

Pakistan's Listed Life Insurance Industry Performance Analysis Q3 2023

Date: December 12, 2023

Awards & Achievements

Award winning strategic partner to the insurance industry with our 150+ 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 2023, 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

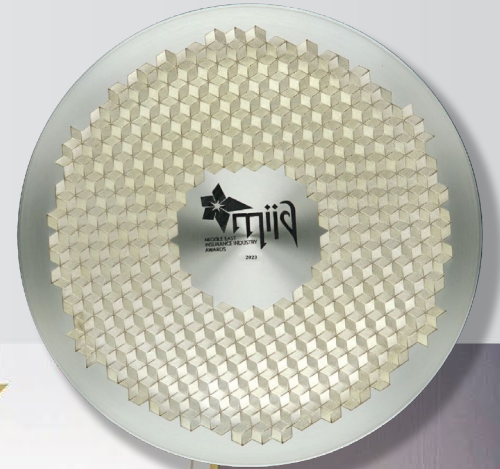


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2023-Q3 – Pak Life Insurance Companies

10th Middle East Insurance Industry Awards 2023

Newest Award on our shelf:
Strategic Partner to the Industry
BADRI Management Consultancy





About BADRI

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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

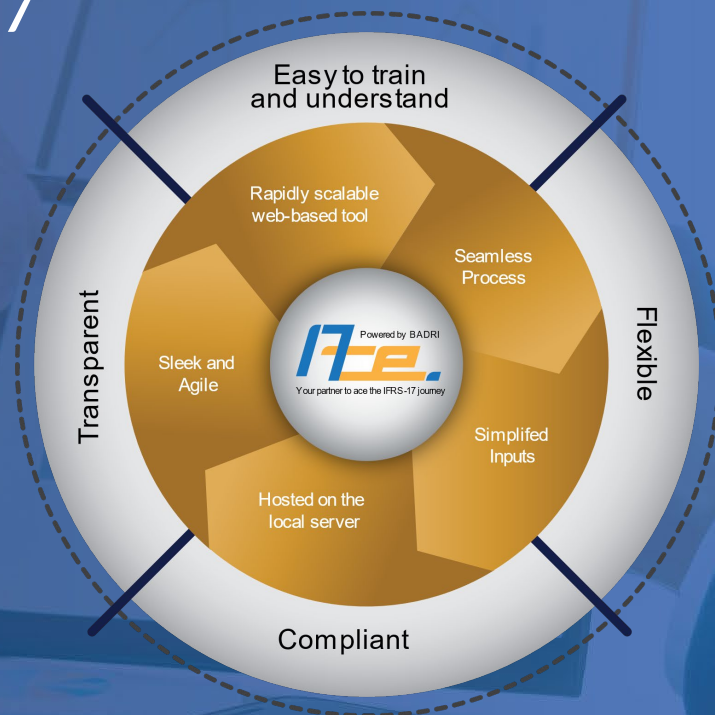
- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition
- Compliance and Forensics
- Advisory & Risk Management

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.

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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



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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-Q3 Highlights

Gross Premium **PKR 85 billion**
2022-Q3: PKR 82 billion

Profit after tax **PKR 3.5 billion**
2022-Q3: PKR 2.7 billion

Investment Income **PKR 55 billion**
2022-Q3: PKR 32 billion

Highest GWP Recorded by
JLICL at PKR **34 bn**

Highest Growth in GWP Recorded by
ALAC at **27%**

Highest first-year Persistency by
Adamjee at **78%**

Highest subsequent year Persistency by
EFUL at **81%**

Lowest Claim Ratio by
ALAC at **46%**

Highest Investment Income Recorded by
EFUL at PKR **23 bn**

Highest invested assets by
JLICL at PKR **180 bn**

Highest Growth in PAT by
IGIL at **511%**

Highest PAT Recorded by
JLICL at PKR **1.5 bn**

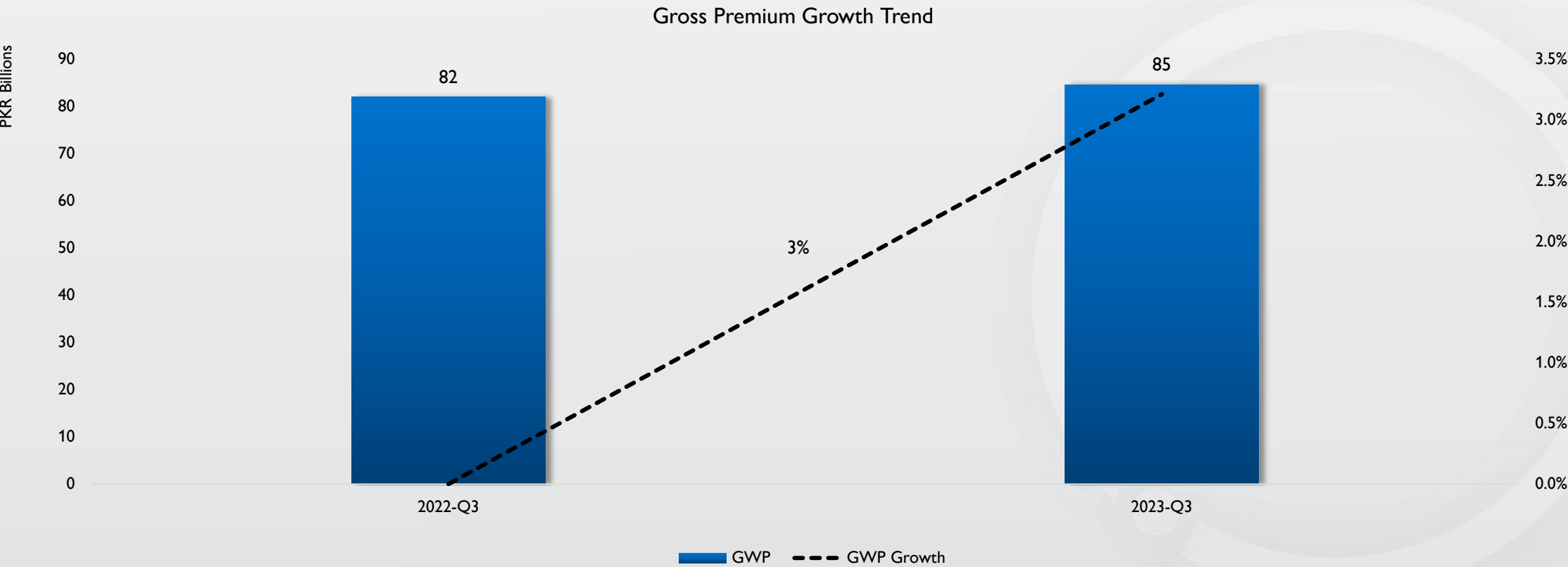
Highest Investment Return by
EFUL at **12.9%**

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



The premium for the listed life insurance companies for the first nine months of 2023 is PKR 85 billion with a growth of 3% compared to the level in 2023-Q3 which was PKR 82 billion.

Gross Written Premium - Company

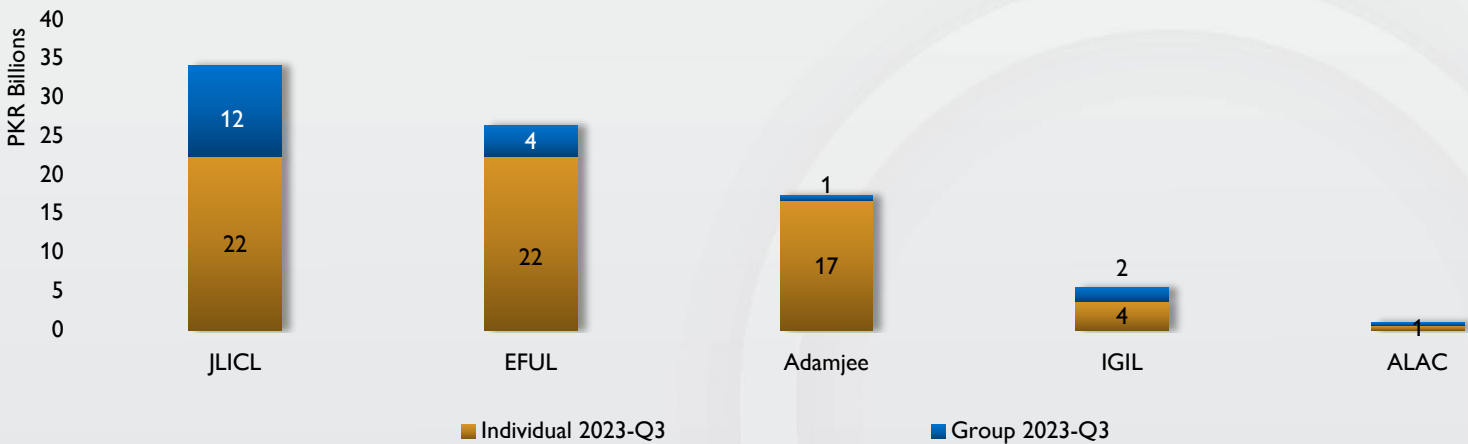


The split of the GP shows that the majority of the life insurance companies write business in individual life policies which are primarily comprised of unit linked policies. Of these, 10% are single premiums, 20% are new business and the remaining are subsequent-year premiums, which constitute a large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

