



BADRI

# Pakistan's Listed Life Insurance Industry Performance Analysis 2022-H1

Date: January 18, 2023





**BADRI**

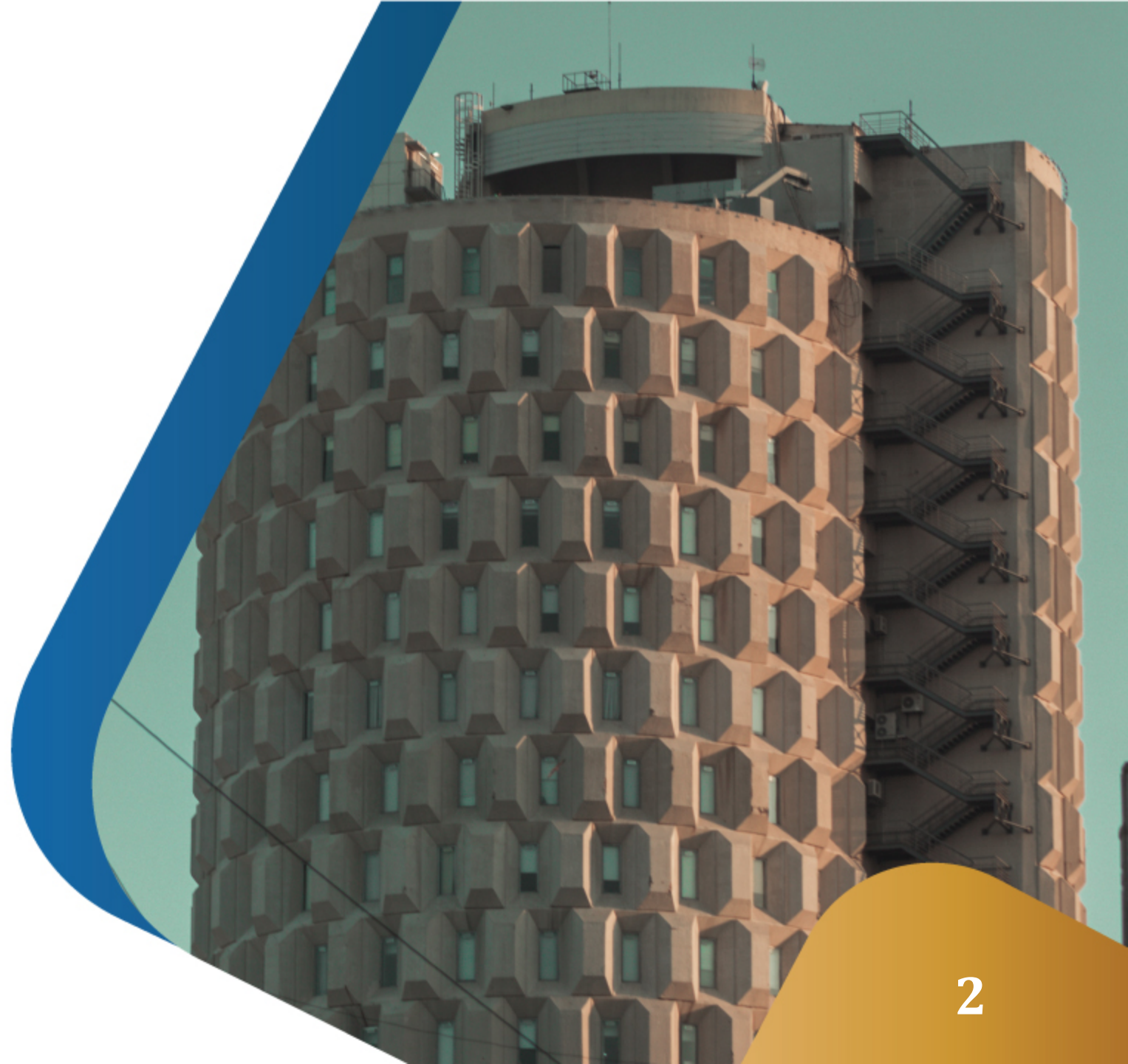
2022 H1 – Pakistan Life Insurance Companies

# About BADRI Management Consultancy

Driven by the passion to further the use of actuarial skills in the MENA region, Badri was established in the UAE. Since then, the company has expanded exponentially and now has offices in Dubai, Riyadh, Karachi, and Lahore.

Today, our 120+ talented staff spread across KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in General, Life & Health Insurance / Takaful and provide customized solutions by using the latest analytical tools. We also provide IFRS17, ERM, Capital Modelling, and Big Data Analytics services to our clients.







**BADRI**

2022 H1 – Pakistan Life Insurance Companies



# VISION

Solution architects strengthening our partners to optimize performance

# MISSION

We help our clients be the best version of themselves by fostering partnerships, challenging norms and providing cutting edge solutions. We inspire our people to constantly evolve and chase excellence with integrity in a diverse, exciting and growth-oriented culture.

# CORE VALUES

## INTEGRITY

We uphold the highest standards of integrity in all our actions by being professional, transparent and independent.

## CHASING EXCELLENCE

Through our empowered teams, we raise the bar by challenging norms to provide cutting edge solutions to our partners.

## FOSTERING PARTNERSHIPS

We foster partnerships with all our stakeholders through collaboration, empathy and adaptability.

## BREEDING EXCITEMENT

We value our people and create an exciting environment for them to develop.

## GROWTH-CENTRIC

We believe in creating a vibrant culture through continuous personal and professional growth of our people, while also growing the business.



# TABLE OF CONTENT

5	Industry Highlights – 2022-H1
6	IFS Rating
7	Premium
14	Claims
16	Persistency
17	Expenses
21	Profitability
24	Investments
27	Conclusion
28	Companies included in the Analysis
29	Disclaimer
32	About our Team





## INDUSTRY HIGHLIGHTS – 2022-H1

### Gross Premium

PKR **55** Bn  
2021-H1:  
PKR 54 bn

### Profit After Tax

PKR **1.61**  
Bn  
2021-H1:  
PKR 1.57 Bn

### Investment Income

PKR **19**  
Bn  
2021-H1:  
PKR 14Bn

Highest GWP  
recorded by  
JLICL  
at  
PKR 23 bn

Highest  
Growth in  
GWP  
Recorded by  
ALAC  
at  
68%

Highest First  
Year  
Persistency  
by  
JLICL  
at  
79%

Highest  
Subsequent  
Year  
Persistency  
by  
EFUL  
at  
86%

Lowest Claim  
ratio by  
ALAC  
at  
56%

Highest  
investment  
income  
recorded by  
EFUL  
at  
PKR 8 bn

Highest  
invested  
assets  
JLICL  
at  
PKR 172 bn

Highest  
Growth in  
PAT by  
EFUL at  
167%

Highest PAT  
recorded by  
JLICL  
at  
PKR 968 mn

Highest  
Investment  
Return by  
EFUL  
at  
5.3%



## IFS RATING

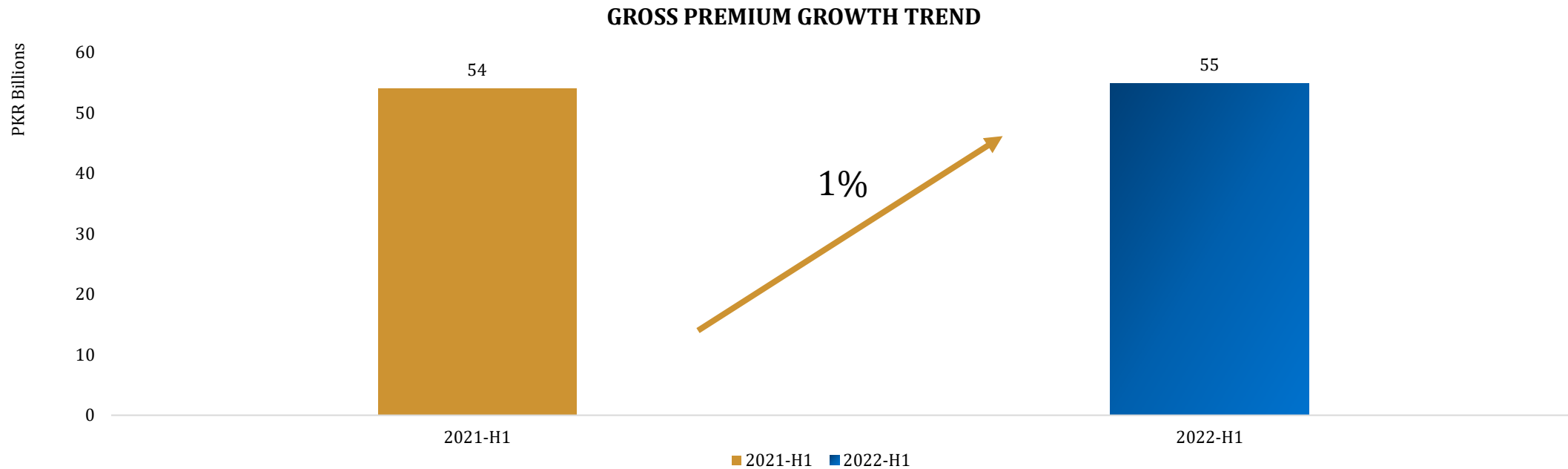
PACRA Key		JCR-VIS Key	
Rating	Capacity	Rating	Capacity
A++	Exceptionally Strong	AA++	Exceptionally Strong
AA+	Very Strong	AA+	Very Strong
AA		AA+, AA, AA	
AA-		AA+, AA, AA	
A+	Strong	A+, A, A	Strong
A		A+, A, A	
A-		A+, A, A	
BBB+	Good	BBB+, BBB, BBB	Strong
BBB		BBB+, BBB, BBB	
BBB-		BBB+, BBB, BBB	
BB+	Weak	BB+, BB, BB	Weak
BB		BB+, BB, BB	
BB-		BB+, BB, BB	
B+	Very Weak	B+, B, B	Very Weak
B		B+, B, B	
B-		B+, B, B	
CCC	Very high credit risk	CCC	Very high credit risk
CC		CCC	
C		CCC	
D	Distressed	D	Distressed

Companies	2020		2021		2022	
	JCR-VIS	PACRA	JCR-VIS	PACRA	JCR-VIS	PACRA
ALIFE		A+		A+		A++
ALAC		A-		A-		A
EFUL	AA+		AA+		AA++	
IGIL		A+		A+		A++
JLICL	AA+		AA+		AA++	

The participants of life insurance industry have been able to improve their IFS ratings in 2022.



## GROSS WRITTEN PREMIUM - MARKET



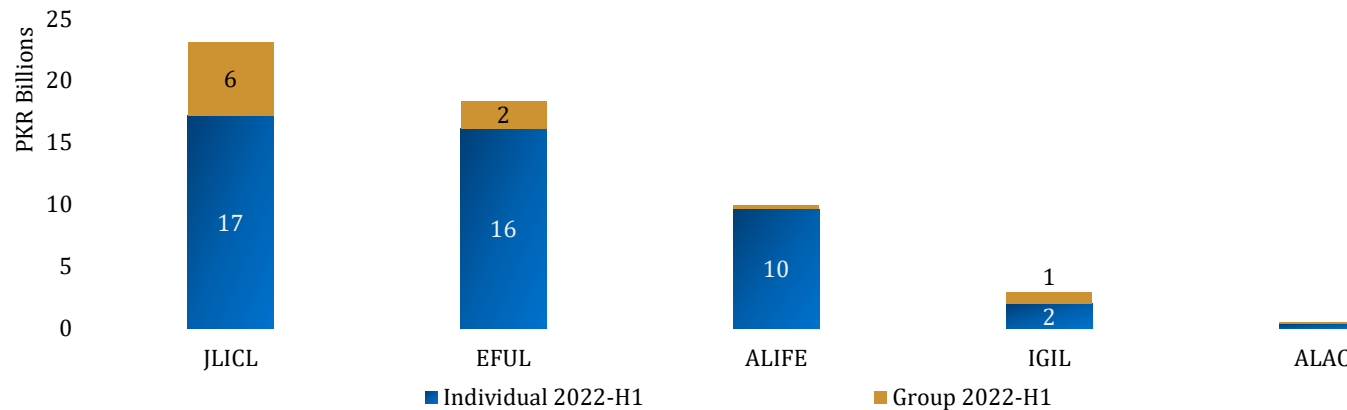
The premium for the listed life insurance companies for the first six months of 2022 is PKR 55 billion with a growth of 1% compared to the level in 2021-H1 which was PKR 54 billion. This growth can be attributed to a broad-based economic growth of 5.37% experienced in 2021 which was reflected in macro-economic indicators of improved consumption and an accommodative monetary policy throughout the major part of 2021.



