



**SECURITIES AND EXCHANGE COMMISSION
OF PAKISTAN**

(Insurance Division)

5th Floor, State Life Building No. 2, Wallace Road, Karachi

Karachi, 11 September 2008

CIRCULAR NO. 19/2008

REINSURANCE PREMIUM CEDED OUTSIDE PAKISTAN

Insurance and Takaful companies, under Section 41 of Insurance Ordinance 2000 ("the Ordinance") are required to maintain at all time such reinsurance arrangements, which in the opinion of the directors (or such other person or body responsible for conducting the management and business of the insurer/takaful company) are adequate to ensure continuing compliance of the solvency related provisions of the Ordinance by their respective companies.

2. Reinsurance and Solvency Requirements are amongst the key conditions of Section 11 of the Ordinance, compliance of which a registered insurer/takaful company is required to ensure at all times.
3. Apart from maintaining of the reinsurance treaty arrangements by insurance and takaful companies, Rule 7 of Insurance Rules 2002 prescribes the procedural requirements and the circumstances for facultative reinsurance placements outside Pakistan.
4. As will be seen from the statistics presented hereunder, a noticeable increase in 2007 over 2006 in the reinsurance premium ceded outside Pakistan, has been recorded.

Figures in million of Pak Rupees

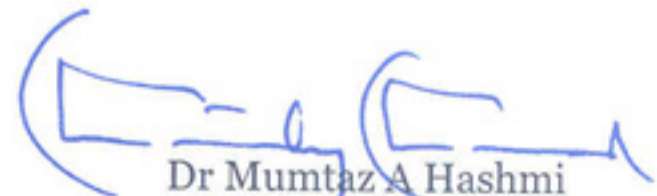
	2006	2007	%Inc.
Non-Life/General Takaful			
Gross Direct	33,615	37,830	12.5
Reinsurance Ceded	6,908	9,282	34.4
Life/Family Takaful			
Gross Direct	22,574	27,694	22.7
Reinsurance Ceded	738	875	18.6
Combined			
Gross Direct	56,189	65,524	16.6
Reinsurance Ceded	7,646	10,157	32.8

5. Whilst increase in reinsurance premium cessions outside Pakistan in 2007 over 2006 in case of Life/Family Takaful is in line with the growth in direct business, the trend in case of non-Life/General Takaful requires further analysis to determine as to which mode i.e. treaty or facultative or both have contributed to the said significant rise in reinsurance premium outgo.
6. As Life/Family Takaful companies rarely employ facultative mode of reinsurance placements, Securities and Exchange Commission of Pakistan, at this stage, would not ask for any information.

7. However, non-Life/General Takaful companies (including National Insurance Company and Pakistan Reinsurance Company) are requested to furnish class-wise breakup of reinsurance premium ceded by them outside Pakistan during 2005, 2006, & 2007, as under:

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Fire & Property			
Treaty			
Facultative			
Motor			
Treaty			
Facultative			
Marine			
Treaty			
Facultative			
Engineering			
Treaty			
Facultative			

All concerned companies' cooperation is solicited towards ensuring that the requested information reaches the undersigned by **30 September 2008**.


Dr Mumtaz A Hashmi
Adviser (Insurance)

Distribution:

- CEOs of all insurance/takaful companies
- Chairman, State Life Insurance Corporation
- Chairman, National Insurance Company Limited
- Chairperson, Pakistan Reinsurance Company Limited
- Chairman, Insurance Association of Pakistan
- North & South Office, Insurance Division, for information

Copy to:

- Mr Abdul Rehman Qureshi, Secretary/Adviser, Securities and Exchange Commission of Pakistan, Islamabad, for information
- Mr Arshad Javed Minhas, Executive Director (IST & CIO), Securities and Exchange Commission of Pakistan, Islamabad, with a request to place on website