

RATING REPORT

Pak-Qatar Family Takaful Limited

REPORT DATE:

June 29, 2022

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	Long-term	Long-term
Entity	A++(IFS)	A++(IFS)
Rating Outlook	Stable	Stable
Rating Action	Reaffirmed	Harmonised
Rating Date	Jun 29, '22	Mar 31, '22

COMPANY INFORMATION

Incorporated in 2006	External auditors: M/s. E&Y Ford Rhodes, Chartered Accountants
Public Unlisted Company	Chairman of the Board: H.E. Sheikh Ali Bin Abdullah Al Thani
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Azeem Iqbal Pirani
Pak-Qatar Investment (Pvt.) Limited – 34.58%	
FWU Global Takaful Solutions – 15.20%	
Qatar Islamic Insurance Company – 10.97%	
Sheikh Ali Bin Abdullah Al Thani – 10.18%	
Qatar International Islamic Bank – 9.95%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria: Life Insurance and Family Takaful (March, 2022)

<https://docs.vis.com.pk/docs/LifeTakaful%20202203.pdf>

Pak-Qatar Family Takaful Limited

OVERVIEW OF THE INSTITUTION

Established in 2006 as an unlisted public limited company, Pak Qatar Family Takaful Limited (PQFTL) was the first family takaful operator in Pakistan. The company offers individual and group life covers, with individual policies being the company's major business line in terms of premium income.

Profile of Chairman

A member of the Royal Family, Sheikh Ali is a prominent businessman in Qatar. By qualification, he is Bachelor of Science in Political Science from Portland State University, U.S.A. Currently, he is the Chairman of Umm-Haish International, and Al-Jazeera Trading & Contracting. Earlier, he was the Chairman of Qatar International Islamic Bank.

Profile of CEO

Mr. Azgeem Pirani brings along over 18 years of vast experience of Banking & Islamic Finance industry. He holds a Postgraduate Diploma in Islamic Banking and Finance from the Center of Islamic Economics in Pakistan, an MBA in International Business from the University of New Brunswick in Canada, and a BBA in Finance from the University of Houston in the United States.

Before joining Pak-Qatar Takaful, he was

RATING RATIONALE

Pak Qatar Family Takaful Limited ('PQFTL'; or 'the Company') is a medium-sized family takaful company, principally involved in individual family, group family and group health takaful business. In the domestic private life insurance/ takaful segment, PQFTL held a market share stood at 7.9% for 2021 (2020: 7.1%).

Industry Overview – Life Insurance

- The life insurance industry in Pakistan comprises eight (8) private sector companies and one (1) public sector company. Life insurance penetration in Pakistan stands on the lower side at 0.6% as of 2020. Overall life insurance penetration in Pakistan is dismal, particularly in comparison to India's life insurance penetration of 3.2% as of FY21.
- For 2021, the sole public sector insurer, State Life Insurance Company (SLIC), held 56% of the market share, in terms of gross premiums. SLIC was formed as part of the nationalization process in 1972, wherein all life insurance companies were merged into a single entity.
- Growth in industry gross premiums accelerated to 24.7% for 2021 (2020:4.5%), with SLIC contributing majority (averaging ~70%) of the growth in both years same. Strong growth in SLIC's underwriting is attributable to initiation of government sponsored health coverage for underprivileged citizens under the 'Sehat Sahulat Program' (SSP).

Table 1: Life Insurance Industry Market Shares (Source: IAP)

	2019	2020	2021	2019	2020	2021
	Gross Premiums			Market Share		
State Life	112,777	119,035	162,480	51.0%	51.6%	56.3%
Jubilee Life	49,627	46,508	49,356	22.4%	20.1%	17.1%
EFU Life	31,750	32,546	37,407	14.3%	14.1%	13.0%
Adamjee Life	12,969	17,101	20,734	5.9%	7.4%	7.2%
Pak Qatar Family Takaful	8,287	7,961	9,986	3.7%	3.4%	3.5%
IGI Life	4,815	6,161	7,057	2.2%	2.7%	2.4%
TPL Life	753	1,130	640	0.3%	0.5%	0.2%
Askari Life	301	449	835	0.1%	0.2%	0.3%
	221,279	230,891	288,495			

