

Insurance Industry Pakistan

2022

TABLE OF CONTENTS

SHMA CONSULTING



ABOUT US.....	03
OUR SERVICES.....	04
LIMITATIONS & DISCLAIMERS.....	05

PERFORMANCE SUMMARY



Performance Highlights.....	06
Industry Highlights.....	07
Industry Benchmark.....	08
Aggregate Performance.....	09

MARKET SHARE & PREMIUM



Market Share	10
Premium Composition.....	12
Gross Written Premium.....	13
Net Written Premium.....	16
Premium Retention Ratio.....	19
Net Earned Premium.....	21

CLAIMS & RATIOS



Net Incurred Claims.....	22
Loss Ratio.....	24
Expense Ratio.....	26
Combined Ratio.....	28

PROFITABILITY ANALYSIS



Net Profit / (Loss).....	30
Asset, Liability and Equity Classification	33
Solvency Analysis.....	35
Proportion of Invested Assets.....	37
Return on Assets & Equity	38
Net Profit Margin	40
Price to Book and Price to Earning Ratio.....	41

ABOUT US

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003, and currently provides actuarial services to 8 companies in Saudi Arabia, 11 insurance companies in the UAE and other insurance companies in the GCC (Kuwait, Oman, Qatar and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with some of the biggest names in the UAE Insurance Sector, including, ADNIC, ADNTC, Orient, etc.

We provide a range of services to our valued business partners across the globe including Europe, the Middle East, Southeast Asia and the Far East. Our specialty services include financial reporting, product and business development and enterprise risk management. In addition, our firm provides expert personnel outsourcing for allowing organizations to engage in full-time consulting for long-term cost effectiveness.

Life Insurance

- IFRS, statutory & embedded valuations
- Product development, pricing & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies and capital adequacy

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting and claims practices
- Profitability and capital adequacy analysis

General Insurance

Retirement Benefits

- Valuations for financial reporting
- Advising on benefit design and cost benefit analysis
- Pension benefits administration
- Benefit communication material
- Provident fund maintenance software and audit of retirement schemes and funds

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

ERM and Capital Modeling

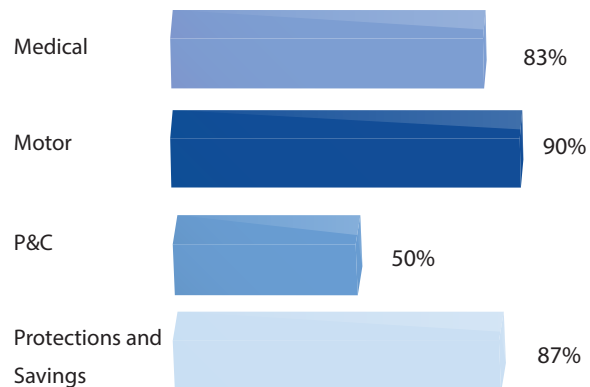
Our Services

LIMITATIONS & DISCLAIMERS

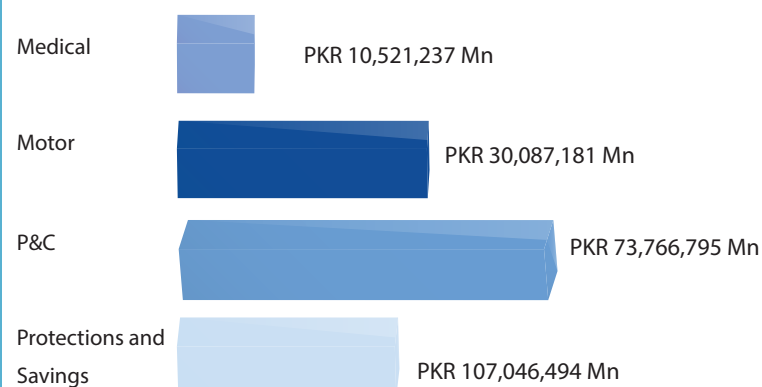
- ❖ The data used for the preparation of this report has been collected from the Data Portal of PSX (Pakistan Stock Exchange). The data was extracted from the financial statements of the listed companies.
- ❖ Due to the unavailability of Financial Statements of some of the listed companies, the data could not be extracted and to preserve uniformity, the said companies were excluded from our analysis to avoid any misrepresentation of their numbers, which might lead to spurious or unreasonable conclusions.
- ❖ Pakistan Reinsurance Company Limited did not publish their financials at the time of data collection, thus it is excluded from our analysis.

PERFORMANCE HIGHLIGHTS

Retention Ratios



Gross Premiums by Sector

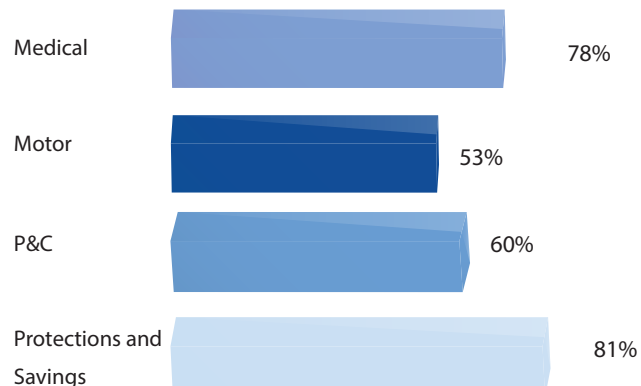


Total Gross Written Premium

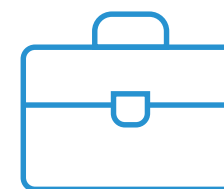
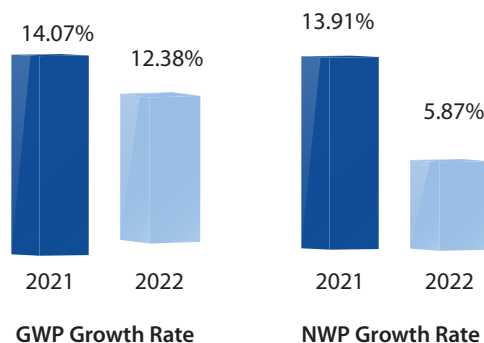
PKR 221.421 Mn

▲ +12.38%

Loss Ratios



Premium Growth Rate



Total Assets

PKR 611.466 Mn

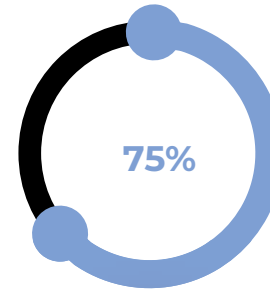
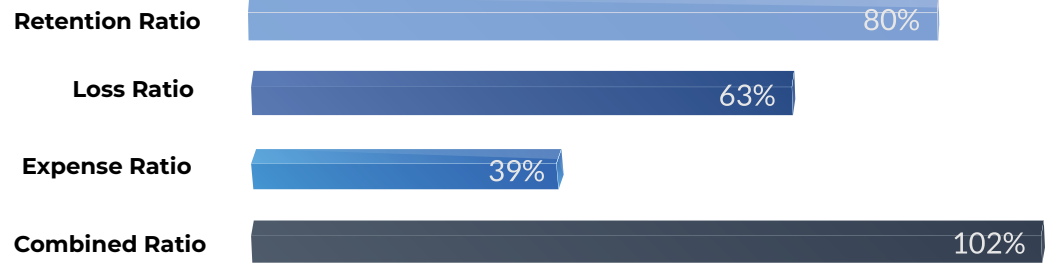
▲ +8.27%

Total Profit/(Loss)
PKR 12.108 Mn

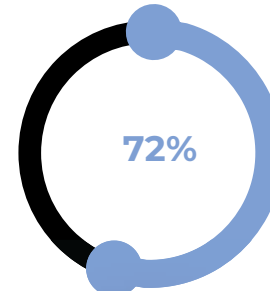
- ❖ Pak-Qatar Family Takaful, a Pakistan-based insurance company, has signed a bancatakaful agreement with U Microfinance Bank (U Bank) allowing it to market "Takaful Familal" products through the network of more than 250 branches of the Pakistani bank. The partnership is an important milestone for both companies to grow within the local financial services ecosystem.
- ❖ State Life's growth has played a significant role in driving the industry's overall progress, contributing to a nearly 43% growth in the industry in 2022. State Life Insurance Corporation's market share in 2022 has increased close to 70%, compared to 55% plus in the previous year, which is close to 24% growth in the market share as well.
- ❖ Pakistan non-life insurer TPL Insurance has acquired AIG's Pakistan unit New Hampshire Insurance, according to a report in The Nation.
- ❖ The monsoon is causing death and disarray in Pakistan. The latest death toll reported by the National Disaster Management Authority (NDMA) is 1696, including 500 children. Since June 2022, heavy rains have resulted in floods and landslides. More than half a million homes have collapsed under the floodwaters, forcing nearly 8 million people to flee to safer areas. A total of 33 million people were affected by the floods in Pakistan. The economic losses are estimated at 30 billion USD.
- ❖ The Securities and Exchange Commission of Pakistan (SECP) has approved the accounting system governing Takaful insurance. An adaptation of the IFRS standard to shariah-compliant insurance is among the newly adopted texts.
- ❖ Present at the COP 27 climate conference in Egypt from 6 to 18 November 2022, Pakistani Prime Minister Shehbaz Sharif has once again called for international assistance. Hit hard by deadly floods in June and July 2022, Pakistan is faced with a deep economic and financial crisis. He also stressed the importance of financing losses and damages related to this phenomenon, a theme that has been included for the first time in the COP 27 agenda.
- ❖ State Life Insurance Corporation of Pakistan (SLIC) and Bank of Punjab (BOP) signed a bancatakaful agreement. This is the first agreement between both companies. Under this arrangement, SLIC can market its Takaful products through the Islamic branches of the Pakistani bank. Both partners also concluded a bancassurance partnership.

INDUSTRY BENCHMARKS

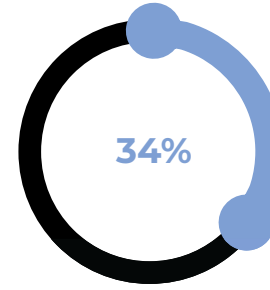
2021



Weighted Average Retention Ratio

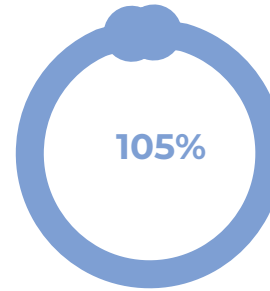
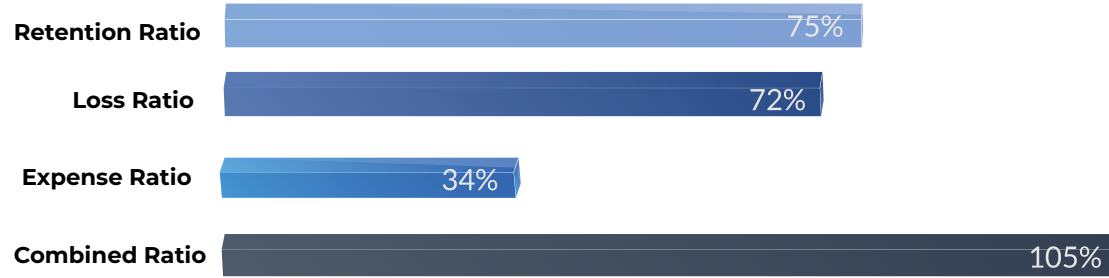


