

EFU Life's IFS Rating Upgraded to 'AA' by JCR-VIS

Karachi, March 27, 2013: JCR-VIS Credit Rating Company Limited has upgraded the Insurer Financial Strength (IFS) Rating of EFU Life Assurance Ltd. (EFU Life) to 'AA' (Double A) from 'AA-' (Double A Minus). Outlook on the assigned rating is 'Stable'.

The rating action reflects the company's strong balance sheet footing that has further increased on account of continuous growth in regular premium unit linked policies and adequate persistency of the same, providing EFU Life a stable stream of renewal business. Realizing the importance of high persistency level, the management has established a 'conservation setup' responsible for making efforts towards reinstatement of lapsed policies; this has resulted in improvement in overall persistency rate in 2012.

The assigned rating takes into account EFU Life's strong capitalization level vis-à-vis the nature of risks underwritten. With bulk of the business generated by unit linked policies, the asset risk stands transferred to the policyholders particularly for policies with cash values exceeding the sum risk assured. As EFU Life is a growing company, there are also a large number of individual life policies with cash values less than the sum risk assured. Risk is however considered manageable keeping in view the low crude death rate experienced in the past and reinsurance coverage by highly rated reinsurers.

Business volumes have grown at a healthy pace over the years, with significant potential for further growth given low penetration of life insurance in Pakistan. Over the years, bancassurance has assumed greater significance as a distribution channel in the industry; in case of EFU Life, shifts in business strategies of partner banks have resulted in variance in business generated through this channel. The management is cognizant of the fact, and has focussed on strengthening its direct sales force further and improving quality of service with the launch of PRIMUS for high value customers and reducing turnaround time. There is room for improvement in agent retention and case average. The company has also aggressively grown its branch network by opening smaller unit offices to enhance its reach while keeping operating costs within manageable levels. As and when the regulatory environment becomes enabling, the company intends to establish a takaful window. Plans to venture in the overseas markets are also on the anvil.

Liquidity profile of the institution is considered sound. Returns of funds under management have remained competitive vis-à-vis peers and benchmarks. Senior management team of the company comprises experienced professionals.

For further information on this rating announcement, please contact Mr. Abdul Rahim, ACII (Ext: 508) or Ms. Sobia Maqbool, CFA (Ext: 604) at (+92-21) 35311861-70 or fax to (+92-21) 35311873.

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