



PAKISTAN'S **INSURANCE INFLECTION POINT**

Challenges, compliance, and the AI-native path forward

POST-EVENT WHITEPAPER



ABOUT THIS PAPER

This paper draws on an invite-only roundtable organized by 10Pearls and the Pakistan Institute of Corporate Governance (PICG) in Karachi in August 2026. Senior leaders and executives from Pakistan's life, general and Takaful insurance sectors discussed regulatory, operational and industry growth challenges, as well as the path towards becoming an AI-native organization.

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EXECUTIVE SUMMARY

In Pakistan, insurance penetration remains **below 1%** of GDP and has not changed much over the long term. Yet the industry generates more than **PKR 700 billion** in annual premium income, supports more than **230,000** estimated jobs and manages more than **PKR 4 trillion** in assets invested across Pakistan's economy.

There is clearly an opportunity here in terms of translating this scale into broad protection. Several forces now make the timing particularly important. IFRS 17 requires stronger actuarial, data and management capability. Regulatory expectations around governance and director accountability are increasing. The proposed Insurance Bill 2026 could reshape requirements, competition and policyholder protection. At the same time, customers increasingly expect the simplicity and speed in Insurance processes, which they experience in banking & ecommerce.

AI adds another dimension to this. It can help reduce the cost and friction associated with underwriting, claims, distribution, and operations. The roundtable discussion also highlighted that AI creates the most value when insurers redesign processes rather than automate individual steps in existing ones.



<1%

Insurance penetration (of GDP)



PKR 700B+

Annual premium income



230K+

Jobs supported



PKR 4 TRILLION+

Industry assets

**Large industry.
Small protection footprint.**

Key insurance industry indicators in Pakistan

PICG's pre-event survey identified **three key challenges** faced by the insurance industry:

01 Penetration, awareness and trust

02 Underwriting, claims and process efficiency

03 Digital transformation (including data, cybersecurity and AI-enabled customer engagement)

No respondent rated their organization four or five out of five in terms of their readiness for the technology and regulatory change ahead.

Five opportunities emerged from this discussion:



Reach underserved customers through simpler products, lower-cost operating models and new distribution channels.



Rebuild trust through better onboarding, clearer products and faster, more transparent claims.



Modernize the systems and data beneath digital channels rather than simply digitizing interfaces.



Use IFRS 17 investment to strengthen the same data foundation needed for analytics and AI.



Address ecosystem constraints, including taxation, reinsurance capacity, compulsory-cover enforcement and regulatory coordination.

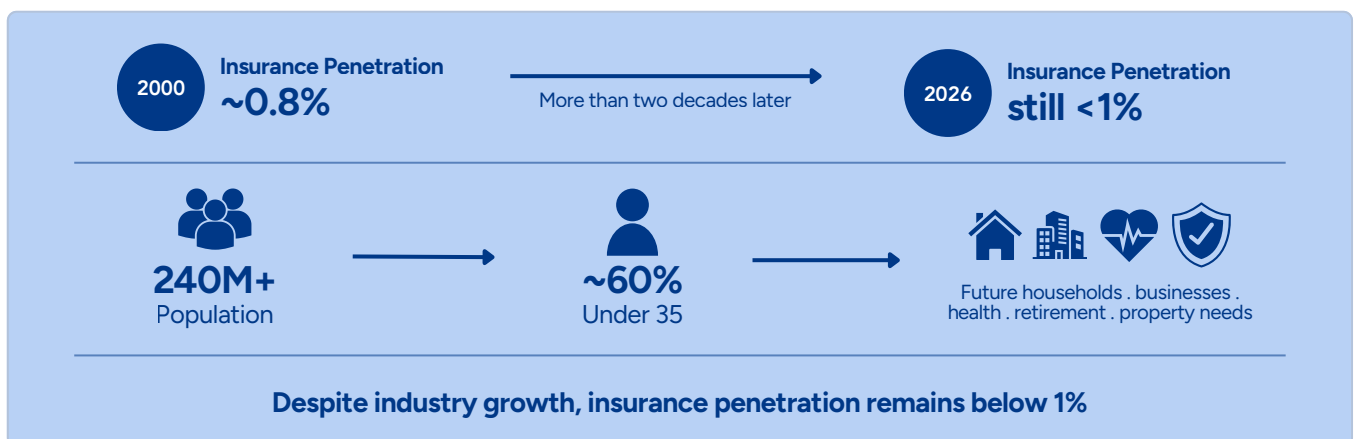
The central question for the next few years is whether these pressures become catalysts for structural growth or another cycle in which premiums increase while penetration remains largely unchanged.

