



The Pakistan Credit Rating Agency Limited

Rating Report

Pak Qatar General Takaful Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
24-Feb-2022	A	-	Stable	Maintain	-
24-Feb-2021	A	-	Stable	Maintain	-
25-Feb-2020	A	-	Stable	Maintain	-
28-Aug-2019	A	-	Stable	Maintain	-
27-Feb-2019	A	-	Stable	Maintain	-
06-Dec-2018	A	-	Stable	Maintain	-
27-Apr-2018	A	-	Stable	Maintain	-
29-Sep-2017	A	-	Stable	Maintain	-
28-Feb-2017	A	-	Stable	Maintain	-
29-Feb-2016	A	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

Pak-Qatar General Takaful Limited (PQGTL or the Company) is one of earliest dedicated takaful companies in Pakistan, possessing strong business acumen through its association with Qatar based financial institutions, while also being allied to its sister concern; Pak-Qatar Family Takaful.

PQGTL rallied against its peers and established window takaful operators during the year in order to sustain its competitive position in the industry. On account to combat the economic implications of COVID-19, the massive reduction in policy rates had provided impetus to the motor segment depicting a prudent underwriting approach being utilized, however, with the revival in the economy and observed hike in policy rates, diversification of segmental mix remains critical. The Company continues to enjoy synergic benefits using cross selling through sister concern. Enhancement of bank business and induction of new sale force is under development. Increase in business volumes and takaful presence needs improvement hence therein.

During CY21, bank financing and automotive sector growth facilitated the industry progression. A conservative investment approach was undertaken by the industry participants, with investment mix majorly construing fixed income securities along-with minor equity exposure. As COVID re-emerged through its "Omicron" variant, its potential implications are yet to unfold in the coming year. Reduction in management expenditure and product innovation shall remain crucial for the industry participants for solidification of market position.

The rating is dependent on the management's ability to cohesively execute its business plan. Furthermore, improvement in market share and underwriting profitability are considered vital. Meanwhile, prudent management of premium receivables from corporate customers is essential. Also, implementation of real-time IT infrastructure along with an upgraded MIS should, among others, strengthen the claims management system.

Disclosure

Name of Rated Entity	Pak Qatar General Takaful Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Methodology General Insurance Rating(Jun-21)
Related Research	Sector Study General Insurance(May-21)
Rating Analysts	Wajahat Arjumand Ansari wajahat.ansari@pacra.com +92-42-35869504



Profile

Legal Structure Pak Qatar General Takaful is an unlisted public limited Company and is one of the earliest dedicated Takaful companies.

Background The Company started its operations in August 2007, providing risk coverages to all segments of general takaful. Head Office of the Company is located in Karachi, whilst having a strong presence in the Northern region.

Operations The North Zone comprises of branches in Islamabad, Rawalpindi, Abbottabad and Peshawar, Central zone comprising branches in Lahore, Gujranwala, Faisalabad, Multan, & Sialkot while South zone consists of branches in Karachi, Hyderabad & Quetta. The Company intends to increase its presence in the Southern and Central region in order to strengthen its presence in the industry.

Ownership

Ownership Structure There are two key shareholders of the Company, Mr. Said Gul holding 48.3% of the total shareholding through personal and multiple channels. Additional key shareholding is held by H.E. Sheikh Ali Bin Abdullah Al-Thani (H.E. Ali), a member of the Royal Qatar Family, possessing 41.8% of the total shareholding.

Stability PQIL specializes in providing independent assessments and exclusive investment recommendations for its clients. The company is based on offering objective perspective, personalized planning, and sophisticated investment management to individual and corporate investors. QIIB is a privately owned Islamic bank in the State of Qatar offering personal and corporate Islamic banking solutions.

Business Acumen H.E Ali indirectly controls the stake in Pak Qatar through three institutions owned by family and friends; Qatar International Islamic Bank (rated A2 by Moody's) is majorly owned by Ezdan Holding group (23%) and Qatar Investment Authority (17%) enjoying a healthy market share in Shariah Compliant banking assets and domestic banking assets.

Financial Strength Pak-Qatar Family Takaful is another venture of sponsors in Pakistan's Life Insurance sector. Incorporated in 2006, the company has fast grown to become 4th largest life insurer in the private sector.

Governance

Board Structure The board is structured with eight members comprising of skilled professionals. The board is chaired by (HE) Sheikh Ali Bin Abdullah Thani J. Al Thani with the remaining board comprising of Mr. Zahid Hussain Awan, Mr. Said Gul, Mr. Abdul Basit Ahmad Al-Shaibei, Mr. Ali Ibrahim Al Abdul Ghani, Mr. Owais Ahmed Yusuf, Mr. Farrukh V Junaidy and Mrs. Sameera Usman.

