



The Pakistan Credit Rating Agency Limited

Rating Report

Pak Qatar General Takaful Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
07-Feb-2024	A+ (ifs)	Stable	Maintain	-
08-Feb-2023	A+ (ifs)	Stable	Maintain	-
31-Mar-2022	A+ (ifs)	Stable	Harmonize	-
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	-

Rating Rationale and Key Rating Drivers

In terms of Gross Written Premium (GWP), the general insurance industry has a total size of PKR 166bln in 9MCY23 compared to PKR 113bln in 9MCY22, exhibiting a growth of ~47%. The industry reported a growth of ~266% in underwriting results to PKR 9.9bln in 9MCY22 (9MCY22: PKR 2.7bln). The net income of the industry also experienced an increase of ~170% to PKR 20bln in 9MCY22 (9MCY22: PKR 7.4bln). The industry experienced a period without significant claims, contributing to the overall positive performance reported by the entire sector.

The assigned ratings of Pak-Qatar General Takaful Limited (“Pak Qatar” or “the Company”) incorporates its standing as one of Pakistan’s pioneering dedicated takaful companies. The Company demonstrates robust business acumen, strengthened by its strategic associations with Qatar-based financial institutions. Additionally, its affiliation with Pak-Qatar Family Takaful, a sister concern, adds a complementary dimension to its overall strategic standing. Currently, the Company holds a stable market position amidst intense competition from sole takaful and window takaful operations. Pak Qatar has demonstrated a consistent upward trend in its topline, driven primarily by value. The Company relies significantly on Motor and health segments to keep a high cash influx while slowly expanding its other segments. The management has devised a strategy under the new leadership to pivot the health portfolio towards the retail segment, with the goal of ensuring a more favorable loss ratio. Further, proactive efforts have been launched to capitalize on synergies through cross-selling opportunities with sister concerns. The Company’s investment portfolio, non-discretionary Separately Managed Account (SMA), posted growth and is managed by Pak Qatar Asset Management Co., a recent initiative of the group in the asset management space. Going forward, the Company intends to strengthen its presence in the motor segment through a strategy revamp towards the dealership networks. Moreover, plans to expand into the fire segment, with the overarching goal of achieving a more robust and balanced portfolio mix. On the financial risk front, the liquidity profile remains stable with an effective claim management system. However, the equity base needs to be strengthened.

The rating is dependent on the management’s ability to cohesively execute its business plan. Also, improvement in market share and underwriting profitability are considered vital. Meanwhile, prudent management of premium receivables from corporate customers is essential. Moreover, the 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(Mar-23),Methodology Rating Modifiers(Apr-23)
Related Research	Sector Study General Insurance(Jun-23)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504



Profile

Legal Structure Pak Qatar General Takaful ("Pak Qatar" or "the Company") is an unlisted public limited Company.

Background The Company commenced operations in August 2007 with a vision to offer financial protection through Takaful, adhering to the highest ethical standards in all aspects.

Operations The Company functions as the sole takaful operator with its head office in Karachi. It operates through three regions – South, Central, and North – encompassing a total of 19 branches across 9 cities.

Ownership

Ownership Structure There are two key shareholders of the Company. H.E. Sheikh Ali Bin Abdullah Al-Thani (H.E. Ali) and Mr. Said Gul directly and indirectly hold ~41.8% and ~48.3%, respectively. The rest of the stake is held by a few individuals and the general public.

Stability Ownership of the Company has remained stable over the years with major shareholding lying with two key sponsors. The Company is a strategic investment of sponsors and is anticipated to remain stable in the foreseeable future.

Business Acumen Sponsors of the Company are seasoned with many profitable ventures in their portfolio. i.e. Pak-Qatar Investment (Pvt) Ltd, Qatar International Islamic Bank and FWU AG, whose success is a testimony of the excellent business acumen of sponsors and their ability to form and execute business strategies.

Financial Strength Sponsors of the Company sustainable financial strength, having ventures in banks, asset management companies, takaful businesses and construction companies with all the financial muscles and intentions to support the Company in situations of distress which is evident through its ownership history.

Governance

Board Structure The Board of the Company, consisting of nine members, includes two Executive Directors, one Independent Director, and six Non-Executive Directors. This diverse composition ensures a balanced and effective governance structure.

Members' Profile His Excellency (H.E.) Sheikh Ali is a member of the Royal Family of Qatar. He has been the chairman of Pak-Qatar General Takaful since its inception. H.E. is a prominent businessman in Qatar and currently, is the Chairman of Umm-Haish International, and Al-Jazeera Trading & Contracting. Earlier, he was the Chairman of Qatar International Islamic Bank. By qualification, he is a science graduate from Portland State University, USA.

Board Effectiveness The Board has three committees in place: Audit Committee, Investment Committee and Ethics, HR and Remuneration Committee. 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. Board meeting minutes are maintained adequately.

Transparency The External Auditors M/s Yousaf Adil, Chartered Accountants issued an unqualified opinion on the Company's financial statements for Dec-22.

