



The Pakistan Credit Rating Agency Limited

## Rating Report

### Jubilee Life Insurance Company Limited

#### Report Contents

1. Rating Analysis
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#### Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
16-Jan-2025	AA++ (ifs)	Stable	Maintain	-
22-Feb-2024	AA++ (ifs)	Stable	Maintain	-
07-Mar-2023	AA++ (ifs)	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Life Insurance market is dominated by the public sector (~60% share as of 6MCY24). At the same time, the private sector holds only ~40% of the market share. GPW of the industry stood at ~PKR 181bln during 6MCY24 (6MCY23: ~PKR 193bln), showing a YoY dip of ~6%. On the claims end, net claims declined by ~5% (6MCY24: ~PKR 165bln, 6MCY23: ~PKR 175bln). The total investment book of the insurance industry stood inclined by ~19% (6MCY24: ~PKR 2,144bln, 6MCY23: ~PKR 1,799bln), yielding an investment income of ~PKR 184bln during 6MCY24 (6MCY23: ~PKR 98bln). Going forward, the sector's overall outlook is expected to remain stable.

The assigned IFS rating of Jubilee Life Insurance Company Limited ('Jubilee Life' or 'the Company') derives strength from its strong association with Aga Khan Fund for Economic Development (AKFED), having sound financial footing across many business arenas. Jubilee Life enjoys the strong business acumen of its sponsors, which, combined with AKFED nominees on the Board, enhances the Company's governance framework. The Company offers a wide range of standard products in conventional and takaful markets. The Company offers a wide range of standard products, both in the conventional (generating ~ 75% of the GPW) and takaful (generating ~ 25% of the GPW) market. Individual Life - Unit Linked products remain prominent (~56% of total GPW), followed by accident & health insurance (~30%) and the corporate business segment (~14%). The Company focuses on an agency model with a vast branch network. GPW along with first year and renewal persistency remains stable. Claims, particularly surrenders, remain high due to economic uncertainty, stressing the Company's underwriting performance. However, the bottom line gathers support from a considerably strong investment income, realized from a solid investment portfolio primarily comprising government securities. On the financial risk front, the Company's cash outflow from operations largely remain attributable to claims payouts and surrenders. The rating gathers comfort from an adequate liquidity and risk appetite.

The rating depends on the Company's sustained competitive positioning within the life insurance industry. An ongoing strategy revamp to ensure an improvement in core and operational profitability is imperative. The solvency profile, as indicated through reserves, must remain strong at all times to sustain the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Jubilee Life Insurance Company Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	IFS Rating
<b>Applicable Criteria</b>	Assessment Framework   Life Insurance(Mar-24),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Life Insurance(Jun-24)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@pacra.com   +92-42-35869504



## Profile

**Legal Structure** Jubilee Life Insurance Company ("Jubilee Life" or "the Company") was incorporated as a public limited company in Pakistan in Jun-95.

**Background** Jubilee Life, a life insurance wing of Aga Khan Fund for Economic Development S.A. Switzerland (the Fund), has operated in Pakistan since Jun-95. The Fund holds strong footings in various business segments. Within insurance, general plus life, the Group operates 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 categorized as i) Individual Life Unit Linked ii) Accidental & Health Business iii) Individual Family Takaful iv) Group Life v) Non-Reportable Segments; and holds geographical presence throughout Pakistan, Head Office in Karachi.

## Ownership

**Ownership Structure** The primary shareholding of the Company lies with the Fund (~57.9%), followed by Habib Bank Limited (~18.5%) and Jubilee General Insurance (~6.4%). Foreign investors and Financial Institutions hold ~6.3% and ~3.6%, respectively. The remaining shareholding (~7.3%) vests with the General Public.

**Stability** Ownership seems to remain stable going forward, as the sponsoring Fund holds an ownership stake in various commercial ventures, including sectors such as insurance, banking, hotels, and tourism in Pakistan.

**Business Acumen** The Fund, founded and chaired by Mr. Prince Karim Aga Khan, represents a group of development agencies focusing on various development activities, including health, education, economic recovery, environment, disaster reduction, and microfinance. Moreover, it has experienced many business cycles.

**Financial Strength** The Fund holds ownership in one of Pakistan's largest private sector banks (Habib Bank Limited). To support development activities, the Fund has an ownership stake in several commercial ventures. The shareholders possess a robust financial standing to provide support to the Company when necessary.

## Governance

**Board Structure** Nine Board members (BoD), including 5 Non-Executives, 1 Executive, and 3 Independent Directors, manage the Company's overall policy framework.

