

## Insurance & Takaful Companies

# 6.3

*The insurance sector recorded robust asset growth during 9MCY25, supported by strong investments and recovery in premium generation. In the non-life segment, asset expansion was driven by growth in investment portfolios, particularly equities. Gross premiums expanded moderately, led by a substantial increase in motor business in line with higher automobile sales, while Fire & Property contracted and Agriculture remained negligible. Net premium growth outpaced gross premiums, accompanied by a rise in the overall retention ratio, reflecting greater risk absorption and reduced reliance on reinsurance. Profitability remained supported by strong investment income amid buoyant equity markets, though earnings growth slowed compared to last year. On the other hand, the life segment sustained double-digit asset growth, primarily driven by higher investments in government securities alongside increased equity exposure. Gross premiums rebounded strongly, reversing last year's contraction, with expansion concentrated in individual single-premium products and supported by improved economic conditions and distribution efficiencies. Claims growth remained contained relative to premiums, with a notable decline in surrender claims signaling improved policyholder resilience, leading to a significant improvement in the claims ratio. Going forward, macroeconomic stability, financial market conditions, and geopolitical dynamics will remain key determinants of sectoral performance. For the non-life segment, underwriting discipline, claims management, reinsurance strategy, and market risk exposures will shape resilience, while for the life segment, product mix, expense containment, investment yields, and persistency trends will be critical for sustaining profitability.*





## 6.3 Insurance & Takaful Companies

The asset base of the insurance & Takaful Companies expanded by 19.4 percent (YoY) in 2025<sup>1</sup>, moderating from growth of 23.4 percent in the corresponding period of last year.

Although both life and non-life sectors contributed to the growth, the life segment continued to account for the largest share in the asset base (**Table 6.3.1**).<sup>2</sup> Nonetheless, the sustained double-digit expansion suggests that balance sheet strength remains intact, supporting the sector's capacity to meet long-term liabilities.

In contrast, gross premium growth recorded a notable improvement, rising by 11.9 percent during 9MCY25, compared with 3.3 percent in 9MCY24. This marked acceleration points to a recovery in underwriting activity and improved demand conditions. The rebound in premium growth, alongside moderating asset expansion, may signal a shift from balance sheet-driven growth toward stronger core insurance activity. If sustained, this trend could enhance profitability and improve the sector's resilience by strengthening revenue streams. However, continued monitoring is warranted to assess

whether the acceleration is driven by genuine expansion in coverage or reflects price adjustments.

Growth in the sector will help increase the insurance penetration in Pakistan, which stood at a very low level of 0.7 percent as of end CY24. The low level of penetration underscores both the difficulty of reaching broader segments of the population and a substantial gap in harnessing the sector's growth potential. The industry faces several challenges, including weak enforcement of mandatory insurance requirements under existing laws, limited data sharing for effective monitoring, inadequate coverage for informal sector workers, and a lack of standardized products.

The dominance of life and family takaful reflects the long-term savings and protection preferences of households and institutions, as well as the structural orientation of the industry toward life-based products. While this provides a relatively stable premium base, it also implies concentration risk, particularly in the event of income shocks or shifts in institutional policies

Snapshot of Insurance Industry

Table 6.3.1

Segment	As of Sep, 2025		During 9MCY25			
	Assets	Share	Gross Premium	Share	Net Premium	Net Claims
	million Rupees	percent	million Rupees	percent	million Rupees	million Rupees
Life	3,371,418	83.7	294,368	57.8	287,527	264,631
Family Takaful*	67,355	1.7	20,484	4.0	19,995	12,944
Non-Life	498,860	12.4	164,893	32.4	75,791	40,254
General Takaful*	9,381	0.2	1,860	0.4	1,465	980
Reinsurance	81,721	2.0	28,027	5.5	6,998	4,843
Total	4,028,735	100.0	509,632	100.0	391,777	323,653

\* Latest available information

Source: Unaudited/audited Accounts of Insurers

<sup>1</sup> Unless otherwise stated, the data in this chapter pertains to first nine months of calendar year (9MCY25)

<sup>2</sup> The insurance industry in Pakistan remained concentrated in the life and family Takaful segments, which together accounted for 85.4 percent of the overall industry. These segments contributed 61.8 percent of the industry's gross premiums, highlighting their continued centrality to the sector's business and revenue generation.

regarding employee or public health insurances. A more diversified product-mix over time could help mitigate concentration risks and broaden the industry's resilience to cyclical pressures.

