



The Pakistan Credit Rating Agency Limited

Rating Report

Jubilee Life Insurance Company Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
07-Mar-2023	AA++ (ifs)	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The rating reflects the distinguished position of Jubilee Life Insurance Company Limited (JLI or the Company) within the life insurance industry, established over a long period of time. The Company offers a wide range of standard and bespoke products to its customers; prominence is noted in the segment of Individual Life Unit Linked policies; lately conventional product and corporate health segment has picked up pace. This is aligned to the changing dynamic of the life insurance sector amidst myriad challenges surrounding retail customers. The health portfolio would require vigilance. Going forward, growth would remain a challenging affair due to aforementioned reasons. Herein, the company intends to leverage its digital footprints to harness efficiency and growth. The underwriting performance for the period remained under stress due to an abnormal increase in claims, mostly surrenders and others. Investment income, which has historically been good support, demonstrated lackluster results due to equity related losses. Cognizant of this, the portfolio was recomposed and it is expected that this would supplement future profits. The rating takes comfort from the strong risk absorption capacity of the Company, duly reflected in its liquidity profile. The robust solvency profile is depicted through its reported solvency margin of 172.95% for Sep'22 (CY21: 170.0%; CY20: 165.81%). Strong sponsor profile of the Aga Khan Fund for Economic Development, combined with a sound governance structure and robust internal control environment, augment to the Company's positioning amongst market leaders in the industry. This is a key consideration in the assigned rating.

The rating is dependent on the sustained competitive positioning of JLI within the life insurance industry. Improvement in core operational profitability and in investment performance remain crucial. Strong solvency profile of the Company, indicated through its ample reserves, place comfort in the rating.

Disclosure

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



Profile

Legal Structure Jubilee Life Insurance Company is a public limited company, incorporated in Pakistan on 29th June, 1995.

Background Jubilee Life operates in the life insurance space in Pakistan whereas Jubilee General caters to general insurance sector. Both of them have a common brand. The group companies include four insurance companies in Africa (Kenya, Uganda, Mauritius and Tanzania), one in Kyrgyzstan and two in Pakistan.

Operations The product portfolio of the Company comprises conventional and takaful plans, with key segments being categorized as; i) Individual Life Unit Linked ii) Accidental & Health Business iii) Individual Family Takaful iv) Group Life v) Non-Reportable Segments, while having geographical presence throughout Pakistan, with Head Office of the Company based in Karachi.

Ownership

Ownership Structure The primary shareholding of the Company lies with the Agha Khan Fund for Economic Development S.A. Switzerland (AKFED), representing a direct stake of 57.9% shares. The remaining shareholding is dispersed among the general public; free float of 20% in the market.

Stability AKFED hold ownership stake in various commercial ventures, including sectors such as insurance, banking, hotels, and tourism in Pakistan.

Business Acumen AKFED, founded and chaired by Mr. Prince Karim Agha Khan, represents a group of development agencies that focuses on various development activities, including health, education, economic recovery, environment, disaster reduction and micro finance.

Financial Strength In addition to Jubilee Life Insurance and Jubilee General Insurance, AKFED holds ownership in one of the largest private sector banks in Pakistan (Habib Bank Limited). AKFED, in order to provide support to development activities, has ownership stake in a number of commercial ventures as well, which operates in sectors like insurance, banking, hotels, education, and tourism in Pakistan.

Governance

Board Structure JLI has a nine-member board structure, composed of a healthy mix of sponsor representatives, non-executive, executive, and independent members.

Members' Profile Board members possess a strong profile and highly experience in their respective fields. Mr. Kamal A. Chinoy, board chairman, is a graduate of Wharton School, University of Pennsylvania, USA.

Board Effectiveness In order to ensure effective oversight of the Company, four board-level committees have been formed. The board committees' meetings are scheduled on a regular frequency, with an average of five board committee meetings being held annually.

