



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
29-Jun-2022	A (ifs)	-	Stable	Maintain	-
31-Mar-2022	A (ifs)	-	Stable	Harmonize	-
29-Jun-2021	A-	-	Stable	Maintain	-
29-Jun-2020	A-	-	Stable	Maintain	-
27-Dec-2019	A-	-	Stable	Maintain	-
27-Jun-2019	A-	-	Stable	Maintain	-
27-Dec-2018	A-	-	Stable	Maintain	-
26-Jun-2018	A-	-	Stable	Maintain	-
13-Dec-2017	A-	-	Stable	Maintain	-
30-May-2017	A-	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The rating reflects TPL Life Insurance’s strong balance sheet strength in tandem with its adequate operating performance, limited business profile and appropriate enterprise risk management. Concurrently, the rating takes comfort from strong Group support that can be witnessed through multiple equity injections that have persistently been made during the past few years. TPL Corporation – the holding company, is a rising conglomerate having foothold in insurance, real estate, transport, technology and financial sectors. TPL Life had been pursuing both life and health insurance businesses in the past; however, recently the Company is striving to accentuate its life insurance business. In the pursuit of permeating awareness and enhance penetration of life insurance, TPL Life has placed emphasis on introducing short-term, innovative products. Insurance industry in Pakistan witnessed accelerated growth during CY21: the market size of the industry with respect to the Gross Premium Written (GPW) summed up to PKR 291bln, showcasing an increase of 25% YoY. Simultaneously, net claims declined by 0.4% and investments made by the industry soared by 12% YoY. While TPL life has successfully reduced its underwriting expenses during CY21, repetitive deficits incurred entail a grave concern. The Company’s underwriting and operating results are not commensurate with the industry and have consistently been following a downward trajectory. However, the management envisages a boost in margins in the forthcoming years by way of aggressive marketing of its products, especially tailored to cater to the divergent needs of the local population. Additionally, an equity injection, amounting PKR 200mln, is also on the horizon, and will further cushion the financial position of the Company.

The rating is dependent on the Company’s ability to execute its existing business plan in an efficient manner; herein, consistent growth in top-line and underwriting profits are essential. Maintenance of liquidity levels are pivotal for rating while the addition of foreign partner will provide added strength.

Disclosure

Name of Rated Entity	TPL Life Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Criteria Rating Modifiers(Jun-21),Methodology Life Insurance Rating(Mar-22)
Related Research	Sector Study Life Insurance(Jun-21)
Rating Analysts	Muhammad Noor Ul Haq noorulhaq@pacra.com +92-42-35869504

Profile

Legal Structure TPL Life Insurance Limited (TPL Life) is a public limited unlisted company.

Background TPL Life was incorporated in 2008 and obtained the license to carry out life and other related lines of business in 2009.

Operations TPL Life is catering to Pakistan's life and health insurance needs by offering cutting edge solutions. Focused primarily on pursuing business with group clients, the Company also caters to individuals and families by offering products to adequately meet the requirements of their customers. A dedicated sales force has been recruited for group sales and third-party distribution channels for retail sales (Bancassurance in particular). Moreover, TPL Life also augmented its operations by entering the Takaful segment in January 2019. The Company is operating through its head office located in Karachi and regional offices located in Lahore and Islamabad.

Ownership

Ownership Structure The Investment Holding Company of TPL Life holds 97.14% stake in the Company while the remaining 2.86% vests with the directors.

Stability The strategic linkage with a strong group reinforces the stability of the Company. TPL Corp. Ltd., a technology-driven conglomerate is the investment holding company of TPL Group; the Corp. sustains investments across general and life insurance, real estate, transport, security and asset tracking.

Business Acumen The Chairman of TPL Life - Mr. Jameel Yusuf Ahmad, has a multifaceted career that spans over decades. With his experience and relevant industry specific knowledge, he instills sharp business acumen into the Company.

