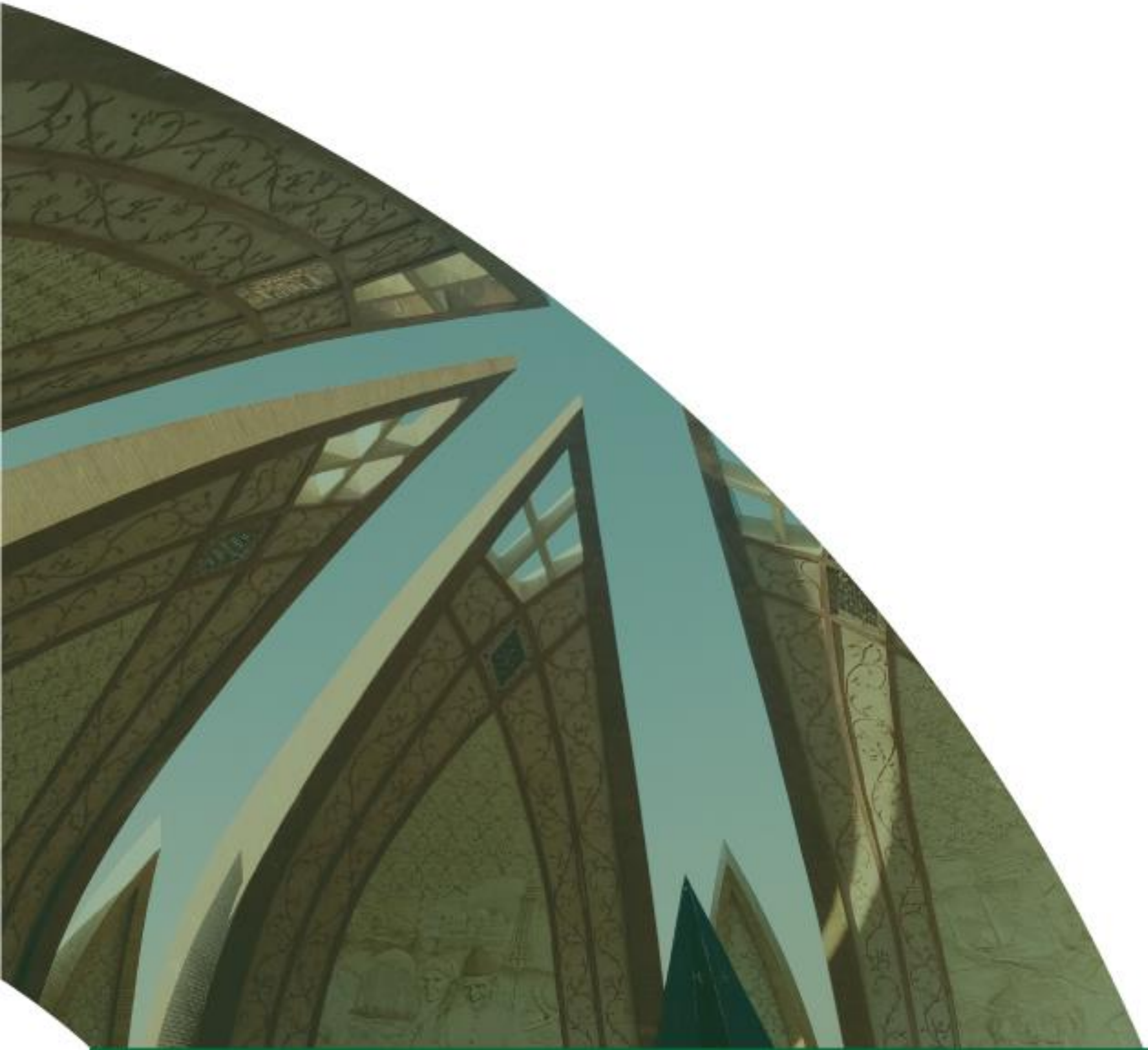
PAKISTAN'S LISTED GENERAL INSURANCE COMPANIES' PERFORMANCE ANALYSIS FOR PERIOD ENDED 2022-H1

7 NOVEMBER 2022



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 its clients as Profit Optimizing Partners. We are serving as Appointed Actuary for over 20 companies in the GCC. In addition, we are providing other services including IFRS17 Implementations, Development of ERM Framework, Specialized services for Medical Insurance and TPAs, Business Intelligence solutions and End of Service Benefits Valuations.

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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2022-H1

INDUSTRY HIGHLIGHTS 2022-H1

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Gross Premium Written – Conventional
(2021-H1: PKR 34 billion)
PKR 44 Billion

54%
Retention Ratio - Conventional & Window Takaful
(2021-H1: 56%)

Net Loss Ratio - Conventional & Window Takaful
(2021-H1: 48%)
51%

PKR 3.7 Billion
Investment Income - Conventional & Window Takaful
(2021-H1: PKR 4.8 billion)

Investment Return - Conventional & Window Takaful
(2021-H1: 6%)
1%

Gross Contribution Written - Window Takaful
(2021-H1: PKR 4.9 billion)
PKR 6.4 Billion

51%
Gross Loss Ratio - Conventional & Window Takaful
(2021-H1: 46%)

Combined Ratio - Conventional & Window Takaful
(2021-H1: 87%)
93%

PKR 5.8 Billion
PBT - Conventional & Window Takaful
(2021-H1: PKR 7.5 billion)

Return on Equity - Conventional & Window Takaful
(2021-H1: 10%)
8%

IFS Rating

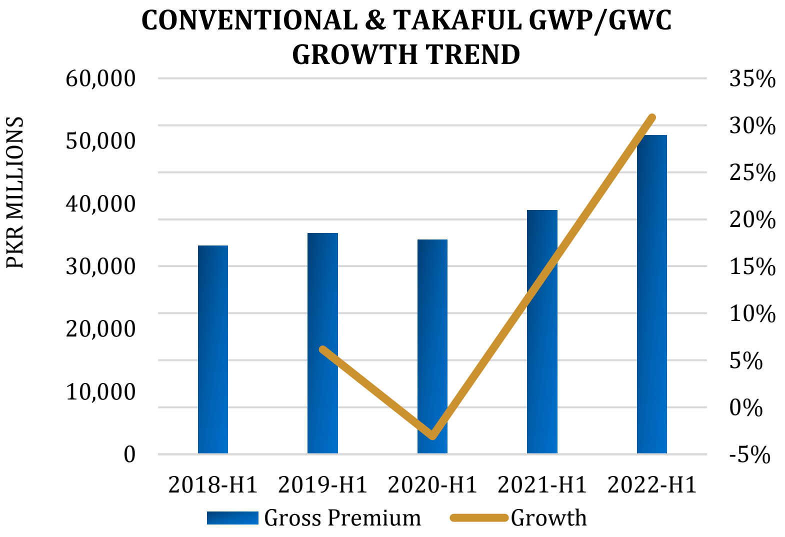
Companies	2021		2022	
	JCR-VIS	PACRA	JCR-VIS	PACRA
AGIC	AA	AA	AA+	AA+
AICL		AA+		AA++
ASIC		A+		A+
ATIL		AA		AA+
CENI	AA-		AA	
CSIL		A-		A
EFU	AA+	AA+	AA++	AA++
EWIC		AA-		AA
HICL		A+		A++
JGICL	AA+	AA+	AA++	AA++
PINL		A		A+
RICL	A		A+	
SHNI		A		A+
TPLI		AA-		AA
UNIC	AA	AA	AA+	AA+
UVIC		A-		A

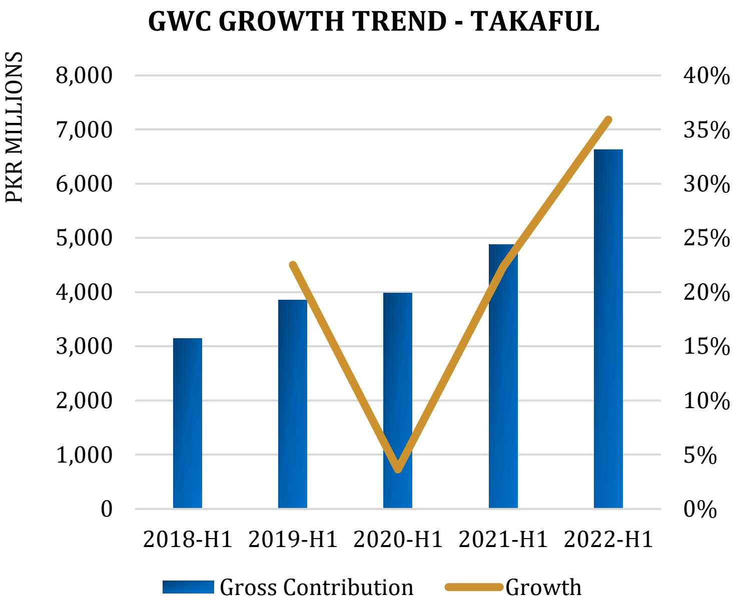
PACRA Key	
Rating	Capacity
AAA	Exceptionally Strong
AA+ AA AA-	Very Strong
A+ A A-	Strong
BBB+ BBB BBB-	Good.
BB+ BB BB-	Weak.
B+ B B-	Very Weak
CCC CC C	Very high credit risk
D	Distressed

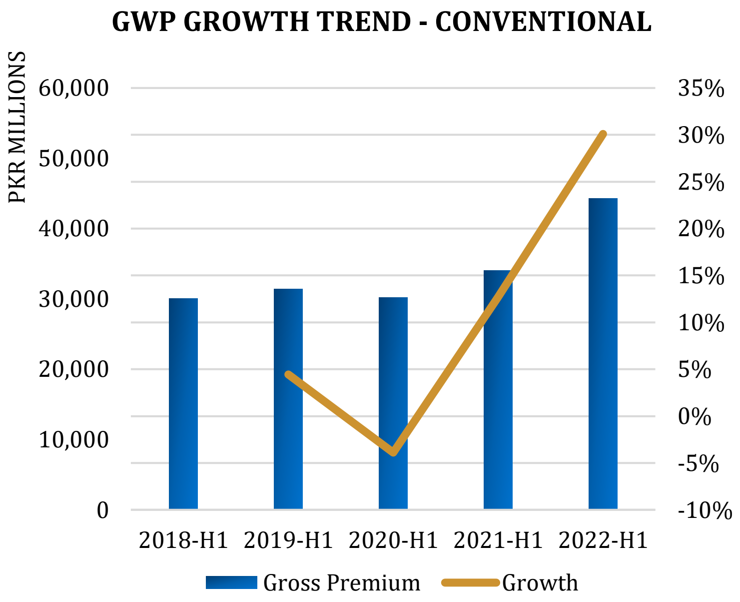
JCR-VIS Key	
Rating	Capacity
AAA	Exceptionally Strong
AA+, AA, AA	Very Strong
A+, A, A	Strong
BBB+, BBB, BBB	Strong
BB+, BB, BB	Weak
B+, B, B	Very Weak
CCC	Very high credit risk
CC	Very high credit risk
C	Distressed
D	Distressed

All the companies have managed to improve their IFS ratings.

Gross Written Premium - Market





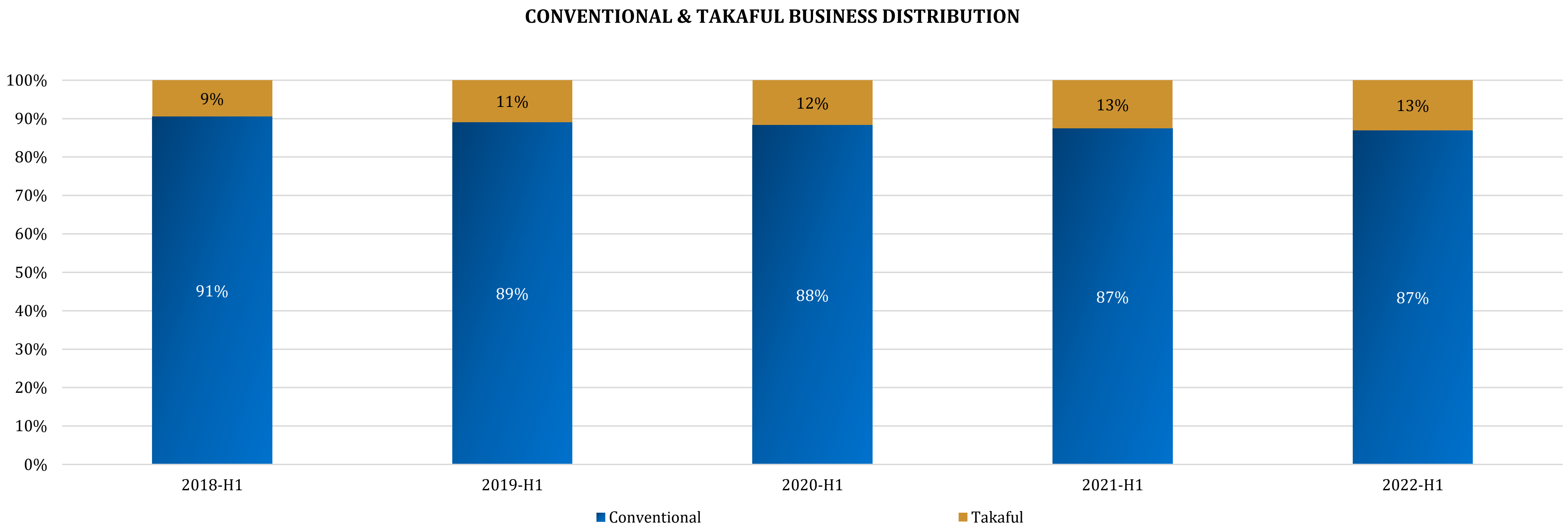


The listed general insurance industry of Pakistan experienced a 31% increase in the gross written premium/contribution during the period 2022-H1 of PKR 51 billion. This increase was witnessed even during a turbulent economic environment coupled with political uncertainty. National CPI inflation on a year-on-year basis increased to 21.3% in June 2022 (SBP Inflation Monitor , June 2022) which was strongly contributed due to PKR losing value against the dollar. The import-driven nature of Pakistan's economy suffered with the devaluation of PKR in terms of higher commodity and finished good prices. The sharp increase in the GWP was witnessed across all lines of business and this increase can be associated with rising inflationary pressures.

Conventional business is the main contributor to the industry's premiums; almost 87% of the market Gross Written Premium is contributed by the conventional business. The conventional business experienced a 30% growth in premium resulting in the market premium of PKR 44 billion for the period ended June 2022.

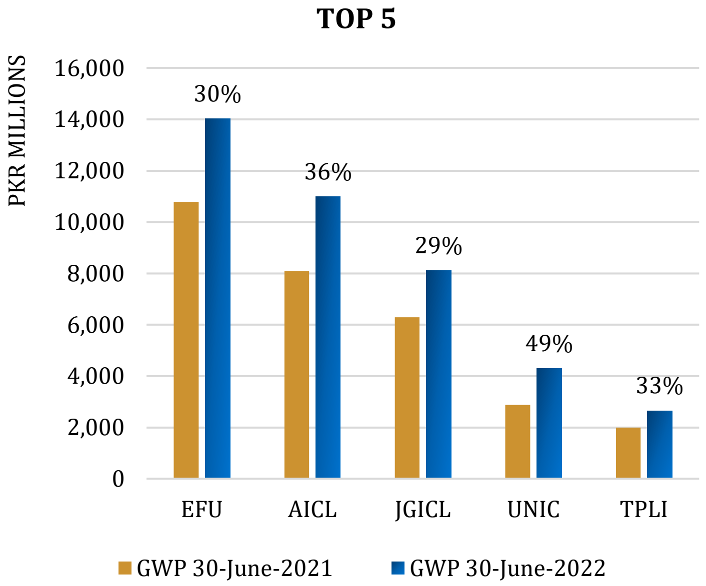
The listed takaful market experienced a double-digit growth in 2022-H1 of 36%. The takaful market has consistently experienced double-digit growth since 2018-H1 except in 2020-H1. The highest growth was experienced in 2022-H1 with the listed window takaful market at PKR 6.6 billion.

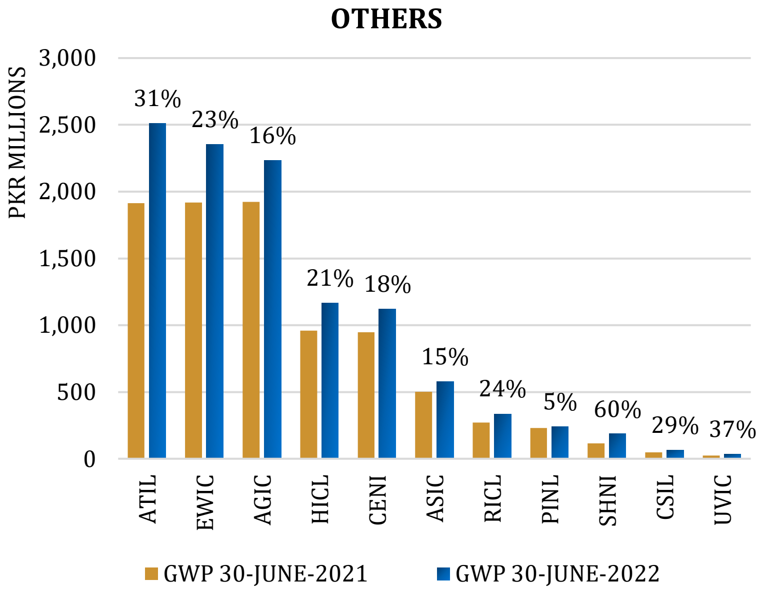
Gross Written Premium - Distribution

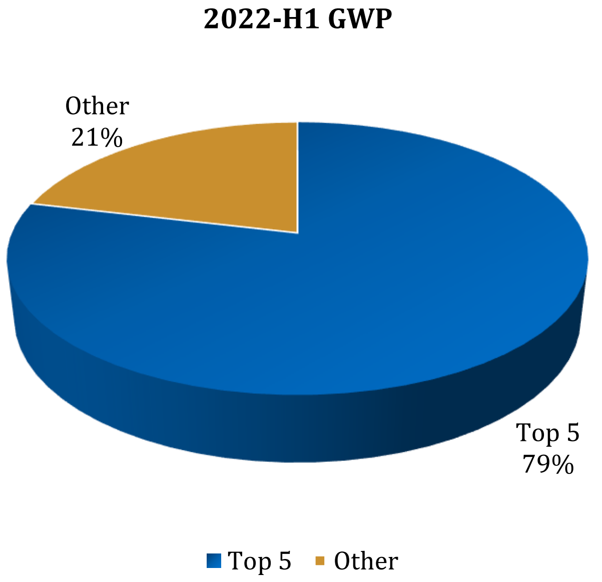


General insurers started operating as windows takafuls following their approval by SECP in 2014. While the majority of the business is still conventional, the takaful proportion can be observed to show a consistent increase throughout the 5-year period. The share of takaful stands at 13% for 2022-H1 which is similar to the 2021-H1 level.