Financial Transparency The external auditors, M/S A.F. Ferguson & Co, have provided an unqualified opinion on the financial statements for the year ended CY21. The audit report for CY22 is about to be published and the management has given representation that it is not modified.

Management

Organizational Structure The Company has an elaborated organizational structure with clear reporting lines, ensuring segregation of duties and focus on key business functions, with each function being headed by Group Head.

Management Team The CEO of the Company, Mr. Javed Ahmed has been associated with Jubilee Life since 1997. The Group Heads are directly reporting to the CEO; wherein the team has been associated with the Company for a fairly long time.

Effectiveness The Company has eight management committees, i) Underwriting & Reinsurance Committee, ii) Claims Committee, iii) Management Committee iv) Risk Management & Compliance Committee v) Investment Management Committee vi) Marketing Committee vii) IT Steering Committee viii) Disaster Steering Committee, to ensure the effectiveness of processes in place.

Claim Management System A detailed claims settlement system is in place to ensure smooth and efficient progression of claims received. As the claims departments receive a policyholder request, a policy review is held in order to assess the legitimacy of the claim.

Investment Management Function A formal investment policy statement has been assigned for each fund specifically, providing investment guidelines. The IPS is approved by the board of directors and reviewed as and when required. An in-house research department, comprising eight analysts, is also in place to assist the overall functioning of the department.

Risk Management Framework The Company has implemented a detailed underwriting manual and field underwriting guidelines, which are issued to the branches and agents, being updated from time to time. A risk register is maintained by the Company which accounts for any current and potential risks.

Business Risk

Industry Dynamics The industry primarily comprises two segments, namely; i) Public ii) Private. The Public segment is controlled by State Life Insurance Company. The Private segment has a number of players. Majority of the chunk is held by two large players, Jubilee Life Insurance Company Limited and EFU Life Insurance Company Limited followed by others.

Relative Position Jubilee Life has a distinguished leading position in the private life insurance industry, garnering a market share of ~15.7%, accumulated through a GPW of PKR 34,701mln. Closely following JLI is EFU Life, generating GPW of PKR 27,207mln acquiring ~12.3% of the total market share.

Persistency The persistency ratio of Jubilee Life is considered good, clocking in for Direct Sales Force at 78% (CY21: 79%) for second year and 79% (CY21: 82%) for subsequent year persistency for the period ended 9MCY22. Additionally, bancassurance second year persistency stood at 80% (CY20: 78%) and subsequent year persistency stood at 81% (CY20: 80%) for the period as per management represented figures.

Revenue JLI generated a GPW of PKR 34,701mln during 9MCY22 (9MCY21: PKR 34,859mln), depicting a decline of 0.4% YoY. There is need to enhance the growth in revenue. A stable trend of first year premium and second year premium was observed, however subsequent year renewal proved to be the key premium driver.

Profitability During 9MCY22, the Company paid PKR 31,495mln insurance benefits on account of maturities, deaths, withdrawals and surrenders as compared to PKR 29,166mln SPLY. Hence, the Company booked an underwriting loss of PKR 1,912mln in 9MCY22 as compared to a profit of PKR 496mln in 9MCY21.

Investment Performance The investment income witnessed a setback due to equity related losses, both realized and unrealized. Subsequently, the management has rebalanced the investment portfolio, which would augur well for the investment income. The net investment income grossed up to PKR 2,345mln during 9MCY22 (9MCY21: PKR 3,341mln).

Sustainability Going forward the management intends to maintain its market position through capitalization on its strong operational network, including direct sales force, bancassurance, and digital, to enter low penetration markets. Further, product innovation is achieved through the introduction of a fixed return policy in addition to the unit-linked product, in order to further attract customers and augment its customer base.

Financial Risk

Claim Efficiency As per the information provided, the claims ratio for claims outstanding up to 90 days stood at 55% which are classified not yet due wherein the outstanding claims from 91 days to 365 days show an aggregate outstanding claim of 25%, which is deemed significant.

