMENT INCOME - OVERALL

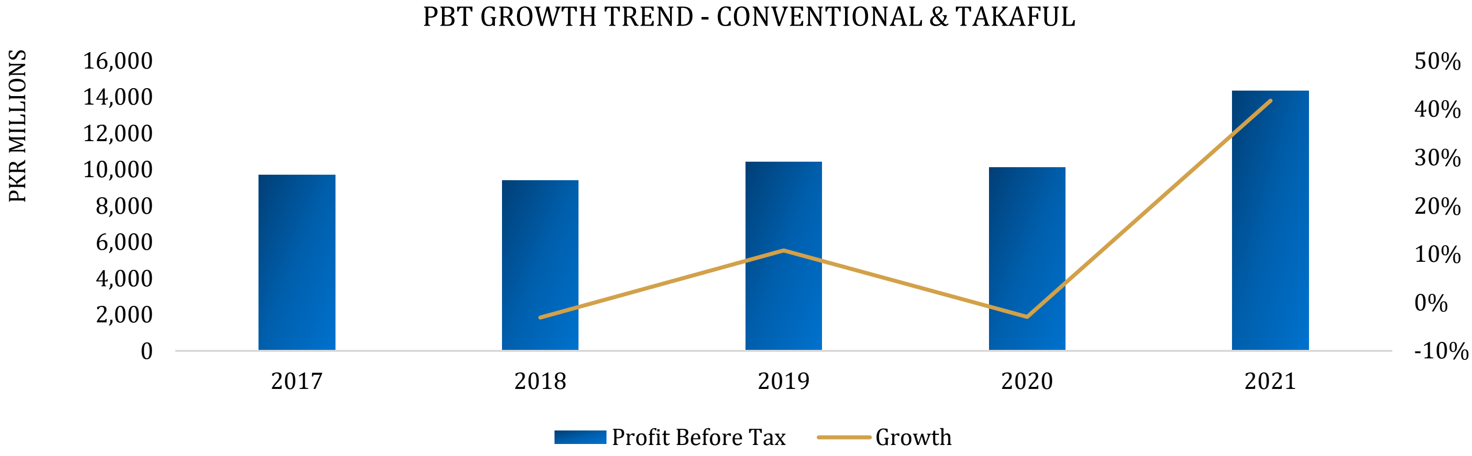


The total investment income earned for the listed general insurance market amounts to PKR 7 billion (2020: 6 billion).

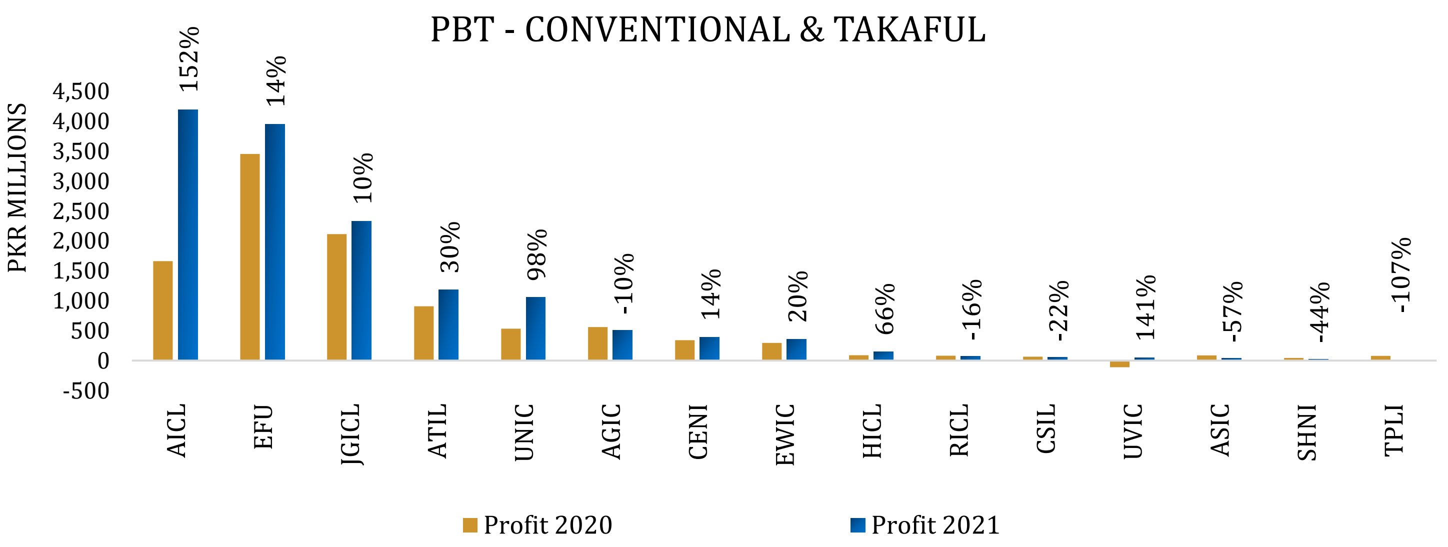
The graph shows the profit composition of the listed general insurance business with the companies ranked in terms of underwriting profits. It can be seen that investment income is a major performance driver for general insurers. The top 3 companies in terms of GWP have investment incomes that are higher than their profits from underwriting operations. Out of the 3 companies in an underwriting loss 1 company, namely SHNI, has been able to recoup their underwriting losses with their investment income.

EFU has outperformed their competition in terms of underwriting profits while AICL has outperformed the market in terms of investment income, with an investment income of PKR 2 billion. It is interesting to note that the investment income of EFU is almost 1.1 times its' UW profits while for AICL this multiplier takes a value of 2.6.

PROFIT BEFORE TAX



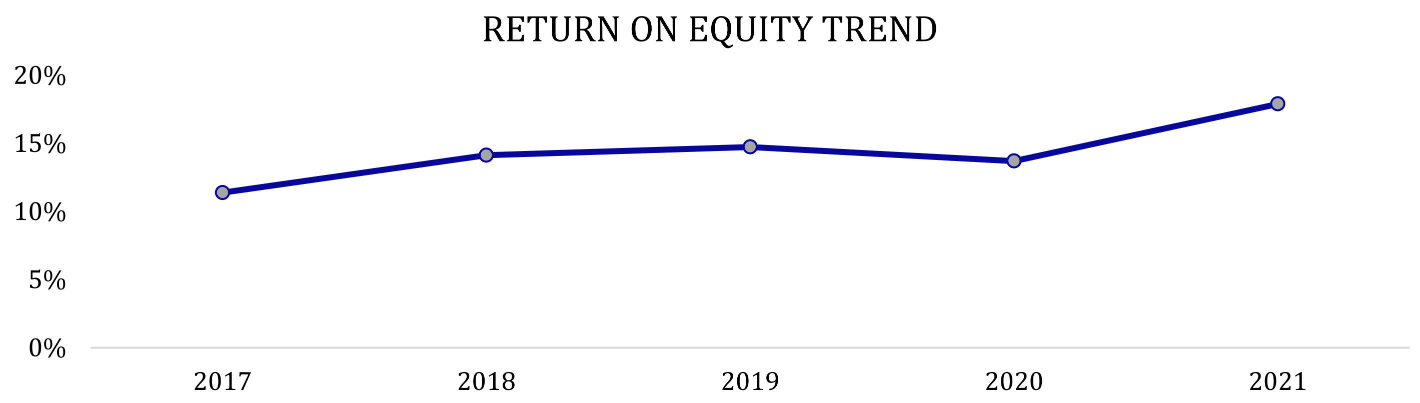
The market PBT reflects a relatively stable trend between 2017 and 2020 with peak profits reached in 2019. 2021 experienced the sharpest increase in PBT which was in account of improved underwriting and investment performance. The profitability increased by 42% resulting in a market PBT of PKR 14 billion.



