



SECP

INSURANCE DIVISION

Islamabad

Circular No. 07 of 2023

Islamabad, May 24, 2023

Subject: **Requirements relating to Grievance Handling Mechanism for Insurers**

As per the requirement of Code of Corporate Governance for Insurers, 2016, every insurer is required to establish a grievance function for resolving complaints and grievances of the policyholders and prospective policyholders. In order to ensure effectiveness and maintenance of minimum service standards in grievance handling function, the Securities and Exchange Commission of Pakistan ("SECP"), in exercise of the powers conferred under section 40B read with clause (fc) of subsection (6) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (Act No. XLII of 1997), is pleased to issue following detailed requirements relating to Grievance Handling Mechanism for insurers which is applicable on all life and non-life insurers including family and general takaful operators:-

1. Grievance Handling Policy and Grievance Function

- 1.1 Every insurer shall put in place a Board approved grievance handling policy and detailed procedures to deal with complaints.
- 1.2 The policy shall clearly define the complaint resolution process, roles and responsibilities of people involved, from the receipt of a complaint to its resolution or disposal. The policy shall also outline the mechanism of review and analysis of the complaints and how corrective measures shall be taken to fix the lacunae in a product or procedure as identified through analysis of complaints.
- 1.3 The term "Complaint" or "Grievance" shall include written expression (includes communication in the form of electronic mail or any other electronic scripts), of dissatisfaction by a policyholder (including unresolved inquiry or request), including any legal entity or person who has availed or is intending to avail any insurance product / service, with insurer, distribution channels or insurance intermediaries, including but not limited to, about an action or lack of action about the standard of service or deficiency of service of such insurer, distribution channels or insurance intermediaries.
- 1.4 The "Grievance Function" shall resolve complaints and grievances of all policyholders and prospective policyholders. Management of the Grievance Function must be independent to the business unit and may be assigned to any non-business unit such as Internal Audit, Compliance, Operations, Risk Management, etc. The Head of Grievance Function shall preferably directly report to the Chief Executive Officer of the Company.



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2. Grievance Handling System

- 2.1 Every insurer shall have a centralized system corresponding to the size, complexity and scale of its operations to support complaint handling.
- 2.2 The system shall, at all times, allow and accommodate complaints received through any source of communication channel. This shall include, but not limited to, written complaints or claim forms submitted in branches or complaints received through surface mail, fax, email, E-forms available on official website and complaint boxes / registers. Verbal complaints lodged with the insurer's / agent's call center either through registered or unregistered number shall also be accommodated, subject to verification of authenticity by the insurer, incase of complaint lodged through unregistered number.
- 2.3 Moreover, persons other than policyholders, who have no direct relationship with the insurer shall not be refused to lodge a complaint relating to any insurance service. However, in such a scenario, complaint will only be escalated for resolution on verification of authenticity by the insurer.
- 2.4 The system must capture vital information relating to each complaint and store it in a database. The information shall inter alia include name of the policyholder, his/her CNIC (incase of natural person), complaint number, date of lodgement of complaint, product or service area, year of sale of policy, nature or type of complaint, date on which interim response is sent to the policyholder, date on which the final response is sent to the policyholder and decision (resolved or unresolved).

3. Grievance Handling Procedure and Resolution

- 3.1 Insurers shall make sure that all complaints, that qualify the definition of a complaint regardless of how they are transmitted, are recorded and processed through the system. Once a complaint is logged, it shall be assigned a complaint number.
- 3.2 An acknowledgement shall be sent via SMS, email, recorded line or surface mail, confirming the receipt of the complaint. The acknowledgement shall briefly state the assigned complaint number, expected timeline and the contact details for follow up on complaint. The policyholders shall be adequately informed about the modes through which they can track the status of the complaint.
- 3.3 All complaints / grievances received by the insurer shall have to be resolved expeditiously. Complaints on the basis of their criticality shall be divided into following categories:

Category	Example of complaints
Minor	Unresolved query or request etc.
Less Critical	Complaints where no investigation is required including queries related to claims already paid, ambiguity in allocation of units in respect of unit linked policies etc.
Critical	Complaints requiring investigation including cases of mis-selling, fraudulent practice, delay in claim payment etc.

* The above examples are not exhaustive and quoted for understanding purpose only



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- 3.4 In this regard following timelines shall be observed for all complaints unless specified in the Ordinance and the Rules: -

Action	Timeline
Acknowledgement of complaint	<ul style="list-style-type: none">• Within 2 working days of receipt of the complaint.
Final Reply and acknowledgement of complaint resolution, where applicable	<ul style="list-style-type: none">• Within 7 working days if the complaint is of minor nature.• Within 15 working days where complaint is of less critical nature.• Within 10 working days of investigation where complaint is of critical nature.• In case of life insurance business including complaints of mis-selling or delay in claim payments and non-life insurance business including mis-selling or delay in claim payments relating to motor insurance, personal accident, health insurance or travel insurance, an insurer must complete investigation within 20 working days. However, timeline to provide final reply in such cases will not exceed 30 days from the date of lodgement of complaint.
Interim reply	<ul style="list-style-type: none">• After 7 working days where complaint is of less critical nature.• After 15 working days where complaint is of critical nature.

- 3.5 Complaints involving payment of any kind to the policyholder will be deemed resolved, only upon payment of the amount communicated to the policyholder in the final reply, within 15 working days of such reply.

- 3.6 In case where a complaint cannot be resolved to the satisfaction of the policyholder, it is mandatory to inform the policyholder that his/her grievances cannot be resolved. The reply shall include following:

- a. The reasons / justification on the basis of which the complaint is being denied.
- b. Alternate grievance redressal forums available to the policyholder and their contact details.

- 3.7 Insurers shall establish an escalation procedure whereby a complaint not resolved or disposed of within particular timeframe shall be escalated to next hierarchy.

