

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

Karachi, March 26, 2014: 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 operating environment for life insurance companies remains buoyant with strong growth in gross premiums and low life insurance penetration, estimated at 0.56% of GDP. EFU Life is one of the leading private sector life insurance company in Pakistan, enjoying strong franchise.

EFU Life has posted reasonable growth in top line; however market share has witnessed some dilution over the past three years, on the back of evolving industry dynamics. Business generated by EFU Life's sales force channel is the largest in private life insurance industry and remains a competitive advantage for the company; other key players have been able to post sizeable growth through the bancassurance channel. Over the last 2 years, a number of structural changes have been introduced in the sales force team in order to achieve the aggressive growth targets for coming periods. Productivity indicators of the sales force in 2013 have largely been maintained at par with prior year level. Persistency of bancassurance channel has improved on a timeline basis, narrowing the gap between this and persistency of business generated by the sales force. Business generated through the bancassurance channel has picked pace in 2013.

Almost 9 out of 10 policies issued by EFU Life are unit linked. Given the nature of these policies, the asset risk stands transferred to the policyholders, particularly for policies with cash values exceeding the sum risk assured. Crude death rate has remained consistently very low; moreover, given the past surrender history, reinsurance support and liquidity profile of investments, the company has strong ability to meet policyholders' liabilities.

EFU Life has a structured investment management process. The largest fund under management, EFU Managed Growth Fund (MGF), has a moderate risk profile with the size of the same increasing to Rs. 41b by end-2013. Return of MGF has remained competitive. Given the nature of company's major business segment, generating consistent investment results and ability to cater to varying investor risk appetites may be key differentiating factors over the long term.

EFU Life is managed by a team of experienced professionals, having lengthy association with the company. Given its importance, the internal audit function at the company needs to be further strengthened, both in terms of scope and the resources available.

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