Members' Profile The chairperson, H.E. Sheikh Ali Bin Abdullah Al-Thani (H.E. Ali), royal family member, is associated with Pak Qatar since 2007 and possess over 26 years of experience. Mr. Said Gul was previously designated as the Managing Director of the Company and has been associated with the Company since its inception.

Board Effectiveness The annual board meeting of the Company is held in Qatar with an online MIS report being provided to the members enabling them to be updated with the progress of the Company.

Transparency EY Ford Rhodes Chartered Accountants are the auditors of the company. They provided an unqualified opinion in the financial statements of CY20.

Management

Organizational Structure The management team of the Company comprises of a loyal and competent team. Further, the organizational lines converge towards the CEO of the Company, who is ultimately part of the Executive Committee reporting to the Board of Directors.

Management Team Mr. Zahid Hussain Awan was recently appointed as the CEO of the company. He has been associated with Pak-Qatar since 2007 and is a seasoned professional with over two decades of rich experience in banking industry of Qatar. He is supported by a team of professionals.

Effectiveness The following key individuals report the operational performance of the Company directly to CEO; (i) Head of Operations, (ii) Head of Admin & Procurement, (iii) Head of Internal Audit (Only Administratively), (iv) Head of IT, (v) Head of Marketing and (vi) Head of HR (vii) Head of Finance.

MIS Pak Qatar has developed its own software TIMS (Takaful Information and Management System). The new software is entirely web-based and has been running live since January 2014. The system ensures strong control environment, supporting centralized operations by allowing policy locking and posting at head office level. In addition, the Company has been progressing towards implementation of SAP, incorporating its S4 HANA module in its MIS.

Claim Management System The Company has a centralized claims management system with only data entry rights being available to branches, except for engineering segment. Claim reporting is done by branch who is attending the claim.

Investment Management Function A formal IPS has been drafted by the Company, accordingly approved by the BoD. As per the IPS, the structure of investment decision making is three-tiered – (i) Board Investment Committee (IC), (ii) Management Investment Committee (MIC), and supervised by (iii) Shariah Board.

Risk Management Framework In order to enhance the risk management structure, the companies have an optimal treaty capacity with surplus arrangements, which are adequate in the initial years of operation. The Company has diversified its panel of reinsurers, boding well for its financial risk.

Business Risk

Industry Dynamics During CY21, bank financing and automotive sector growth facilitated the industry progression. A conservative investment approach was undertaken by the industry participants, with investment mix majorly constraining fixed income securities alongwith minor equity exposure. As COVID re-emerged through its "Omicron" variant, its potential implications are yet to unfold in the coming year. Reduction in management expenditure and product innovation shall remain crucial for the industry participants for solidification of market position.

Relative Position The Company is considered one of the small players of the General Insurance Industry, capturing less than 1% of the total market share.

Revenue During the period ended 9MCY21, the Company observed an increase in the gross premium written of 36%, with the increase being attributed to its core business segment, motor insurance. The segmental mix comprised of 58.7%, followed by fire & property (22.1%), Others (9.6%) and Marine (9.6%). The Company intends to expand its revenue mix and concentrate in order to reduce revenue concentration on the motor business.

Profitability Concurrent to the increase in the topline, the claims for the period observed an increase of 36% as well, adversely impacting the underwriting profitability of the Company. A secure return was derived through investment income, which boosted the bottom-line of the Company (9MCY21: PKR 45.1mln; 9MCY20: PKR 4.2mln).

Investment Performance Pak Qatar General Takaful has an investment book of bank placements, sukuk investments and mutual fund investments which generated a total investment income of PKR 10.7mln in its PTF segment and PKR 27.9mln in SHF segment. Bank placements provided key returns of PKR 5.6mln in the PTF segment, whereas debt securities generated 14.9mln in SHF segment of the Company

Sustainability The Company intends to continue its prudent underwriting practices with an intention to capitalize on technological advancements, as well as enhancing its business in fire & property, marine and travel insurance.

Financial Risk

Claim Efficiency The claims outstanding days of the Company stand at 404 days for the period ended 9MCY21 (CY20: 384 days), with such days being attributed to higher provisions being booked against the current period claims.

Re-Insurance Pak Qatar General Takaful has arranged retakaful arrangements with well reputed companies such as Kuwait Re ('A-' by A.M Best), Saudi Re ('A3' by Moody's), Arab Re ('B+' by A.M Best), Tunis Re ('B' by A.M Best), Kenya Re ('B' by A.M Best) and PRCL ('AA' by VIS).

