



Pakistan's Listed Life Insurance Industry Performance Analysis H1 2023

Date: October 16, 2023



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2023-H1 – Pak Life Insurance Companies

About BADRI

Award winning strategic partner to the insurance industry with our 145+ talented staff in UAE, KSA and Pakistan 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.

Our Awards

- Strategic Partner to the Industry 2022, 2021 & 2020 by MIIA
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR
- Corporate Risk Manager of the Year 2023 by InsureTek



What We Can Do For You!

Actuarial Consultancy

- Appointed Actuary
- End of Services
- Actuarial Support for General & Life Insurance
- IFRS 17
- Pricing, Reserving & Capital
- Actuarial Support for Motor & Medical Insurance

Strategic Consultancy

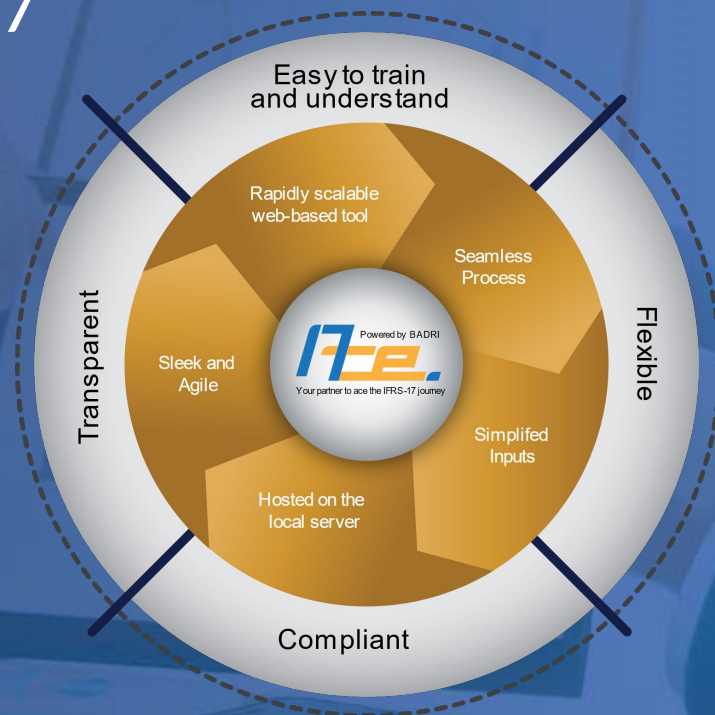
- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

Technology Consultancy

- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS 17 Systems
- Actuarial Systems



IFRS 17



ACE-17

ACE-17, our flagship IFRS 17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS 17 financials and disclosures, saving your time and effort in your IFRS 17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS 17 financial statements.

Financial Services

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant's knowledge of the market.
- Cost containment.



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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

métier

a  BADRI group company

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

01.

Integrity

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

02.

Chasing Excellence

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

03.

Fostering Partnerships

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

04.

Breeding Excitement

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

05.

Growth-Centric

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



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2023-H1 Highlights

Gross Premium	PKR 54.8 billion 2022-H1: PKR 55.0 billion
Profit after tax	PKR 1.98 billion 2022-H1: PKR 1.61 billion
Investment Income	PKR 34 billion 2022-H1: PKR 19 billion

Highest GWP Recorded by
JLICL at PKR **22 bn**

Highest Growth in GWP Recorded by
ALAC at **43%**

Highest first year Persistency by
ALIFE at **77%**

Highest subsequent year Persistency by
EFUL at **79%**

Lowest Claim Ratio by
ALAC at **56%**

Highest Investment Income Recorded by
EFUL at PKR **14.6 bn**

Highest invested assets by
JLICL at PKR **177 bn**

Highest Growth in PAT by
IGIL at **460%**

Highest PAT Recorded by
EFUL at PKR **844 mn**

Highest Investment Return by
EFUL at **8.5%**

IFS Rating



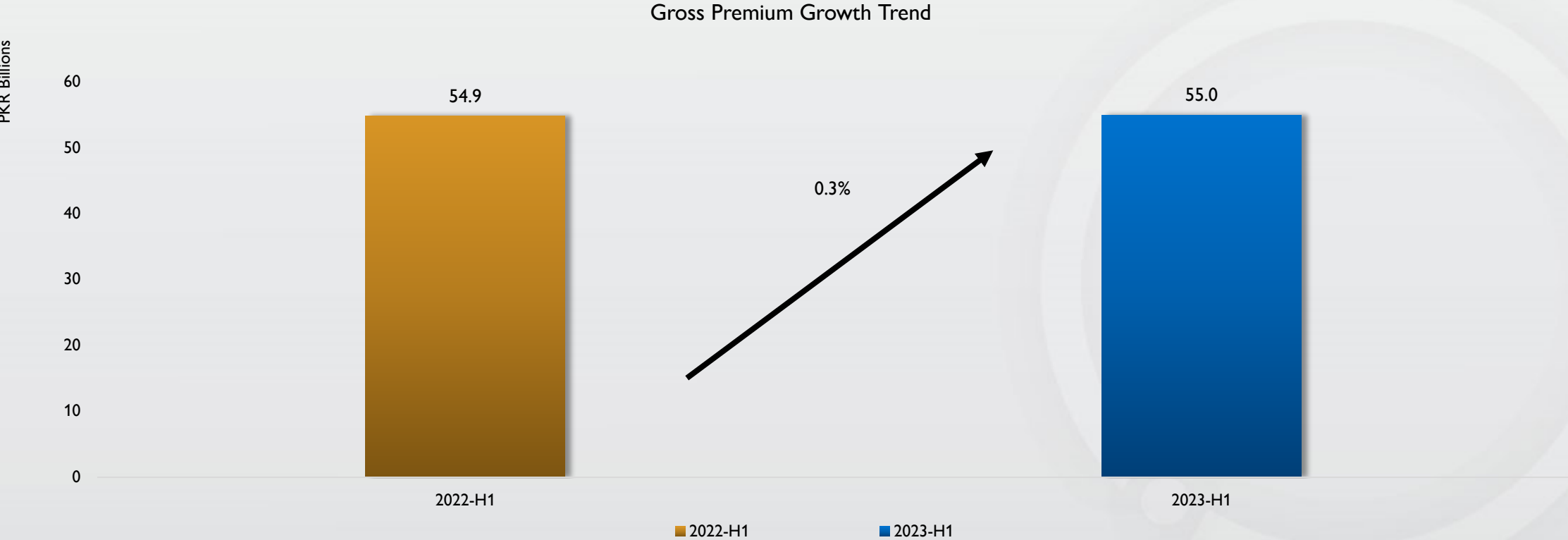
PACRA Key	
Rating	Capacity
A++	Exceptionally Strong
AA+	Very Strong
AA	
AA-	
A+	Strong
A	
A-	
BBB+	Good
BBB	
BBB-	
BB+	Weak
BB	
BB-	
B+	Very Weak
B	
B-	
CCC	Very high credit risk
CC	
C	
D	Distressed

JCR-VIS Key	
Rating	Capacity
AA++	Exceptionally Strong
AA+, AA, AA	Very Strong
A+, A, A	Strong
BBB+, BBB, BBB	Strong
BB+, BB, BB	Weak
B+, B, B	Very Weak
CCC	Very high credit risk
CC	Very high credit risk
C	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 2023 is PKR 55 billion with a growth of 0.3% compared to the level in 2022-H1 which was PKR 54.9 billion.

Gross Written Premium - Company

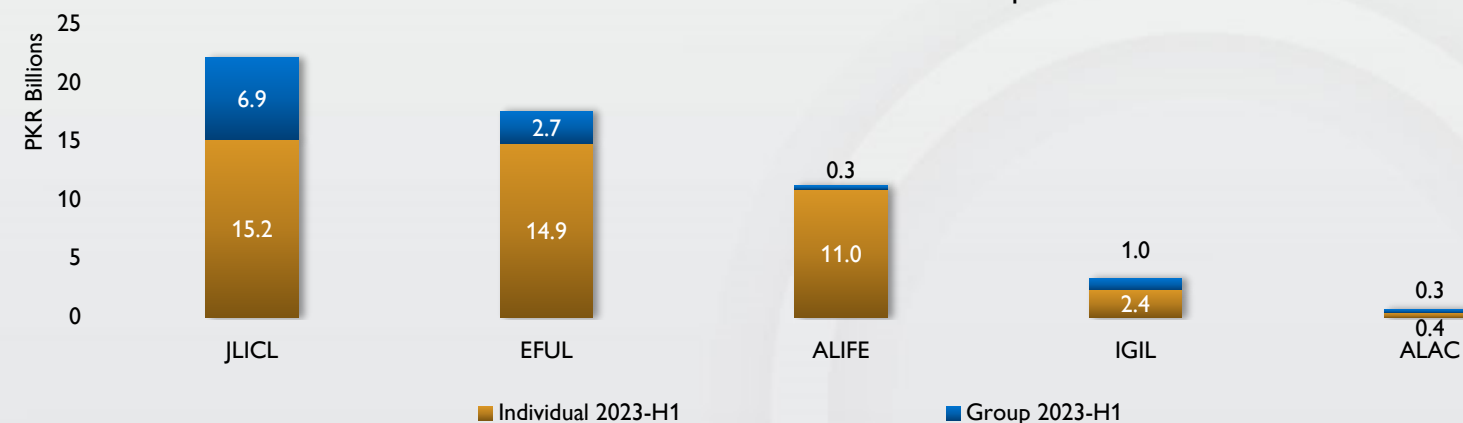


The split of the GP shows that the majority of the life insurance companies write business in individual life policies which are primarily comprise of unit linked policies. Of these, 10% are single premium, 20% are new business and the remaining are subsequent year premiums, which constitute a large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

