

**FOR IMMEDIATE RELEASE**

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## **ICRA Lanka Reaffirms the [SL]A rating of Janashakthi Insurance Company PLC**

ICRA Lanka Limited, subsidiary of ICRA Limited, group company of Moody's Investors Service, has reaffirmed the claims paying ability rating of [SL]A (pronounced SL A) with stable outlook to Janashakthi Insurance Company PLC (JIP or the company). ICRA Lanka has taken a consolidated view of Janashakthi Insurance Company PLC (JIP) along with its wholly owned subsidiary JGIL for arriving at the ratings. JIP conducts the life insurance operation under Janashakthi Insurance Group, and also is the holding company of the fully owned subsidiary Janashakthi General Insurance Limited (JGIL). JGIL was incorporated in the year 2014 and the non-life business of JIP was transferred to JGIL from January 01, 2015. The two entities together is referred as Janashakthi Insurance Group (JIG/"the group").

The rating factors JIG's strong and established market position as third largest non-life insurer and seventh largest life insurer operating in the country, its experienced and professional management team, prudent underwriting practices and, currently comfortable capitalization profile (risk adjusted capital adequacy for general insurance at 188% and life at 267% in December 2016). The above provides a favorable view on the overall claims paying ability of the company and the group. The rating however is constrained by the highly competitive general insurance industry in Sri Lanka and JIG's higher than industry level concentration towards the motor segment in the non-life business. Following the acquisition, of AIA General Insurance Lanka Limited (AIAG) during 2015 and subsequent amalgamation, JIG has consolidated its position in the non-life business; however the group's position in the life segment is still moderate. For CY2016 JIG reported a consolidated gross written premium (GWP) of LKR 13.7 Bn reflecting a 28% growth over the previous year; about 78% of the total GWP was contributed to by non-life, while the balance 22% was represented by life insurance. The overall profitability continues to be driven by investment activities, as the underwriting performance of the core non-life insurance segment is moderate. For the CY2016, the group reported a consolidated underwriting surplus (net of management expenses) of LKR 211 Mn, compared to the LKR 72 Mn reported in CY2015. The overall combined ratio reported a marginal improvement at 98.2%, vis-à-vis 99.2% reported in the previous year. The rating also factors the moderation of the equity and unit trust exposures in JIG' investment portfolio from 21.8% in December 2015 to 15.3% in March 2017. As overall profitability is supported by investment income, ability to manage the investment profile efficiently would be critical for future profitability of the group. Further, group's ability to maintain a comfortable risk adjusted capitalization profile, in the context of the envisaged GWP growth (at about CAGR of 20%), would be crucial going forward.

As on December 31, 2016 JIP was the seventh largest life insurer in Sri Lanka with a market share of about 4.5%. For the CY2016 company recorded gross written premium of LKR 2.9 Bn, about 15.4% growth compared to the LKR 2.5 Bn in during CY2015. JIP's target products consist of endowment products (48% of GWP in CY2016), investment products (32%), single premium products (16%) and group insurance products (3%). JIP's overall average premium value remains at about LKR 21,000, while the average premium for endowment products are at about LKR 55,000 as in CY2016; company's average premium are lower compared to industry averages and that of similar size life insurance companies. Twelve month premium persistency was 73%, while the 24 month persistency was 65%, during the same period.

Total investment portfolio of JIP stood at LKR 11.3 Bn in March 2017 compared to LKR 11.1 Bn in December 2016 and LKR 10.8 Bn in December 2015. As on March 31, 2017 treasury backed securities represented about 49.4% (40.5% in December 2016 and 46.2% in December 2015) of the total investments of JIP, while the equity exposures have moderated to 4.7% in March 2017 (5.2% in December 2016 and 6.4% in December 2015). Remaining exposures consisted of investments in bank deposits and corporate debt securities (39.3% in March 2017 and 47.7% in December 2016) and investments in mutual funds (6.4% of the total portfolio in March 2017 and 6.5% December 2016).

During the CY2016 JIP reported an underwriting surplus (net of management expenses) of LKR 459 Mn (LKR 200 Mn in CY2015) and total investment income of LKR 1,272 Mn (LKR 860 Mn in CY2015), which supported its overall profitability. JIP reported a stand-alone pre-tax profit of LKR 953 Mn during the CY2016 vis-à-vis LKR 316 Mn in CY2015.

As on March 31, 2017 the risk weighted capital adequacy of JIP stood at 326% (267% in December 2016 and 248% in December 2015), well above the regulatory minimum of 120%. Going forward, it would be crucial to maintain a healthy capitalization profile, as the life insurance segment is expected to grow at a robust pace of over 20%.

### **Company Profile**

Janashakthi Insurance Company PLC was initially incorporated in Sri Lanka as Janashakthi Life Insurance Co. Ltd (Janashakthi Life), a public company with limited liability in 1992. JIP began its operations in September 1994, as Sri Lanka's first specialized life insurer and ventured into Non-Life Insurance through Janashakthi General Insurance Co Ltd (Janashakthi General), which was established in 1995. JIP and Janashakthi General were merged in 2000 to form JIP. JIP acquired National Insurance Corporation Ltd in 2001, and later diversified into other areas of financial services. JIP was the 3rd largest general insurer and 7th largest life insurer in Sri Lanka in Dec-14. Janashakthi General Insurance Limited (JGIL) was incorporated as a wholly owned subsidiary of JIP during 2014 and, JIP transferred the non-life business to JGIL from January 01, 2015, thus complying with the regulatory requirement. JIP fully acquired AIA General Insurance Lanka Limited during 2015 and merged it with JGIL during January 2016.

### **Recent Results**

During the year ended December 2016, JIP reported a stand-alone net profit of LKR 953 Mn on a gross written premium of LKR 2,944 Mn, compared to the net profit of LKR 316 Mn on a gross written premium of LKR 2,551 Mn in the 12 month period ended December 2015. During the 3M ending March 2017, JIP reported a stand-alone net profit of LKR 37 Mn on a gross written premium of LKR 705 Mn

During the year ended December 2016, JIP reported a consolidated net profit of LKR 1,647 Mn on a gross written premium of LKR 13,651 Mn, compared to the net profit of LKR 951 Mn on a gross written premium of LKR 10,664 Mn in the 12 month period ended December 2015. During the 3M ending March 2017, JIP reported a consolidated net profit of LKR 217 Mn on a gross written premium of LKR 3,789 Mn.

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