



The Pakistan Credit Rating Agency Limited

Rating Report

TPL Life Insurance Company Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
26-Jun-2018	A-	-	Stable	Maintain	-
13-Dec-2017	A-	-	Stable	Maintain	-
30-May-2017	A-	-	Stable	Maintain	YES
18-Apr-2016	A-	-	Rating Watch-Developing	RW-Developing	-
08-Oct-2015	A-	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

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 fresh injections raising the equity to PKR 700mln. An IPO is also in the pipeline. The management of the company keeps targeting niche segments of businesses. TPL Life is expanding its business volume, wherein which size matters as it provides economies of scale, while further boosting the company's capacity to write new business. The management has high growth targets, though it would take time to reach the zenith.

The rating is dependent on the company's ability to execute its existing business plan in an efficient manner; herein, growth in top-line and underwriting profits are mandatory. Stagnant liquidity levels are pivotal for rating.

Disclosure

Name of Rated Entity	TPL Life Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology Insurer Financial Strength (IFS) Rating Life(Jun-17)
Related Research	Sector Study Life Insurance(Jun-18)
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TPL LIFE INSURANCE COMPANY LIMITED PROFILE

Incorporated	2008
Major Business	Life Insurance
Legal Status	Public Limited Company
Head Office	Karachi

INDUSTRY SNAPSHOT

Life insurance sector has seen remarkable growth in recent years (CAGR 4years: 18%), wherein the private sector has seen relatively high growth. Private sector brought innovative life solution, mainly bancassurance – a sum of both saving plans and nominal life cover. Investment portfolios of life insurers are skewed towards government securities (primarily PIBs). Although Interest rate cuts brought revaluation gains, investment would be at lower returns.

OWNERSHIP

- TPL Corp (formerly TPL Trakker Limited) acquired the 100% stake of the company in Jul-16 at a price of PKR 5.9/Share, aggregating to PKR 295 mln. Previously, it was majority owned by Noor Sehat Health Systems Limited, Cayman Islands (NHSL). By end December'17 paid-up capital has been increased to PKR 680mln (Dec'16: PKR 600 million previously).
- 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

- The Company's BoD consists of 7 members, 6 members from the Sponsoring group and one independent director. The chairman Mr. Jameel Yusuf Ahmed is a veteran businessman and is the Chairman of TPL Holdings (Pvt) Limited, and has exposure in diversified sectors. The board is governed by three committees namely, i) Audit, ii) Investments and ii) Ethics, HR, Remuneration, Nomination

MANAGEMENT

- Mr. Faisal Abbasi , CEO of the company, is a seasoned professional having experience of over 19 years in Life Insurance and banking sector. Earlier he was associated with Jubilee Life insurance and was part of core management role as Group Head Customers Experience, Marketing, and Products. He Holds an MBA from Karachi School of Business & leadership Karachi.
- The CFO Mr. Hashim Sadiq is a Fellow Chartered Accountant, having substantial experience of Life Insurance Industry. Mr Sadiq has served as a CFO in American Life Insurance Company and as Senior Manager in PWC

BUSINESS RISK

- During CY17, TPL Life's GPW registered an impressive increase of -132% and clocked in at PKR 270mln (CY16: PKR 116mln). The increase is attributed to the development of new client base.
- The company has a higher loss ratio of 30% at the same time, the expense ratio of the company also remained on the higher side 95% (CY16: 70%).
- Resultantly, the company has posted a deficit in its underwriting results of PKR 91mln.

BUSINESS STRATEGY

- Going forward, TPL Life would increase penetration in lower income and middle-class segment, working with retailers at lower and middle tier areas. The company has signed up with Mobilink Microfinance Bank and Telenor Microfinance Bank. This is likely to generate a premium of PKR 2.5mn/ month. There is a feature on the product which also pitches the families of the employees in Mobilink Telecom. TPL expects to sell 20,000 policies monthly to Telenor.
- The management is eyeing to write a GPW of ~ PKR 1,001mln by end-Dec'18.

FINANCIAL RISK

- The company has an ample liquidity position with the liquid assets providing 6 times coverage (Dec16: 7.8) to outstanding claims at end-Dec17.
- Equity at end Dec'17 is PKR 680mn (Dec'16: PKR 600m) as PKR 80mn was injected by the sponsors during CY17
- Furthermore, an equity of PKR20mn has been injected raising the paid up to capital to PKR 700mn
- TPL Life has reinsurance arrangement for both individual life and group life – on the Surplus basis – with Hannover Ruck SE (rated 'AA-' by S&P, and 'A+' by A.M. Best).



Life Insurance Financials [Summary]

TPL Life Insurance Company Limited (TPL Life)

	<i>PKR mln</i>		
	Dec'17	Dec'16	Dec'15
BALANCE SHEET			
Investments			
Liquid Investments	371	341	456
Insurance Related Assets	87	19	96
Other Assets	74	73	40
TOTAL ASSETS	532	434	592
Equity	233	248	204
Statutory Fund Balance	164	122	246
Insurance Related Liabilities	74	38	110
Other Liabilities	59	25	32
TOTAL EQUITY & LIABILITIES	532	434	592
INCOME STATEMENT			
Net Premium	253	115	433
Net Claims	(68)	(155)	(384)
Net Operational Expenses	(277)	(157)	(150)
Investment Income	7	19	14
Excess of income over claims/expenditures	(84)	(178)	(87)
Other Income	1		
Reserve for Policyholder Liabilities	99	103	(16)
(Deficit) / Surplus before Capital contribution (Excluding Profit / (Loss) of Shareholders'	(182)	(75)	(103)
RATIO ANALYSIS			
Underwriting Results			
Loss Ratio	27%	141%	90%
Combined Ratio	107%	211%	140%
Liquidity & Solvency			
Liquidity Ratio – times	6.0	10.7	4.0

TPL Life Insurance Company

Dec 2017



INSURER FINANCIAL STRENGTH (IFS) RATING 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 Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and declared insolvent by the regulator.

<p>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'.</p>	<p>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. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating Watch may accompany Outlook of the respective opinion.</p>	<p>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.</p>	<p>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.</p>
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Disclaimer: PACRA's IFS rating does not constitute any form of guarantee of the ability of the insurance company to meet policyholders' obligations; nor does it constitute a recommendation to effect or discontinue any policy of insurance. PACRA's rating is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.

Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA’s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(f-VII)

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