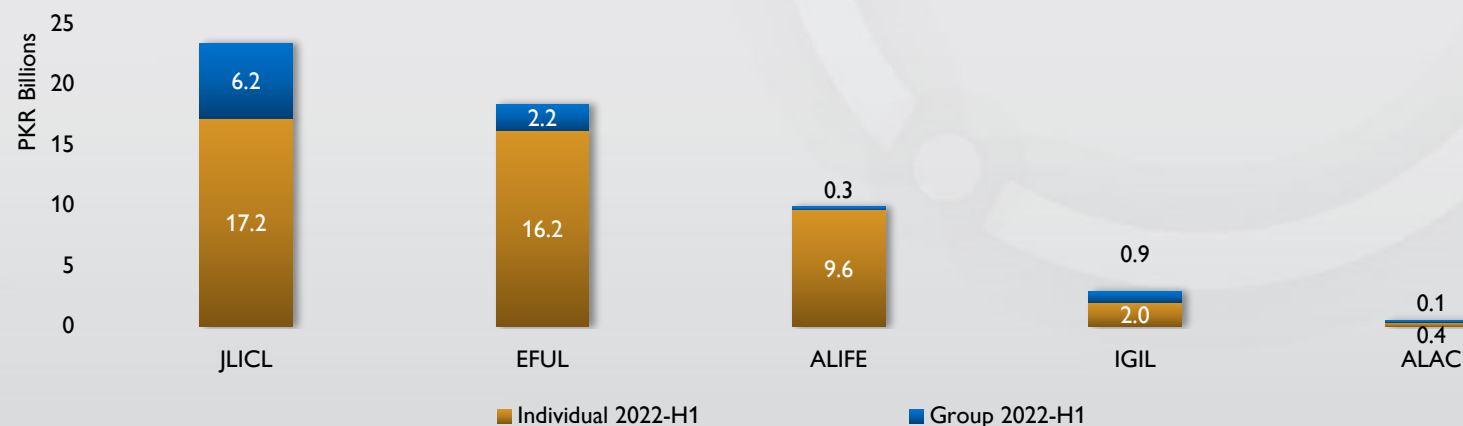
ALIFE life writes almost 97% of their business in individual life policies which is the highest proportion in the industry. During the first half of 2023, the Individual business segment represented 62% of the GWP for ALAC, a significant decrease from the 77% share it held during the first half of 2022.

The highest premium has been written by JLIICL of PKR 22 billion followed by EFUL and ALIFE with written premiums of PKR 18 billion and PKR 11 billion respectively.

GWP 2023-H1 - Individual & Group



GWP 2021-H1 - Individual & Group



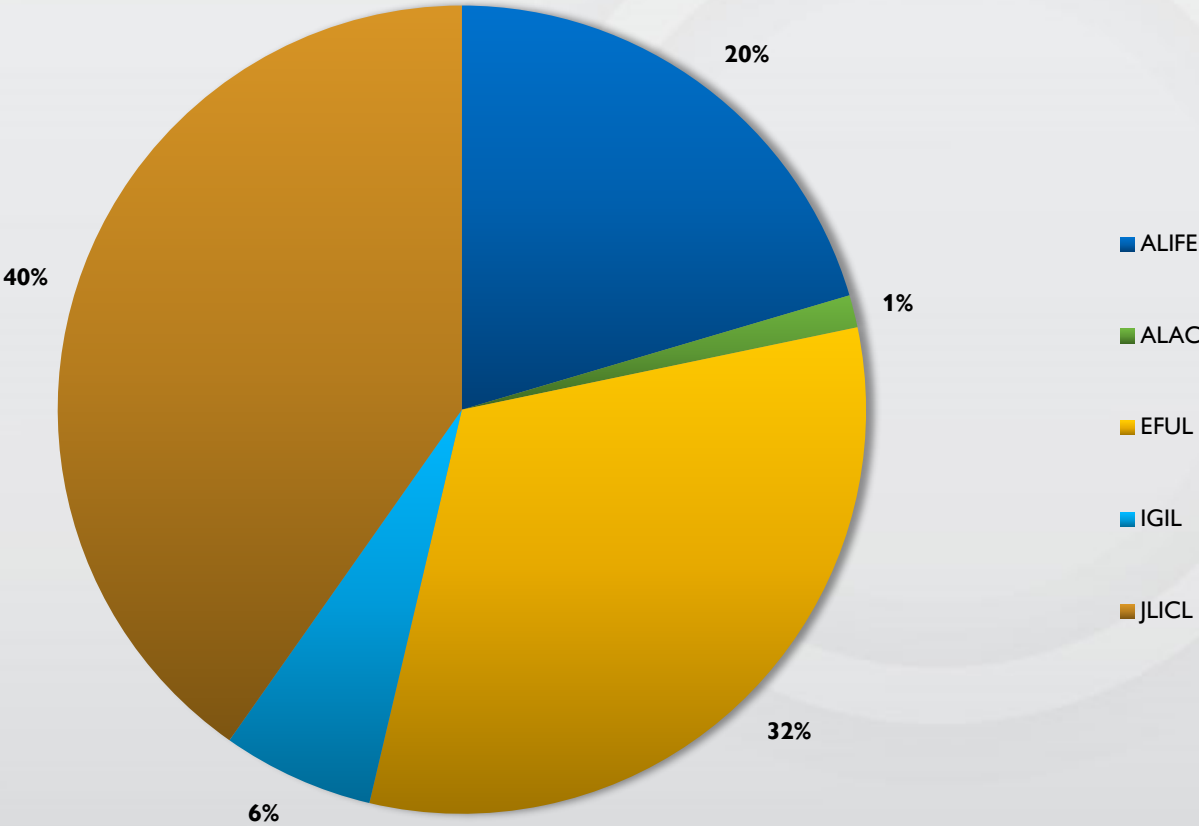
Market Share - GWP



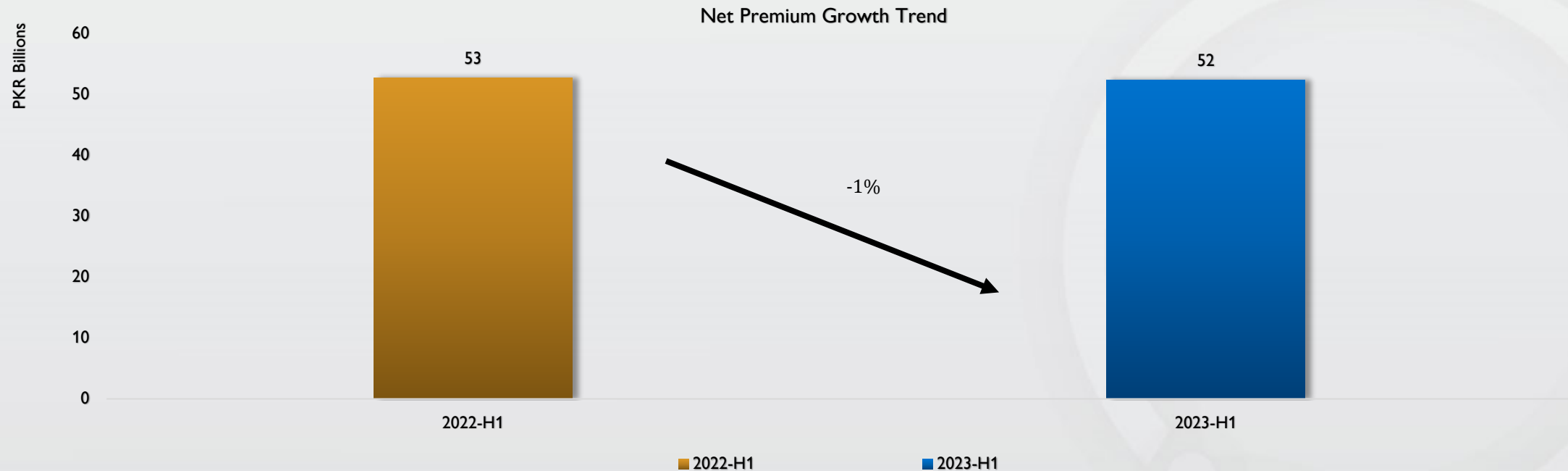
JLICL can be seen as the market leader in the private sector life insurance industry based on GWP with a market share of 40% for 2023-H1 followed by EFUL at 32%.

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.

Market Share - Gross Premium



Net Written Premium - Market



The net premium for the overall listed life insurance companies is calculated at PKR 52 billion in the first six months of 2023 with a decline of 1% compared to the level in 2022-H1.

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.

