

Pakistan's Booming Insurance Industry

1. Briefly describe your company, EFU General Insurance, and the insurance products it offers. What are your responsibilities at EFU?

EFU is the largest insurance company in Pakistan. It was established in 1932 in Calcutta, India. Our headquarters are in Karachi which is the financial hub of Pakistan and, most of our operations in Karachi are in our own building. EFU also has a large network of branches across Pakistan.

EFU General Insurance is part of the EFU Group, which includes two other companies: EFU Life Assurance Ltd., which was incorporated in 1992 – the largest provider of life insurance in Pakistan, and Allianz EFU Health Insurance Ltd., which is a joint venture company with Allianz of Germany. Allianz EFU is the only specialized health insurance provider in Pakistan. In 1972, the life insurance business was nationalised; from then until 1992, EFU engaged in the general insurance business, offering a full range of non-life insurance products. Since 1992, our life and non-life insurance functions have been in separate companies.

As the Chief Executive of EFU General Insurance Ltd., I am involved in running all the operations of the company. I am also Director of EFU Life Assurance Ltd., and Allianz EFU Health Insurance Ltd.

2. EFU is involved in a wide range of transportation insurance, including marine and inland transit. What are some new developments that have improved rate making for transportation insurance by tracking risk?

Every business has inherent risks and therefore the need of insurance coverage. EFU General is involved in offering Transportation Insurance which includes transportation of goods by Ship, Road and Air. With modern technologies, the mode of transportation of cargo has changed. Cargo is now containerised which has considerably reduced risk of damages and theft, and consequently reduced rates of premium.

For road transportation by trucks, the advanced tracking technology has enabled us to monitor the containers whereby reducing the risk considerably and has once again resulted in lower premiums.

3. Autonomous cars have the potential to radically change auto insurance business models. How will auto insurers need to adapt to account for the growing prevalence of autonomous cars in the coming decade?

Driverless cars are a new technology that will become the future of automobile industry. However, in Pakistan it will take quite some time to come. At EFU we will follow the international market for this technological change.

4. How would you characterize the market for insurance in Pakistan? What are some promising sectors for growth?

The insurance market in Pakistan has matured with annual growth of around 12%! Inflation has been controlled at around 5%, hence the real growth is also significant.

The premium level has reduced considerably because of improvements to risk management not only by insurance companies, but also by the insured.

The China Pakistan Economic corridor (CPEC) has led to an influx of Chinese companies doing business in Pakistan. A tax-free zone has been established for Chinese industries to manufacture and export goods from there. This will attract investment in the area and a lot of economic activity. The CPEC will help in the development of infrastructure projects like road networks, barrages and dams, power plants etc., which will benefit Pakistan over the long term. In the process, there is growth to all related industries.

Low interest rates have had a positive effect on the automotive industry, because individuals can now afford to borrow funds to buy vehicles. This has trickled down into downstream sectors, such as tyres, wheels, steel, paints and many more to develop.

The local investments in new projects are still not forthcoming, except for expansion to existing units. Most of the newer foreign investors are Chinese, in the fields that I mentioned earlier. Nonetheless the market for insurance in Pakistan offers abundant opportunities for a company such as ours.