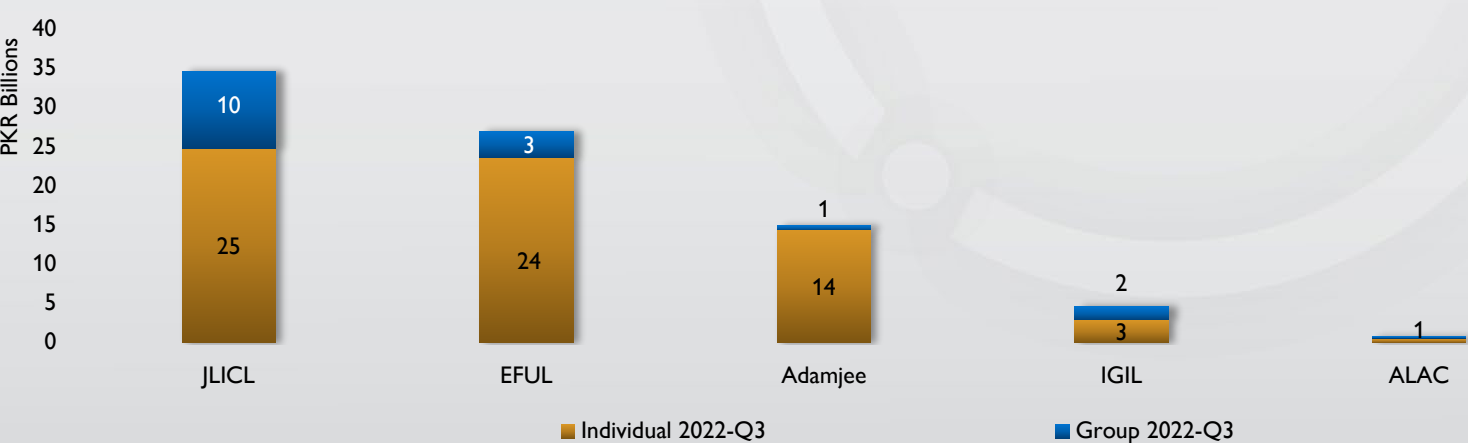
Adamjee writes almost 97% of their business in individual life policies which is the highest proportion in the industry. During the 9 months of 2023, the Individual business segment represented 62% of the GWP for ALAC, a significant decrease from the 77% share it held during the initial 9 months of 2022.

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

GWP 2023-Q3 - Individual & Group



GWP 2022-Q3 - Individual & Group



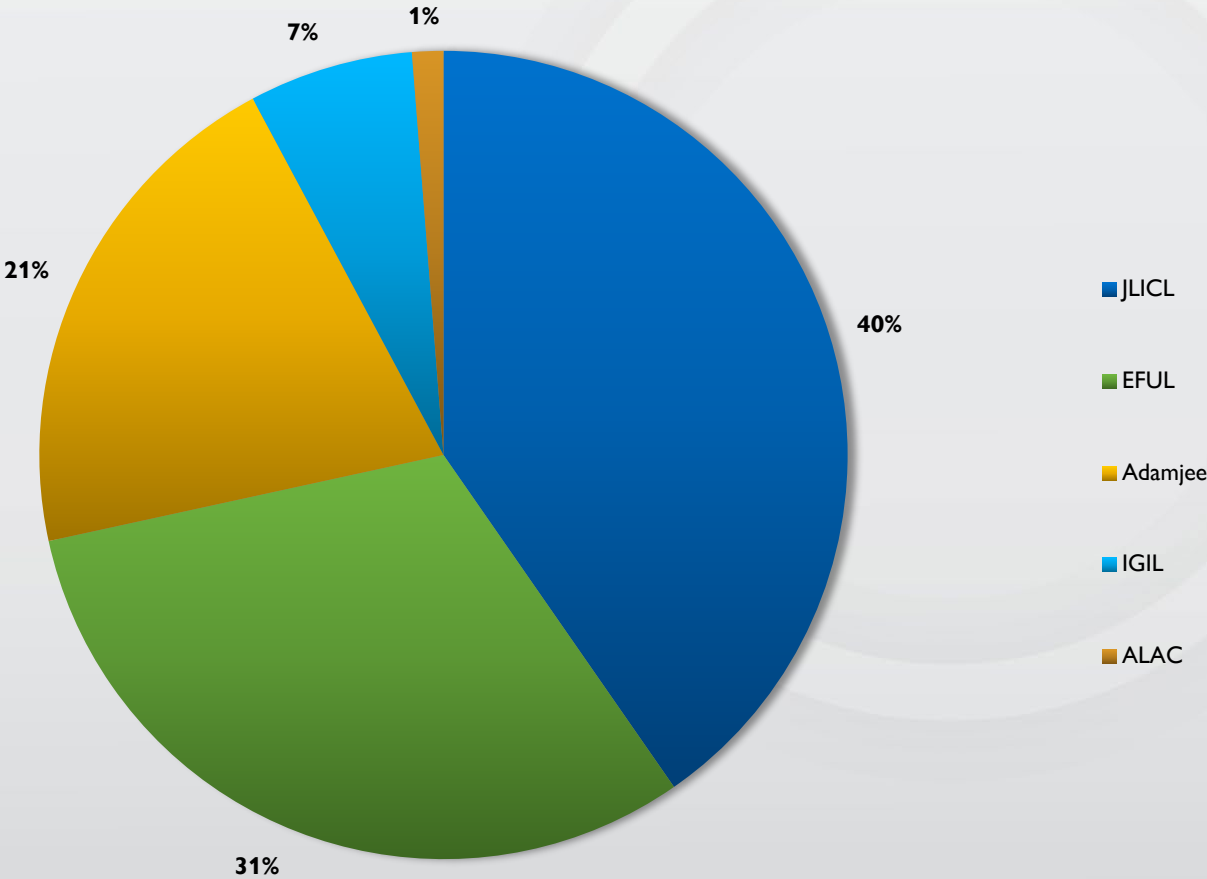
Market Share - GWP

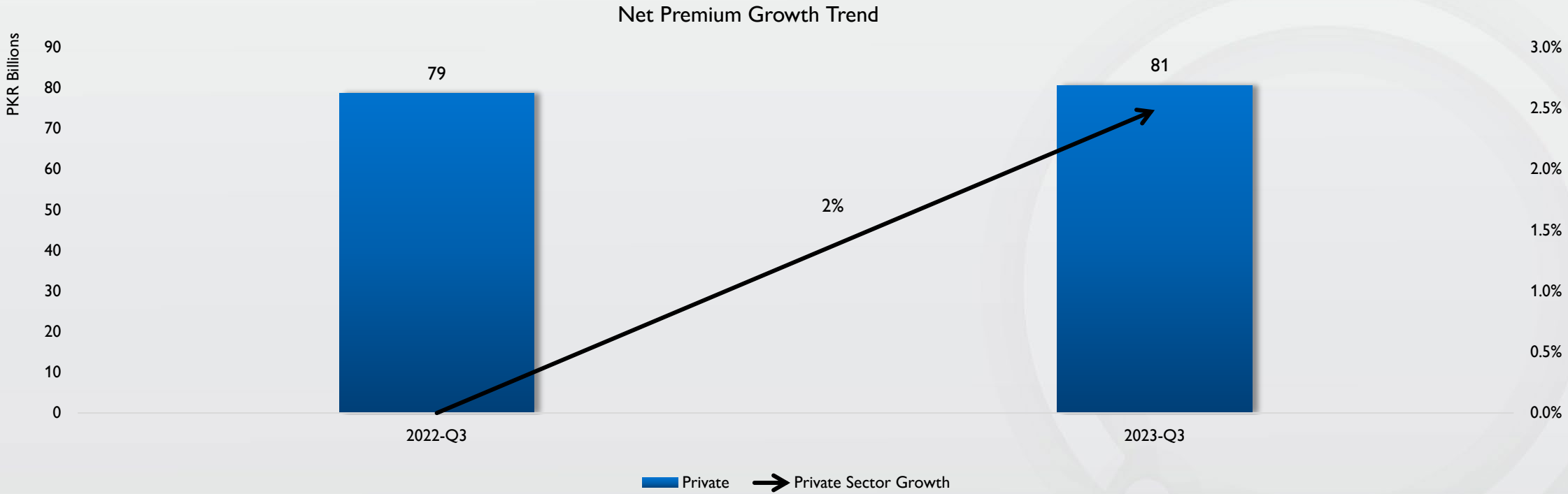


JLICL can be seen as the market leader in the private sector life insurance industry based on GWP with a market share of 40% for 2023-Q3 followed by EFUL at 31%.

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





The net premium for the overall listed life insurance companies is calculated at PKR 81 billion in the first nine months of 2023 with a decline of 2% compared to the level in 2022-Q3.

It is pertinent to note that life insurers in Pakistan do not have much dependence 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.

