BADRI

Pakistan's General Insurance Companies' Performance Analysis

H1 2023

Date: October 10, 2023

About BADRI

Award winning strategic partner to the insurance industry with our 145+ talented staff in UAE, KSA and Pakistan 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**

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

What We Can Do **For You!**

Actuarial **Consultancy**

- Appointed Actuary
- End of Services
- Actuarial Support for General & Life Insurance
- IFRS 17
- Pricing, Reserving & Capital
- Actuarial Support for Motor & Medical Insurance

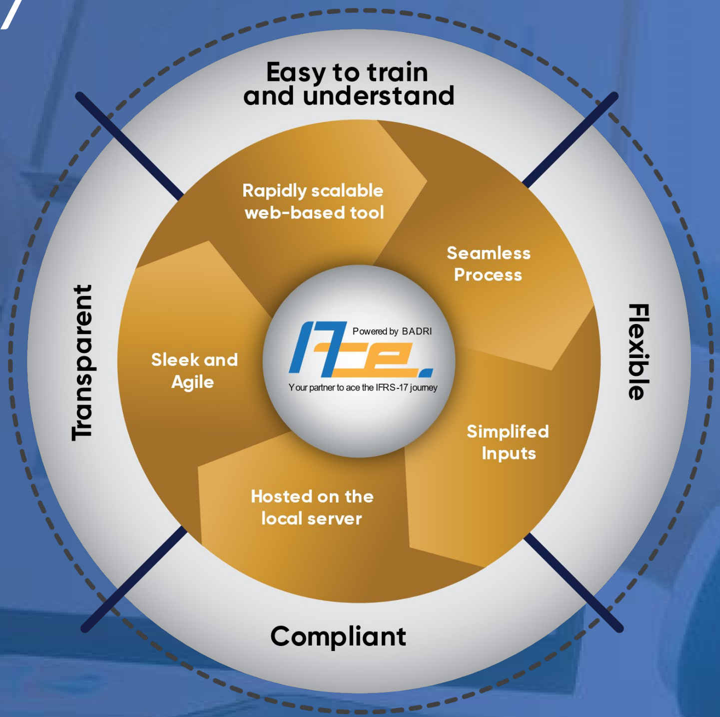
Strategic **Consultancy**

- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

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

métier
a BADRI group company

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

01. Integrity

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

02. Chasing Excellence

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

03. Fostering Partnerships

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

04. Breeding Excitement

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

05. 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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2023-H1 Highlights

Gross Premium Written - Conventional	**PKR 58 billion** 2022-H1: PKR 44 billion	**Gross Contribution Written - Window Takaful**	**PKR 7 billion** 2022-H1: PKR 6 billion
Retention Ratio – Conventional & Window Takaful	**50%** 2022-H1: 54%	**Gross Loss Ratio - Conventional & Window Takaful**	**54%** 2022-H1: 51%
Net Loss Ratio - Conventional & Window Takaful	**52%** 2022-H1: 51%	**Combined Ratio - Conventional & Window Takaful**	**95%** 2022-H1: 93%
Investment Income - Conventional & Window Takaful	**PKR 5.3 billion** 2022-H1: PKR 3.7 billion	**PBT - Conventional & Window Takaful**	**PKR 6.7 billion** 2022-H1: PKR 5.8 billion
Investment Return - Conventional & Window Takaful	**6%** 2022-H1: 5%		

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)
TPLI		AA (ifs)
UNIC	AA+ (IFS)	AA+ (ifs)
UVIC		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 till year end 2022.

Insurance Density and Penetration

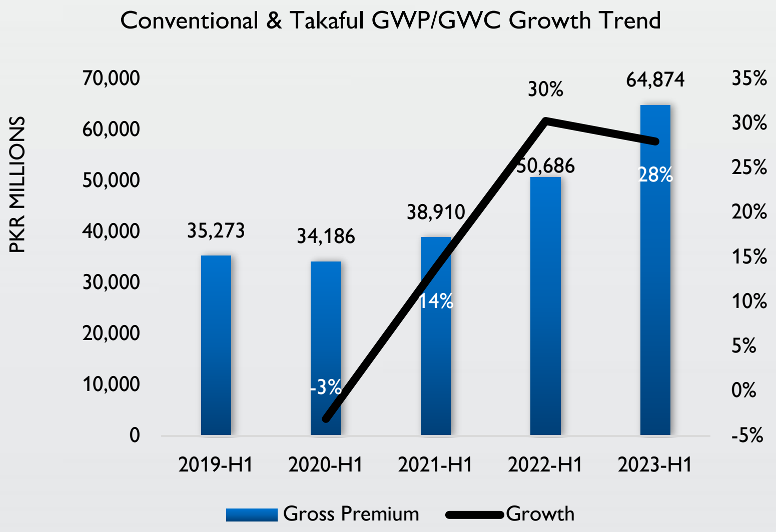
The Insurance Penetration ratio measures the proportion of GDP contributed by the written premium. The general insurance premiums contribute about 0.2% to Pakistan's GDP compared to a ratio of 0.9% and 0.7% for regional comparable countries namely India and Sri Lanka. While the insurance penetration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

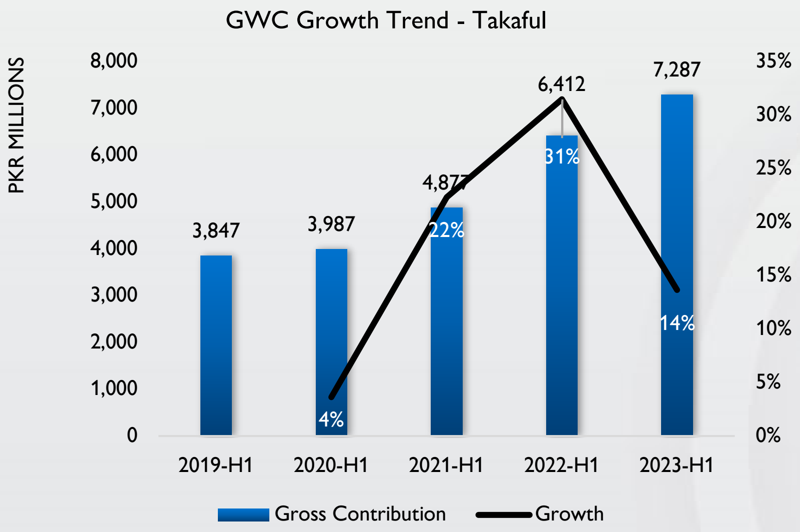
The Insurance Density measures the general Gross Written Premium per capita. The ratio for Pakistan shows an increasing trend year-over-year and stands at PKR 378 in 2021. While for regional comparable like India and Sri Lanka this number stands at USD 20 and USD 30, respectively. For developed countries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

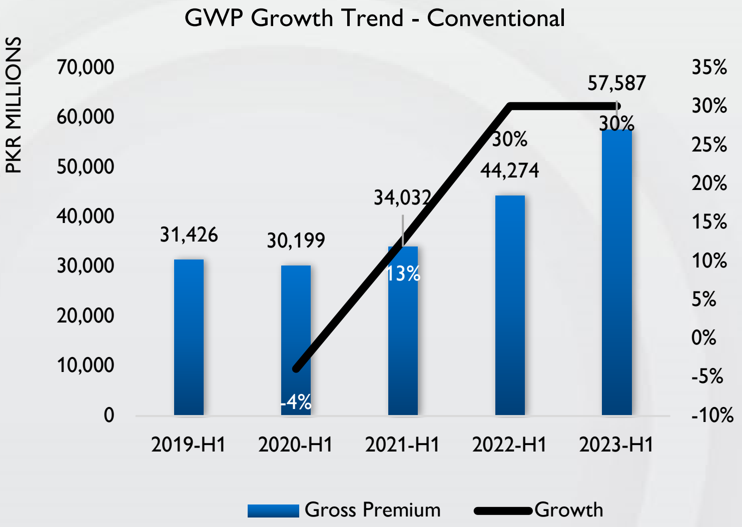
The insurance industry plays a key role in managing the risks for individuals and large corporations included. This industry has a lot of potential for growth which can be materialized through government initiatives such as new types of compulsory insurance and awareness on financial literacy.

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





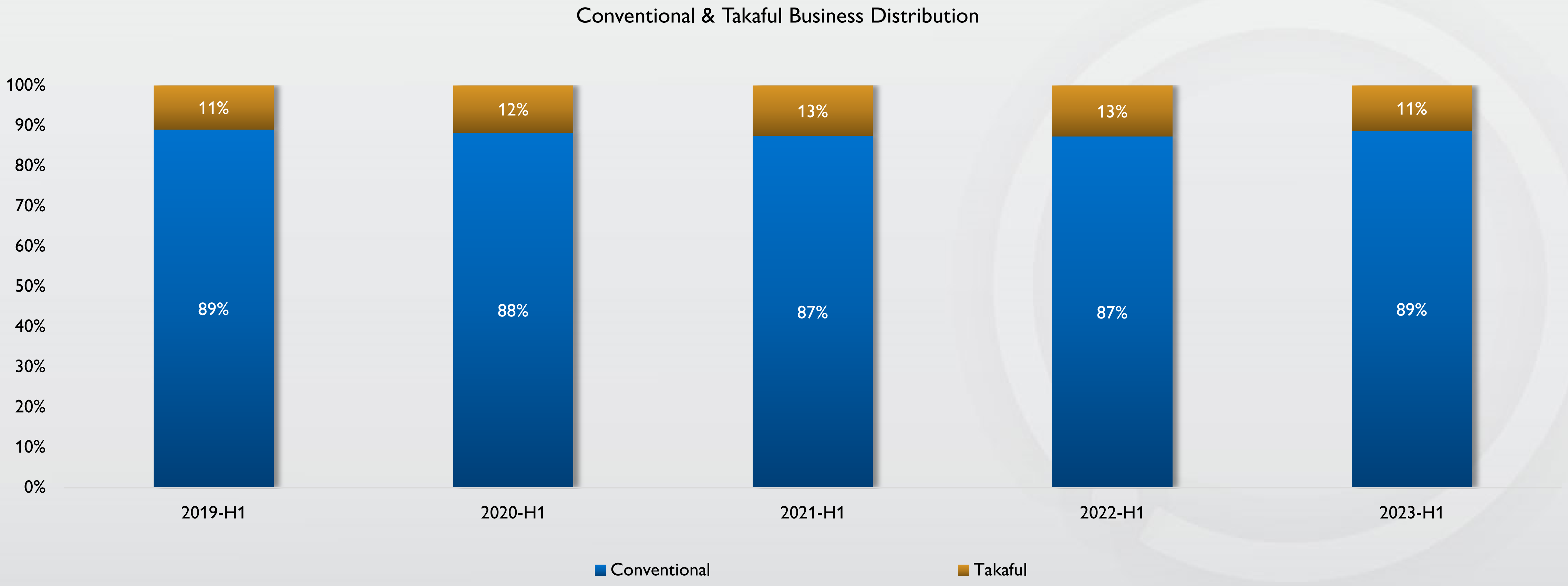


Despite economic challenges and political uncertainty, the general insurance industry in Pakistan experienced significant growth in gross written premium (GWP) during the first half of 2023, registering a notable 28% increase to reach PKR 65 billion. This growth occurred in the midst of a volatile economic landscape and was accompanied by a substantial devaluation of the Pakistani Rupee (PKR) against the US dollar, contributing to a high national CPI inflation rate of 29.4% in June 2023, as reported by the SBP Inflation Monitor. The devaluation had adverse effects on Pakistan's import-driven economy, resulting in elevated prices for commodities and finished goods. The substantial surge in GWP was evident across all lines of business, propelled by the mounting inflationary pressures faced by individuals and businesses seeking insurance coverage as a means to manage financial risks.

Conventional business is the main contributor to the industry's premiums; almost 89% 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 58 billion for 2023-H1.

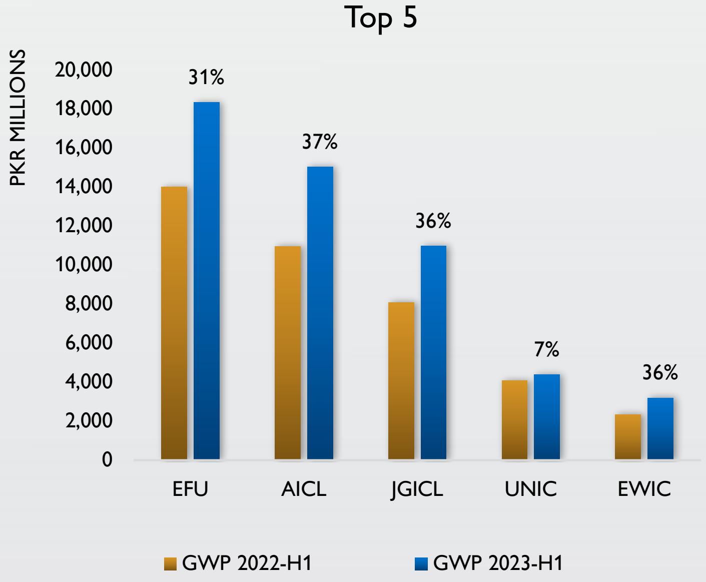
The takaful market experienced a double-digit growth in 2022 of 14%. The takaful market has consistently experienced double-digit growth since 2021-H1.

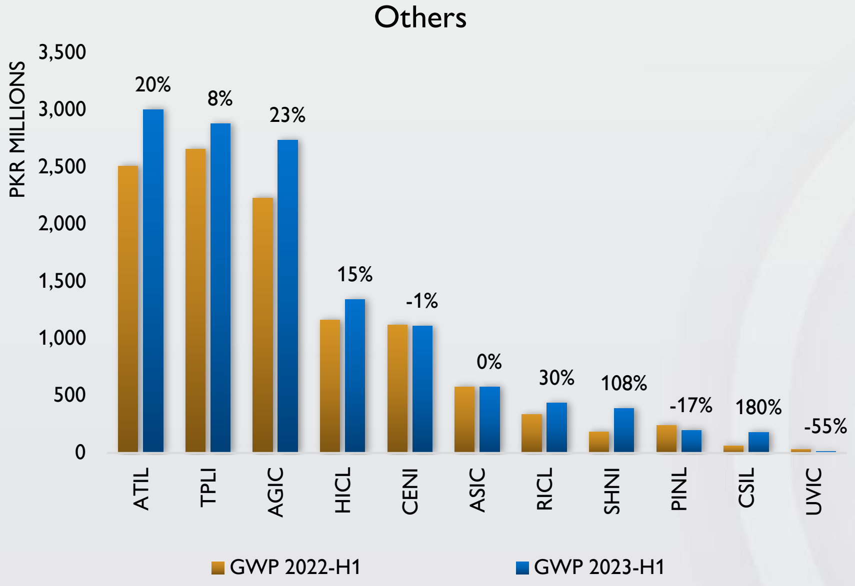
Gross Written
Premium - Distribution

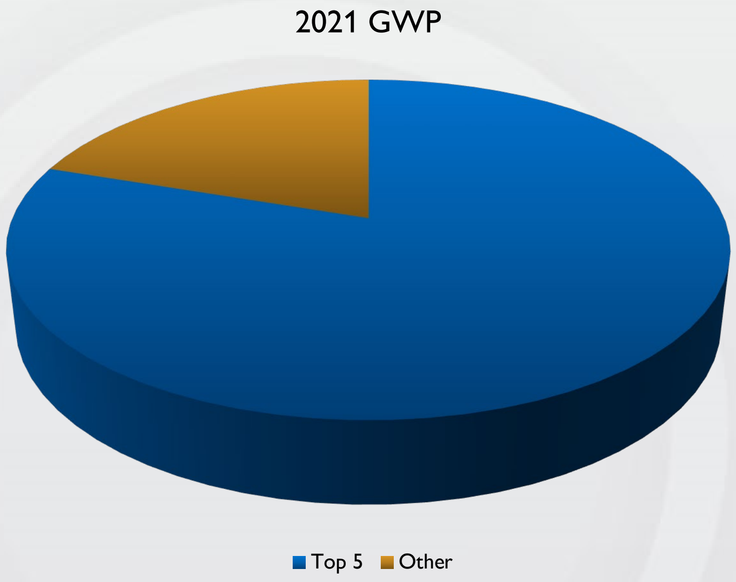


In 2014, after receiving approval from SECP, general insurers began offering Takaful services alongside their conventional offerings. While the majority of their business remains conventional, there has been a consistent upward trend in the proportion of Takaful business over the five-year period. As of the first half of 2023, Takaful accounts for 11% of their portfolio, which is slightly lower than the level observed in the first half of 2022.