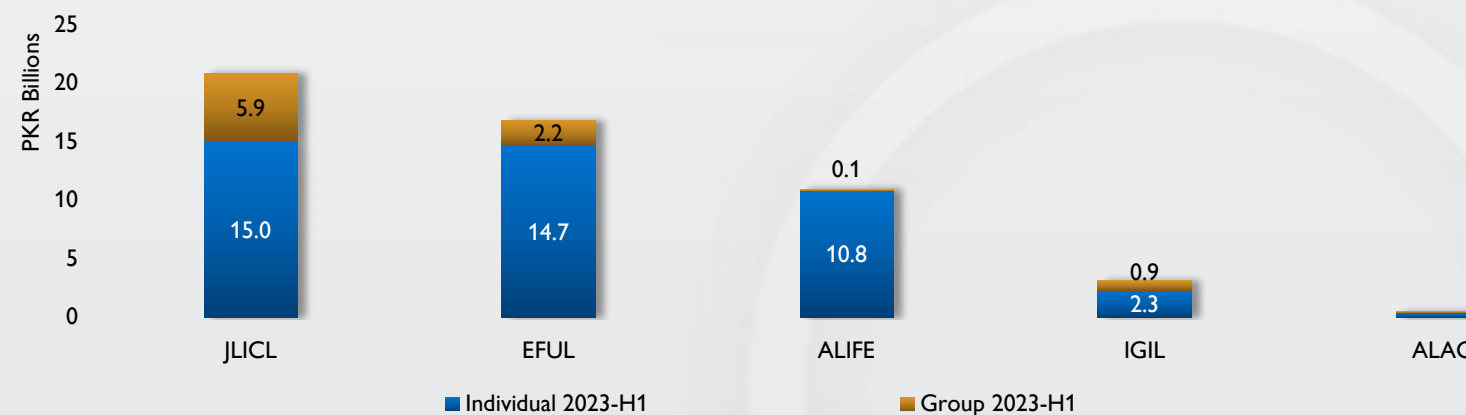
Net Written Premium - Company



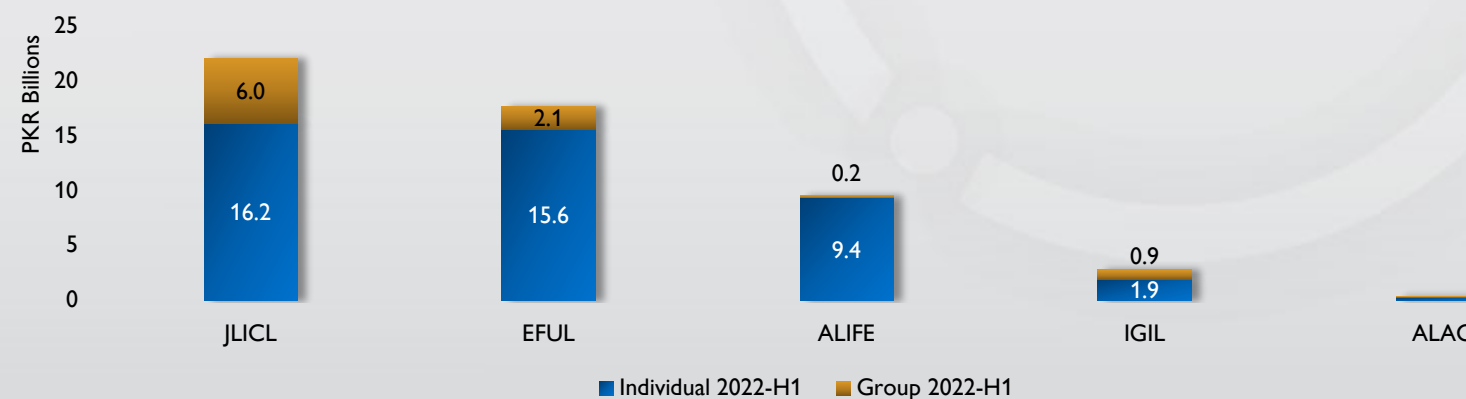
The highest net premium has been written by JLIICL of PKR 21 billion followed by EFUL and ALIFE of PKR 17 billion and PKR 11 billion, respectively. This ranking is similar to the GWP ranks.

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.

Net Premium 2023-H1 - Individual & Group



Net Premium 2022-H1 - Individual & Group



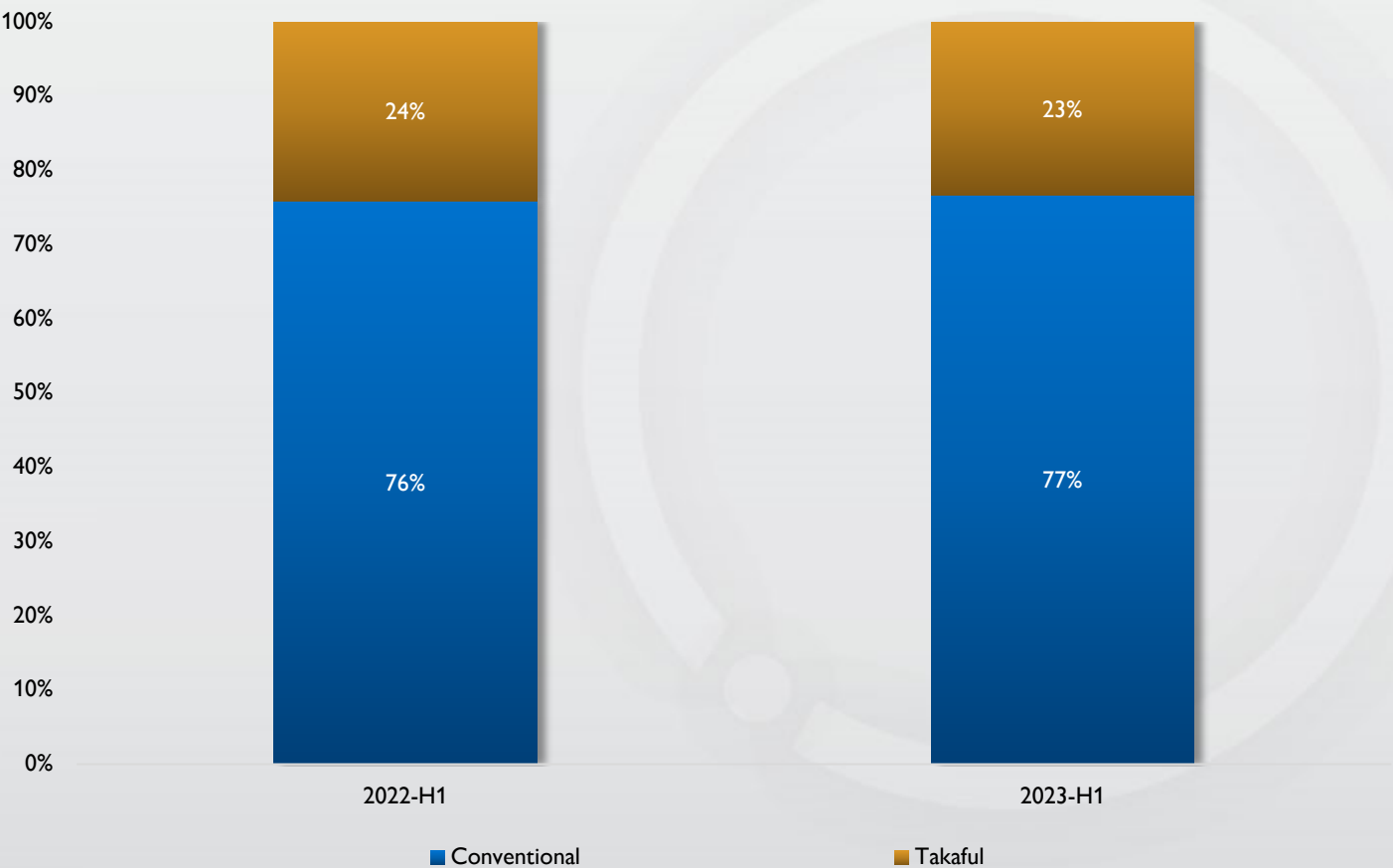
Conventional Vs Takaful Business Distribution Net Premium



The highest net premium has been written by JLIICL of PKR 21 billion followed by EFUL and ALIFE of PKR 17 billion and PKR 11 billion, respectively. This ranking is similar to the GWP ranks.

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Conventional & Takaful Business Distribution



Segment Wise Net Premium Contribution



The year 2022 experienced economic recovery in comparison to the year 2021 however the first half of 2023 saw a reduction due to the economic conditions. The decline experienced in the country also reflected in decreased Net premiums for the life insurance industry. The net premium reflects a decrease of 1% compared to the same period last year.

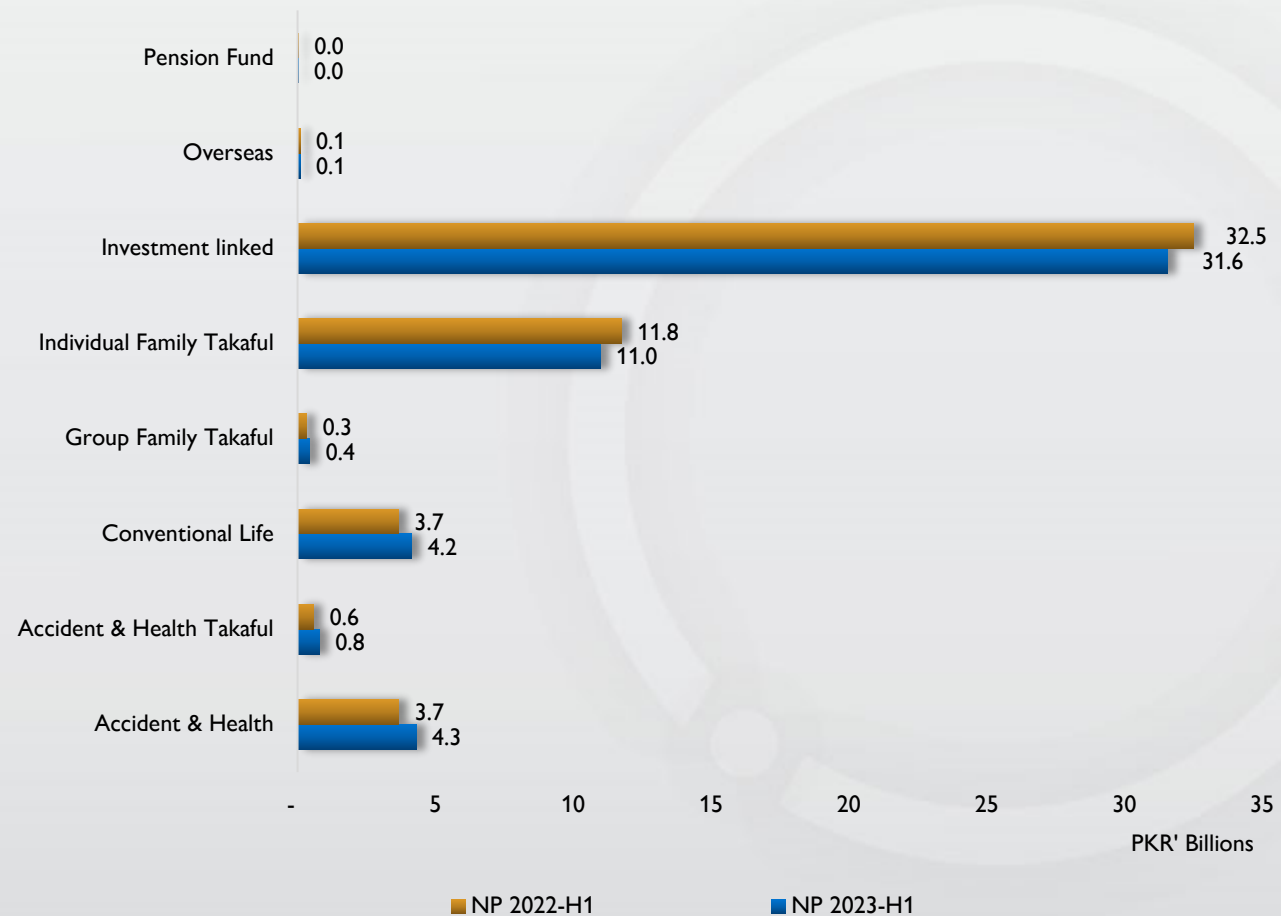
The highest net premiums have been written in investment linked policies of PKR 31.6 billion which is 3% less compared to the same period last year.

