RATING REPORT

Jubilee General Insurance Company Limited

REPORT DATE:
February 4, 2025

RATING ANALYSTS:
Musaddeq Ahmed Khan
musaddeq@vis.com.pk

RATING DETAILS		
	Latest Rating	**Previous Rating**
Rating Category	**Long-term**	**Long-term**
IFS	AA++(IFS)	AA++(IFS)
Rating Date	*Feb. 4, 25*	*Dec 04, '23*
Rating Outlook/ Rating Watch	Stable	Stable
Rating Action	*Reaffirmed*	*Reaffirmed*

COMPANY INFORMATION	
Incorporated in 1953	**External auditors:** KPMG Taseer Hadi & Co. (Chartered Accountants)
Public Limited Company	**Chairman of the Board:** Mr. Akbarali Pesnani
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Azfar Arshad Inam
Aga Khan Hospital & Medical College Foundation – 20.6%	
Habib Bank Limited – 19.8%	
Aga Khan Fund for Economic Development – 14.0%	
Pakistan Services Limited – 7.6%	
Hashwani Hotels Limited – 5.5%	

APPLICABLE METHODOLOGY(IES)

Applicable Rating Criteria: General Insurance
https://docs.vis.com.pk/docs/GeneralInsurance-2023.pdf

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Jubilee General Insurance Company Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

JGI was incorporated as a public limited company in 1953. The company is engaged in provision of general insurance services and is listed on the Pakistan Stock Exchange. JGI operates through a network of 26 branches with its Head Office established in Karachi.

The rating assigned to Jubilee General Insurance Company Limited (JGI or 'the Company') derives strength from its strong sponsorship profile with presence of Aga Khan Fund for Economic Development, and related entities, as the majority shareholders. The rating also reflects the Company's market positioning as the third largest private sector insurance company, with a market share of 11.9%, in Pakistan. The Company's GWP grew in the review period, driven by the fire & property segment, on the account of upward revisions in premium rates as well as onboarding of new clients. Profitability of the Company also improved during for CY23 and 9MCY24 on account of substantial improvement evidenced in the investment income coupled with an uptick in the underwriting profits. The Company's strategy to focus on technological developments such as development of J2 App to accelerate policy issuance and claims settlements, API integration with Zurich Insurance, partnership with Pak Suzuki for digital insurance issuance, and new cybersecurity measures are reflected in the assigned rating along with ESG initiatives undertaken by the Company.

Rating derives comfort from the sound reinsurance arrangements with renowned international and local reinsurers. Liquidity profile is considered satisfactory as exhibited by liquid asset coverage of net technical reserves. JGI is also considered sound from a solvency risk perspective as the Company has adequate cushion in terms of total admissible assets over liabilities. Since majority of investment portfolio is vested in government securities, the credit risk is considered manageable.

Going forward, the rating will remain sensitive to the Company's ability to maintain market share, manage the factors leading to underwriting losses and sustain the profitability momentum, supported by investment income, amid declining interest rate environment.

Insurance Sector Update:

Global Overview:

The global insurance industry has demonstrated remarkable resilience and adaptability amidst evolving macroeconomic conditions and heightened geopolitical tensions. In 2023, the industry recorded its strongest growth since 2006, expanding by 7.5%. Global premiums reached €6.2 trillion, divided among life insurance (€2.62 trillion), property and casualty (P&C) (€2.15 trillion), and health insurance (€1.43 trillion).

Regional market dynamics underscore significant variances in growth. North America continues to dominate the P&C and health insurance segments, contributing 54.2% and two-thirds of global premiums, respectively. The Asia-Pacific region led the recovery in life insurance, buoyed by China's post-pandemic rebound (7.7% growth) and India's exceptional growth trajectory of 13.6%. In Europe, life insurance premiums grew by 3.3% in 2023 after a contraction in 2022, though challenges persist, including a heavy reliance on single-premium products.

Sustainability and ESG (Environmental, Social, and Governance) integration have become central to insurers' strategies, with almost all firms embedding sustainability goals into their investment portfolios. Clean energy and transition technologies are particularly prominent themes. Technological innovation, especially through artificial intelligence (AI), is gradually replacing traditional insurance processes. AI is now critical for underwriting, claims management, and risk modeling, while advancements in IT enable real-time customer engagement and personalized products.

