6.3 Insurance & Takaful Companies

The insurance sector exhibited moderate asset growth during 9MCY24 amid a notable deceleration in gross premium expansion. For the non-life segment, growth in gross premium was contributed by increased auto premiums. Further, fire & property damage, and marine, aviation & transport premiums also augmented net premiums. Relatively increased retention of risk by insurers, as net premium growth outpaced gross premiums expansion, reflected a declining reliance on reinsurance. On the other hand, the life segment experienced headwinds, witnessing a contraction in gross premiums, largely attributable to the cessation of certain government health insurance initiatives. The claims for the life segment also decreased, particularly driven by the group claims and in tandem with group premiums. Moving forward, economic conditions and geopolitical dynamics may have a significant impact on the non-life segment, while the continuation of public health insurance programs will be a key determinant for the growth of life segment.

6.3 Insurance & Takaful Companies

The insurance industry[1] continued to be dominated by life and family Takaful segments with a combined share of 85.2 percent in September 2024. These segments contributed 61.6 percent in the gross premium of the industry, underscoring their significance in overall sector.

The asset base of the industry grew by 14.4 percent in 9MCY24, as compared to 11.2 percent growth in the same period of last year. Although the growth was broad based, the life segment remained the major contributor in terms of volume.

However, growth in gross premiums showed a marked deceleration, increasing only by 3.3 percent in 9MCY24, as compared to 28.6 percent in 9MCY23 (**Table 6.3.1**).

6.3.1 Non-life Insurance and General Takaful Segment

The asset base of the non-life insurance sector, having 12.1 percent share in industry's assets, expanded by 18.3 percent in 9MCY24 (19.2 percent growth 9MCY23). A noticeable rise of 25.2 percent in investments primarily drove-up the assets of the segment. Along with decent expansion in assets, premiums grew by 16.9 percent during 9MCY24.

Increased exposure in equity market contributed in strong investments growth…

The strong increase in the investment of non-life insurance segment was mainly due to investment in equity market as stock prices continued trending upward during 9MCY24. The exposure in the equities (as percent of total assets) increased to 21.2 percent in September 2024 from 19.1 percent in December 2023.

Snapshot of Insurance Industry **Table 6.3.1**

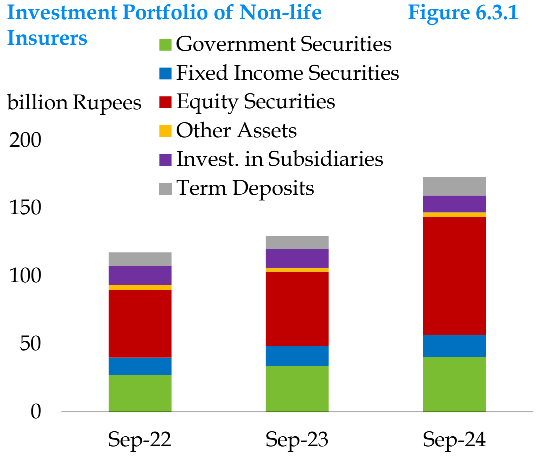
	As of Sep, 2024		During 9MCY24			
Segment	Assets	Share	Gross Premium	Share	Net Premium	Net Claims
	million Rupees	percent	million Rupees	percent	million Rupees	million Rupees
Life	2,809,143	83.2	260,091	57.1	255,040	254,671
Family Takaful	67,355	2.0	20,484	4.5	19,995	12,944
Non-Life	409,862	12.1	151,619	33.3	60,979	30,615
General Takaful	9,381	0.3	1,860	0.4	1,465	980
Reinsurance	78,939	2.3	21,282	4.7	8,060	4,110
Total	3,374,680	100.0	455,336	100.0	345,539	303,321

Source: Unaudited/audited Accounts of Insurers

[1] The analysis in the chapter is based on the data of 6 life insurers and 24 non-life insurers covering almost 100 percent and more than 80 percent of the life and non-life insurance sectors' assets, respectively. The analysis also covers two Family Takaful companies, two active General Takaful companies, and sole reinsurer, thus, covering almost the entire insurance industry. The analysis covers data up to period ending September 30, 2024. Further, data has also been estimated, where necessary. The financial close for insurers is December of the corresponding year. All growth ratios for flow items are on year-on-year basis.

