

Press Release

VIS Reaffirms IFS Rating of Jubilee Life Insurance Company Limited

Karachi, December 19, 2019: VIS Credit Rating Company Limited has reaffirmed the Insurer Financial Strength Rating of Jubilee Life Insurance Company Limited (JLI) at 'AA+' (Double A Plus). The rating signifies very high capacity to meet policyholder and contractual obligations. Risk is modest, but may vary slightly over time due to business/economic conditions. Outlook on the assigned rating is 'Stable'. The previous rating action was announced on May 30, 2018.

Current rating incorporates the strength of the company's sponsors namely Aga Khan Fund for Economic Development. Rating also takes into account the sound governance framework and senior management profile. Business underwritten under both conventional and Window Takaful segments has depicted a healthy growth and were reported at Rs. 51.9b (FY17: Rs. 46.8b) for 2018. A similar trend was also witnessed during the nine months period of 2019, with premium base comparing favourably to peers. Individual life unit linked regular premium policies remains the largest business segment of the company. JLI's distribution network comprises both a direct sales force and bancassurance distribution through leading commercial banks. Business generated through the bancassurance channel has been the highest contributor to top-line with its persistency ratio maintained at an acceptable level. Maintenance of persistency levels and historical bancassurance share in premium income would continue to be important from a rating perspective.

Recent slowdown in the economy has reduced overall premium growth which has been more pronounced in individual business across the industry. Nonetheless, JLI's premium base continues to grow with increasing group business and continued focus on underwriting performance. Loss ratios related to group policies need to be monitored closely. In view of low historic crude death rate along with coverage by highly rated reinsurers, risk on both individual and group life is considered manageable.

The rating takes into account JLI's strong capitalization vis-à-vis nature of risks underwritten. Liquidity profile is also sound and liquid assets, largely comprising government securities, provide adequate coverage against the company's liabilities. Steps are being taken to further improve internal control framework by way of implementing an enterprise risk management. Returns of funds managed by the company have remained competitive in relation to peers. Given weakening of the stock market on a timeline basis, the company's allocation in equities impacted overall return, despite a positive return on its fixed income funds. Focus on asset allocation and returns on the same would be important, going forward.

For further information on this rating announcement, please contact Mr. Atiq Anwar Mahmudi (Ext: 207) or Ms. Muniba Abdullah, CFA (Ext: 215) at 35311861-71 (10 lines) or fax to 35311873.

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Applicable Rating Criteria: Life Insurance & Family Takaful (February 2018)
<http://vis.com.pk/kc-meth.aspx>