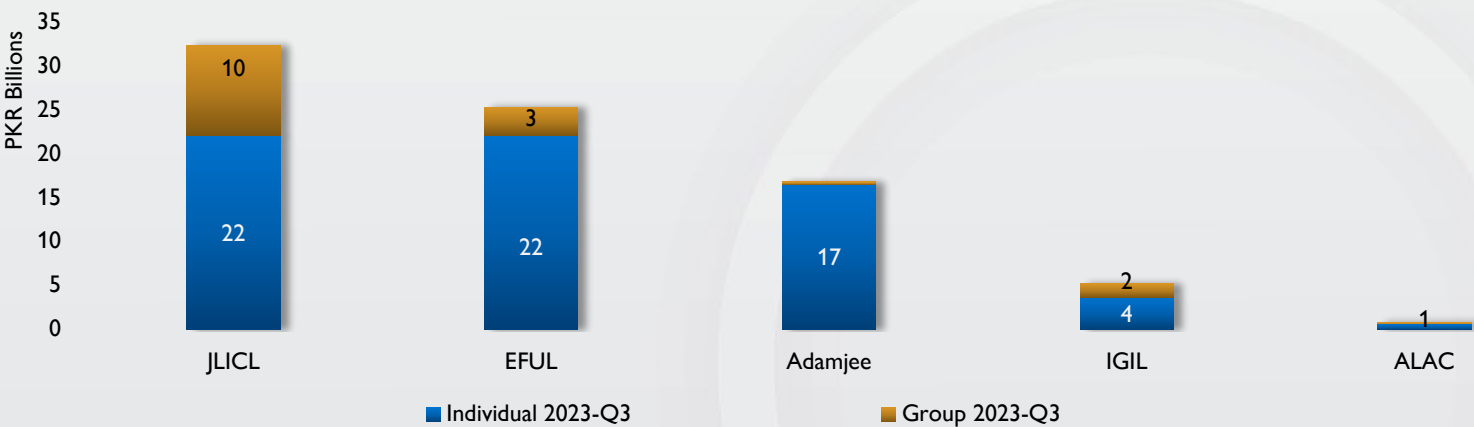
Net Written Premium - Company



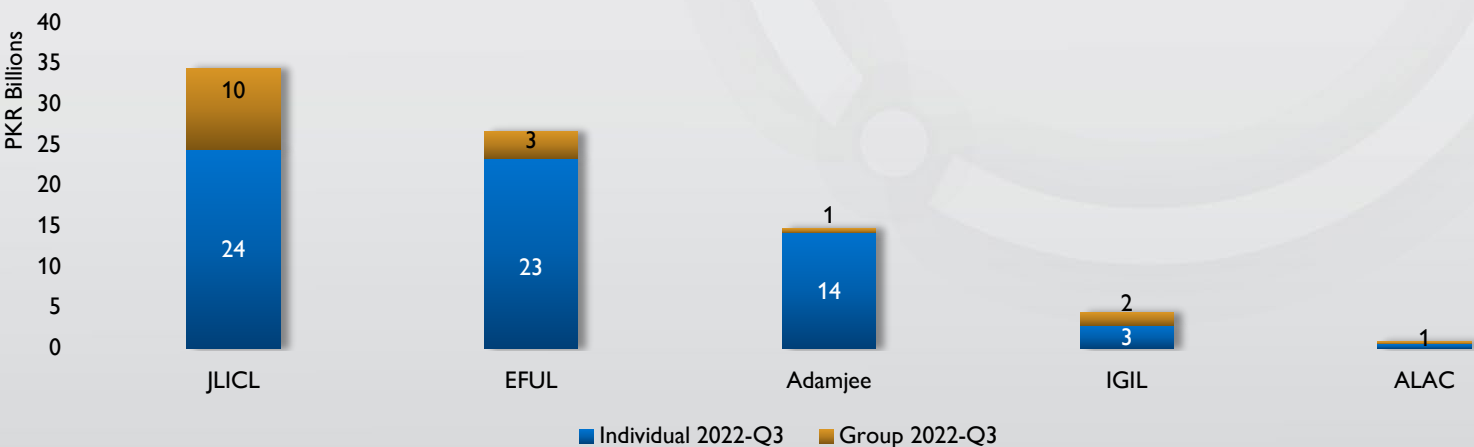
The highest net premium has been written by JLI of PKR 32 billion followed by EFUL and Adamjee of PKR 25 billion and PKR 17 billion, respectively. This ranking is similar to the GWP ranks.

The proportion of retained premiums 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-Q3 - Individual & Group



Net Premium 2022-Q3 - Individual & Group



Segment Wise Net Premium Contribution



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The first 9 months of 2023 saw an increase. The net premium reflects an increase of 53% compared to the same period last year.

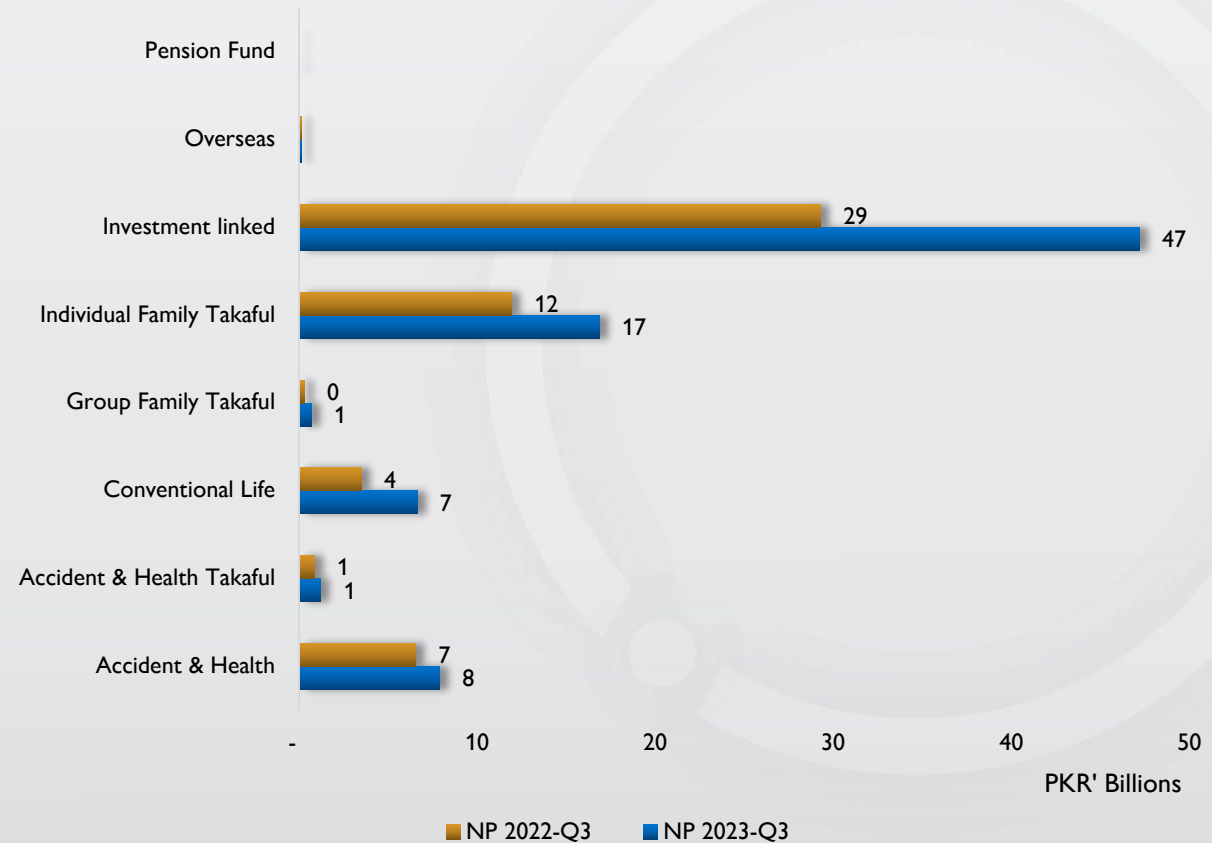
The highest net premiums have been written in investment-linked policies of PKR 47 billion which is 61% more compared to the same period last year.

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

The accident and health segment has seen an increase of 21% on the conventional side and an increase of 41% 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

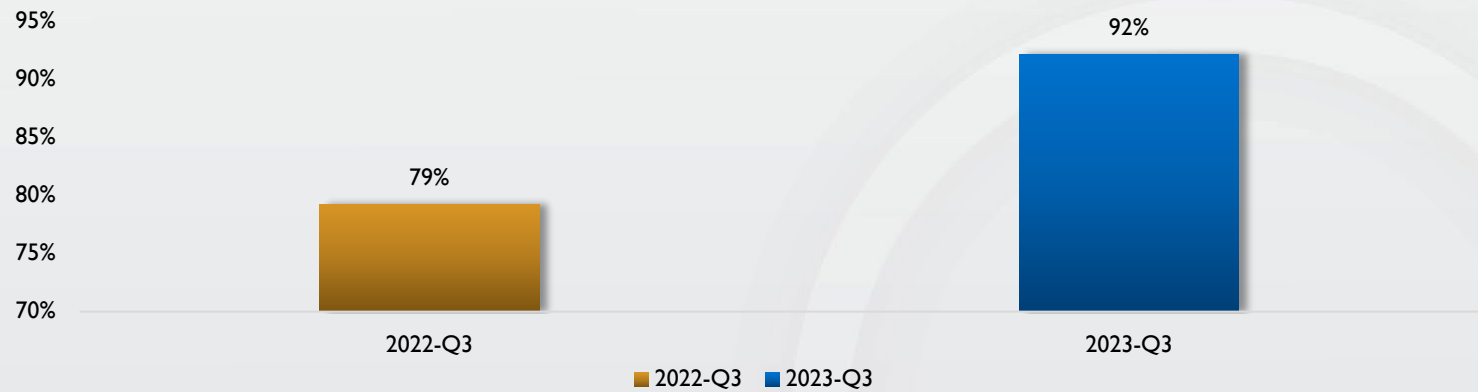


The calculation of the claim ratio entails determining the ratio of gross claims to gross premiums. In the year 2023-Q2, the average claims ratio across the market was 92%, representing a 16% increase in comparison to the corresponding period in 2022-Q3.