Capital management strategies are also evolving in response to macroeconomic changes. Higher interest rates have improved investment yields, prompting insurers to increase allocations to private markets and alternative assets, such as infrastructure debt. Liquidity management remains a top priority as insurers strive to balance portfolio diversification with maintaining stable risk levels. Meanwhile, regulatory developments and geopolitical tensions are among the top macroeconomic concerns for insurers, further complicated by diverging monetary policies across regions.

Looking ahead, the global insurance market is projected to grow at an annual rate of 5.5% over the next decade, with life and health insurance driving much of this expansion. Asia is expected to remain the primary growth engine, accounting for nearly half of the absolute premium increase. However, the industry must address key challenges, such as balancing insurability and affordability amidst rising climate and cyber risks, tackling inequalities exacerbated by demographic and economic shifts, and adapting to regulatory changes in a fragmented geopolitical environment.

Local Overview:

The insurance sector in Pakistan, demonstrates a complex and evolving landscape. The industry is divided into life and non-life insurance segments, with significant contributions from both conventional and takaful (Islamic insurance) operations. However, insurance penetration remains low, at just 0.79% of Gross Domestic Product (GDP). In 2023, the life insurance sector reported a gross premium of PKR 404 billion, with claims paid amounting to PKR 289 billion. Health policies dominated the product distribution, constituting 41% of the total premium, followed by participating policies at 30% and unit-linked policies at 23%. The non-life insurance sector, on the other hand, recorded a gross premium of PKR 227 billion, with claims paid totaling PKR 84 billion. Fire and property damage insurance accounted for the largest share of the premium at 31%, followed by motor insurance at 20% and engineering insurance at 16%.

The financial performance of the sector highlights a substantial investment income, with the life insurance segment reporting total assets of PKR 2,518 billion and investments of PKR 1,911 billion as of Dec'23. The non-life insurance segment also showed strong financial health, with total assets of PKR 381 billion and investments of PKR 145 billion as of Dec'23. The takaful sector, although smaller, shows promising growth potential, particularly in the family takaful segment, which contributed 35% of the total private sector premium. The general takaful segment accounted for 11% of the total non-life insurance industry premium.

Challenges facing the sector include low motor insurance adoption, limited local reinsurance capacity, and a shortage of skilled human resources. The SECP's strategic plan underscores the importance of adopting IFRS-17 by January 2026, embracing technological advancements, strengthening legislative frameworks, and enforcing compulsory insurance schemes to tackle current challenges. Overall, the insurance sector in Pakistan is poised for potential growth, driven by both conventional and takaful operations. The industry's financial stability, coupled with strategic initiatives by the SECP, positions it well for future expansion and increased penetration in the national economy.

Auditor's Opinion

A.F. Ferguson & Co. Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of December 2023.

Auditors for 2024 was changed to KPMG Taseer Hadi & Co. (Chartered Accountants), which is also a QCR rated firm and categorized as 'Category A' on the SBP's Panel of Auditors.

Business Update – JGI

Table 1: Business Mix

(PKR million)	**CY22**	**%**	**CY23**	**%**	**3QCY24**	**%**	**3QCY23**	**%**
Fire and property damage	**5,640.1**		**7,983.6**		**8,737.4**		**7,406.4**	
Conventional	5,341.2	**38.1%**	7,595.4	**41.0%**	8,317.8	**42.7%**	7,073.6	**43.4%**
Takaful	298.9		388.2		419.6		332.8	
Marine, aviation and transport	**1,181.0**		**1,651.0**		**1,652.3**		**1,188.0**	
Conventional	1,041.3	**8.0%**	1,461.9	**8.5%**	1,441.2	**8.1%**	1,048.7	**7.0%**
Takaful	139.7		189.1		211.1		139.3	
Motor	**2,469.6**	**16.7%**	**2,720.7**	**14.0%**	**2,396.4**	**11.7%**	**2,158.1**	**12.6%**

