

SECTOR REVIEW FOR 2005

As of 30 June 2005, there were fifty-five private sector insurance companies operating in the country, of which four were foreign while fifty were local enterprises while one company was registered as Takaful operator. Of the fifty local companies, forty-eight were engaged in non-life insurance business and two in life insurance business. In case of foreign insurers, two companies operated in non-life and two in life insurance sectors. As of the close of the year, thirty-four companies were listed on the KSE, having paid-up capital of Rs.5,687 million excluding National Insurance Company Limited (NICL).

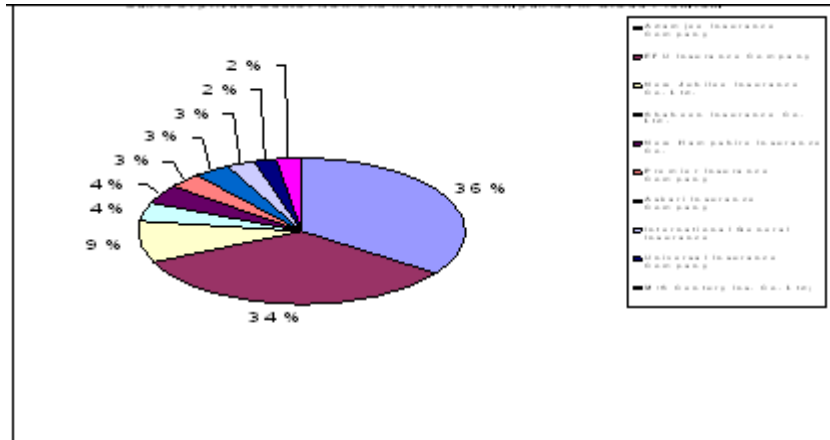
i. Non-life Insurance

The private sector, non-life insurance business was largely dominated by top ten insurance companies, which accounted for almost 84 percent of the total premium written by the sector. The total gross direct premium written by non-life insurance companies, excluding that by the state owned NICL, increased by 16 percent to Rs.18.05 billion during the year ended 31 December 2004. Of this amount, Rs.15.18 billion was written by the ten largest insurance companies while thirty-two companies underwrote the balance of Rs.2.88 billion. Moreover, the six non-life insurance companies, which were directed to cease entering into new contracts of insurance due to shortfall in paid up capital during the year 2003 were unable to underwrite new business. The premium underwritten by NICL during the year amounted to Rs.4.01 billion.

Fire and property damage insurance portfolio of non-life insurance sector increased to Rs.7.26 billion while marine, aviation and transport insurance increased to Rs.5.29 billion. The motor business insurance, accident and health and miscellaneous insurance increased to Rs.6.6 billion, Rs.0.85 billion and Rs.1.65 billion respectively, during the year ended 31 December 2004. The underwritten profit/loss of the non-life insurance sector is estimated to Rs. 2.471 billion.

During the year ended 31 December 2004, total assets of non-life insurance sector increased by 16.3 percent to Rs.43.468 billion. Investments in shares and debentures, including government securities, constituted the largest component. As compared to the previous year, investments showed an increase of 9.2 percent, rising to Rs.16.249 billion during the year.

Chart – Share of Private Sector Non-life Insurance Companies in Gross Premium



ii. Life Insurance

The public sector in insurance industry comprised of four state owned entities namely, State Life Insurance Corporation of Pakistan (SLIC), NICL, Pakistan Reinsurance Company Limited (PRCL) and Alpha Insurance Company Limited. The latter is the subsidiary of SLIC. While SLIC is engaged in life insurance business, NICL provides non-life insurance coverage to public sector entities. PRCL remains the only local enterprise in the business of reinsurance.

During the year under review, SLIC remained the major share holder by total gross premium with 76 percent market share followed by EFU Life with 13 percent. The remaining 11 percent market is shared by New Jubilee Life Insurance Company, American Life Insurance Company and Metropolitan Life. The total premium of life insurance sector has shown a growth of around 12 percent from Rs.12,990 million in 2003 to Rs.14,583 million in 2004.

Assets of the life insurance companies grew by almost 15 percent to Rs.123.9 billion during the year 2004. Major portion of the assets were invested in government securities and listed equities.

Chart – Gross Premium Written by Life Insurance Companies

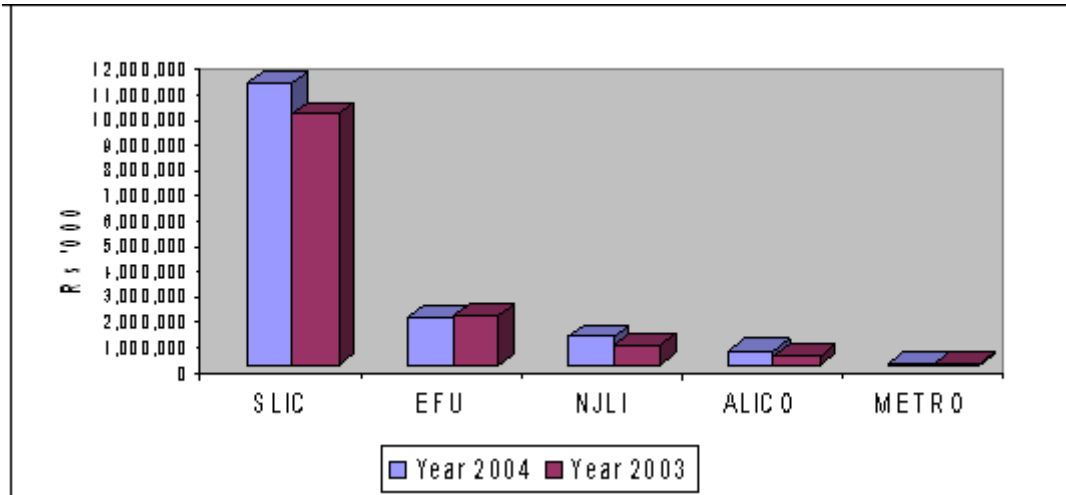


Chart – Share of Life Insurance Companies in Gross Premium During Year 2004

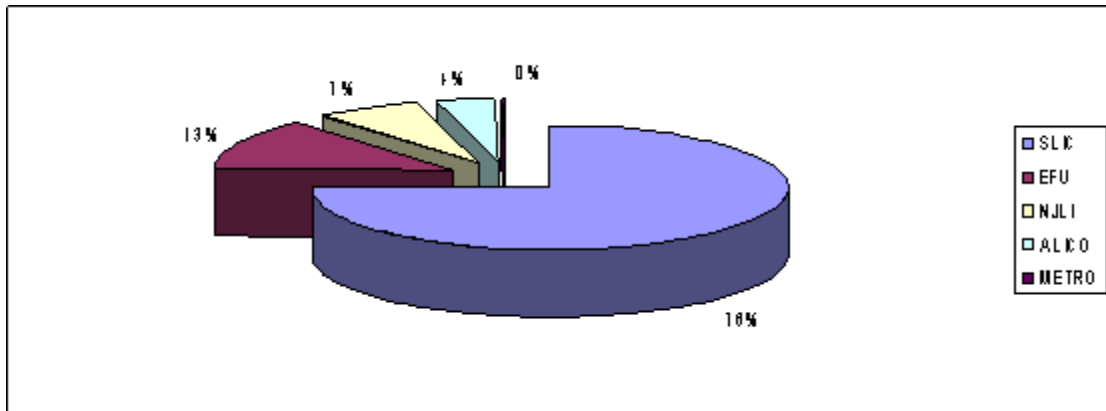


Chart – Assets of Life Insurance Companies as on 31 December 2003 and 2004

