

Review of Insurance Sector for First Quarter of Year 2006

1. Sector Overview:

Insurance Sector in Pakistan is divided into Life and Non-Life Insurance. Composite Insurance is not allowed under the Insurance Ordinance. An upcoming area is Takaful (Islamic Insurance) for which regulatory regime has been enforced during the year 2005-06 on the initiative of Insurance Division.

As at March 31, 2006 there are 5 Life insurance Companies, 51 Non-Life Insurance Companies, 1 Takaful Operator and 1 Reinsurance Company. Out of 51 Non-Life Insurance Companies, 6 are not writing business on the directives of SECP since they do not meet the minimum paid up capital requirement.

Total Premium of Insurance Sector has increased from Rs.9,701.18 million in first quarter of 2005 to Rs.12,053.60 million in the corresponding period of 2006, showing a growth of 24.25%. Total Claims Paid have increased from Rs.5,003.74 million in first quarter of 2005 to Rs. 5,170.16 million in the corresponding period of 2006, showing an increase of 3.33%.

Total Assets of the sector have increased from Rs.197,522.18 million on December 31, 2005 to Rs. 204,937.23 million on March 31, 2006, showing a growth of 3.75%. Total Liabilities have also increased from Rs. 171,243.91 million on December 31, 2005 to Rs.176,033.26 million on March 31, 2006, showing an increase of 2.80%.

1.1 Life Insurance Sector:

Total Premium of Life Insurance Sector has increased from Rs. 3,346.13 million in first quarter 2005 to Rs. 4,193.45 million in the corresponding period of 2006, showing a growth of 25.32%. Total Claims Paid (including provision for outstanding) have increased from Rs. 1,919.31 million in first quarter 2005 to Rs. 2,265.83 million in the corresponding period 2006, showing an increase of 18.05%.

Total Assets of the sector have increased from Rs. 142,328.54 million as at December 31, 2005 to Rs. 146,113.07 million as at March 31, 2006, showing a growth of 2.66 %. Total Liabilities have also increased from Rs. 140,203.99 million as at December 31, 2005 to Rs. 143,900.60 million as at March 31, 2006, an increase of 2.64 %.

1.2 Non-Life Sector:

Total Premium of Non-Life Insurance Sector has increased from Rs.6,355.05 million in first quarter 2005 to Rs.7,848.82 million in first quarter 2006, showing an increase of 23.51%. Total Claims Paid have decreased from Rs.3,084.43 million in first quarter 2005 to Rs.2,903.22 million in first quarter 2006, a decrease of -5.88%.

Total Assets have increased from Rs.54,975.24 million on December 31, 2005 to Rs.58,605.42 million on March 31, 2006, showing an increase of 6.60%. Total Liabilities have also increased from Rs.31,022.12 million on December 31, 2005 to Rs.32,109.80 million on March 31, 2006, showing an increase of 3.51%.

1.3 Reinsurance Sector:

Presently, there is one Reinsurance company in Pakistan, namely, Pakistan Reinsurance Company Ltd. Total Written Premium of the company has increased from Rs. 799.81 million in first quarter 2005 to Rs.971.77 million of first quarter 2006 showing an increase of 21.50%. Total Claims Paid have decreased from Rs.251 million in first quarter 2005 to Rs.193.05 million in first quarter 2006, a decrease of 23.09%.

Total Assets have increased from Rs.5,633.59 million on December 31, 2005 to Rs.6,077.27 million on March 31,2006, showing an increase of 7.88%. Total Liabilities have increased from Rs. 3,395.06 million on December 31, 2005 to Rs.3,850.01 million on March 31, 2006, showing an increase of 13.40%.

1.4 Takaful Sector:

Takaful regulatory framework has been enforced in September 2005. Presently there is one company (Pak-Kuwait Takaful Ltd) who is a general takaful operator. Total written premium of the company during first quarter of 2006 is Rs.11.33 million against claim paid Rs.1.107 million. Total assets of the company have increased from Rs.218.40 million on December 31,2005 to Rs. 218.74 million on March 31,2006, showing an increase of 0.16% whereas, total liabilities have increased from Rs.17.79 million on December 31, 2005 to Rs. 22.86 million on March 31, 2006, an increase of 28.51%.