Conventional	1,778.1		1,970.2		1,772.7		1,566.4	
Takaful	691.5		750.5		623.8		591.6	
Liability	**452.7**		**575.9**		**757.0**		**534.1**	
Conventional	452.7	**3.1%**	575.9	**3.0%**	757.0	**3.7%**	534.1	**3.1%**
Takaful	-		-		-		-	
Accident & Health	**2,533.6**		**3,166.0**		**2,925.0**		**2,614.3**	
Conventional	1,999.8	**17.1%**	2,290.4	**16.3%**	2,149.8	**14.3%**	1,841.5	**15.3%**
Takaful	533.8		875.6		775.1		772.8	
Miscellaneous	**2,521.4**		**3,361.9**		**3,991.1**		**3,164.7**	
Conventional	2,444.3	**17.0%**	3,277.1	**17.3%**	3,918.3	**19.5%**	3,086.9	**18.5%**
Takaful	77.1		84.8		72.8		77.8	
Total	**14,798.5**		**19,459.1**		**20,459.2**		**17,065.6**	
Conventional	13,057.4	**88.2%**	17,170.9	**88.2%**	18,356.8	**89.7%**	15,151.3	**88.8%**
Takaful	1,741.1	**11.8%**	2,288.2	**11.8%**	2,102.4	**10.3%**	1,914.3	**11.2%**

The Company is primarily involved in the provision of insurance coverage related to fire & property, motor, accident & health, marine, liability and miscellaneous risks (includes engineering, bonds, terrorism, bankers' blanket bond and travel business). Despite a growth in premiums pertaining to all segments, the overall business mix was largely unchanged with fire & property segment remaining the major revenue driver, followed by the miscellaneous division, contributing a combined two-thirds to the GWP during 3QCY24.

The Gross Written Premium/ Contribution (GWP) witnessed consistent growth on a timeline basis standing at PKR 20.5b (CY23: PKR 19.5b; CY22: PKR 14.8b) at end-Sept'24 which represents an increase of about 19.9% from SPLY. Within this GWP, conventional segment grew by 21.1% from SPLY reaching PKR 18.4b (CY23: PKR 17.2b; CY22: PKR 13.1b) whereas takaful contributions grew by 9.8% from SPLY to PKR 2.1b (CY23: PKR 2.3b; CY22: PKR 1.7b) by end-9MCY24. Consequently, Company's market share was recorded higher at 11.92% (9MCY23: 10.25%) during the review period. The aforementioned augmentation is largely on account of upward revisions in premium prices in line with soaring inflation across all segments as opposed to appreciable expansion of client base.

Additionally, given that technological development is a major growth driver in the insurance sector, the Company upgraded its infrastructure, systems, and processes to enhance efficiency, security, and customer service. Key improvements included server upgrades that enhanced data processing speeds and system performance, advanced backup and replication processes for improved data recovery, and the implementation of Decibel HRMS to streamline HR operations. The Company also developed the J2 App to accelerate policy issuance and claims settlements, deployed a datacenter firewall, and integrated WhatsApp for Business to enhance real-time customer support. Additional initiatives such as API integration with Zurich Insurance, a partnership with Pak Suzuki for digital insurance issuance, and new cybersecurity measures including an updated patch management system and Microsoft 365 Defender, underscored the Company's commitment to operational excellence and continuous improvement in service delivery.

JGI is targeting a 20% uptick in GWP by end-CY24 while focusing on fire and marine segments, going forward. Moreover, in CY25 the Company aims to grow aggressively and increase its market share by 0.5%-1% through focusing on operational efficiency, automation, and digitalization, alongside fostering a diverse and inclusive culture. These efforts are geared towards making the business nimble and future-ready, as emphasized in their approach to remaining proactive rather than reactive in adapting to market changes. The Company also focuses on reducing its carbon footprint, which aligns with contemporary global trends towards environmental responsibility. This strategic focus not only aims to enhance the company's service efficiency but also positions it well for sustainable growth in a rapidly evolving insurance ecosystem.