Gross Written Premium - Companies







The top 5 companies contributed PKR 40 Billion out of the PKR 51 Billion premium which constitutes 79% 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 30% for the period 2022-H1 followed by AICL and JGICL at 22% and 16% respectively. The top 5 companies have experienced double digit growth in GWP.

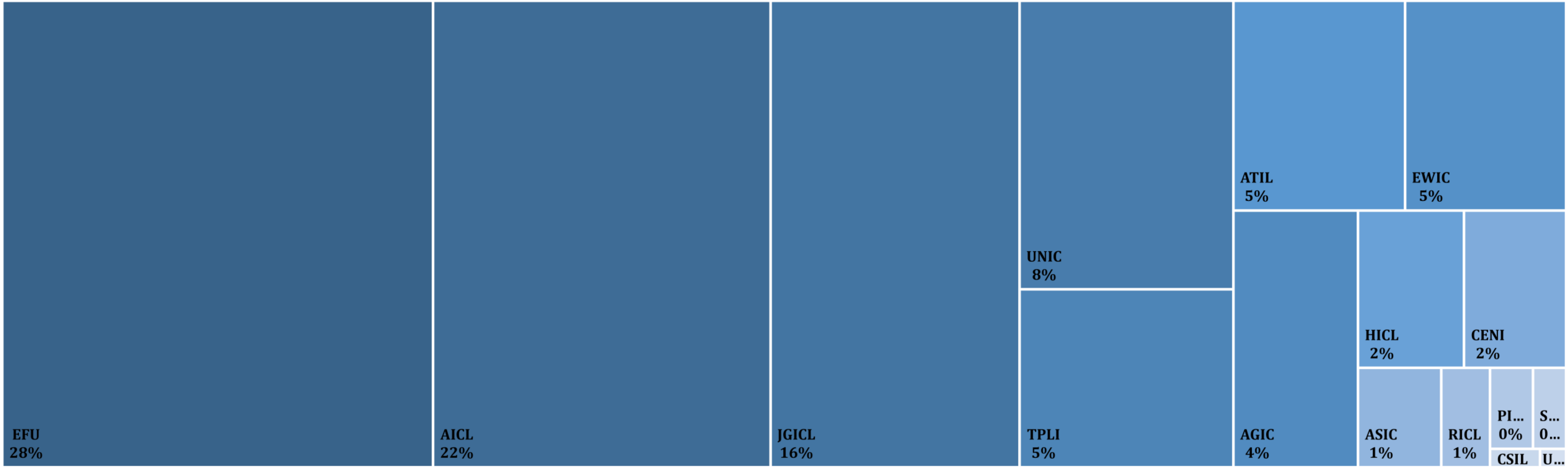
The rest of the market players experienced high GWP growth rates as well which were mostly in double digits. SHNI experienced the highest growth rate of 60%.

The economy went through its typical boom and bust cycle with higher growth rates by the end of 2020 resulting in deteriorating balance of payment position and rising inflationary pressures which had to be tapered through a tightened monetary and fiscal stance.

**AICL includes business underwritten inside Pakistan only

Gross Written Premium - Market

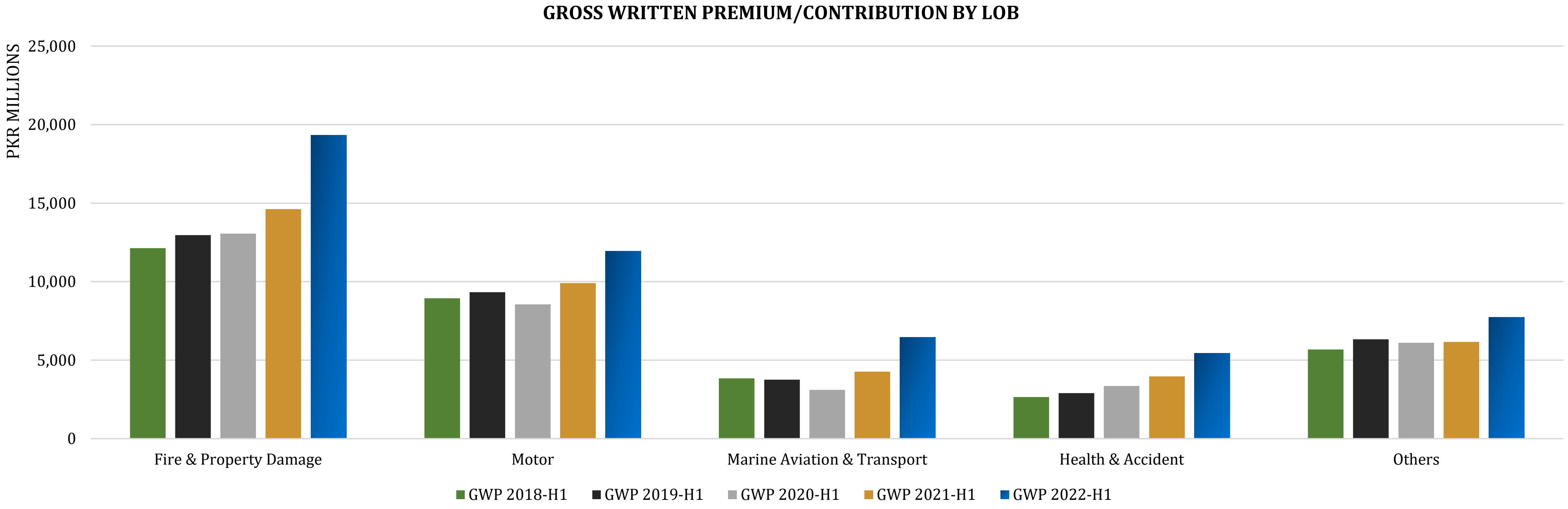
GWP - MARKET SHARE OF COMPANIES



EFU can be seen as the market leader in general insurance based on GWP with a market share of 28% for the period 2022-H1 followed by AICL at 22% and JGICL 16% respectively. The Tree map shows companies with decreasing market shares as you go from the left to the right.

**AICL includes business underwritten inside Pakistan only

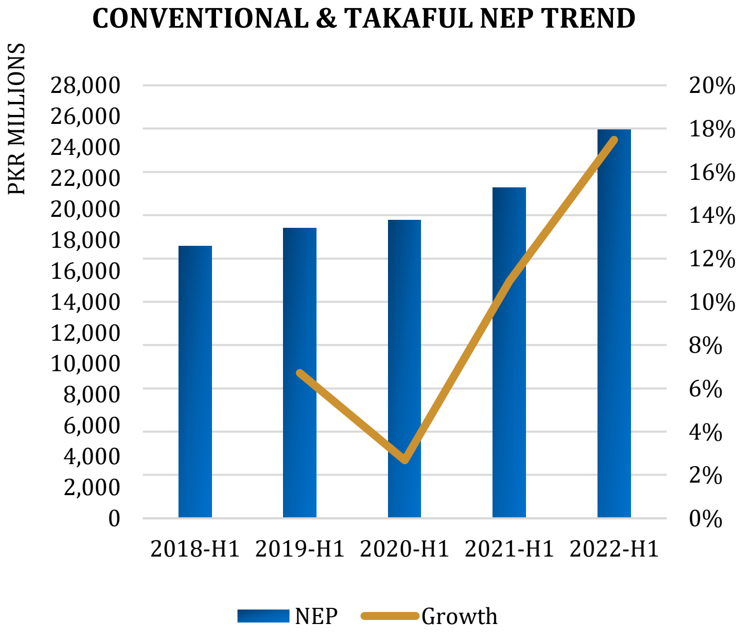
Gross Written Premium - Distribution

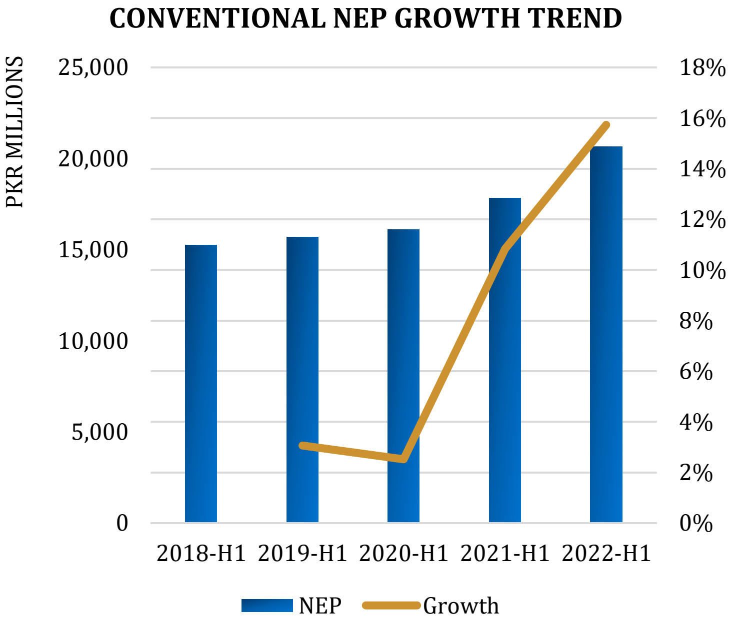


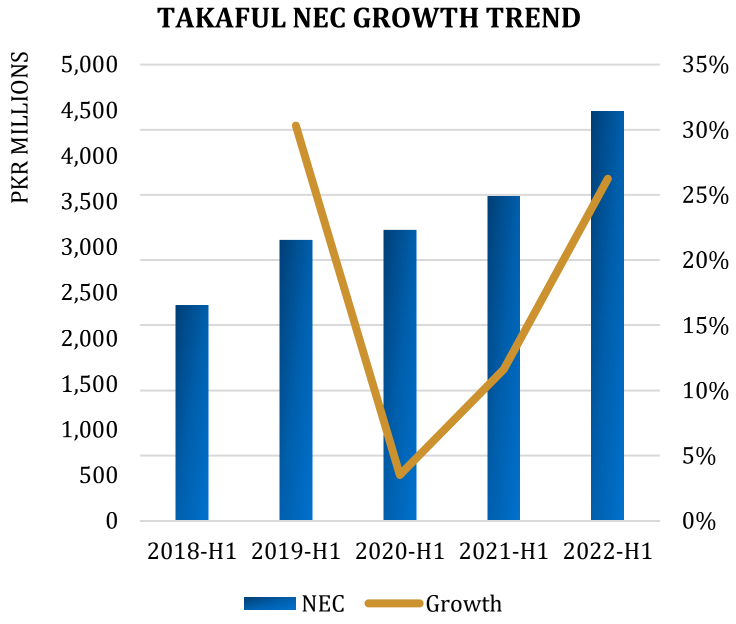
The period ended June 2022 saw GWP of PKR 51 billion which is the highest premium written over the five-year period. All the lines of business experienced a double-digit growth in premium/contribution. Marine line of business saw the highest increase of 52% followed by Health and Fire at 37% and 32% respectively. The increase in premium can also be associated with the inflationary impact of PKR devaluation against the dollar resulting in higher value of imports and car prices.

The Others segment includes several lines with the biggest GWP proportions in Crop, Liability and Miscellaneous amongst other business lines.

Net Earned Premium - Market





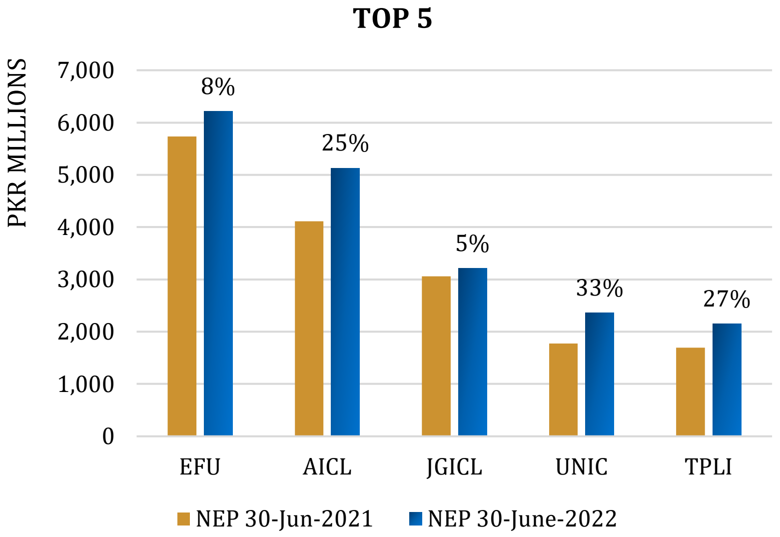


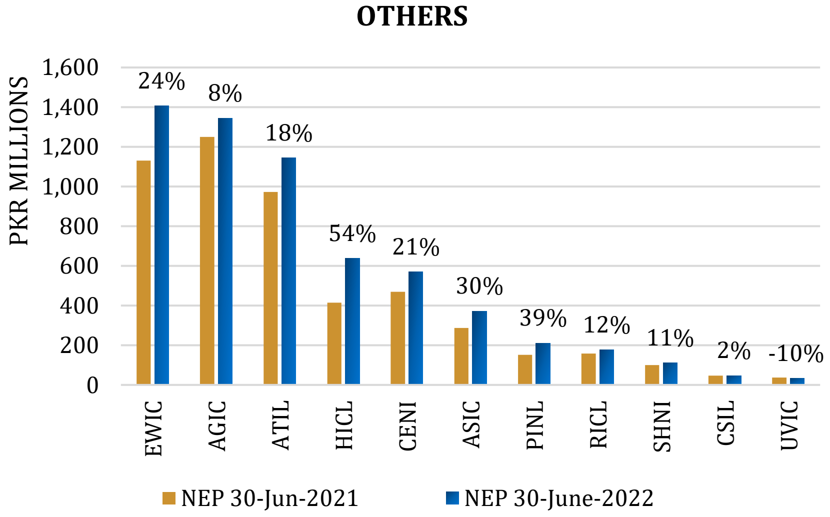
The total net earned premium for the conventional and takaful business combined amounted to PKR 25 billion for 2022-H1, an increase of 17% compared to the corresponding period in 2021. The impact of increased GWP translates to the NEP as well. The 5-year trend shows a consistent year-on-year increase in NEP with the highest growth experienced in 2022-H1.

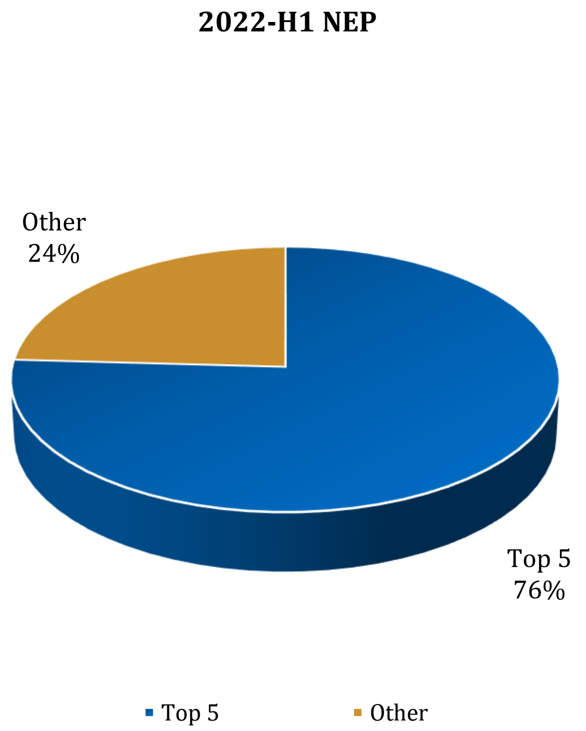
The conventional insurance business contributed PKR 21 billion to the market NEP which amounts to a market share of 82%. The NEP growth rate has been relatively stable at around 3% with a double-digit growth of 11% and 16% experienced in 2021-H1 and 2022-H1 respectively.

The takaful insurance business has been growing at a higher rate as compared to the conventional business. In 2022-H1 this segment experienced a growth rate of 26% while a growth rate of 12% was experienced in the same period last year. The NEP for this segment stands at PKR 4.5 billion in 2022-H1.

Net Earned Premium - Companies







The net earned premium for the top 5 companies amounts to PKR 16 Billion which shows an 8% increase compared to the same period last year. The top 5 companies have a 77% of the market in terms of the NEP.

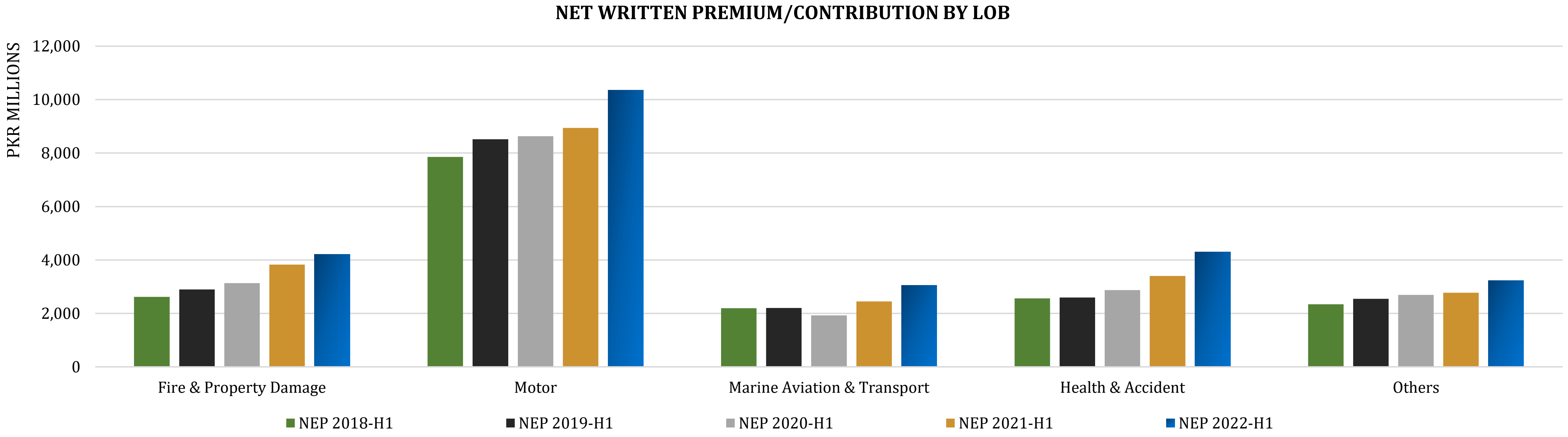
EFU leads the listed general insurance industry with a NEP of PKR 5.7 billion followed by AICL and JGICL of PKR 4.1 billion and PKR 3.1 billion respectively.

