BADRI

Pakistan's

General Insurance Industry Performance Analysis – Year End 2023

Date: July 30, 2024

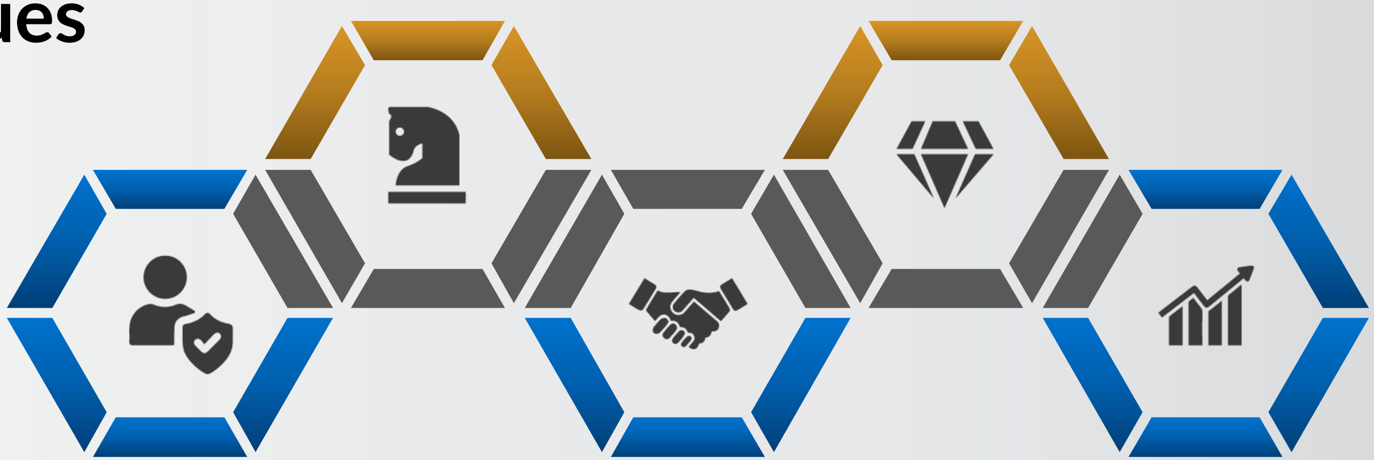
Vision

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

Chasing Excellence

Fostering Partnerships

Breeding Excitement

Growth-Centric

InsureTek Golden Shield Excellence Awards 2024

Newest Award on our shelf:
Best Actuarial Company of the Year
BADRI Management Consultancy

Awards & Achievements

Award winning strategic partner to the insurance industry with our 170+ talented staff in UAE, KSA, Pakistan and Egypt 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 2023, 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

About **BADRI**

BADRI over the years has emerged to be a global consulting company that provides diverse sets of services to clients across Middle East and other regions.

Today, our **170+** talented staff spread across UAE, KSA, Pakistan & Egypt 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 specializes in all range of actuarial services and have also been able to integrate to provide services in other segments including Financial Services, Strategic HR consulting, Data Management and Business Intelligence to our clients.

What We Can **Do For You!**

Actuarial **Consultancy**

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

Strategic **Consultancy**

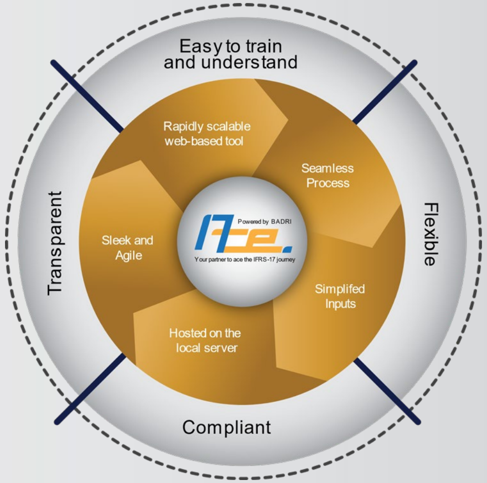
- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

Technology **Consultancy**

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

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

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2023 Highlights

Gross Premium Written - Conventional	**PKR 124 billion** 2022: PKR 97 billion	**Gross Contribution Written - Window Takaful**	**PKR 20 billion** 2022: PKR 16.5 billion
Retention Ratio – Conventional & Window Takaful	**49%** 2022: 53%	**Gross Loss Ratio - Conventional & Window Takaful**	**43%** 2022: 56%
Net Loss Ratio - Conventional & Window Takaful	**51%** 2022: 53%	**Combined Ratio - Conventional & Window Takaful**	**92%** 2022: 94%
Investment Income - Conventional & Window Takaful	**PKR 15 billion** 2022: PKR 7.3 billion	**PBT - Conventional & Window Takaful**	**PKR 21 billion** 2022: PKR 12 billion
Investment Return - Conventional & Window Takaful	**14%** 2022: 9%	**Return on Equity - Conventional & Window Takaful**	**21%** 2022: 15%

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	A (IFS)	A+ (ifs)
TPLI		AA (ifs)
UNIC	AA+ (IFS)	AA+ (ifs)
UVIC		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

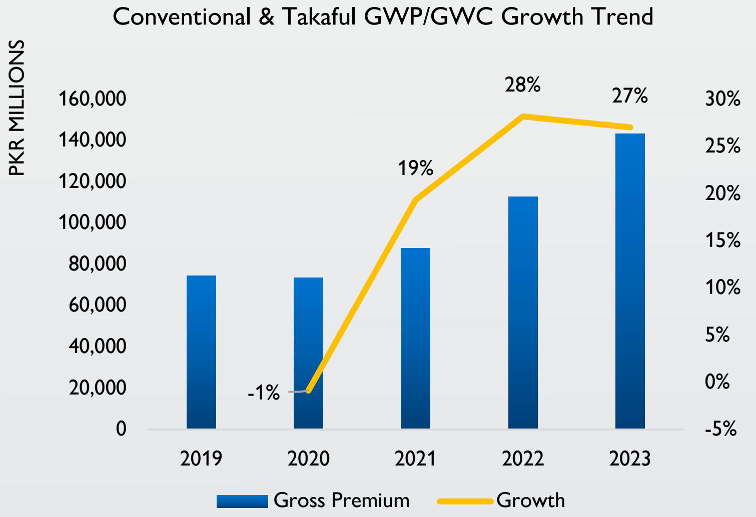
The Insurance Penetration ratio measures the proportion of GDP contributed by the written premium. The general insurance premiums contribute about 0.2% to Pakistan's GDP compared to a ratio of 0.9% and 0.7% for regional comparable countries namely India and Sri Lanka. While the insurance penetration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

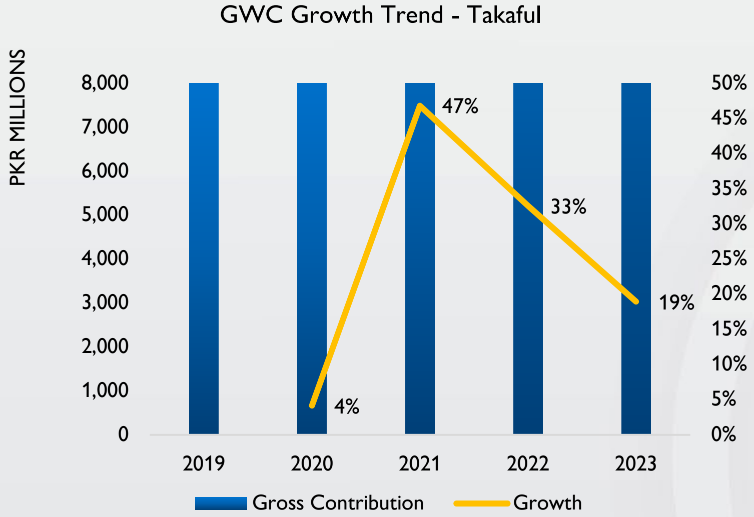
The Insurance Density measures the general Gross Written Premium per capita. The ratio for Pakistan shows an increasing trend year-over-year and stands at PKR 596 in 2023. While for regional comparable like India and Sri Lanka this number stands at USD 22 and USD 30, respectively. For developed countries such as the US, this number may reach USD 2568.

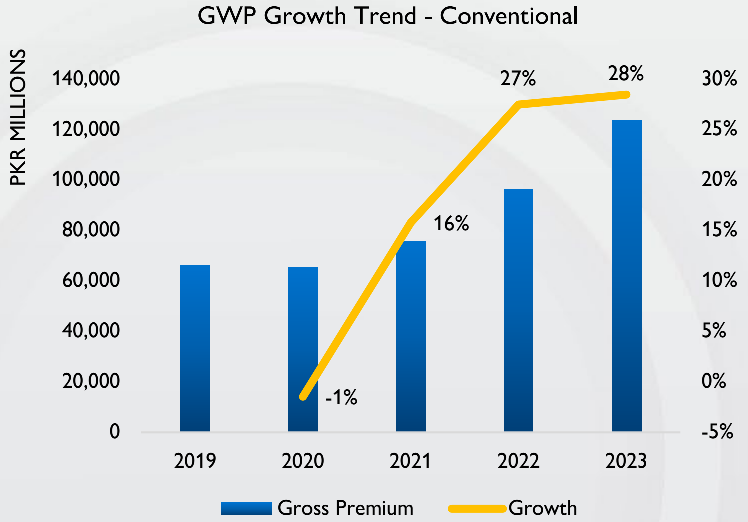
The insurance industry plays a key role in managing the risks for individuals and large corporations included. This industry has a lot of potential for growth which can be materialized through government initiatives such as new types of compulsory insurance and awareness on financial literacy.

Year	Insurance Density (PKR)	Insurance Penetration
2019	357	0.20%
2020	348	0.18%
2021	388	0.18%
2022	479	0.18%
2023	596	0.19%

Gross Written Premium - Market





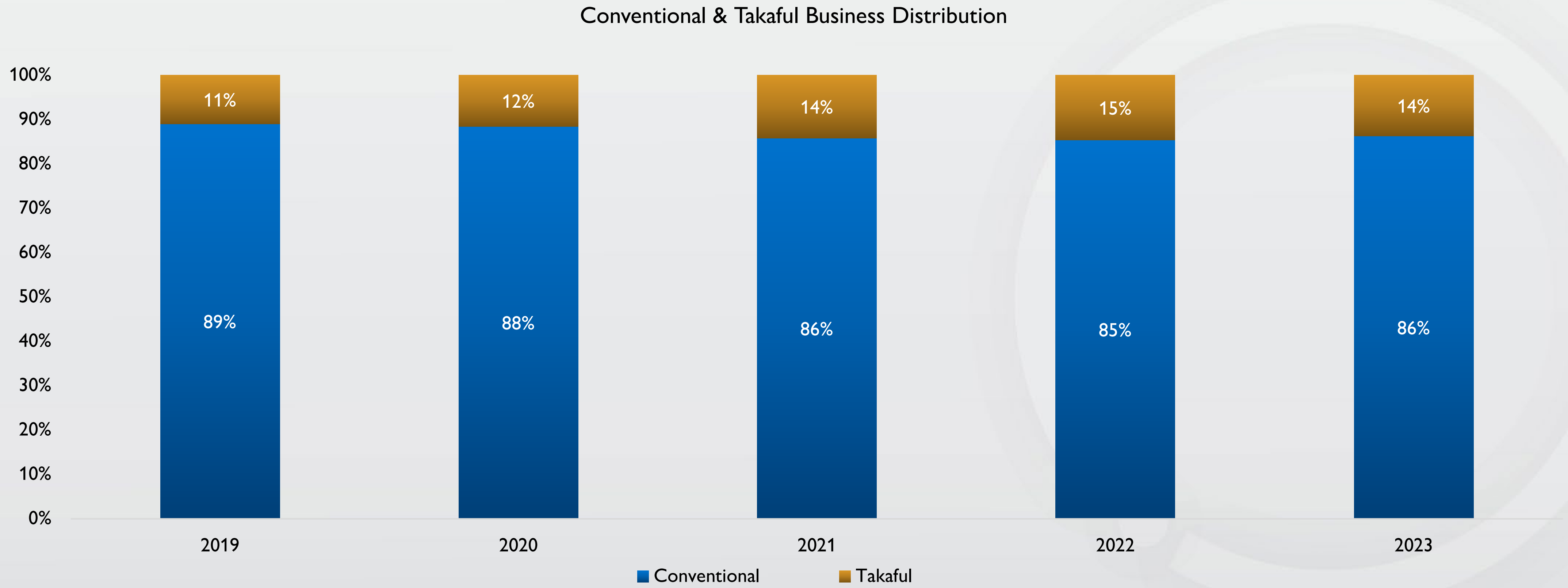


Despite facing economic challenges and political uncertainty, the general insurance sector in Pakistan experienced a noteworthy 27% growth in gross written premiums (GWP) in 2023, reaching PKR 143 billion. This increase occurred amidst a turbulent economic backdrop, including a significant devaluation of the Pakistani Rupee against the US dollar. The devaluation impacted Pakistan's import-driven economy, resulting in higher prices for goods and commodities. The substantial rise in GWP was observed across all insurance categories, driven by heightened inflationary pressures that prompted individuals and businesses to seek insurance coverage as a strategy to manage financial risks.

In 2023, the takaful market saw a notable decline in growth, dropping from a robust 33% in 2022 to 19% in 2023. This shift marks a significant deviation from the market's consistent trend of achieving double-digit growth since 2018

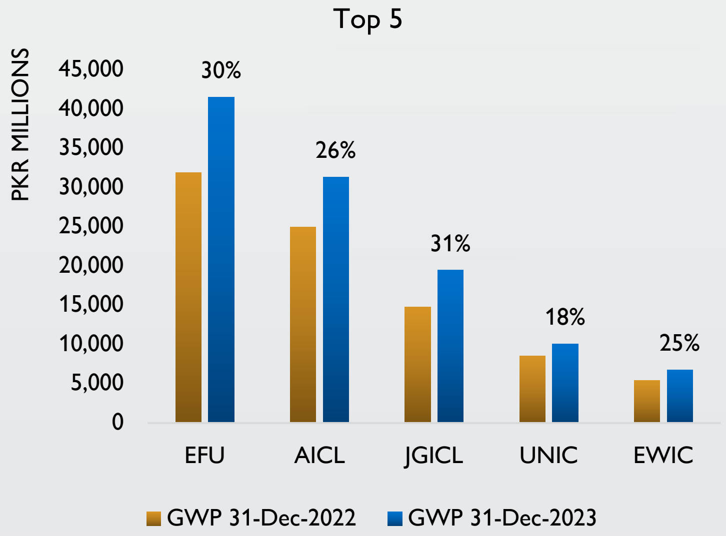
In 2023, conventional business continued to dominate the takaful industry, contributing significantly to its Gross Written Premium (GWP), amounting to PKR 123 billion for the year. The conventional industry experienced a growth, of 28% in 2023 which was 27% in 2022.