Gross Written
Premium - Companies







The top 5 companies contributed PKR 52 Billion out of the PKR 65 Billion premium which constitutes 80% 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 2023-H1 followed by AICL and JGICL at 23% and 17% respectively. The top 3 companies have experienced double digit growth in GWP.

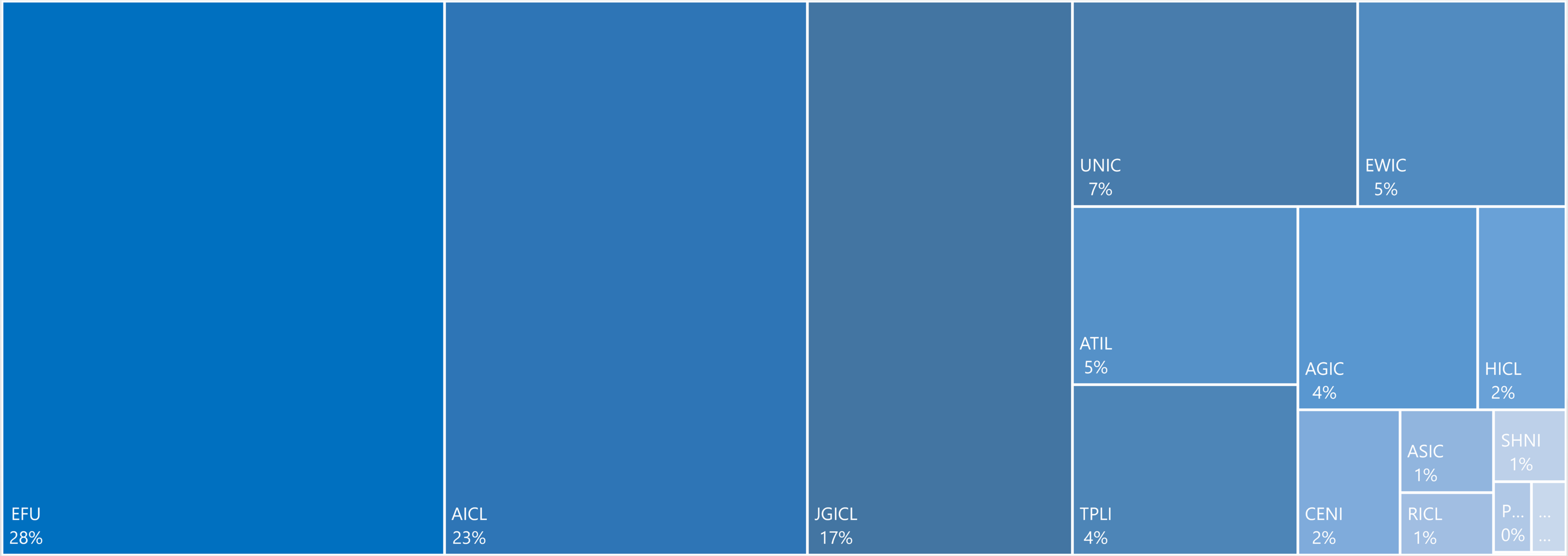
The rest of the market players experienced high GWP growth rates as well which were mostly in double digits. CSIL experienced the highest growth rate of 180%.

The economy adhered to its typical cycle of alternating between periods of growth and recession. Towards the conclusion of 2022, growth rates surged but triggered a worsening balance of payments situation and escalating inflation, prompting the adoption of more stringent monetary and fiscal measures to confront these issues.

**AICL includes business underwritten inside Pakistan only

Gross Written **Premium - Market**

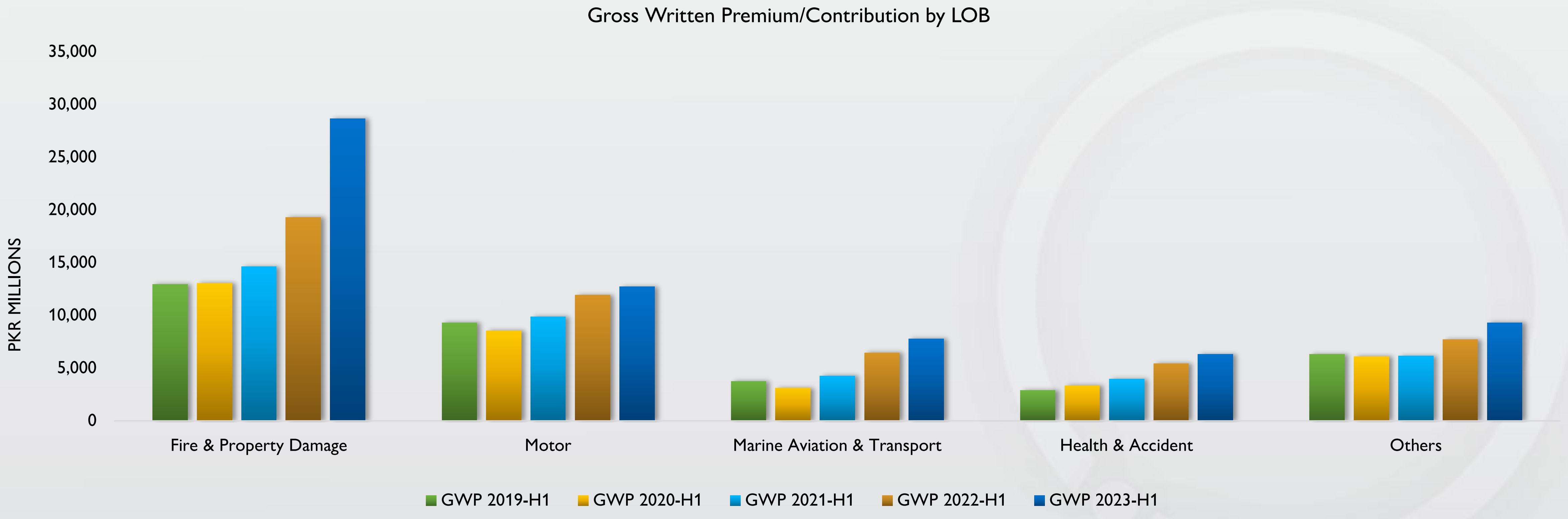
GWP - Market Share of Companies



EFU can be seen as the market leader in general insurance based on GWP with a market share of 28% for 2023-H1 followed by AICL at 23% and JGICL 17% 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

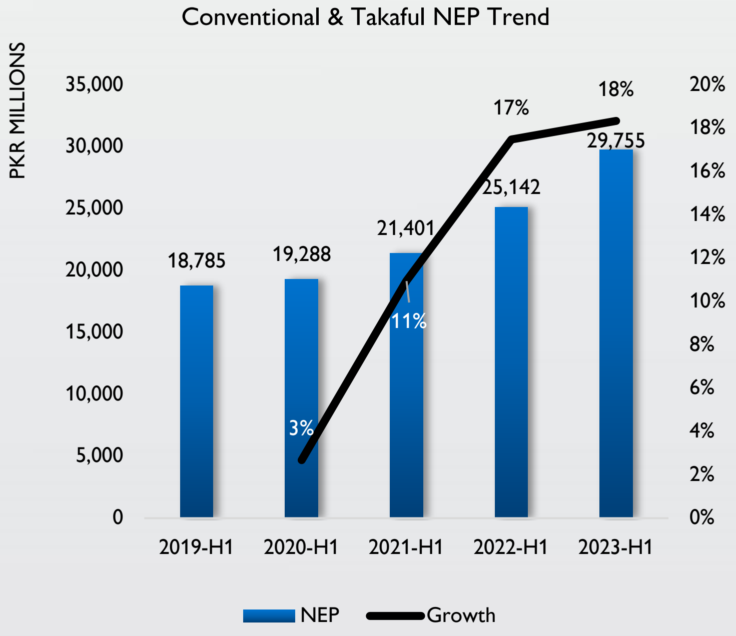
Gross Written
Premium - Distribution

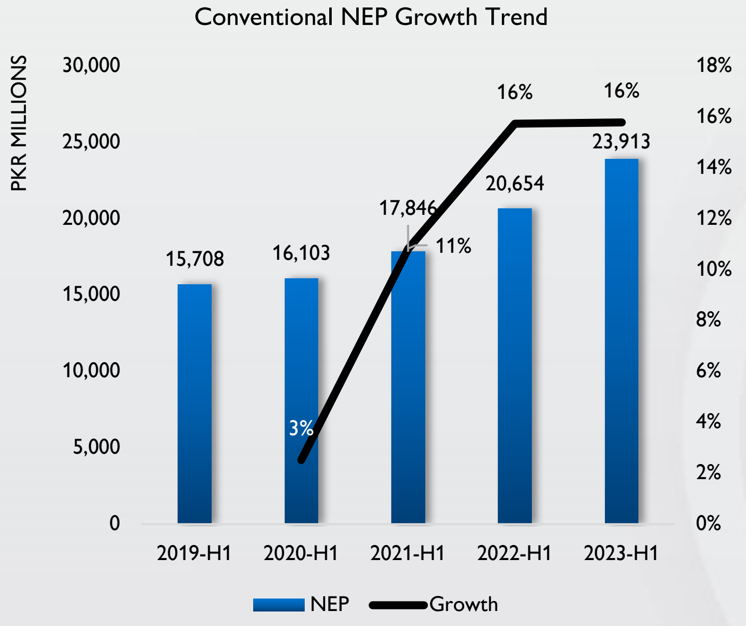


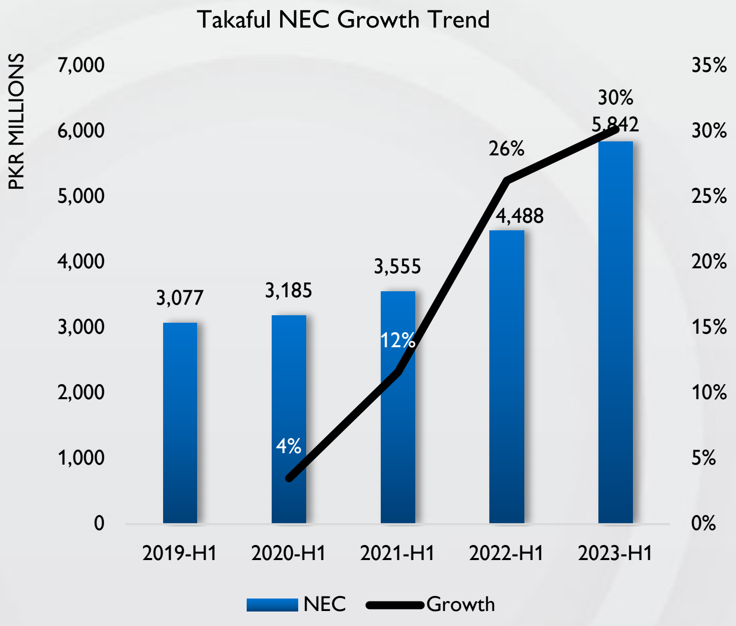
First half of 2023 saw GWP of PKR 65 billion which is the highest premium written over the five-year period. All the lines of business except Motor experienced a double-digit growth in premium/contribution. Fire & Property Damage line of business saw the highest increase of 48% followed by Marine and Others at 21%. 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





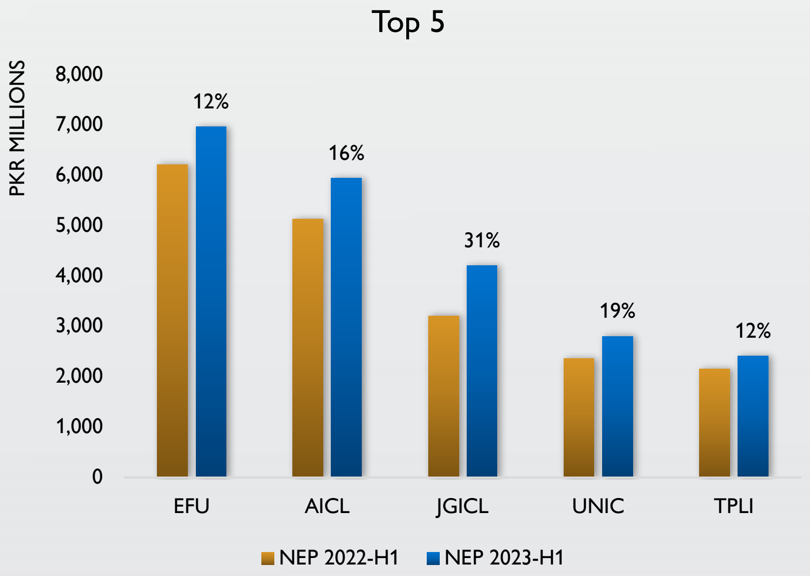


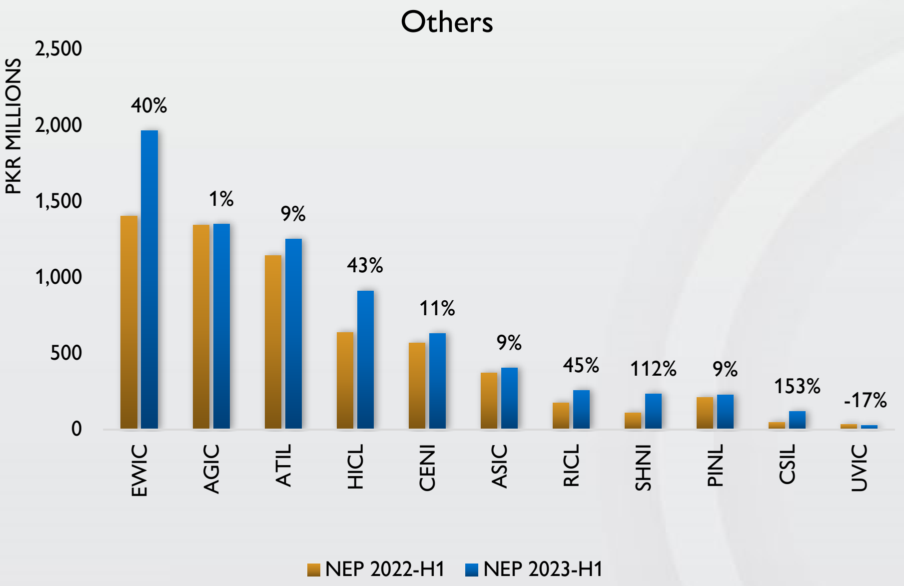
The total net earned premium for the conventional and takaful business combined amounted to PKR 30 billion for 2023-H1, an increase of 18% compared to the corresponding period in 2022. The impact of increased GWP translates to the NEP as well. The 5-year trend shows a consistent year-on-year increase in NEP with the highest growth experienced in 2023-H1.

The conventional insurance business contributed PKR 24 billion to the market NEP which amounts to a market share of 80%. The NEP growth rate has been relatively stable at around 16% in 2023-H1 and 2022-H1.