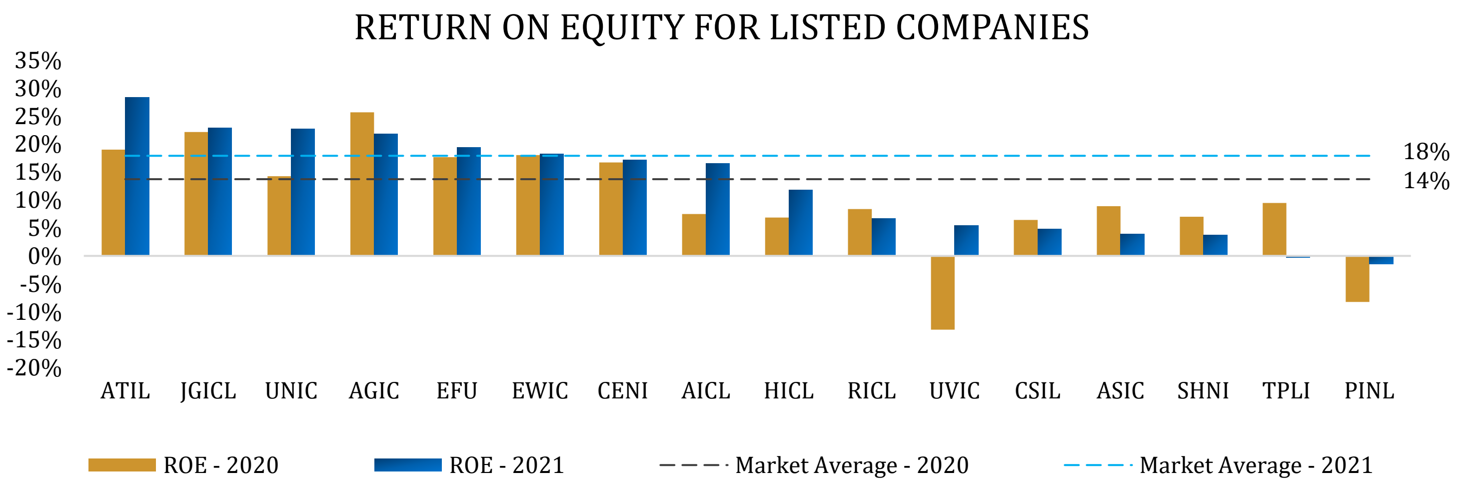
AICL leads the general insurance market with the highest profit before tax of PKR 4 billion followed by EFU at PKR 4 billion and JGICL at PKR 2 billion. The top 3 companies have experienced a double digit growth in earnings with AICL attained a triple digit growth of 152%.

Disclaimer: AICL includes business underwritten inside Pakistan only

RETURN ON EQUITY



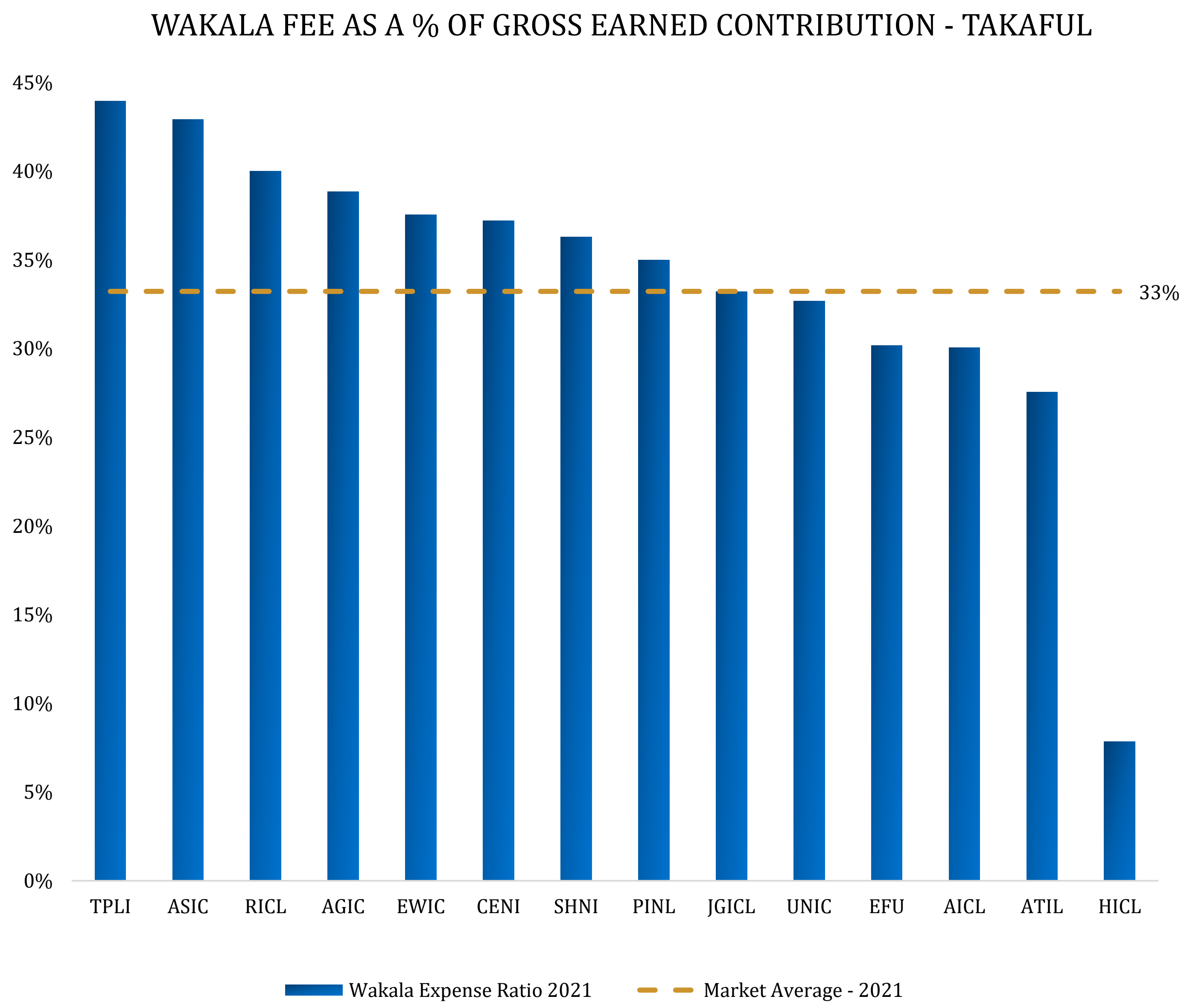
The return on equity shows how well a company is using its' capital to generate profits. The weighted average return on equity shows a V-shaped trend over the last 3-years with an inflection point at 14% reached in the 2020. The market PBT has increased faster than the market equity figures since then resulting in a ROE of 18% in 2021.



UNIC shows the highest return on equity of 20% while PINL has the lowest return on equity of -1%. A noticeable observation that can be seen is that most market players have a positive ROE figure in 2021 which shows that most companies experienced positive earnings.

The Return on Equity is calculated as the ratio of PBT to total of shareholders equity at the end of the period.