Weighted Average Loss Ratio



Weighted Average Expense Ratio

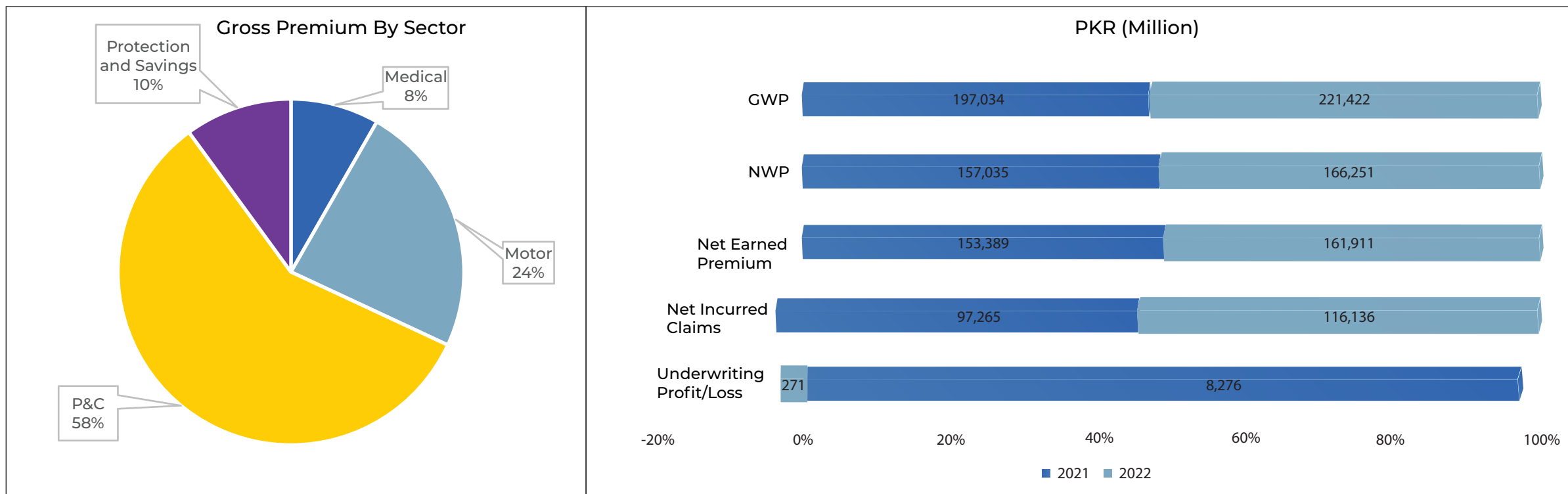
2022



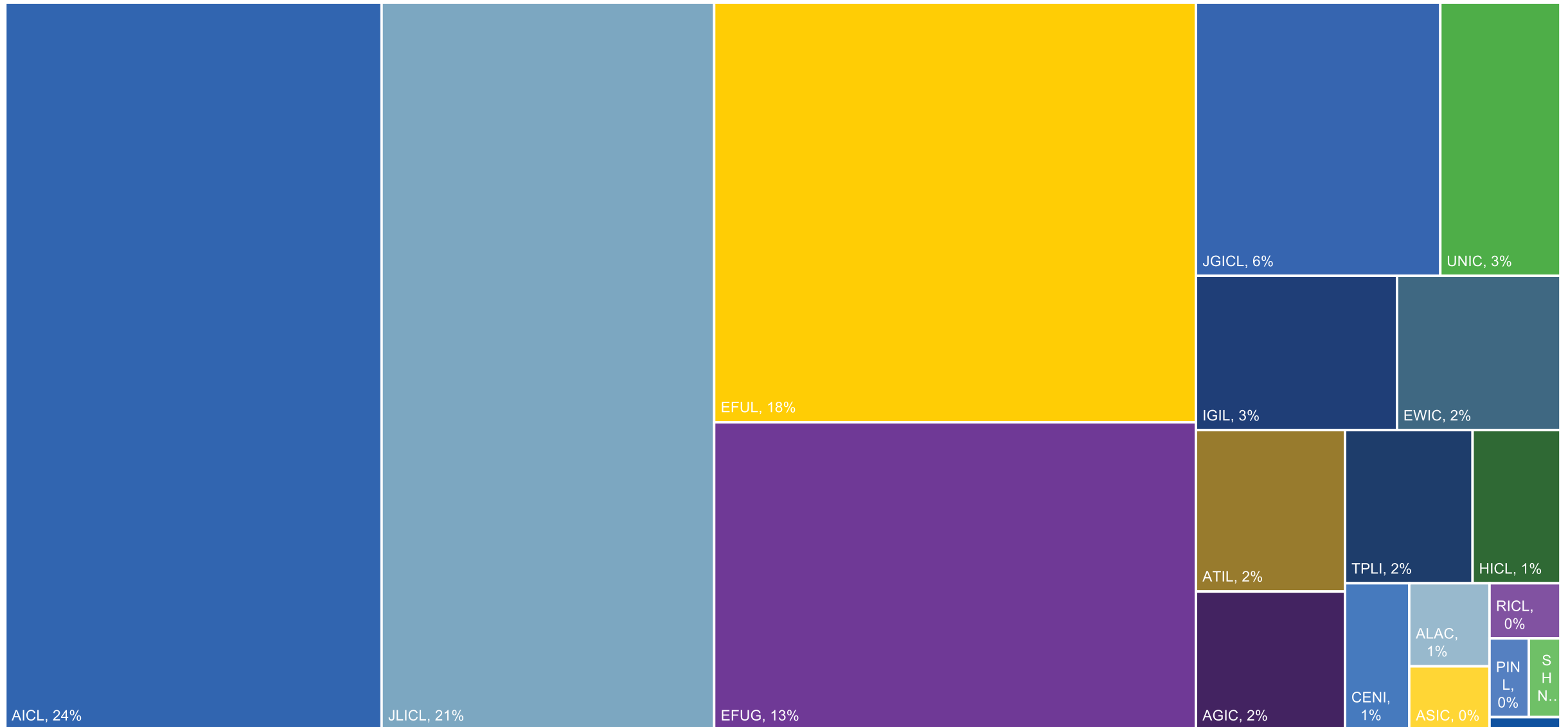
Weighted Average Combined Ratio

AGGREGATE PERFORMANCE

P&C line of business generates the highest business (58%) followed by Motor (24%) and Protection & Savings (10%), with the medical line of business having the least business (8%). It can also be seen that the Net Underwriting Loss, Net Earned Premium, Net Written Premium, Gross Written Premium, and Net Incurred Claims have increased compared to 2021.

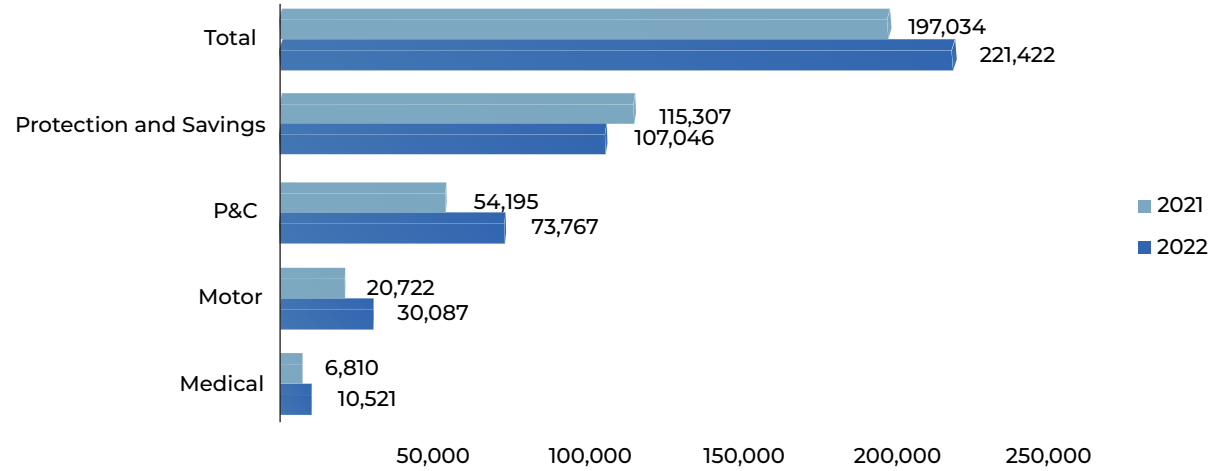


MARKET SHARE PROPORTION

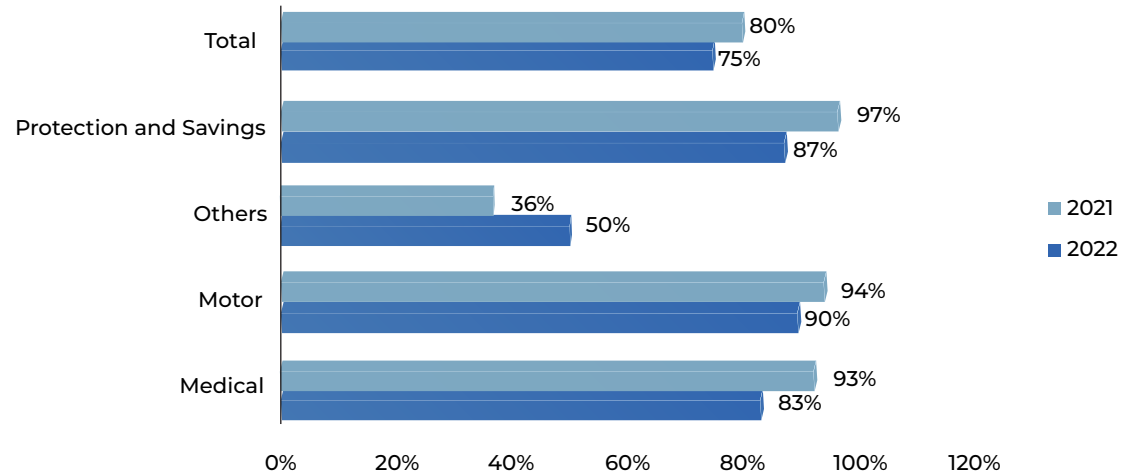


GWP AND RANKINGS

GWP (PKR Million)

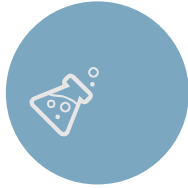


Retention Ratio



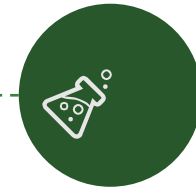
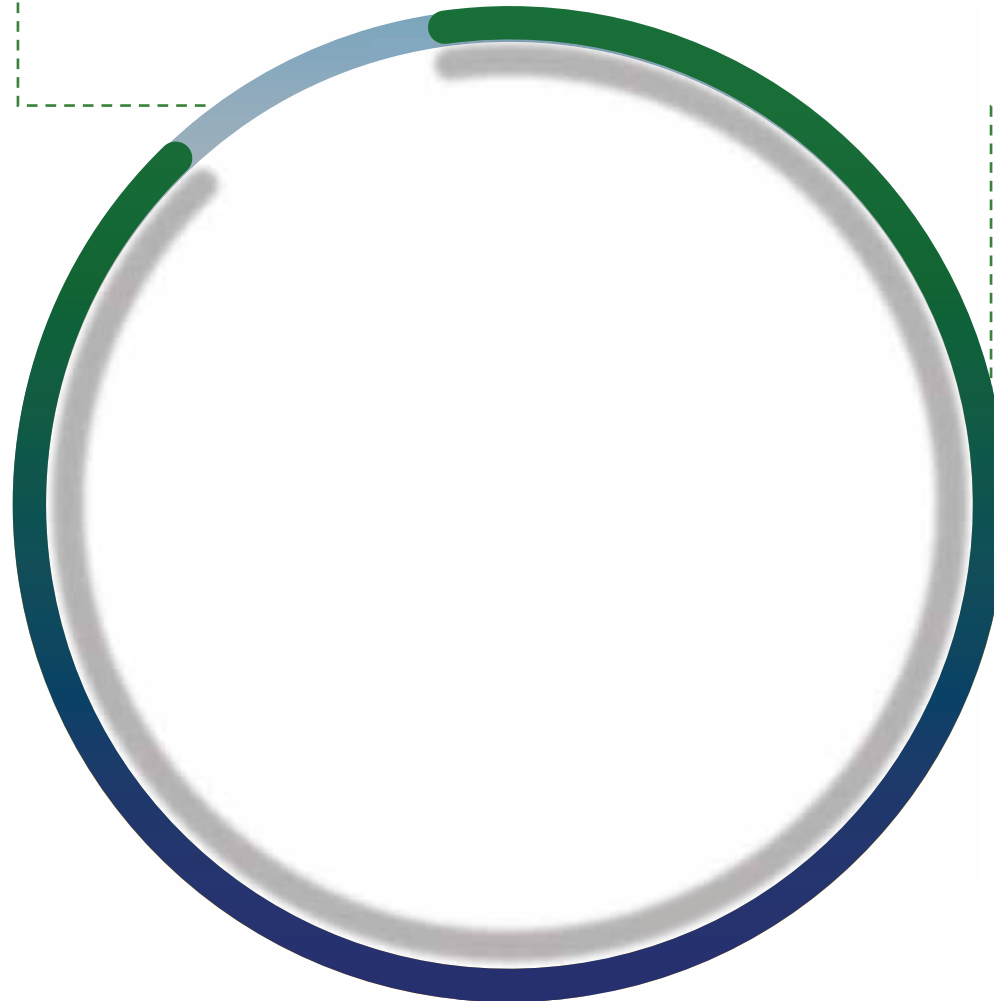
- 1. AICL ▲
- 2. Jubilee Life Insurance ▼
- 3. EFU Life Insurance Ltd. —
- 4. EFU General Insurance —
- 5. Jubilee General Insurance —
- 6. United Insurance ▲
- 7. IGiL ▼
- 8. East West Insurance Co. —
- 9. ATIL —
- 10. AGIC —
- 11. TPL Insurance —
- 12. Habib Insurance —
- 13. Century Insurance —
- 14. Askari Life Insurance ▲
- 15. ASIC ▼
- 16. Reliance Insurance —
- 17. Premier Insurance —
- 18. Shaheen Insurance —
- 19. Crescent Sar Insurance —

