

**GOVERNMENT OF PAKISTAN**  
**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Islamabad, the 10<sup>th</sup> September, 2025

**NOTIFICATION**

**S.R.O. 1783 (I)/2025.**- In exercise of the powers conferred by section 167 of the Insurance Ordinance, 2000 (XXXIX of 2000) read with Section 34(1) and 34(3), Section 46(2), Section 50(5) and (7) thereof, and read with S.R.O. 708(I)/2009 dated 27th July 2009, the Securities and Exchange Commission of Pakistan is pleased to publish the following Rules for information of all persons likely to be affected thereby and notice is hereby given that objections or suggestions, if any, received within thirty days from the date of its publication in the Official Gazette shall be taken into consideration by the Commission, namely:-

**1. Short title, applicability and commencement. –**

- (1) These Rules shall be called the Actuarial Valuation Rules for Insurers & Takaful Operators, 2025.
- (2) These Rules are applicable to all life and non-life (re) insurers and family and general (re) takaful operators.
- (3) The minimum actuarial reserve for policyholder liabilities for life insurers as per the requirements of section 35 and 50 of the Ordinance and reserves for non-life insurance as required under Section 34 of the Ordinance will be determined in accordance with the methodologies, bases and assumptions for short-term and long-term business under life and non-life insurance as given in these rules.
- (4) The methodologies, basis and assumptions as given in these Rules may also be used for reserves calculation to be reported in the published financial statements.
- (5) These Rules will come into force on the date when IFRS 17 becomes effective for life and non-life insurers.

**2. Definitions. –**

- (1) In these rules, unless there is anything repugnant in the subject or context. –
  - (i) “Actuarial Reserves” mean amounts required to be set aside as a liability on the balance sheet of an insurer to meet liabilities under insurance policies. This term shall be used both for the aggregate amount of insurance liabilities as well as for individual components under each reserving segment in respective lines of business of life and non-life insurance.
  - (ii) “Actuary” means as defined in clause 2(i) of the Ordinance and having minimum qualification as per rule 3 of the Insurance Rules 2017
  - (iii) “Ordinance” means the Insurance Ordinance, 2000 (XXXIX of 2000);
  - (iv) “Actuarial Reserves Report” means the part of Financial Condition Report relating to valuation results prepared by an appointed actuary in case of Life Insurer as per the requirement of section

50 of the Ordinance and a report by actuary of non life insurer relating to the actuarial reserves determined under these Rules.

- (v) "Actuarial Reserves Template" means template prepared to provide actuarial reserves results, methodologies and bases as notified by the Commission under Rule 17(3).
- (vi) "Allocated Loss Adjustment Expenses" means settlement expenses as stated in section 34 (2) (c) which are directly attributable to the settlement of specific insurance claims and referred as ALAE in these rules . These include legal fees, costs of hiring investigators, and expert witness fees incurred in the process of managing and resolving individual claims.
- (vii) "Appointed Actuary" means as defined in clause 2(ii) of the Ordinance.
- (viii) "Conventional Long Term Life Insurance Contracts" means long-term life insurance contracts other than investment contracts.
- (ix) "Conventional participating contracts" means Conventional Long Term Life Insurance Contracts which fall under the Participating Contracts as defined in clause 2(xliii) of the Ordinance.
- (x) "Conventional non-participating contracts" means Conventional Long-Term Life Insurance Contracts which are not Participating Contracts as defined in clause 2(xliii) of the Ordinance.
- (xi) "Investment Contracts" means Investment Contracts as defined in in clause 2 (xxxii) of the Ordinance.
- (xii) "Deposit Component" means portion of an Investment Contract (as defined in section 2 (xxxii) of the Ordinance) which represents the amount payable on the contract whether or not an insured event occurs or not and is either in the form of a running account or units of internal unit-linked funds. It includes the unit reserves as stated in the Unit Linked Product and Fund Rules, 2015, and investment portion in the universal life insurance products. The Deposit Component is distinct from the protection component which allows for payment of benefits should an insured event occur.
- (xiii) "Group Life and Group Health Contracts" mean as defined in clause 2(xxvi) of the Ordinance.
- (xiv) "IBNR" means as stated in the Section 34 (2) of the Ordinance, the claim that are incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Insurer by the end of reporting year, or if reported, complete details are not available to Insurer, so as to ascertain the amount of loss for that claim as claims outstanding. Thus, it includes Incurred but not enough reported (IBNER).
- (xv) "Long-Term Contracts" means contracts of insurance where the coverage period is for more than one year of the commencement date.
- (xvi) "Mathematical Reserves" means the Actuarial Reserves set aside by a life insurer to cover liabilities (excluding liabilities which have fallen due and liabilities arising from the Deposit Component of investment contracts) arising under or in connection with long-term insurance contracts.
- (xvii) "Non-Deposit Component" means component of life insurance premium which is used to cover the risk charge for the life insurance cover and does not create or contribute to cash value on life insurance policy.

- (xviii) "Pakistan Society of Actuaries" means the professional body representing actuaries in Pakistan, being a full member of the International Actuarial Association.
- (xix) "Participating Contracts" means as defined in clause 2(xliii) of the Ordinance.
- (xx) "Policyholder Liabilities" means as mentioned in Section 50 and Section 35 of the Ordinance 2000 and includes all liabilities (incurred claims as well as remaining coverage) which may arise under a life insurance policy.
- (xxi) "Recoveries" mean cover salvage and subrogation (relating to insurers, policyholders and third parties) recoveries excluding reinsurance recoveries.
- (xxii) "Reversionary Bonuses" mean an additional amount (bonus) added to the sum assured (or basic sum assured) of a participating policy out of the surpluses arising in a statutory fund and in accordance with the provisions of sections 21 to 24 of the Ordinance. A reversionary bonus is declared annually by the life insurer and, once declared, becomes a part of the contract's sum assured.
- (xxiii) "Short-term Contracts" mean contracts of insurance where the coverage period is within one year of the commencement date.
- (xxiv) "Terminal Bonuses" mean an additional amount (interim bonus or otherwise) added to the maturity or death claim paid out from a with-profits life assurance contract out of the surpluses arising in a statutory fund and in accordance with the provisions of sections 21 to 24 of the Ordinance.
- (xxv) "Unallocated Loss Adjustment Expenses" mean settlement expenses as stated in section 34 (2) (c) which are Indirect expenses associated with the overall claims-handling process that cannot be assigned to individual claims and referred as ULAE in these rules . Examples include salaries of claims department staff, office overhead, and general administrative expenses related to claims management.

(2) The terms takaful may be used interchangeably with insurance, life insurance with family takaful and non-life insurance with general takaful and company and insurer with takaful operator. Other terms used in this document associated with insurance business will have same meaning as given to them in the Ordinance and Rules and rules s made thereunder.

### **3. Actuarial Reserves to be held and Valuation Date**

(1) All insurers and takaful operators shall conduct an actuarial reserving exercise on quarterly basis as per the requirement of section 46(2) of the Ordinance. This exercise shall utilize the full and most current data and information, as per rule 5 (data quality and data deficiency reserves) and the rule 4 (Minimum Reserving Segments) to ensure the accuracy, consistency, coherence, and completeness of the actuarial reserves.

(2) The actuary must consider the following while determining the reserves:

- (a) The reserves must be determined in an unbiased manner, considering all reasonable and supporting information available about the timing, amount and uncertainty of the cash flows under the insurance contracts.