WAKALA EXPENSE % OF GEC

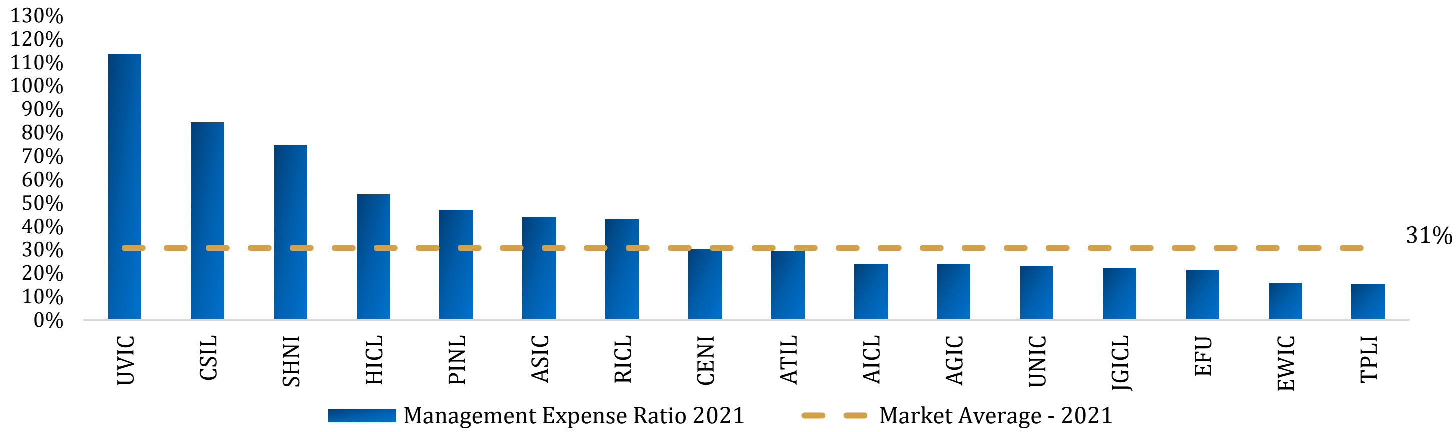


The Operator manages the participant fund and takes a fee as a percentage of written contribution which serves as the income for the operator. This ratio calculates the earned wakala income over the gross earned contribution (gross of wakala).

The market ratio averages to 33% (2020: 31%). The highest ratio is reflected in the financials of TPLI of 44% while the lowest ratio is reflected in the financials of HICL at 8%.

MANAGEMENT & COMMISSION EXPENSE RATIO

MANAGEMENT EXPENSE AS A % OF NET EARNED PREMIUM

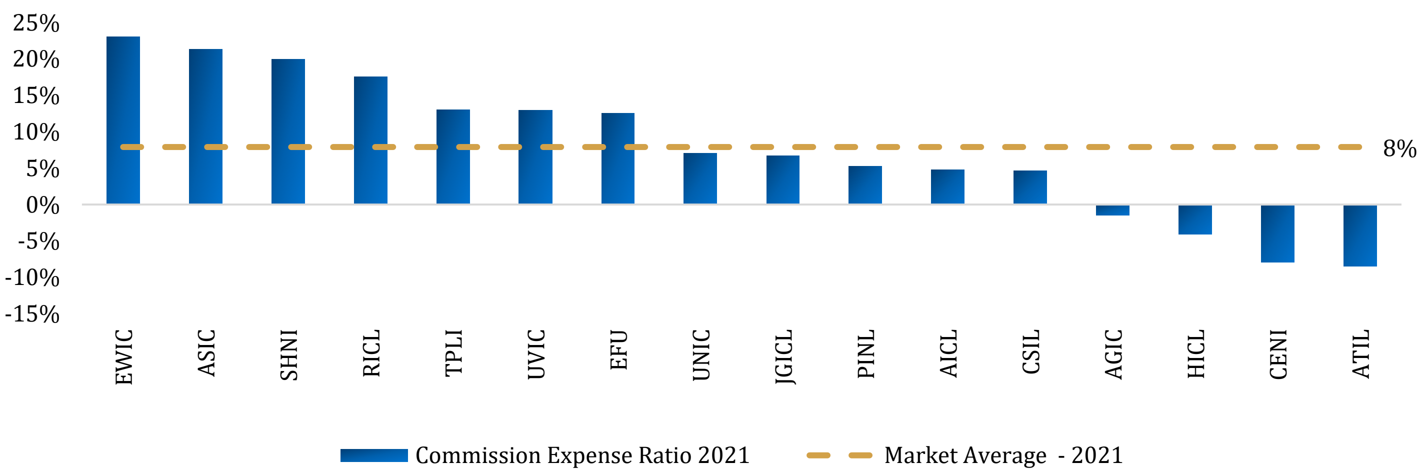


The market average ratio stood at 31% for the year 2021.

UVIC and CSIL have the highest management expense ratios of 113% and 84% respectively which are negatively impacting the UW profitability of these companies.

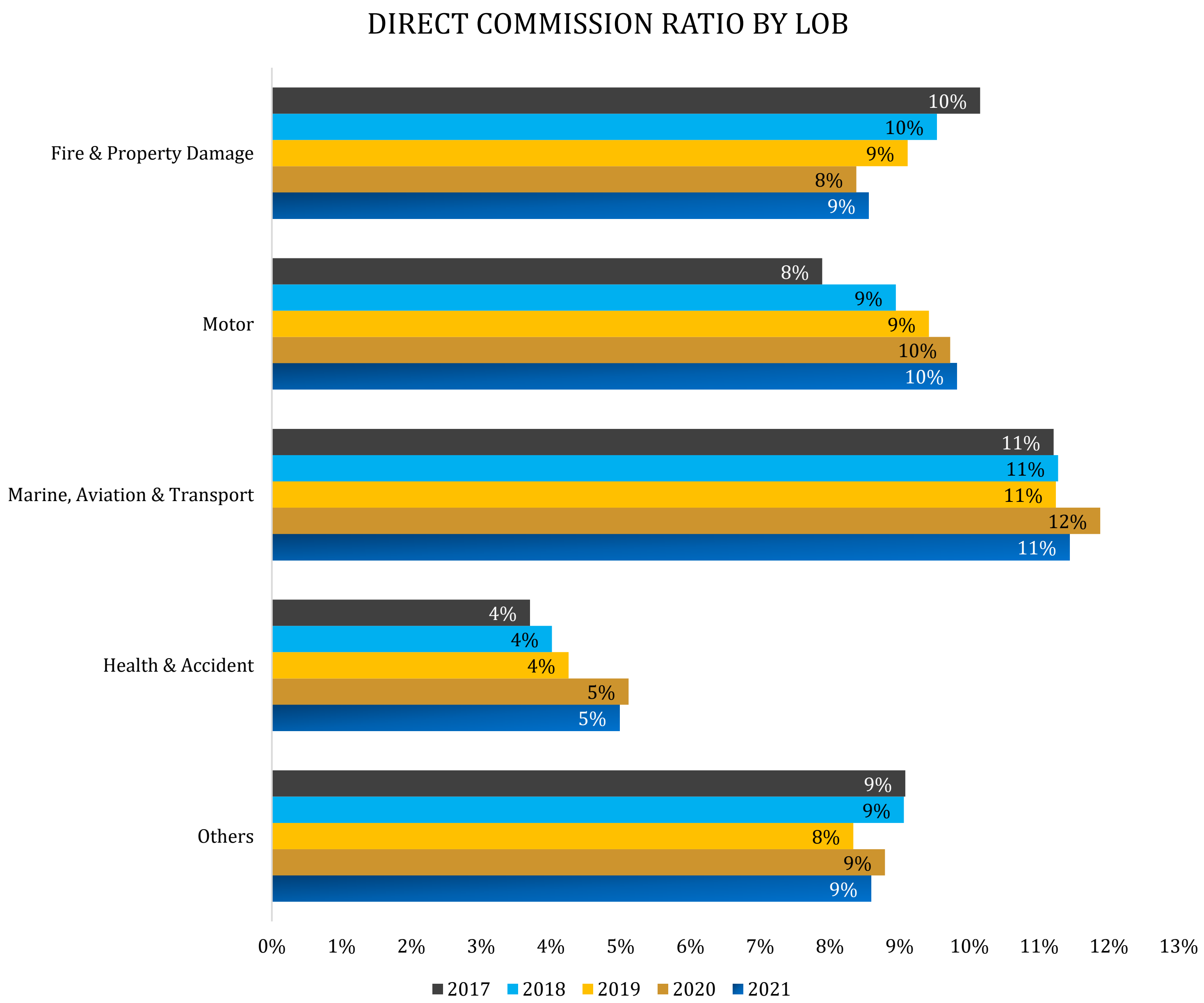
EFU, JGICL and AICL have maintained management expense ratios which are below the market average.