Cession

In absolute term, between CY22 and CY23, total reinsurance ceded increased significantly from PKR 6.7b to IQD 8.9b, primarily driven by higher contributions from fire & property damage of PKR 1.4b. Conventional reinsurance contributed significantly to this growth, recording a steady YoY increase of 34.4%. For the quarterly comparison, reinsurance ceded for 3QCY24 increased significantly to PKR 9.2b from PKR 6.3b in 3QCY23, reflecting growth across major categories, particularly fire & property (up by PKR 1.8b). The overall cession ratio rose from 36.7% in 3QCY23 to 44.8% in 3QCY24, with conventional reinsurance driving the surge.

The breakdown of cession ratios has been provided below:

CESSION RATIO	**CY22**	**CY23**	**3QCY24**	**3QCY23**
Fire and property damage	**71.7%**	**67.7%**	**64.2%**	**51.4%**
Conventional	71.8%	68.5%	64.8%	51.8%
Takaful	69.8%	53.1%	53.0%	43.6%
Marine, aviation and transport	**26.0%**	**31.2%**	**40.8%**	**24.0%**
Conventional	26.9%	30.2%	41.9%	22.9%
Takaful	18.9%	38.9%	33.2%	32.1%
Motor	**3.6%**	**4.3%**	**3.7%**	**3.9%**
Conventional	3.2%	3.8%	3.8%	3.5%
Takaful	4.6%	5.5%	3.6%	5.2%
Liability	**86.6%**	**85.8%**	**68.1%**	**67.5%**
Conventional	86.6%	85.8%	68.1%	67.5%
Takaful	0.0%	0.0%	0.0%	0.0%
Accident & Health	**0.7%**	**0.3%**	**0.3%**	**0.0%**
Conventional	0.8%	0.5%	0.3%	0.0%
Takaful	0.0%	0.0%	0.0%	0.0%
Miscellaneous	**73.1%**	**71.4%**	**56.7%**	**54.2%**
Conventional	74.1%	72.0%	57.3%	54.7%
Takaful	43.1%	44.6%	26.3%	36.9%
Overall Cession Ratio	**45.2%**	**45.9%**	**44.8%**	**36.7%**
Conventional	49.0%	50.0%	48.1%	39.7%
Takaful	17.2%	15.7%	15.9%	13.0%

.

Claims Experience

Gross claims were recorded higher at PKR 9.1b (3QCY23: PKR 5.2b) by end-9MCY24 wherein takaful related gross claims amounted to PKR 1.1b (9MCY23: PKR 844.6m) whereas conventional claims were PKR 8.0b (9MCY23: PKR 4.3b). This increase in claims resulted in deterioration of overall gross claims ratio to 55.8% (3QCY23: 31.1%); the same is attributable to higher average gross claims as well as two major miscellaneous claims incurred by the Company during this period.

On the other hand, with presence of adequate reinsurance coverage, the impact of increased gross claims expense was not reflected in the net claims expense which amounted to PKR 3.8b (3QCY24: PKR 3.7b) whereby conventional and takaful net claims were PKR 2.8b (9MCY23: PKR 2.9b) and PKR 998.4m (9MCY23: PKR 813.6m) respectively by end-9MCY24. Resultantly, with growth in total net premium revenue, net claims ratio also improved to 53.3% (9MCY23: PKR 56.9%). A&H segment continued to have a very high net claims ratio on account of high retention on net account, however the same improved in 9MCY24 as opposed to SPLY.

The segment-wise breakdown of net claims ratio can be seen below:

NET CLAIMS RATIO	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Fire and property damage	**73.4%**	**47.3%**	**40.0%**	**52.4%**
Conventional	74.5%	44.7%	37.0%	50.6%