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 30% while a growth rate of 26% was experienced in the same period last year. The NEP for this segment stands at PKR 6 billion in 2022.

Net Earned Premium
- Companies





The net earned premium for the top 5 companies amounts to PKR 30 Billion which shows an 18% increase compared to the same period last year. The top 5 companies have a 75% of the market in terms of the NEP.

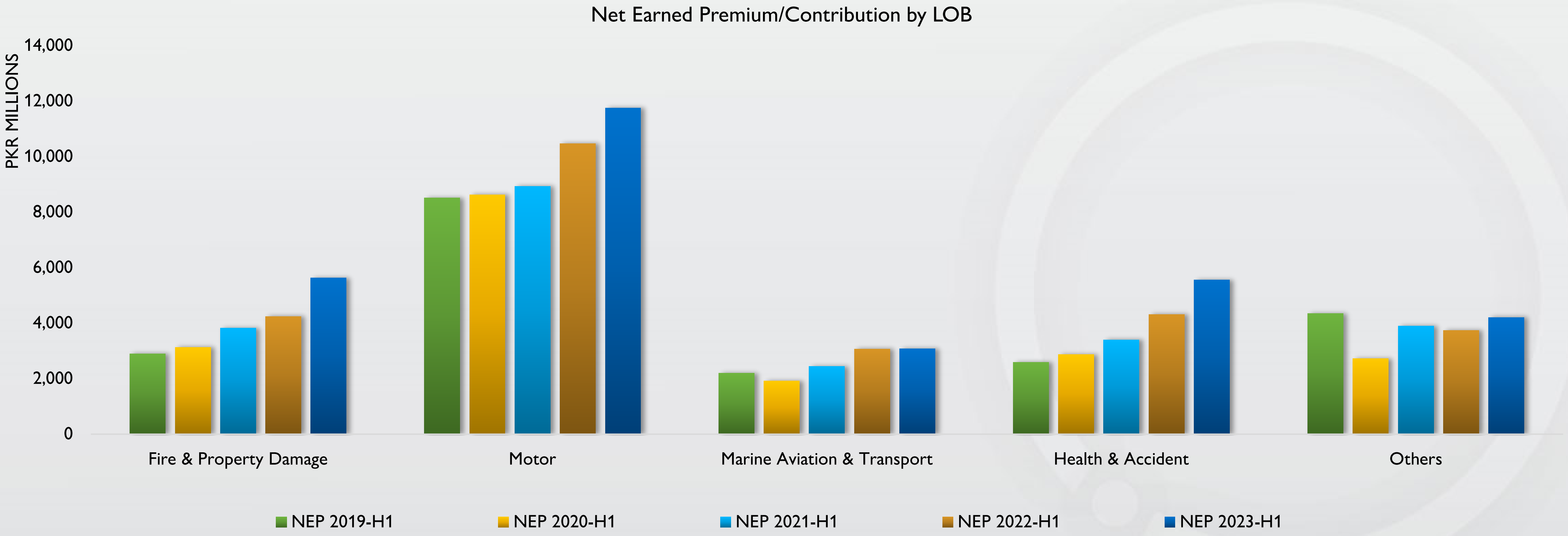
EFU leads the general insurance industry with a NEP of PKR 7 billion followed by AICL and JGICL of PKR 6 billion and PKR 4 billion respectively.

Amongst the top 5 companies, JGICL experienced the highest growth in their NEP of 31% for 2023-H1 compared to the corresponding period in 2022.

The other industry players hold a 25% market share in terms of the NEP. The majority of the companies experienced positive NEP growth rates except for CSIL experienced the highest NEP growth of 153%.

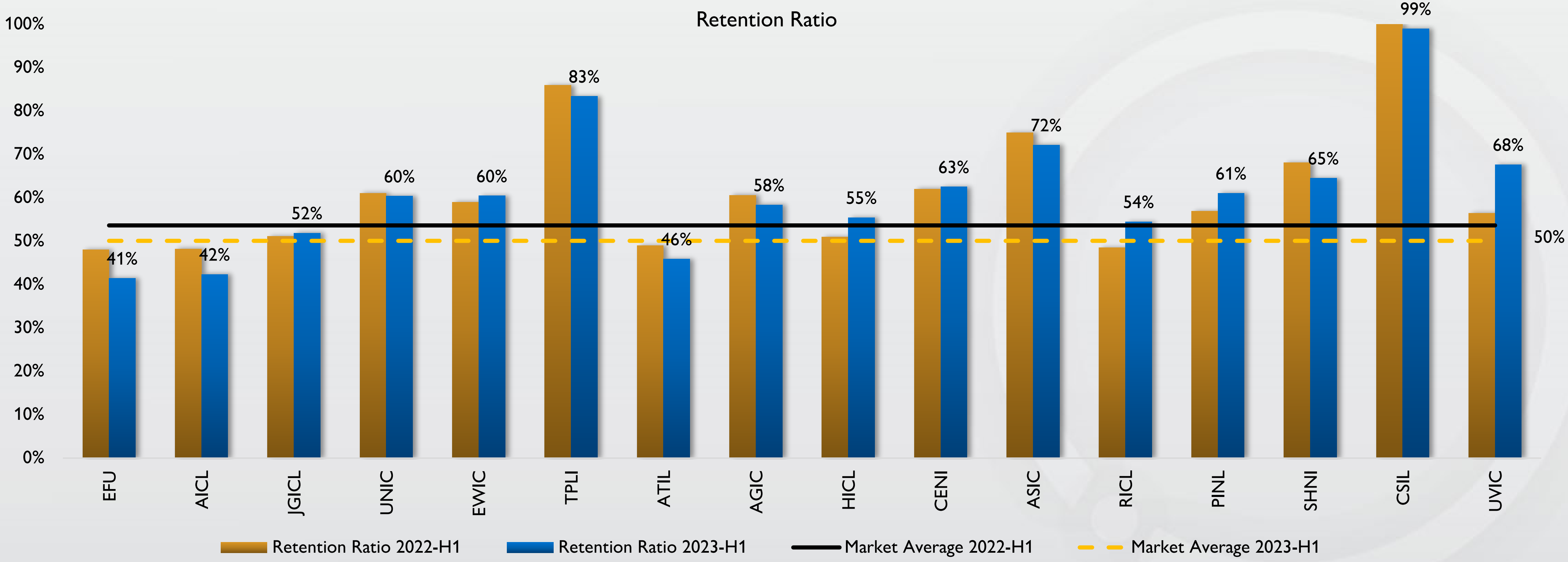
**AICL includes business underwritten inside Pakistan only

Net Earned Premium
- Distribution



The higher premium written has also resulted in higher NEP which were about 18% higher than the 2022-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.

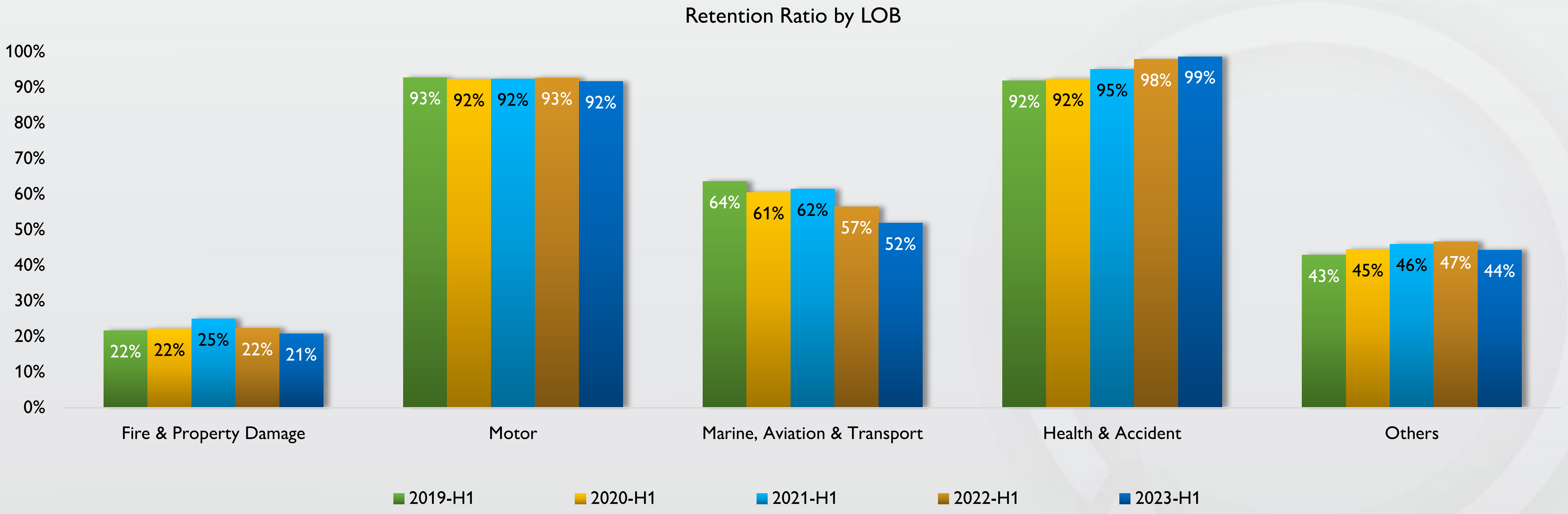
Retention **Ratio**



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 50% which is the weighted average ratio for 2023-H1 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 41%. 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.

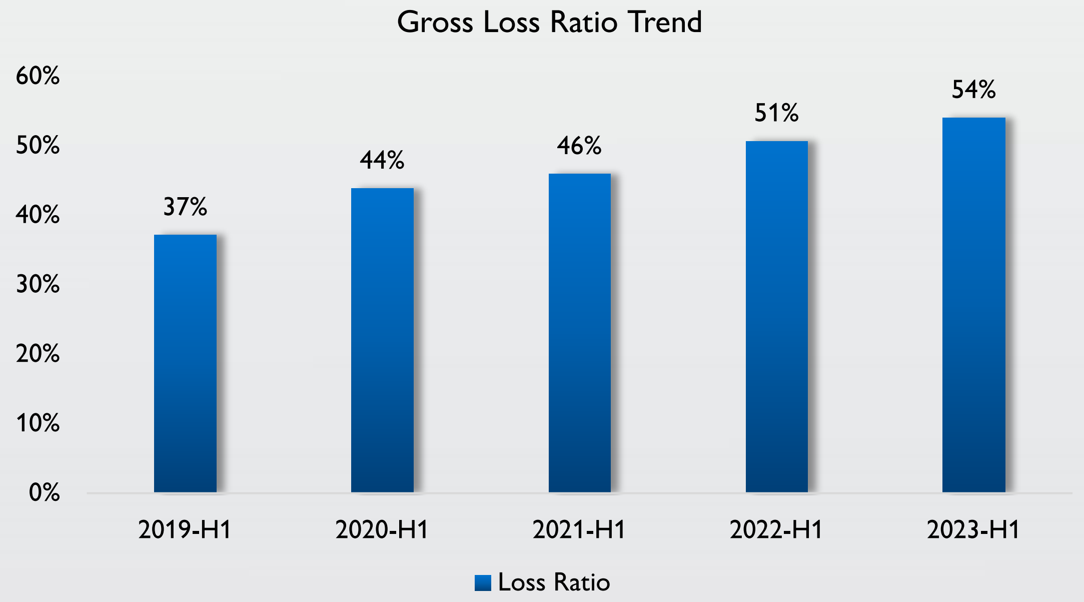
Retention Ratio

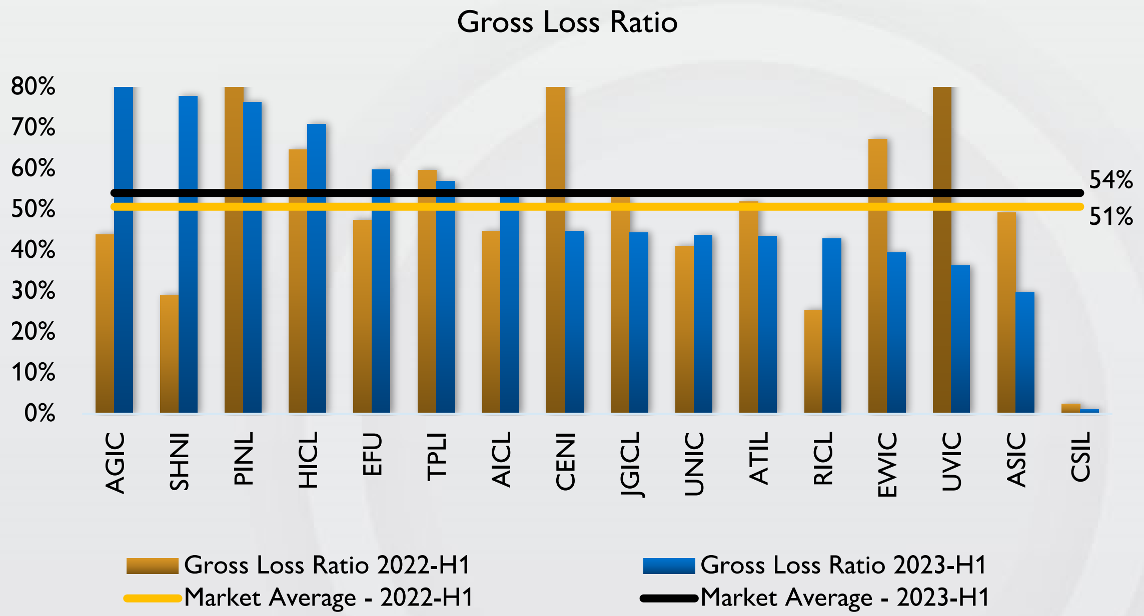


The retention ratio is the percentage of business earned by insurance companies that is not reinsured. High frequency/low severity lines like Motor and Health have a high retention ratio as expected. On the other hand, volatile lines like Fire and Marine where the risk sizes may be bigger have a low 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 decreased within each line of business over the 5 year period. The retention for the Marine line has decreased to 52% in 2023-H1 compared to the same period last year.

Gross Loss **Ratio**





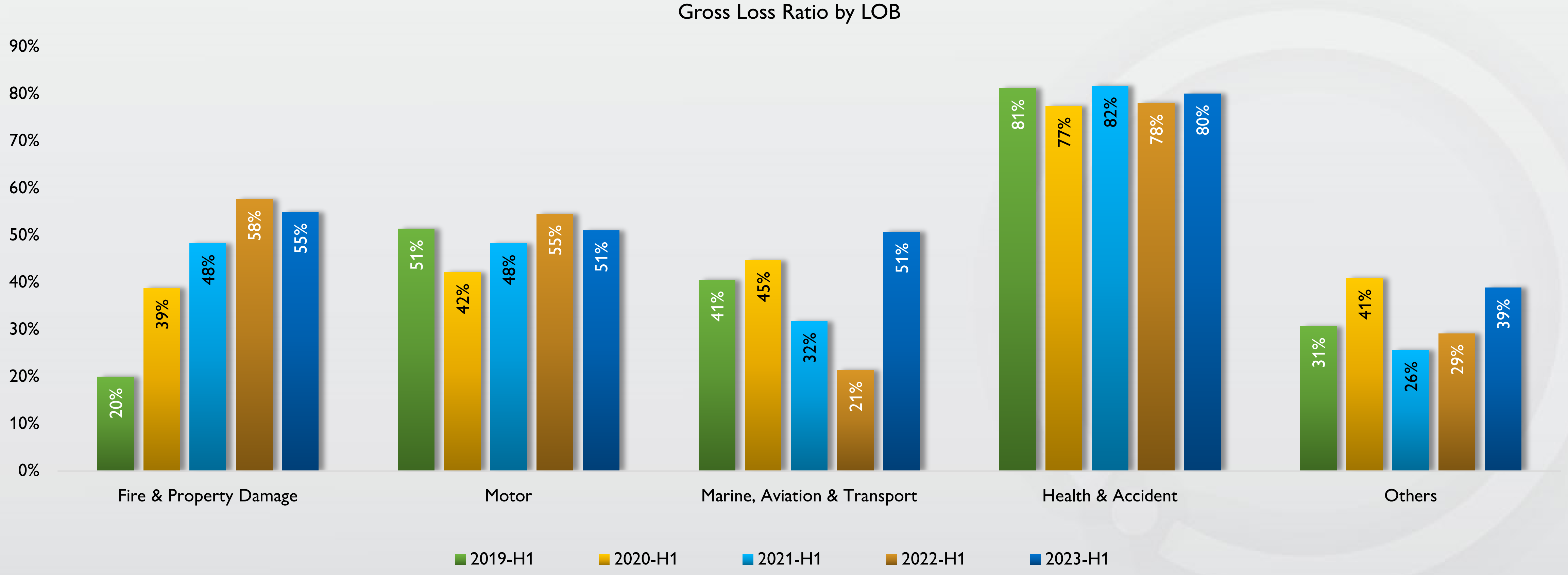
The gross loss ratio is determined by dividing gross incurred claims by gross earned premium/contribution (using Gross of wakala figures for the takaful segment).