Re-Insurance The reinsurance panel of the Company is graced with well reputed reinsurance companies such as Hannover Re (rated "AA-" by S&P), Arch Re (rated "A+" by A.M Best) and Generali (rated "A" by A.M Best).

Cashflows & Coverages The investment book is majorly placed in liquid avenues, with government securities comprising PIBs and T-Bills as well as other debt instruments, whereas equity investments include listed shares, aimed to generate dividend income and capital gains. To further augment its liquidity profile, the Company has maintained a cash and bank balance of PKR 10.3bln at end-Sep22 (Sep21: PKR 19.6bln). In terms of coverage, the Liquid Investments to Net Claims coverage clocked in at 4.4 times, whereas Liquid Assets to Net Premium Revenue stood at 4.0 times, placing confidence in the liquidity position of the Company.

Capital Adequacy The Company has maintained an ample equity base of PKR 13.4bln, structured with abundant reserves indicating strong solvency margin of 172.95% as at end-Sep22 (CY21:170.0%; CY20:165.81%). A stable trend in the capital levels of JLI has been observed through the years, with minimal need for any further equity injection.



PKR mln

Jubilee Life Insurance Company Limited
Listed Public Limited

Sep-22	Dec-21	Dec-20	Dec-19
9M	12M	12M	12M

A BALANCE SHEET

1 Investments	176,733	181,232	180,713	162,938
2 Insurance Related Assets	2,408	1,869	2,277	1,189
3 Other Assets	4,014	2,660	2,767	4,514
4 Fixed Assets	4,753	4,791	4,666	4,719
Total Assets	187,908	190,552	190,422	173,361
6 Insurance Related Liabilities	166,429	170,922	171,052	155,831
7 Other Liabilities	6,224	4,645	4,390	3,736
8 Borrowings	1,848	1,917	2,108	2,388
Total Liabilities	174,501	177,483	177,550	161,955
Equity	13,408	13,069	12,872	11,406

B INCOME STATEMENT

1 Gross Premium Written	34,701	49,356	46,507	49,627
2 Net Insurance Premium	33,235	47,580	45,208	48,396
3 Underwriting Expenses	(35,147)	(46,770)	(35,800)	(31,532)
Underwriting Results	(1,912)	810	9,407	16,864
4 Management Expenses	(2,906)	(3,828)	(3,402)	(3,160)
5 Investment Income	2,346	3,979	11,895	20,336
6 Other Income / (Expense)	127	36	(279)	(140)
7 Net Change in Reserve for Policyholders' Liabilities	4,939	1,543	(13,552)	(30,483)
Profit Before Tax	2,594	2,540	4,070	3,416
8 Taxes	(1,102)	(747)	(1,186)	(1,192)
Profit After Tax	1,492	1,793	2,884	2,224

C RATIO ANALYSIS

1 Profitability

Loss Ratio (Net Insurance Claims / Net Insurance Premium)	91.3%	83.8%	63.8%	46.4%
Combined Ratio (Loss Ratio + Expense Ratio)	105.8%	98.3%	79.2%	65.2%

2 Investment Performance

Investment Income / Operating Profit	-94.9%	413.9%	66.5%	59.7%
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3 Liquidity

(Liquid Assets - Borrowings) / Outstanding Claims	17.74	20.05	24.86	30.72
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4 Capital Adequacy

Liquid Investments / Equity	13.03	13.71	13.76	14.00
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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
AAA (ifs)	Exceptionally Strong. 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.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. 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.
A++ (ifs) A+ (ifs) A (ifs)	Strong. 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.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. 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.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. 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++ (ifs) B+ (ifs) B (ifs)	Weak. 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.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. 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
D (ifs)	Distressed. 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>Outlook (Stable, Positive, Negative, Developing) 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>Rating Watch 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>Suspension 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>Withdrawn 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>Harmonization 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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(4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)

(5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

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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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(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(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)

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(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)

Probability of Default

(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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