



SECP
INSURANCE DIVISION
Islamabad

Circular No. 1 of 2022

Islamabad, January 12, 2022

Subject: Master Circular for Insurance Sector

The Securities and Exchange Commission of Pakistan (the "SECP") has issued various statutory/regulatory requirements and instructions for insurance sector from time to time through circulars, directives, guidelines etc.

2. In order to facilitate the insurance sector to ensure compliance with the regulatory requirements, in exercise of the powers conferred under section 40B of the SECP Act, 1997, SECP is pleased to issue Master Circular. The Master Circular is a compilation of circulars and directives issued for insurance sector since 2005 to end of 2021 on the subject matter.

3. The Master Circular as an annexure to this circular has been uploaded on the official website of SECP for information of all stakeholders.

Sadia Khan
Commissioner - Insurance

Distribution:

Chief Executive Officers of all Insurance Companies/ Takaful Operators
Chief Executive Officers of all Insurance Surveying Companies
Chief Executive Officers of all Insurance Brokers
Chairman (Insurance Association of Pakistan)

MASTER CIRCULAR

Insurance Sector



Insurance Division

Disclaimer:

This Master Circular is only a compilation/collection of the existing/applicable Circulars and Directives issued by the Commission in relation to Insurance Division of Securities and Exchange Commission of Pakistan from time to time for regulation of Insurance sector, and is not a new regulatory instruction. This document is compilation of circulars/ directives issued since 2005 to end of 2021 (as per list at the end of the document) which are already in force unless otherwise revised or repealed by the Commission. In case of any inconsistency between the Master circular and the applicable circular, the contents of the relevant circular shall prevail.

It is the responsibility of the regulated person to ensure full compliance of all the applicable regulatory requirements irrespective of whether such requirement is consolidated in this document or not.

INDEX

CHAPTER 1. LICENSING AND AUTHORIZATION	3
CHAPTER 2. PRODUCTS APPROVAL AND DISCLOSURE	17
CHAPTER 3. REINSURANCE AND RETAKAFUL	44
CHAPTER 4. CORPORATE GOVERNANCE	56
CHAPTER 5. FINANCIAL AND REGULATORY REPORTING	90
CHAPTER 6. MANAGEMENT EXPENSE LIMITS	114
CHAPTER 7. RELATED PARTY ASSETS	118
CHAPTER 8. INFORMATION SHARING	121
CHAPTER 9. TRAINING AND CERTIFICATIONS	132
CHAPTER 10. COMPLAINTS HANDLING	146
CHAPTER 11. CYBER SECURITY GUIDELINES	149
CHAPTER 12. MISCELLANEOUS	157
LIST OF CIRCULARS AND DIRECTIVES	165

Chapter 1. Licensing and Authorization

1.1. ISSUANCE/ RENEWAL OF INSURANCE SURVEYING LICENCE AND REGISTRATION AS ASO UNDER SECTION 112 & 113 OF INSURANCE ORDINANCE, 2000.¹

- 1.1.1. It was notified for the information of all concerned that in order to streamline the processing of applications for granting for granting insurance surveying licenses and registration of ASOs, the Commission, as an administrative measure, will entertain such applications twice a year i.e. in January and July every year. This was not applicable on the applications already received by the Commission.
- 1.1.2. The applicants who do not satisfy the Commission in respect of their suitability as surveyor/ ASO, as prescribed under Section 112(2) and 113(2) of the Insurance Ordinance, 2000 respectively, may re-appear after the expiry of six months.
- 1.1.3. The process of renewal of license continued as per current practice. However, effective 19th of September 2009, the applications for renewal of licenses of surveyors and registration of ASOs will be entertained provided that such applications are received by the Commission at least 2 weeks before their expiry, along with complete information and duly completed prescribed form (copy attached). In case of delay, these applications will be considered as fresh cases.
- 1.1.4. The deadline given in the foregoing para 3 will not be applicable on the applications which have already been received by the Commission and are under process.