Amongst the top 5 companies, UNIC experienced the highest growth in their NEP of 31% for 2021-H1 compared to the corresponding period in 2020.

The other industry players hold a 23% market share in terms of the NEP. The majority of the companies experienced positive NEP growth rates except for SHNI and CSIL. EWIC experienced the highest NEP growth of 39%.

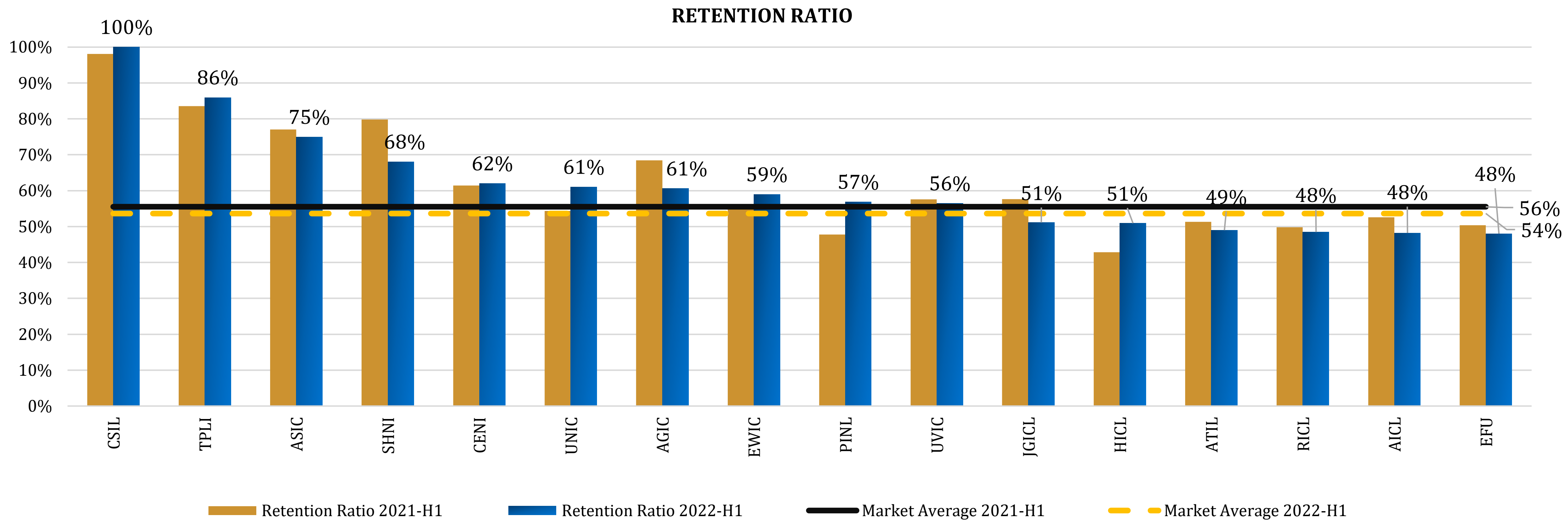
**AICL includes business underwritten inside Pakistan only

Net Earned Premium - Distribution



The higher premium written has also resulted in higher NEP which were about 17% higher than the 2021-H1 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.

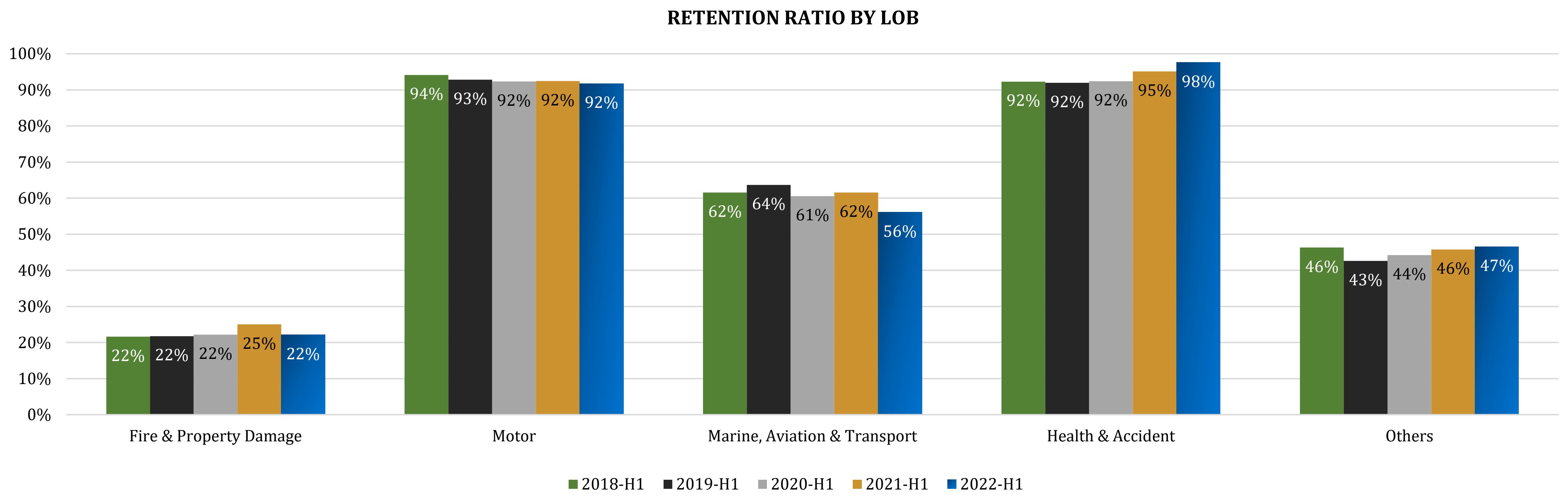
Retention Ratio



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 54% which is the weighted average ratio for 2022-H1 and serves as a benchmark for our analysis.

The highest retention ratio of around 100% is reflected for CSIL while the lowest ratio was reflected by EFU at 48%. 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.

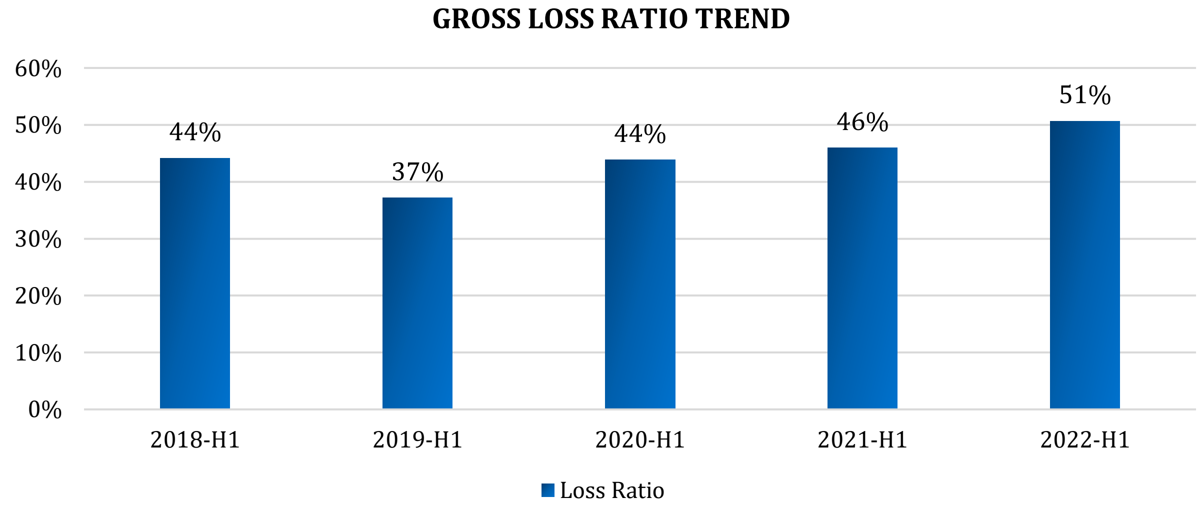
Retention Ratio

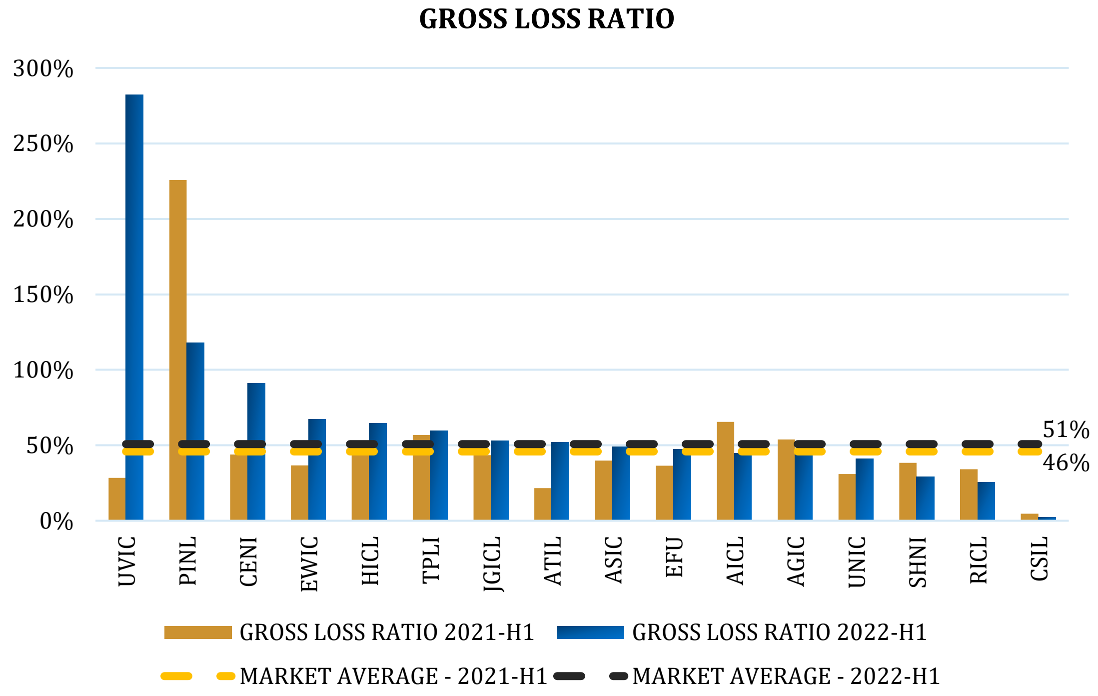


The retention ratio is the percentage of business earned by insurance companies that is not reinsured. High frequency/low severity lines like Motor and Health have a high retention ratio as expected. On the other hand, volatile lines like Fire and Marine where the risk sizes may be bigger have a low 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. The retention for the Marine line has decreased to 56% in 2022-H1 compared to the same period last year.

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 rising trend since 2020-H1. This rise has been more pronounced in 2022-H1 due to higher than normal claims. The main LOBs in terms of gross written premium are Fire and Motor which have driven the industry's loss ratio upwards.

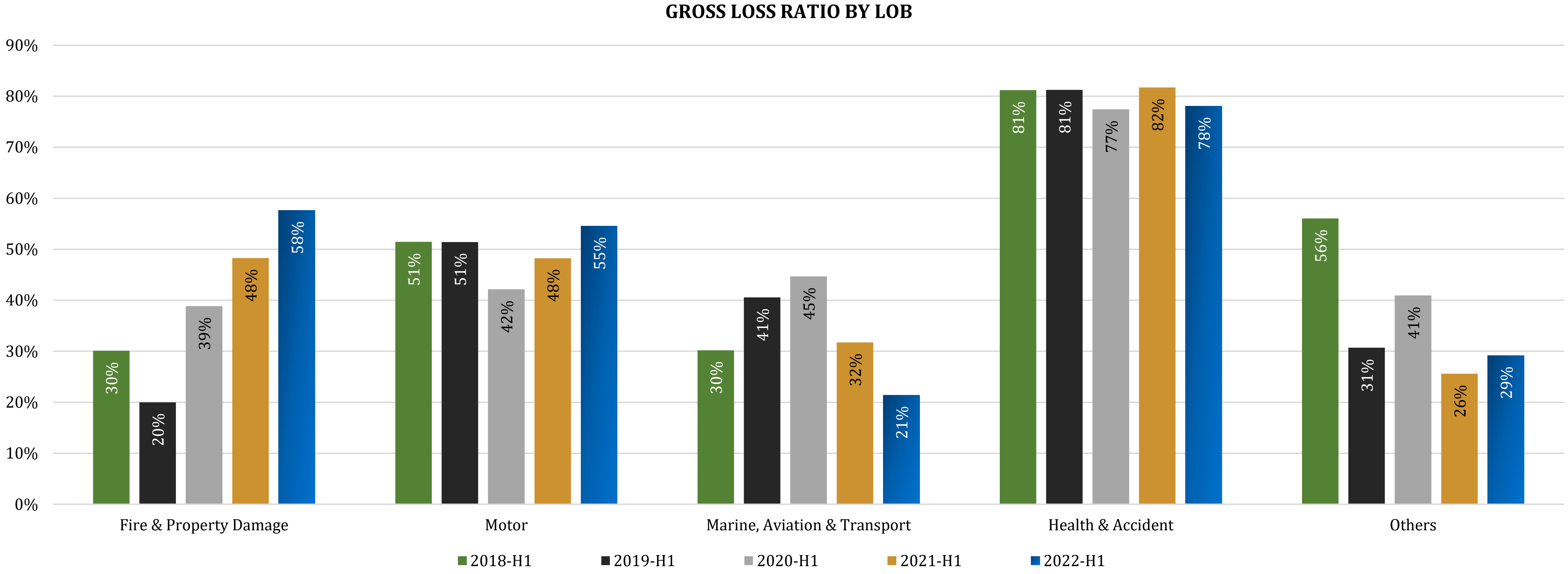
This is due to higher claims in The declining trend till 2019 followed by a rise of 7% in 2020 followed by a slight increase of 2% in 2021. The lower loss ratio in 2022-H1 can be explained by lesser Fire and Property and Marine losses. The damage due to heavy monsoon rainfall since June 2022 and the floodings that followed have also contributed to the losses.

Overall, the gross loss ratio is increased for most listed companies 2022-H1 when compared to the corresponding period in 2021. JGICL has experienced a loss ratio higher than the market average while EFU and AICL have managed to experience a ratio of 47% and 45%.

Disclaimer

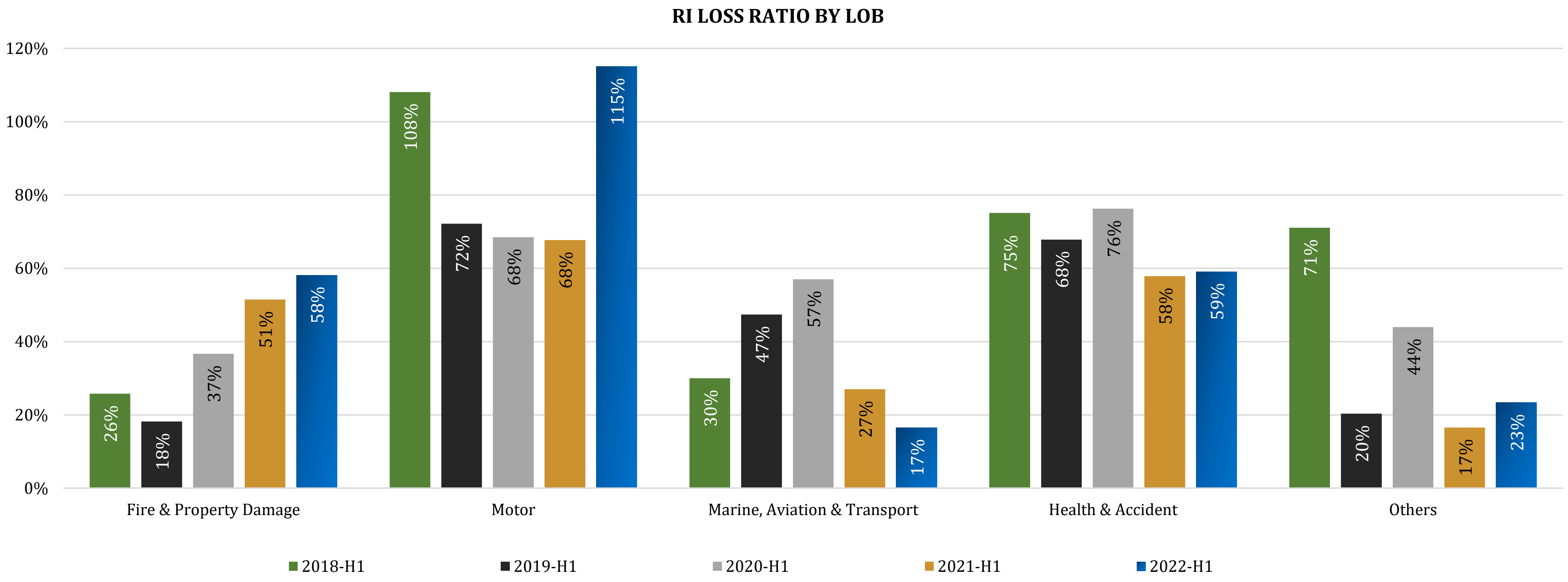
*The ratio for UVIC, PINL and CENI have been capped at 80%

Loss Ratios by Line of Business



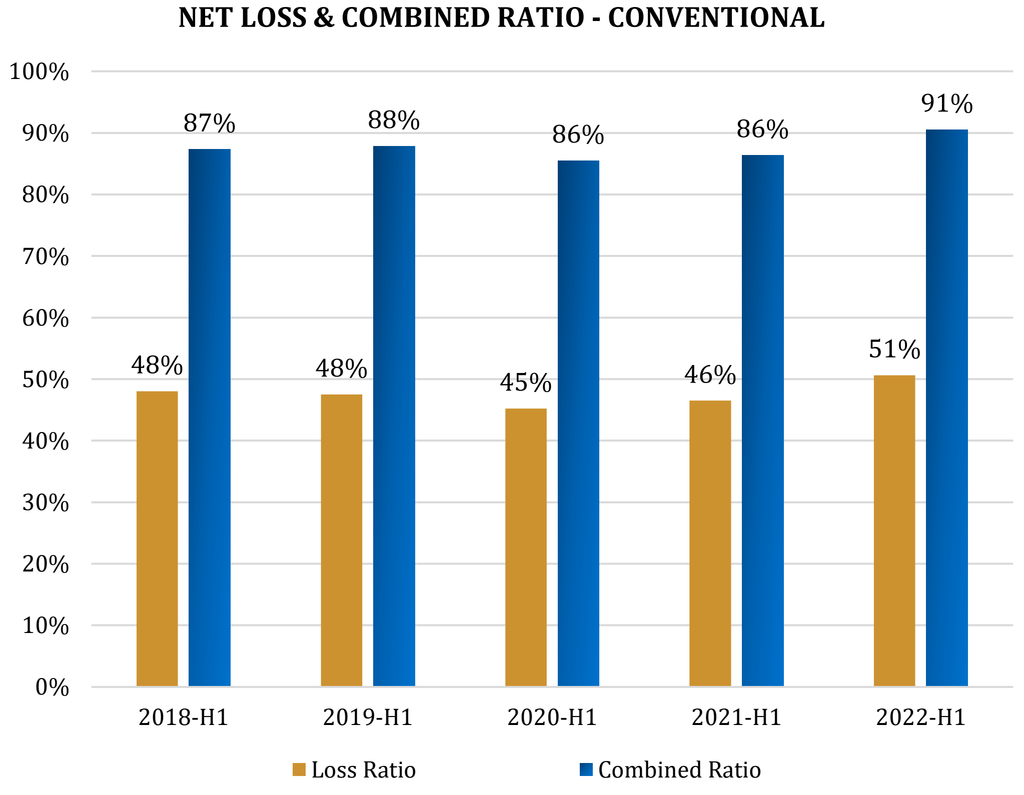
The gross loss ratios have trended up for Motor segment by 7% in 2022-H1 compared to 2021-H1. Lower Health and Marine loss ratios were experienced in 2022-H1 compared to 2021-H1. The Fire loss ratios increased by about 10% in 2022-H1 and this could be due to heavy monsoon and flash flooding in the country.