PREMIUM COMPOSITION TOP 10 VS OTHER COMPANIES



Other Companies

All other companies make up the remaining 6% of the Market share

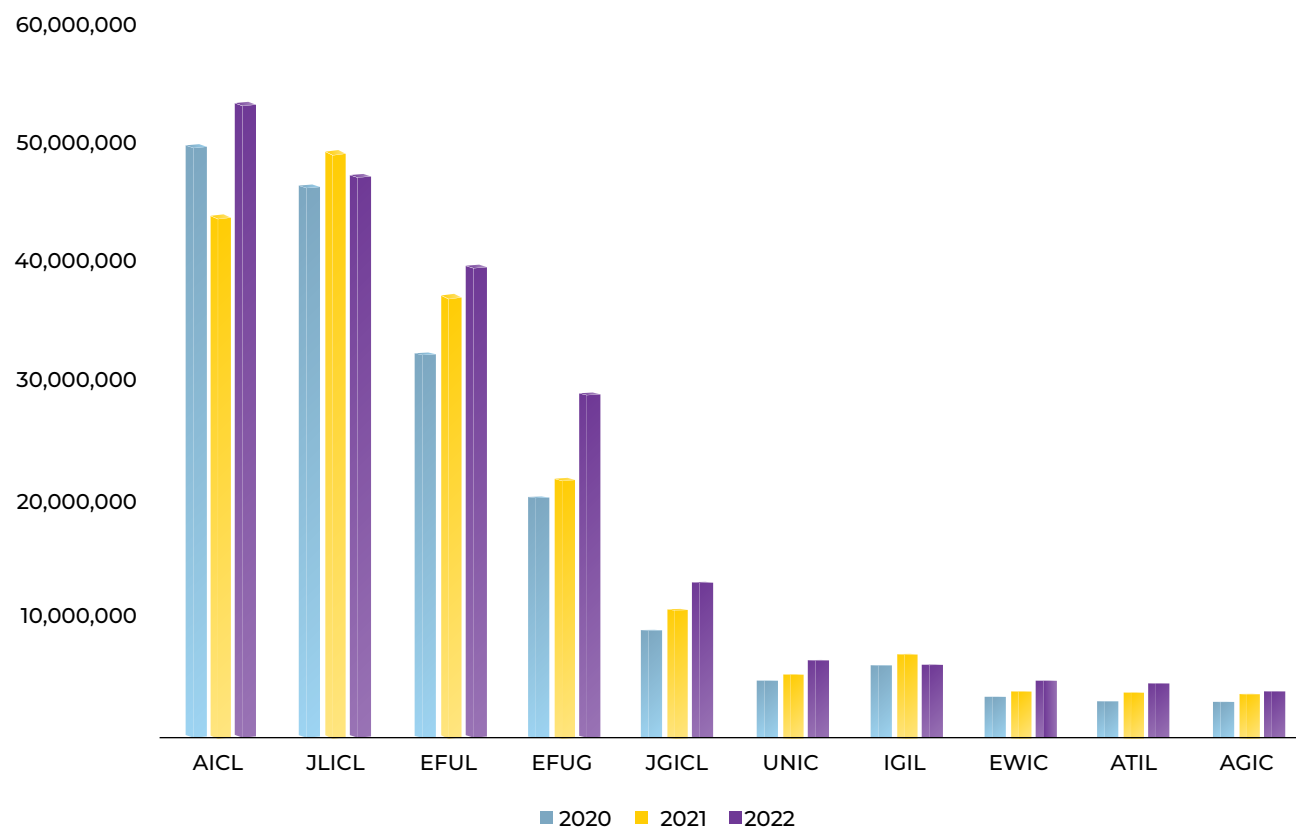


Top 10 Companies

The top 10 companies make up an overwhelming 94% of the Market share

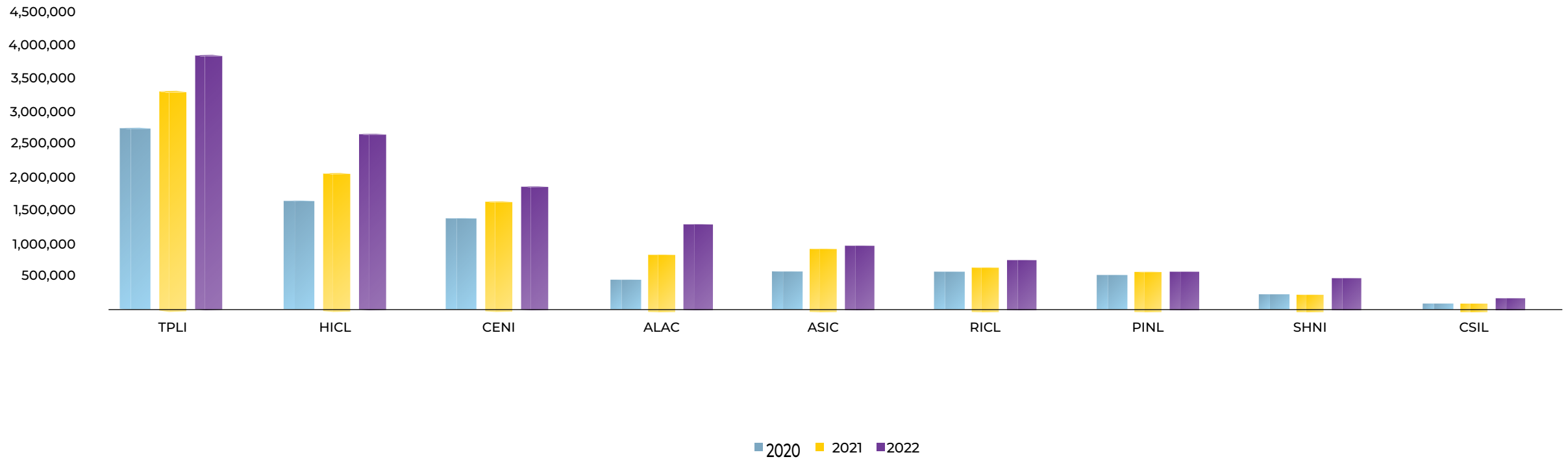
GROSS WRITTEN PREMIUM TOP 10 COMPANIES

Adamjee Insurance was able to capture the largest market share (24%) followed by Jubilee Life Insurance (21%), while the smallest market share among the top 10 was captured by Askari General Insurance Company (2%). Gross Written Premiums increased in 2022 for all the Top 10 companies except for that of Jubilee Life Insurance and IGI Insurance.



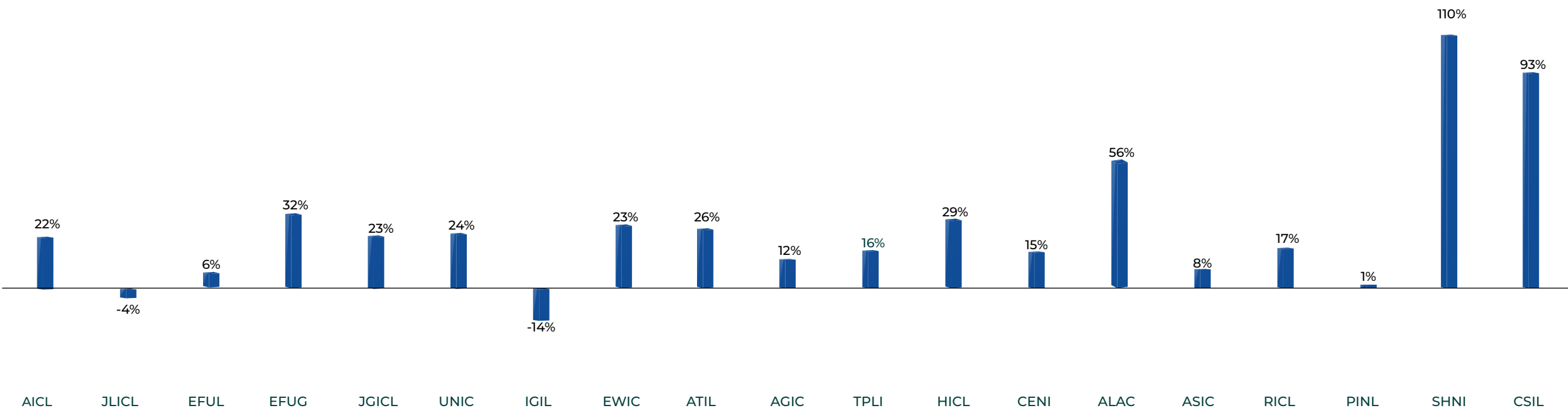
GROSS WRITTEN PREMIUM - OTHER COMPANIES

For the remaining companies, the highest market share was captured by TPL Insurance, indicating a positive trend. Shaheen Insurance and Crescent Star Insurance show substantial growth in their GWP from 2021 to 2022. Overall, most of the companies analyzed showed growth in GWP, indicating positive performance in the insurance industry.



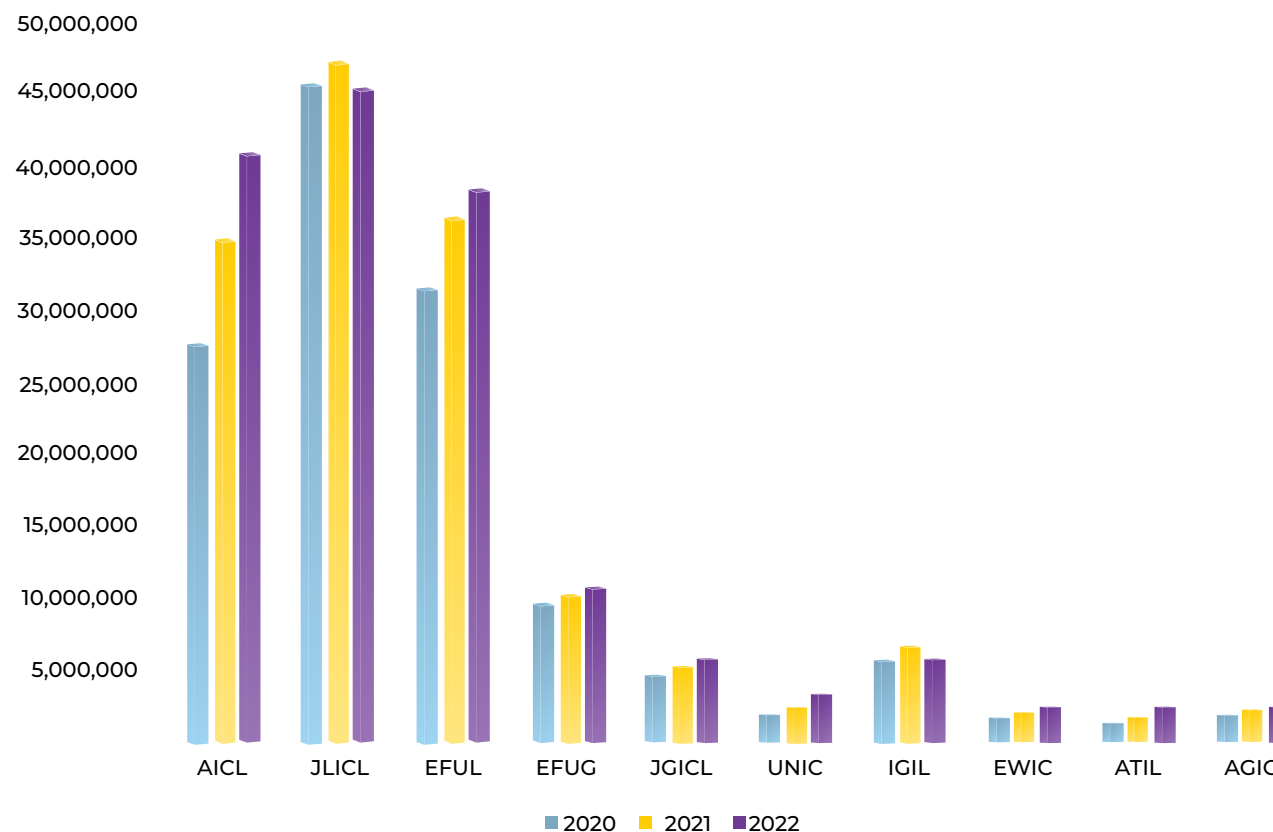
GROSS WRITTEN PREMIUM – MOVEMENT

Shaheen Insurance and Crescent Star Insurance show substantial movement in their Gross Written Premium i.e. 110% and 93% respectively for the year 2022 whereas Jubilee Life Insurance and IGI Insurance have declined movement in their Gross Written Premium of -4% and -14% respectively. Otherwise, all remaining companies show positive movements in their Gross Written Premium for the year 2022.



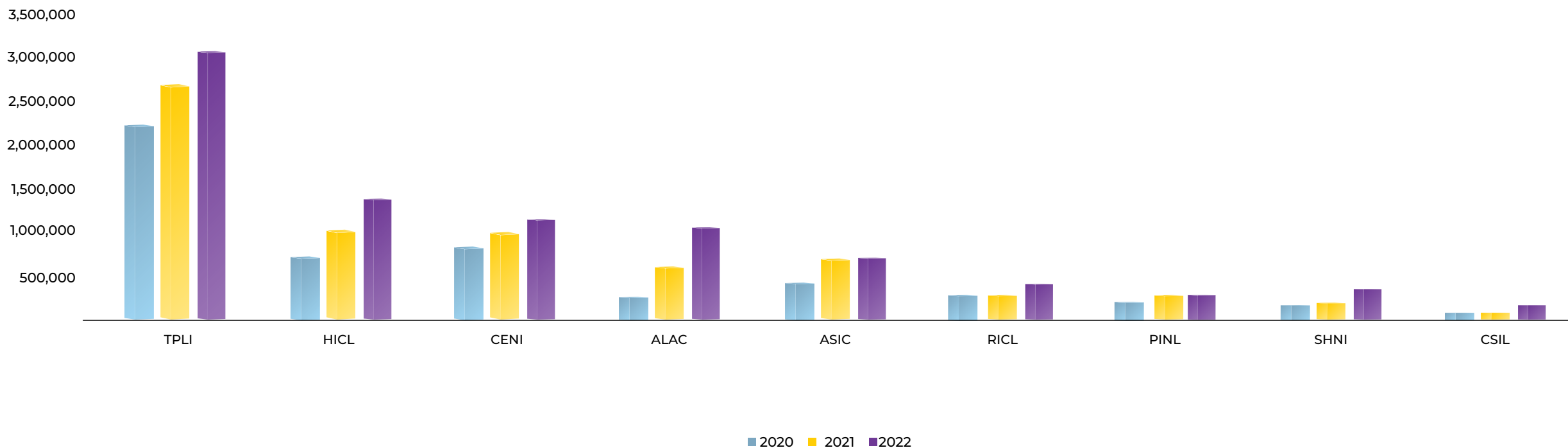
NET WRITTEN PREMIUM – TOP 10 COMPANIES

We can see that Jubilee Life Insurance Company has the highest NWP (PKR 45.571 Mn) followed by Adamjee Insurance (PKR 40.142 Mn), while the lowest NWP among the top 10 was of Atlas Insurance Company (PKR 2.293 Mn). Net Written Premiums increased in 2022 for all the Top 10 companies except IGI Insurance and Jubilee Life Insurance.



