

PR. 1-37/2020



Government of Pakistan
Ministry of Communications

Postal Life Insurance Company Limited (PLICL)

(Wholly owned Subsidiary of Government of Pakistan)

REQUEST FOR PROPOSALS FOR PROVIDING REINSURANCE SERVICES

Postal Life Insurance Company Limited (“PLICL”) is a life insurance company set up to take over the business currently being carried out by Pakistan Post as Postal Life Insurance (“PLI”). PLI writes mainly conventional individual life insurance business and which is currently not reinsured. Going forward PLICL wishes to reinsure both its existing portfolio and new business.

National and International companies duly licensed to reinsure life insurance business are hereby invited to submit proposals for reinsurance. Interested companies may download the “Request for Proposal for Reinsurance Services” from “www.pakpost.gov.pk” or obtain the same by sending an email to rizwanjhashmi@gmail.com.

Proposals should be sent as pdf documents by email to the above email address and must be received on or before **8th January, 2021 till 11:00 am** which will be opened same day at **11:30 am**.

RIZWAN JAVED HASHMI
Company Secretary, PLICL
Dte-General, Pakistan Post, G-8/4, Islamabad.
Ph: 051-9261620

POSTAL LIFE INSURANCE COMPANY LIMITED (PLICL)

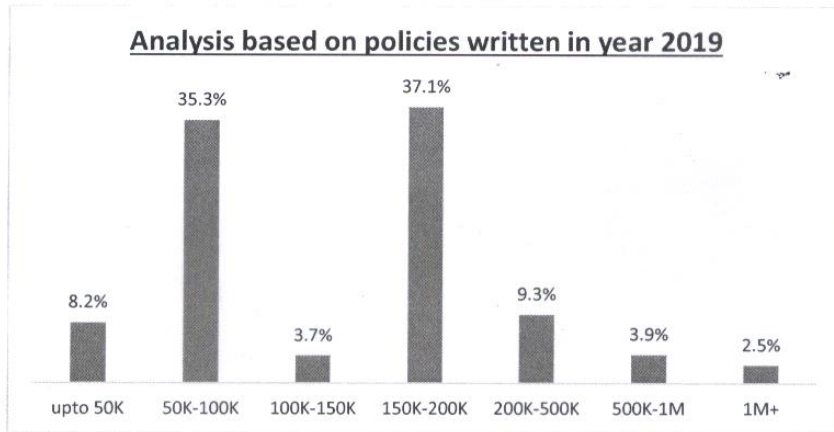
REQUEST FOR LIFE REINSURANCE QUOTATION

1. Introduction

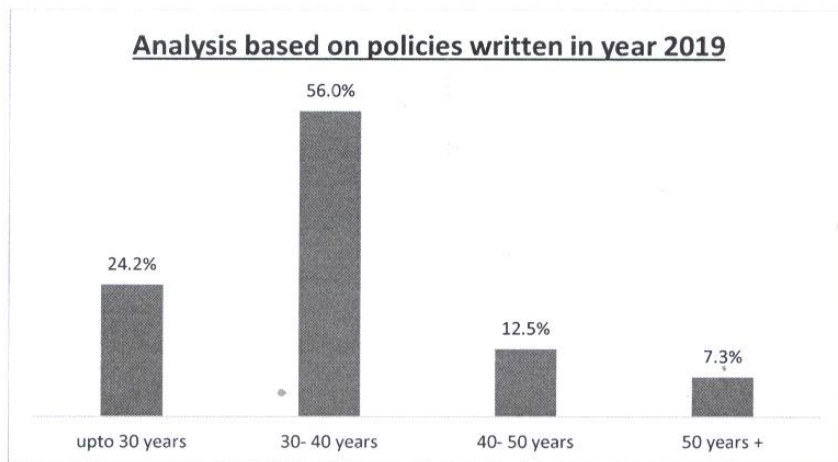
- 1.1 Postal Life Insurance (“PLI”) is a part of the Pakistan Post Office Department which is a part of the Federal Government of Pakistan. PLI is engaged in life insurance business but operates outside the regulatory framework applicable to other insurers.
- 1.2 The Government has now decided to bring PLI’s operations within the ambit of the regulatory framework for insurance in Pakistan. A public limited company, Postal Life Insurance Company Limited (“the Company”), has been registered with the Securities and Exchange Commission of Pakistan under the Insurance Ordinance 2000 as a life insurer. The Government also intends to transfer PLI’s existing portfolio (consisting of approximately 300,000 in force individual life policies and a small group life portfolio) to the Company.
- 1.3 PLI currently fully retains all risks which it underwrites. However, as part of the registration process, the Company has prepared a reinsurance strategy which is set out in section 3 of this document.
- 1.4 The Company is now inviting reinsurance proposals from international reinsurers. Details of the company’s existing portfolio as well as business written in the latest year for which data is available (2019) are given in section 2. The quality of the data available is far from perfect but the numbers set out in section 2 should be considered accurate enough for the purposes of preparing a quotation.
- 1.5 Details required as a part of the quote are described in section 4.
- 1.6 Quotations will need to be received by **8th January, 2021 till 11:00 am.**