**Members' Profile** The BoD of the Company is Chaired by Mr. R. Zakir Mahmood, having sound and extensive experience with the financial & other sectors. With a professional journey spanning over three decades, he has accumulated valuable experience working with international and local banks. Currently, he is on the BoDs of various companies. Mr. Aryn Currimbhoy, an Independent Director, has been associated with the BoD for almost seven years. All other BoD members bring valuable thinking processes to the policy formation process for the BoD.

**Board Effectiveness** The BoD met quarterly with majority attendance. To ensure effective oversight of the Company, five BoD-level committees have been formed: Audit, HR & Remuneration, Finance & Investment Risk Management, and Technical Committee.

**Financial Transparency** M/s A.F. Ferguson & Co. have provided an unqualified opinion on the financial statements for CY23. For CY24, M/s KPMG Taseer Hadi & Co. are Company's external auditors.

## Management

**Organizational Structure** The Company holds a horizontal organizational structure with clear reporting lines, ensuring segregation of duties and focus on key business functions, with each function being headed by a Group Head. The Heads reports to the CEO, who then reports to the BoD. However, the Head of Internal Audit and HR functionally reports to the respective BoD committee, while administratively reports to the CEO.

**Management Team** The CEO, Mr. Javed Ahmed, has been associated with the Company since 1997. Mr. Omer Farooq, the CFO, has been associated with the Company for almost five years. The management team comprises seasoned professionals, each bringing expertise in their respective fields.

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

**Claim Management System** A detailed claims settlement system is in place to ensure a 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 (IPS) has been assigned for each fund, specifically providing investment guidelines. The IPS is approved by the BoD and reviewed as and when required. An in-house research department, comprising eight analysts, is also in place to assist the overall functions.

**Risk Management Framework** The Company has implemented a detailed underwriting manual and field underwriting guidelines, which are issued to the branches and agents and are 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 public sector dominates the Life Insurance industry, holding ~60% share as of 6MCY24, while the private sector holds only ~40%. Industry's GPW fell by ~6% to ~PKR 181bln during 6MCY24 (6MCY23: ~PKR 193bln). Net Claims stood at ~PKR 165bln during 6MCY24 (6MCY23: ~PKR 175bln). The industry's investment book stood at ~PKR 2,144bln during 6MCY24 (6MCY23: ~PKR 1,799bln), yielding investment income of ~PKR 184bln (6MCY23: ~PKR 98bln). Going forward, the sector's outlook is expected to remain stable.

**Relative Position** Jubilee Life is classified among the top players within the private sector, with a market share of ~12.2% in terms of GPW during 6MCY24.

**Persistency** Client retention is critical in the life insurance business. The Company's persistency ratio is considered good, at ~70% during CY23 (CY22: ~70%) for the second year and ~73% for subsequent year persistency for the period ended CY23 (CY22: ~75%). During 9MCY24, the Company reported a persistency ratio of ~76% for the second year (9MCY23: ~76%) and ~72% for the subsequent year (9MCY23: ~73%) a result of the Company's effort to retain its clientele.

**Revenue** The Company generated a GPW of ~PKR 46,113mln during CY23, depicting a dip of ~2.6% (CY22: ~PKR 47,343mln). During CY23, the subsequent year's premium generated ~44% of the total revenue, indicating a strong customer base, while a stable trend for first-year and second-year premiums was observed. During 9MCY24, the Company reported a GPW of ~PKR 35,242mln (9MCY23: ~PKR 34,165mln) due to a ~PKR 2,655mln increase from Group Premium.

**Profitability** During CY23, the Company reported an underwriting loss of ~PKR 10,902mln, a decrease of ~172% due to higher claims and a fall in GPW (CY22: loss ~PKR 4,005mln) due to substantial surrenders of policies. However, the Company reported PAT of ~PKR 2,306mln during CY23 (CY22: ~PKR 2,072mln) due to support from investment income. During 9MCY24, the PAT of the Company surged to ~PKR 1,738mln (9MCY23: ~PKR 1,482mln).

**Investment Performance** During CY23, the Company's investment income rose by ~669% to ~PKR 33,519mln (CY22: ~PKR 4,357mln) primarily due to a high concentration (~85.1%) of high-yield government securities. During 9MCY24, the investment income rose to ~PKR 36,177mln (9MCY23: ~PKR 20,590mln).

**Sustainability** In the future, the management intends to maintain its market position through capitalization on its strong operational network. Further, product innovation through digitalization is achieved by introducing a fixed return policy in addition to the unit-linked products.

