

## RATING REPORT

### Jubilee Life Insurance Company Limited

**REPORT DATE:**

June 04, 2018

**RATING ANALYSTS:**

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#### RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Long-term	Long-term
IFS	AA+	AA+
<i>Rating Date</i>	<i>May 30, 2018</i>	<i>Sept 23, '16</i>
Rating Outlook	Stable	Stable

#### COMPANY INFORMATION

<b>Incorporated in 1995</b>	<b>External auditors:</b> KPMG Taseer Hadi & Co., Chartered Accountants
<b>Public Limited Company</b>	<b>Chairman of the Board:</b> Mr. Kamal A. Chinoy
<b>Key Shareholders (with stake 5% or more):</b>	<b>Chief Executive Officer:</b> Mr. Javed Ahmed
Aga Khan Fund for Economic Development S.A., Switzerland – 57.9%	
Habib Bank Limited Treasury Division – 18.5%	
Jubilee General Insurance Company Limited – 6.4%	

#### APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – Life Takaful (October 2017)  
<http://jcrvis.com.pk/docs/LifeTakaful%20201710.pdf>

## Jubilee Life Insurance Company Limited

### OVERVIEW OF THE INSTITUTION

Jubilee Life Insurance Company Limited (JLIC) was incorporated on June 29, 1995 as a public limited company and is a subsidiary of the 'Aga Khan Fund for Economic Development S.A., Switzerland' (AKFED).

#### Profile of Chairman

Mr. Kamal A. Chinoy, Chairman of JLIC, has graduated from the Wharton Business School, University of Pennsylvania, USA. He also serves on the Board of ICI Pakistan Ltd., International Industries Ltd, NAFA, International Steels Ltd and Atlas Power Ltd. He is also the Chief Executive Officer of Paksitan Cables Ltd.

#### Profile of CEO

Mr. Javed Ahmed has been serving as MD/CEO of JLIC since 2003. Prior to joining JLIC, he was associated with EFU Life Assurance Limited for 4 years and State Life Insurance Corporation of Pakistan for 7 years. Mr. Ahmed is a Fellow of the Society of Actuaries (USA), Associate of Institute of Actuaries (Australia) and Fellow of the Pakistan Society of Actuaries.

#### Financial Snapshot

**Net Equity:** 2017: Rs. 6.6b; 2016: Rs. 5.1b; 2015: Rs. 3.9b

**Net Profit:** 2017: Rs.2.6b; 2016: Rs. 2.1b; 2015: Rs. 1.6b

### RATING RATIONALE

Jubilee Life Insurance Company Limited (JLIC) is the largest private sector life insurance company in Pakistan in terms of Gross Premium Written (GPW). During 2016 & 2017, the company's growth outpaced industry growth as a result of which market share (including State Life Insurance Corporation of Pakistan) increased to 23.6% (2016: 22.1%; 2015: 19.4%) by end-2017; the same amounted to 47.9% (2016: 46.5%; 2015: 40.4%) within the private life insurance sector. As per industry estimates, penetration of life insurance in the country is still low; going forward, the same is expected to increase and translate into healthy growth in gross premiums for JLIC.

#### Rating Drivers:

- Business mix of the company primarily comprises Individual Life (IL) business which represented 88.5% (2016: 89.0%; 2015: 87.3%) of gross premiums written (GPW) in 2017. Proportion of group and accident & health business has remained largely stable overtime. During 2016, business from the company's takaful operations during its first full year of operations amounted to Rs. 2.2b; the same amounted to Rs. 7.0b during 2017 signifying strong growth potential, going forward.
- Sales of the company are generated through three avenues i.e. BANCA, Direct Sales Force (DSF) and Group. BANCA represents the primary business driver representing 82.8% (2016: 85.4%; 2015: 84.5%) and 78% (2016: 89.1%; 2015: 91%) of new and total IL GPW, respectively, during 2017. The company continues to make concerted efforts to improve contribution by its DSF in the coming years; a significant increase in the DSF channel, both, in the Conventional as well as Takaful was witnessed in 2017.
- Within IL policies, contribution in claims to be paid declines over time with growth in cash values which supports risk profile of the company. Depending on portfolio allocation and sum assured of the policy, it usually takes a period of 5-10 years from issuance for the policy's cash value to exceed sum assured. As a growing company, there is however a sizeable number of policies with cash value less than sum assured. However, risk is considered manageable keeping in view the low crude death rate experienced in the past and reinsurance coverage. During 2017, net claims ratio in IL & Group Life declined primarily on account of higher net premium earned.
- During 2016, net revenue of the company increased on account of increase in both net premium revenue and net investment income. Despite increase in claims and other expenditures, surplus of the company increased by 33% and amounted to Rs. 3.6b; 89% of surplus was contributed by IL unit-linked business. During 2017, net premium revenue increased to Rs. 46.1b, while net investment income declined to (Rs. 5.0b). As a result of higher net premium revenue, the company recorded a surplus of Rs. 4.1b, while net profit amounted to Rs. 2.6b (2016: Rs. 2.1b; 2015: Rs. 1.6b). On account of growth in unit linked policies, assets under management (at market value) witnessed a significant growth and amounted to Rs. 98.1b (2016: Rs. 85.7b (FY15: Rs. 57.0b) by end-2017. Investment portfolio of JLIC mainly comprises federal securities and listed equity. By end-2017, proportion of equity portfolio comprised 42.0% (2016: 45.3% 2015: 32.2%) while share of government securities stood at 48.0% (2016: 42.8% ;2015: 55.7%). Performance of funds under management remained competitive in 2016 as almost all funds posted higher returns vis a vis previous year. However, during 2017, performance of the funds under management was adversely impacted on account of the downturn in stock market, as was witnessed across the entire financial sector. Asset allocation and reinstatement of returns on investments would be amongst the key rating drivers, going forward.
- Capitalization has enhanced on a timeline basis on account of retained profits. Solvency margin maintained by the company is well in excess of regulatory requirements. Capitalization coverage of expected claims increased during 2016 and continues to remain healthy. Liquid profile draws comfort from sizeable liquid assets carried on the balance sheet in relation to liabilities.