PAKISTAN'S INSURANCE COVERAGE GAP IS A GROWTH OPPORTUNITY

Pakistan's insurance penetration remains below **1%** of GDP. Moin Fudda, Country Director at the Center for International Private Enterprise (CIPE), mentioned during the roundtable that penetration was approximately **0.8% in 2000** and remains around the **same level** more than two decades later.

Yet the underlying industry is economically significant. Mohammed Ali Ahmed, Managing Director & Chief Executive at EFU Life Assurance Limited, shared that the annual premium income for the insurance industry is above **PKR 700 billion**, approximately **9%** annual growth, more than **230,000** estimated jobs and over **PKR 4 trillion** in industry assets. Those assets are deployed substantially into Pakistan's government securities and capital markets.

The industry already has considerable institutional and financial capacity, while much of the population and business base remains outside of formal insurance protection. Pakistan's demographics make that gap increasingly important. The country has more than **240 million** people, roughly **60% of them under 35**. Over the coming decade, these consumers will form households, start businesses and need life, health, retirement, and property protection. Climate exposure, particularly flooding and agricultural risk, is also increasing the economic need for risk transfer. But demand alone will not increase penetration. The cost and experience of delivering insurance also have to change.



Growth opportunities across emerging insurance segments

DISTRIBUTION IS REACHING ITS LIMITS

Agency networks and bancassurance remain critical, particularly in life insurance, but they are expensive to expand indefinitely. That is why cost per policy becomes a central growth metric.

One participant managing more than **2,000** salespeople described the management of that large a workforce itself as a bottleneck, from validation and guideline access to customer interaction. The challenge is greater among rural customers, SMEs and informal businesses. They may have different cash-flow patterns, weaker documentation and smaller policy values. Traditional processes can therefore make it economically unfeasible to service otherwise valuable segments.

GROWTH NEEDS NEW MARKETS AND NEW CHANNELS

Several opportunities for new channels and markets recurred throughout the discussion, including:

SMES AND SMALL BUSINESSES

Participants identified shopkeepers, informal businesses, and SMEs as large, underserved segments. Simpler products and, where appropriate, parametric structures could reduce documentation and claims complexity.

HEALTH, RETIREMENT AND LONG-TERM PROTECTION

A young population creates substantial long-term demand. Insurers are already expanding into voluntary pension schemes, but engagement needs to begin much earlier in customers' financial lives.

CLIMATE AND AGRICULTURE

Rising catastrophe exposure strengthens the case for agriculture and climate-linked protection, particularly where technology can simplify underwriting and claims.

EMBEDDED INSURANCE

Payment platforms, banks, telecom operators, employers and fintechs can place insurance inside digital journeys customers already use. Mohammed Ali Ahmed identified EasyPaisa, JazzCash and mobile network operators as potential channels, while international examples from Southeast Asia and Africa were discussed.

Local evidence already exists. More than **150,000** motor third-party policies were reported as issued within several months of mandatory cover being introduced in Sindh. Pakistan has also seen a digital-only non-life license, a Sharia-compliant digital general Takaful operator and a motor insurance depository. These examples point towards a repeatable formula: **clear protection need + enabling regulation + low-friction distribution**.

NEW CHANNELS NEED BETTER CUSTOMER EXPERIENCES

Trust and simplicity were among the most repeated themes at the roundtable. Insurance remains difficult for many consumers to understand, and claims experience strongly influences perceptions of the entire industry. The strategic response is simpler products and journeys.

