RATING REPORT

Jubilee Life Insurance Limited

REPORT DATE:
September 26, 2016

RATING ANALYSTS:
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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	**Long-term**	**Long-term**
IFS	AA+	AA+
Rating Date	*Sept 23, '16*	*May 4, '15*
Rating Outlook	Stable	Stable

COMPANY INFORMATION

Incorporated in 1995	**External auditors:** M/s KPMG Taseer Hadi & Co. – Chartered Accountants
Public Limited Company	**Chairman of the Board:** Mr. Kamal A. Chinoy
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Javed Ahmed
Aga Khan Fund for Economic Development S.A., Switzerland – 57.87%	
Habib Bank Limited Treasury Division – 17.95%	
Jubilee General Insurance Company Limited – 6.43%	

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria Methodology – Life Insurance & Family Takaful Rating Methodology (Jan 2009) ***http://www.jcrvis.com.pk/Images/lifetakaful.pdf***

Jubilee Life Insurance 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).

RATING RATIONALE

Jubilee Life Insurance Company Limited (JLIC) is amongst the largest private sector life insurance companies in the country in terms of gross premiums. Excluding single premium policies which are non-recurring in nature, gross premiums continue to be largest in the private life insurance sector. Gross premiums written (GPW) written grew by 37% during 2015 amounting to Rs. 29.9b (2014: Rs. 21.8b), outpacing the market which grew by 23.7% during the same period. Furthermore, the company's market share (including State Life Insurance Company {SLIC}) with regards to gross premiums improved to 18.5% (2014: 16.6%). In the private life insurance sector, the same market share amounted to 36.3% (2014: 40.3%). As per industry estimates, significant untapped Bancassurance clientele still exists. This along with low life insurance penetration is expected to translate into healthy growth in gross premiums, going forward. JLI has projected GPW to grow at a CAGR of 16% over the next five years.

Rating drivers:

- The company generates sales through three avenues: Direct Sales Force (DSF), Bancassurance (BANCA) and Group. Business mix of the company primarily comprises Individual Life (IL) business (BANCA and DSF) representing 87.3% (2014: 86.2%) of GPW. Launched in July'2015, takaful operations have shown healthy growth in the ongoing year and have exceeded projections. Proportion of group business has declined overtime with decline witnessed in group life business while proportion of accident & health business has been maintained at prior year level at 7.4%.
- BANCA remains the primary business driver representing 91.2% (2014: 89.9%) and 84.6% (2014: 81.7%) of new and total GPW in IL, respectively. Management expects BANCA and takaful operations to be a significant growth driver, going forward. JLIC is making concerted efforts to increase the proportion of DSF business. While productivity compares favorably to peers, limited increase in size of sales force and fast pace of BANCA business has resulted in a decline in the proportion of DSF business. Given the higher persistency and better claims experience of business written through the DSF channel, increase in proportion of business generated though the DSF channel is considered important.
- Within individual life policies, contribution in claims to be paid declines over time with growth in cash values which supports risk profile of the company. The total risk assumed remains higher as the cash values as a whole are lower than the total 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 is however a sizeable number of policies with cash value less than sum assured. Risk is considered manageable keeping in view the low crude death rate experienced in the past and reinsurance coverage. Some increase in crude death rate and claims ratio has been noted in 2015; however mortality charge in premium remains significantly in excess of claims incurred. Nevertheless, future trend with respect to claims ratio will continue to be tracked by JCR-VIS.
- Given the growth in unit linked policies, assets under management (AUM) (at market value) have witnessed significant increase to Rs. 57b (2014: Rs. 40.2b). Over half of the investment comprises exposure to federal government securities while listed equities represent almost one-third of the total investment in mutual funds. Performance of funds under management has remained competitive and compares favorably to respective benchmarks; however, returns posted by the fund were lower vis-à-vis that of the largest fund of its major private sector competitor. Performance of funds under management will continue to be tracked by JCR-VIS.
- Investment management infrastructure is formalized with a functioning board and management investment committee. Currently, research and risk management is being undertaken by the same team, though segregation of this function is more appropriate. Further, strengthening of investment risk management infrastructure, as planned by management, is considered important. Being cognizant of the need for risk management review at the Board level, a Risk Management Committee of the Board of Directors of JLI has been constituted in 2016.
- Capitalization levels of the company have grown over time on account of retained profits. Solvency margin maintained by the company is also well in excess of regulatory requirements. While equity coverage of expected claims has declined over time, it continues to remain healthy. Liquid profile draws comfort from sizeable liquid assets carried on the balance sheet in relation to liabilities.

FINANCIAL SUMMARY

(amounts in PKR millions)

BALANCE SHEET	DEC 31, 2015	DEC 31, 2014	DEC 31, 2013
Cash and Bank Deposits	7,380	5,071	4,945
Investments	58,999	41,909	28,328
Insurance Debt	617	489	377
Total Assets	69,224	49,614	34,291
Net Worth	3,910	3,160	2,243
Statutory Fund	62,206	44,021	29,915
INCOME STATEMENT	**DEC 31, 2015**	**DEC 31, 2014**	**DEC 31, 2013**
Net Premium Revenue	29,121	21,086	16,350
Net Claims	7,022	5,083	3,647
Net Investment Income – Statutory Fund	5,982	6,053	3,573
Net Investment Income – Shareholder's Fund	346	206	172
Surplus Transferred from Statutory Fund	2,220	1,880	1,273
Profit Before Tax	2,442	2,001	1,390
Profit After Tax	1,622	1,362	941
RATIO ANALYSIS	**DEC 31, 2015**	**DEC 31, 2014**	**DEC 31, 2013**
Cession Ratio (%)	2.7%	3.4%	4.3%
Claims ratio (%)	24.1%	24.1%	22.3%
Expense ratio (%)	26.9%	29.0%	30.4%
Adjusted Liquid Assets to Technical Reserves (%)	84.2%	86.7%	106.2%
Persistency (2nd Year)	83.7%	81.3%	82.7%
Persistency (Subsequent Years)	91.0%	86.3%	92.4%

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.

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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

'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

REGULATORY DISCLOSURES	Appendix III
Name of Rated Entity	Jubilee Life Insurance Limited
Sector	Insurance
Type of Relationship	Solicited
Purpose of Rating	Insurer Financial Strength
Rating History	

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: INSURER FINANCIAL STRENGTH				
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

Instrument Structure	N/A
Statement by the Rating Team	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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