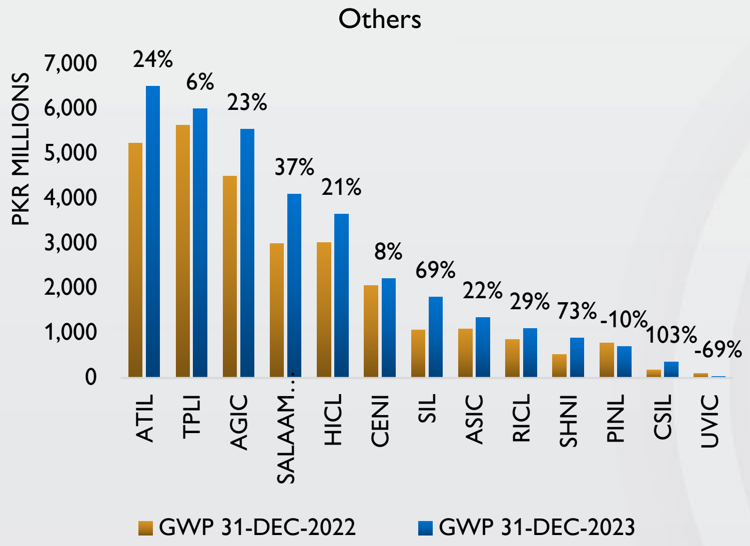
Gross Written Premium - Distribution

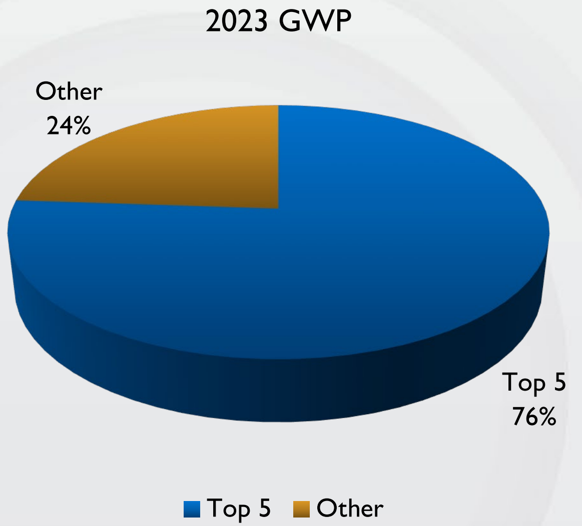


General insurers started operating as windows takafuls following their approval by SECP in 2014. While the majority of the business is still conventional, the takaful proportion can be observed to show a consistent increase for 4 years and a decrease can be observed in 2023. The share of takaful stands at 14% for 2023 which is slightly below 2022 level.

Gross Written Premium - Companies







In 2023, the top 5 companies in the general insurance industry collectively made a substantial contribution of PKR 109 billion out of a total market premium of PKR 143 billion, constituting 76% of the market share. This underscores their dominant position within the sector.

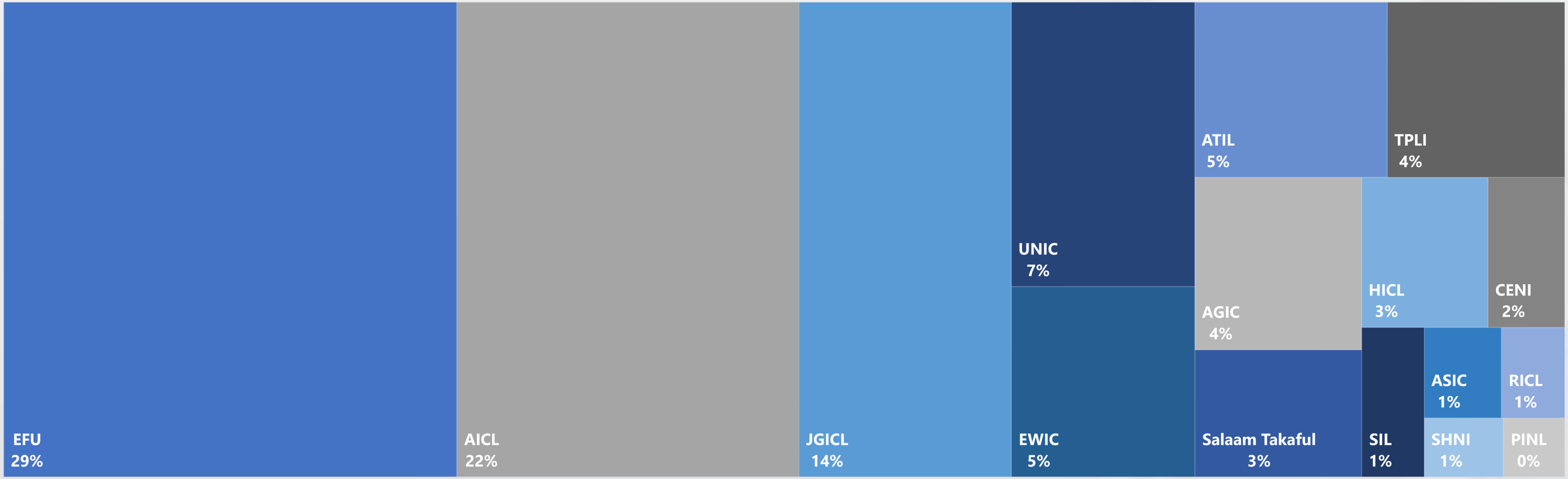
While the other companies contributing 24% to the total GWP.

EFU emerged with a commanding position , capturing a significant 29% share of the Gross Written Premium. closely followed by AICL and JGICL at 22% and 14% respectively.

**AICL includes business underwritten inside Pakistan only

Gross Written Premium - Market

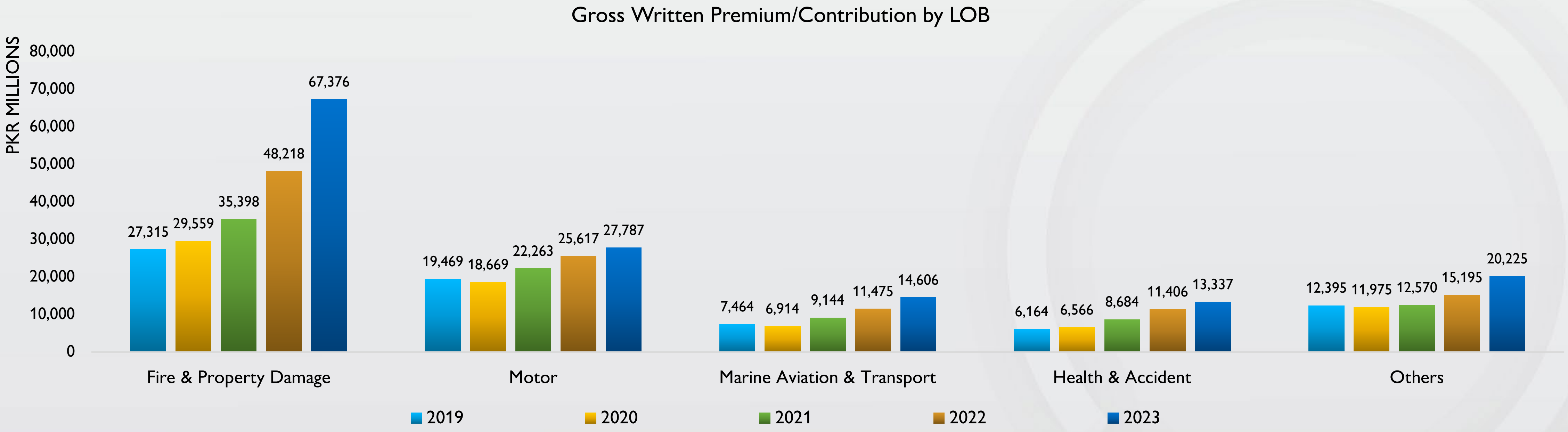
GWP - Market Share of Companies



EFU emerges as the top player in the general insurance sector for 2023 in terms of Gross Written Premium (GWP), holding a market share of 29%. AICL follows with 22%, and JGICL with 14%. The market map visually illustrates a decrease in market shares from left to right

**AICL includes business underwritten inside Pakistan only

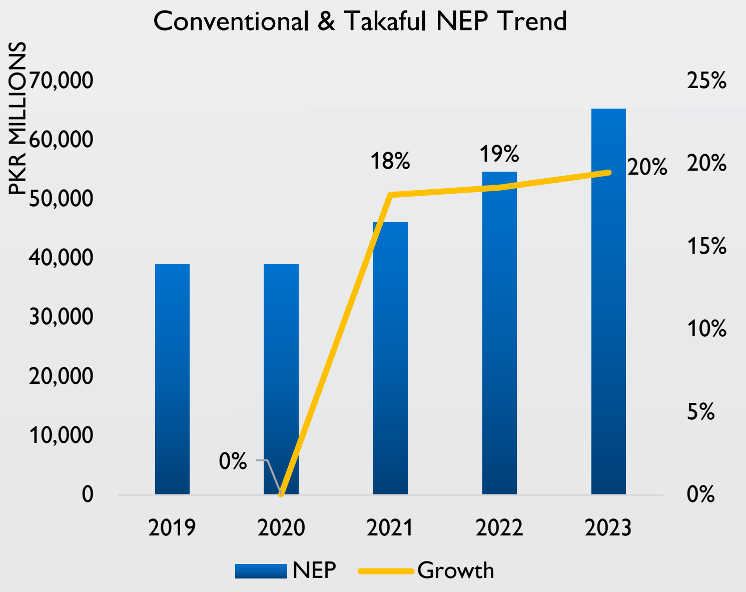
Gross Written Premium - Distribution

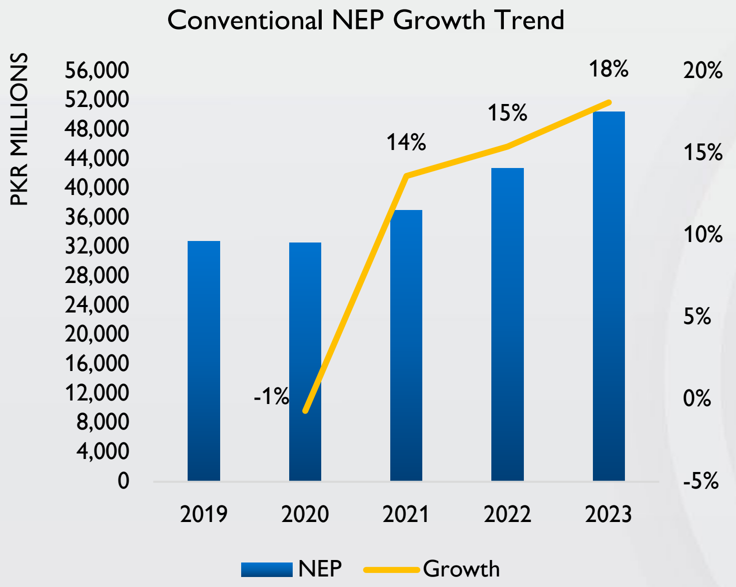


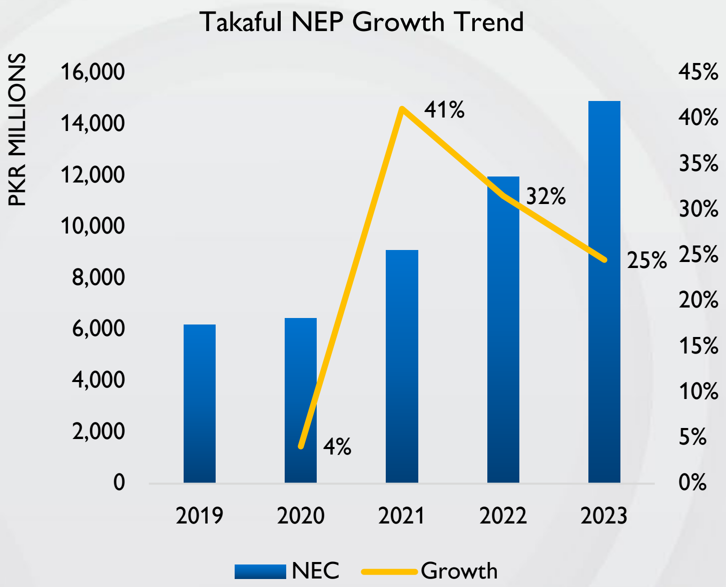
All the lines of business experienced a double-digit growth in premium/contribution. Fire & Property Damage line of business saw the highest increase of 40% followed by Marine and Others at 27% and 33% respectively. The increase in premium can also be associated with the inflationary impact of PKR devaluation 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





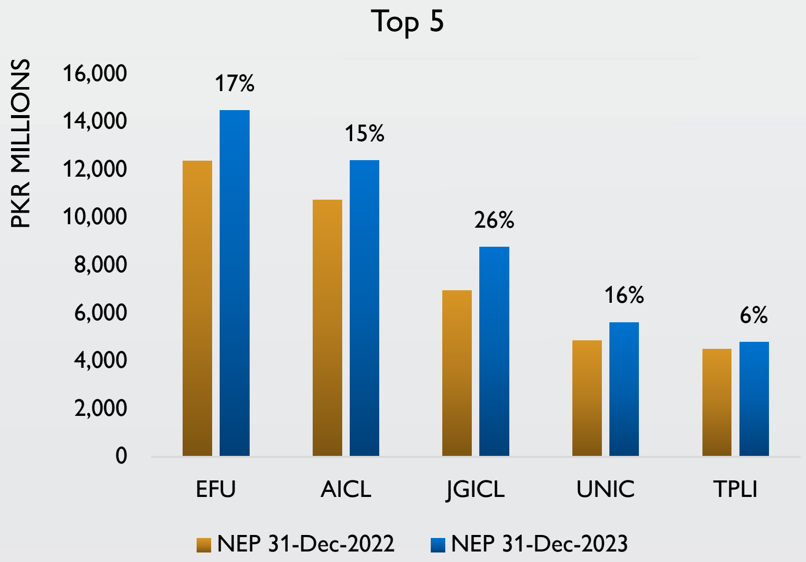


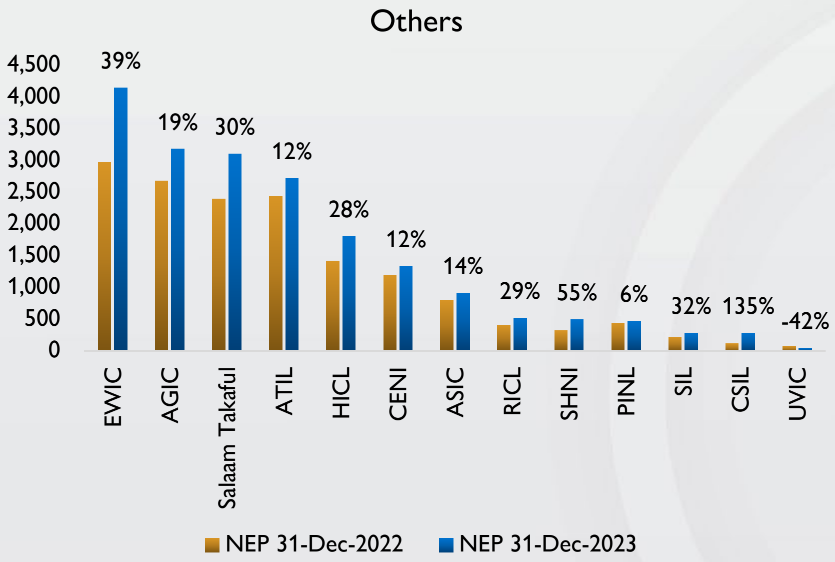
In 2023, the combined net earned premium (NEP) for conventional and takaful business in Pakistan reached PKR 65 billion, marking a 19% increase in 2023, this 19% growth rate in NEP mirrors the consistent performance seen in 2022, underscoring the sector's resilience and steady expansion. The 5-year trend reveals a continuous year-on-year increase in NEP.

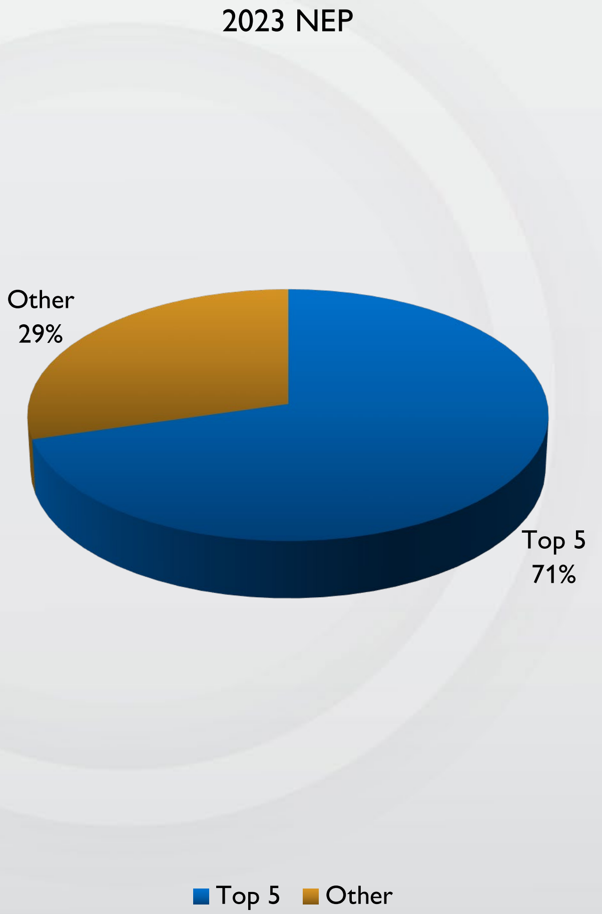
The conventional insurance sector contributed PKR 50.5 billion to the overall market net earned premium (NEP), commanding a significant 77% market share. The growth rate of NEP has remained consistently stable, hovering around 2%, with notable double-digit increases of 16% in 2022 and 18% in 2023. This trend highlights a clear upward trajectory in NEP over the years.