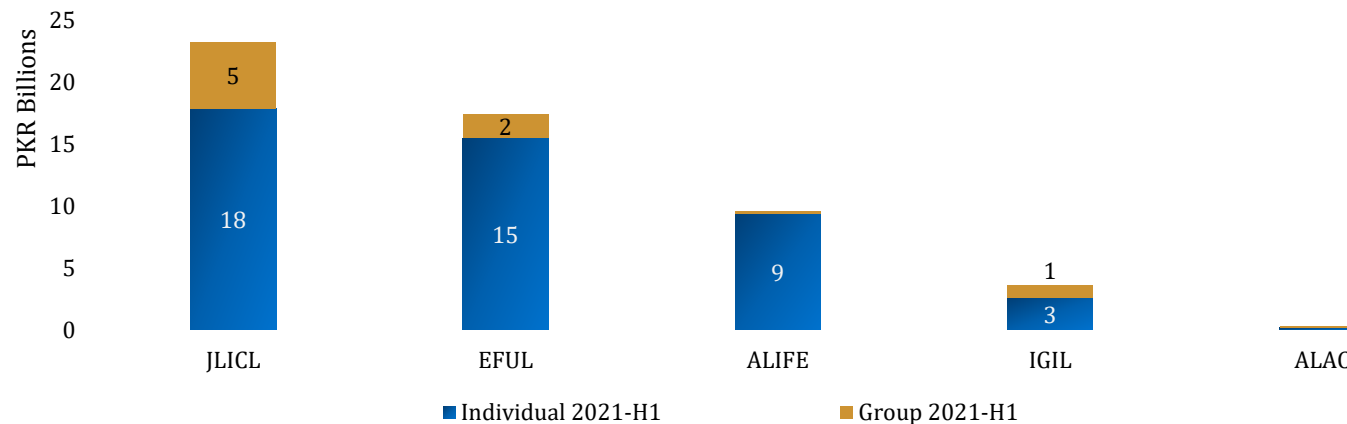


## GROSS WRITTEN PREMIUM - COMPANY

**GWP 2022-H1 - INDIVIDUAL & GROUP**



**GWP 2021-H1 - INDIVIDUAL & GROUP**



The split of the GP shows that the majority of the life insurance companies write business in individual life policies which are primarily comprise of unit linked policies. Of these, 10% are single premium, 20% are new business and the remaining are subsequent year premiums, which constitute a large proportion of listed life insurance premiums. A lack of term life policies sold in this region reinforces consumer aversion towards protection and better returns.

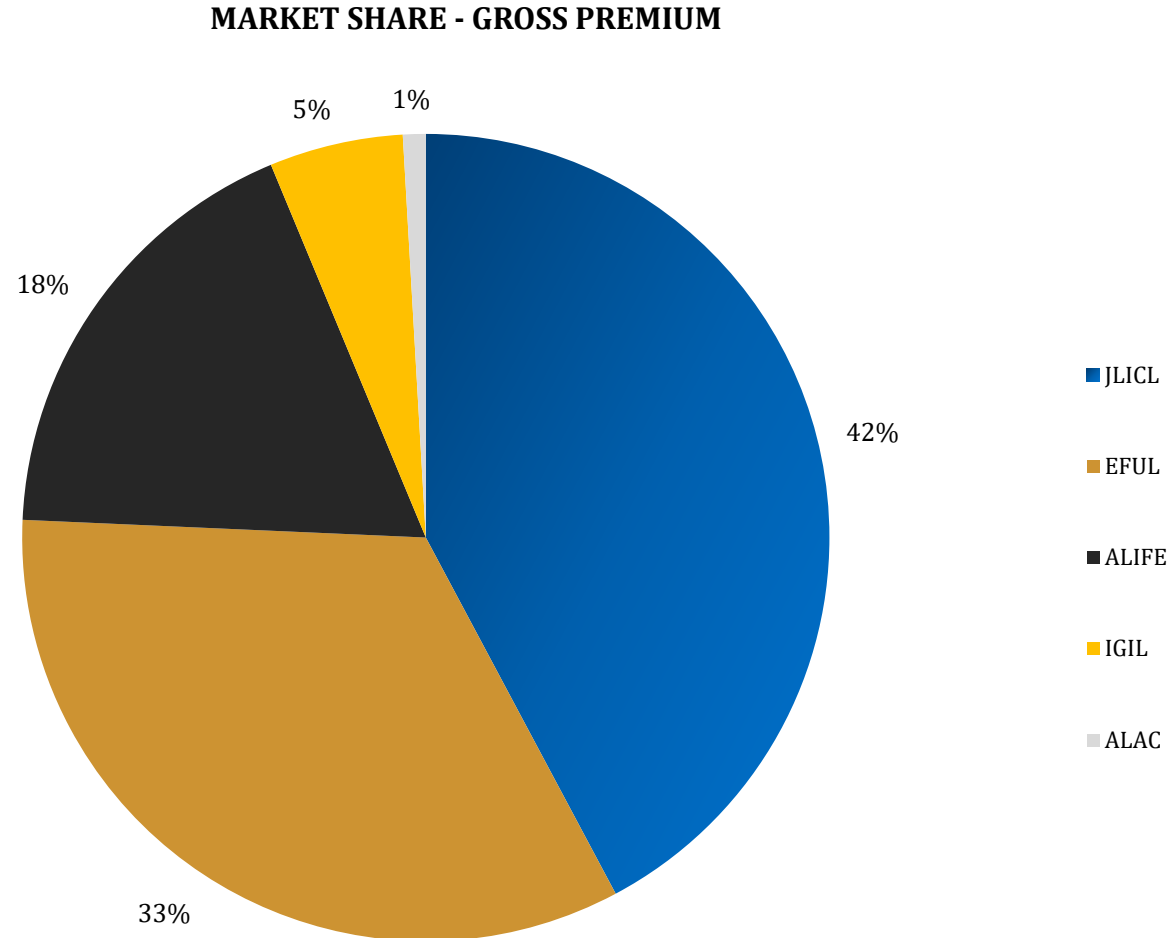
ALIFE writes almost 97% of their business in individual life policies which is the highest proportion in the industry. During the first half of 2022, the Individual business segment represented 77% of the GWP for ALAC, a significant increase from the 58% share it held during the first half of 2021.

The highest premium has been written by JLI of PKR 23 billion followed by EFUL and ALIFE with written premiums of PKR 18 billion and PKR 10 billion respectively.





## MARKET SHARE - GWP

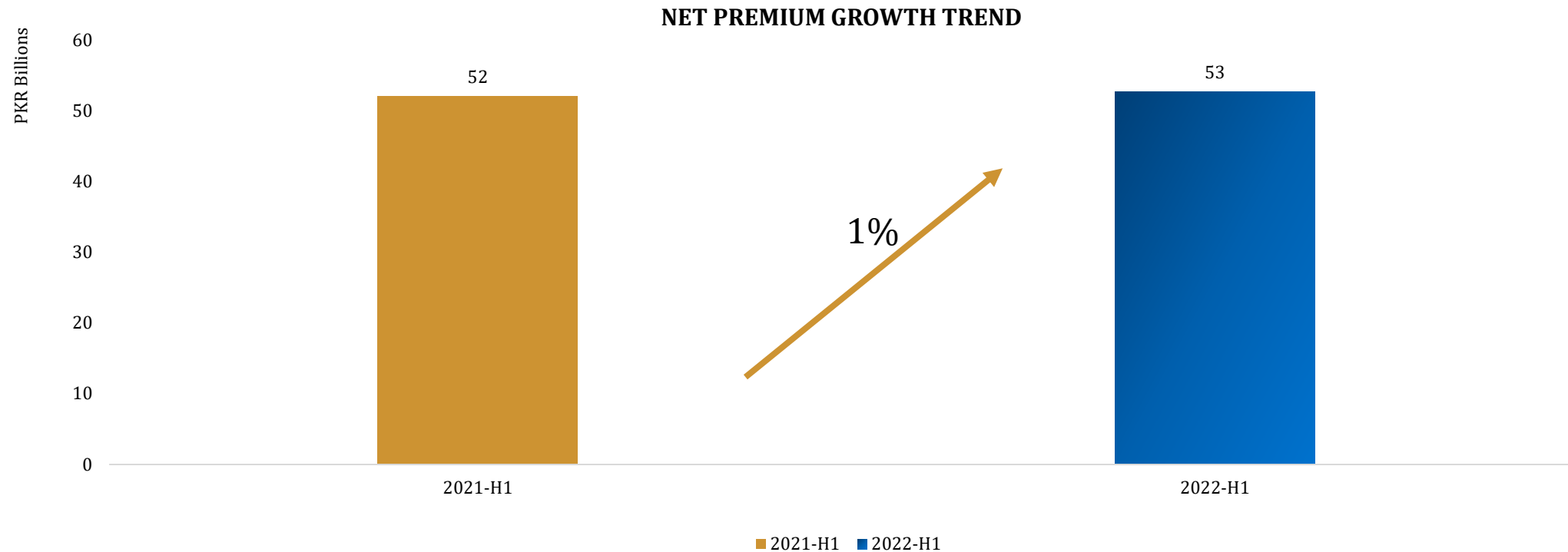


JLICL can be seen as the market leader in the private sector life insurance industry based on GWP with a market share of 42% for 2022-H1 followed by EFUL at 33%.

JLICL & EFUL have managed to maintain their market share for several years now. New entrants to the market are found to have greater proportions of their GWP in group policies due to the traditional dominance of these major players in the individual life market.



## NET WRITTEN PREMIUM - MARKET



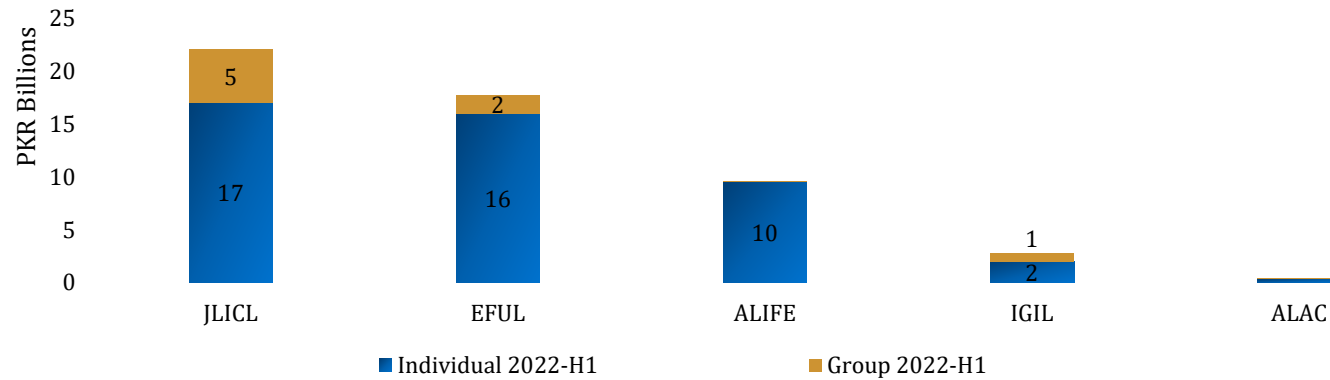
The net premium for the overall listed life insurance companies is calculated at PKR 53 billion in the first six months of 2022 with a growth of 1% compared to the level in 2021-H1. This increase can be explained by the economic growth experienced post-pandemic translating from the Gross premium.