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

The accident and health segment has seen an increase of 17% on the conventional side and a decline of 35% 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

Net Premium/Contribution by LOB





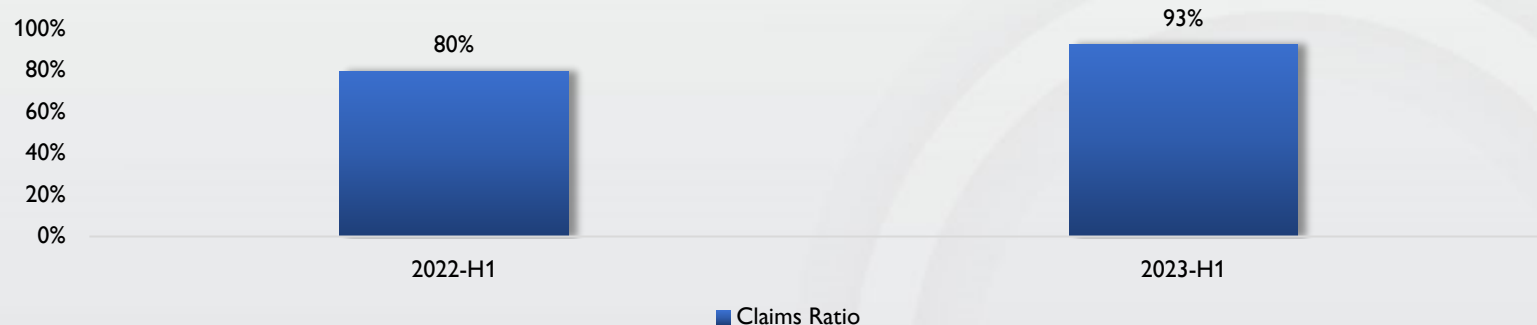
Ratio Of Gross Claims To Gross Premiums

The calculation of the claim ratio entails determining the ratio of gross claims to gross premium. In the first half of 2023, the average claims ratio across the market was 93%, representing a 13% increase in comparison to the corresponding period in 2022.

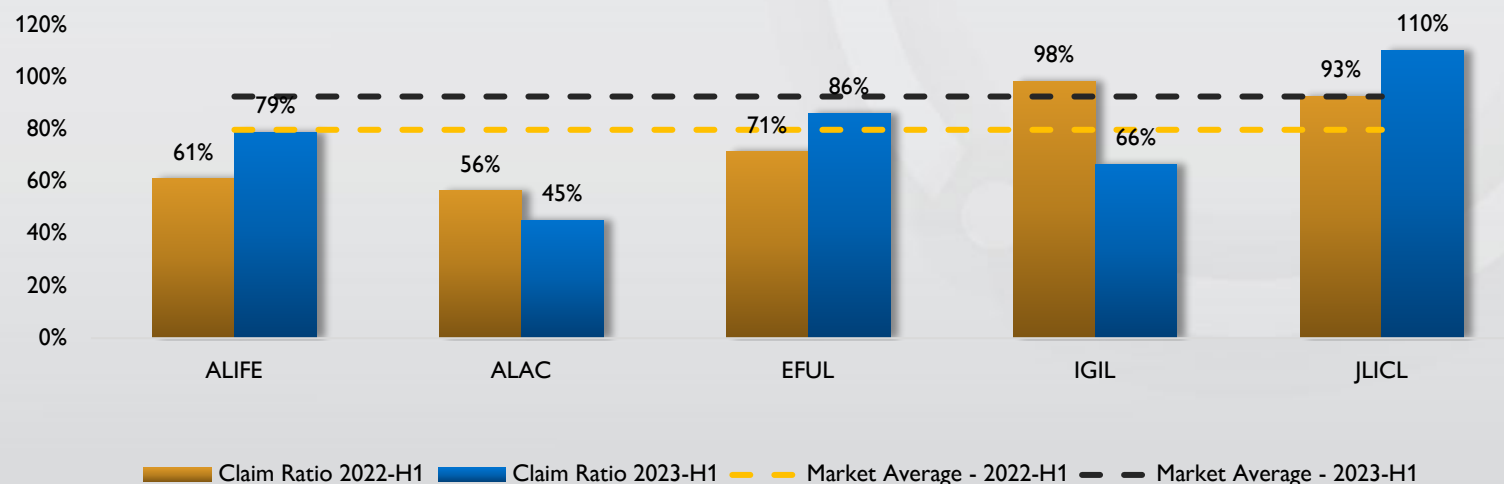
Notably, the highest claims ratio of 110% was observed in the case of JLI, followed by EFUL at 86%.

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

Claim Ratio Trend



Claim Ratio



Segment Wise Claim Ratio

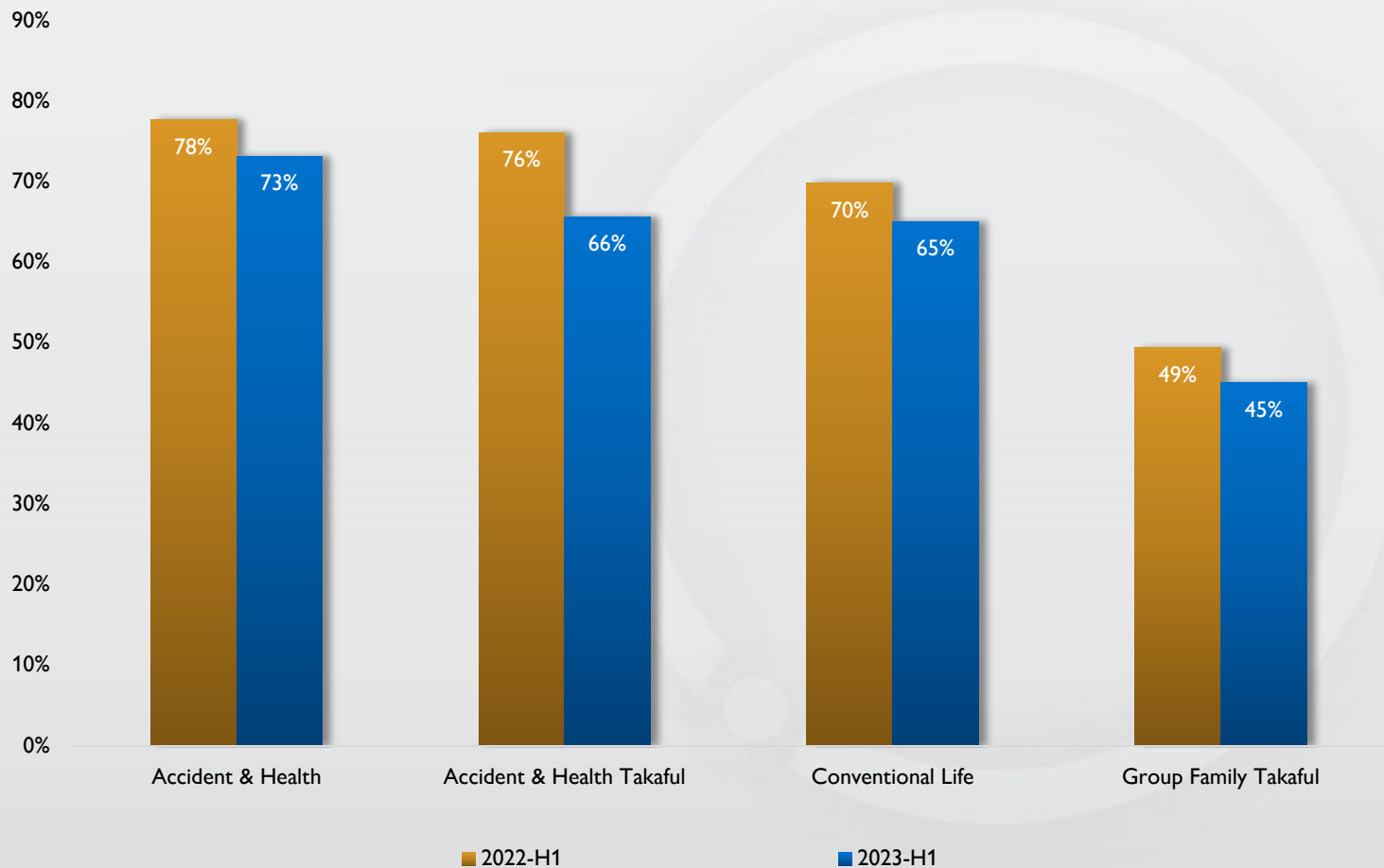


The claim ratio is calculated as the net insurance benefits over the net premium.

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 2023-H1.