While the conventional business showing upward trajectory ,the Takaful business showed a downward trend from 32% growth in 2022 to 25% growth in 2023. The NEP for this segment stands at PKR 15 billion in 2023.

Net Earned **Premium** - Companies







The net earned premium (NEP) for the top 5 companies totaled PKR 46 billion, reflecting a 17% increase compared to the previous year. These leading companies collectively hold a significant 71% share of the market in terms of NEP.

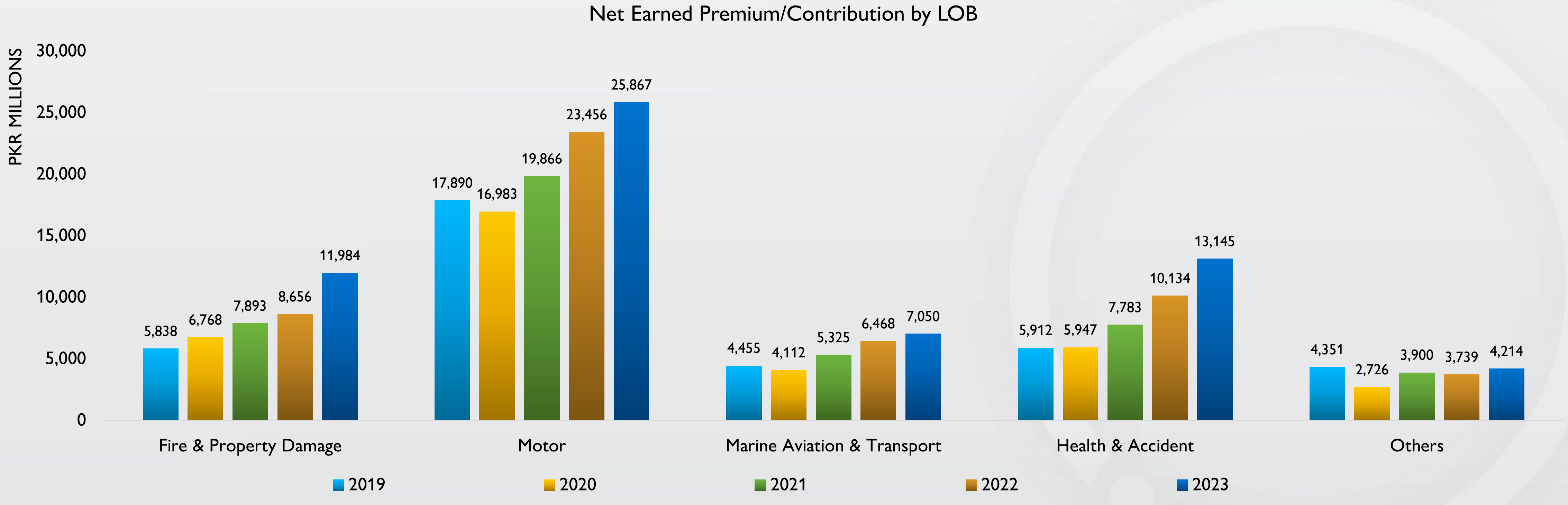
EFU leads the general insurance sector with a NEP of PKR 14.5 billion, followed by AICL with PKR 12.4 billion and JGICL with PKR 8.8 billion.

Among the top 5 companies, JGICL showed the highest NEP growth rate of 26% in 2023 compared to the corresponding period in 2022.

The remaining industry players collectively account for a 29% market share in terms of net earned premium (NEP). All companies, except UVIC, recorded positive growth rates in NEP. CSIL achieved the highest NEP growth rate at 103%

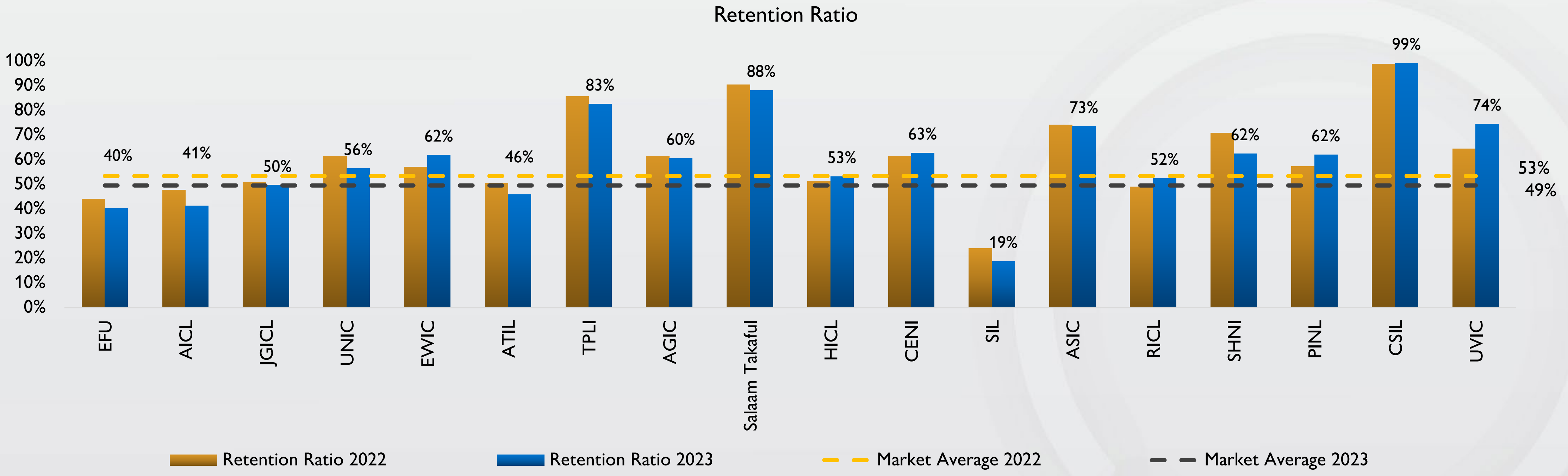
**AICL includes business underwritten inside Pakistan only

Net Earned **Premium - Distribution**



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 followed by health and accident compared to 2022.

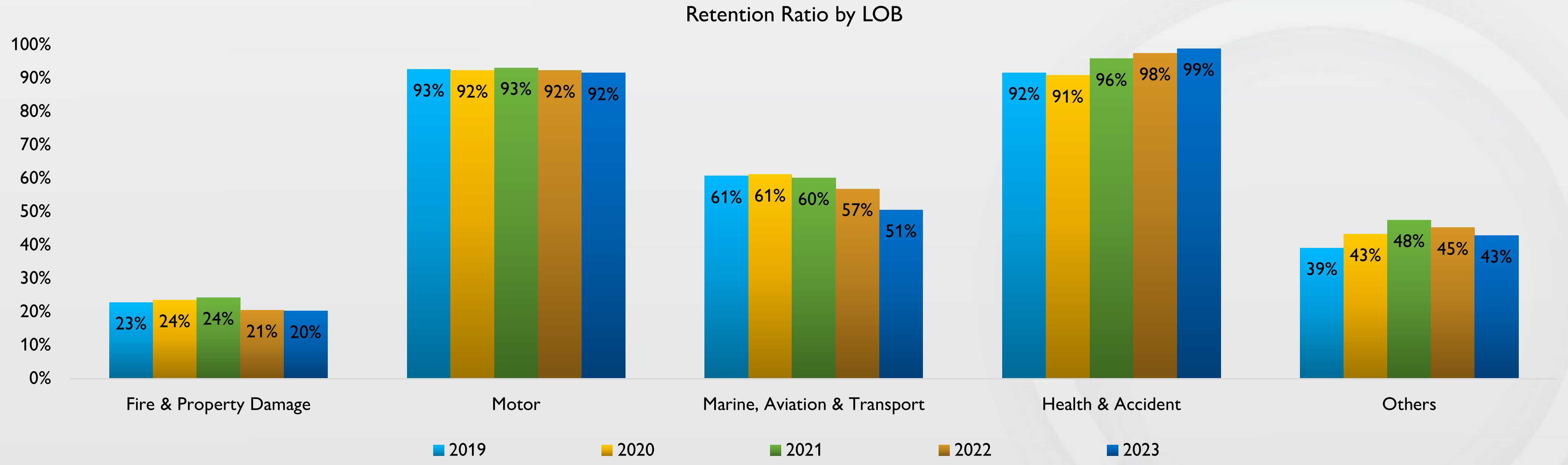
Retention Ratio



The retention ratio is determined by dividing net earned premium by gross earned premium, using gross figures excluding wakala expenses for the takaful segment. The market's retention ratio stands at 49% for 2023, representing the weighted average ratio used as a benchmark in our analysis. This ratio has seen a decrease from 53% in 2022 to 49% in 2023.

CSIL showed the highest retention ratio of approximately 99%, whereas SIL had the lowest ratio at 19%. Retention ratios typically reflect the composition of the portfolio; Motor and Health lines generally exhibit higher retention ratios, whereas commercial lines like Fire and Engineering tend to have lower retention ratios.

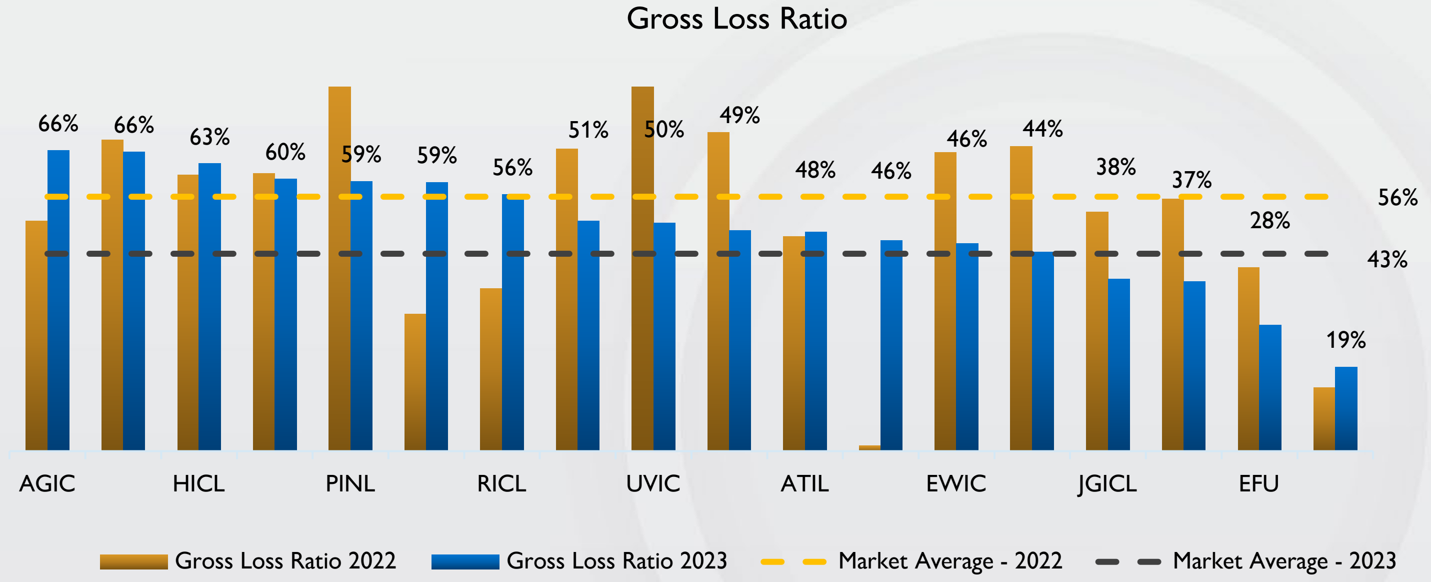
Retention Ratio



The retention ratio represents the percentage of business retained by insurance companies without being reinsured. Lines of business with high frequency and low severity, such as Motor and Health, typically have higher retention ratios as anticipated. Conversely, lines like Fire and Marine, which involve larger and more volatile risks, tend to have lower retention ratios. Due to capital and capacity considerations, most significant property risks in Pakistan are transferred to the foreign reinsurance market.

The bar graph illustrates consistent retention ratios within each line of business over the past five years. However, for the Marine line, the retention ratio dropped to 51% in 2023 from the previous year

Gross Loss Ratio

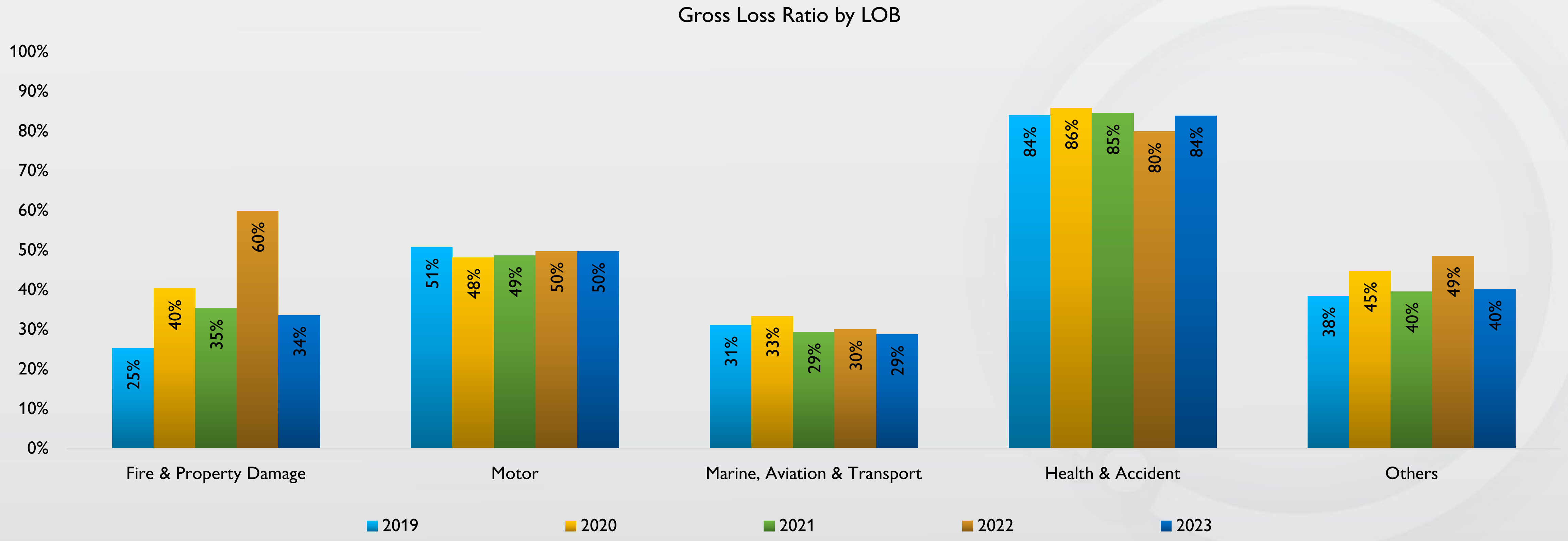


The gross loss ratio, calculated as the ratio of gross incurred claims to gross earned premium/contribution (using gross figures excluding wakala for the takaful segment), has shown a decline in 2023. This trend is driven by significant lines of business like Fire and Motor, which have contributed to reducing the industry's overall loss ratio.