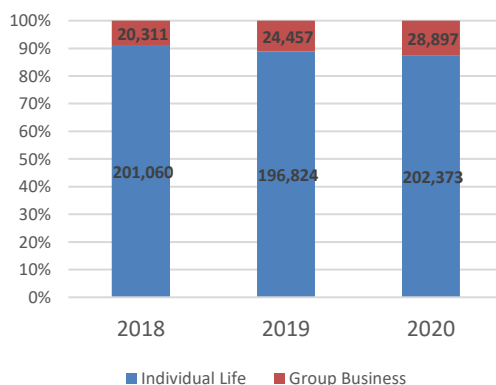


Figure 2: Segment-wise Breakup of Gross Premium (Source: Life Insurance Company Financial Statements)

- As illustrated in the figure above, growth has been led by the Group business segment, which comprised 12% of the gross premiums as of 2020 (2019:11%; 2018: 9%). Growth in the same is attributable to initiation of SSP as discussed above.
- VIS has noted slowdown in first year underwriting, which initially materialized in 2019, being precipitated by the macroeconomic slowdown, while further contraction in the same was

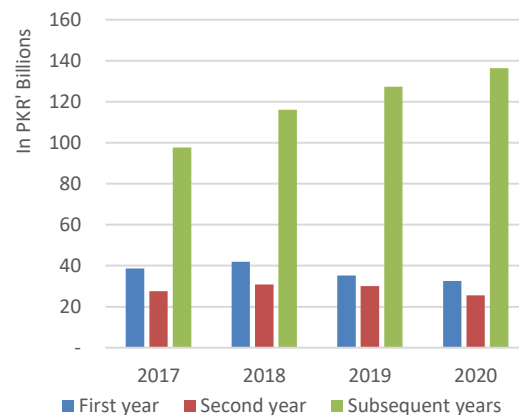


Figure 3: Year-wise Breakup of Gross Premium (Individual Life excludes single premium policies) (Source: Life Insurance Company Financial Statements)

the Regional Head for Pakistan at FWU AG. As the main representative for the Munich headquartered company in Pakistan he was responsible for setting up the branch as well as putting in place the required agreements to enable it to carry out its business of facilitating BancaTakaful.

witnessed in 2020 given the onset of the pandemic-induced lockdowns. (2020: Rs. 32.6b; 2019: Rs. 35.2b; 2018: Rs. 42.0b).

- Given limitations of publicly available disclosures, persistency calculations can only be made for second year renewals. In the past two year period, second year persistency has fallen (2020: 72.8%; 2019: 71.7%; 2018: 79.9%). As per industry experts, the drop in persistency can be attributed to adverse macroeconomic conditions precipitated by the pandemic, as a result of which several policies were liquidated during 2020.
- In 9M'21, the industry gross underwriting posted a growth of 30% vis-à-vis SPLY, with Group policies being the growth driver contributing 60% of the growth. As a result, share of Group business to total business increased to 26% vis-à-vis 15% in SPLY. The sizable growth in Group business can be attributed to initiation of SSP and growth in consumer financing transactions during the period.
- VIS has noted an adverse trend in individual life claims performance during the period reviewed, which is presented in Table 2. Interim data is only available for 4 private sector life insurance companies (JLI, EFU IGI & Askari), wherein the performance of individual life and individual life (only death) was more adverse in 9M'21, with the same coming in at 78.0% and 7.3% respectively. The increase in individual life claims ratio can partly be explained by higher surrenders during the pandemic period. Nevertheless, the increase in net claims (only death ratio) does not correlate with the trend in crude death ratio, which has dropped on a timeline. This points towards higher death rate in insured individuals, because the insured portfolio of individuals are likely part of higher economic strata.
- The industry's offerings are largely concentrated in individual life unit-linked policies. As a result the industry has a sizable investment portfolio of Rs. 1,634b as of Sep'21 (Dec'20: Rs. 1,652b; Dec'19: Rs. 1,237b). Furthermore, as unit-linked policies remain the primary product offering, the industry's liquidity is considered strong, given that liquid assets cover ~90% of the insurance liabilities.
- The 5-year return performance of companies – which have made their fund management reports public and wherein fund size meets the criteria of minimum Rs. 0.5b – is provided in the table below. As illustrated in the table, performance of life insurance investment portfolios trailed inflation, mainly on account of adverse equity market performance observed during the 5 year period (2017-21).

