

Press Release

VIS Reaffirms IFS Rating of Jubilee Life Insurance Company Limited

Karachi, February 23, 2021: 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 December 19, 2019.

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 dip of 4.4% largely led by decline in new business from low risk Individual Life Unit Linked segment. The decline was contained on account of robust growth in relatively riskier Accident & Health Business (both conventional and Takaful) and Individual Family Takaful business segments. 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 being 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 since there is a positive relationship between development of life insurance and economic growth. 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.

While remaining within the assigned ratings criteria, business and financial risk profile of the company has depicted some weakening on the subdued net premium income, shift in business risk profile, and increasing claims ratio during 2019 and 2020. However, 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. In the backdrop of the interest rate scenario, the company built up its long term exposure in government securities during 2019 which aided in boosting the investment income of the company. Going forward, management envisages higher projected investment income in light of expected recovery in the equity market. Ability to generate sufficient investment income to support operations will be a key rating driver.

For further information on this rating announcement, please contact Ms. Asfia Aziz or the undersigned (Ext. 306) at 021-35311861-70 or email at info@vis.com.pk.

Faryal Ahmad Faheem
Deputy CEO

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

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