BADRI

Pakistan’s

General Insurance Industry Performance Analysis – H1 2024

Date: November 25, 2024

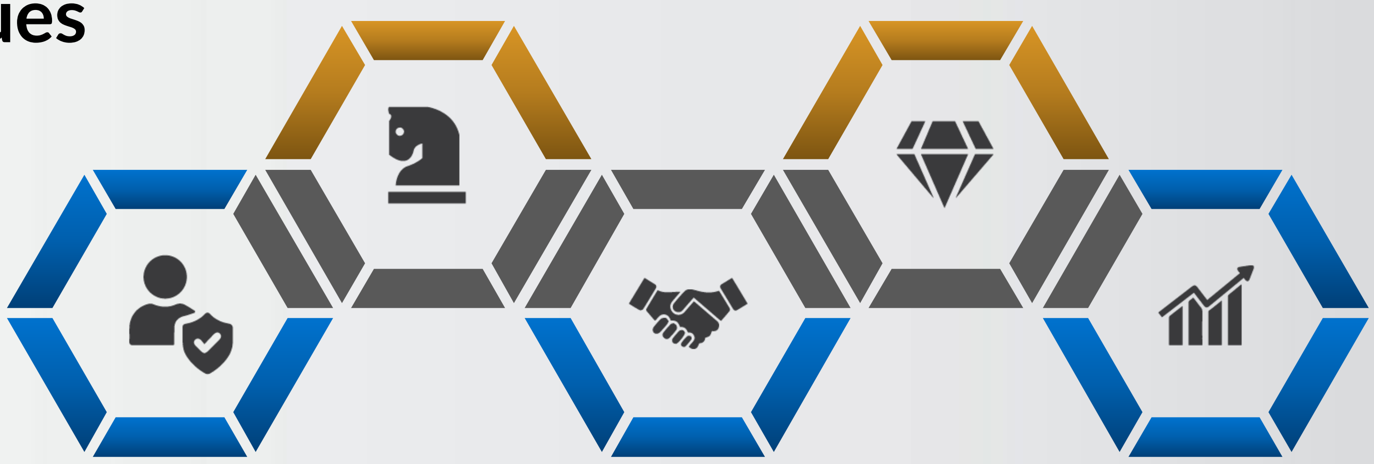
Vision

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



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 around **200** talented staff in UAE, KSA, Pakistan, Egypt and UK 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.
- Best Internship Program (Silver) Award by Employee Happiness Awards.
- Best Digital & Social Media Initiative (Silver) Award by Customer Happiness Awards

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.

We are proudly standing at around **200** employee base that are spread across UAE, KSA, Pakistan, Egypt and UK. They certainly 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 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**

- General Insurance, Life and Health, Pensions and Social Security
- Regulatory / Appointed Actuary
- Reserving, Technical Pricing, Capital Modelling
- Investment and ALM
- Reinsurance Modelling / Optimization
- Financial reporting including IFRS 17 and IFRS 9

Strategic **Consultancy**

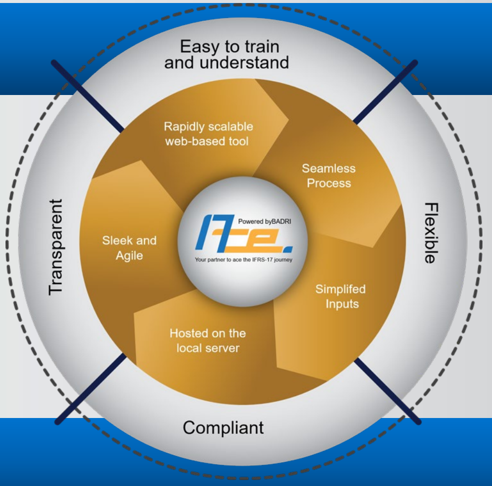
- Strategy and Business Plan development
- Digitalization Strategy
- M&A (due diligence)
- Market and Product development and innovation
- Enterprise Risk Management
- ESG and Climate Risk
- Financial Services
- HR Strategy

Technology **Consultancy**

- Actuarial Software for pricing, reserving and capital modelling
- IFRS 17 financial reporting software and managed services
- Business Intelligence software
- Motor and medical portfolio management / dashboards
- Data Strategy and Governance

Leading the way in **IFRS 17 Implementation**

BADRI has taken a lead in providing IFRS 17 consulting to general & life insurers within Pakistan by securing a leading market share in the upcoming Phase 3 & 4. This would enable our clients to be IFRS 17 compliant by January 2026. In addition to this, BADRI will also be providing system support by way of its IFRS 17 accounting engine called ACE 17.



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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Table of Contents

H1-2024 Highlights

Gross Premium Written - Conventional	**PKR 63 billion** H1-2023: PKR 58 billion	**Gross Contribution Written - Window Takaful**	**PKR 9 billion** H1-2023: PKR 7 billion
Retention Ratio – Conventional & Window Takaful	**46%** H1-2023: 50%	**Gross Loss Ratio - Conventional & Window Takaful**	**30%** H1-2023: 54%
Net Loss Ratio - Conventional & Window Takaful	**49%** H1-2023: 58%	**Combined Ratio - Conventional & Window Takaful**	**92%** H1-2023: 100%
Investment Income - Conventional & Window Takaful	**PKR 9 billion** H1-2023: PKR 5.3 billion	**PBT - Conventional & Window Takaful**	**PKR 13 billion** H1-2023: PKR 7 billion
Investment Return - Conventional & Window Takaful	**8%** H1-2023: 6%		

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 maintain their IFS ratings.

Insurance Density And Penetration

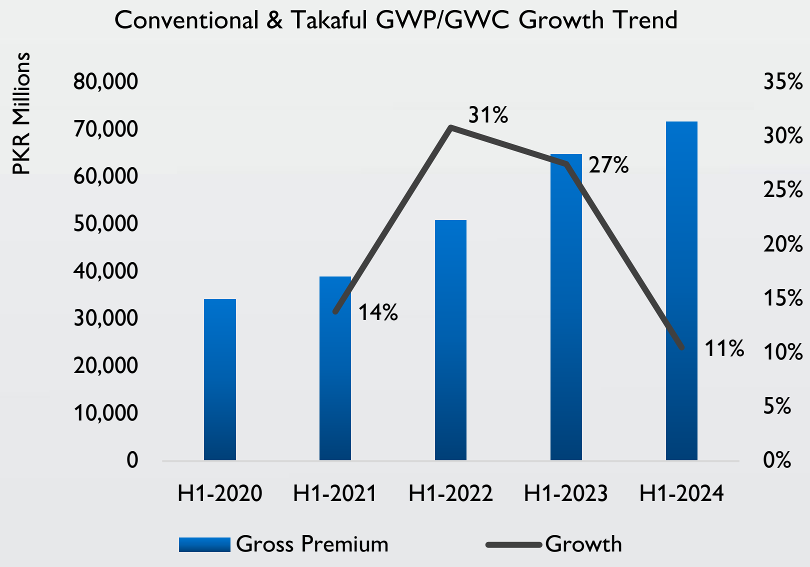
The Insurance Penetration ratio measures the proportion of GDP contributed by the written premium. The general insurance premiums contribute about 0.2% to Pakistan's GDP compared to a ratio of 0.9% and 0.7% for regional comparable countries namely India and Sri Lanka. While the insurance penetration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

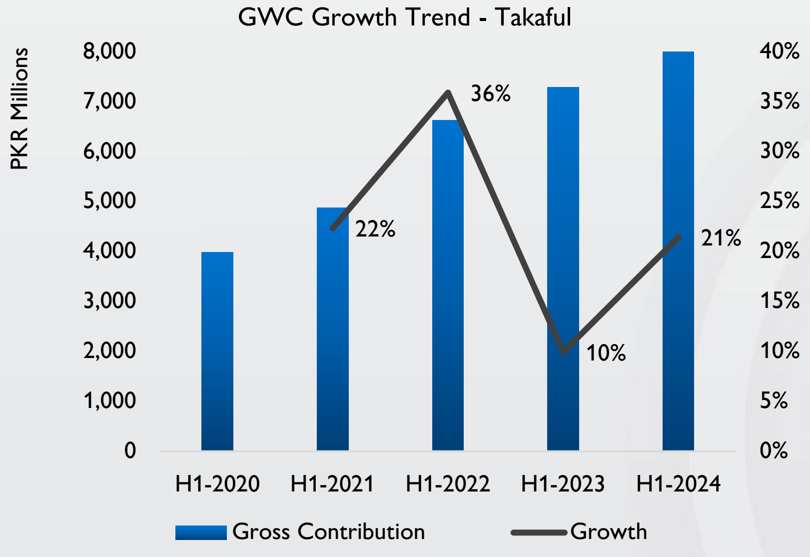
The Insurance Density measures the general Gross Written Premium per capita. The ratio for Pakistan shows an increasing trend year-over-year and stands at PKR 596 in 2023. While for regional comparable like India and Sri Lanka this number stands at USD 22 and USD 30, respectively. For developed countries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

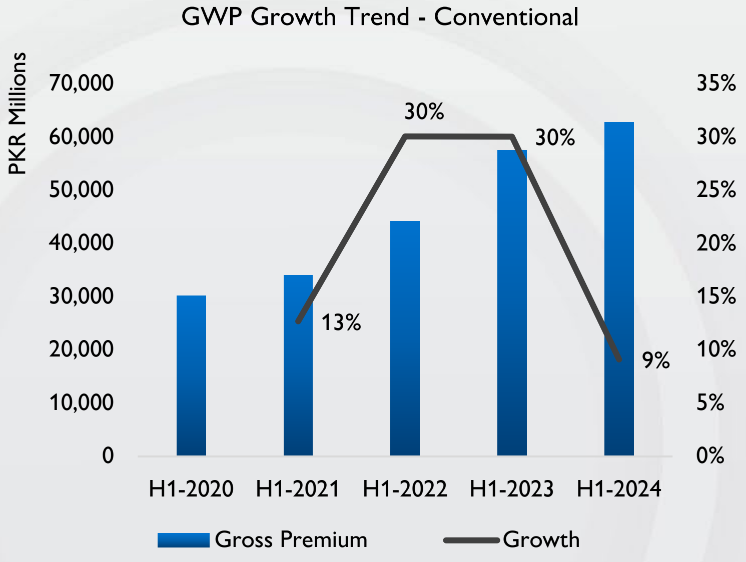
The insurance industry plays a key role in managing the risks for individuals and large corporations included. This industry has a lot of potential for growth which can be materialized through government initiatives such as new types of compulsory insurance and awareness on financial literacy.

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





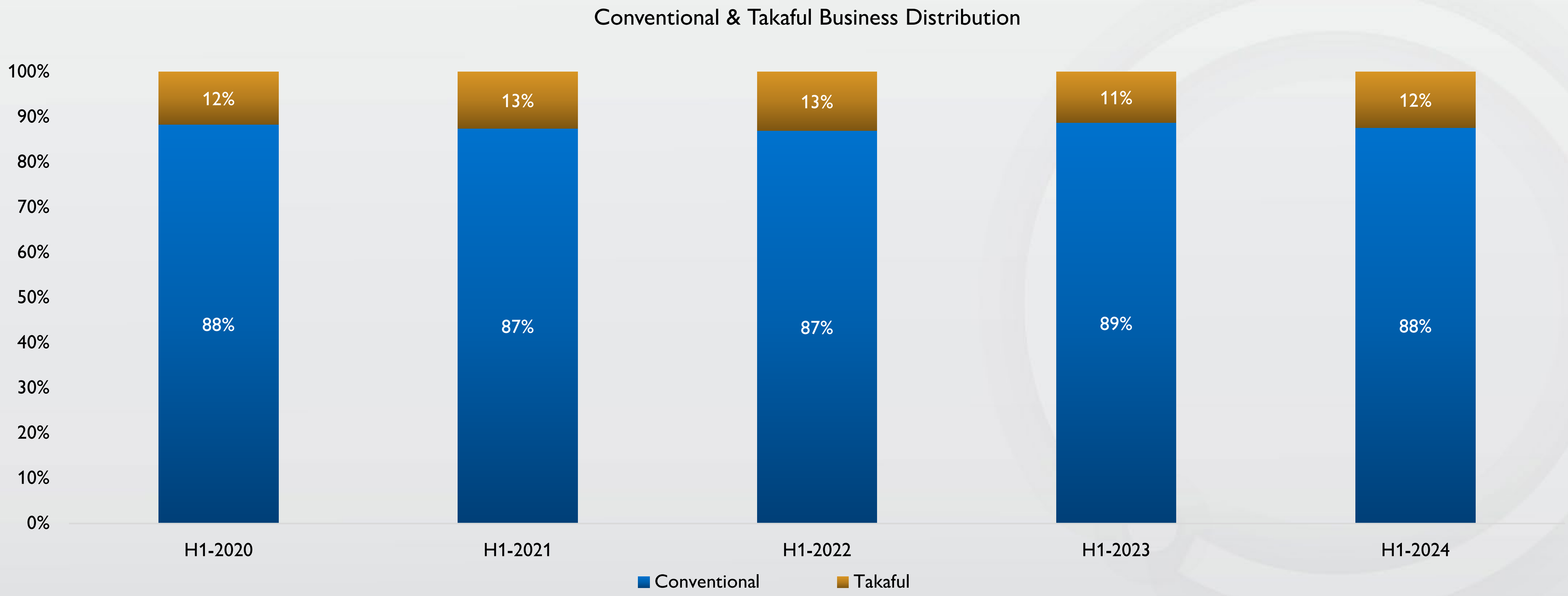


Pakistan's general insurance sector recorded significant growth in gross written premiums (GWP) during the first half of 2024. GWP increased by PKR 7 billion compared to the first half of 2023, reaching a total of PKR 72 billion. This growth occurred against the backdrop of a challenging economic environment, particularly the sharp depreciation of the Pakistani Rupee against the US dollar. The currency devaluation hit Pakistan’s import-dependent economy hard, leading to surging costs for goods and commodities. However, the rise in GWP was seen across all insurance segments, driven by inflationary pressures that encouraged individuals and businesses to turn to insurance as a way to mitigate financial risks.

In the first half of 2024, the takaful market saw its gross written premiums (GWP) grow by PKR 1.6 billion, bringing the total to PKR 9 billion. This growth underscores the rising demand for Shariah-compliant financial products, as both individuals and businesses increasingly turn to alternative risk management options in the face of economic uncertainties.

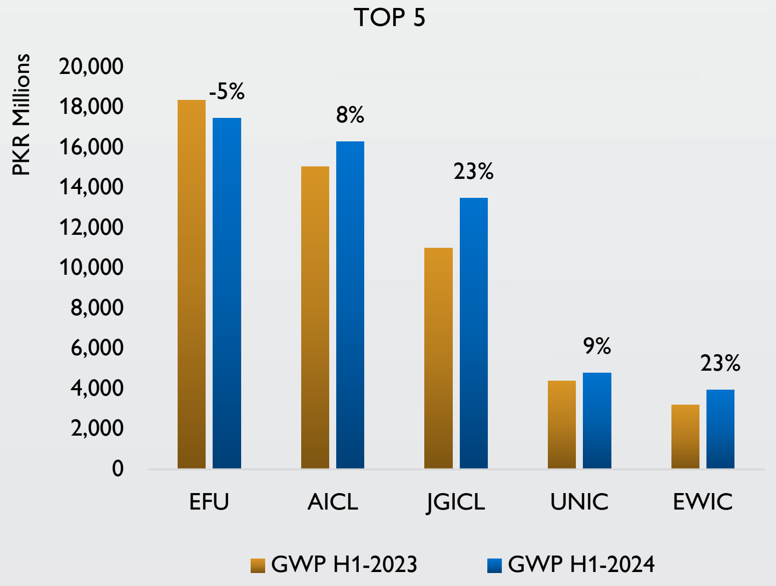
In H1-2024, conventional business continued to dominate the takaful industry, contributing significantly to its Gross Written Premium (GWP), amounting to PKR 63 billion for the first half of 2024. The conventional industry’s GWP increased by 5 billion in H1-2024.