The trend in recent years included a decline up to 2019, followed by a 7% increase in 2020, and a subsequent 4% decrease in 2021. The higher loss ratio observed in 2022 can be attributed to increased losses in Fire, Property, and Marine segments

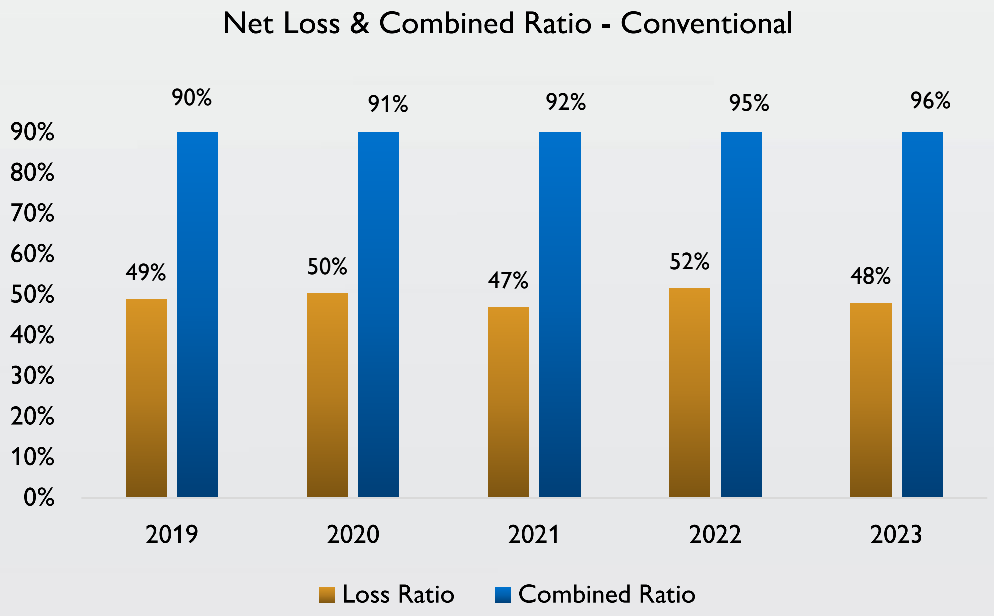
In 2023, most companies reported a decrease in their gross loss ratios compared to the previous year. Salaam Takaful and AGIC recorded the highest loss ratios at 66%, while SIL exhibited the lowest at 19%. This variation underscores the diverse risk profiles and performance levels across different insurers in the market. The downward trend in loss ratios reflects improvements in claims management and risk mitigation strategies implemented by these companies over the past year

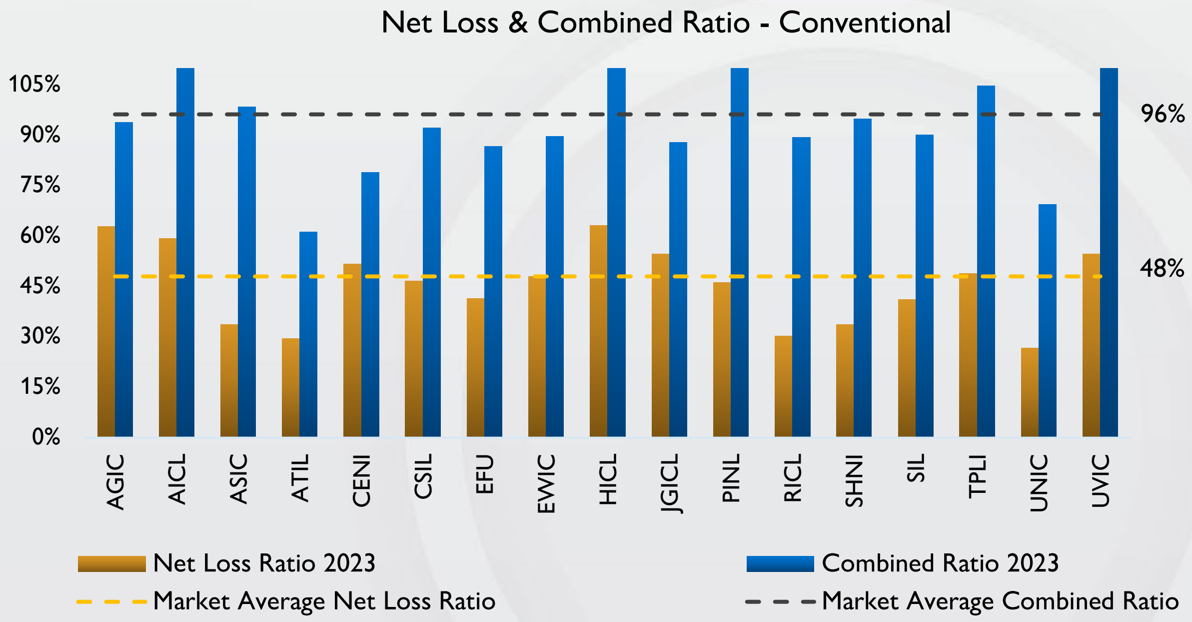
Loss Ratios by Line of Business



In 2023, the health segment saw an increase of 4% in gross loss ratios compared to 2022. Conversely, lower loss ratios were observed in the Marine and other segments in 2023 compared to the previous year. Particularly notable was the significant decrease in fire loss ratios, dropping by approximately 26% from 60% in 2022 to 34% in 2023.

Net Loss & Combined Ratio - Conventional





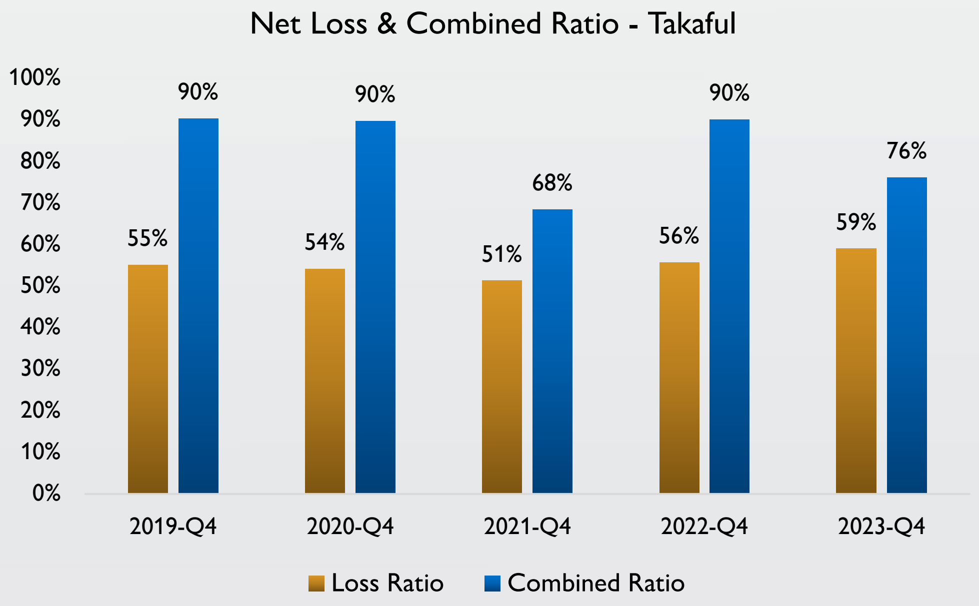
The net loss ratio and combined ratio have stayed relatively consistent, ranging between 49% and 48% for the net loss ratio and between 90% and 96% for the combined ratio. However, there was a decline from 52% in 2022 to 48% in 2023 in loss ratio.

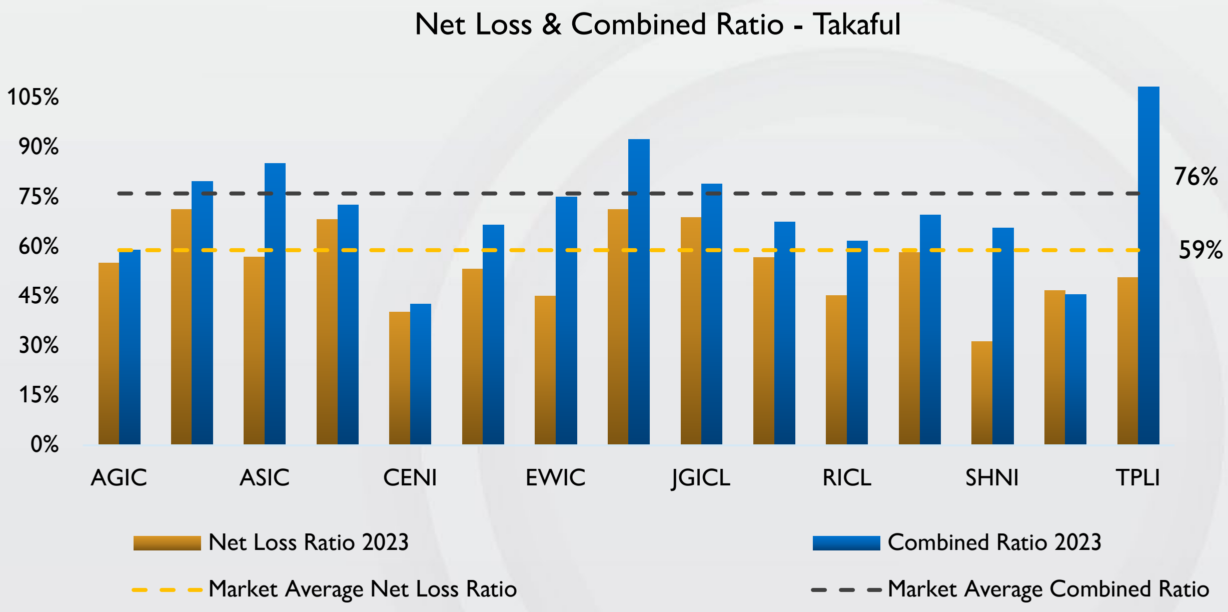
The net loss ratio is the ratio of net incurred claims over the net earned premium while the combined ratio includes management expenses and net commission as well.

The market net loss ratio is the weighted average net loss ratio which stands at 48% while the market combined ratio stands at 96%.

AGIC has the highest net loss ratio of 63% while UNIC has the lowest net loss ratio of about 27% among all. In terms of the combined ratio, UVIC has the highest ratio. It should be noted that a combined ratio greater then 100% translates into a net underwriting loss.

Net Loss & Combined Ratio - Takaful



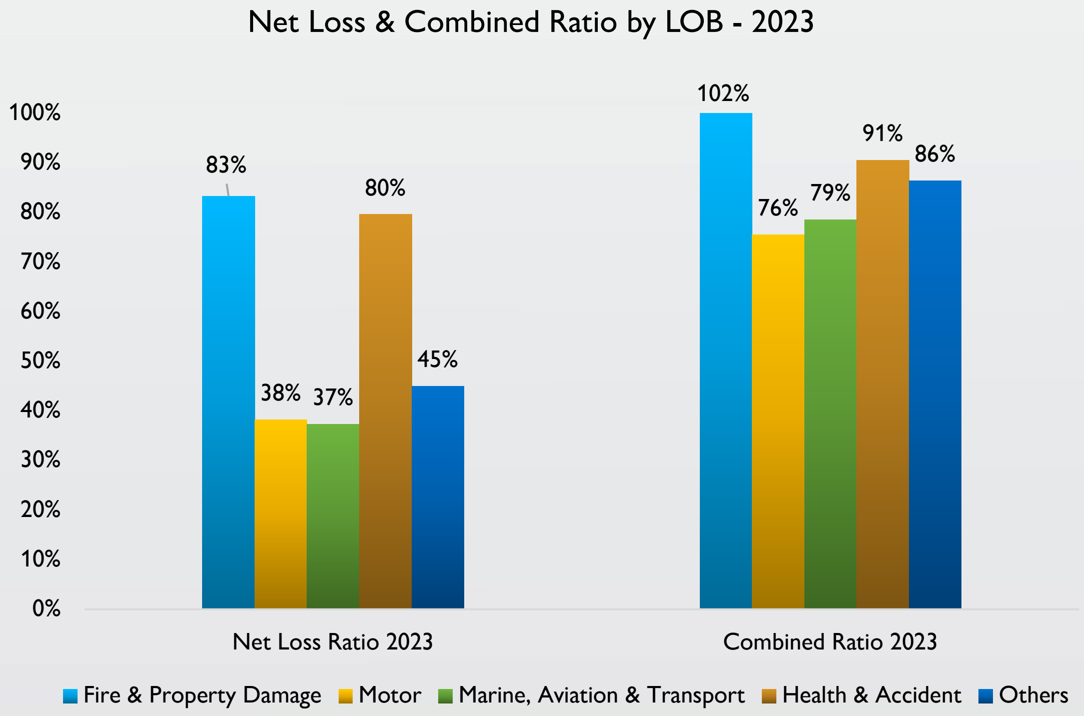


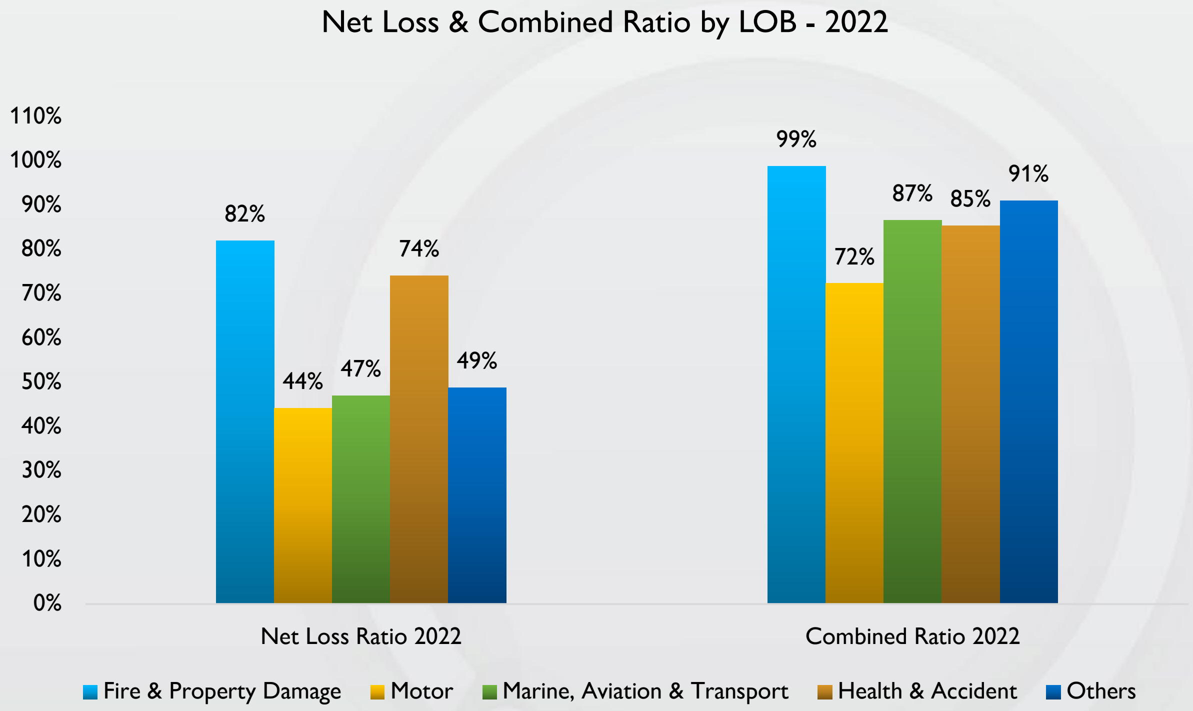
In 2021, the net loss ratio decreased, and it remained stable between 55% and 52% over the past two years. The market's combined ratio has ranged from 70% to 90% over the last five years. The net loss ratio increased by 3% and combined ratio for the market decreased in 2023 by 14%, following an increase in 2022. Notably, takaful net loss ratios are higher than conventional ratios, while their combined ratio numbers are similar, indicating potential cross-subsidization of expenses between conventional and takaful businesses..