The market's gross loss ratio showed an increase in the first half of 2023. This rise in the loss ratio is primarily attributed to the Fire and Motor segments, which are the major contributors to the industry's elevated loss ratio. This change in trend follows a decline until the first half of 2019, followed by a 7% increase in the first half of 2020. The higher loss ratio observed in the first half of 2023 can be attributed to increased losses in the Fire, Property, and Marine categories.

Overall, the gross loss ratio is decreased in 2023-H1 when compared to the corresponding period in 2022. AICL has experienced a loss ratio same as the market average while EFU and JGICL have managed to experience a ratio of 60% and 44%.

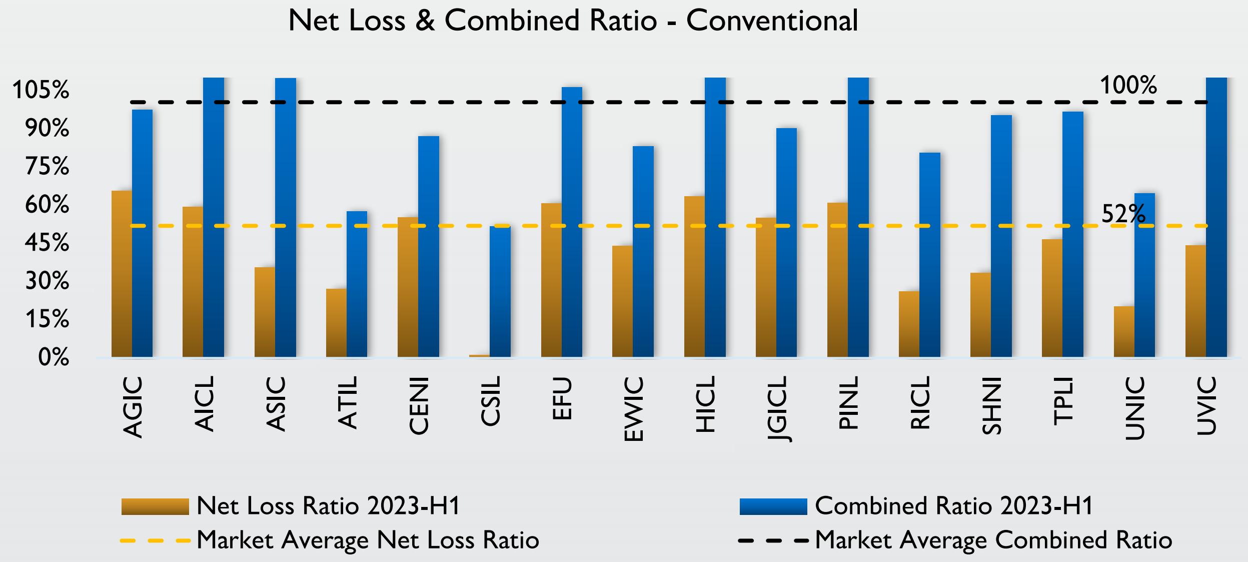
Disclaimer
*The ratio for UVIC, CENI and PINL have been capped at 80%

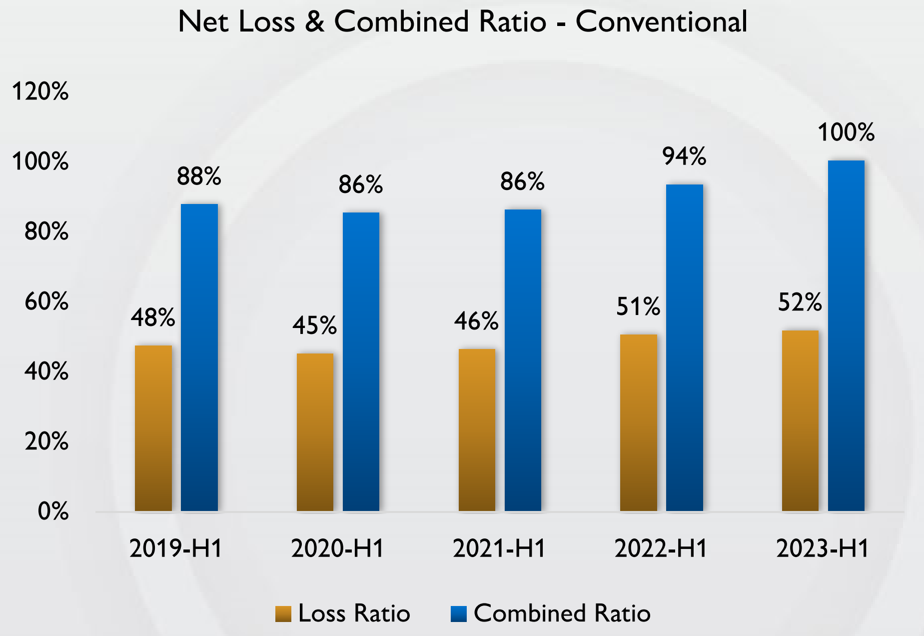
Loss Ratios by
Line of Business



The gross loss ratios have trended down for Motor segment by 4% in 2023-H1 compared to 2022-H1. Lower Health and Marine loss ratios were experienced in 2022-H1 but the figure has increased drastically in this year. The Fire loss ratios decreased by about 3% in 2023-H1.

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.

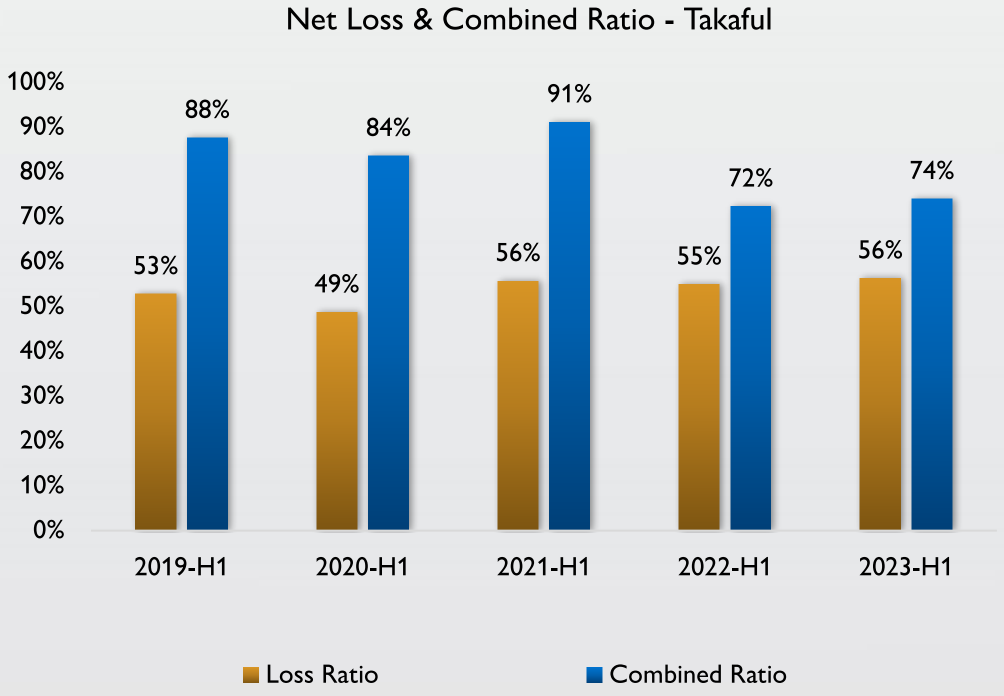
The market net loss ratio is the weighted average net loss ratio which stands at 52% while the market combined ratio stands at 100%.

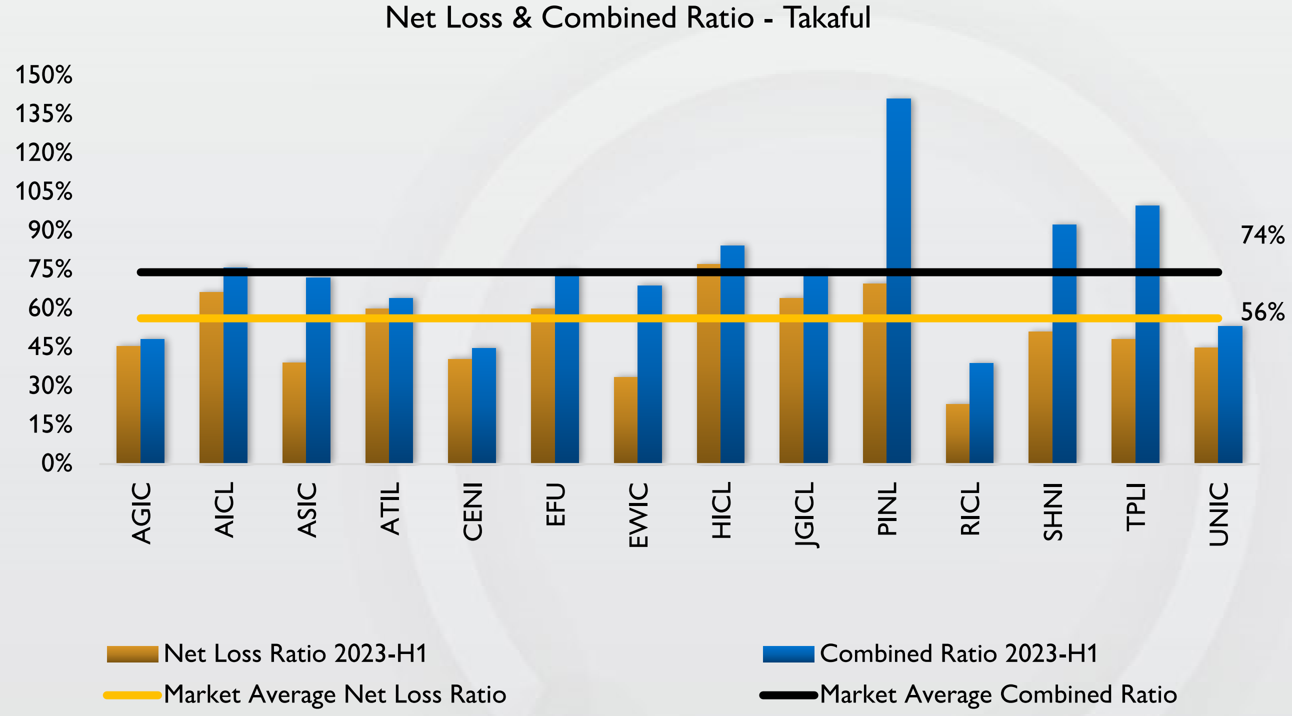
AGIC has the highest net loss ratio while CSIL has the lowest net loss ratio of about 1%. In terms of the combined ratio, UVIC has the highest ratio while CSIL has the lowest ratio of 52%. It should be noted that a combined ratio greater then 100% translates into a net underwriting loss.

Disclaimer: PINL, AICL & UVIC have combined ratio in excess of 105%. Hence, they have been capped to 105%.

The net loss and combined ratios have remained relatively stable at around 51%-52% and 94%-100% respectively.

Net Loss & Combined Ratio - Takaful



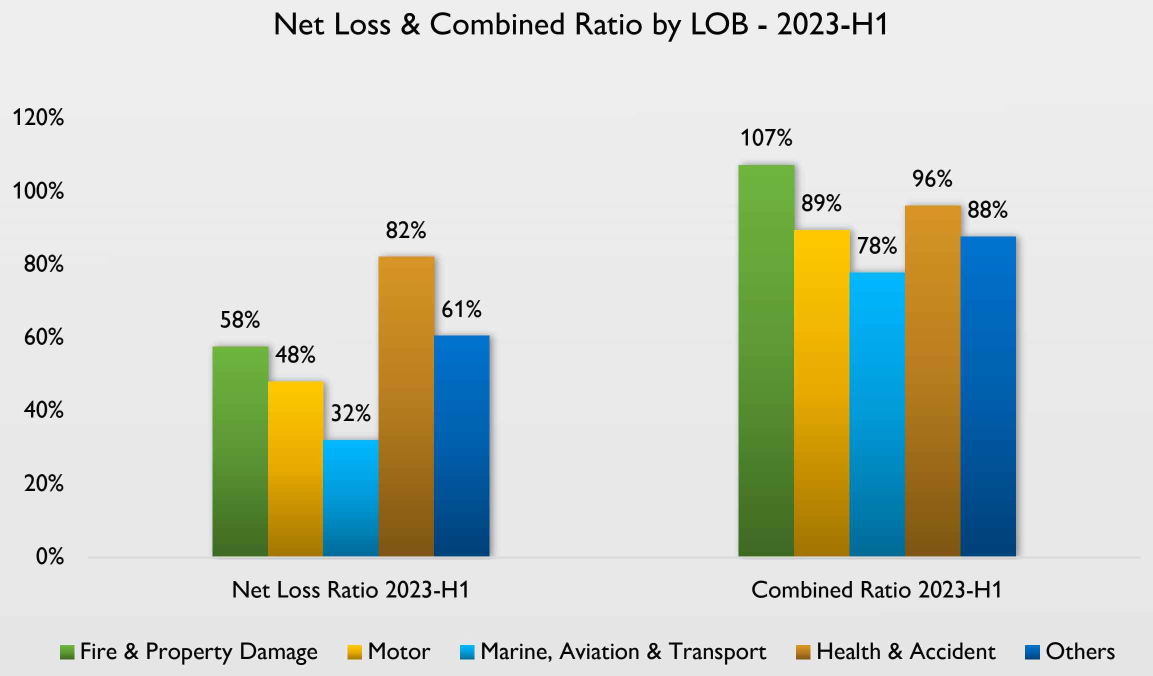


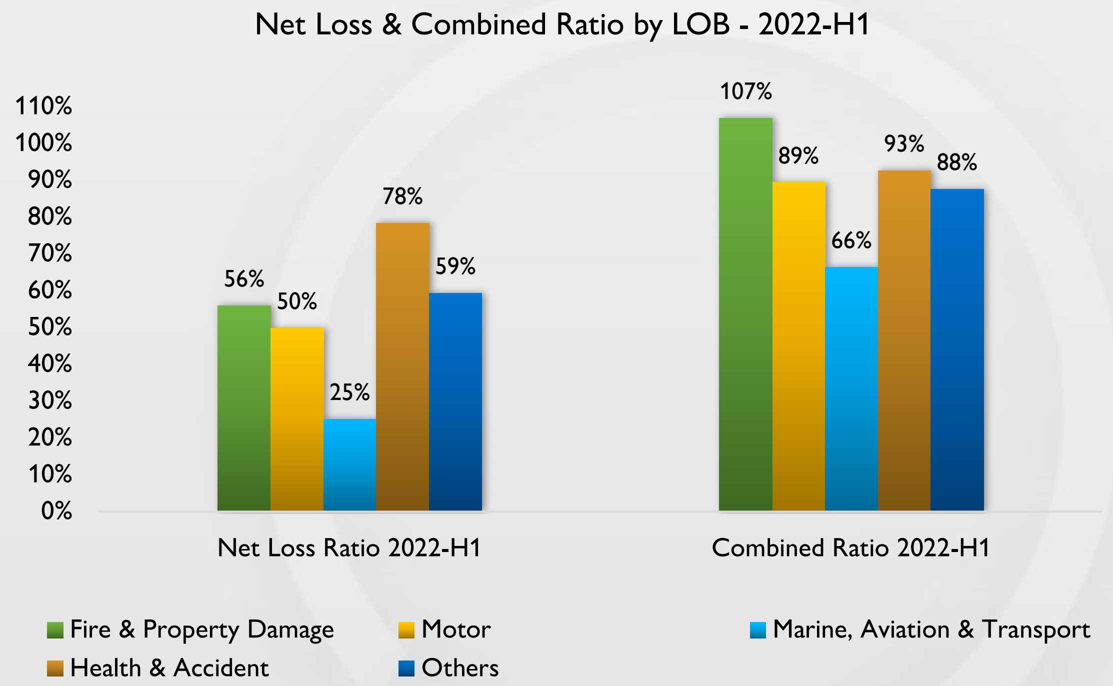
The net loss ratio has increased in 2023-H1, it increased 1% from 55% to 56% While the market combined ratio has been in the 70%-91% range for the last 5 years. The market net loss and combined ratios decreased in 2022-H1 while 2023 shows an increase for these ratios over the year. It should be noted 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 74% for 2023-H1.

