

Life Insurance And Family Takaful in Pakistan



June 2020

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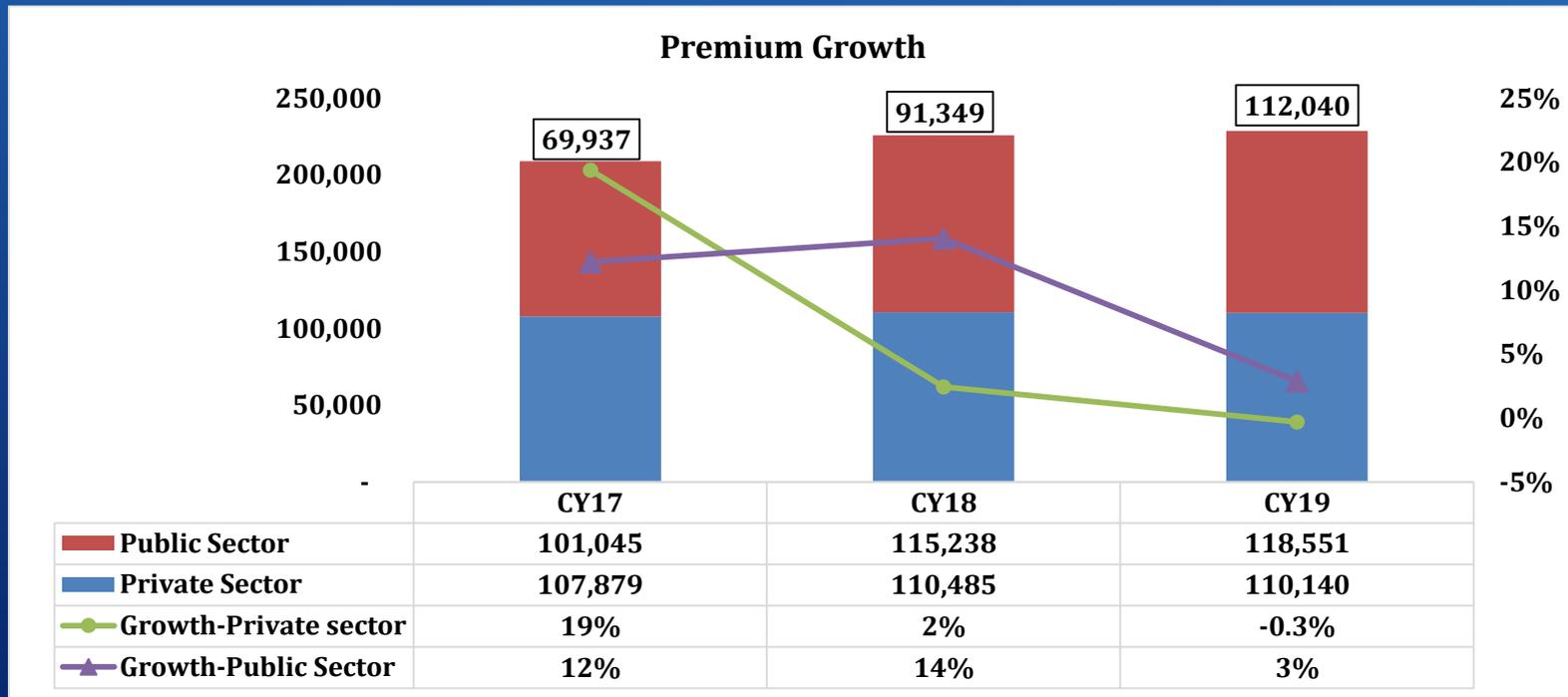
INDUSTRY DYNAMICS

- ▶ Market remains dominated by public sector entity – State Life Insurance Corporation of Pakistan (SLIC)
- ▶ Private sector is led by two main players
- ▶ The remaining companies have not been able to increase their market shares. Pak Qatar Family Takaful has recouped its market position