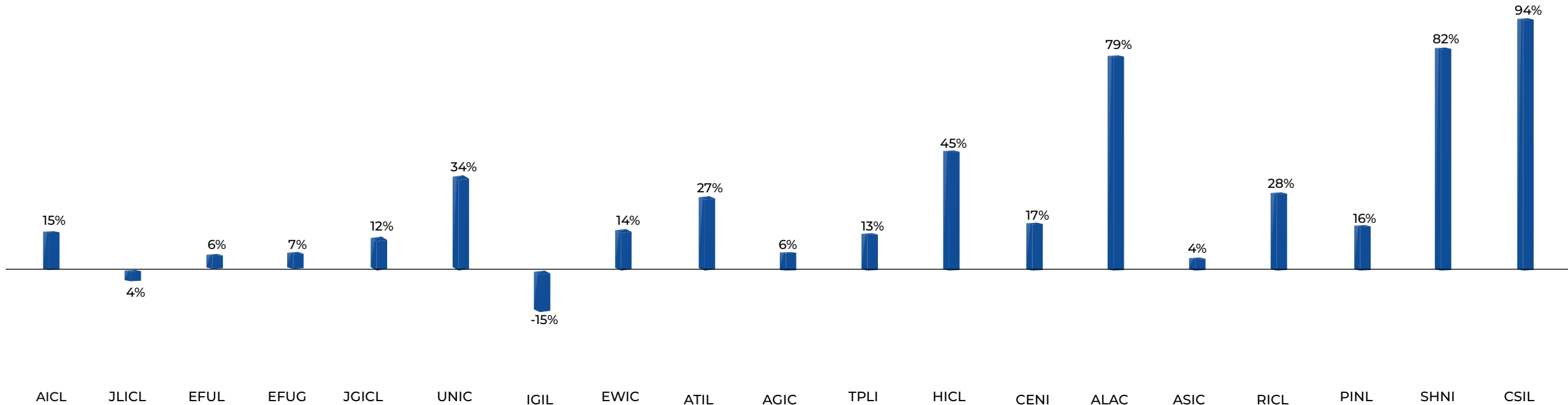
NET WRITTEN PREMIUM – OTHER COMPANIES

For the remaining companies, the highest NWP was for TPL Insurance (PKR 3.066 Mn), with Crescent Star Insurance having the lowest NWP. All the other companies have experienced continuous growth in their Net Written Premiums as compared to 2021.



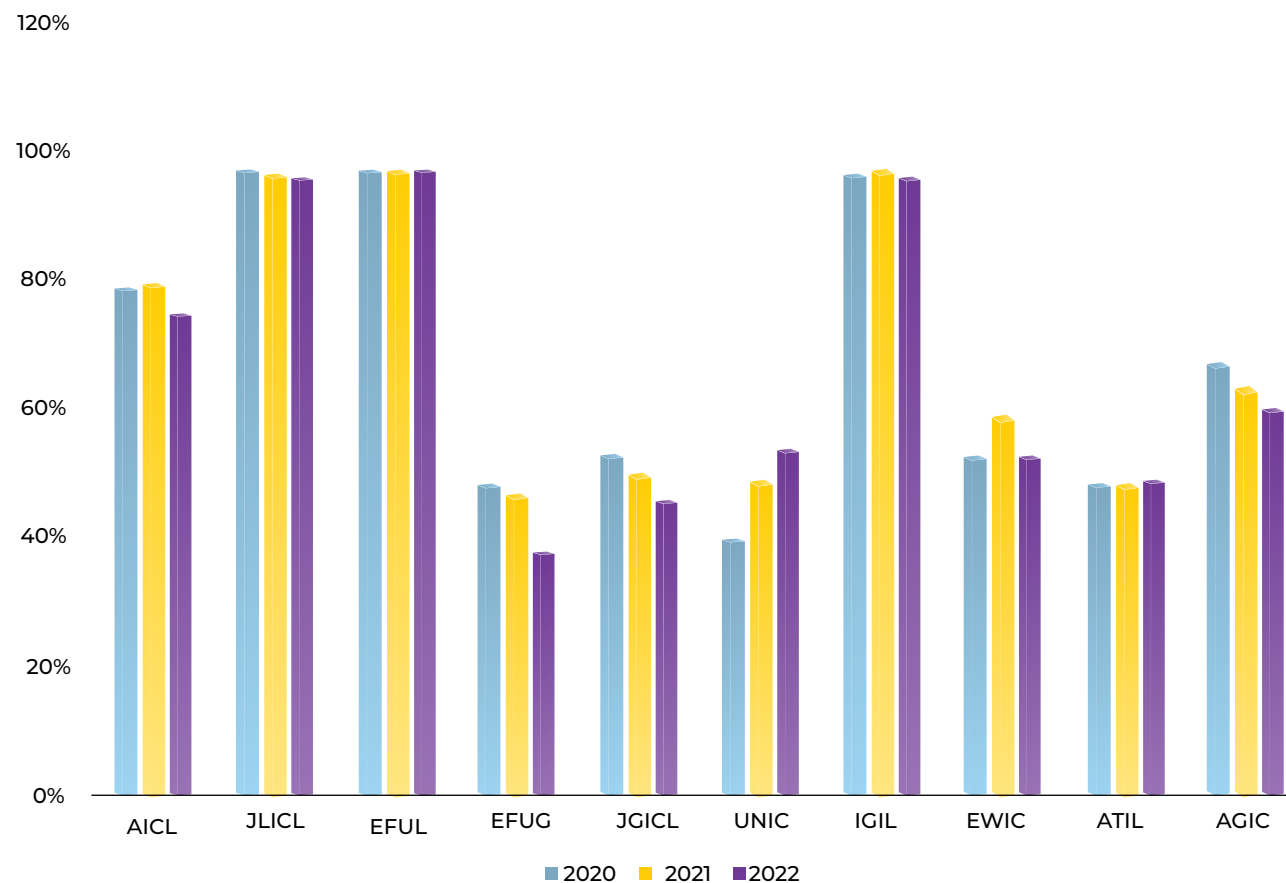
NET WRITTEN PREMIUM – MOVEMENT

Crescent Star Insurance Limited experienced a significant increase in its NWP (94%) while Jubilee Life Insurance and IGI Insurance experienced a significant decrease of -4% and -15% respectively. Compared to the remaining companies, the Top 5 companies have a stable and narrow range for their change in NWP.



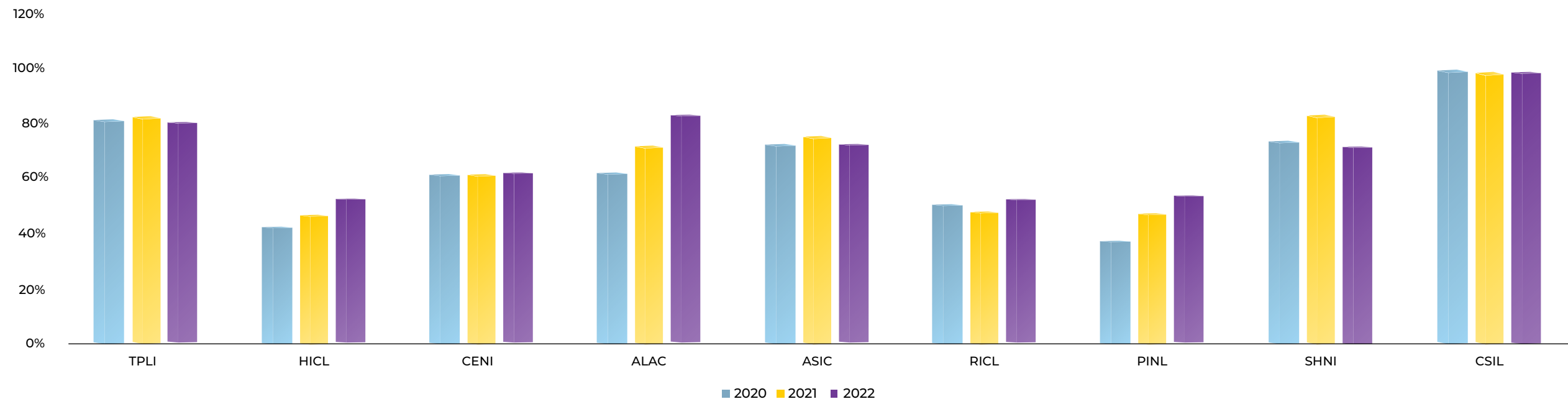
RETENTION RATIOS - TOP 10 COMPANIES

EFU Life Insurance has the highest retention ratio (97%) followed by Jubilee Life Insurance and IGI Insurance (96%), while the lowest retention ratio among the top 10 being of EFU General Insurance (38%). The largest increase in its retention ratio was experienced by United Insurance (4%) while the largest decline was experienced by EFU General Insurance (-9%).



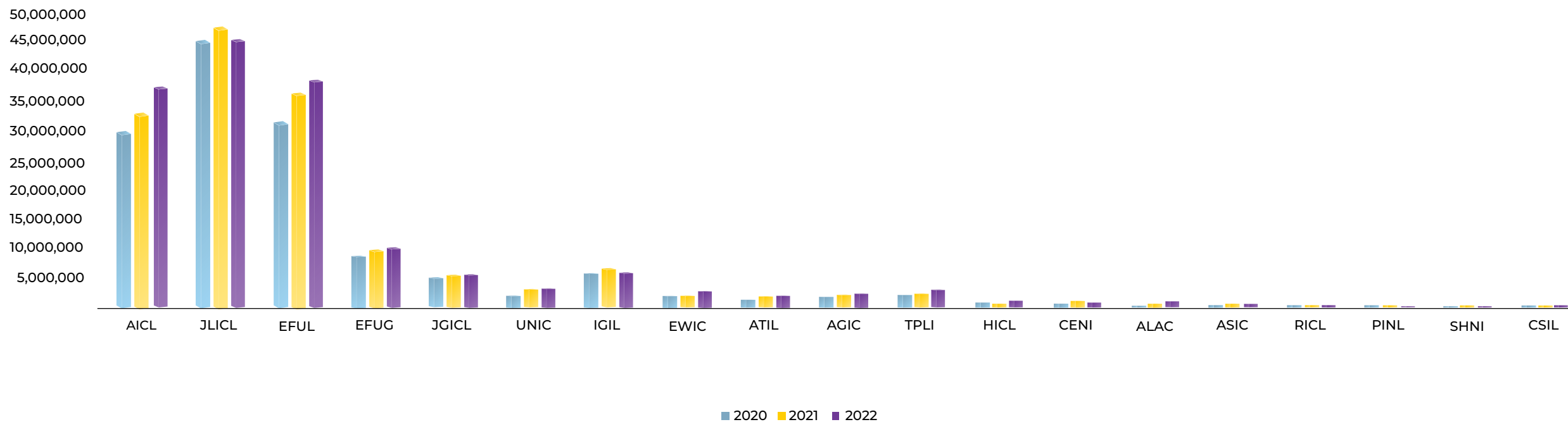
RETENTION RATIOS - OTHER COMPANIES

Crescent Star Insurance has the highest retention ratio (99%) followed by Askari Life Assurance (83%), while the lowest retention ratio among the remaining being of Habib Insurance Company Limited and Reliance Insurance i.e. (53%). The largest increase in its retention ratio was experienced by Askari Life Assurance (11%) while the largest decline was experienced by Shaheen Insurance (-11%).



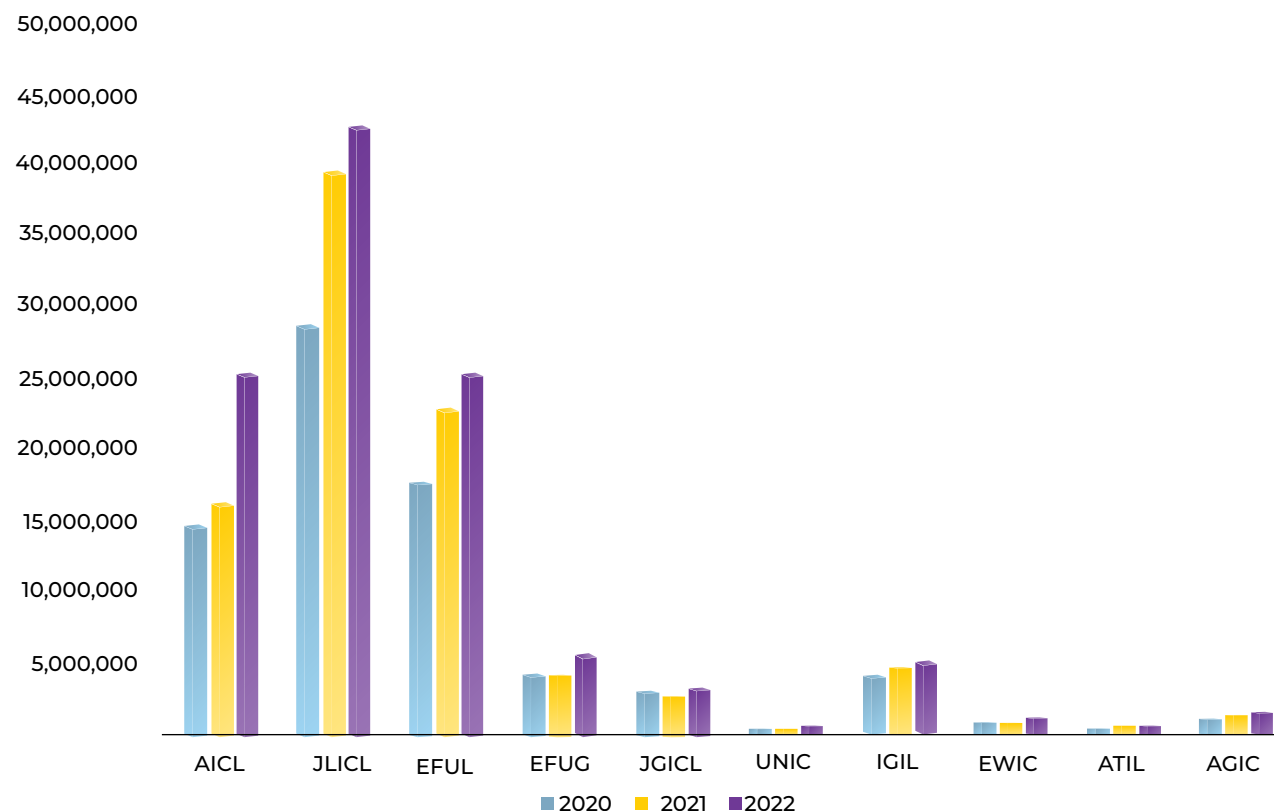
NET EARNED PREMIUM

We can see that Jubilee Life Insurance has the highest NEP (PKR 45.571 Mn) followed by EFU Life Insurance (PKR 38.471 Mn), while the lowest Net Earned Premium among the top 10 was for Atlas Insurance (PKR 2.132 Mn). Askari Life Assurance shows a major increase of 79% in its NEP as compared to 2021.



