



## The Pakistan Credit Rating Agency Limited

### Rating Report

## Pak-Qatar Family Takaful Limited

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#### Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
26-Jun-2024	A++ (ifs)	Stable	Maintain	-
26-Jun-2023	A++ (ifs)	Stable	Maintain	-
30-Jun-2022	A++ (ifs)	Stable	Maintain	-
31-Mar-2022	A++ (ifs)	Stable	Harmonize	-
30-Jun-2021	A+	Stable	Maintain	-
30-Jun-2020	A+	Stable	Maintain	-
20-Dec-2019	A+	Stable	Maintain	-
21-Jun-2019	A+	Stable	Maintain	-
27-Dec-2018	A+	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

Pakistan's Life Insurance market is dominated by the public sector (~66.2% share as of Dec-23), while the private sector holds only ~33.8% share. The sector players have shifted their focus from first-year persistency to second-year, prioritizing Gross Premium (GPW) growth. During CY23, overall GPW showed a YoY growth of ~7.69%. Out of the total, ~46.58% of the GPW pertains to renewals, followed by group life without cash value (~37.2%). Net Premium also showed a YoY increase of ~7.39%. As policy maturities and surrenders have largely trickled in, net claims grew by ~31%. To adapt, the industry holds a substantial investment book (CY23: PKR 2,021bln, CY22: PKR 1,747bln) stabilizing the overall outlook.

Pak-Qatar Family Takaful Limited ('Pak-Qatar' or 'the Company') derives strength from its Sponsors and robust market position. The Company has a strong foothold in the takaful segment of life insurance sector. Pak-Qatar has demonstrated steady market share retention, ensuring stability in premium income, while capitalizing on its substantial investment portfolio. During CY23, the Company reported a ~59% growth in GPW, significantly supported by its competitive product - Mahana Bachat Plan. This growth enhanced its overall market share to ~4% during the period, from ~2.7% during CY22. The Company needs to enhance its market share to effectively compete with its peers of similar rating. Pak-Qatar's first-year persistency rate remained relatively weak at ~58%. The Company has significantly enhanced its underwriting performance, reporting an uptake of ~190% backed by disciplined underwriting practices and effective business operations. Further support from strong investment income, primarily (~88%) attributed to revaluation gains on Company investments. During CY23, the Company reported a decline in net profitability due to significant reserve built for the policyholders. This remains on the lower end within the life insurance industry. The Company benefits from its association with FWU, a Germany based firm, in the form of technical partnership, as the sponsors provide synergic benefits. Comfort is drawn from Pak-Qatar's strong risk absorption capacity represented by sufficient liquidity. The Company holds a stable equity base.

The rating takes comfort from the ability of the Company to capitalize on the market share whilst sustaining the performance. Maintaining the surplus in takaful fund and liquidity position is essential. while continuing to focus on improving profitability.

#### Disclosure

<b>Name of Rated Entity</b>	Pak-Qatar Family Takaful Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	IFS Rating
<b>Applicable Criteria</b>	Assessment Framework   Life Insurance(Mar-24),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Life Insurance(Jun-23)
<b>Rating Analysts</b>	Faiqa Qamar   faiqa.qamar@pacra.com   +92-42-35869504



## Profile

**Legal Structure** Pak-Qatar Family Takaful Limited (“Pak Qatar” or the “Company”) is a public unlisted company incorporated on Mar’06.

**Background** Pak-Qatar is the first and largest dedicated Family Takaful Company in Pakistan. Pak Qatar is a progressive and a technology-driven Shari’ah Compliant company providing innovative Takaful solutions since 2007. Incorporated in 2006, and beginning operations in 2007.

**Operations** The Company’s business is categorized under three statutory funds: (i) Individual Family plans, sold through Direct Sales Force and Banka-Takaful, including unit-linked plans and Decreasing Term Assurance (DTA) as non-linked plans, (ii) Group Family, and (iii) Group Health.

## Ownership

**Ownership Structure** Major ownership is vested in Mr. Said Gul and his affiliated entity (~38.8%), alongside H.E. Sheikh Ali Bub Abdullah Al-Thani and Associated Institutions (~31.1%) and FWU AG, a technical partner based in Germany (~15.2%). The remaining stake is distributed among various individual investors (~14.9%).

**Stability** The Company’s shareholding structure has remained unchanged, contributing to stability and continuity. Additionally, the sponsoring groups of the Company provide further stability, ensuring a strong foundation for its operations.

**Business Acumen** The Company benefits from the strategic involvement of Qatar Royal family members and their institutions like Qatar International Islamic Bank (holding ~9.95%) and Qatar Islamic Insurance Company (holding ~11%), both highly rated (A- by Fitch and A- by A.M. Best). This underscores the Company’s strong business acumen and enhances its market credibility and governance standards.