Management

Organizational Structure The Company has a clearly defined organizational structure. There are two broad segments: i) insurance-related activities (i.e., underwriting, claims and reinsurance) and ii) support services (i.e., finance internal audit, HR & Admin, and MIS). All department heads report directly to the CEO.

Management Team Mr. Zahid Hussain Awan is the Chief Executive Officer of the Company. He has been associated with Pak-Qatar since its inception and is a seasoned professional with over two decades of rich experience in the banking industry of Qatar. He is supported by a team of professionals.

Effectiveness The Company has one general management committee and three specialized committees: Underwriting, Re-Takaful/Co-Takaful Committee, Claims Committee and Risk Management & Compliance Committee. Meeting of each committee is held quarterly and on a need basis. Adequate minutes are maintained.

MIS Pak Qatar has developed its software TIMS (Takaful Information and Management System). The new software is entirely web-based and has been running live since Jan-14. The system ensures a strong control environment, supporting centralized operations by allowing policy locking and posting at the head office level. In addition, the Company has been progressing towards the implementation of SAP, incorporating its S4 HANA module in its MIS.

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

Investment Management Function A formal IPS has been drafted by the Company and accordingly approved by the Board. 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 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 In terms of Gross Written Premium (GWP), the general insurance industry has a total size of PKR 166bln in 9MCY23 compared to PKR 113bln in 9MCY22, exhibiting a growth of ~47%. The industry reported a growth of ~266% in underwriting results to PKR 9.9bln in 9MCY22 (9MCY22: PKR 2.7bln). The net income of the industry also experienced an increase of ~170% to PKR 20bln in 9MCY22 (9MCY22: PKR 7.4bln). The industry experienced a period without significant claims, contributing to the overall positive performance reported by the entire sector.

Relative Position Pak Qatar possesses a market share of less than ~1% and is classified among small-sized companies in terms of GPW as of the Sep'23.

Revenue The Company reported Gross Contribution Written (GCW) of PKR 1,205mln during CY22 (CY21: PKR 1,032mln), depicting an increase of ~16.7%, attributable to fire & property and motor segment. During 9MCY23, there was a ~29% increase, reaching PKR 997mln. Regarding the segmental mix of the Company, the Motor segment comprised ~41% of total GCW, followed by Accident and Health (~28%), Fire & Property (~18%), Marine (~8%) and Miscellaneous (~5%).

Profitability During CY22, the Company reported an underwriting loss of PKR (4)mln (CY21: PKR 4mln). The trend persisted in 9MCY23, with the underwriting loss increasing to PKR (46)mln due to high claims incurred. Despite a healthy investment income, this resulted in a net income of PKR 34mln (9MCY22: PKR 56mln, CY22: PKR 62mln, CY21: PKR 54mln).

Investment Performance During CY22, the investment income increased to PKR 72mln (CY21: PKR 52mln). During 9MCY23 investment income reported at PKR 96mln (9MCY22: PKR 64mln) reflecting the healthy performance of the overall portfolio. The Investment portfolio is diversified with ~44% in cash & bank, ~31% in Islamic mutual funds, and the remaining invested in debt instruments. During 9MCY23, the investment portfolio increased by 11% (CY22: PKR 1,005mln).

Sustainability Going forward, the Company aims to augment its revenue base by focusing on diversification, specifically in health and marine segments, along with maintenance of its primary motor revenue stream. Additionally, the Company also intends to capitalize on technological advancements.

Financial Risk

Claim Efficiency Pak Qatar reported outstanding claims of PKR 688mln as of CY22, marking a substantial increase (CY21: PKR 377mln). This trend persisted, with outstanding claims reaching PKR 793mln as of 9MCY23 (9MCY22: PKR 661mln). Correspondingly, the claims outstanding days also increased, registering 362 days as of 9MCY23 (CY22: 214 days, CY21: 293 days).

Re-Insurance Pak Qatar General Takaful maintains re-takaful arrangements with well-reputed reinsurance companies, e.g., Kuwait Re ('A-' by A.M Best), Saudi Re ('A3' by Moody's), Arab Re ('B+' by A.M Best), Tunis Re, Kenya Re and PRCL ('AA' by VIS).

Cashflows & Coverages Pak Qatar has a sound liquidity coverage (Liquid Assets/Outstanding Claims) of 1.4x as of 9MCY23 (CY22: 1.5x), decreased coverage can be attributable to increased outstanding claims including IBNR. As of 9MCY23, the Company reported liquid investments of PKR 1,115mln (CY22: PKR 1,005mln).

Capital Adequacy Pak Qatar has an equity base as of PKR 657mln for the period ended 9MCY23 (CY22: PKR 608mln). The Company is compliant with the SECP's minimum capital requirements. The Company has a paid-up capital as of PKR 509mln.