(b) The methods and assumptions used for determination of reserves must be

- (i) relevant to company's business and risk profile
- (ii) consistent from year to year and from arbitrary changes to preserve comparability
- (iii) consistent with principles of fair and equitable treatment of policyholder
- (iv) consistent with the values of assets underlying the liabilities
- (v) in accordance with globally and generally accepted actuarial principles and practices
- (vi) resulting in best estimate liabilities (realistic basis) and margins of adverse deviation, justifying all the technical bases of margins.

(3) For the purpose of section (35), 46(2) and 50 of the Ordinance, the following Actuarial Reserves shall be set aside for the Policyholder Liabilities of life insurer:

(a) Short Term Contracts, including group life, group credit life, group health and one-year individual risk contracts

- (i) Unearned Premium Reserves (and corresponding Deferred Acquisition Costs)
- (ii) Premium Deficiency Reserves
- (iii) Outstanding Claims Reserves
- (iv) Incurred But Not Reported Claims Reserves (which shall include any additional reserves required for claims which have been reported)
- (v) Unallocated Loss Adjustment Expense Reserves

(b) Long Term Contracts including both Conventional Long Term Life Insurance Contracts and Long Term Investment Contracts

- (i) Mathematical Reserves (excludes Deposit Component of Investment Contracts)
- (ii) Deposit Component of Investment Contracts
- (iii) Outstanding Claims Reserves
- (iv) Incurred But Not Reported Claims Reserves (which shall include any additional reserves required for claims which have been reported)

(4) For the purposes of Section 34 and 46(2) of the Ordinance, following Actuarial Reserves shall be set aside by a non-life insurer:

(a) Both Short and Long Term Contracts

- (i) Unearned Premium Reserves (and corresponding Deferred Acquisition Costs)
- (ii) Premium Deficiency Reserves
- (iii) Outstanding Claims Reserves
- (iv) Incurred But Not Reported Claims Reserves (which shall include any additional reserves required for claims which have been reported)
- (v) Unallocated Loss Adjustment Expense Reserves

(5) The determination of Actuarial Reserves of life and non-life insurers is based on data relating to past and future insurance contracts. Where the actuary determining the reserves is of the view that the data made available for such determination is not of a sufficient level of completeness or quality, he/she will set aside, as a part of each segment listed in rule 3 and 4, such additional amounts as he may consider appropriate with respect to such data deficiency.

(6) All Actuarial Reserves shall be set aside separately for the gross of reinsurance liability of the insurer. Where reinsurance arrangements exist, the resulting reduction in the Actuarial Reserves shall be separately reflected and deducted from the gross of reinsurance Actuarial Reserves to determine the net of reinsurance Actuarial Reserves.

#### **4. Minimum Reserving Segments**

(1) This Regulation applies to both the businesses; life (re)insurance and family (re)takaful, and non-life (re)insurance and general (re)takaful.

(2) The Actuarial Valuation must be carried out for conventional and takaful businesses separately as at each valuation date.

(3) Net of reinsurance and reinsurance actuarial reserves need to be determined in either of the following ways for the reserving segments given in Annexure 1:

- (a) The reinsurance actuarial reserves be determined separately using appropriate actuarial methods (as used for gross reserves) and the net of reinsurance actuarial reserves be determined as the difference of the gross and reinsurance reserves.
- (b) The net of reinsurance reserves be determined separately using appropriate actuarial methods (as used for gross methods) and the reinsurance actuarial reserves be determined as the difference of the gross and net reserves.
- (c) The impact of reinsurance must not be given using any approximate methods which are not accurate reflection of reinsurance activities behaviors.

(4) The approaches adopted for the estimation of gross and reinsurance actuarial reserves must be explained comprehensively in the Actuarial Reserves Report of the insurers, as described below, to provide clear explanations on the bases adopted to ensure appropriateness, accuracy, completeness, consistency and its suitability for the valuation purposes.

(5) Within the Annexure 1 table, the products given in the second last column need to be consolidated into the specified reserving segments, which in turn shall be consolidated into the classes of business (i.e. COB). This shall ensure that products are consistent with respect to homogeneity of businesses and risks written.

(6) Where deemed appropriate, the Actuary, using his judgement, shall adopt a more granular segmentation in each COB to determine the actuarial reserves, provided that the further segmentation is treated within the given COB considered.

(7) Where reserves at the minimum reserving segments are determined by allocation of reserves determined at a more consolidated level, the Actuary shall justify the reasonableness of following this approach (rather than determining reserves directly at the minimum reserving segment level).

(8) The Commission may require the Actuary to review the segmentation and the reserving exercise at the minimum reserving segments, provide explanation as to the reasonableness thereof and make query in relation to any relevant matter.

## **5. Data Quality Assessment & Data Deficiency Reserves**

(1) The insurers must ensure that the required data be supplied to the Actuary in a format that allows him to conduct detailed analyses sufficiently. The Actuary has the right to request further data in either raw format as system extracts and/or in desired formats to ensure that comprehensive analyses can be accurately and adequately carried out.

(2) The Actuary must thoroughly conduct data investigations in line with the data quality standards issued by the professional body which they are affiliated with, in conjunction with relevant standards given by Pakistan Society of Actuaries for the work conducted for insurers operating within Pakistan. Such standards must be specified in the Actuarial Reserves Report with clear communications on what has been followed and the limitations faced. The Commission may specify further data quality requirements to ensure the accuracy, credibility and completeness of the data.

(3) The Actuary must present the following information related to data in the Actuarial Reserves Report:

- (a) the data considered for each of the methodologies adopted;
- (b) the sources of data used;
- (c) adjustment made to the raw data formats to produce the working data; and
- (d) any issues relating to data completeness, consistency, accuracy and appropriateness.

(4) In order to assess the appropriateness of data, the Actuary must conduct data validation on financial and non-financial data and provide, at the minimum, the reconciliations of financial data and policyholders databases such as gross and reinsurance premiums, gross and reinsurance paid claims registers (separately for gross of recoveries and recoveries), gross and reinsurance outstanding claims registers (separately for gross of recoveries and recoveries), unit and non-unit reserves reconciliations. In case of non-unit and unit reserve reconciliation differences as mentioned in sub-rule 11 below, the actuary shall provide explanation relating to differences and a way forward with proposed timelines to rectify the reconciliation differences.

(5) Furthermore, data checks must be carried out to ensure accuracy of reserves. This shall include age and date of birth related checks, policy inception and expiry date related checks, insured value related checks, policy and claims interaction checks, policy-based underwriting checks, claims backlog, outstanding recoveries, at mini mum. The Actuary shall apply professional judgment and consider purpose of investigation to gain full comfort on the data quality checks as specified by his/her professional body.

(6) If the insurer is unable to provide accurate and complete data required by the actuary in the desired format, the Actuary shall be required to determine the potential impact of such deficiency on the reserves, and hold the data deficiency reserves, if such impact is potentially material, to hold data deficiency reserves to allow for this (discussed below).

(7) The insurer shall also be required to provide a workplan in the Actuarial Reserves Report, endorsed by the Actuary as to how the deficiency in the data quality shall be addressed and necessary action plan with the timelines for improvements, given the necessity of housing necessary data internally.