The net premium trend is quite similar to that of gross premium for the life insurance sector. It is pertinent to note that life insurers in Pakistan do not have much dependance on reinsurance as compared to the general insurers. This is primarily because companies are able to retain most of the premium as portfolios are dominated by savings policies. In this case, only the risk premium can be reinsured.

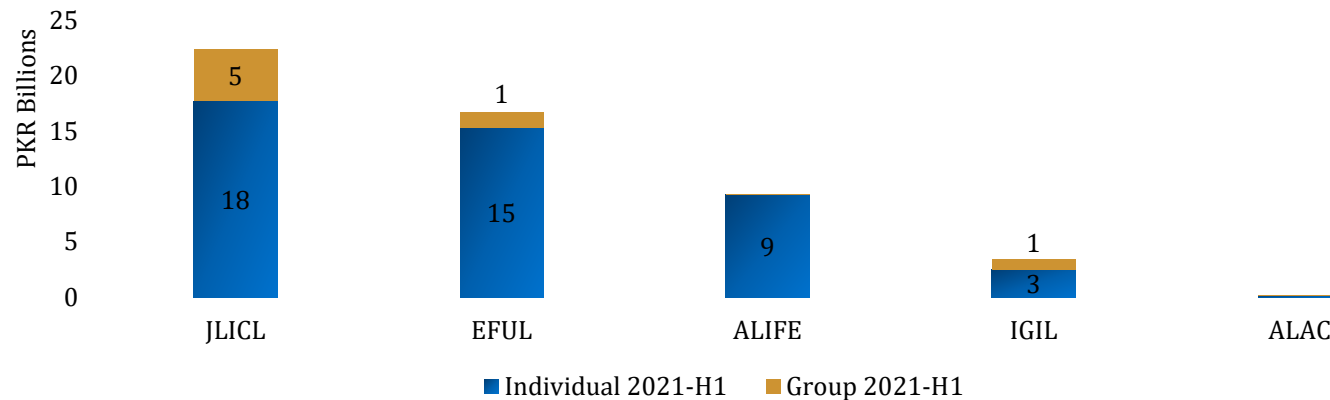


## NET WRITTEN PREMIUM - COMPANY

**NET PREMIUM 2022-H1 - INDIVIDUAL & GROUP**



**NET PREMIUM 2021-H1 - INDIVIDUAL & GROUP**



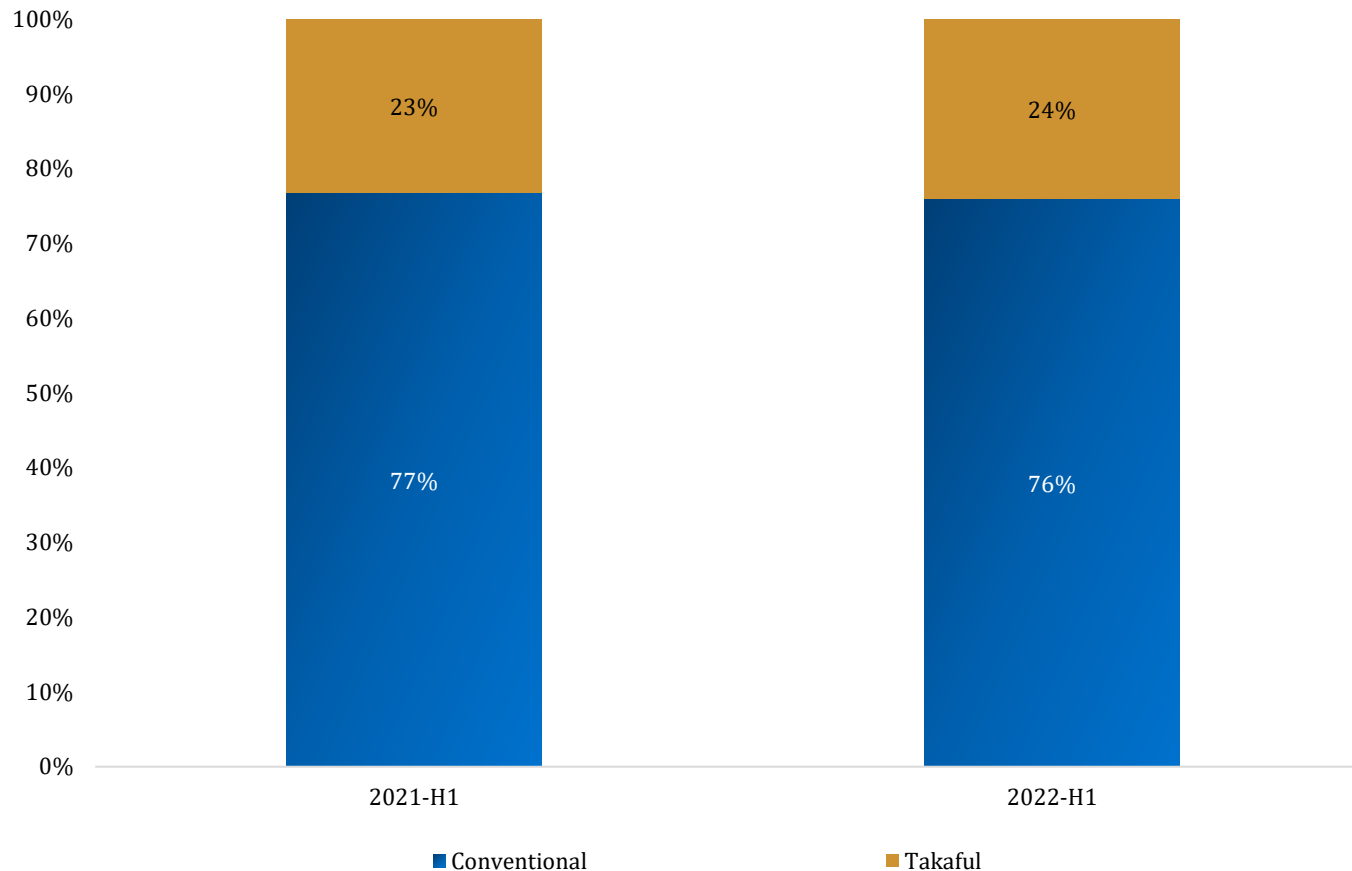
The highest net premium has been written by JLICL of PKR 22 billion followed by EFUL and ALIFE of PKR 18 billion and PKR 10 billion, respectively. This ranking is similar to the GWP ranks.

The proportion of retained premium is higher for individual policies as opposed to group policies, which is attributed to the fact that individual policies often consist of unit-linked policies that include savings and investment components, which are not typically reinsured due to the rarity of investment guarantees in Pakistan.



## CONVENTIONAL VS TAKAFUL BUSINESS DISTRIBUTION NET PREMIUM

CONVENTIONAL & TAKAFUL BUSINESS DISTRIBUTION



The highest net premium has been written by JLICL of PKR 22 billion followed by EFUL and ALIFE of PKR 18 billion and PKR 10 billion, respectively. This ranking is similar to the GWP ranks.

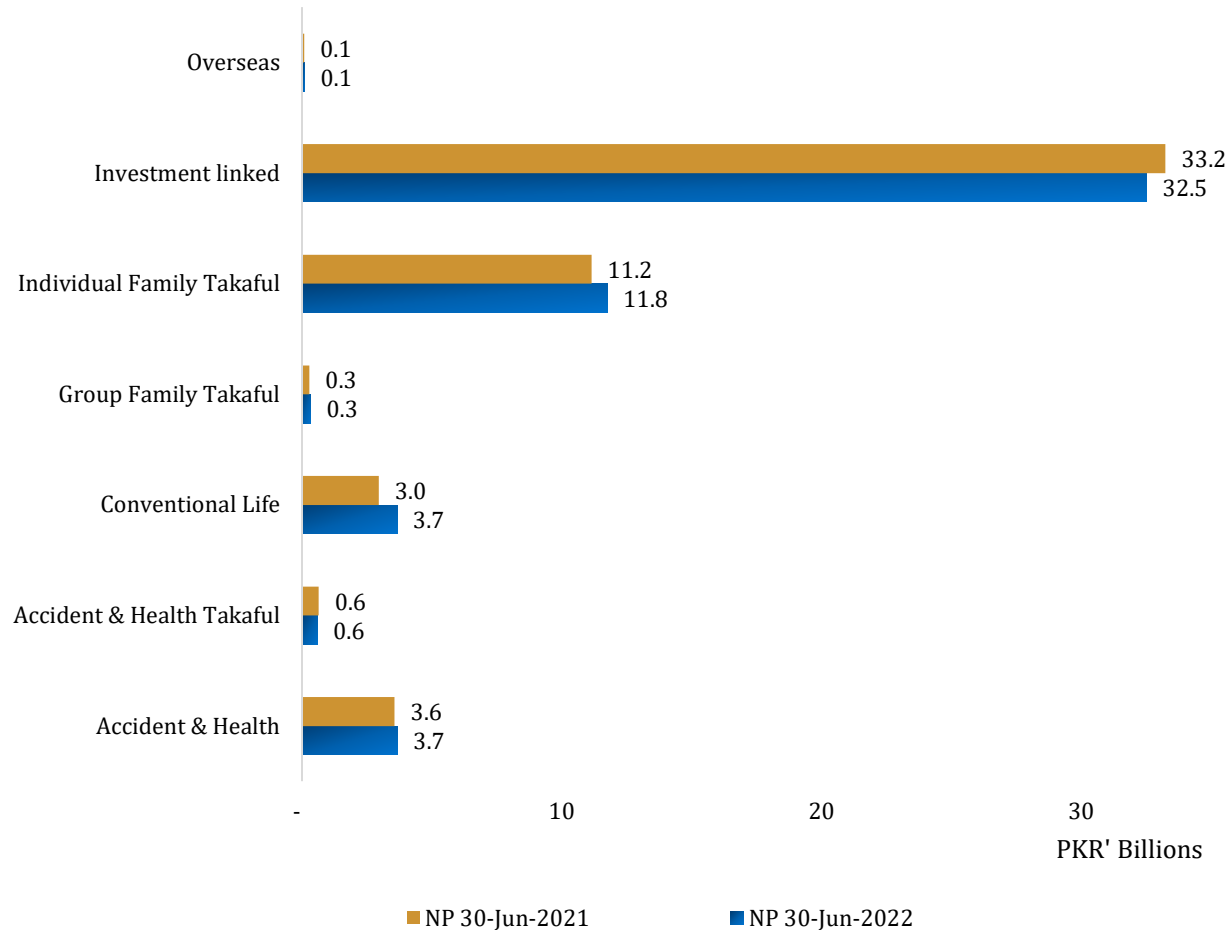
The proportion of retained premium is higher for individual policies as opposed to group policies, which is attributed to the fact that individual policies often consist of unit-linked policies that include savings and investment components, which are not typically reinsured due to the rarity of investment guarantees in Pakistan.





## SEGMENT WISE NET PREMIUM CONTRIBUTION

**NET PREMIUM/CONTRIBUTION BY LOB**



The year 2021 experienced economic recovery due to curtailment of the pandemic and the first half of 2022 follows a similar trend towards stability. The broad-based growth experienced in the country also reflected in higher Net premiums for the life insurance industry. The net premium reflects stability with an increase of 1% compared to the same period last year.

All the lines of businesses have experienced an improvement. The highest net premiums have been written in investment linked policies of PKR 32 billion which is 2% less compared to the same period last year.

Conventional Life & Group Family Takaful are comprised mainly of corporate life schemes.

