



The Pakistan Credit Rating Agency Limited

TPL LIFE INSURANCE LIMITED

IFS RATING REPORT

	NEW [MAY-17]	PREVIOUS [APR-16]
Insurer Financial Strength (IFS) Rating	A-	A-
Outlook	Stable	Rating Watch - Developing

MAY 2017

Profile & Ownership

- TPL Life Insurance Limited (Formerly Asia Care Health and Life Insurance Company Limited) was incorporated in 2008 and obtained license to carry on life and related line of business in 2009
- TPL Trakker Limited, a subsidiary of TPL Holdings (Pvt) Limited, acquired 100% stake of the company in Jul-16 at a price of PKR 5.9/Share
- TPL Trakker Limited (TPL), listed on Pakistan Stock Exchange, is Pakistan’s largest vehicle tracking and fleet management company
- TPL Life offers four Group/Corporate plans (including Classic care, Infinity care plans, Progressive care plans, and Awam Care Plan), and four Personal plans (including Individual & Family plans, and Prepaid health plans)

Governance and Management

- New BoD of TPL Life consists of eight members, all from Sponsoring group Mr. Jameel Yusuf Ahmed, the chairman, is a veteran businessman and is the Chairman of TPL Holdings (Pvt) Limited
- Mr. Faisal Abbasi – CEO of the company, is a seasoned professional having experience of over 19 years in Life Insurance and banking sector

Business Risk

- Post its acquisition, the company adopted a strategy of selective underwriting which led to a decline (75%) in TPL Life’s GPW (CY16: PKR 116mln), clocking in its market share less than 1%
- Major portion of premium is contributed from group health segment (68%); retail size is small (29%). Top ten client concentration remained high (68%) due to higher exposure in corporate client
- With subsequent decline in net premium, loss ratio (140%) and expense ratio (70%) of the company remained on the higher side
- The underwriting resulted into a deficit of PKR 208mln
- Investment income, mainly a steady stream from government securities, added PKR 30mln to the bottom-line
- Consolidating with the decrease in policyholder liabilities, there is a net deficit of PKR 76mln

Business Strategy

- Going forward, TPL Life would continue selective underwriting
- Innovative products (including micro-insurance) with competitive terms, offered through telecom (Mobilink) and banking (First Microfinance Bank and Khushali Bank) platforms, are pending regulatory approvals
- Increasing penetration in lower income segments on card
- Pre-paid health insurance plans to individuals - one of its kind in the health segment in Pakistan – recently launched
- The management is eyeing to secure a GPW of ~ PKR 900mln by end-Dec’17

Financial Risk

- TPL life has an adequate investment book of PKR 340mln, representing 1.3x of equity of the company at end-Dec16. This includes PKR 50mln injected by new sponsors after acquisition in Jul16
- Liquidity position is comfortable providing 7.1 times coverage policyholders liabilities, though in absolute size it declined from PKR 455mln in Dec’15 to PKR 340mln in Dec’16; this is due to cleansing of balance sheet leading to payment of policyholders liabilities (Sep’16: PKR 83mln, Sep’15: PKR 272mln)
- Going forward, the company plans to inject fresh capital of PKR 530mln. Out of which (i) PKR 50mln has been received from TPL Trakker by Dec16, (ii) PKR 80mln right issue through renunciation shall be subscribed by TPL Trakker in Feb17, (iii) IPO would be fetching in at-least PKR 400mln
- TPL Life is compliant with the Solvency margins requirements at end-Dec16, with shareholders’ fund margin clocking in at PKR 44mln, while it transferred PKR 55mln to policyholders’ funds in the form of capital contribution, thereby complying with solvency requirements in all the funds.

RATING RATIONALE

The rating incorporates the refined business strategy implemented by the new sponsor. The strategy encompasses innovation in its products and increased penetration in lower income segments. The strength of the new sponsor is evident from the fresh injection of capital – further equity injection expected in CY17. The risk absorption capacity is ample emanating from a high level of liquid assets – declined lately due to cleansing of liabilities from the balance sheet. The management plans to follow selective underwriting approach. TPL Life has adopted a bottom-line centric approach targeting low-ticket business. The company embarked upon an organizational re-alignment process with enduring emphasis on 'KPIs' for all tiers; the management expects fruits of this exercise to emerge in the near future. TPL life is going for an IPO in near future, success of IPO remains critical.