COMMISSION EXPENSE AS A % OF NET EARNED PREMIUM



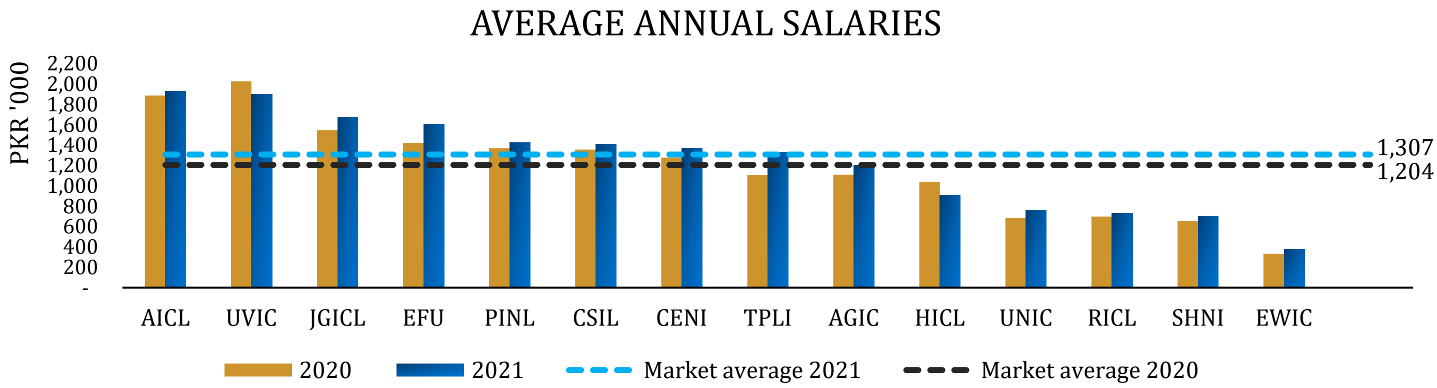
A negative ratio signifies that the commission earned outweighs the commission paid. The market ratio is the weighted average which stands at 8% for the year ended 2021. The highest commission expense ratio can be observed for EWIC at 23% while ATIL has the lowest ratio of -8%. Companies usually cede out a large proportion of commercial lines business and benefit from the reinsurance commission which results in an overall lower net commission expense.

DIRECT COMMISSION RATIO BY LINE OF BUSINESS



The direct commission ratio is the gross commission incurred for acquiring business through agents and brokers as a % of gross earned premium/contribution. Motor has been experiencing year-on-year increase in its' commission rates. High loss ratio lines accommodate a lower commission as can be seen for Health here. Marine continues to be a profitable business in Pakistan and abroad and thus can be seen here offering the highest commission rates.

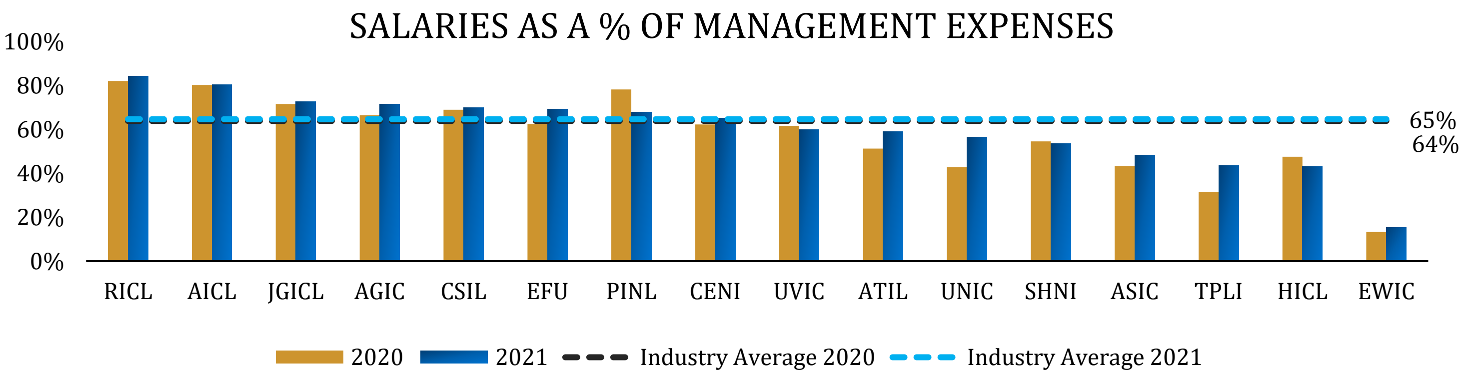
MANAGEMENT EXPENSE - BREAKDOWN



In this graph we are analyzing the average annual salary per employee. A company in the services industry does not have 'costs of production', the main costs in the insurance industry are the costs in terms of claims incurred and the costs of human capital required by the company.

The market average for the annual salaries is PKR 1.3 million for 2021 which translates into a monthly average salary per employee of PKR 0.1 million. The average annual salaries have increased by about 9% in 2021 compared to the same period last year. Average salaries have increased for all companies in 2020 except for UVIC and HICL. The highest average annual salaries were observed in the financials of AICL.

*ATIL has not disclosed number of employees data from 2018-2020 hence is excluded from the graph.



Salaries are the biggest drivers of management expenses for an insurance company hence an analysis of this component helps to understand the operating expenses of the company.

The industry average for 2021 stands at 65% which is a 1% increase compared to the level in 2020.

*PRIC has not disclosed their management expenses data
*AICL has been excluded from the analysis since salary data for inside Pakistan is not given.