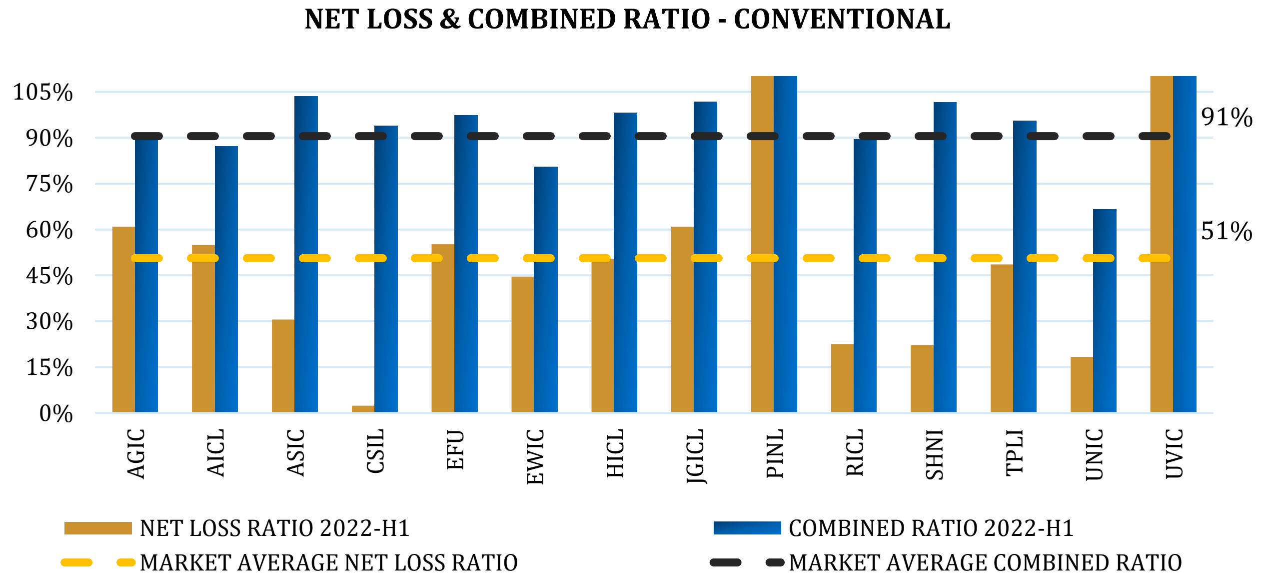
RI Loss Ratio by LOB



RI loss ratios have increased sharply for the Motor line in 2022-H1. Apart from this, there is no clear trend seen in the above ratios. This is expected since reinsurance is bought to absorb volatility enabling the cedant to smoothen their results across years.

Net Loss & Combined Ratio - Conventional





The net loss ratio is the ratio of net incurred claims over the net earned premium while the combined ratio includes management expenses and net commission as well.

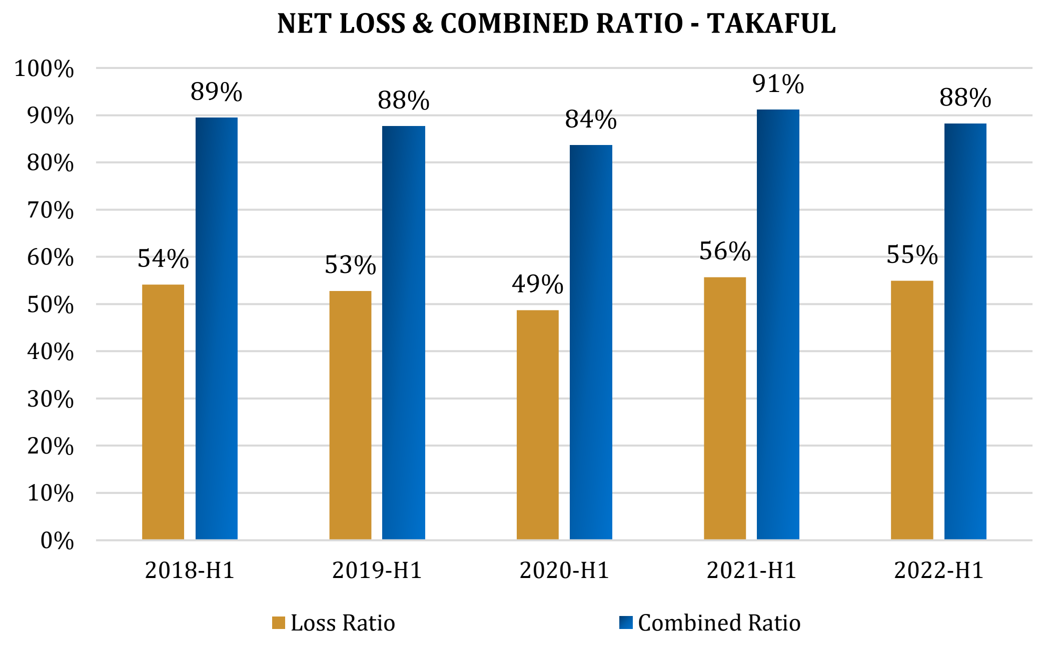
The market net loss ratio is the weighted average net loss ratio which stands at 51% while the market combined ratio stands at 94%.

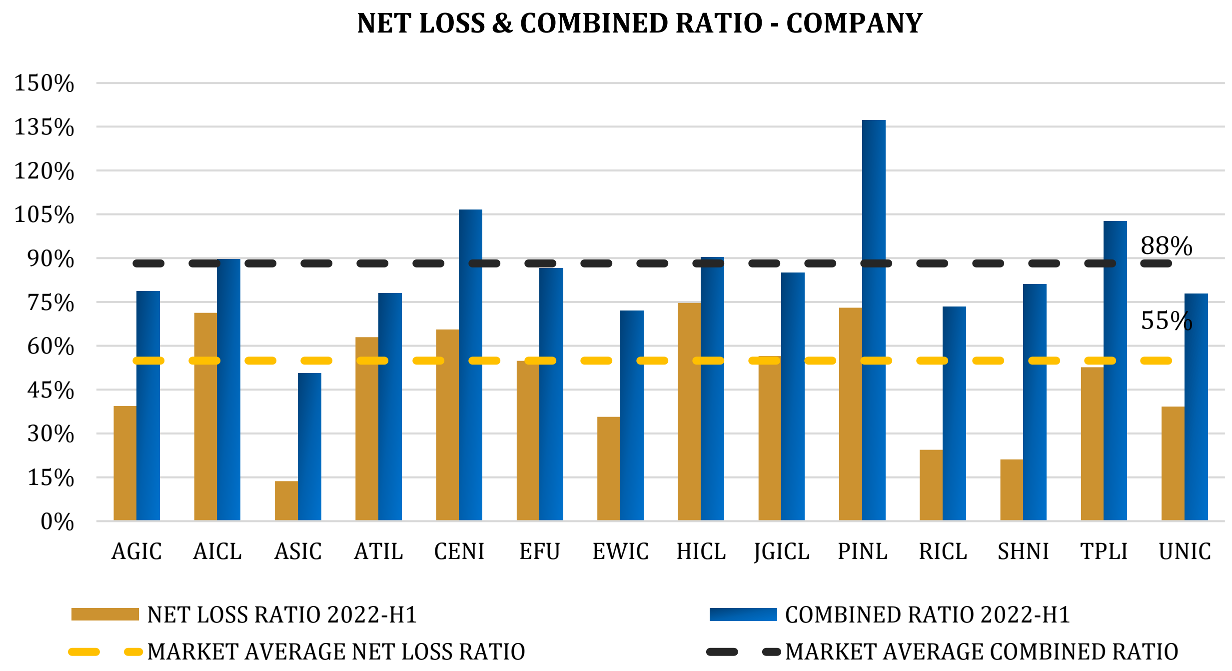
UVIC has the highest net loss ratio while CSIL has the lowest net loss ratio of about 2%. In terms of the combined ratio, UVIC has the highest ratio while ATIL has the lowest ratio of 57%. It should be noted that a combined ratio greater then 100% translates into a net underwriting loss.

Disclaimer: PINL & UVIC have combined ratio in excess of 150%. Hence, they have been excluded from the graph.

The net loss and combined ratios have remained relatively stable at around 47%-49% and 86%-89% respectively. It is interesting to note that the net loss ratios have been higher than the gross loss ratios throughout the period suggesting the need for reinsurance optimization.

Net Loss & Combined Ratio - Takaful



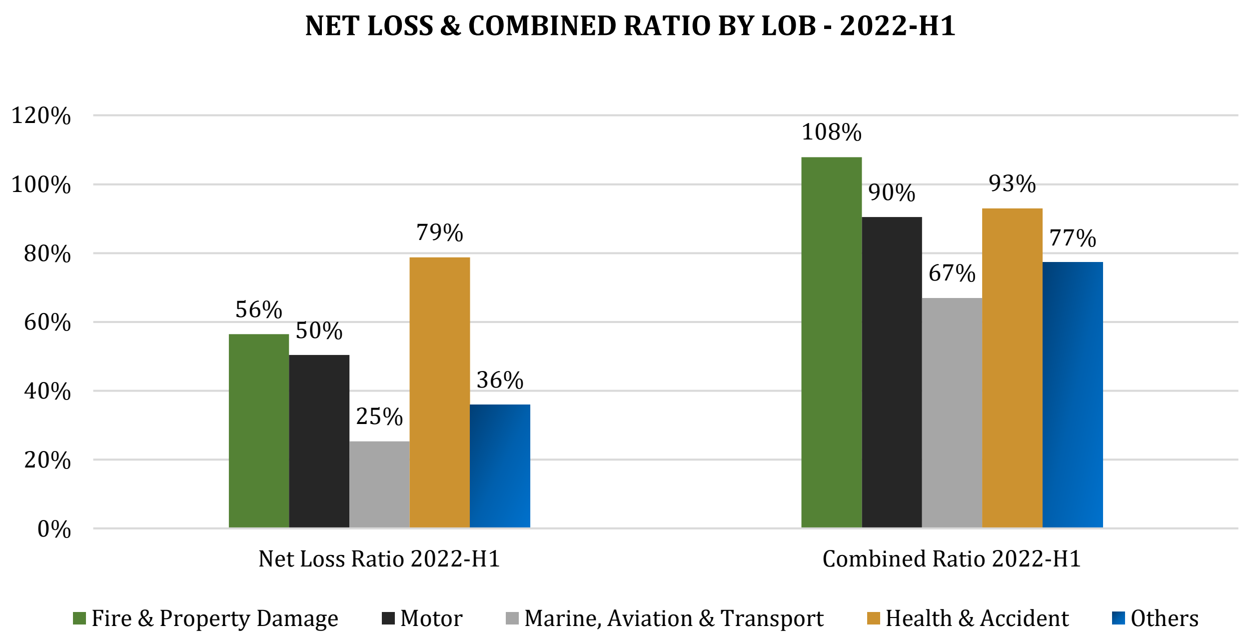


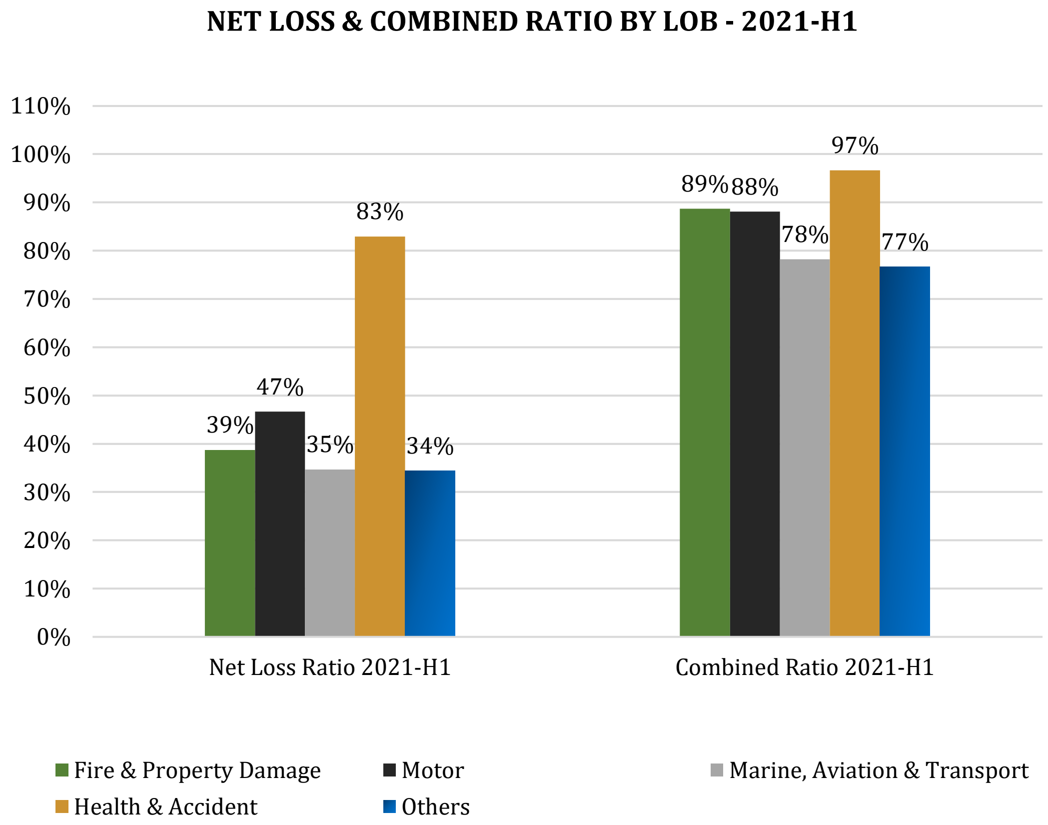
The net loss ratio has declined in 2020-H1 while it remained at a stable level over the last 2 years between 53%-56%. While the market combined ratio has been in the 70%-90% range for the last 3 years. The market net loss and combined ratios decreased in 2020 while 2021 shows the highest levels for these ratios over the 5-year period. It should be noted that the takaful net loss ratios are higher than the conventional ratios while the combined ratio numbers are similar suggesting cross subsidization of expenses between the conventional and takaful business.

The market net loss ratio stands at 55% while the market combined ratio stands at 72% for 2022-H1.

HICL has the highest net loss ratio of 75% while ASIC has the lowest net loss ratio of 14%. In terms of the combined ratio, TPLI has the highest ratio while ASIC and RICL have the lowest ratio of 38%. The combined ratio depicts the underwriting performance of the company along with the underwriting expense management. Hence, a combined ratio greater then 100% translates into a net underwriting loss.

