

Insurance Sector in Pakistan

By ICMA Research and Publications Department

Historical Background

At the time of independence in 1947, the country had 5 insurance companies. Later 2 more companies shifted their offices to Pakistan making a total of 7 companies competing against 77 foreign insurance companies. These companies were regulated under the Insurance Act of 1938. Some key developments in the insurance industry are as under:

- 1948:** A Department of Insurance was established in 1948 under the Ministry of Commerce to regulate the industry
- 1948:** Insurance Association of Pakistan (IAP) was formed as tariff determining body and representing private sector
- 1953:** Pakistan Insurance Corporation was formed to promote indigenous insurance industry
- 1955:** National Co-insurance Scheme (NCS) was formed to help develop smaller Pakistani insurance companies
- 1958:** Insurance Act was amended for better control over insurance premium rates.
- 1972:** Life insurance was nationalized and State Life Insurance Corporation was formed
- 1973:** National Insurance Fund (NIF) was formed, replacing NCS, to manage government property insurance
- 1976:** National Insurance Corporation (NIC) was established for the sole purpose of insuring public properties
- 1992:** The Government opened the insurance business for private sector participation
- 2000:** SECP took over insurance supervision after the office of 'Controller of Insurance' was abolished
- 2000:** Insurance Ordinance, 2000 was promulgated, raising minimum capital requirements for insurance companies

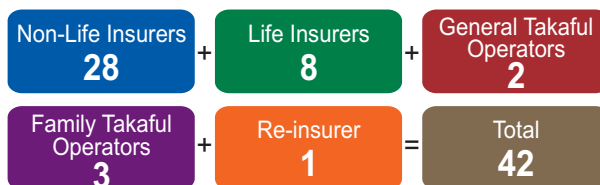
2001: The Government changed the legal status of the NIC to National Insurance Company Limited

2006: Federal Insurance Ombudsman's Secretariat was established

Role in Economy

The insurance sector in Pakistan, evolving since the 1950s, is now a vital part of the economy. It offers diverse services to individuals and businesses and operates under strict government regulation. Despite this, it grows steadily, offering crucial protection to policyholders. Its primary contributions lie in reducing uncertainties and creating long-term financial resources. Additionally, it indemnifies financial risks and invests in capital markets, while supporting various entities dealing with multiple risks.

Industry Overview



Total Assets:	Rs. 2,421 billion [2022]
Gross Premium:	Rs. 553 billion [2022]
Claims Paid:	Rs. 276 billion [2022]
Total Policies:	Rs. 10.1 million [2022]
Insurance Penetration:	0.87%
Insurance Density:	Rs. 2,776

Contribution to National Exchequer

a) Income Tax	Rs. 11.7 billion [2022]
b) Sales Tax	Rs. 7.5 billion [2022]
c) Federal Excise	Rs. 9.7 billion [2022]

Employment provision

a) No. of Employees	21,565 [2022]
b) Sales Agents	199,210 [2022]

(Source: Securities and Exchange Commission of Pakistan)

SWOT analysis

of Insurance Sector in Pakistan

Strengths

- Highly organized sector
- Growing market demand
- Potential for market consolidation
- Strong regulatory oversight by SECP
- Diverse product range
- Technological adoption
- Large young population seeking insurance
- Access to reinsurance facilities
- Risk cover to business sector

Weaknesses

- Relatively small compared to peers in the region
- Less than 1% share in national GDP
- Lowest penetration and density in the region
- Rural market limitations
- Inadequate awareness about insurance policies
- Underdeveloped claims infrastructure
- Claims processing issues
- Lack of innovation

Opportunities

- Growing middle-class demand
- Untapped rural markets
- Untapped agricultural insurance market
- Rising demand for Islamic insurance (Takaful)
- Digital outreach potential
- Coverage for emerging risks
- Increasing demand for health insurance
- Potential for microinsurance products

Threats

- Impact of global economic conditions
- Impact of rising domestic inflation
- Regulatory changes impact
- Impact of natural disasters on claims
- Political instability affecting economy
- Emerging cybersecurity risks
- Intense competition
- Fraud and misconduct risks