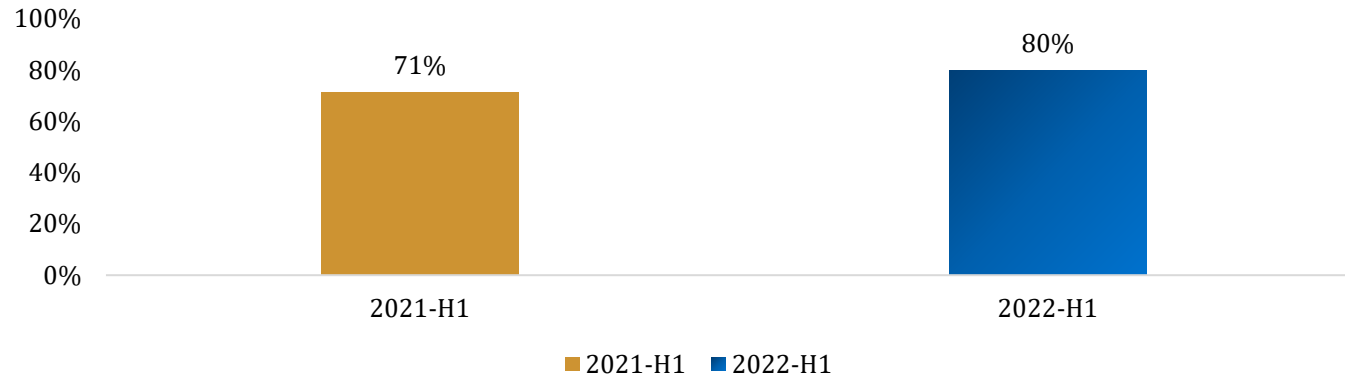
The accident and health segment has seen an increase of 3% on the conventional side and a decline of 9% on the takaful side. Rising demand for Health coverage is also understandable in the wake of rising medical costs. Market medical premiums also increase generally because of medical cost inflation.

*\* This analysis has been performed using figures from segment wise revenue accounts that only disclose net figures*



## RATIO OF GROSS CLAIMS TO GROSS PREMIUMS

CLAIM RATIO TREND

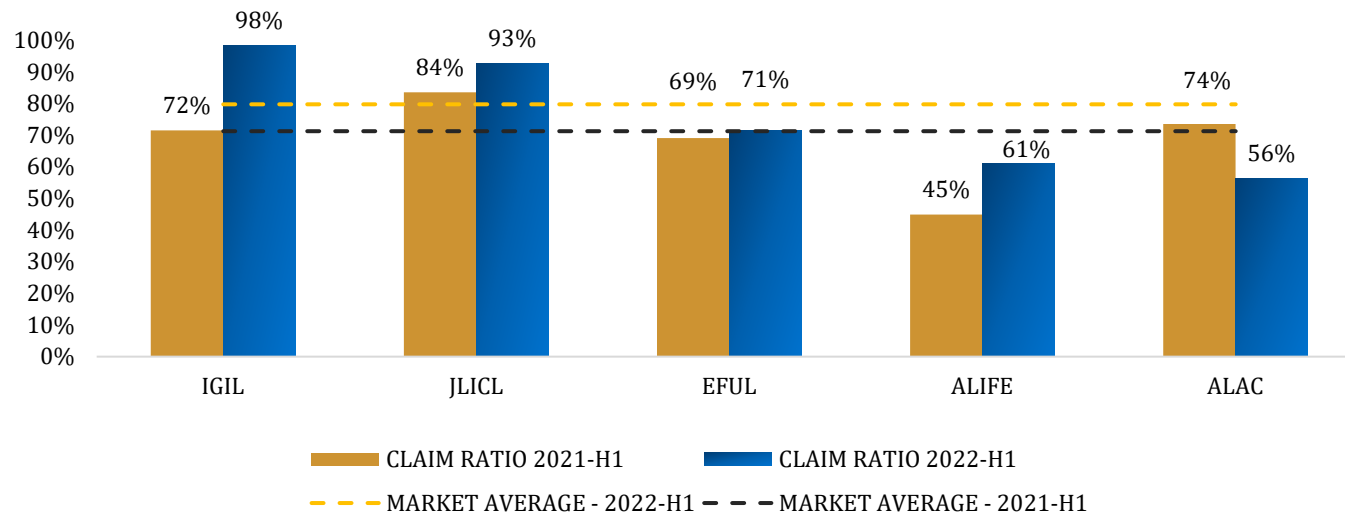


The calculation of the claim ratio entails determining the ratio of gross claims to gross premium. In the first half of 2022, the average claims ratio across the market was 80%, representing a 9% increase in comparison to the corresponding period in 2021.

Notably, the highest claims ratio of 98% was observed in the case of IGIL, closely followed by JLICL at 93%.

Conversely, companies such as EFUL, ALIFE, and ALAC exhibited claims ratios that were lower than the market average.

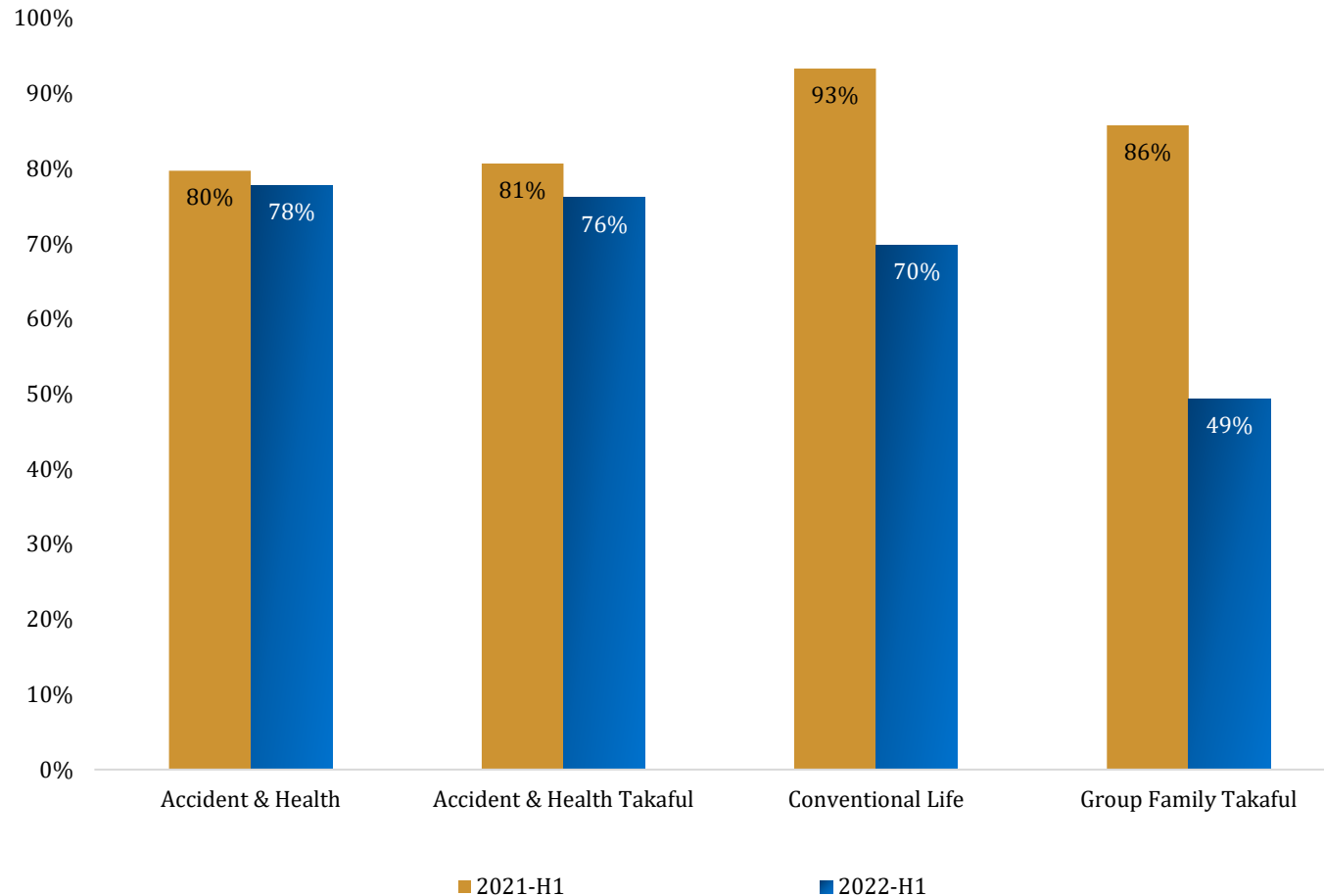
CLAIM RATIO





## SEGMENT WISE CLAIM RATIO

**CLAIM RATIO BY LOB**



The claim ratio is calculated as the net insurance benefits over the net premium.

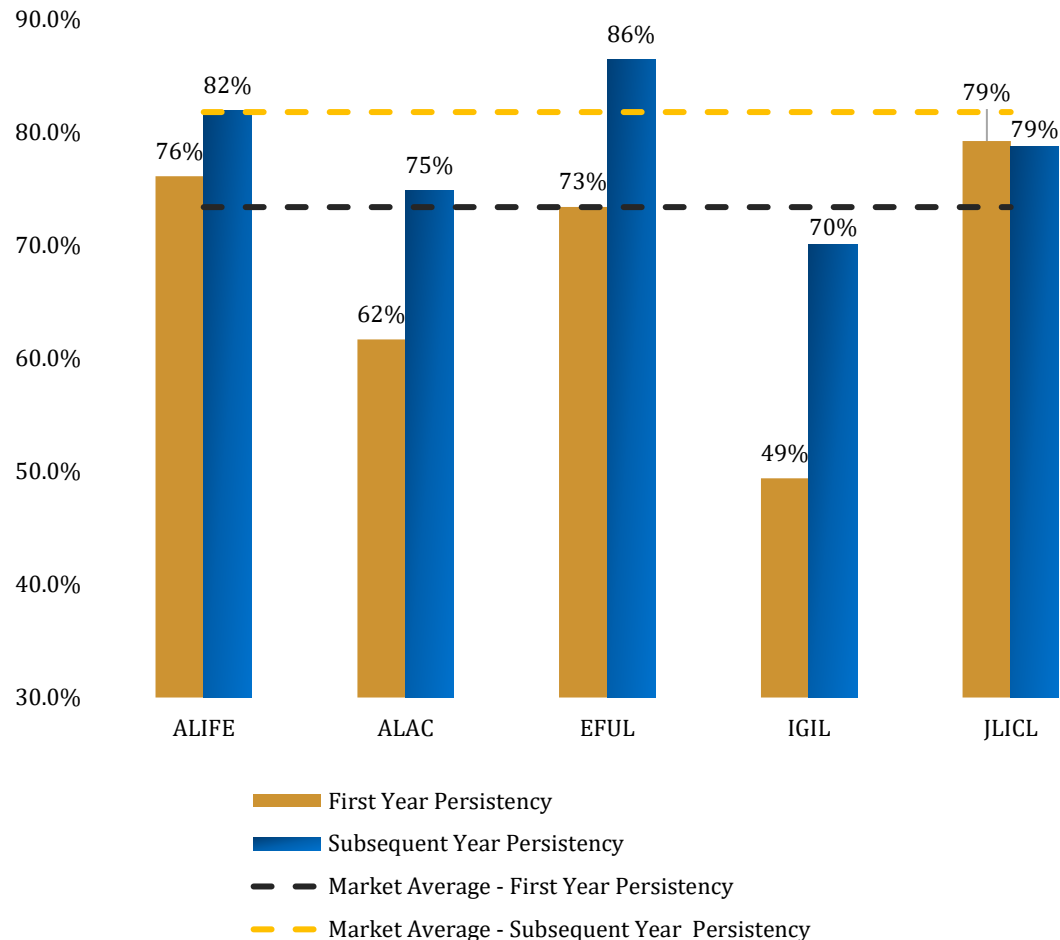
The Accident & health conventional business has experienced a decrease in the claim ratio and the Accident & Health Takaful business has been relatively volatile due to smaller revenues. The conventional life and Group Family Takaful business has experienced a major decrease in the claim ratio in 2022-H1.

This analysis has been conducted for segments with short term exposure only.