(8) The data deficiency reserves relate to insufficient and inaccurate data, which may emanate from mismatch of policyholders database and the quarterly and annual accounts. The deviations in the reconciliation of the policyholders' premiums, claims and unit-accounts database registers against quarterly and annual accounts must be considered to reflect upon the quantum of data deficiency reserves.

(9) For the short-term business under each class of business of life and non-life insurance, the comprehensive and accurate data must be provided in a format such that the paid and incurred claim delay triangulations can be constructed on quarterly periods for all short-term lines of business and on monthly bases for health insurance business. The actuary must use professional judgement in deciding the appropriate granularity of the data in light of the reserving segments given in rule 4 above.

(10) For each class of business and the reconciliation differences described in sub-regulation (8) above, the Actuary must hold 5% of net written premiums for the class of business as data deficiency reserve due to deviances on policyholders' data and financials. In case of missing reinsurance data (be it proportional, non-proportional and facultative placements) the actuary must hold additional 5% of net written premiums (as net amount) due to differences in booked amounts in financials and policyholders' database. This shall be applicable for both, the premiums and claims registers.

(11) In case of any differences in the unit-account values and the financials, the insurers should maintain this difference as unit-account differences reserves. The Actuary shall ensure at each valuation date that any differences are verified and provide the full description of such policies to the management and the Commission.

## **6. Unearned Premium Reserves (UPR) & Deferred Acquisition Costs (DAC)**

(1) The unearned premium reserve for short term business in life and non-life insurance to be determined on gross written premiums bases as well as reinsurance premiums bases separately, from which, the net UPR will be computed.

(2) The commissions and attributable underwriting expenses deferred on a similar basis to the premium and recognized as an asset i.e. Deferred Acquisition Cost and can be set off against the UPR.

(3) For all policies where the risk period is one-year or less from the date of commencement, the 1/365th method must be adopted for the computation of unearned premium reserve and deferred acquisition cost.

(4) The sub-regulation (3) above shall not apply to the following types of policies where the treatment shall be as specified below:

- (a) For Engineering construction-all-risks and erection-all-risks policies where the policy period exceeds one year, the risk shall be assumed to be linearly increasing over the policy duration. Engineering policies which are in excess of one-year term shall also follow linearly increasing risks until the end of the policy term.

- (b) For Extended Warranty policies, where policies start only after expiry of certain period since the issuance of the policy, risk shall be assumed to be nil until the coverage period starts and onwards and is assumed to be linearly increasing over the coverage period thereafter.
- (c) For Marine Cargo Open Cover where the voyage dates are not known, three months premiums of the full policy year premium must be held, else the linearly proportionate method must be adopted for policies less than one-year duration.

(5) For other contracts which are above one-year term but are among non-life products, the unearned premium reserve must be determined according to the risk profile of the contracts as deemed appropriate by the Actuary.

(6) The impact of endorsements must be considered for the unearned premium reserves estimation in order to ensure that all premiums are considered at each valuation date. The endorsements can be of financial and non-financial natures and can impact the exposures and premiums. Premium adjustments in the form of extension premiums post expiry of policy must be treated under same method for periods of extension inception and expiry extension. Exposures must also be adjusted in similar manner.

(7) The unexpired exposures are exposures for the remaining period of a policy (or insured population) from the valuation date to the expiry date of the policy. The exposures for the lines of business are defined as follows:

Exposures	Lines of Business
<b>Insured Policyholders</b>	Individual and Group Life and Credit Policies
<b>Insured Policyholders</b>	Individual and Group Health Insurance Policies
<b>Insured Policyholders</b>	Group Workmen Compensation
<b>Insured Vehicles</b>	Individual and Group Motor third party liability and Motor Comprehensive Policies
<b>Policies Issued (# of insured) &amp; unearned premiums</b>	Remaining COBs

(8) The Actuary may choose exposure bases other than those given in the table above such as number of properties and/or rooms, voyages and number of hulls under marine business, turnover or profitability and/or consistent bases in consultation with the underwriting teams, along with underwriting manuals for different classes of businesses underwritten by the insurer.

(9) Where the Actuary adopts an approach other than that given in table above, he should provide sound justification and appropriate documentation in the Report including but not limited to the impact of seasonality, different risk behavior, etc.

## 7. Premium Deficiency Reserves

(1) The premium deficiency reserves (PDR) for Short Term Contracts for both life and non-life insurance business must be determined and held for the reserving segments if its unearned premium reserve is lower than the projected claims and expenses, including commissions, for that reserving segment. The minimum reserving segments are given in Annexure A.



(2) For estimating the PDR, the Actuary must ensure that the ultimate loss ratios are in line with the emerging claim experience determined during the determination of IBN(E)R as given in Regulation 9. The Actuary has the discretion of deciding on the appropriate loss ratio to use for the remaining coverage period as at the balance sheet date. The Actuary must elaborate in the actuarial reserves report that it has considered the following:

- (a) the current estimate of the loss experience of the most recent four quarter accident periods;
- (b) seasonality, cyclicity and business mix changes; and
- (c) increases/ decreases in the effective premium rates which would be earned over the remaining coverage period, to ensure the unexpired risk reserves are sufficient in totality.

(3) For the purpose of estimating the PDR, expenses must be attributed to each reserving segment. The allocation/attribution must be done on the basis of a comprehensive study carried out in consultation with relevant functions of the insurer (Finance, Underwriting, Risk Management, etc.) to ensure that this is done on a fair basis reflecting underlying cost drivers. The results of the study should then be used in the determination of various reserves under these rules as well as for financial reporting purposes. The Actuary must satisfy themselves with the completeness, accuracy and appropriateness of the analyses including the data used for the analysis. The Expense Allocation and Attribution Analyses is discussed in the Regulation 15 - Valuation Assumptions.

## **8. Outstanding Claims Reserves**

(1) Outstanding claims reserves (OCR) must be recognized for all claims that are incurred and reported on or before the valuation date. These shall be determined and recorded as a case reserve for each reported claim gross of recoveries, with recoveries from salvage and subrogation and recoveries from reinsurance being recorded separately. The net of recoveries and reinsurance OCR shall be determined as a resulting amount being the difference of gross OCR less outstanding recoveries and reinsurance OSCR.

(2) OCR must be determined for all types of contracts, i.e., Short Term Contracts and Long Term Contracts for both life and non-life insurance business.

(3) OCR must include not only the amounts expected to be paid out to the policyholder against each claim, but also other specific expenses relating to settlement referred to as Allocated Loss Adjustment Expenses (ALAE), which are expenses relating to settlement of claims such as legal costs, loss adjuster and third-party claims assessment costs separately. The OCR shall be estimated on an undiscounted basis and shall reflect true and fair value on the best estimate basis, without any implicit margins.

(4) OCR shall be taken by the Actuary at the values set aside by the insurer. The Actuary shall, however, be required to review the sufficiency of OCR separately (separately for gross, recoveries (i.e. salvage and subrogation) and reinsurance) and reflect his/her assessment of any excessive margins in the determination of the IBNR/IBNER Claim Reserves, considering the provision for adverse deviation.

## **9. Incurred-But-Not-Reported Reserves**

(1) The IBNR reserve shall be determined on a best-estimate basis based on what has been considered in the claims data and experience. The Actuary has the discretion to treat claims amounts and ALAE separately or collectively, however, excluding the ULAE, the IBN(E)R shall be determined separately for gross of

reinsurance, recoveries (salvage and subrogation, either collectively or separately) and reinsurance reserves (using proportional, non-proportional and facultative business, separately preferably else combined).