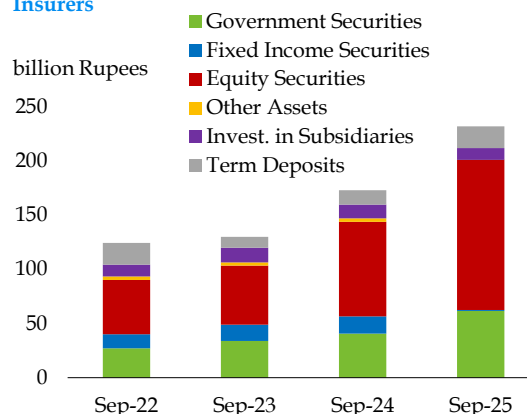
### 6.3.1 Non-life Insurance and General Takaful Segment

The asset base of the non-life insurance sector expanded by 21.7 percent on YoY basis in September 2025, compared with 19.8 percent in the previous year, reflecting continued balance sheet growth. The increase was primarily driven by expansion in investment portfolio, which accounted for 60.9 percent of the overall rise in total assets. This underscores the sector's continued reliance on income from investment as a key earnings pillar. After-tax earnings rose by 6.3 percent on the back of strong investments income. The earnings growth, however, decelerated from last year's level of 37.1 percent in 9MCY24, amid weak underwriting results.

#### *Amid an upbeat stock market, the growth in equities portfolio drove investments...*

Equities remained the preferred asset class for the non-life sector. Amid a buoyant domestic equity market, the sector's equity portfolio continued to expand, recording a growth of 58.8 percent YoY in September 2025. The sustained shift towards equities reflects insurers' pursuit of higher yields in a favorable market environment, albeit with market risk implications. Meanwhile, exposure to government securities also registered a strong growth of 51.7 percent in September 2025, increasing the share of treasuries in investments, which provided some portfolio diversification (Figure 6.3.1).

Investment Portfolio of Non-life Insurers Figure 6.3.1



Source: Unaudited / audited Accounts of Insurers

#### *Motor and health segments supported growth in gross premium, while higher retention ratios strengthened net premium expansion...*

Gross premiums expanded by 8.8 percent in 9MCY25, moderating from a strong 16.9 percent growth in the previous year, primarily driven by higher business volumes in the motor and health segments. The robust expansion in the Motor segment was supported by a surge in automobile sales during the reviewed period.<sup>3</sup> In contrast, the fire & property segment, which constitutes the largest share of gross premiums, contracted by 6.5 percent. Meanwhile, the agriculture segment remained marginal, accounting for only 0.2 percent of total gross premiums, highlighting persistently low insurance penetration in this line. This low uptake is largely driven by structural factors, including limited access to formal credit, given that most crop insurance is linked to agricultural lending, small landholdings, and high exposure to weather-related risks, which constrain the commercial viability of insurance products.

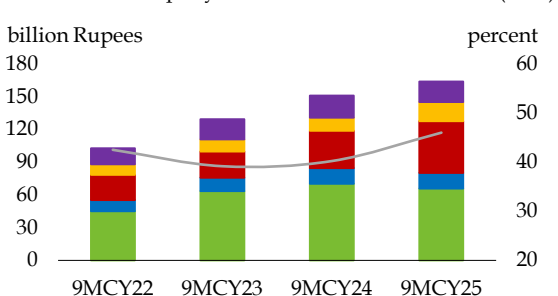
Net premiums recorded a robust 24.3 percent increase in 9MCY25, outpacing the 20.0 percent growth observed last year, with the motor segment contributing the largest share (62.9 percent), followed by health. The strong performance in net premiums was supported by

<sup>3</sup> Automobile sales rose by 40.9 percent in 9MCY25 on YoY basis. Source: Pakistan Automotive Manufacturers Association

higher retention ratios, particularly in motor and health, indicating greater risk absorption by insurers and enhanced underwriting confidence in these portfolios. In contrast, insurers maintained a relatively conservative stance in the fire & property segment, where retention remained low at 20.4 percent, which reflects continued reliance on reinsurance for large and potentially volatile exposures.