## PERSISTENCY

**PERSISTENCY 2021-H1 - 2022-H1**



Persistency is a measure of customer retention and a vital performance indicator for life insurance companies. Here, based on the data available, first year renewals have been calculated as a percentage of current second year premiums(2022-H1) divided by first year premiums from previous year(2021-H1). Similarly, subsequent year persistency have been calculated as current year subsequent premiums(2022-H1) divided by sum of previous second year (2021-H1) & subsequent year premiums.

The persistency for 2022-H1 shows that the subsequent year persistency is higher for all companies. JLICL has the highest first year persistency of 79%.

Policies are frequently mis-sold in the local market by uninformed agents to unaware customers, resulting in customers declining to renew their policies in subsequent years. Therefore, persistency becomes an important measure of whether policies are sold based on an actual need and has also been of particular interest to the regulator recently.

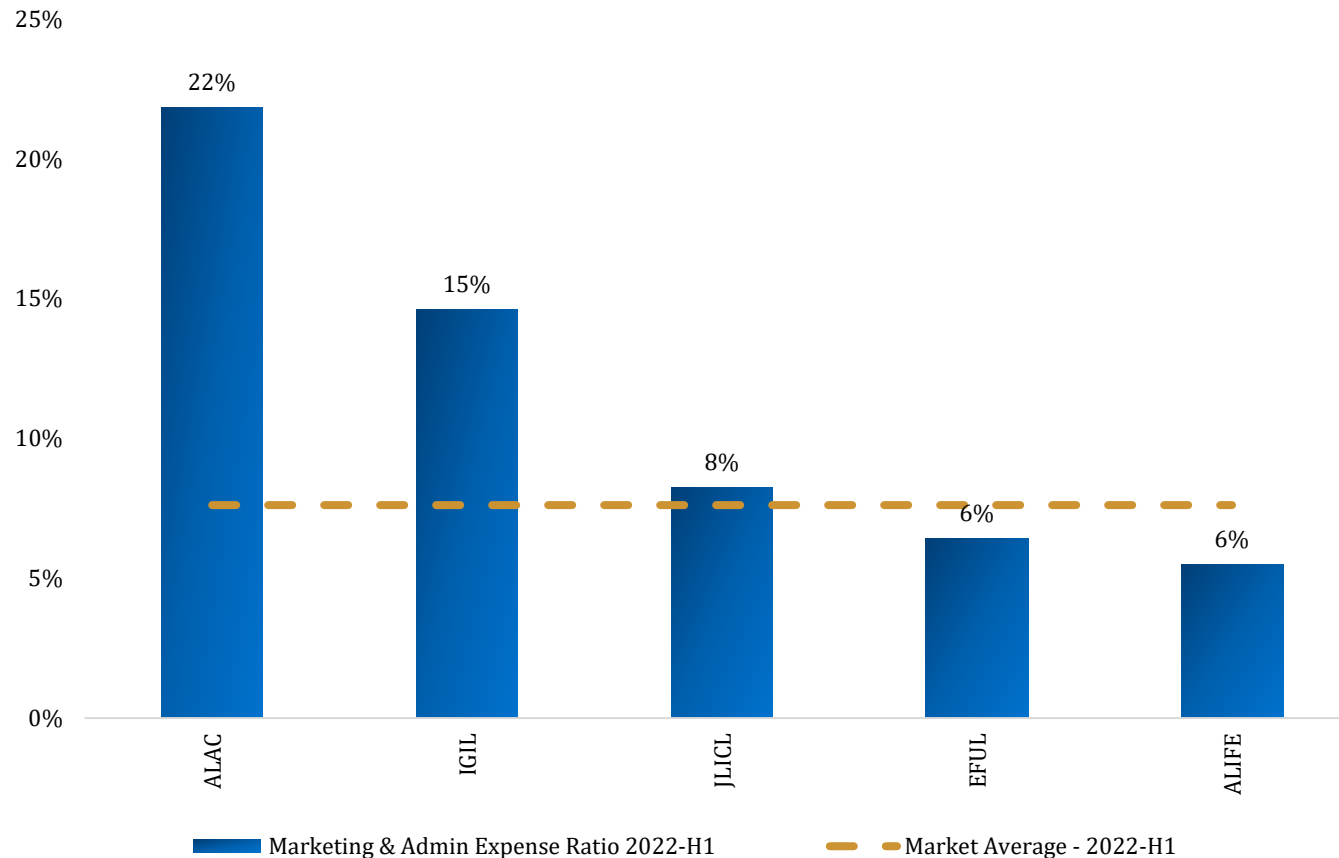
As part of the revised Corporate Insurance Agent guidelines, the SECP has introduced stringent measures in case of mis-selling along with increased requirements to ensure that policies are sold to people who are in genuine need of them. The minimum persistency thresholds for bonus allocation to agents have also been increased to encourage agents to align more effort and resources on this front.





## MARKETING & ADMIN EXPENSE RATIO

**MARKETING & ADMIN EXPENSE AS A % OF GROSS PREMIUM**



The management expense ratio is calculated as the management expenses over the gross premium.

General expenses here include marketing & administration expenses excluding those related to acquisition. For life insurance companies, these are primarily driven by advertisement & sales promotion along with salaries.

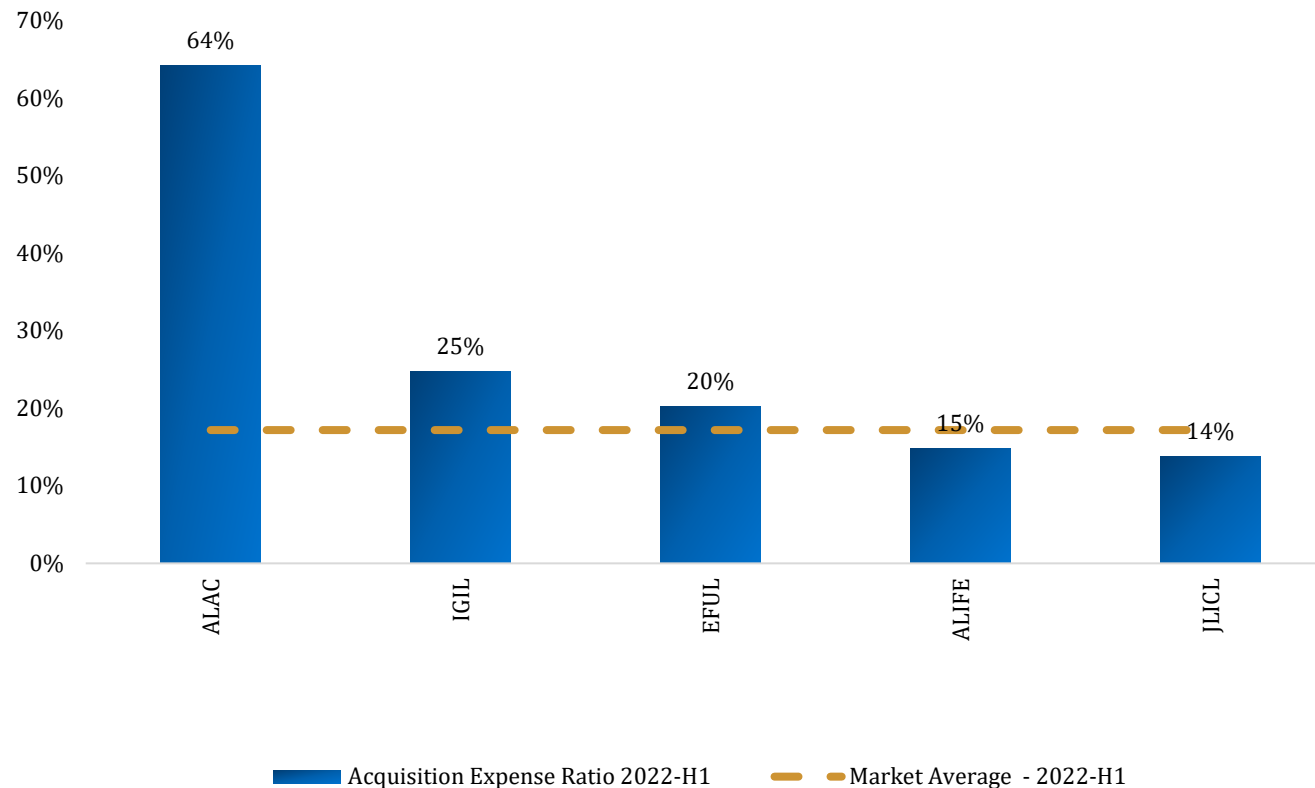
The market average figure stands at 8% for 2022-H1.

However, expense ratios vary substantially between companies. The dominant players of this industry have driven the market numbers lower while the newer companies are still in the process of reaching an optimal expense strategy for their operations. In the case of new entrants, the pressure to attract talented human resource in the presence of already established competitors and the need for elaborate promotional programs to penetrate the market puts a substantial upward pressure on overall expenses as a proportion of premium.



## ACQUISITION EXPENSE RATIO

ACQUISITION EXPENSE AS A % OF GROSS PREMIUM



Acquisitions expenses are incurred in the process of generating revenue for the company. The market average figure stands at 17% with the highest ratio reflected in ALAC's accounts of 64% while JLICL has the lowest ratio of 14%.

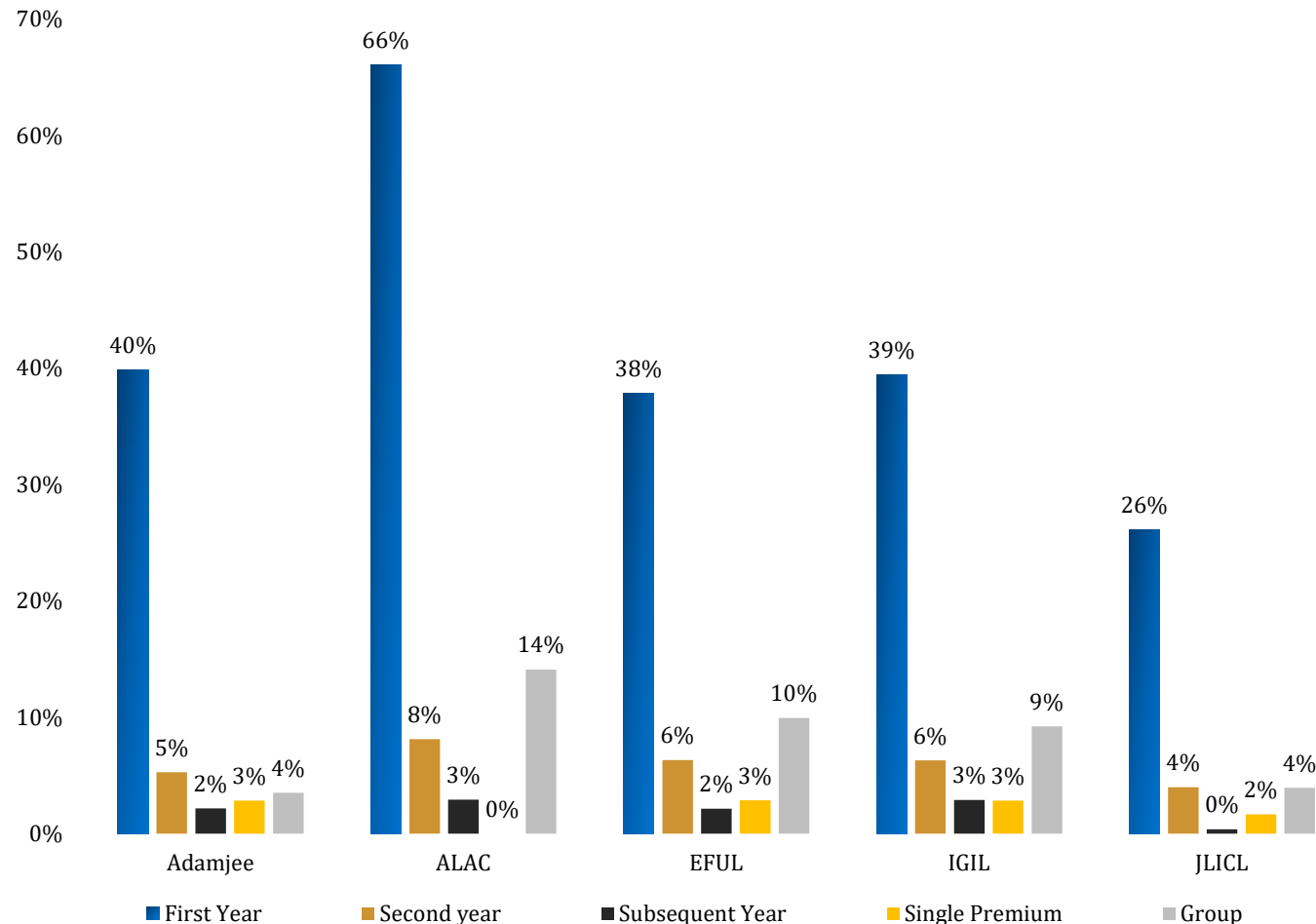
This ratio is calculated using acquisition expenses over the gross premium. The Acquisition expenses include the commissions paid on the various life insurance products along with the overheads of the branches they operate.