Company	CY19			CY18			CY17			
	Gross Premium (PKR mln)	Growth (%)	Market share(%)	Gross Premium (PKR mln)	Growth (%)	Market share(%)	Gross Premium (PKR mln)	Growth (%)	Market share(%)	
Conventional										
1 Jubilee Life	49,627	-4%	22%	51,887	10%	23%	47,116	24%	23%	
2 EFU Life	31,750	3%	14%	30,790	-2%	14%	31,499	28%	15%	
3 Adamjee Life	12,969	-2%	6%	13,247	-4%	6%	13,781	22%	7%	
4 IGI Life	4,815	0.4%	2%	4,794	-15%	2%	5,617	-26%	3%	
5 TPL Life	753	73%	0%	435	61%	0%	270	132%	0%	
6 Askari Life	302	589%	0%	44	129%	0%	19	-23%	0%	
Takaful										
7 Pak Qatar Family	8,287	6%	4%	7,817	-5%	3%	8,263	10%	4%	
8 Dawood Family	1,636	11%	1%	1,471	12%	1%	1,313	11%	1%	
Premium Private Sector	110,140	-0.3%	48%	110,485	2%	49%	107,879	19%	52%	
9 SLIC	118,549	3%	52%	115,238	14%	51%	101,045	12%	48%	
Total Premium	228,689	1%	100%	225,724	8%	100%	208,924	16%	100%	

GROWTH DYNAMICS

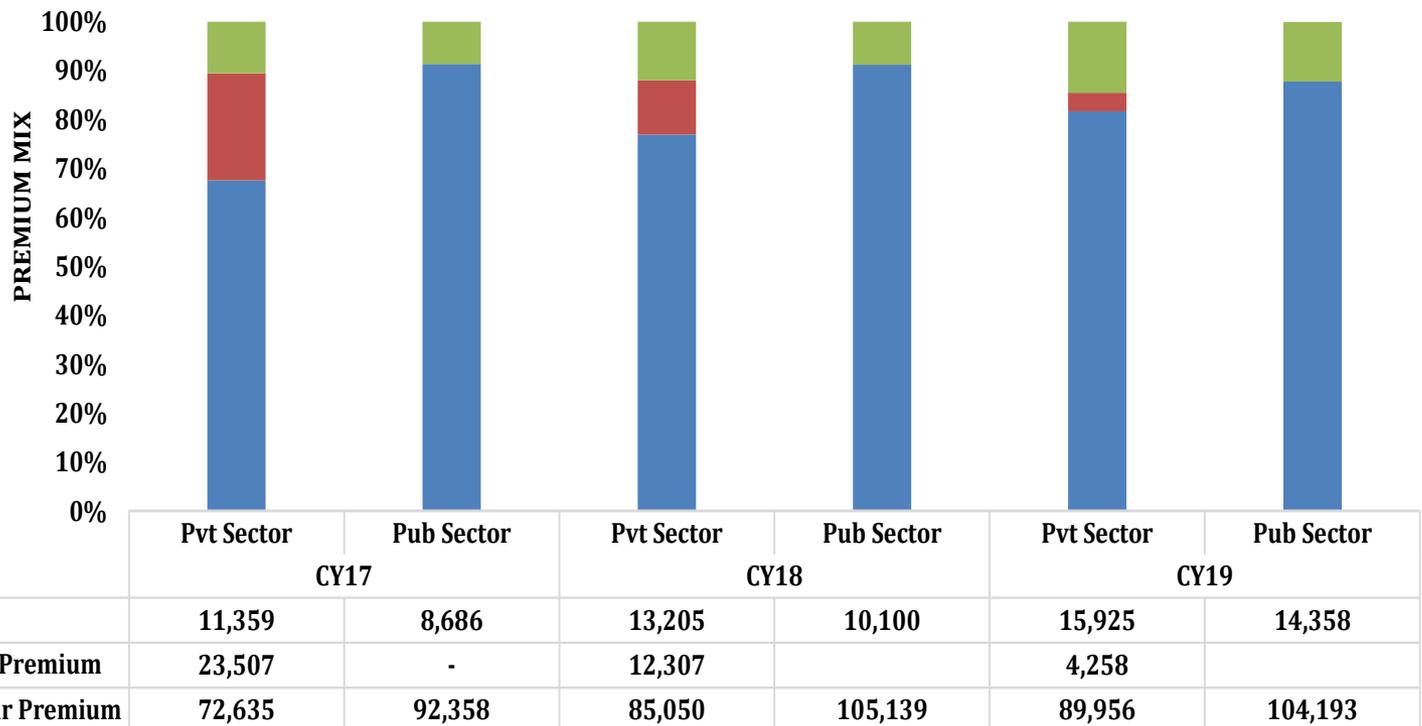
- ▶ Only state owned insurer is State Life Insurance Corporation ; SLIC (termed as Public Sector).
- ▶ Growth remained dismal due to economic slowdown
- ▶ Private sector witnessed negative growth rate. Expected to further reduce as economy shrinks