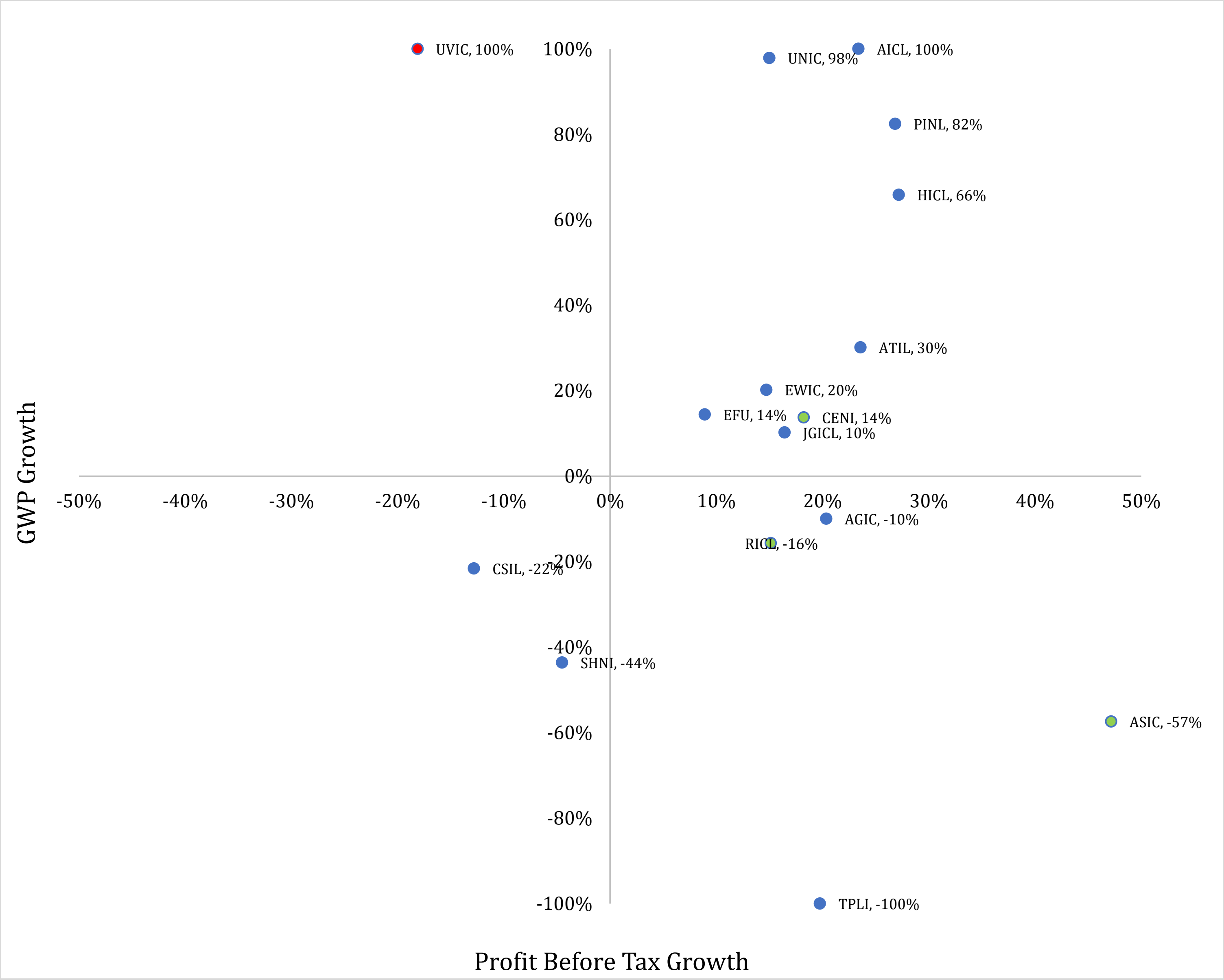
PREMIUM AND PROFIT ANALYSIS

Company	Ranking		Indic
	GWP	PBT	
EFU	1	2	⬇
AICL	2	1	⬆
JGICL	3	3	➡
UNIC	4	5	⬇
TPLI	5	15	⬇
EWIC	6	8	⬇
ATIL	7	4	⬆
AGIC	8	6	⬆
HICL	9	9	➡
CENI	10	7	⬆
ASIC	11	13	⬇
PINL	12	16	⬇
RICL	13	10	⬆
SHNI	14	14	➡
UVIC	15	12	⬆
CSIL	16	11	⬆

This table ranks the conventional business based on gross written premium and profit before tax. The Indic column indicates whether the profit ranks above or below the premium rank.

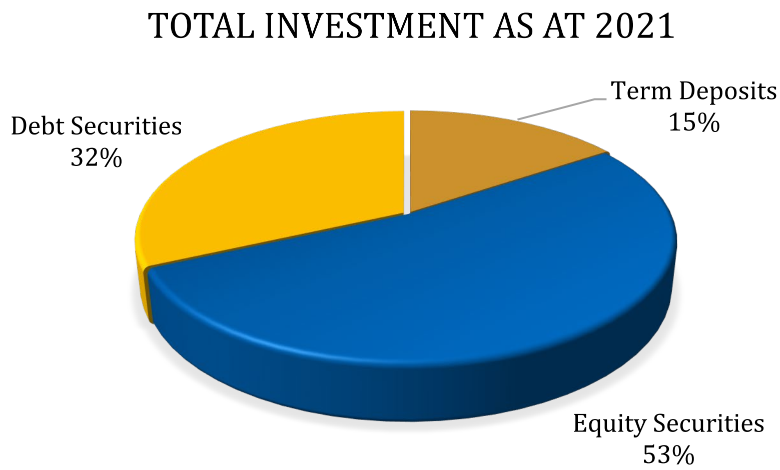
EFU holds the top rank for GWP while it has been replaced by AICL in terms of profit before tax. JGICL has retained its rank for both GWP and profit before tax. An important observation can be made for CSIL which has jumped 5 places in terms of Profit before tax.

PREMIUM AND PROFIT ANALYSIS



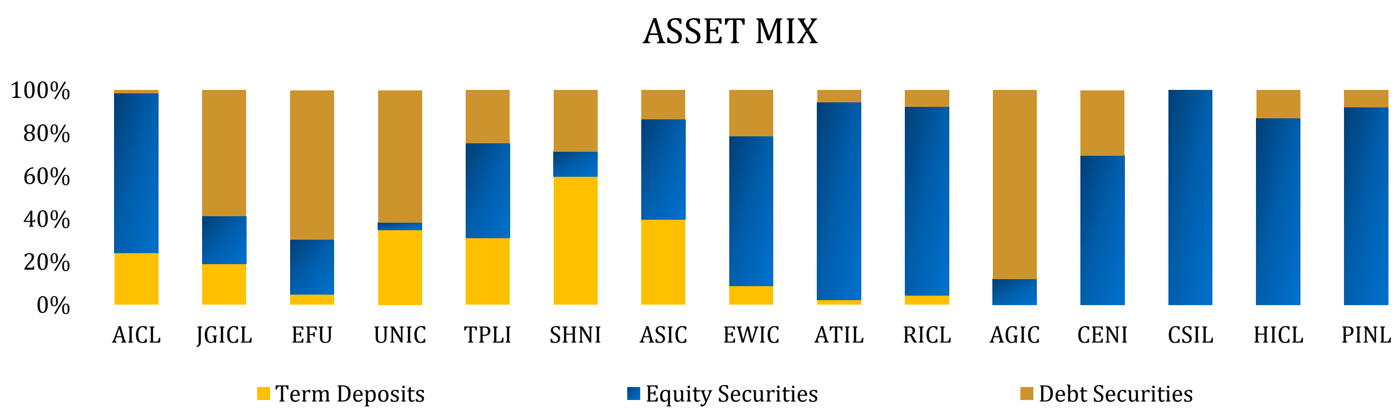
The graph shows gross written premium (GWP) growth on the x- axis and profit before tax growth on the y-axis. The profit before tax growth is capped at ± 100% while the GWP growth is capped at ± 50%. The growth is calculated on a year-on-year basis for the year ended 2021 vs the corresponding period in 2020. Companies in the top right quadrant show positive growth for both profit before tax and GWP which is desirable. Presence in the top left quadrant might indicate worsening underwriting performance but improvement in investment and other incomes. Presence in the bottom left quadrant might suggest an overall worsening of the company's performance while presence in the bottom right quadrant might suggest improved underwriting performance with decreases in investment and other income (or increases in other expenses).

