



The Pakistan Credit Rating Agency Limited

## Rating Report

### TPL Life Insurance Company Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Jun-2023	A (ifs)	-	Stable	Maintain	-
29-Jun-2022	A (ifs)	-	Stable	Maintain	-
31-Mar-2022	A (ifs)	-	Stable	Harmonize	-
29-Jun-2021	A-	-	Stable	Maintain	-
29-Jun-2020	A-	-	Stable	Maintain	-
27-Dec-2019	A-	-	Stable	Maintain	-
27-Jun-2019	A-	-	Stable	Maintain	-
27-Dec-2018	A-	-	Stable	Maintain	-
26-Jun-2018	A-	-	Stable	Maintain	-
13-Dec-2017	A-	-	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

The rating reflects sustained progression of TPL Life to achieve a sizeable position in life insurance industry. The rating of TPL Life derives comfort from the strong group support that has been witnessed over the past years by way of equity injections and diverse pool of investments of its holding company "TPL Corporation". TPL Life had been pursuing both life and health insurance businesses in the past; however, recently the Company is striving to accentuate its life insurance business. To foster greater awareness and improve the enhance penetration of life insurance, TPL Life has prioritized the introduction of short-term, innovative products. Management expenses have traditionally been on the higher side as the Company envisages aggressive growth target and to attain this, the acquisition expenses have also risen. While TPL life has successfully reduced its underwriting expenses during CY22, repetitive deficits incurred entail a grave concern. The Company's underwriting and operating results are not commensurate with the industry and have consistently been following a downward trajectory. However, the management envisages a boost in margins in the forthcoming years by way of dynamic marketing of its products. During FY23, Pakistan's Life Insurance sector faced challenges due to an unexpected rise in inflation which led to a decrease in disposable incomes. To adapt, sector players shifted their focus from first-year persistency to second year, prioritizing top-line growth. During the said period, unit-linked products remained attractive, offering fixed-rate investment opportunities amidst high policy rates. The sector's outlook is expected to remain Stable, supported by investment income in the next financial year. However, muted economic growth could adversely impact the sector if not timely mitigated.

The rating is dependent on the Company's ability to execute its existing business plan in an efficient manner; herein, consistent growth in top-line and underwriting profits are essential. Maintenance of liquidity levels are pivotal for rating while the addition of foreign partner will provide added strength.

#### Disclosure

<b>Name of Rated Entity</b>	TPL Life Insurance Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	IFS Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Jun-22),Methodology   Life Insurance Rating(Mar-23)
<b>Related Research</b>	Sector Study   Life Insurance(Jun-22)
<b>Rating Analysts</b>	Muhammad Noor Ul Haq   noorulhaq@pacra.com   +92-42-35869504



## Profile

**Legal Structure** TPL Life Insurance Limited (TPL Life) is a public limited unlisted company.

**Background** TPL Life was incorporated in 2008 and obtained the license to carry out life and other related lines of business in 2009.

**Operations** A dedicated sales force has been recruited for group sales and third-party distribution channels for retail sales (Bancassurance in particular). Moreover, TPL Life also augmented its operations by entering the Takaful segment in January 2019. The Company is operating through its head office located in Karachi and regional offices located in Lahore and Islamabad.

## Ownership

**Ownership Structure** The Investment Holding Company of TPL Life holds 97.38% stake in the Company while the remaining 2.62% vests with the directors.

**Stability** The strategic linkage with a strong group reinforces the stability of the Company. TPL Corp. Ltd., a technology-driven conglomerate is the investment holding company of TPL Group; the Corp. sustains investments across general and life insurance, real estate, transport, security and asset tracking.

**Business Acumen** The Chairman of TPL Life - Mr. Jameel Yusuf Ahmad, has a multifaceted career that spans over decades. With his experience and relevant industry specific knowledge, he instills sharp business acumen into the Company.

**Financial Strength** TPL Corp. maintains a significant equity base amounting to PKR 6bln while the total assets sum up to a whopping PKR 12bln. The Corp. has prudently expanded its footings in diversified business avenues with sizeable portfolio of strategic investments.

## Governance

**Board Structure** The Board, comprising of seven directors including the CEO, entails thorough supervision of the Company's management team. There are one executive, four non-executive and two independent directors. Presently, there are three board committees, namely i) Audit ii) HR, Ethics, Remuneration & Nomination iii) Board Investment.

**Members' Profile** The Chairman, Mr. Jameel Yusuf Ahmad, simultaneously also chairs TPL Holdings. He is a veteran businessman with a vast experience in diverse sectors.

**Board Effectiveness** Effective oversight is ensured through quarterly board meetings, with comprehensive documentation of meeting minutes.