¹ SECP Circular No. 25 of 2009 dated August 19, 2009

**Form to be submitted by Insurance surveyor at the time of
Renewal of Insurance Surveying Licence**

1. Name of Body Corporate.			
2. Name of Chief Executive.		CNIC.	
3. Academic qualification of Chief Executive			
4. Postal Address		e-mail	
5. Office Telephone No.		Fax No.	
6. Cell No.			
7. Classes of business for which licence is sought.			
8. Copies of Form A & Form 29 duly certified by the CRO.			
9. Licence holder ASOs	Name	Cell No.	Class of Business
10. Employee	Name	CNIC	Date of appointment
11. Expiry date of licence			
12. Surveys conducted during the year	Class of surveyor	Total No.	Fee Charged
	i. Fire		
	ii. Motor		
	iii. Marine		
	iv. Misc/MBD		
13. National Tax No.			
14. No. of Branch Offices along with address (Annexed).			
15. Name of Insurance Companies on whose panel the surveyor is enrolled. (Annexed)			

I.....S/o.....being Chief Executive of M/s.verify that the above information is true to the best of my knowledge and belief and that nothing has been concealed or withheld in this regard.

Date.....

Signature.....

Office Stamp.....

1.2. LAUNCHING OF ESINSURANCESURVEYORS: ONLINE SURVEYORS' LICENSING & REGISTRATION SYSTEM²

- 1.2.1. The insurance surveyors and authorized surveying officers are required to obtain licenses and registrations from the Securities and Exchange Commission of Pakistan (SECP) under Section 112 and Section 113 of the Insurance Ordinance, 2000, respectively.
- 1.2.2. In this regard, SECP has developed an in-house web-based application for automating the processes of licensing of the insurance surveyors and registration of the authorized surveying officers. This application has been named as eInsuranceSurveyors, which is a sub-project of eServices project.
- 1.2.3. eInsuranceSurveyors will enable the surveyors and authorized surveying officers to file their applications for grant of licenses and registrations over the internet. Users will have to log on to the relevant link of the eServices portal and file proper applications, which will require to be digitally signed.
- 1.2.4. eInsuranceSurveyors will not only eliminate paper-based applications, but also the licensing and registration process will be more cost effective, efficient and speedier.
- 1.2.5. In this view, SECP announced launching of the eInsuranceSurveyors system with effect from Saturday, March 23, 2013. All surveyors and authorized surveying officers are advised to file their applications for grant of licenses and registrations online, and hence, therefrom, no paper based applications will be accepted by SECP except insofar as advised / required by it.
- 1.2.6. To access the application, users can either click on the eServices link, which is-located at the top of the SECP's Official Website <https://www.secp.gov.pk/> or visit the eServices page directly on the following link:

<https://eservices.secp.gov.pk>
- 1.2.7. Pre-requisites of the using the application are that each applicant / surveyor (the user) will be required to have a valid eServices Login ID and Password coupled with a valid digital signature. Digital signatures can be obtained from the National Institutional Facilitation Technologies (NIFT).
- 1.2.8. Since, eInsuranceSurveyors is a sub-project of the eServices project, the graphical user interface (GUI) of the application is similar to that of the eServices, and most of the companies that fall under the purview of the SECP are already aware of eServices project and are actively using it for their respective regulatory filings. Moreover, with an easy-to-follow interface, users will have a remarkable experience in using the eInsuranceSurveyors application.
- 1.2.9. SECP further seeks active support and cooperation from all the stakeholders in order to make this system a great success.
- 1.2.10. In case of any technical complaints or queries, users may contact the SECP's Helpdesk Support at UAN:

² SECP Circular No. 03 of 2013 dated 15th March, 2013

111-117-327 or log on to the following link:

<https://www.secp.gov.pk/servicedesk>

1.3. APPLICATION FOR AUTHORIZATION AS WINDOW TAKAFUL OPERATOR UNDER THE TAKAFUL RULES, 2012³

- 1.3.1. Enclosed is the application form along with the information desired and the documents required for filling an application before the Commission for authorization of a registered insurer as a "Window Takaful Operator" under the Takaful Rules, 2012.
- 1.3.2. All insurers interested to be authorized as "Window Takaful Operator" shall file their applications with the Commission in the specified form annexed to this Circular.
- 1.3.3. In exercise of the power conferred under Rule 11(1)(c) of the Takaful Rules, 2012 the Commission hereby imposes the following condition for commencing window takaful operations:

"Every insurer interested to commence window takaful business shall transfer an amount of not less than Rs.50 million to be deposited in a separate bank account for window takaful business duly maintained in a scheduled bank."
- 1.3.4. This Circular supersedes all other Circulars of this office on the subject.