Loss & Combined Ratio by Line of Business



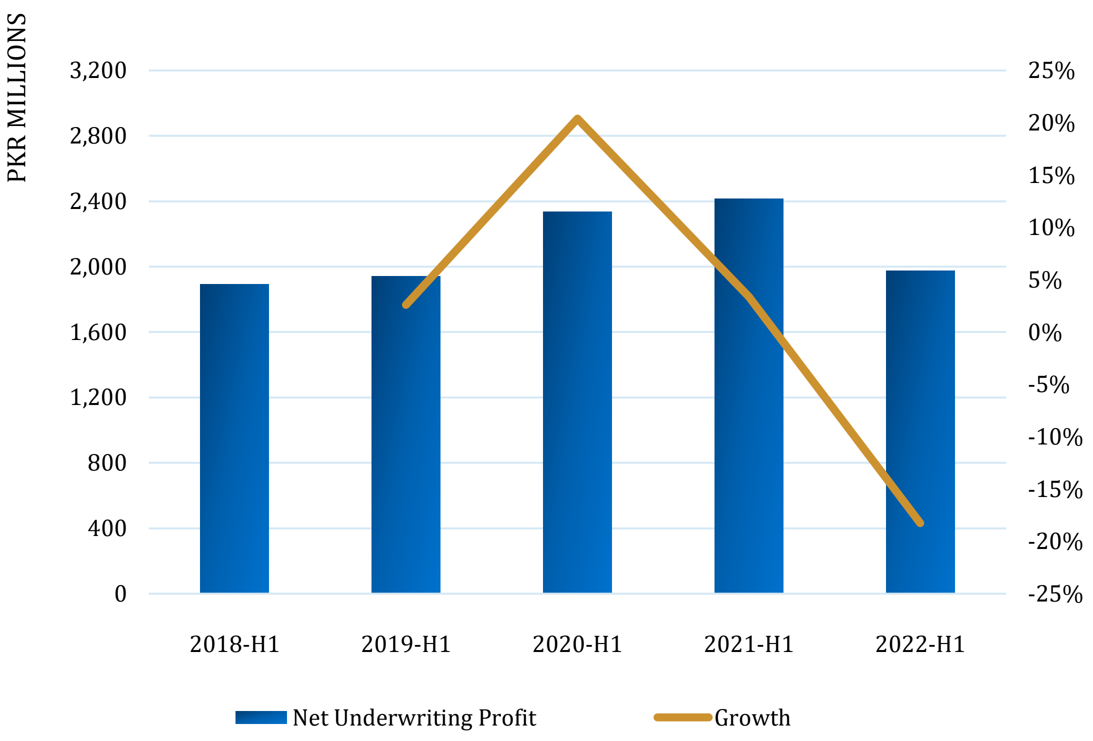


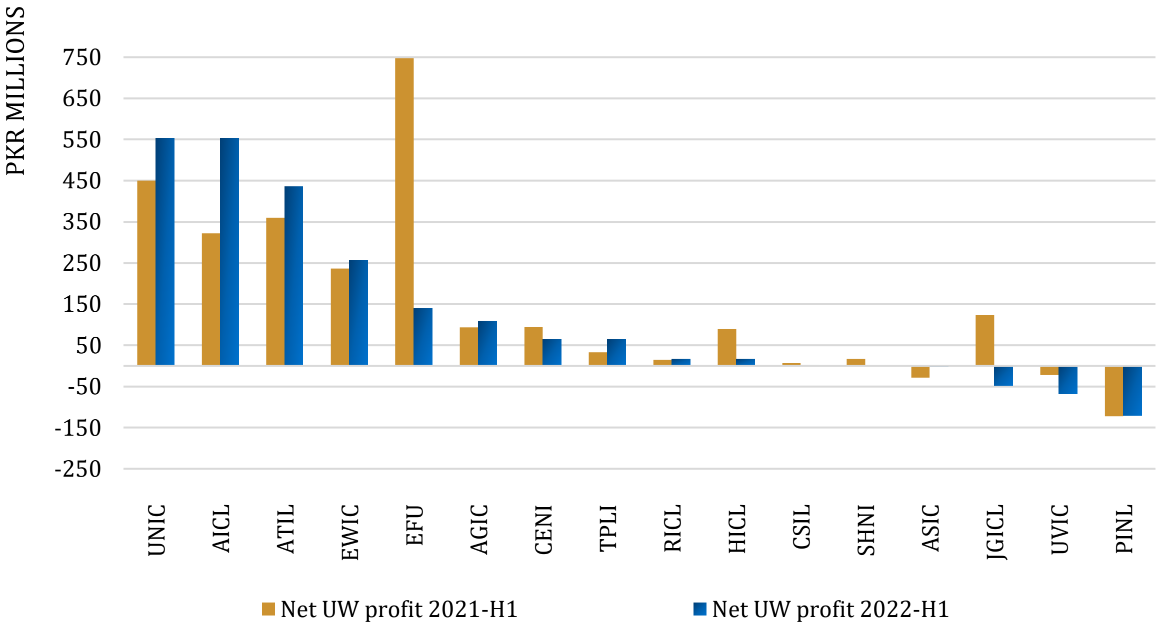
The bar chart shows the net loss and combined ratios across the various business lines for conventional and takaful segments combined. The overall net loss ratio was higher for Motor in 2022-H1 compared to 2021-H1. The Fire line has experienced sharp rise in net loss ratios in 2022-H1 compared to 2021-H1 while Motor experienced a 4% increase. The health segment has the highest net loss ratio of 79% across the lines of business.

The higher net loss ratios have contributed to a combined ratio of 108% for the Fire line making it unprofitable while the rest of the lines have been profitable. Marine experienced the highest UW profit margin of 33%

In 2021-H1, the marine and health business had higher net loss ratios as compared to 2022-H1. In terms of combined ratios, all the lines were profitable at a market level.

Net Underwriting Profit - Conventional



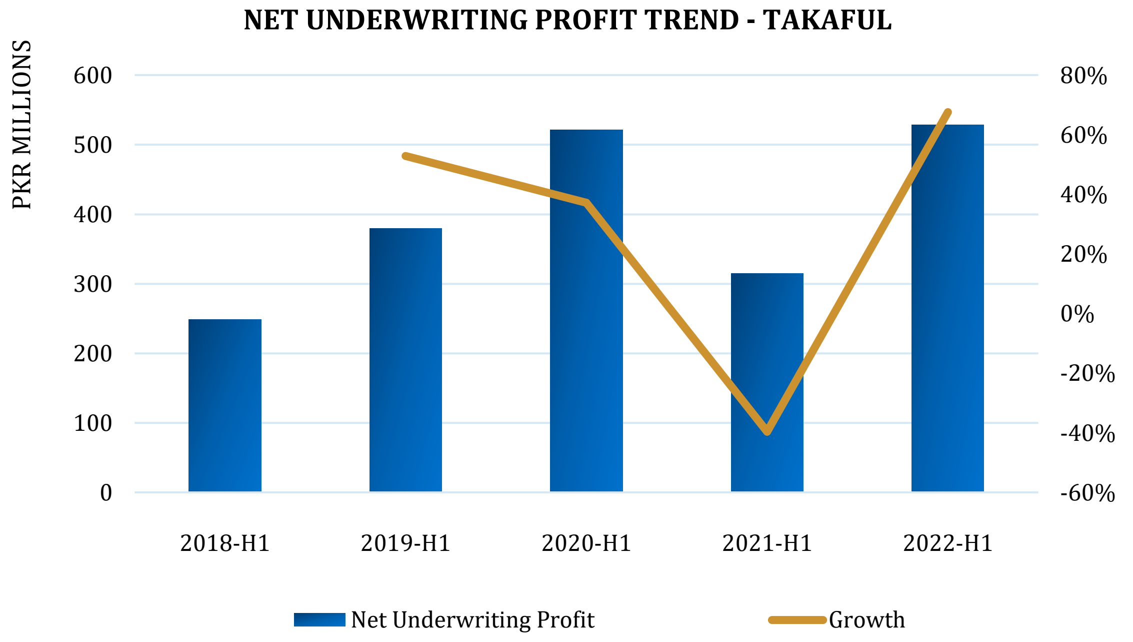


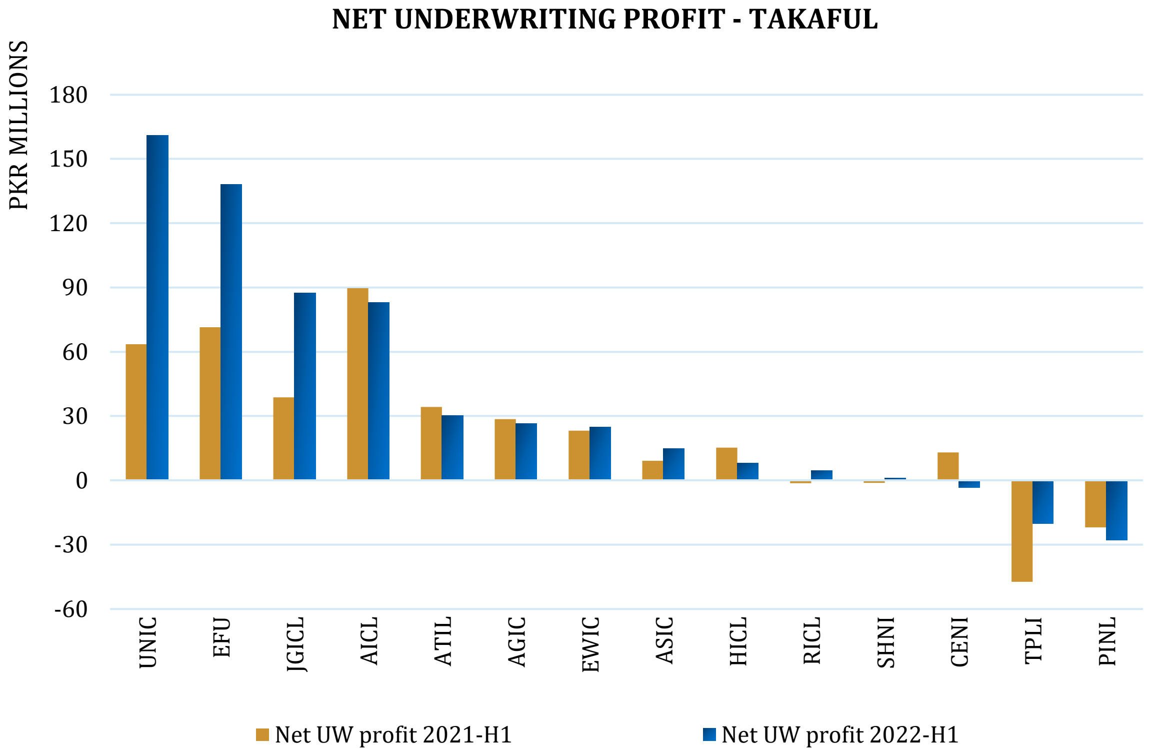
The net underwriting profit for the conventional market saw a sharp decline in 2018-H1 after which the market has experienced an upward trend. The market UW profit stands at PKR 2.4 billion which is a 3% increase compared to the level in 2020-H1. for 2021-H1, 18% decrease is recorded.

The bar graph for the net underwriting profit shows EFU as the top company with an underwriting profit of PKR 748 million followed by UNIC and ATIL with an underwriting profit of PKR 450 million and PKR 360 million respectively.

AICL has experienced a double digit drop in underwriting profitability whereas JGICL has experienced a 116% growth in underwriting profits. AICL experienced higher net loss ratios in the Motor and Health segment while JGICL experienced an improved UW performance in the Fire segment compared to 2020-H1.

Net Underwriting Profit - Takaful



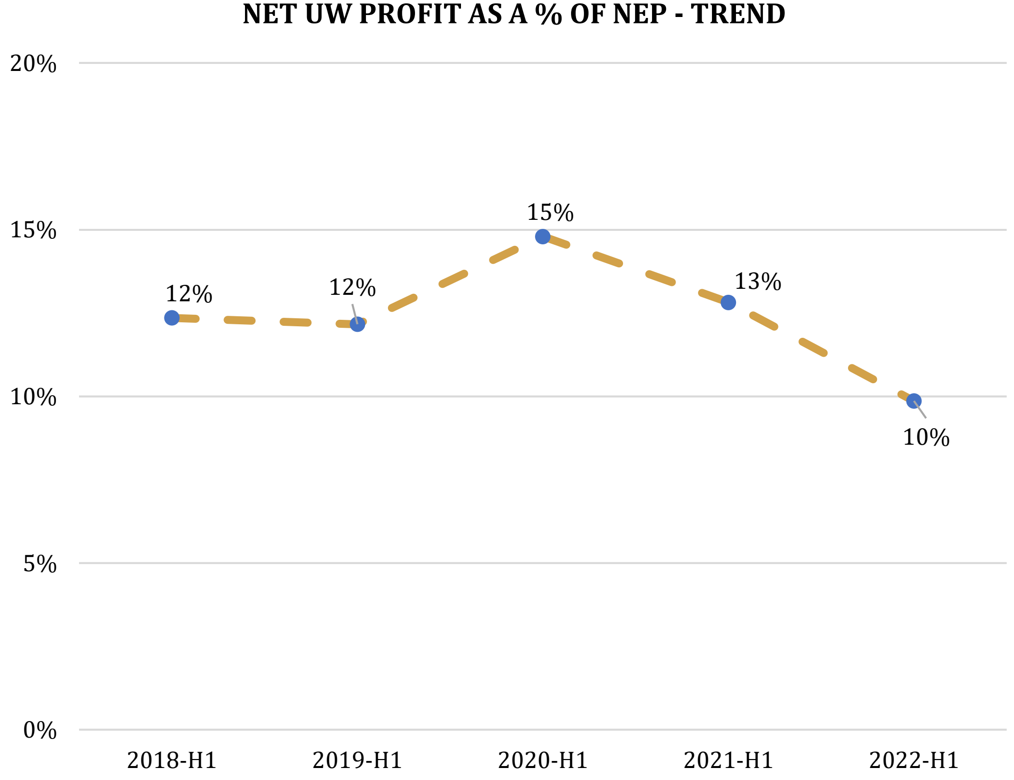


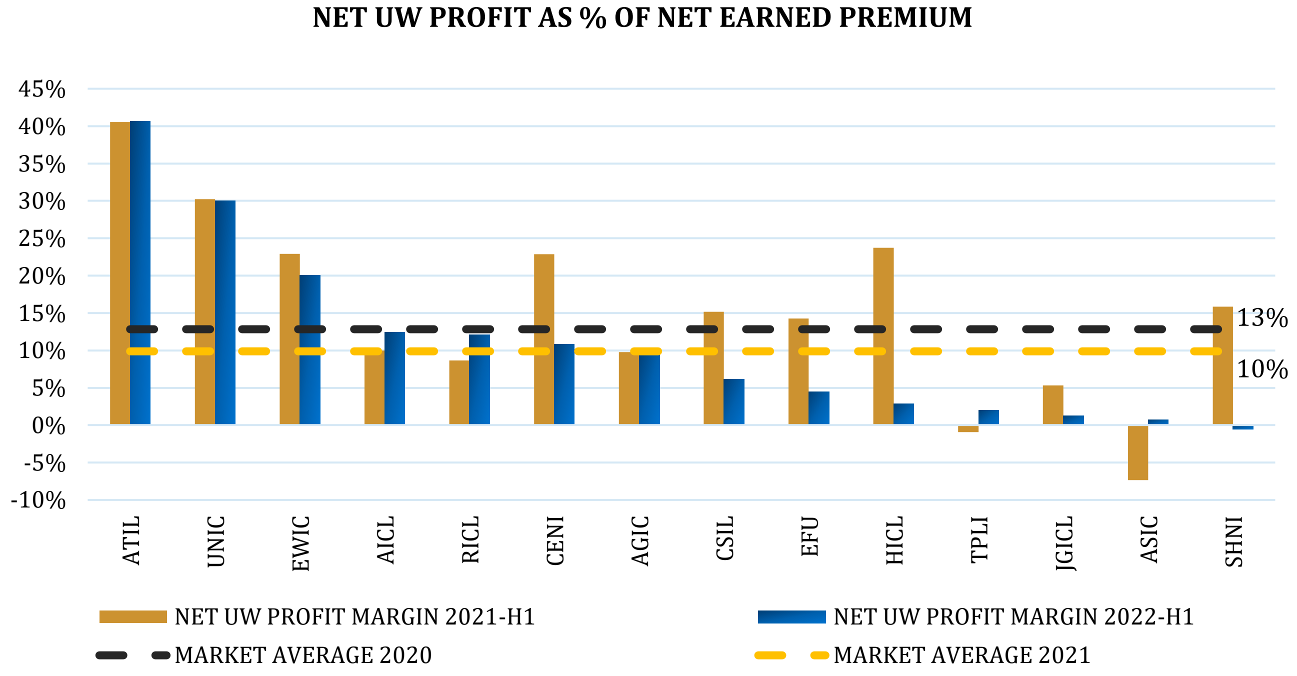
The window takaful operations have experienced an increase in underwriting profitability till 2020. 2022-H1 saw a drastic increase of 68% in underwriting profitability which was a dip of 40% in 2021-H1. The markets underwriting profitability amounts to PKR 528 million in 2022-H1.

The increase in UW profitability could be attributed to lower net loss ratios for the Motor segment. It should be noted that Motor constitutes about 57% of the window takaful's market gross written contribution.

The bar graph shows that UNIC earned the highest UW profits followed by EFU and JGICL. The takaful market experienced an increase in UW profits in 2022-H1. While HICL and CENI experienced a decline in their underwriting profitability compared to the level in 2022-H1, EFU experienced a 93% increase.

NET UW PROFIT AS A % OF NET EARNED PREMIUM



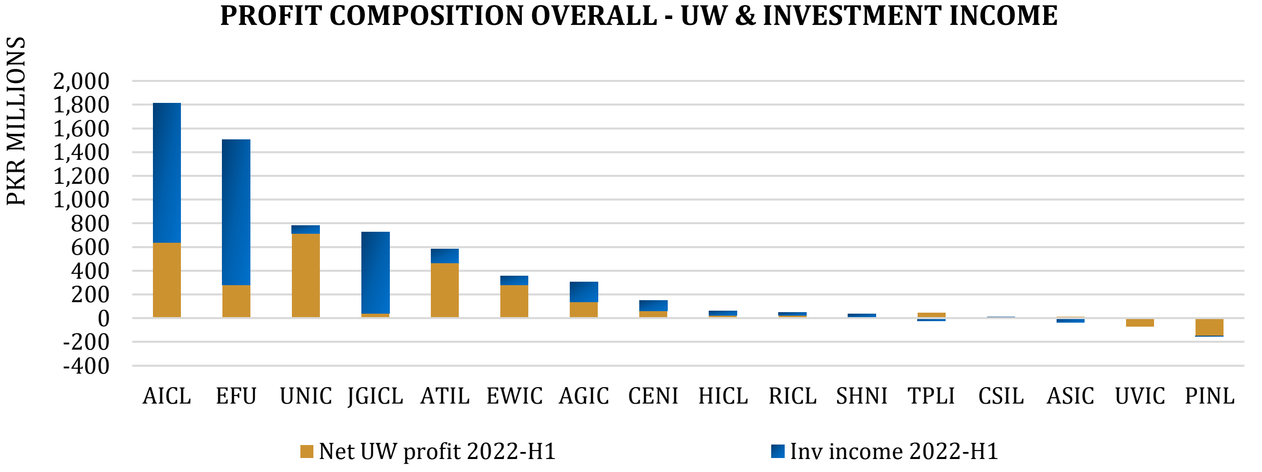


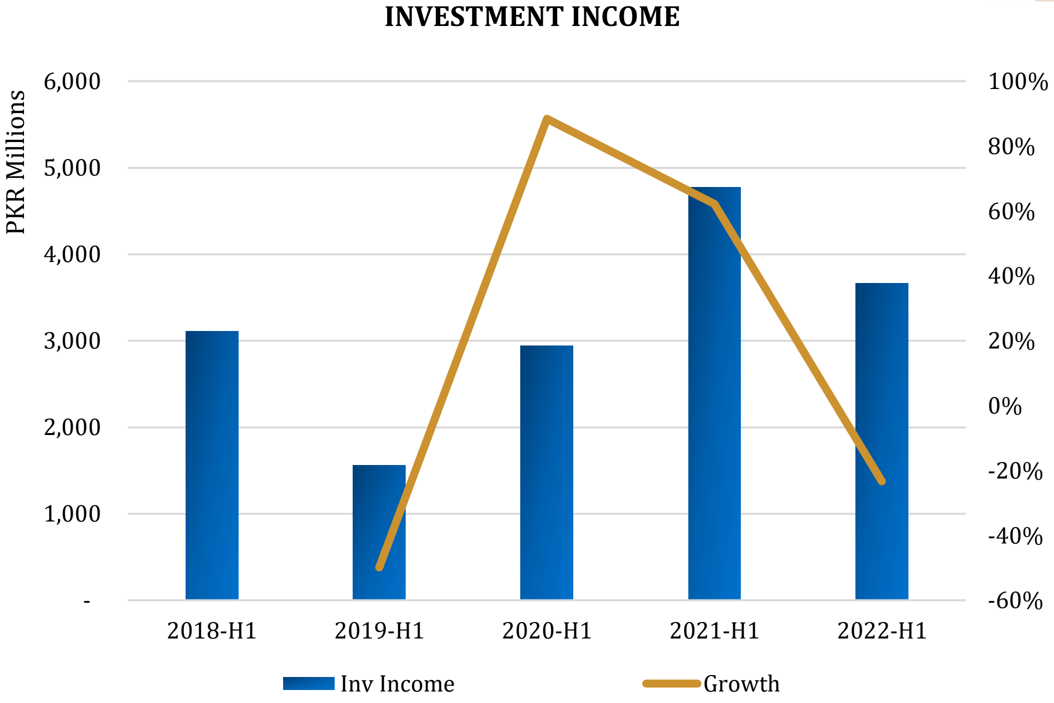
The net underwriting profit margin has fallen over the recent period. This corresponds to the trend of rising combined ratios and falling UW profitability. 2022-H1 has experienced a 5% decline in UW Profit margin.