**Financial Transparency** The Company's External Auditor, M/s BDO Ebrahim & Co. issued an unqualified opinion on the financial statements for the year ended Dec-22.

## Management

**Organizational Structure** The Company follows a lean organizational structure, where operational staff reports indirectly to CEO Mr Saad Nissar through various unit heads. The management committees are responsible for overseeing operations and conducting regular assessments of internal controls.

**Management Team** Mr. Saad Nissar, a seasoned individual, assumed the role of the CEO of TPL Life in August, 2021 after serving in various capacities in various companies of TPL Group. An experienced marketing professional, Mr. Saad Nissar has paved a brilliant career for himself in the industry.

**Effectiveness** The CEO receives regular updates through the Management Information System (MIS). Formal minutes are prepared for management meetings, with a preshared agenda to ensure meeting quality and effectiveness

**Claim Management System** Claims are classified into four categories: i) Emergency claims, ii) claims for Treatment from Panel Hospital, iii) Out Patient Department (OPD) claims and iv) claims for Reimbursement for Treatment from Non-Panel Hospital. In case of emergency claims, panel hospitals provide treatment without the approval of TPL life.

**Investment Management Function** TPL Life has implemented a formal, coherent investment policy approved by the Board and reviewed annually. The investment committee chaired by CEO has the authority to scrutinize and propose changes in investment strategy and policy.

**Risk Management Framework** TPL Life has developed a detailed manual for risk profiling, mainly based on manuals obtained from its reinsurers. However, the Company has to strive to fully incorporate the various aspects of the manual in its systems and controls.

## Business Risk

**Industry Dynamics** Life Insurance industry in Pakistan reported at~ PKR 370bln, indicating a notable growth of~ 28.5% YoY (CY21: PKR~288bln). Life Insurance Industry in Pakistan is dominated by public sector contributing 65% of Gross Premiums Written (GPW) during CY22. Net claims increased by 48.8% to PKR 270bln during CY22. Investment income of industry increased by 22.1% to PKR 126bln. Overall, higher GPW and improved investment income resulted in net profitability of PKR 17bln for CY22. Takaful industry plays a crucial role in the Islamic financial system, offering a diverse range of risk protection products and services that complement existing options for consumers.

**Relative Position** TPL Life Insurance is a small-sized life insurer with a market share of less than 1% in terms of GPW as at Dec'22.

**Persistency** First-year persistency dropped to 0% during CY22 (CY21: 2%) due to reduced retainment of policyholders because TPL Life had been pursuing both life and health insurance businesses in the past until July'21; however, recently the Company is striving to accentuate its life insurance business. Renewal persistency considered moderate, has increased to 70% during CY22 (CY21: 47%). During 1QCY23, Company reported a persistency ratio of 0% for second year and 59% for subsequent year.

**Revenue** Individual life regular premium reduced by 47% on YoY basis. The Company reported GPW of PKR 337mln (CY21: PKR 640mln). During 1QCY23, the Company reported GPW of PKR 152mln. Largest contributor to gross premiums is group policies without cash value; however, the quantum experienced a dip from PKR 442mln in CY21 to PKR 198mln in CY22. Group Benefits witnessed reduction of 55%. Group benefits 1QCY23 amounted to PKR 89mln.

**Profitability** The underwriting performance of the Company resulted an underwriting profit of PKR 49mln during CY22 (CY21: PKR -226mln). There is growth of in underwriting profitability due to reduced net insurance claims and net commission and other acquisition costs. During 1QCY23, Company posted underwriting profit amounting to PKR 44mln. The Company has earned a loss after tax of PKR 214mln for CY22 against PKR 192mln in CY21. This is largely due to the reduced gross premium written over the periods that translated into reduced net insurance premium. Net loss for 1QCY23 was recorded at PKR 53mln.

**Investment Performance** The Company has deposited funds in 3 years and 5 years PIBs having fixed rate of returns. Prominent income is gained from return on debt securities and term deposits. The Company reported an investment income of PKR 2mln during CY22 as the quantum experienced the dip due to decreased return on debt securities and term deposits (CY21: PKR 27mln). Investment income grossed up to PKR 9mln for the period ended 1QCY23.

**Sustainability** Going forth, the Company envisages capturing the market from avenues, such as Banca and Takaful. Further, TPL Life also envisions to improve their investment income.

## Financial Risk

**Claim Efficiency** Claims outstanding days of the Company increased to 215 days in CY22 from 90 days in CY21. Net claim expense recorded at PKR 94mln (CY21: PKR 657mln). The major component contributing to increase in both gross and net claim expenses is claims by death amounting to PKR 127mln (CY21: PKR 172mln). Net Claims expense recorded at PKR 19 during 1QCY23.

