



JANASHAKTHI
Life

UNWAVERING
STRENGTH

Janashakthi Insurance PLC

H1 FY2019 Earnings Update

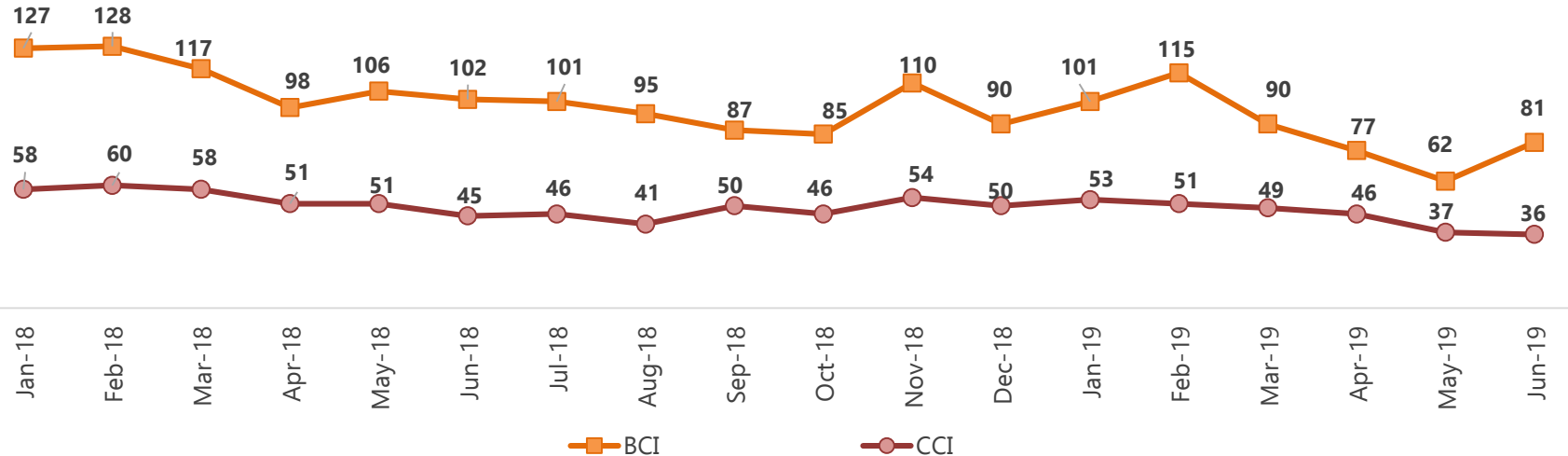
September 2019

Economic & Industry Outlook



Business sentiments plummets due to uncertainty and GDP slow down

Business confidence index trend & consumer confidence index trend



*BCI is based on survey of 100 Managers/Senior Executives or above in the city of Colombo carried out by Nielsen and is compiled through series of questions on business conditions and expectations

*CCI is based on survey of 100 respondents every month. From 2011 onwards Nielsen tracks the consumer confidence index every month among 100 consumers in Western, Central and Southern provinces. Index is developed based on consumers' confidence in the job market, status of their personal finances and readiness to spend.

Source: Nielsen Lanka CCI and BCI Surveys

Economic summary - H1 FY2019

- GDP growth moved up in Q1 FY2019, however still below c. 4%
- The currency appreciated marginally in Q1 FY2019 and remained stable in Q2 FY2019



- Business and consumer confidence dropped significantly post Easter attacks and due to the uncertainty in economic outlook
- National security has become a key criteria for businesses and country's economy