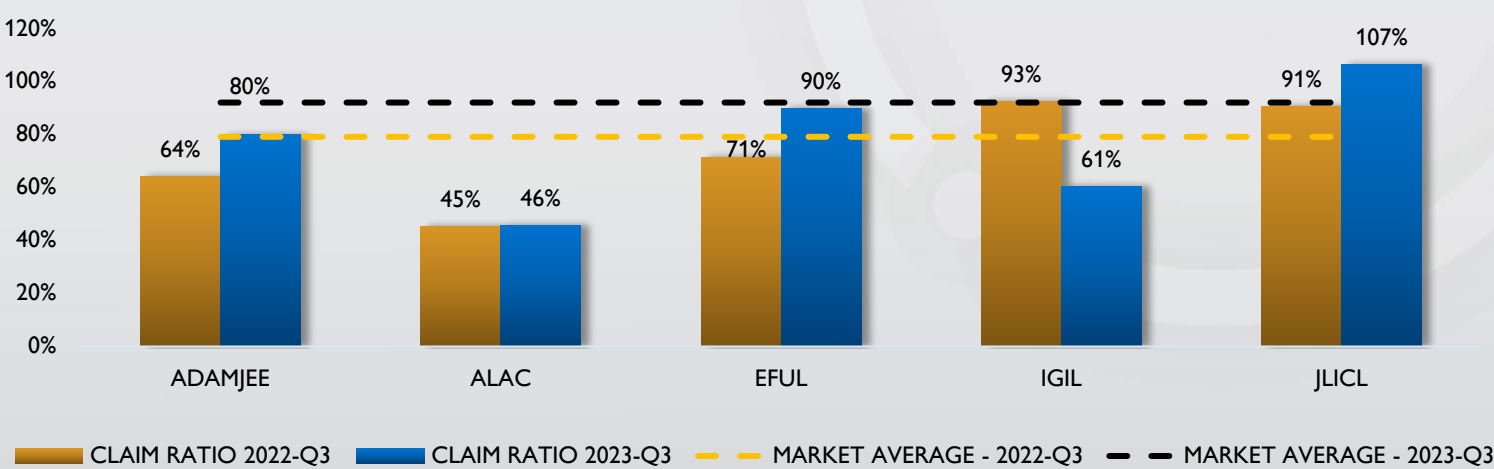
Notably, the highest claims ratio of 107% was observed in the case of JLI CL, followed by EFUL at 90%.

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

Claim Ratio Trend



Claim Ratio



Segment Wise Claim Ratio

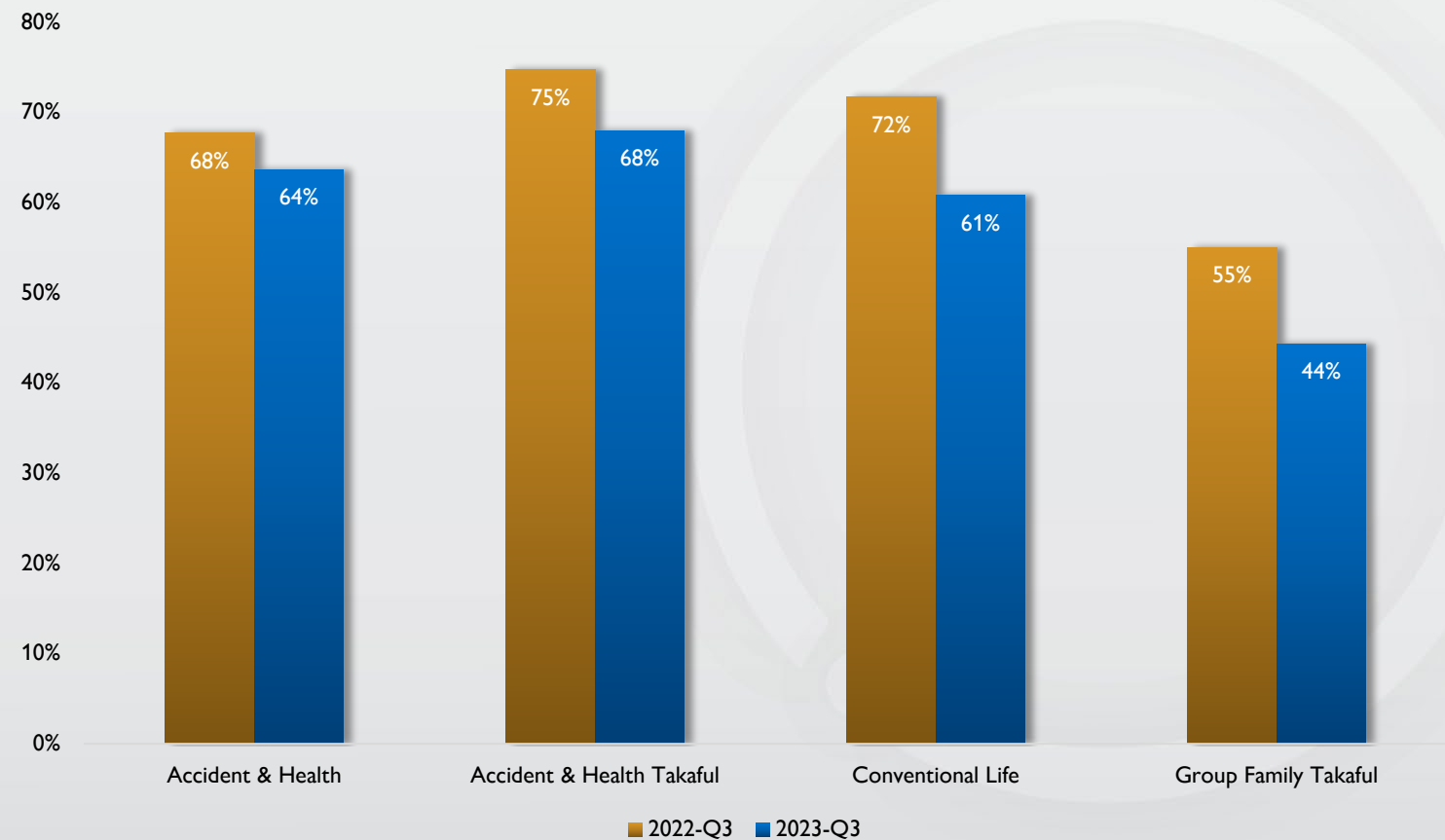


The claim ratio is calculated as the net insurance benefits over the net premium.

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-Q3.

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

Claim Ratio By LOB



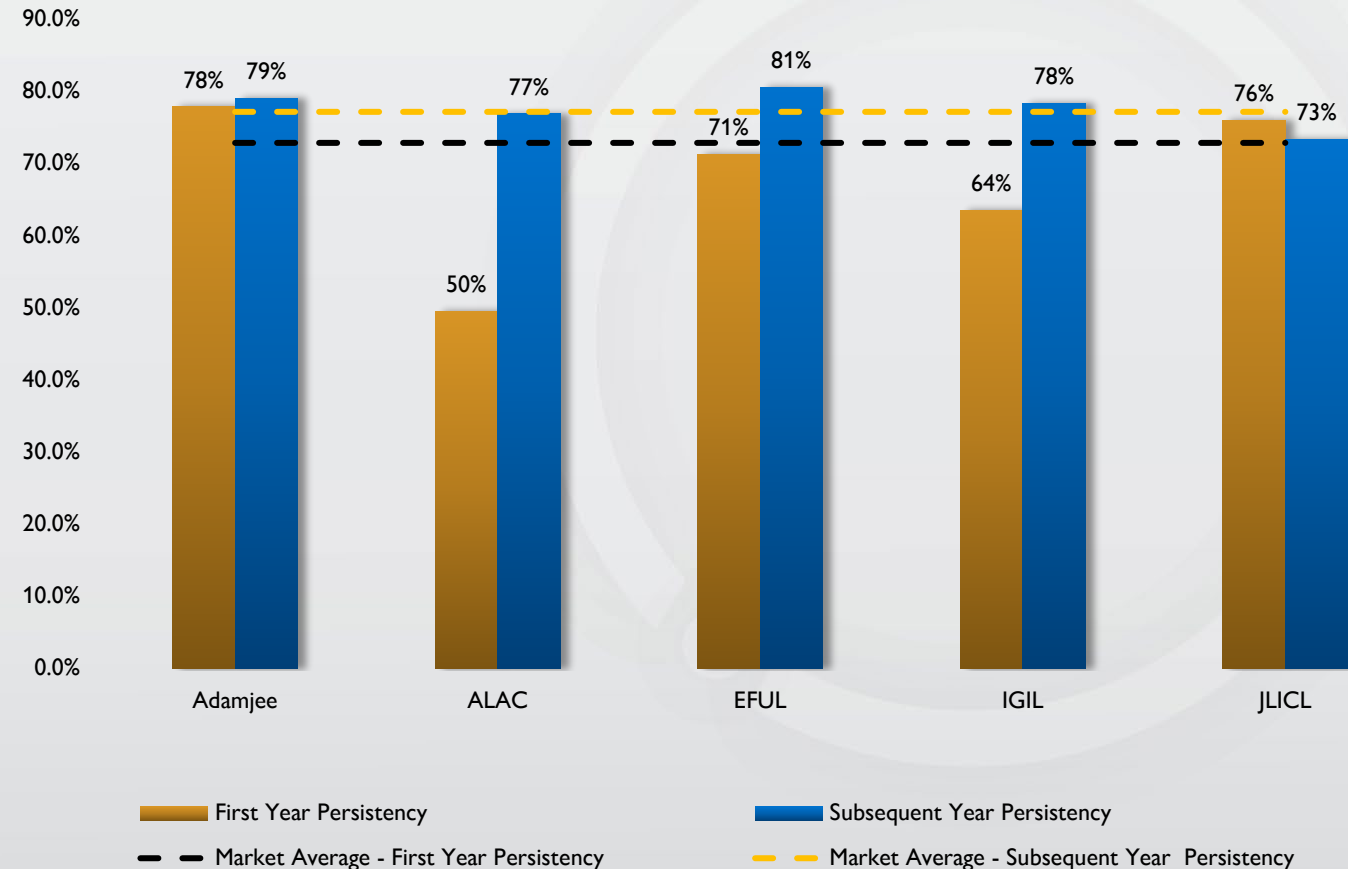
Persistence is a measure of customer retention and a vital performance indicator for life insurance companies. Here, based on the data available, first-year renewals have been calculated as a percentage of current second-year premiums(2023-Q3) divided by first-year premiums from the previous year(2022-Q3). Similarly, subsequent year persistency has been calculated as current year subsequent premiums(2023-Q3) divided by the sum of the previous second year (2022-Q3) and subsequent year premiums.