The market net loss ratio stands at 59% while the market combined ratio stands at 76% for 2023.

AICL & HICL has the highest net loss ratio of 71% while SHNI has the lowest net loss ratio of 31%. In terms of the combined ratio, TPLI has the highest combined ratio while CENI 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



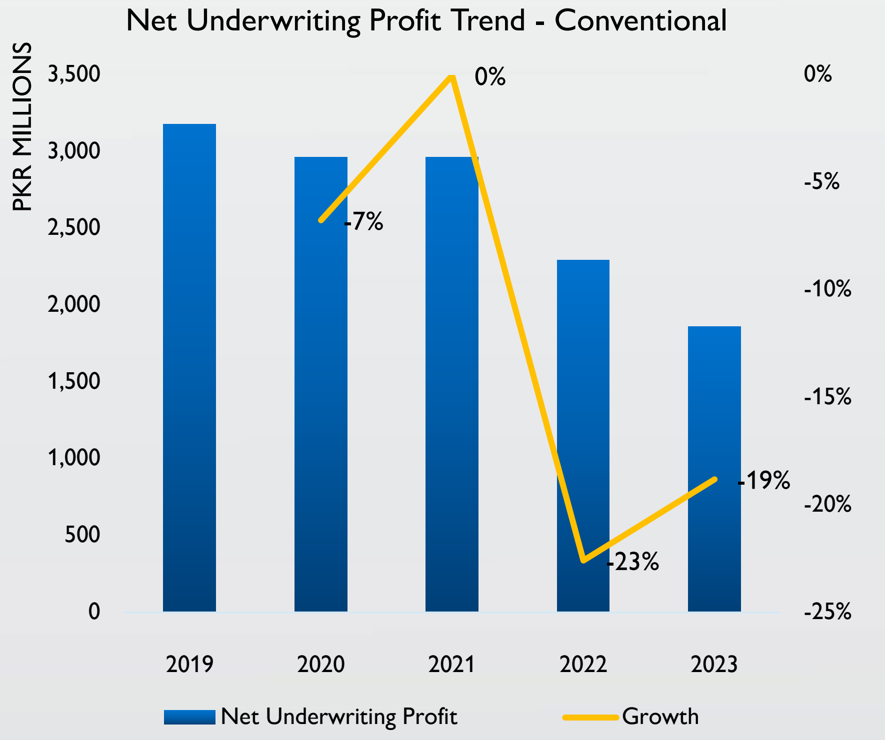


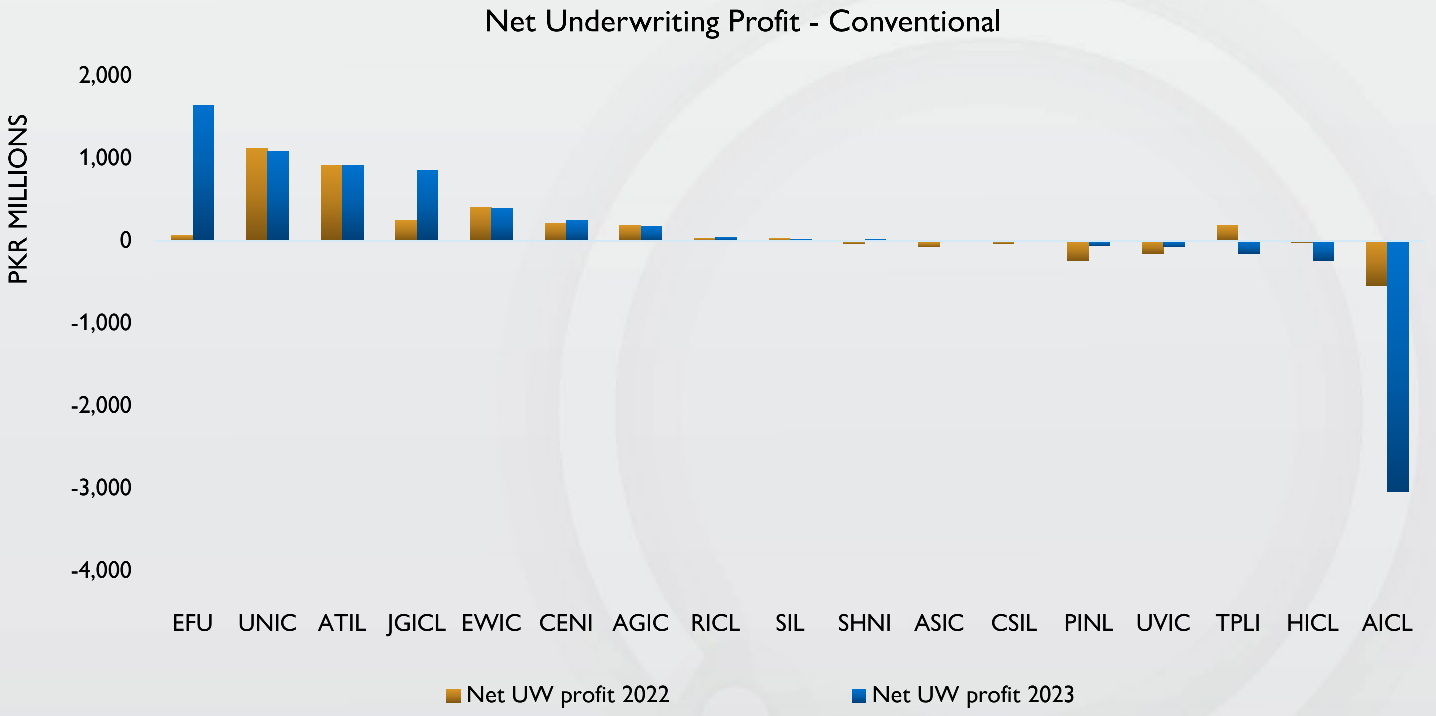
The bar chart shows the net loss and combined ratios across the various business lines for conventional and takaful segments combined. The health line has experienced sharp rise in net loss ratios in 2023 compared to 2022 while Motor and marine experienced 6% & 10% decrease. The fire segment has the highest net loss ratio of 83% across the lines of business.

The higher net loss ratios have contributed to a combined ratio of 98% for the Fire line making it unprofitable while the rest of the lines have been profitable.

In 2022, the marine and motor business had higher net loss ratios as compared to 2023. In terms of combined ratios, all the lines were depicting high combined ratios at a market level.

Net Underwriting Profit - Conventional



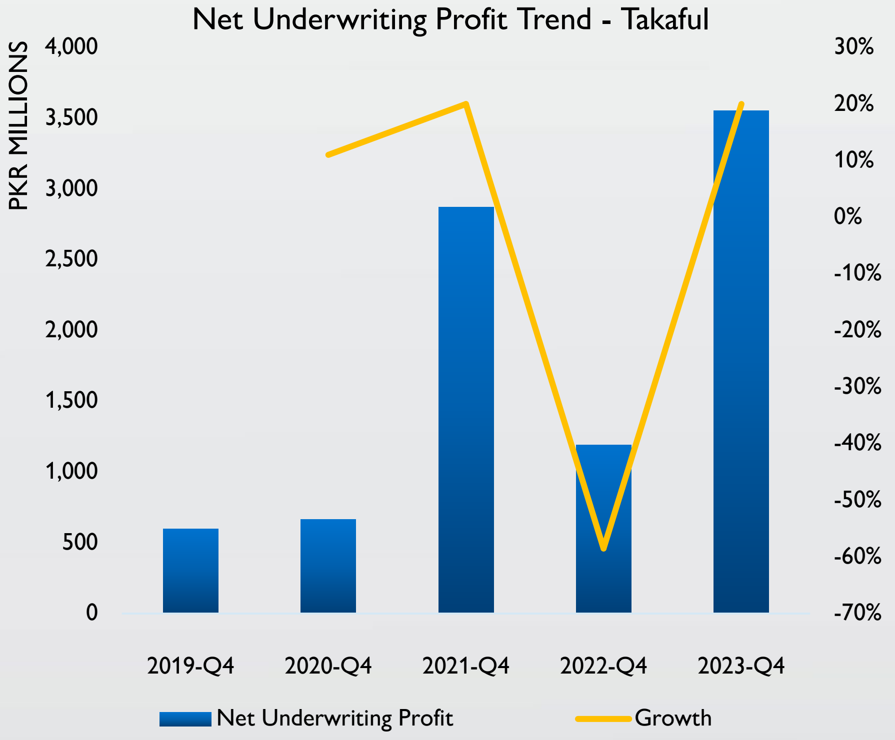


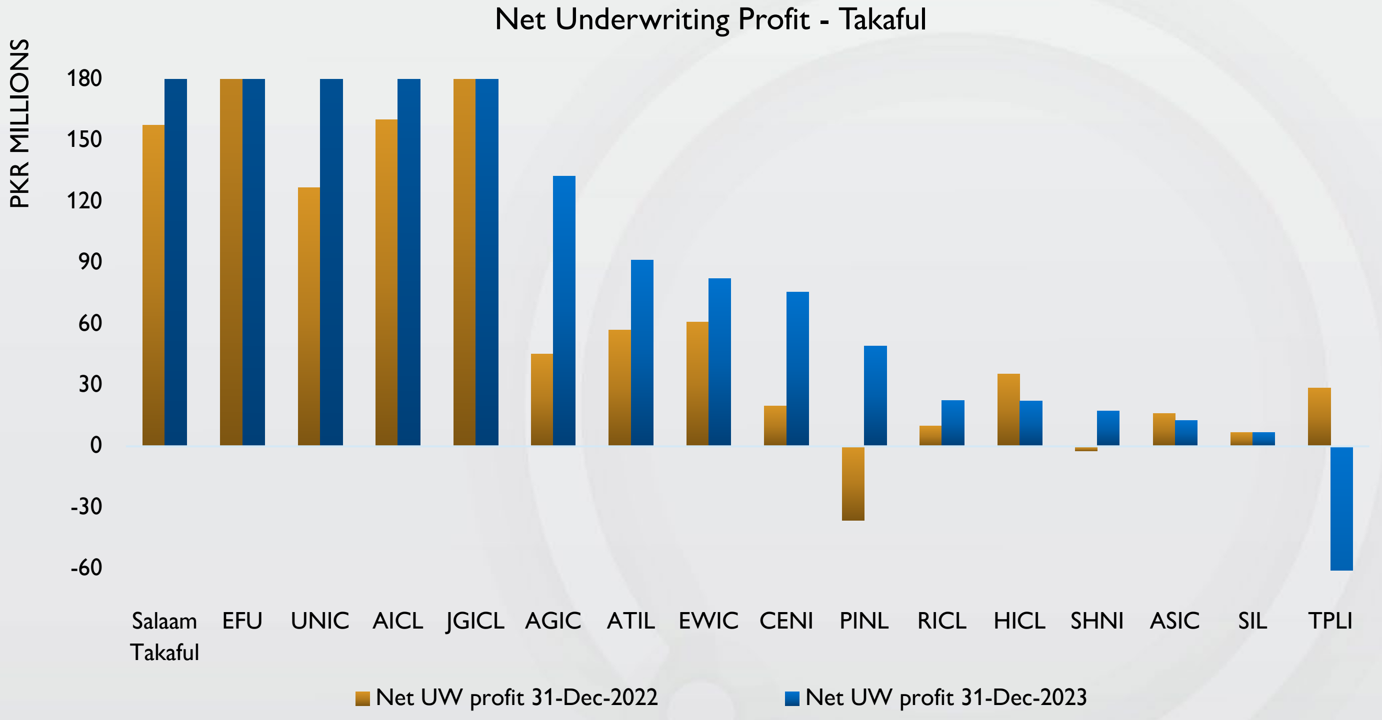
The net underwriting profit for the conventional market saw a sharp decline in 2023. The market UW profit stands at PKR 1.8 billion which is a -19% decrease compared to the level in 2022.

The bar graph for the net underwriting profit shows EFU as the top company with an underwriting profit of PKR 1.6 billion followed by UNIC and ATIL with an underwriting profit of PKR 1.1 billion and PKR 921 million respectively.

AICL shows a very sharp decline in their underwriting profits compared to 2022

Net Underwriting Profit - Takaful



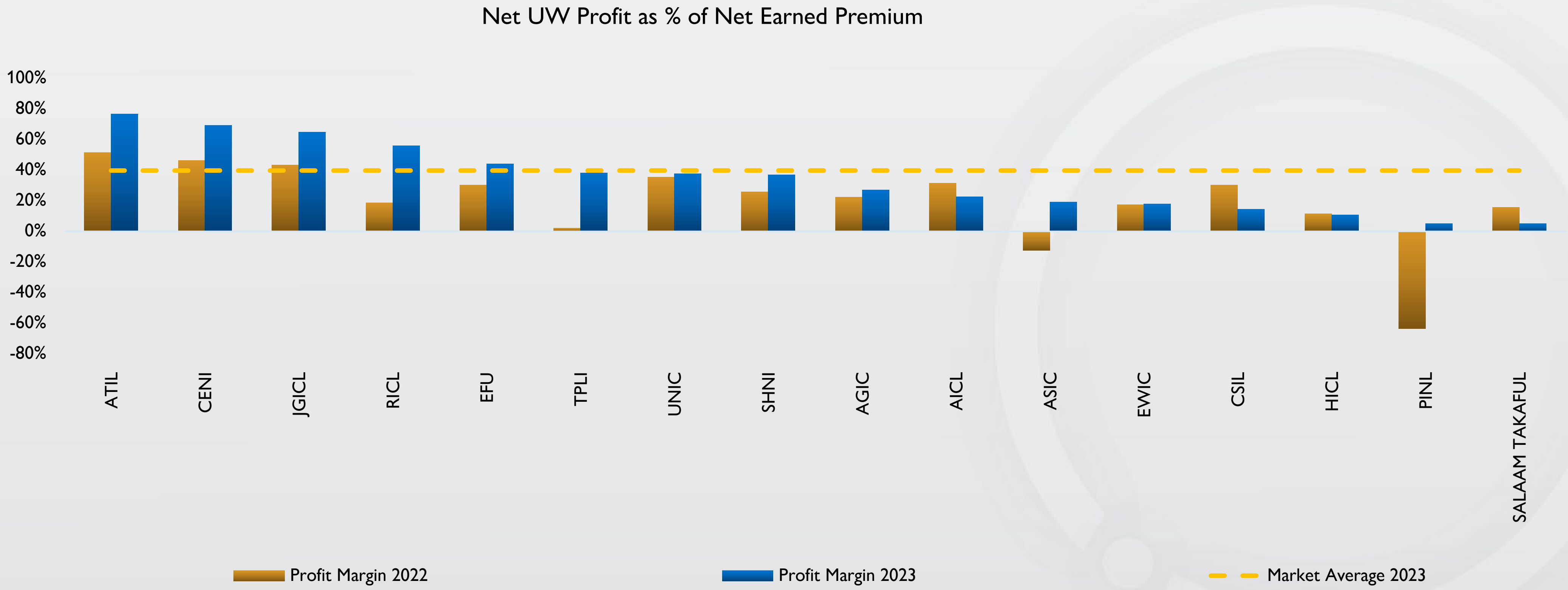


The window takaful operations have experienced a dramatic increase of 198% in underwriting profitability in 2023 as compared to -58% in 2022 The markets underwriting profitability amounts to PKR 3.6 billion in 2023.

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. While AICL, HICL TPLI & PINL experienced a decline in their underwriting profitability compared to the level in 2022.

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 slight increase of 8% in UW Profit margin when compared with 2022.

SIL has the highest UW profit margin of 368% in the current period while the lowest ratio is reflected in UVIC's financials of -109%.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 to 40%.