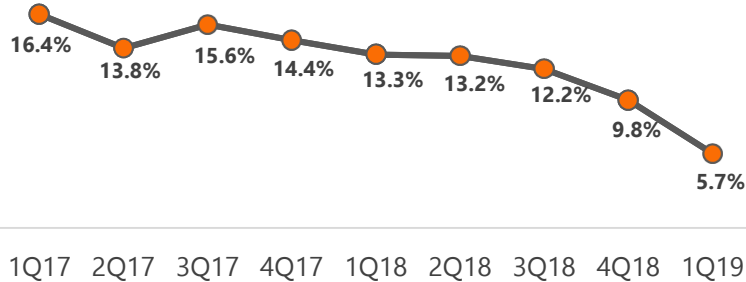


- The non-food inflation indicated an upward movement mainly due to the increase in fuel prices, while food inflation eased during the period
- Consumption started rising from lower base of FY2017 and FY2018, however below average levels in FY2016



Insurance Market in Sri Lanka

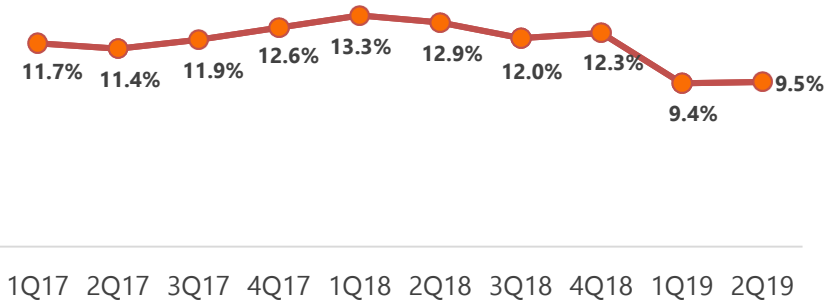
Total insurance - cumulative growth (Life + General)



■ During the year FY2018, total insurance industry have slowed down QoQ leading to further erosion in H1 FY2019

■ The main impact is coming from the general insurance business where growth momentum has declined substantially

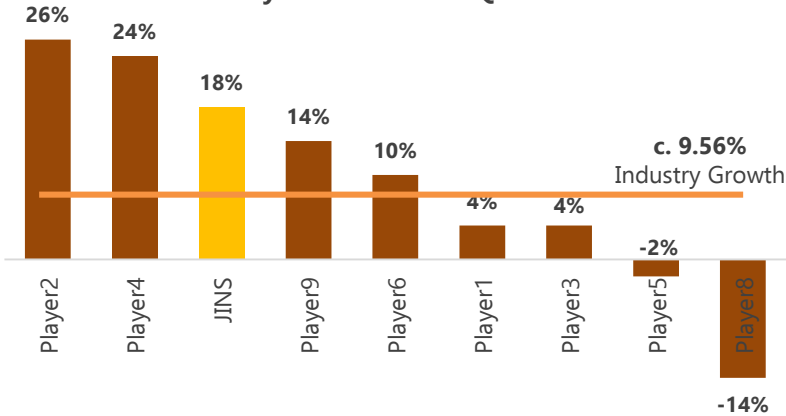
Life category - cumulative growth



■ In Q1 FY2019 the life insurance sector also has slowed down and the same trend continued through Q2 FY2019

Life insurance sector growth continues to slow down in H1 FY2019

Industry Performance – Q2 FY2019

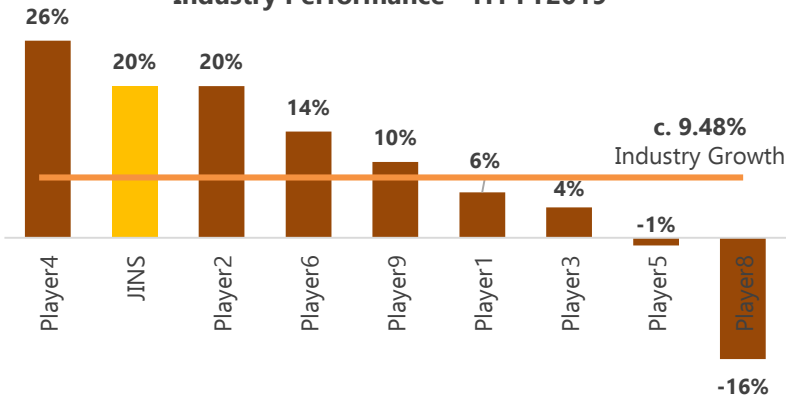


Industry experienced a slow start in Q1 FY2019 recording a c. **9.40%** growth and continued grow at c. **9.48%** by the end of the H1 FY2019