	2018	2019	2020
Individual Life	40.0%	48.2%	53.3%
Individual Life – Only Death	4.5%	5.5%	6.4%
Group Business	81.9%	77.2%	79.3%

Table 2: Net Claims Performance – Industry (Source: Company Financials)

Table 3: 5-year Fund Performance

	2017	2018	2019	2020	2021	5 Year Return*	AUMs (PKR' Billions)
	Conventional						Dec'21
IGI (IAF, IBF, ICF & SSF)	4.74%	2.57%	12.98%	9.21%	5.07%	139.28	5.77
Adamjee Life (IMF, ISF & ISF 2)	-1.42%	1.97%	10.59%	10.91%	6.01%	130.71	46.0
EFU (MGF, AGF & GGF)	-5.79%	-1.89%	4.00%	15.26%	3.31%	114.46	132.7
JLI (MGF, CGF, YGF & MF)	-6.80%	-3.50%	13.21%	4.44%	0.11%	106.46	132.5
	Takaful						
Adamjee (MF & TF)	-4.5%	-2.1%	11.4%	9.1%	5.4%	119.74	6.30
EFU (TGF)	-4.61%	3.00%	1.97%	15.37%	2.55%	118.53	10.43
PQFTL (AF, BF & CF)	-5.0%	1.0%	10.5%	11.6%	-1.3%	116.80	13.76
JLI (MTF & CGTF)	-4.4%	-0.7%	9.7%	2.7%	-0.2%	106.81	24.80
IGI (TAF, TBF & TCF)	-4.4%	-2.2%	9.4%	5.6%	-14.0%	92.95	1.37
	Inflation (National)						
Inflation National (CY)	5.60%	5.40%	12.60%	8.00%	12.30%	152.0	-
6 Month PKRV (Daily Average)	5.99%	8.76%	12.39%	8.77%	8.02%	152.2	-
KSE-100	-15.3%	-8.4%	9.9%	7.4%	0.36%	91.9	-
KMI-30	-16.1%	-10.8%	7.9%	7.8%	-1.06%	86.1	-

* On a notional principal investment of Rs. 100

- Given low insurance penetration and muted growth, the industry remains well capitalized. In 2020, the industry's operating leverage further receded to 15% from 17% in 2019.

- The RoAE of the industry remained elevated in 2020, despite adverse trend in claims ratios. The profitability was mainly supported by investment returns driven by stock market performance. Nevertheless, the adverse claims ratio in combination with adverse investment performance has weighed on the RoAE for 9M'21.

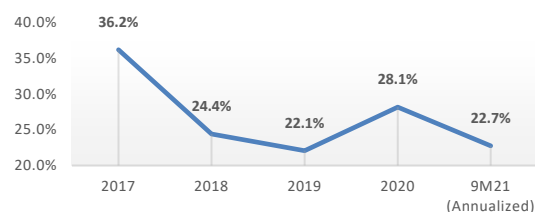


Figure 3: RoAE (Life Insurance Industry) Source: IAP

Future Outlook

- The continuing trend of low insurance penetration can partly be attributed to cultural averseness to insurance, which is also evident from similarly low insurance penetration in Bangladesh. Cognizant of the same, the industry introduced family takaful insurance products in 2005. Over the years, family takaful business has grown to comprise 27% of the private sector life insurance business, as all life insurance companies launched takaful variants of their policies. Nevertheless, despite the strong growth in takaful segment, no new market participants have entered to drive this growth further.
- The low insurance penetration is also a product of low financial inclusion and private sector credit to GDP, another parameter where Pakistan trails its regional counterparts. Given recent changes in foreclosure laws and push from the Government of Pakistan and State Bank of Pakistan for banks to grow their house financing portfolios, life insurance industry growth should increase in the medium term. This is already evident from the strong growth noted in 9M'21, majority (60%) of which was driven by Group business segment, wherein these transaction related policies are clubbed.
- Additionally, distribution through digital channels may also increase outreach and awareness. Presently, the industry relies on traditional distribution channels such as the Direct Sales Force (DSF) and through banks i.e. the 'Banca' channel. New 3rd party digital sales channel have been launched, which claim to have insured 10,000 lives in 2020. Growth through these digital channels should support industry growth going forward.
- There remains room for innovation in terms of industry's product offerings, with majority of policies sold in the market being individual unit-linked investment based products with life insurance riders. Development of innovative micro insurance products, linking the same with existing banking channels and moving away from lump sum premium payments may add further value to life insurance industry offerings thus driving penetration over the longer term.