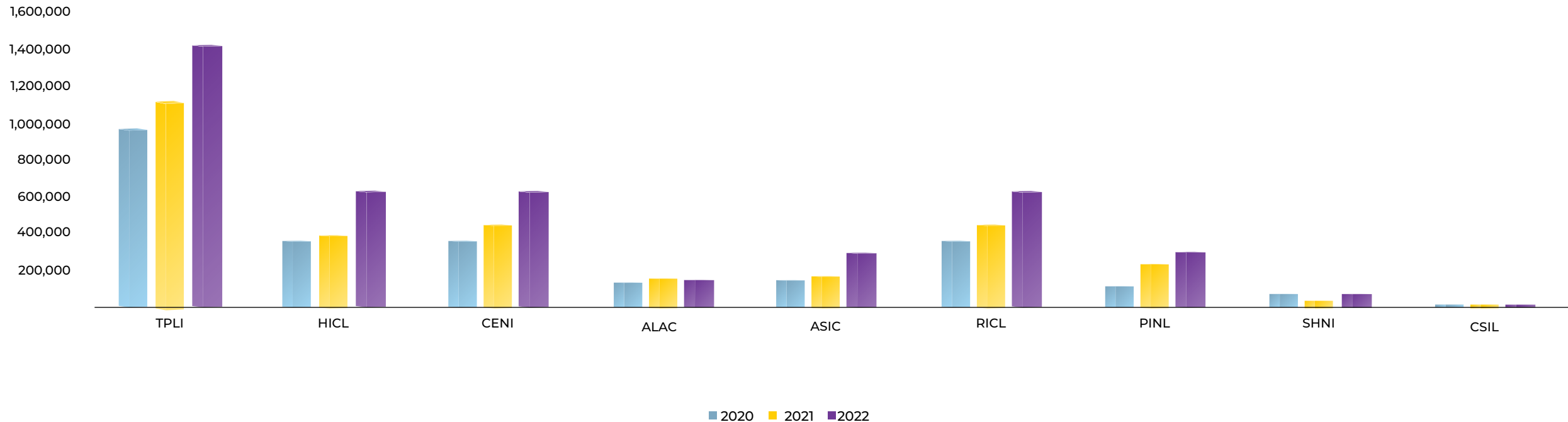
NET INCURRED CLAIMS - TOP 10 COMPANIES

Jubilee Life Insurance has the highest Net Incurred Claims (PKR 42.933 Mn) followed by Adamjee Insurance (PKR 25.519 Mn), while the lowest Net Incurred Claims among the top 10 was of Atlas Insurance (PKR 0.721 Mn). Net Incurred Claims increased significantly for Adamjee Insurance.



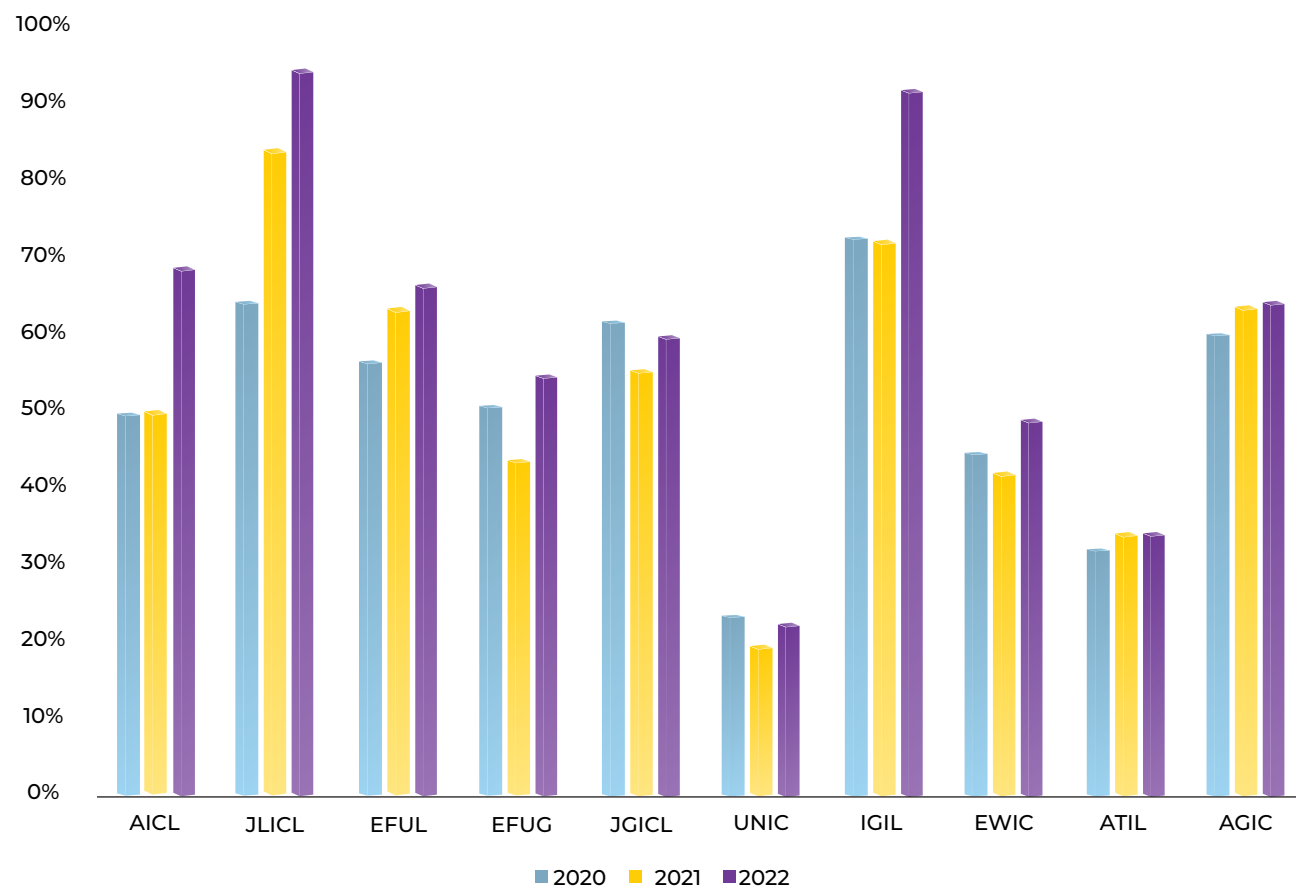
NET INCURRED CLAIMS - OTHER COMPANIES

For the remaining companies, the highest Net Incurred Claims was of TPL Insurance (PKR 1.415 Mn), with Crescent Star Insurance having the lowest Net Incurred Claims. Shaheen Insurance Company experience a major increase in its Net Incurred Claims of 88% as compared to 2021. On the other hand, Askari Life Assurance and Crescent Star Insurance show decreased in their Net Incurred Claims of -4% and -59% for year 2022.



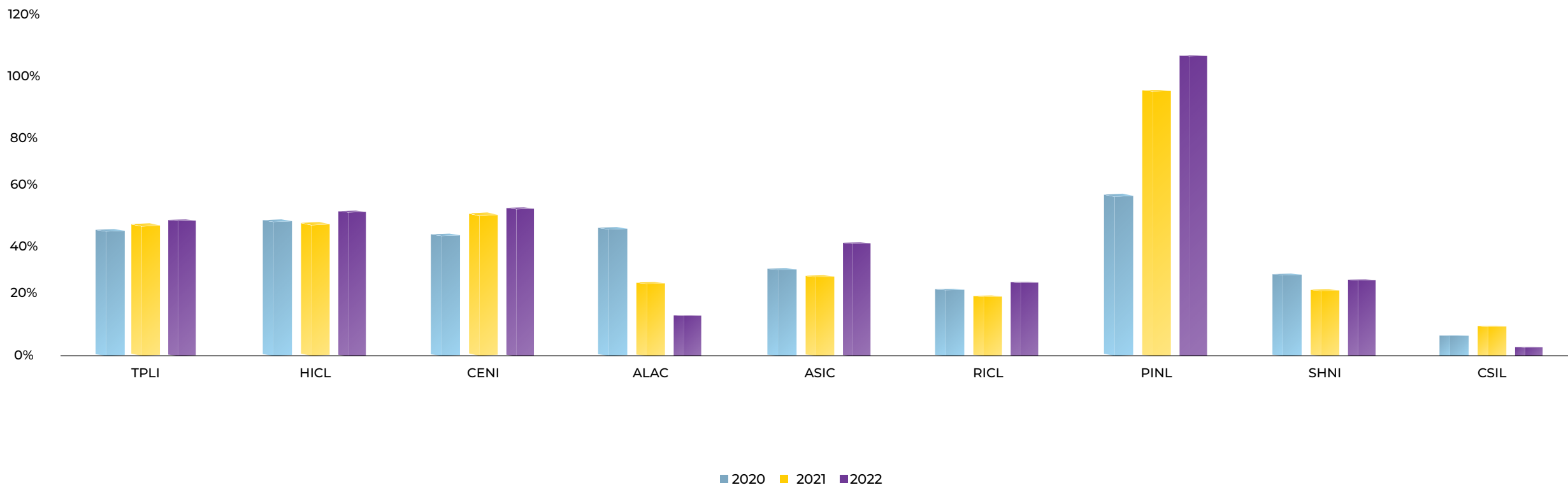
LOSS RATIOS - TOP 10 COMPANIES

The highest loss ratio for 2021 and 2022, was for Jubilee Life Insurance being 84% and 94% respectively, while the lowest was for United Insurance, being 20% and 22% respectively for the years 2021 and 2022. The loss ratios increased for all the top 10 companies for the year 2022 except Atlas Insurance Limited which remains the same at 34% for both years.



LOSS RATIOS – OTHER COMPANIES

The loss ratios for other companies have been summarized in the chart below. For the year 2021, the highest loss ratio was for Premier Insurance (94%), and the lowest for Crescent Star Insurance (10%). For the year 2022, Premier Insurance remains highest at 106% and Crescent Star Insurance also remains at the lowest at 3%. The highest reduction in loss ratios was for Crescent Star Insurance (-7%) and Askari Life Assurance (-12%), while the highest increase was for Asia Insurance (12%).



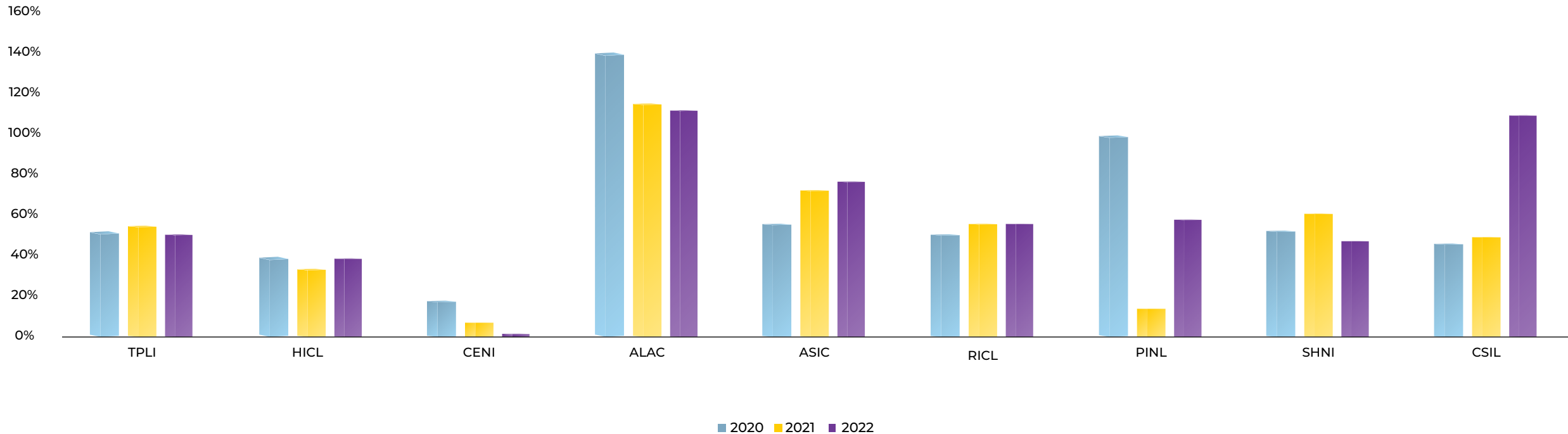
EXPENSE RATIOS - TOP 10 COMPANIES

The expense ratio was the highest for United Insurance (42%) and was the lowest for Jubilee General (-3%) in 2022. IGI Life experienced a major decline from 35% to 8% from the year 2021 to 2022, while Atlas Insurance experienced the highest increase from 1% to 15% for the year 2022.