(2) The Actuary is required to consider three different types of claims; attritional (i.e. small and predictable claims), large claims (considering the objective approach to setting out large claims) and catastrophe claims (claims which have resulted from a catastrophic event as defined by respective authorities) separately when considering the total claims reserves (i.e. OCR, the IBN(E)R, etc.). The insurers shall provide the Actuary with the outstanding claims which are classified as attritional, large, catastrophe claims on the gross, recoveries and reinsurance bases separately.

(3) The IBN(E)R reserves for attritional claims must be determined based on the pattern of reporting/settling claims over a minimum of five years. For short-term health insurance business, the Actuary shall construct and use monthly paid and incurred claims delay triangulations preferably, however minimum cohort for each reserving segment as given in rule 4, shall be quarterly paid and incurred claims cohorts.

(4) The Actuary is expected to determine the IBN(E)R for large and catastrophic claims separately from that for attritional claims, but may choose not to do so. In the latter case, all claims should be included collectively and the Actuary would need to justify this choice covering the bases and the margin for large and catastrophe claims assumed.

(5) The Actuary must apply more than one method out of the Chain Ladder method, Inflation-Adjusted Chain Ladder, Bornhuetter-Ferguson method, Frequency-Severity method, Cape-Cod Method, Berquist-Sherman, etc. to paid and incurred delay triangulations to produce the estimates for ultimate claims positions, loss reserves and subsequently the IBN(E)R reserves. The Actuary can use a combination of methods to consider appropriateness towards claim types (attritional, large and catastrophe), judgment and materiality to the considered reserving segment, provided that sufficient explanations are shared to ensure that of appropriateness of methods, judgement and materiality can be applied to considered reserving segments.

(6) When selecting the reserves, the Actuary shall be required to provide appropriate reasoning for selected methods and adjustments applied to those methods to produce sufficient reserves, reflecting best estimate loss reserves for considered reserving segments. All the material assumptions and judgments made shall be provided in the report such that another actuary with appropriate skills may reproduce the results independently.

(7) Whilst setting the reserves, the Actuary shall consider underwriting and claims management policy changes, business mix changes, changes in legal and regulatory environment, and macroeconomic changes such as inflation, interest rates, credit default, provided that justifications against such adjustments are reflected clearly. The reserves must be held such that there is stability in the loss reserves, ultimate claims position and the ultimate loss ratios and any erratic movements or deviations shall be assessed and highlighted should the Actuary feel there is inconsistency in estimating the reserves along with adjustments made.

(8) The insurers shall also provide to the Actuary the claims under litigation and those that are re-opened by the insurers to ensure that reserves are not insufficient. An Actuary may, in cases where case reserves for reported claims are set using prudent estimates by the insurer and always result in releases on settlement, recognize the IBNER claim reserves as negative.

(9) Based on the selected methods and the results, the Actuary shall be required to show the selected claim incurred and payment development patterns as well as cashflows payout patterns (in appropriate on

which the reserves have been estimated. The bases used and the changes made to these should be appropriately justified and documented.

(10) In consultation with the insurer, the Actuary may apply discounting on payouts of reserves values accordingly and in line with relevant IFRS standards, SECP instructions and PSOA guidelines. The discounting assumptions must follow the instructions given below in Rule 15 – Valuation Assumptions and must be adequately documented.

(11) For all minimum reserving segments, the Actuary must carry out reserve adequacy analyses, on gross claims reserves net of recoveries and reinsurance reserves, with the booked reserves of the past three years being compared against their development up to the balance sheet date in order to assess the sufficiency/deficiency in the reserves. For example, booked reserves on date 31 December 2020 must be assessed against its development until 31 December 2021, 31 December 2022 and 31 December 2023 and similarly for subsequent past reserves in similar manner.

(12) The Actuary must also reflect upon the changes in the ultimate claims position determined as at current balance sheet date and the previous balance sheet date and explain the resulting ultimate loss reserves changes for each accident period. This should be supported by the movement in Actual development of claims against expected development of claims from the previous balance sheet date and the resulting amount being in line with the change in loss reserves.

(13) The insurer is required to present the Implied paid (cumulative) loss ratio, incurred loss ratios (cumulative Paid + current outstanding) and ultimate loss ratios (i.e. cumulative Paid + current outstanding + current IBN(E)R) through delay triangulations to reflect upon the development of loss ratios for each reserving segment. This should be conducted on gross of recoveries, recoveries and reinsurance separately.

## **10. Mathematical Reserves**

(1) Mathematical Reserves shall be determined for Conventional Long-Term Life insurance contracts as well as for the Non-Deposit Component of Investment Linked Contracts. Reserves for the Deposit Component of Investment Linked Contracts are dealt with in Regulation 11.

(2) All Mathematical Reserves should be computed at the individual contract level using prospective actuarial valuation on prudent assumptions i.e. including reasonable actuarial margin of deviation recommended by the Actuary, of all future cashflows expected to arise, except for those related to the Deposit Component of Investment Linked Contracts.

(3) The cash flows that must be included in the respective categories are as follows:

### Investment Linked Contracts

- (i) Benefits payable over and above the Deposit Component, including any amounts related to the supplementary riders attached to the main contract.
- (ii) Excess of future premiums over the amounts that will be allocated to the Deposit Component. In case premiums for supplementary riders attached to the main contract are charged in addition to the main plan premiums, the rider premiums should also be included.

- (iii) Risk and administration charges are either deducted from premiums or realized from the Deposit Component, including any amounts related to supplementary riders that are attached to the main contract.
- (iv) Charges realized as a part of the valuation of the Deposit Component (including any investment management charge by whatever name called).
- (v) Expenses, including commissions.

#### Conventional Long-Term Contracts

- (i) Benefits payable, including all guaranteed benefits under the main plan and supplementary riders attached to the main plan, all declared reversionary and terminal bonuses for participating policies, and prospective bonuses reflecting policyholders' reasonable expectations (see Rule 10(8) below)
- (i) Future gross premium, including additional premium for supplementary riders and any extra-mortality loadings.
- (ii) Expenses, including commissions.

(4) In relation to points (i)(e) and (ii)(c) of 10(3) above, the Mathematical Reserve should include provision for all expenses that are allocated to the respective Statutory Fund. Expenses allocated to the Shareholder Fund shall not be included in the computation of Mathematical Reserves.

(5) At any point in time, the Mathematical Reserve for each contract shall:

- (a) For policies with guaranteed surrender value, not be less than the guaranteed surrender value.
- (b) For policies with no guaranteed surrender value, not be less than zero. In case the Mathematical Reserves for an individual contract works out to be negative (i.e., it is a net asset), it should be zeroized.

(6) For Takaful contracts, the Mathematical Reserves need to consider only the cashflows related to the Participant Investment Fund (PIF) and Participant Takaful Fund (PTF). Cashflows related to Shareholders Sub-fund albeit being part of the Statutory Fund should not be considered. Where required, the Actuary should assess the split of the total Mathematical Reserve between the PIF and the PTF based on the nature of the policy.