Takaful	55.7%	80.3%	64.6%	75.5%
Marine, aviation and transport	**30.0%**	**43.4%**	**33.3%**	**33.4%**
Conventional	31.9%	43.6%	27.6%	32.3%
Takaful	16.9%	41.0%	70.9%	43.2%
Motor	**44.3%**	**45.7%**	**45.0%**	**45.8%**
Conventional	42.7%	44.6%	44.7%	45.0%
Takaful	48.3%	48.9%	46.1%	48.0%
Liability	**11.3%**	**5.3%**	**0.3%**	**6.3%**
Conventional	11.3%	5.3%	0.3%	6.3%
Takaful	0.0%	0.0%	0.0%	0.0%
Accident & Health	**82.7%**	**84.5%**	**79.5%**	**82.7%**
Conventional	82.9%	82.9%	79.5%	82.8%
Takaful	81.8%	89.2%	79.5%	82.6%
Miscellaneous	**44.9%**	**27.5%**	**23.4%**	**30.7%**
Conventional	43.8%	25.8%	23.0%	29.7%
Takaful	56.9%	50.5%	28.5%	45.5%
Total	**59.1%**	**57.5%**	**53.3%**	**56.9%**
Conventional	59.1%	57.5%	53.3%	56.9%
Takaful	57.3%	68.9%	64.6%	65.1%

Improvement in underwriting income

PKR million	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Net Operating Ratio	**63.1%**	**57.3%**	**50.1%**	**53.3%**
Combined Ratio	**94.6%**	**93.9%**	**88.1%**	**89.0%**
Net claims ratio	59.1%	57.5%	53.3%	56.9%
Expense Ratio	35.5%	36.4%	34.8%	32.1%
Operating Income	**2,078.3**	**4,035.4**	**3,907.7**	**3,045.3**

In addition to the improvement manifested in the overall net claims ratio to 53.3% (9MCY23: 56.9%) by end-Sept'24, JGI's expense ratio (conventional & takaful) increased to 34.8% (9MCY23: 32.1%) due to inflationary pressures on the management expenses of the Company. However, despite this increase, combined ratio reduced to 88.1% (9MCY23: 89.0%) and underwriting profit improved during 9MCY24. The overall increase in underwriting profit is reflected in the conventional underwriting segment, while the takaful segment experienced a decline in underwriting profit compared to the SPLY. Highest underwriting profit was recorded in the motor segment followed by miscellaneous segment. On the other hand, underwriting profits reduced for F&P and marine segments as the takaful business witnessed losses in aforesaid segments.

UNDERWRITING PROFIT (PKR million)	**CY22**	**CY23**	**9MCY24**	**9MCY23**
Fire and property damage	**(289.3)**	**(2.3)**	**57.9**	**99.1**
Conventional	(284.6)	10.2	80.7	113.2
Takaful	(17.5)	(25.6)	(24.6)	(14.8)
Marine, aviation and transport	**186.7**	**99.8**	**191.9**	**212.0**
Conventional	138.7	91.4	220.2	208.4
Takaful	45.3	8.3	(28.1)	3.9
Motor	**446.9**	**384.8**	**337.2**	**255.8**
Conventional	254.5	202.0	176.4	111.8
Takaful	186.4	193.1	162.3	145.8
Liability	**23.5**	**10.9**	**24.9**	**3.3**
Conventional	22.5	9.3	24.6	3.2
Takaful	-	-	-	-
Accident & Health	**37.4**	**(27.2)**	**44.4**	**101.4**
Conventional	35.6	2.7	12.9	80.1
Takaful	(4.3)	(17.9)	33.3	23.7
Miscellaneous	**6.8**	**69.9**	**184.2**	**39.1**
Conventional	(2.7)	56.3	168.5	32.5
Takaful	3.8	6.2	14.4	6.0
Total	**377.8**	**535.9**	**840.5**	**674.3**
Conventional	164.0	371.8	683.2	512.7
Takaful	213.8	164.2	157.3	161.6
Other Income (Conventional)	**393.0**	**644.7**	**520.5**	**492.0**
Investment Income	**1,451.8**	**3,022.4**	**2,749.4**	**2,047.4**

Conventional	1,436.8	2,924.0	2,634.8	1,975.0
Takaful	15.0	98.5	114.5	72.4
Share of profit from associates (Conventional)	**146.6**	**117.3**	**12.9**	**103.4**
Rental Income (Conventional)	**84.5**	**94.8**	**69.2**	**65.6**
Profit from Window Takaful (Conventional)	**244.6**	**416.8**	**340.3**	**285.7**
Profit Before Tax (Total) (Conventional)	**2,469.6**	**4,569.5**	**4,260.0**	**3,434.4**
Profit After Tax (Total)	**1,533.7**	**2,995.6**	**2,580.1**	**1,964.9**

Net operating ratio improved to 54.8% (9MCY23: 57.7%) by end-Sept'24 on account of higher recurring investment income aligning with the higher income derived from government securities. Additionally, other income also increased during the review period and JGI reported a profit before tax and profit after tax of PKR 4.3b (9MCY23: PKR 3.4b) and PKR 2.6b (9MCY23: PKR 2.0b) respectively by end-Sept'24.

