BADRI

Pakistan's General Insurance Companies' Performance Analysis

Year End 2022

Date: June 27, 2023

About
BADRI

Award winning strategic partner to the insurance industry with our 130+ talented staff in KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

Our **Awards**

- Corporate Risk Manager of the Year 2023 by InsureTek
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR
- Strategic Partner to the Industry 2022, 2021 & 2020 by MIIA

What We Can Do
For You!

Actuarial **Consultancy**

- Appointed Actuary
- End of Services
- General & Life Actuarial
- IFRS 17
- Pricing, Reserving & Capital

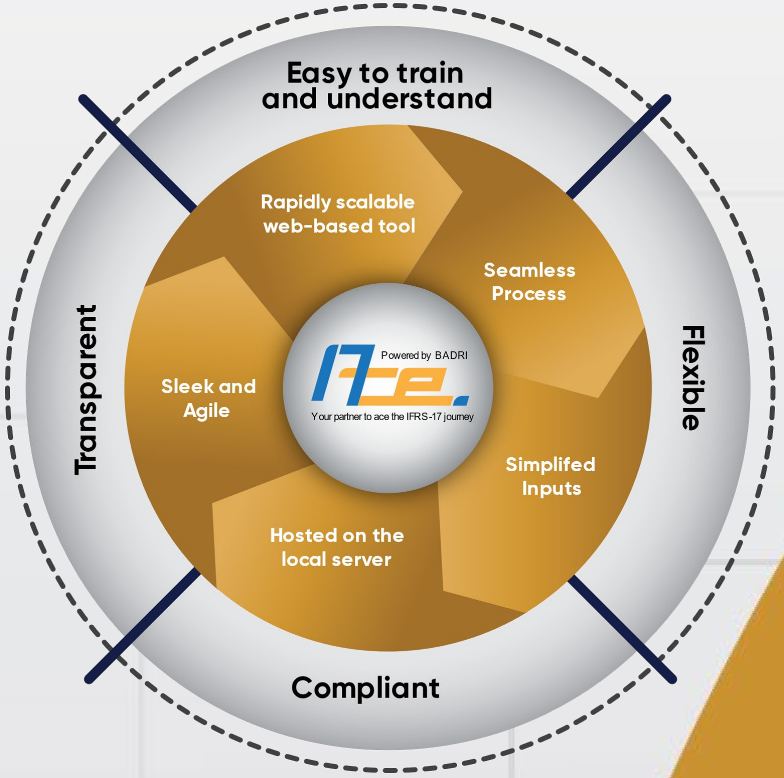
Strategic **Consultancy**

- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition

Technology **Consultancy**

- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS 17 Systems
- Actuarial Systems

IFRS **17**



Ace **17**

ACE-17, our flagship IFRS 17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS 17 financials and disclosures, saving your time and effort in your IFRS 17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS 17 financial statements.

Financial **Services**

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant's knowledge of the market.
- Cost containment.

Invest In Your **Team**

métier – a Badri Group Company is a renowned boutique Executive search and HR solutions consulting firm that works with teams across the globe, to develop a tailored HR plan and resolve your business challenges.

We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier’s seasoned professionals focus on your HR transformation, while you focus on your business.

Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions

About BADRI

Driven by the passion to further the use of actuarial skills in the MENA region, Badri was established in the UAE. Since then, the company has expanded exponentially and now has offices in Dubai, Riyadh, Karachi, Lahore and Delhi.

Today, our 130+ talented staff spread across KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in General, Life & Health Insurance / Takaful and provide customized solutions by using the latest analytical tools. We also provide IFRS17, ERM, Capital Modelling, and Big Data Analytics services to our clients.

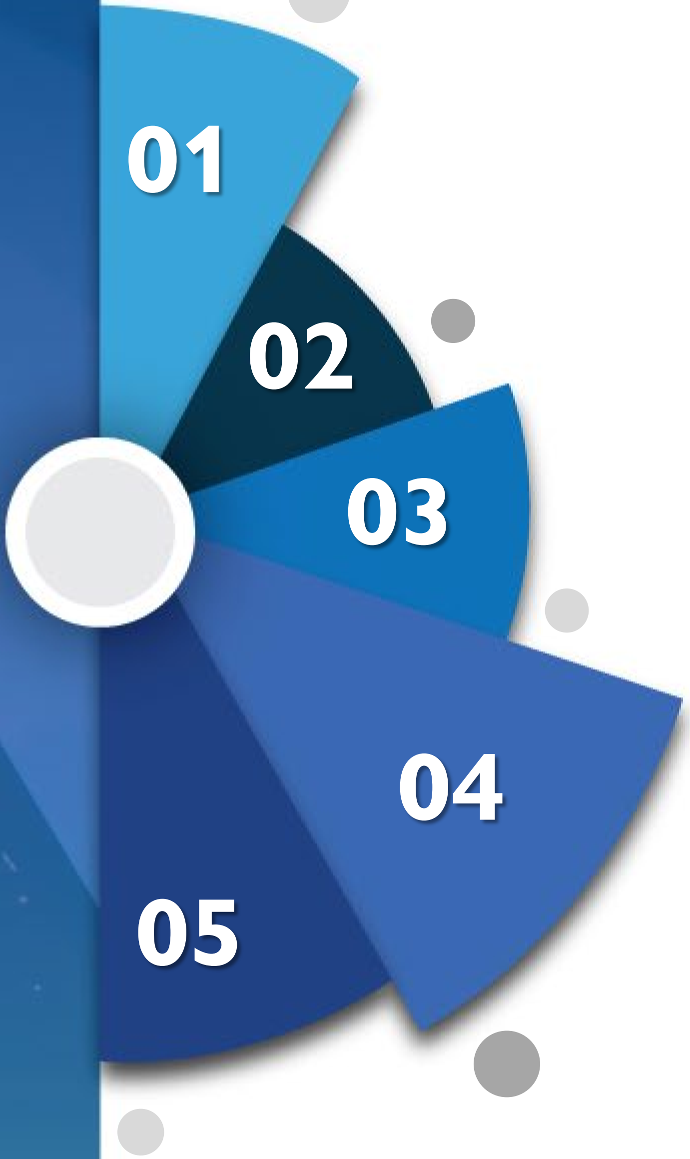
Vision

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 of 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.

Table of Content

2022 Highlights

Gross Premium Written - Conventional	PKR **96** billion 2021: PKR 76 billion	Gross Contribution Written - Window Takaful	PKR **16** billion 2021: PKR 12 billion
Retention Ratio – Conventional & Window Takaful	**53%** 2021: 55%	Gross Loss Ratio - Conventional & Window Takaful	**56%** 2021: 43%
Net Loss Ratio - Conventional & Window Takaful	**53%** 2021: 47%	Combined Ratio - Conventional & Window Takaful	**90%** 2021: 86%
Investment Income - Conventional & Window Takaful	PKR **7.3** billion 2021: PKR 7.5 billion	PBT - Conventional & Window Takaful	PKR **12** billion 2021: PKR 13 billion
Investment Return - Conventional & Window Takaful	**2%** 2021: 2%	Return on Equity - Conventional & Window Takaful	**15%** 2021: 16%

IFS Rating

Company	JCR VIS	PACRA
AICL		AA++ (ifs)
ASIC		A++ (ifs)
AGIC	AA+ (IFS)	AA+ (ifs)
ATIL		AA+ (ifs)
CENI	AA (IFS)	
CSIL		A (ifs)
EWIC		AA (ifs)
EFU	AA++ (IFS)	AA++ (ifs)
HICL		A++ (ifs)
JGICL	AA++ (IFS)	AA++ (ifs)
PINL		A+ (ifs)
RICL	A+ (IFS)	A+ (ifs)
SHNI		A+ (ifs)
PKGI		
TPLI		AA (ifs)
UNIC	AA+ (IFS)	AA+ (ifs)
UVIC		A (ifs)
Alpha	A+ (IFS)	
SIL		A++ (ifs)
Salaam Takaful		A++ (ifs)

PACRA Key

Rating	Capacity
AAA (ifs)	Exceptionally Strong
AA++ (ifs)	Very Strong
AA+ (ifs)	
AA (ifs)	
A++ (ifs)	Strong
A+ (ifs)	
A (ifs)	
BBB++ (ifs)	Good.
BBB+ (ifs)	
BBB (ifs)	
B++ (ifs)	Weak.
B+ (ifs)	
B (ifs)	
CCC (ifs)	Very Weak
CC (ifs)	
C (ifs)	
D (ifs)	Distressed

JCR-VIS Key

Rating	Capacity
AAA(ifs)	Exceptionally Strong
AA+(ifs), AA+(ifs), AA(ifs)	Very Strong
A++(ifs), A+(ifs), A (ifs)	Strong
BBB++(ifs), BBB+(ifs), BBB (ifs)	Good
BB++(ifs), BB+(ifs), BB(ifs)	Marginal
B++(ifs), B+(ifs), B(ifs)	Weak
CCC(ifs), CC(ifs), C(ifs)	Very Weak
D(ifs)	Distress

All the companies have managed to improve their IFS ratings.

Insurance Density And Penetration

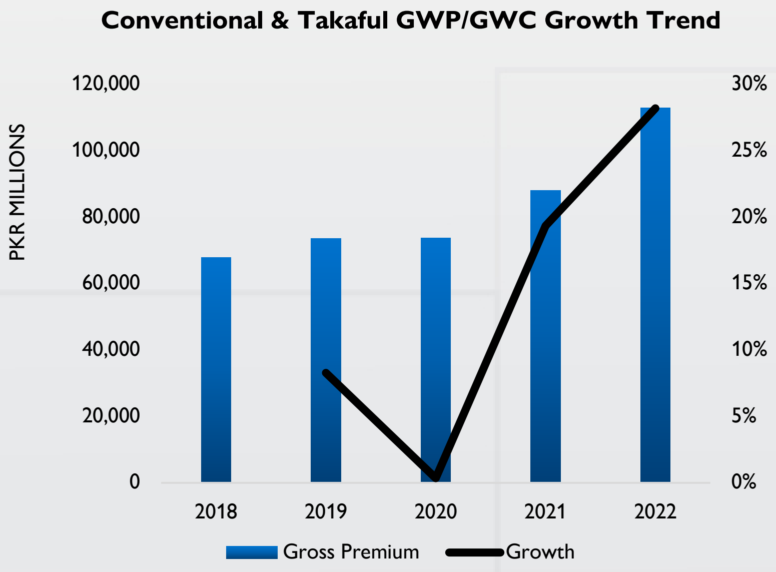
The Insurance Penetration ratio measures the proportion of GDP contributed by the written premium. The general insurance premiums contribute about 0.2% to Pakistan's GDP compared to a ratio of 0.9% and 0.7% for regional comparable countries namely India and Sri Lanka. While the insurance penetration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

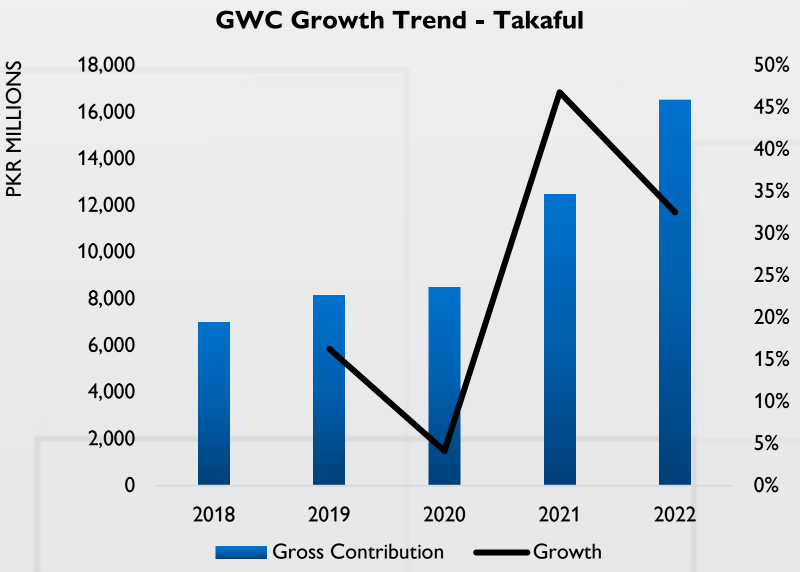
The Insurance Density measures the general Gross Written Premium per capita. The ratio for Pakistan shows an increasing trend year-over-year and stands at PKR 378 in 2021. While for regional comparable like India and Sri Lanka this number stands at USD 20 and USD 30, respectively. For developed countries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

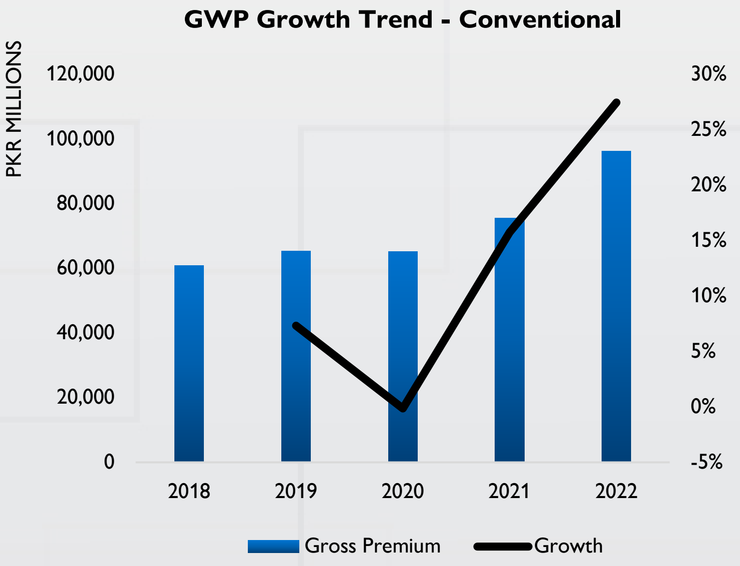
The insurance industry plays a key role in managing the risks for individuals and large corporations included. This industry has a lot of potential for growth which can be materialized through government initiatives such as new types of compulsory insurance and awareness on financial literacy.

Year	Insurance Density (PKR)	Insurance Penetration
2018	332	0.20%
2019	353	0.20%
2020	348	0.18%
2021	388	0.20%
2022	483	0.20%

Gross Written **Premium - Market**





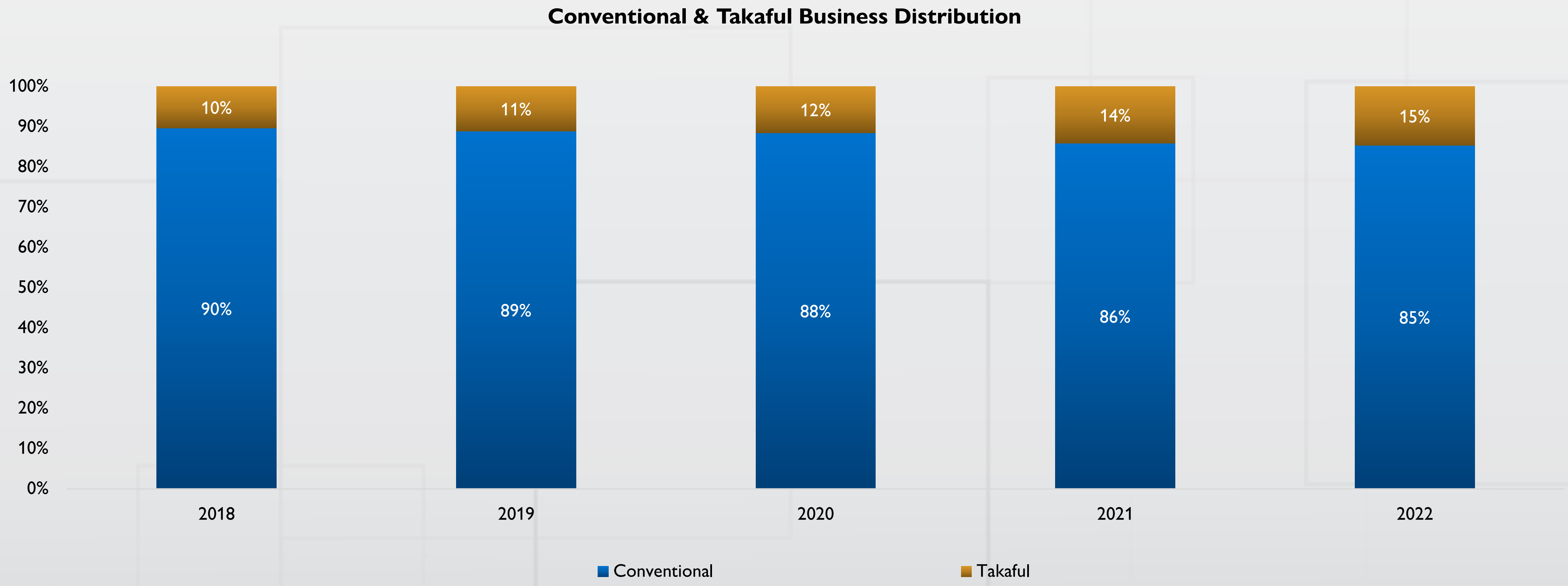


Despite a challenging economic environment and political uncertainty, the general insurance industry in Pakistan saw a notable 28% growth in gross written premium (GWP) in 2022, reaching PKR 113 billion. This increase occurred amidst a turbulent economy and was accompanied by a significant devaluation of the Pakistani Rupee (PKR) against the US dollar, which contributed to a high national CPI inflation rate of 21.3% in June 2022 (according to the SBP Inflation Monitor). The devaluation adversely affected Pakistan's import-driven economy, leading to higher prices for commodities and finished goods. The substantial rise in GWP was observed across all lines of business, driven by the mounting inflationary pressures faced by individuals and businesses seeking insurance coverage as a means to mitigate financial risks.

Conventional business is the main contributor to the industry's premiums; almost 85% of the market Gross Written Premium is contributed by the conventional business. The conventional business experienced a 27% growth in premium resulting in the market premium of PKR 96 billion for the year 2022.