KEY RATING DRIVERS

The rating is dependent on the company's ability to execute its business plan in an effective and timely manner; herein, growth in top-line and underwriting profits are essential. Maintaining liquidity level at a requisite level is a key essential for the rating.



Life Insurance Financials [Summary]

TPL Life Insurance Company Limited (TPL Life)

	<i>PKR mln</i>	
	Dec'16	Dec'15
BALANCE SHEET		
Investments		
Liquid Investments	341	456
Insurance Related Assets	22	99
Other Assets	71	37
TOTAL ASSETS	433	592
Equity	248	204
Statutory Fund Balance	122	246
Insurance Related Liabilities	30	105
Other Liabilities	30	36
TOTAL EQUITY & LIABILITIES	433	592
INCOME STATEMENT		
	Dec'16	Dec'15
Net Premium	115	433
Net Claims	(155)	(384)
Net Operational Expenses	(168)	(167)
Investment Income	30	34
Excess of income over claims/expenditures	(178)	(84)
Reserve for Policyholder Liabilities	103	(16)
(Deficit) / Surplus before Capital contribution	(76)	(84)
(Including Profit / (Loss) of Shareholders' Fund)		
RATIO ANALYSIS		
	Dec'16	Dec'15
Underwriting Results		
Loss Ratio	141%	90%
Combined Ratio	211%	140%
Liquidity & Solvency		
Liquidity Ratio – times	10.7	4.0

TPL Life Insurance Company

May 2017

INSURER FINANCIAL STRENGTH (IFS) RATING SCALE & DEFINITIONS

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of the insurance company to meet policyholders and contractual obligations.

RATING SCALE	DEFINITION
AAA	Exceptionally Strong. Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ AA AA-	Very Strong. Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small
A+ A A-	Strong. Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.
BBB+ BBB BBB-	Good. Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ BB BB-	Moderately Weak. Moderately weak with an uncertain capacity to meet policyholder and contract obligations. Though positive factors are present, overall risk factors are high, and the impact of any adverse business and economic factors is expected to be significant.
B+ B B-	Weak. Weak capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC CC C	Very Weak. Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Insolvency or liquidity impairment appears imminent.
D	Distressed. Either failed to make payments on their obligations in a timely manner, are deemed to be insolvent, or have been subjected to some form of regulatory intervention. Limited liquid assets available to fund obligations.

Rating Watch
Alerts to the possibility of a rating change subsequent to, or in anticipation of, a) some material identifiable event and/or b) deviation from expected trend. But it does not mean that a rating change is inevitable. Rating Watch may carry designation – Positive (rating may be raised, negative (lowered), or developing (direction is unclear). A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.

Outlook (Stable, Positive, Negative, Developing)
Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Suspension
It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future but may stay in abeyance for long. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn
A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, or c) the rating remains suspended for six months.

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Name of Issuer
Sector
Type of Relationship

TPL Life Insurance Company limited
 Life Insurance
 Solicited

Purpose of the Rating

Independent Risk Assessment

Rating History

Date	Rating	Outlook	Action
30-May-17	A-	Stable	Maintain
18-Apr-16	A-	Developing	Rating Watch
8-Oct-15	A-	Stable	Maintain
20-Jan-15	A-	Stable	Initial

Related Criteria and Research

Rating Methodology
 Sector Research

Insurer Financial Strength Rating
 Insurance | Life - Viewpoint | Apr-17

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[Rating Team Statement](#)

Rating Procedure

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[Disclaimer](#)

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mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and ii) fee mandate - signed with the payer, which can be different from the entity

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PACRA initiates immediate review of the outstanding rating(s) upon becoming aware of any information that may be reasonable be expected to result in any change (including downgrade) in the rating

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[Probability of Default \(PD\)](#)

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