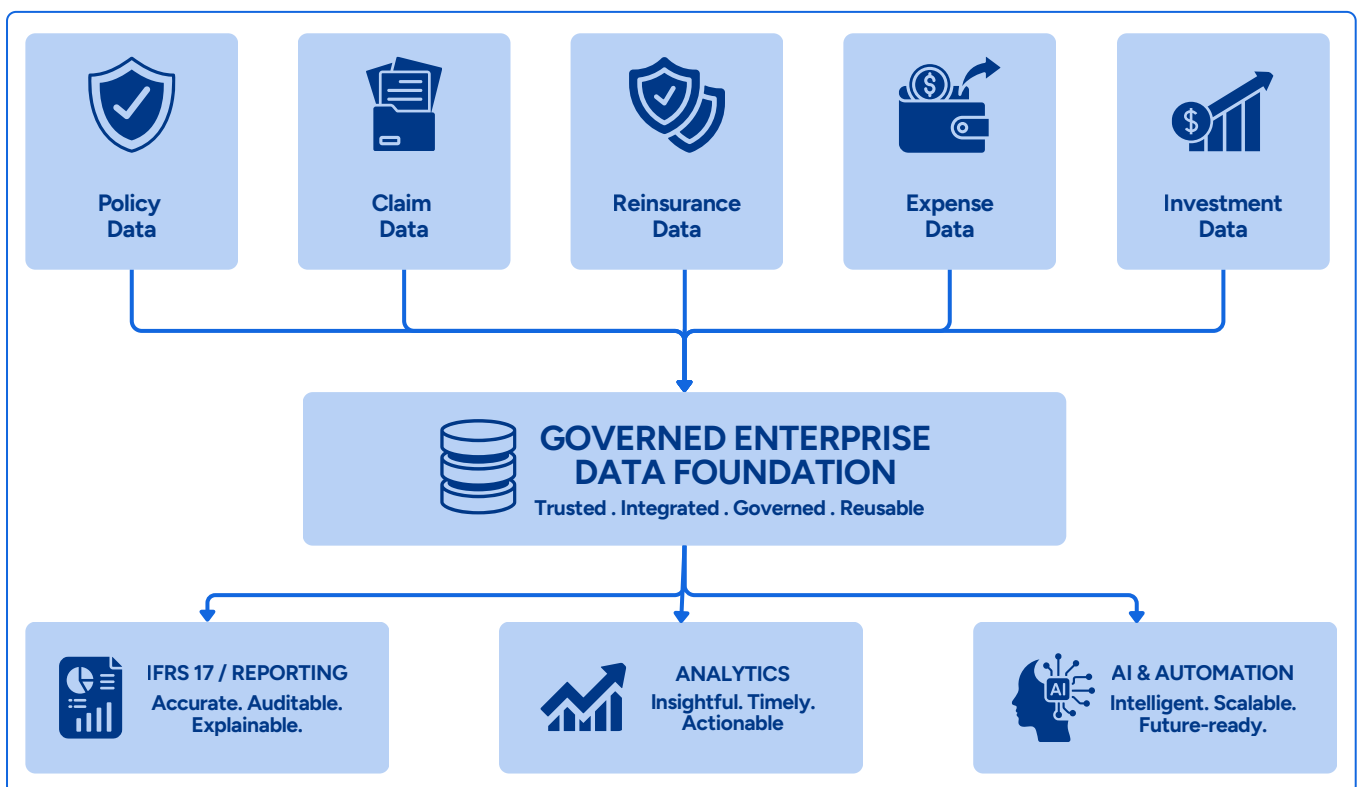
AI also changes the information balance. Customers can increasingly use consumer tools to summarize policies, compare offers and identify exclusions. Complex fine print is therefore becoming less sustainable as a way of structuring customer relationships. One participant highlighted the continuing problems created by paper-based signatures, nominee changes and document authenticity, arguing for digital trust infrastructure that can support insurance throughout the policy lifecycle.

In a market where trust constrains adoption, customer experience ought to be part of the product, not just a service around it. Onboarding should require fewer manual steps. Claims should become faster and easier to track. Digital processes should create verifiable records of identity, documents and consent.

IFRS 17 IS EXPOSING THE INDUSTRY'S OPERATING-MODEL GAPS

The roundtable highlighted IFRS 17 implementation as a critical transformation priority, revealing the close relationship between reporting, data, technology and governance.

Pakistan's insurers are in Phase 4 of implementation: a dry run using audited financial data, with external auditors formally involved and leadership and actuarial sign-off required. The current effective date for all Insurers to comply with IFRS 17 is January 1, 2027. The challenge has moved beyond whether insurers can calculate the result and is more about whether they can own, reproduce, reconcile, audit and explain it.



How IFRS 17 impacts insurance systems and data

COMPLIANCE HAS BECOME AN ARCHITECTURE PROBLEM

Farrukh Rehman, Insurance Partner at A.F. Ferguson & Co., described a common implementation model in which insurers have largely retained existing core ERP platforms and introduced third-party calculation engines for IFRS 17. While this approach may accelerate implementation, it also creates dependencies, requiring reliable information flow between policy, claims, actuarial and financial systems, reconciliation between external engines and internal data, and reduced reliance on manual workarounds that increase operational risk.

Once IFRS 17 becomes part of normal reporting, insurers need a controlled architecture capable of producing consistent results without disproportionate dependence on individual specialists or external vendors.