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

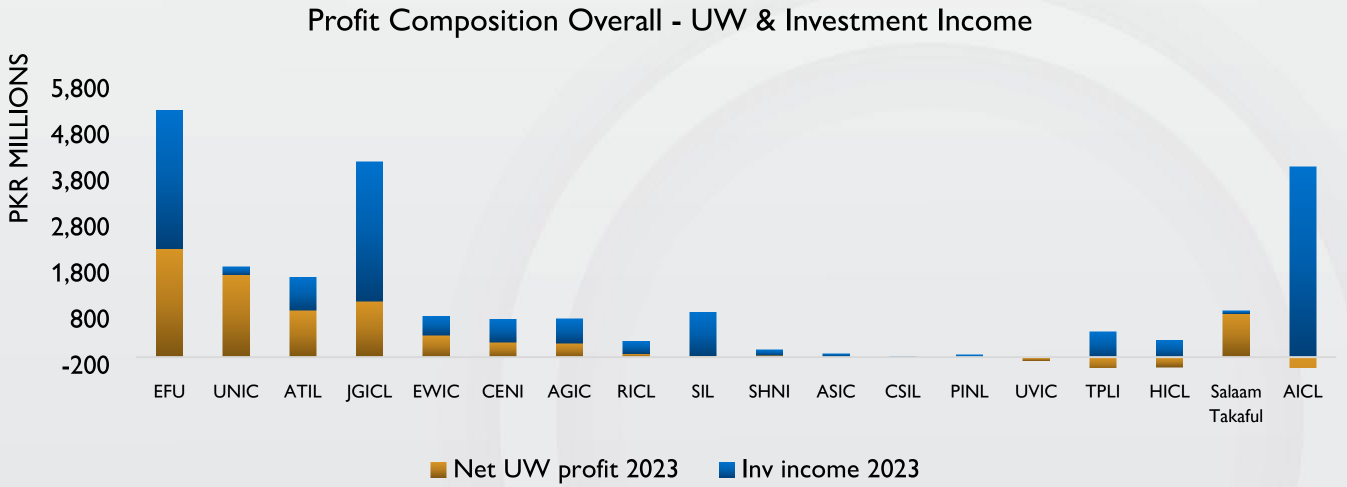
Investment Income

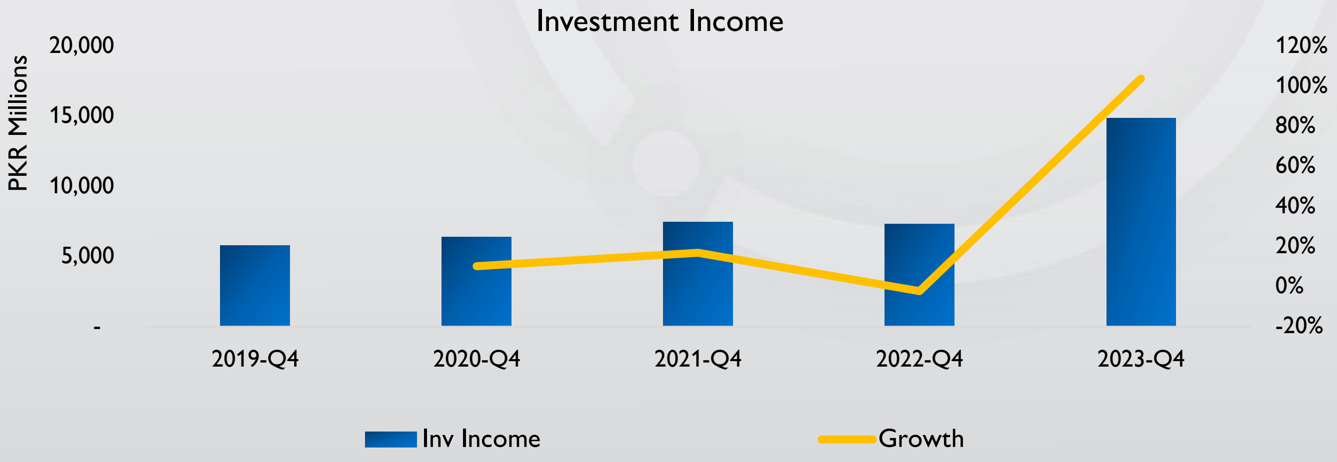
The general insurance market earned a total investment income of PKR 15 billion.

The graph illustrates the profit composition of the general insurance sector, ranking companies by their investment incomes. Investment income is a significant performance driver for general insurers. The top three companies by gross written premiums (GWP) have investment incomes exceeding their profits from underwriting operations. Among the three companies with underwriting losses, AICL managed to offset its losses with its investment income.

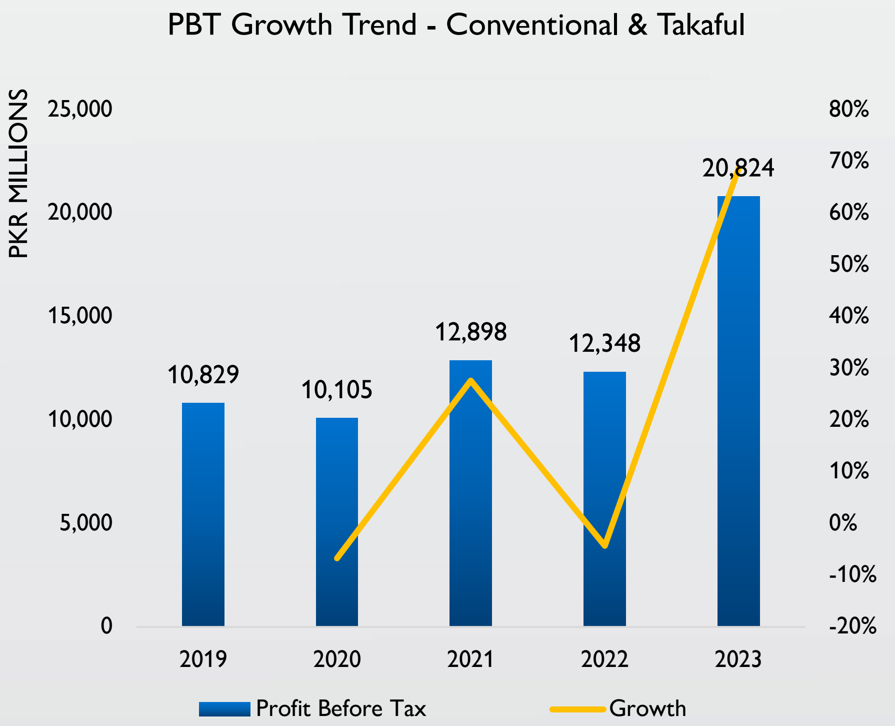
The top 3 companies have generated enough assets which generates investment income that is significantly higher than their UW profitability. JGICL's investment income is 2.25x of its' UW profitability. UNIC has dominated the industry in terms of UW profitability while EFU has outperformed in terms of investment income.

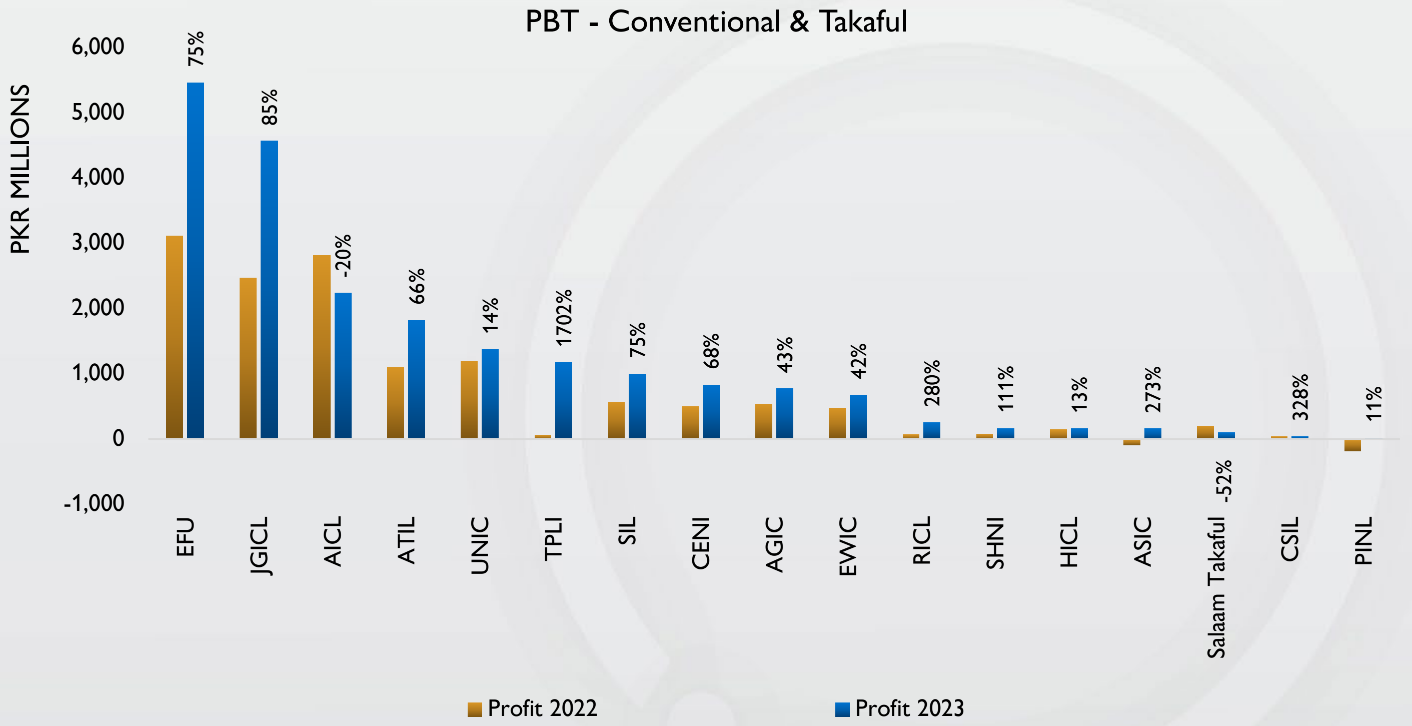
The investment incomes have remained volatile over the 5-year period. This is on account of political and economic uncertainties since 2019 coupled with the COVID-19 pandemic in 2020. 2021 saw a resumption in economic activity which saw higher growth and earnings resulting in high investment incomes 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 In 2023, investment income surged by an impressive 104%





Profit Before Tax





The market's profit before tax (PBT) trend was volatile over the past five years, largely due to fluctuating investment incomes. In 2021, there was a significant 29% increase in PBT. However, profitability declined in 2022 due to higher claims and lower investment income performance. In 2023, the market saw a dramatic 69% increase in PBT, reaching a total of PKR 21 billion

EFU leads the general insurance market with the highest profit before tax of PKR 5.5 billion followed by JGICL at PKR 4.6 billion and AICL at PKR 2.2 billion.

Disclaimer: AICL includes business underwritten inside Pakistan only

Premium & Profit Analysis

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

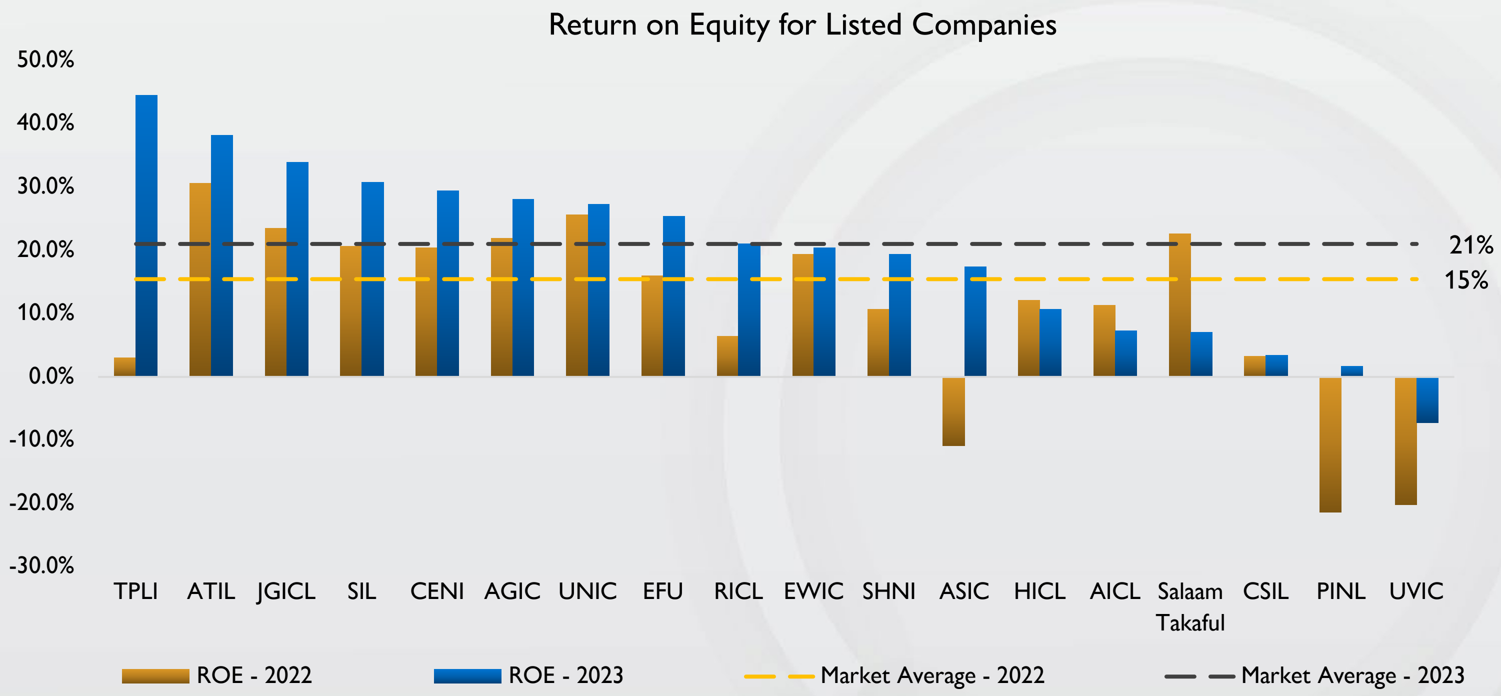
This table ranks the conventional and window takaful business based on gross written premium/contribution and profit before tax. The Indic column indicates whether the profit ranks above or below the premium rank.

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

Net Profit Breakdown

Particulars	2022	2023	Variance
	PKR Billion	PKR Billion	PKR Billion
Total UW Profit	3.5	5.4	1.9
Investment Income	0.7	1.5	0.7
Other Net Income	8.2	14.0	5.8
Total Profit Before Tax	**12.3**	**20.8**	**8.5**

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 2023 reaching to 21% from 15% in 2022.