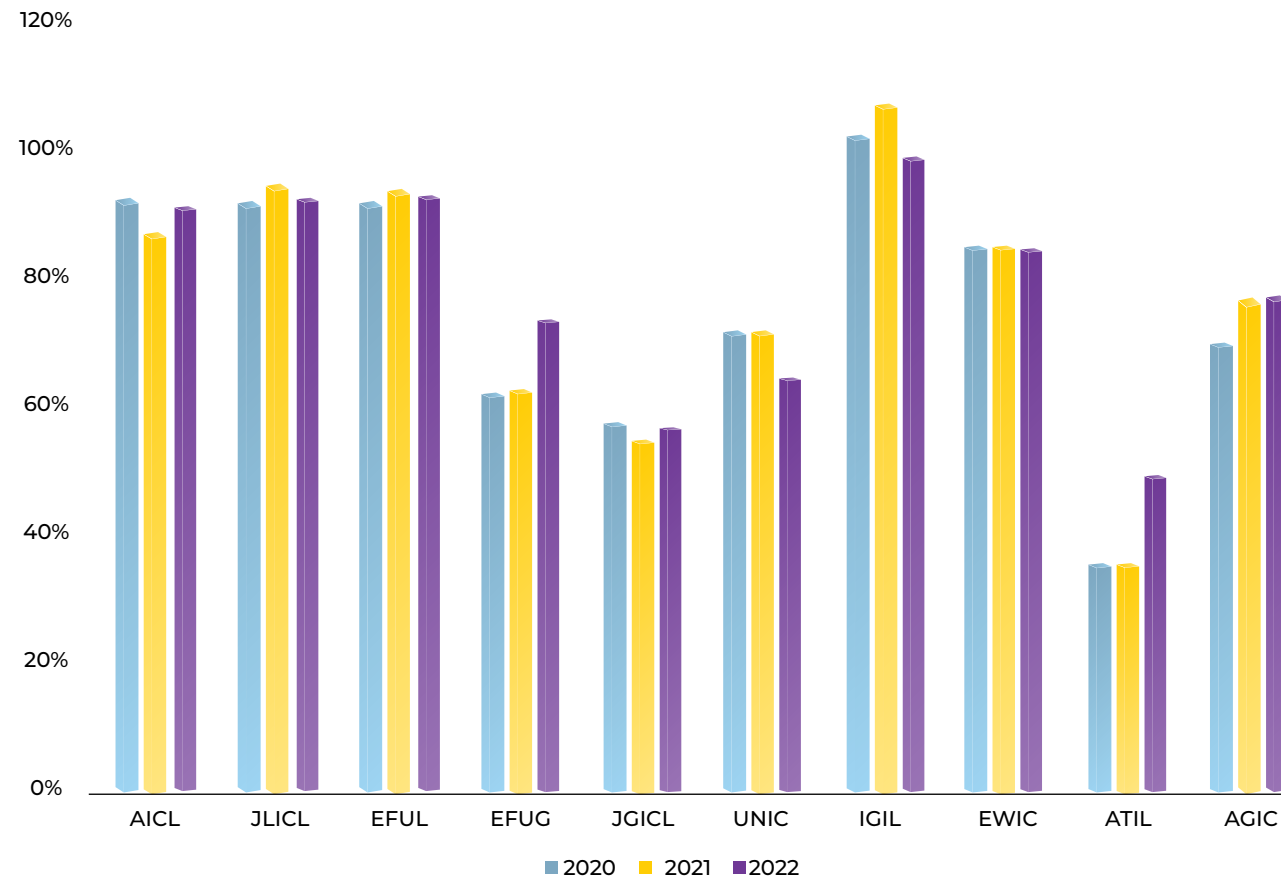
EXPENSE RATIOS - OTHER COMPANIES

The highest expense ratio for both years 2021 and 2022, was for Askari Life Assurance (115%) and (112%), while the lowest ratio for years 2021 and 2022, was for Century Insurance (6%) and (1%) respectively. Expense ratios for the top 10 companies are significantly lower than the remaining companies. Crescent shows a major increase in its expense ratio from 50% to 109% from 2021 to 2022.

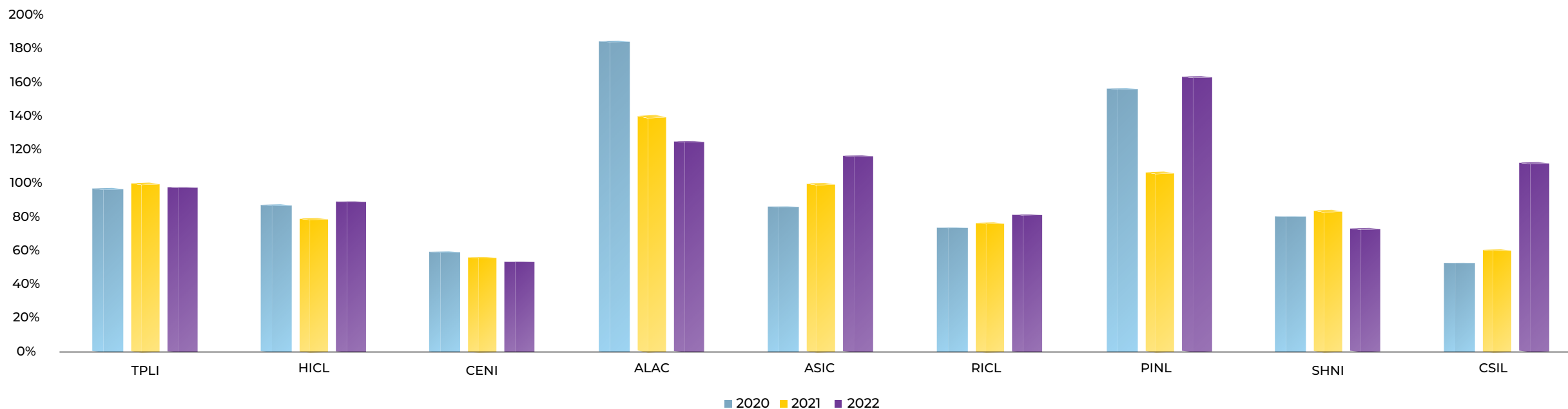


COMBINED RATIOS - TOP 10 COMPANIES

For the year 2022, the highest combined ratio was for IGI Life Insurance (99%) and the lowest was for Atlas Insurance (49%). The combined ratio increased by 11% for EFU General while the ratio decreased by 11% for United Insurance and IGI Life.

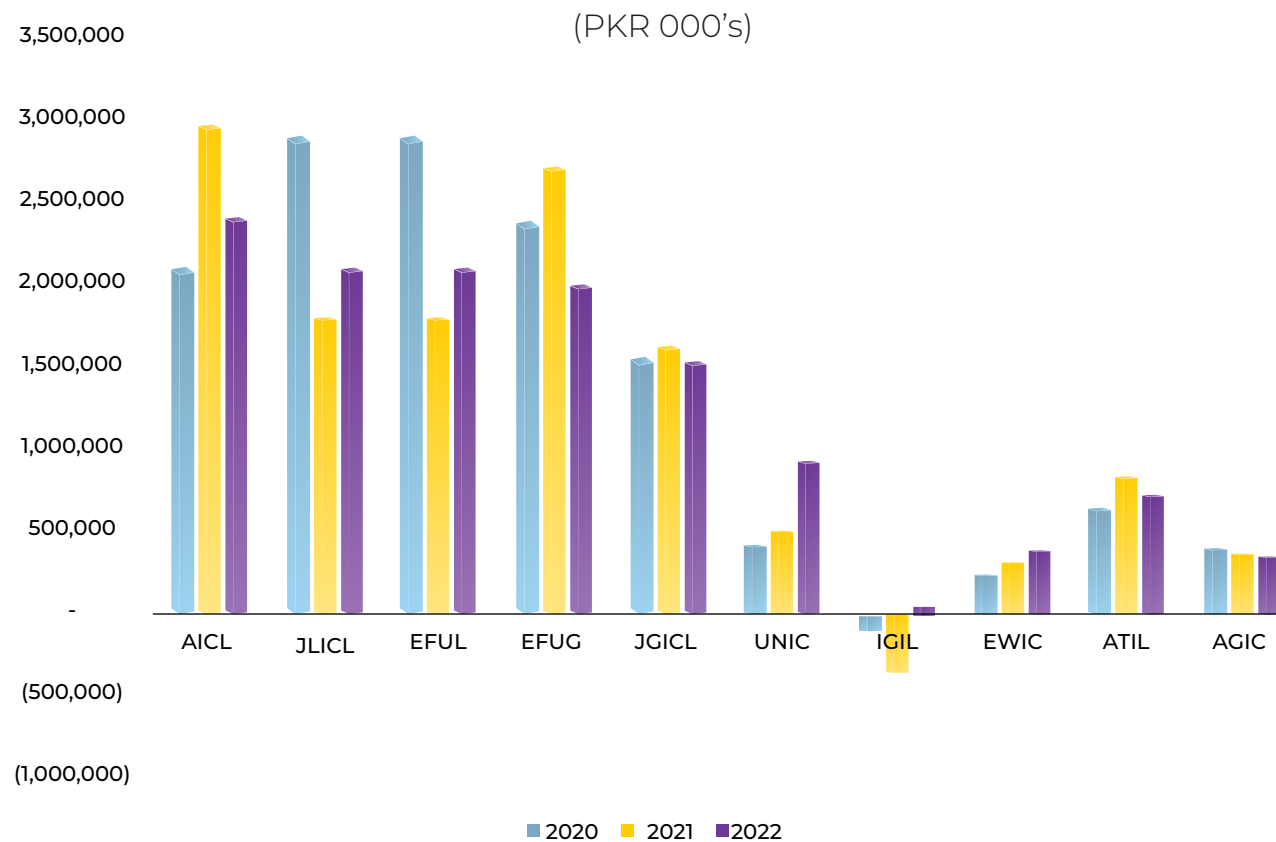


As for the remaining companies, Premier Insurance had the highest combined ratio in 2022 (164%), while Century Insurance had the lowest combined ratio (54%). Although Askari Life Assurance was able to reduce its combined ratio by 15%, it still is above 100% while Shaheen Insurance was able to decrease its combined ratio by 11%, reducing its combined ratio from 84% to 73%. Crescent Star Insurance increased its combined ratio by 52% from 2021 to 2022 and reached 112% for year 2022.



NET PROFIT AND LOSS - TOP 10 COMPANIES

Adamjee Insurance has the highest Net Profit in years 2021 (2.943 million) and 2022 (2.386 million), retaining its position. The lowest net profit in 2021 and 2022 was for IGI Life Insurance. EFU General Insurance decreases in its net profit by 26% from year 2021 to 2022.



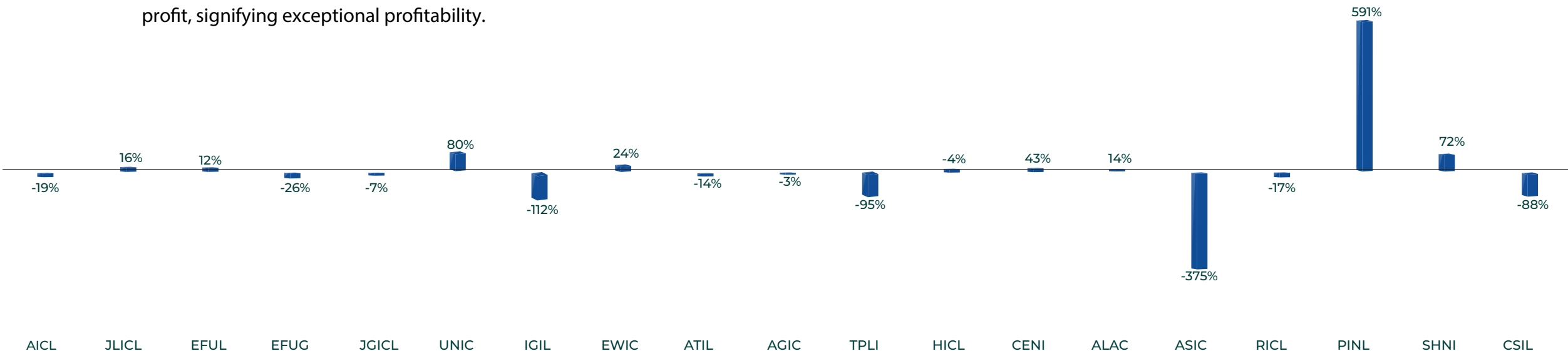
NET PROFIT AND LOSS - OTHER COMPANIES

Other than the top 10 companies, the remaining companies have net profit in both, positive and negative values. Century Insurance had the highest Net Profit of 0.277 million in 2021 and 0.313 million in 2022. The highest net loss was for Askari Life Assurance in 2021 and 2022.