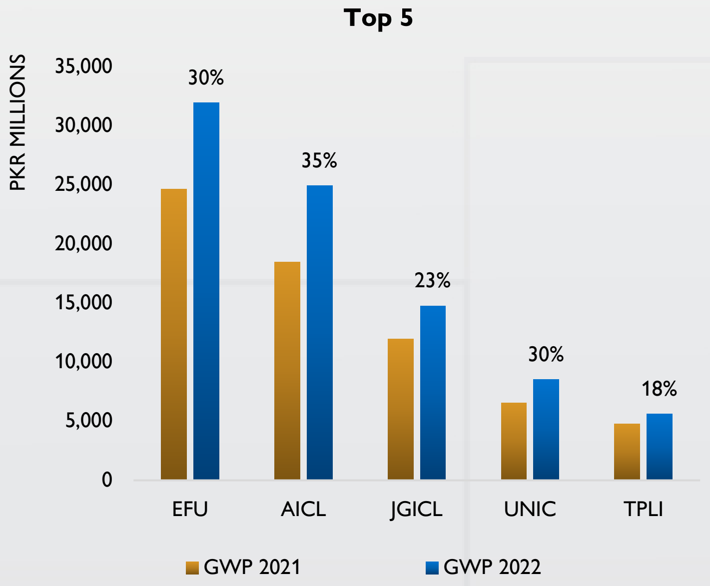
The takaful market experienced a double-digit growth in 2022 of 33%. The takaful market has consistently experienced double-digit growth since 2018 except in 2020.

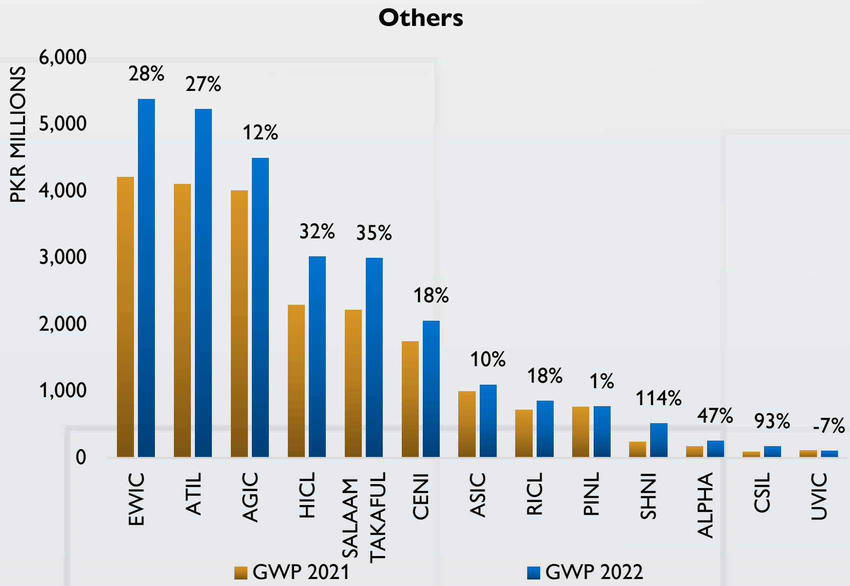
Gross Written
Premium - Distribution

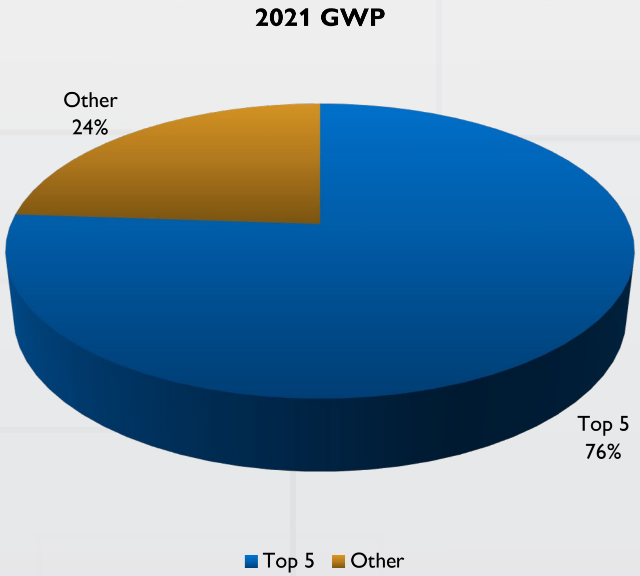


General insurers started operating as windows takafuls following their approval by SECP in 2014. While the majority of the business is still conventional, the takaful proportion can be observed to show a consistent increase throughout the 5-year period. The share of takaful stands at 15% for 2022 which is a bit higher to the 2021 level.

Gross Written **Premium - Companies**







The top 5 companies contributed PKR 86 Billion out of the PKR 113 Billion premium which constitutes 76% of the market.

EFU can be seen as the market leader in the general insurance industry based on GWP with a market share of 28% for 2022 followed by AICL and JGICL at 22% and 13% respectively. The top 5 companies have experienced double digit growth in GWP.

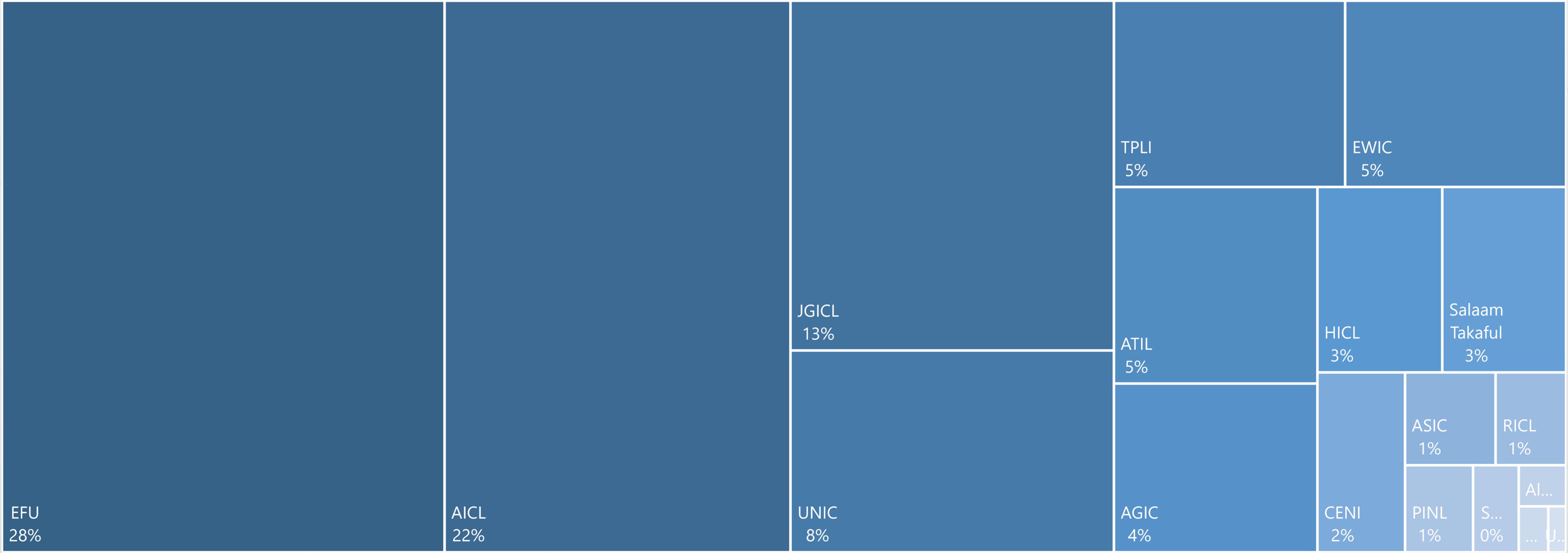
The rest of the market players experienced high GWP growth rates as well which were mostly in double digits. SHNI experienced the highest growth rate of 114%.

The economy followed its usual pattern of experiencing periods of expansion and contraction, with higher growth rates observed towards the end of 2020. However, this led to a deteriorating balance of payment position and increasing inflationary pressures, which necessitated the implementation of tighter monetary and fiscal policies in order to address these challenges.

**AICL includes business underwritten inside Pakistan only

Gross Written
Premium - Market

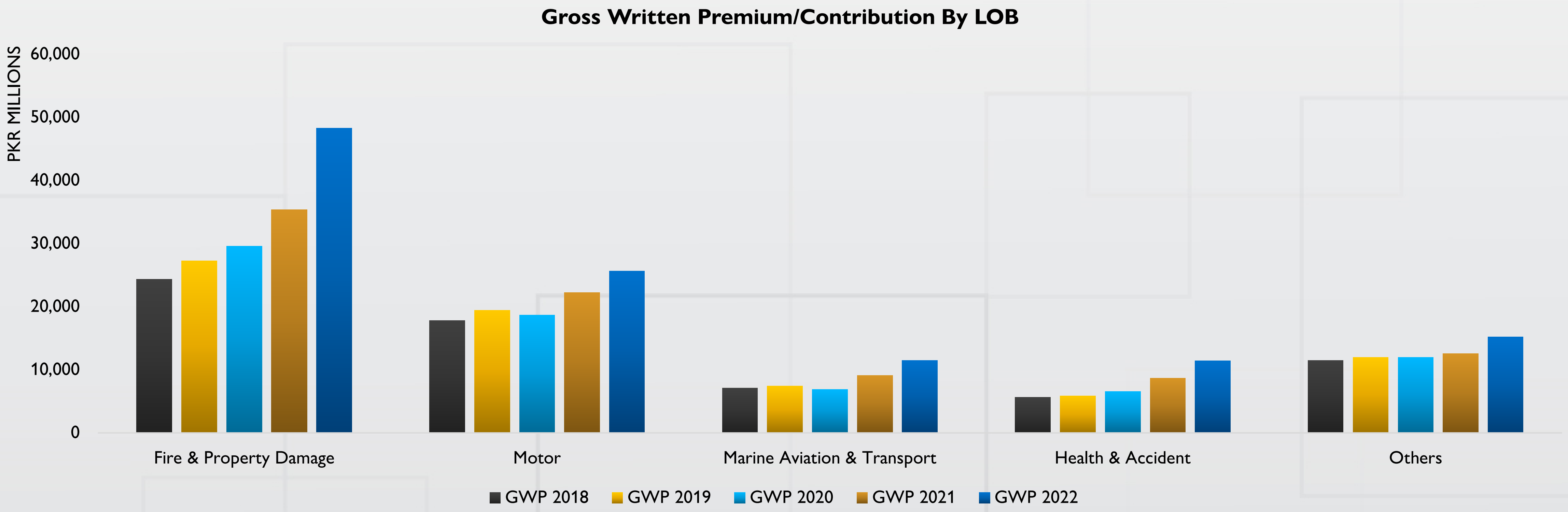
Gwp - Market Share Of Companies



EFU can be seen as the market leader in general insurance based on GWP with a market share of 28% for the year 2022 followed by AICL at 22% and JGICL 13% 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

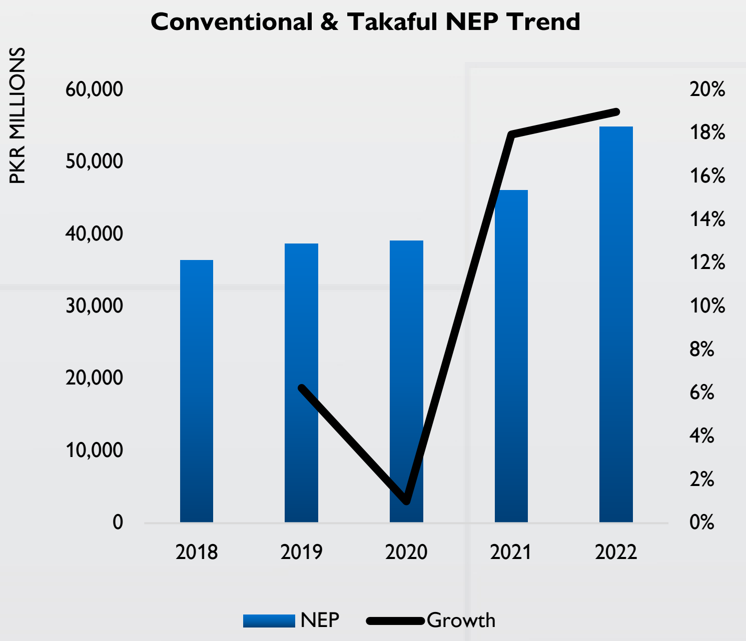
Gross Written
Premium - Distribution

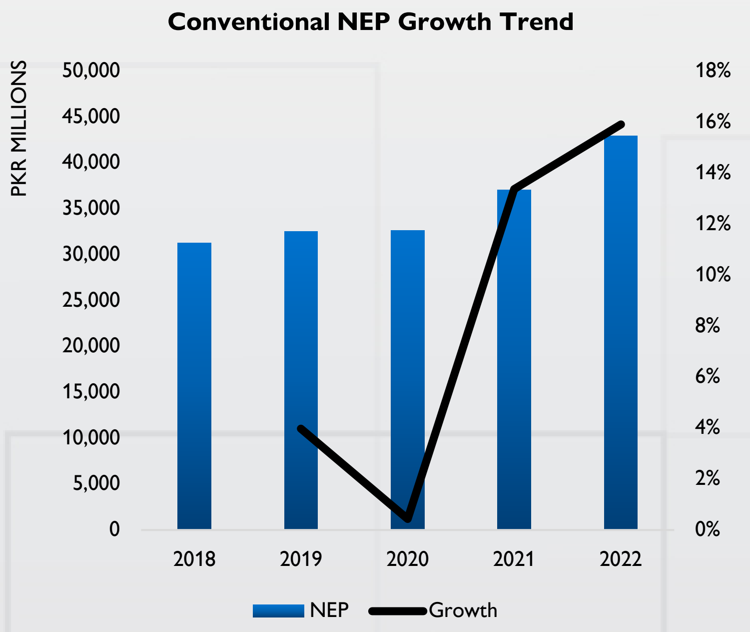


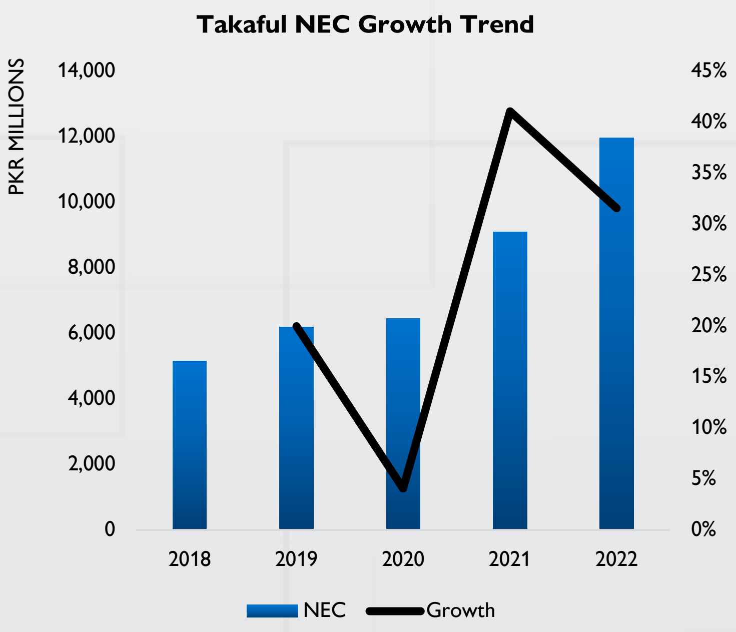
The year end of 2022 saw GWP of PKR 113 billion which is the highest premium written over the five-year period. All the lines of business experienced a double-digit growth in premium/contribution. Fire & Property Damage line of business saw the highest increase of 37% followed by Health and Marine at 32% and 26% 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





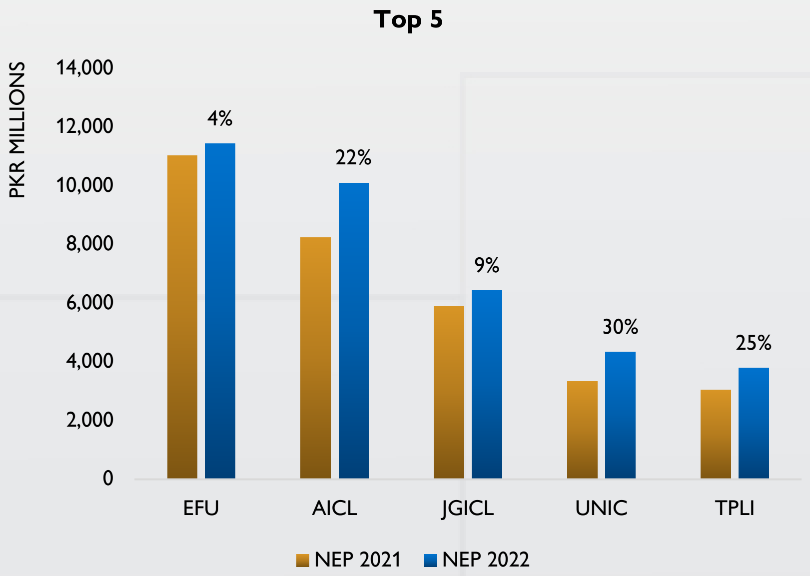


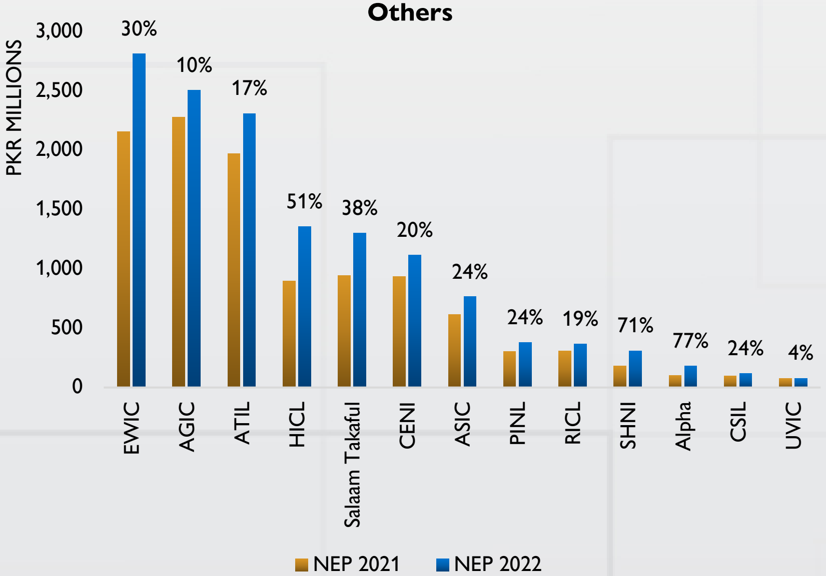
The total net earned premium for the conventional and takaful business combined amounted to PKR 55 billion for 2022, an increase of 19% compared to the corresponding period in 2021. The impact of increased GWP translates to the NEP as well. The 5-year trend shows a consistent year-on-year increase in NEP with the highest growth experienced in 2022.