HICL has the highest net loss ratio of 77% while RICL has the lowest net loss ratio of 23%. In terms of the combined ratio, PINL has the highest ratio while RICL has the lowest ratio of 39%. 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



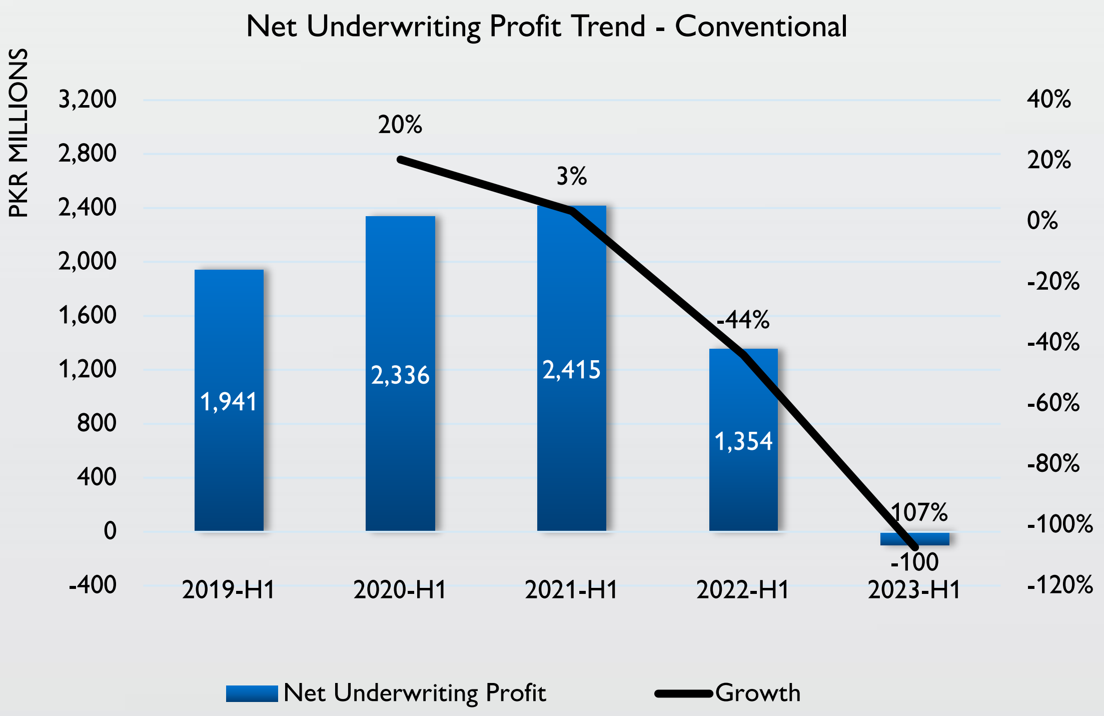


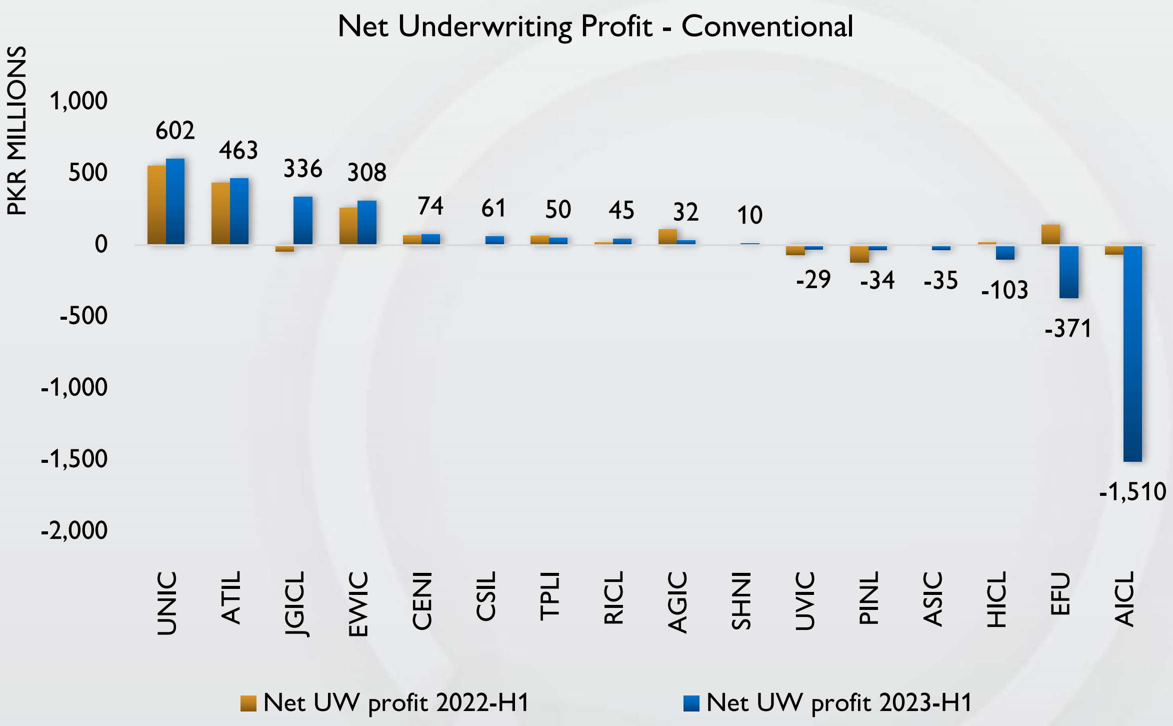
The bar chart shows the net loss and combined ratios across the various business lines for conventional and takaful segments combined. The overall net loss ratio was lower for Motor in 2023-H1 compared to 2022-H1. The Fire line has experienced drop in net loss ratios in 2023-H1 compared to 2022-H1 while Motor experienced a 2% decrease. The health segment has the highest net loss ratio of 82% 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 2022-H1, the marine business had lower net loss ratios as compared to 2023-H1. In terms of combined ratios, all the lines were profitable at a market level.

Net Underwriting **Profit - Conventional**



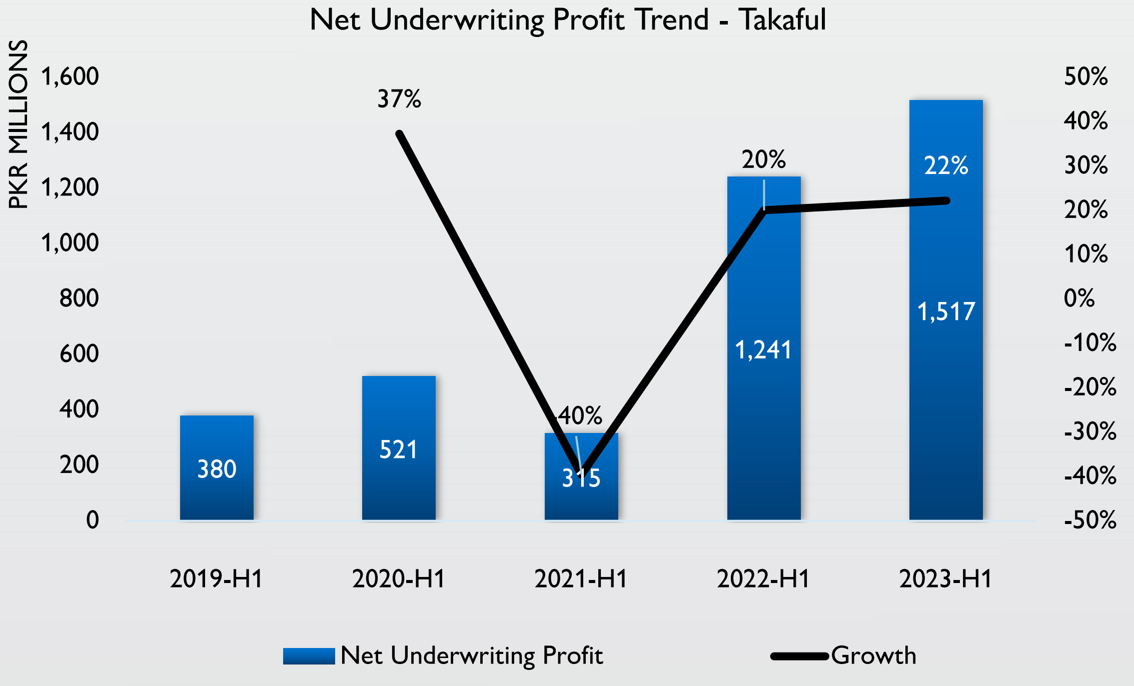


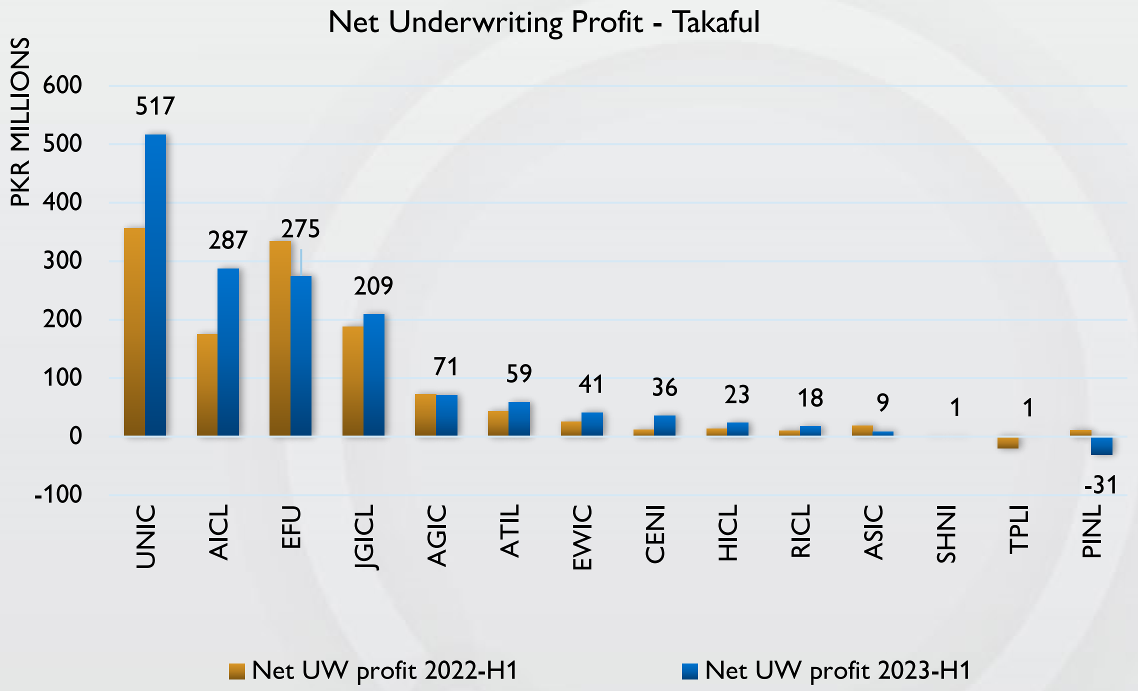
The net underwriting profit for the conventional market saw a sharp decline in 2023-H1. The market UW profit stands at PKR -100 million which is a 107% decrease compared to the level in 2022-H1.

The bar graph for the net underwriting profit shows UNIC as the top company with an underwriting profit of PKR 602 million followed by ATIL and JGICL with an underwriting profit of PKR 463 million and PKR 336 million respectively.

JGICL has experienced a triple digit increase in underwriting profitability.

