Jubilee Life Insurance Company Limited

Chairman: Mr. Masood Noorani; Managing Director & Chief Executive: Mr. Javed Ahmed

Date: March 27, 2013

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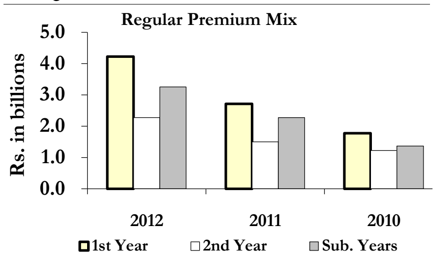
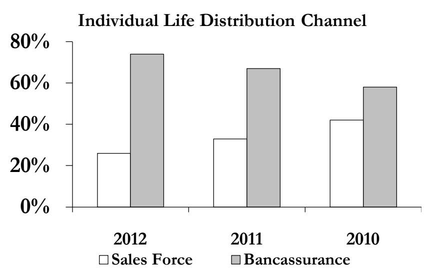
Category	**Latest**	**Previous**
IFS	**AA** *Mar 20, '13*	**AA-** *Dec 29, '11*
Outlook	***Stable*** *Mar 20, '13*	***Stable*** *Dec 29, '11*

Key Financial Trends





(In Rs. b)	2012	2011	2010
Gross Premium	12.1	8.2	5.8
Individual	*10.2*	*6.6*	*4.5*
Group	*1.9*	*1.6*	*1.3*
Market Share	N/A	11.8%	10.8%
Policy Holders' Liabilities	19.3	12.6	9.0
Persistency (Premium Terms)	85.2%	86.4%	82.9%
Surplus Earned	0.9	0.6	0.5
Net Profit / (Loss)	0.6	0.4	0.1
Adjusted Equity	2.3	1.7	1.3

Rating Rationale

Having posted higher growth in premium base relative to the industry over the last few years, Jubilee Life Insurance Company Limited (JLI) increased its market share in private sector life insurance to around 35% (FY10: 32.6%) in FY12. Gross premium increased to Rs. 12.1b (FY11: Rs. 8.2b) in FY12 depicting growth of 47%. Growth posted by JLI during FY12 was higher than industry growth and is mainly attributable to increase in individual life primarily comprising unit linked policies. Individual life gross premium increased to 84% (FY11: 81%; FY10: 78%) of total business written in FY12 with group business comprising the rest. Around two thirds of group business is group life with the rest comprising group accident & health.

Individual life primarily comprises unit linked policies in which investment risk is borne by the policyholders, particularly for policies with cash values higher than sum at risk. As a growing company, there are increasing number of policies with cash values less than sum at risk; however, in view of low historic crude death rate along with coverage by highly rated reinsurers, this risk is manageable. Additionally, cushion provided by JLI's own capital is also notable with adjusted shareholders equity (including accumulated surplus) increasing to Rs. 2.3b (FY11: Rs. 1.7b) in FY12. Liquidity profile of the company is considered strong with liquid assets, largely comprising government securities, being 118% in relation to policyholder liabilities.

Unit linked policies are linked to four funds, of which the Managed Fund is the largest. During FY12, performance of most funds depicted improvement on a timeline basis in line with improvement in the stock market. The statutory funds' investment portfolio witnessed significant increase to Rs. 20.8b (FY11: Rs. 13.7b) in FY12. With 63% of the portfolio comprising government securities, credit risk is considered limited and due to largely short-term maturity of the same, interest rate risk is also manageable. Listed equities that carry price risk represented 15% of the total investment at end-Dec'12.

In addition to the direct sales force (DSF), JLI has also made arrangements with commercial banks for distribution of policies. Bancassurance is an important distribution channel for the company; JLI benefits from the presence of the largest private sector commercial bank of Pakistan in its group i.e. Habib Bank Limited (HBL). Being a group company, JLI has certain level of control over business emanating from HBL, reflected in high persistency and growth in the same. There has also been growth in business from DSF sales channel though at a lower rate. In order to further bolster growth in DSF business, JLI has focused on client servicing by improvement in turnaround time through implementation of an auto-underwriting system. Within DSF, a new sales setup, Work Site Marketing (WSM) has also been established for selling individual policies to employees of companies under the group marketing approach. Persistency has also been maintained at high level through efforts of revival cell focused on client follow-up in case of lapses; this setup provides support both to DSF and bancassurance partners in maintaining persistency, which was maintained at 85% (FY10: 83%) in FY12 (premium basis). Around 74% of the total individual life business written during FY12 (FY11: 67%) was generated through bancassurance and the rest through DSF. Turnover in the sales force remained significantly high; there is room for improvement in agent retention and productivity. Productivity of DSF was recorded at 1.09 (FY11: 1.0; FY10: 1.1) for FY12.

Although loss ratio for overall group business is still on the higher side, it has been declining on a timeline basis reflecting improved underwriting. Acquisition cost was marginally lower in relation to gross premium for FY12. Surplus for FY12 amounted to Rs. 901.3m (FY11: Rs. 627.4m) with 76% (FY11: 62.3%) pertaining to individual life. Net profit reported during FY12 was Rs. 553.4m (FY11: Rs. 374.6m) including shareholders' fund's net investment income of Rs. 185.5m (FY11: Rs. 74.7m).

Overview of the Institution

JLI commenced operations in June 1996 with its shares listed on Karachi Stock Exchange (KSE). The company offers Unit Linked, Conventional and Accidental & Health Policies. The shareholding of JLI largely rests with Aga Khan Fund for Economic Development (AKFED). JLI's financial statements for FY12 were audited by A.F. Ferguson & Co. – Chartered Accountants while Nauman Associates are the appointed actuaries $\boxed{\text{JCR-VIS}}$