

# Press Release

---

## JCR-VIS reaffirms IFS Rating of EFU Life Assurance Ltd at AA

Karachi, March 11, 2015: JCR-VIS Credit Rating Company Limited has reaffirmed the Insurer Financial Strength (IFS) Rating of EFU Life Assurance Ltd. (EFU Life) at 'AA' (Double A). Outlook on the assigned rating is 'Stable'. The previous rating action was announced on March 26, 2014.

The private sector life insurance industry premiums have posted a CAGR of 25% over the last 5 years (FY09-FY13). Bancassurance business has been the key driver of growth in industry gross premiums while business generated through internal sales force has witnessed moderate growth. Given the low life insurance penetration in Pakistan, there is considerable room for growth. The introduction of Takaful window operations for conventional insurers is expected to facilitate further growth in gross premiums over time.

The assigned rating incorporates EFU Life's strong capacity to meet policyholder liabilities as evident from adequate capitalization level and sound liquidity profile. This is supported by nature of policies underwritten, whereby the company's contribution in claims to be paid declines over time with growth in cash values. Business profile derives strength from favorable persistency levels and healthy growth in business volumes. While market share has declined over the last few years, management expects market share to have increased in 2014 on the back of healthy growth in gross premiums achieved during the year. The company's senior management team comprises experienced resources and has remained associated with EFU Life for a number of years.

The company's business mix is dominated by regular premium individual life policies. In the outgoing year, EFU Life generated significant gross premiums from its single premium product. Business generated through bancassurance now comprises the major proportion of gross premiums in new business as well as overall business volumes. However, business generated through Direct Sales Force (DSF) remains sizeable, representing slightly less than half of overall individual life premiums. EFU Life has one of the largest DSF in the life insurance industry with strong focus on training and enhancing the size of the DSF as part of its long-term corporate strategy. There is room for improving the productivity indicators of the sales force; results of the recent management initiatives in this regard are likely to emerge over time.

While surplus generated in revenue account has depicted growth, overall increase in profitability has remained limited on account of higher retention in statutory funds to achieve compliance with solvency requirements. In line with industry trend, surplus generation in relation to gross premium has declined for group business due to increasing competition within this segment.

Assets under Management (AUMs) have increased to Rs. 60b by end-2014. Given the size of AUMs, there is room to further strengthen the investment management infrastructure. Returns of funds under management during 2014 have remained competitive.

For further information on this rating announcement, please contact Mr. Abdur Rahim (Ext: 506) or Ms. Sobia Maqbool, CFA (Ext: 604) at 35311861-70 or fax to 35311872-3.

Jamal Abbas Zaidi  
Deputy CEO