(7) Mathematical Reserves should be computed gross of reinsurance and any credit for ceded reinsurance should be computed separately. The computation of the reinsurance credit should vary by the nature of reinsurance arrangement:

- For proportional risk attaching treaties where the reinsurance premium is paid on attained age basis, the credit for reinsurance should not be more than the unearned portion of the last reinsurance premium paid. The unearned portion should be computed with due consideration to the frequency at which the reinsurance premium is paid.
- For proportional risk attaching treaties where the reinsurance premium is paid on issue age basis, the reinsurance credit should be determined using relevant cashflows in a similar manner to the computation of the gross reserves. Wherever applicable, the underlying assumptions should be

kept consistent with the gross cashflow projections (such as, the underlying mortality assumption should be consistent).

- For non-proportional treaties, the Actuary should apply general actuarial principles to compute the amount of reserve credit, if any.

#### Requirements Relating to Participating Business

(8) While an assessment of the policyholders' reasonable expectations for participating policies will require the Actuary's judgement, it is expected that at least following will be considered in determining the reserves:

- (i) The bonus rates used to prepare the illustrative values presented to the policyholder at the time the policy was sold.
- (ii) Any communication to the policyholder related to declared bonuses from the start of the policy till the valuation date.
- (iii) Historical declared bonuses.

(9) The Actuary shall, as a part of the determination of the policyholder liabilities for participating policies, separately determine the value of any bonus relating to the valuation period for which the valuation is being carried out and, solely for the purpose of determination of surplus as per Section 22 sub-section (6)(a) of the Ordinance, reduce the policyholder liabilities otherwise computed by the amount so determined. The valuation period, for this purpose, shall be the period from the date as of which the last bonuses attached to participating policies had been declared to the date of the current valuation.

(10) For the sake of clarity, allocation and distribution of surplus as per Section 22 and Section 23 of the Ordinance is required after the investigation as per section 50 of the Ordinance has been made. This implies that any distribution or the surplus to the policyholders from Ledger Account A for the period (i.e. cost of bonus for the period) shall be accounted for after the surplus has been determined using valuation requirements set herein.

#### **11. Deposit Component**

(1) The value of the Deposit Component for unitized plans should be determined as the unit price times the number of units as at the balance sheet date. In case, an insurance contract has units in multiple unit funds, the value for each fund should be computed separately and aggregated to arrive at the total Deposit Component.

(2) The unit value should not be less than the bid-price of units at the valuation date. The Actuary should ensure that the bid-price is computed as per the policy terms and conditions document or in the case of Takaful as per the terms and conditions of the Participants' Investment Fund (PIF).

(3) The value of the Deposit Component for non-unitized investment-linked plans should be equal to the value of the investment account of the contract as at the balance sheet date. This should be computed in accordance with the policy terms and conditions or, in the case of Takaful, as per the terms and conditions of the PIF, if applicable.

## **12. Provision for Adverse Deviation & Uncertainty**

(1) The Provision for Adverse Deviations (PAD) shall need to be computed by the Actuary under liability for outstanding claims, in accordance to section 34(2)(c) of the Ordinance, and by extension on the liability for unexpired risks as a consequence. This shall be accounted for short-term life and non-life insurance businesses. Whereas the PAD under long-term insurance contracts shall be dealt with as set out in Rule 10(2).

(2) The PAD margins shall be calculated exclusively, keeping the best estimates reserves separately and shall be reflected for each reserve type defined in Rule 3 - actuarial reserves to be held, and on the gross and reinsurance bases, with net PAD being a result of the two. The PAD margins under each reserve type must be separately reflected in the communications against the best estimate figures. The Actuary must specify the level of uncertainty associated with the actuarial reserves' best estimates and the PADs set aside in terms of confidence levels.

(3) The PAD shall be computed and managed through claims uncertainty within the actuarial reserves by the Actuary to ensure quantifiable mechanism is included within this calculation to account for a range of reasonable results, rather than a range of probable results basis. This shall define what risks and claim characteristics are accounted for in each reserve type. Such characteristics may include provisions for large and/or catastrophic claims, actuarial and management margins for reserves sufficiency, expectations of reasonable changes in assumptions, events-not-in-data, etc.

(4) In order to consider the uncertainty in the claims reserves, the Actuary is required to provide a sensitivity analysis representing  $\pm 10\%$  deviations on the best-estimate loss reserves (i.e. OCR and IBN(E)R) on the gross, recoveries and reinsurance, to ascertain model, parameter and process uncertainty. This shall provide an indication of the Actuary's margin to assess potential deviation in the reserve adequacy and subsequently the PAD held on top of best estimate reserves.

(5) For long-term life insurance policies, the Actuary is required to comment on margins built in the mathematical reserves through non-financial assumptions. This includes deviations above the recommended mortality table through change in mortality and/or morbidity tables and/or through loadings to base mortality table on additive/multiplicative impacts, excessive charges on the expense margins, optimistic bases for lapse assumptions, etc.

(6) Such impacts should be assessed by the Actuary to evaluate the PADs margins assumed by the Actuary and the management recommended bases. These shall be quantified separately and disclosed in the communications such that another qualified actuary is able to assess the impact of such calculations.

(7) In deciding the PAD margins, the Actuary shall be required to take cognizance of the risk appetite associated with the reserves risk under each of the considerations above and in light of the uncertainty associated with amount and timing of the cashflows, nature and term of the product.

(8) The Commission may review such bases of PAD considered by the Actuary and the insurer and may require certain explanations thereto, as deemed necessary.

### **13. Unallocated Loss Adjustment Expense Reserves (ULAE)**

(1) The insurer is required to hold ULAE reserves relating to indirect expenses (such as IT, accounting, electricity, etc.) attributable to claims servicing.

(2) For all short-term reserving segments and on gross (net of recoveries) and reinsurance separately, apply the ratios for reserving segments at 50% on OCR and 100% on IBN(E)R. The ULAE ratios shall be determined by the Actuary using sound expense analysis, claims settlement expenses on the number of claims and shall be reflective of the nature of claims, either frequent or infrequent. The derivation of such ratios must be adequately described, documented by the Actuary and approved by the insurer.

### **14. Reinsurance Accrual Reserve**

(1) The insurer shall hold reinsurance accrual reserve where the reinsurance treaties are swing-rated, where the adjustment to reinsurance premiums/commissions based on claims experience of the treaty, sliding scale commission, profit commission and/ or loss participation clause.

(2) This reserve must be estimated using the projected ultimate loss ratio (i.e., using the implied ultimate loss ratio) in order to ensure full experience has been considered. This reserve must be held under total reserves and booked on the balance sheet in appropriate categories.

### **15. Valuation Assumptions**

(1) In order to derive different components of the Actuarial Reserves, the Actuary shall need to make assumptions relating to various parameters. Each assumption shall be appropriate to the reserving segment and the insurance block of business to be valued. The valuation bases shall need to be derived from the insurer's own experience study where applicable and if reliable experience is not available, this should be derived from industry studies and adjusted appropriately.

(2) The Actuary shall set out the valuation bases in a systematic manner to ensure that all relevant stakeholders fully understand the underlying technicalities and concur with them for the purpose of the investigation. This shall be carried out in line with the Actuary's professional body standards and guidance and consistent with generally accepted actuarial practices. The Actuary must highlight such relevant standards adopted and shall specifically comply with any guidance which has been issued by the PSOA.