Business Update - PQFTL

- Subsequent to experiencing a one-off 4% contraction in gross underwriting for 2020, PQFTL posted strong growth of 25% in 2021. With PQFTL's growth exceeding the industry growth, PQFTL was the only private sector insurance entity, in the medium to large-sized segment, that gained market share in 2021 (2021: 3.5%; 2020: 3.4%). In context of the private sector, PQFTL's market share improved from 7.1% to 7.9%. The growth in business was mainly a function of growth in Company's branch outreach and onboarding of additional direct sales force.
- The Company's business mix remains individual family takaful centered, with the same contributing 73% of the gross underwriting for 2021. Overall business mix in terms of individual takaful and group takaful remained similar YoY at 78:22 (2020: 80:20).

Table 4: Business Mix – Segment-wise (all figures in PKR' Billions)

	2015	2016	2017	2018	2019	2020	2021
<i>Individual Family</i>	5.76	6.17	6.83	6.04	6.21	6.34	7.81
<i>Group Family</i>	0.26	0.29	0.34	0.41	0.51	0.46	0.60
<i>Group Health</i>	0.70	1.03	1.09	1.37	1.57	1.16	1.57
Total	6.72	7.49	8.26	7.82	8.29	7.96	9.99

- Overall business mix remains similar, with the exception of the strong growth in single premium policies, wherein the proportion has increased.

Table 5: Business Mix

	2015	2016	2017	2018	2019	2020	2021
<i>First Year Contribution</i>	23.5%	18.9%	17.3%	14.9%	17.7%	20.9%	20.6%
<i>Renewal Contribution</i>	46.1%	51.1%	53.6%	56.0%	52.5%	54.5%	48.1%
<i>Top-up & Single Premium</i>	16.2%	12.4%	11.8%	6.3%	4.8%	4.3%	9.6%
<i>Group Contribution</i>	14.3%	17.6%	17.4%	22.8%	25.0%	20.3%	21.8%

- PQFTL's net claims performance posted divergent result, with net claims ratio of the individual takaful segment worsening while claims performance of the group takaful segment posted improvement, as illustrated in the table below. The improvement in the latter can be attributed to concerted efforts by management to off-load loss making clients in the preceding year. On a collective basis, net claims performance remained similar YoY.

Table 6: Claims Ratio

	2015	2016	2017	2018	2019	2020	2021
<i>Individual</i>	20.6%	25.1%	36.6%	42.7%	48.2%	54.8%	57.5%
<i>Group</i>	69.4%	74.1%	77.1%	70.5%	83.5%	84.5%	72.5%
<i>Individual - without surrenders</i>	2.2%	1.9%	1.5%	2.2%	2.7%	3.0%	2.7%

- PQFTL has sales arrangements in place with 9 commercial banks, for distribution of bancatakal policies. Given its significant reliance, the management is working towards enhancing the business generated from its own sales force, thereby reducing the Company's reliance on commercial banks. Management efforts have materialized in a continuous reduction in banca reliance over the years, as reflected in the table below.

Table 7: Channel-wise breakup of Individual Takaful Underwriting

Breakup of Individual & Retail Underwriting							
Total	2019	2020	2021	Year 1	2019	2020	2021
Direct	51%	57%	64%	Direct	57%	70%	76%
Banca	49%	43%	36%	Banca	43%	30%	24%

- In line with improvement in channel-wise offtake, PQFTL's persistency ratio has depicted consistent improvement of the past few years, as illustrated in the table below. Given concerted efforts by the management to grow its direct sales force, persistency is likely to improve further going forward.