A stronger growth in net premiums relative to gross premiums, alongside an increase in the retention ratio from 40.2 percent to 46.0 percent in the reviewed period, signals a strategic shift toward greater risk absorption and reduced dependence on external reinsurance support (Figure 6.3.2). This transition was further reflected in a moderation in reinsurance expense from 13.2 percent to 1.6 percent during the reviewed period. The evolving retention dynamics suggest improved capital buffers and underwriting confidence; however, higher retained exposures may elevate sensitivity to claims, warranting continued monitoring from a risk management perspective.

**Gross Premiums and Retention Ratio** Figure 6.3.2



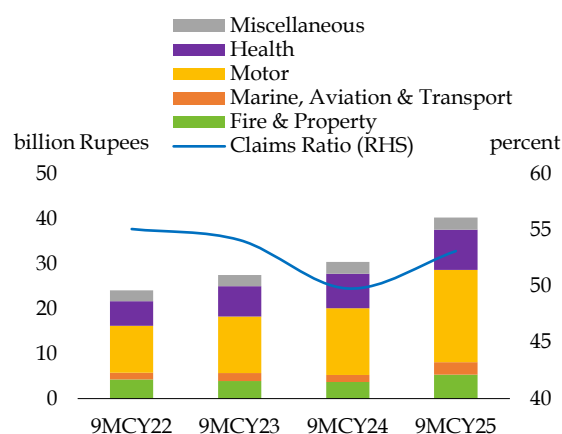
Source: Unaudited/audited Accounts of Insurers

*Claims surged, especially in the Motor segment, leading to a slight deterioration in claims ratio...*

On the expense side, net claims increased sharply by 34.1 percent, significantly higher than the 11.4 percent growth recorded in the

previous year. The claims were predominantly driven by the motor segment, followed by health (Figure 6.3.3). Heavy rainfall and urban flooding episodes in major cities during the third quarter of 2025 may have contributed to the surge in motor claims. Moreover, the pronounced rise in net claims in motor and health is consistent with the higher retention ratios observed in these segments, which increased insurers' claims absorption. Consequently, the overall claims ratio for the sector increased to 53.1 percent from 50.2 percent in the period under review (Figure 6.3.3), pointing to a squeeze in underwriting margin.

**Net Claims and Claims Ratio** Figure 6.3.3



Source: Unaudited/audited Accounts of Insurers

*Profitability moderated as weaker underwriting performance was offset by robust investment income growth...*

Amid the rise in claims ratios and net commission expense, underwriting results declined by 8.1 percent in 9MCY25, in sharp contrast to the strong 129.6 percent growth recorded in 9MCY24. However, the impact on overall profitability was cushioned by a solid 34.8 percent increase in investment income, supported by a strong equity market performance and portfolio expansion. Consequently, the sector remained profitable, with profit before tax increasing by 15.3 percent in 9MCY25, albeit at a slower pace compared to the robust 37.1 percent growth in 9MCY24.

However, rising dependence on investment income to offset weaker underwriting performance may increase the sector's vulnerability to financial market volatility, making profitability increasingly sensitive to asset price changes.

While the rise in claims ratios and the moderation in underwriting performance exerted some pressure on profitability, the non-life insurance sector continued to demonstrate comfortable capitalization, sustained profitability, and stable returns on assets, suggesting manageable pressures (Table 6.3.2).

Soundness of Non-Life Insurance

Table 6.3.2

Description	percent			
	Sep-22	Sep-23	Sep-24	Sep-25
Equity to Assets	35.3	32.5	34.7	36.2
Claims Ratio	55.1	54.1	50.2	53.1
Combined Ratio	94.6	94.1	88.8	90.8
Premium Retention	42.5	39.2	40.2	46.0
Return on Assets (pre-tax)	4.3	6.2	7.1	6.8

Source: Unaudited/audited Accounts of Insurers.

### *General Takaful operators continued to provide niche Shariah-compliant solutions, with limited systemic footprint...*

Pakistan's two standalone dedicated general takaful operators continued to operate on a limited scale relative to conventional non-life insurers, with their market share remaining modest.

