



Rating Action

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Applicable Criteria and Related Research

- Life Insurance and Family Takaful - Viewpoint | Mar-16
- Insurer Financial Strength Rating Methodology

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PACRA Maintains IFS Rating of State Life Insurance Corporation

The Pakistan Credit Rating Agency (PACRA) has maintained the Insurer Financial Strength (IFS) rating of State Life Insurance Corporation of Pakistan (SLIC) at "AAA" (Triple A). The rating denotes exceptionally strong capacity to meet policyholders and contract obligations.

The rating reflects SLIC's utmost risk absorption capacity on the back of Government of Pakistan's (GoP) guarantee for policyholders' liabilities. The sum insured including bonuses (if any) declared by SLIC are guaranteed as to payment in cash by GoP under article 35 of the Life Insurance (Nationalization) Order, 1972. The rating takes into account SLIC's sound market position in life insurance industry emanating from extensive and well-penetrated distribution network, experienced management team and robust financial profile. This makes SLIC the single largest player, capturing more than half of industry's premium. The Corporation is pursuing a growth strategy wherein, while focusing on existing business lines, it intends to expand its product offerings - Bancassurance, Window Takaful and Microinsurance. SLIC has taken up Government initiated health programmes, reaching public at grass-root level. This, while bringing volumes, would facilitate sustaining market position in the wake of increasing competition from the private sector. SLIC's policyholder's obligations are supported by a sound and low risk investment portfolio; hence any drag on its capital base is unlikely.

SLIC's ability to maintain its leadership in the life insurance sector is important. In this regard, successful execution of the envisaged business strategy including diversification and growth is essential. Meanwhile, updating IT infrastructure and user-friendly online portal for policyholders would be a key challenge; the management plans complete implementation by end-Dec16. Claims outstanding days are higher due to longer processing of claims in initial years of policy issuance.

About the company:

State Life Insurance Corporation of Pakistan (SLIC) was incorporated in March 1972 when the life insurance business in Pakistan was nationalized. Currently, the Corporation operates through a widespread sales network throughout Pakistan and also has presence in the Middle East. SLIC is the largest life insurer in Pakistan with market share of ~51% at end-Dec15 (end-Dec14: 59%).

The Corporation's board comprises seven members including the Chairperson, Ms. Nargis Ghaloo. The chairperson joined SLIC in Oct-14 and possesses diversified experience in various government organizations. She had been Executive Director SLIC for four years till 2009. Other board members are a good mix of individuals belonging to public sector, State Bank of Pakistan, and private financial and corporate sectors. The management team comprises Executive Directors nominated by Federal Government on deputation, who are assisted by a team of professionals, associated with the Corporation since long.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

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