ATIL has the highest UW profit margin of 41% in the current period while the lowest ratio is reflected in UVIC's financials of -196% (not shown in the chart). JGICL and AICL have experienced UW losses which are reflected as a negative UW profitability margin. 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 declined to 10%.

*UVIC & PINL excluded from the chart since it was an outlier

INVESTMENT INCOME





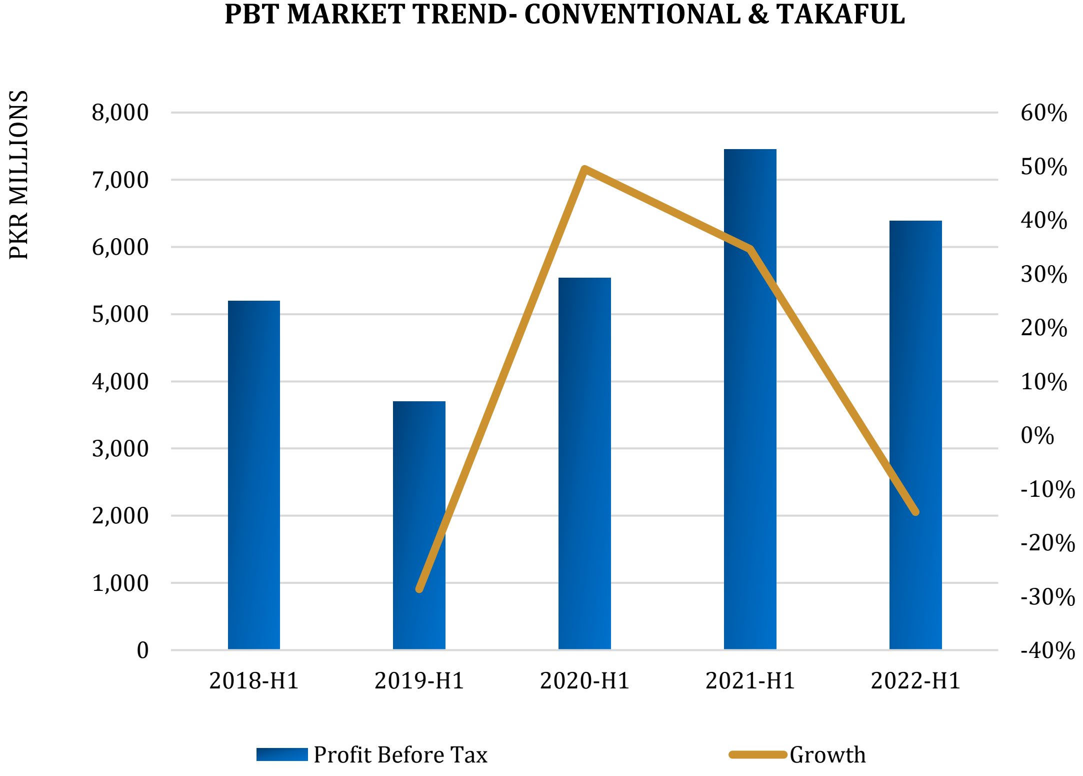
The total investment income earned for the listed general insurance market amounts to PKR 3.7 billion.

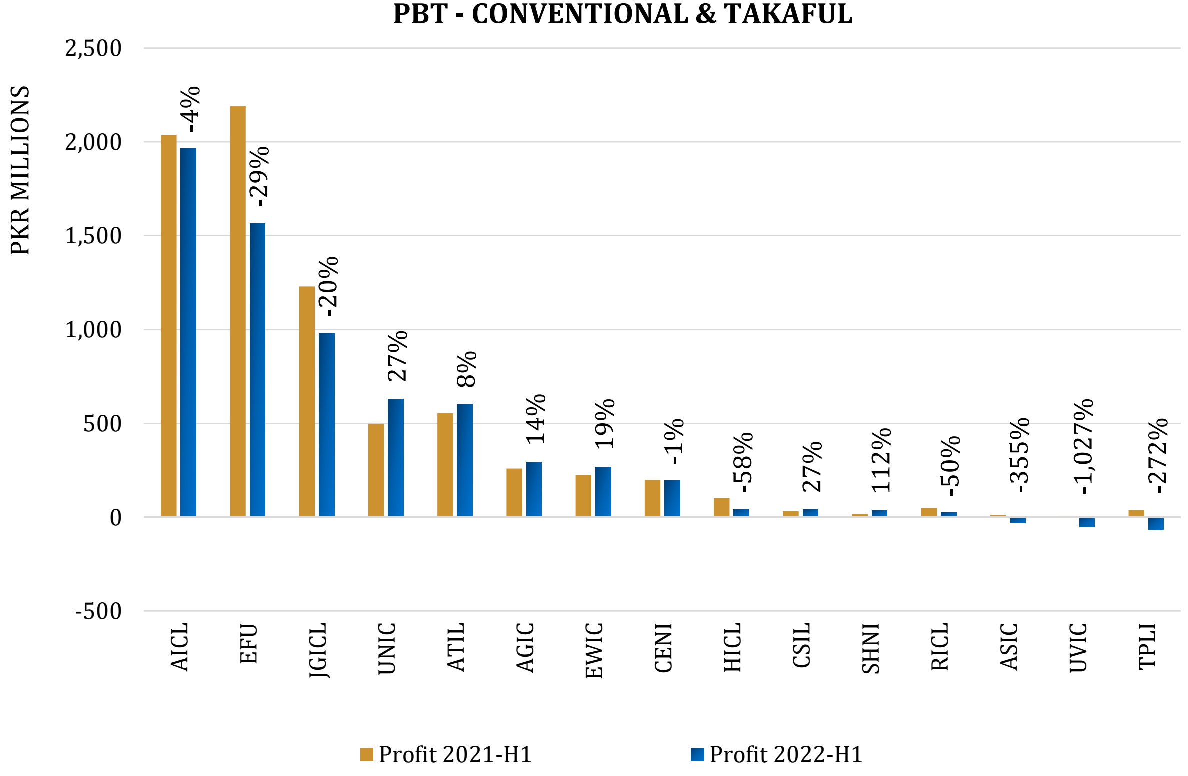
The graph shows the profit composition of the listed general insurance business with the companies ranked in terms of investment incomes. It can be seen that investment income is a major performance driver for general insurers. The top 3 companies in terms of GWP have investment incomes that are higher 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.

The top 3 companies have generated enough assets which generates investment income that is significantly higher than their UW profitability. JGICL's investment income is 16.9x of its' UW profitability. UNIC has dominated the industry in terms of UW profitability while EFU has outperformed in terms of investment income.

The investment incomes have remained volatile over the 5-year period. This is on account of political and economic uncertainties since 2019 coupled with the COVID-19 pandemic in 2020. 2021 saw a resumption in economic activity which saw higher growth and earnings resulting in high investment incomes on the financials of the listed insurance companies. While 2022 witnessed the inflationary impacts of the high GDP growth of 2021 and the external geo-political uncertainties due to the Russia-Ukraine war

Profit Before Tax



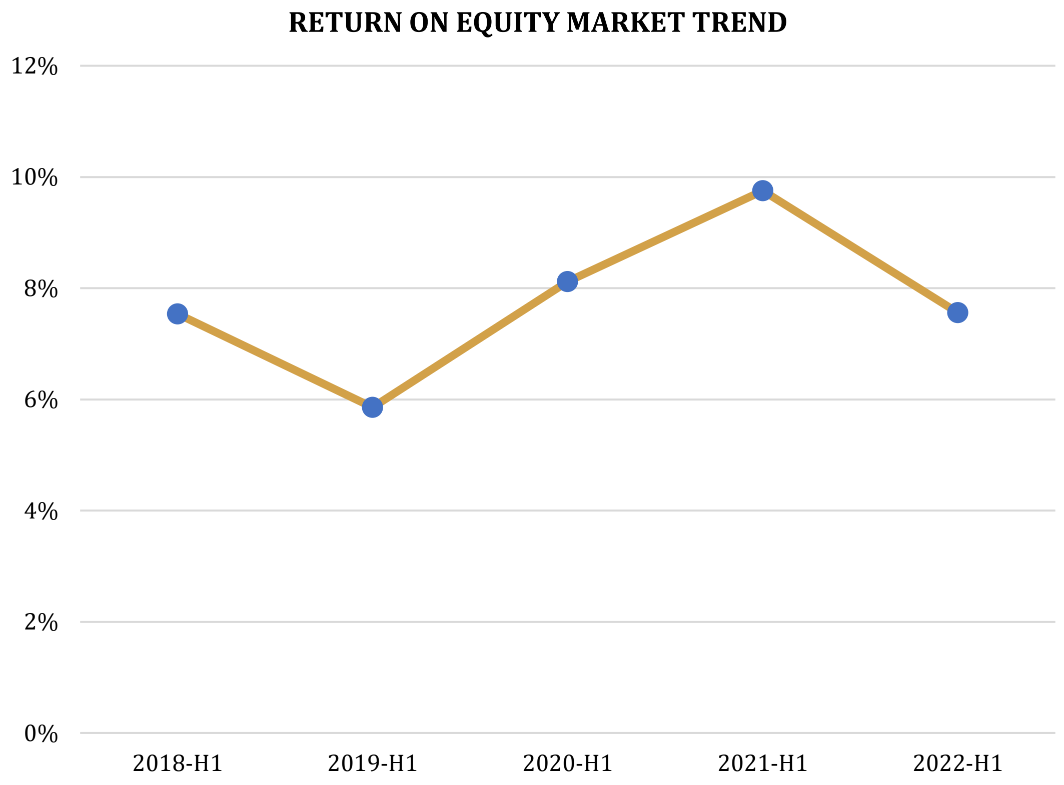


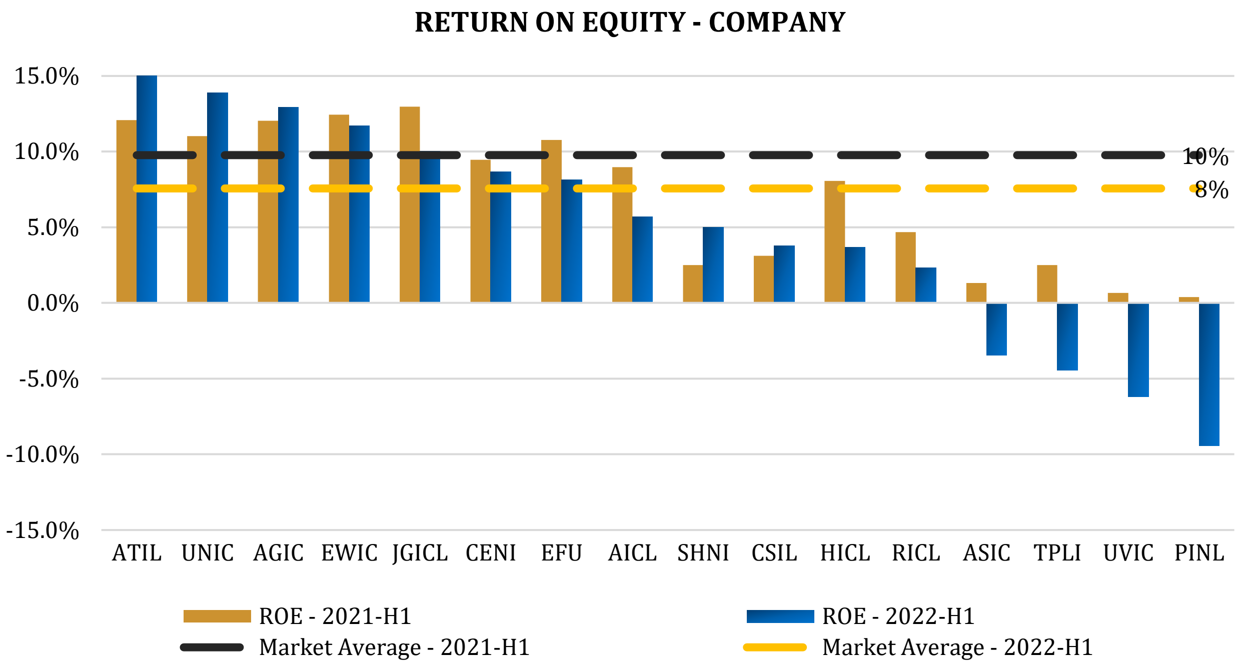
The market PBT trend remained volatile over the 5-year period. This can be associated to volatile investment incomes. The PBT reflected a sharp increase in 2020 and 2021 of 49% and 39% respectively. 2022 saw a decline in profitability on account of higher claim activity and a lower investment income performance. The market experienced a 14% dip in PBT resulting in a market PBT of PKR 6.4 billion.

AICL leads the general insurance market with the highest profit before tax of PKR 2.0 billion followed by EFU at PKR 1.6 billion and JGICL at PKR 980 million. The top 3 companies have experienced a decline in earnings in 2022-H1.

Disclaimer: AICL includes business underwritten inside Pakistan only

Return on Equity





ATIL shows the highest return on equity of 17% while PINL has the lowest return on equity of -9.4%. All the companies generated a positive ROE in 2021-H1 while four companies have generated a negative ROE in 2022-H1.

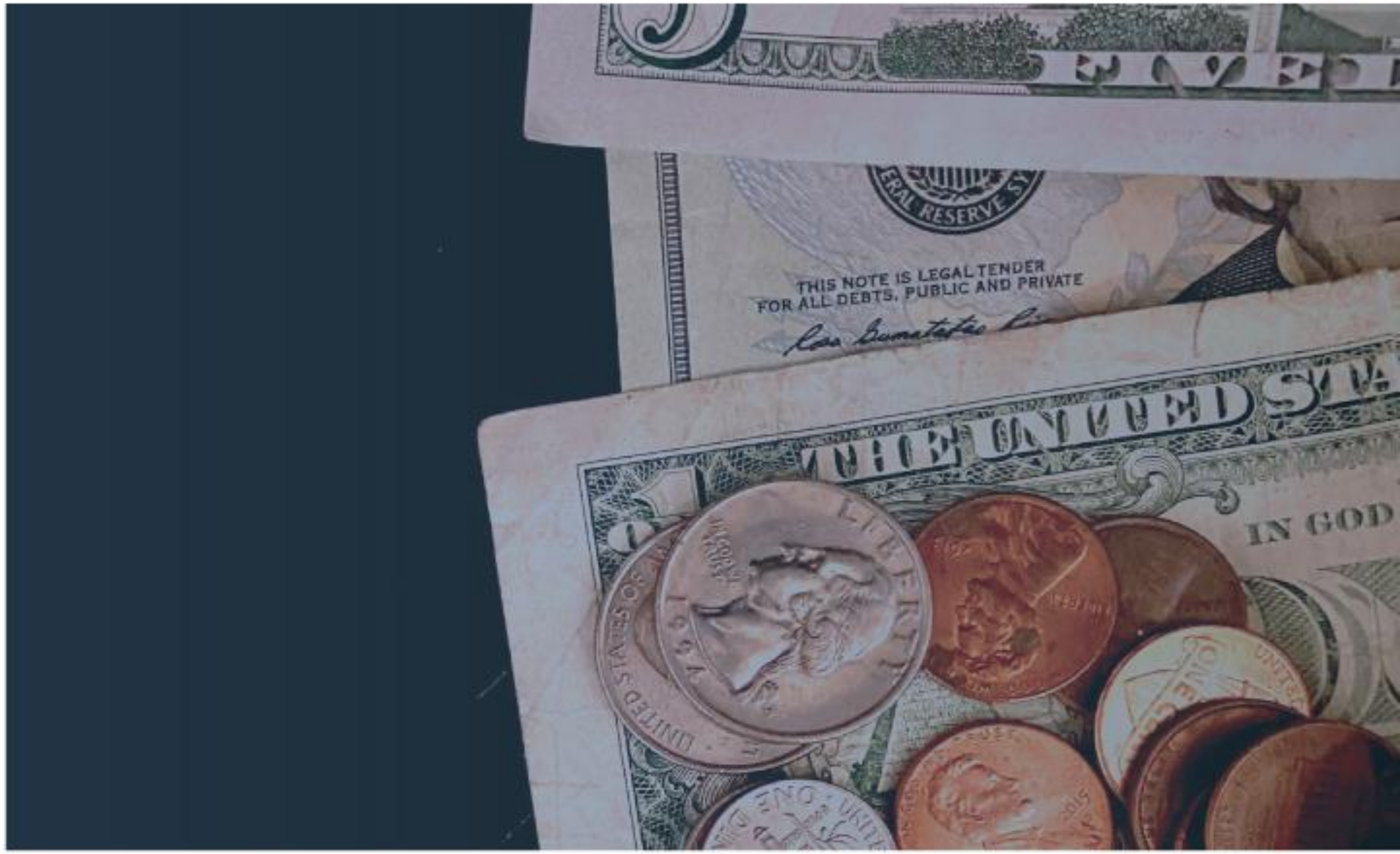
The Return on Equity is calculated as the ratio of PBT to total of shareholders equity at the end of the period.

*****AICL's Equity is on overall basis due to data limitation while the Profit before Tax is only for Inside Pakistan*

The return on equity shows how well a company is using its' capital to generate profits. The weighted average return on equity shows a peak in 2021-H1 and a decline thereafter. The ROE has declined for the industry to 8% in 2022-H1.