Cashflows & Coverages PQTL has a sound liquidity coverage of 2.8x at 9MCY21 (CY20: 3.3x). The company recorded an investment book of PKR 830mln (CY20 PKR 705mln) which is entirely liquid.

Capital Adequacy The Company fulfils minimum capital requirement of PKR 500mln, holding an equity base of ~PKR 570mln.



The Pakistan Credit Rating Agency Limited

PakQatar General Takaful Limited (PQTL)

---- PKR (mln) ----

BALANCE SHEET*	Sep'21	Dec'20	Dec-19	Dec-18
Investments				
Liquid Investments	830	755	788	713
Other Investments	-	-	-	-
	830	755	788	
Insurance Related Assets	377	330	373	409
Other Assets	586	345	242	214
TOTAL ASSETS	1,793	1,429	1,403	1,337
Equity (SHF)	510	512	746	760
Waqf / Participants' Takaful Fund (PTF)	92	43	(97)	(118)
Underwriting Provisions	237	187	208	218
Insurance Related Liabilities	480	423	407	381
Other Liabilities	474	264	139	97
TOTAL EQUITY & LIABILITIES	1,793	1,429	1,403	1,337
Profit and Loss Account (Participants' Takaful Fund / PTF) - Extracts	Sep'21	Dec'20	Dec-19	Dec-18
Gross Contribution Written (GPW)	644	602	701	678
Net Contribution Revenue	191	186	211	192
Net Claims	(204)	(197)	(252)	(232)
Investment Income	6	11	10	7
Surplus / (Deficit) before Investment Income	16	15	0	5
Profit and Loss Account (Shareholders' Fund / SHF) - Extracts	Sep'21	Dec'20	Dec-19	Dec-18
Wakala Income	241	240	266	258
Investment Income	32	48	30	16
Underwriting Profit/ (Loss)	20	(32)	(12)	2
Profit Before Tax	52	17	21	19
RATIO ANALYSIS*	Sep'21	Dec'20	Dec-19	Dec-18
Underwriting Results				
Loss Ratio	47%	46%	53%	51%
Expense Ratio	60%	73%	70%	71%
Combined Ratio	107%	119%	122%	123%
Performance				
Operating Ratio	98%	105%	113%	117%
Liquidity & Solvency				
Liquidity Ratio – times	1.7	1.8	2.1	2.2

* based on consolidated figures (SHF + PTF)

SHF: Shareholders' Fund

PTF: Participants' Takaful Fund

PakQatar General Takaful Limited (PQTL)

Jan-22

Insurer Financial Strength (IFS) Rating

Insurer Financial Strength (IFS) rating reflects forward-looking opinion on relative ability of the insurance company to meet policyholders and contractual obligations.

Scale	Definition
AAA	Exceptionally Strong. Exceptionally strong capacity to meet policyholder and contract obligations. Risk factors are minimal and the impact of any adverse business and economic factors is expected to be extremely small.
AA+ AA AA-	Very Strong. Very strong capacity to meet policyholder and contract obligations. Risk factors are modest, and the impact of any adverse business and economic factors is expected to be very small.
A+ A A-	Strong. Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small.
BBB+ BBB BBB-	Good. Good capacity to meet policyholder and contract obligations. Although risk factors are somewhat high, and the impact of any adverse business and economic factors is expected to be manageable.
BB+ BB BB-	Weak. Weak capacity to meet policyholder and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors is expected to be very significant.
B+ B B-	Very Weak. Very weak with a very poor capacity to meet policyholder and contract obligations. 'CCC': Risk factors are extremely high, and the impact of any adverse business and economic factors is expected to be insurmountable. 'CC': Some form of insolvency or liquidity impairment appears probable. 'C': Insolvency or liquidity impairment appears imminent.
CCC CC C	Very high credit risk. Substantial credit risk "CCC" Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. "CC" Rating indicates that default of some kind appears probable. "C" Ratings signal imminent default.
D	Distressed. Extremely weak capacity with limited liquid assets to meet policyholders and contractual obligations, or subjected to some form of regulatory intervention and declared insolvent by the regulator.

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.	Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.	Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.	Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the debt instrument is redeemed, d) the rating remains suspended for six months, e) the entity/issuer defaults., or/and f) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	Harmonization A change in rating due to revision in applicable methodology or underlying scale.
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

Note. This scale is applicable to the following methodology(s): General Insurance & Takaful Operator, Life Insurance & Family Takaful Operator.

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term “family members” shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report.
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA’s opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers’ associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst’s area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)
- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA’s Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA’s transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA’s Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(f-VII)

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