



The Pakistan Credit Rating Agency Limited

Rating Report

Postal Life Insurance Company Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
07-Oct-2025	A+ (ifs)	Developing	Maintain	Yes
07-Oct-2024	A+ (ifs)	Stable	Maintain	Yes
20-Oct-2023	A+ (ifs)	Stable	Maintain	-
21-Oct-2022	A+ (ifs)	Stable	Initial	-

Rating Rationale and Key Rating Drivers

Postal Life Insurance Company Ltd. ('Postal Life' or 'the Company') was established as a separate legal entity by the Government of Pakistan (GoP) through the Ministry of Communications in Mar-20. The Company operates nationwide through a widespread network of Pakistan Post Offices, and manages two distinct funds: the Post Office Business Fund (POBF) for legacy liabilities and the Pakistan Business Fund (PBF) for new business obligations. On the qualitative front, the Company's governance framework lacks coherence. Lately, the Federal Cabinet has shared a formal confirmation on the appointment of the four nominated Independent Directors. However, the appointment of the Company's CEO is still pending. This undermines the Company's governance and managerial practices. The Company operates in the life insurance sector, which is dominated by public-sector insurers with a ~61% market share. Overall, the sector saw a ~7% YoY increase in its GPW, with promising profits supported by a ~60% surge in the overall investment income, which expanded to PKR 2.5trln as of Dec-24. The sector's outlook is stable, supported by solid underwriting and robust investment returns. Postal Life's GPW growth of ~12% was accompanied by an inflated combined ratio, due to increased claims and subdued policy renewals. This impacted the Company's overall performance. The earnings remain heavily reliant on government support for its legacy portfolio of ~PKR 49bln as of Dec-24, a factor complicated by consistent delays in claim payments. Furthermore, despite stable liquidity, the lack of timely audits has compromised the financial transparency of the Company. PACRA assigns a Watch to the Company's IFS rating, registered by its considerably weak business and financial profile. This, along with governance-related challenges stemming from a considerable delay in the appointment of the CEO has also rendered the Company's managerial practices weak.

The assigned Developing outlook is contingent on firm adherence to a formally drafted and Board approved business plan. This, along with the Company's ability to sustain its market standing and independently manage the statutory funds are important. Key considerations include strengthening the Company's core profitability and developing a robust investment portfolio. Additionally, streamlining the audit procedures, demonstrating prudent risk management, and realizing accrued interest on promissory notes are all critical. Any further deterioration in the Company's financial profile will negatively impact the IFS rating.

Disclosure

Name of Rated Entity	Postal Life Insurance Company Limited
Type of Relationship	Solicited
Purpose of the Rating	IFS Rating
Applicable Criteria	Assessment Framework Life Insurance(Mar-25),Methodology Rating Modifiers(Apr-25)
Related Research	Sector Study Life Insurance(Jun-25)
Rating Analysts	Faiqa Qamar faiqa.qamar@pacra.com +92-42-35869504

Profile

Legal Structure Postal Life Insurance Company Ltd. ('Postal Life' or 'the Company') was incorporated in 2020 as a public limited company under the repealed Companies Act, 2017.

Background Postal Life was a part of the government department that rendered insurance-related services through the General Post Office (GPO), serving postal mail runners since 1884. Later, the services were extended to other govt. employees. In 1947, the GPO started offering its services to the general public. In Mar-20, a separate legal entity was formed and named Postal Life. Lately, the Company is in the process of approval for "Postal Life Insurance Act, 2021" from the concerned departments/ministries.

Operations Postal Life provides individual, group life and savings solutions through a vast network of the GPOs and 47 field offices spanning all across Pakistan. Whereas, the principal office is located in Islamabad.

Ownership

Ownership Structure Government of Pakistan (GoP), through the Ministry of Communications holds complete stake in the Company.

Stability Postal Life, a Govt. owned enterprise and its ownership will remain stable.

Business Acumen Through Ministry of Communications, the GoP appoints relevant individuals with requisite experience to run the operations of the Company. Thus, the acumen remain adequate.

Financial Strength The support from GoP highlights the Company's sound financial stability. The GoP has injected PKR 4bln as equity in the Company. To address claims related to legacy business, the GoP has committed to providing ~PKR 48bln. The actuarial valuation report indicates cumulative policyholders' liabilities of ~PKR 60bln, with the current outstanding amount standing at ~PKR 49bln.