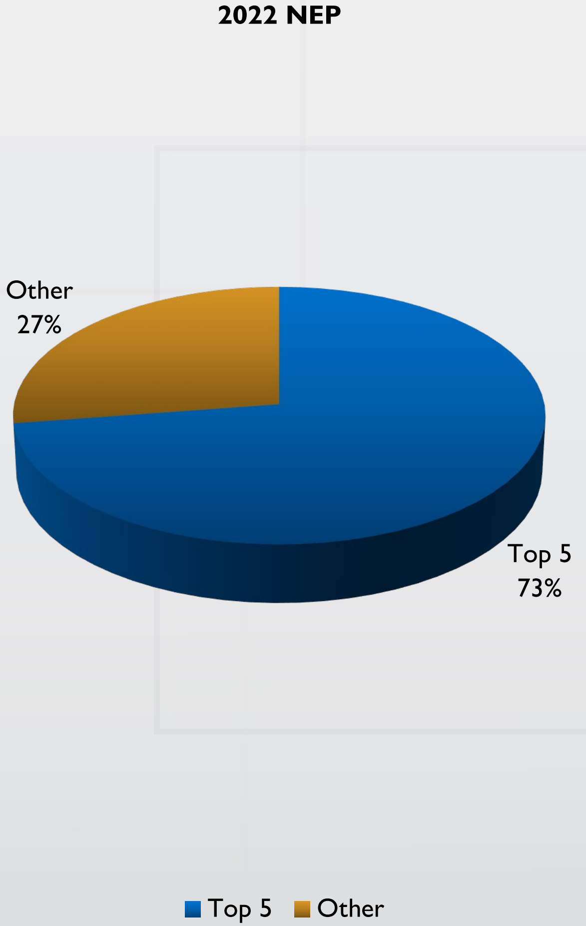
The conventional insurance business contributed PKR 43 billion to the market NEP which amounts to a market share of 78%. The NEP growth rate has been relatively stable at around 3% with a double-digit growth of 13% and 16% experienced in 2021 and 2022 respectively.

The takaful insurance business has been growing at a higher rate as compared to the conventional business. In 2022 this segment experienced a growth rate of 32% while a growth rate of 41% was experienced in the same period last year. The NEP for this segment stands at PKR 12 billion in 2022.

Net Earned Premium
- Companies







The net earned premium for the top 5 companies amounts to PKR 36 Billion which shows an 14% increase compared to the same period last year. The top 5 companies have a 73% of the market in terms of the NEP.

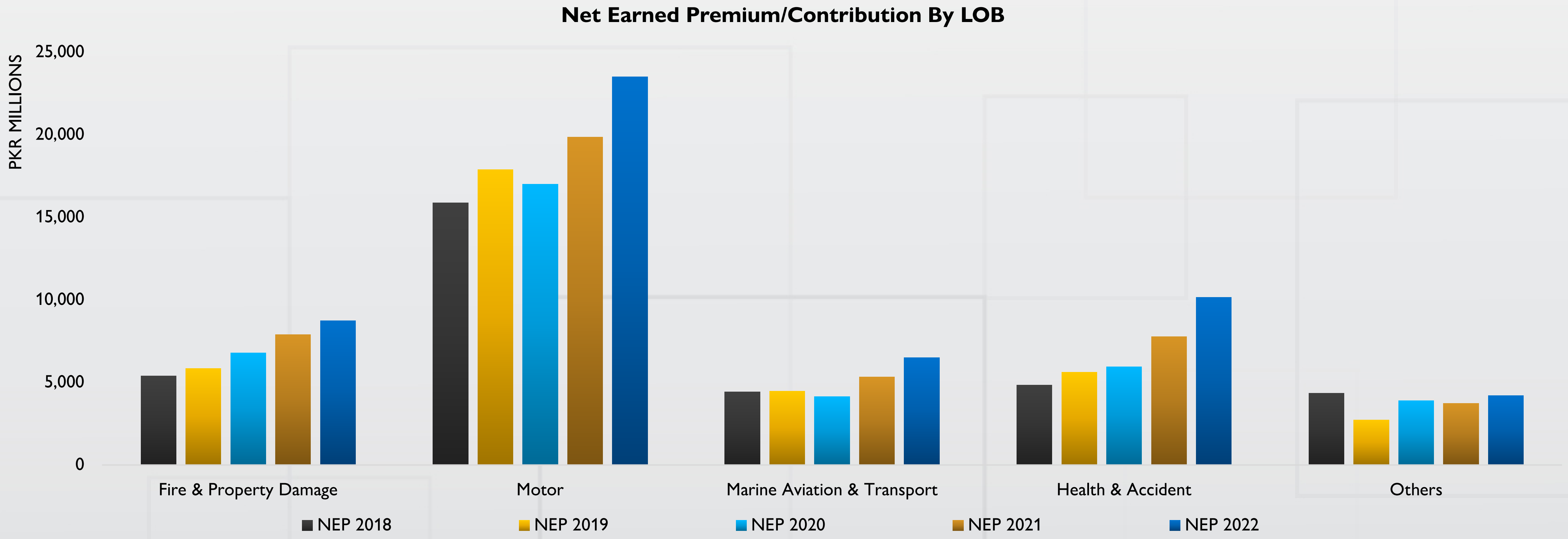
EFU leads the general insurance industry with a NEP of PKR 11.4 billion followed by AICL and JGICL of PKR 10.1 billion and PKR 6.4 billion respectively.

Amongst the top 5 companies, UNIC experienced the highest growth in their NEP of 30% for 2022 compared to the corresponding period in 2021.

The other industry players hold a 27% market share in terms of the NEP. The majority of the companies experienced positive NEP growth rates except for SHNI and Alpha experienced the highest NEP growth of 71% & 77% respectively.

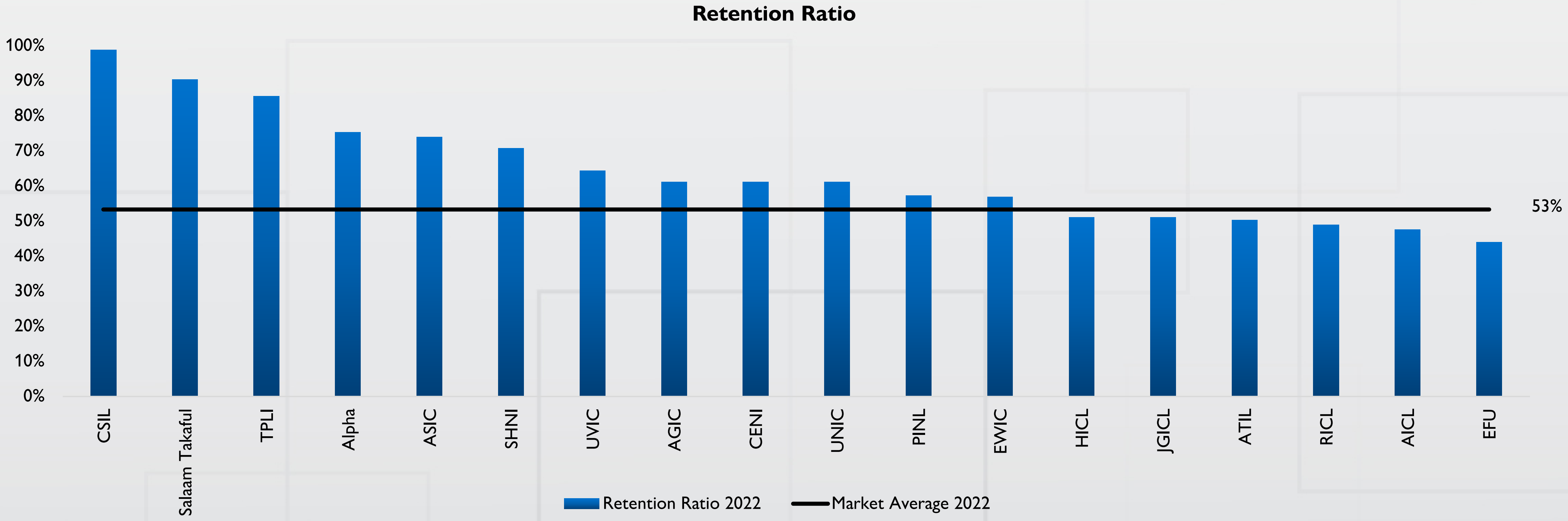
**AICL includes business underwritten inside Pakistan only

Net Earned Premium
- Distribution



The higher premium written has also resulted in higher NEP which were about 16% higher than the 2021 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.

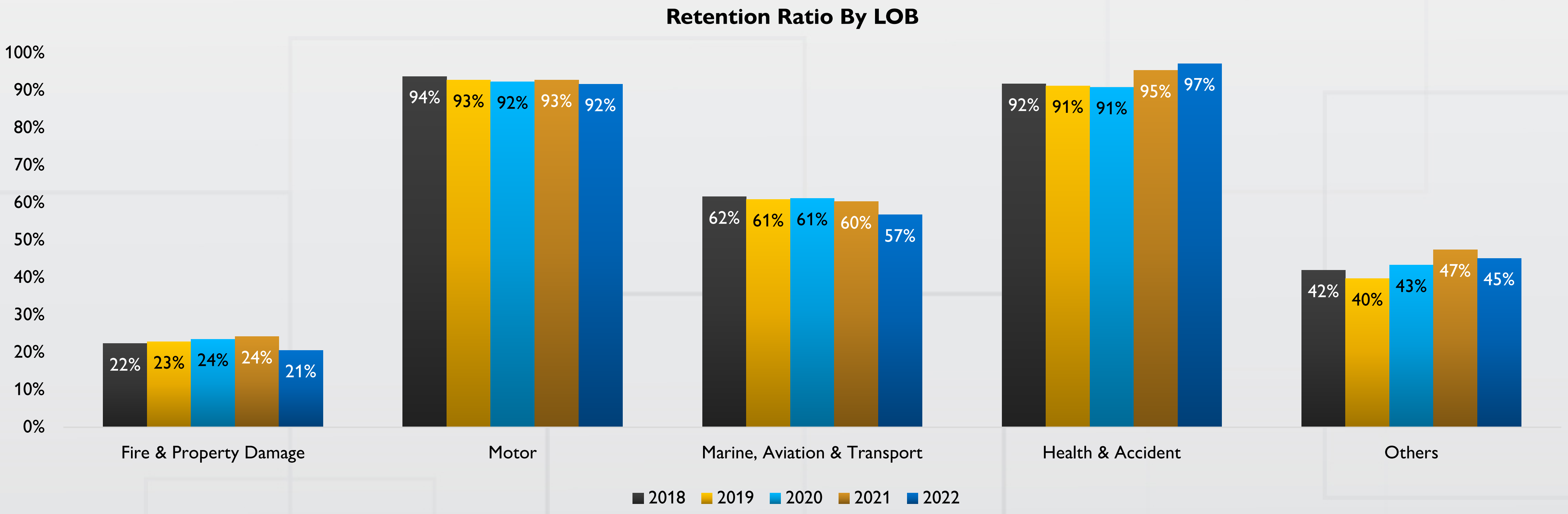
Retention **Ratio**



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 53% which is the weighted average ratio for 2022 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 EFU at 44%. 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.

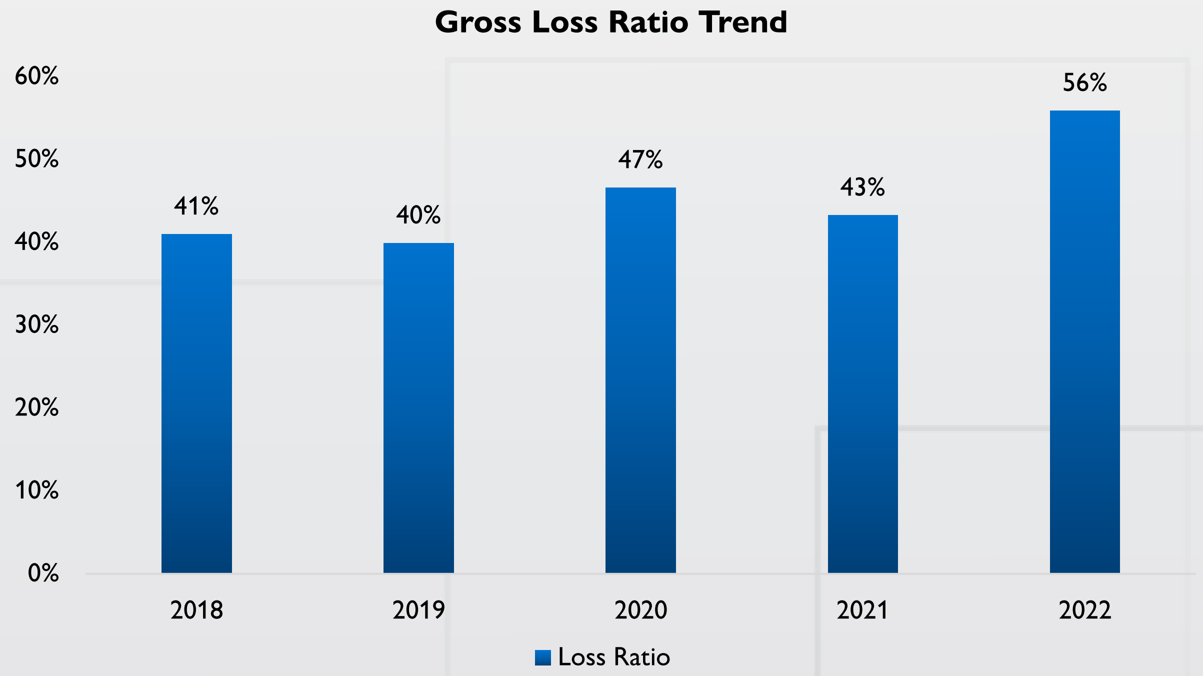
Retention Ratio

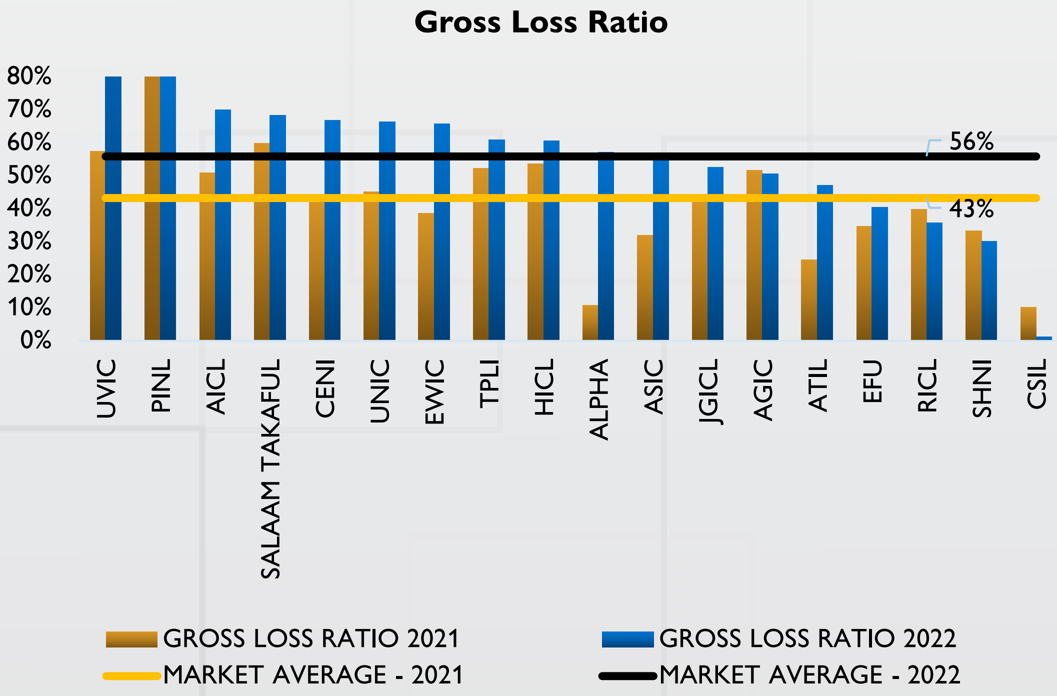


The retention ratio is the percentage of business earned by insurance companies that is not reinsured. High frequency/low severity lines like Motor and Health have a high retention ratio as expected. On the other hand, volatile lines like Fire and Marine where the risk sizes may be bigger have a low 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 57% in 2022 compared to the same period last year.

Gross Loss Ratio



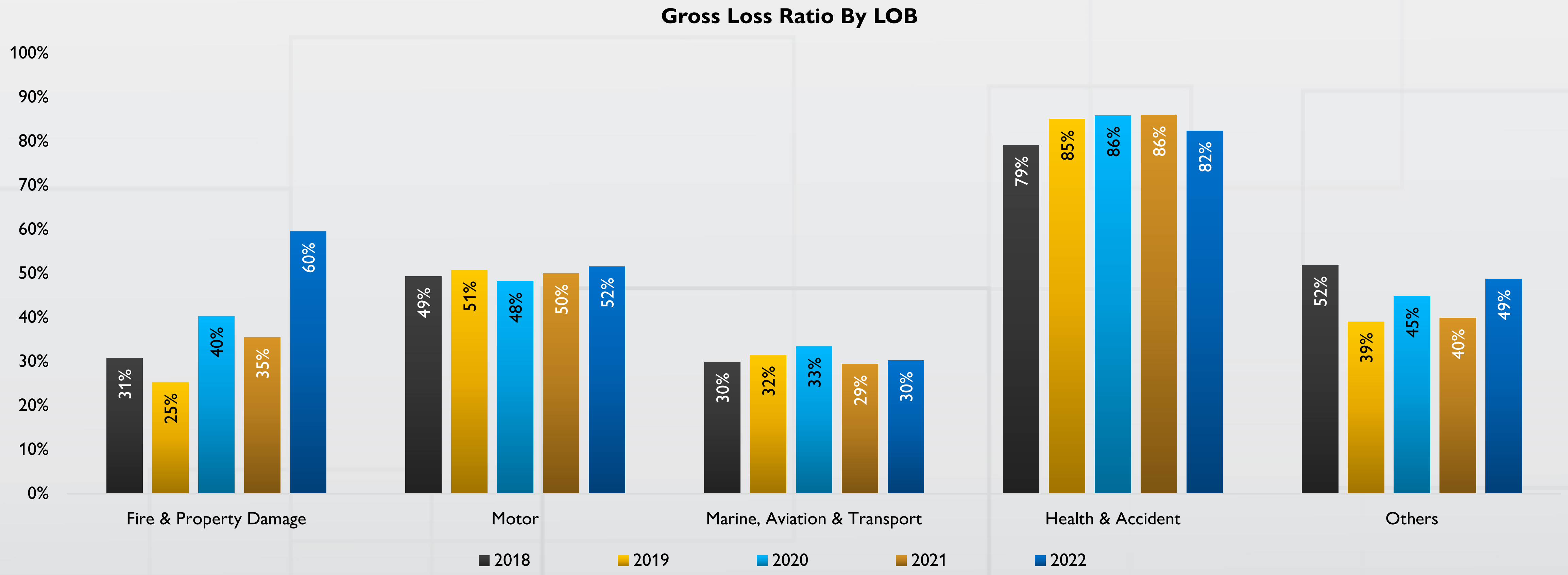


The gross loss ratio has been calculated as the ratio of gross incurred claims to gross earned premium/contribution (Gross of wakala numbers are used for the takaful segment).
The market gross loss ratio exhibits a rise in 2022. The main LOBs in terms of gross written premium are Fire and Motor which 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 decrease of 4% in 2021. The higher loss ratio in 2022 can be explained by higher 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 companies 2022 when compared to the corresponding period in 2021. AICL has experienced a loss ratio higher than the market average while EFU and JGICL have managed to experience a ratio of 40% and 53%.