CAPABILITY NEEDS TO SPREAD BEYOND FINANCE

The roundtable also exposed an organization-wide skills gap. Farrukh Rehman observed that deep IFRS 17's understanding frequently rests with the actuary and CFO. Participants described situations where company and auditor actuaries debate technical judgments while broader management struggles to participate at the same depth.

Talha Bin Hamid, Head of Director and Training Development, Pakistan Institute of Corporate Governance (PICG), summarized the issue clearly: these reporting requirements can no longer be treated as the finance department's problem alone. Organizations need wider capability building, stronger management ownership and proactive implementation rather than relying on deadlines to force readiness.

The same principle increasingly applies to boards. IFRS 17 decisions ultimately influence financial statements, capital and business performance. Those signing off need sufficient understanding to challenge the assumptions behind them.

FUND THE DATA FOUNDATION ONCE

While IFRS 17 introduces significant compliance requirements, it also presents an opportunity to build the data foundation needed for future analytics and AI adoption. IFRS 17 forces insurers to improve the structure, quality, lineage and governance of policy, claims, reinsurance, expense and investment data. Those same capabilities are prerequisites for reliable analytics and AI.

The roundtable did not state this connection as a single proposition, but the IFRS 17 and AI discussions support a clear conclusion: insurers should avoid building one data environment for compliance and another for AI.

Where possible, reporting modernization should create a controlled enterprise data foundation capable of supporting both. This turns a mandatory investment into a strategic asset and reduces the risk of funding the same transformation twice.

WHAT THE **INSURANCE BILL 2026** COULD MEAN FOR THE INDUSTRY

The proposed Insurance Bill 2026 could significantly reshape the operating environment for Pakistan's insurance industry. Discussions during the roundtable highlighted several areas where the Bill may influence competition, capital requirements, governance, and policyholder protection.

The provisions discussed during the event include wider participation by foreign insurers and reinsurers, risk-based capital, stronger supervisory powers, policyholder protection and claim-settlement requirements. Three implications stand out:

COMPETITION COULD INTENSIFY

Greater market access may introduce capital, expertise and new business models. It may also bring better-capitalized competitors with newer technology platforms and international operating experience.

Incumbents therefore need to consider capital planning, reinsurance relationships, partnerships and digital distribution before the competitive environment changes, not afterwards.

INSTITUTIONAL EXPECTATIONS WILL RISE

Risk-based capital will strengthen the relationship between the risks an insurer takes and the capital supporting them. Stronger supervisory and claim-settlement requirements increase pressure on governance and operations.

For well-prepared organizations, higher standards can create greater confidence among customers, partners and investors. For insurers still dependent on fragmented systems and manual processes, higher standards may expose weaknesses.

REGULATION CANNOT SOLVE EVERYTHING

The Bill may create room for new structures and collaboration, including more integrated life and general insurance propositions.

A modern regulatory framework can enable transformation, but it does not resolve several of the barriers discussed repeatedly during the roundtable:

- Taxation
- Inconsistent enforcement of compulsory insurance
- Specialist talent shortages
- Constraints around reinsurance capacity

WHAT **AI-NATIVE** INSURANCE INDUSTRY LOOKS LIKE

The strongest technology argument from the roundtable was the distinction between digitization and operating-model redesign. An insurer can put an application form online while keeping underwriting unchanged. It can launch a chatbot while customer-service processes remain fragmented. It can automate document extraction while employees continue handing work between multiple systems.

Digitizing certain services or features while underlying processes and systems remain the same usually generates only incremental efficiency. To see measurable benefits at scale, the insurance process needs to be redesigned and architected to support digital data, automation and AI. Five areas stand out:



AI CAN REDUCE MANUAL WORK IN UNDERWRITING

Document-heavy intake is a logical starting point. Ansar Muhammad, Vice President, Engineering, 10Pearls demonstrated document-intelligence approaches capable of extracting information from forms, tables and checkboxes, including a locally hosted model designed to support data-residency requirements.

However, human correction is still always part of the workflow. The objective with these approaches is not to remove the underwriter, but to eliminate repetitive work around the underwriter. Standard risks can move towards straight-through processing while specialists focus on exceptions and complex decisions.



DIFFERENT AI TOOLS CAN SOLVE DIFFERENT RISK PROBLEMS

The AI discussion also highlighted the importance of choosing the right technology for the problem. Predictive analytics has supported fraud detection for years, generative AI adds capabilities around documents and language, and agentic systems can increasingly coordinate activities across tools and systems.

The future model should therefore combine:

- rules for deterministic decisions
- predictive AI for pricing, risk and fraud
- generative AI for documents and language
- agents for multi-step workflows



MOVING AI INTO PRODUCTION REQUIRES ITERATION

The roundtable's agentic AI demonstrations underscored that convincing proof of concept is not a production capability.