The persistency for 2023-Q3 shows that the subsequent year's persistency is greater for all companies except JLICL. Adamjee has the highest first-year persistence of 78%.

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-Q3- 2023-Q3



Marketing & Admin Expense Ratio



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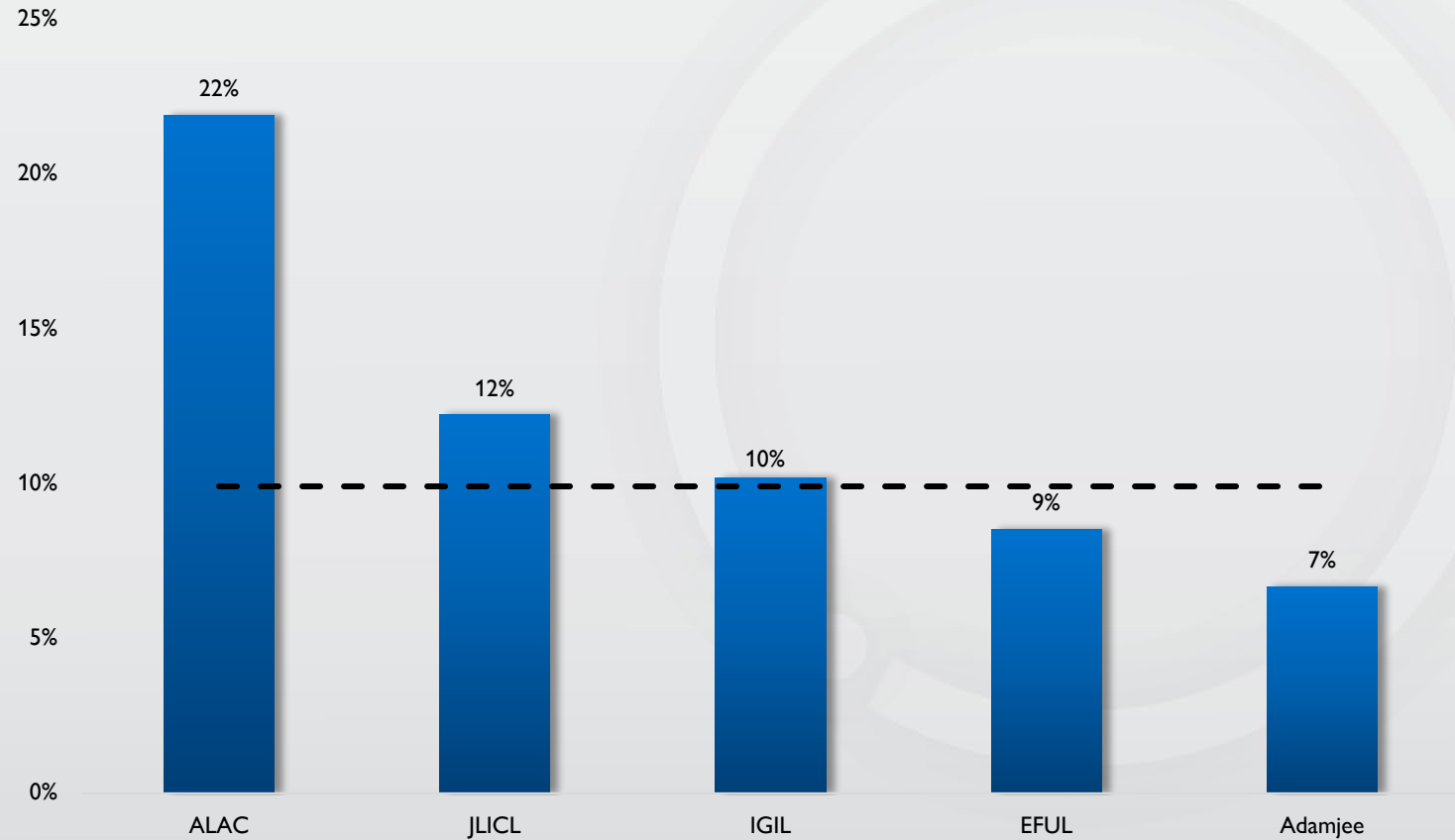
The management expense ratio is calculated as the management expenses over the gross premium.

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

The market average figure stands at 10% for 2023-Q3.

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 resources 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



Marketing & Admin Expense Ratio 2023-Q3

Market Average - 2023-Q3

Acquisition Expense Ratio



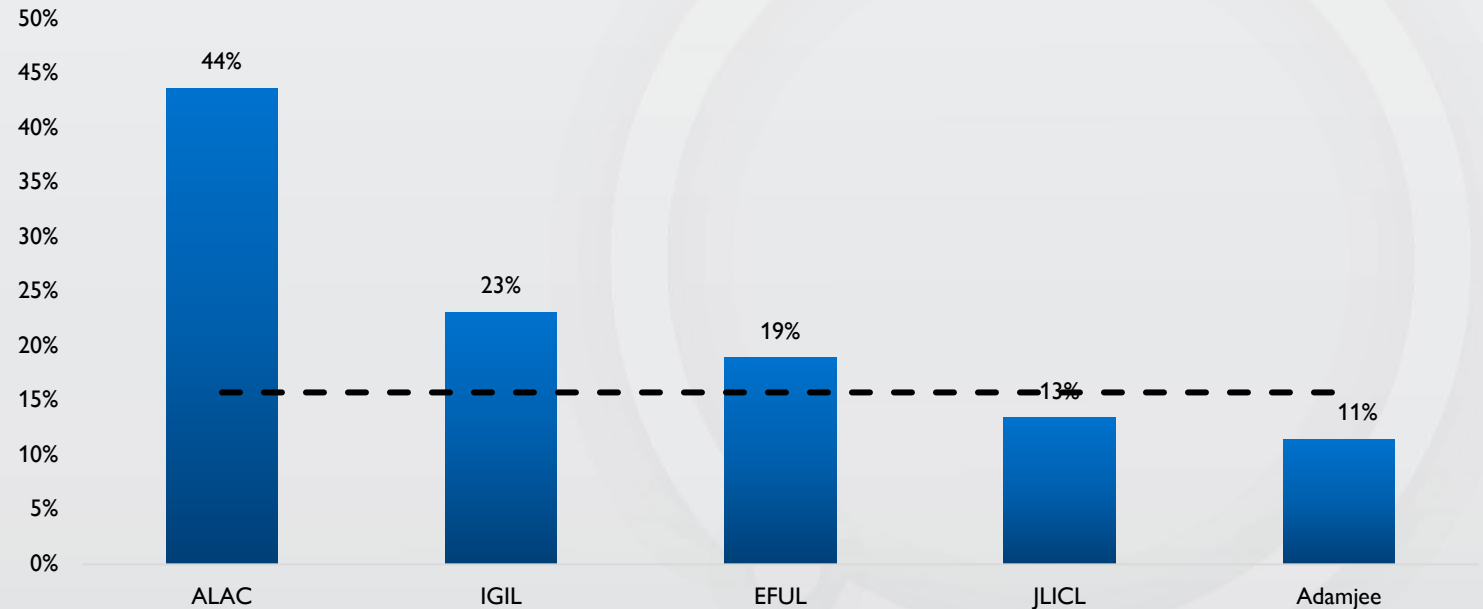
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Acquisitions expenses are incurred in the process of generating revenue for the company. The market average figure stands at 16% with the highest ratio reflected in ALAC's accounts of 44% while Adamjee has the lowest ratio of 11%.

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-Q3. 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 been reduced.

Acquisition Expense as a % of Gross Premium



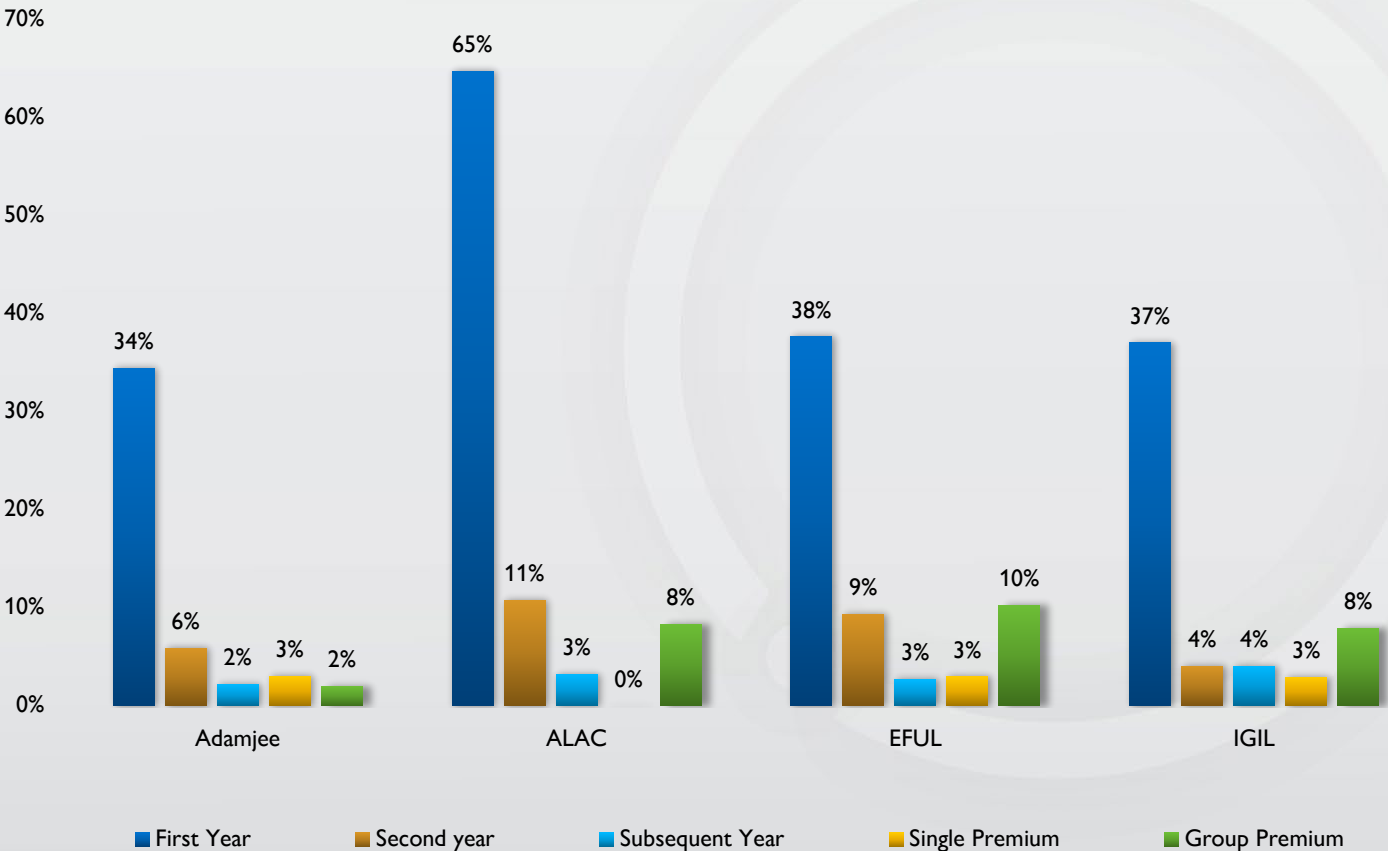
■ Acquisition Expense Ratio 2023-Q3 - - - Market Average - 2023-Q3