**Jubilee Life Insurance Limited**
**Appendix I**

<b>FINANCIAL SUMMARY</b>			
	<i>(amounts in PKR millions)</i>		
<b>BALANCE SHEET</b>	<b>DEC 31, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>
Cash and Bank Deposits	16,020	13,331	7,380
Investments	98,814	85,940	58,999
Insurance Debt	1,086.6	538	617
<b>Total Assets</b>	<b>120,476</b>	<b>102,041</b>	<b>69,224</b>
<b>Net Worth</b>	<b>6,647</b>	<b>5,070</b>	<b>3,910</b>
Statutory Fund	106,945	93,197	62,206
<b>INCOME STATEMENT</b>	<b>DEC 31, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>
Net Premium Revenue	46,129	36,988	29,121
Net Claims	13,239	9,474	7,022
Net Investment Income – Statutory Fund	(5,015)	15,257	5,982
Net Investment Income – Shareholder’s Fund	878	463	346
Surplus Transferred from Statutory Fund	3,165	2,685	2,220
<b>Profit Before Tax</b>	<b>3,876</b>	<b>3,152</b>	<b>2,442</b>
<b>Profit After Tax</b>	<b>2,570</b>	<b>2,108</b>	<b>1,622</b>
<b>RATIO ANALYSIS</b>	<b>DEC 31, 2017</b>	<b>DEC 31, 2016</b>	<b>DEC 31, 2015</b>
Cession Ratio (%)	2.1%	2.7%	2.7%
Net Claims ratio (%)	28.7%	25.6%	24.1%
Expense ratio (%)	24.0%	24.5%	26.9%
Adjusted Liquid Assets to Technical Reserves (%)	103.0%	95.0%	98.0%
Persistency (2 <sup>nd</sup> Year)	79.3%	83.7%	83.7%
Persistency (Subsequent Years)	83.0%	86.9%	91.0%

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix II**

**RATING SCALE & DEFINITIONS: INSURER FINANCIAL STRENGTH**

**AAA**

Highest capacity to meet policyholder and contract obligations; Risk factors are negligible.

**AA+, AA, AA-**

Very high capacity to meet policyholder and contract obligations; However, risk is modest, but may vary slightly over time due to business/economic conditions.

**A+, A, A-**

High capacity to meet policyholder and contract obligations; Risk factors may vary over time due to business/economic conditions.

**BBB+, BBB, BBB-**

Adequate capacity to meet policyholder and contract obligations; Risk factors are considered variable over time due to business/economic conditions.

**BB+, BB, BB-**

Marginal capacity to meet policyholder and contract obligations; Risk factors may vary widely with changes in business/economic conditions.

**B+, B, B-**

Low capacity to meet policyholder and contract obligations; Risk factors are capable of fluctuating widely with changes in business/economic conditions.

**CCC**

Very low capacity to meet policyholder and contract obligations; Risk may be substantial.

**CC**

Weak capacity to meet policyholder and contract obligations; Risk may be high.

**C**

Very weak capacity to meet policyholder and contract obligations; Risk may be very high

**D**

Extremely weak capacity to meet policyholder and contract obligations; Risk is extremely high.

**Rating Watch:** JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. [www.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.com.pk/images/criteria_watch.pdf)

**Rating Outlooks:** The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

**'p' Rating:** A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. [www.jcrvis.com.pk/images/policy\\_ratings.pdf](http://www.jcrvis.com.pk/images/policy_ratings.pdf)

REGULATORY DISCLOSURES				Appendix III	
<b>Name of Rated Entity</b>	Jubilee Life Insurance Limited				
<b>Sector</b>	Insurance				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Insurer Financial Strength				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: INSURER FINANCIAL STRENGTH</b>				
	05/30/2018	AA+		Stable	Reaffirmed
	9/23/2016	AA+		Stable	Reaffirmed
	5/4/2015	AA+		Stable	Upgrade
	3/20/2013	AA		Stable	Upgrade
	12/29/2011	AA-		Stable	Reaffirmed
	1/24/2011	AA-		Stable	Upgrade
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	JCR-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.				
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