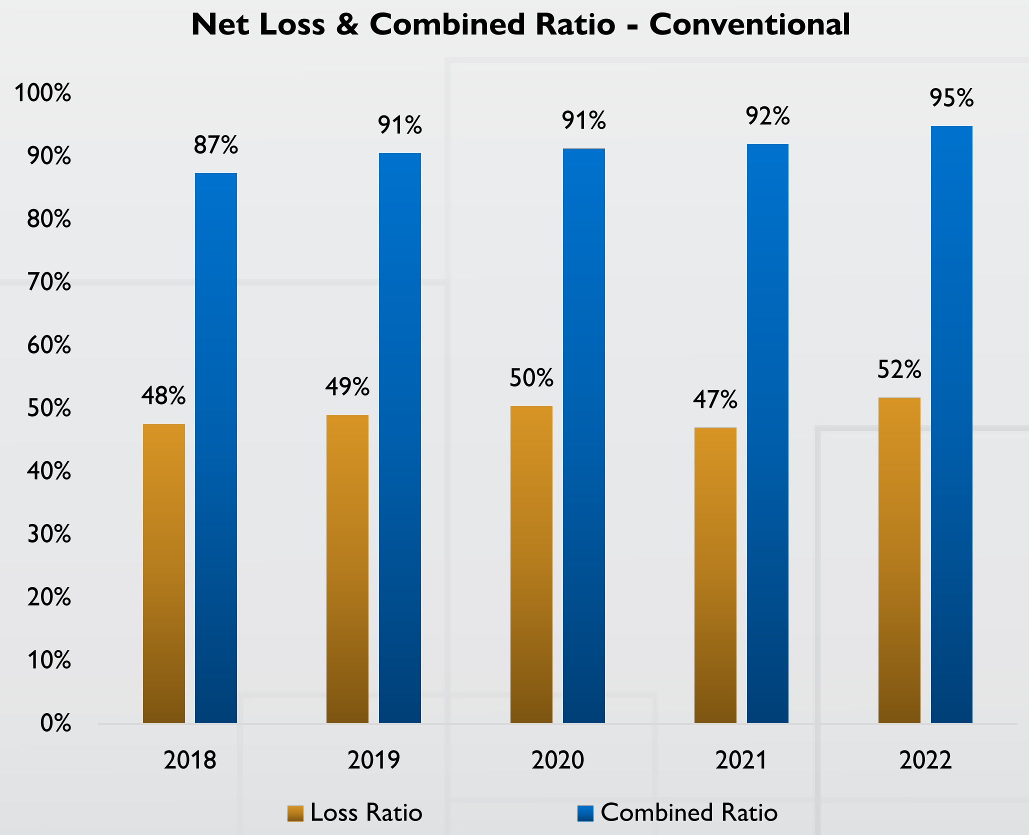
Disclaimer
*The ratio for UVIC and PINL have been capped at 80%

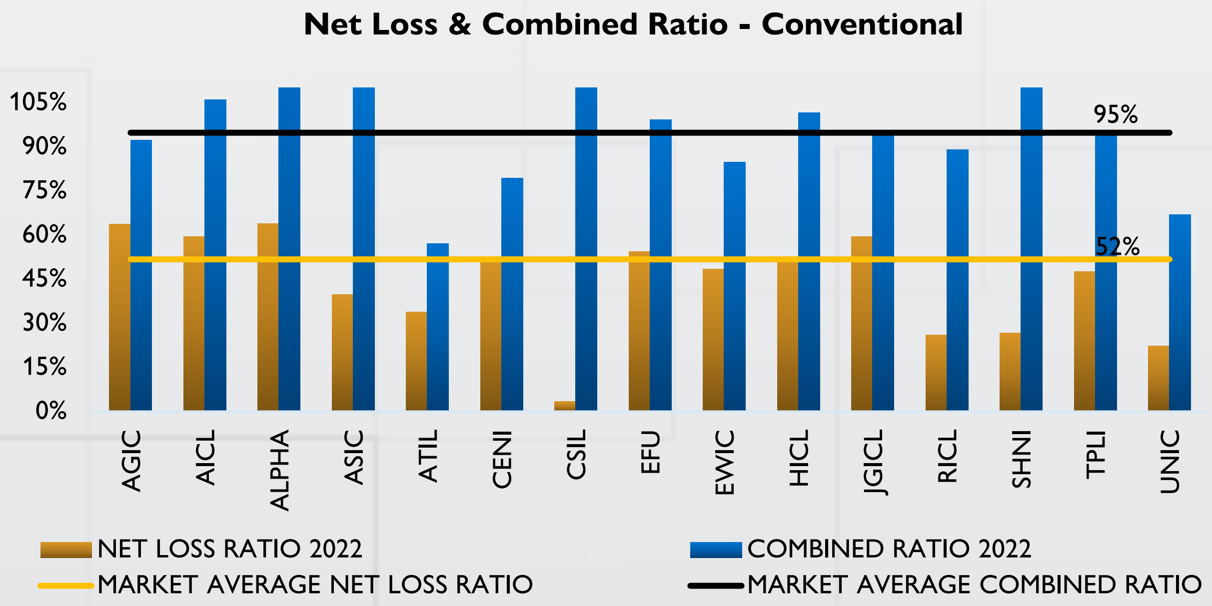
Loss Ratios by **Line of Business**



The gross loss ratios have trended up for Motor segment by 2% in 2022 compared to 2021. Lower Health and Marine loss ratios were experienced in 2022 compared to 2021. The Fire loss ratios increased by about 25% in 2022 and this could be due to heavy monsoon and flash flooding in the country.

Net Loss & Combined Ratio - Conventional





The net loss and combined ratios have remained relatively stable at around 48%-52% and 87%-95% respectively.

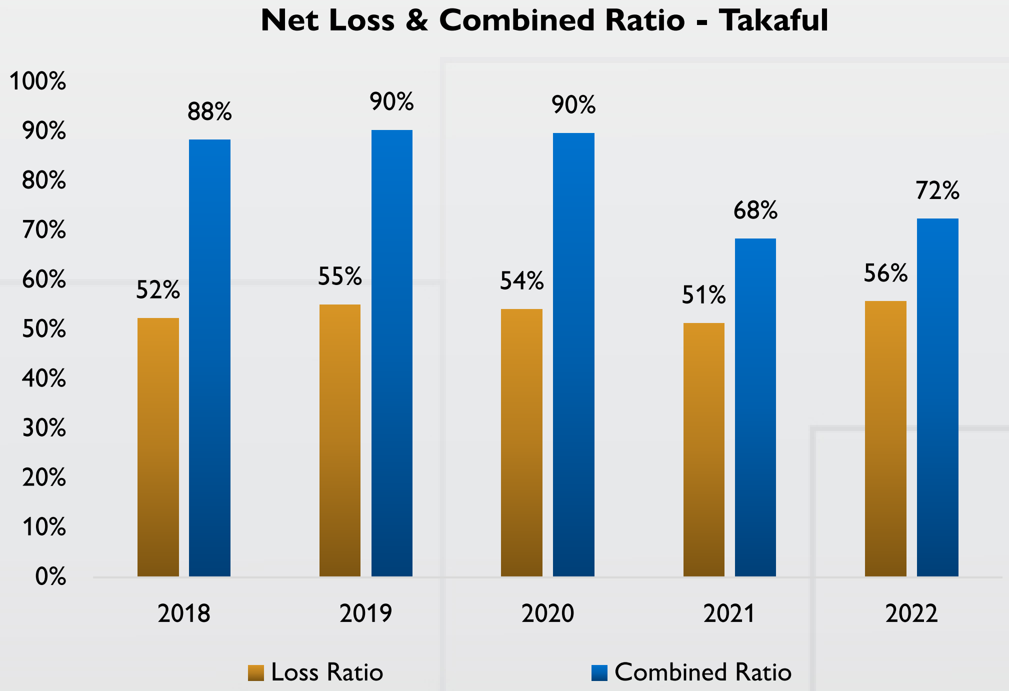
The net loss ratio is the ratio of net incurred claims over the net earned premium while the combined ratio includes management expenses and net commission as well.

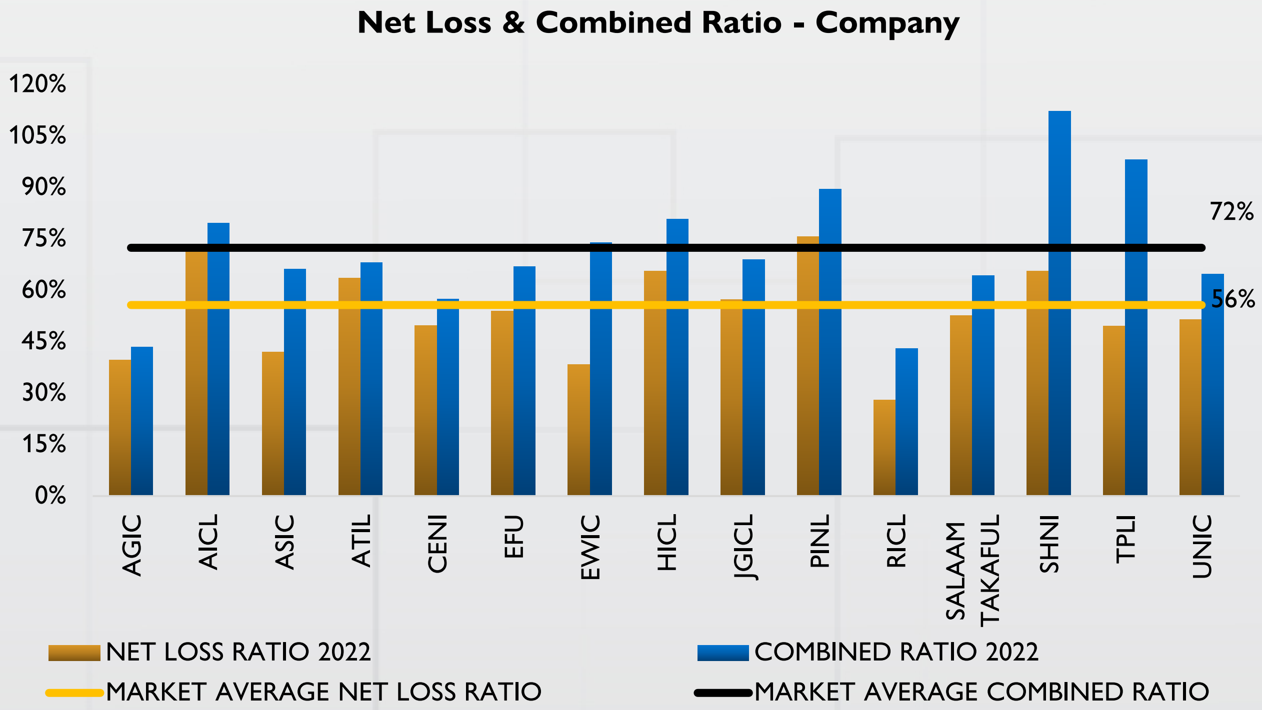
The market net loss ratio is the weighted average net loss ratio which stands at 52% while the market combined ratio stands at 95%.

UVIC has the highest net loss ratio while CSIL has the lowest net loss ratio of about 3%. 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.

Net Loss & Combined **Ratio - Takaful**



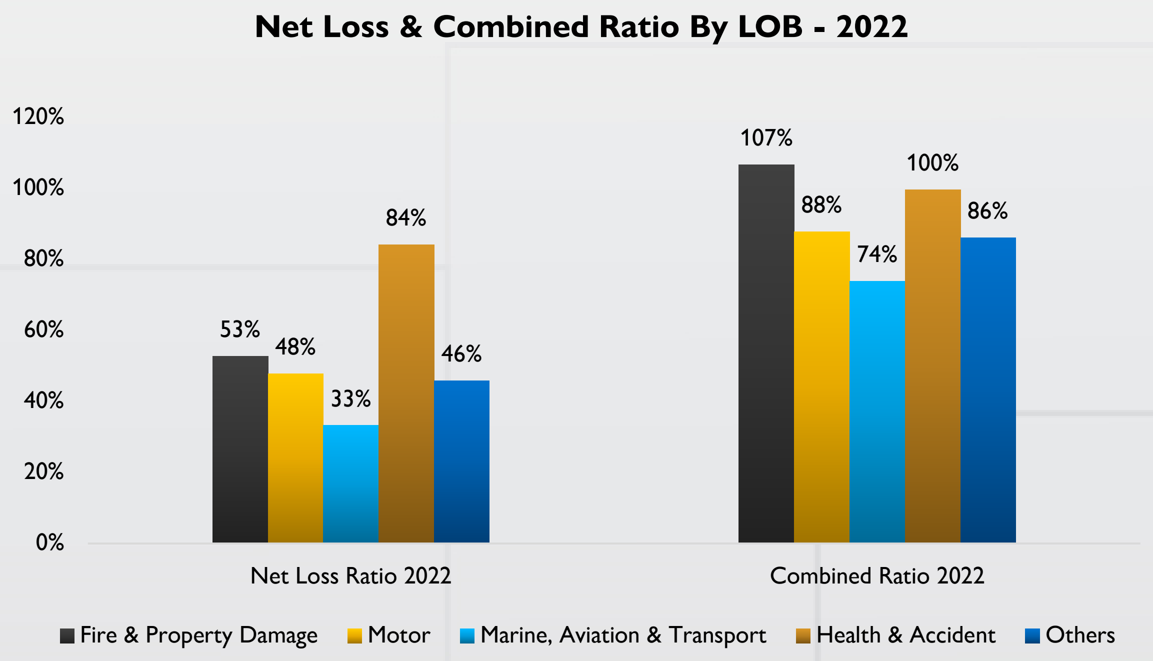


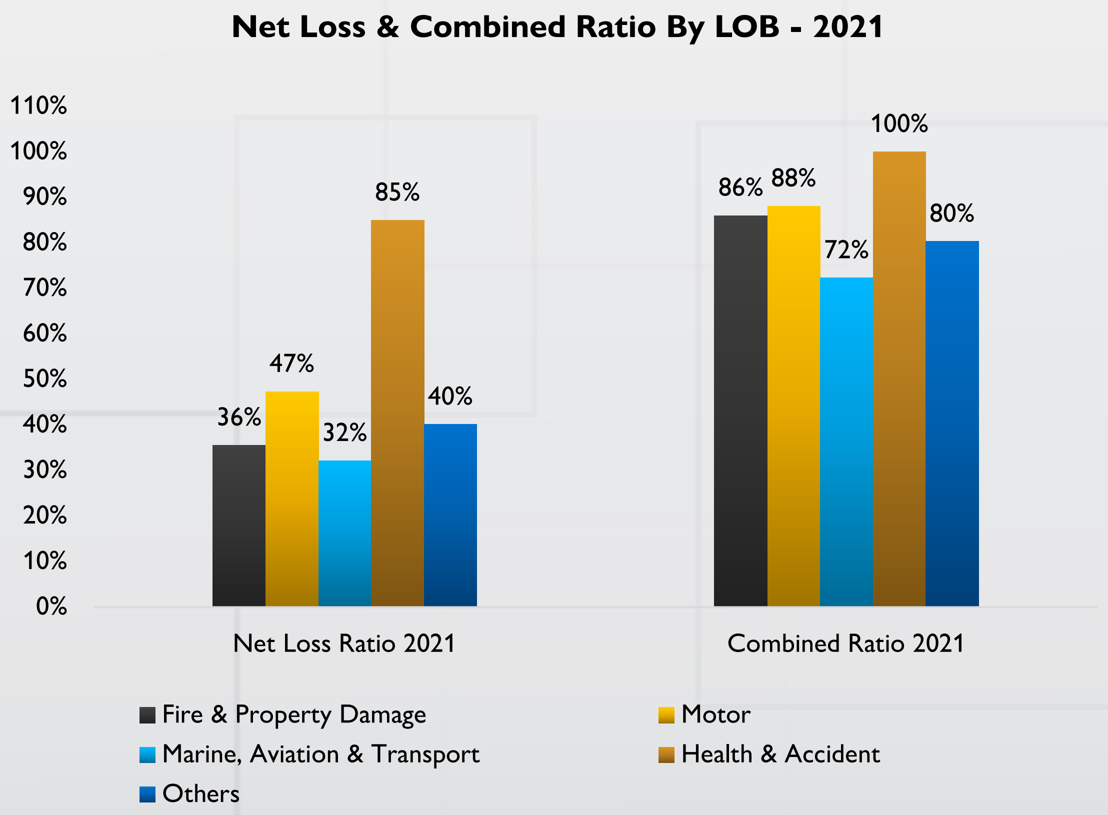
The net loss ratio has declined in 2021 while it remained at a stable level over the last 2 years between 55%-52%. While the market combined ratio has been in the 70%-90% range for the last 5 years. The market net loss and combined ratios decreased in 2021 while 2022 shows the an increase for these ratios over the year. 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 56% while the market combined ratio stands at 72% for 2022.