Table 8: Persistency

	2015	2016	2017	2018	2019	2020	2021
<i>Second year</i>	71.7%	67.0%	74.2%	61.5%	64.9%	60.5%	63.0%
<i>Subsequent years</i>	87.8%	89.4%	89.0%	78.9%	82.0%	79.4%	86.4%
<i>Overall</i>	82.0%	81.9%	85.0%	74.7%	78.4%	74.7%	80.0%

- In 2021, PQFTL's profitability was supported by growth in underwriting profitability, albeit adverse investment returns weighed on the Company's bottom line. And accordingly RoAE dropped from 8.8% in 2020 to 6.1% in 2021. Going forward, outlook on underwriting profitability remains positive, given sizable growth in branch outreach and direct sales force.

Table 9: Income Statement (all figures in PKR' Millions) (Below IS excerpt combines the IS of PTF and SHF)

	2020	2021
Net Contribution	7,558	9,555
Net Takaful Benefits	(5,158)	(6,476)
<i>Claims Ratio</i>	68.3%	67.8%
Acquisition Expenses	(704)	(945)
Commission Expenses	(994)	(1,072)
<i>Net Acquisition Ratio</i>	21.3%	20.2%

<i>Surplus from Retakaful Operators</i>	79	46
Underwriting Profit	780	1,108
Investment Income	3,267	222
Takaful Operators Income	446	516
Marketing & Administrative Expenses	(509)	(560)
Other Expenses	(8)	(10)
Net Change in Takaful Liabilities	(3,742)	(1,090)
Profit Before Tax	235	187
Profit After Tax	190	137

- Given the strong profitability performance in 2020, the Company paid 7.5% dividend to shareholders, with payout ratio coming at 51%. For 2021, the Company opted to retain 100% of the profit.

Key Rating Drivers - PQFTL

Rating incorporates strong sponsor profile

- Assigned rating of Pak Qatar Family Takaful Limited (PQFTL) is underpinned by the sponsor profile comprising prominent Qatar-based financial institutions. Shareholders of the Company include Qatar International Islamic Bank and Qatar Islamic Insurance Company along with interest of a newly incorporated joint venture company, Pak-Qatar Investment (Private) Limited (PQIL).
- Sponsor support has been demonstrated by the financial assistance provided to PQFTL over the years.

Rating is supported by PQFTL's market positioning, outreach and diversification in sales channels

- The assigned rating incorporates PQFTL's market positioning, as a small to medium-sized operator in the insurance industry, holding a market share of 3.5% in the industry and 7.9% in case of private sector, as of 2021.
- The rating incorporates outreach of PQFTL's branch network. In the past 2 years, branch network has undergone significant expansion, with the number of branches increasing from 72, as of Dec'18, to more than 160 as of Dec'21. These branches are located in over 125 cities of Pakistan.
- The change in sales channels, partly mitigates the risk imposed by over reliance on bancatakaful partners. The trend has been noted positively, and continuation of the aforementioned trend would translate in lowering the business risk profile of PQFTL.
- The management has plans in place to develop its digital sales channel. The pilot phase of the digital channel has been developed, albeit the channel should start emerging over the medium term as customer awareness increases. PQFTL also has a contract with a third party for online sale of policies.

Rating incorporates Underwriting Performance of PQFTL

- PQFTL's overall claims performance and underwriting profitability is in line with the industry. However the profitability performance of PQFTL is limited by the scale of business as indicated by the overall RoAE, which trails industry RoAE; it is pertinent to mention that industry RoAE is elevated mainly on account of large-sized players.

Capitalization buffers and liquid assets provides healthy coverage of claims and compares favorably to peers

- Our view on capitalization profile draws impetus from consistent support from sponsor and adequate internal capital generation capacity.
- Overall risk absorption capacity of the Company is considered sound, in view of healthy capital coverage of claims. Also, the Company's equity size compares favorably to peers.
- Overall liquidity asset coverage of liabilities compares favorably to industry, albeit leaves room for improvement vis-à-vis VIS' benchmarks, which require liquid assets to liabilities ratio to be above 1x.