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

Claim Ratio by LOB



Persistence



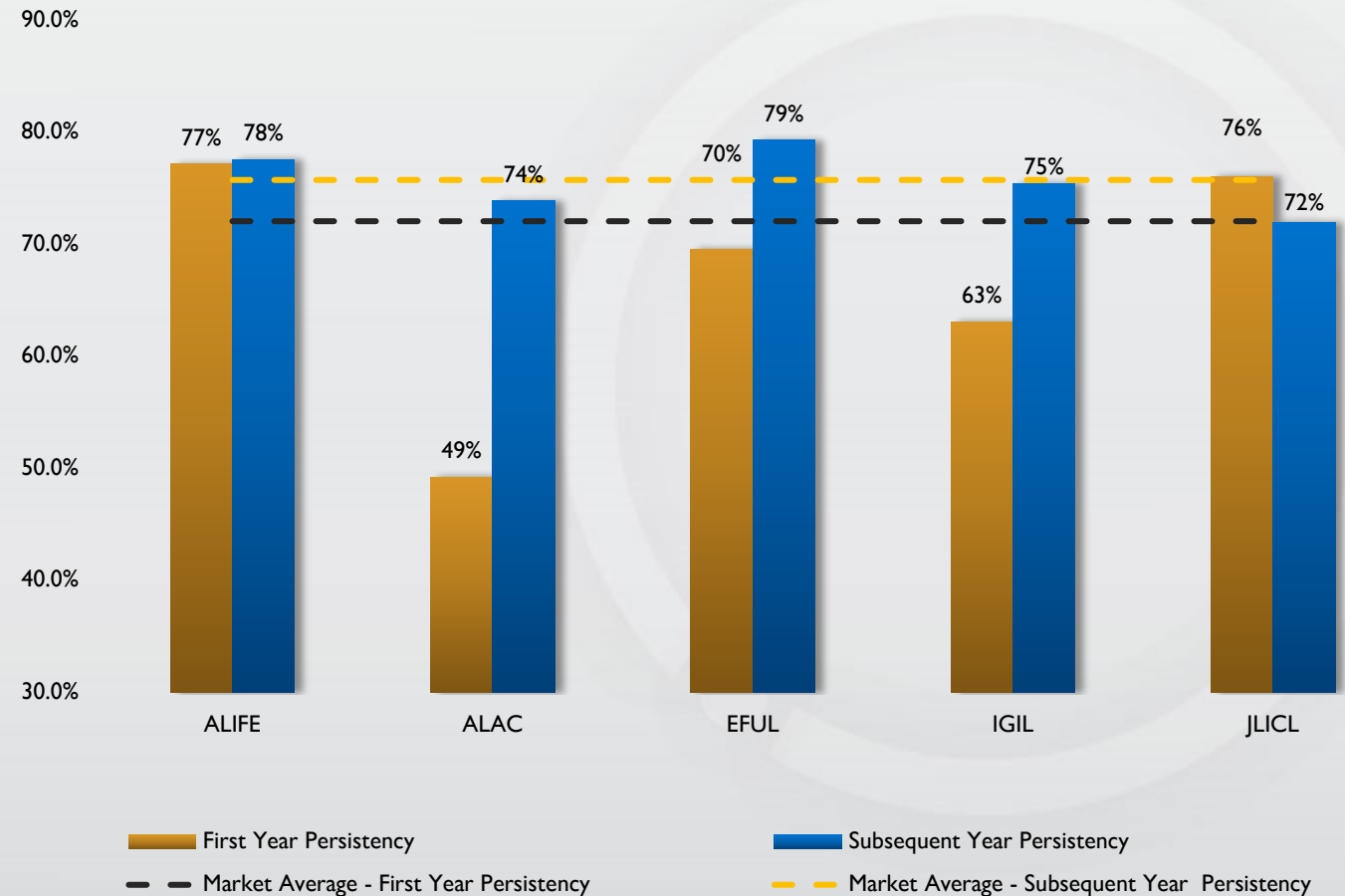
Persistence is a measure of customer retention and a vital performance indicator for life insurance companies. Here, based on the data available, first year renewals have been calculated as a percentage of current second year premiums(2023-H1) divided by first year premiums from previous year(2022-H1). Similarly, subsequent year persistency have been calculated as current year subsequent premiums(2023-H1) divided by sum of previous second year (2022-H1) & subsequent year premiums.

The persistency for 2023-H1 shows that the subsequent year persistency is less for all companies except IGIL. ALIFE has the highest first year persistency of 77%.

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.

Persistence 2022-H1 - 2023-H1



Marketing & Admin Expense Ratio



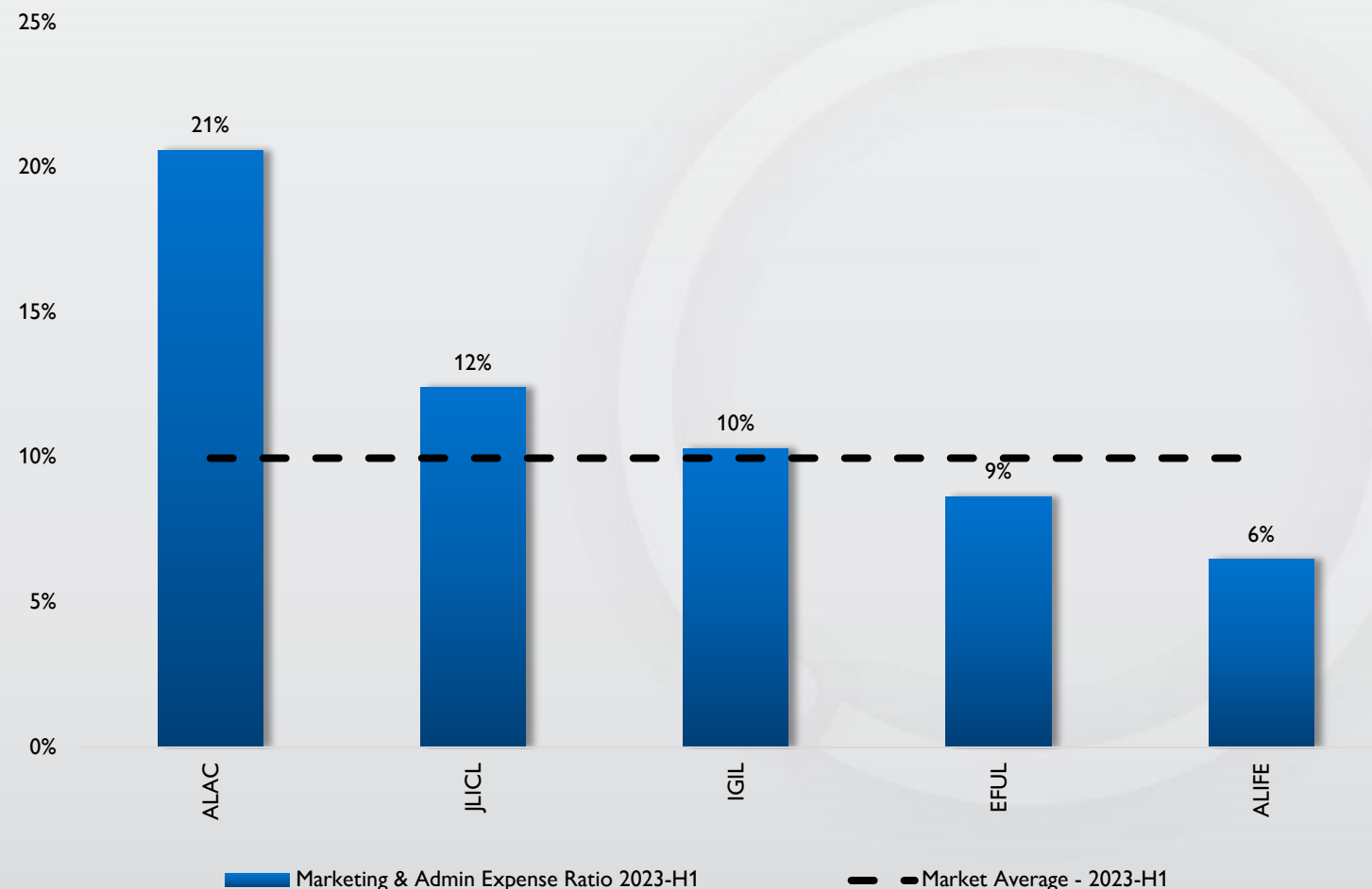
The management expense ratio is calculated as the management expenses over the gross premium.

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.