(3) The Actuary shall be required to disclose the governance process of assumption setting and include in the report a summary of all assumptions used in a tabular format. The report should also elaborate on the process followed by the Actuary to set the assumptions and/or determine the appropriateness, validity and coherence of the bases used with the exercise undertaken. For example, the Actuary shall provide details of how the assumptions for expenses have been derived (ideally based on a comprehensive expense attribution and allocation analysis); suitability of mortality tables against experience studies on mortality and justifying the mortality rate adjustments (either additive or multiplicative, on age-ranges or across the board, etc.); derivation mechanism on discount rates and/or investment return assumptions, etc.

(4) The Actuary shall give due regard to materiality and proportionality to assumptions during the assumption-setting process, highlighting assumptions that are material and proportionate to the risks, reserves and business types. The Actuary might reasonably be expected to have access granted from the insurer on the pertinent information such as pricing bases, business planning, capital position, reinsurance, investments and/or risk management work as relevant.

(5) Unless otherwise specified, the valuation bases must be consistent and comparable for the different purposes of valuation and other technical exercises. The consistency principle shall also apply on yearly basis such that bases are not changed without any justified reasoning, for which Actuary shall conduct the review of assumptions in line with the unfolding experience such as changes in mortality/morbidity experience over the long-term, changes in inflation, interest rates and other macro-economic variables, changes in the lapse experience, etc. to ensure that the valuation results are in line with the market conditions and represent true and fair value of the liabilities.

(6) The Actuary is required to provide sensitivity analyses on actuarial reserves relating to all material assumptions relevant to the business, including those discussed below. The sensitivity analyses shall be conducted on two scenarios representing pessimistic outcomes and two scenarios representing optimistic outcomes.

(7) The Actuary is permitted to apply expert judgement and market-based adjustments provided that such assumptions are appropriate and consistent, and are backed with sufficient investigations such as experience studies (internal or external) are conducted. Investigations relating to mortality table adjustments shall be supported by age-based actual experience against the expected experience shall be provided with sufficient details.

(8) The actuary must consider the following demographic, macroeconomic and expense attributions consideration:

#### Demographic

(9) The insurer may use internal mortality, morbidity and/or longevity tables developed from its own experience, or may also consider the published mortality, morbidity and/or longevity tables available to the insurance industry as recommended by PSOA and approved by the Commission. These shall be referred to as base tables.

(10) The Actuary shall explain in the Actuarial Reserve Report, along with supporting study, if other tables and/or adjustments are applied to the base table (either additive, multiplicative or age adjustments). The Actuary however is permitted to apply adjustments relating to gender, smoking/drinking behaviours or other demographic adjustments provided that such adjustments are supported by adequate study and experience analysis used from policyholder claims reports and is reflected and explained in the Actuarial Reserve Report..

(11) The Lapse assumptions must be derived from the insurer's own experience according to the nature of the products written, distribution channels and/or target market. It is at the Actuary's discretion to apply various lapse assumptions tables or standard lapse assumption tables and shall give due regard to expected further experience, provided that it is adequately disclosed and supported by relevant studies.



## Macroeconomic

(12) Discounting shall be applicable on the reserves with more than one-year average duration to its exhaustion. This means the time-weighted cashflow duration is less than 1 year, the insurer is not required to discount the reserves. The Actuary is required to reflect on the duration in tabular format reflecting all the minimum reserving segments considered.

(13) The discount rate to be applied shall be the one recommended by the PSOA every quarter, in line with the market-consistent yield curve. PSOA shall announce these discount rates prior to quarter-end. Discount rate derived should take cognizance of the other macroeconomic variables such as inflation rates (consumer price index, sensitive price index, medical and salary inflation, etc.), GDP expectations, currency levels, credit spreads, etc.

(14) In addition, the PSOA shall also recommend the illiquidity premium over and above the yield curve for different reserving segments and product classes to cover any factors such as timing, amount, currency, and marketability of insurance contracts.

(15) No explicit or implicit margins of deviation shall be applied by the insurer on the PSOA recommended yield curves. This is to ensure that liabilities are market-consistent, comparable and represent true-and-fair value of liabilities.

(16) The methodology to be adopted in applying the discounting on the cashflows (i.e. deriving spot rates or using interest rate term structure) shall also be issued by the PSOA. The implied discount rate shall be adequately disclosed in consultation with the Actuary, representing the components of discount rates (i.e. yield curves + illiquidity premiums).

(17) The Commission may notify the minimum discount rates to be applied to the insurers in case of an adverse macroeconomic environment. The Commission may require the insurer to adopt different discount rates should it believe that the discount rate adopted is insufficient or inappropriately used by the insurers.

## Expense Attribution & Allocation Analyses

(18) The Actuary shall be required to review and certify in the actuarial reserves report, the expense analyses and attribution exercise conducted by the insurer. This shall be done at least on an annual basis to ensure that expenses are truly and fairly represented to applicable reserving segment. The insurer shall supply all relevant information and at the required granularity to the Actuary such that appropriate review is undertaken. The Actuary shall also be required to comment on expense adequacy analyses, reflecting on the deviation of expenses charged in policies and expenses incurred by the insurer, reflecting upon attributable and non-attributable expenses.

(19) The Actuary shall use the insurer's expense analyses to derive the relevant expense-based assumptions for reserving purposes based on the minimum reserving segment. These shall be, at minimum, expenses relating to life reserves such as fixed per policy expenses (at issuance and recurring), per 1000 sum-insured, and percentage of premiums, expenses relating to Premium Deficiency Reserves, expenses relating

to estimation of ULAE and/or other attributable expense relating to insurance activities. The Actuary shall be required to disclose these assumptions in their communications to the insurer and the Commission, with detailed working of the derivation and the results summarized along with the methodologies used.

(20) The Commission may require an explanation on the expense bases from the insurer and the Actuary if it is dissatisfied with the expense bases used.

## **16. Further Considerations**

(1) The Actuary shall prepare a reconciliation of the movement in reserves between the previous reporting period and the current reporting period. This shall reflect upon horizontal and vertical change assessment reflecting the reasons for changes in the reserves position between the periods. Methodologies and assumptions changes must be elaborated to provide adequate justifications such that another actuary can independently verify the movement in reserves. In the case of changes of assumptions, the impact of each change (in terms of increase or decrease in the reserves) must be quantified in the valuation report.

(2) In the case of life insurers, the Actuary shall also be required to prepare a table reflecting the transfer of actuarial reserves, along with adequate justification of such movements, between the statutory funds, ledger accounts and shareholders' funds as per applicable rules and rules.

(3) The insurer is required to hold the reserves recommended by the respective Actuary. These reserves should be prepared and presented for each reserving segment and the type of reserve in the Reserves Summary Table in the Actuarial Reserves Template under Rule 17(3). The Actuary shall also disclose the items which relate to balance sheet, financial performance, and other relevant entries in the report.

(4) No additional reserves shall be held as separate reserve type, without appropriate and adequate justification by the insurer and the actuary in the actuarial reserve report. The Commission may require the insurer to explain the bases and assumptions used for determining the reserves.

## **17. Submission Requirements & Timelines**

### Submissions and Signing thereof

(1) Under Section 50(5) of the Ordinance, all life insurers shall submit the Actuarial Reserve Report (ARR) as part of Financial Condition Report (FCR) on annual basis signed by an appointed actuary along with Actuarial Reserves Template (ART).

(2) Under the section 50(7) of the Ordinance, all non-life insurers shall submit Actuarial Reserve Report (ARR) on annual basis to be signed by the actuary, other than the one in internal actuarial function under the Code of Corporate Governance, 2016 along with Actuarial Reserves Template (ART).