PREMIUM MIX

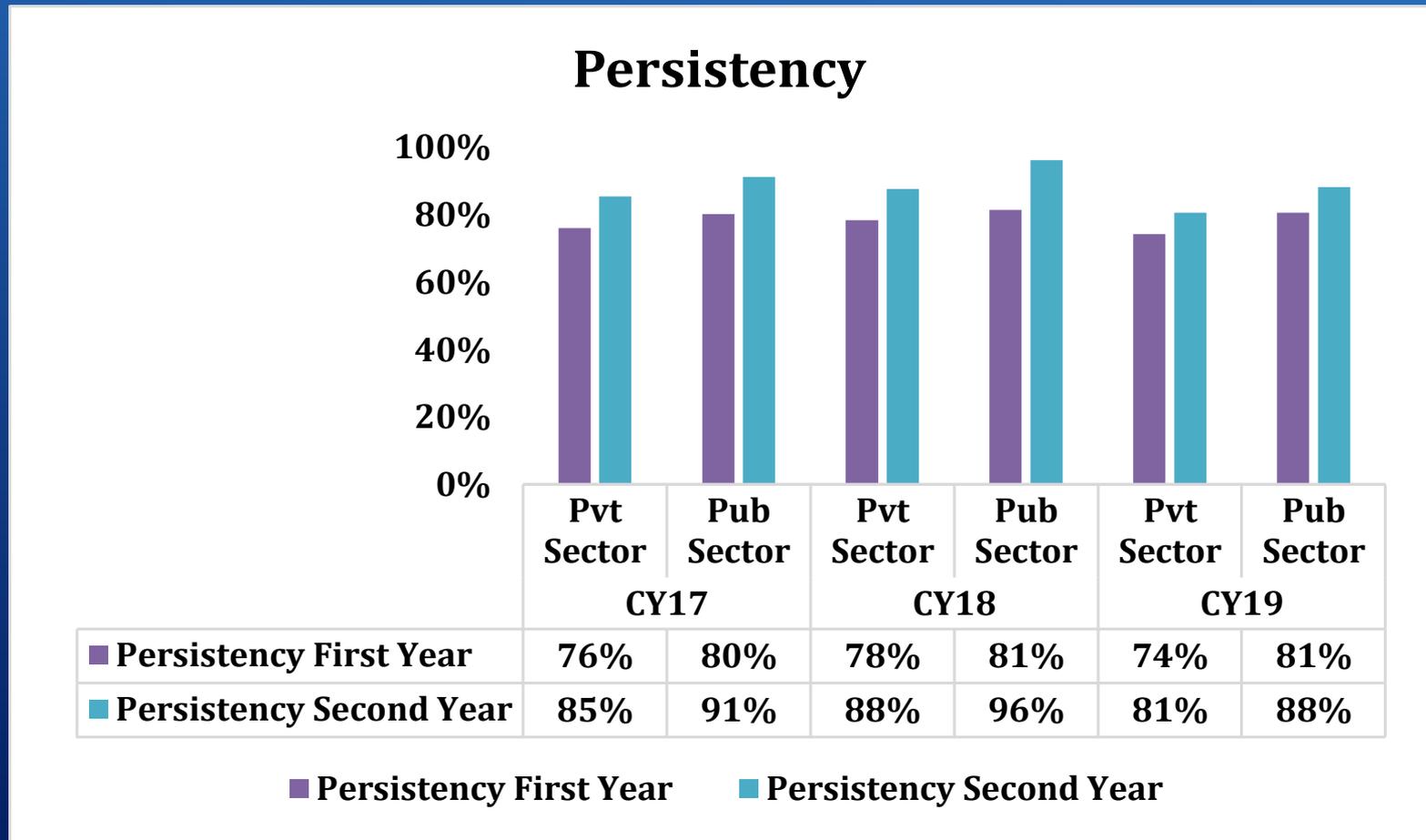
- ▶ Private sector's growth driver is primarily unit linked product sold through bancassurance.
- ▶ Single Premium product is on the decline due to volatile performance of the stock market
- ▶ Group Premium is on the rise