## Financial Risk

**Claim Efficiency** Claims outstanding days increased to ~86 days in CY23 (CY22: ~81 days), owing to higher claims. As of 9MCY24, the claims outstanding days were reduced to ~107 days (9MCY23: ~113 days). Net claims increased by ~13.5%, reported at ~PKR 48.7bln in CY23 (CY22: ~PKR 42.9bln). As of 9MCY24, they increased by ~14.6%, reported at ~PKR 40.8bln (9MCY23: ~PKR 35.6bln).

**Re-Insurance** The reinsurance panel comprises well-reputed reinsurance companies - Hannover Re (rated "AA-" by S&P), Arch Re (rated "A+" by A.M Best), and Generali Re (rated "A+" by A.M Best). This supports the Company's ability to improve its overall financial health.

**Cashflows & Coverages** Due to increased claims, the Company's liquid assets/ net claims coverage ratio declined to ~3.8x in CY23 (CY22: ~4.2x). As of 9MCY24, the ratio declined to ~3.7x (9MCY24: ~3.8x), slightly increasing the pressure on the Company due to claims.

**Capital Adequacy** During CY23, the Company's equity grew by ~10.13% to ~PKR 15,353mln (CY22: ~PKR 13,941mln). As of 9MCY24, the equity reported was ~PKR 15,993mln (9MCY23: ~PKR 14,426mln). During CY23, the liquid investment to equity clocked in at ~12.61x (CY22: ~12.73x) and ~12.82x as of 9MCY24 (9MCY23: 12.75x), highlighting the strong capital position of the Company.



Jubilee Life Insurance Company Limited  
Public Listed Company

Sep-24	Dec-23	Sep-23	Dec-22	Dec-21
9M	12M	9M	12M	12M

**A BALANCE SHEET**

1 Investments	204,995	193,608	183,971	177,473	181,232
2 Insurance Related Assets	4,315	2,279	2,888	2,200	1,869
3 Other Assets	10,149	5,300	4,787	3,526	2,660
4 Fixed Assets	4,314	4,304	4,356	4,654	4,791
<b>Total Assets</b>	<b>223,773</b>	<b>205,490</b>	<b>196,001</b>	<b>187,853</b>	<b>190,552</b>
5 Underwriting Provisions	-	-	-	-	-
6 Insurance Related Liabilities	197,319	181,412	172,176	166,462	170,922
7 Other Liabilities	9,135	7,381	7,946	5,788	4,645
8 Borrowings	1,326	1,344	1,453	1,661	1,917
<b>Total Liabilities</b>	<b>207,781</b>	<b>190,137</b>	<b>181,574</b>	<b>173,911</b>	<b>177,483</b>
<b>Equity</b>	<b>15,993</b>	<b>15,353</b>	<b>14,426</b>	<b>13,941</b>	<b>13,069</b>

**B INCOME STATEMENT**

1 Gross Premium Written	35,242	46,113	34,165	47,343	49,356
2 Net Insurance Premium	33,523	44,086	32,433	45,571	47,580
3 Underwriting Expenses	(45,443)	(54,989)	(40,156)	(49,576)	(46,770)
<b>Underwriting Results</b>	<b>(11,919)</b>	<b>(10,902)</b>	<b>(7,723)</b>	<b>(4,005)</b>	<b>810</b>
4 Management Expenses	(5,514)	(5,692)	(4,177)	(4,352)	(3,828)
5 Investment Income	36,177	33,519	20,590	4,357	3,979
6 Other Income / (Expense)	349	431	309	200	36
7 Net Change in Reserve for Policyholders' Liabilities	(16,065)	(13,003)	(6,127)	7,101	1,543
<b>Profit Before Tax</b>	<b>3,028</b>	<b>4,353</b>	<b>2,873</b>	<b>3,301</b>	<b>2,540</b>
8 Taxes	(1,289)	(2,047)	(1,391)	(1,229)	(747)
<b>Profit After Tax</b>	<b>1,738</b>	<b>2,306</b>	<b>1,482</b>	<b>2,072</b>	<b>1,793</b>

**C RATIO ANALYSIS**

**1 Profitability**

Loss Ratio (Net Insurance Claims / Net Insurance Premium )	121.7%	110.5%	109.7%	94.2%	83.8%
Combined Ratio (Loss Ratio + Expense Ratio)	152.0%	137.6%	136.7%	118.3%	106.3%

**2 Investment Performance**

Investment Income / Operating Profit	193.0%	198.0%	236.9%	-109.0%	413.9%
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**3 Liquidity**

(Liquid Assets - Borrowings) / Outstanding Claims	16.47	15.30	15.79	16.10	20.28
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**4 Capital Adequacy**

Liquid Investments / Equity	12.82	12.61	12.75	12.73	13.87
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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)

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- 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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- (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)
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- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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