PINL has the highest net loss ratio of 76% while RICL has the lowest net loss ratio of 28%. In terms of the combined ratio, SHNI has the highest ratio while RICL has the lowest ratio of 43%. 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



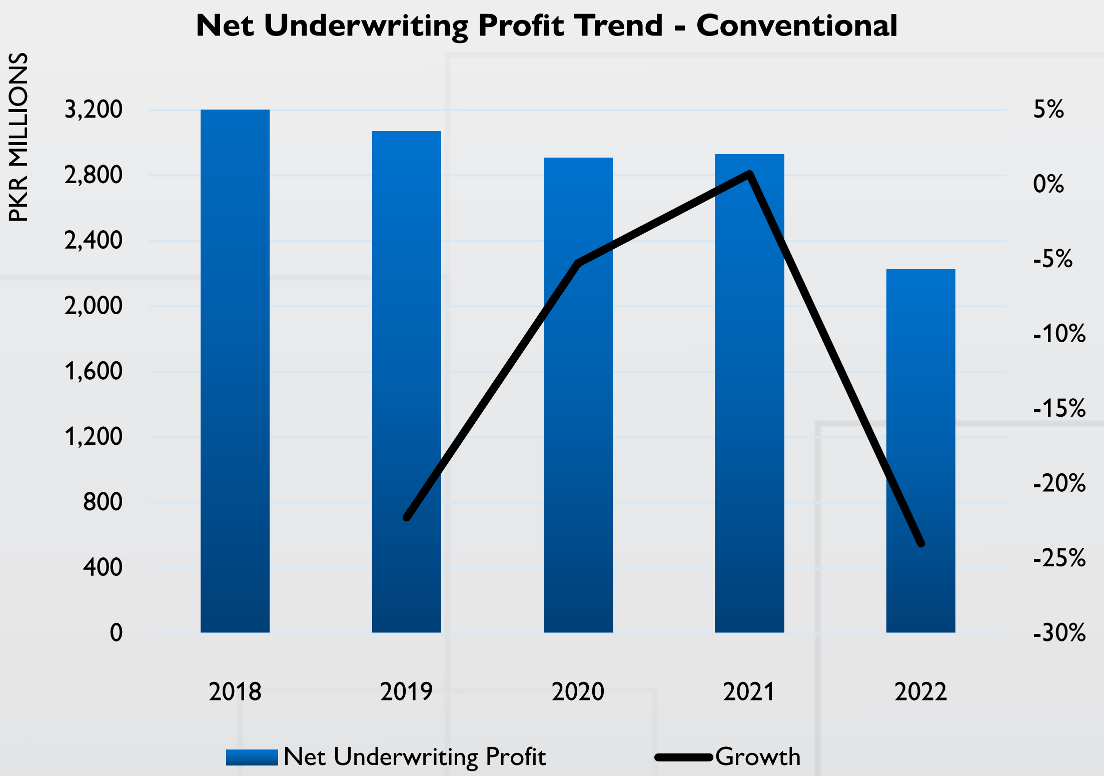


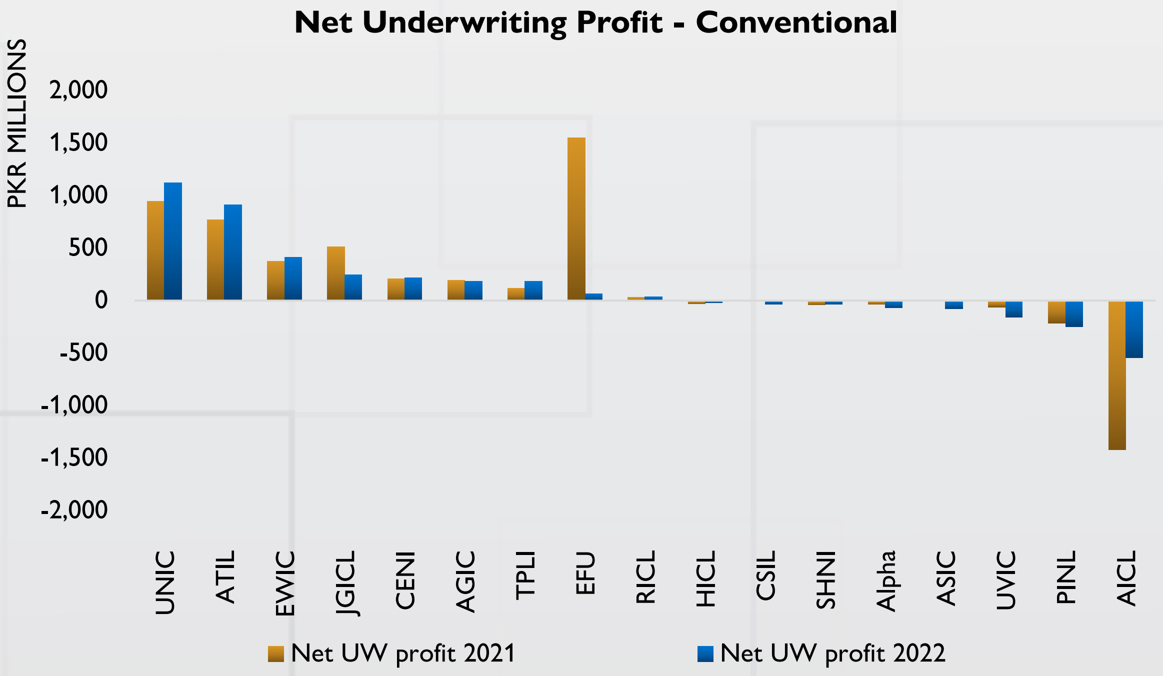
The bar chart shows the net loss and combined ratios across the various business lines for conventional and takaful segments combined. The overall net loss ratio was higher for Motor in 2022 compared to 2021. The Fire line has experienced sharp rise in net loss ratios in 2022 compared to 2021 while Motor experienced a 1% increase. The health segment has the highest net loss ratio of 84% across the lines of business.

The higher net loss ratios have contributed to a combined ratio of 107% for the Fire line making it unprofitable while the rest of the lines have been profitable.

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

Net Underwriting
Profit - Conventional



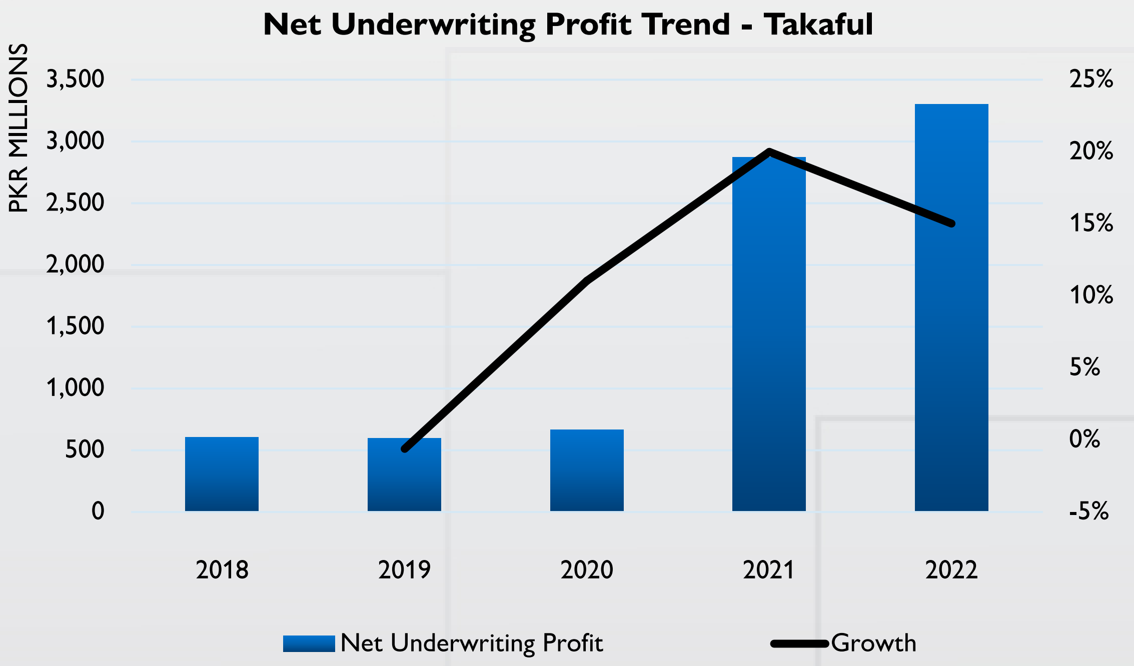


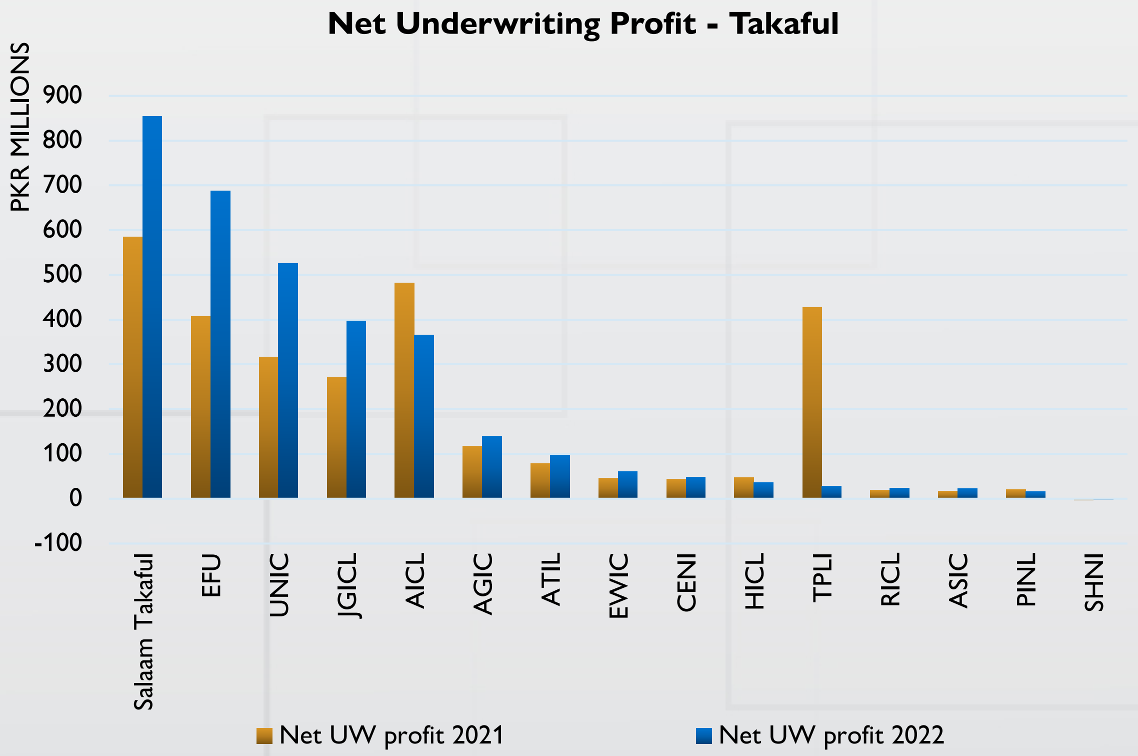
The bar graph for the net underwriting profit shows UNIC as the top company with an underwriting profit of PKR 1.1 billion followed by ATIL and EWIC with an underwriting profit of PKR 916 million and PKR 415 million respectively.

AICL has experienced a double digit drop in underwriting profitability. 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 2021.

The net underwriting profit for the conventional market saw a sharp decline in 2022. The market UW profit stands at PKR 2.2 billion which is a 24% decrease compared to the level in 2021.

Net Underwriting
Profit - Takaful



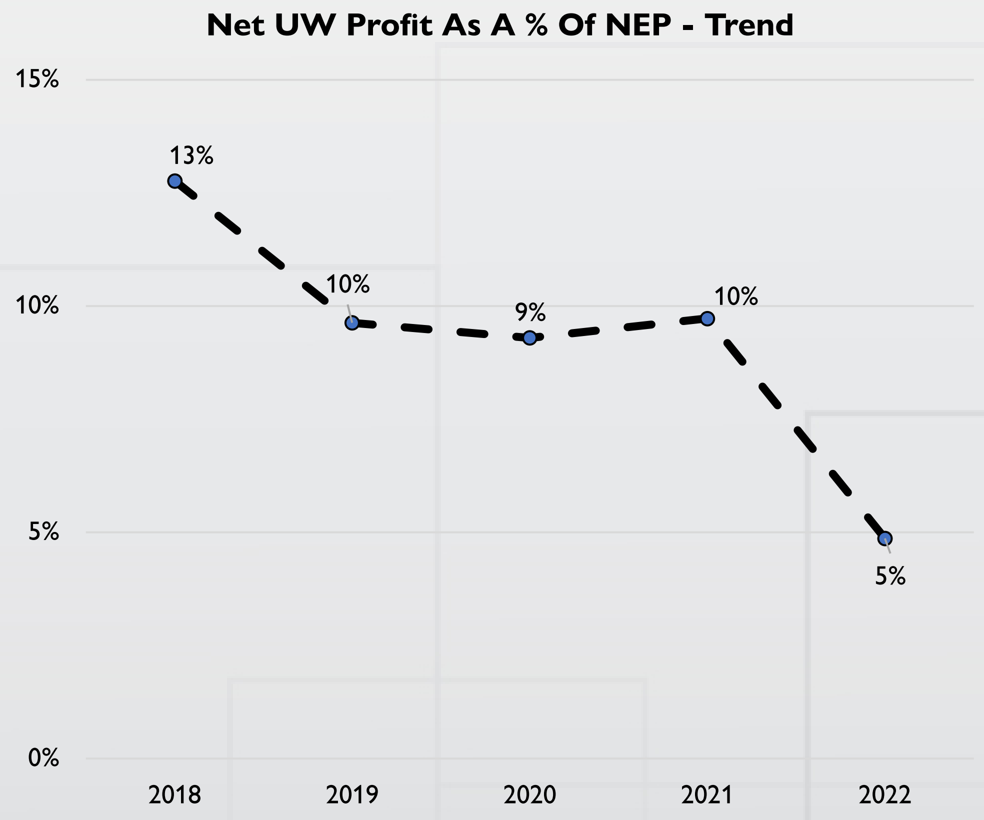


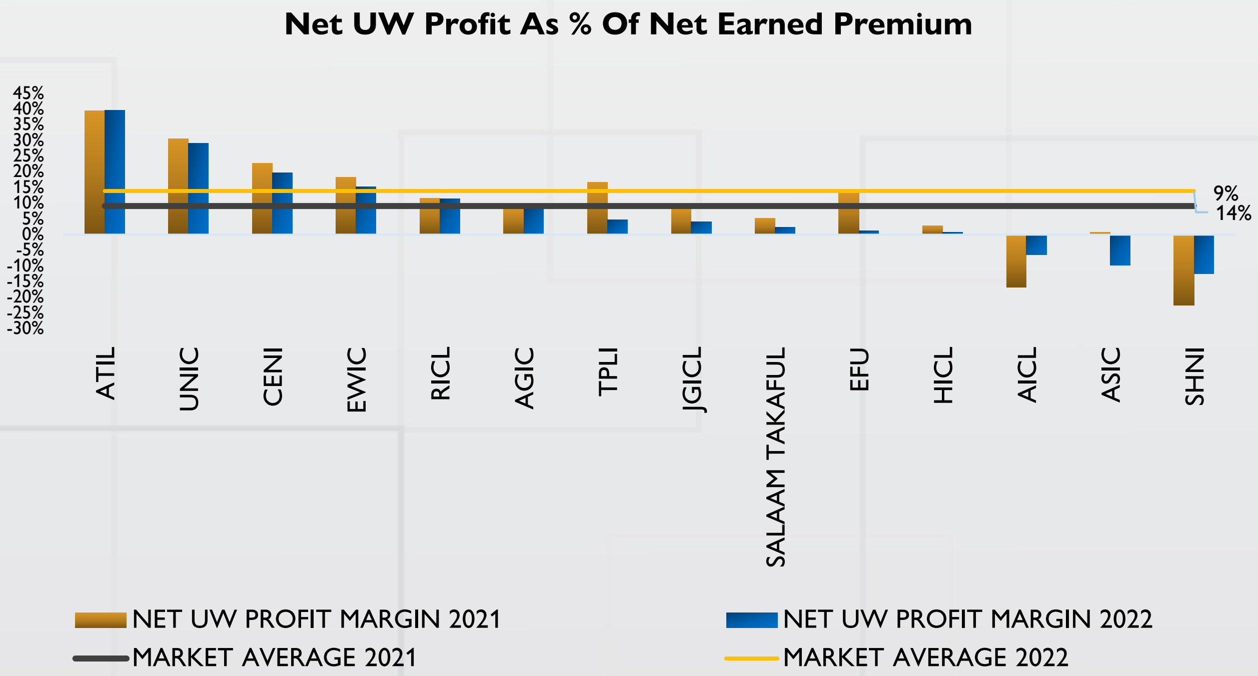
The window takaful operations have experienced an increase in underwriting profitability till 2020. 2022 saw a drastic increase of 15% in underwriting profitability. The markets underwriting profitability amounts to PKR 3.3 billion in 2022.

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 Salaam Takaful earned the highest UW profits followed by EFU and UNIC. The takaful market experienced an increase in UW profits in 2022. While JGICL, AICL, HICL TPLI & PINL experienced a decline in their underwriting profitability compared to the level in 2022, EFU experienced a 69% increase.