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, the 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.

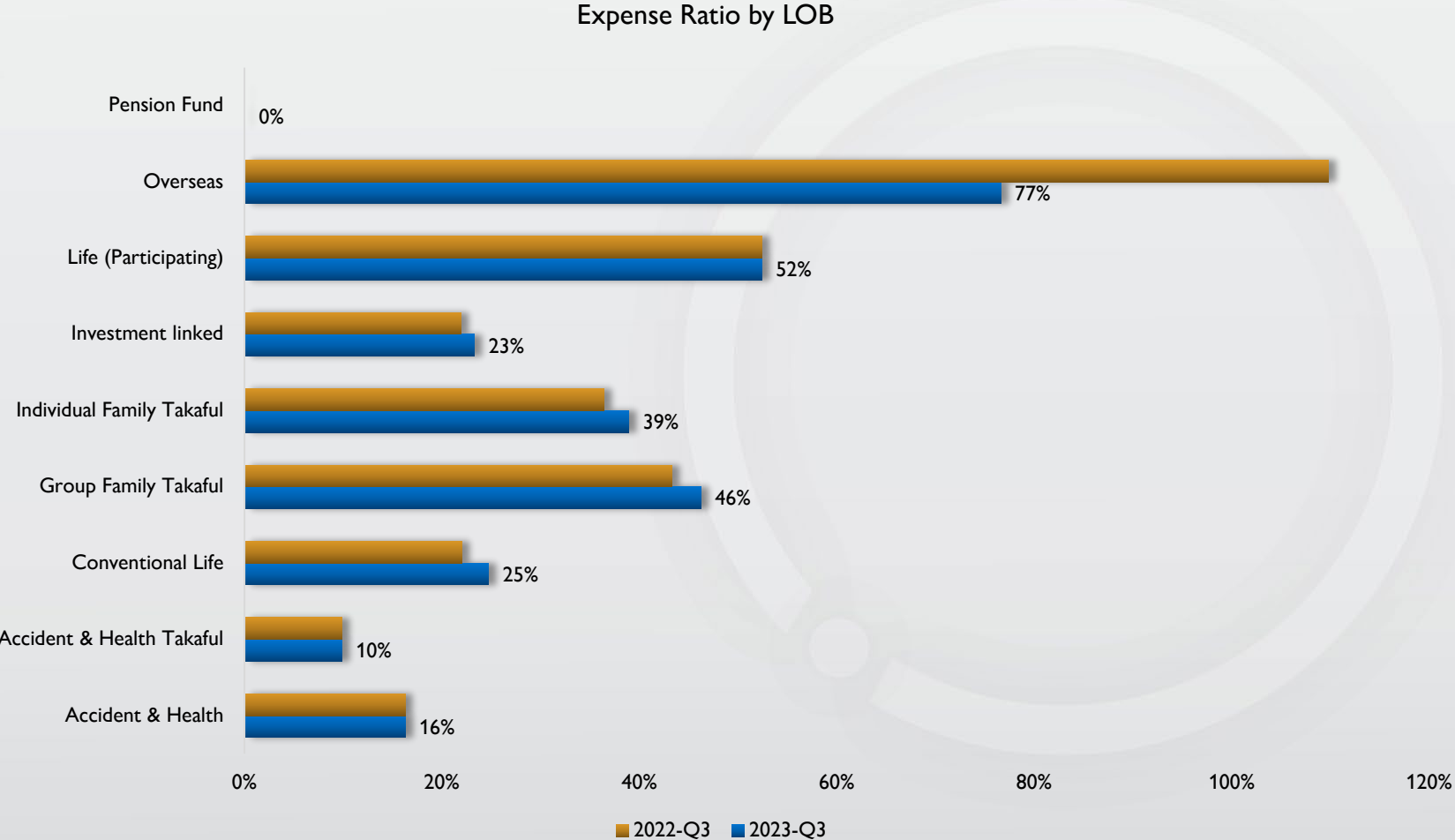
Commission as a % of Gross Premium - 2023-Q3





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

All the lines of business have depicted a stable percentage except overseas and Life (Participating) from 2022-Q3 to 2023-Q3.

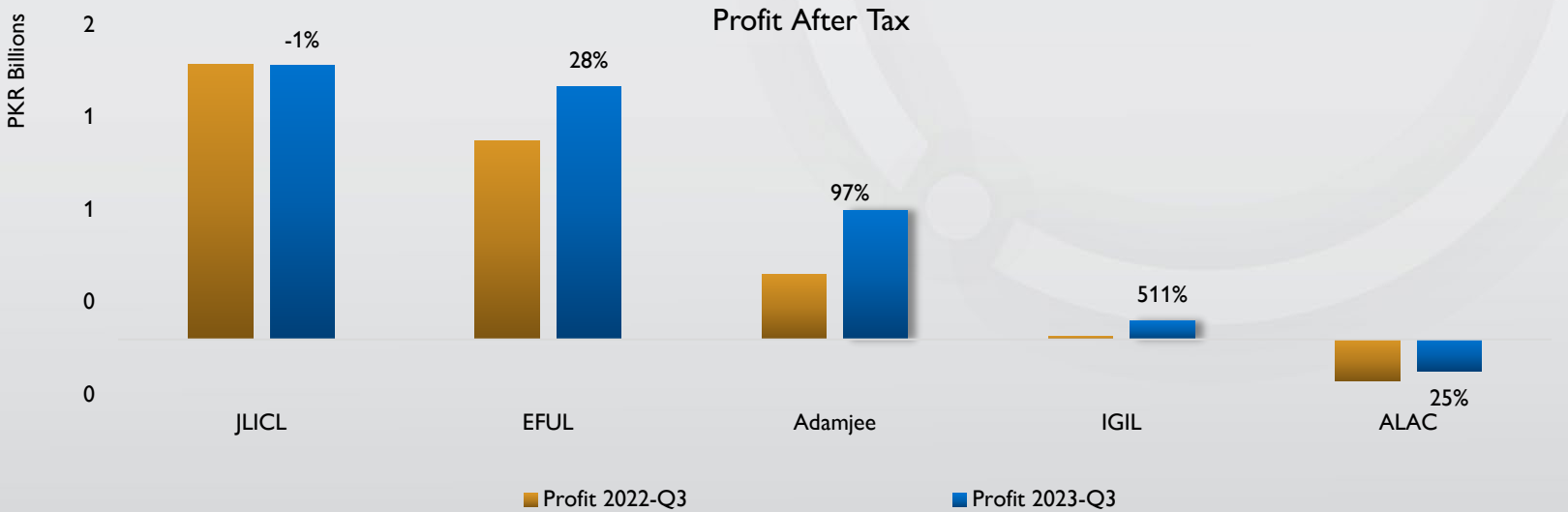
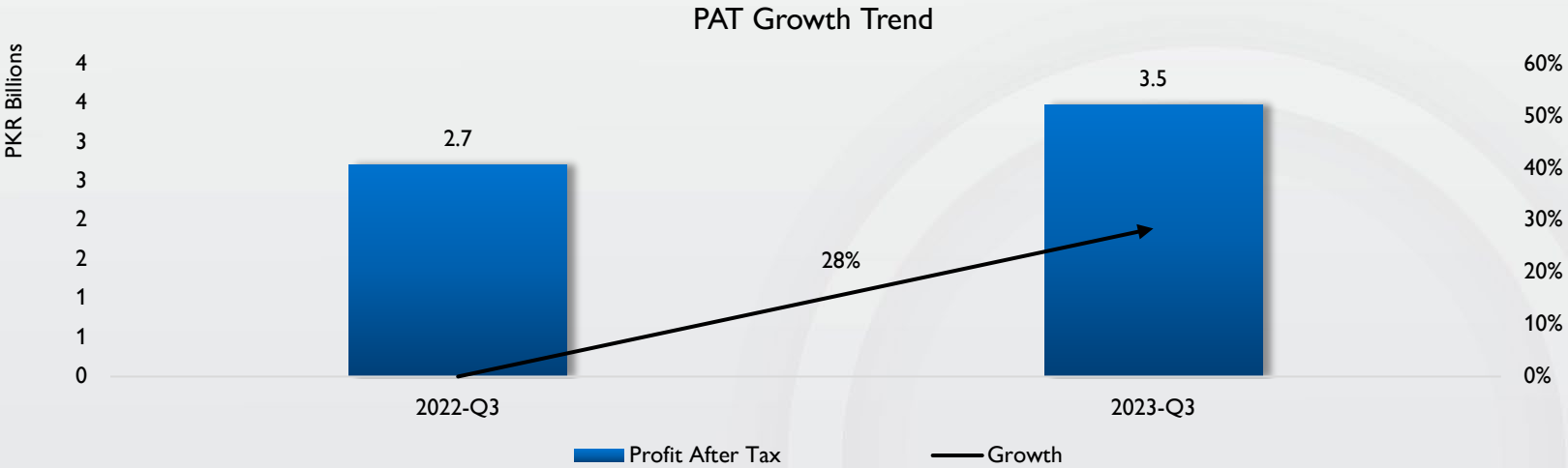


Profit After Tax



The life insurance industry of Pakistan has witnessed improvement in their accounting profits and stands at PKR 3.47 billion, a 28% increase from the level in 2022-Q3.