Reinsurance Treaties

The Company's risk profile is supported by the sound reinsurance coverage provided by a diversified panel of international and local reinsurers. Moreover, the overall risk profile of the panel also remained sound during CY24 year with majority reinsurers being rated in 'A' band or higher.

No major changes were noted the Company has long-standing relationships with international reinsurer such as Swiss Re, Hannover Re, Lloyds, SCOR Re, Trans Re, ECHO Re, Malaysian Re, Kuwait Re and Korean Re. The Company is also supported by internationally acclaimed reinsurance brokers including Marsh/ Guy Carpenter, AON, Willis, Lockton and UIB (UK). Size of maximum risk per claim is considered manageable relative to equity base. Moreover, for major segments, particularly F&P, non-proportional, excess of loss (EOL) treaties are in place providing sufficient protection against large claims.

Going forward, the management does not expect any major changes in reinsurance panel, treaty terms and commission rate for CY24. However, the Company plans to increase its net retention that will increase the risk exposure.

Investments

INVESTMENTS (PKR million)	**CY22**		**CY23**		**3QCY24**	
Equity	2,484.2	16.9%	6,111.9	31.2%	8,625.2	37.1%
Debt	11,988.1	81.4%	13,229.2	67.5%	14,389.7	61.8%
Term Deposits	256.3	1.7%	260.9	1.3%	263.0	1.1%
Total	**14,728.6**	**100.0%**	**19,602.0**	**100.0%**	**23,277.9**	**100.0%**

JGI's net investment income increased on a timeline to PKR 2.6b (CY23: PKR 1.2b; CY22: PKR 1.4b) during 3QCY24 in in conjunction with the growth manifested in the investment portfolio to PKR 23.3b (CY23: 19.6b; CY22: 14.7b). In line with recovery of overall macroeconomy evidenced by reduction in inflationary pressures and interest rates, the investment mix has witnessed an inclination towards equity securities over the rating review period, constituting 37.1% (CY23: 31.2%; CY22: 16.9%) of the portfolio size however, the investment risk still remains dominated by government securities to the tune of 61.8% (CY23: 67.5%; CY22: 81.4%). Almost 44% of the debt securities are vested in PIBs, amounting to PKR 6.2b (CY23: 7.5b: CY22: PKR 7.1b) while the remainder constitutes of T-Bills. In accordance with the Insurance Ordinance, JGI has placed PIBs and T-bills with face value of PKR 187m (CY23: PKR 200m) and PKR 65m (CY23: Nil) with the State Bank.

Equity investments amounted to PKR 8.6b (CY23: PKR 6.1b; CY22: PKR 2.5b) largely pertaining to listed companies across several sectors, primarily commercial banks, oil & gas, and fertilizer companies. The Company also has a strategic long-term equity investment in an associated company, namely, Jubilee Kyrgyzstan Insurance Company (JKIC), aggregating to PKR 296.5m (19.5%) during the ongoing year. During CY22, JGI had an investment in Jubilee Life (JLI) however, during the outgoing year the relationship with JLI changed due to a loss of the Company's significant influence over the entity, thereby resulting in a change in classification and derecognition of JLICL as an associate. Moreover, investments in term deposits remained range bound at PKR 263.0m (CY23; 260.9m; CY22: 256.3m) at end-Sept'24 constituting foreign and local deposits. Furthermore, property investments remained unchanged, amounting to PKR 627.1m (CY23: 630.0m; CY22: 634.9m) during 3QCY24. Given that the sizable portion investment portfolio constituted of government securities, the credit risk originating from the same is considered low. Moreover, amid volatility prevalent in stock market performance, the portfolio is more susceptible to price risk owing to an increase in equity investments. Going forward, investments are dependent on the performance of stock market, and economic conditions of the country.