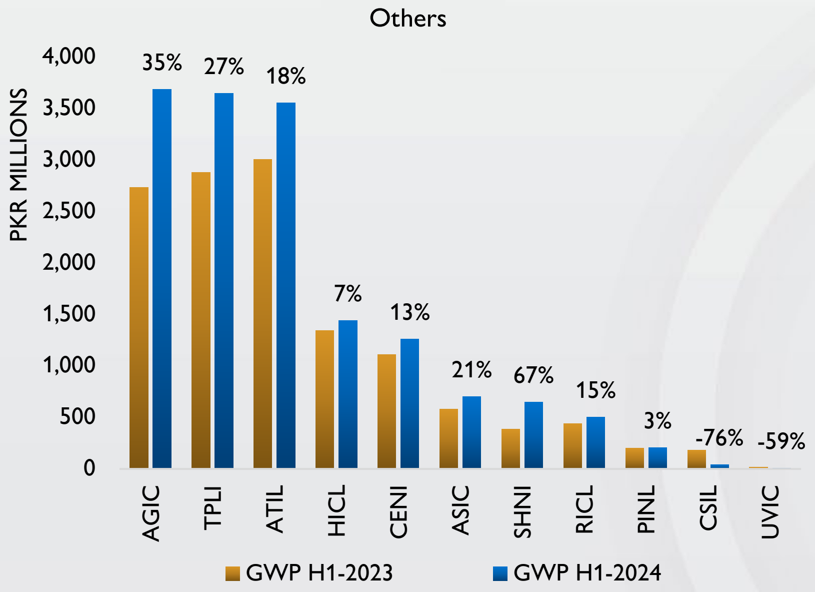
Gross Written Premium - Distribution

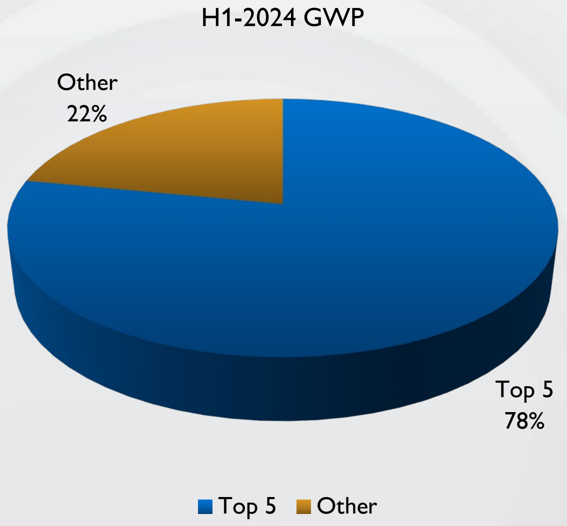


Despite conventional insurance maintaining a dominant position, Takaful market has demonstrated consistent growth over the past four years, with a temporary decline in H1-2023. In H1 2024, Takaful's market share rose to 12%, showing a slight increase compared to H1 2023.

Gross Written Premium - Companies







In the first half of 2024, the top 5 companies in the general insurance industry collectively made a substantial contribution of PKR 56 billion out of a total market premium of PKR 72 billion, constituting 78% of the market share. This underscores their dominant position within the sector.

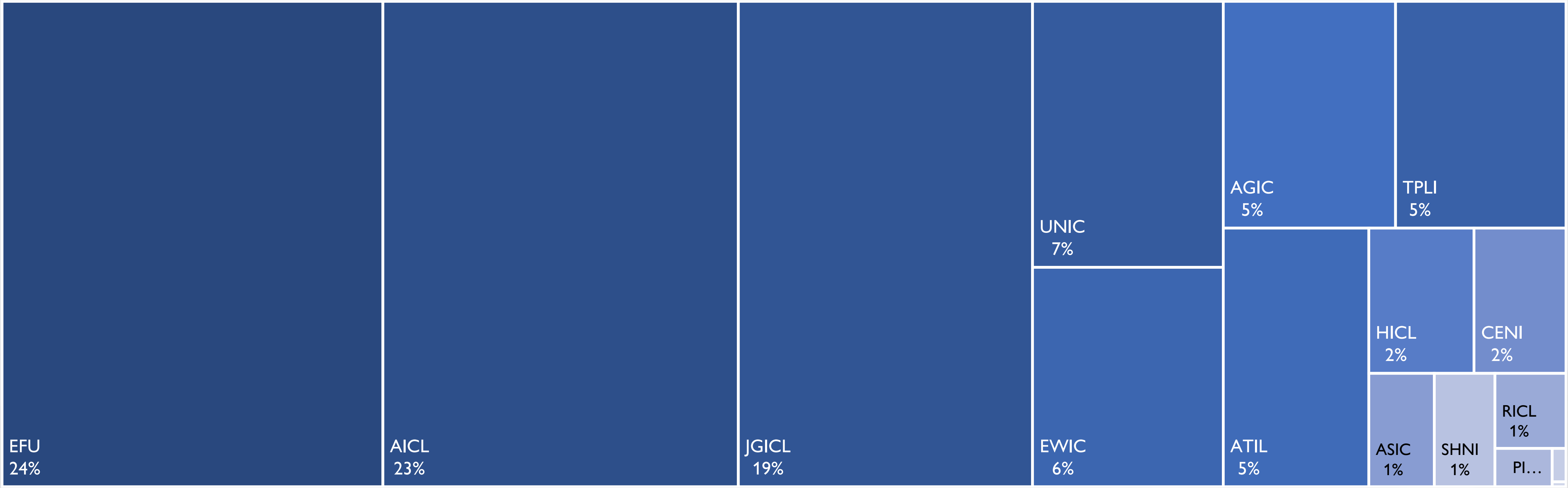
While the other companies contributing 22% to the total GWP.

EFU emerged with a commanding position , capturing a significant 24% share of the Gross Written Premium. closely followed by AICL and JGICL at 23% and 19%, respectively.

***AICL includes business underwritten inside Pakistan only*

Gross Written Premium - Market

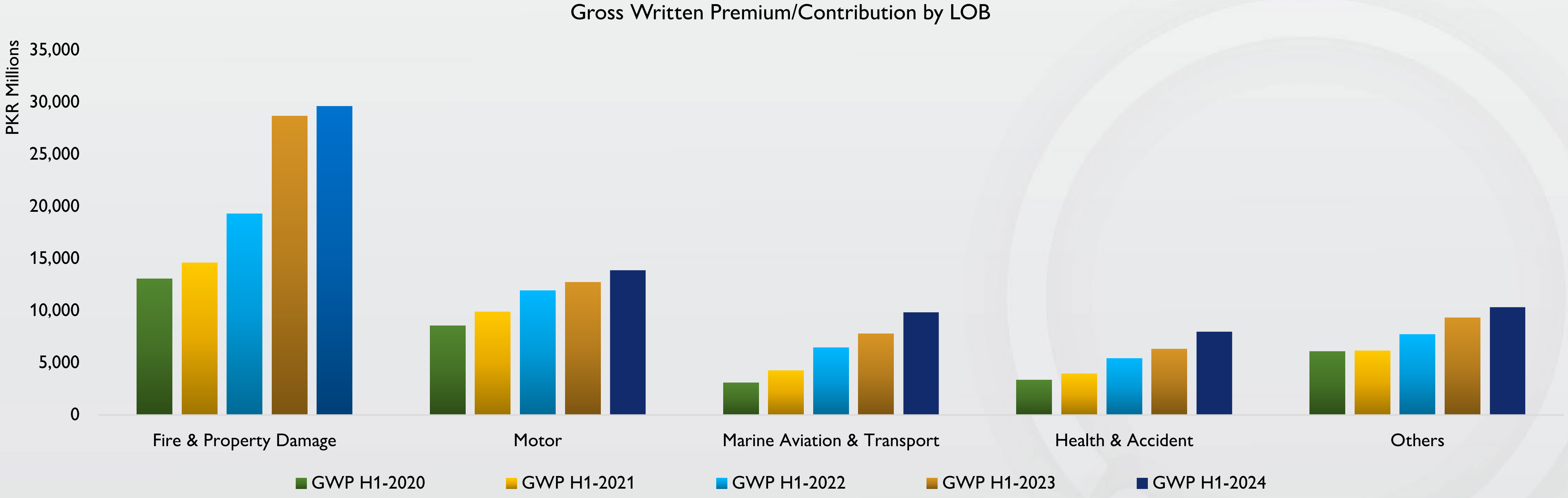
GWP - Market Share Of Companies



EFU emerges as the top player in the general insurance sector for H1-2024 in terms of Gross Written Premium (GWP), holding a market share of 24%. AICL follows with 23%, and JGICL with 19%. The market map visually illustrates a decrease in market shares from left to right

***AICL includes business underwritten inside Pakistan only*

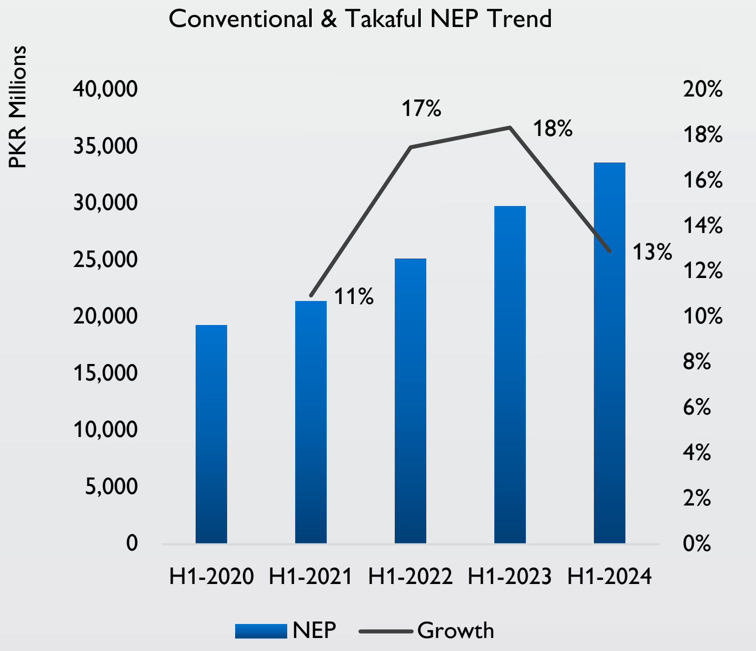
Gross Written **Premium** - Distribution

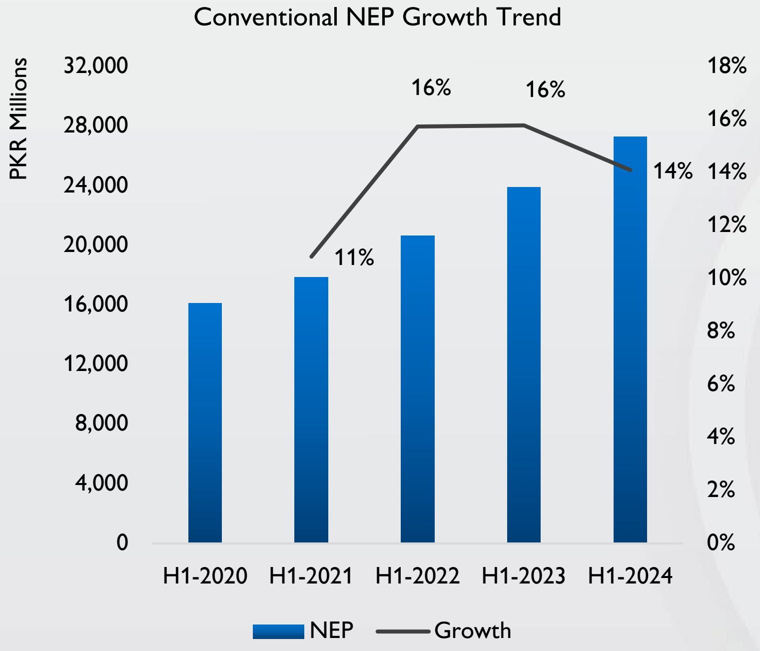


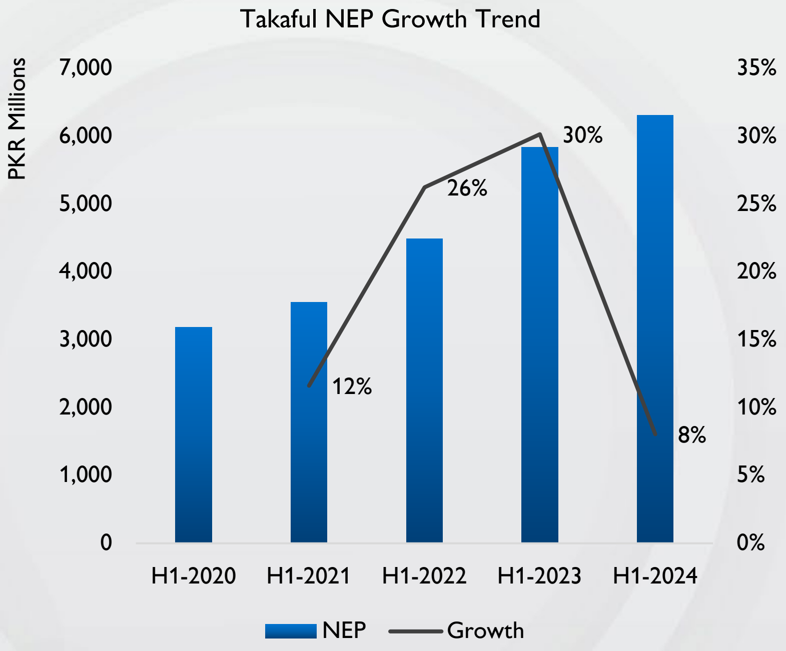
All lines of business saw steady growth in premiums and contributions during the first half of 2024. The Marine Aviation & Transport and Motor segments posted the largest increase, with a 26% rise. This premium growth can also be linked to the inflationary effects of the Pakistani Rupee's devaluation against the dollar, which led to higher import costs and increased car prices.

The "Others" segment encompasses various lines of business, with Crop, Liability, and Miscellaneous contributing the largest portions of the Gross Written Premium (GWP) among them.