TPLI shows the highest return on equity of 44.4% while UVIC has the lowest return on equity of -7.3%. All the companies generated a positive ROE in 2023 excerpt for UVIC

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

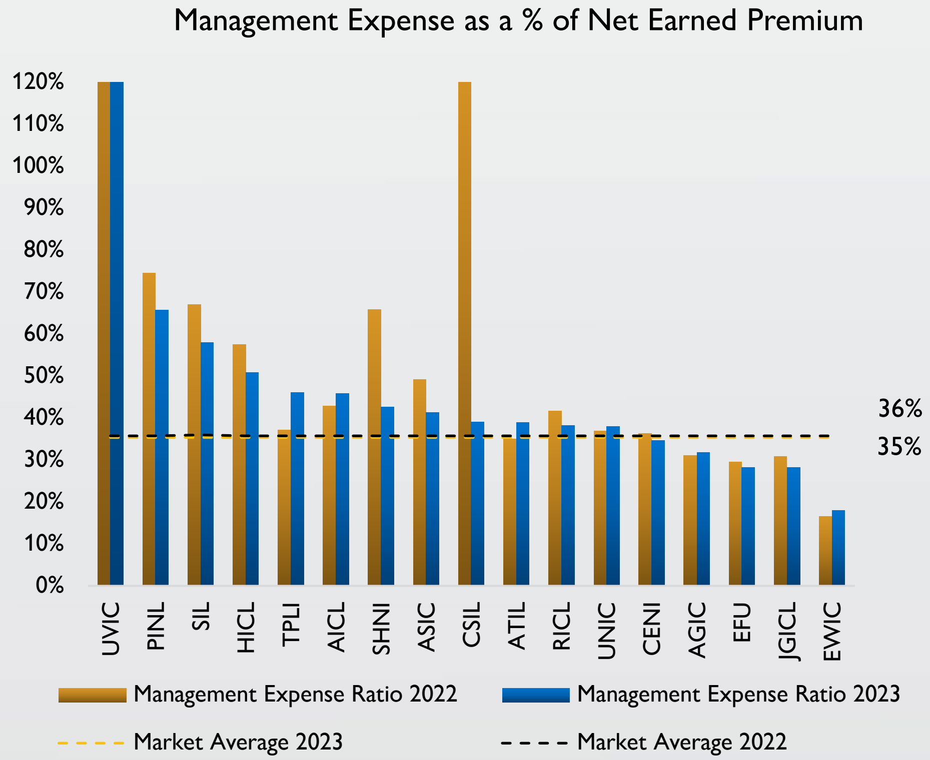
*AICL's Equity is on overall basis due to data limitation while the Profit before Tax is only for Inside Pakistan

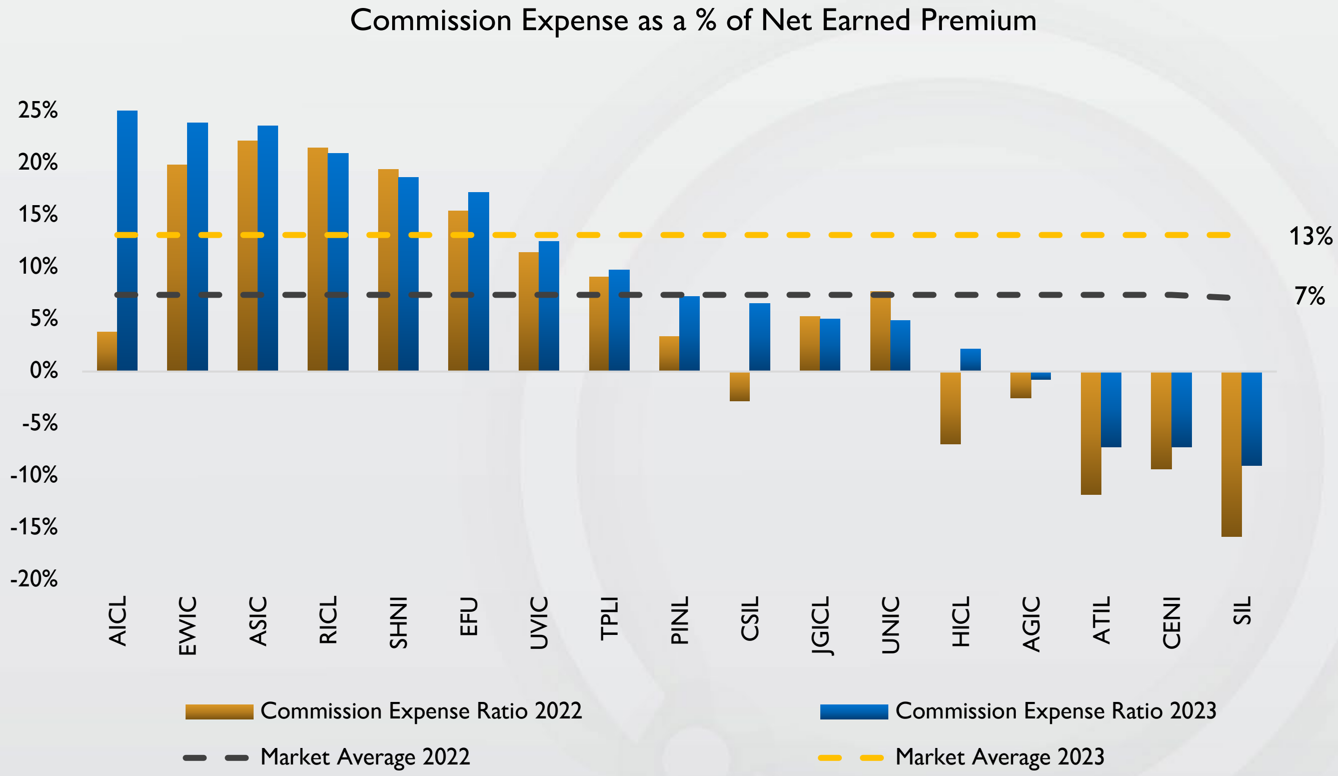
Earning Per Share

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

Company	EPS 2023	EPS 2022
AICL	6.46	7.39
ASIC	1.17	(1.01)
AGIC	6.02	4.82
ATIL	6.74	4.81
CENI	8.98	5.66
CSIL	0.63	0.25
EWIC	3.32	2.22
EFU	16.41	10.03
HICL	0.91	0.90
JGICL	15.09	7.73
PINL	0.16	(3.76)
RICL	2.58	0.66
SHNI	1.94	0.89
PKGI	1.52	(0.62)
TPLI	5.62	0.03
UNIC	3.01	3.12
UVIC	(3.10)	(2.22)

Commission & Management Expense Ratio - Conventional



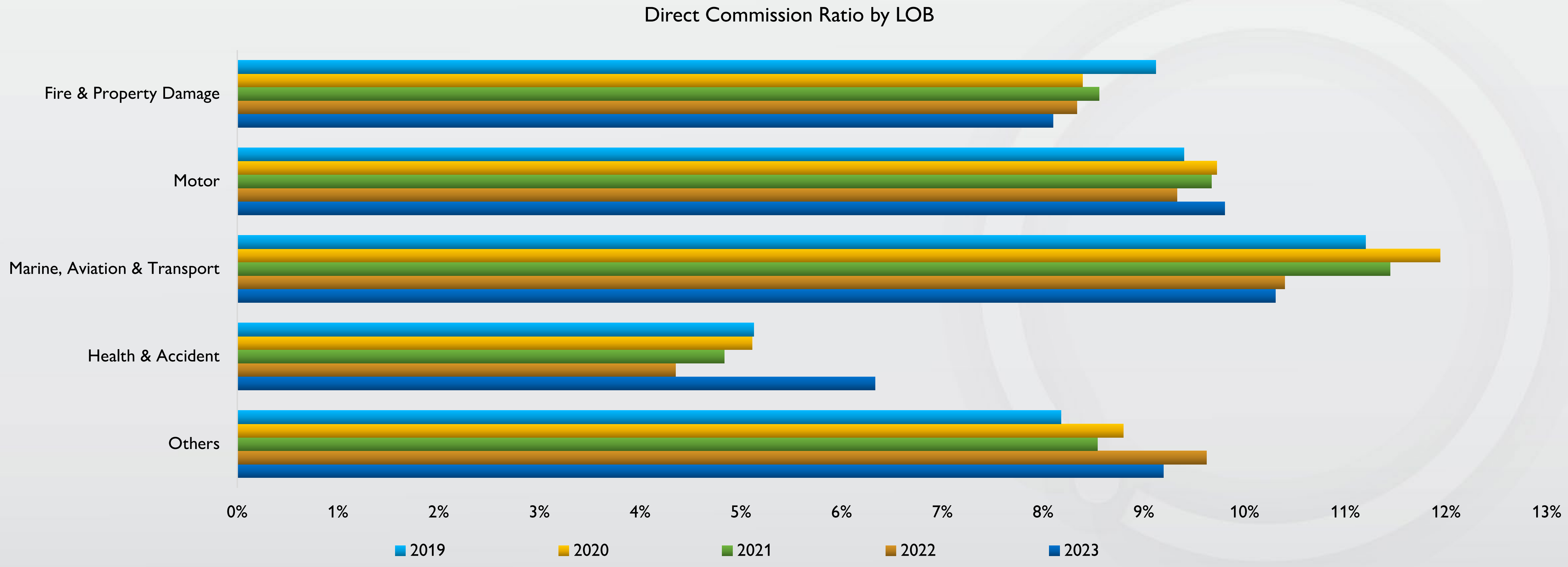


The market ratio calculates to 35% for 2023 & 36% in 2022.

Among the top 3 companies, SIL has the lowest management expense ratio of 58% while PINL has the highest ratio of 66%. UVIC has the highest management expense ratio of 202% which is negatively impacting its' UW profitability.

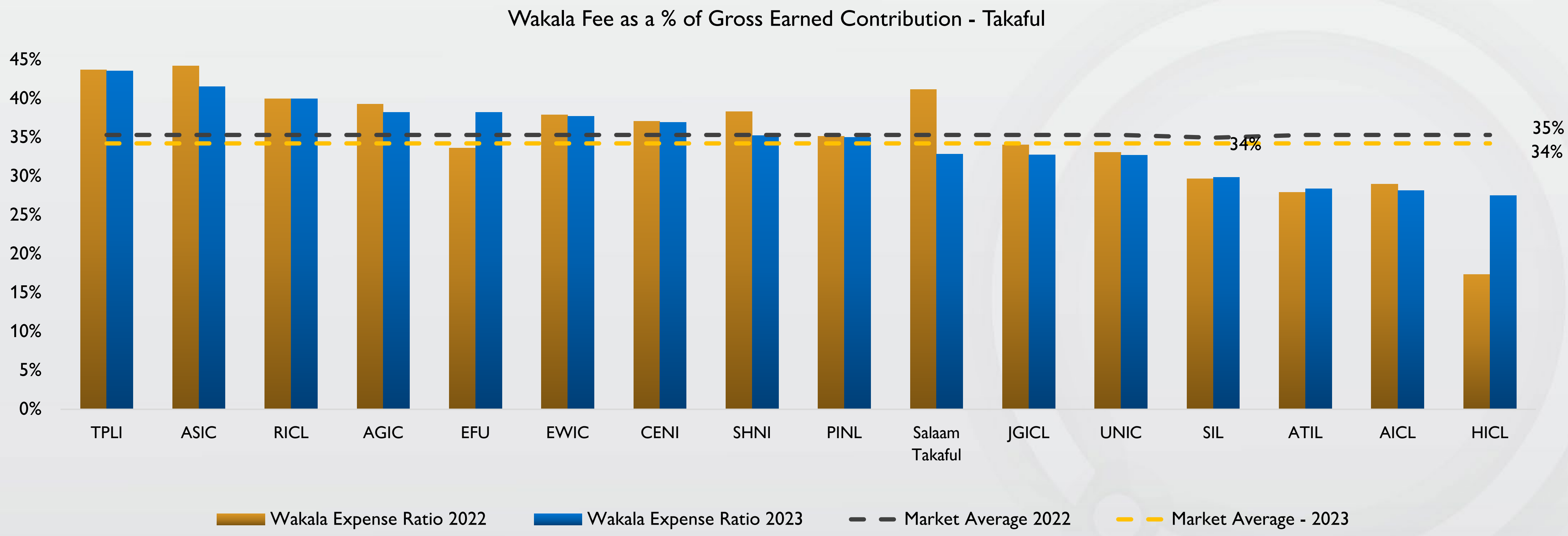
A negative ratio signifies that the commission earned outweighs the commission paid. The market ratio is the weighted average which stands at 13% for 2023 & 7% for 2022. The highest commission expense ratio can be observed for AICL at 25% while AGIC has the lowest ratio of --1%. Companies usually cede 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 constant growth in 2023 as compared to 2022. Health has experienced an increase of 2% in commission rates when compared with 2022. Marine and motor the highest commission rates of 10%.

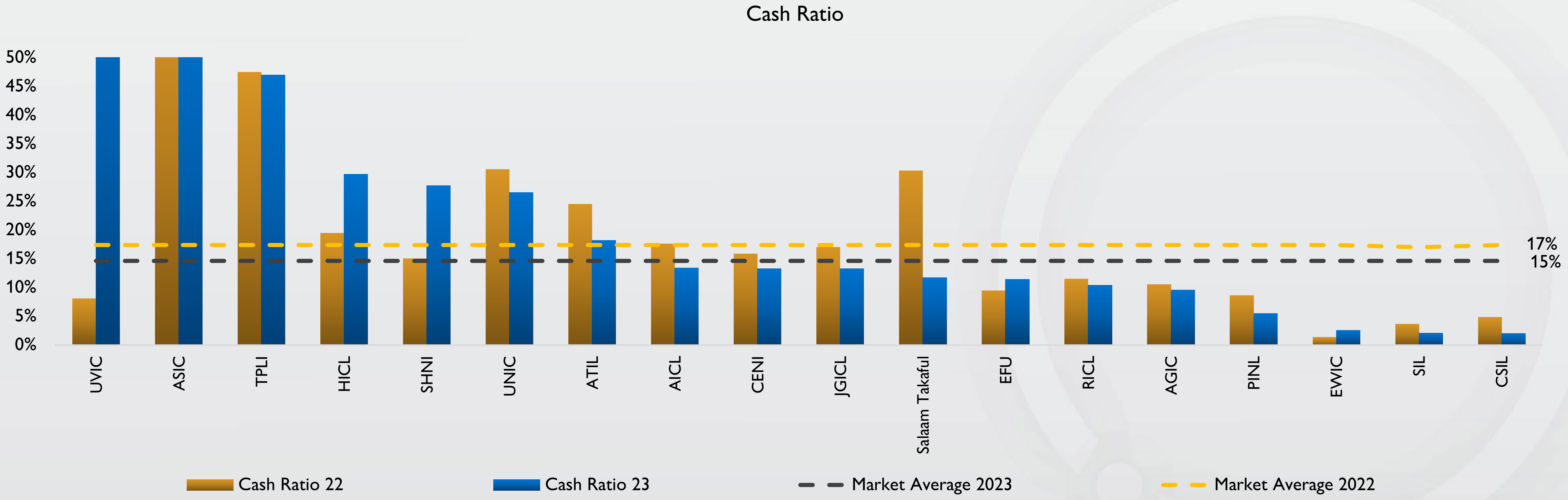
Wakala Expense
% GEC



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% & 35% in 2023 & 2022 respectively. The highest ratio is reflected in the financials of TPLI and ASIC of 44% & 42% while the lowest ratio is reflected in the financials of HICL,ATIL,AICL collectively at 28%.