Premium Mix



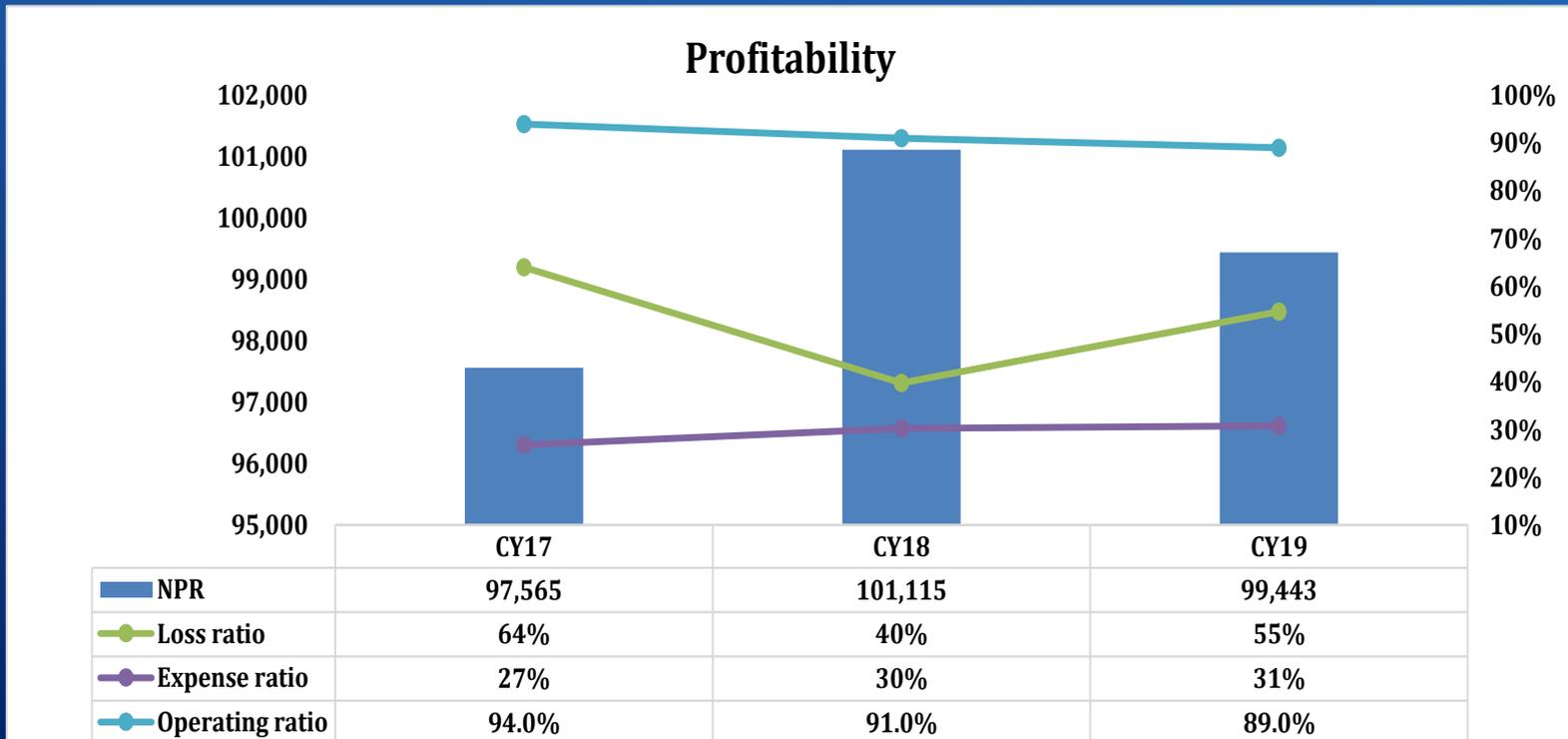
REVENUE STREAMS | PERSISTENCY

- ▶ Persistency of public sector is higher than private sector.
- ▶ Subsequent years persistency is higher than the 1st year in both private and public sectors
- ▶ Persistency may reduce in light of COVID-19



