



SECP

Insurance Division
Karachi

Karachi, 18 August 2014

Circular No. 18/2014

Related Party Assets

In continuation of circular 15 of 2010 dated July 6 2010, it has been observed that an ambiguity exists among the insurance companies regarding its applicability.

It is pertinent to mention that according to section 32 (2) (g) of Insurance Ordinance, 2000 ("the Ordinance"), "balance with, shares in, loans to or other amount due from anybody that is related to the insurer or any director of the insurer" are inadmissible for the purpose of the solvency requirement.

According to section 32 (8) (g) a declaration by the Commission..."shall remain enforce for a period of not more than twelve months from the date at which the declaration has effect, unless revoked in writing by the Commission before the expiry of that time".

It is clear from the above sections of the Ordinance that Circular 15 of 2010 has ceased to have effect after the expiry of twelve months from the date of its issuance, regardless of whether there was any provision in that Circular as to its temporary effect in terms of section 32 (8) (g).

Hence, even If the time of the Circulars' is not provided, its applicability/effectiveness cannot go beyond the scope as provided under section 32 (8) (g) of the Ordinance.

Moreover, keeping in view the practical difficulty being faced by the insurers in complying with the provisions of section 32(2)(g) immediately, insurance companies are advised to ensure compliance with the requirements of the provision by December 31, 2014.

Muhammad Asif Arif
Commissioner (Insurance)

Distribution

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