

**PACRA SECTORWATCH | CORONAVIRUS | LIFE INSURANCE**

Since the start of 2020, the novel coronavirus (COVID-19) outbreak has quickly spread across the world and caused disruptions in economies worldwide. Starting in China – itself a global manufacturing hub – and moving to more than 200 countries and territories, virtually all major economies and markets have been adversely impacted. The full impact of such an outbreak on Pakistan's economy is difficult to ascertain at present and will depend on the severity and duration of the outbreak as well as Government's response. However, it is clear that credit conditions are under stress and this will impact credit quality of many entities and sectors. In this context, PACRA aims to provide analysis on how the ongoing outbreak of COVID-19 may impact various sectors in Pakistan.

SECTOR	SUB-SECTOR
INSURANCE	LIFE INSURANCE
<b>SIZE</b>	<ul style="list-style-type: none"> <li>- Gross Premium Written (GPW): ~ PKR 238bln as at Dec'19 (PACRA estimate), PKR 225bln as at Dec'18</li> <li>- Conventional segment accounts for 90% of the premium whereas the Takaful segment garners the remaining</li> <li>- Life Insurance as a percentage of total GDP ~1%</li> <li>- Total Policies : ~ 70mln (PACRA estimate)</li> </ul>
<b>NUMBER OF PLAYERS</b>	<ul style="list-style-type: none"> <li>- 9 Life Insurance companies; 4 listed on PSX</li> <li>- Public sector (State Life) has a market share of 47% while private companies account for the remaining 53%</li> </ul>
<b>PACRA PENETRATION</b>	<ul style="list-style-type: none"> <li>- 6 Life Insurance Companies rated by PACRA</li> <li>- PACRA rated universe ~ 66% of total industry GPW</li> </ul>
<b>IMPACT</b>	<ul style="list-style-type: none"> <li>- The life insurance sector witnessed evolution from the public sector through annuity based products whereas the non-public entities were engaged in unit linked products</li> <li>- Historically reliant on Banca and single premium, the private sector has moved towards the regular premium schemes</li> <li>- Anticipated fall in the money flow is likely to impact the saving rate, hence dilution in fresh deployment into the investment linked policies is likely; though the COVID-19 pandemic is expected to create awareness about importance of life insurance policies</li> <li>- Investment book: ~PKR 1,200bln dominated by fixed income government securities (70%) and followed by equities (10%). The investment income is likely to plummet in the wake of depressing trends in PSX and reduced interest rates</li> <li>- Companies will be expected to face claims from deaths arising due to coronavirus. However, this is likely to be low due to miniscule insurance penetration. Adequate liquidity is essential in order to withstand the financial burden of the pandemic. However, the large investment book is expected to cushion any liquidity concerns</li> <li>- Providing more tax incentives and channelization of savings towards insurance policies would be beneficial for the sector</li> </ul>

**DISCLAIMER**

PACRA has taken due care while formulating this analysis. We have used the information that we believe is reliable and current as to the date of publication. In any case, this remains an opinion and suitability may vary. Due care should be taken while relying on it. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

**CONTACT**

faraan.taimoor@pacra.com  
+92-42-35869504  
www.pacra.com.pk