Net Earned Premium - Market





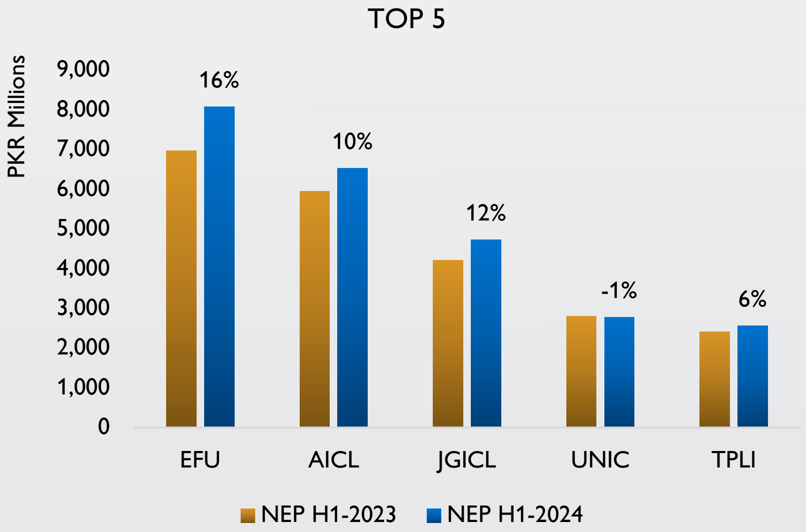


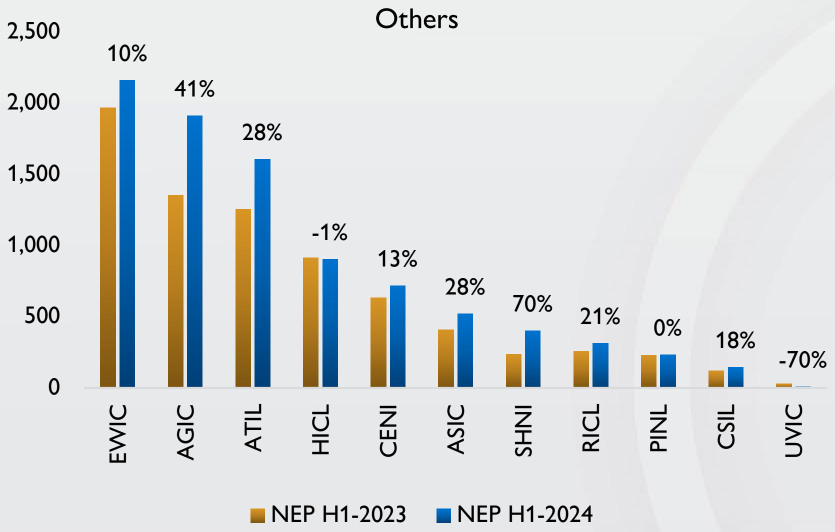
In the first half of 2024 the combined net earned premium (NEP) for conventional and takaful businesses in Pakistan increased by PKR 3.8 billion, amounting the total to 33.6 billion in H1-2024. While the market had maintained a steady growth rate up until H1 2023, it declined to 13% in H1 2024.

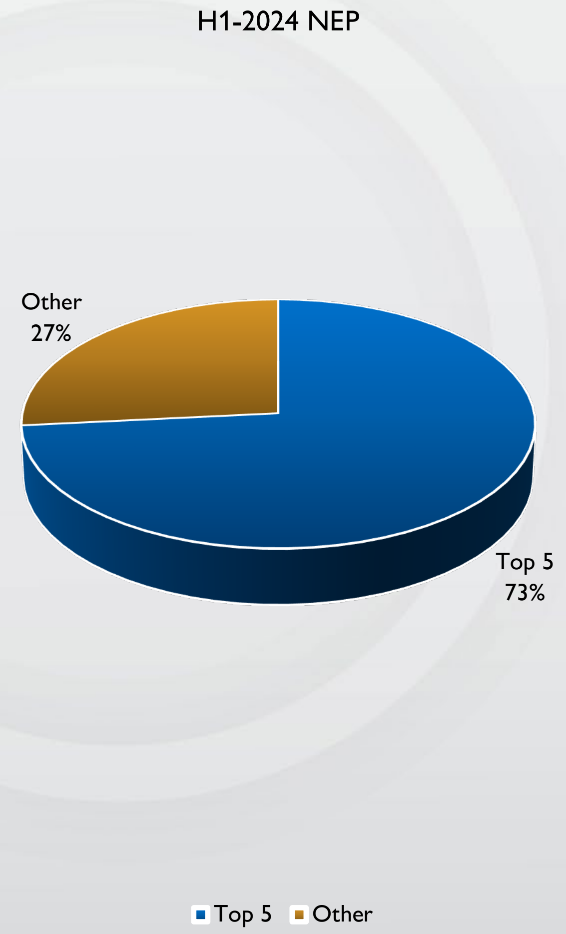
The conventional insurance sector contributed PKR 27 billion to the total net earned premium (NEP), securing a dominant 81% share of the market. Gross written premiums (GWP) rose by PKR 3.3 billion in H1 2024 compared to the same period in 2023.

While the conventional business maintained an upward trajectory, the takaful sector saw a decline in growth, dropping from 30% in H1 2023 to 8% in H1 2024. The net earned premium (NEP) for the takaful segment reached PKR 6.3 billion in the first half of 2024

Net Earned **Premium - Companies**







The net earned premium (NEP) for the top five companies reached PKR 24.7 billion, representing a 10% increase from the previous year. Collectively, these companies command a substantial 73% share of the market in terms of NEP.

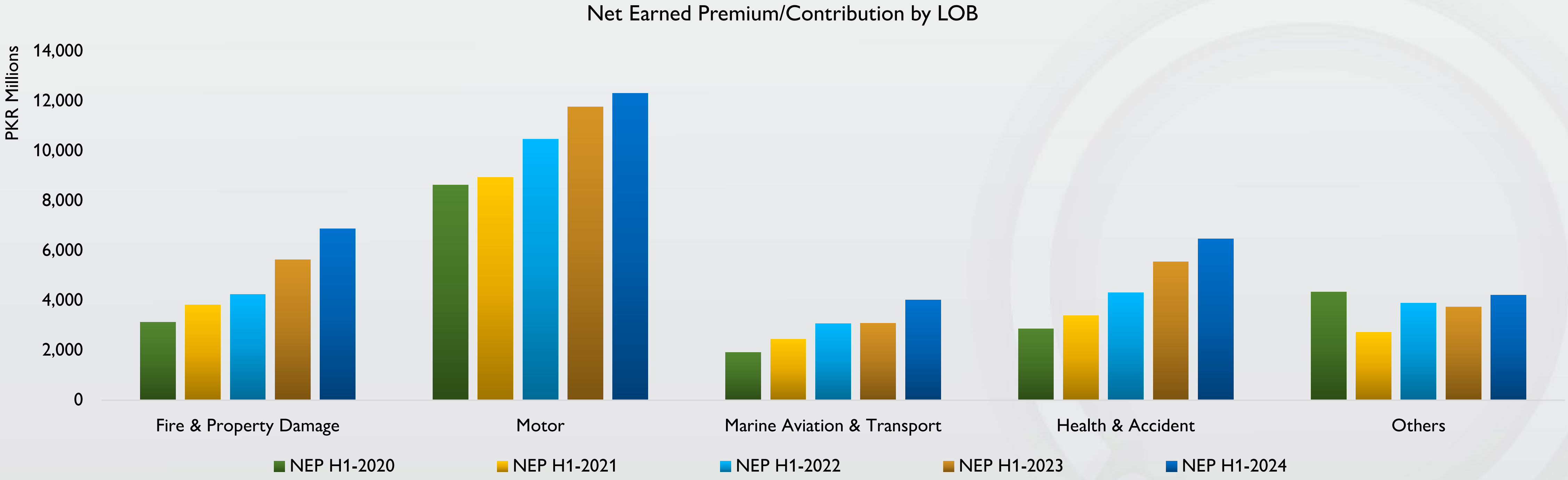
EFU leads the general insurance sector with an NEP of PKR 8 billion, followed by AICL at PKR 6.5 billion and JGICL at PKR 4.7 billion.

Among the top five companies, EFU recorded the highest NEP growth rate of 16% in H1 2024 compared to the same period in 2023.

The remaining industry players collectively account for a 27% market share in terms of net earned premium (NEP). All companies, except UVIC,UNIC & HICL, recorded positive growth rates in NEP. AGIC achieved the highest NEP growth rate at 41%

***AICL includes business underwritten inside Pakistan only*

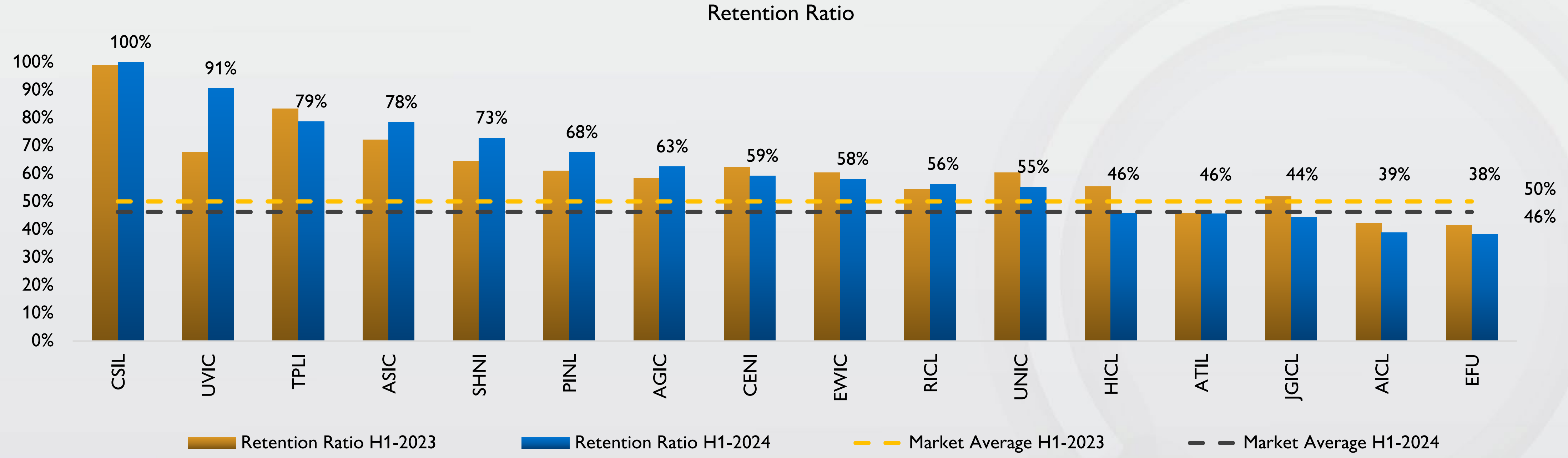
Net Earned **Premium - Distribution**



The highest net earned premium has been earned in the Motor line throughout the five-year period with the H1-2024 number at PKR 12.3 billion. The lowest net earned premium has been earned in the Marine and Aviation line of PKR 4 billion. All the lines have experienced an increase in NEP with the largest increase experienced by Marine and Fire of 30% and 22% respectively.

It can be observed that a significant proportion of the Fire & Property Damage line has been reinsured which is due to the nature of the risk profile for this line. The highest net premium has consistently been earned in the Motor line of business. Health & Accident continues to be a primarily retained line.

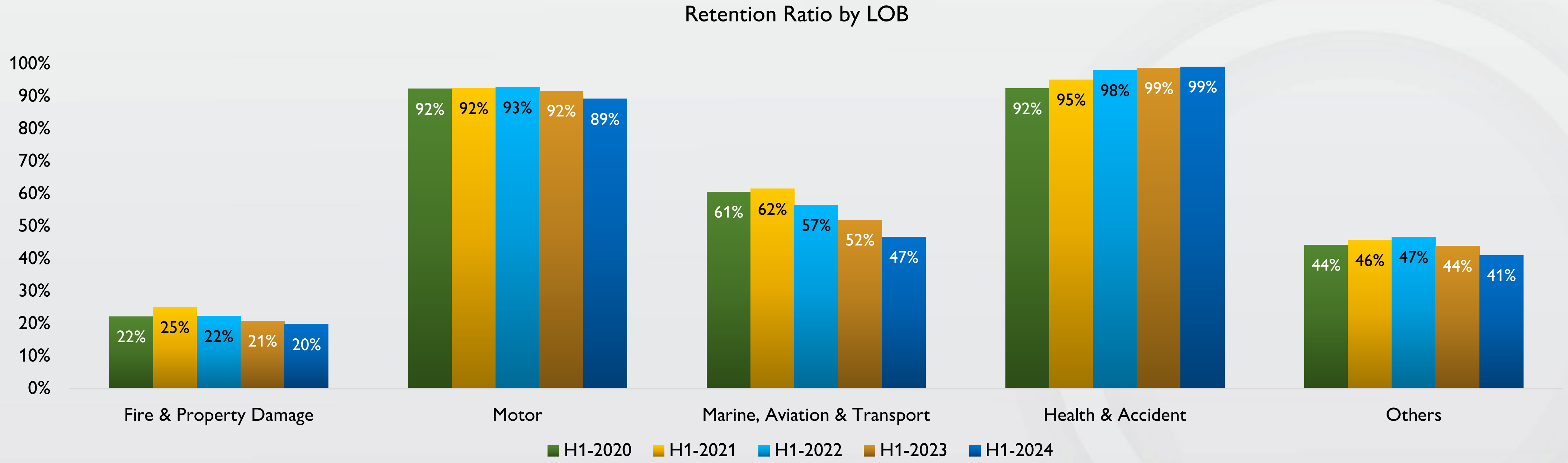
Retention Ratio



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 46% for H1-2024, representing the weighted average ratio used as a benchmark in our analysis. This ratio has seen a decrease from 50% in H1-2023 to 46% in H1-2024.

CSIL showed the highest retention ratio of 100%, whereas EFU had the lowest ratio at 38%. 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.