4. Awareness about Grievance Handling

- 4.1 Insurers shall communicate in clear, plain language (both in English and Urdu language) to their policyholders, by way of notice displayed in a conspicuous position on their



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premises or agent's premises, as applicable, and displaying on the main page of the official website of the insurer, the existence of a Grievance Function with the insurer along with following details:

- a. Procedure for complaint lodgement and information / documents required to be submitted by the complainant;
- b. Modes of communication for complaint lodgement and preferred mode for response by the insurer;
- c. When the policyholder should expect a response from the company;
- d. Procedure for complaint lodgement relating to mal-administration to the Insurance Ombudsman, if insurer fails to respond, or satisfy the policyholder within a period of one month in-line with the provisions of section 129(2) of the Ordinance; and
- e. Any other information which may be of relevance to the company and the policyholder.

4.2 In addition to the above, an insurer shall also produce a leaflet on internal complaint structure duly explaining complaint lodgement procedure, in clear, plain language (both in English and Urdu language). Such leaflet shall be provided to the policyholder at the time of entering into new contract and in case of life insurance policies of term greater than 1 year, with renewal notice.

5. Monitoring and Assessing of Grievance Handling Mechanism

5.1 The internal audit function shall conduct review of Grievance Handling Mechanism, at least annually. Any deviation or non-compliance of internal procedures as well as legal / regulatory requirement shall be recorded and reported to the Board of Directors in the form of a report.

5.2 In addition to above, insurers are encouraged to consider review of the Grievance Handling Mechanism for effectiveness and efficiency by adopting following measures:

- a. *Mystery shopping*
- b. *Policyholder satisfaction survey / Feedback system related to complaint redressals:*
The findings of such surveys / feedback must be reported to the Board of Directors for remedial steps.

6. Reporting and Record Keeping

6.1 The Claim Settlement Committee shall present on quarterly basis, a summary of results of the complaints lodged, resolved and outstanding, to the Board of Directors.

6.2 Every insurer shall be required to submit to SECP on a quarterly basis, a summary of results of the complaints lodged in the format attached as annexure A, within twenty days after the end of every quarter.

6.3 Every insurer shall be required to nominate a Complaint Handling Officer who shall coordinate with / respond to any query with regards to complaints received, the provision of complaint handling data and its statutory reporting.



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6.4 Insurers shall keep records of complaints for a minimum period of three (03) years from the date of filing of the complaint or date of policy maturity whichever is longer.

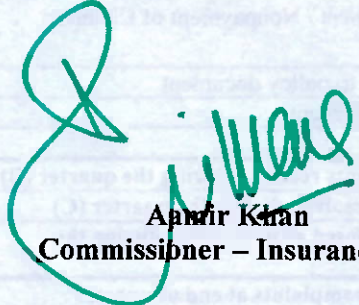
7. Others

7.1 For protection of policyholder as to verification of insurance agents, every life insurer shall:

- a. Publish and update, a list of authorized agents on its official website which shall include information such as name of insurance agent and agent ID; or
- b. Make available on the official website a process through which identification of insurance agents, registered with the insurance company, can be ascertained.

7.2 The insurers shall expressly advise their agents for not receiving any cross cheque from policyholder in their personal names.

All insurers are required to ensure compliance with these requirements within four months of issuance of this circular.


Amir Khan
Commissioner – Insurance

Distribution:

1. Chief Executive Officers of all Insurance Companies/ Takaful Operators
2. Chairman (Insurance Association of Pakistan)
3. President (Institute of Chartered Accountants of Pakistan)
4. President (Institute of Cost & Management Accountants of Pakistan)



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Annexure A

Reporting relating to Life Insurance Complaints

A – Channel wise distribution of complaints

Nature of Complaint	Banca	Agent / DSF	Corporate agents other than banks	Teleco	Online	Total	Bifurcation of total complaints based on policy issuance year	
							Prior to July 2021	After July 2021
Outstanding complaints at start of quarter (A)								
<u>Complaints received during the quarter</u>								
Mis-selling								
Cancellation of policy								
Delay in payment / Nonpayment of Death Claim								
Delay in payment / Nonpayment of Claim on Maturity								
Issues related to policy document								
Defalcation by agent								
Other issues								
Total complaints received during the quarter (B)								
Complaints resolved during the quarter (C)								
Complaints closed as unresolved during the quarter (D)								
Outstanding complaints at end of quarter (A+B-C-D)								

B – Product wise distribution of complaints

Nature of Complaint	Unit linked	Universal Life	Term Life	Accident & Health	Non-participating	Participating	Total
Outstanding complaints at start of quarter (A)							
<u>Complaints received during the quarter</u>							
Mis-selling							
Cancellation of policy							
Delay in payment / Nonpayment of Death Claim							
Delay in payment / Nonpayment of Claim on Maturity							
Issues related to policy document							
Defalcation by agent							
Other issues							
Total complaints received during the quarter (B)							
Complaints resolved during the quarter (C)							
Complaints closed as unresolved during the quarter (D)							
Outstanding complaints at end of quarter (A+B-C-D)							



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Reporting relating to Non-Life Insurance Complaints

Product wise distribution of complaints

Nature of Complaint	Health	Personal Accident	Motor	Credit and Suretyship	Fire & Property	Other Personal Lines	Other Commercial Lines	Total
Outstanding complaints at start of quarter (A)								
<u>Complaints received during the quarter</u>								
Mis-selling								
Delay in payment of claim								
Issues related to policy document								
Defalcation by agent								
Other issues								
Total complaints received during the quarter (B)								
Complaints resolved during the quarter (C)								
Complaints closed as unresolved during the quarter (D)								
Outstanding complaints at end of quarter (A+B-C-D)								