

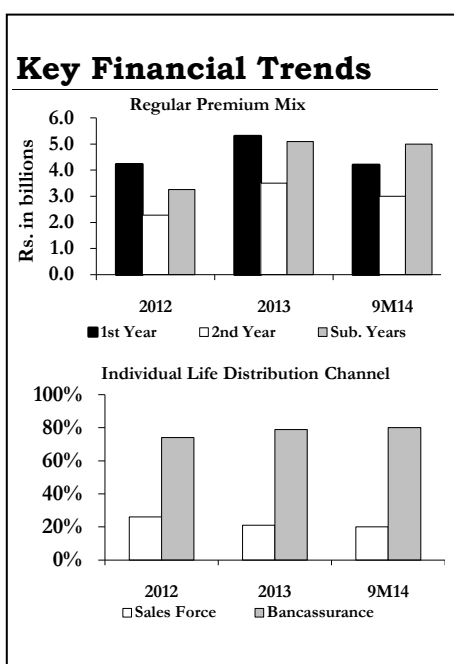
Jubilee Life Insurance Company Limited

Chairman: Mr. Kamal A. Chinoy; Managing Director & Chief Executive: Mr. Javed Ahmed

Date: May 6, 2015

Analyst: Talha Iqbal

Category	Latest	Previous
IFS	AA+ May 4, '15	AA Mar 20, '13
Outlook	Stable May 4, '15	Stable Mar 20, '13



(In Rs. b)	2012	2013	9M14
Gross Premium	12.1	17.1	15.2
<i>Individual</i>	10.2	14.6	12.8
<i>Group</i>	1.9	2.45	2.5
Market Share	13.3%	15.2%	N/A
Policy Holders' Liabilities	19.3	29.0	37.
Persistency (Premium Terms)	85.2%	88.2%	86.0%
Surplus Earned	0.9	1.6	1.4
Net Profit / (Loss)	0.55	0.94	0.86
Adjusted Equity	2.3	3.1	3.7

Rating Rationale

The private sector life insurance industry premiums have posted a CAGR of 25% over the last 5 years (FY09-FY13). Bancassurance business has been the key driver of growth in industry gross premiums while business generated through direct sales force has witnessed moderate to steady growth. As per interaction with senior management personnel from the life insurance industry, JCR-VIS has gathered that a significant untapped bancassurance clientele still exists. Resultantly, healthy growth in gross premiums is expected to continue.

The assigned ratings incorporate Jubilee Life Insurance Company Limited's (JLI's) strong capacity to meet policyholder liabilities as evident from sound capitalization levels and adequate liquidity profile. Risk profile of the company is also supported by conservative investment profile (low risk assets in relation to total assets around at 75% end-9M14) and nature of policies underwritten where contribution of the company in the claims to be paid declines over time with growth in cash values. Business profile derives strength from favorable persistency levels and healthy growth in business volumes where significant room for future growth remains as evident from low life insurance penetration. JLI has outperformed sector growth rate resulting in an increase in market share to 15.2% (2012: 13.3%; 2011: 11.8%; 2010: 10.8%) in total insurance industry premium. Besides healthy growth in fresh business, growth in gross premiums is supported by strong persistency levels. While second year persistency was slightly lower than the preceding year, subsequent year and overall persistency has improved on a timeline basis in 2013.

Business mix of the company is dominated by individual life unit linked business which represent around 84% (2013: 86%) of the gross premium during 9M14. Group life and accident & health business represented 7.3% (2013: 7.5%) and 8.9% (2013: 6.6%) of gross premiums respectively. With growth in cash values, contribution of life insurance Company in the claim to be paid decreases over time and becomes zero once cash values equals sum assured. 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 are however sizeable number of policies with cash value less than sum assured. Risk is however considered manageable keeping in view the low crude death rate experienced in the past and reinsurance coverage.

Within individual life business, proportion of bancassurance in overall business mix has increased on a timeline basis with around four-fifth of the individual life business being generated through the same during 9M14. In new business, around 90% of the total business generated is through bancassurance. Concentration in bancassurance business is high with around four-fifth of the total bancassurance business being generated through Habib Bank Limited. With significant growth in bancassurance business, proportion of business generated through Direct Sales Force (DSF) has witnessed a declining trend. The size of company's sales force has reduced to almost a third of what it was two years ago as the management had enhanced focus on enhancing productivity of the DSF. Resultantly, case average, number of policies sold by an agent per month, has improved to 1.9 from around 1 previously. Nevertheless, alongwith maintaining productivity indicators, increasing the size of sales force is considered important for diversification of business mix. While premiums generated through group policies has increased, surplus generated in relation to premiums written (9M14: 5.3%; 2013: 7.5%; 2012: 14%) have declined on account of significant competition in group business.

Unit linked policies are linked to four funds, of which the Managed Fund is the largest. Total Assets under Management (AUMs) stood at around Rs. 39b with size of the largest fund being Rs. 34.5b at end-Dec'14. The performance of the largest fund under management has remained competitive but compares less favorably to return generated by similar fund of its major private sector competitor in 2014. While exposure to equities has witnessed an increase on a timeline basis, overall investment profile has remained conservative with exposure to government securities and highly rated instruments representing around three fourth of the total investment portfolio. Resultantly, credit risk emanating from investments is considered manageable. With additional investments and higher returns on equities, proportion of equity portfolio has grown to around one-fifth of total investments.

In line with growth in business volumes, net profit of the company has showcased healthy growth (45%-50% growth) over the last few years. Resultantly, capitalization levels have strengthened on account of internal capital generation. In absolute terms, equity levels have grown at a CAGR of over 50% over the last four years. Risk adjusted capitalization levels of the institution are also considered sound. JLI has also met 100% regulatory solvency requirement for year-end 2014. Policy holder funds are invested in marketable securities which can be liquidated easily. Liquid assets carried on balance sheet are sizeable and represent over 100% of total policyholder liabilities at end-9M14.

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 FY14 are being audited by KPMG Taseer Hadi & Co. – Chartered Accountants while Nauman Associates are the appointed actuaries [JCR-VIS]