The rating incorporates PQFTL's investment performance

- PQFTL manages a total of six funds; two of which are managed separately for a commercial bank's customer base. The Company manages a total fund size of Rs. 26.4b, as of end-April'22.

- The investment operations of the Company are managed by an investment team of 7 individuals. This includes a designated Head of Investments, other investment team members, the actuary and members of the finance team. In 2019, the management started investing in the real estate asset class, which constitutes 7% of the Balanced Fund as of Dec'21.
- A 5-year review of PQFTL's fund returns is indicative of superior performance vis-à-vis benchmark returns. In comparison to industry counterparts, PQFTL's returns compare favorably to median return posted by peers.

Annexure – PQFTL AUMs
Table 10: Fund-wise AUMs (all figures in PKR' Millions)

	<i>Dec'16</i>	<i>Dec'17</i>	<i>Dec'18</i>	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>	<i>Apr'22</i>
<i>Aggressive</i>	1,117.5	1,502.0	1,820.3	2,286.9	2,575.3	2,583.3	2,409.6
<i>Balanced</i>	4,258.0	4,498.3	5,221.1	6,059.8	6,820.4	6,628.2	6,345.5
<i>Conservative</i>	816.3	1,360.5	1,576.9	2,205.9	3,389.2	5,100.1	5,874.9
<i>Secure Wealth</i>	130.7	118.7	100.7	93.8	82.0	73.2	70.8
<i>Banca- Growth</i>	4,030.1	4,369.3	4,726.4	5,613.0	6,542.7	5,686.0	5,310.2
<i>Banca - Conservative</i>	3,522.6	4,128.4	4,699.4	5,549.1	5,951.1	6,123.2	6,410.1
Total	13,875.2	15,977.2	18,144.8	21,808.5	25,360.7	26,194.0	26,421.0

Table 11: Fund-wise returns

<i>Returns of Funds</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>4M'CY22</i>
<i>Aggressive</i>	14.3%	-9.7%	-3.2%	12.5%	13.5%	-11.2%	-5.7%
<i>Balanced</i>	10.9%	-6.3%	1.0%	9.5%	12.1%	-1.0%	-1.7%
<i>Conservative</i>	5.2%	4.4%	5.9%	11.3%	9.0%	6.2%	9.0%
<i>Secure Wealth</i>	5.6%	4.5%	5.7%	11.0%	8.1%	4.8%	8.0%
<i>Banca- Growth</i>	11.31%	-6.4%	-3.3%	10.2%	14.53%	-11.3%	-5.6%
<i>Banca - Conservative</i>	4.98%	4.5%	5.7%	11.2%	8.85%	5.99%	7.72%

Table 12: Asset Allocation of Funds

	<i>Aggressive</i>			<i>Balanced</i>		
	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>
<i>Equities / Mutual Funds</i>	69.3%	80%	65%	33.9%	38%	32%
<i>Income/ Money Market Fund</i>	-	-	-	-	42%	51%
<i>Placements</i>	30.0%	20%	32%	39.4%	13%	6%
<i>Sukuk</i>	-	-	-	19.4%	1%	-
<i>Real Estate</i>	-	-	-	4.9%	4%	7%
<i>Miscellaneous</i>	0.7%	-	3%	2.4%	2%	4%
	<i>Conservative</i>			<i>Secure Wealth</i>		
	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>
<i>Mutual Funds</i>	-	95%	95%	-	86%	89%
<i>Income/ Money Market Fund</i>	-	-	-	-	-	-
<i>Placements</i>	22.3%	4%	4%	6.5%	4%	3%
<i>Sukuk</i>	74.7%	-	-	86.0%	5%	-
<i>Real Estate</i>	-	-	-	-	-	-
<i>Miscellaneous</i>	3.0%	1%	1%	7.5%	5%	8%
	<i>Banca - Growth</i>			<i>Banca - Conservative</i>		
	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>	<i>Dec'19</i>	<i>Dec'20</i>	<i>Dec'21</i>
<i>Equities / Mutual Funds</i>	71%	77%	74%	-	-	-
<i>Income/ Money Market Fund</i>	-	11%	-	-	97%	96%
<i>Placements</i>	26%	8%	7%	34%	-	2%
<i>Sukuk</i>	2%	-	18%	62%	1%	-
<i>Real Estate</i>	-	-	-	-	-	-
<i>Miscellaneous</i>	1%	4%	1%	4%	2%	2%

