



The Pakistan Credit Rating Agency Limited

Rating Report

Dawood Family Takaful Limited

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Rating History

Dissemination Date	IFS Rating	Outlook	Action	Rating Watch
26-Jun-2025	A+ (ifs)	Stable	Maintain	-
26-Jun-2024	A+ (ifs)	Stable	Maintain	-
26-Jun-2023	A+ (ifs)	Stable	Maintain	-
29-Jun-2022	A+ (ifs)	Stable	Maintain	-
31-Mar-2022	A+ (ifs)	Stable	Harmonize	-
29-Jun-2021	A	Stable	Maintain	-
29-Jun-2020	A	Stable	Maintain	-
20-Dec-2019	A	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

The life insurance sector in Pakistan remains largely dominated by public-sector insurers, accounting for ~61% of the market as of CY24, with private companies covering the remaining ~39%. During CY24, the industry recorded a Gross Premium Written (GPW) of ~PKR 434 bln, marking a healthy ~7% YoY increase from ~PKR 404bln in CY23. Net claims edged up slightly to ~PKR 374bln (from ~PKR 366bln), reflecting sustained claims activity. The sector's profitability gathered support from a robust investment income of ~PKR 467bln, up ~60% from ~PKR 292bln, driving Profit After Tax (PAT) to ~PKR 23bln, up from ~PKR 20bln in the previous year. The industry's total investment portfolio also expanded, reaching ~PKR 2,518bln from ~PKR 2,027bln YoY. The overall outlook remains stable, underpinned by favorable underwriting metrics and continued strength in investment returns.

The assigned rating incorporates Dawood Family Takaful Limited's ('Dawood Family Takaful' or 'the Company') substantial capacity to meet policyholder and contractual obligations, along with its ability to enhance takaful volumes. Substantial business acumen and an experienced management team support the rating. Dawood Family Takaful has been expanding its reach through solidifying footprints in Punjab, KPK, and Karachi. Moreover, the ongoing efforts towards digitalization provide support to the operational efficacy of the Company. Dawood Family Takaful reaps benefits from its brand image impetus in building retail penetration. The Company's GPW has posted an uptick (CY24: PKR 2,180mln, CY23: PKR 1,930mln) backed by a significant increase in single premiums, resulting in an increase in underwriting results. This helped the Company in managing its combined ratio well. Substantial support from the investment income benefits the bottom line. The Company holds an adequate risk absorption capacity with substantial investments in risk-free government securities. The financial risk remains intact, supported by adequate liquidity and risk appetite. Looking ahead, equity enhancement to ~PKR 3bln, in line with the SECPs requirement, remains imperative to the assigned IFS rating.

The rating is dependent on improving the competitive positioning of the Company. Moreover, improvement in core and operational profitability remains imperative. Solvency profile, as indicated through reserves, must remain adequate at all times.

Disclosure

Name of Rated Entity	Dawood Family Takaful 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-24)
Rating Analysts	Zaeem Ul Rehman zaeemulrehman@pacra.com +92-42-35869504



Profile

Legal Structure Dawood Family Takaful Limited ("DFTL" or "the Company") was incorporated as a public unlisted company on 04-May-07.

Background DFTL is a subsidiary of First Dawood Group of Companies ('the Group') with expertise in various sectors. The Company received its license to carry takaful operations from SECP on 16-May-08.

Operations DFTL primarily operates in the takaful business, offering unit-linked individual and family takaful plans. The Company operates through a network of 74 branches across the North, Central, and South regions of Pakistan.

Ownership

Ownership Structure The major stake (~55%) of the Company is held by the Group, followed by financial and non-financial institutions with a stake of ~30%. Directors hold a stake of ~16%. Foreign companies and others hold a stake of ~8% and ~2%, respectively. While the general public has a stake of ~15%.

Stability The ownership structure of the Company has slightly changed over time, with the Group's shareholding remain stable upto ~55%.

Business Acumen The sponsor First Dawood Group possesses robust expertise and a diversified business portfolio offering substantial support to the Company.

Financial Strength The ownership structure provides a strong financial foundation, enabling agile decision-making and aligned strategic growth.

Governance

Board Structure The overall control of the Company lies with a seven-member Board. Four members, including one female Director, are Non-Executive Directors, while there are two Independent Directors and one Executive Director. The Board is key source of oversight for the Company.