Nonetheless, exposure in the government securities declined to 9.9 percent from 10.3 percent in December 2023 (**Figure 6.3.1**).

Investment Portfolio of Non-life Insurers **Figure 6.3.1**



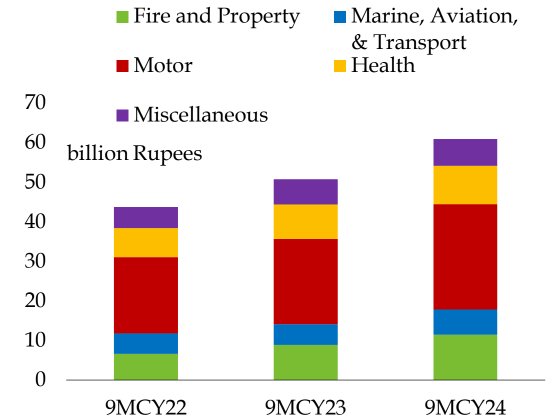
Source: Unaudited/ audited Accounts of Insurers

Growth in gross premiums and net premiums was mainly driven by auto insurance…

The gross premiums of the segment increased 16.9 percent in 9MCY24 (25.9 percent growth in 9MCY23). This growth was primarily contributed by auto premiums followed by marine, aviation & transport, and fire & property damage. The surge in gross premiums within the motor segment[2] was primarily fueled by an increase in automobile sales and upward price adjustments in the wake of inflationary pressures.

Net premiums exhibited stronger growth of 20.0 percent in 9MCY24, compared to 16.1 percent in 9MCY23, reflecting improved risk retention within the sector. This was due to a reduction in reinsurance expenses, which decelerated to 22.7 percent in 9MCY24 from 36.9 percent in 9MCY23. The increasing ability of insurers to retain a higher share of underwriting risk could indicate that they have more confidence in their ability to assess and manage risks locally. This could reflect improvements in the domestic insurance industry's risk management framework and processes (**Figure 6.3.2**).

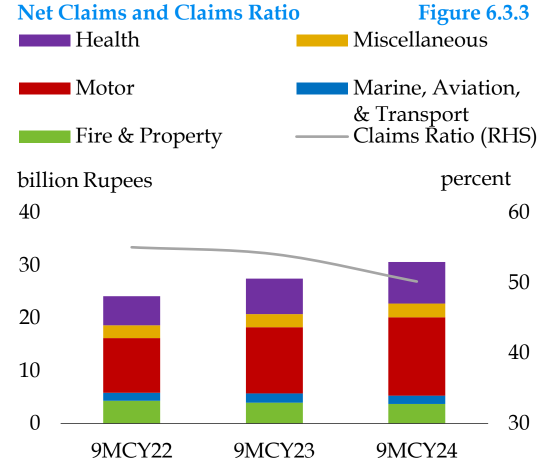
Net Premiums for Non-Life Sector **Figure 6.3.2**



Source: Unaudited/audited Accounts of Insurers

On expense side, net claims of the non-life sector grew by 11.4 percent in 9MCY24, marking a slower pace compared to the 14.0 percent increase in 9MCY23. This moderation in claims growth was primarily driven by lower claim payout in marine, aviation & transport and fire & property damage segments (**Figure 6.3.3**).

Net Claims and Claims Ratio **Figure 6.3.3**



Source: Unaudited/audited Accounts of Insurers

Profitability improved significantly, supported by better underwriting results and robust investment income growth…

As the claims expense slowed down and the claims ratio declined with a significant surge in net premiums, the underwriting results

[2] Auto premium increased by 42.8 percent in 9MCY24 against just 3.1 percent rise in 9MCY23.

improved by 129.6 percent in 9MCY24, much higher than the 25.1 percent increase in 9MCY23. Furthermore, investment income also increased by 37.1 percent.