Net UW Profit as a % of
Net Earned Premium



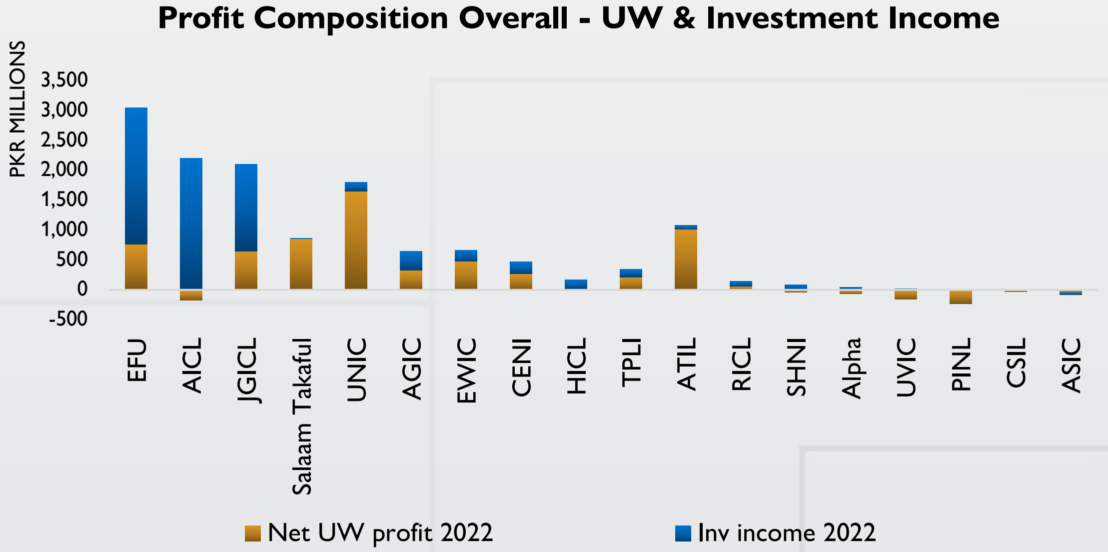


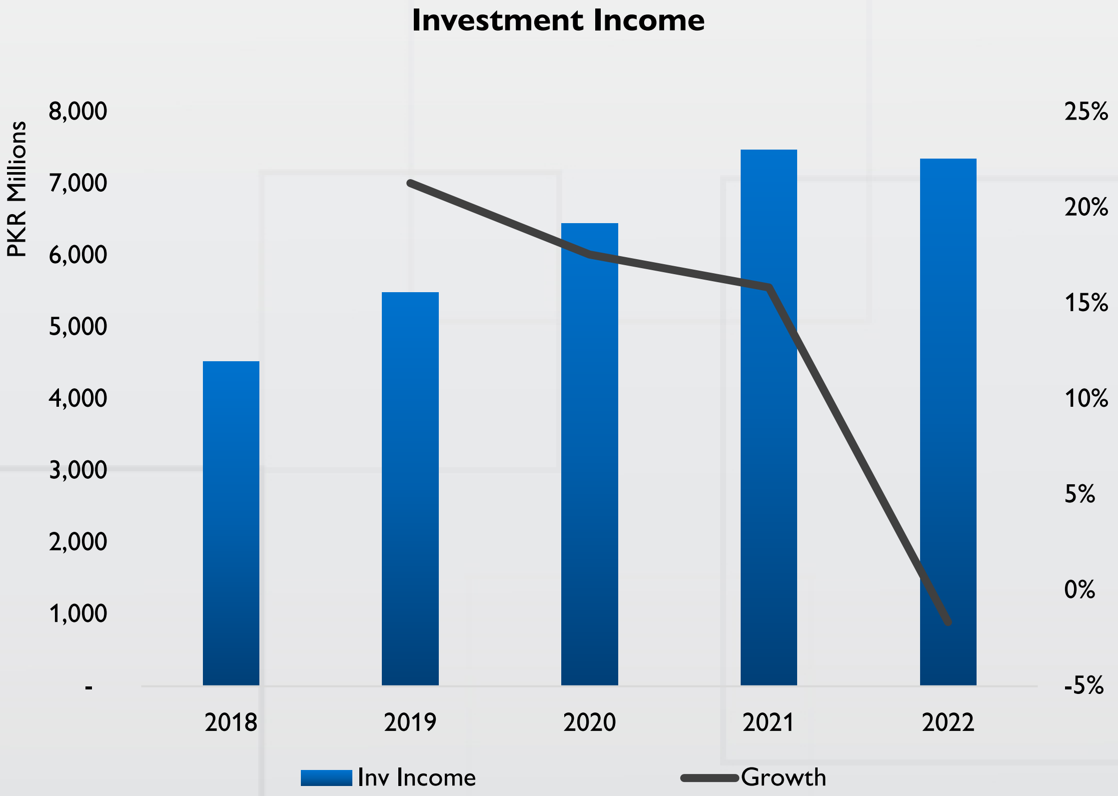
The net underwriting profit margin has fallen over the recent period. This corresponds to the trend of rising combined ratios and falling UW profitability. 2022 has experienced a 5% decline in UW Profit margin.

ATIL has the highest UW profit margin of 40% in the current period while the lowest ratio is reflected in UVIC's financials of -201% (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 declined to 5%.

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

Investment Income





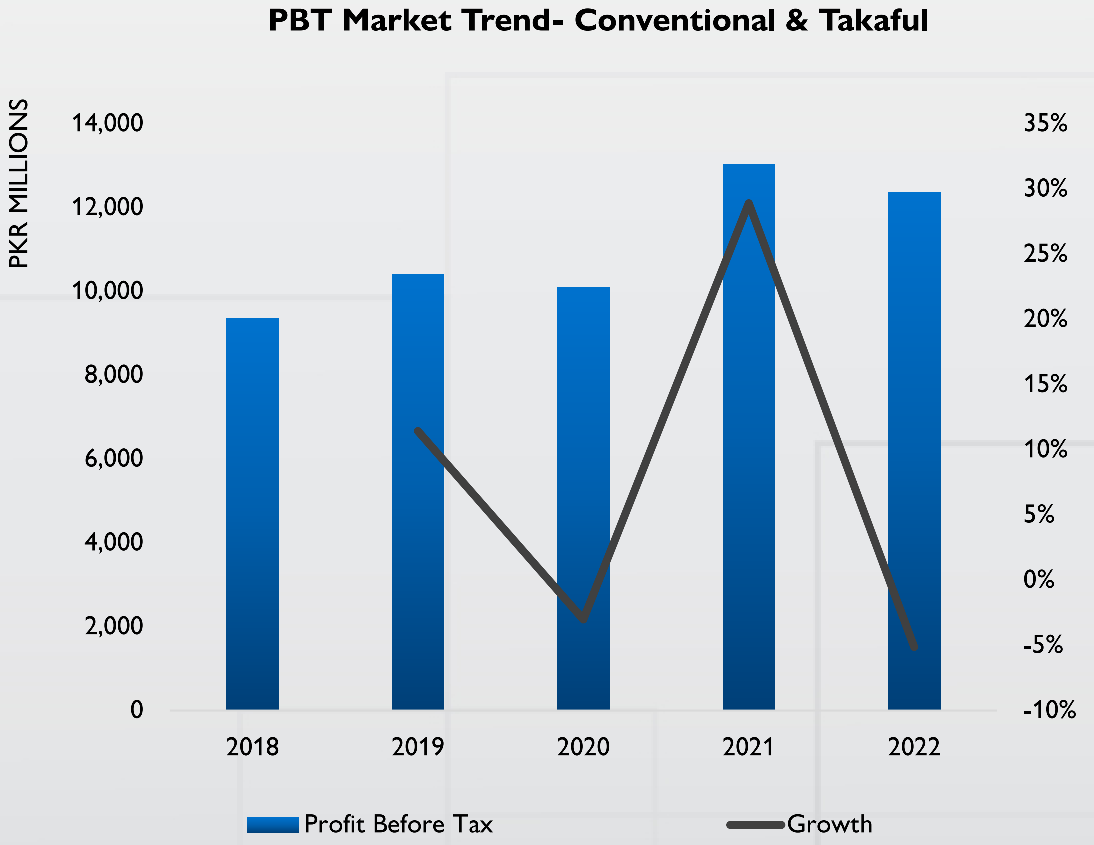
The total investment income earned for the general insurance market amounts to PKR 7.3 billion.

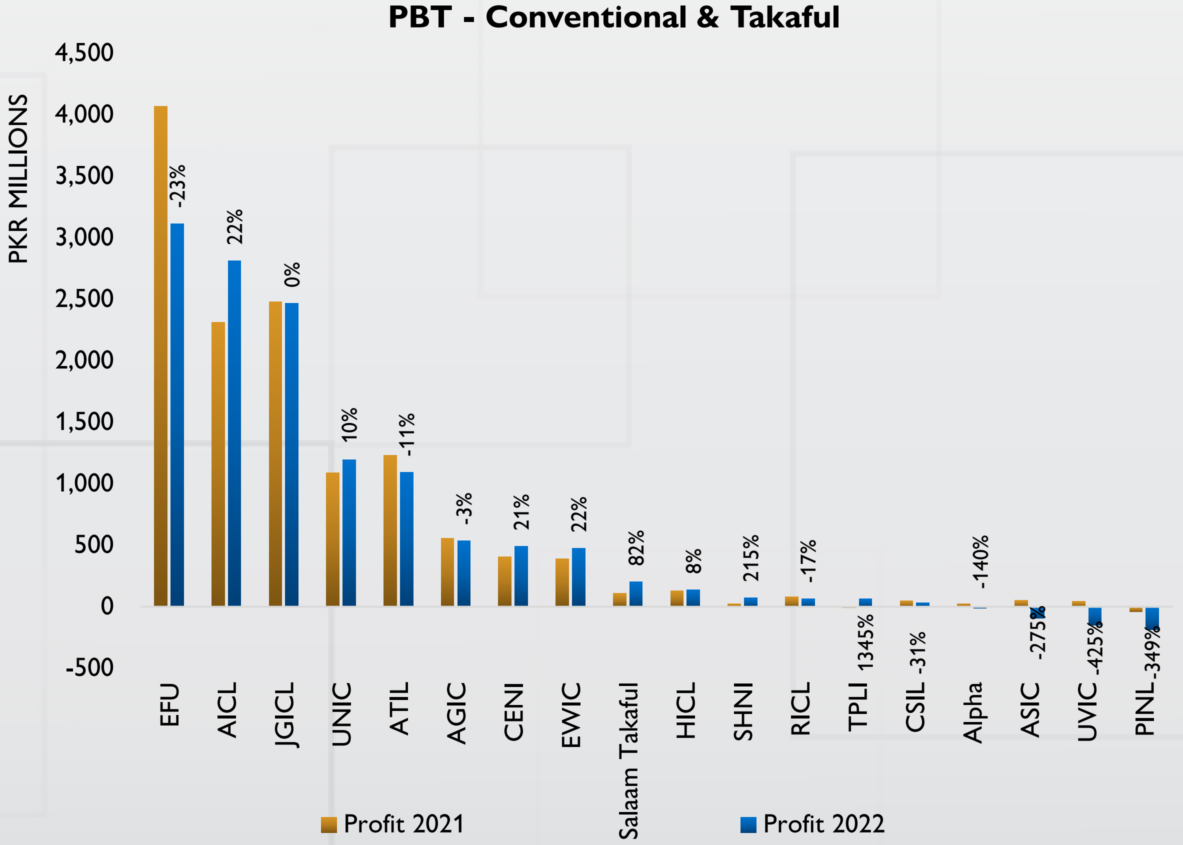
The graph shows the profit composition of the general insurance business with the companies ranked in terms of investment incomes. It can be seen that investment income is a major performance driver for general insurers. The top 3 companies in terms of GWP have investment incomes that are higher than their profits from underwriting operations. Out of the 3 companies in an underwriting loss 1 company, namely AICL, 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 2.25x 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 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 2021 of 29%. 2022 saw a decline in profitability on account of higher claim activity and a lower investment income performance. The market experienced a 5% dip in PBT resulting in a market PBT of PKR 12 billion.

EFU leads the general insurance market with the highest profit before tax of PKR 3.1 billion followed by AICL at PKR 2.8 billion and JGICL at PKR 2.5 billion. The top 3 companies have experienced a decline in earnings in 2022.

Disclaimer: AICL includes business underwritten inside Pakistan only

Premium and Profit **Analysis**

Company	Ranking		Indic.
	GWT	PBT	
EFU	1	1	➡
AICL	2	2	➡
JGICL	3	3	➡
UNIC	4	4	➡
TPLI	5	13	⬇
EWIC	6	8	⬇
ATIL	7	5	⬆
AGIC	8	6	⬆
HICL	9	10	⬇
Salaam Takaful	10	9	⬆
CENI	11	7	⬆
ASIC	12	16	⬇
RICL	13	12	⬆
PINL	14	18	⬇
SHNI	15	11	⬆
Alpha	16	15	⬆
CSIL	17	14	⬆
UVIC	18	17	⬆

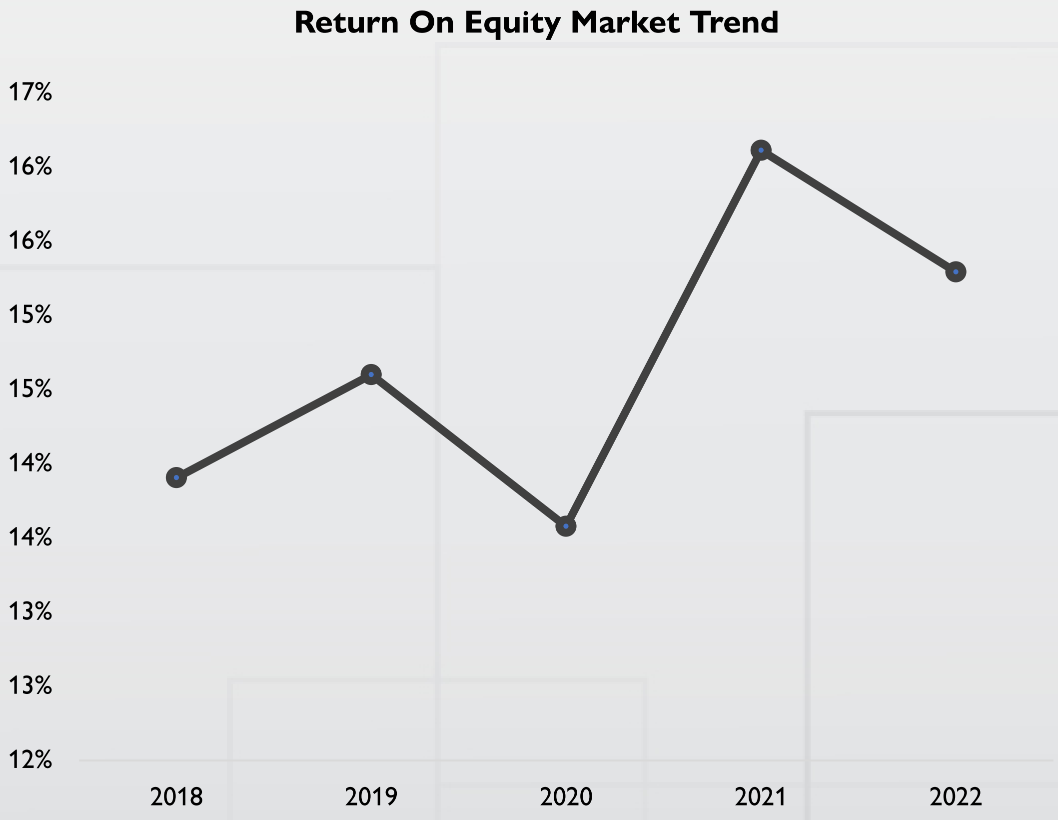
This table ranks the conventional and window takaful business based on gross written premium/contribution and profit before tax. The Indic column indicates whether the profit ranks above or below the premium rank.

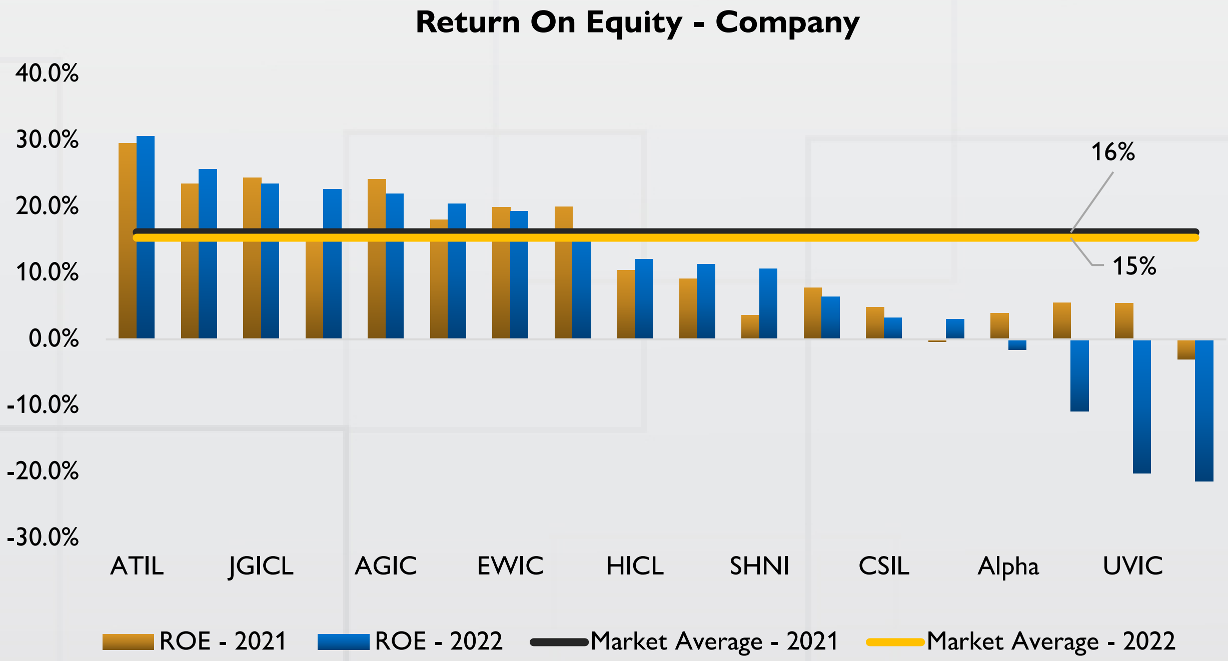
EFU holds the top rank for GWP and PBT followed by AICL and JGICL respectively.

Net Profit Breakdown

Particulars	2021	2022	Variance
	PKR Billion	PKR Billion	PKR Billion
Total UW Profit	5.8	5.5	(0.3)
Investment Income	7.5	7.3	(0.1)
Others	(0.2)	(0.5)	(0.3)
Total Profit Before Tax	**13.0**	**12.4**	**(0.7)**

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 peak in 2021 and a decline thereafter. The ROE has declined for the industry to 15% in 2022.

ATIL shows the highest return on equity of 30% while PINL has the lowest return on equity of -21%. All the companies generated a positive ROE in 2021 while four companies have generated a negative ROE in 2022.