One system automatically analyzed operational ticket data and produced management risk and achievement summaries. The output looked straightforward, but the presenters noted that the system required months of iteration to operate reliably.



AI CAN MAKE FRONTLINE TEAMS FASTER AND BETTER INFORMED

One participant managing a large sales force identified AI-assisted validation and immediate access to guidelines and customer information as the highest-value opportunity for distribution.

This reflects an important principle that may be particularly important in insurance, where trust remains valuable. AI does not need to replace human interaction to transform customer experience. It can make agents, underwriters and service teams faster and better informed.



CLAIMS CAN BE REDESIGNED END TO END

Claims present an even larger opportunity because they sit directly at the intersection of cost and trust. Rather than automate isolated activities, insurers can redesign the full workflow: digital notification, document intake, fraud screening, workflow routing, adjudication, customer communication and settlement. Success should be measured by outcomes such as cycle time, leakage, accuracy and customer experience, not simply by the number of automated steps.

AVOIDING THREE COMMON AI TRANSFORMATION TRAPS

New tools and isolated automations layered onto outdated processes or deployed without appropriate controls can introduce new complexity without solving the underlying problem. The roundtable discussion pointed to three risks insurers should address early to help them move beyond experimentation and build AI capabilities that deliver measurable value at scale.



AUTOMATING ON TOP OF LEGACY SYSTEMS

One participant described core systems that were approximately 14 years old and mobile apps functioning largely as interfaces on top of them. Layering AI onto that environment can create another layer of complexity rather than remove one. Instead of launching numerous isolated pilots, insurers should choose one high-value domain such as onboarding, underwriting or claims and redesign it end to end. The metrics should be business outcomes: cost, cycle time, conversion, retention, leakage and customer satisfaction.



OUTSOURCING THE CAPABILITY

IFRS 17 provides a warning about vendor dependency. Partners can accelerate implementation, but internal teams still need to understand the data, logic and controls sufficiently to operate and challenge the capability.

The same is true for AI. The organization should own the capability even where a partner helps build it.



CREATING A TRUST AND GOVERNANCE GAP

AI can make decisions faster without necessarily making them safer or more understandable. Insurers therefore need governance around automated decision-making before deployment expands significantly. At minimum, this should cover the following to ensure innovation is scalable and defensible:

- System and model inventories
- Accountability
- Human override
- Data and privacy controls
- Outcome testing
- Vendor governance
- Audit trails
- Ongoing monitoring