2. Portfolio Profile

- 2.1 The Company plans to write between 15,000 and 20,000 new policies in the first year (2021).
- 2.2 The existing portfolio consists of around 300,000 individual policies which are in force. There are some policies which are lapsed but which may be revived.
- 2.3 The company writes purely with profits conventional life business. The following is a profile of products written in the year 2019:
- | | |
|--|-----|
| ➤ Anticipated Endowment | 68% |
| ➤ Full Term Plan (essentially Endowment) | 24% |
| ➤ Child Protection Policy | 3% |
| ➤ Endowment Assurance (limited premium) | 3% |
| ➤ Joint Life Endowment | 1% |
| ➤ Education and Marriage Endowment | 1% |
| ➤ Whole Life Insurance | 1% |
- 2.4 68% of new policies written in 2019 and 72% of all policies written since company’s inception are Anticipated Endowment Assurance policies. This clearly indicates that this has remained, by far, the most popular product. The second most popular product is Endowment Assurance-Full Term Plan with 24% share in 2019 and 20% share since inception. All other products have a combined share of less than 10%.
- 2.5 The following is a profile of the Sums Assured of policies written by Postal Life in the year 2019:



2.6 The following is a profile of the entry ages of policyholders for policies written by Postal Life in the year 2019:



2.7 The chart above indicates that around 55% of policies issued in 2019 had age-at-issue between 30 years and 40 years. Policies with age-at-issue less than 30 years and those with age-at-issue more than 40 years are 25% and 20% respectively.

3. Reinsurance Strategy

3.1 The Company intends to introduce reinsurance both for the new business it writes as well as on the existing portfolio to be transferred from PLI. The proposed reinsurance arrangements will be as described below.

Individual Life

3.2 It is proposed to seek a proportionate surplus treaty for the existing business with the following features:

- Retention of Rs. 1 million per life and all risks above that limit being reinsured. For the purpose of determining proportion to be ceded the Sum at Risk as of 1 January 2021 would be determined
- Reinsurance premiums determined by applying a one-year risk premium on an attained age basis to the Sum at Risk, with risk premiums being guaranteed for the life of the policy. Formulae for determining the Sum at Risk will be agreed with the reinsurer.
- Profit commission arrangements over a two-year cycle

- 3.3 For new business, which will be written in a separate statutory fund, the proposed treaty will be a quota share and surplus treaty with a retention of 50% up to Rs. 1 million and all amounts above Rs. 1 million ceded to the reinsurer (i.e., a maximum retention of Rs. 500,000).
- Reinsurance premiums determined by applying a one-year risk premium on an attained age basis to the Sum at Risk, with risk premiums being guaranteed for the life of the policy. Formulae for determining the Sum at Risk will be agreed with the reinsurer.
 - An initial selection discount (target between 25% to 50%) for the first policy year
 - Profit commission arrangements over a two-year cycle

Group Life

- 3.4 For Group Life it is proposed to seek a proportionate quota share and surplus treaty for new business only with the following features:
- Retention of 50% of all risks with a maximum retention of Rs. 1 million per life and all risks above that limit being reinsured.
 - Reinsurance premiums determined by applying a one-year risk premium basis, risk premiums being guaranteed for one year. For cases above 1,000 lives an experience rating arrangement.
 - Profit commission arrangements over an annual cycle

4. Proposal Content

- 4.1 Proposals should contain the following:
- a) A profile of the reinsurance company along with recent ratings by international rating agencies.
 - b) Contact details of the team which will deal with the Company.
 - c) Confirmation that the reinsurance arrangements set out in section 3 would be acceptable.
 - d) Risk premium rates for each of the following:
 - Existing individual life portfolio
 - Individual life new business – defining any selection discount
 - The basis of determining the sum at risk in generic terms
 - Group life
 - e) Details of any experience rating mechanism for group business
 - f) Details of profit commission arrangements for each portfolio
 - g) Details of medical underwriting limits as well as risk acceptance limits which will be given to the Company
 - h) Details of any tools and training that would be made available to the Company.
 - i) Standard treaty wordings (separately for group and individual life if relevant)