Marketing & Admin Expense as a % of Gross Premium



Acquisition Expense Ratio

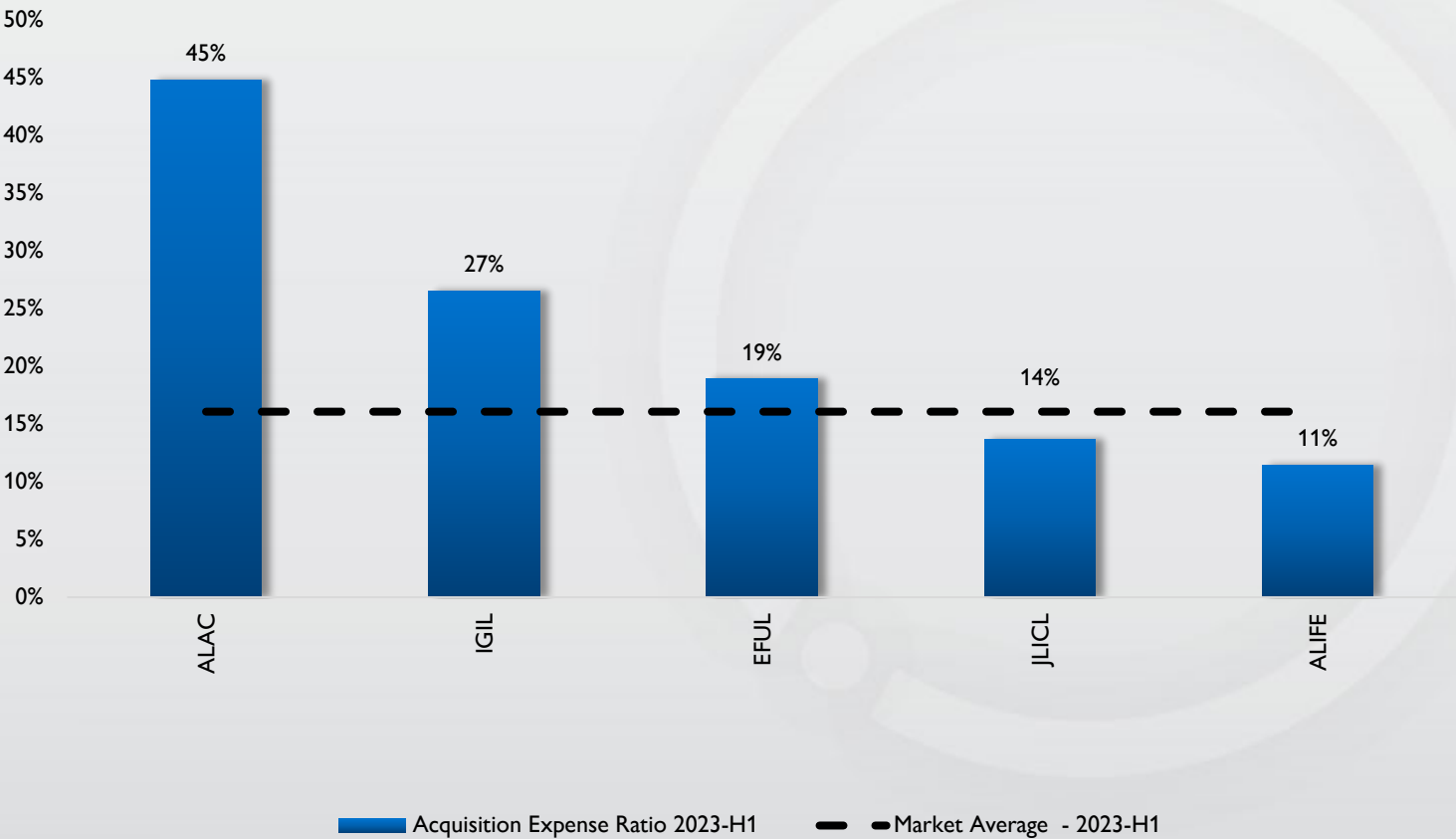


Acquisitions expenses are incurred in the process of generating revenue for the company. The market average figure stands at 16% with the highest ratio reflected in ALAC's accounts of 45% while ALIFE has the lowest ratio of 11%.

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 year-on-year decrease and stands at 16% for 2023-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.

Acquisition Expense as a % of Gross Premium



Commission Expense

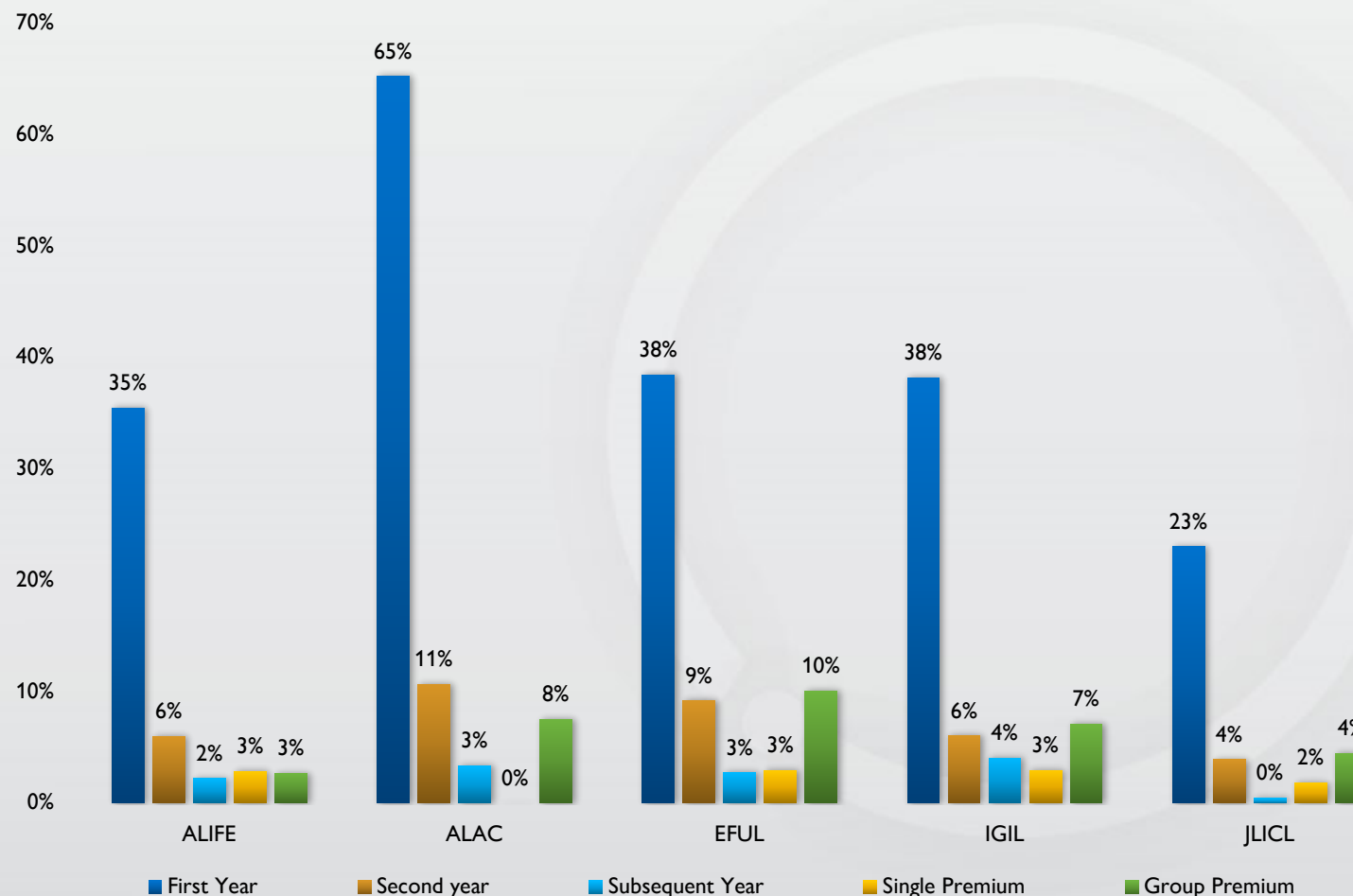


Traditionally, with BANCA & DSF as the primary distribution channels, high commissions have dominated this line of business. Generally, first year commissions are quite high on unit linked products to incentivize agents.

The bar graph shows that ALAC pays the highest commission rate of 65% on acquiring new business while JLICL pays the lowest commission rate of 23%. The commission rate for second year business is significantly lower in the range of 4% to 11%. ALAC pays the highest commission rate of 11% 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.

Commission as a % of Gross Premium - 2023-H1

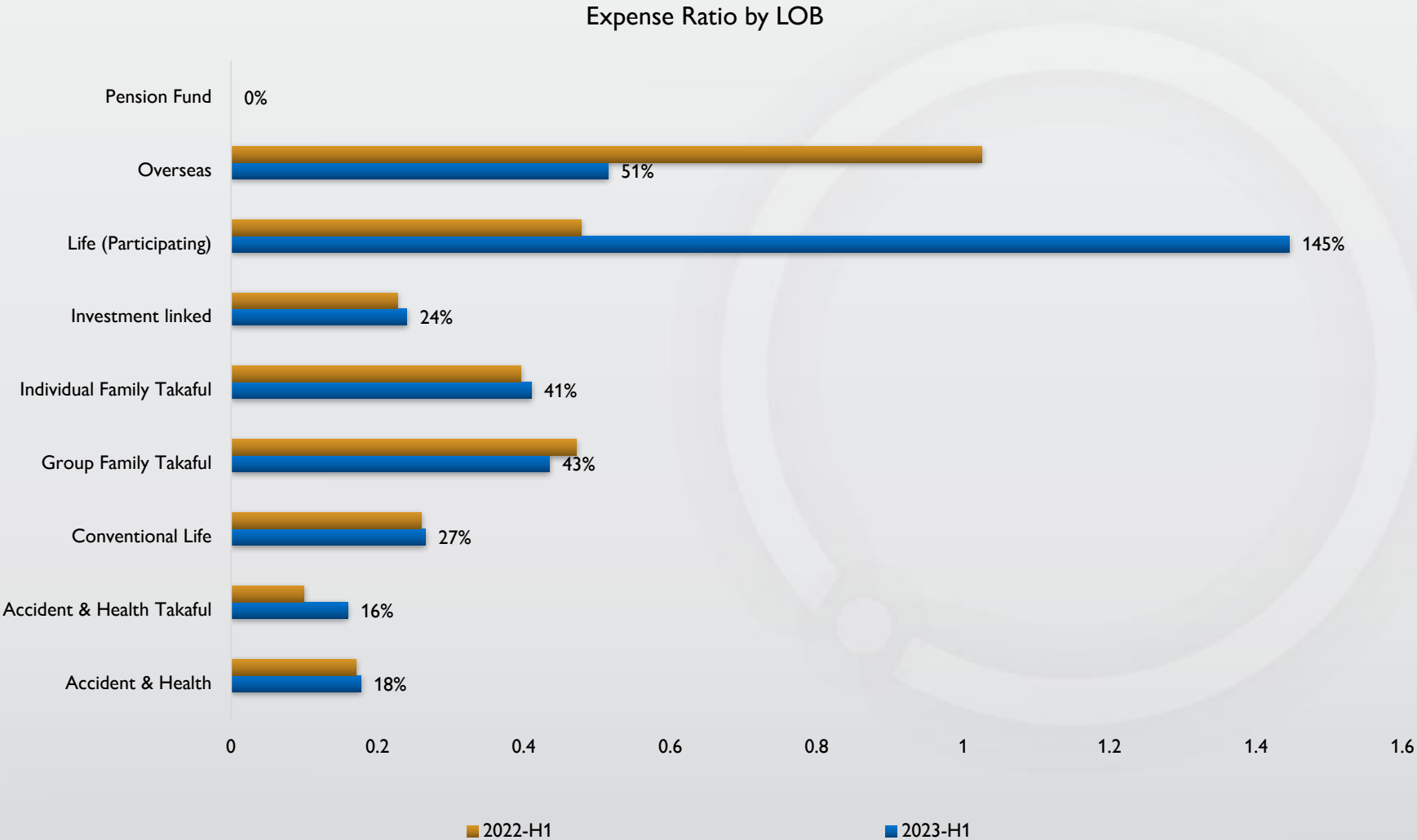


Expenses



The graph shows that Life (Participating) business incur significantly higher expenses then other line of businesses while also showing a exceptional increase in percentage.