THE NEXT COMPETITOR MAY COME FROM OUTSIDE INSURANCE

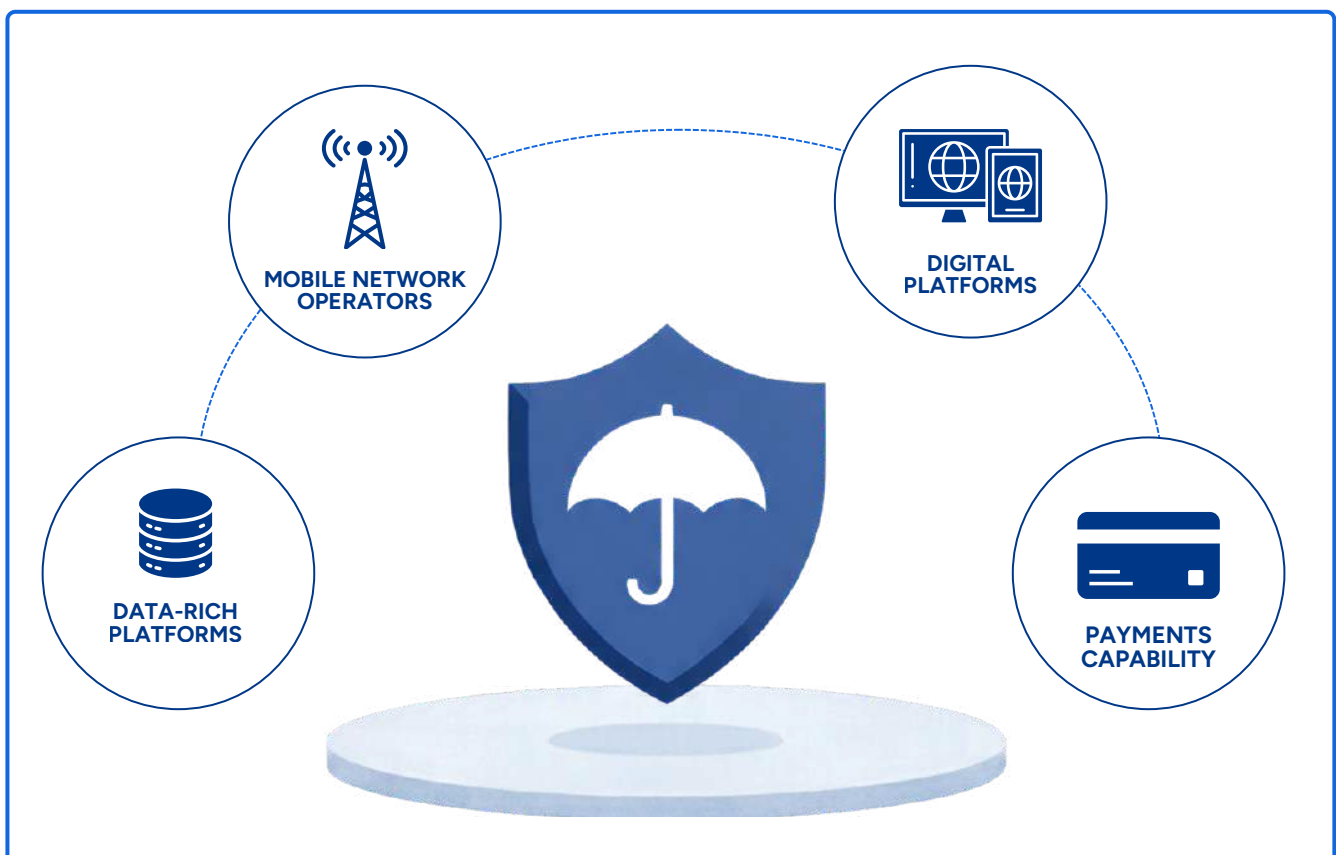
When roundtable participants were asked whom they might be underestimating as competitors, the answers repeatedly returned to data-rich platforms, mobile network operators, technology and mindset.

The competitive logic is clear. A telecom operator or digital platform may already possess millions of customer relationships, structured behavioral data, payment capability and frequent digital engagement. An insurer brings risk expertise, while a digital platform brings customer access. Future competition will be shaped by who combines those strengths first.

Mohammed Ali Ahmed specifically highlighted mobile network operators as potential competitors because of the structured data and customer access they already possess.

Aman Merchant, Managing Director, MENA, 10Pearls, reinforced the point using digital banking. He described abandoning a lengthy incumbent-bank process in favor of a digital provider that completed account opening over the weekend.

The insurance sector has not yet experienced disruption at the same scale as banking, travel or mobility. Its actuarial, regulatory and reinsurance complexity has slowed that transition. However, complexity should not be mistaken for permanent protection. The organization that solves complexity while offering a dramatically easier experience can reset customer expectations for the entire market.



Potential sources of future competition in insurance

LEADERSHIP AGENDA FOR INSURANCE TRANSFORMATION

When participants were asked what would make their organizations more ready for the future, technology was only part of the answer. Another repeated response was mindset. Zeeshan Aftab, Co-Founder & Managing Director, EMEA, 10Pearls, described the challenge as a people and mindset problem as much as a technology problem. Other participants spoke about comfort zones, organizational inertia and uncertainty over which technology path to pursue. A change-management framework discussed during the session provided a useful way to think about the problem. Transformation needs three elements: a reason to change, a clear destination, and clear first steps. If any one is missing, momentum drops sharply.



REASON TO CHANGE

Why change is critical now



CLEAR DESTINATION

A defined future state to aim for



CLEAR FIRST STEPS

Concrete actions to start with

Pakistan's insurers already have the reason to change: low penetration, regulatory pressure, new competitors and changing customer expectations. Leadership now needs to define the destination and first steps. At an enterprise level, that means:



CEOs and COOs owning the growth market, channel strategy and transformation priority.



CFOs and actuarial leaders turning IFRS 17 into a sustainable reporting capability rather than a project.



Risk and compliance leaders coordinating overlapping regulation and establishing AI governance.



Technology and data leaders building shared foundations rather than disconnected pilots.



Underwriting and claims leaders setting measurable targets for decision speed and straight-through processing.



Distribution and customer-experience leaders developing channels beyond traditional agency and bancassurance.



Boards treating technology, AI, cyber risk and changing customer expectations as governance issues.