Cash Ratio

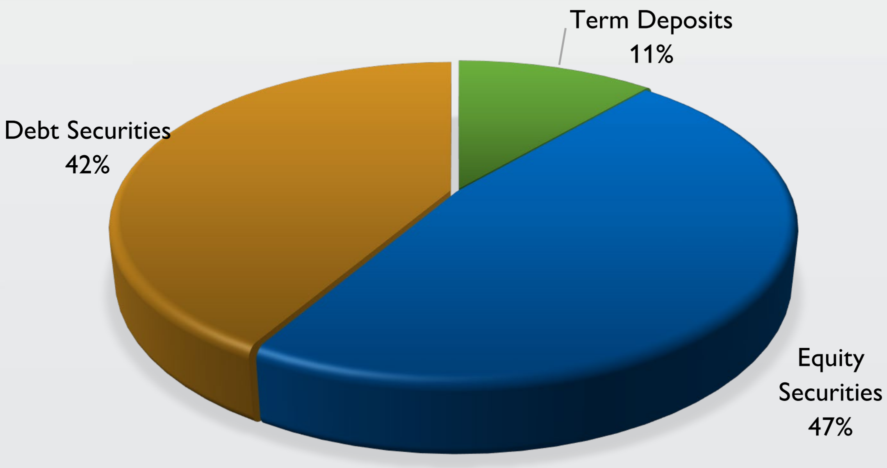


The cash to invested asset ratio has been taken as the ratio of cash & bank to total invested assets including cash. General insurers aims to keep minimum of assets as cash to meet unexpected liquidity requirements which may arise due to large loss or catastrophe. Cash generally earns a lower return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

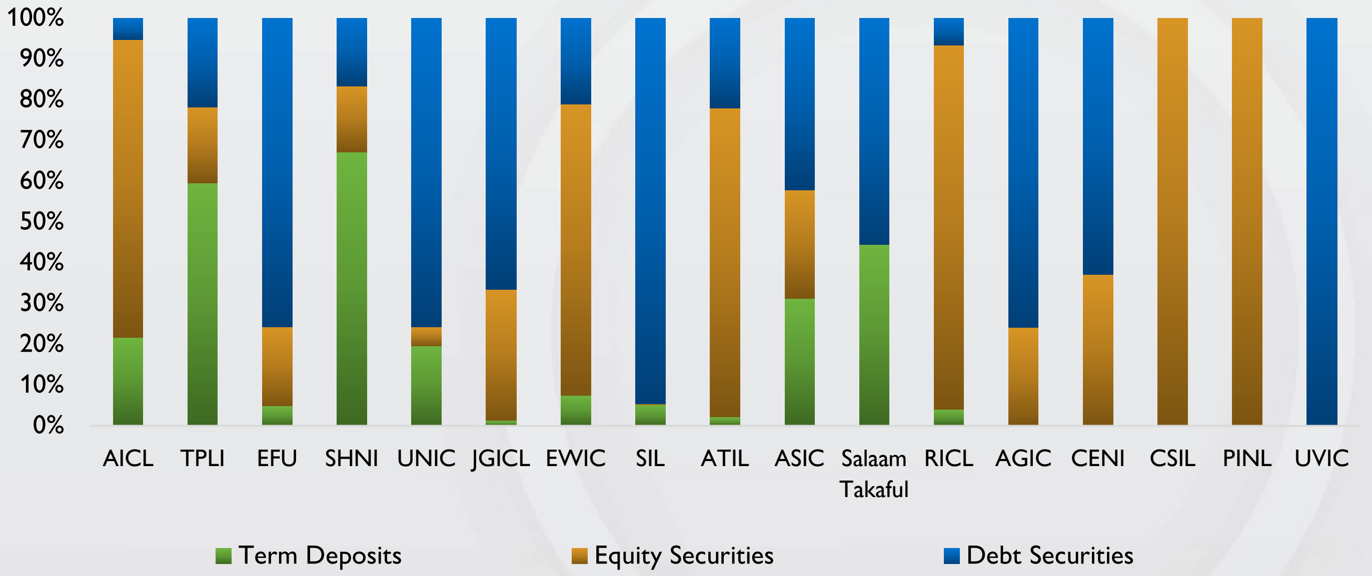
The market cash ratio is calculated to be 15%.& 17% Iin 2023 & 2022 respectively. UVIC and ASIC have highest level of 71% and 59% respectively maintained as cash, while the lowest ratio of about 2% is maintained by SIL & CSIL.

Asset Mix

Total Investments as at 2023



Asset Mix



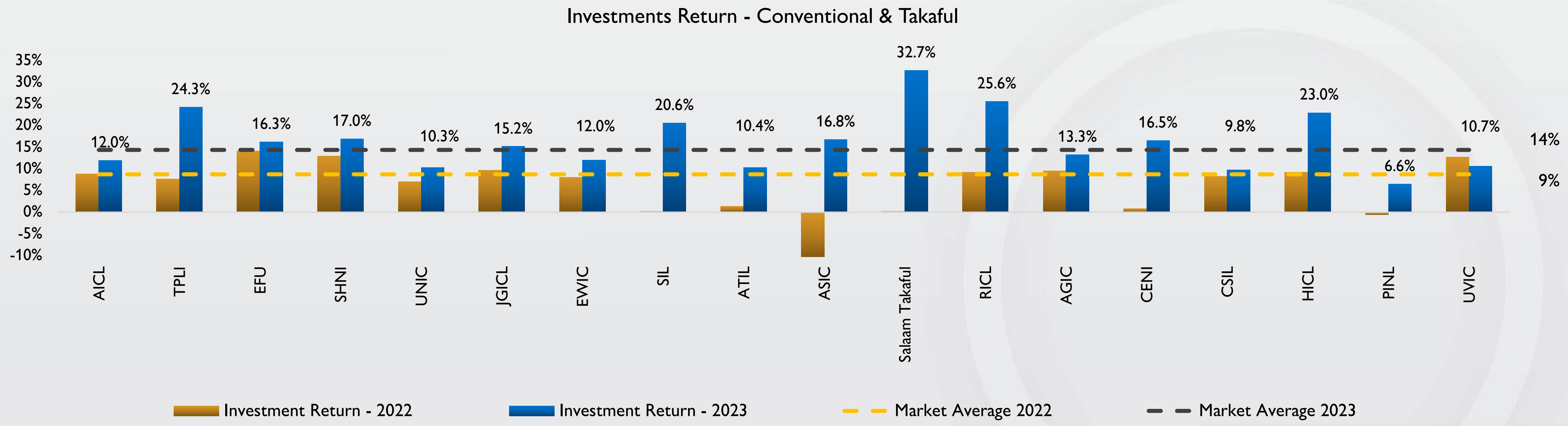
The chart shows the industry's invested assets breakdown for 2023. More than half of the investments are made in equity securities with slightly more than one-third allocated to the fixed income market.

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 103 billion compared to PKR 77 billion in the corresponding period in 2022.

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

AICL, ATIL, RICL,CSIL and PINL has a major proportion invested in the equity market whereas UNIC ,UVIC, JGICL, EFU,SIL and AGIC have focused more on debt instruments.
while the other companies have diversified their portfolios across the three asset classes.

Investment Return



The investment return is calculated by dividing the total investment income by the total invested assets.

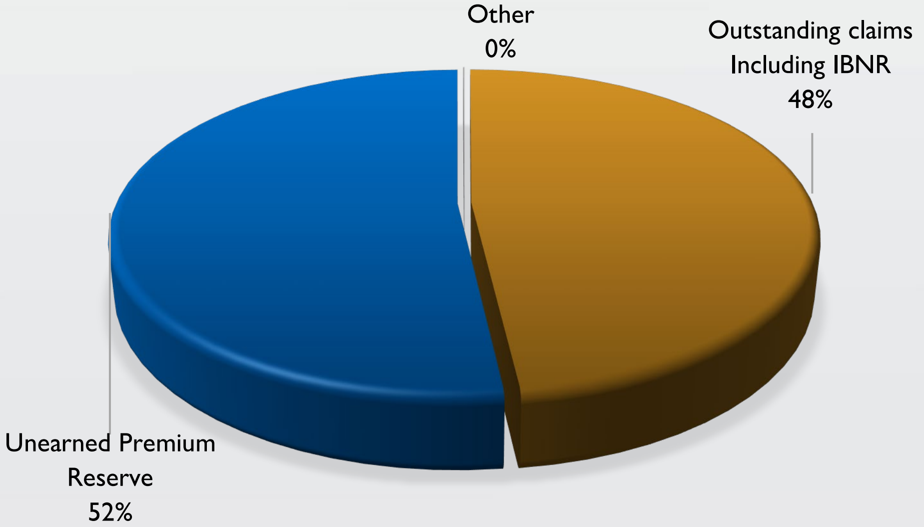
In 2023, the industry's average investment return was around 14%, up from 9% in the same period in 2022.

Salaam Takaful achieved the highest investment return at 32.7%, whereas PINL had the lowest at 6.6%. The investment portfolio of a company reflects its risk profile, with riskier asset classes like equities offering higher potential returns.

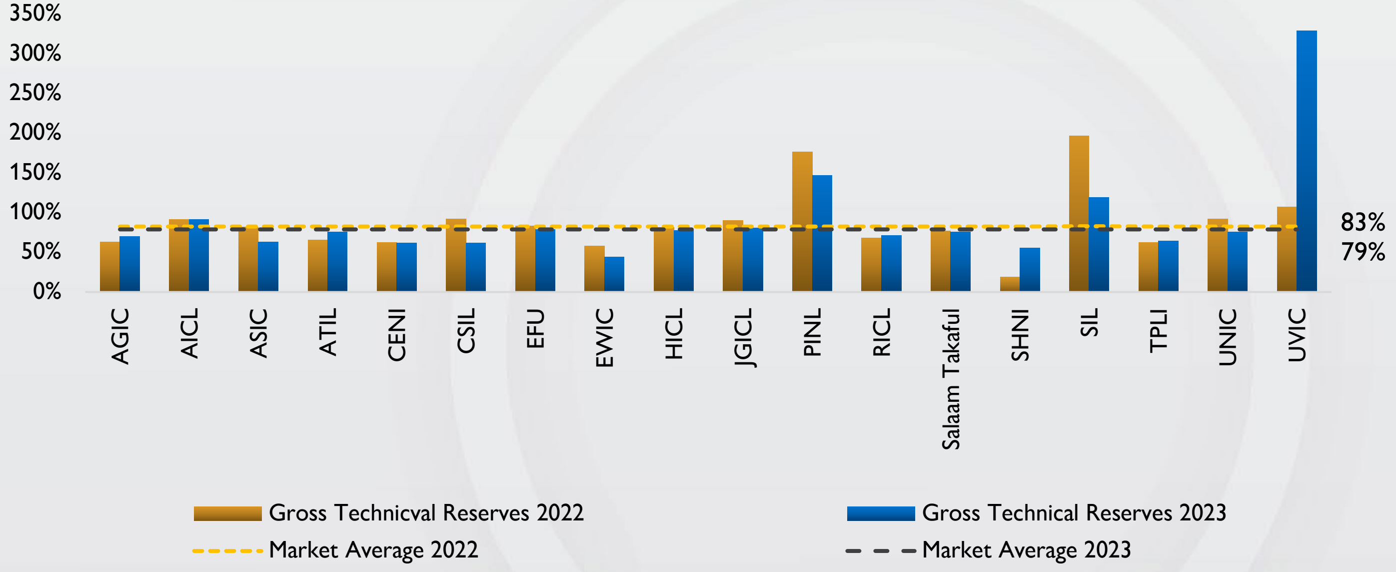
It's important to note that this ratio does not include unrealized gains in the numerator, while investments are valued at fair value in the denominator, resulting in a lower reported investment return ratio.

Technical Reserves

Gross Technical Reserves as at December 2023



Gross Technical Reserves as a % of GWP



Total Technical Reserves : PKR 113 billion

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

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

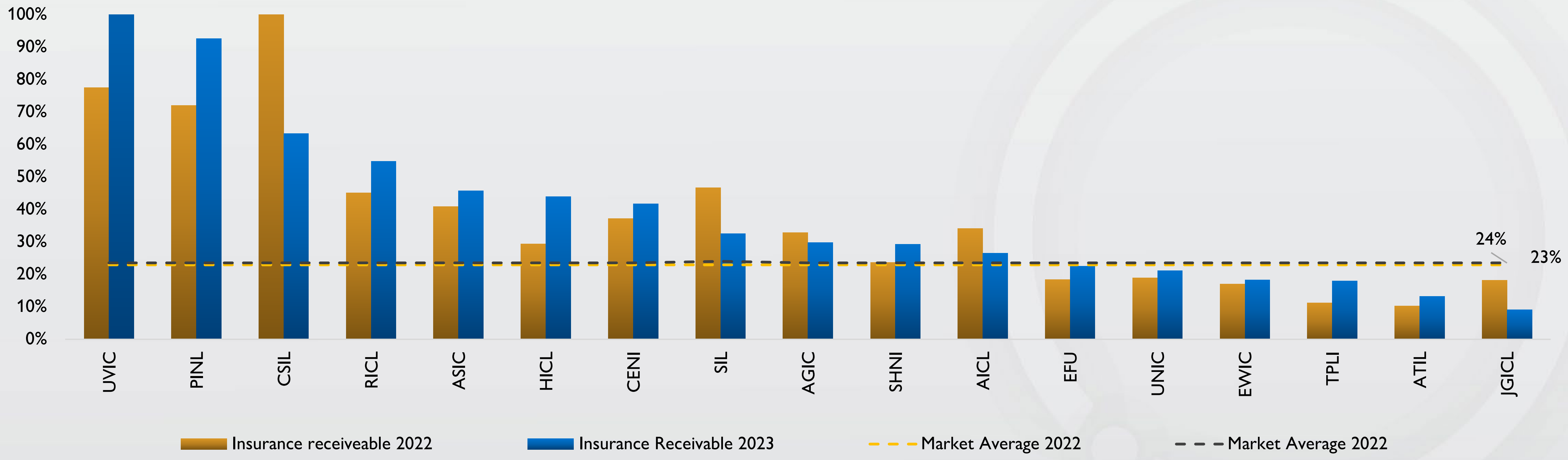
The bar graph shows the ratio of gross technical reserves to gross premiums for 2023. A lower ratio is preferable as it allows the company to cover its reserves with its premiums.

The market average ranges between 79% and 83%.

Insurers aim to strike a balance between under-reserving and over-reserving. Over-reserving can delay profits and taxes, while under-reserving might lead to early dividend payouts..

Insurance Receivables

Insurance Receivables as a % of GWP



The ratio is computed using insurance receivables and annualized gross premium as at December 2023 for the conventional business. The market ratio is computed to be 24% & 23% for 2022 & 2023 respectively. UVIC has the highest ratio of 183% while JGICL has the lowest ratio at 9%. In 2023. JGICL faced a significant declined in insurance receivables ratio when compared with 2022.

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

2019	2020	2021	2022	2023
PKR **74bn**	PKR **74bn**	PKR **88bn**	PKR **113bn**	PKR **143bn**

Industry NEP Growth Timeline - Conventional & Takaful

2019	2020	2021	2022	2023
PKR **39bn**	PKR **39bn**	PKR **46bn**	PKR **55bn**	PKR **65bn**

Industry PBT Growth Timeline - Conventional & Takaful

2019	2020	2021	2022	2023
PKR **11bn**	PKR **10.1bn**	PKR **13bn**	PKR **12.4bn**	PKR **21bn**

Highest GWP Recorded by
EFU at PKR **41.5bn**

Highest Growth in GWP Recorded by
CSIL at **103%**

Highest NEP Recorded by
EFU at PKR **14.5bn**

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

Lowest Combined Ratio Recorded by
ATIL at **63%**

Highest Investment Income (Conventional) Recorded by **EFU** at PKR **2.4bn**

Highest PBT Recorded by
EFU at PKR **5.5bn**

Highest Growth in PBT by
TPLI at **1702%**

Highest ROE by
TPLI at **44.4%**

Highest Investment Return Recorded by
Salaam Takaful at **32.7%**

Conclusion

The year 2023 was tough for Pakistan's economy, facing severe flooding, political unrest, and global economic imbalances. These issues led to significant hardships, with rising prices of food, gas, and oil. The insurance sector, among others, was heavily impacted, and the devaluation of the Pakistani Rupee further stifled market growth. Amid these challenges, hope for a better 2024 persists. However, this hope hinges on the authorities' ability to make smart decisions and steer the country towards recovery.

In 2023, the market premium in Pakistan witnessed significant growth, with a 27% increase in the top-line. This growth contributed to a Gross Written Premium (GWP) of PKR 143 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 2023, the market experienced an increase in the gross loss ratio, reaching 43%. This rise was primarily driven by heightened loss activity in the Motor segment. On the other hand, the net loss ratio stood at 48%, 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 96%.

In 2023, the market experienced a significant increase in investment income, which increased to PKR 14.9 billion. This increment played a significant role in the improvement of the company's net earnings. Additionally, the market's profit before tax also saw an increase of 69%, amounting to PKR 21 billion.

Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the general insurance companies in Pakistan for the year end 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.

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

Companies Included in the Analysis

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
سلام TAKAFUL	17	Salaam Takaful Limited	Salaam Takaful

About Our Team

Directors	6 Staff		
UAE/ Oman Actuarial	40 Staff	Medical	6 Staff
KSA Actuarial	45 Staff	IFRS-17	13 Staff
Business Intelligence	9 Staff	HR Consultancy	3 Staff
End of Services	5 Staff	Financial Services	14 Staff
Sales	2 Staff	Strategy Consulting	1 Staff
Support & Admin	28 Staff	Data Science	5 Staff

Total Strength 177

Our Team

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Omar Khan
Senior Manager - Actuarial

Yaqeen Fatima
Jr. Research Executive

Hassan Athar
Senior Research Executive

Our Feedback

BADRI Management Consultancy is proud to present Pakistan General Insurance Companies Performance analysis for YE 2023. 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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