Pak-Qatar General Takaful
Unlisted Public Company

Sep-23	Dec-22	Sep-22	Dec-21	Dec-20
9M	12M	9M	12M	12M

A BALANCE SHEET

1 Investments	1,115	1,005	890	886	705
2 Insurance Related Assets	844	784	794	488	330
3 Other Assets	710	644	509	502	312
4 Fixed Assets	72	46	58	61	83
5 Window Takaful Operations	-	-	-	-	-
Total Assets	2,741	2,478	2,251	1,937	1,429
1 Underwriting Provisions	358	384	293	331	187
2 Insurance Related Liabilities	1,160	962	841	629	416
3 Other Liabilities	533	524	501	401	239
4 Borrowings	32	1	15	18	32
5 Window Takaful Operations	-	-	-	-	-
Total Liabilities	2,084	1,870	1,649	1,379	874
Equity/Fund	657	608	602	557	555

B INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 Gross Premium Written/Gross Contribution Written	997	1,205	771	1,032	602
2 Net Insurance Premium/Net Takaful Contribution	814	887	623	654	427
3 Underwriting Expenses	(860)	(891)	(607)	(650)	(443)
Underwriting Results	(46)	(4)	16	4	(17)
4 Investment Income	96	72	64	52	45
5 Other Income / (Expense)	-	15	0	12	15
Profit Before Tax	50	84	80	68	43
6 Taxes	(16)	(22)	(24)	(14)	2
Profit After Tax	34	62	56	54	45

PARTICIPANTS' TAKAFUL FUND - PTF

1 Gross Contribution Written	997	1,205	771	1,032	602
2 Net Takaful Contribution	480	456	275	297	186
3 Net Takaful Claims	(559)	(527)	(327)	(331)	(205)
4 Direct Expenses Including Re-Takaful Rebate Earned	45	49	38	43	34
Surplus Before Investment & Other Income/(Expense)	(34)	(23)	(14)	9	15
5 Investment Income	28	10	11	5	0
6 Other Income/(Expense)	-	16	-	8	11
Surplus for the Period	(7)	4	(3)	22	26

OPERATOR'S TAKAFUL FUND - OTF

1 Wakala Fee Income	335	431	348	357	240
2 Management, Commission & Other Acquisition Costs	(346)	(412)	(318)	(362)	(272)
Underwriting Income/(Loss)	(11)	19	30	(5)	(32)
3 Investment Income	68	62	53	47	45
4 Other Income/(Expense)	-	(1)	0	4	4
Profit Before tax	57	80	83	46	17
5 Taxes	(16)	(22)	(24)	(14)	2
Profit After tax	40	58	59	33	19

C RATIO ANALYSIS

1 Profitability					
Loss Ratio - Net Insurance & Takaful Claims / Net Insurance Premium or Takaful Combined Ratio (Loss Ratio + Expense Ratio)	68.7%	60.4%	52.6%	49.1%	46.2%
2 Investment Performance					
Investment Yield	12.1%	7.7%	9.6%	6.6%	6.9%
3 Liquidity					
(Liquid Assets - Borrowings) / Outstanding Claims Including IBNR	1.4	1.5	1.3	2.3	2.3
4 Capital Adequacy					
Liquid Investments / Equity (Funds)	169.7%	165.1%	147.9%	159.0%	126.9%

Insurer Financial Strength (IFS) Rating

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

Scale	Definition
AAA (ifs)	Exceptionally Strong. Exceptionally Strong capacity to meet policy holders and contract obligations. Risk factors are minimal, and the impact of any adverse business and economic factors is expected to be extremely small.
AA++ (ifs) AA+ (ifs) AA (ifs)	Very Strong. Very Strong capacity to meet policy holders and contract obligations. Risk factors are very low, and the impact of any adverse business and economic factors is expected to be very small.
A++ (ifs) A+ (ifs) A (ifs)	Strong. Strong capacity to meet policy holders and contract obligations. Risk factors are low, and the impact of any adverse business and economic factors is expected to be small.
BBB++ (ifs) BBB+ (ifs) BBB (ifs)	Good. Good capacity to meet policy holders and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be manageable.
BB++ (ifs) BB+ (ifs) BB (ifs)	Modest. Modest capacity to meet policy holders and contract obligations. Though positive factors are present, risk factors are relatively high, and the impact of any adverse business and economic factors is expected to be significant.
B++ (ifs) B+ (ifs) B (ifs)	Weak. Weak capacity to meet policy holders and contract obligations. Risk factors are high, and the impact of any adverse business and economic factors is expected to be very significant.
CCC (ifs) CC (ifs) C (ifs)	Very Weak. Very weak capacity to meet policy holders and contract obligations. Risk factors are very high, and the impact of any adverse business and economic factors may lead to insolvency or liquidity impairment
D (ifs)	Distressed. Extremely weak capacity with limited liquid assets to meet policy holders and contract obligations, or subjected to some form of regulatory intervention or declared insolvent by the regulator.

<p>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'.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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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 | Clause 11-(A)(p).
- (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)

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- (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 | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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