EFUL reported the highest PAT of PKR 1 billion. IGIL reported the highest increase in profitability of 511%. ALAC on the other hand experienced a sharp reduction in profitability of 25%.



Segment Wise Surplus / Deficit



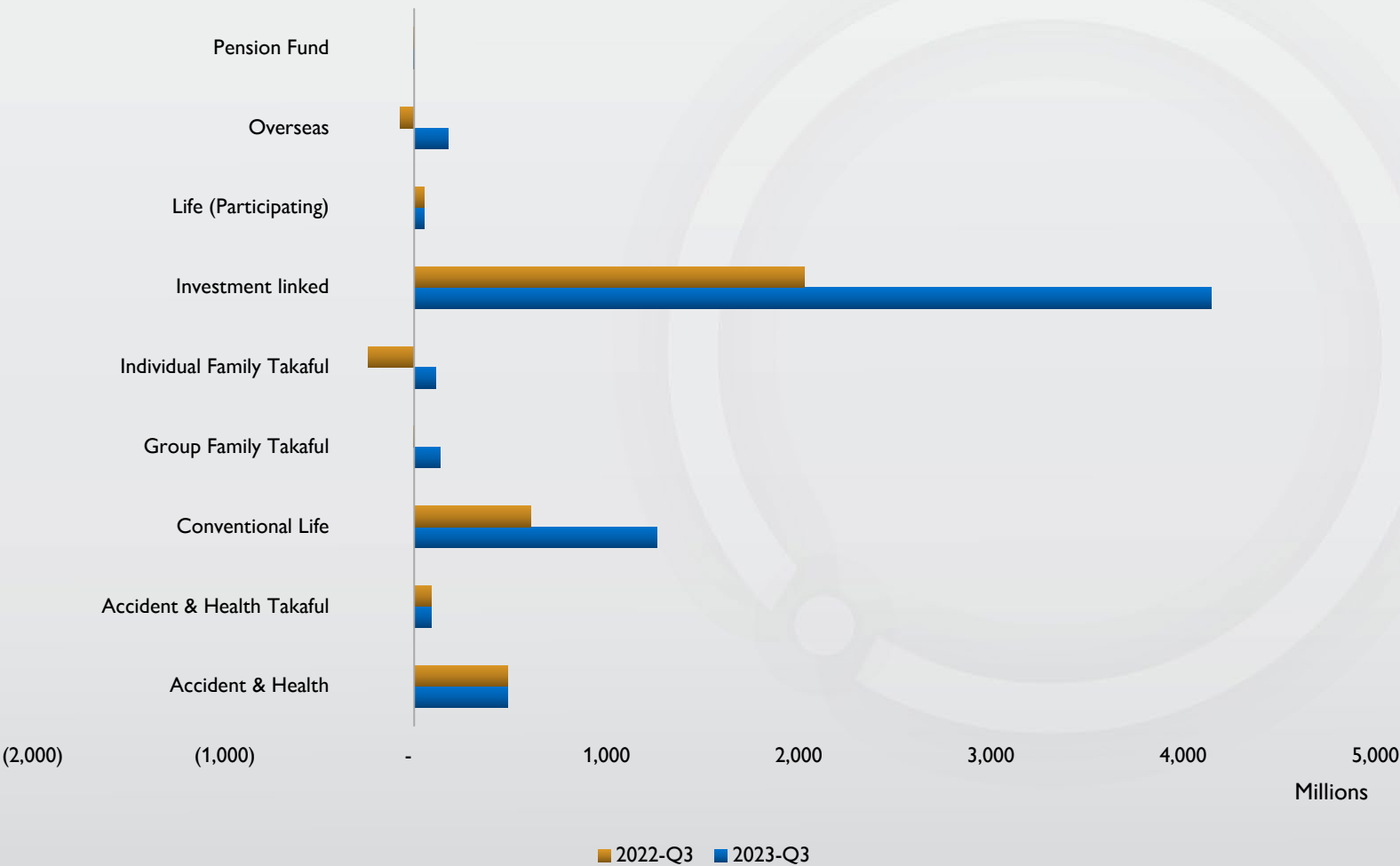
This graph shows the surplus/deficit at the statutory fund level.

It is apparent that most of the lines experienced a significant escalation in 2022 Q3.

The conventional accident & health segment has been increasing year-on-year which is also in line with the premium trend especially in 2023-Q3 arising from the substantial premium written.

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

Surplus Before Tax by LOB





Company	Ranking		Indic.
	GWP	PAT	
JLICL	1	1	➡
ALAC	2	2	➡
EFUL	3	3	➡
Adamjee	4	4	➡
IGIL	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

The chart shows the industry’s invested assets breakdown as at Sep 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 86% of the assets on the balance sheets of life insurers are investments.

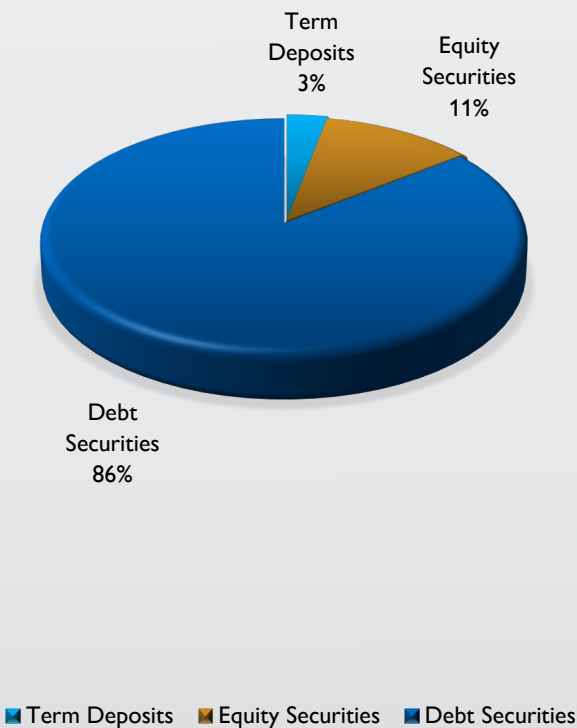
Life insurers in the region have a longer term investment horizon with a low risk tolerance. Investment in equities can yield higher returns but their market value is more volatile. Overall, the total investments in 2023-Q3 is calculated to be PKR 450 billion.

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

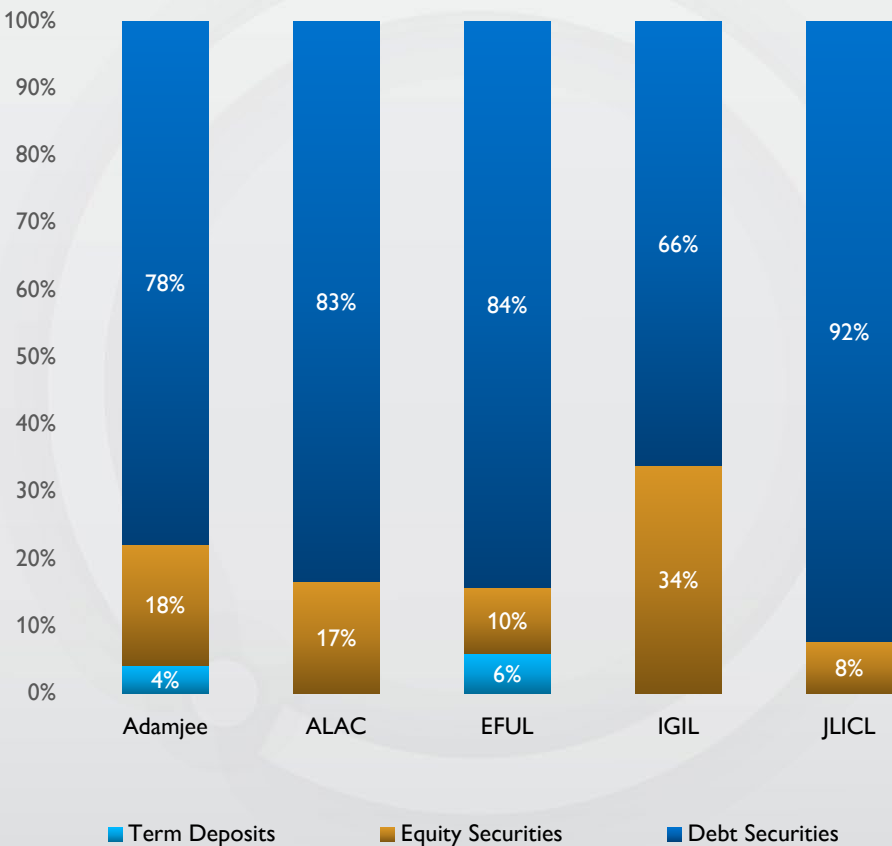
All the companies have a major proportion invested in the term deposit whereas. Since Life insurance policies are longer-tailed, insurers prefer investment in government securities like the 3 - 30 year maturity Pakistan Investment Bonds.