**Financial Strength** Pak Qatar benefits from a strategic partnership with FWU AG, gaining access to tailored Banca products, FWU’s Sales & Administration System (SIS), and support for distribution partner acquisition. FWU operates locally in Pakistan with a dedicated sales team of 26 professionals. Supported by the financial strength of sponsoring entities like the Qatar Royal family and Qatar International Islamic Bank, Pak-Qatar’s profile is further strengthened in the market.

## Governance

**Board Structure** Pak Qatar’s nine-member Board, chaired by Mr. H.E. Sheikh Ali Bin Abdullah Al-Thani, includes Executive and Non-Executive Directors, including one Female Director, and representatives from Mr. Said Gul and FWU AG. The Board also includes one Independent Director.

**Members’ Profile** Since its inception in 2007, His Excellency Sheikh Ali Bin Abdullah Al-Thani has chaired the Board. With a robust business background, he also leads Umm-Haish International and Al-Jazeera Trading & Contracting. Previously, Sheikh Ali chaired Qatar International Islamic Bank and holds a degree in economics and political science from Portland State University, USA.

**Board Effectiveness** Three Board-level committees are established: Audit, HR & Remuneration, and Investment. Board meetings are held both within and outside Pakistan, with minutes formally documented.

**Financial Transparency** The External Auditors of the Company, Yousaf Adil, Chartered Accountants, issued an unqualified audit opinion pertaining to annual financial statements for CY23.

## Management

**Organizational Structure** The Company has a well-defined organizational structure. As an Executive Director, Mr. Muhammad Kamran Saleem acts as a liaison between the Board and key individuals, including the CEO, CFO, and Chief Internal Auditor (CIA).

**Management Team** Mr. Waqas Ahmed joined as CEO for a three-year term following his appointment by the Board in March 2024. With over three decades of expertise in the insurance industry, Mr. Waqas previously served as the Company’s COO before his departure. He is assisted by a team of qualified and experienced professionals.

**Effectiveness** Four key committees—Underwriting, Re-Takaful, Claims, and Risk Management & Compliance—support effective management. The CEO has real-time access to comprehensive information. Management meetings are held regularly, with minutes documented to ensure effective communication and decision-making.

**Claim Management System** Policyholders’ claims on the Waqf are recorded upon customer notification. Three standardized forms—Claimant’s Statement, Physician’s Statement, and Employer’s Statement (for Group Takaful)—must be completed and signed. The Waqf covers claims for Death, Critical Illness, and Disability.

**Investment Management Function** The Company has an approved annual investment policy document covering three separate funds: PTF, PIF, and SHF. Investment strategies for unit-linked funds within PIF—such as BT Growth, BT Conservative, Aggressive, Balanced, Conservative, and Secure Wealth Fund—are outlined in the IPS.

**Risk Management Framework** The Company maintains a comprehensive underwriting manual, regularly updated and distributed to branches. Underwriters are assigned authority limits based on their qualifications and experience, as approved by the CEO or COO.

## Business Risk

**Industry Dynamics** The Life Insurance market is dominated by the public sector (~66.2% share as of Dec-23), while the private sector holds only ~33.8%. Gross Premium (GPW) stood at PKR 406bln during CY23 (CY22: PKR 377bln), showing YoY growth of ~7.69%. GPW is divided between regular premium products (first year, second year, and subsequent year premiums), single premium products, and group life policies. ~46.58% of the total premium pertains to renewal premium products, followed by group life without cash values at ~37.2% in Dec-23. Net Premium stood at PKR 399bln during CY23 (CY22: PKR 372bln), showing a YoY increase of ~7.39%. Net Claims stood at PKR 367bln during CY23 (CY22: PKR 281bln). The total investment book of the industry was PKR 2,021bln during CY23 (CY22: PKR 1,747bln). The overall outlook of the industry remains stable.

**Relative Position** Pak Qatar is Pakistan’s largest Family Takaful company, with ~4.4% market share in terms of GPW as of CY23.

**Persistence** During CY23, the Company reported healthy persistence performance, with the first-year persistence ratio at ~58% (CY22: ~52%) and renewal persistence at ~80% (CY22: ~77%).

**Revenue** During CY23, the total gross contribution reported at PKR 16,297mln, reflecting growth of ~59% significantly supported by its competitive product, the Mahana Bachat Plan (CY22: PKR 10,236mln). The Company plans to further enhance its portfolio with unique product offerings.

**Profitability** During CY23 the Company reported healthy underwriting performance achieving underwriting profits of PKR 3,744mln reflecting a growth of ~190%. The Company reported a combined ratio of ~85.5% (CY22: 99.5%). Strong investment income supplemented overall profitability. However, net profitability declined to PKR 94mln (CY22: PKR 297mln) due to significant reserve building for policyholders, reflecting the Company’s strong commitment to them.

**Investment Performance** During CY23 the investment income reported at PKR 7,336mln (CY22: PKR 566mln) reflecting a significant growth primarily (~88%) attributed to revaluation gains on Company investments. The income includes dividends, debt securities, and term deposits & savings accounts.

**Sustainability** The Company aims for sustained business growth and gradual profitability improvement by focusing on small-ticket policies and targeting the micro-level segment of the industry.