PERFORMANCE ANALYSIS

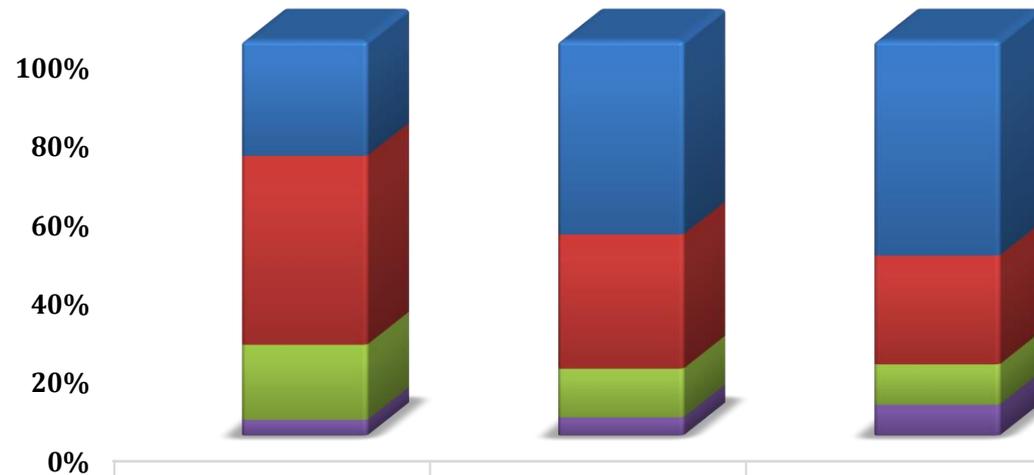
- ▶ Despite minimal growth in GPW, the Net Premium Revenue (NPR) declined as companies decreased their retention volumes
- ▶ Operating Ratio of Public sector has improved on account of improved surplus
- ▶ Smaller companies in Private Sector find it difficult to manage their operational costs.



INVESTMENT BOOK | ASSET ALLOCATION

- Asset Allocation in private sector more inclined towards Government securities
- This is due to 1) Due to considerable hike in interest rates from CY18 to CY19, 2) Switching of portfolio from equity securities as equity markets are under stress and remain volatile
- In the wake of COVID-19, interest rates have been reduced considerably. This may have implications on the asset allocation