Earning Per Share

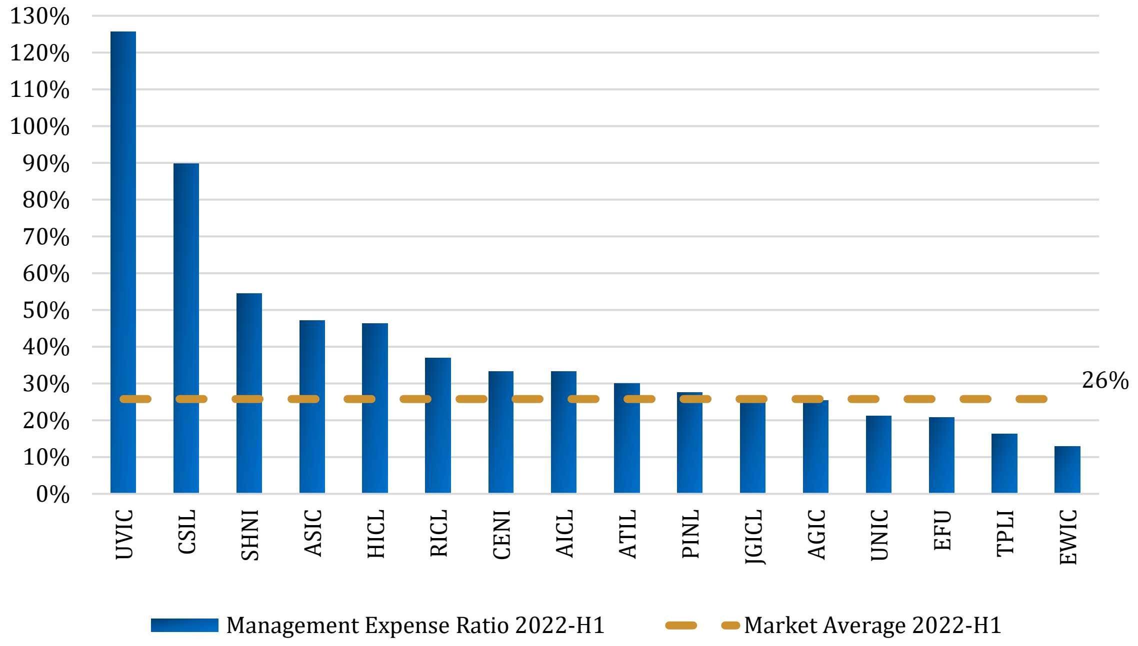
Company	EPS 2021-H1	EPS 2022-H1
AGIC	2.56	2.48
AICL	4.61	2.89
ASIC	0.12	(0.30)
ATIL	4.25	3.77
CENI	2.57	2.14
CSIL	0.22	0.29
EFU	7.78	4.86
EWIC	1.03	1.24
HICL	0.58	0.26
JGICL	4.39	2.78
PINL	0.06	(2.27)
PKGI	(0.30)	(0.20)
RICL	0.59	0.26
SHNI	0.24	0.45
TPLI	0.64	(0.24)
UNIC	1.30	1.66
UVIC	0.05	(0.67)



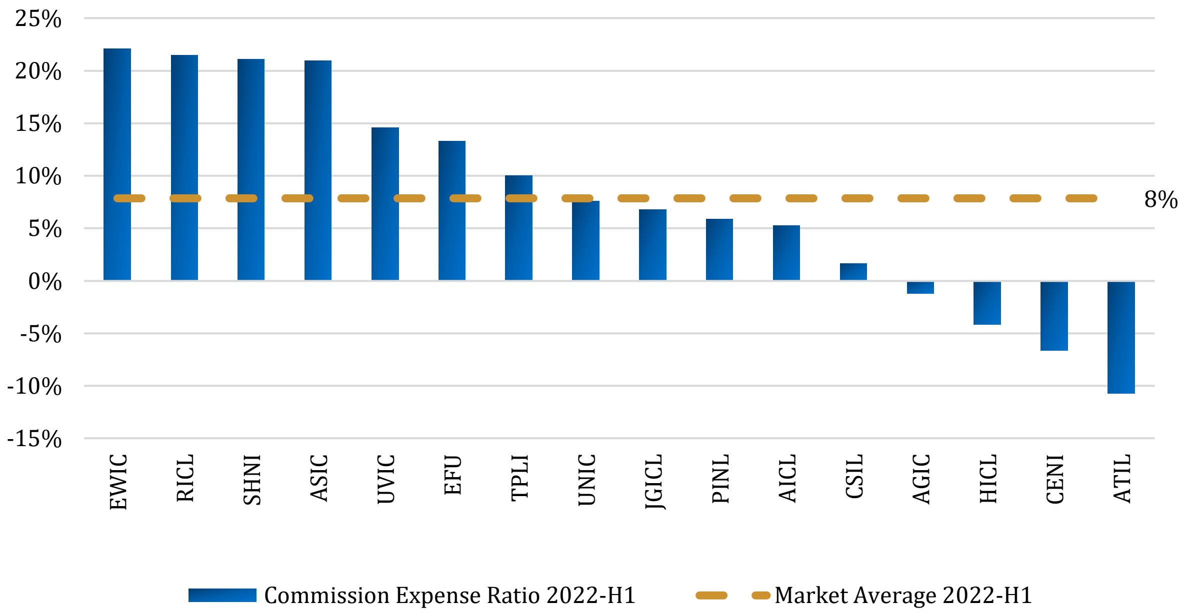
Most of the listed general insurance industry of Pakistan experienced a decline in their EPS on account of UW performance and investment performance.

Commission & Management Expense Ratio - Conventional

MANAGEMENT EXPENSE AS A % OF NET EARNED PREMIUM



NET COMMISSION EXPENSE AS A % OF NET EARNED PREMIUM

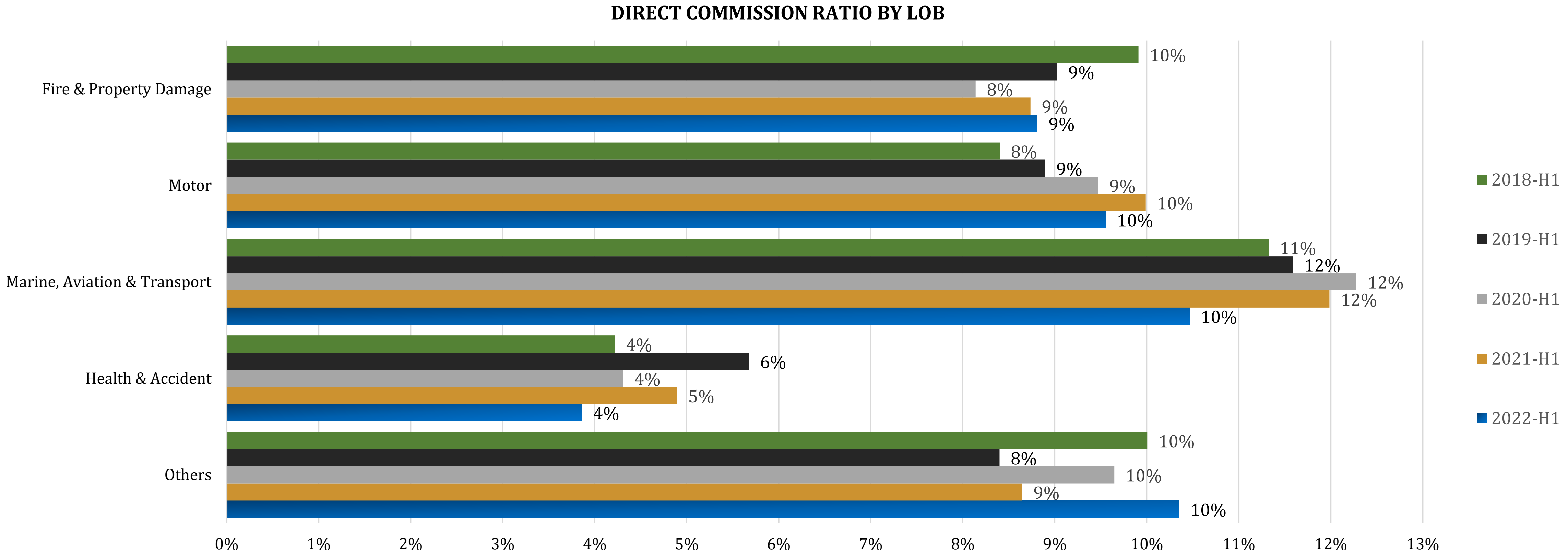


The market ratio calculates to 26% for 2022-H1.

Among the top 3 companies, EFU has the lowest management expense ratio of 21% while AICL has the highest ratio of 33%. UVIC has the highest management expense ratio of 126% which is negatively impacting its' UW profitability.

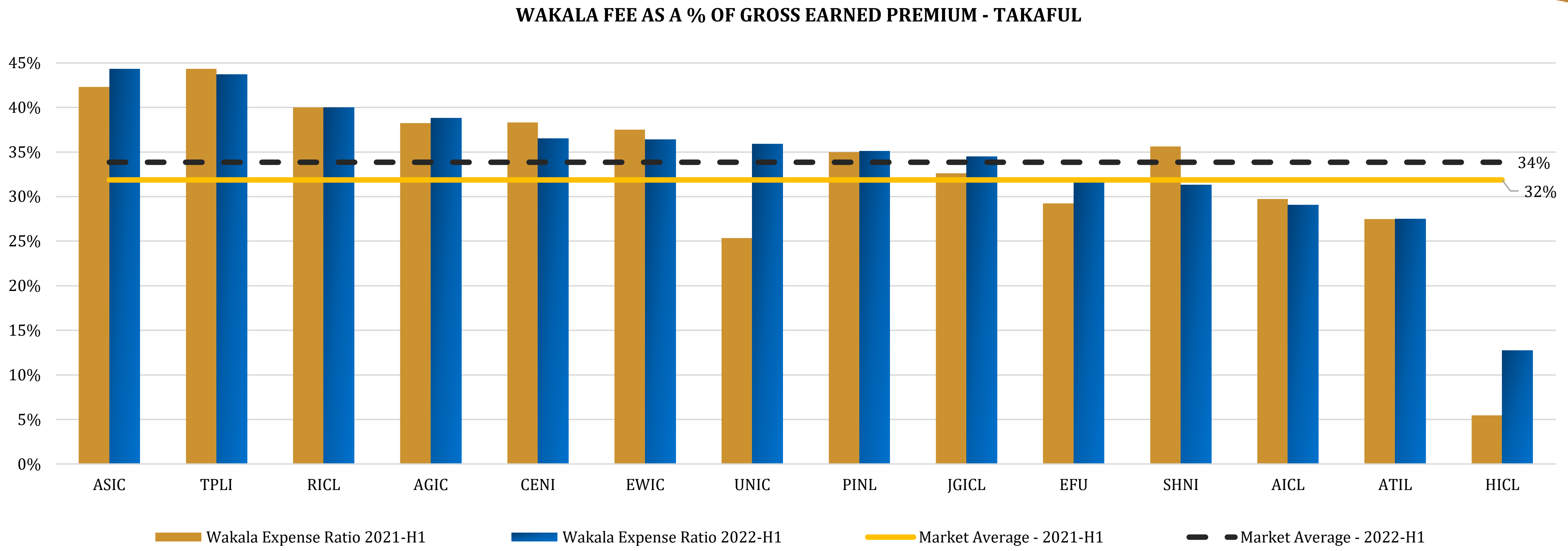
A negative ratio signifies that the commission earned outweighs the commission paid. The market ratio is the weighted average which stands at 8% for 2022-H1. The highest commission expense ratio can be observed for EWIC at 22% while ATIL has the lowest ratio of -11%. Companies usually cede out a large 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. Motor has experienced a steady 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.

Wakala Expense % GEC



The Operator manages the participant fund and takes a fee as a percentage of written premium 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 34% in 2022-H1 while the industry had a wakala expense ratio of 32% in 2021-H1.. The highest ratio is reflected in the financials of ASIC and TPLI of 44% while the lowest ratio is reflected in the financials of HICL at 13%.

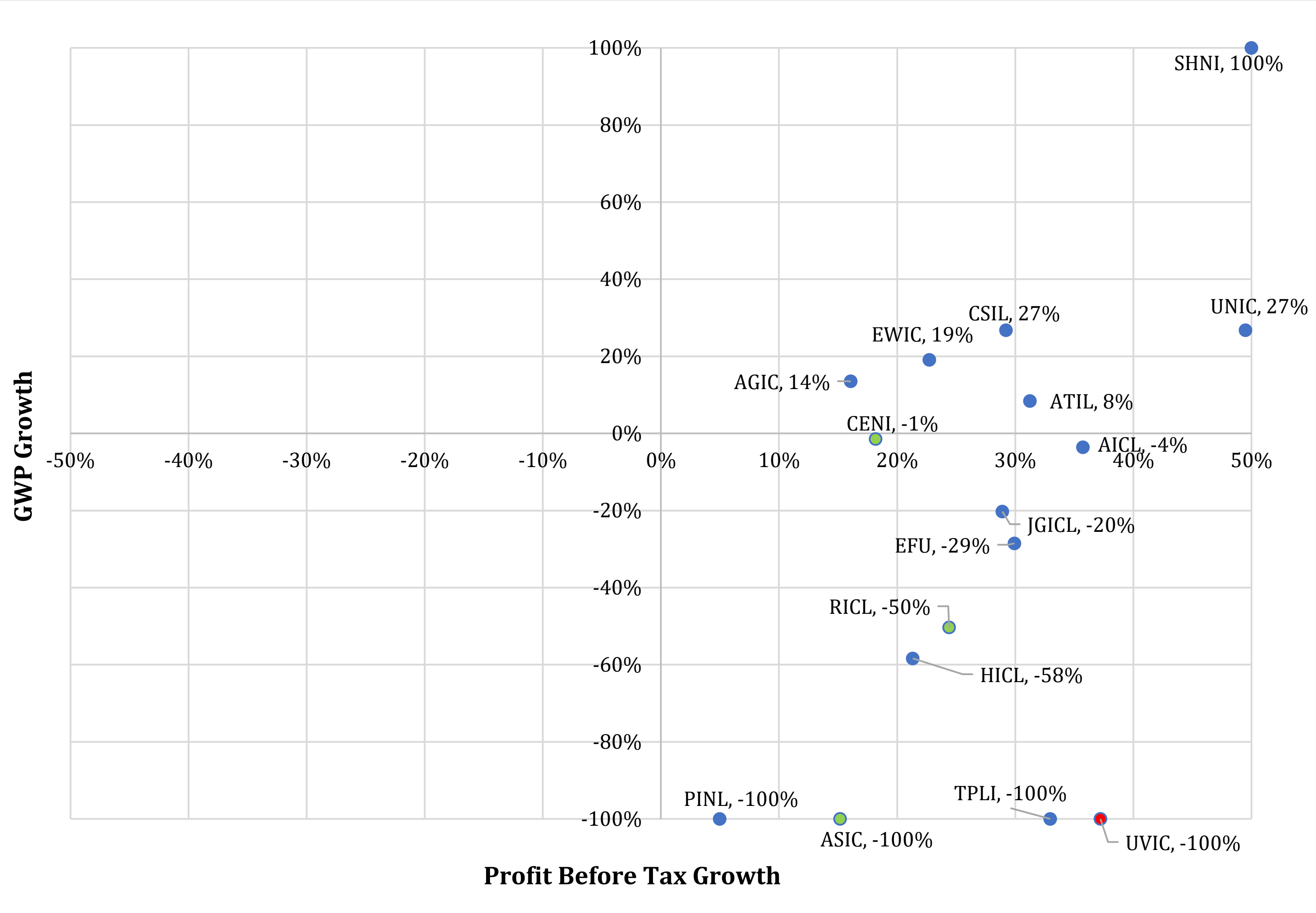
Premium and Profit Analysis

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

This table ranks the conventional and window takaful business based on gross written premium/contribution 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 and PBT followed by AICL and JGICL respectively. An important observation can be made for CSIL which has jumped 5 places in terms of Profit before tax.

Premium and Profit Analysis

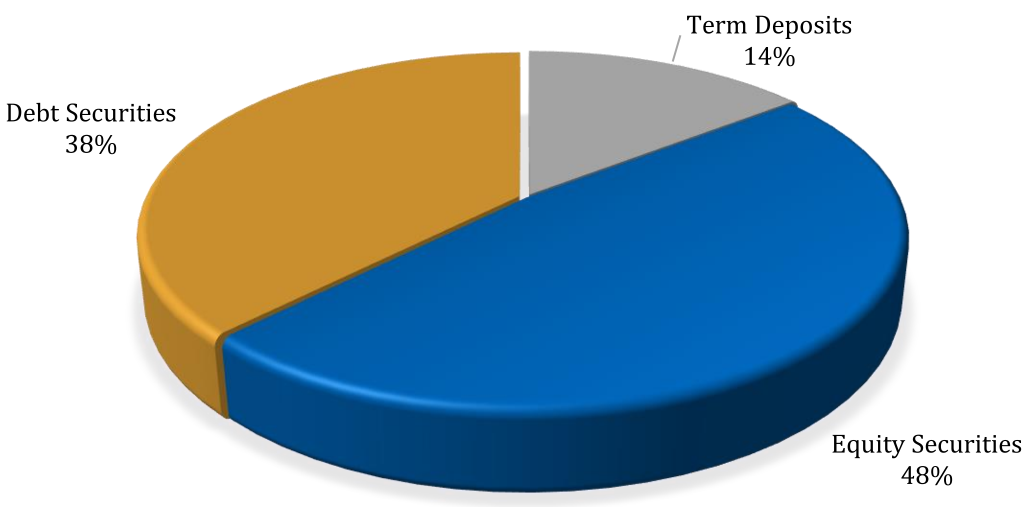


The graph shows gross written premium (GWP) growth on the x- axis and profit before tax growth on the y-axis. The profit before tax growth is capped at ± 100% while the GWP growth is capped at ± 50%. The growth is calculated on a year-on-year basis for the year ended 2021 vs the corresponding period 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).