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 Investment as at 2023-Q3



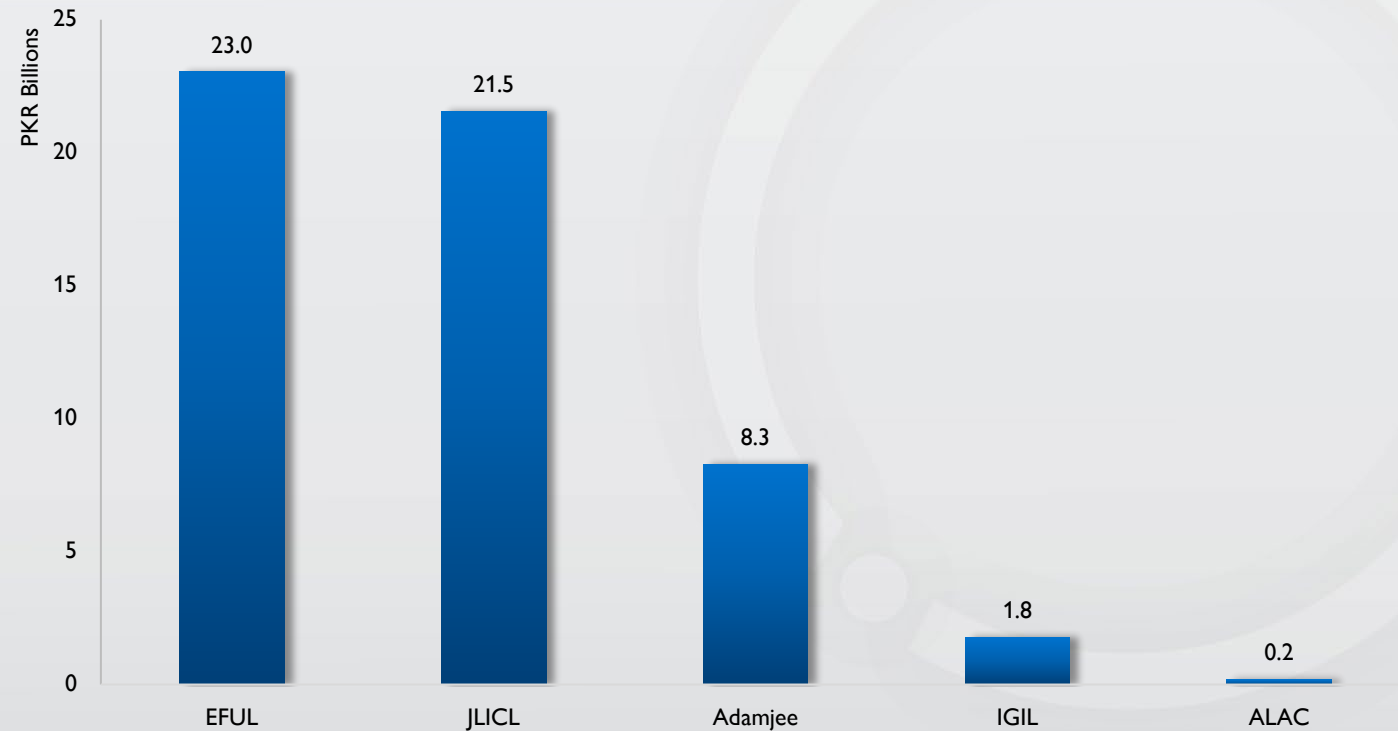
Asset Mix



Total fund size: PKR 450 billion

Life insurance policies are long-term policies which give them a longer investment horizon. Hence, this enhances their ability to generate investment incomes. The highest investment income is generated by EFUL at PKR 23 Billion. The lowest investment income was generated by ALAC of about PKR 0.2 billion since they write group policies which are short-term policies.

Investment Income



■ Investment Income 2023-Q3

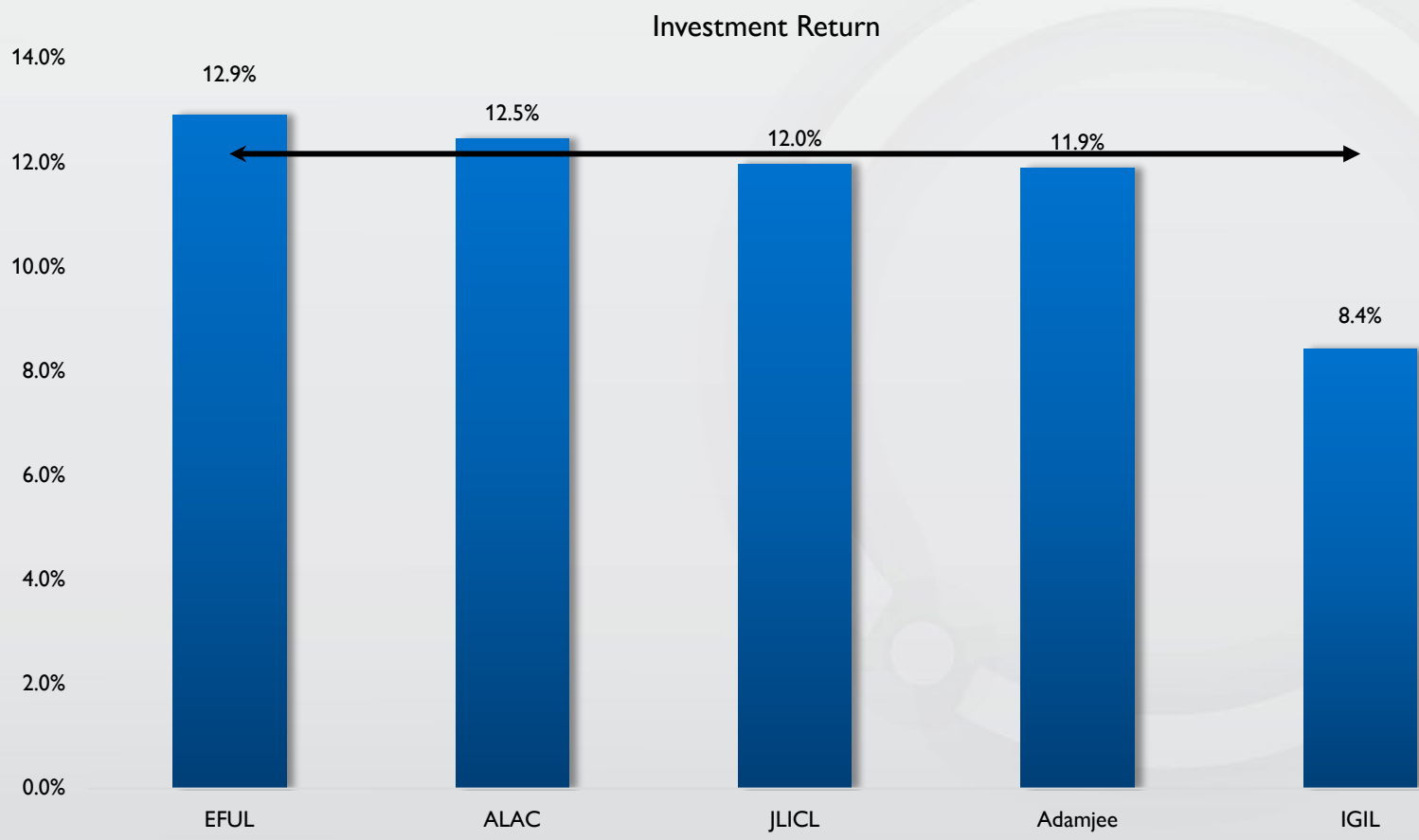
Investment Return



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

The ratio for the industry averages around 12% in 2023-Q3 which is 19% higher than in 2022-Q3.

EFUL has earned the highest investment return which is 12.9% with the majority of their investments lying in debt securities and term deposits. IGIL has the lowest returns of 8.4% and their investments are majorly in equity securities.



Investment Return - 2023-Q3 Market Average 2023-Q3

Conclusion



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In the first 9 months of 2023, there were continuous global economic challenges. The PKR's devaluation against the USD had an impact on every significant and minor sector of the economy.

Listed insurance companies saw a 3% rise in the Life insurance sector's GWP to PKR 85 billion in 2023-Q3 (compared to PKR 82 billion in 2022-Q3). The industry's first-year and subsequent-year persistency stands at 73% and 77% respectively.

The investment income stands at PKR 55 billion.

The year-on-year trend shows an increase in the claim to premium ratio, reaching 92% in 2023-Q3, up from 79% in 2022-Q3. Despite the rise in claims, industry profitability remains uncompromised. The after-tax profit stands at PKR 3.5 billion, marking a 28% rise from the level in 2022-Q3 (PKR 2.7 billion).

Ongoing regulatory changes targeting digital transformation are anticipated to significantly impact the foreseeable landscape of the life insurance sector. The prevailing global economic downturn continues as the primary obstacle.



Life Insurance Companies

Logos	Sr. No.	Symbol	Name	Market
	1	Adamjee	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

Disclaimer



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- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the life insurance companies in Pakistan for the first 9 months 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.
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Directors		5 Staff	
UAE/ Oman Actuarial	38 Staff	Medical	6 Staff
KSA Actuarial	37 Staff	IFRS 17	14 Staff
Business Intelligence	11 Staff	HR Consultancy	2 Staff
End of Services	4 Staff	Financial Services	6 Staff
Support & Admin	28 Staff	Data Science	1 Staff

Total Strength 152

Our Feedback

BADRI Management Consultancy is proud to present Pakistan's Life Insurance Companies Performance analysis 2023-Q3. 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.

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Hatim Maskawala



Ali Bhuriwala



Omar Khan



Asim Iqbal



Hassan Athar



Nimrah Naveed