Net Underwriting
Profit - Takaful



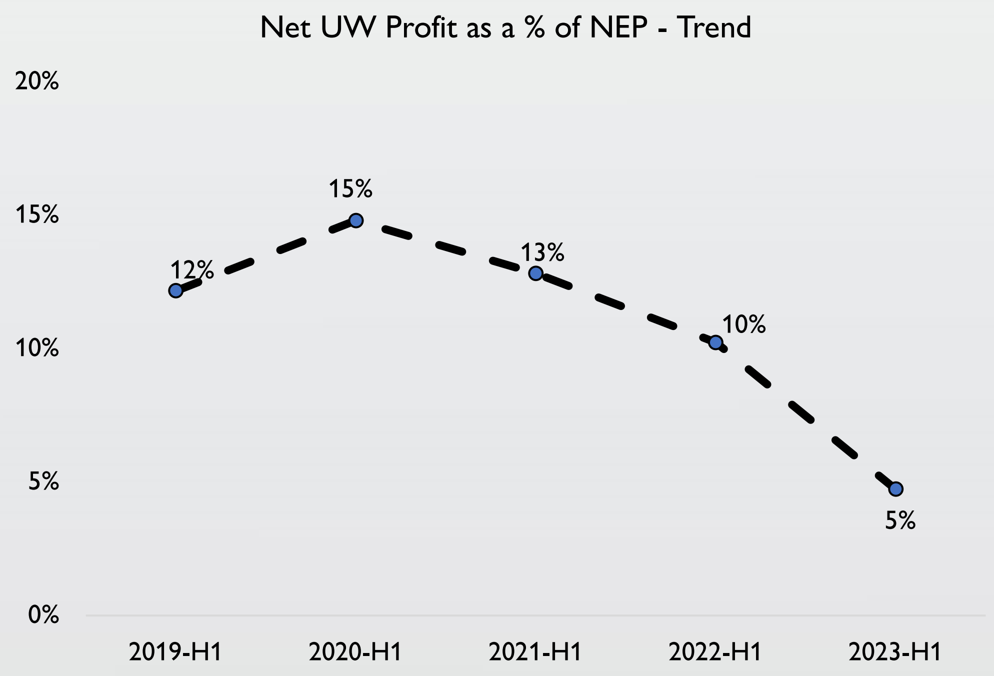


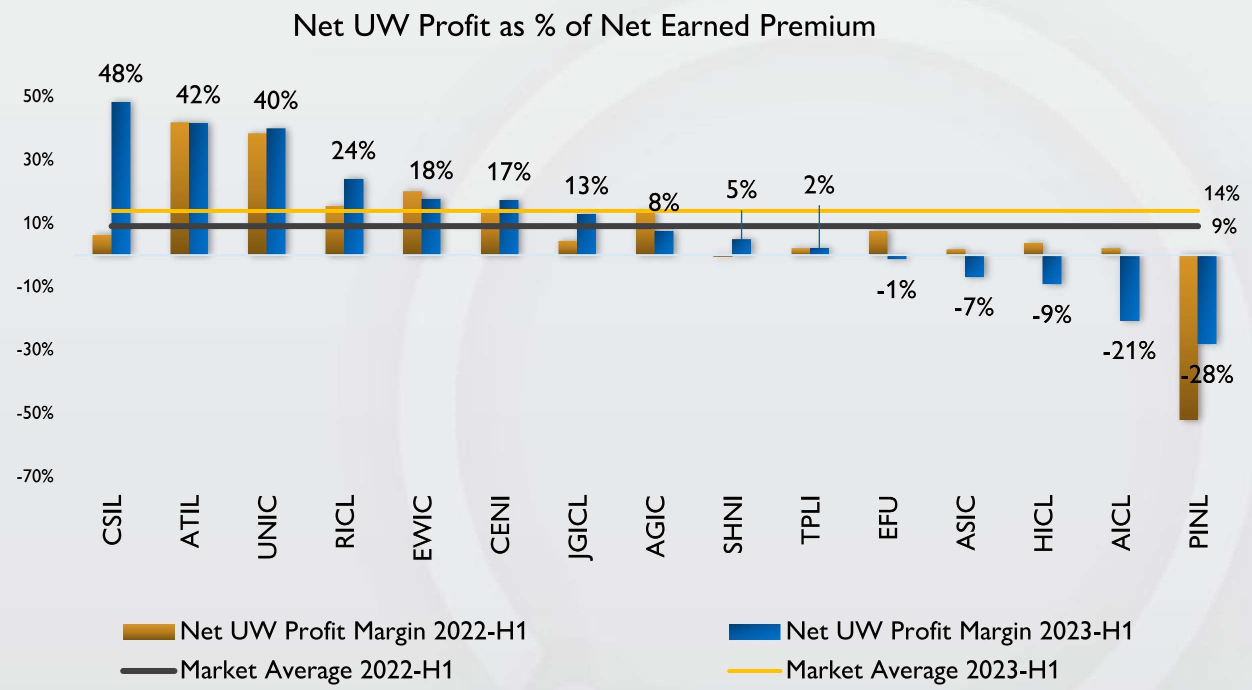
The window takaful operations have experienced a sharp increase in underwriting profitability in 2022-H1. 2023-H1 also saw an increase of 22% in underwriting profitability. The markets underwriting profitability amounts to PKR 1.5 billion in 2023-H1.

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 AICL and EFU. The takaful market experienced an increase in UW profits in 2023-H1. While EFU, JGICL, ASIC & PINL experienced a decline in their underwriting profitability compared to the level in 2023-H1, EFU experienced a 18% decrease.

Net UW Profit as a % of **Net Earned Premium**



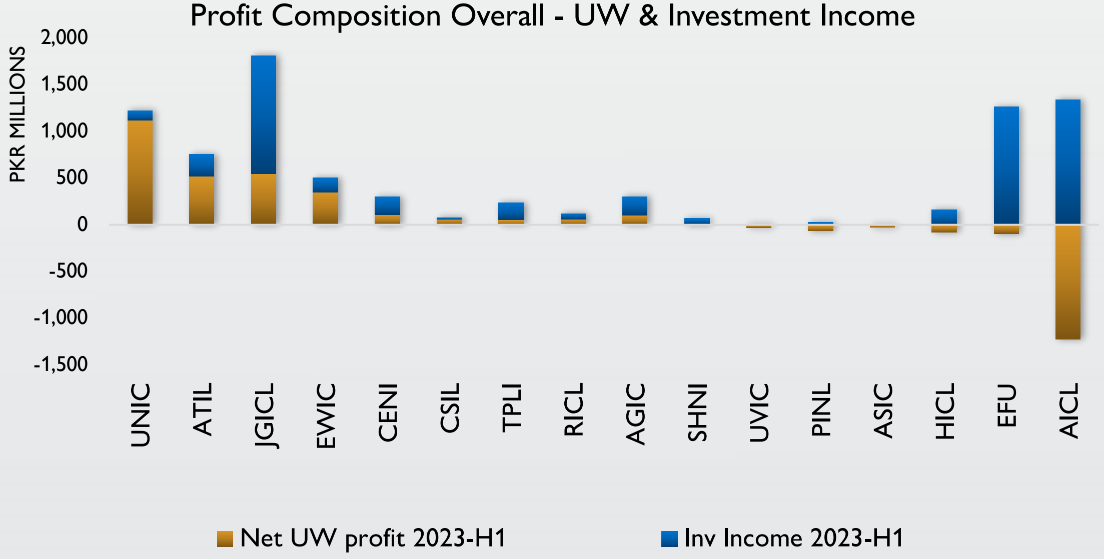


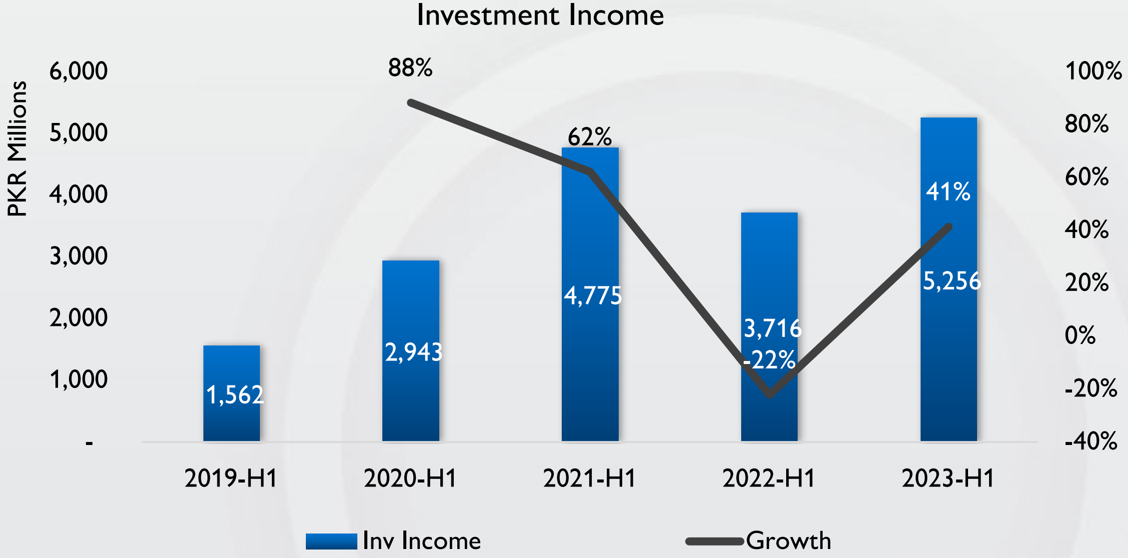
The net underwriting profit margin has fallen over the recent period. This corresponds to the trend of rising combined ratios and falling UW profitability. 2023-H1 has experienced a 5% decline in UW Profit margin.

CSIL has the highest UW profit margin of 48% in the current period while the lowest ratio is reflected in UVIC's financials of -108% (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 increased 5%.

*UVIC excluded from the chart since it was an outlier

Investment Income





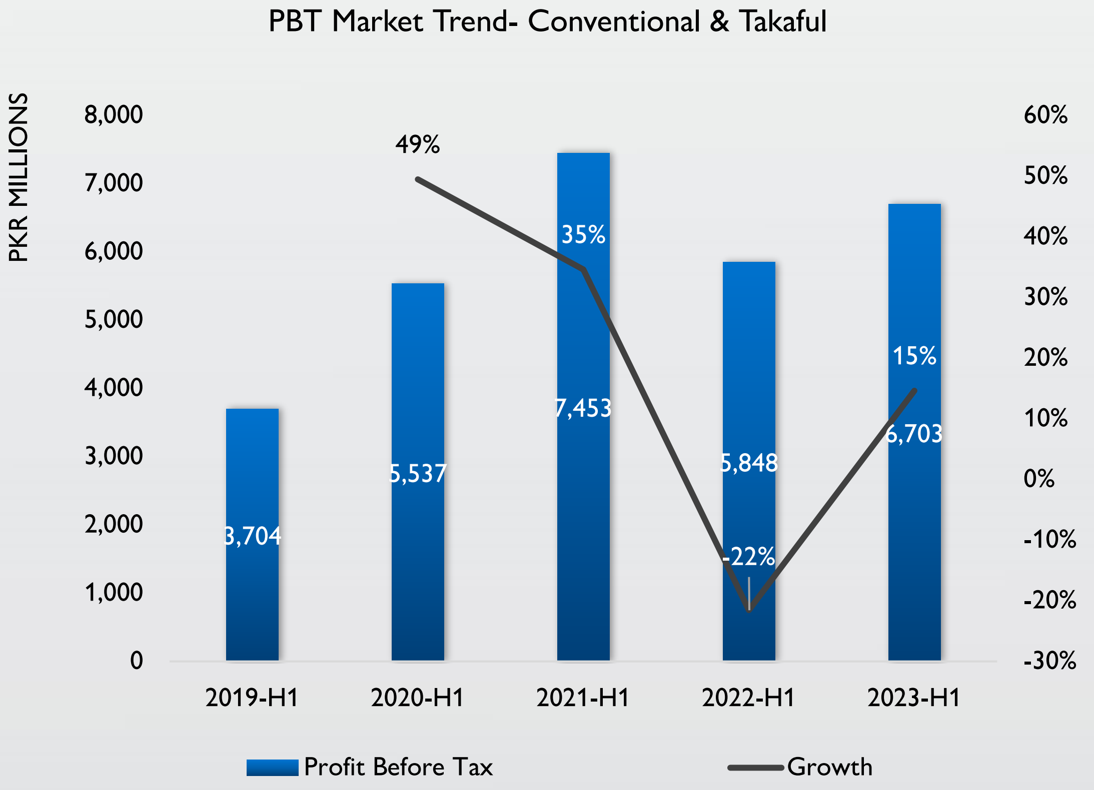
The total investment income earned for the general insurance market amounts to PKR 5 billion.

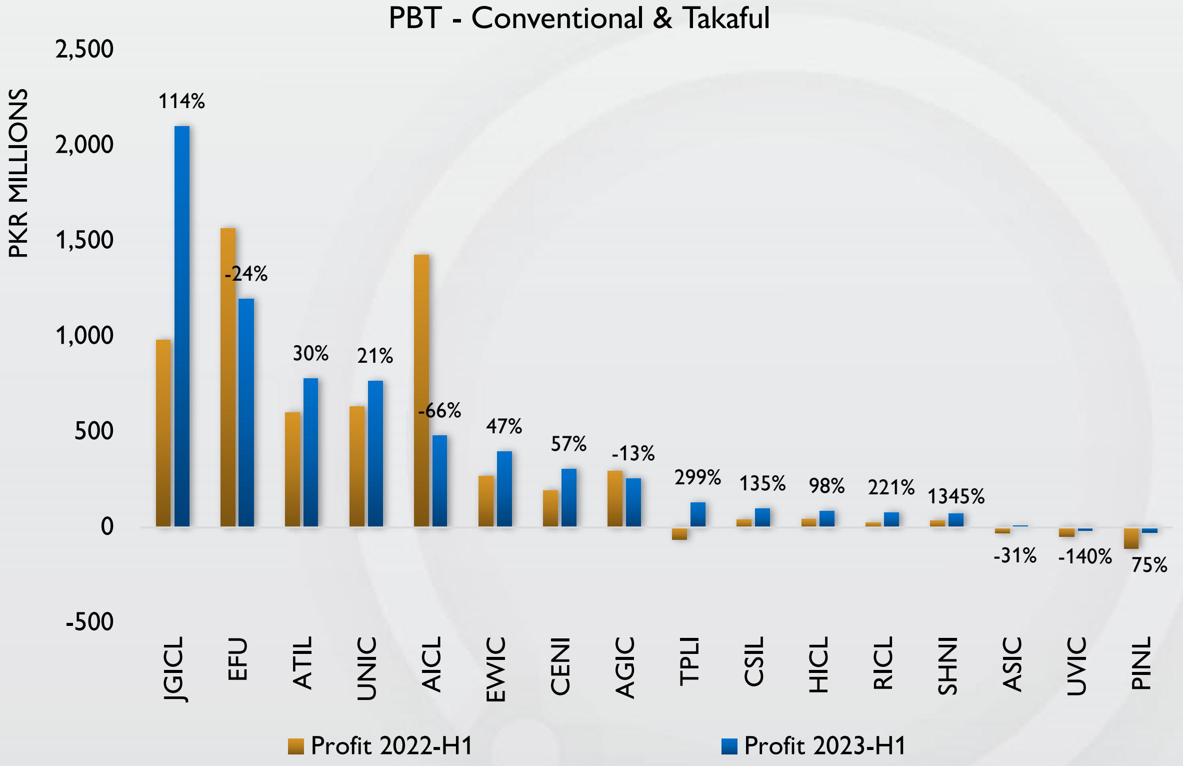
The graph shows the profit composition of the general insurance business with the companies ranked in terms of investment incomes. It can be seen that investment income is a major performance driver for general insurers. The top 3 companies in terms of GWP have investment incomes that are higher than their profits from underwriting operations. Out of the 6 companies in an underwriting loss 3 company, namely HICL, EFU and AICL have 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 decrease in 2022-H1 of 22%. 2023-H1 saw an increase in profitability due to higher investment income performance. The market experienced a 15% increase in PBT resulting in a market PBT of PKR 7 billion.

JGICL leads the general insurance market with the highest profit before tax of PKR 2 billion followed by EFU at PKR 1 billion and AICL at PKR 780 million.