Liquidity

LIQUIDITY PROFILE	**CY21**	**CY22**	**CY23**	**3QCY24**
Insurance Debt to Gross Premium	12.7%	18.2%	8.0%	14.4%
Adjusted Liquid Assets to Net Technical Reserves	221.0%	188.9%	221.2%	165.9%

Despite timeline augmentation in the investment portfolio, the liquidity position in terms of liquid assets to net technical reserves witnessed a decline during the rating review period to 165.9% (CY23: 221.2%; CY22: 189%) at end-Sept'24; the same was an outcome of higher claims incidence along with increase in unearned premium reserves, which has risen notably by end-Sept'24 largely on account of element of cyclicality attached. Nevertheless, the liquidity profile still remains sound and commensurate with the assigned rating. In addition, the liquidity coverage is projected to improve by end-CY24 as unearned premium reserves will be gradually realized. Additionally, insurance debt to gross premium (*Conventional & WTO*) rose to 14.4% (CY23: 8.0%; CY22: 18.2%) during the ongoing year on account of increase in receivables due from insurer/reinsurer; the same metric was recorded substantially lower during the outgoing year and thus can be associated with element of cyclicality inherent in the insurance sector. It is expected that the receivables are expected to moderate by the end of the ongoing year.

Capitalization

CAPITALIZATION	**CY21**	**CY22**	**CY23**	**3QCY24**
Equity	10,189.7	10,536.3	13,476.5	15,999.7
Operating Leverage	46.1%	51.3%	53.0%	50.1%
Financial Leverage	26.4%	30.2%	25.9%	30.1%

The Company's equity has grown substantially to PKR 16.0b (CY23: PKR 13.5b; CY22: PKR 10.5b) in line with positive underwriting profits and uptick in investment income, despite a dividend payout of 33.1% (CY22: 51.7%) for CY23. Additionally, adjusted equity also grew during the rating review period owing to improvement in the market value of equity securities. Furthermore, growth in equity base outstripped the growth in business activity (*conventional & WTO*), resulting in reduction of operating leverage to 50.1% (CY23: 53.0%; CY22: 51.3%) at end-3QCY24. JGI is considered sound from a solvency risk perspective as the Company has adequate cushion in terms of total admissible assets over liabilities. Financial leverage also scaled upwards, rising sharply to 30.1% (CY23: 25.9%; CY22: 30.2%) at end-Sept'24. However, the increase is primarily attributed to the cyclical uptick in net technical reserves during the ongoing year, therefore, once the unearned premium reserve is gradually realized the financial leverage is expected to rationalize back to CY23 level by end-CY24. Nonetheless, overall capitalization levels are largely in sync with the assigned ratings. Going forward, enhancing profitability metrics to maintain rangebound capitalization levels will be important from a rating's perspective.

IFRS 17 Implementation:

JGI is preparing for the implementation of IFRS 17 by updating their systems and processes. The Company is actively engaged in training programs to educate their staff about the new standard and its requirements. They are also revising their actuarial and financial reporting systems to ensure compliance with IFRS 17, which includes enhancing their data collection and analysis capabilities to meet the more detailed reporting and transparency requirements of the new standard.

ESG Initiatives

JGI has undertaken significant steps in its Environmental, Social, and Governance (ESG) initiatives, beginning with an internal assessment of its greenhouse gas (GHG) emissions to identify and implement sustainable practices within energy, water, waste management, and travel. This year, JGI has partnered with WWF-Pakistan to work towards obtaining Green Office Certification, which includes a comprehensive assessment and roadmap to improve energy efficiency, waste management, and resource conservation, aligning with the Net Zero goal for 2030 set by AKDN. Additionally, JGI has engaged Spectreco to develop a comprehensive sustainability report aligned with the new IFRS S1/S2 standards, leveraging Spectreco's ESG reporting platform to enhance data collection and reporting processes. With the SECP's phased adoption plan for IFRS S1 and S2, JGI is actively preparing for mandatory adoption by January 2025, aiming to strengthen its market position, build trust with stakeholders, and contribute to a sustainable future.