All the lines of business have depicted a stable percentage except overseas and Life (Participating) from 2022-H1 to 2023-H1.

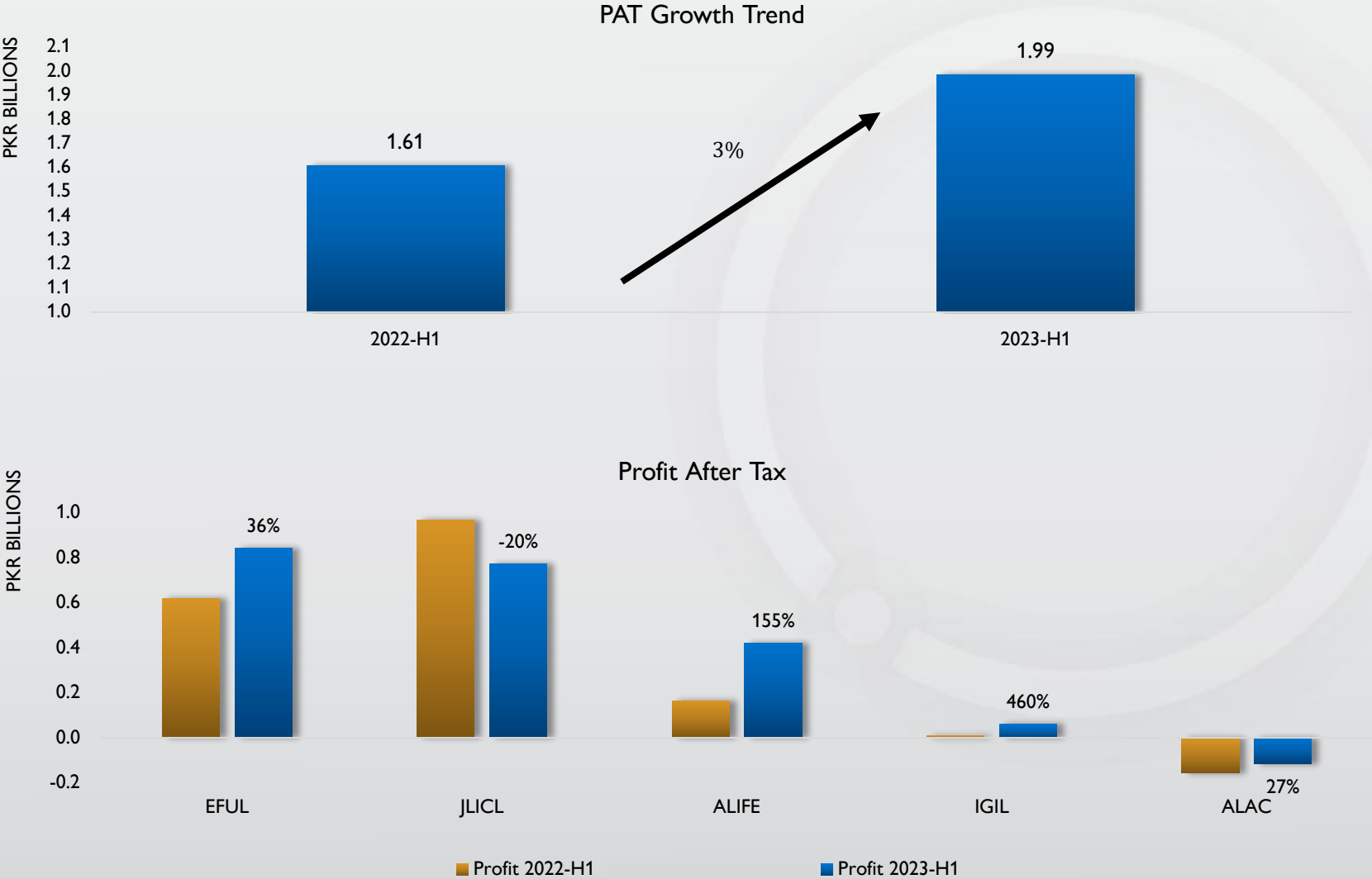


Profit After Tax



The life insurance industry of Pakistan has witnessed improvement in their accounting profits and stand at PKR 1.99 billion, a 24% increase to the level in 2022-H1.

EFUL reported the highest PAT of PKR 844 million. IGIL reported the highest increase in profitability of 460%. ALAC on the other hand experienced a sharp reduction in profitability of 27%.



Segment Wise Surplus/ Deficit

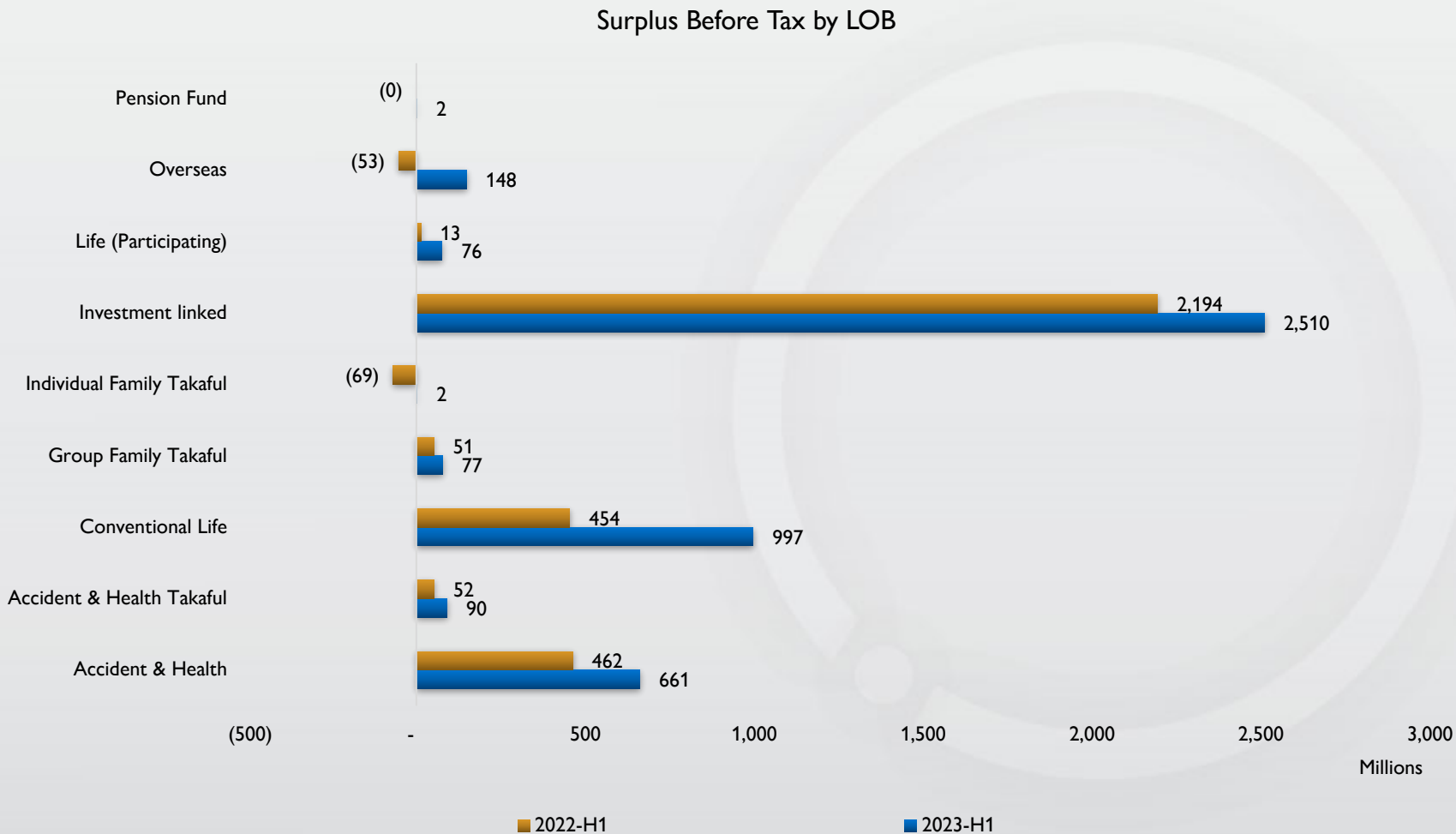


This graph shows the surplus/deficit at the statutory fund level.

It is apparent that most of the lines experienced a significant escalation in 2022 H1.

The conventional accident & health segment has been increasing year-on-year which is also in line with the premium trend especially in 2023-H1 arising from the substantial premium written.

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





Company	Ranking		Indic.
	GWP	PAT	
JLICL	1	2	↓
EFUL	2	1	↑
ALIFE	3	3	→
JGIL	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.