Shafaq Fauzil Azim, President & CEO, Pakistan Institute of Corporate Governance (PICG), emphasized the need for the right expertise and diversity at board level, as well as an understanding of the customers for whom future insurance models will be built. When participants were subsequently asked whether they had youth advisory boards representing the under-35 market they hoped to reach, no hands were raised.

WHAT NO INSURER CAN SOLVE ALONE

Some barriers remain outside the control of individual organizations or management teams. An insurer can modernize its systems, redesign claims, improve distribution, and invest in AI, but those gains still operate within a wider market structure. Tax policy, reinsurance rules, compulsory insurance, and public trust are all influenced by the behavior of the sector as a whole.

The roundtable repeatedly returned to this distinction: some problems require better execution within the organization, while others require the industry to move together. That means the next phase of growth will require coordinated action across insurers, regulators, government bodies, industry associations, technology partners, and other parts of the financial ecosystem.

TAX POLICIES CAN LIMIT INSURANCE GROWTH

Taxation was among the most consistent structural concerns raised during the roundtable. Participants argued that tax treatment can weaken the economics of protection and long-term savings products in a market already struggling with penetration. The policy conversation therefore needs to consider not only revenue collection but the impact on financial resilience and insurance adoption.

REINSURANCE CAPACITY REMAINS A CONSTRAINT

Reinsurance capacity affects pricing, risk appetite and foreign-exchange outflows. Participants called for stronger domestic capacity and a review of how access to local and international reinsurance is structured. Takaful faces related constraints where Re-Takaful capacity remains limited.

ENFORCEMENT IS CRITICAL TO INCREASING UPTAKE

The Sindh motor third-party example demonstrates that enforcement can materially change uptake: more than **150,000** policies were reportedly issued within several months. This illustrates the fact that a legal requirement has limited effect without the infrastructure and institutional commitment required to enforce it.

BUILDING TRUST REQUIRES INDUSTRY-WIDE ACTION

No single company can fully change public perceptions of an industry. Joint awareness, insurance education and shared digital-trust infrastructure may therefore deliver benefits beyond individual brand campaigns.

The industry also faces several major changes simultaneously: IFRS 17, IFRS 9, governance requirements, sustainability reporting, compulsory insurance initiatives and the proposed Insurance Bill. Better sequencing and sustained regulator-industry dialogue can reduce the risk of each initiative being implemented in isolation.

The 10Pearls × PICG roundtable itself was designed as one contribution towards that collective conversation.

FUTURE OUTLOOK FOR INSURANCE SECTOR

The impact of the changes underway across Pakistan's insurance sector will depend on whether insurers can translate regulatory developments, technology investments, and operational improvements into meaningful transformation. Two possible futures emerge based on how effectively the industry responds to these shifts.

In the first, the current inflection point produces structural change as IFRS 17 strengthens data and reporting discipline, enabling insurers to build stronger foundations for AI and automation, expand digital channels, improve claims and underwriting, and increase penetration. In the second, technologies and regulations evolve while the operating model remains unchanged, leaving AI limited to pilots, digital interfaces built on legacy systems, and new entrants capturing emerging channels and underserved customers.



Two possible paths for the insurance industry

A practical industry agenda for the next three years should focus on execution and a small number of measurable commitments:

