



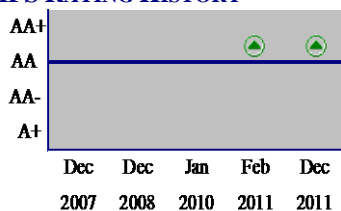
RATINGS (DECEMBER 2011)

**JUBILEE GENERAL
INSURANCE COMPANY
LIMITED (JUBILEE)**

*[Formerly known as New Jubilee
Insurance Company Limited]*

	New	Previous
Insurer Financial Strength	AA	AA
Outlook	Positive	Positive

IFS RATING HISTORY



FINANCIAL DATA

PKR (mln)

	9MCY11*	CY10
Total Assets	9,388	7,702
Equity	3,274	2,904
U/W Results	116.5	(83.2)
Pre-tax Profit	634	547
Combined ratio (%)	94.4	103.4
Operating ratio (%)	88.1	77.7
Liquidity Ratio** (x)	^2.9	2.3
Solvency Ratio*** (x)	^2.8	2.5

* Unaudited, ^ annualized

** Adjusted liquid assets**/Net Claims Expense (times)

***Financial Base/ Net Claims

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RATING RATIONALE AND KEY RATING DRIVERS

■ The rating reflects Jubilee’s robust risk management framework facilitating the company in sustaining sound underwriting practices despite volatile socio-economic fundamentals. The rating recognizes the management’s persistent efforts of penetrating relatively untapped segments through innovative products, also reflected in its relatively more diverse premium mix compared to peers. Moreover, the rating takes into account Jubilee General’s sound equity base and sufficient liquidity engendering strong risk absorption capacity. The ability of key sponsor of the company, AKDN group, to foster synergies amongst its financial institutions operating in Pakistan – HBL, Jubilee General, and Jubilee Life – and in the group’s different insurance companies across the globe – lately branded as “Jubilee” – is also a key rating factor.

■ The positive outlook to the rating takes into account Jubilee General’s improving competitive position, an outcome of management’s focused strategy to generate profitability through prudent underwriting, without impairing the growth momentum. A more structured approach to claims handling system, thereby reducing the volume of outstanding claims, would remain important for the rating elevation. At the same time, advancement in the IT infrastructure to make it real time and refinement in the investment management framework would have positive connotation for the rating.

ASSESSMENT

■ Ever since the economic downturn in 2008, the insurance industry has been facing major challenges arising from muted GDP growth, precarious security situation, widening fiscal imbalance, and rising inflation. The economic slowdown has further intensified the competitive landscape of the insurance industry putting pressure on premium pricing. Consequently, the industry growth as well as overall profitability continues to remain uncertain. The industry, cognizant of growth impediments, is taking steps to improve its operating platform to offer an improved level of services. Moreover, the regulator has taken a strict stance to invariably implement governing regulations in the industry. Lately entry of a broad array of reinsurers in market, after the exit of some leading re-insurers, is good, though the looming risk is departure of other leading reinsurers should their views on the Pakistani market change.

■ Jubilee maintains a diversified GPW portfolio comprising fire (25%), motor (15%), marine and health (11% each), and miscellaneous segment (39%). GPW mix has been gradually tilted towards miscellaneous segment, driven by strong growth in terrorism insurance, followed by engineering.

■ Jubilee’s GPW witnessed decent growth of 20% during 9MCY11, equally contributed by all business segments. Jubilee’s loss ratio (62%) depicted noteworthy comparative improvement due to flood losses experienced in CY10. The company’s close monitoring of operational expenses has led it to keep the expense ratio (including net commission) maintained at same level as of last year (33%). This translated into combined ratio substantially improving to 94% (CY10: 103%). Barring flood impact in CY10, Jubilee has been invariably generating profits from its core operations, which places it in distinct position among peers. The underwriting profits are augmented by large investment income, mainly constituting capital gains from sizeable portfolio of tax efficient mutual funds.

■ Jubilee operates decentralized risk management system, having defined authority limits specified to the respective branches. The Risk Management Department at Head Office, with clearly demarcated reporting lines, closely monitors the branch operations. Cognizance of the weakness in the current technology infrastructure, the company has initiated shifting to a real time ERP solution, IGIS, developed by Sidat Hyder.

■ Going forward, Jubilee maintains high growth strategy outpacing industry’s growth. In an attempt to project itself as part of global chain, Jubilee has recently adopted a new brand – Jubilee (previously NJI) – a common brand for all AKDN group’s insurance businesses operating in different parts of Asia and Africa. Jubilee eyes geographical diversification by expanding operations in Asia as well as capitalizing on group’s common operating platform by pooling, sharing and leveraging group’s strength for Pakistan market. In this regard, Jubilee’s recent collaboration with Jubilee Life Pakistan for its health business is expected to fortify Jubilee’s product basket. The company’s target market includes corporate and individuals, with Bancassurance on the cards – utilizing HBL’s extensive operating platform. Nevertheless, with increasing market share, Jubilee’s ability of maintaining the same trend in profitability is yet to be demonstrated.

■ Jubilee continues to maintain re-insurance arrangements – predominantly XoL treaties – with international reinsurers mostly having rating of ‘A’ category and above. Meanwhile, the company has favorable terms and conditions with reinsurers especially in crop and catastrophic insurance covers.

■ Jubilee has sizeable investment book (PKR 5,392mln), comprising 1.6times of its equity base at end Sep-11. Majority proportion (93%) of the book is deployed in liquid investments, dominated by mutual funds (71%), followed by equity stocks and bank deposits (11% each). The mutual funds are 95% invested in low risk money market funds. The investment book also includes investment properties, which are recorded at cost and carry a significant un-recognized revaluation surplus.

■ Jubilee maintains strong liquidity position with liquidity ratio improving to 3times with reference to net claims expense at end Sep-11. Meanwhile the company’s insurance related liabilities exceed insurance related assets, which depict Jubilee’s approach towards working capital management. The dominant portion in insurance related liabilities is outstanding claims (OC). OC has grown in line with growth in premium. However, when these are compared with ‘net claims expense’, there is an increasing trend. Moreover, Jubilee’s OC are higher when these are compared with other industry players. The solvency ratio of the company, though lower than peers, remains strong with financial base sustained at 2.8times of claims expense.

PROFILE

■ Jubilee, incorporated in 1953, is the third largest general insurance company in Pakistan with ~11.27% market share and is listed on Karachi and Lahore stock exchanges. Significant shareholders of Jubilee include Aga Khan Development Network (54%) including Habib Bank Limited, and Hashoo Group (16%).

■ Jubilee’s board of directors comprises eight members. The Chairman of the board, Mr. Towfiq H. Chinoy, is a distinguished industrialist. The company’s MD, Mr. Tahir Ahmed, a graduate engineer, MBA, and a Chartered Insurer, possesses extensive experience in the field of insurance. He has been associated with the company since August 2004.