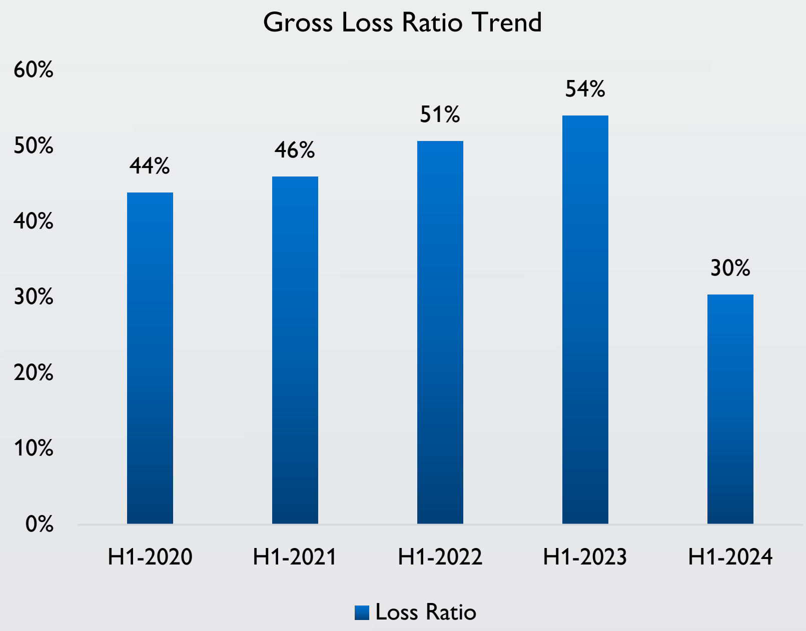
Retention Ratio

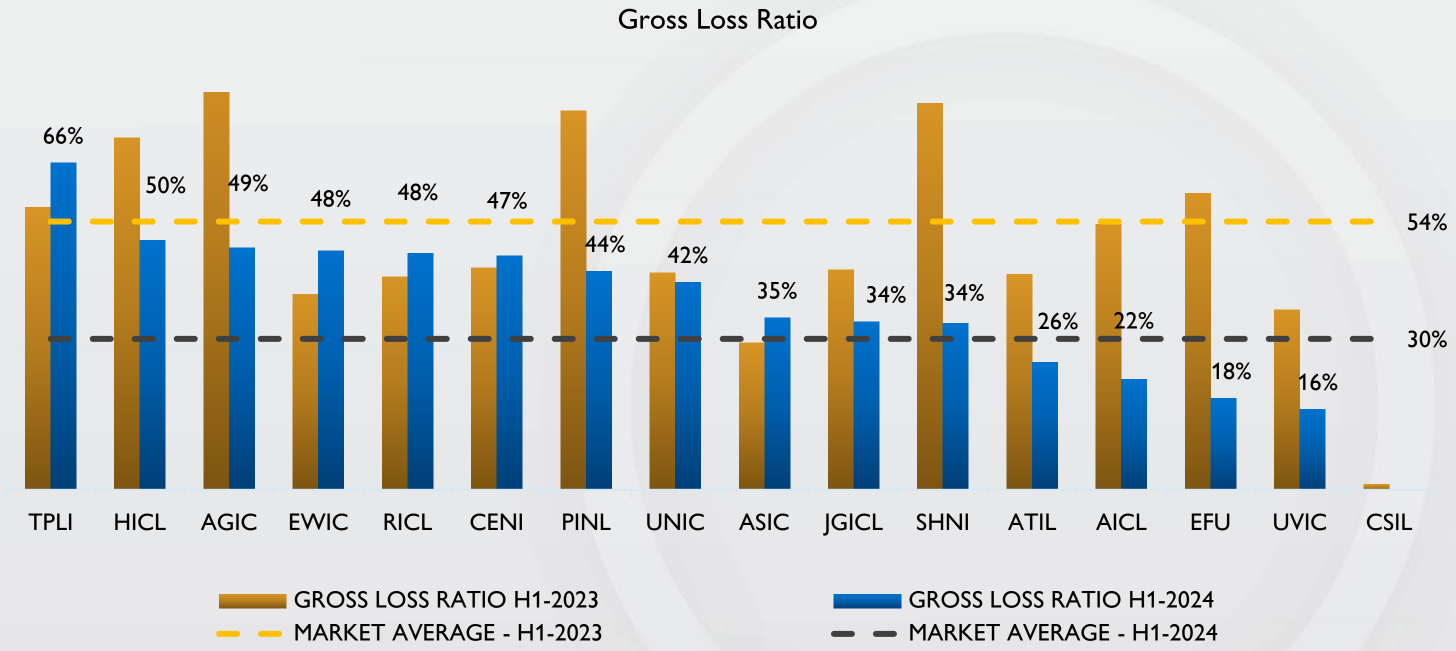


The retention ratio represents the percentage of business retained by insurance companies without being reinsured. Lines of business with high frequency and low severity, such as Motor and Health, typically have higher retention ratios as anticipated. Conversely, lines like Fire and Marine, which involve 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 demonstrates stable retention ratios across each line of business over the past five years; however, the marine line of business has consistently exhibited a downward trend during this period

Gross Loss Ratio

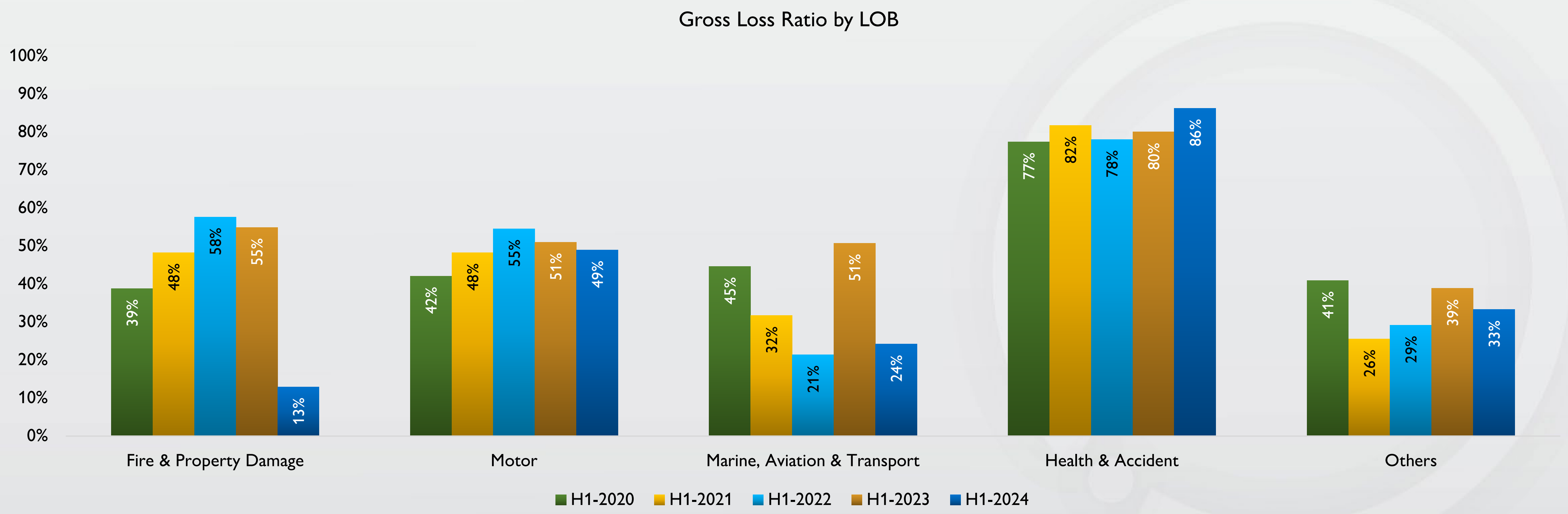




The gross loss ratio, calculated as the ratio of gross incurred claims to gross earned premium/contribution (using gross figures excluding wakala for the takaful segment), has shown a decline in H1-2024. indicates a significant improvement in the company's underwriting performance. This drop suggests that the companies have become more efficient at managing claims relative to its premiums earned, leading to better profitability.

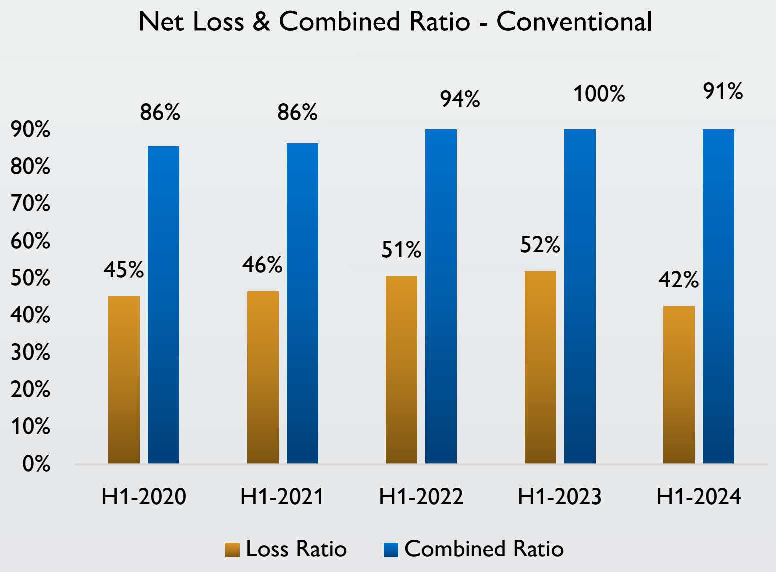
In the first half of 2024, the majority of companies reported a decline in their gross loss ratios compared to the prior year. TPLI and HICL had the highest loss ratios, recorded at 66% and 50%, respectively, while CSIL showed the lowest at 0%. This variation highlights the differing risk profiles and performance levels among insurers in the market. The overall decrease in loss ratios indicates enhancements in claims management and risk mitigation strategies that these companies have adopted over the past year.

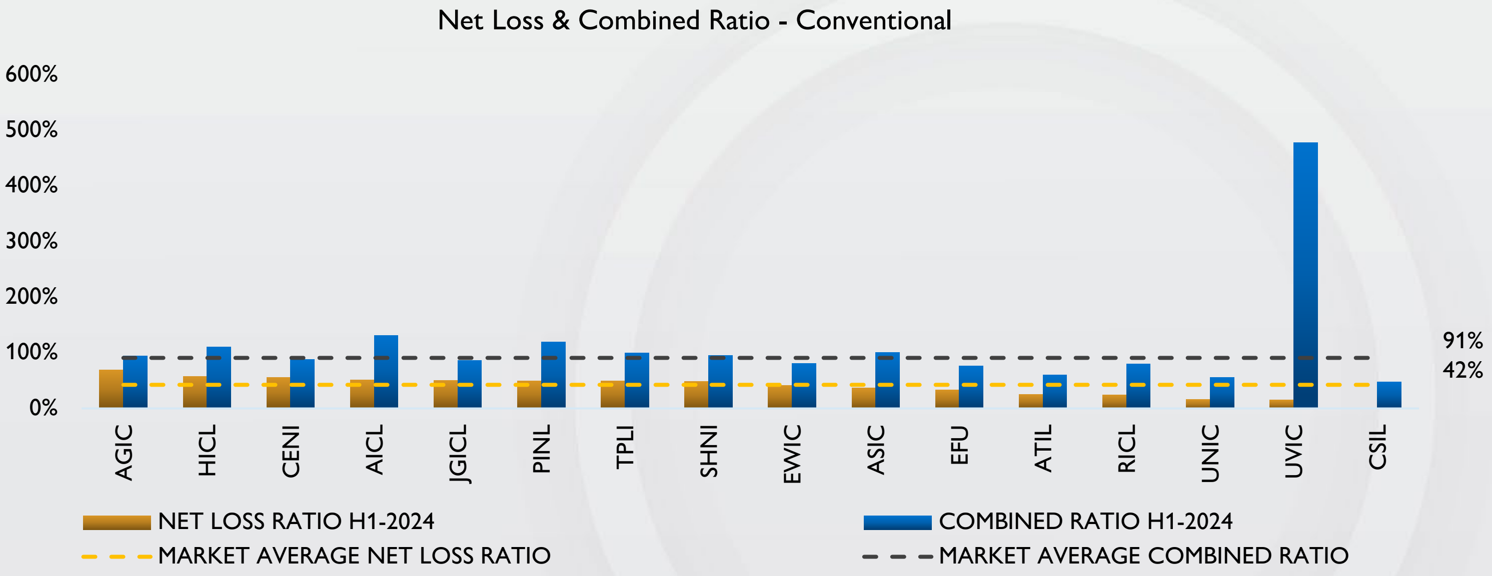
Loss Ratios by Line of Business



In the first half of 2024, the health segment experienced a 6% rise in gross loss ratios compared to the same period in 2023. Noteworthy changes include a sharp decline in fire loss ratios, which fell by approximately 42%, from 55% in H1-2023 to 13% in H1-2024. Similarly, the marine line of business saw a significant reduction, with loss ratios dropping from 51% in H1-2023 to 24% in H1-2024.

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

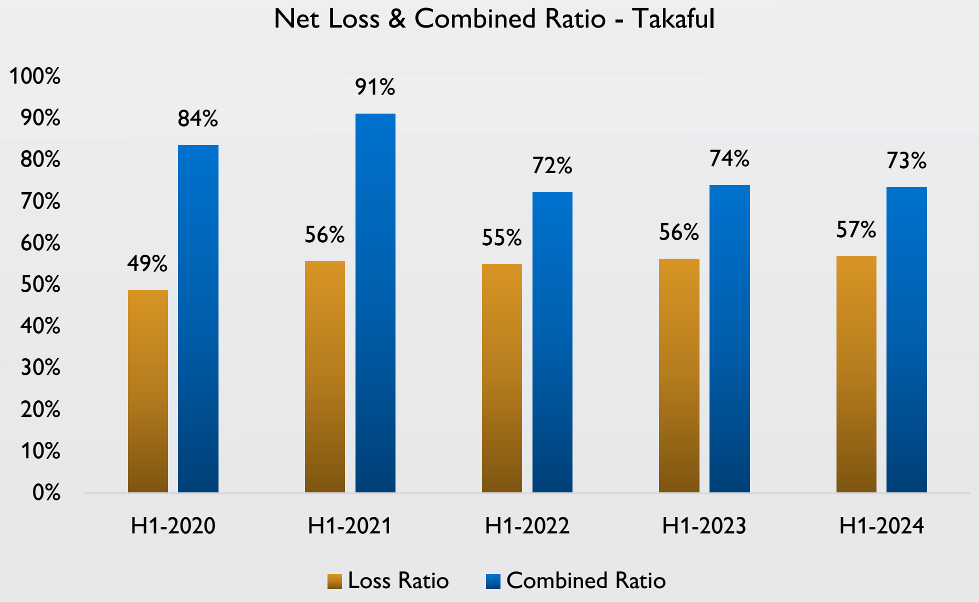
The net loss ratio and combined ratio experienced a significant reduction in the first half of 2024. The net loss ratio decreased from 52% in H1-2023 to 42% in H1-2024, while the combined ratio improved from 100% to 91% during the same period.

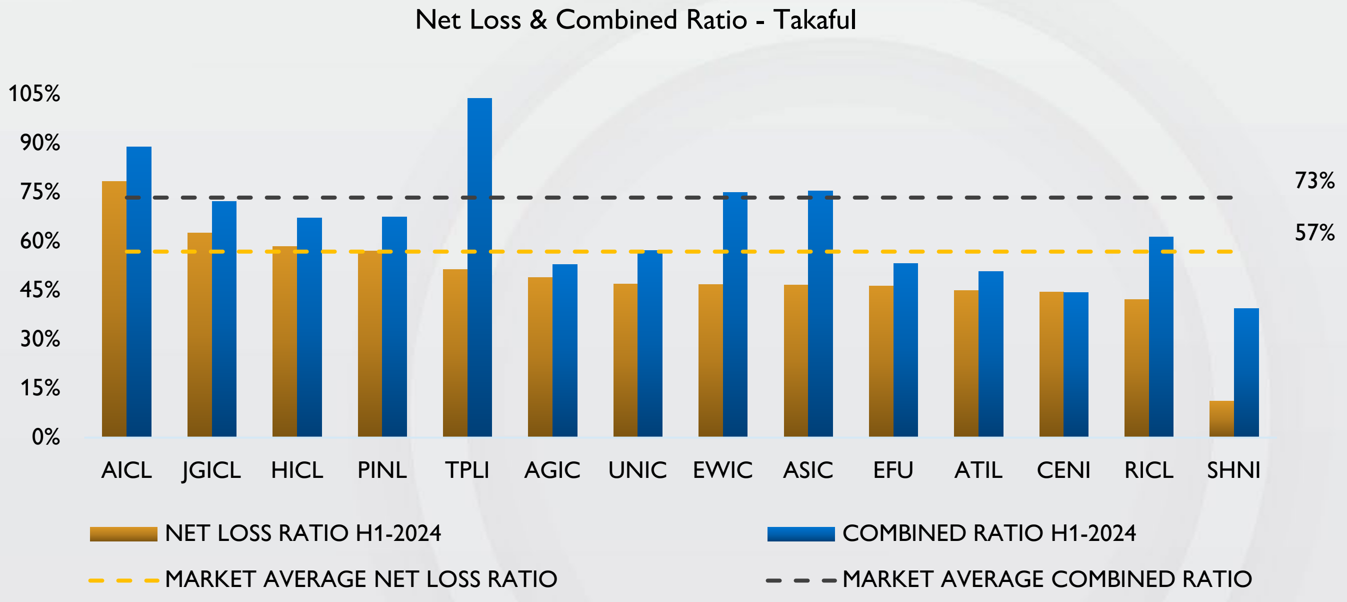
The net loss ratio is calculated by dividing net incurred claims by net earned premium, whereas the combined ratio also accounts for management expenses and net commissions.