Premium Benchmarking On The Basis Of Profitability

Assets Mix



The chart shows the industry's invested assets breakdown as at June 2023. 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 more than 90% of the assets on the balance sheets of life insurers are investments.

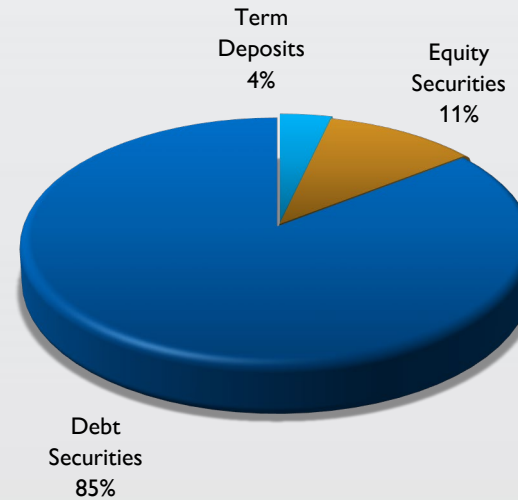
Life insurers in the region have a longer term investment horizon with a low risk tolerance. Investment in equities can yield higher returns but their market value is more volatile. Overall, the total investments in 2023-H1 is calculated to be PKR 437 billion.

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

All the companies have a major proportion invested in the term deposit whereas. Since Life insurance policies are longer-tailed, insurers prefer investment in government securities like the 3 - 30 year maturity Pakistan Investment Bonds.

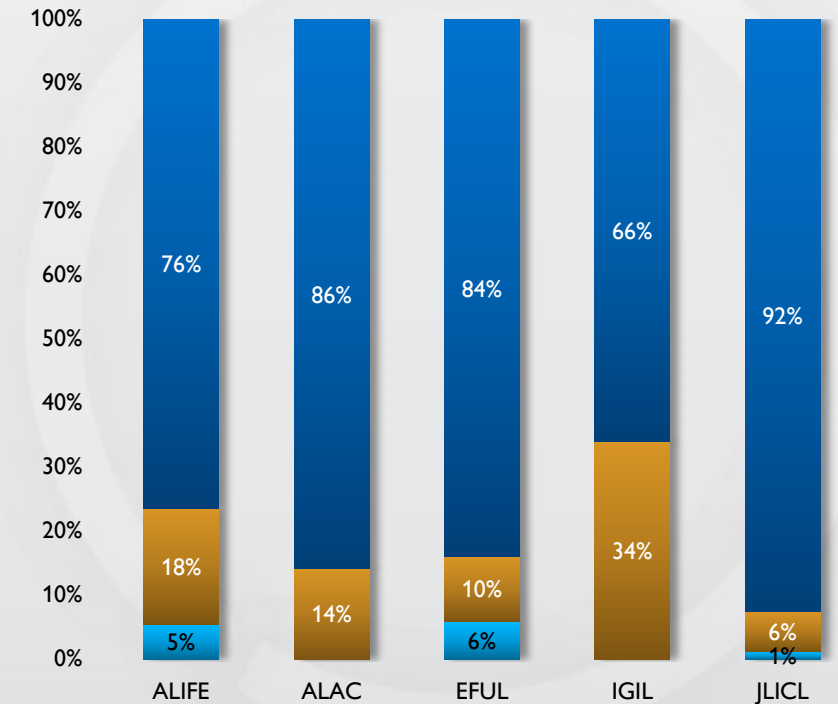
The investment portfolio is reflective of the risk profile of the company with higher debt and term deposit reliance signaling a higher risk aversion.

Total Investments as at 2023-H1



■ Term Deposits ■ Equity Securities ■ Debt Securities

Asset Mix



■ Term Deposits ■ Equity Securities ■ Debt Securities

Total fund size: PKR 476 billion

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 14.6 Billion. The lowest investment income was generated by ALAC of about PKR 0.1 billion since they write group policies which are short-term policies.

Investment Income



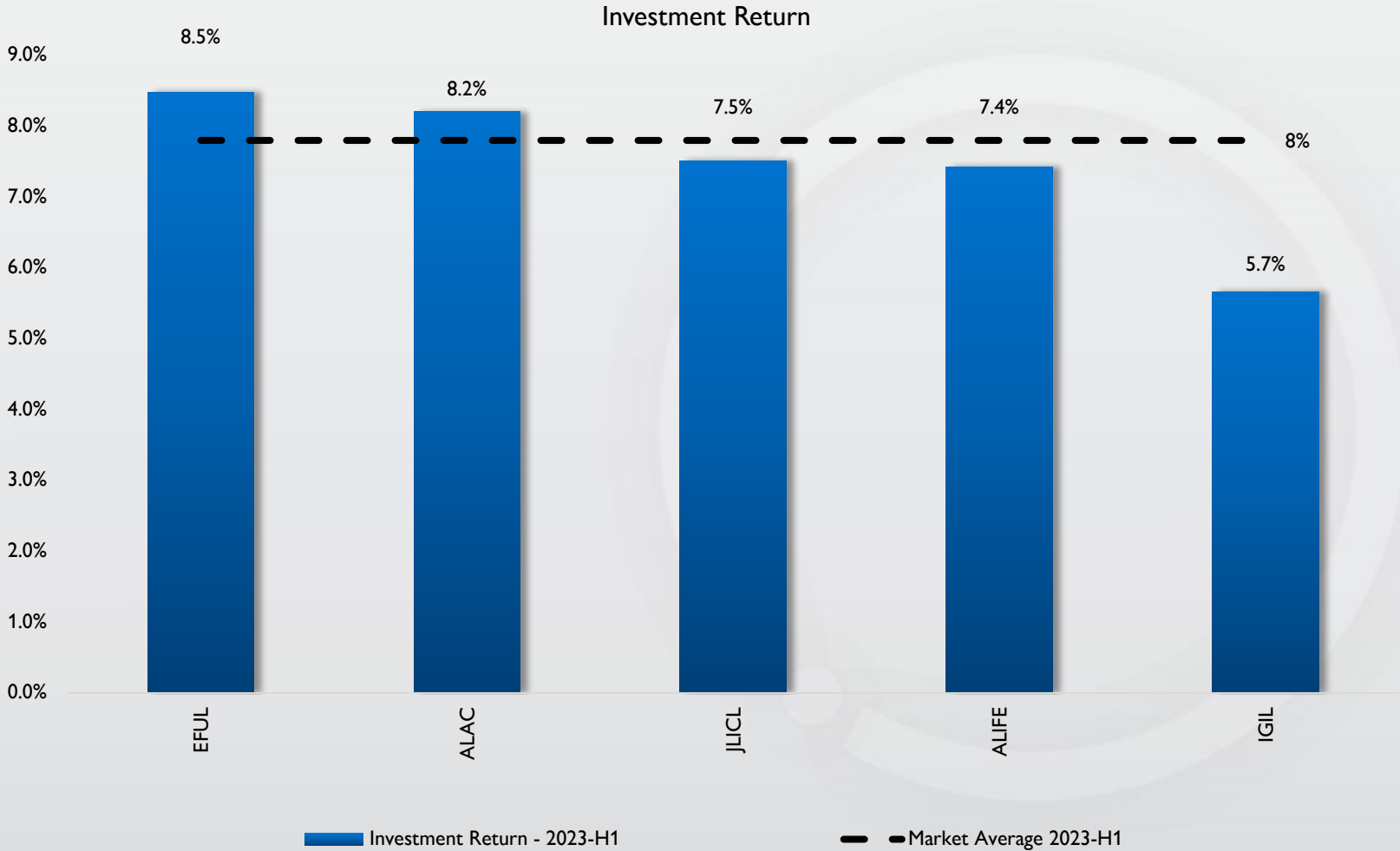
Investment Return



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

The ratio for the industry averages around 8% in 2023-H1 which is 4% higher than 2022-H1

EFUL has earned the highest investment return which is 8.5% with the majority of their investments lying in debt securities and term deposits. IGIL has the lowest returns of 5.7% and their investments are majorly in equity securities.



Conclusion



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2023-H1 – Pak Life Insurance Companies

The initial half of 2023 witnessed persistently challenging global economic conditions. The depreciation of the PKR against the USD has exerted an impact on every significant and minor sector of the economy.

The Life insurance sector of listed insurance companies experienced a 0.3% increase in its GWP which is PKR 55.0 billion in 2023-H1 (2022-H1: PKR 54.9 billion). The first and subsequent year persistency for the industry calculates to 72% and 76% respectively. The takaful business stands at approximately 24% of the net premiums.

The investment income stands at PKR 34 billion.

The claim to premium ratio trend has also increased year on year and stands at 93% for 2023-H1 as compared to 80% in 2022-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 2.0 billion which is a 24% increase to the level in 2023-H1 (2022-H1: PKR 1.6).

Continuing regulatory shifts aimed at fostering digital transformation are projected to have a substantial influence on the life insurance sector's landscape in the foreseeable future. The persistent worldwide economic downturn remains the predominant hurdle.

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2023-H1 – Pak Life Insurance Companies

Life Insurance Companies

Logos	Sr. No.	Symbol	Name	Market
	1	ALIFE	Adamjee Life Assurance Co. Ltd	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

Companies Included in the Analysis

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the life insurance companies in Pakistan for the first half of 2023. 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.
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Directors		5 Staff	
UAE/ Oman Actuarial	34 Staff	Medical	5 Staff
KSA Actuarial	42 Staff	IFRS 17	13 Staff
Business Intelligence	10 Staff	HR Consultancy	2 Staff
End of Services	4 Staff	Financial Services	5 Staff
Support & Admin	24 Staff	Data Science	2 Staff

Total Strength 146

Our Feedback

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2023-H1 – Pak Life Insurance Companies

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Ali Bhuriwala



Omar Khan



Asim Iqbal



Hassan Athar



Nimrah Naveed