As a result of elevated earnings, most of the key financial indicators improved in 9MCY24 (**Table 6.3.2**). Improved claims ratio and combined ratio reflects better underwriting performance and enhanced operational efficiency.

Soundness of Non-Life Insurance **Table 6.3.2**

percent

Description	Sep-22	Sep-23	Sep-24
Capital to Assets	8.9	8.0	6.7
Claims Ratio	55.1	54.1	50.2
Combined Ratio	94.6	94.1	88.8
Premium Retention	42.5	39.2	40.2
Return on Assets (Pre-tax)	4.3	6.2	7.1

*Estimated Figures

Source: Unaudited/audited Accounts of Insurers.

Dedicated Takaful Operators (DTOs) posted growth in the asset base despite decline in premiums…

The asset base of the two dedicated General Takaful[3] operators (DTOs) increased by Rs 238 million to reach Rs 9 billion during 9MCY24.[4]

Gross premium and net premium of DTOs *contracted* by 47.3 percent and 51.9 percent, respectively, in 9MCY24. On expenses front, net claims shrank by 50.7 percent, reflecting lower risk exposure. Despite this cost-side improvement, profitability continued to deteriorate for another year: it declined by 85.8 percent in 9MCY24 following 37.3 percent contraction in 9MCY23. These trends raise concerns about the long-term sustainability of general Takaful operators, suggesting a need for product innovation, market expansion, and better risk-sharing mechanisms to strengthen financial performance.

Profitability of the non-life reinsurer improved during 9MCY24…

The underwriting profit of the non-life reinsurer improved significantly registering a growth of 92.3 percent as compared to 9.1 percent rise in 9MCY23. This surge was largely attributed to strong investment income growth and a decline in net claims. The improved financial performance of the reinsurance sector bodes well for risk diversification within the broader insurance industry, enhancing the sector's capacity to absorb and manage systemic risks.

6.3.2 Life Insurance and Family Takaful Segment

The asset base of life segment expanded by 14.1 percent in 9MCY24, exceeding 10.1 percent growth recorded in 9MCY23. The expansion was largely driven by an increase in bank placements by the largest public insurer, seeking to capitalize on higher returns offered due to elevated interest rates in the first half of CY24.

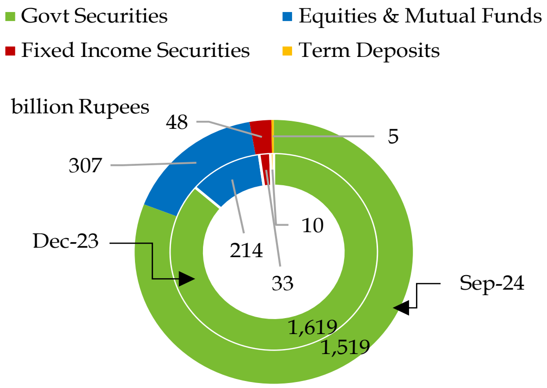
Investment grew marginally…

The total investments of the life insurance segment remained virtually stagnant, increasing by only 0.2 percent during 9MCY24. It was mainly due to contraction in investments pertaining to government securities, reflecting shift in asset allocation strategies due to the evolving interest rate dynamics. The share of government securities in total investments declined to 80.9 percent in September 2024 from 86.4 percent in CY23. However, the segment increased its exposure in the equities, which grew at 41.1 percent in 9MCY24, leading to a rise in their share to 14.0 percent from 9.9 percent in CY23. (**Figure 6.3.4**). This increase is in response to improved equity market conditions. However, it also introduces greater market risk exposure, which could affect

[3] General takaful segment represents the Islamic alternative of non-life insurance.
[4] In terms of net premium, the DTOs constitute only 2.4 percent of the combined non-life and general Takaful segment.

portfolio returns in the event of adverse equity market movements.