Nonetheless, general takaful has exhibited steady expansion over the past two decades. From a negligible base in 2006, it has grown to represent 14 percent of the non-life insurance segment by 2024.<sup>4</sup> This upward trajectory signals increasing market acceptance and improving operational capacity within takaful operators.

Within general Takaful, growth has been broad-based across major lines of business. Health and Fire takaful have recorded the most pronounced

expansion, with combined premiums increasing from Rs 2 billion in 2020 to Rs 6 billion in 2024. Motor takaful remains a key segment, reaching Rs 13 billion in 2024 and continuing to anchor the overall portfolio. Marine Takaful, while comparatively smaller, has also demonstrated gradual growth, rising from Rs 1 billion in 2020 to approximately Rs 2 billion in 2024.

Overall, gross general Takaful premiums increased from Rs 12 billion in 2020 (9.8 percent of non-life sector) to Rs 31 billion in 2024 (12.8 percent), reflecting a more than twofold expansion over the period. This growth underscores strengthening demand across multiple classes of business and indicates a gradual consolidation of general takaful's role within the broader non-life insurance market.

While detailed financial disclosures for 9MCY25 were not publicly available at the time of reporting, the segment's overall footprint suggests that its performance is unlikely to materially alter the sector's aggregate risk profile. Given its comparatively small asset base and contribution to total premiums, developments in general takaful have limited systemic implications; however, the segment contributes to product diversification and financial inclusion by offering Shariah-compliant risk-sharing solutions. Continued enhancement of disclosure and transparency practices would further support more comprehensive sectoral assessment going forward.

### *The capital position of the domestic non-life reinsurer improved modestly despite weaker profitability...*

Profit before tax of the domestic non-life reinsurer declined by 40.3 percent in 9MCY25, in contrast to 49.1 percent growth recorded in 9MCY24, primarily reflecting a sharp deterioration in underwriting performance. Underwriting results contracted significantly by

<sup>4</sup> SECP (2024). Report on Insurance Industry Statistics 2024.

97.9 percent as the net premium declined and claims surged, while investment income registered a marginal decline of 1.5 percent, offering limited offset to technical losses. The decline in profitability warrants close monitoring, given the reinsurer's central role in risk absorption within the insurance ecosystem. Nevertheless, capitalization strengthened during the period, with the capital-to-assets ratio improving to 28.8 percent in September 2025 from 25.0 percent a year earlier, indicating the presence of adequate buffers despite earnings pressure.

*Going forward, strong underwriting and effective risk management will be key to resilience...*

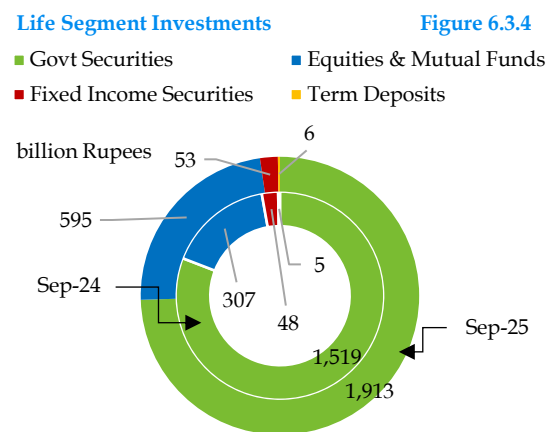
The non-life segment is expected to sustain growth supported by improving activity and ongoing digitization initiatives, including motor insurance repository, licensing digital-only insurer, and marine insurance automation; nevertheless, the sector also faces growing exposure to external risks including climate-related events. Although capital buffers remain adequate, sustained underwriting discipline and prudent risk transfer will remain central to profitability in 2026, especially if equity markets correct after a strong run. Moreover, the weakening underwriting performance of the domestic reinsurer observed in 9MCY25 warrants close monitoring, given the reinsurer's role in system-wide risk absorption.

### 6.3.2 Life Insurance and Family Takaful Segment

The asset base of life segment expanded by 20 percent on YoY basis in September 2025, lower than 23.8 percent growth recorded in the same period of the previous year. The expansion was largely driven by an increase in investments, especially in government securities, indicating low risk and conservative risk appetite during the reviewed period.