The market's net loss ratio, representing the weighted average, stands at 42%, while the market combined ratio is 91%.

AGIC reported the highest net loss ratio at 69%, whereas UVIC posted the lowest at around 15%. In terms of the combined ratio, UVIC recorded the highest figure. It is important to highlight that a combined ratio exceeding 100% reflects a net underwriting loss.

Net Loss & Combined Ratio - Takaful



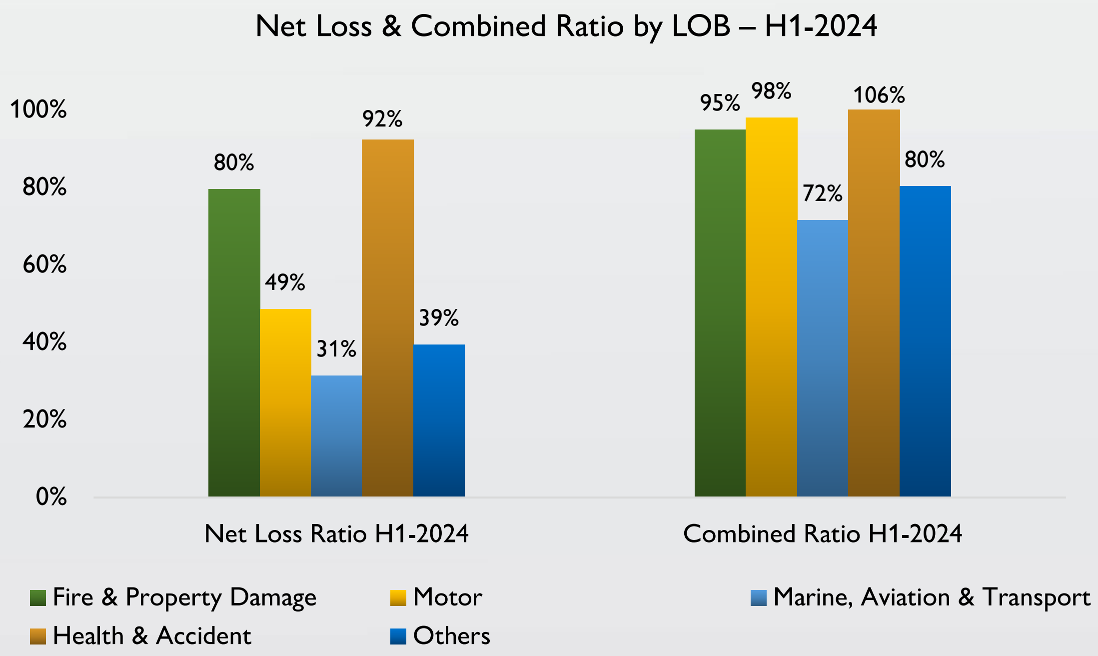


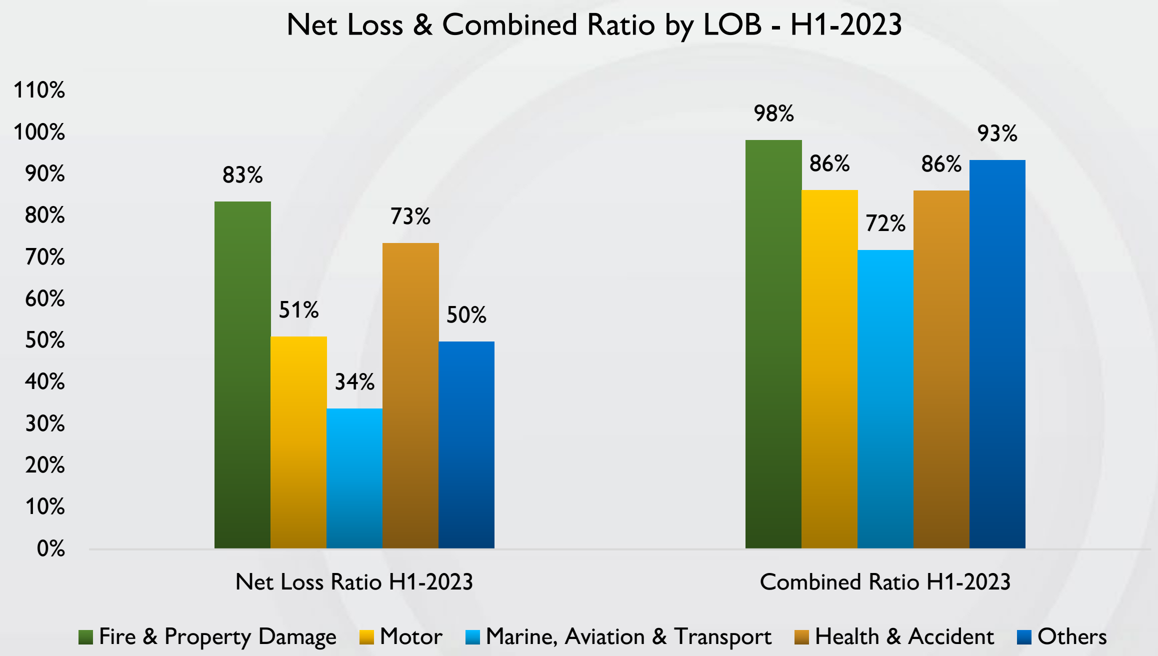
Over the past four years, the net loss ratio has remained relatively stable, fluctuating between 55% and 57%, while the market combined ratio has ranged from 72% to 91%. Both ratios saw a decline in 2022-H1, with 2021-H1 reflecting the highest levels over the five-year period. Notably, the takaful net loss and combined ratios are higher than those of conventional insurance.

The market net loss ratio stands at 57% while the market combined ratio stands at 73% for H1-2024.

AICL & JGICL has the highest net loss ratio of 78% & 63% while SHNI has the lowest net loss ratio of 11%. In terms of the combined ratio, TPLI has the highest combined ratio of 104% while SHNI 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



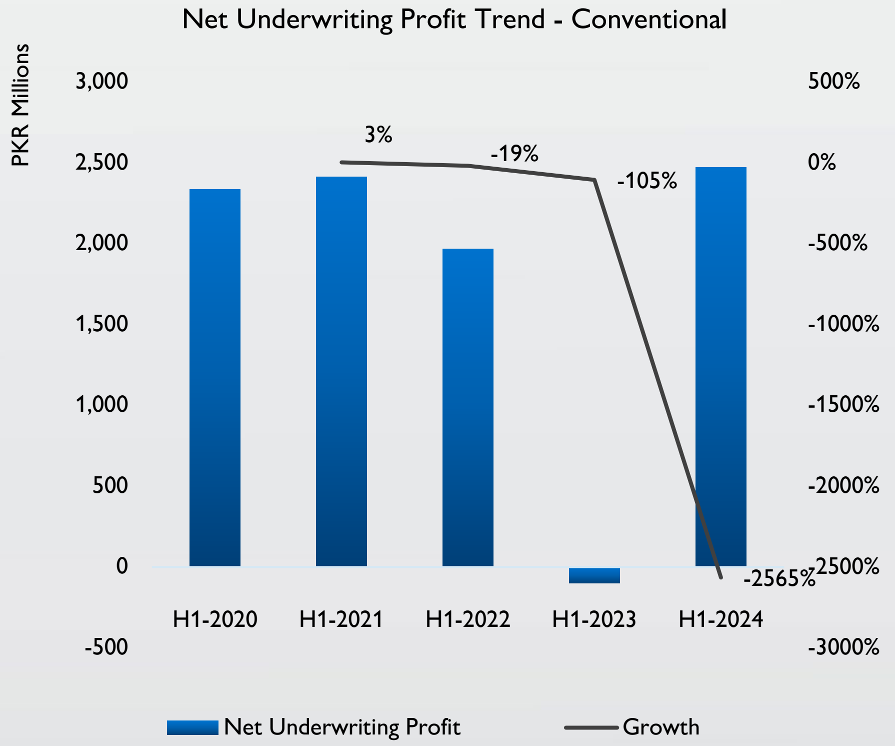


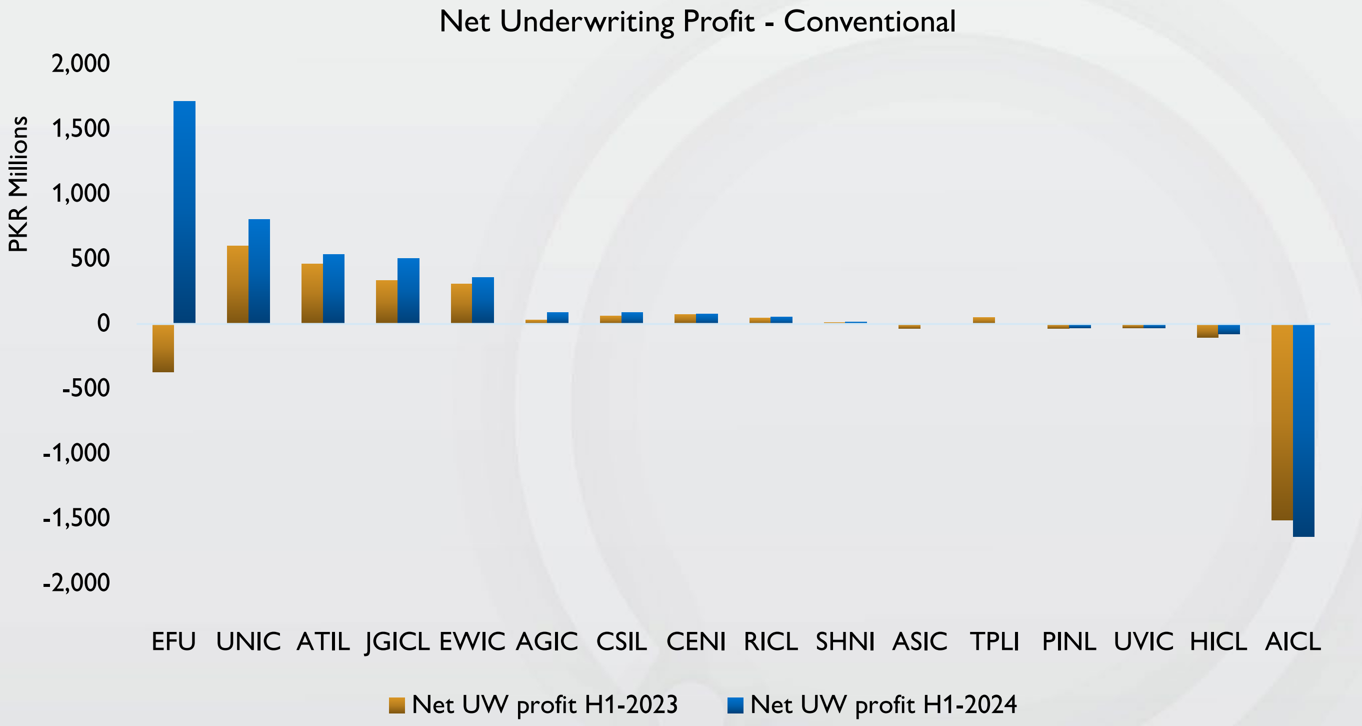
The bar chart illustrates the net loss and combined ratios across various business lines, combining both conventional and takaful segments. All lines of business saw an increase in their net loss and combined ratios during the first half of 2024. Notably, the health and accident line experienced a significant rise, with net loss and combined ratios increasing by 19% and 20%, respectively, compared to H1-2023.

The higher net loss ratios have contributed to a combined ratio of 106% for the health line making it unprofitable while the rest of the lines have been profitable.

In the first half of 2024, all lines of business reported lower loss ratios compared to H1-2023, except for the health and accident line. In terms of combined ratios, all the lines were depicting high combined ratios at a market level.

Net Underwriting Profit - Conventional



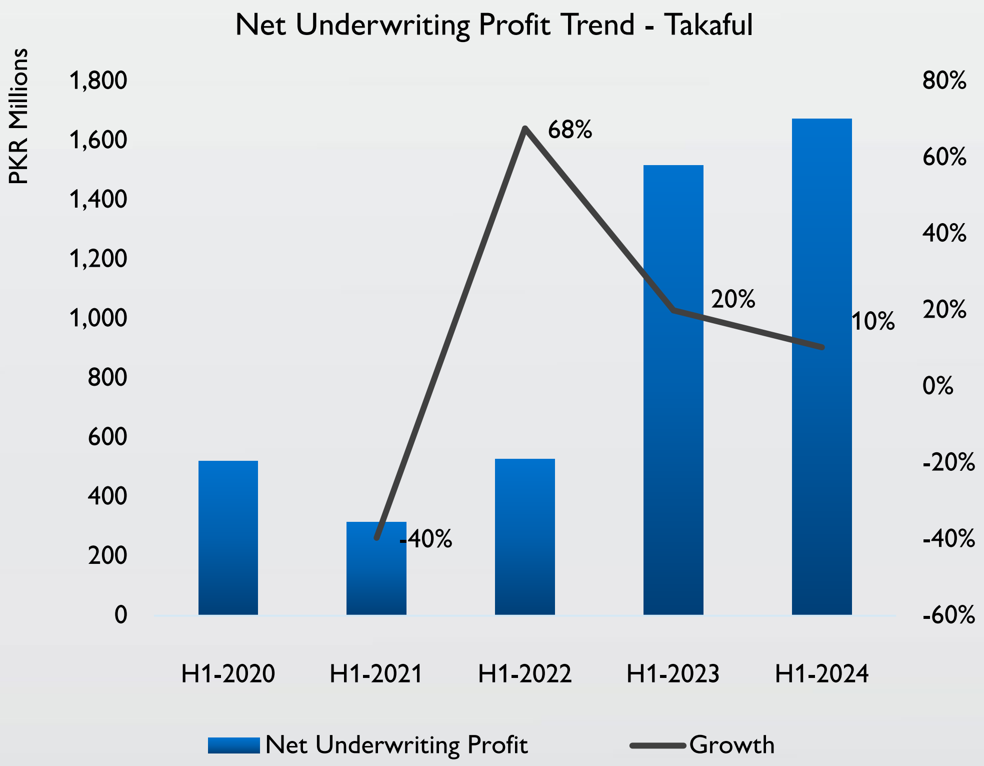


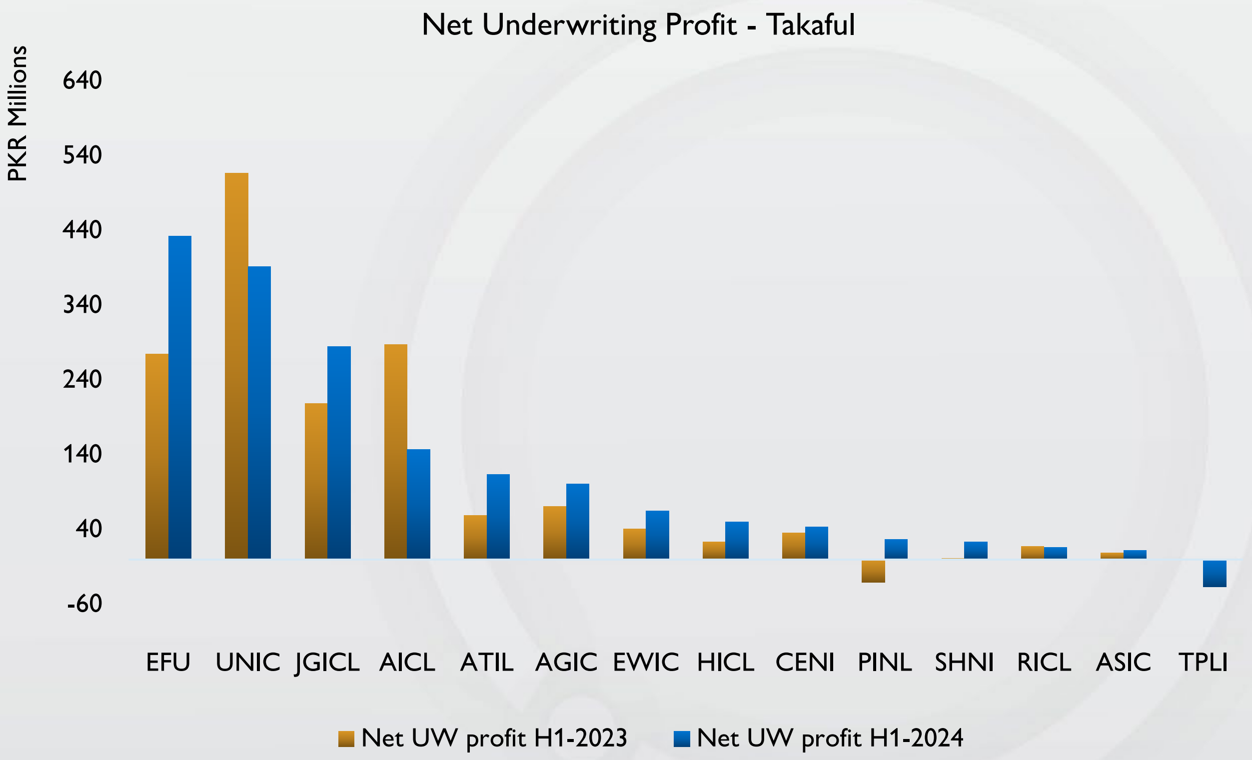
The net underwriting profit for the conventional market experienced a significant downturn in the first half of 2023. However, by H1 2024, a notable recovery was observed, with underwriting profit reaching 2.5 billion, marking a substantial improvement over the prior year's figures.