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

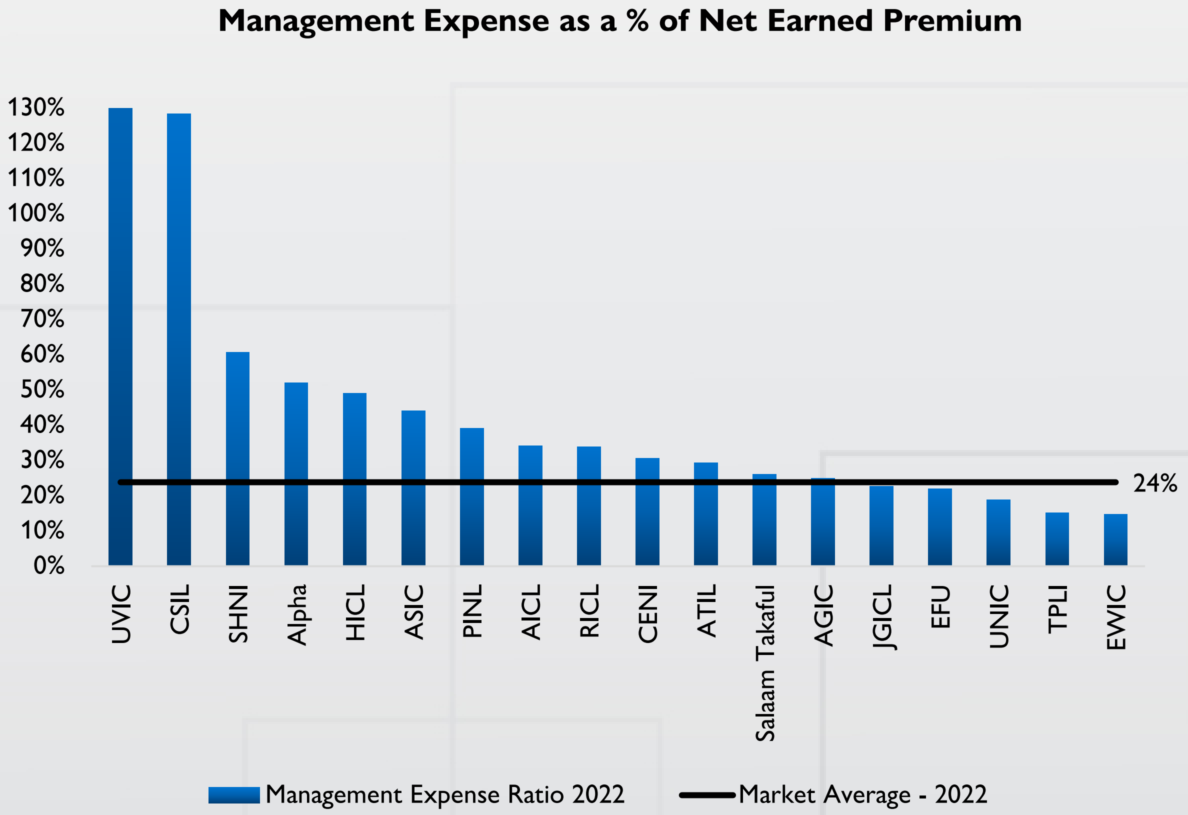
*AICL's Equity is on overall basis due to data limitation while the Profit before Tax is only for Inside Pakistan

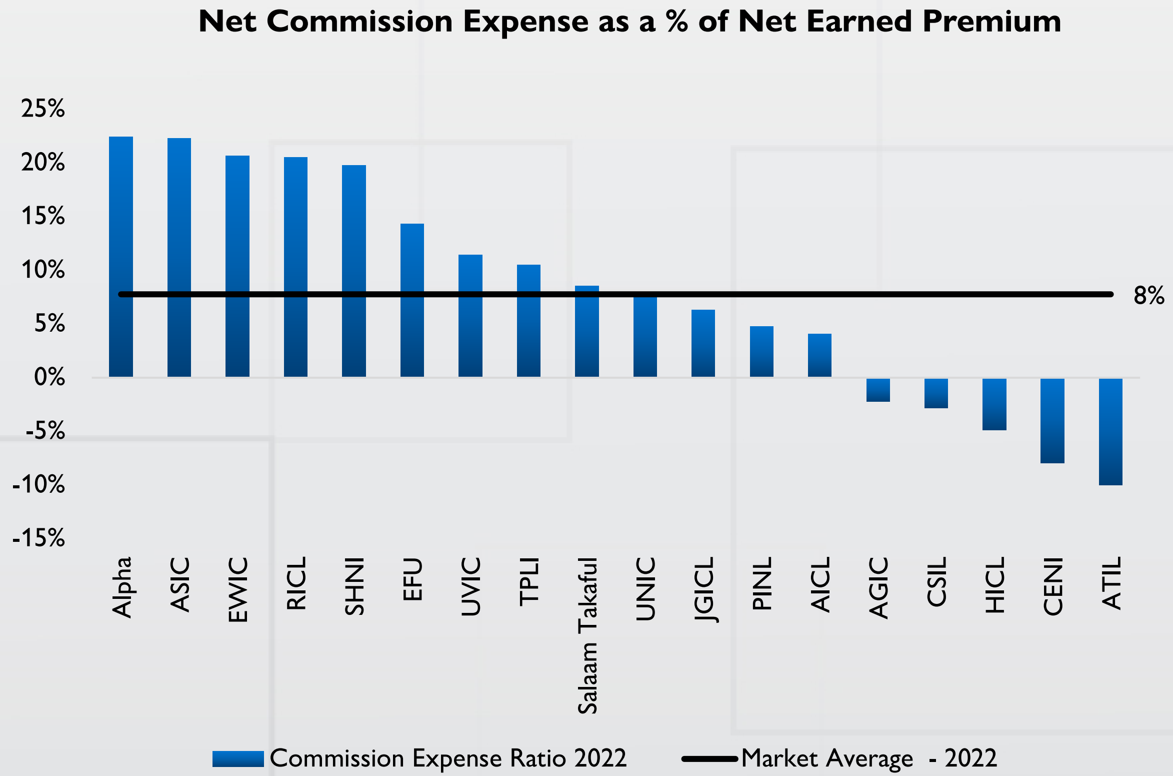
Earning Per Share

Company	EPS 2022	EPS 2021
AICL	7.39	8.96
ASIC	(1.01)	0.37
AGIC	4.82	5.10
ATIL	7.70	8.95
CENI	5.66	5.02
CSIL	0.25	0.43
EWIC	2.22	1.80
EFU	10.03	13.53
HICL	0.90	0.86
JGICL	7.73	8.31
PINL	(3.76)	(0.54)
RICL	0.70	0.84
SHNI	0.89	0.52
PKGI	(0.62)	0.28
TPLI	0.03	0.66
UNIC	3.12	1.73
UVIC	(2.22)	0.81

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

Commission & Management
Expense Ratio - Conventional



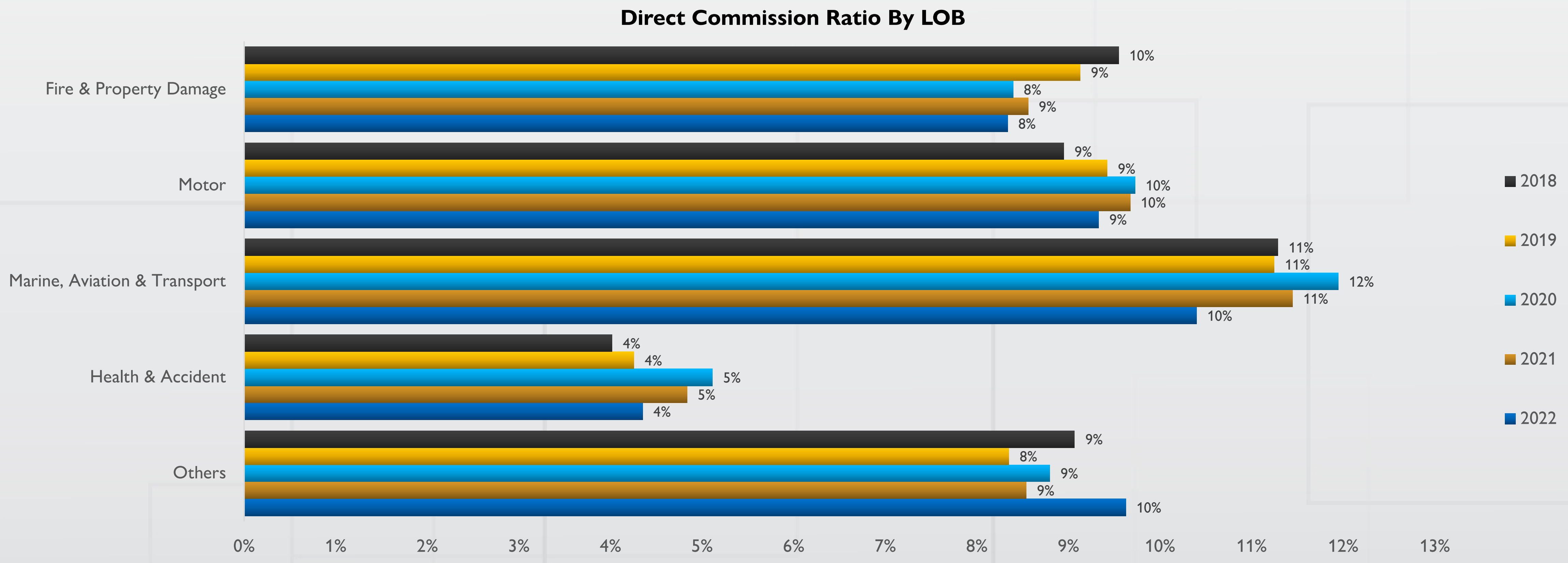


The market ratio calculates to 24% for 2022.

Among the top 3 companies, EFU has the lowest management expense ratio of 22% while AICL has the highest ratio of 34%. UVIC has the highest management expense ratio of 202% which is negatively impacting its' UW profitability.

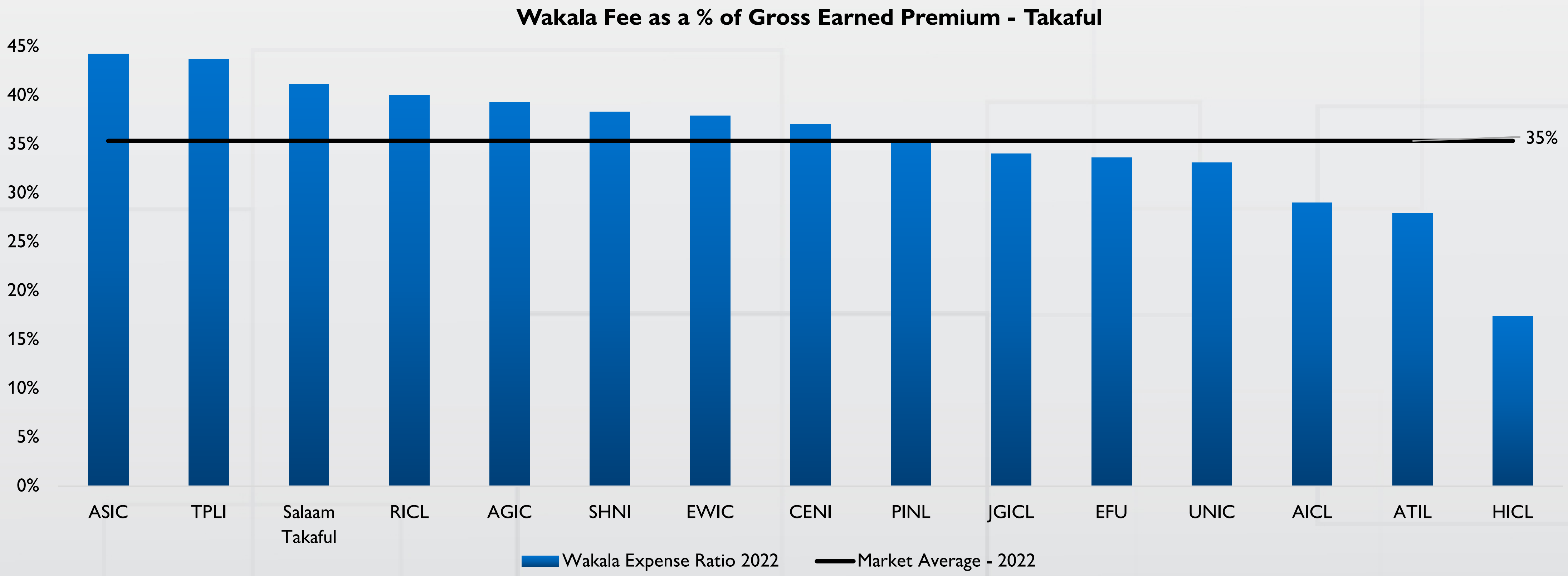
A negative ratio signifies that the commission earned outweighs the commission paid. The market ratio is the weighted average which stands at 8% for 2022. The highest commission expense ratio can be observed for ALPHA & ASIC at 22% while ATIL has the lowest ratio of -10%. Companies usually cede out a 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 till 2021 and in 2022 has experienced a slight decrease 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.

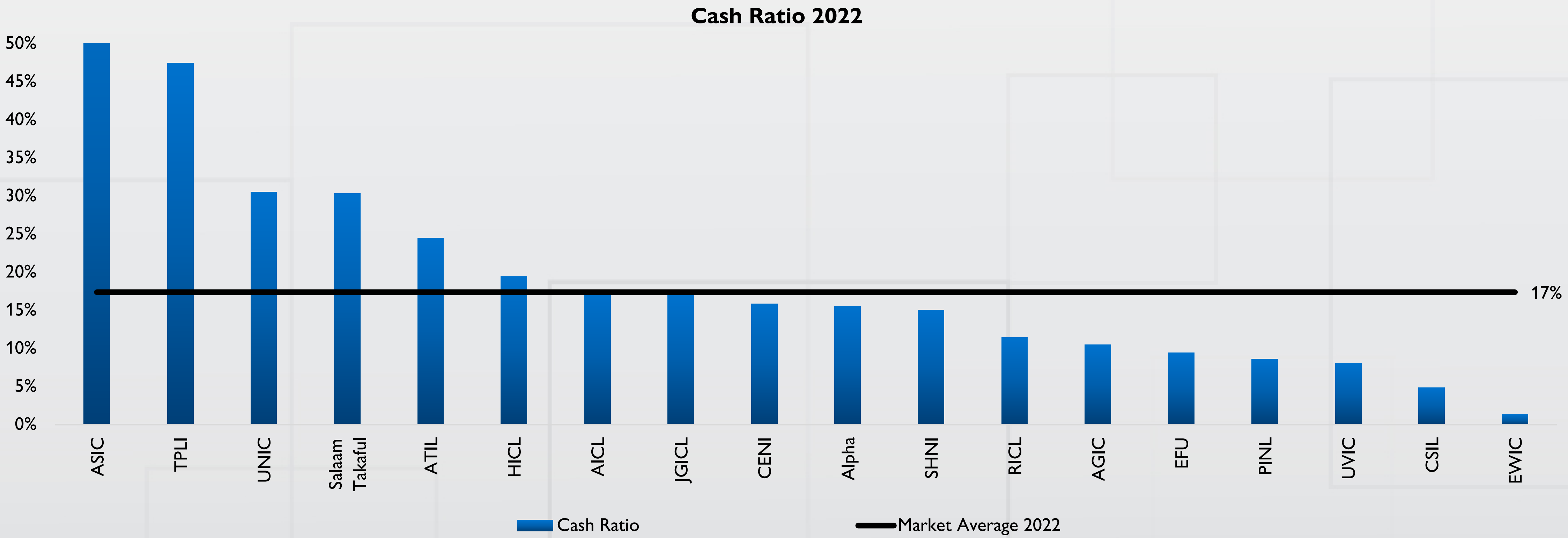
Wakala Expense
% GEC



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 35% in 2022. 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 17%.

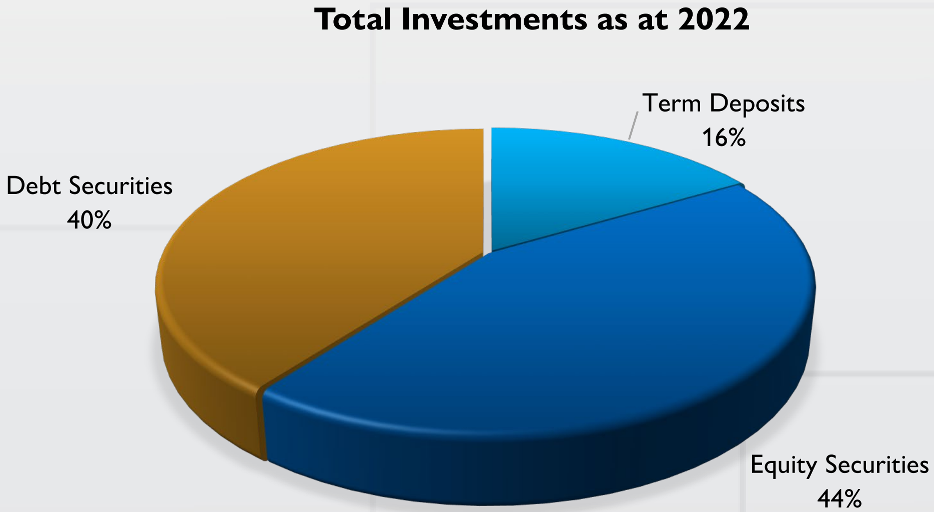
Cash Ratio

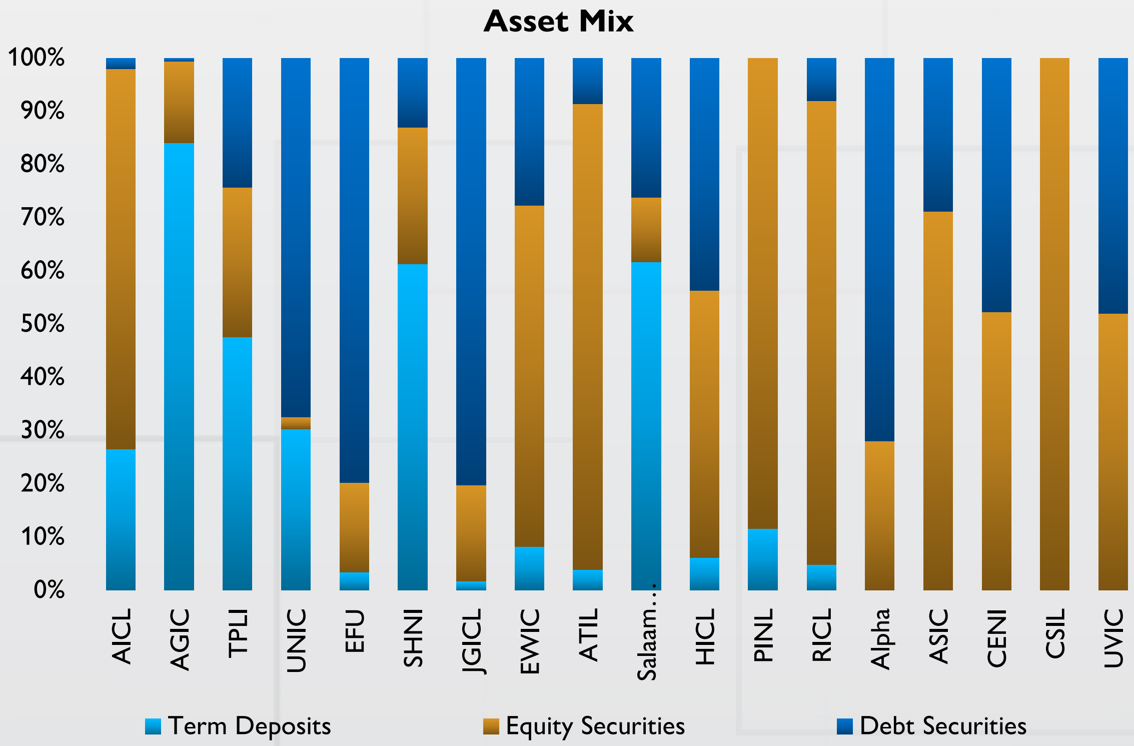


The cash to invested asset ratio has been taken as the ratio of cash & bank to total invested assets including cash. General insurers aims to keep minimum of assets as cash to meet unexpected liquidity requirements which may arise due to large loss or catastrophe. Cash generally earns a lower return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

The market cash ratio is calculated to be 17%. ASCI and TPLI have highest level of 64% and 47% respectively maintained as cash, while the lowest ratio of about 1% is maintained by EWIC.