The market ratio displays a steady year-on-year decrease and stands at 17% for 2022-H1. Historically, agents and brokers were a major source of business for insurance companies. However, with companies leveraging the use of technology to reach out to potential customers, the bargaining power of agents and hence the acquisition expenses have reduced.



## COMMISSION EXPENSE

COMMISSION AS A % OF GROSS PREMIUM - 2022-H1



Traditionally, with BANCA & DSF as the primary distribution channels, high commissions have dominated this line of business. Generally, first year commissions are quite high on unit linked products to incentivize agents.

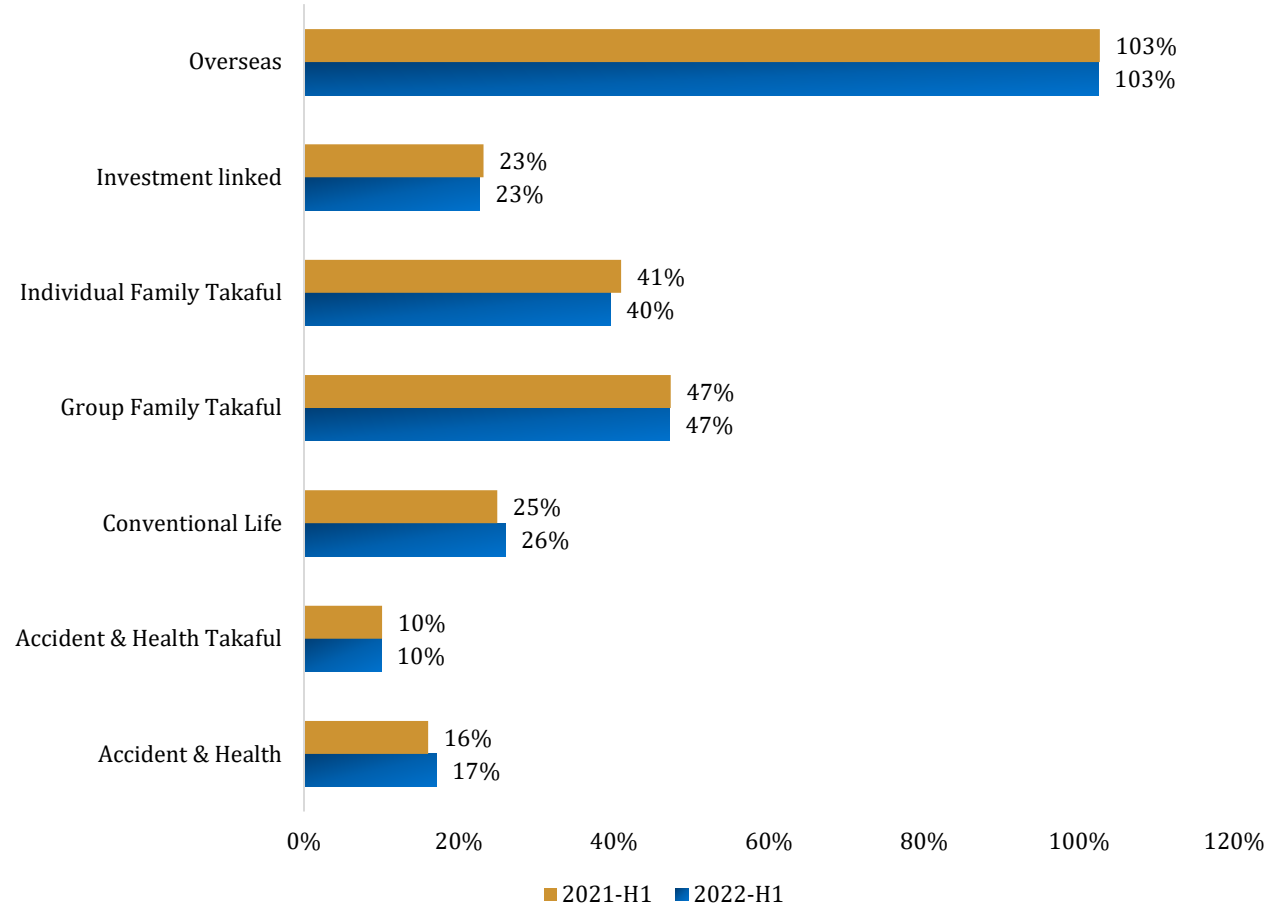
The bar graph shows that ALAC pays the highest commission rate of 66% on acquiring new business while JLIICL pays the lowest commission rate of 26%. The commission rate for second year business is significantly lower in the range of 5% to 8%. ALAC pays the highest commission rate of 8% on second year business. Commission on subsequent year business is lower than the commission on second year business and is similar to the commission on single premium policies. Furthermore, commission on group policies has a similar rate to the second-year commissions with some variability with the highest rate paid by ALAC and IGIL.

The commission percentages have gone down since 2020. This can be attributed to the reduced maximum commission limits directed by the revised Corporate Insurance Agent Regulations.



## EXPENSES

### EXPENSE RATIO BY LOB



The graph shows that overseas business incur significantly higher expenses than other line of businesses while also showing a constant figure with no significant changes in the percentage..

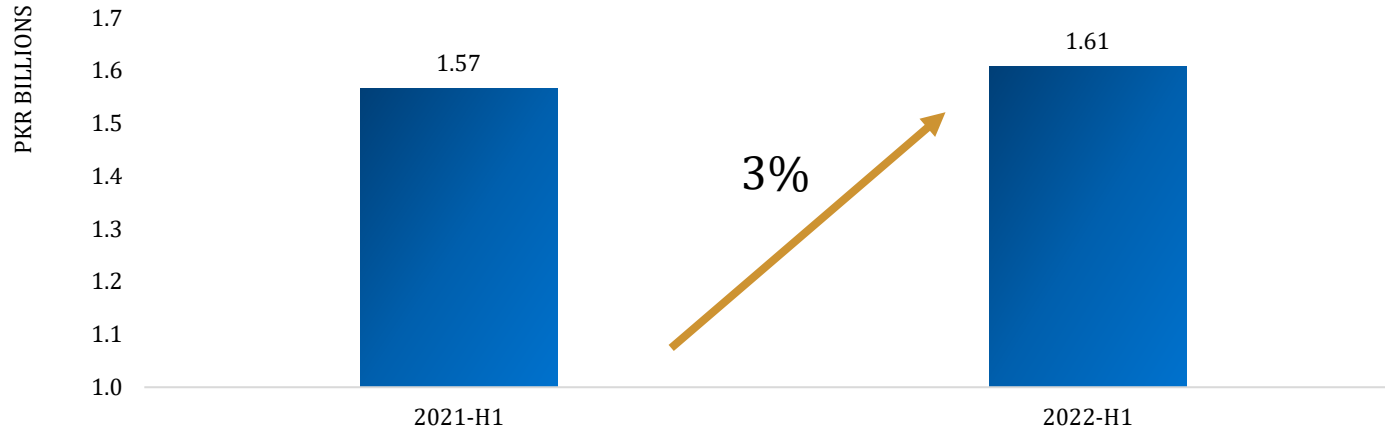
All the lines of business have depicted a stable percentage from 2021-H1 to 2022-H1.





## PROFIT AFTER TAX

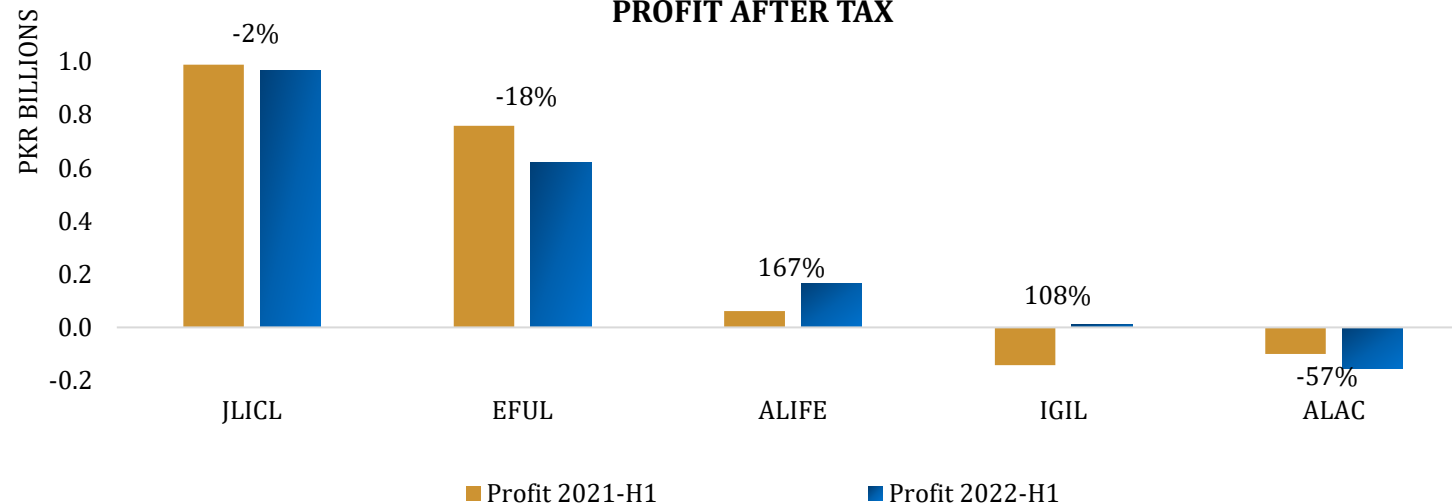
**PAT Growth Trend**



The life insurance industry of Pakistan has witnessed improvement in their accounting profits and stand at PKR 1.6 billion, a 3% increase to the level in 2021-H1.

JLICL reported the highest PAT of PKR 968 million. ALIFE reported the highest increase in profitability of 167%. ALAC on the other hand experienced a sharp reduction in profitability of 57%.