Healthy double digit growth recorded by few players in the market influenced this growth

Retail channel driven by the agency force seemed to have further declined during these two quarters

Industry Performance – H1 FY2019



The players who have outperformed the market have adopted a **differentiated strategy** to deliver growth

Performance Update



Our key performance highlights – H1 FY2019



Gross Written Premium
LKR 1,741 Mn



Total Net Income
LKR 2,845 Mn



Profit After Tax
LKR 236 Mn



Return on Equity¹
c. 12.24%



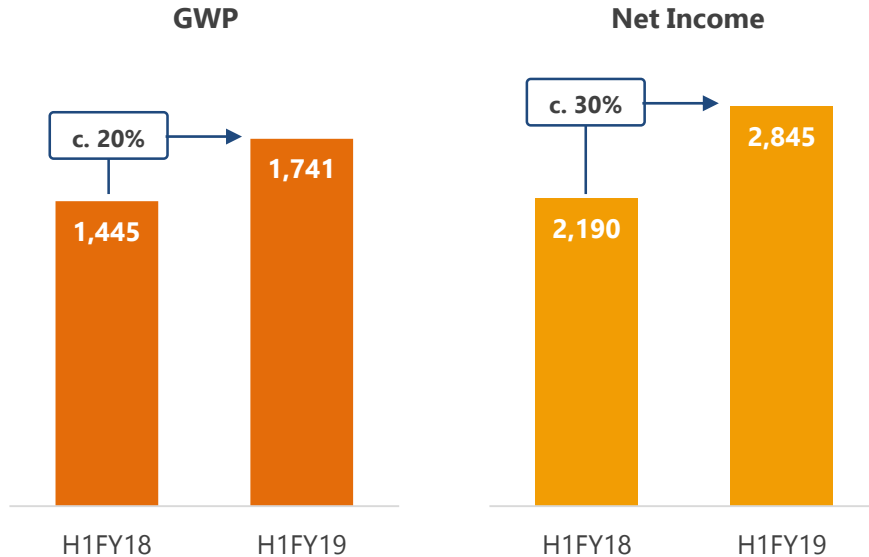
Capital to Assets Ratio*
c. 34.74%

¹Based on trailing twelve months (TTM) earnings

²Capital to Assets=(Stated capital+Retained earnings)/Total Assets

Gross Written Premium and Net Income

LKR Mn



GWP **grew by c. 20%** whilst the total net income recorded a **growth of c. 30%** over the corresponding H1 FY2018

Main contributors to the increase in GWP was the **aggressive growth in group business and growth in regular premium policies**

The growth in net income was mainly due to the increase in GWP due to **aggressive sales approach** adopted by Janashakthi during H1 FY2019 and **growth in investment income** due to effective investment decisions

Customer retention and new business premium

Persistency (13th Month)¹

61%

59%

The Company has recorded a persistency ratio of **c.59%** in the H1 FY2019 compared to the c. 61% in the H1 FY2018

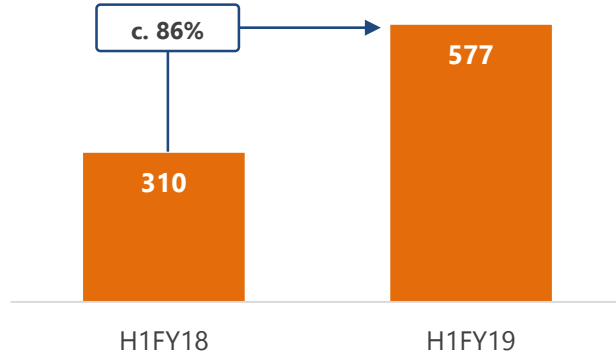
New digital initiatives and the **focus on collection and quality of business** would enhance the persistency of the Company