Asset Mix





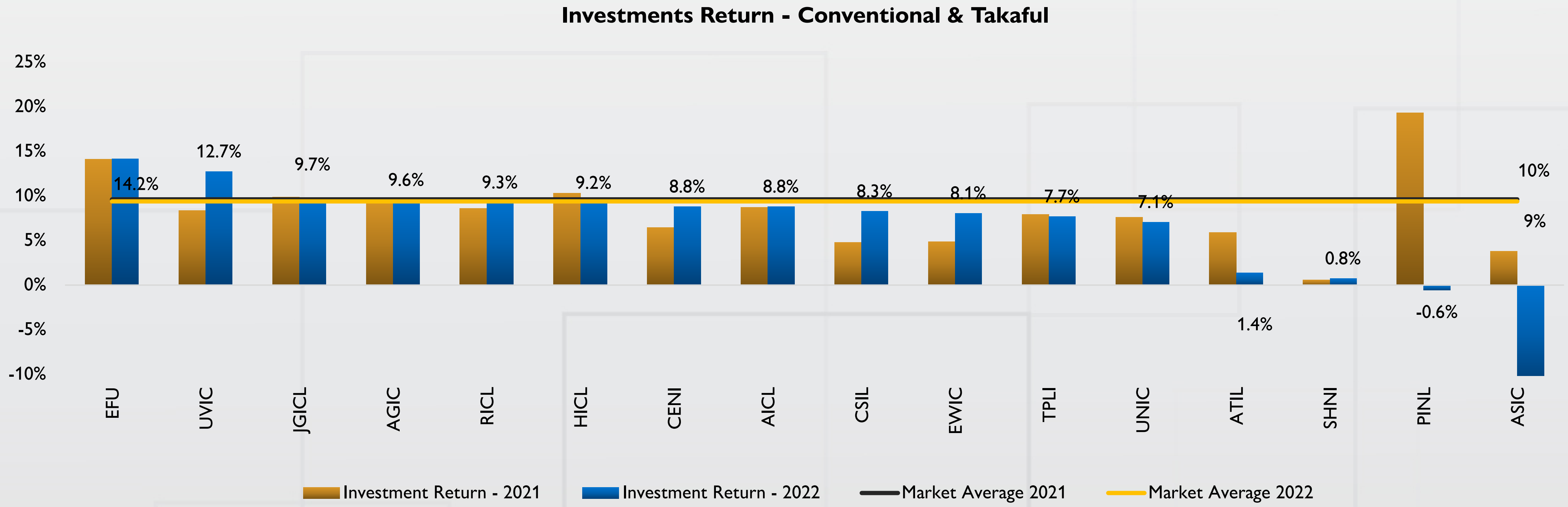
The chart shows the industry's invested assets breakdown for 2022. More than half of the investments are made in equity securities with slightly more than one-third allocated to the fixed income market.

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 77 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.

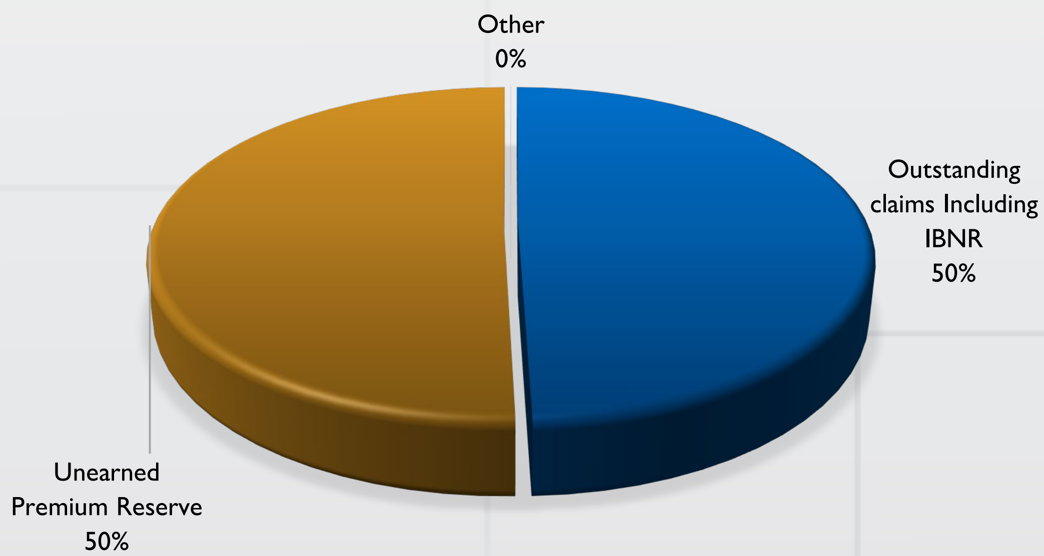
The investment returns of the industry averaged around 9% for 2022 compared to 10% in the corresponding period in 2021.

CSIL earned the highest level of investment return of 14.2%. While ASIC had the lowest returns of -11.1%. 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.

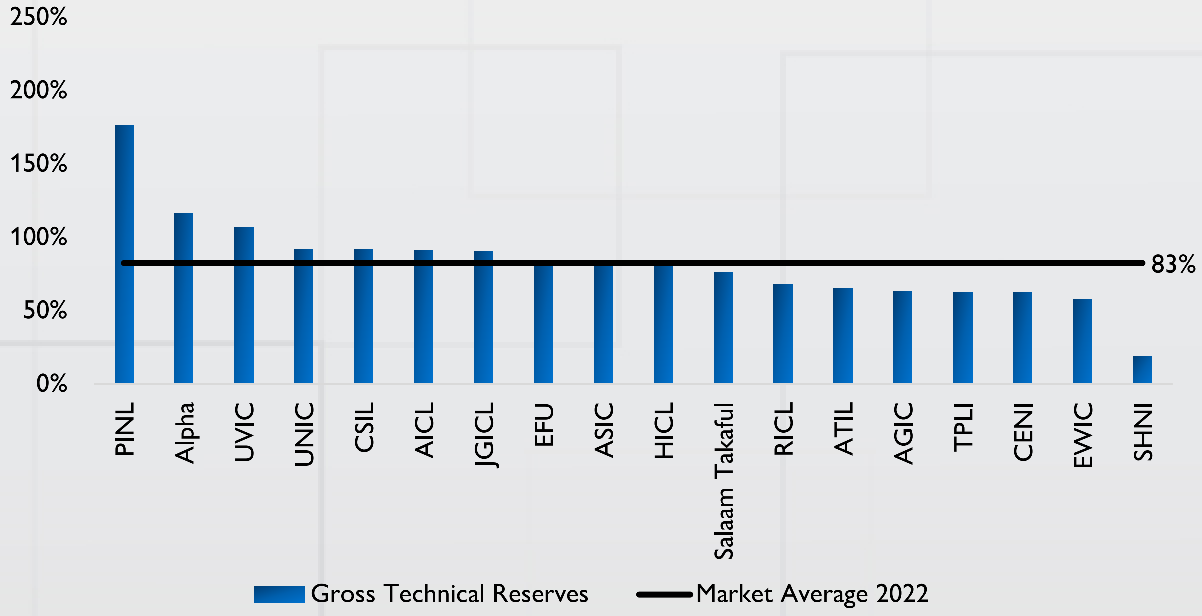
It is important to note that this ratio does not account for unrealized gains in the numerator while the investments are valued at fair value in the denominator resulting in a lower ratio for investment returns.

Technical Reserves

Gross Technical Reserves as at December 2022



Gross Technical Reserves as a % of GWP



Total Technical Reserves : PKR 93 billion

The pie chart shows that unearned premium reserve and outstanding claims including IBNR reserves are equally divided into 50%.

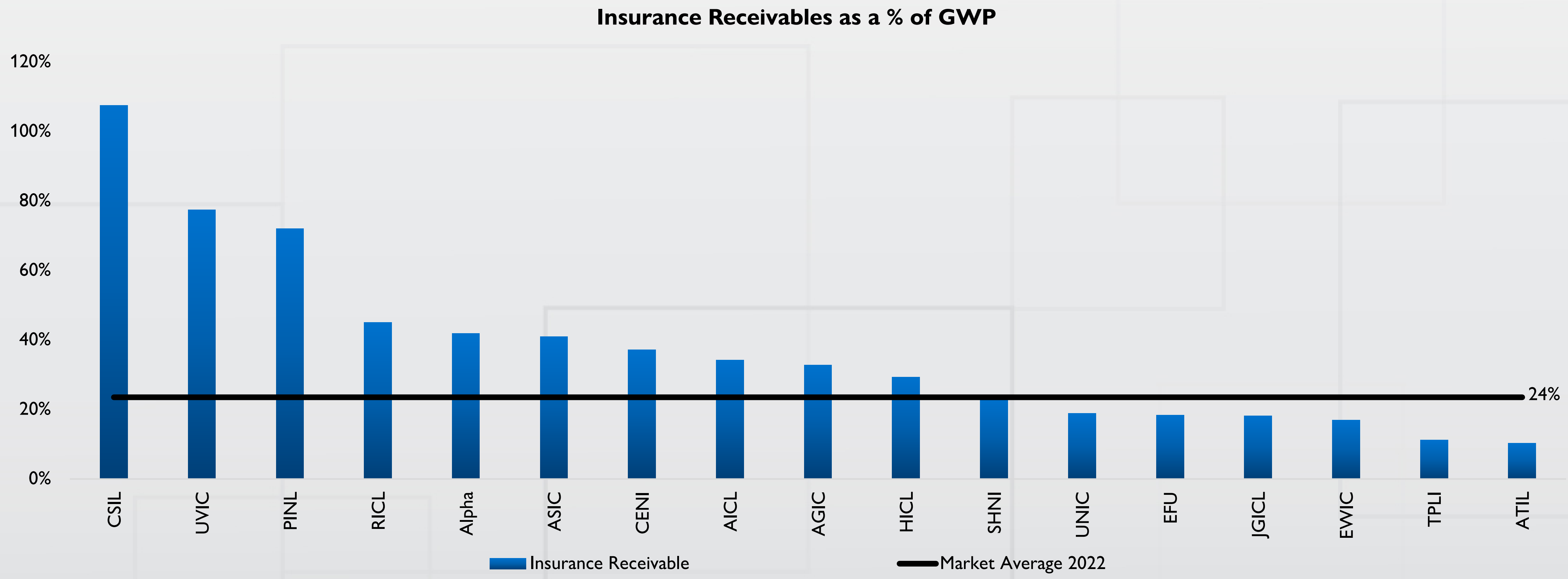
Reserves are backed by assets which earn investment income for the company.

The bar graph represents the gross technical reserves at 2022 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 December 2022 for the conventional business. The market ratio is computed to be 24%. CSIL has the highest ratio of 108% while ATIL has the lowest ratio at 10%.

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.

Key Takeaway Points

Industry GWP Growth Timeline - Conventional & Takaful

2018	2019	2020	2021	2022
PKR 68bn	PKR 73bn	PKR 74bn	PKR 88bn	PKR 113bn

Industry NEP Growth Timeline - Conventional & Takaful

2018	2019	2020	2021	2022
PKR 36bn	PKR 39bn	PKR 39bn	PKR 42bn	PKR 50bn

Industry PBT Growth Timeline - Conventional & Takaful

2018	2019	2020	2021	2022
PKR 9.4bn	PKR 10.4bn	PKR 10.1bn	PKR 13bn	PKR 12.4bn

Highest GWP Recorded by
EFU at PKR **32bn**

Highest Growth in GWP Recorded by
SHNI at **114%**

Highest NEP Recorded by
EFU at PKR **11.4bn**

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

Lowest Combined Ratio Recorded by
ATIL at **58%**

Highest Investment Income (Conventional) Recorded by **EFU** at PKR **2.3bn**

Highest PBT Recorded by
EFU at PKR **3.1bn**

Highest Growth in PBT by
TPLI at **1345%**

Highest ROI by
ATIL at **30.6%**

Highest Investment Return Recorded by
EFU at **14.2%**

Conclusion

The year 2022 proved to be a difficult period for the Pakistani economy. Pakistan faced various challenges, including severe flooding, political unrest, and economic imbalances on the global stage. These factors resulted in significant economic hardships, with rising prices of food, gas, and oil. The insurance sector, along with other industries, was significantly affected, while the devaluation of the Pakistani Rupee further hindered market growth. Given the multitude of challenges Pakistan faced from various directions, there is a prevailing sense of hope for a better situation in 2023. However, this hope relies heavily on the authorities' ability to make intelligent decisions and seize the opportunity to steer the country in the only viable direction: upward.

In 2022, the market premium in Pakistan witnessed significant growth, with a 28% increase in the top-line. This growth contributed to a Gross Written Premium (GWP) of PKR 113 billion for the year. Notably, all major lines of businesses experienced a rise in GWP, indicating a positive trend. Both the Conventional and Takaful sectors performed exceptionally well, recording a substantial year-on-year increase in their market share. This strong performance of the Conventional and Takaful sectors played a crucial role in driving the overall growth of the market's GWP.

In 2022, the market experienced an increase in the gross loss ratio, reaching 56%. This rise was primarily driven by heightened loss activity in the Motor segment. On the other hand, the net loss ratio stood at 52%, highlighting the significance of reinsurance in mitigating substantial gross losses observed in the Fire line during 2020. This outcome can be attributed to Fire being the line with the lowest retention ratio. Overall, the combined ratio for the market saw a slight increase, reaching 95%.

In 2022, the market experienced a decline in investment income, which decreased to PKR 7.4 billion. This reduction played a significant role in the deterioration of the company's net earnings. Additionally, the market's profit before tax also saw a decrease of 5%, amounting to PKR 12.4 billion.

Companies Included in the Analysis

Listed Insurance Companies

Logos	Sr. No.	Name	Abbreviation
	1	Askari Gen. Ins. Co. Ltd	AGIC
	2	Adamjee Insurance Co. Ltd	AICL
	3	Asia Insurance Company Limited	ASIC
	4	Atlas Insurance Limited	ATIL
	5	Century Insurance Co. Ltd	CENI
	6	Crescent Star Insurance Ltd	CSIL
	7	EFU General Ins. Ltd	EFU
	8	East West Insurance Co. Ltd	EWIC

Listed Insurance Companies

Logos	Sr. No.	Name	Abbreviation
Habib Insurance	9	Habib Insurance. Co. Ltd	HICL
Jubilee GENERAL INSURANCE	10	Jubilee General Insurance Company Ltd	JGICL
Premier Insurance	11	Premier Insurance Limited	PINL
RIC Reliance Insurance Company Limited ....Rely on Reliance	12	Reliance Insurance Co. Ltd	RICL
	13	Shaheen Ins. Co. Ltd	SHNI
TPL Insurance	14	TPL Insurance Limited	TPLI
UIC PAKISTAN The UNITED INSURANCE COMPANY OF PAKISTAN LTD. تحفظ کی علامت	15	United Ins. Co. of Pak. Ltd	UNIC
UIC	16	Universal Insurance Company Ltd	UVIC

Companies Included in the Analysis

Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the general insurance companies in Pakistan for the year end 2022. The data has been extracted from the financial statements of those companies which were publicly 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

	Directors	5 Staff	
UAE/ Oman Actuarial	30 Staff	Medical	6 Staff
KSA Actuarial	31 Staff	IFRS 17	14 Staff
Business Intelligence	9 Staff	HR Consultancy	2 Staff
End of Services	6 Staff	Financial Services	6 Staff
Support & Admin	24 Staff	Data Science	1 Staff

Total Strength **134**

Our Feedback

Badri Management Consultancy is proud to present Pakistan General Insurance Companies Performance analysis for YE 2022. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

Contact Us

UAE Office

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

Karachi Office

7B-2/5, 7th Floor, Fakhri Trade Center, Shahrah-e-Liaquat, Karachi 74200, Pakistan

KSA Office

Office 36, King Abdulaziz Road, Ar Rabi, Riyadh 13315

Lahore Office

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

+971 4 493 6666

+92 213 2602 212

+966 11 232 4112

Info@badriconsultancy.com

www.badriconsultancy.com

Our Team

Hatim Maskawala

Ali Bhuriwala

Omar Khan

Afnan Shaukat

Hassan Athar