**Re-Insurance** TPL Life maintains reinsurance arrangements for both individual life and group life – on quota share basis – with Munich Re (rated "A+" by A.M. Best). The treaty provides a cover of PKR 32mln.

**Cashflows & Coverages** The total investment book scales to PKR 684mln for CY22 posting a reduction of 5.7% (CY21: PKR 725mln). Investment book amounted to PKR 689mln during 1QCY23. To further augment its liquidity profile, the Company has maintained a cash and bank balance of PKR 356mln for CY22 (CY21: PKR 238mln). Cash and bank balance amounted to PKR 358mln during 1QCY23.

**Capital Adequacy** The paid-up capital of the Company stood at PKR 1,960mln as at end-Mar'23, which is well above the MCR for life insurers. The equity base of TPL Life significantly decreased from PKR 291mln as at CY22 to PKR 273mln as at 1QCY23 owing to the losses sustained during the period under review.



PKR mln

TPL Life Insurance Company Limited  
Unlisted Public Limited

Mar-23	Dec-22	Dec-21	Dec-20
3M	12M	12M	12M

#### A BALANCE SHEET

1 Investments	689	684	725	620
2 Insurance Related Assets	216	118	136	430
3 Other Assets	66	87	114	55
4 Fixed Assets	44	43	25	18
<b>Total Assets</b>	<b>1,016</b>	<b>932</b>	<b>1,001</b>	<b>1,123</b>
5 Underwriting Provisions	-	-	-	27
6 Insurance Related Liabilities	491	447	504	905
7 Other Liabilities	246	187	81	124
8 Borrowings	6	7	1	4
<b>Total Liabilities</b>	<b>743</b>	<b>641</b>	<b>586</b>	<b>1,061</b>
<b>Equity</b>	<b>273</b>	<b>291</b>	<b>415</b>	<b>62</b>

#### B INCOME STATEMENT

1 Gross Premium Written	152	337	640	1,130
2 Net Insurance Premium	83	191	540	952
3 Underwriting Expenses	(39)	(142)	(766)	(909)
<b>Underwriting Results</b>	<b>44</b>	<b>49</b>	<b>(226)</b>	<b>43</b>
4 Management Expenses	(93)	(309)	(317)	(359)
5 Investment Income	9	2	27	27
6 Other Income / (Expense)	2	15	32	19
7 Net Change in Reserve for Policyholders' Liabilities	(13)	29	297	(81)
<b>Profit Before Tax</b>	<b>(52)</b>	<b>(214)</b>	<b>(186)</b>	<b>(351)</b>
8 Taxes	(1)	(0)	(5)	(1)
<b>Profit After Tax</b>	<b>(53)</b>	<b>(214)</b>	<b>(192)</b>	<b>(352)</b>

#### C RATIO ANALYSIS

##### 1 Profitability

Loss Ratio (Net Insurance Claims / Net Insurance Premium )  
Combined Ratio (Loss Ratio + Expense Ratio)

22.3%	49.1%	121.6%	75.7%
159.0%	236.5%	200.4%	133.2%

##### 2 Investment Performance

Investment Income / Operating Profit

-21.8%	-0.8%	-5.3%	-9.5%
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##### 3 Liquidity

(Liquid Assets - Borrowings) / Outstanding Claims

11.11	9.86	4.46	2.72
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##### 4 Capital Adequacy

Liquid Investments / Equity

2.52	2.35	1.75	10.08
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### Insurer Financial Strength (IFS) Rating

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of an insurance company to meet policy holders and contractual obligations.

Scale	Definition
<b>AAA (ifs)</b>	<b>Exceptionally Strong.</b> Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
<b>AA++ (ifs)</b> <b>AA+ (ifs)</b> <b>AA (ifs)</b>	<b>Very Strong.</b> Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
<b>A++ (ifs)</b> <b>A+ (ifs)</b> <b>A (ifs)</b>	<b>Strong.</b> Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
<b>BBB++ (ifs)</b> <b>BBB+ (ifs)</b> <b>BBB (ifs)</b>	<b>Good.</b> Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
<b>BB++ (ifs)</b> <b>BB+ (ifs)</b> <b>BB (ifs)</b>	<b>Modest.</b> Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
<b>B++ (ifs)</b> <b>B+ (ifs)</b> <b>B (ifs)</b>	<b>Weak.</b> Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
<b>CCC (ifs)</b> <b>CC (ifs)</b> <b>C (ifs)</b>	<b>Very Weak.</b> Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
<b>D (ifs)</b>	<b>Distressed.</b> Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

**Note.** This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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(6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)

(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

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(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

(11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

(13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)

(14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)

(15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)

(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

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(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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