The bar graph for the net underwriting profit shows EFU as the top company with an underwriting profit of PKR 1.7 billion followed by UNIC and ATIL with an underwriting profit of PKR 0.8 billion and PKR 0.5 billion respectively.

AICL shows a very sharp decline in their underwriting profits in both the years.

Net Underwriting Profit - Takaful



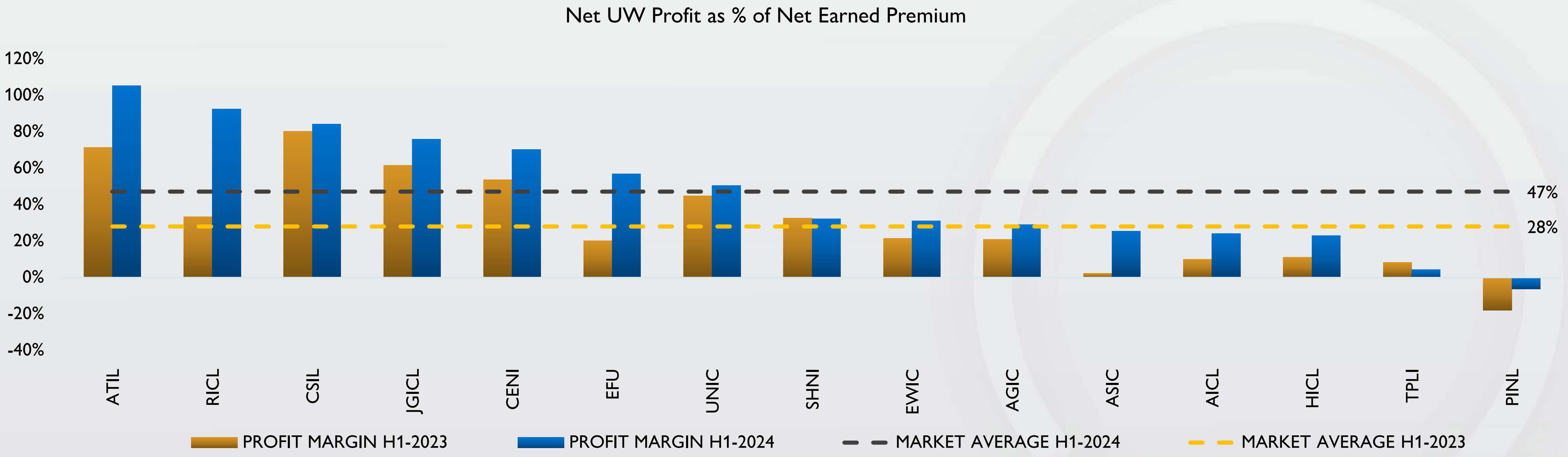


The window takaful operations have experienced a decline of 10% in underwriting profitability in H1-2024 as compared to 20% in H1-2023 The markets underwriting profitability amounts to PKR 1.8 billion in H1-2024.

The decline in UW profitability could be attributed to higher net loss ratios for the Motor segment. It should be noted that Motor constitutes about 58% of the market GWC.

The bar graph shows that EFU earned the highest UW profits followed by UNIC and JGICL. While TPLI & PINL experienced a decline in their underwriting profitability compared to the level in H1-2023.

Net UW Profit as a % of Net Earned Premium



The net underwriting profit margin has experienced an increase over the recent period. This corresponds to the trend of rising combined ratios and falling UW profitability. H1-2024 has experienced an increase of 19% in UW Profit margin when compared with H1-2023, indicating stronger profitability and efficiency in core operations compared to the previous year.

ATIL has the highest UW profit margin of 105% in the current period while the lowest ratio is reflected in UVIC's financials of --58%.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%.

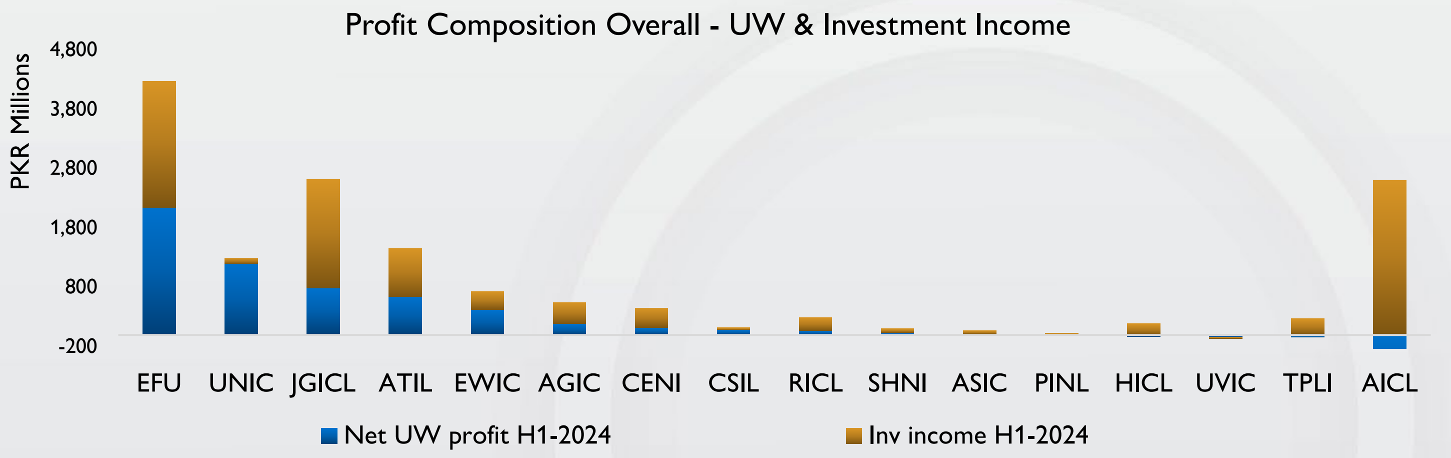
**UVIC excluded from the chart since it was an outlier*

Investment Income

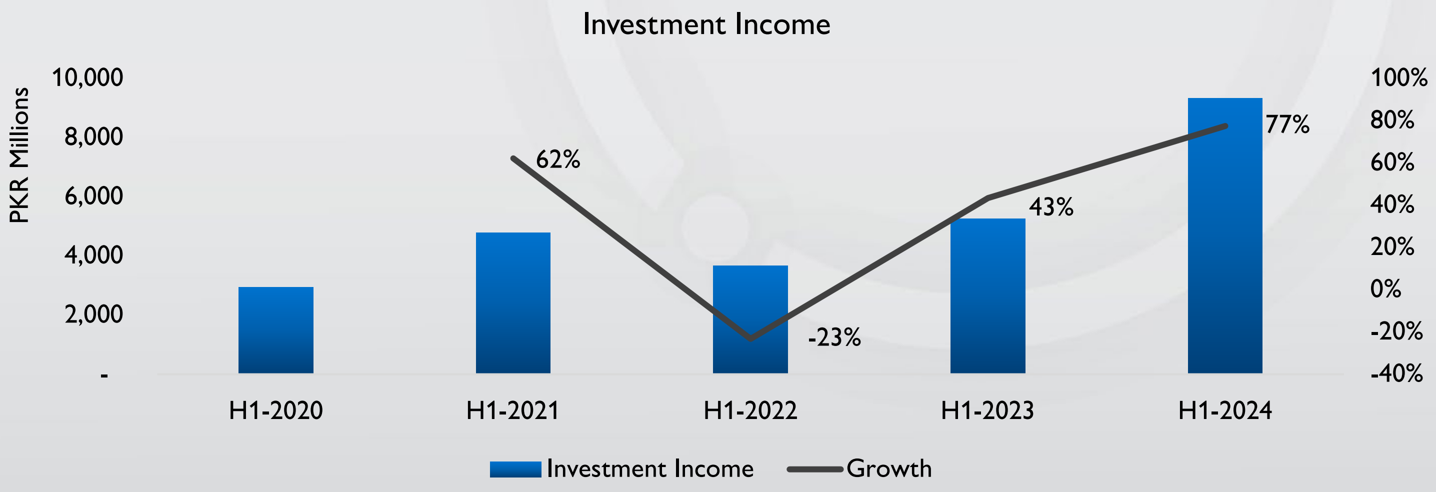
The general insurance market earned a total investment income of PKR 9.3 billion.

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.

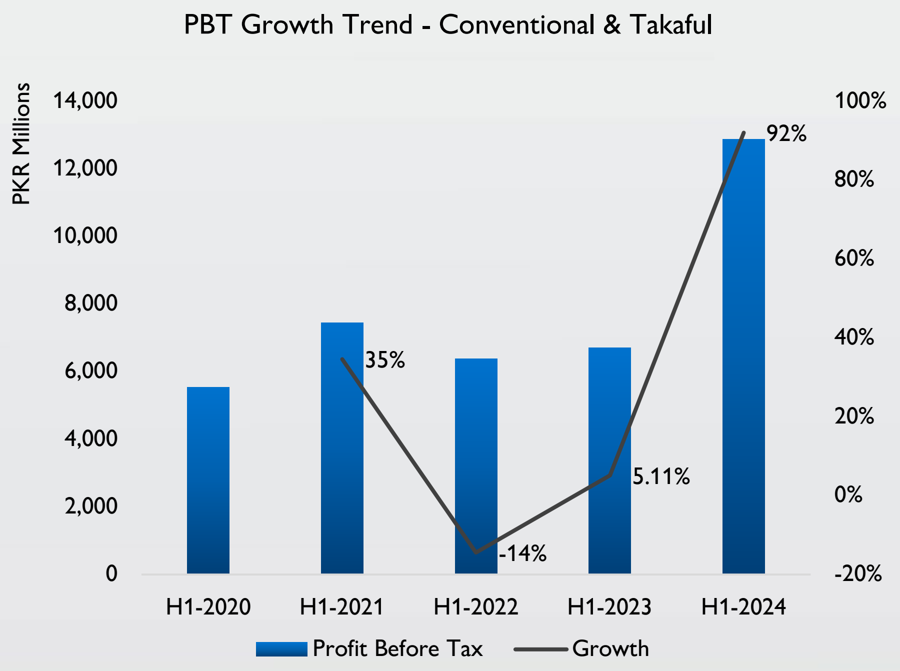
The top three companies have accumulated substantial assets, generating investment income that far exceeds their underwriting (UW) profitability. JGICL's investment income is twice its UW profitability, while EFU has excelled in both underwriting and investment income profitability.

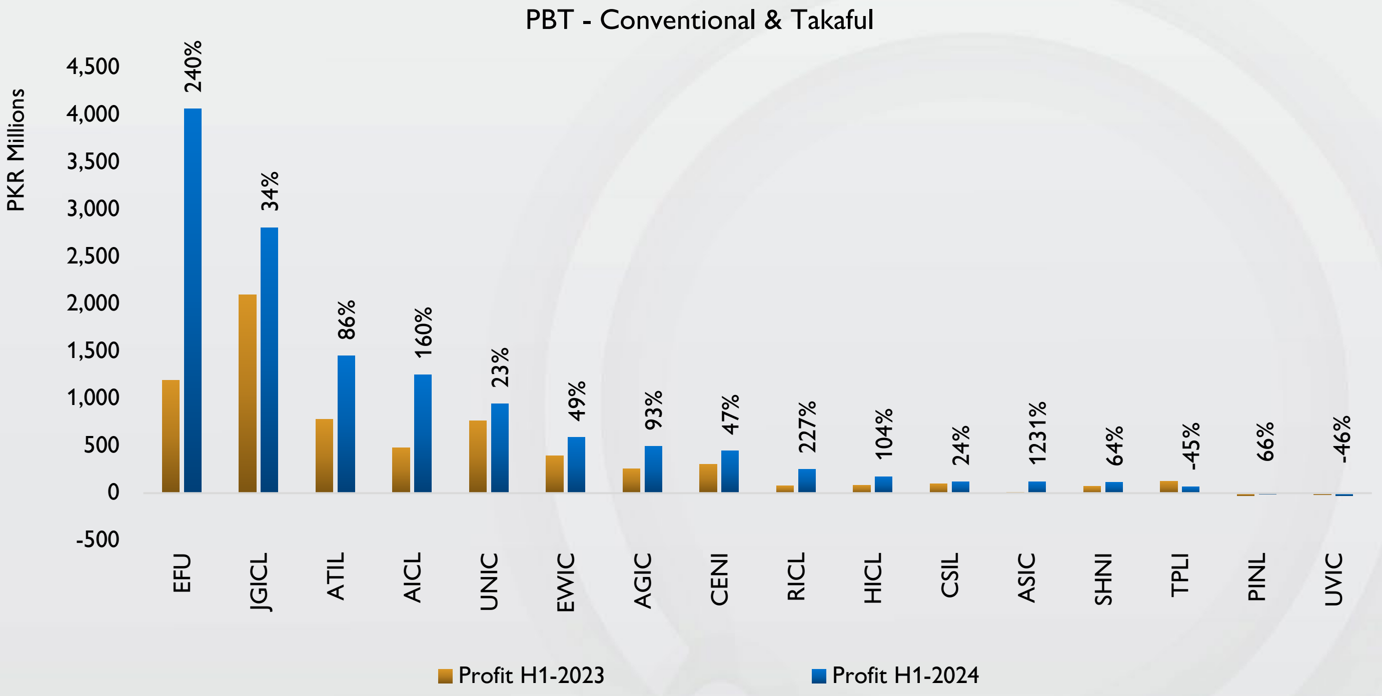


The investment incomes have remained volatile over the 5-year period. This is on account of political and economic uncertainties since 2019-H1 coupled with the COVID-19 pandemic in 2020-H1. 2021-H1 saw a resumption in economic activity which saw higher growth and earnings resulting in high investment incomes on the financials of the insurance companies. While 2022-H1 witnessed the inflationary impacts of the high GDP growth of 2021-H1 and the external geo-political uncertainties due to the Russia-Ukraine war In H1-2024, investment income surged by an impressive 41%



Profit Before Tax





The market's profit before tax (PBT) trend has been volatile over the past five years, primarily driven by fluctuations in investment income. In 2021-H1, PBT saw a substantial rise of 35%. However, profitability dropped in 2022-H1 due to increased claims and weaker investment income performance. By the first half of 2024, the market experienced a remarkable 92% surge in PBT, reaching PKR 13 billion.