Corporate Governance:

On January 10, 2025, JGI announced a leadership change during its board meeting, accepting the resignation of Mr. Hassan Khan as Chief Executive & Managing Director effective January 6, 2025. Mr. Azfar Arshad Inam has been appointed as the interim Chief Executive & Managing Director, effective immediately, until a permanent replacement is appointed. The company has communicated that this transition is not expected to impact the market price of JGI Shares and has informed the TRE Certificate Holders of the Exchange accordingly.

Jubilee General Insurance Company Limited — Appendix I

FINANCIAL SUMMARY				*(amounts in PKR millions)*
BALANCE SHEET	**CY21**	**CY22**	**CY23**	**3QCY24**
Cash and Bank Deposits	1,902	2,824	2,656	3,061
Investments	14,031	14,729	19,602	23,278
Investment Properties	640.6	634.9	630.0	627.1
Insurance Debt	1,526	2,691	1,564	3,923
Total Assets	26,194	32,028	37,235	50,261
Total Liabilities	16,004	21,491	23,758	35,261
Total Equity	10,190	10,536	13,476	16,000
Adjusted Equity	13,703	13,566	16,593	18,888
INCOME STATEMENT	**CY21**	**CY22**	**CY23**	**3QCY24**
Gross Written Premium (WTO+ Conv.)	12,005	14,798	19,459	20,459
Net Premium Revenue (WTO+ Conv.)	6,318	6,965	8,787	7,090
Net Claims (WTO+ Conv.)	3,566	4,118	5,052	3,781
Underwriting Profit (WTO+ Conv.)	566.5	377.8	535.9	840.5
Net Investment Income	1,385	1,437	2,924	2,635
Profit Before Tax	2,330	2,470	4,569	4,261
Profit After Tax	1,649	1,534	2,996	2,580
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**	**3QCY24**
Market Share (Gross Premium)	10.6%	10.4%	10.6%	11.9%
Cession Ratio	40.2%	45.2%	45.9%	44.8%
Gross Claims Ratio	41.9%	52.5%	37.8%	55.8%
Net Claims Ratio	56.4%	59.1%	57.5%	53.3%
Underwriting Expense Ratio	34.6%	35.5%	36.4%	34.8%
Combined Ratio	91.0%	94.6%	93.9%	88.1%
Net Operating Ratio	68.2%	63.1%	57.3%	50.1%
Insurance Debt to Gross Premium	12.7%	18.2%	8.0%	14.4%*
Operating Leverage**	46.1%	51.3%	53.0%	50.1%*
Financial Leverage **	26.4%	30.2%	25.9%	30.1%
Adjusted Liquid Assets to Technical Reserves	221.0%	188.9%	221.2%	165.9%

** Annualized*

***Operating leverage and financial leverage calculated on adjusted equity basis*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Jubilee General Insurance Company Limited
Sector	Insurance
Type of Relationship	Solicited
Purpose of Rating	Insurer Financial Strength
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook/ Rating Watch	Rating Action
RATING TYPE: INSURER FINANCIAL STRENGTH				
02/04/2025	AA++(IFS)	-	Stable	Reaffirmed
04/12/2023	AA++(IFS)	-	Stable	Reaffirmed
31/12/2022	AA++(IFS)	-	Stable	Reaffirmed
31/03/2022	AA++(IFS)	-	Stable	Harmonized
28/12/2021	AA+	-	Stable	Reaffirmed
29/12/2020	AA+	-	Stable	Reaffirmed
12/31/2019	AA+	-	Stable	Reaffirmed
12/31/2018	AA+	-	Stable	Reaffirmed
1/23/2018	AA+	-	Stable	Reaffirmed
11/8/2016	AA+	-	Stable	Reaffirmed
12/31/2015	AA+	-	Stable	Reaffirmed
12/30/2014	AA+	-	Stable	Reaffirmed
12/12/2013	AA+	-	Stable	Reaffirmed

Instrument Structure	N/A
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.
Due Diligence Meetings Conducted	

Name	Designation	Date
Syed Kamran Ali	Financial Controller	December 30, 2024