Life Segment Investments **Figure 6.3.4**



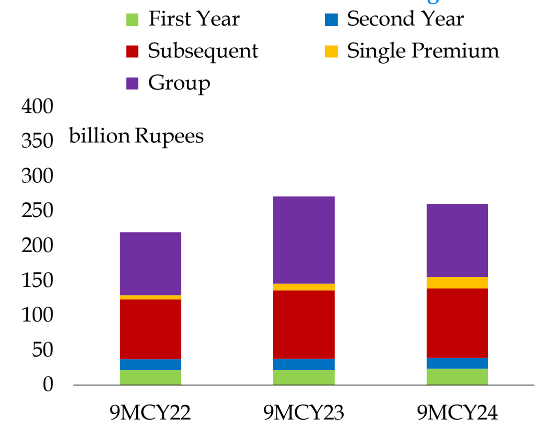
Source: Unaudited/audited Accounts of Insurers

The contraction in gross premium was driven by decline in group premiums…

Gross premiums *contracted* by 4.1 percent in 9MCY24 compared to a growth of 23.4 percent in the comparable period of the previous year. The primary driver of this contraction was the sharp decline in group premiums, which had previously benefitted from government-sponsored public health insurance programs. The discontinuation or scaling down of these schemes led to a contraction in group premium volumes, impacting overall industry growth.

In addition, the growth in premium of individual policies also slowed down to 6.7 percent in 9MCY24, indicating subdued demand in the retail insurance market. As the inflationary pressures eased and economic conditions stabilized in the latter half of CY24, growth in the first year's premiums improved in the first nine months of CY24. This suggests that consumer sentiment and purchasing power remain key factors influencing the long-term growth trajectory of the life insurance sector (**Figure 6.3.5**).

Gross Premiums for Life Sector **Figure 6.3.5**



Source: Unaudited/audited Accounts of Insurers

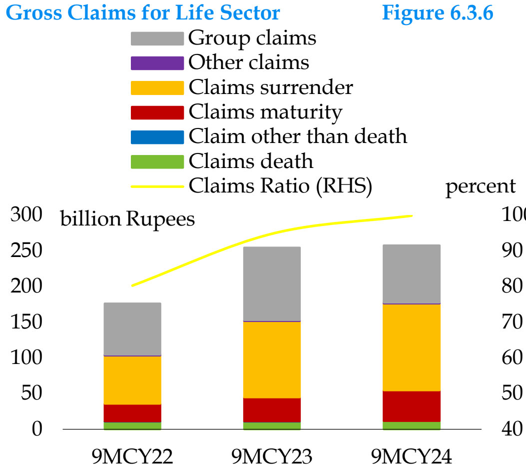
Growth in claims also slowed down significantly…

Gross claims decelerated sharply to 1.4 percent in 9MCY24, a substantial decline from 44.4 percent in 9MCY23. The slowdown in growth of gross claims was driven by significant contraction in group claims. The contraction in group claims was also due to ceased public health insurance schemes by the government during the reviewed period.

Further, surrender claims increased by 14.1 percent against an increase of 57.9 percent in 9MCY23, indicating weak but improving economic conditions as policyholders were less compelled to liquidate their policies for immediate liquidity needs.

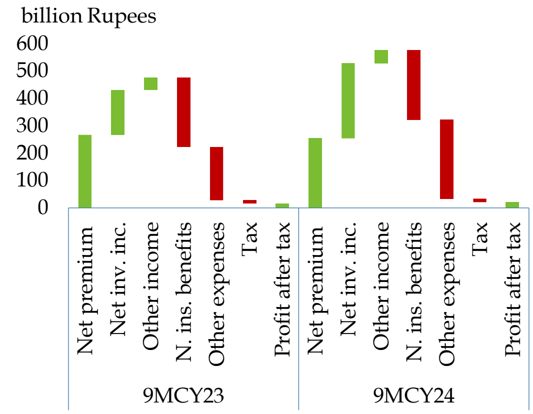
However, the decline in premium volumes resulted in an increase in the claims ratio, despite the slowdown in claims growth. This underscores the importance of premium expansion for maintaining a healthy claims-to-premium ratio in the segment (**Figure 6.3.6**).