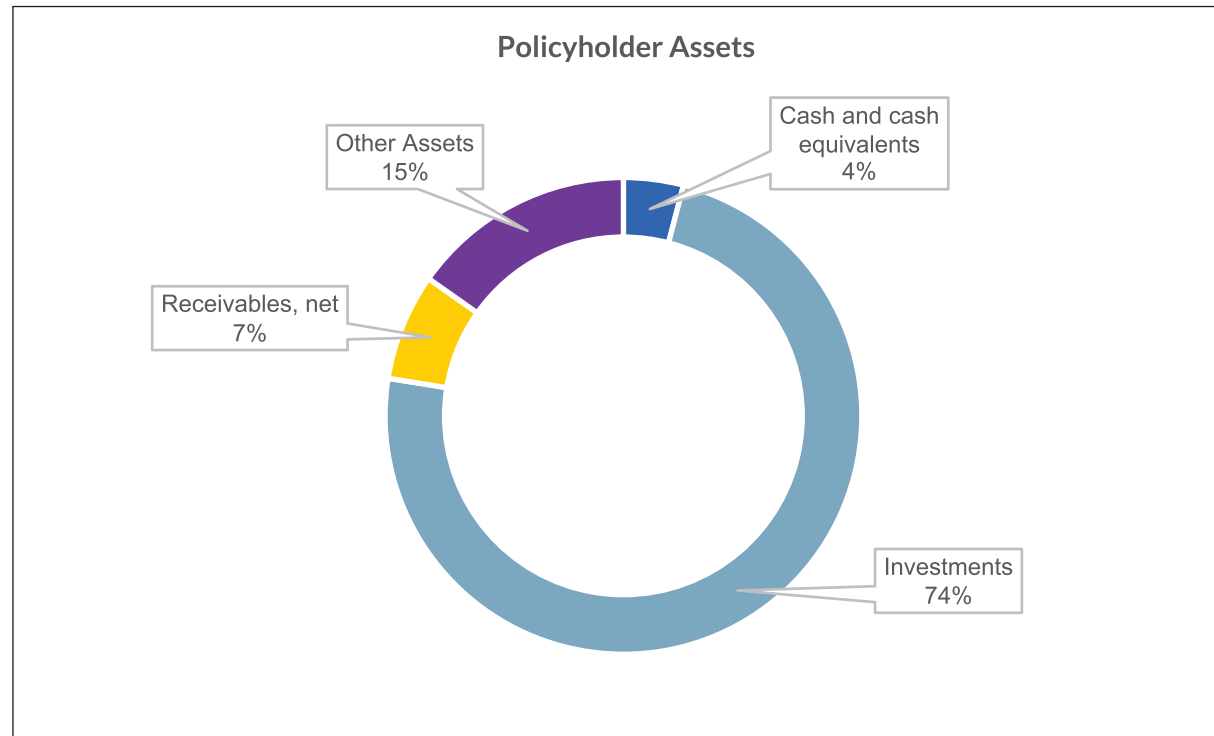


NET PROFIT AND LOSS - MOVEMENT

Overall, while some insurance companies exhibited positive movements in net profit, others faced declining profitability or significant losses. Asia Insurance Company experienced an extraordinary decrease of 375% in net profit, indicating substantial losses and potential financial challenges. United Insurance had a significant increase of 80% in net profit, reflecting strong profitability. Premier Insurance experienced a substantial increase of 591% in net profit, signifying exceptional profitability.



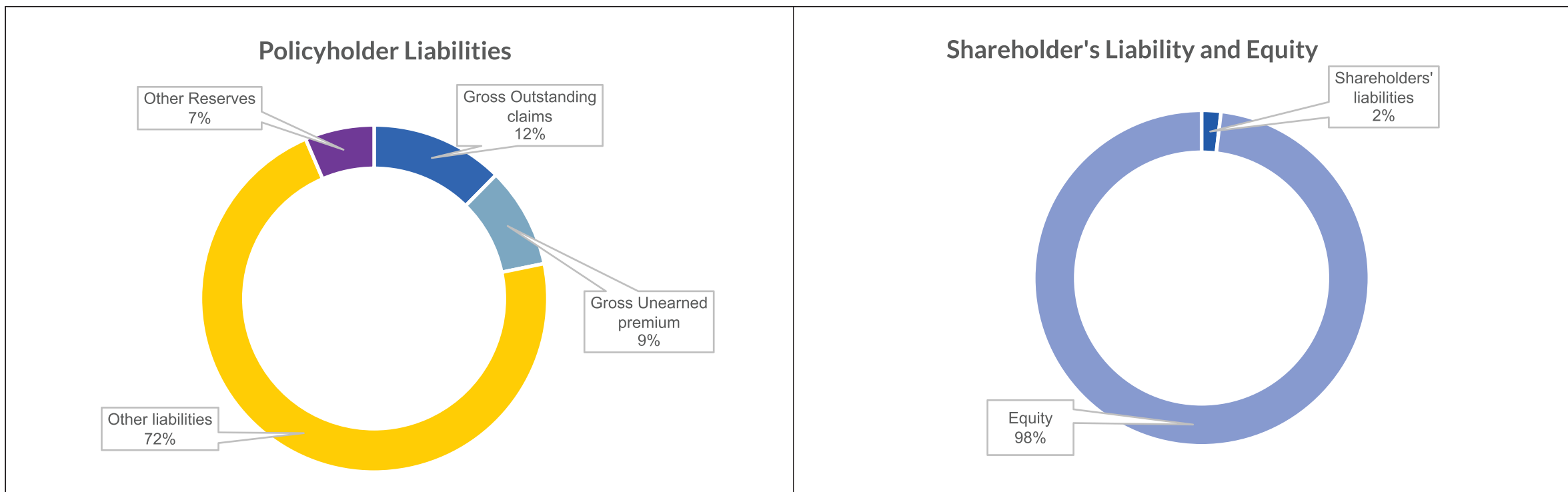
Most of the policyholder assets were kept as investments (74%), 4% were held as cash, 7% as receivables, and 15% were kept as other assets.



LIABILITY & EQUITY CLASSIFICATION

AGGREGATE

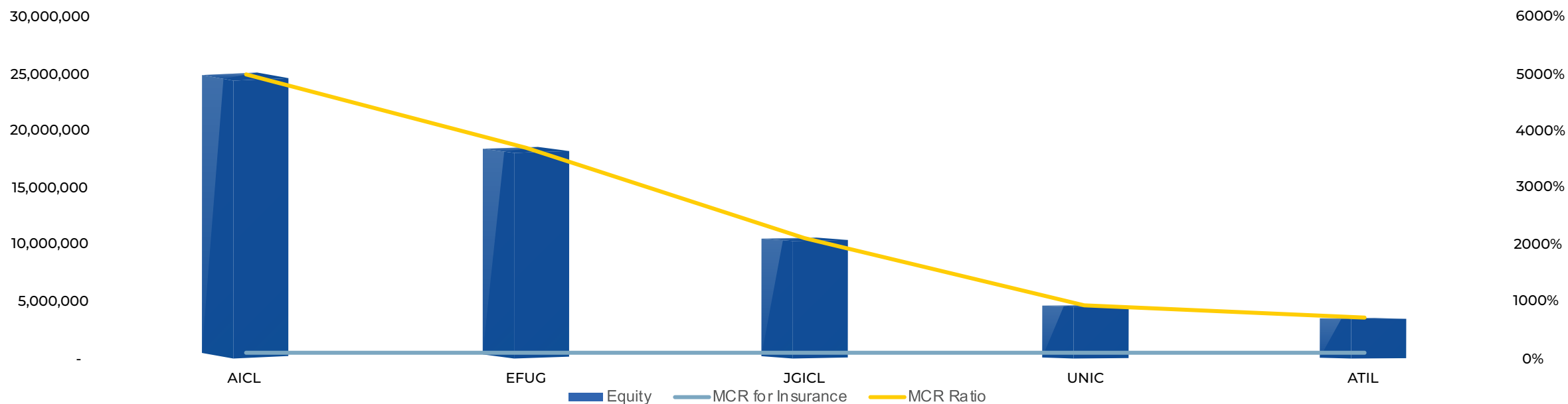
Policyholder liabilities consist of 12% Gross Outstanding claims, 09% of Gross Unearned premium, 7% of Other Reserves, and 72% of other liabilities. In addition to this, Equity as a percentage of total assets is about 98%.



SOLVENCY ANALYSIS (GENERAL INSURANCE)

TOP 5 COMPANIES

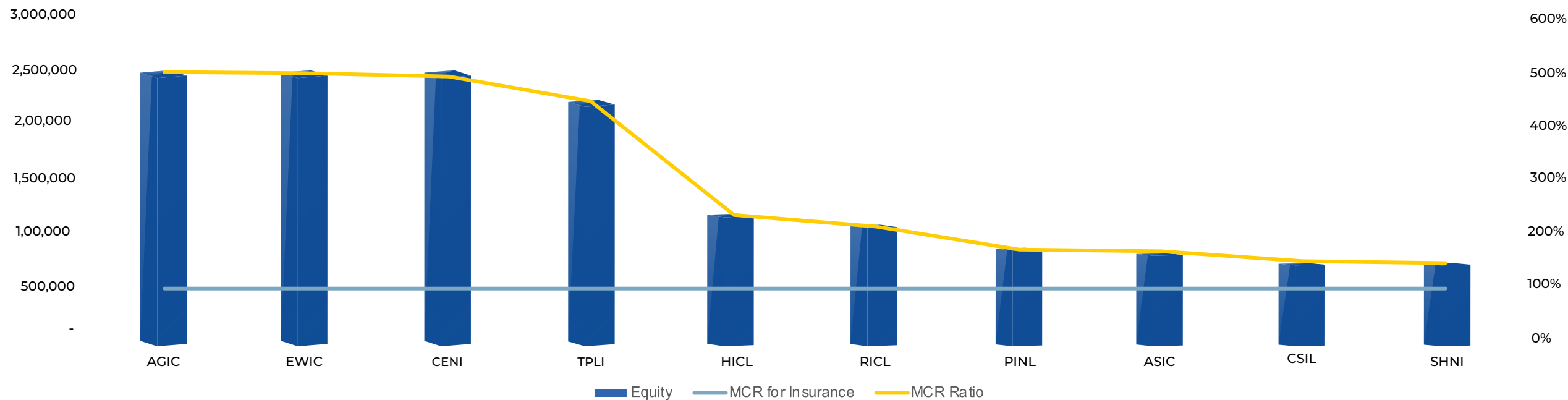
Overall, AICL, EFUG, JGICL, and UNIC demonstrate strong solvency positions as their equity comfortably exceeds the minimum capital requirement, with significant margins. However, ATIL, despite meeting the minimum requirement, has a lower equity base compared to its peers, indicating a relatively weaker solvency position.



SOLVENCY ANALYSIS (GENERAL INSURANCE)

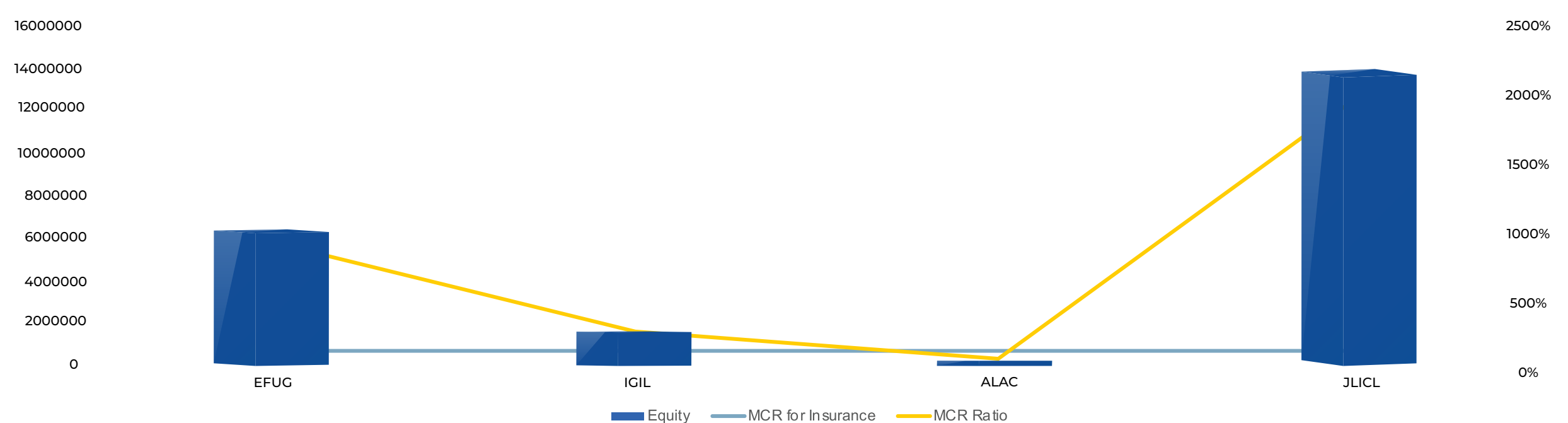
– OTHER COMPANIES

AGIC, EWIC, and CENI exhibit strong solvency positions with substantial equity bases significantly exceeding the minimum capital requirement. TPLI shows a satisfactory solvency position with its equity surpassing the minimum capital requirement. HICL, RICL, PINL, ASIC, CSIL, and SHNI have relatively weaker solvency positions with narrower margins between equity and the minimum capital requirement.



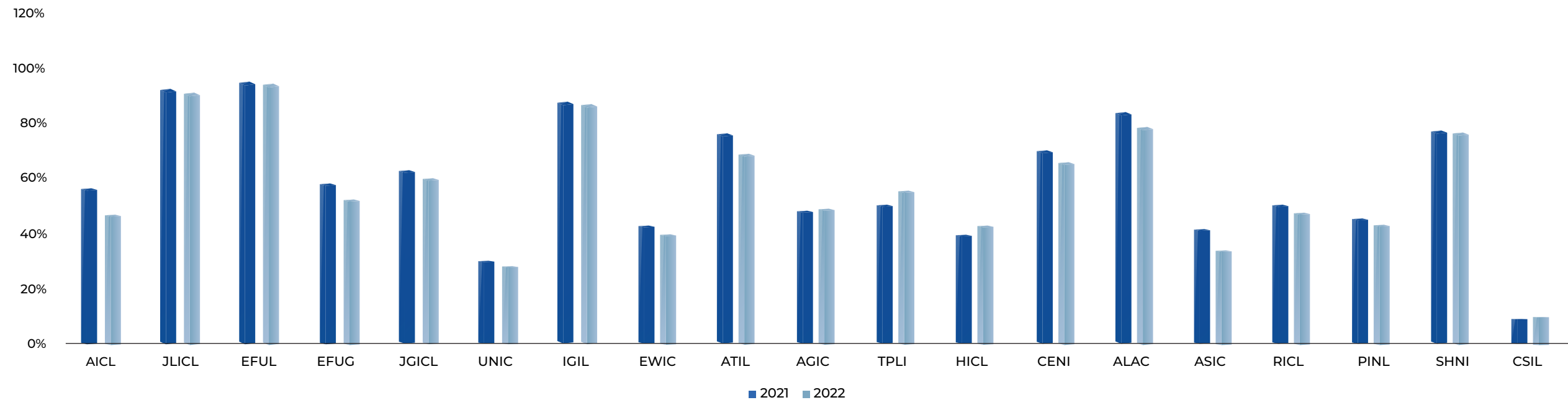
EFUL and JLICL are in a strong financial position, with MCR ratios well above 100%, indicating that these companies have more than enough capital to meet the minimum regulatory requirement. This suggests that EFUL and JLICL have strong financial positions and are adequately capitalized. IGIL's MCR ratio is above 100% but relatively lower than EFUL and JLICL, indicating a moderately strong financial position.