H1 FY2019 saw a significant increase in new business premium which **grew by c. 86%**

The sales centric approach adopted by the Company has been the main reason for the significant increase in new business premiums

LKR Mn

New business premium



¹Based on value of new business premium

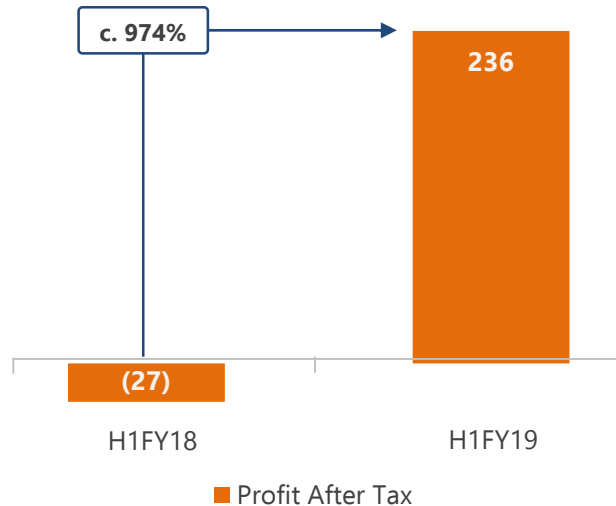
Profitability

Return on equity (ROE)¹

-2.7%

12.2%

LKR Mn



The Company achieved a **profit of LKR 236 Mn** in the H1 FY2019 compared to the loss of LKR 27 Mn in the H1 FY2018

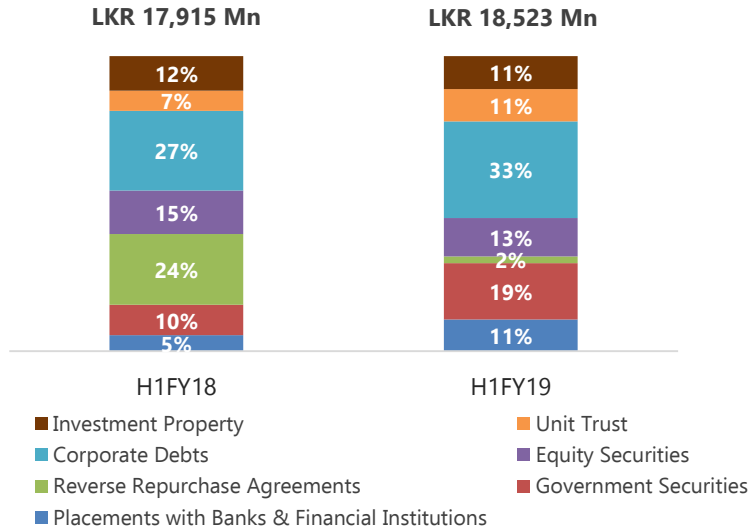
The loss in the H1 FY2018 was due to the significant rise in administrative expenses which included one off expenses related to the divestment of the General business

However, excluding one-off expenses in H1 FY2018, profitability growth in the H1 FY2019 was weighed down due to the **increase in rent, depreciation & finance charges** as a result of life business operating as a stand alone company