Governance

Board Structure Postal Life's Board composition is approved by the Federal Cabinet. The Board comprises of four Independent Directors whose nominations have been made. Lately, the Federal Cabinet has shared their formal confirmation and approval on the BoDs constitution.

Members' Profile Previously, the BoD was chaired by Capt.(R) Mr. Mohd. Khurram Agha, an officer of Pakistan Administrative Service. However, his tenure has ended and the position is currently vacant. As per the clause 24k of the SOE Policy, 2023, the Chairman will be appointed by the Federal Cabinet from the Independent Directors. The four nominated members of the BoD are experienced professionals.

Board Effectiveness To ensure effective governance, the BoD constitutes four committees: i) Ethics, HR & Remuneration (E, HR&R), ii) Investment (IC), iii) Procurement (PC) and iv) Audit Committee (BAC). As the BoD is not formally operational, these committees are also not formally constituted.

Financial Transparency The external auditor's, M/S BDO Ebrahim & Co., provided an unqualified opinion with emphasis of matter on financial statements for CY23. For CY24, draft version of management financials have been shared; while the formal audit is still in process.

Management

Organizational Structure The Company operates through Finance, Operations, Compliance, and Internal Audit functions. Each department is managed by a dedicated Head, reporting to the Executive Committee, comprising the Company Secretary and the Head of Finance. Other functions like Actuarial & Strategic Planning, IT, Sales & Marketing, and Investments are managed by Finance and Operations Heads.

Management Team Previously, Mr. M. Salman was the acting as the CEO of Postal Life. Currently, the Company is managed through an Executive Committee as the Company's CEO is yet to be appointed. All member of the Executive Committee are seasoned professionals.

Effectiveness The management is planned to be assisted through Underwriting & Reinsurance, a Claim Settlement, and Risk Management & a Compliance Committee. Currently, discussions related all the relevant areas are convened by the Executive Committee.

Claim Management System Claims are initiated by the field officers who prepares and complete file and forward it to claim department. Claims of higher amounts require Executive Committee's approval from relevant authoritative person. Then, a list is prepared and sent to the finance department, where the payments are processed.

Investment Management Function The BoD has approved an Investment Policy specifying guidelines for investment in each assets class of each fund. The Investment Committee monitors performance according to those guidelines.

Risk Management Framework The Risk Management & Compliance Committee evaluates, manages and monitors organizational risk at the management level. Ongoing efforts are being made to strengthen the implementation of the Committee's framework.

Business Risk

Industry Dynamics The life insurance sector is primarily dominated by the public sector, holding ~61% market share as of CY24, while the private sector accounts for ~39%. The industry's GPW stood at ~PKR 434bln in CY24 (CY23: ~PKR 404bln), reflecting a YoY growth of ~7%. Net Premium amounted to ~PKR 425bln in CY24 (CY23: ~PKR 398bln), also showing a YoY increase of ~7%. On the claims side, Net Claims stood at ~PKR 374bln in CY24 (CY23: ~PKR 366bln). The industry's bottom line was supported by sound investment income of ~PKR 467bln in CY24 (CY23: ~PKR 291.5bln), representing a YoY increase of ~60%, which contributed to improved Profit After Tax of ~PKR 23bln in CY24 (CY23: ~PKR 20bln). The total investment portfolio of the insurance industry stood at ~PKR 2,513bln as of CY24 (CY23: ~PKR 2,027bln). Going forward, the overall outlook for the industry is expected to remains stable.

Relative Position Postal Life is in its initial gestation phase, and currently has a market share of less than ~1% in terms of GPW.

Persistency Continuity of premium payments is a critical aspect of the life insurance business. The first-year persistency of the Company stood at ~49% in CY24 (CY23: ~64%), decreasing further by ~30%. Further, the subsequent year's persistency ratio stood at ~111% in CY24 (CY23: ~77%), stabilizing by 44%, reflecting the retention of policyholders.

Revenue In CY24, the Company achieved a GPW of ~PKR 2,407mln (CY3: ~PKR2,204mln), witnessing a growth of ~9.2%. A significant portion of the GPW was driven by the subsequent year's renewable policies amounting to ~PKR 2,086mln (CY22: PKR 2,631mln).

Profitability Underwriting performance remained weak, with losses of ~PKR 3,036mln in CY24 (CY23: ~PKR 3,708mln). These consistent underwriting losses are attributed to weak GPW performance and high claims incurred. However, the PAT was supported by investment income coupled with grants received from the GoP and reported at ~PKR 614mln in CY24 (CY23: ~PKR 320mln).