ALAC's MCR ratio is below 100%, indicating a potential financial risk. This suggests that the company's equity is insufficient to meet the minimum regulatory capital requirement. ALAC may face financial difficulties and could be at risk of not meeting regulatory obligations.



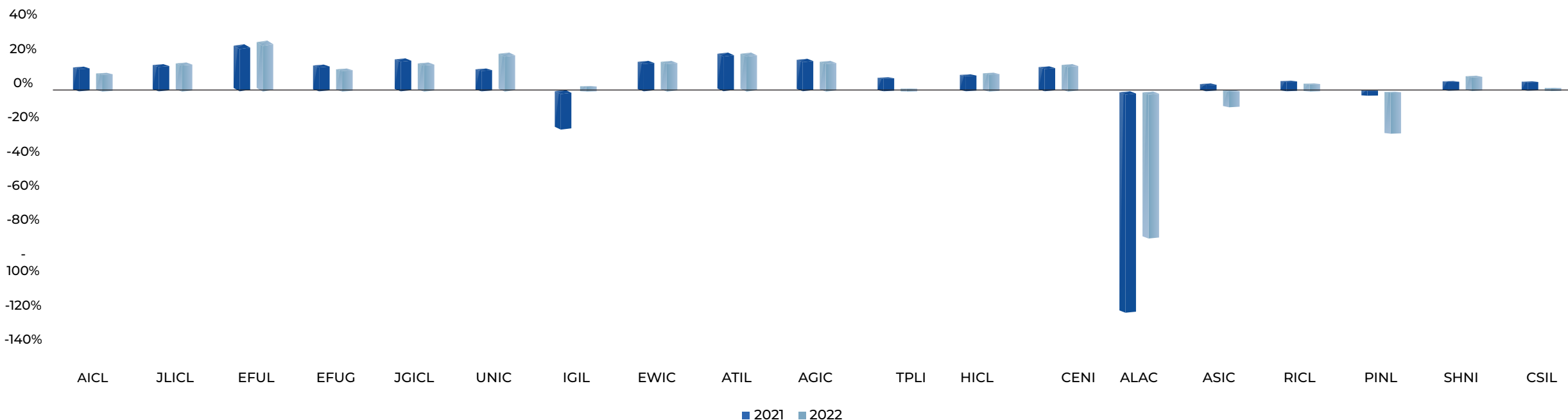
PROPORTION OF INVESTED ASSETS

For most of the companies, invested assets along with cash constitutes about more than 50% of the total assets. The highest invested to total assets ratio is for EFU Life Insurance and Jubilee Life Insurance (95%) and (93%) respectively, while the lowest is for Crescent Star Insurance of about 9%.



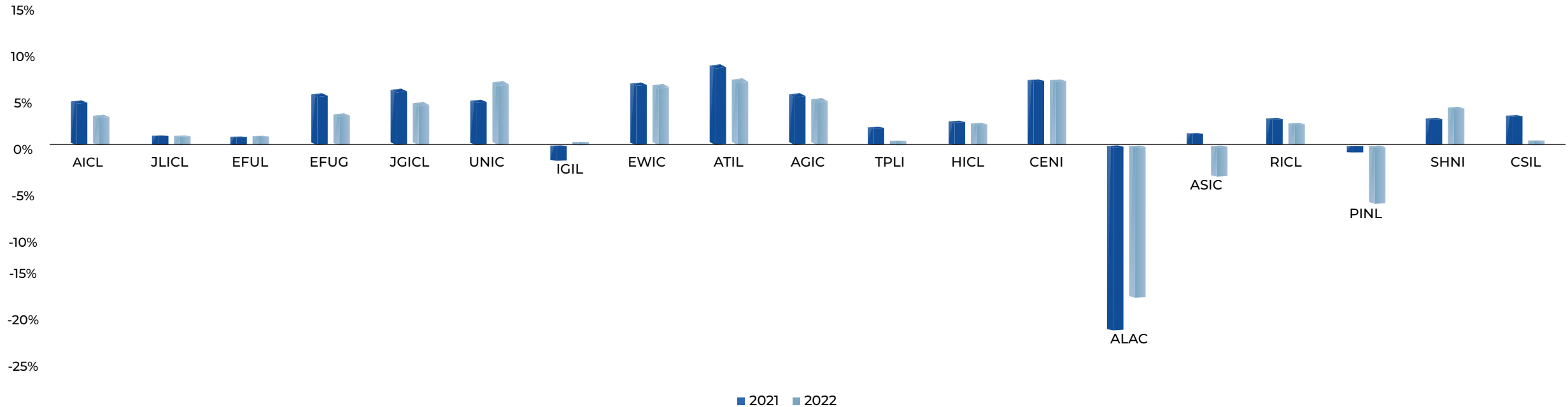
RETURN ON EQUITY (ROE)

The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for EFU Life Insurance, United Insurance and Atlas Insurance of about 27%, 20% and 20% respectively, suggesting that the companies were able to utilize the investments received from the shareholders better than other companies. Return on Equity was highly negative (-77%) for Askari Life Insurance.



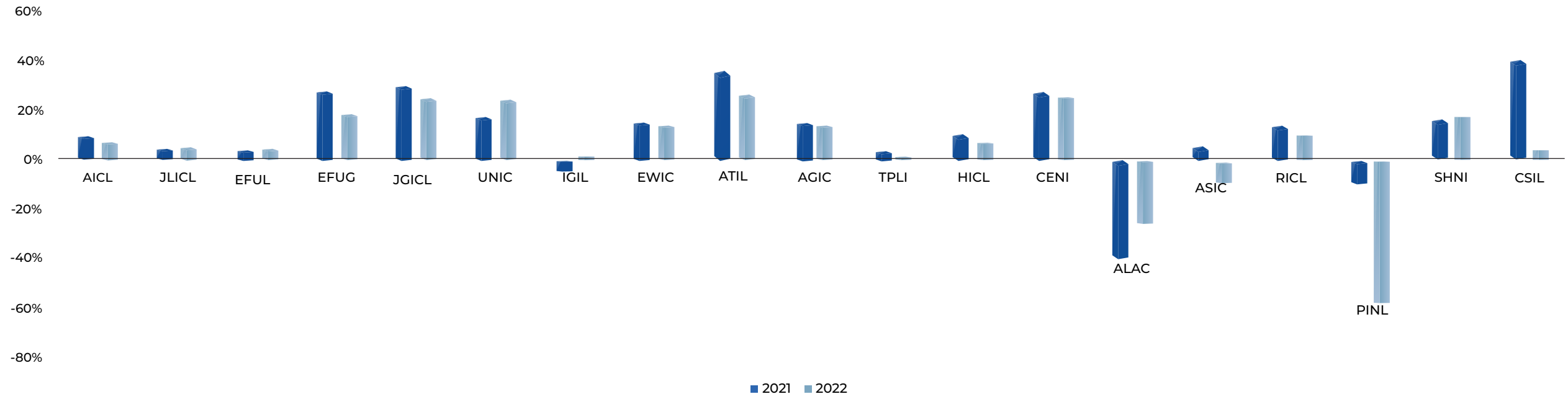
RETURN ON ASSET

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. Atlas Insurance, United Insurance and Century Insurance were able to earn the highest Return on Assets of 8%, 7% and 7% respectively, while Askari Life Insurance earned the highest negative return on Assets of -17%.



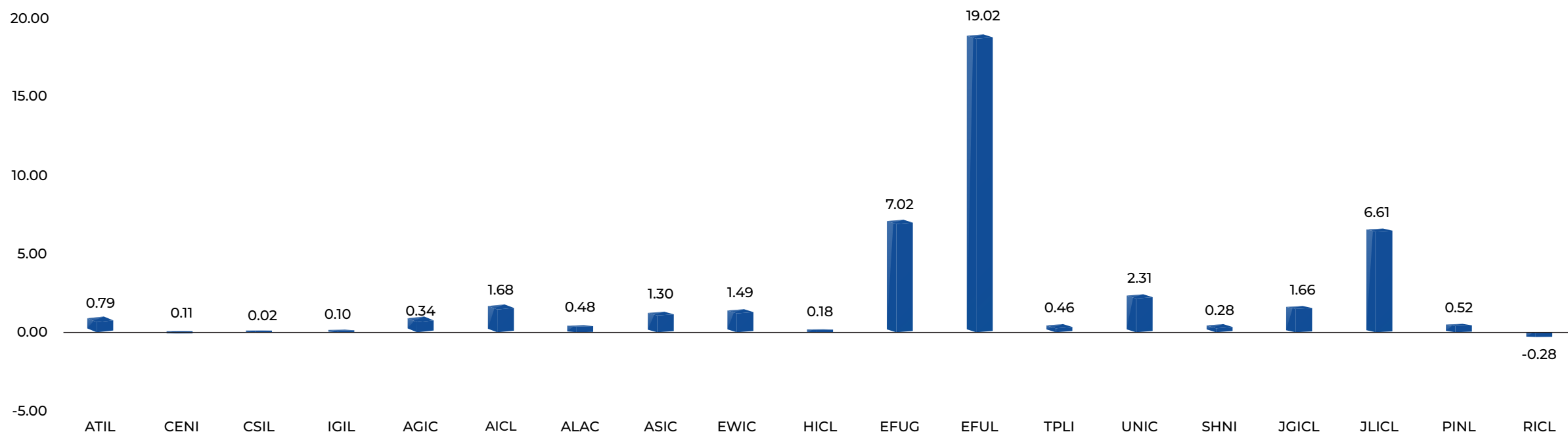
NET PROFIT MARGINS

Net Profit Margin measures how much net income or profit is generated as a percentage of revenue. Atlas Insurance had the highest Net Margin (27%) suggesting that claims and expenses were very low. The lowest net margin was for Premier Insurance (-58%) due to increase in Underwriting Expenses.



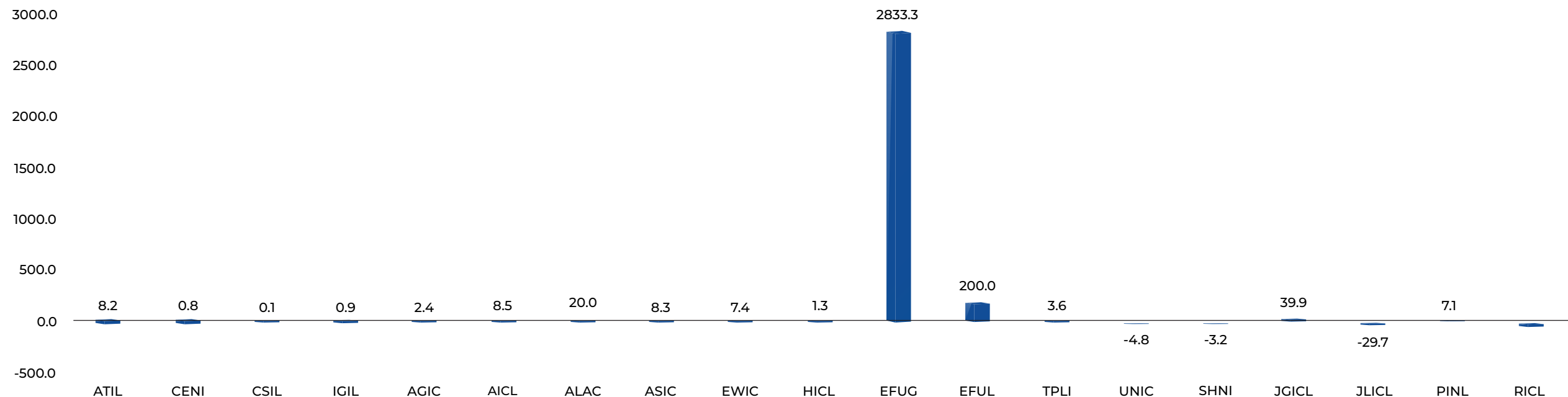
PRICE TO BOOK VALUE

Companies use the price-to-book ratio (P/B ratio) to compare a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share (BVPS). EFU Life Insurance has the highest Price to Book Value Ratio suggesting that as its price is greater than its book value per share, the difference may be due to the goodwill the company has. The lowest Price to Book Value is for Reliance Insurance (-0.28) which may mean that it does not have much goodwill. Moreover, a high price-to-book ratio may also mean that the stock is overvalued, and the price of such shares may decrease over time. In the same way, a low book-to-price ratio may mean that the stock is undervalued, and its price may increase over time.



PRICE TO EARNING

The price-to-earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple. A high price-to-earning ratio suggests that the market has high expectations of future growth for a company, thus the company may be able to grow in the long term. The highest price-to-earning ratio is for EFU General Insurance (2833.3) suggesting that investors have confidence in its performance. The lowest Price to Earning Ratio is for Reliance Insurance (-46.7) which means that profit is negative, and investor confidence is low.





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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Pakistan for the Year-End 2022. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.



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About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997.



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