ASSET MIX



The chart shows the industry's invested assets breakdown for the year 2021. More than half of the investments are made in equity securities with slightly more than one-third allocated to the fixed income market.

General insurers prefer investment in short-term liquid assets like debt securities and term deposits. Investment in equities can yield higher returns but their market value is more volatile and thus lead to a higher capital charge. Overall, the total investments increased to PKR 77 billion compared to PKR 74 billion in the corresponding period in 2020.

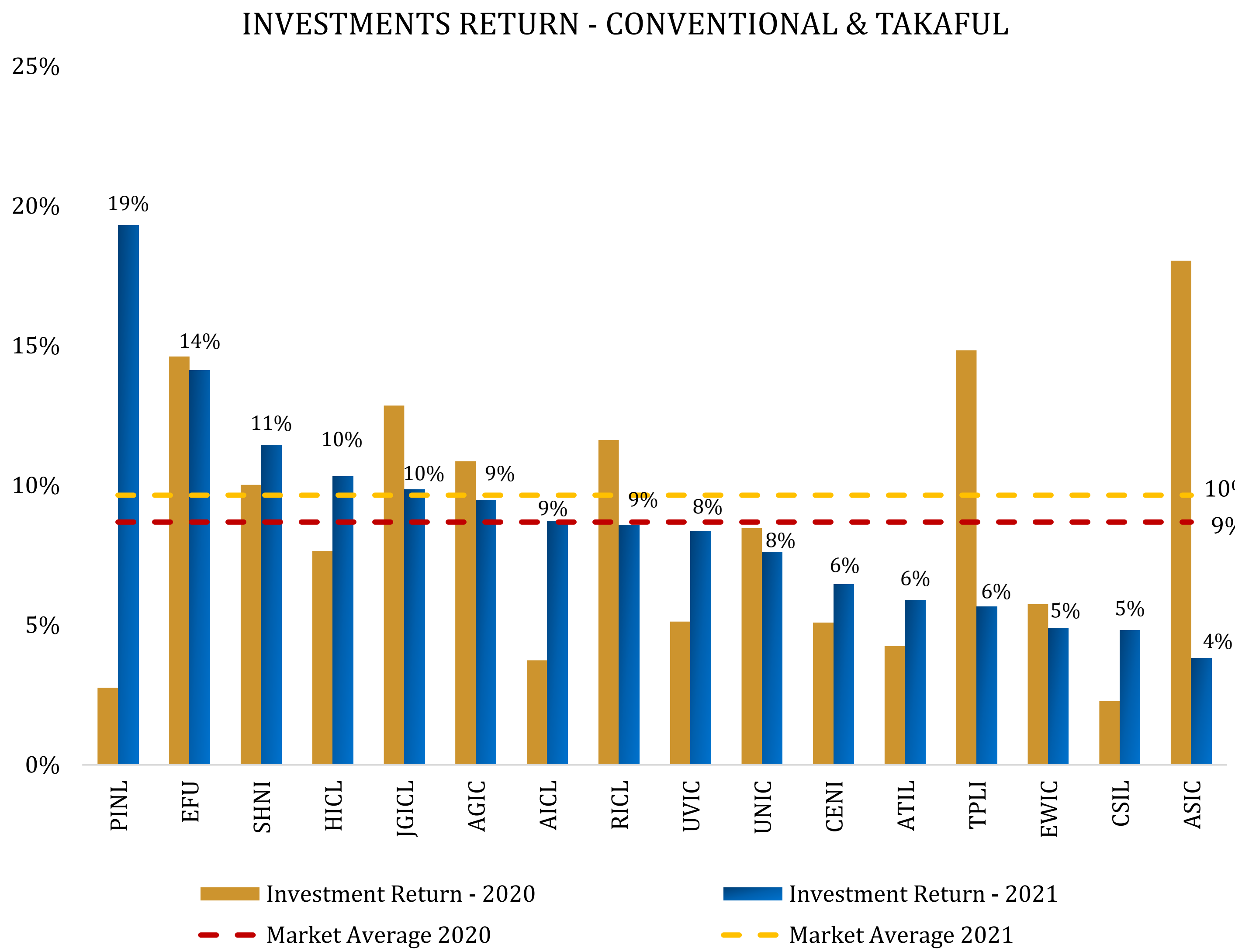


The bar graph shows the investments of companies by asset class.

AICL has a major proportion invested in the equity market whereas EFU & JGICL have focused more on debt instruments.

CSIL, RICL, ATIL, PINL & HICL have invested primarily only in the equity market while the other companies have diversified their portfolios across the three asset classes.

INVESTMENT RETURN



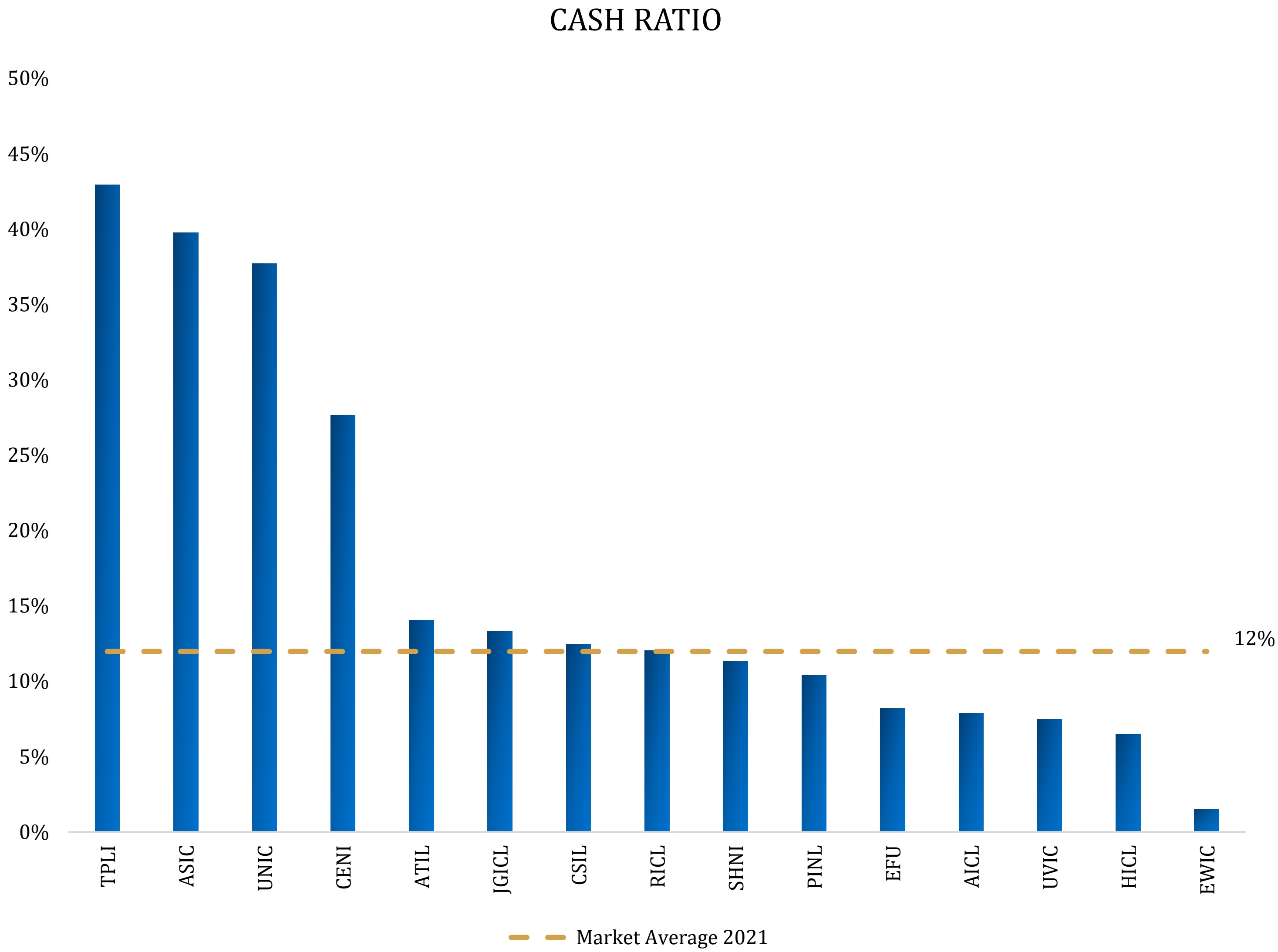
The investment return is computed as total investment income over the total invested assets.