Pak-Qatar Family Takaful Limited
Appendix I

FINANCIAL SUMMARY			
<i>(amounts in PKR millions)</i>			
BALANCE SHEET	DEC 31, 2019	Dec 31, 2020	Dec 31, 2021
Cash and Bank Deposits	4,085.6	2,936.5	3,427.3
Investments	18,894.9	24,286.9	25,103.4
Total Assets	25,840.7	30,129.8	31,841.4
Paid-up capital	1,307.1	1,307.1	1,307.1
Net Equity (incl. Qard-e-Hasna)	2,067.1	2,243.5	2,256.6
Total Liabilities	23,773.6	27,886.3	29,584.8
INCOME STATEMENT	2019	2020	2021
Gross Contributions	8,287.1	7,961.5	9,986.4
Net Contributions – PTF	7,861.4	7,557.8	9,555.2
Surplus – Overall	31.5	86.6	33.0
- Individual	130.0	95.9	99.0
- Group Family	14.9	(27.6)	14.3
- Group Health	(113.3)	18.3	(80.3)
Profit Before Tax	84.1	208.1	224.7
Profit After Tax	55.2	163.6	175.3
RATIO ANALYSIS	DEC 31, 2019	Dec 31, 2020	Dec 31, 2021
Market Share (Gross Premium-Private)	7.6%	7.1%	7.9%
Liquid Assets to Total Liabilities	96.7%	97.6%	96.4%
Cession Ratio	5.1%	5.1%	4.3%
Persistency	78.4%	74.7%	80.0%

INSURER FINANCIAL STRENGTH RATING SCALE & DEFINITIONS
Appendix II
VIS Credit Rating Company Limited
RATING SCALE & DEFINITIONS: INSURER FINANCIAL STRENGTH
AAA

Highest capacity to meet policyholder and contract obligations; Risk factors are negligible.

AA+, AA, AA-

Very high capacity to meet policyholder and contract obligations; However, risk is modest, but may vary slightly over time due to business/economic conditions.

A+, A, A-

High capacity to meet policyholder and contract obligations; Risk factors may vary over time due to business/economic conditions.

BBB+, BBB, BBB-

Adequate capacity to meet policyholder and contract obligations; Risk factors are considered variable over time due to business/economic conditions.

BB+, BB, BB-

Marginal capacity to meet policyholder and contract obligations; Risk factors may vary widely with changes in business/economic conditions.

B+, B, B-

Low capacity to meet policyholder and contract obligations; Risk factors are capable of fluctuating widely with changes in business/economic conditions.

CCC

Very low capacity to meet policyholder and contract obligations; Risk may be substantial.

CC

Weak capacity to meet policyholder and contract obligations; Risk may be high.

C

Very weak capacity to meet policyholder and contract obligations; Risk may be very high

D

Extremely weak capacity to meet policyholder and contract obligations; Risk is extremely high.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.vis.com.pk/images/criteria_outlook.pdf

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

REGULATORY DISCLOSURES				Appendix III	
Name of Rated Entity	Pak-Qatar Family Takaful Limited				
Sector	Insurance				
Type of Relationship	Solicited				
Purpose of Rating	IFS Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: IFS				
	6/29/2022	A++(IFS)		Stable	Reaffirmed
	3/31/2022	A++(IFS)		Stable	Harmonised
	4/16/2021	A+		Stable	Reaffirmed
	10/15/2019	A+		Stable	Reaffirmed
	7/18/2018	A+		Stable	Upgrade
	6/23/2017	A		Positive	Maintained
	12/4/2015	A		Stable	Maintained
	5/13/2014	A		Positive	Maintained
Instrument Structure	N/A				
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on insurer financial strength quality only and is not a recommendation to buy or sell any securities.				
Probability of Default	VIS’ ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.				
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Due Diligence Meetings Conducted	Name	Designation		Date	
	Mr. Muhammad Kamran Saleem	Director Finance & Company Secretary		May 25, 2021	