EFU leads the general insurance market with the highest profit before tax of PKR 4 billion followed by JGICL at PKR 3 billion and ATIL at PKR 1.5 billion.

Disclaimer: AICL includes business underwritten inside Pakistan only

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

Premium & 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

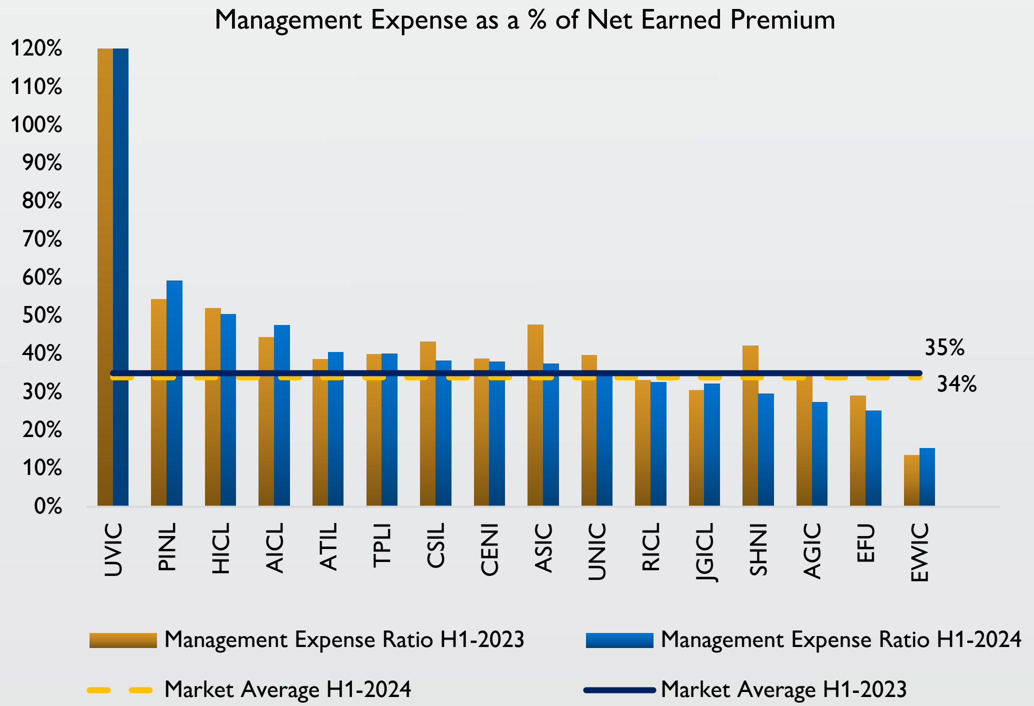
Particulars	H1-2023	H1-2024	Variance
	PKR Billion	PKR Billion	PKR Billion
Total UW Profit	1.4	4.1	2.7
Investment Income	5.3	9.3	4.1
Other Net Income	0.03	(0.6)	(0.6)
Total Profit Before Tax	**6.7**	**12.9**	**6.2**

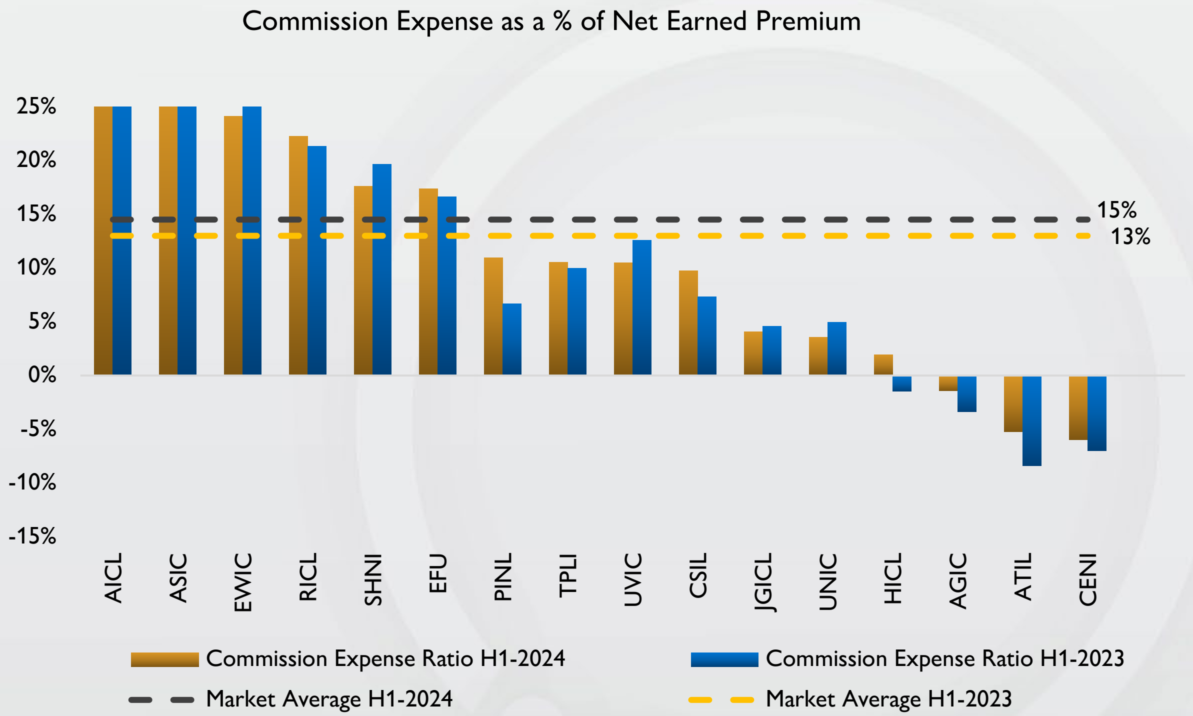
Earning Per Share

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

Company	EPS H1-2024	EPS H1-2023
AICL	5.44	1.93
ASIC	1.20	0.05
AGIC	4.32	2.28
ATIL	3.54	1.00
CENI	5.24	2.98
CSIL	1.07	0.89
EWIC	2.12	1.47
EFU	12.39	3.23
HICL	0.96	0.48
JGICL	8.64	5.57
PINL	(0.23)	(0.60)
RICL	3.12	0.65
SHNI	1.29	0.80
TPLI	0.21	0.42
UNIC	1.91	1.85
UVIC	(0.57)	(0.24)

Commission & Management Expense Ratio - Conventional



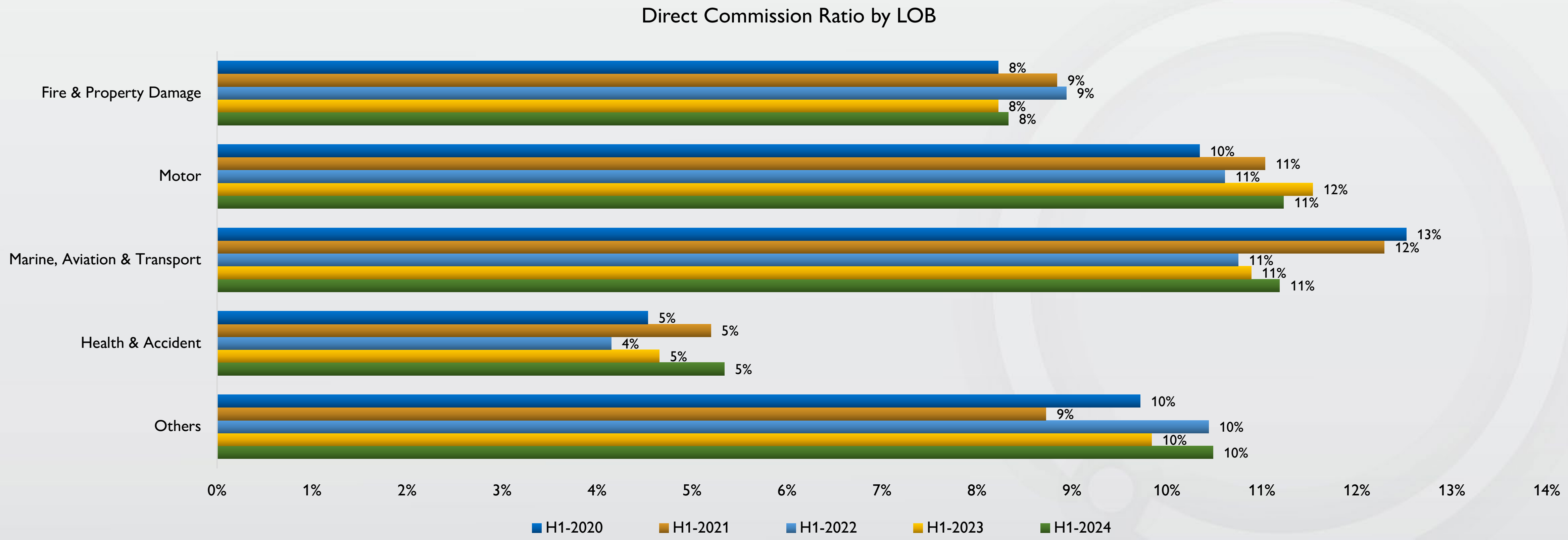


The market ratio calculates to 35% for H1-2023 & 34% in H1-2024.

Among the top 3 companies, HICL has the lowest management expense ratio of 50%. UVIC has the highest management expense ratio of 452% which is negatively impacting its' UW profitability.

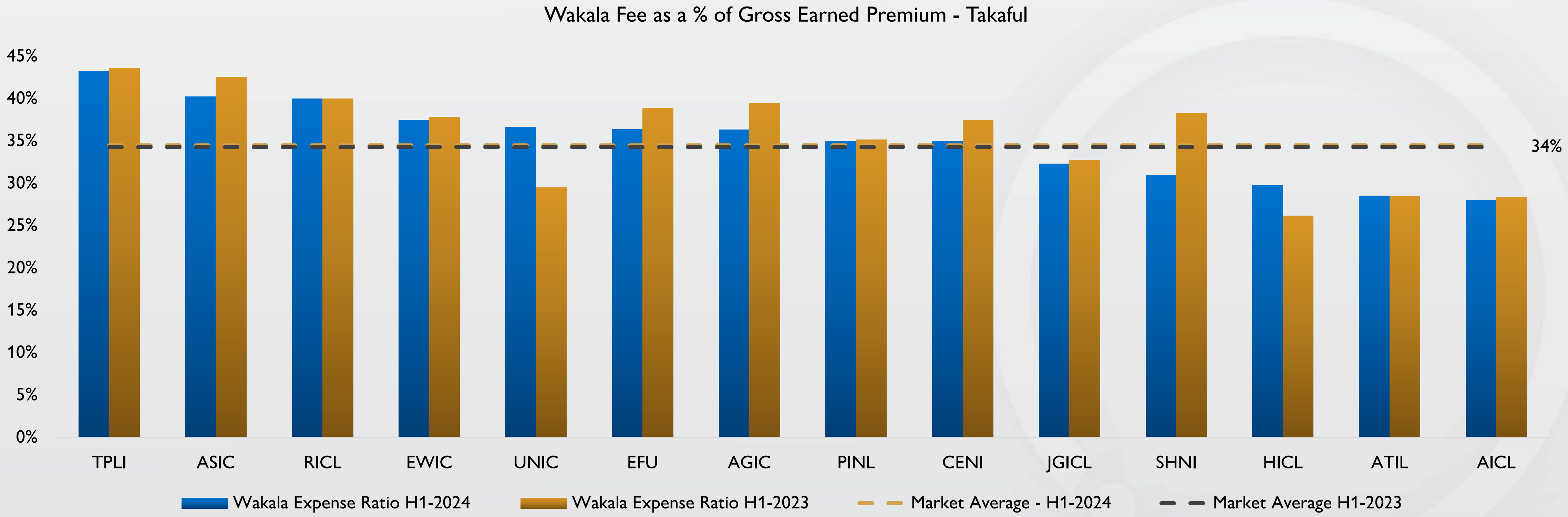
A negative ratio signifies that the commission earned outweighs the commission paid. The market ratio is the weighted average which stands at 13% for H1-2023 & 15% for H1-2024. The highest commission expense ratio can be observed for AICL at 33% while CENI has the lowest ratio of -6%. Companies usually 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. All the lines of business has experienced a constant growth in H1-2024 as compared to H1-2023. Motor has experienced a decrease of 1% in commission rates when compared with H1-2023. Marine and motor the highest commission rates of 11%.

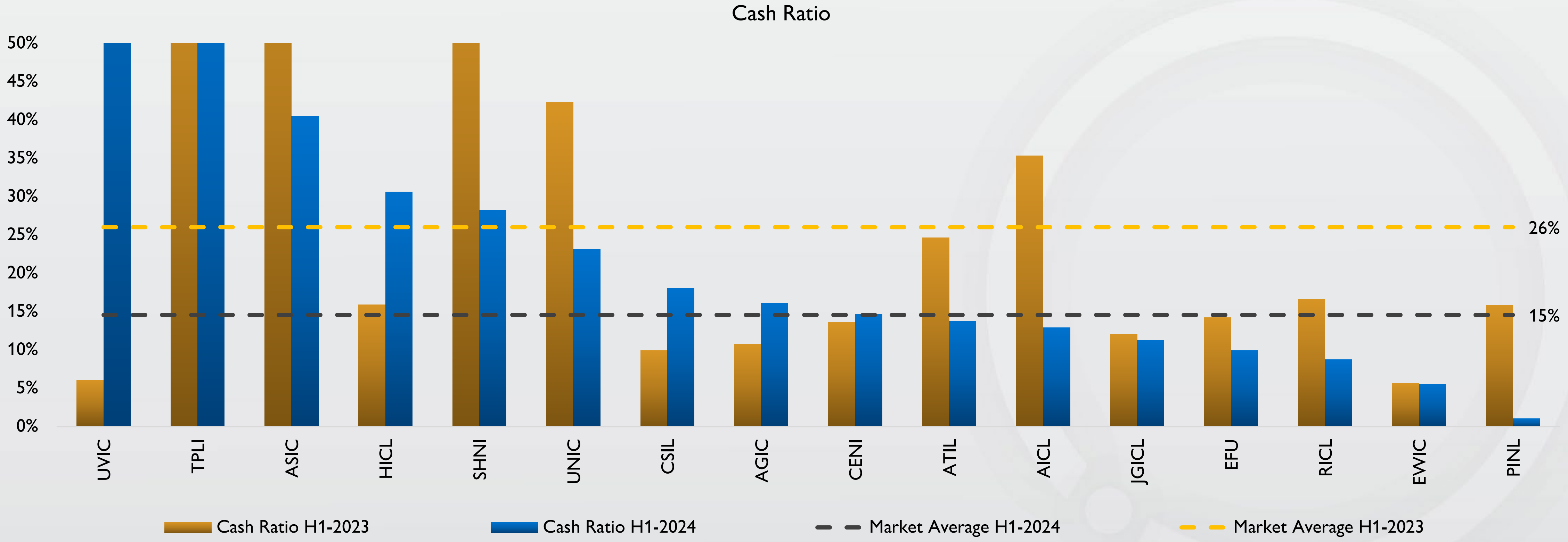
Wakala Expense
% GEC



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

The market ratio averages to 34% in both the years H1-2023 & H1-2024 respectively. The highest ratio is reflected in the financials of TPLI and ASIC of 43% & 40% while the lowest ratio is reflected in the financials of AICL at 28%.

