The Pakistan Credit Rating Agency Limited

PRESS RELEASE

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Applicable Criteria

- Assessment Framework | Life Insurance | Mar-26
- Methodology | Rating Modifiers | Apr-26

Related Research

- Sector Study | Life Insurance | Jun-26

PACRA Maintains IFS Rating of 5th Pillar Family Takaful Limited

Rating Type	IFS	
	Current (18-Aug-26)	**Previous (18-Aug-25)**
Action	Maintain	Maintain
IFS Rating	A+ (ifs)	A+ (ifs)
Outlook	Stable	Stable
Rating Watch	-	-

The rating reflects the strong sponsor profile of 5th Pillar Family Takaful Limited ("5th Pillar" or the "Company"), supported by a consortium comprising Kuwait International Investment Holding Company (KIIC), IFA Group Kuwait, 5th Pillar Holdings Limited (a Dubai International Financial Centre – DIFC – incorporated entity in the UAE), and Muhammadi Family & Associates of Pakistan. The sponsors bring extensive experience across Takaful, insurance, Islamic finance, and financial services, with demonstrated commitment to the Company through their financial strength and continued capital support. The Company offers Shariah-compliant savings and protection solutions through Individual and Group Family Takaful, with a differentiated focus on Hajj and Umrah savings supported by an end-to-end pilgrimage ecosystem. Its bancatakaful and direct sales channels underpin business generation, while planned digital channels are expected to broaden reach. Pakistan's life insurance industry sustained growth in CY25, with gross premiums rising 13.8% to PKR 496.9bln, amid easing inflation and lower interest rates. Of the total industry premiums, private sector insurers accounted for PKR 205.7bln, with 5th Pillar Family Takaful Limited holding a market share of less than 1%. Against this backdrop, the Company's gross contributions grew 224% to PKR 1,815.6mln in CY25 (3MCY26 PKR 546.2mln; CY24 PKR 560.3mln), led by a 204% increase in Individual Family Takaful through bancatakaful channels and Hajj/Umrah savings products, while Group contributions grew 30%. Consequently, net contribution revenue increased 274% to PKR 1,663.5mln in CY25. The total number of policies in force increased to 5,162 at end-CY25 (CY24: 1,742), reflecting the rapid scale-up of the business. First-year persistency improved to 49% (3MCY26: 19%; CY24: 42%). In CY25, the investment portfolio expanded 33% YoY to PKR 2,478.8mln, supported by higher contribution inflows, with Government Ijarah Sukuk accounting for ~79% of the portfolio. The shift towards fixed-income instruments, alongside higher mutual fund exposure, strengthened portfolio positioning; however, investment income declined amid lower yields following the easing interest rate cycle during CY25 and early CY26. The liquidity profile remains supported by liquid assets of PKR 2,606.2mln, providing 24.4x coverage of outstanding claims, while operating cash flows turned positive in CY25 at PKR 682.4mln. The portfolio remains predominantly invested in Government Ijarah Sukuk, supplemented by mutual funds and equities, supporting liquidity and diversification. The claims profile remains manageable, with net claims of PKR 211.4mln, partly mitigated by PKR 159.5mln in retakaful recoveries, resulting in a net claims ratio of 12.7%. The Company's retakaful arrangements provide effective risk transfer and support the management of mortality exposures. The Company reported a loss of PKR 319.5mln in CY25 (3MCY26: PKR 92.9mln loss; CY24: PKR 140.4mln loss), primarily reflecting higher business-related expenses. Consequently, equity declined from PKR 1,401.7mln at end-CY25 (3MCY26: PKR 1,281.6mln).

The ratings are dependent on the continued support from the key Sponsors, sustained growth in the Company's business profile and successful transition towards profitability. The Company's ability to strengthen its capitalization, while maintaining adequate liquidity and prudent investment allocation, remains important.

About the Entity
5th Pillar Family Takaful Limited ("5th Pillar" or the "Company") was incorporated in Mar-20 as a public unlisted company. The Company operates in the Family Takaful / Life Insurance business. The Company is jointly owned by Kuwaiti and Pakistani sponsors, with Kuwait International Investment Holding Company holding ~41.75%, followed by 5th Pillar Holdings Limited (~26.25%) and Muhammadi Family & Associates (~32%). The Company's Board is chaired by Mr. Saleh Saleh Naser Al-Selmi, while Mr. Nasar us Samad Qureshi serves as the Company's CEO. He is assisted by a team of experienced professionals.

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