³ SECP Circular No. 08 of 2014 dated 16th May, 2014

**APPLICATION FOR GRANT OF AUTHORIZATION FOR COMMENCEMENT OF
"WINDOW TAKAFUL OPERATIONS" UNDER RULE 6 OF
THE TAKAFUL RULES, 2012**

Dated:

The Commissioner (Insurance)
Securities and Exchange Commission of Pakistan Insurance
Division
5th Floor, State Life Building No. 2
Wallace Road, Off I. I. Chundrigar Road
Karachi

Dear Sir

We, Messrs _____ hereby apply for grant of authorization under Rule 6 of the Takaful Rules 2012, to undertake "Window Takaful Operations".

2. The information (Annexure I) and documents (Annexure II) as provided vide this application are duly verified and signed by the Chief Executive Officer/Principal Officer on behalf of the Board of Directors of the insurer.
3. We hereby undertake that the information submitted in this application is true to the best of our knowledge, information and belief. We further attest that Mr. _____
Designation _____ holding CNIC #: _____ has been authorized to provide clarification and further information regarding this application for and on behalf of the insurer.
4. We undertake to keep this information up-to-date by communicating changes or modifications therein within fourteen days of such changes or modifications.

**NAME & POSITION OF THE SIGNATORY
SIGNATURE AND SEAL**

Note: Misrepresentations or omissions of material facts may lead to rejection of this application.

[All enclosures to be similarly signed & sealed]

**INFORMATION DETAIL FOR GRANT OF AUTHORIZATION FOR
COMMENCEMENT OF WINDOW TAKAFUL OPERATIONS UNDER RULE 6 OF
THE TAKAFUL RULES, 2012**

1. **Name of the Insurer:**
2. **Nature of Business:** Life Insurance or Non-Life Insurance
3. **Applicant Particulars:**
 - (i) Certificate of Incorporation No:
 - (ii) Date of Certificate of Incorporation:
 - (iii) Certificate of Registration No:
 - (iv) Date of Certificate of Registration:
4. **Addresses:**
 - (i). Registered Office:
.....
 - (ii). Main / Head Office:
.....
 - (iii). Contact Details:
 - Telephone Numbers
 - Facsimile Number:
 - Email:
 - Website:
5. **Classes of Family/General Takaful to be transacted;**

Sr. #	Classes of Business
-------	---------------------

6. Details of Chief Executive Officer/Principal Officer and Directors as on the date of application:

Sr. #	Name of Chief Executive Officer/Director (1)	Position Held (2)	Nature of Directorship (Executive/ Non-Executive) (3)	Qualification and Experience (4)	Address (5)	Date of appointment (6)	Details of other positions/ Directorships held (7)

7. Members of Audit Committee of the Insurer:

Sr.#	Name of Member of Audit Committee

8. Details of the proposed Shariah Advisor:

Sr.#	Name	Qualification	Experience

9. Name of Shariah Compliance Officer:

10. Name of Head of Window Takaful Operations:

11. Name of External Shariah Auditor:

**LIST OF DOCUMENTS TO BE ANNEXED WITH THE APPLICATION FORM
COMMENCEMENT OF WINDOW TAKAFUL OPERATIONS UNDER RULE 6 OF
THE TAKAFUL RULES, 2012**

1. Company Profile;
2. Ownership Structure (Pattern of Shareholding);
3. Organizational Chart (Present & Proposed);
4. Copies in respect of:
 - a. Certificate of Incorporation issued under the Companies Ordinance 1984; and
 - b. Certificate of Registration issued under the Insurance Ordinance 2000.
5. Minutes of the Meeting of the Board of Directors resolving approval of the Board of Directors of the Insurer for commencement of window takaful operations and to seek approval from the Commission for Window Takaful Operations;
6. Memorandum and Articles of Association of the Insurer;
7. Proposed Re-takaful treaties;
8. In case of Family Takaful; statement of the Statutory Funds to be established by the Operator;
9. In case of Family Takaful, documents of registration set out in Section 6(8) of the Insurance Ordinance, 2000;
10. Participant Takaful Fund Policies;
11. Certificate from the Statutory Auditor of the Insurer entailing the transfer of an amount of not less than Rs.50 million for takaful window operations only;
12. A copy of a resolution by the Board of Directors of the Insurer undertaking that the transferred amount of Rs.50 million shall be utilized for window takaful operations only.
13. CV of the Proposed Shariah Advisor of the Insurer;
14. CV of the Proposed Shariah Compliance Officer along with Declaration on a stamped paper in line with the Insurance Companies (Sound and Prudent Management) Regulations 2012;
15. CV of the Proposed Head of Window Takaful Operations along with Declaration on a stamped paper in line with the Insurance Companies (Sound and Prudent Management) Regulations 2012;