*Investment grew significantly in equities along with government securities...*

The total investments of the life insurance segment surged by 36.7 percent year-on-year basis in September 2025. It was mainly due to expansion in investments pertaining to government securities, reflecting shift in asset allocation strategies due to the evolving economic recovery and risk appetite. Though investments in treasuries rose to Rs 1.9 trillion from Rs 1.5 trillion in last year, their share fell to 74.7 percent September 2025 from 81.1 percent in September 2024. Similarly, the segment increased its exposure in equities, which grew at 90.4 percent in September 2025, leading to a rise in their share to 19.5 percent from 14.0 percent year-on-year basis (**Figure 6.3.4**). This increase reflects response to improved equity market conditions. However, it also introduces greater market risk exposure, which could affect portfolio returns in the event of adverse equity market movements.



Source: Unaudited/audited Accounts of Insurers

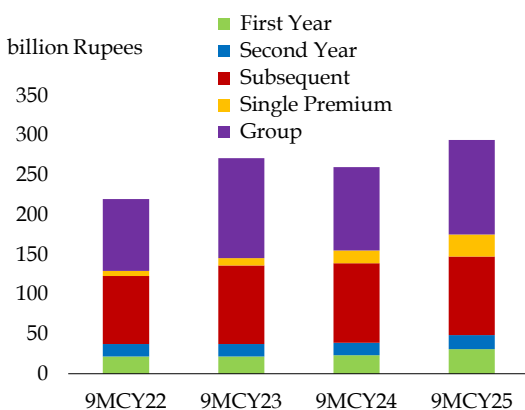
*Expansion in gross premium was driven by expansion in single and group premiums...*

Gross premiums expanded by 13.2 percent in 9MCY25, marking a significant recovery from the contraction of 4.1 percent in the same period of the previous year. Expansion was heavily skewed towards investment-oriented products with individual single premiums contributing 69

percent, as inflationary pressures receded, interest rates stabilized and purchasing power of households improved amidst economic recovery. Along these lines, individual premiums from new business marked 32.4 percent growth, reflecting rise in digital insurance platforms and efficiency of bancassurance. Second year and subsequent premiums cumulatively contributed 10.9 percent, underscoring the sector's accelerated new business growth along with effective persistency and retention.

In addition, group premiums, which account for 40.5 percent of total gross premiums, demonstrated a 13.8 percent growth, linked with stricter corporate compliance and rising cost of employee health benefits. To cover spiked costs, employers increased coverage limits, directly impacting sector's premium growth (**Figure 6.3.5**).

**Gross Premiums for Life Sector** **Figure 6.3.5**



Source: Unaudited/audited Accounts of Insurers

### *Growth in group policies claims outpaced contraction in individual policy claims...*

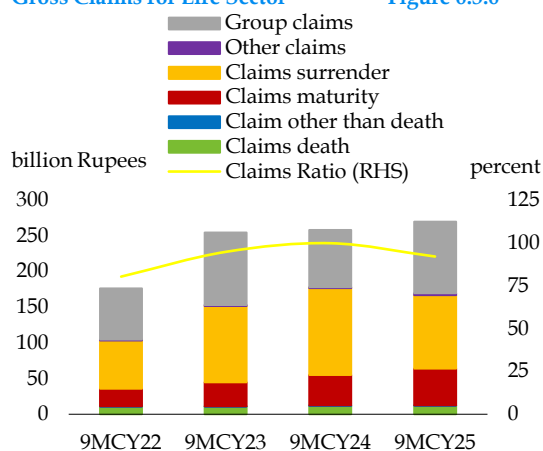
Gross claims accelerated to 4.6 percent in CY25, a substantial increase from 1.4 percent in CY24. The growth in gross claims was primarily driven by a massive 25.8 percent surge in group policies claims, which effectively offset a significant 4.9 percent contraction in the individual policy claims segment. The contraction in individual claims is a positive indicator of market stability

signifying risky portfolios observed in previous year have subsided.

Further, surrender claims, which contribute 60.7 percent to total gross claims, dropped sharply in period under review. In 9MCY24, surrenders spiked by 14.1 percent as inflation forced policyholders to cash out. In 9MCY25, it reversed with 15.5 percent decrease, implying improved economic resilience as policyholders were no longer compelled to liquidate their policies for immediate liquidity needs. Mortality-related claims remained virtually flat, a stark contrast to the 11.6 percent rise in 9MCY24, suggesting normalization of post-pandemic mortality volatility.

