

January 09, 2014

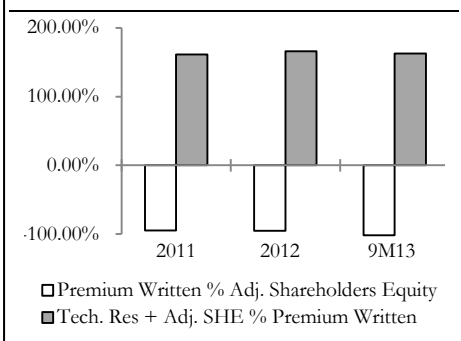
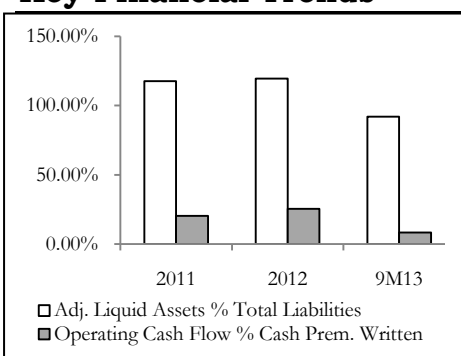
Jubilee General Insurance Company Limited

Chairman: Mr. Tonfiq H. Chinoy; President & Managing Director: Mr. Tabir Ahmed

Analysts: Amir Shafique Muniba Khan

Category	Latest	Previous
IFS	AA+ Dec 12, '13	AA+ Dec 28, '12
Outlook	Stable Dec 12, '13	Stable Dec 28, '12

Key Financial Trends



(In Rs. M)	2011	2012	9M13
Gross Premium	5,180	6,008	5,626
Market Share*	12.2%	13.6%	-
Net Premium	2,764	3,085	2,545
Net Claims ratio	61%	62%	63%
Combined ratio**	96%	96%	97%
Net Profit / (Loss)	797	827	720
Adj. Equity	5,470	6,323	7,382
Operating Leverage	51%	49%	46%
Financial Leverage	53%	57%	65%
Insurance debt % Gross Premium	17%	1%	27%

Rating Rationale

Jubilee General Insurance Company (JGI) is the third largest player in the private insurance sector having a market share of 13.6% in 2012. The rating derives strength from JGI's strong franchise established over a period of 60 years. The company is backed by Aga Khan Fund for Economic Development (AKFED) which has presence in 16 countries worldwide. The assigned rating also incorporates the reinsurance arrangements in place, the company's robust liquidity profile, stable investment income and the pace of internal capital generation, which has allowed the company to maintain sound capitalization while pursuing its growth objectives. Adjusted liquid assets as a proportion of total liabilities stood at 96.5% at end 9M13 (FY12: 113.9%; FY11: 112.9%) reflecting sound liquidity profile and very high capacity to meet policyholders' claims.

Business volumes depicted healthy growth of 15.4% vis-à-vis industry growth rate of 4.6% in 2012. The growth trajectory continued to be in line with business plan, with a target of Rs. 7b for 2013. JGI has a balanced business mix, with the lead business segment being fire contributing around one-fourth to total premium, followed by motor and accident & health portfolios. The management plans to further diversify its revenue base by introducing several new products that would help in penetrating hitherto untapped business avenues. The company's business procurement cost compares favorably to peers, with underwriting expense ratio lowest amongst peers.

JGI's reinsurer panel comprises strong companies with bulk of business ceded to entities rated in the 'A' and 'AA' bands. The lead reinsurer in fire and engineering treaties was Scor Re for 2013. Given the loss trend, retention limits were enhanced by Rs. 5m each in fire & engineering and Rs. 2.5m in marine for 2013 while an Annual Aggregate Deductible (AAD) of Rs. 60m was also added to fire treaty. The AAD increased accumulated loss retention in fire against claims exceeding Rs. 30m. Nevertheless, JGI has adequate capacity to absorb additional claims. Cession increased to 46.8% (FY12: 43.7%) largely due to reinstatements in fire and marine XoL treaties in 9M13. The non-proportional treaty arrangement is in line with the management's philosophy to enhance business on net account.

Segment wise underwriting results have depicted varying trends; overall, underwriting profit was maintained in 2012, though depicting some weakening in 9M13. JGI posted notable improvement in underwriting profits of motor segment during 9M13. The company also managed to curtail losses in miscellaneous segment, particularly in case of financial lines and engineering policies. Health segment, which is retained entirely on net account, continued to post losses. Moreover, results of fire and marine segments came under pressure during 9M13. The management plans to revise premium rates in health and marine and strengthen monitoring of health claims through consolidation of back office processes with Jubilee Life Insurance Company Limited.

Total investments stood at Rs. 8.4b (FY12: Rs. 8.3b) at end HY13. More than half of the portfolio comprises mutual funds; in addition to this, about one-fifth each is invested in real estate and listed equities on the basis of market value. Both credit and market risk arising from the portfolio is considered manageable. Given the portfolio composition, the company's investment income has depicted stability. JGI has also benefited from the upward rally in the stock market. In a rising interest rate scenario, return on the fixed income portfolio is also expected to improve, going forward.

The management profile remains strong with stability at senior management positions. The company has fully implemented Oracle based centralized General Insurance System (IGIS) replacing the earlier system based on Sybase. IGIS would enhance internal control efficiency while improving MIS reporting. JGI has centralized the claims department to ensure effective monitoring of claims settlement process.

* Market share is based on gross premium of private sector general insurance

** Underwriting performance and combined ratio of the company include General and Administration Expenses

Overview of the Institution

Jubilee General Insurance Company Limited is listed on Karachi and Lahore stock exchanges and has a network of 26 branches. Financial statements for 2012 were audited by M/s Ernst & Young, Ford Rhodes Sidat Hyder & Company. Internal audit function of the company has been outsourced to M/s A.F. Ferguson & Co. **JCR-VIS**

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Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: IFS</u>				
12-Dec-13	AA+	Stable		Reaffirmed
28-Dec-12	AA+	Stable		Upgrade
28-Dec-11	AA	Positive		Reaffirmed
03-Jan-11	AA	Positive		Reaffirmed
25-Jan-10	AA	Stable		Reaffirmed