Investment Performance Postal life holds an investment book of PKR~ 6,567mln (CY23: ~PKR 5,460mln), majorly concentrated towards Govt. Securities (~82%). Whereas, investment income of the Company stood at ~PKR 988mln in CY24 (CY23: ~PKR798mln).

Sustainability The Company intends to enhance its digital space to provide better services to its policyholders. The management is planning to increase market share by retention and training current staff with industry-specific knowledge.

Financial Risk

Claim Efficiency To address claims related to legacy business, the GoP has committed to providing ~PKR 49bln. The actuarial valuation report indicates cumulative policyholders' liabilities of ~PKR 60bln, with the current outstanding amount standing at ~PKR 52bln. Whereas, Postal Life will bear subsequent liabilities. The Company paid claims of ~PKR 5,121mln in CY24 (CY23: ~PKR 5,534mln).

Re-Insurance Postal Life has reinsurance treaties with "Swiss Re" Rated "AA-(Very Strong)" by S&P, "Aa3(Excellent)" by Moody's & "A+(Superior)" by A.M. Best.

Cashflows & Coverages As of CY24, the Company's liquid assets amounted to ~PKR 6,567mln. The liquidity ratio (Liquid Assets - Borrowing / Outstanding Claims) of the Company stood at ~38x as of CY24 (CY23: ~36x).

Capital Adequacy Postal Life has a total equity base of ~PKR 6,391mln as of CY24 (CY23: ~PKR 5,777mln), owing to an increase in reserves coupled with unappropriated profits.



PKR mln

Postal Life Insurance Company Limited
Public Limited

Dec-24

Jun-24

Dec-23

Dec-22

12M

6M

12M

12M

A BALANCE SHEET

1 Investments	6,567	5,777	5,460	4,230
2 Insurance Related Assets	437	437	437	468
3 Other Assets	82,934	79,747	75,845	70,645
4 Fixed Assets	23	26	10	14
Total Assets	89,962	85,988	81,752	75,357
5 Underwriting Provisions	-	-	-	-
6 Insurance Related Liabilities	82,529	78,728	75,166	67,093
7 Other Liabilities	1,041	1,011	809	2,808
8 Borrowings	-	-	-	-
Total Liabilities	83,571	79,739	75,975	69,901
Equity	6,391	6,248	5,777	5,456

B INCOME STATEMENT

1 Gross Premium Written	2,470	1,063	2,204	3,047
2 Net Insurance Premium	2,470	1,063	2,199	3,045
3 Underwriting Expenses	(5,506)	(2,970)	(5,908)	(6,044)
Underwriting Results	(3,036)	(1,907)	(3,708)	(2,999)
4 Management Expenses	(803)	(340)	(672)	(654)
5 Investment Income	988	498	798	611
6 Other Income / (Expense)	10,500	5,389	8,479	6,376
7 Net Change in Reserve for Policyholders' Liabilities	(6,797)	(2,931)	(4,379)	(2,704)
Profit Before Tax	852	709	518	629
8 Taxes	(238)	(238)	(198)	(196)
Profit After Tax	614	471	320	432

C RATIO ANALYSIS

1 Profitability				
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	207.3%	264.8%	251.6%	184.4%
Combined Ratio (Loss Ratio + Expense Ratio)	255.4%	311.4%	299.2%	220.0%
2 Investment Performance				
Investment Income / Operating Profit	-34.6%	-28.5%	-22.3%	-20.1%
3 Liquidity				
(Liquid Assets - Borrowings) / Outstanding Claims	43.03	37.85	35.78	25.10
4 Capital Adequacy				
Liquid Investments / Equity	1.03	0.92	0.95	0.78

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	Long-Term Rating
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)	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.
AA+ (ifs)	
AA (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.
A+ (ifs)	
A (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.
BBB+ (ifs)	
BBB (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.
BB+ (ifs)	
BB (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.
B+ (ifs)	
B (ifs)	
CCC (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.
CC (ifs)	
C (ifs)	
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.

Rating Modifiers | Rating Actions

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'.	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.	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.	Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information.	Harmonization A change in rating due to revision in applicable methodology or underlying scale.
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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 General Insurance & Takaful Operator, and Life Insurance & Family Takaful Operator methodology

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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)

Independence & Conflict of interest

- (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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