Cash Ratio

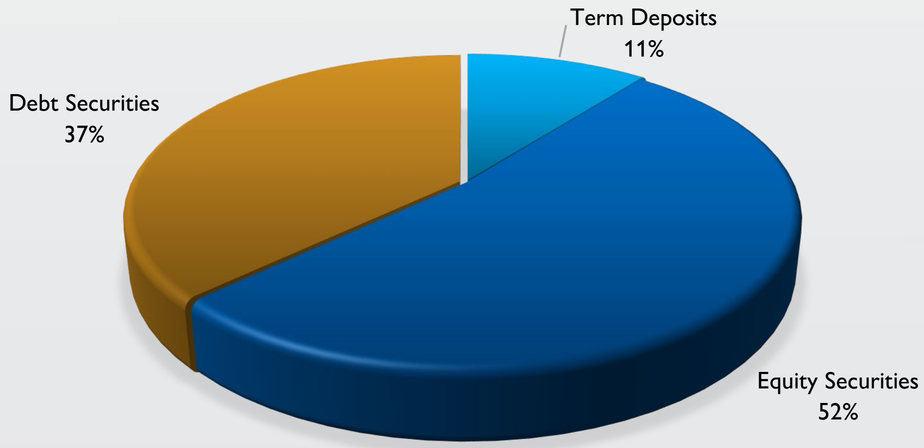


The cash to invested asset ratio has been taken as the ratio of cash & bank to total invested assets including cash. General insurers aims to keep minimum of assets as cash to meet unexpected liquidity requirements which may arise due to large loss or catastrophe. Cash generally earns a lower return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

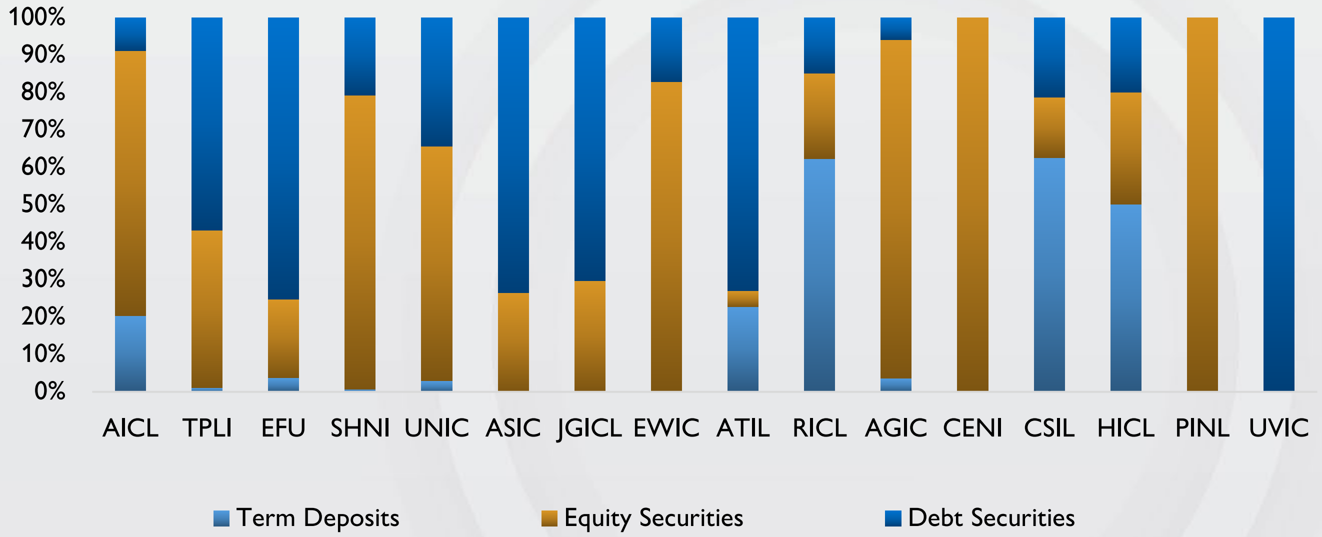
The market cash ratio is calculated to be 26% & 15% in H1-2023 & H1-2024 respectively. UVIC and TPLI have highest level of 87% and 85% respectively maintained as cash, while the lowest ratio of about 1% is maintained by PINL.

Asset Mix

Total Investments as at H1-2024



Asset Mix



The chart shows the industry's invested assets breakdown for H1-2024. More than half of the investments are made in equity securities with slightly more than one-third allocated to the fixed income market.

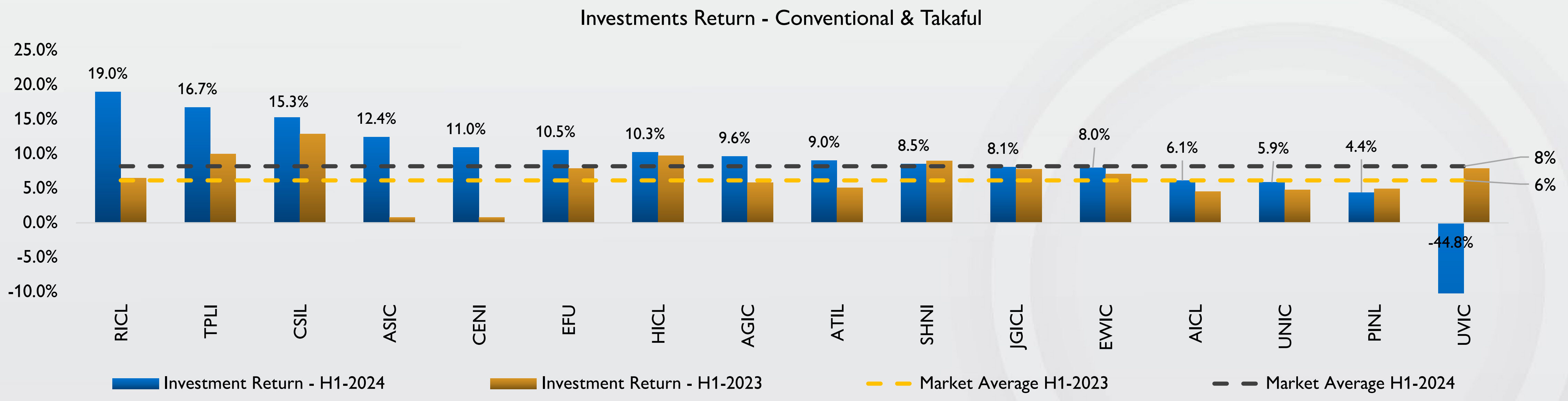
General insurers prefer investment in short-term liquid assets like debt securities and term deposits. Investment in equities can yield higher returns but their market value is more volatile and thus lead to a higher capital charge. Overall, the total investments increased to PKR 113 billion compared to PKR 83 billion in the corresponding period in H1-2023.

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

AICL, SHNI,UNIC,EWIC,AGIC,CENI and PINL has a major proportion invested in the equity market whereas TPLI, ASIC, ATIL, JGICL, EFU and UVIC have focused more on debt instruments.

while RICL,CSIL and HICL have focused more on term deposits.

Investment Return



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

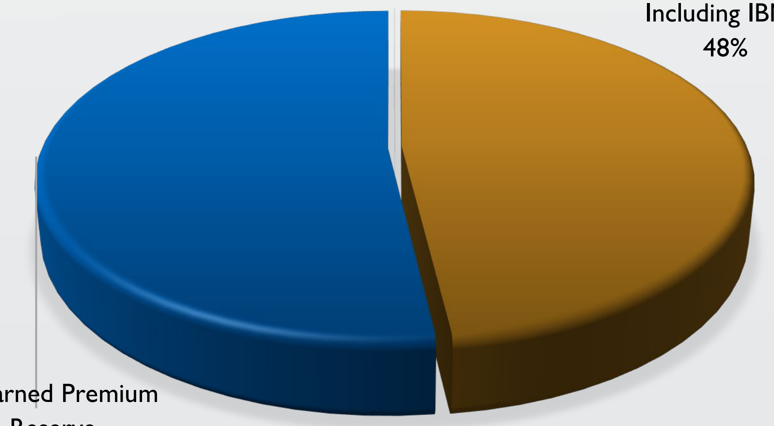
In the first half of 2024 the industry's average investment return was around 8%, up from 6% in the same period in H1-2023.

RICL achieved the highest investment return at 19%, whereas UVIC had the lowest at -44.8%. 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 June H1-2024



Gross Technical Reserves as a % of GWP

Total Technical Reserves : PKR 105 billion

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

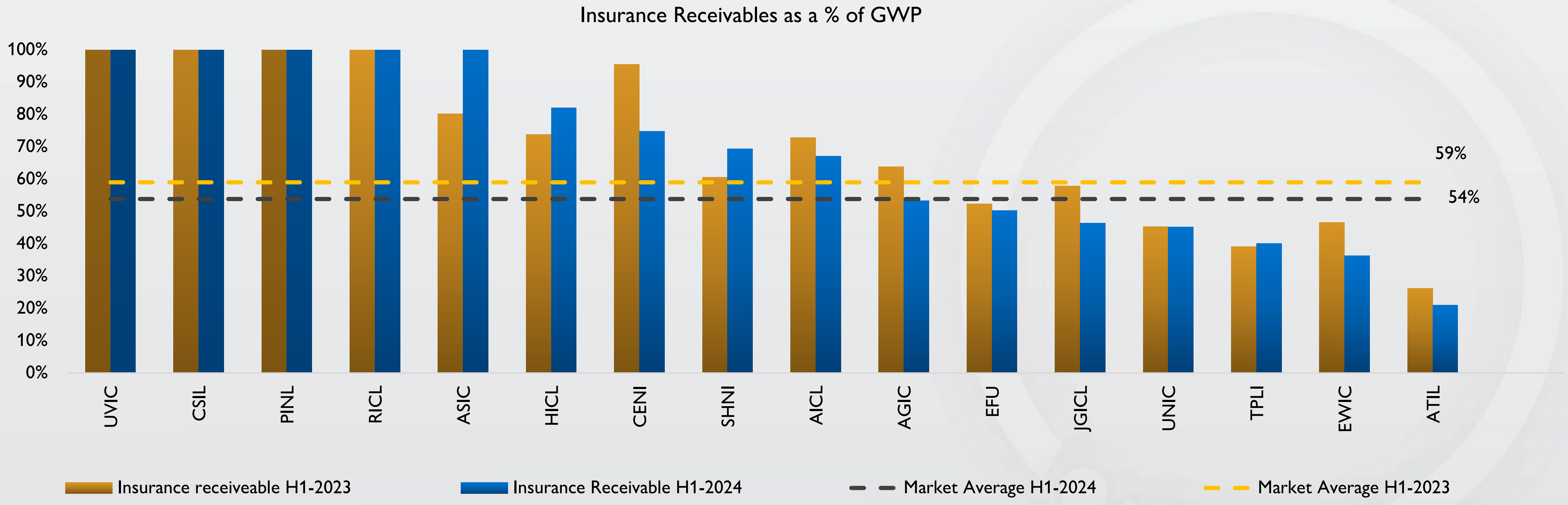
Reserves are backed by assets which earn investment income for the company.

The bar graph shows the ratio of gross technical reserves to gross premiums for H1-2024. A lower ratio is preferable as it allows the company to cover its reserves with its premiums.

The market average ranges between 147% and 163%.

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



The ratio is computed using insurance receivables and annualized gross premium as of June 2024 for the conventional business. The market ratio is computed to be 54% & 59% for H1-2024 & H1-2023 respectively. UVIC has the highest ratio of 947% while ATIL has the lowest ratio at 21%. In H1-2024.

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

2020-H1	2021-H1	2022-H1	H1-2023	H1-2024
PKR **34bn**	PKR **39bn**	PKR **51bn**	PKR **65bn**	PKR **72 bn**

Industry NEP Growth Timeline - Conventional & Takaful

2020-H1	2021-H1	2022-H1	H1-2023	H1-2024
PKR **19bn**	PKR **21bn**	PKR **25bn**	PKR **30bn**	PKR **34 bn**

Industry PBT Growth Timeline - Conventional & Takaful

2020-H1	2021-H1	2022-H1	H1-2023	H1-2024
PKR **3.7bn**	PKR **7.4bn**	PKR **5.8bn**	PKR **6.7bn**	PKR **13 bn**

Highest GWP Recorded by
EFU at PKR **17.4bn**

Highest Growth in GWP Recorded by
JGICL at **23%**

Highest NEP Recorded by
EFU at PKR **8bn**

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

Lowest Combined Ratio Recorded by
CSIL at **48%**

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

Highest PBT Recorded by
EFU at PKR **4 bn**

Highest Growth in PBT by
ASIC at **1231%**

Highest Investment Return Recorded by
RICL at **19%**

Conclusion

In 2024, Pakistan's general insurance industry has been facing significant challenges amid economic instability, political volatility, and a weakening rupee. These issues are exacerbated by global economic pressures and local inflationary trends that impact both consumer affordability and market profitability

Despite facing economic headwind, the general insurance sector has demonstrated resilience In 2024, with the Gross Written Premium (GWP) growing by 8%, reaching PKR 72 billion. This growth reflected positive trends across major business lines, with both Conventional and Takaful segments experiencing robust year-on-year increases in market share, significantly contributing to the overall GWP expansion.

In the first half of 2024, the market recorded a decline in the gross loss ratio to 30%, primarily due to reduced loss activity in the Motor segment. Meanwhile, the net loss ratio was 49%, underscoring the vital role of reinsurance in offsetting higher gross losses in the Fire line, which had the lowest retention ratio among all lines. Consequently, the market’s combined ratio edged up slightly to 95%.

Additionally, the market witnessed substantial growth in investment income, which rose to PKR 9.3 billion, positively impacting net earnings. The profit before tax also surged by 92% to PKR 13 billion in H1-2024, marking a strong performance for the sector.

While the industry has made strides in digital adoption and strategic planning, challenges persist. The sector must navigate ongoing economic uncertainties, enhance operational efficiencies, and increase insurance penetration to sustain growth. The concerted efforts by regulatory bodies and industry stakeholders aim to address these issues, paving the way for a more robust and inclusive insurance market in Pakistan

Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the general insurance companies in Pakistan for the first half of 2024. 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
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 INSURANCE CO. LTD	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

About Our Team

Directors	6 Staff		
UAE/ Oman Actuarial	48 Staff	Medical	9 Staff
KSA Actuarial	53 Staff	IFRS 17	17 Staff
Business Intelligence	8 Staff	HR Consultancy	3 Staff
End of Services	5 Staff	Financial Services	11 Staff
Sales	2 Staff	Strategy Consulting	2 Staff
Support & Admin	29 Staff	Data Science	7 Staff

Total Strength **200**

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Omar Khan
Senior Manager - Actuarial

Hassan Athar
Sr. Research Executive

Yaqeen Fatima
Jr. Research Executive

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