Gross Claims for Life Sector **Figure 6.3.6**



Source: Unaudited/audited Accounts of Insurers

Earnings Components for Life Insurance **Figure 6.3.7**



Source: Unaudited/ audited Accounts of Insurers

Declining net insurance benefits supported the bottom line of the life insurance segment …

The main sources of income for life insurance segment are premium revenue and investment income. The premium revenue of the life insurance sector *contracted* by 4.1 percent in 9MCY24 (23.4 percent rise in 9MCY23). Investment income (excluding trading and fair value gains/losses) increased but at a slower pace of 22.8 percent as the interest rates began to decline.

On the expense side, however, growth in net insurance benefits, mostly containing claims related expenses, also declined significantly, owing to the significant slowdown in claims. Net insurance benefits increased only by 0.7 percent in 9MCY24 as compared to 45.2 percent increase in 9MCY23. Further, as inflationary pressures eased, growth in administration expenses also slowed down, increasing only by 23.2 percent in 9MCY24, while acquisition expenses increased by 9.8 percent against 8.3 percent in the same period of the previous year.

Consequently, after-tax profit increased to Rs 21 billion in 9MCY24 from Rs 17 billion in 9MCY23 (**Figure 6.3.7**).

Financial performance and soundness indicators slightly deteriorated…

Although growth in claims declined significantly in the first nine months of CY24, the contraction in premiums volume pushed the claims ratio of the life insurance segment upwards. Further, this also led to an increase in the expense ratio, indicating higher operational costs relative to revenue. However, the equity to assets ratio showed some improvement during the period under review, demonstrating modest capital strengthening. Marginal decline in ROA reflects lower premium revenue but improved investment income (**Table 6.3.3**).

Performance Indicators of Life **Table 6.3.3**

			percent
Description	Sep-22	Sep-23	Sep-24
Claims Ratio	80.2	94.8	99.9
Expense Ratio	17.7	16.8	20.3
Equity to Assets	2.4	2.9	3.0
Return on Assets (Pre-tax)	1.0	1.4	1.3

Source: Unaudited/audited Accounts of Insurers

Asset base of the dedicated Takaful operators expanded in 9MCY24 …

The dedicated Takaful operators in the Family Takaful Segment[5] expanded their asset base by approximately 25.7 percent in 9MCY24 to Rs 67

[5] The family Takaful segment consists of three Dedicated Takaful Operators (DTOs) and seven Window Takaful Operators. One DTO has recently entered the family Takaful segment and is not covered in this chapter due to non-availability of financials.

billion, against a growth of 15.5 percent in 9MCY23. This strong asset growth was not matched by proportional premium expansion, as Family Takaful remains a niche market segment. However, the industry has shown increased efforts to introduce innovative Shariah-compliant health and life insurance products, catering to the growing demand for Islamic financial services.

Outlook for the insurance industry hinges on evolving market conditions…

Looking ahead, the performance of the insurance sector will depend on macroeconomic conditions, global commodity prices, geopolitical conflicts, and the sector' capability to adjust to the evolving market conditions. These can have an impact on non-life segment by raising insurance cost for trade, marine and cargo, and reinsurance premiums by international reinsurers etc.

The easing inflationary pressures could support premium affordability, particularly for individual life and health insurance policies in 2025. Pakistan remains highly vulnerable to climate change, and extreme weather events could drive up property and casualty insurance claims. Insurers will need to reassess their underwriting strategies to account for increased climate-related risks. Also, one of the key determinants for the growth of life insurance sector, particularly its group premiums, will continue to be the public health insurance schemes of the government which are underwritten by a leading insurer. Any expansion or reinstatement of public health insurance programs could provide a significant boost to life insurance and family Takaful segment.

Companies in the life segment are expected to increase their customer base by expanding their health insurance coverage across the country, including the corporate health sector. Moreover, new Shariah-compliant plans are also being introduced for clients seeking health coverage under Islamic principles. The introduction of new plans like term insurance and retirement benefits schemes for government employees of certain provinces is also expected to push group premiums. Lastly, digital transformation in insurance distribution and the growth of InsurTech solutions could enhance access to insurance products, particularly among previously underserved demographics. The adoption of mobile-based insurance platforms is likely to expand insurance penetration, particularly in rural and semi-urban areas.