Disclaimer: AICL includes business underwritten inside Pakistan only

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

Premium and Profit Analysis

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

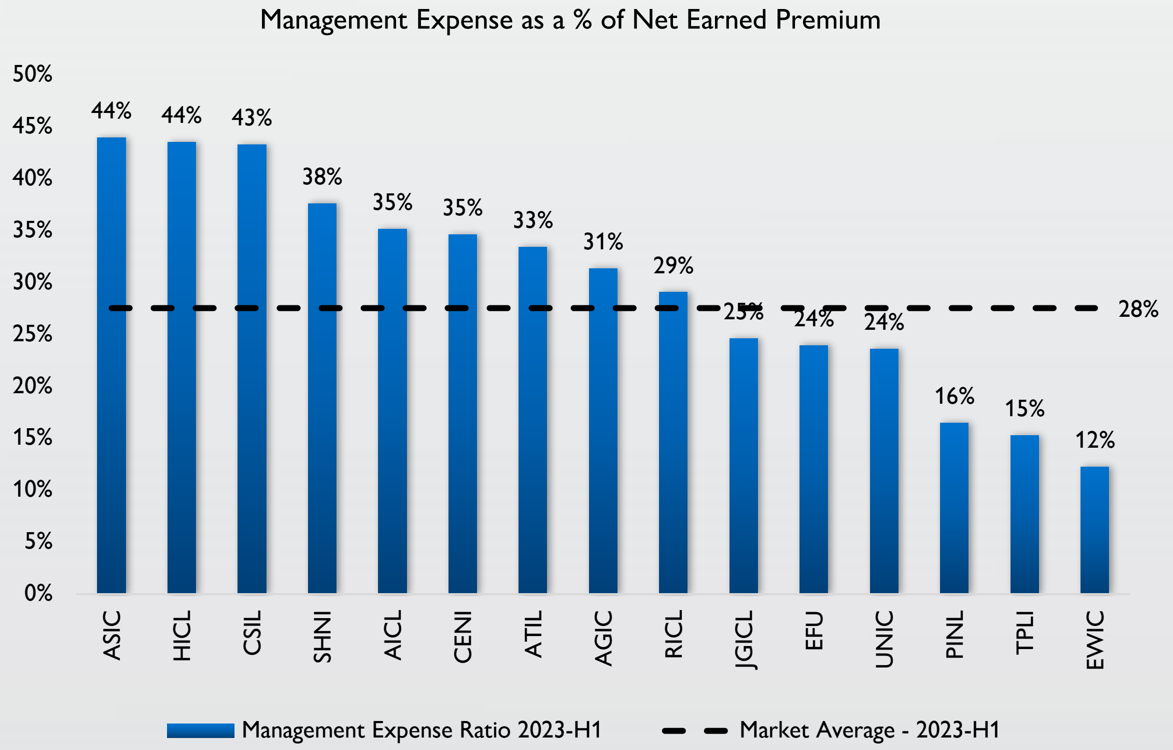
Particulars	2022-H1	2023-H1	Variance
	PKR Billion	PKR Billion	PKR Billion
Total UW Profit	2.6	1.4	(1.2)
Investment Income	3.7	5.3	1.6
Others	(0.5)	0	0.5
Total Profit Before Tax	**5.8**	**6.7**	**0.9**

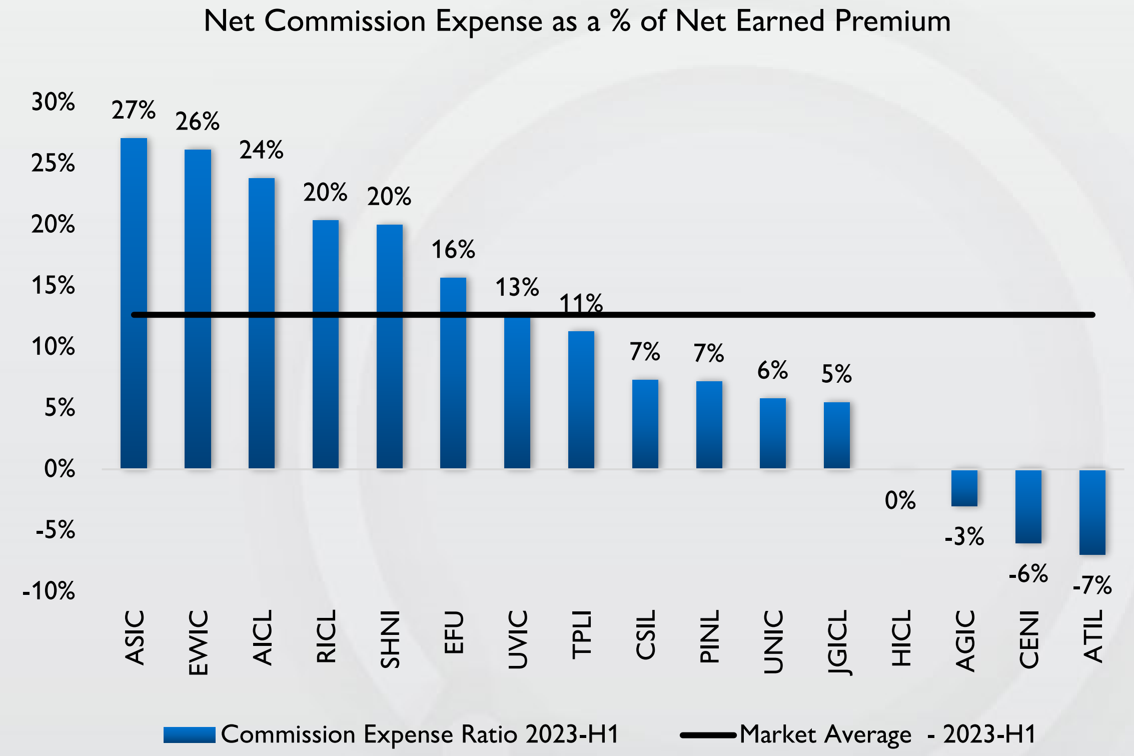
Company	EPS 2022-H1	EPS 2023-H1
AICL	2.89	1.93
ASIC	(0.30)	0.05
AGIC	2.48	2.28
ATIL	2.35	2.68
CENI	2.14	2.98
CSIL	0.29	0.89
EWIC	1.12	1.69
EFU	4.71	3.23
HICL	0.26	0.48
JGICL	2.78	5.57
PINL	(2.27)	(0.60)
RICL	0.25	0.65
SHNI	0.45	0.86
PKGI	(0.20)	(0.15)
TPLI	(0.24)	0.42
UNIC	1.66	1.85
UVIC	(0.67)	(0.24)

Earning Per Share

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

Commission & Management
Expense Ratio - Conventional



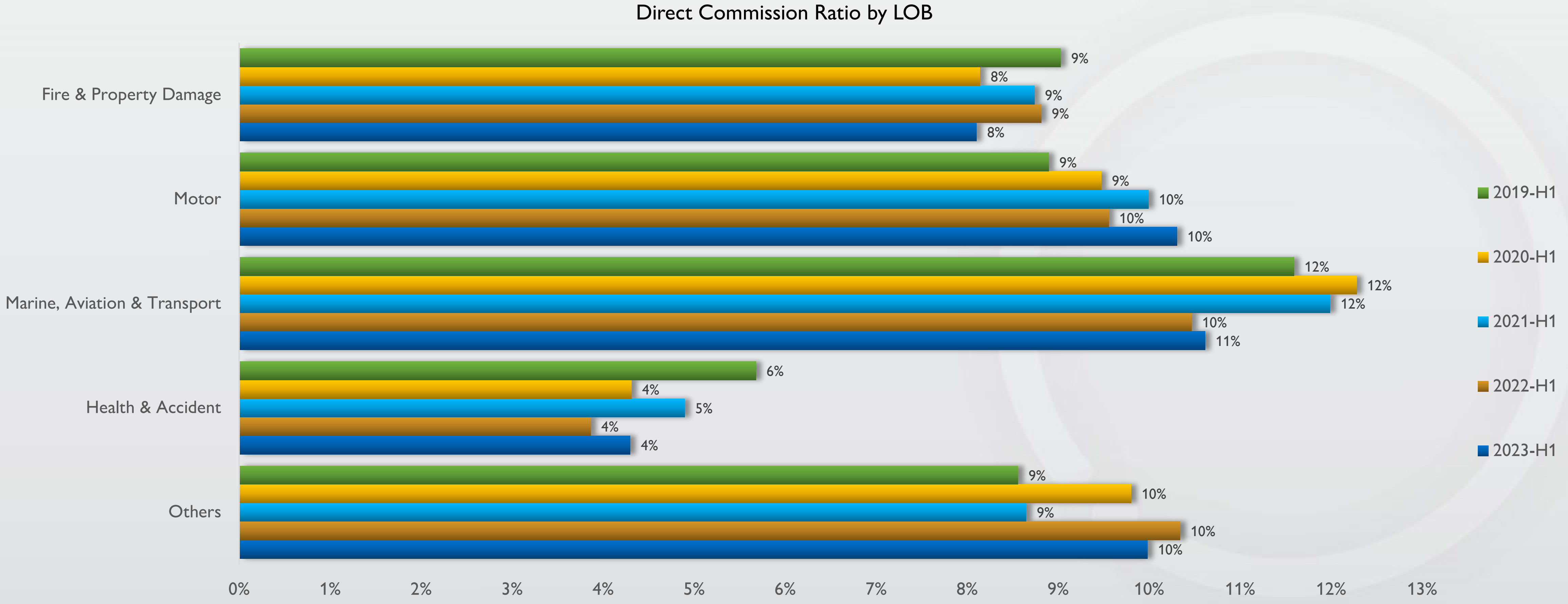


The market ratio calculates to 28% for 2023-H1.

Among the top 3 companies, EFU has the lowest management expense ratio of 24% while AICL has the highest ratio of 35%. UVIC has the highest management expense ratio of 152% which is negatively impacting its' UW profitability.

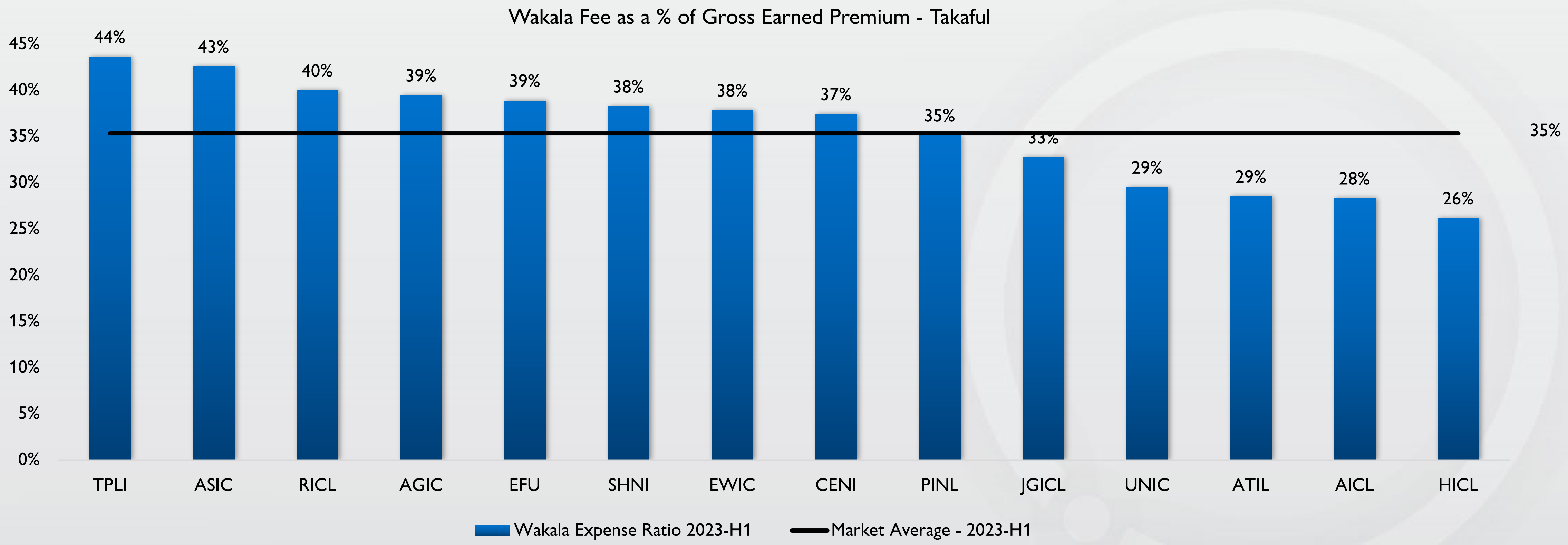
A negative ratio signifies that the commission earned outweighs the commission paid. The market ratio is the weighted average which stands at 13% for 2023-H1. The highest commission expense ratio can be observed for ASIC at 27% while ATIL has the lowest ratio of -7%. Companies usually cede out a large 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 last 3 years. 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.

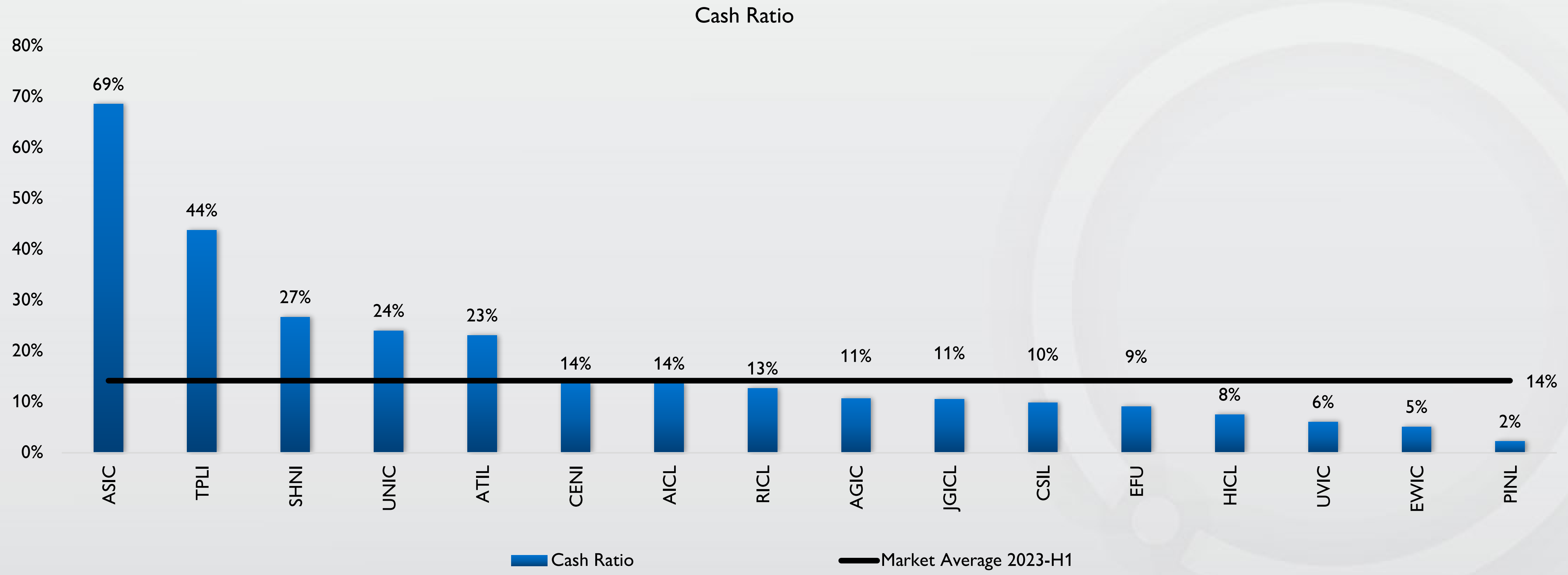
Wakala Expense
% GEC



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 2023-H1. The highest ratio is reflected in the financials of ASIC and TPLI of 44% and 43% respectively while the lowest ratio is reflected in the financials of HICL at 26%.