Assets Allocation | Pvt Sector

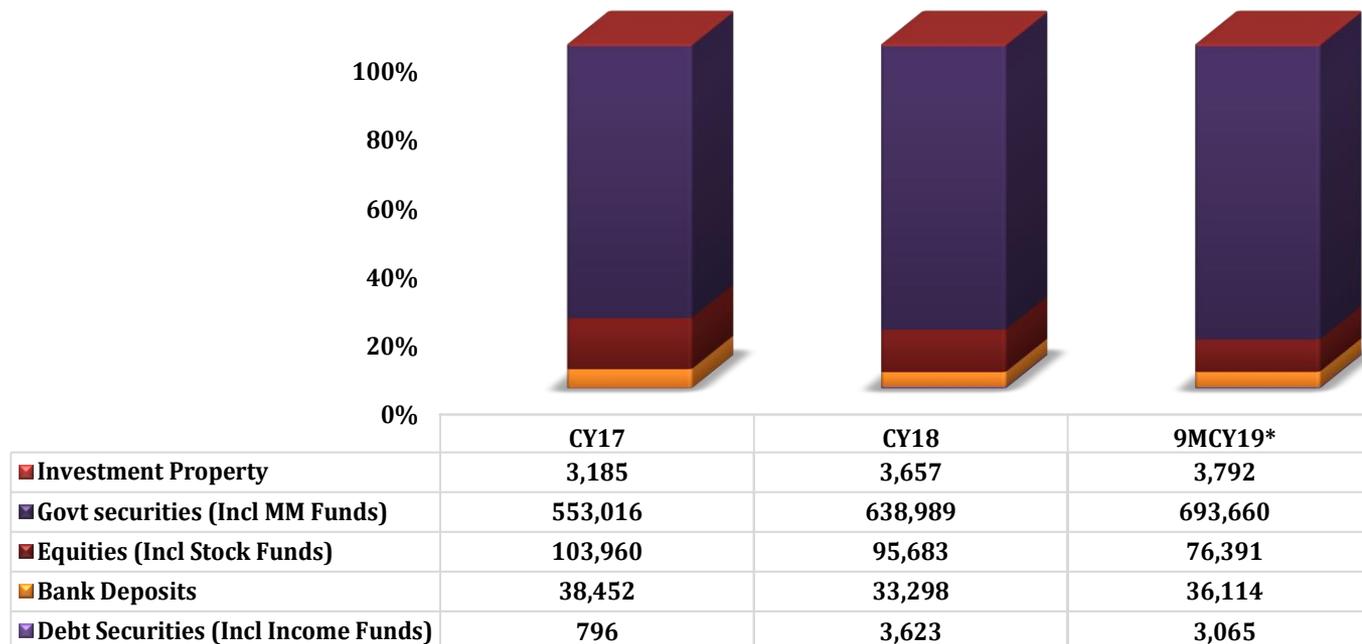


	CY17	CY18	CY19
■ Govt securities (Incl MM Funds)	84,486	154,523	202,388
■ Equities (Incl Stock Funds)	138,460	106,947	102,377
■ Bank Deposits	55,126	38,801	37,997
■ Debt Securities (Incl Income Funds)	11,377	14,375	28,897

INVESTMENT BOOK | ASSET ALLOCATION

- Asset Allocation in public sector is concentrated mainly in Government Securities
- Proportion of Equity Investments is on the rise
- The public sector has various investment properties throughout the country. The market value of these investment properties as at CY18 were PKR 40bln (CY17: PKR 35bln)

Assets Allocation | Pub Sector

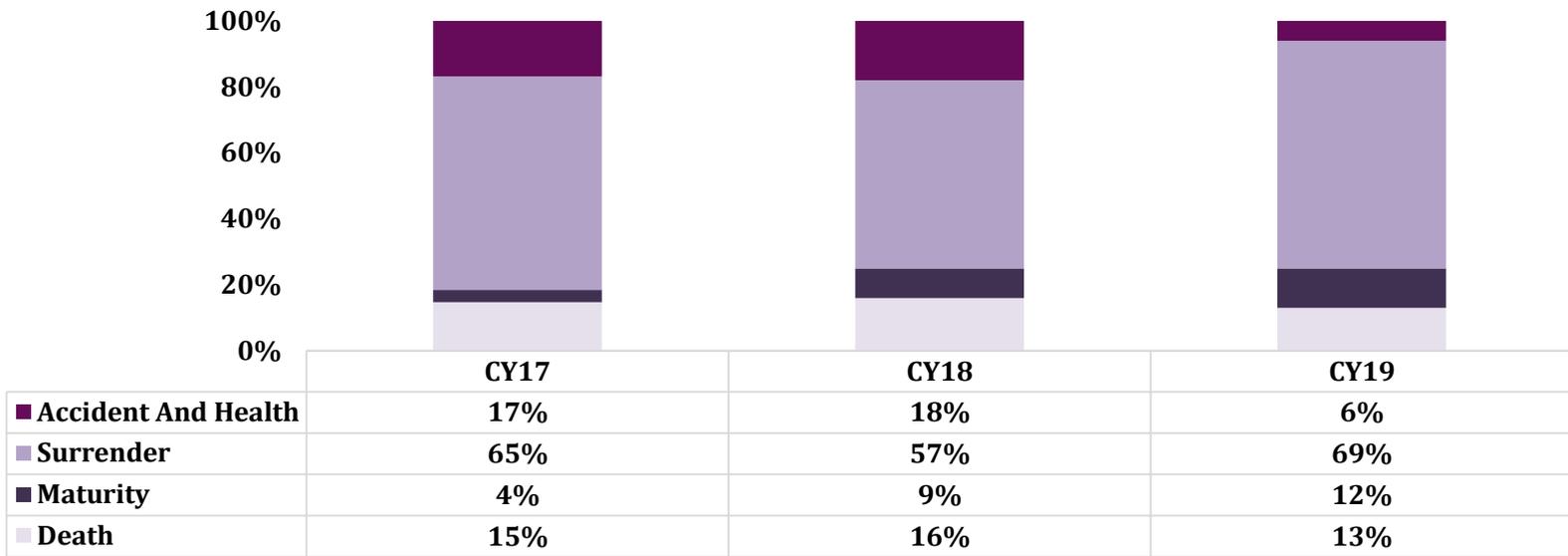


* Annual Statements for CY19 not available

CLAIMS

- Claims ratio of overall private sector majorly increased due to surrenders. This was because of two reasons.
- Higher interest rates offered both in government securities such as PIBs and bank deposits, made investment lucrative for investors ; who divested their polices to fulfill their needs or invest in avenues offering high fixed income
- Secondly, the Insurance companies switched their strategy to regular premium polices to maintain stable premium stream and avoid volatility in the bottom line.