## Financial Risk

**Claim Efficiency** The claims outstanding days have been reduced to 62 days as at CY23 (CY22: 64 days). During CY23 the Net Takaful claims expense reflected an uptake of ~61% reported at PKR 10,653mln (CY22: PKR 6,618mln).

**Re-Insurance** Pak Qatar is strengthened by its Re-Takaful arrangements with Munich Re (AA- by S&P), Hannover Re (AA- by S&P) & Hannover Re-Takaful Catastrophic arrangements providing the Company with a cushion against unforeseen risks.

**Cashflows & Coverages** As at CY23 Company had liquid investments of PKR 39,614mln (CY22: PKR 29,150mln). As at CY23, the Liquid Investments to Net Claims coverage clocked in at 3.2 times (CY22: 3.0 times) reflecting strong coverage. Going forward, with the increase in the contribution book, the Company anticipates further enhancement of its liquid investment portfolio.

**Capital Adequacy** The Company has a paid-up share capital of PKR 1,307mln, well above the Minimum Capital Requirement whereas the total funds stood at PKR 2,612mln as at CY23 reflecting a growth of 3% (CY22: PKR 2,517mln).



PKR mln

Pak Qatar Family Takaful Limited  
Public Unlisted Company

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

#### A BALANCE SHEET

1 Investments	40,871	30,266	29,134	27,588
2 Insurance Related Assets	1,110	966	1,199	1,039
3 Other Assets	1,249	1,202	978	933
4 Fixed Assets	560	576	530	570
<b>Total Assets</b>	<b>43,789</b>	<b>33,009</b>	<b>31,841</b>	<b>30,130</b>
5 Underwriting Provisions	-	-	-	-
6 Insurance Related Liabilities	40,606	30,000	29,166	27,445
7 Other Liabilities	386	268	224	191
8 Borrowings	185	224	196	250
<b>Total Liabilities</b>	<b>41,177</b>	<b>30,492</b>	<b>29,585</b>	<b>27,886</b>
<b>Equity</b>	<b>2,612</b>	<b>2,517</b>	<b>2,257</b>	<b>2,243</b>

#### B INCOME STATEMENT

1 Gross Premium Written	16,297	10,236	9,986	6,163
2 Net Insurance Premium	15,847	9,772	9,555	7,558
3 Underwriting Expenses	(12,103)	(8,483)	(7,812)	(6,275)
<b>Underwriting Results</b>	<b>3,744</b>	<b>1,289</b>	<b>1,743</b>	<b>1,283</b>
4 Management Expenses	(1,439)	(1,235)	(1,076)	(955)
5 Investment Income	7,336	566	211	3,256
6 Other Income / (Expense)	551	513	399	393
7 Net Change in Reserve for Policyholders' Liabilities	(10,062)	(800)	(1,090)	(3,742)
<b>Profit Before Tax</b>	<b>130</b>	<b>332</b>	<b>187</b>	<b>235</b>
8 Taxes	(36)	(36)	(49)	(45)
<b>Profit After Tax</b>	<b>94</b>	<b>297</b>	<b>137</b>	<b>190</b>

#### C RATIO ANALYSIS

<b>1 Profitability</b>				
Loss Ratio (Net Insurance Claims / Net Insurance Premium )	67.2%	67.7%	60.6%	60.5%
Combined Ratio (Loss Ratio + Expense Ratio)	85.5%	99.5%	93.0%	95.7%
<b>2 Investment Performance</b>				
Investment Income / Operating Profit	76.1%	91.4%	24.0%	90.8%
<b>3 Liquidity</b>				
(Liquid Assets - Borrowings) / Outstanding Claims	25.62	24.42	26.58	33.38
<b>4 Capital Adequacy</b>				
Liquid Investments / Equity	15.17	11.58	12.64	12.13

### 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
<b>AAA (ifs)</b>	<b>Exceptionally Strong.</b> 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.
<b>AA++ (ifs)</b> <b>AA+ (ifs)</b> <b>AA (ifs)</b>	<b>Very Strong.</b> 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.
<b>A++ (ifs)</b> <b>A+ (ifs)</b> <b>A (ifs)</b>	<b>Strong.</b> 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.
<b>BBB++ (ifs)</b> <b>BBB+ (ifs)</b> <b>BBB (ifs)</b>	<b>Good.</b> 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.
<b>BB++ (ifs)</b> <b>BB+ (ifs)</b> <b>BB (ifs)</b>	<b>Modest.</b> 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>B++ (ifs)</b> <b>B+ (ifs)</b> <b>B (ifs)</b>	<b>Weak.</b> 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.
<b>CCC (ifs)</b> <b>CC (ifs)</b> <b>C (ifs)</b>	<b>Very Weak.</b> 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
<b>D (ifs)</b>	<b>Distressed.</b> 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><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> 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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(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

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- (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).
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- (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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- (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)
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- (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)
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- (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)

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- (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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