¹Based on trailing twelve months (TTM) earnings

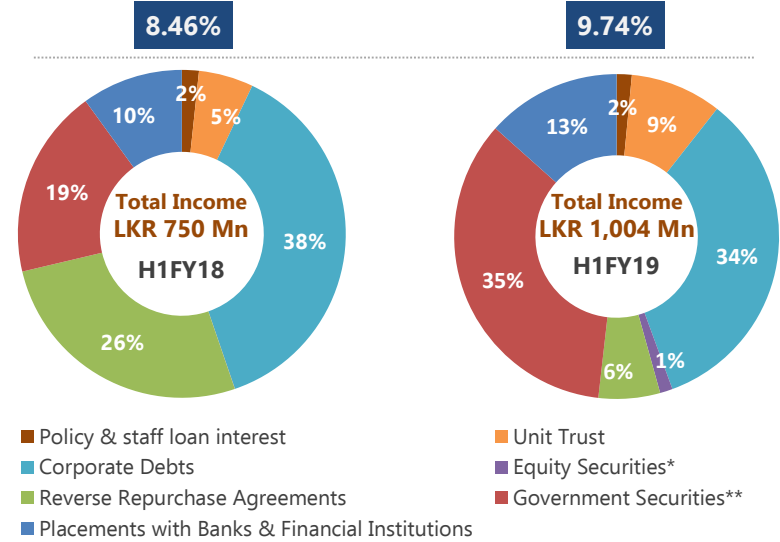
Investment portfolio and yield

Investment portfolio including investment property



Investment portfolio **grew by c. 3.4%** in H1 FY2019 compared to the H1 FY2018

Investment yield¹ and income composition



The **investment yield** has achieved a c. **9.74%** in H1 FY2019 as opposed to c. 8.46% yield recorded in the corresponding year

Increase in investment yield is mainly attributable to the further investments in **unit trusts and corporate bonds**

Product mix: differentiating our offerings through customization to deliver great value

Total product mix	FY2018	H1FY18	H1FY19
Endowment	42%	43%	35%
Universal Life/Investments	44%	42%	46%
Group	14%	15%	19%

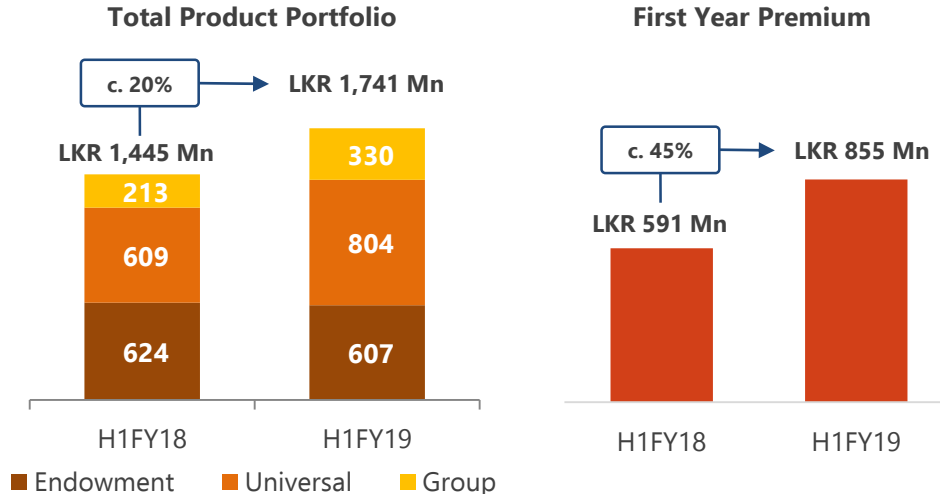
The increase in total product portfolio is due to the increase in **universal life** and **group insurance policies** by c. 32% and 55% respectively

The **enhanced focus on the partnership channel on B2B platform** as a Company strategy has paid off to record a c. 55% growth in group insurance cluster

The total first year premiums **grew by c. 45%** in the H1 FY2019

The growth in first year premiums is mainly attributable to the growth in the **group business**

LKR Mn



Ratio analysis

	H1FY18	H1FY19
Expense ratio	53%	36%
Net acquisition cost ratio	30%	27%

	H1FY18	H1FY19
Investment income as a % of GWP	44%	46%
Investment income as a % of Financial Investments ¹	11%	11%

	H1FY18	H1FY19
Capital adequacy ratio ²	284%	254%
Capital to total assets	28%	35%

¹Annualized investment income/Average financial investments

²CAR=Total Asset to Capital/Risk Coverage Ratio

- Excluding the one-off nature expenses, the expense ratio is c. 32% for the H1 FY2018
- The net acquisition cost ratio has come down in the H1 FY2019 due to prudent management decisions in managing the acquisition cost
- The Company has ensured its stability by maintaining the capital adequacy ratio **above c. 250% during the year consistently**
- The reduction in capital adequacy ratio is due to the drop in the yield curve which has resulted in increase in liabilities