Members' Profile The Board's Chairman, Mr. Ayaz Dawood has is an experienced finance professional and has worked in Pakistan and Canada. He is the CEO of B.R.R Investments (Pvt.) Ltd. Ms. Tara Uzra Dawood, a Non-Executive Director, and the CEO of 786 Investments Ltd. All other Board members possess diversified professional backgrounds and rich business acumen.

Board Effectiveness During CY24, the Board met four times. The Board is assisted by three committees, including: 1) Investment Committee, 2) Audit Committee, and 3) Ethics, HR, Remuneration & Nominations Committee. The Board committees, except Ethics & HR, meet on a quarterly basis, whereas the Ethics & HR committee meets on a semiannual basis. The minutes of these meetings are adequately documented.

Financial Transparency The External Auditor M/s BDO Ebrahim & Co, Chartered Accountants, has expressed an unqualified audit opinion for the period ended Dec-24. The firm is QCR rated and on SBPs panel of auditors.

Management

Organizational Structure The Company operates through Retail, Distribution & Marketing, Actuarial Services, Finance, Internal Audit, Risk & Compliance, Training & Development, HR, Investment, Risk Management, IT, and Operations. The head of Human Resources reports to the COO. COO and all the Heads report to the CEO, who then reports to the BoD.

Management Team The management team comprises seasoned professionals, primarily from the insurance and financial sectors. CEO Mr. Ghazanfar-ul-Islam brings 20+ years of experience in leadership and expertise in Islamic finance. CFO Mr. Nabeel Asif has over two decades of experience and leads a team of skilled professionals.

Effectiveness The Company has four management committees, namely: i) Underwriting Committee, ii) Claims Settlement Committee, iii) Risk Management & Compliance Committee, iv) Re-takaful Committee. All of these committees are headed by the Executive Director and meets every quarter, and meeting minutes are adequately maintained.

Claim Management System The claims of policyholders on the Waqf are entered into the system after intimation by the customer. The apportionment of the claim to the retakaful operator's share is done automatically by the system. On the other hand, the claims on Participants' Investment Fund (PIF) can be made through partial or full redemption of units held in Personal Investment Account (PIA).

Investment Management Function The Investment Committee is responsible for the implementation, modification, and execution of investment policy. Management ensures optimum asset/liability matching. According to the investment policy, the waqf fund invests in low-risk securities.

Risk Management Framework Risk is managed at the department level, where every department has developed its own statement of risk tolerance, approved by the CEO. The Company uses an in-house developed operating software to handle the operations relating to underwriting, claims administration, retakaful transactions, policy administration, and unitized investment funds. Software runs on real time basis supported by Oracle.

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 Gross Premium Written (GPW) grew by 7% and stood at ~PKR 434 bln during CY24 (CY23: ~PKR 404 bln). Net Premium grew by 7% and stood at ~PKR 425 bln in CY24 (CY23: ~PKR 398 bln). The industry's bottom line was supported by robust investment income of ~PKR 467 bln during CY24 (CY23: ~PKR 291.5 bln), up by ~60%, which contributed to improved Profit After Tax (PAT) of ~PKR 23 bln in CY24 (CY23: ~PKR 20 bln). The total investment portfolio of the insurance industry stood at ~PKR 2,513 bln as of CY24 (CY23: ~PKR 2,027 bln). Going forward, the overall outlook for the industry remains stable.

Relative Position The Company operates as a small player and holds a market share of ~0.5% as of Dec-24

Persistency During CY24, the first year, persistency clocked at ~57% (CY23: ~46%), whereas the renewal persistency clocked at ~85% (CY23: ~73%). This decrease in persistency is mainly because of the decreasing purchasing power of customers due to inflationary pressure.

Revenue The Company generated a GPW of ~PKR 2,180mln during CY24, with an uptick of ~13% (CY23: ~PKR 1,930mln). During CY24, the subsequent year's premium generated ~47% of the total revenue, indicating a strong customer base, with an upward trend for subsequent year premiums was observed. Group premium also saw an uptick of ~24%. During 3MCY25, the GPW of company grew by ~13% to ~PKR 436mln (3MCY24: ~PKR 385mln); resulted from an uptick in single premiums.

Profitability During CY24, the Company reported the underwriting profit of ~PKR 231mln (CY23: ~PKR 194mln) due to an increase in the subsequent year's premium by ~10%. The Company recorded net profit of ~PKR 285mln during CY24 (CY23: ~PKR 260), mainly because of an exponential increase in investment income of ~58%. During 3MCY25, the Company reported a loss of ~PKR 46mln.