The investment returns of the industry averaged around 10% for the year ended 2021 compared to 9% in the corresponding period in 2020.

PINL earned the highest level of investment return of 19% which is primarily invested in equity securities. While ASIC had the lowest returns of 4%. The investment portfolio of the company is reflective of the company's risk profile with the riskier asset classes such as equities giving higher potential returns.

It is important to note that this ratio does not account for unrealized gains in the numerator while the investments are valued at fair value in the denominator resulting in a lower ratio for investment returns.

CASH RATIO

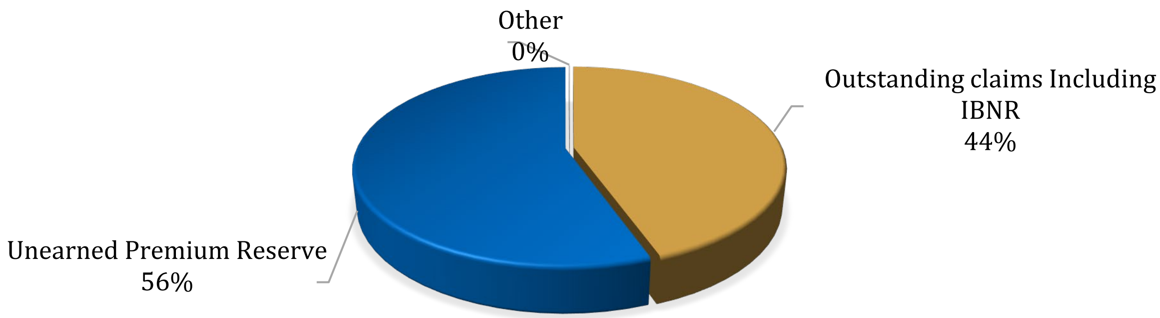


The cash to invested asset ratio has been taken as the ratio of cash & bank to total invested assets including cash. General insurers aims to keep minimum of assets as cash to meet unexpected liquidity requirements which may arise due to large loss or catastrophe. Cash generally earns a lower return compared to other asset classes.

The market cash ratio is calculated to be 12% in 2021 (2020: 10%). TPLI and ASIC has highest level of 43% and 40% respectively maintained as cash, while the lowest ratio of about 1% is maintained EWIC.

TECHNICAL RESERVES

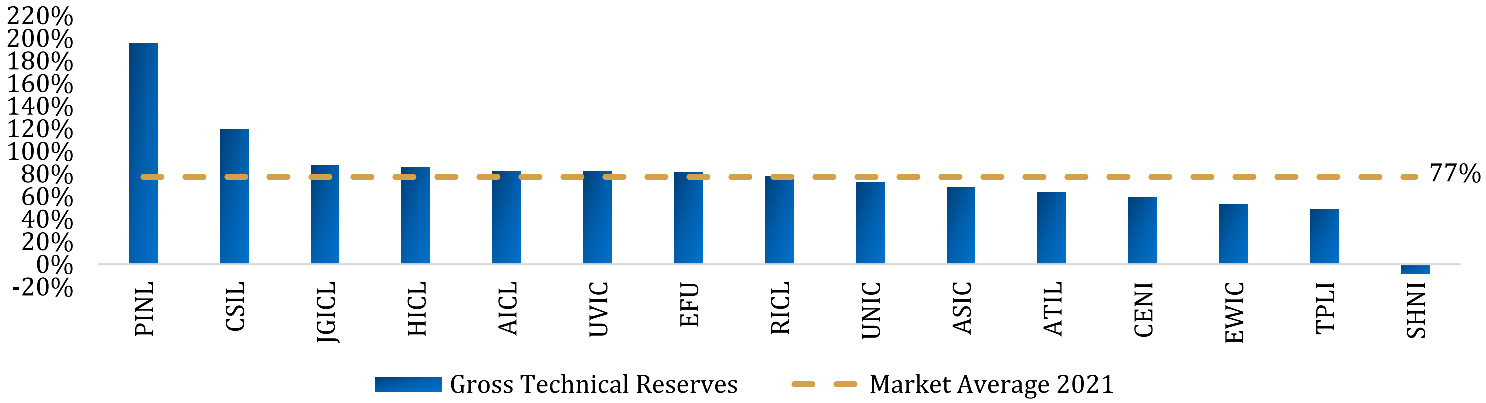
GROSS TECHNICAL RESERVES AS AT DECEMBER 2021



The pie chart shows that unearned premium reserve forms the biggest proportion of total technical reserves for the listed general insurance companies of Pakistan and stands at 56% followed by the Outstanding claims including IBNR reserve at 44%.

Reserves are backed by assets which earn investment income for the company.