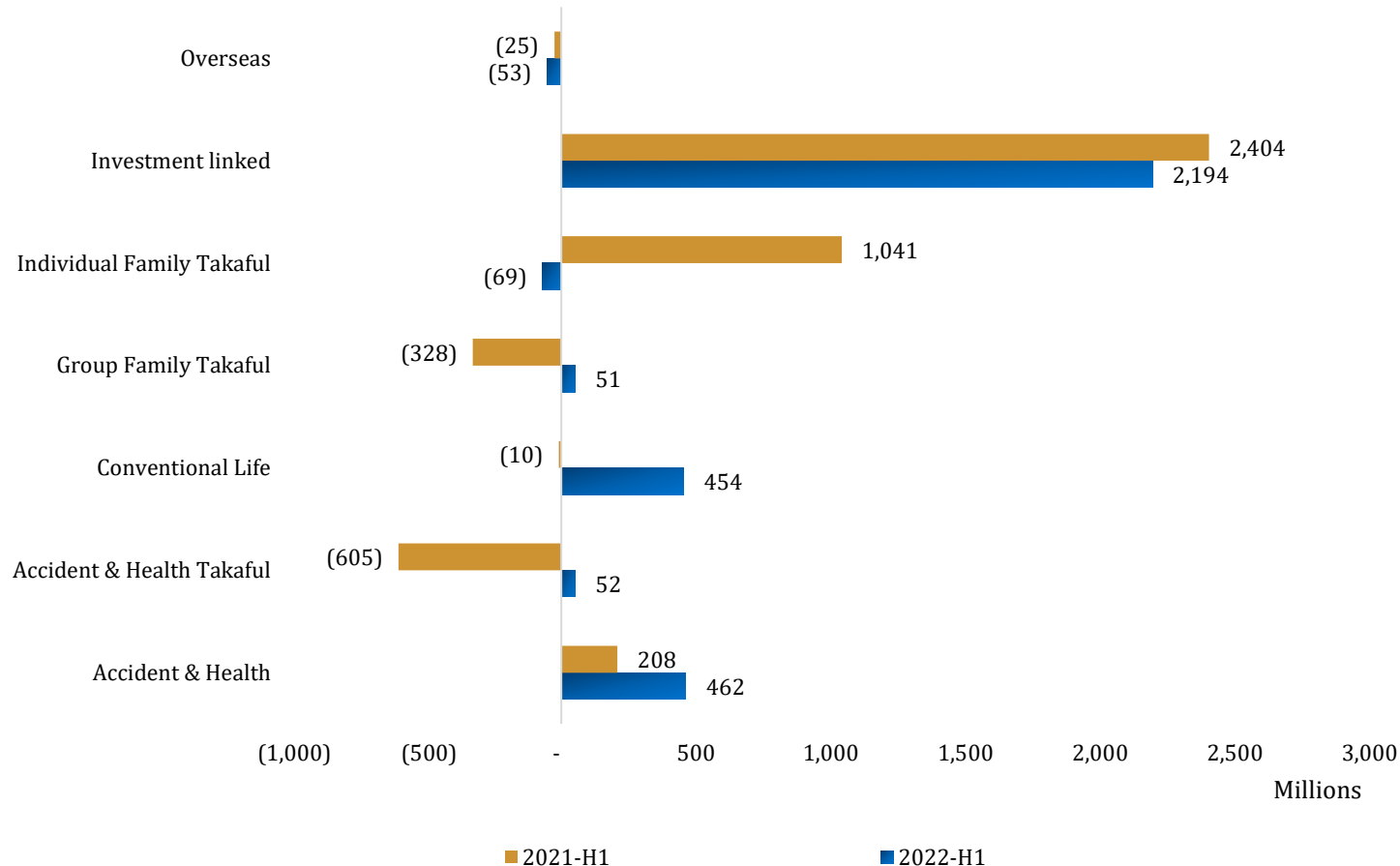
**PROFIT AFTER TAX**





## SEGMENT WISE SURPLUS/ DEFICIT

**SURPLUS BEFORE TAX BY LOB**



This graph shows the surplus/deficit at the statutory fund level.

It is apparent that the deficit for Group Family Takaful and Accident and Health Takaful policies experienced a significant escalation in 2021 H1, which is consistent with the trend in net premium that was previously noted in this report.

The conventional accident & health segment has been increasing year-on-year which is also in line with the premium trend especially in 2022-H1 arising from the substantial premium written.

Overall, the surplus before tax experienced a year-on-year increase.



## PREMIUM BENCHMARKING ON THE BASIS OF PROFITABILITY

Company	Ranking		Indic
	GWP	PAT	
JLICL	1	1	➔
EFUL	2	2	➔
ALIFE	3	3	➔
IGIL	4	4	➔
ALAC	5	5	➔

This table ranks companies based on gross written premium and profit after tax. The Indic column indicates whether the profit ranks above or below the premium rank.

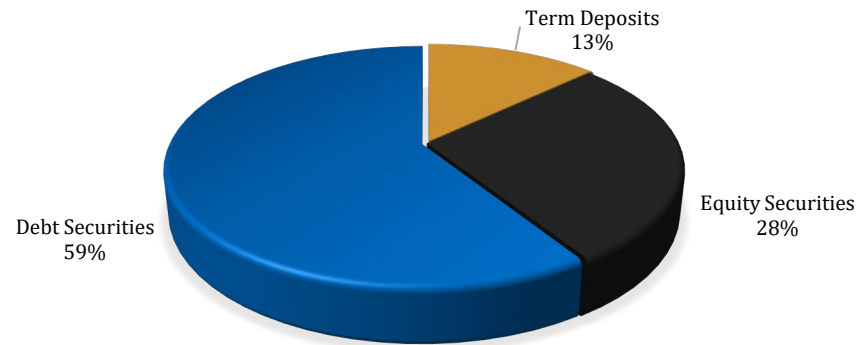
All the companies have similar ranks in terms of Gross Premium and PAT.





## ASSETS MIX

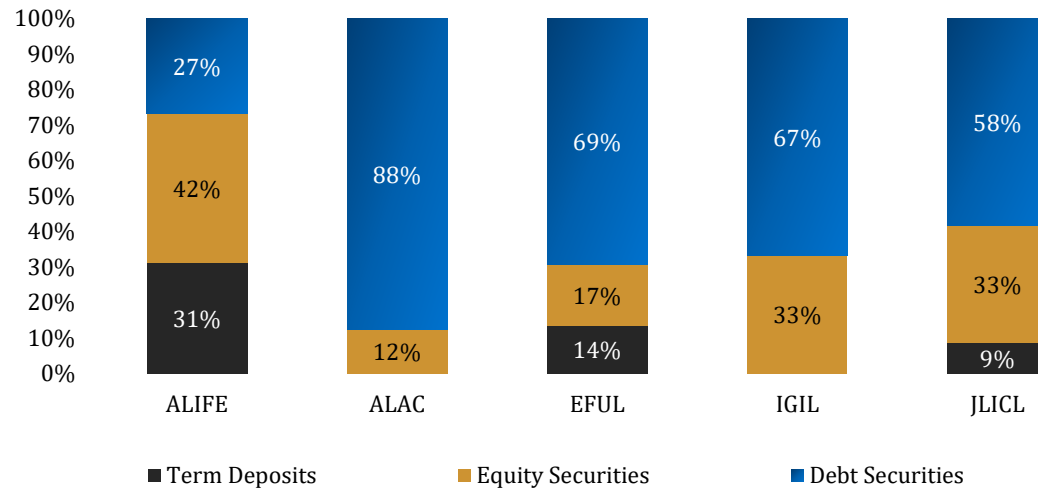
**TOTAL INVESTMENT AS AT 2022-H1**



The chart shows the industry's invested assets breakdown as at June 2022. More than half of the investments are made in debt securities with less than one-third allocated to the equity market. It is important to note that about 90% of the assets on the balance sheets of life insurers are investments.

Life insurers in the region have a longer term investment horizon with a low risk tolerance. Investment in equities can yield higher returns but their market value is more volatile. Overall, the total investments in 2022-H1 is calculated to be PKR 396 billion.

**ASSET MIX**



The bar graph shows the investments of companies by asset class.

ALIFE has a major proportion invested in the equity market whereas ALAC, IGIL, EFUL & JLIICL have focused more on debt. Since Life insurance policies are longer-tailed, insurers prefer investment in government securities like the 3 - 30 year maturity Pakistan Investment Bonds.

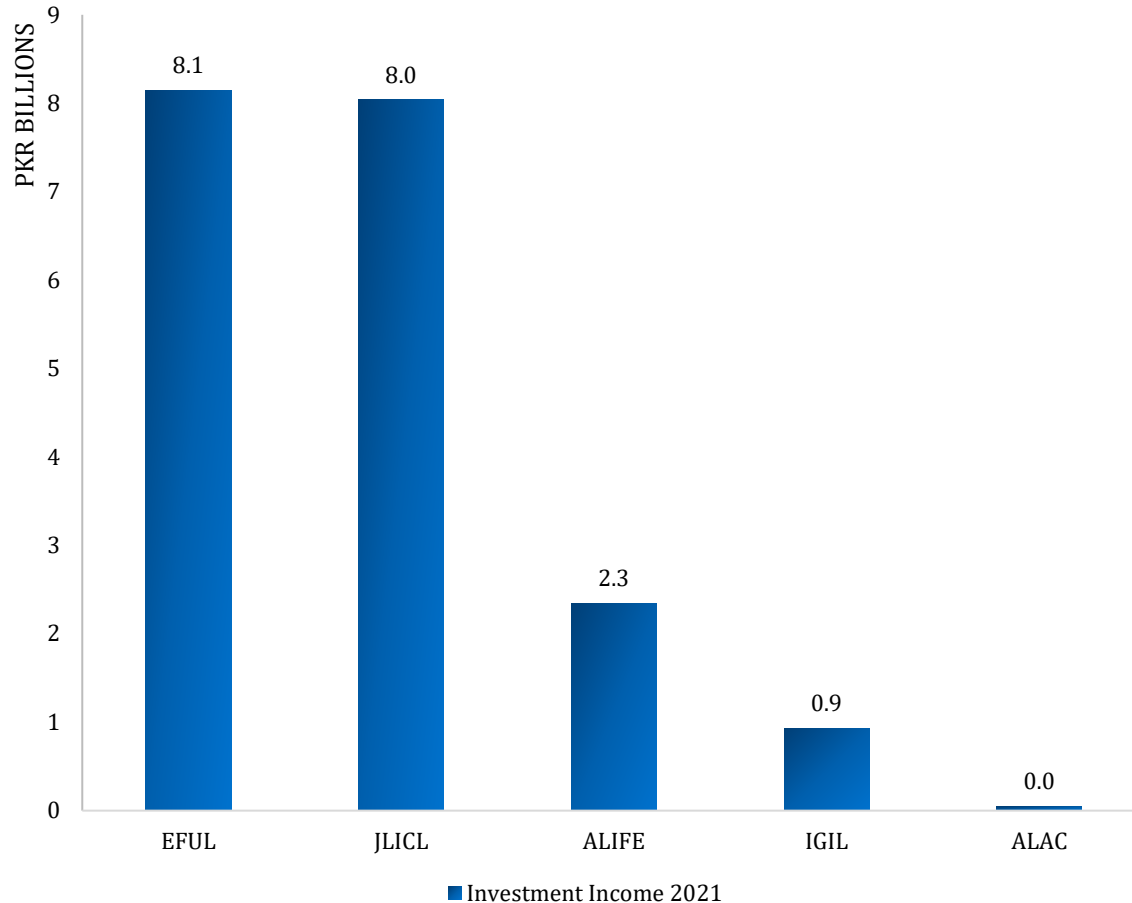
The investment portfolio is reflective of the risk profile of the company with higher debt and term deposit reliance signaling a higher risk aversion.