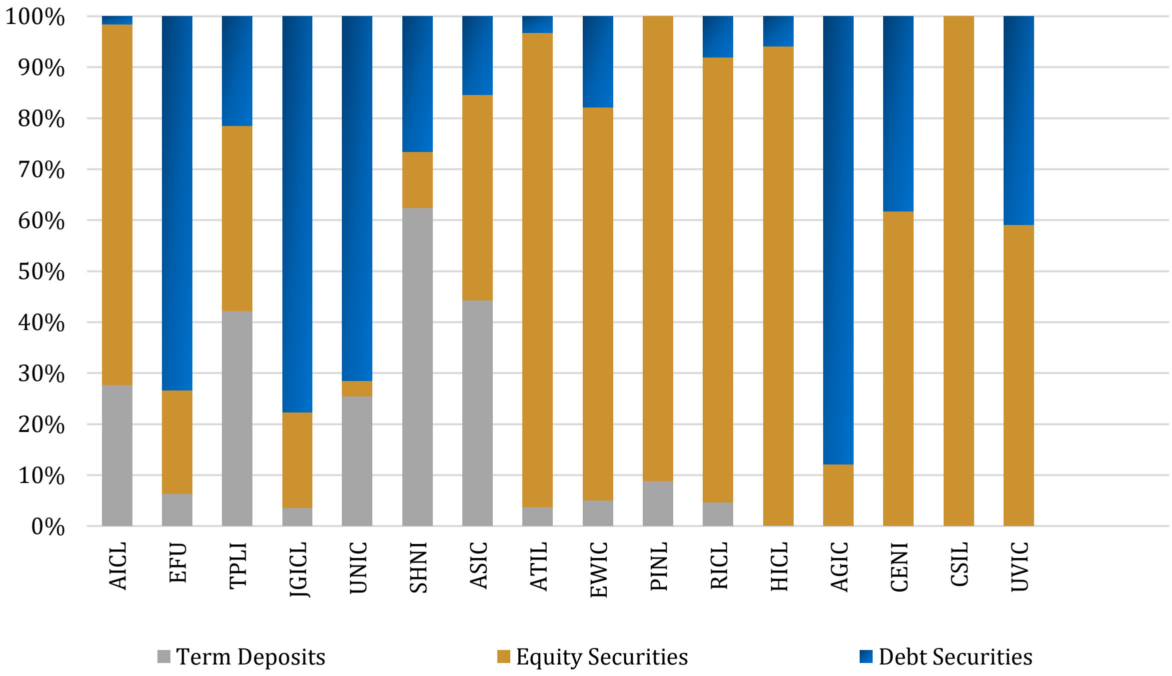
Presence in the top left quadrant might indicate an improved underwriting performance or investment income whereas presence in the bottom right quadrant can indicate worsening underwriting profitability all else being equal.

Asset Mix

TOTAL INVESTMENTS AS AT 2022-H1



ASSET MIX



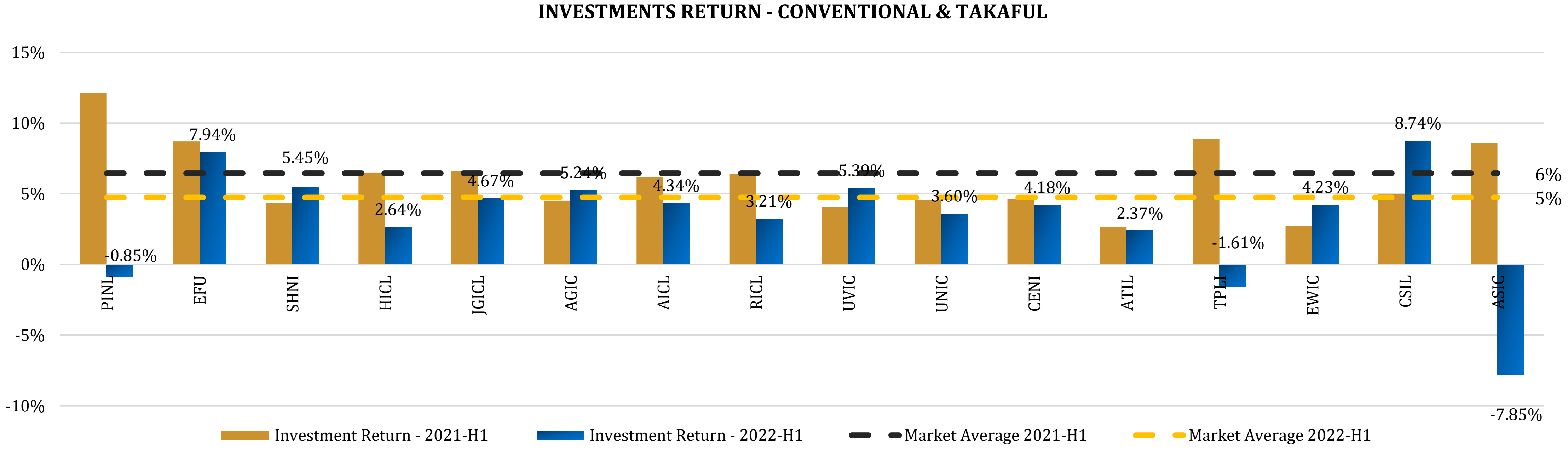
The chart shows the industry's invested assets breakdown for 2022-H1. More than half of the investments are made in equity securities with slightly more than one-third allocated to the fixed income market.

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 78 billion compared to PKR 74 billion in the corresponding period in 2021.

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 In the equity market while the other companies have diversified their portfolios across the three asset classes.

Investment Return



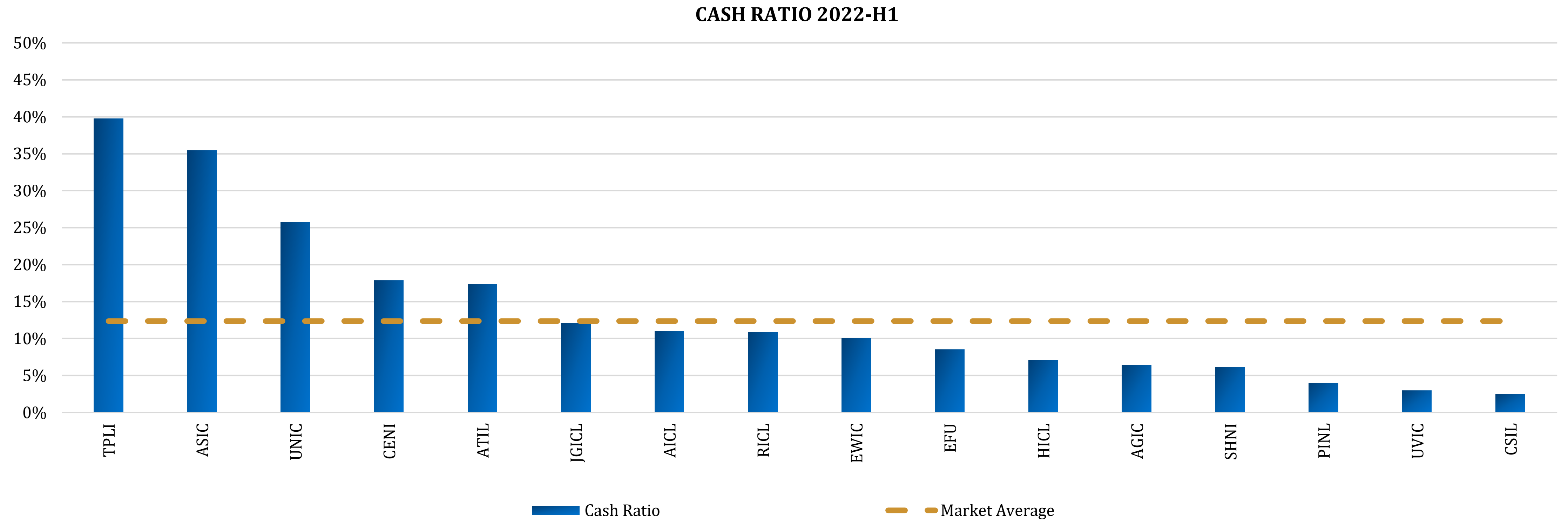
The investment return is computed as total investment income over the total invested assets.

The investment returns of the industry averaged around 5% for 2022-H1 compared to 6% in the corresponding period in 2021.

CSIL earned the highest level of investment return of 8.7% which is primarily invested in equity securities. While ASIC had the lowest returns of -7.8%. The investment portfolio of the company is reflective of the companies 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.

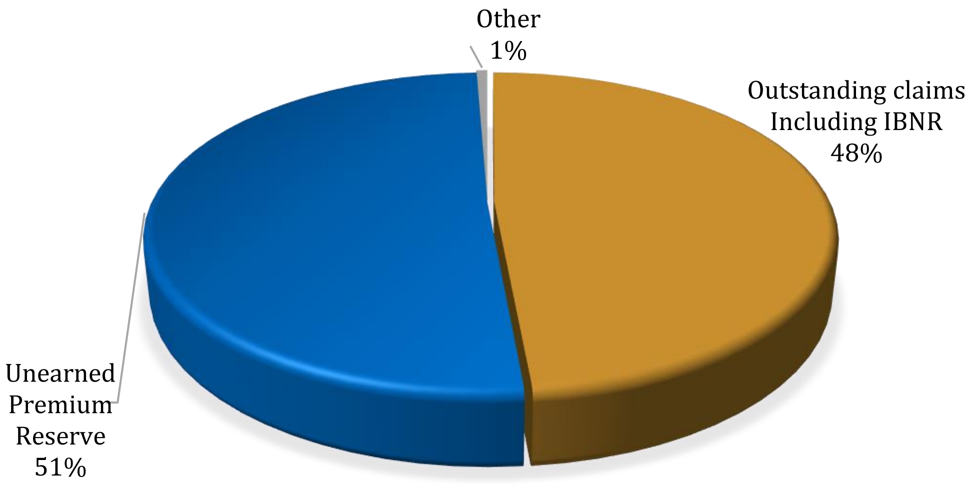
Cash Ratio

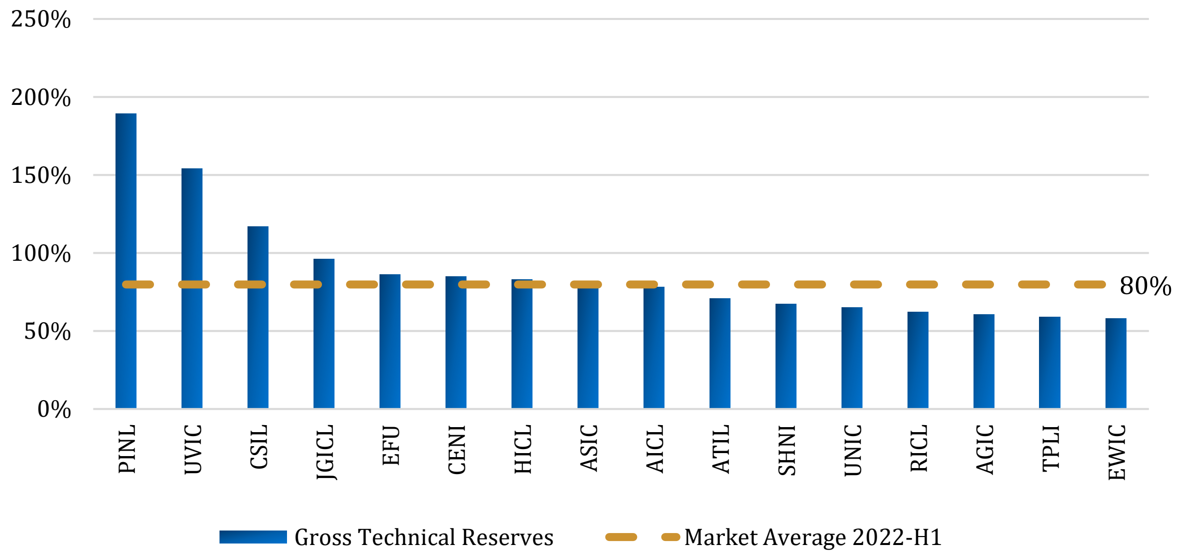


The cash to invested asset ratio has been taken as the ratio of cash & bank to total invested assets including cash. General insurers aims to keep minimum of assets as cash to meet unexpected liquidity requirements which may arise due to large loss or catastrophe. Cash generally earns a lower return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

The market cash ratio is calculated to be 12%. TPLI and ASIC has highest level of 40% and 35% respectively maintained as cash, while the lowest ratio of about 2% is maintained by CSIL.

Technical Reserves





Total Technical Reserves : PKR 78 billion

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 51% followed by the Outstanding claims including IBNR reserve at 49%.

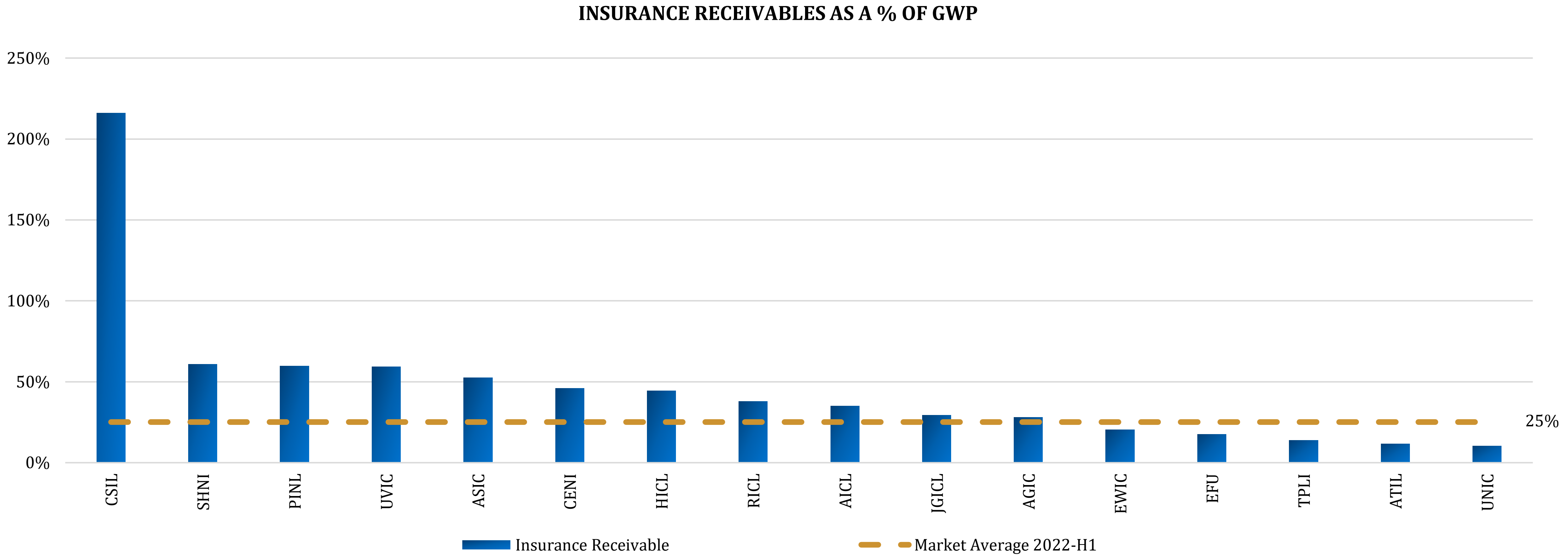
Reserves are backed by assets which earn investment income for the company.

The bar graph represents the gross technical reserves at 2022-H1 over the gross premium.

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 annualized gross premium as at June 2022 for the conventional business. The market ratio is computed to be 25%. CSIL has the highest ratio of 216% (graph capped at 100%) while UNIC has the lowest ratio at 11%.

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.

Net Profit Breakdown

Particulars	2022-H1	2021-H1	Variance
	PKR Billion	PKR Billion	PKR Billion
Total UW Profit	2.5	2.7	(0.2)
Investment Income	3.7	4.8	(1.1)
Others	0.2	-0.1	0.3
Total Profit Before Tax	**6.4**	**7.5**	**(1.1)**

Conclusion

The recent floods are expected to have a substantial negative impact on Pakistan's economy therefore impacting the insurance industry as well. The impact of the floods on the financial sector has been assessed primarily through damage to the physical infrastructure and projected loan losses, however as the necessary preventive measures are being setup the conditions might improve accordingly.

The top-line growth in the market premium was 31% which resulted in the GWP of PKR51 Billion in the first half of 2022. All the major lines of businesses experienced an increase in GWP. The Conventional and Takaful both businesses have experienced an exceptional year on year increase in their market share and has supported the overall increase in market GWP.

The market gross loss ratio increased to 51% in 2022-H1 which was due to higher loss activity in the Motor segment. The market net loss ratio also stood at 51% which shows the importance of reinsurance in absorbing the large gross losses which the Fire line experienced in 2020. This is because Fire is the line with the lowest retention ratio. The combined ratio for the market slightly increased to 90%.

The investment income for the market has decreased by 23% to the 2021-H1 level and values at PKR 3.7 billion and is a significant driver of deterioration of company's net earnings. The profit before tax for the market fell by 14% which values at PKR 7.4 billion.

KEY TAKEAWAY POINTS

Key Takeaway Points

INDUSTRY GWP GROWTH TIMELINE - CONVENTIONAL & TAKAFUL

2018-H1	2019-H1	2020-H1	2021-H1	2022-H1
PKR 33.2bn	PKR 35.3bn	PKR 34.2bn	PKR 38.9bn	PKR 50.7bn

INDUSTRY NEP GROWTH TIMELINE - CONVENTIONAL & TAKAFUL

2018-H1	2019-H1	2020-H1	2021-H1	2022-H1
PKR 17.6bn	PKR 18.8bn	PKR 19.3bn	PKR 21.4bn	PKR 25.1bn

INDUSTRY PBT GROWTH TIMELINE - CONVENTIONAL & TAKAFUL

2018-H1	2019-H1	2020-H1	2021-H1	2022-H1
PKR 5.2bn	PKR 3.7bn	PKR 5.5bn	PKR 7.5bn	PKR 5.8bn

Highest GWP recorded by **EFU** at PKR 14bn

Highest Growth in GWP Recorded by **SHNI** at 60%

Highest NEP Recorded by **EFU** at PKR 6.2bn

Highest Retention Recorded by **CSIL** at 100%

Lowest Combined Ratio recorded by ` **ATIL** at 59%

Highest Investment Income (Conventional) Recorded by **AICL** at PKR 1.2bn

Highest PBT Recorded by **AICL** at PKR 1.9bn

Highest Growth in PBT by **SHNI** at 112%

Highest ROE by **ATIL** at 16.8%

Highest Investment Return Recorded by **CSIL** at 8.74%

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 first six months of 2022. 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.

About Our Team

UAE/Oman Actuarial **35 staff**	KSA Actuarial **22 staff**	Medical **5 staff**	IFRS-17 **15 staff**
Business Intelligence **9 staff**	End of Service **5 staff**	HR Consulting **2 staff**	Support Functions **22 staff**

Total Strength 115

Our Team

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Feedback

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