Key focus area of **H1 FY2019**

Re-establishing the branch network located strategically across the island to provide state-of-the-art insurance solutions

62

branches located
island-wide

19

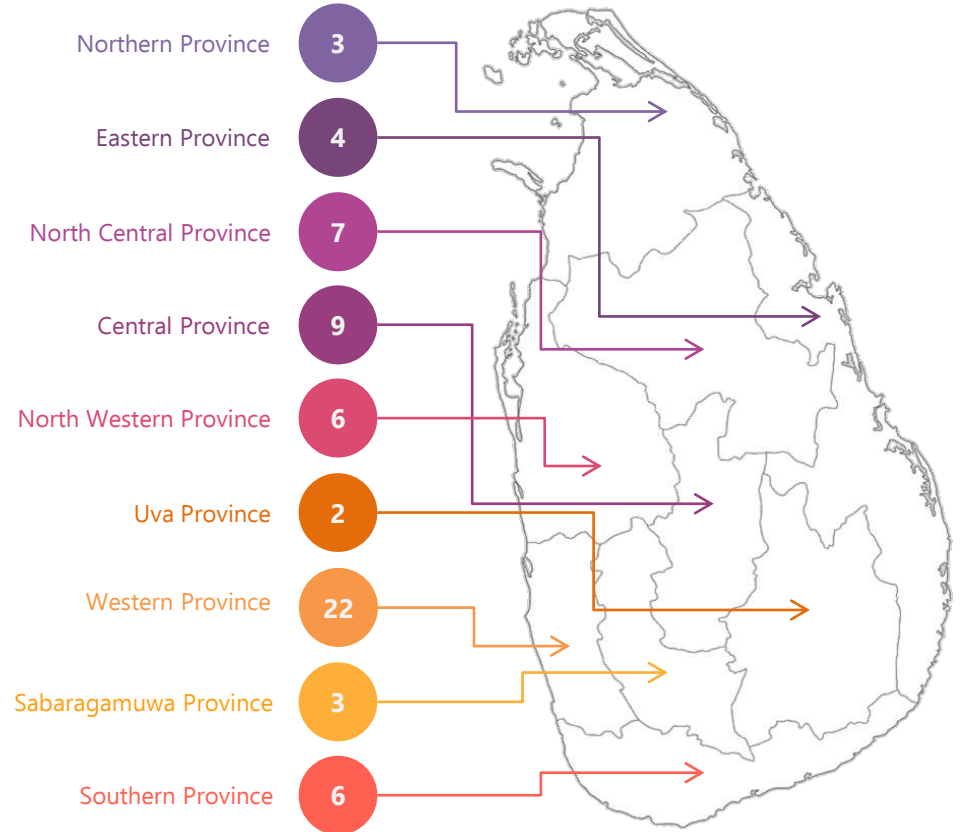
new branches
in H1 FY2019

10

more branches
in the pipeline

Dedicated Life Insurance branch network
with an upgraded branch outlook to fuel
growth

72 branches to be unveiled in FY2019
with **19 of the offices already opened
in the last 6 months**



Developing new business opportunities through partnership development and digitalization to fuel growth



Digital channels

- 1st ever Digital **Live Life** wellness based insurance solution in Sri Lanka in collaboration with **ayubo.life**



- '**Agent Self Portal**' for business management and '**Agent Virtual Office**' solution for paperless customer onboarding

- '**Insight Data Analysis**' tool for Decision making and **business process automation** for new business

Penetration through non-traditional channels

- Penetrate insurance selling through non traditional channels such as **banks** and **telcos**

- Real-time customer convenience payments** with Mobitel mCash, Dialog eZ Cash, Dialog Genie and Cargills Food city outlets



Q & A