## INVESTMENT INCOME

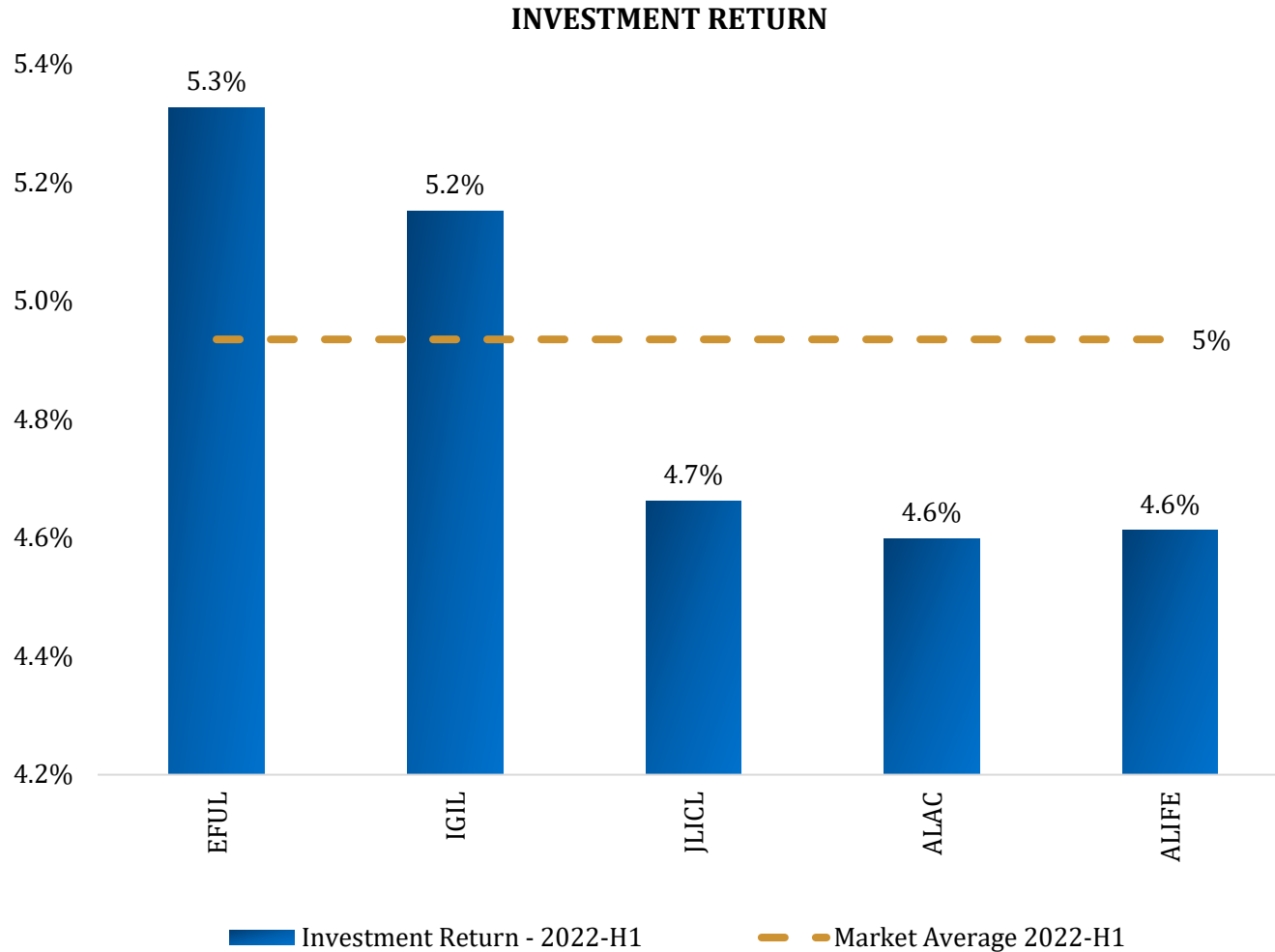
### INVESTMENT INCOME



Life insurance policies are long-term policies which gives them a longer investment horizon. Hence, this enhances their ability to generate investment incomes. The highest investment income is generated by EFUL at PKR 8 Billion. The lowest investment income was generated by ALAC of about PKR 46 million since they write group policies which are short-term policies.



## INVESTMENT RETURN



The investment return is computed as total investment income over the total invested assets.

The ratio for the industry averages around 5% in 2022-H1 which shows an increase of 1% from the 2021-H1 number.

EFUL has earned the highest investment return which is 5.3% with the majority of their investments lying in debt securities and term deposits. ALIFE has the lowest returns of 4.5% and their investments are majorly in equity securities.



## CONCLUSION

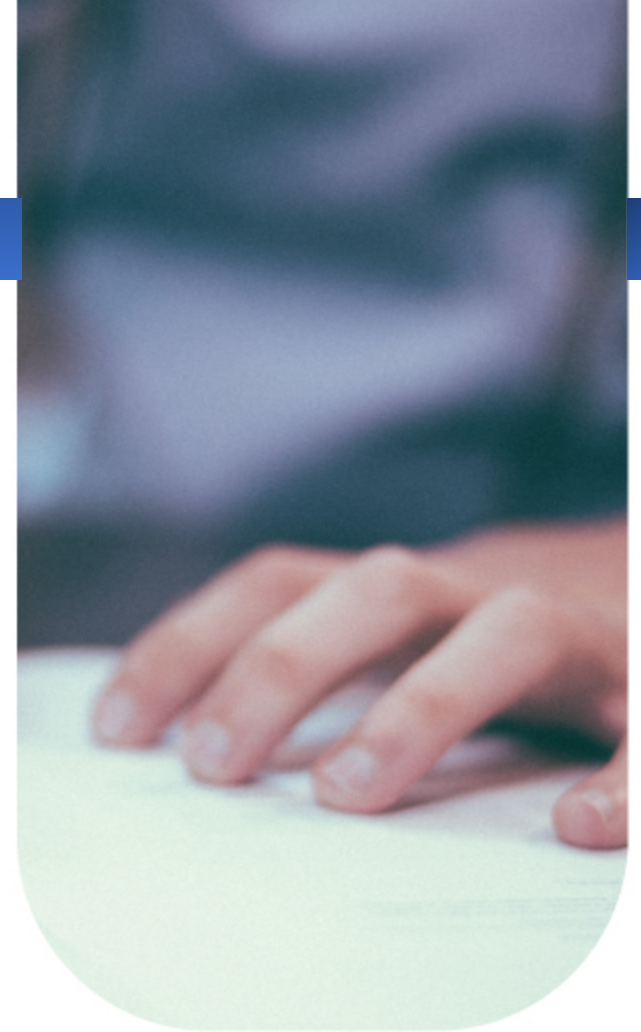
The first half of year 2022 was characterized by economic conditions which remained challenging across the globe. The devaluation of the PKR against the dollar has impacted the economy in every major and minor sectors.

The Life insurance sector of listed insurance companies experienced a 1% increase in its GWP which is PKR 55 billion in 2022-H1 (2021-H1: PKR 54 billion) .The first and subsequent year persistency for the industry calculates to 73% and 82% respectively. The takaful business stands at approximately 23% of the net premiums.

The investment income stands at PKR 19.5 billion.

The claim to premium ratio trend has also increased year on year and stands at 80% for 2022-H1 as compared to 71% in 2021-H1. However, the rise in claims has not been able to compromise the profitability of the industry. The profit after tax for the industry stands at PKR 1.61 billion which is a 3% increase to the level in 2021-H1 (2021-H1: PKR 1.57).

The ongoing regulatory changes to promote digitalization are expected to significantly impact the landscape of the life insurance industry over the years. The ongoing global recession will continue to be the major challenge





## COMPANIES INCLUDED IN THE ANALYSIS

### Life Insurance Companies

Sr. No.	Symbol	Name	Market
1	ALIFE	Adamjee Life Assurance	PSX
2	ALAC	Askari Life Assurance Company Ltd.	PSX
3	EFUL	EFU Life Assurance Ltd	PSX
4	IGIL	IGI Life Insurance Ltd.	PSX
5	JLICL	Jubilee Life Insurance Co Ltd	PSX





## DISCLAIMER

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the life insurance companies in Pakistan for the first half of 2022. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.
- BADRI publishes reports and newsletters that provide insights for the insurance industry and the public. Our goal is to draw upon research and experience from our professionals to bring transparency and availability of information to the industry and in the process spread brand awareness. No part of our compensation received for other services directly or indirectly influences the contents of this report. The Analysts preparing the report are subject to internal rules on sound ethical conduct.
- This publication contains general information only and we are not by means of this publication, rendering actuarial, investment, accounting, business, financial, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. Should you come across an error or have a query, do write to us.
- While reasonable care has been taken in preparing this document and data obtained from sources believed to be reliable, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. Badri accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any thereof or due to any contents or associated services.





## Invest In Your Team

métier – a Badri Group Company is a renowned boutique Executive search and HR solutions consulting firm that works with teams across the globe, to develop a tailored HR plan and resolve your business challenges.

We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

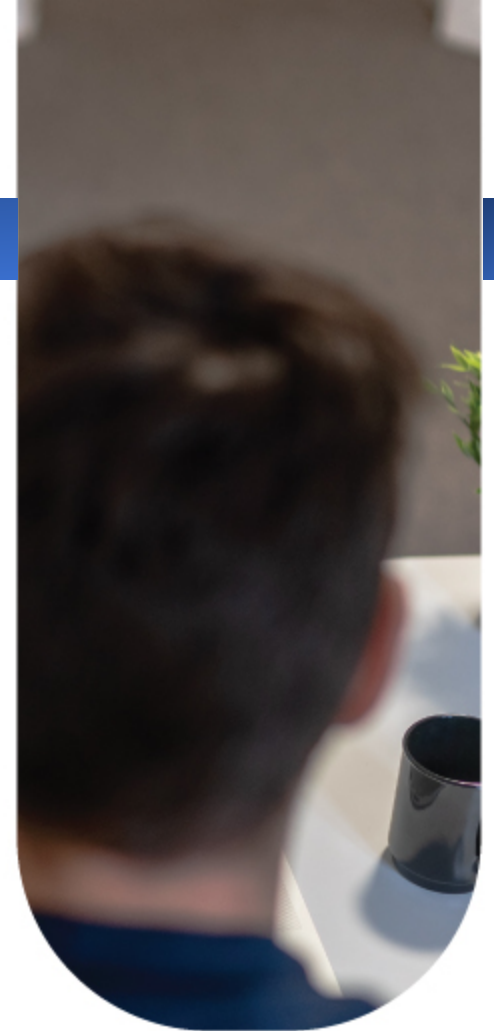
Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier's seasoned professionals focus on your HR transformation, while you focus on your business.

### Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

### Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions







## Financial Services

Accounting and financial services is one of our core offerings . At Badri, we adopt a customized, responsive, and personal approach towards clients and offer a range of services to assist our clients in getting through complex accounting and corporate matters. With several years of professional experience, across multiple disciplines and sectors such as financial services, manufacturing, trading, hospitality, transportation, we consider ourselves to be the first choice of our existing and prospective clients. Our multidisciplinary approach allows us to provide services beyond actuarial and data analytics we are known for. Our value-added services are:

### Core Services

- IFRS Implementation
- Account Reconciliation Services
- Accounts Receivable and Payable Cleaning up Service
- Financial Due Diligence
- Virtual CFO services
- MIS Reporting
- Outsourced Service

### Other Services

- Tax Advisory Services
- Internal Audit Service
- Internal Controls Over Financial Reporting Services (ICoFR) Implementation
- Code of Corporate Services

### Business Management Consultancy

- Policies and Procedure Review
- Post Implementation Review
- Market Intelligence





## ABOUT OUR TEAM

Directors

3 staff

UAE/Oman  
Actuarial

35 staff

KSA  
Actuarial

22 staff

Business  
Intelligence

9 staff

End of  
Service

5 staff

Medical

5 staff

IFRS-17

15 staff

HR  
Consulting

2 staff

Support  
Functions

22 staff

Financial  
Services

1 staff

# Total Strength 119



**Hatim Maskawala**



**Ali Bhuriwala**



**Omar Khan**



**Asim Iqbal**



**Aqsa Ijaz**



**Hassan Athar**

## Feedback

Badri Management Consultancy is proud to present Pakistan's Insurance Industry Performance analysis 2022-H1. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

### Karachi Office

7B-4, 7th Floor, Fakhri Trade Center,  
Shahrah-e-Liaquat, New Chali, Karachi Pakistan

### UAE Office

2107 SIT Towers, PO Box 341486, Dubai  
Silicon Oasis, Dubai, UAE

### Lahore Office

POPCORN STUDIO Co-working Space Johar Town 59-B  
Khayaban e Firdousi, Block B, Phase 1, Johar Town,  
Lahore

### KSA Office

No 2 Alhadlaq Commercial Complex, Anas Bin  
Malik Street, AlMalqa District Riyadh  
PO Box 13524

## Contact Us!



**+971-4-3207-250/ +971-4-4936-666**



**Info@badriconsultancy.com**



**www.badriconsultancy.com**



**+92-213-2602-212**