Financial Strength TPL Corp. maintains a significant equity base amounting to PKR 7bn while the total assets sum up to a whopping PKR 10bn. The Corp. has prudently expanded its footings in diversified business avenues with sizeable portfolio of strategic investments.

Governance

Board Structure The Board, comprising of seven directors including the CEO, entails thorough supervision of the Company's management team. There are two executive, four non-executive and two independent directors. Presently, there are six board committees, namely i) Audit ii) HR, Ethics, Remuneration & Nomination iii) Board Investment iv) Underwriting & Reinsurance v) Claim Settlement vi) Risk Management Framework.

Members' Profile The Chairman, Mr. Jameel Yusuf Ahmad, simultaneously also chairs TPL Holdings. He is a veteran businessman with a vast experience in diverse sectors.

Board Effectiveness The presence of a strong strategic partner on Board, the TPL Corp., bolsters the governance framework of the Company. The incumbent partner has been a source of valuable business insight. Additionally, a total of six board meetings were conducted during the year, and were all attended by the Chairman.

Financial Transparency The External Auditor of the Company, M/s EY Ford Rhodes, issued an unqualified opinion on the financial statements of TPL Life for CY21.

Management

Organizational Structure A coherent and well-defined organizational structure, coupled with clear reporting lines, enhances the operational efficiency of the Company. The management is segregated into ten departments: i) Head of Human Resource & Admin, ii) Head of Marketing, communication and CSR, iii) Head of Business solutions and innovation, iv) Head of Underwriting & Policyholder, v) Head of Distribution Operations and Services, iv) Head of Sales Agency Priority Channels, vii) Chief Information Officer, viii) Head of Corporate Business, ix) Head of Finance, and x) Head of Actuarial & Investments.

Management Team Mr. Saad Nissar, a seasoned individual, assumed the role of the CEO of TPL Life in August, 2021 after serving in various capacities in various companies of TPL Group. An experienced marketing professional, Mr. Saad Nissar has paved a brilliant career for himself in the industry.

Effectiveness A thorough MIS report is provided to the directors on a monthly basis. Further, the management updates and discusses various aspects of the Company with the directors in meetings conducted on a regular basis.

Claim Management System Claims are classified into four categories: i) Emergency claims, ii) claims for Treatment from Panel Hospital, iii) Out Patient Department (OPD) claims and iv) claims for Reimbursement for Treatment from Non-Panel Hospital. In case of emergency claims, panel hospitals provide treatment without the approval of TPL life.

Investment Management Function TPL Life has implemented a formal, coherent investment policy approved by the Board and reviewed annually. The investment committee chaired by CEO has the authority to scrutinize and propose changes in investment strategy and policy.

Risk Management Framework TPL Life has developed a detailed manual for risk profiling, mainly based on manuals obtained from its reinsurers. However, the Company has to strive to fully incorporate the various aspects of the manual in its systems and controls.

Business Risk

Industry Dynamics Penetration of the insurance industry, although steadily increasing, is still considerably lower than that prevalent in countries with similar per capita income. Presently, there are seven life insurance companies operational. The three major companies – EFU Insurance, Adamjee Insurance and Jubilee Life– have maintained a quasi-triopoly on the market.

Relative Position TPL Life Insurance is a small-sized life insurer with a market share of less than 1% in terms of GPW.

Persistency During CY21, the first persistency ratio fell significantly from 16.7% in CY20 to 1.7% in CY21 owing to a marked reduction in the second year premium. The renewal persistency ratio, on the other hand, increased from 33.8% in CY20 to 46.9% in CY21; however, the ratio is still considerably lower than the industry threshold and needs to be improved.

Revenue The Company posted a gross premium amounting to PKR 104mln, whereas the gross premium for CY21 clocked in at PKR 640mln (CY20: PKR 1130mln). The decrease can mainly be attributed to declining group policies without cash value.