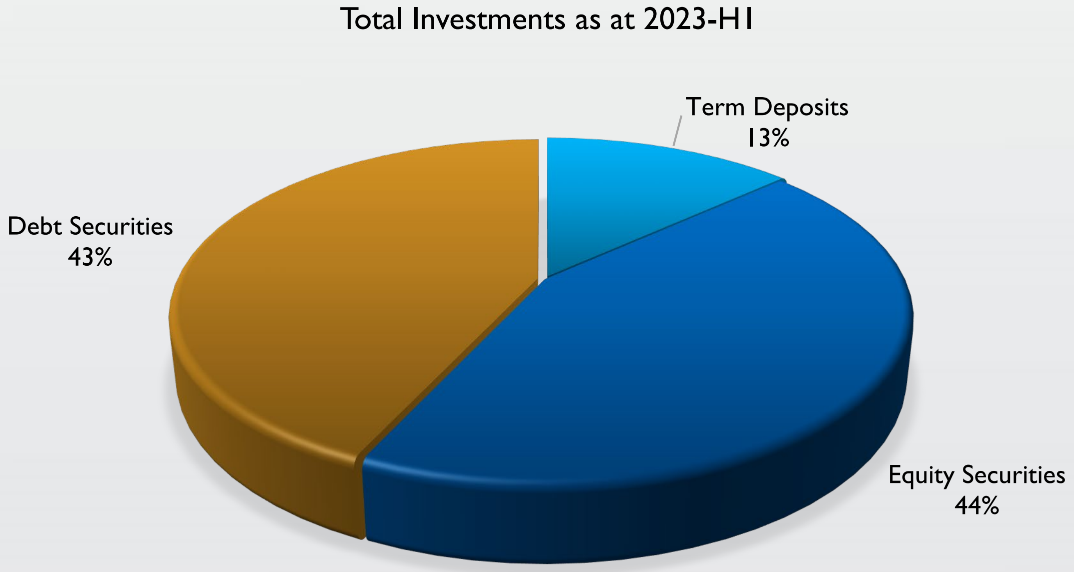
Cash Ratio

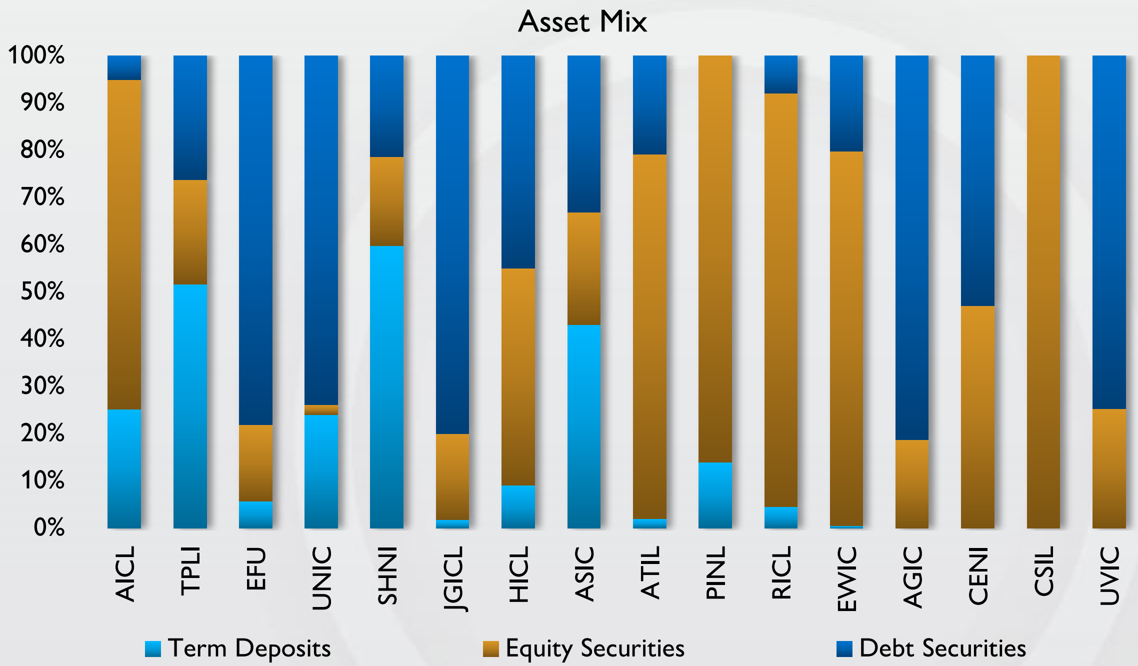


The cash to invested asset ratio has been taken as the ratio of cash & bank to total invested assets including cash. General insurers aims to keep minimum of assets as cash to meet unexpected liquidity requirements which may arise due to large loss or catastrophe. Cash generally earns a lower return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

The market cash ratio is calculated to be 14%. ASCI and TPLI have highest level of 69% and 44% respectively maintained as cash, while the lowest ratio of about 2% is maintained by PINL.

Asset Mix





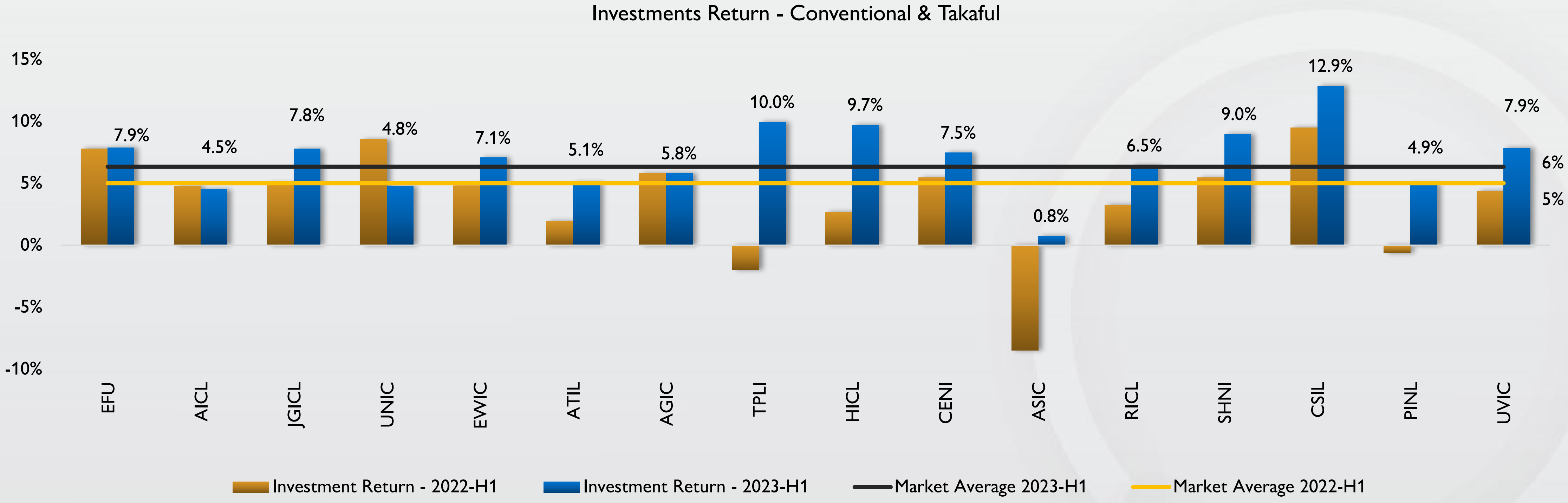
The chart shows the industry's invested assets breakdown for 2023-H1. 44% of the investments are made in equity securities with slightly more than half are allocated to the fixed income market.

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 83 billion compared to PKR 78 billion in the corresponding period in 2022-H1.

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.

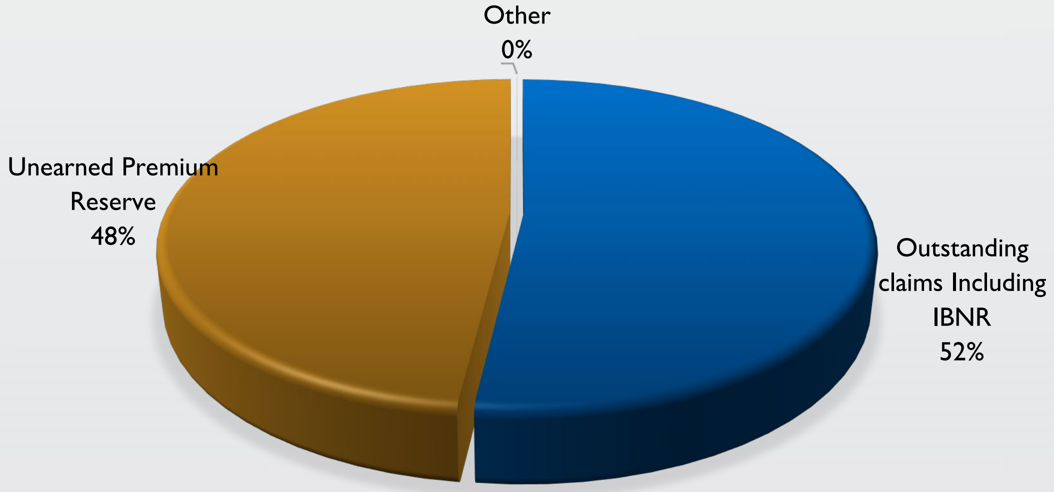
The investment returns of the industry averaged around 6% for 2023-H1 compared to 5% in the corresponding period in 2022.

CSIL earned the highest level of investment return of 12%. While ASIC had the lowest returns of 0.8%. 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.

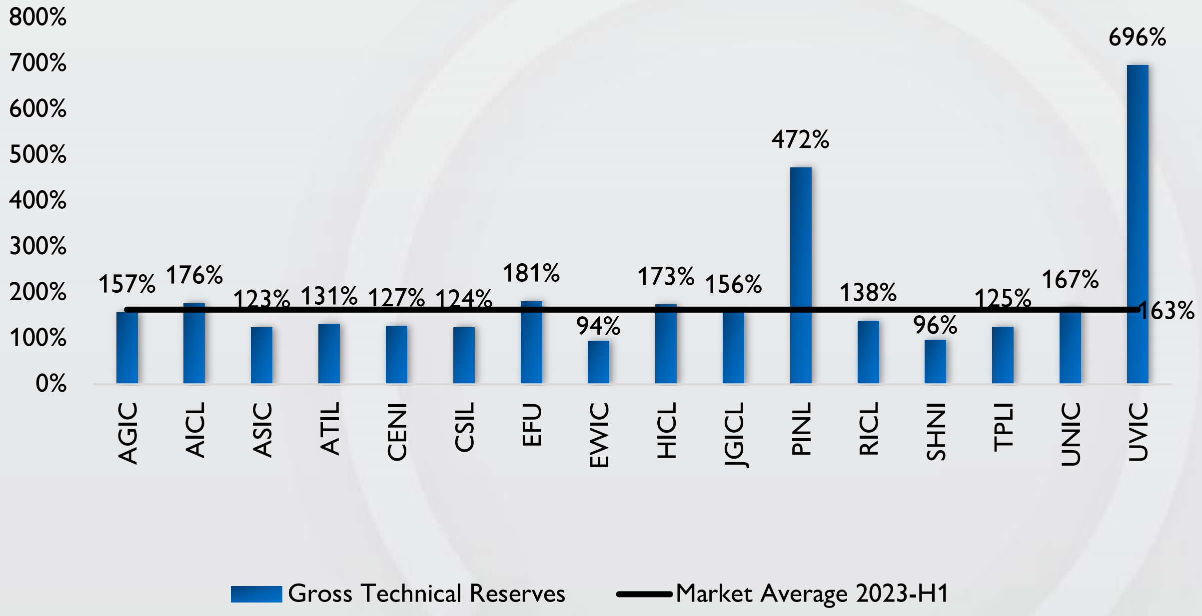
It is important to note that this ratio does not account for unrealized gains in the numerator while the investments are valued at fair value in the denominator resulting in a lower ratio for investment returns.

Technical Reserves

Gross Technical Reserves as at December 2023-H1



Gross Technical Reserves as a % of GWP



Total Technical Reserves : PKR 106 billion

The pie chart shows that unearned premium reserve and outstanding claims including IBNR reserves are divided into 48% by 52% respectively.

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

The bar graph represents the gross technical reserves at 2023-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.

Key Takeaway Points

Industry GWP Growth Timeline - Conventional & Takaful

2019-H1	2020-H1	2021-H1	2022-H1	2023-H1
PKR **35bn**	PKR **34bn**	PKR **39bn**	PKR **51bn**	PKR **65bn**

Industry NEP Growth Timeline - Conventional & Takaful

2019-H1	2020-H1	2021-H1	2022-H1	2023-H1
PKR **19bn**	PKR **19bn**	PKR **21bn**	PKR **25bn**	PKR **30bn**

Industry PBT Growth Timeline - Conventional & Takaful

2019-H1	2020-H1	2021-H1	2022-H1	2023-H1
PKR **3.7bn**	PKR **5.5bn**	PKR **7.4bn**	PKR **5.8bn**	PKR **6.7bn**

Highest GWP Recorded by
EFU at PKR **18bn**

Highest Growth in GWP Recorded by
CSIL at **180%**

Highest NEP Recorded by
EFU at PKR **7bn**

Highest Retention Recorded by
CSIL at **99%**

Lowest Combined Ratio Recorded by
CSIL at **52%**

Highest Investment Income (Conventional)
Recorded by **AICL** at PKR **1.3bn**

Highest PBT Recorded by
JGICL at PKR **2bn**

Highest Growth in PBT by
TPLI at **299%**

Highest Investment Return Recorded by
CSIL at **12.9%**

Conclusion

In 2023, the global economic landscape has proven to be quite challenging, with inflation spiraling out of control and countries struggling to make ends meet. Pakistan, no stranger to adversity, has grappled with a myriad of issues, including political instability, global economic imbalances, and challenges in its export markets. These factors have inflicted significant economic hardships, resulting in soaring prices of essential commodities such as food, gas, and oil. The insurance sector, among others, has felt the impact, exacerbated by the depreciation of the Pakistani Rupee. Despite the multitude of challenges facing Pakistan from various directions, there remains a prevailing sense of optimism for a brighter second half of 2023. However, this optimism hinges heavily on the authorities' capacity to make informed decisions and capitalize on the opportunity to guide the country towards a path of recovery.

During the first half of 2023, the insurance market in Pakistan saw a remarkable upswing, registering a notable 28% surge in its premium volume. This surge contributed to a Gross Written Premium (GWP) totaling PKR 65 billion for the initial six months of the year. Significantly, all major lines of insurance business witnessed an uptick in their GWP, signifying a positive and promising trend. Both the Conventional and Takaful segments performed exceedingly well, posting substantial year-on-year increases in their respective market shares. The robust performance of these Conventional and Takaful sectors played a pivotal role in propelling the overall growth of the insurance market's GWP.

In 2023-H1, the market observed a rise in the gross loss ratio, reaching a level of 54%. This increase was mainly influenced by increased loss incidents within the Motor insurance segment. In contrast, the net loss ratio settled at 53%, underscoring the crucial role of reinsurance in alleviating substantial gross losses. This outcome can be traced back to the Fire insurance line, which had the lowest retention ratio. All in all, the market's combined ratio experienced a modest uptick, reaching 95%.

The market saw a rise in its investment income, reaching a total of PKR 5.3 billion in 2023-H1. This increase had a substantial impact on bolstering the net earnings of the market. Furthermore, the market's profit before tax also experienced a 15% uptick, reaching PKR 6.7 billion.

Companies Included in the Analysis

Listed Insurance Companies

Logos	Sr. No.	Name	Abbreviation
Askari Insurance	1	Askari Gen. Ins. Co. Ltd	AGIC
adamjee insurance	2	Adamjee Insurance Co. Ltd	AICL
ASIA INSURANCE COMPANY LTD	3	Asia Insurance Company Limited	ASIC
Atlas Insurance	4	Atlas Insurance Limited	ATIL
Century Insurance A Lakson Group Company	5	Century Insurance Co. Ltd	CENI
CSi Your Security - Our Policy	6	Crescent Star Insurance Ltd	CSIL
efu GENERAL	7	EFU General Ins. Ltd	EFU
EAST WEST	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 first half of 2023. 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	34 Staff	Medical	5 Staff
KSA Actuarial	42 Staff	IFRS 17	13 Staff
Business Intelligence	10 Staff	HR Consultancy	2 Staff
End of Services	4 Staff	Financial Services	5 Staff
Support & Admin	24 Staff	Data Science	2 Staff

Total Strength 146

Our Feedback

BADRI Management Consultancy is proud to present Pakistan General Insurance Companies Performance analysis 2023-H1. 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.

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