(3) Under the Section 46(2) of the Ordinance, the life and non-life insurers will submit Actuarial Reserves Template (ART) on quarterly bases, as notified by the Commission. The template is required to be signed by the appointed actuary of life insurer and actuary for non-life insurer, other than the one in internal actuarial function, and who meets the requirements set out in Rule 3 of the Insurance Rules, 2017.

(4) The submissions mentioned in 17(1), (2) and (3) above shall also be signed by the CEO, the CFO and the head of internal actuarial function of life and non-life insurers and will contain the statement that relevant data and information has been shared with the respective actuary and the recommended reserves according to actuary's advice have been booked in the financial statements.

(5) Where applicable, the appointed actuary of life insurer or the actuary signing the actuarial reserves report of non-life insurer, shall take assistance from internal actuarial function to meet the requirements set out herein, and that the internal actuarial function may fulfill its responsibilities as stipulated in the Code of Corporate Governance of Insurers 2016.

#### Timelines

(6) The Actuarial Reserves Report shall be submitted on annual bases along with the regulatory returns within four months of year-end while the Actuarial Reserves Template shall be submitted within six (6) weeks, following end of March, June, September and December as required under Section 46 of the Ordinance.

#### Actuarial Reserve Report Format

(7) The Appointed Actuary of life insurers and actuary signing the actuarial reserve report of non-life insurers shall be required to certify that the actuarial reserves for each class of business held by the insurer are at least equal to the estimates provided by him per his professional opinion. For any material deviations on the booked reserves, justification for deviation needs to be provided in the Actuarial Reserves Report and Actuarial Reserves Certificate, as applicable.

(8) Following contents are required to be covered in the actuarial reserve report of life insurers to be given in the FCR and actuarial reserve report of the non-life insurers:

major areas	Description & Minimum Areas to Cover
Executive Summary	
Introduction	(a) Background and purpose of exercise (b) Qualifications of the team involved (c) Professional body standards and guidance adopted – local and international professional body (d) Applicable SECP provisions complied (e) Section-wise compliance reference with these instructions (f) According to Section 50(5) of the Ordinance, the statement of appointed actuary in relation to valuation of policyholder's liabilities
Disclosures, Reliance & Limitations	Provides the disclosures, reliance and limitations associated with work and scope

major areas	Description & Minimum Areas to Cover
Risks and Uncertainty	<ul style="list-style-type: none"> <li>(a) Identify key sources of uncertainties (processes, model and parameters)</li> <li>(b) Defining what is best estimate (including prudent actuarial margin) and management margins</li> <li>(c) reflecting on range of reserves associated with known (and unknown) uncertainties including sensitivity testing and analysis</li> </ul>
Overview of Insurance Business	<p>This section shall cover an overview of business written, the claims paid out, surrendered claims and maturity claims, reserves values held, commissions and expenses incurred and the investment income over the last five years on the financials. This analysis shall be as per the minimum reserving segments, as specified in these rules, as applicable.</p> <p>This study should cover the vertical and horizontal analysis of the above requirements. The appointed actuary shall be required to comment on the changes in these figures, keeping in view the impact on areas where he potentially believes would make a major impact on the areas including reserves, pricing, capital, reinsurance and investments as well as the changes considered in the report.</p>
Data Section	As per rule 5 above
Methodology	As adopted by the Appointed Actuary, in line with the instructions herein
Assumptions	As adopted by the respective Actuary, in line with the rule 15
Results	<p>At minimum the following</p> <ul style="list-style-type: none"> <li>(a) Shall cover the results of actuarial reserves for long-term and short-term business including movement on funds/ reserves in between statutory funds, ledger accounts and shareholders' funds</li> <li>(b) Provisions for adverse deviations</li> <li>(c) Reflect upon period-by-period changes in actuarial reserves through vertical and horizontal analysis and provide justifications and reasoning</li> <li>(d) Summary of key challenges in actuarial reserving exercises, improvements from previous challenges and timelines, with development action plans</li> <li>(e) Line items for balance sheet and profit &amp; loss accounts</li> </ul>
Other Important Considerations	<ul style="list-style-type: none"> <li>• Discussions relating to cases under litigations, updates on developments in actuarial matters including risk management risk and governance and other challenges relating to stability of the Company and policyholder's interests.</li> </ul>
Conclusions and Certifications	<ul style="list-style-type: none"> <li>• Summary of actuarial reserves by class of business and reserves type</li> <li>• Conclusions including future action plans for improvements in the actuarial reserves estimation processes</li> <li>• Certifications from Actuary (appointed actuary for life insurance, actuary signing the non-life insurance actuarial reserve report)</li> <li>• Certification by the CEO, CFO and head of internal actuarial function</li> <li>• A statement of the respective actuary's valuation of liabilities as to: <ul style="list-style-type: none"> <li>(i) the general principles adopted in the valuation of each class of business and group of policies in force at the valuation date and the reasons thereof;</li> <li>(ii) the methods adopted in the valuation;</li> <li>(iii) policies which under the valuation methods would be treated as an asset, and actions taken to identify and eliminate such assets from the valuation;</li> <li>(iv) bases adopted for mortality and morbidity, as applicable;</li> </ul> </li> </ul>

major areas	Description & Minimum Areas to Cover
	<ul style="list-style-type: none"> <li>(v) procedure adopted for currency exchange rates and justification thereof, if applicable</li> <li>(vi) the data furnished by the CEO of insurer has been included in conducting the valuation of liabilities;</li> <li>(vii) he has complied with the provisions of the Ordinance;</li> <li>(viii) he has complied with guidance notes issued by the Pakistan Society of Actuaries; and</li> <li>(ix) in his opinion, the mathematical reserves are adequate to meet the insurer's future commitment under the insurance contracts (for life only).</li> </ul>
Appendices	

## **18. Repeal and Savings**

(1) The following notifications and specific provisions of the respective notifications/ rules/ regulations/ guidelines as mentioned below, shall henceforth, stand repealed:

- (a) Rule 13 of Insurance Rules, 2017
- (b) Rule 23 and Annexure V of Insurance Rules, 2017
- (c) Clause 2(2)(f) and (j) of Annexure IV of Insurance Rules, 2017
- (d) Circular 9 of 2016, SEC Guidelines for Estimation of IBNR Claim Reserve, 2016

(2) Provided that repeal of the above shall not-

- (a) revive anything not in force at the time at which the repeal take effect; or
- (b) affect the previous operation of the repealed instruments or anything duly done or suffered thereunder; or
- (c) affect any right, privilege, obligation or liability acquired, accrued or incurred under the said repealed instruments; or
- (d) affect any penalty imposed, forfeiture made or punishment incurred in respect of any offence or violations committed against or under the repealed instrument; or
- (e) affect any inspection, investigation, prosecution, legal proceeding or remedy in respect of any obligation, liability, penalty, forfeiture or punishment as aforesaid, and any such inspection, investigation, prosecution, legal proceedings or remedy may be made, continued or enforced and any such penalty, forfeiture or punishment may be imposed, as if these regulations has not been notified.