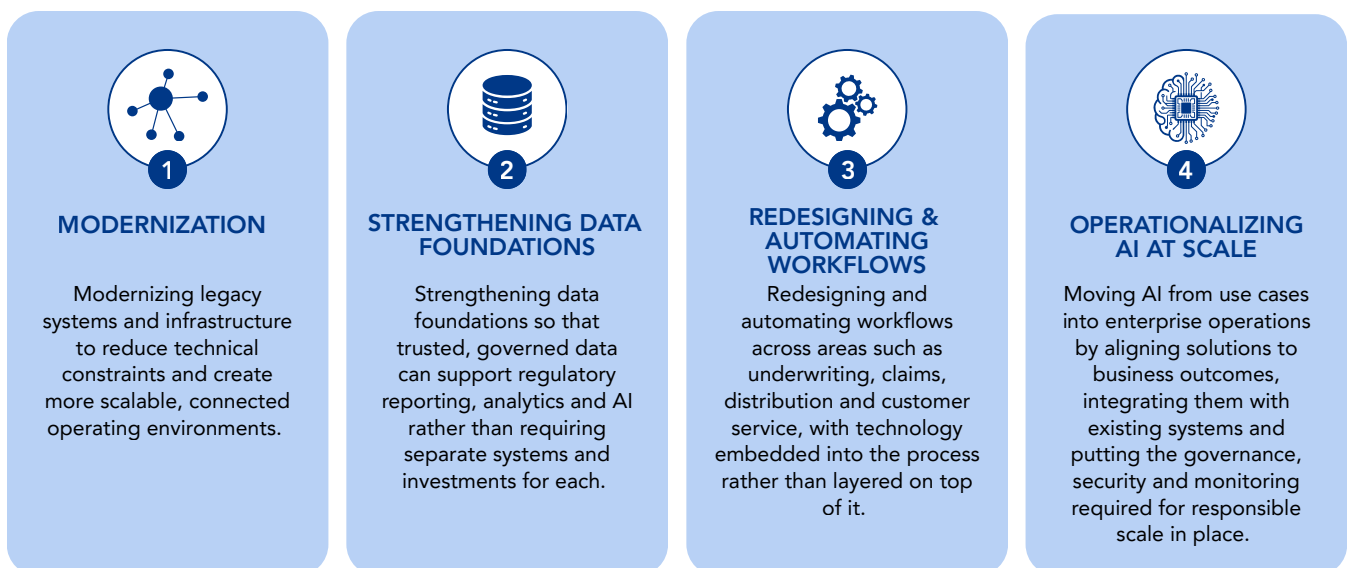
- 1 **Choose an underserved growth market.** Define where the organization intends to expand protection materially.
- 2 **Set a channel-mix target.** Establish how much new business should come through digital, embedded and ecosystem channels.
- 3 **Redesign one major workflow end to end.** Focus on onboarding, underwriting, claims or another high-value domain.
- 4 **Build the data foundation once.** Align compliance, analytics and AI investment around common enterprise data.
- 5 **Establish AI governance early.** Put controls in place before automated decision-making scales.
- 6 **Develop internal capability.** Use partners to accelerate transformation without giving away institutional ownership.
- 7 **Put digital readiness on the board agenda.**
- 8 **Create an ecosystem action plan** for taxation, reinsurance, compulsory-cover enforcement and other shared constraints.

HOW 10PEARLS HELPS THE SECTOR BECOME AI-NATIVE

The priorities identified through the roundtable point to a broader transformation challenge for insurers: connecting business goals with the technology, data, processes and capabilities needed to deliver change at scale. Progress will require more than introducing new digital tools or individual AI use cases. It will require stronger foundations and a clear path from strategy to execution.

HOW 10PEARLS CAN HELP INSURERS TRANSFORM

As an AI-native digital engineering partner, 10Pearls can support insurers across that journey, bringing together transformation strategy, engineering, data and AI capabilities in areas such as



The role of a transformation partner should ultimately be to accelerate progress while helping the insurer build the internal capability to sustain it. For 10Pearls, that means focusing on measurable business outcomes and building technology around the realities of the organization, rather than introducing technology for its own sake.

FROM INFLECTION POINT TO TURNING POINT

Pakistan's insurance sector does not lack opportunity. There is a large protection gap, the population is young, and digital adoption is already reshaping financial behavior. Additionally, regulatory reform is creating new possibilities, while AI can reduce the cost and friction associated with insurance operations.

But none of these forces automatically increase penetration, and growth is dependent on several factors:

- 01 Insurance needs to be easier to access, understand and use
- 02 Insurers must redesign the processes behind their digital channels instead of simply digitizing the front end
- 03 Compliance investments should focus on strengthening the same data foundations required for AI
- 04 Collective action is required to address structural constraints that technology cannot solve

Pakistan's insurance industry has no shortage of targets, technology or reasons to transform. What will distinguish this cycle from those before it is whether those ambitions become concrete operating decisions.

The inflection point is here. Turning it into a growth story now depends on execution.

ABOUT 10PEARLS

10Pearls is an award-winning AI-native digital engineering company helping businesses innovate, modernize, and accelerate digital transformation through strategy, design, engineering, and emerging technologies. As a global digital engineering partner, we enable enterprises to accelerate innovation through the design, development, and delivery of innovative digital products and solutions that address complex business challenges and create new opportunities.

Our capabilities span **Artificial Intelligence & Data, Software Development & QA, Strategy & Business Consulting, Enterprise Platform Implementation, New Product Innovation, and Cloud & Security**. By combining strategic expertise with technical capabilities, we help organizations navigate evolving technology landscapes, modernize digital ecosystems, develop AI-powered solutions, and create experiences aligned with business goals and customer needs.

With global teams across North America, South America, Europe, and Asia, 10Pearls partners with organizations across industries including healthcare, financial services, retail, energy, education, and technology to accelerate innovation and turn emerging technology opportunities into practical business solutions.