The claims ratio improved noticeably to 92 percent in 9MCY25, marking a significant recovery from the near-breakeven point of 99.9 percent in CY24. This turnaround was driven by premium growth which outpaced the claims growth by nearly threefold (**Figure 6.3.6**).

**Gross Claims for Life Sector** **Figure 6.3.6**



Source: Unaudited/audited Accounts of Insurers

### *Profitability squeezed despite strong top-line recovery ...*

Despite strong top-line recovery with net income rising by 13.4 percent (reaching Rs 656 billion) in 9MCY25, life insurance segment faced profitability squeeze with profit after tax contracting by 32.5 percent to Rs 14 billion (Rs 20.7 billion in 9MCY24). This was driven by divergence between revenue and expense

growth as an absolute increase in expenses, largely due to reserve requirement and volatility losses, significantly outpaced the increase in revenue.

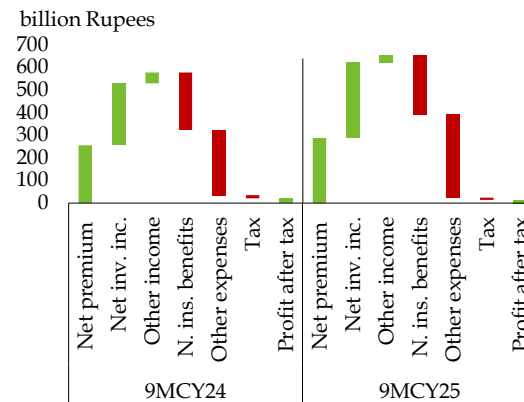
Primarily, main sources of income for life insurance segment are premium revenue and investment income. Net premium revenue rebounded significantly by 12.7 percent in 9MCY25, reversing the contraction of 4.5 percent during the same period last year. This aligns with the surge in single premium policies. However, investment income contracted by 2.1 percent in 9MCY25, indicating reduced yields on government securities due to stabilized interest rate environment.

On the expense side, net insurance benefits witnessed a modest growth of 4.2 percent in line with claims growth in 9MCY25. Acquisition expense spiked massively by 24.1 percent, outpacing the net premium revenue by twofold in 9MCY25 (9.8 percent in 9MCY24). Primary driver of the surge in expenses was 'Other expenses' that increased to Rs 309 billion in 9MCY25 (Rs 239 billion in the same period last year). It is in line with increase in single premium business in 9MCY25 as reserves needed to be set aside, implying asset accumulation phase for future book value while sacrificing immediate profit-booking – a sound risk management strategy.

Consequently, after-tax profit decreased to Rs 14 billion in 9MCY25 from PKR 21 billion in 9MCY24 (**Figure 6.3.7**).

Earnings Components for Life

Figure 6.3.7



Source: Unaudited/ audited Accounts of Insurers

*Financial performance and soundness indicators slightly deteriorated...*

Although underwriting stability was restored in September 2025 as claims ratio improved to 92 percent from 99.9 percent in September 2024, profitability shrunk. As return on assets (ROA) ratio contracted to 0.7 percent in 9MCY25 from 1.3 percent from previous period, as the cost of acquiring new assets outpaced the profits generated from them. Further, the expense ratio increased as acquisition expense surged, indicating higher operational costs relative to revenue. On solvency front, the equity to assets ratio deteriorated during the period under review, demonstrating modest rise in leverage risk. The drop in ROA to 0.7 percent in 9mCY25 reflects that rapid expansion in asset base is not generating sufficient yield to cover acquisition costs and liability reserves (**Table 6.3.3**).

Performance Indicators of Life Insurers

Table 6.3.3

Description	percent		
	Sep-23	Sep-24	Sep-25
Claims Ratio	94.8	99.9	92.0
Expense Ratio	16.8	20.3	20.6
Equity to Assets	2.9	3.0	2.9
Return on Assets (Pre-tax)	1.4	1.3	0.7

Source: Unaudited/ audited Accounts of Insurers

### *Family takaful sector exhibits steady growth over the past two decades...*

Over the past two decades, the family takaful segment has gradually strengthened its position within the insurance industry. From a nominal presence in 2006, family takaful now accounts for approximately 17 percent of the life insurance market as of September 2025. This progression reflects increasing consumer awareness, broader product offerings, and a gradual deepening of Shariah-compliant financial intermediation within the insurance landscape.