Investment Performance During CY24, the investment income of the Company increased ~58% and stood at ~PKR 2,489mln (CY23: ~PKR 1,574mln). The increase is mainly due to higher returns on government securities, as the Company over the year has significantly increased the proportion of investments in government securities. During 3MCY25, the Company reported investment income of ~PKR 287mln.

Sustainability The management aims to establish a robust presence in the Punjab region, to strengthen the business, and enhance profitability. Despite the current uncertain political and economic climate, the Company intends to maintain its market share. To achieve this, the Company has motivated its sales force and introduced small incentives to make its products more appealing.

Financial Risk

Claim Efficiency As of CY24, the Company reported stable outstanding claims of ~PKR 12mln (CY23: ~PKR 12mln). Net claims expense rose to ~PKR 1,227mln (CY23: ~PKR 1,001mln) due to higher total claims amid economic uncertainty. as of 3MCY25, Net claim expense of the company rose to ~PKR 384mln.

Re-Insurance Dawood Family Takaful has in place reinsurance treaty arrangements with Munich Re (AA- by S&P) and Hannover Re (AA- by S&P).

Cashflows & Coverages As of CY24, the liquidity of the Company stood at 3.7x. Liquid assets of the Company increased by ~37.8% and were reported at ~PKR 8,180mln (CY23: ~PKR 6,768mln). The liquid investments have increased mainly because increased proportion of investments in government securities, which are yielding higher returns. As of 3MCY25, the liquid investment book surged to ~PKR 10.2bln.

Capital Adequacy As of CY24, the equity increased by ~5% and recorded at ~PKR 2,505mln (CY23: ~PKR 2,385mln). The increase in equity is due to an increase in unappropriated profit. As of 3MCY25, equity of the Corporation stood at ~PKR 2.5bln.



PKR mln

Dawood Family Takaful
Public Unlisted Company

Mar-25	Dec-24	Mar-24	Dec-23	Dec-22
3M	12M	3M	12M	12M

A BALANCE SHEET

1 Investments	10,642	10,509	8,401	8,179	7,019
2 Insurance Related Assets	251	268	194	204	175
3 Other Assets	1,099	1,107	1,389	1,321	810
4 Fixed Assets	174	190	490	264	233
Total Assets	12,167	12,074	10,475	9,968	8,237
5 Underwriting Provisions	-	-	-	-	-
6 Insurance Related Liabilities	9,448	9,306	7,171	6,968	5,739
7 Other Liabilities	95	138	465	423	251
8 Borrowings	104	125	176	192	149
Total Liabilities	9,647	9,569	7,811	7,583	6,139
Equity	2,519	2,505	2,419	2,385	2,134

B INCOME STATEMENT

1 Gross Premium Written	436	2,180	-	1,930	2,070
2 Net Insurance Premium	415	2,021	362	1,737	1,942
3 Underwriting Expenses	(500)	(1,791)	(381)	(1,543)	(1,404)
Underwriting Results	(85)	231	(19)	194	537
4 Management Expenses	(133)	(613)	(130)	(545)	(420)
5 Investment Income	287	2,489	371	1,574	345
6 Other Income / (Expense)	59	476	71	326	250
7 Net Change in Reserve for Policyholders' Liabilities	(173)	(2,234)	(254)	(1,279)	(543)
Profit Before Tax	(44)	347	38	270	170
8 Taxes	(2)	(63)	(2)	(10)	(27)
Profit After Tax	(46)	285	36	260	143

C RATIO ANALYSIS

1 Profitability					
Loss Ratio (Net Insurance Claims / Net Insurance Premium)	92.6%	60.7%	71.0%	57.6%	41.4%
Combined Ratio (Loss Ratio + Expense Ratio)	152.4%	118.9%	141.3%	120.2%	94.0%
2 Investment Performance					
Investment Income / Operating Profit	412.4%	118.2%	167.6%	128.7%	74.6%
3 Liquidity					
(Liquid Assets - Borrowings) / Outstanding Claims	678.45	688.23	514.53	566.45	517.59
4 Capital Adequacy					
Liquid Investments / Equity	4.04	4.05	3.35	3.31	3.10

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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(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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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).
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- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
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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)
- (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)
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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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