(3) Anything done, actions taken, orders passed, registration granted, notifications issued, proceedings initiated and instituted, prosecutions filed, processes or communications issued and powers conferred, assumed or exercised by the Commission under the repealed instruments, shall, on the coming into operation of these regulations, be deemed to have been validly done, taken, passed, granted, issued, initiated or instituted, filed, conferred, assumed and exercised and every action, prosecution or proceeding instituted and every order, directive, notification, circular etc. issued by the Commission shall be deemed to have been initiated, instituted or issued as if the repealed instruments have not been repealed and shall be proceeded with to completion and be enforced and have effect accordingly.

## Annexure 1- Reserving Segments

The below-table represents the minimum reserving segments that shall be followed for the reserving purposes. Note that separate segments should be completed if the insurer writes Conventional & Takaful businesses and separately for Reinsurance businesses.

Life / Non-Life	Long-term / Short-term	Minimum Reserving Segment	COB#	Products in COB Segment	Financial Reporting Segment
<b>Life</b>	Long-term	Participating Business	LC1/LT1	Participating: Endowment, Participating: Whole Life and related-riders	Ordinary Life
<b>Life</b>	Long-term	Non-Participating Business	LC2/LT2	Non-participating: Endowment, Non-participating: Whole Life, Non-participating: Term and related-riders	Ordinary Life
<b>Life</b>	Long-term	Investment-Linked	LC3/LT3	Unit-Linked – with guarantees Unit-Linked – without guarantees	Ordinary Life
<b>Life</b>	Long-term	Investment Linked	LC4/LT4	Universal Life – with guarantees Universal Life – without guarantees	Ordinary Life
<b>Life</b>	Short-term	Group Life	LC5/LT5	Group Life – One Year or Less Group Life – More than One Year	Ordinary Life
<b>Life</b>	Short-term	Group Credit	LC6/LT6	Group Credit – One Year or Less Group Credit – More than One Year	Ordinary Life
<b>Life</b>	Short-term	Group Unit	LC7/LT7	Group Unit – One Year or Less Group Unit – More than One Year	Ordinary Life
<b>Life</b>	Short-term	Health or Medical Expenses Insurance	LC8A/LT8A	Individual	Accident & Health
<b>Life</b>	Short-term	Health or Medical Expenses Insurance	LC8B/LT8B	Group (employer–employee schemes)	Accident & Health
<b>Life</b>	Short-term	Health or Medical Expenses Insurance	LC8C/LT8C	Govt Schemes (public health)	Accident & Health
<b>Life</b>	Short-term	Personal Accident	LC8D/LT8D	Individual	Accident & Health

Life / Non-Life	Long-term / Short-term	Minimum Reserving Segment	COB#	Products in COB Segment	Financial Reporting Segment
<b>Life</b>	Short-term	Personal Accident	LC8E/LT8E	Group (employer–employee schemes)	Accident & Health
<b>Life</b>	Short-term	Personal Accident	LC8F/LT8F	Govt Schemes (public health)	Accident & Health
<b>Life</b>	Long-term	Annuity	LC9A/LT9A	Fixed Annuity – Immediate Fixed Annuity – Deferred Variable Annuity – Immediate Variable Annuity – Deferred Fixed Accumulation Annuity	Life Contingent Annuity
<b>Life</b>	Long-term / Short-term	Group Annuity	LC9B/LT9B	Group Fixed Annuity – Immediate Group Fixed Annuity – Deferred Group Variable Annuity – Immediate Group Variable Annuity – Deferred Fixed Accumulation Annuity	Life Contingent Annuity
<b>Life</b>	Long-term	Pensions	LC10A/LT10A	Individual Pension Fund Accumulation	Pension Funds
		Pensions	LC10B/LT10B	Group Pension Fund Accumulation	
<b>Non-Life</b>	Short-term	Property & Fire Damage	NC1/NT1	Household Insurance Commercial Insurance Consequential Loss Others	Property & Fire Damage
<b>Non-Life</b>	Short-term	Engineering	NC2/NT2	Erection All Risks Construction All Risks Machinery & Machinery Breakdown Electronic Equipment & Others Comprehensive Projects Others	Property & Fire Damage
<b>Non-Life</b>	Short-term	Marine, Aviation & Transport	NC3/NT3	Marine Cargo Marine Hull Aviation Transport Others	Marine Aviation & Transport



Life / Non-Life	Long-term / Short-term	Minimum Reserving Segment	COB#	Products in COB Segment	Financial Reporting Segment
<b>Non-Life</b>	Short-term	Motor TPL	NC4A/NT4A	Individual Motorcycle Individual Motor Vehicle	Motor
<b>Non-Life</b>	Short-term	Motor TPL Group	NC4B/NT4B	Group Motorcycle Group Motor Vehicle	Motor
<b>Non-Life</b>	Short-term	Motor Comprehensive	NC5A/NT5A	Individual Motorcycle Individual Motor Vehicle	Motor
<b>Non-Life</b>	Short-term	Motor Comprehensive Group	NC5B/NT5B	Group Motorcycle Group Motor Vehicle	Motor
<b>Non-Life</b>	Short-term	Health or Medical Expenses Insurance	NC6A/NT6A	Individual	Accident & Health
<b>Non-Life</b>	Short-term	Health or Medical Expenses Insurance	NC6B/NT6B	Group (employer–employee schemes)	Accident & Health
<b>Non-Life</b>	Short-term	Health or Medical Expenses Insurance	NC6C/NT6C	Govt Schemes (public health)	Accident & Health
<b>Non-Life</b>	Short-term	Personal Accident	NC6A/NT6A	Individual;	Accident & Health
<b>Non-Life</b>	Short-term	Personal Accident	NC6B/NT6B	Group (employer–employee schemes)	Accident & Health
<b>Non-Life</b>	Short-term	Personal Accident	NC6C/NT6C	Govt Schemes (public health)	Accident & Health
<b>Non-Life</b>	Short-term	Liability General	NC7/NT7	Workmen Compensation & Employers Liability Directors & Officers Liability Errors & Omissions Liability Professional Indemnity Medical Malpractice Medical Defense Product Liability Public Liability Bankers Blanket Others	Liability
<b>Non-Life</b>	Short-term	Credit & Suretyship	NC8/NT8	Bonds Guarantees Credit Others	Credit & Suretyship
<b>Non-Life</b>	Short-term	Agriculture	NC9/NT9	Crop Insurance Livestock insurance Area-Yield Insurance Multi-Perils Others	Agriculture

Life / Non-Life	Long-term / Short-term	Minimum Reserving Segment	COB#	Products in COB Segment	Financial Reporting Segment
<b>Non-Life</b>	Short-term	Others	NC10/NT10	Travel Cyber Extended Warranty Energy Terrorism Others	Miscellaneous
<b>Non-Life</b>		Inwards Liability Reinsurance	NC11A/NT11A		Inwards Reinsurance
<b>Non-Life</b>		Inwards Motor Reinsurance	NC11B/NT11B		Inwards Reinsurance
<b>Non-Life</b>		Inwards MAT Reinsurance	NC11C/NT11C		Inwards Reinsurance
<b>Non-Life</b>		Inwards Property Reinsurance	NC11D/NT11D		Inwards Reinsurance
<b>Non-Life</b>		Inwards Health Reinsurance	NC11E/NT11E		Inwards Reinsurance
<b>Non-Life</b>		Inwards Reinsurance Others	NC11F/NT11F		Inwards Reinsurance

[F. No. SY/SECP8/13/

  
 ( Bilal Rasul )  
 Secretary to the Commission