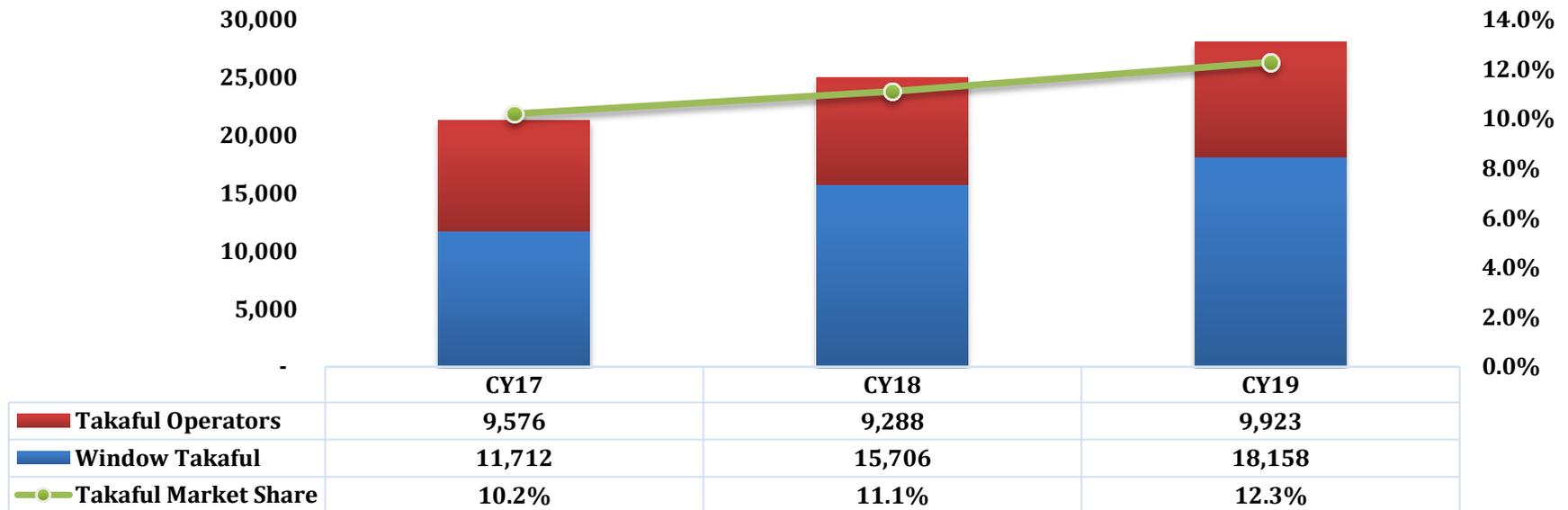
Claims Experience | Private Sector



TAKAFUL

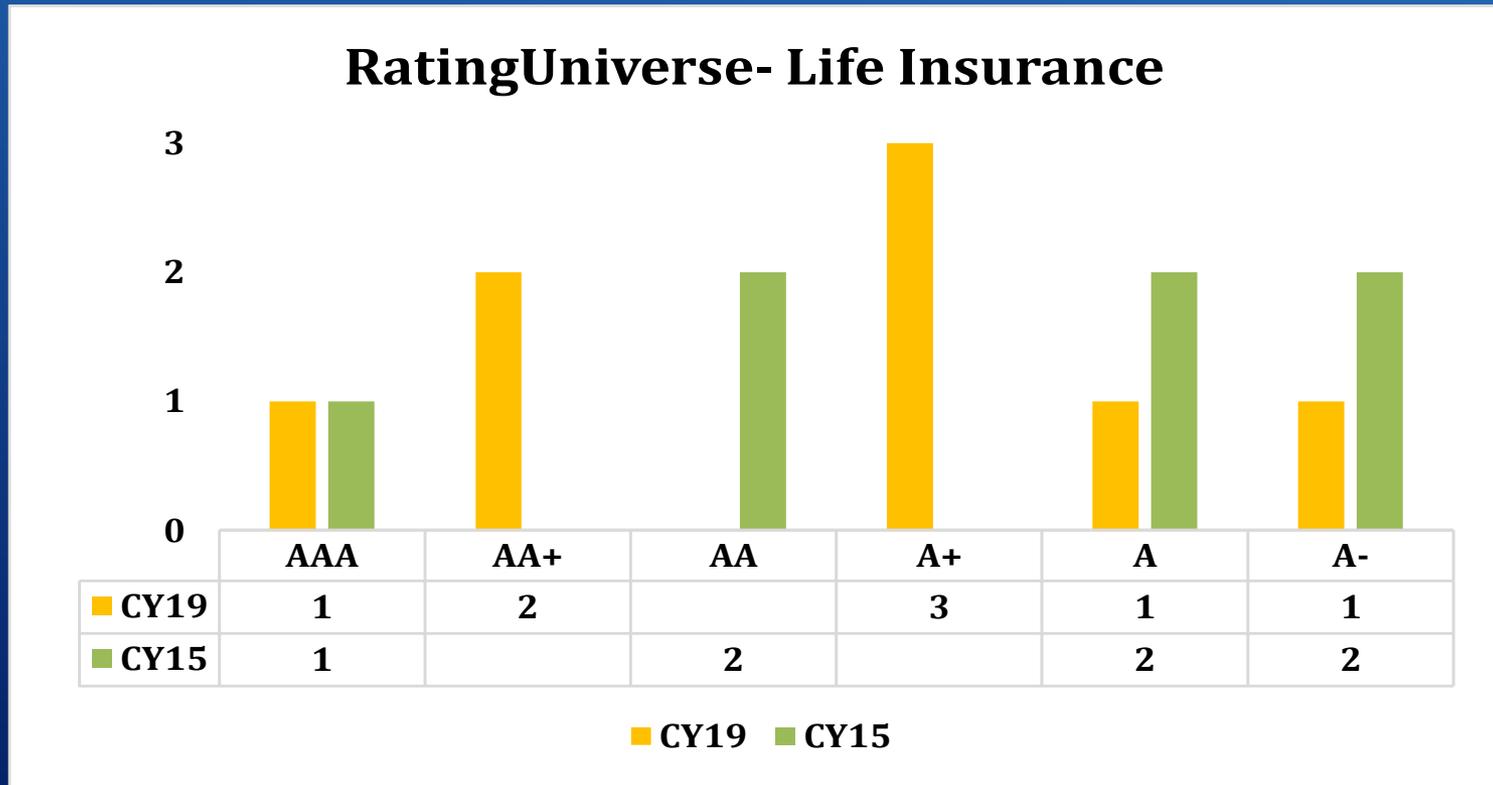
- ▶ Window takaful allowed to conventional players in May 2014.
- ▶ Two dedicated Takaful players i.e. Pak Qatar Family Takaful and Dawood Family Takaful
- ▶ All conventional companies have a Takaful window. Jubilee and EFU Life lead the way

Takaful



RATING PARADIGM

- ▶ Adamjee Life and Pak Qatar Family improved from A to A+ (April 2017 and June 2018 respectively).
- ▶ IGI Life entered the rating paradigm in 2017.
- ▶ Dawood Family moved to A in 2019



SECTOR ANALYSIS

- ▶ The Life insurance sector witnessed evolution from the Public sector through annuity based products whereas the non-public entities were engaged in unit linked products
- ▶ Historically, reliant on Banca and single premium, the private sector has moved towards the regular premium schemes.
- ▶ Prior to COVID-19, the life insurance industry witnessed miniscule growth of 1% YoY as single premium declined due to multiple factors. The current pandemic has further affected the life insurance industry, with the growth expected to plummet
- ▶ Anticipated fall in the money flow is likely to impact the saving rate, hence dilution in fresh deployment into the investment linked policies is likely, though the pandemic COVID-19 is expected to create awareness about importance of life insurance policies
- ▶ The investment income is likely to plummet in the wake of depressing trends in PSX and reduced interest rates.
- ▶ Companies will be expected to face claims from deaths arising due to coronavirus however this is likely to be low due to miniscule insurance penetration.
- ▶ Adequate liquidity is essential in order to withstand the financial burden of the pandemic. However, the large investment book is expected to cushion any liquidity concerns

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- Insurance Ordinance, 2000
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- Analysis based on PACRA’s inhouse research | figures compiled from annual financial statements of industry participants

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