GROSS TECHNICAL RESERVES AS A % OF GWP

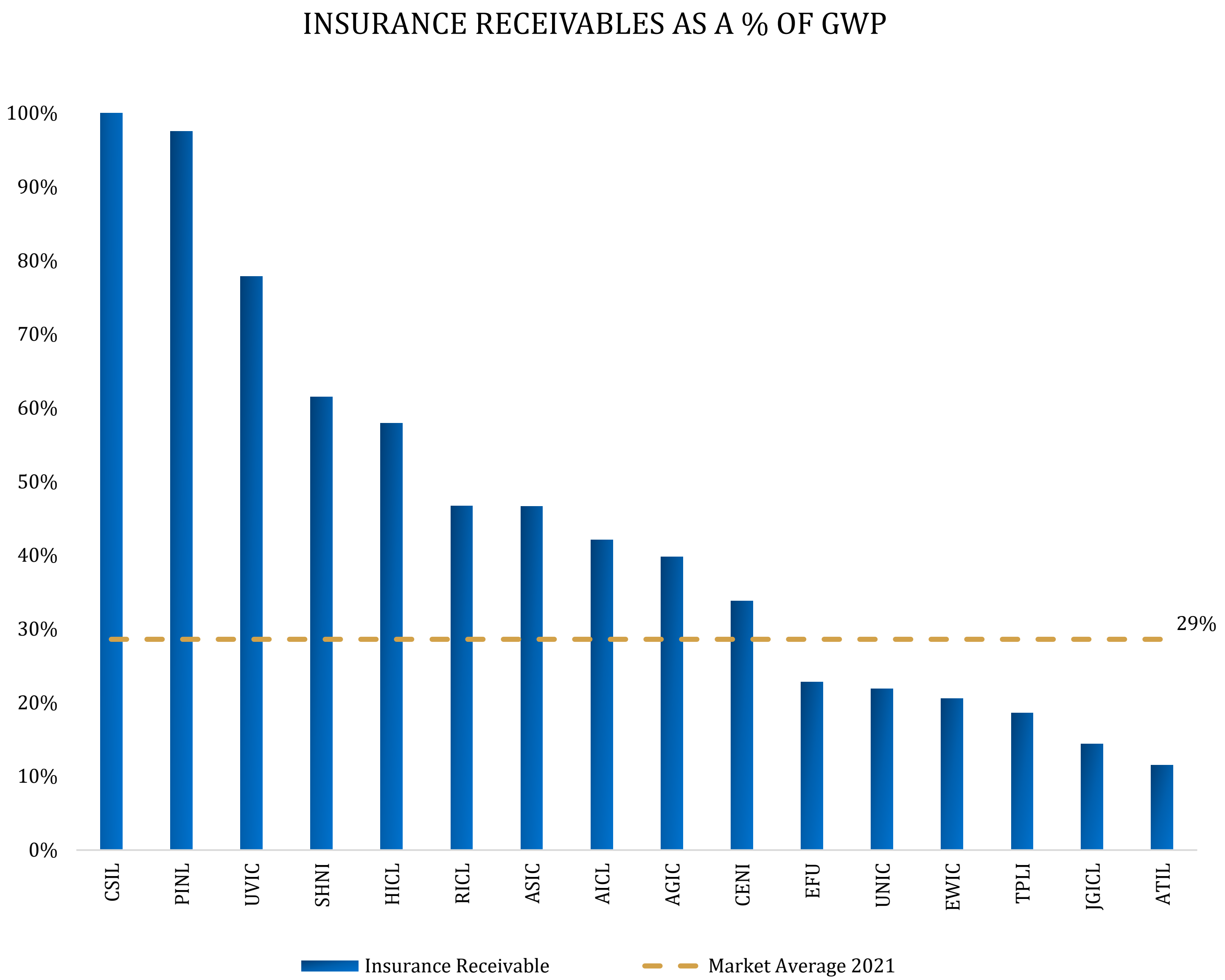


The bar graph represents the gross technical reserves at December 2021 over the gross premium.

PINL (excluded from the graph) has the highest ratio exceeding 100%. A lower ratio is desirable since it enables the company to cover its' reserves through its' premium.

Insurers try to avoid both under reserving as well as over reserving. Over reserving would lead to a deferral of profit and taxes while under reserving can result in a premature pay out of dividends.

INSURANCE RECEIVABLES



The ratio is computed using insurance receivables and gross premium as at December 2021 for the conventional business. The market ratio is computed to be 29% (2020: 26%). CSIL has the highest ratio of 227% (graph capped at 100%) while ATIL has the lowest ratio at 12%.

The ratio depicts the collection performance of each company. This is particularly important for general insurance which has a short tail. Quicker collection can also improve the liquidity position and favorably impact the investment income.

CONCLUSION

2021 was the year when Pakistan successfully dealt with the pandemic through smart lockdowns and mass vaccination drives. Most emerging and developed economies around the globe were also able to minimize the impact of the pandemic due to wide-scale availability of vaccines. Hence, 2021 proved to be the year of economic revival which although increased business confidence and output, came at a cost.

The GDP increased to 5.57% in fiscal year compared to a decline of 1% in 2020. This was reflected in increased demand for fast moving consumer goods, car sales, cement sales and energy demand etc. The rise in imports resulted in an increase in the current account deficit which impacted the devaluation of the rupee against the dollar resulting in inflationary pressures. By the end of 2021, the state bank hiked interest rates by a total of 275 basis points to preserve economic stability.

The listed general insurance industry benefited from this increase in economic growth resulting in higher premiums for all lines of business. The GWP experienced a 16% growth in 2021. On the claims front, the industry experienced lower claims on the Fire portfolios which pulled the industry's loss ratio downwards while the second largest line of business by GWP i.e motor, experienced rising claim costs due to increase in spare parts cost due to rupee devaluation. The net loss ratio for the industry was 47%. On the UW profitability basis, the industry experienced a 75% increase.

The investment performance improved by about 15% in 2021 which contributed to the improvement in the earnings of the industry. The profits before taxes increased by 42% in 2021.

KEY TAKEAWAY POINTS

INDUSTRY GWP GROWTH TIMELINE

2017	2018	2019	2020	2021
PKR 62 bn	PKR 68 bn	PKR 73 bn	PKR 74 bn	PKR 86 bn

INDUSTRY UW PROFIT GROWTH TIMELINE

2017	2018	2019	2020	2021
PKR 5 bn	PKR 5 bn	PKR 4 bn	PKR 4 bn	PKR 6 bn

Highest GWP recorded by EFU at PKR 25 bn

Highest Growth in GWP Recorded by ASIC at 47%

Highest NEP by EFU at 12 bn

Highest Retention Recorded by CSIL at 99%

Highest UW Profit growth by JGICL at 512%

Highest investment income by EFU at PKR 2 bn

Highest PBT growth by AICL at 152%

Highest ROE by ATIL at 28%

INDUSTRY PBT GROWTH TIMELINE – CONVENTIONAL & TAKAFUL

2017	2018	2019	2020	2021
PKR 9.7 bn	PKR 9.4 bn	PKR 10.4 bn	PKR 10.1 bn	PKR 14.3 bn

COMPANIES INCLUDED IN THE ANALYSIS

Listed Insurance Companies			
Sr. No.	**Symbol**	**Name**	**Market**
1	AGIC	Askari Gen. Ins. Co. Ltd	PSX
2	AICL	Adamjee Insurance Co. Ltd	PSX
3	ASIC	Asia Insurance Company Limited	PSX
4	ATIL	Atlas Insurance Limited	PSX
5	CENI	Century Insurance Co.Ltd	PSX
6	CSIL	Crescent Star Insurance Ltd	PSX
7	EFU	EFU General Ins. Ltd	PSX
8	EWIC	East West Insurance Co. Ltd	PSX
9	HICL	Habib Insurance. Co. Ltd	PSX
10	JGICL	Jubilee General Insurance Company Limited	PSX
11	PINL	Premier Insurance Limited	PSX
12	RICL	Reliance Insurance Co. Ltd	PSX
13	SHNI	Shaheen Ins. Co. Ltd	PSX
14	TPLI	TPL Insurance Limited	PSX
15	UNIC	United Ins. Co. of Pak. Ltd	PSX
16	UVIC	Universal Insurance Company Ltd	PSX

DISCLAIMER

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed general insurance companies in Pakistan for the year ended December 2021. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.

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- For the scope of our analysis, we have only taken business underwritten inside Pakistan for AICL.

- We have taken the data from the financial statements for the respective year. Any reinstatement in later years has not been adjusted.

BADRI

Hatim Maskawala

Maira Qadar

Ali Bhuriwala

Afnan Shaukat

Omar Khan

Hassan Athar

Contact Us!

+971-4-3207-250/ +971-4-3207-260

Info@badriconsultancy.com

www.badriconsultancy.com

+92-213-2602-212

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UAE Office

2107 SIT Towers, PO Box 341486, Dubai Silicon Oasis, Dubai, UAE

Karachi Office

5B-2/3, 5th Floor, Fakhri Trade Center, Shahrah-e-Liaquat, Karachi 74200, Pakistan

KSA Office

No 2 Alhadlaq Commercial Complex, Anas Bin Malik Street, AlMalqa District Riyadh
PO Box 13524

Lahore Office

POPCORN STUDIO Co-working Space Johar Town 59-B Khayaban e Firdousi, Block B, Phase 1, Johar Town, Lahore