Profitability The Company made a loss after taxation amounting to PKR 67mln during 3MCY22. The loss incurred during CY21 was registered at PKR 192mln as compared to a loss of PKR 352mln in CY20. During 1QCY22, the Company managed to make a profit of PKR 3.2mln on its underwriting activities. The respective period's loss ratio clocked in at 87%. The ratio has previously risen to 122% during CY21 (CY20: 76%). The expense ratio, however, clocked in at 141%, indicating that the Company battled to keep costs under control. The expense ratio for CY21 was 79% (CY20:58%).

Investment Performance During 3MCY22, the investment loss plummeted to PKR 19mln essentially owing to the losses incurred on equity securities. Investment income for CY21 clocked in at PKR 27mln (CY20: 27mln).

Sustainability Going forth, the Company envisages capturing the market from avenues, such as Banca and Takaful. Further, TPL Life also envisions to improve their investment income.

Financial Risk

Claim Efficiency The net insurance claims of the Company decreased from PKR 721mln in CY20 to PKR 657mln in CY21. Further, outstanding claims also followed a similar trajectory and fell from PKR 227mln to PKR 162mln during the same period. Outstanding claims as at end-Mar'22 stood at PKR 102mln.

Re-Insurance TPL Life maintains reinsurance arrangements for both individual life and group life – on surplus basis – with Hannover Ruck SE (rated 'AA-' by S&P and 'A+' by A.M. Best). The treaty provides a cover of PKR 67mln.

Cashflows & Coverages As at end-Mar'22, the liquid investments of the Company amounted to PKR 710mln, and as at end-Dec'21 stood at PKR 725mln (end-Dec'20: PKR 725mln). The decrease was caused by a decline in investments maintained in debt instruments.

Capital Adequacy The paid-up capital of the Company stood at PKR 1,750bn as at end-Mar'22, which is well above the MCR for life insurers. The equity base of TPL Life significantly increased from PKR 62mln in CY20 to PKR 415mln in CY21 owing to a combined rights issue of 425mln carried out in 2021.



PKR mln

TPL Life Insurance
Unlisted Public Limited

Dec-21	Dec-20	Dec-19
12M	12M	12M

A BALANCE SHEET

1 Investments	725	620	613
2 Insurance Related Assets	136	430	288
3 Other Assets	114	55	46
4 Fixed Assets	25	18	31
Total Assets	1,001	1,123	977
5 Underwriting Provisions	-	27	13
6 Insurance Related Liabilities	504	905	619
7 Other Liabilities	82	124	50
8 Borrowings	-	4	6
Total Liabilities	586	1,061	688
Equity	415	62	288

B INCOME STATEMENT

1 Gross Premium Written	640	1,130	753
2 Net Insurance Premium	540	952	643
3 Underwriting Expenses	(766)	(909)	(473)
Underwriting Results	(226)	43	170
4 Management Expenses	(317)	(359)	(331)
5 Investment Income	27	27	22
6 Other Income / (Expense)	32	19	15
7 Net Change in Reserve for Policyholders' Liabilities	297	(81)	(147)
Profit Before Tax	(186)	(351)	(271)
8 Taxes	(5)	(1)	(0)
Profit After Tax	(192)	(352)	(271)

C RATIO ANALYSIS

1 Profitability

Loss Ratio (Net Insurance Claims / Net Insurance Premium)

121.6%	75.7%	60.0%
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Combined Ratio (Loss Ratio + Expense Ratio)

200.4%	133.2%	125.1%
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2 Investment Performance

Investment Income / Operating Profit

-5.3%	-9.5%	-16.0%
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3 Liquidity

(Liquid Assets - Borrowings) / Outstanding Claims

4.46	2.72	4.84
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4 Capital Adequacy

Liquid Investments / Equity

1.75	10.08	2.12
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Insurer Financial Strength (IFS) Rating

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

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or 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 some material identifiable event with indeterminable rating implications. 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 rating 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. 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, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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(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

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(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 | Clause 11-(A)(p).

(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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