Its presence is significantly more pronounced within the private sector, while penetration within the public sector remains limited. This divergence suggests that demand for Shariah-compliant protection products is primarily being driven by private sector participants, while public sector engagement remains relatively underdeveloped.<sup>5</sup>

The strong private sector concentration may indicate untapped potential within public sector institutions and state-owned enterprises. Policy alignment, awareness initiatives, and product customization could help broaden outreach.

Additionally, sustained growth in family takaful may enhance financial inclusion by attracting segments that prefer Shariah-compliant long-term savings and protection solutions.

### *Initiatives are being introduced by the regulator to modernize and expand the insurance sector ...*

Securities and Exchange Commission of Pakistan (SECP) has proposed to develop a national-level insurance scheme for informal sector workers to strengthen social protection and is pursuing reforms to expand mandatory health and group coverage. It is also promoting life, motor, agriculture, and disaster insurance, enhancing digital distribution, and increasing local risk retention. The efforts are especially

important given Pakistan's high vulnerability to climate change.

Moreover, the SECP is improving the ease of doing business, facilitating access to capital and reinsurance, adopting risk-based supervision and IFRS-17 standards, and encouraging innovation in an effort to support financial stability and market development.<sup>6</sup> In this regard, a key milestone was the issuance of Pakistan's first digital-only non-life insurance license to Digi Insurance Limited in July 2025.<sup>7</sup>

### *Outlook for the insurance industry hinges on evolving market conditions...*

Looking ahead, the insurance sector's performance in 2026 will remain closely linked with macro-financial conditions, particularly the durability of disinflation, the pace of economic recovery, and domestic financial-market trends. With ease in monetary conditions and inflation being maintained within the medium-term target range, the premium affordability and demand might enhance, especially for retail life and health products. However, near-term uncertainty from climate-related disruptions remains material. In addition, any renewed volatility in global commodity prices and geopolitical conditions could affect underwriting costs and reinsurance pricing dynamics, with second-round effects on premium rates and retention decisions.

From a structural and supervisory perspective, 2026 is expected to be shaped by ongoing modernization initiatives that can influence both penetration and risk transmission. Rapid rise in digital channel premiums and digital-only insurer model developments may intensify competition, improve outreach, and lower distribution frictions, but also elevate market-conduct and operational risk considerations. More importantly for consumer confidence, the Life Insurance Policy Finder<sup>8</sup> can reduce informational frictions and help unlock long-

<sup>5</sup> SECP (2024). Report on Insurance Industry Statistics 2024.

<sup>6</sup> SECP (2024). Five Year Strategic Plan – Journey to an Insured Pakistan

<sup>7</sup> For details, please see [SECP Press Release](#) dated July 22, 2025.

<sup>8</sup> [Press Release: SECP Introduces Life Insurance Policy Finder Service for Public Facilitation](#)

pending claims, supporting trust and market development, but potentially increasing realized claims outflows in the near term. In parallel, higher minimum capital requirements and the enabling framework for subordinated debt, anchored in the broader transition toward a risk-based solvency approach, should support resilience.<sup>9</sup> Finally, with IFRS-17 implementation deferred to 2027, 2026 will remain a transition year in which preparedness becomes increasingly important for supervisory comfort and comparability.<sup>10</sup>

The life segment is likely to benefit from continued normalization of policyholder behavior (lower surrenders) and demand recovery; however, the profitability profile may remain sensitive to product mix skewed toward single-premium business, acquisition cost dynamics, and the interaction between easing yields on government securities and rising market risk from higher equity allocations.

Overall, the sector is expected to remain broadly resilient in 2026, but evolving risk transmission, via higher market-linked exposures, enforcement-driven expansion of motor coverage, potentially higher claim realization in life, and climate-related tail risks, warrants continued risk-focused surveillance and engagement with the regulator.

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<sup>9</sup> [PR No. 277 SECP's Policy Board approves amendments to the insurance regulatory framework](#)

<sup>10</sup> [SECP SRO 1336 Effective date for applicability of IFRS 17](#)

