



Rating Action

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Applicable Criteria and Related Research

- Life Insurance and Family Takaful - Viewpoint | Mar-16
- Insurer Financial Strength Rating Methodology

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PACRA ASSIGNS IFS RATING TO PAK QATAR FAMILY TAKAFUL LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned the Insurer Financial Strength (IFS) rating of "A" (**Single A**) to Pak Qatar Family Takaful Limited (PQFTL). The rating denotes a strong capacity to meet policyholders and contract obligations.

The rating reflects sustained market position of the company, having decent foothold in bancatakaful. In this segment, the company benefits from technical collaboration with FWU AG. The technical collaboration allows PakQatar Family to use FWU's Sales and Administration System, customised Banca product (mutually developed) - backed by strong reinsurance arrangements and FWU's services for acquiring the distribution partner. The growth pattern, though high, is behind large players in recent years. Moreover, after having established branch network, PakQatar Family is gradually expanding wings through alternate distribution networks; wherein the success remains to be seen. Meanwhile, competition from window takaful should be managed well. The profitability of the company has remained strong as compared to peers, reflecting strong business profile. The Financial risk profile is supported by adequate liquidity coverage to policyholders' liabilities, which is further topped up by a cushion from liquid investments of the shareholders' fund.

The rating is dependent upon company's ability to improve its market share while improving the persistency of Gross Contribution. Product diversification in non-banca segments should be translated into sizeable volumes. The continued profitability would enable the company to completely return Qarz-e-Hasna to the shareholders' funds, thereby making the statutory funds - health - self-subsistent fully.

About the Company

PakQatar Family, commencing operations in 2007 as unlisted public company, has a market share of 4% in CY15 (including Public Sector). It operates through a network of 43 branches, and has tripartite bancatakaful arrangements with each of the 12 banks and FWU AG. The shareholding of the company is held by (i) Mr. Said Gul & Family (38%), (ii) Three Qatar based Financial Institutions (35%), (iii) H.E Shiekh Ali bin Abdullah Al-Thani (7%) - member of Qatar's Royal Family, and (iv) FWU AG (15%). The shareholding of FWU is an outcome of the technical arrangements. FWU AG, a German firm having operations in Germany and Middle East, maintains permanent establishment in Pakistan - by virtue of technical arrangements with PakQatar Family. The main sponsor of the company, Mr. Gul is a Pakistani origin businessman settled in Qatar; he has main interest in construction business. Mr. Gul and H.E Al-Thani also own majority stake in Pak Qatar General Takaful.

PakQatar Family has a seven-member board including the Managing Director - Mr. Said Gul. Mr. Gul has been associated with the company since inception. H.E. Sheikh Ali Bin Abdullah Al-Thani (H.E. Ali), royal family member, is chairman of the board, while Qatar based Financial Institutions and FWU have four and one nominee director, respectively, while Mr. Said represents himself and FWU has one nominee. Mr. Nasir Ali Syed; CEO of the company since 2012, carries more than two decades of experience in life insurance industry.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

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