16. Name and address of the Shariah Compliance Auditor and consent of the Auditor to act as Shariah Compliance Auditor along with a brief profile of the auditor;
17. Latest published audited annual financial statements of the Insurer;
18. A business plan showing projected takaful business to be written and cash flows for a period of not less than ten years from the date of the application in the case of a life insurer and not less than three years from the date of the application in the case of a non-life insurer;

The plan referred above should also state the following:

- a. The business model it intends to adopt, details on distribution channels, products and services that will be offered;
 - b. Specify the assumptions used in deriving the projections and key performance indicators;
 - c. Plans of internal controls and scale of authority.
19. Statement of compliance on the Code of Corporate Governance;
 20. Declaration from the Board of Directors that all takaful undertakings will be in accordance with the injunctions of Shariah; and
 21. Any other document/information as may be specified in writing by the Commission.

1.4. AML UNDERTAKING FOR INSURANCE SURVEYORS⁴

- 1.4.1. This is with reference to Commission's Statutory Notification S.R.O. 1525 (I) / 2018 dated December 14, 2018⁵ (the "Directive") whereby the Securities and Exchange Commission of Pakistan (the "Commission") has directed all the regulated, licensed and associated persons and entities which fall under the domain of insurance sector regulated by the Commission to comply with the requirements prescribed in the Directive, in addition to the requirements that the Commission has already notified either through Rules, Regulations, or through other legislative instrument.
- 1.4.2. Clause 1 of the Directive requires from every eligible person, who has made application for issuance/ renewal of license, as an insurance surveyor, pursuant to section 112 of the Insurance Ordinance, 2000, to provide to the Commission an undertaking (on the prescribed format attached herewith as 'Annexure — A⁶'), duly signed by the sponsors, promoters, directors, and their ultimate beneficial owners that they have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicate offences as provided in the AML Act, 2010 or contravened any provision of SECP (AML-CFT) Regulations, 2018 or any other AML/CFT requirements notified by the Commission.
- 1.4.3. Accordingly, all insurance surveyors are required to ensure full compliance with the directions given in aforesaid Paras 1 and 2 read with S.R.O. 1525(I)/2018 dated December 14, 2018, with immediate effect from the date of this Circular.

⁴ SECP Circular No. 01 of 2019 dated 15th January, 2019.

⁵ Superseded by S.R.O 933(I) of 2020 dated 30th September, 2020

⁶ Superseded by S.R.O 933(I) of 2020 dated 30th September, 2020

1.5. ADDITIONAL FIT AND PROPER CRITERIA⁷

The Commission hereby directs all the regulated, licensed and associated persons and entities which fall under the domain of insurance sector regulated by the Commission to comply with following requirements in addition to the requirements that the Commission has already notified either through Rules, Regulations or through other legislative instrument, in supersession of the SRO 1525(I)/ 2018 dated December 14, 2018 and hereby saving all actions taken and anything done under the said SRO while being in-force, namely:-

- 1.5.1. The eligible person who has made application under Section 6 of the Insurance Ordinance, 2000 (the Ordinance) and insurance intermediaries who have applied for the licence under the applicable provisions of the Ordinance, shall submit with the Commission, at the time of registration as insurer or insurance intermediary, as the case may be, undertaking(s) (on the prescribed format attached as Annexure A) duly signed by the sponsors, promoters and ultimate beneficial owners of the insurer that they have not been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicate offences as provided in the AML Act, 2010, laws made thereunder, or any other AML/CFT requirements notified by the Commission, and are not proscribed persons either convicted or not “as mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/Ministry of Interior”

*Explanation: ultimate beneficial owner” means a natural person who ultimately owns or controls a company, whether directly or indirectly, through **at least ten percent shares** or voting rights or by exercising effective control in that company through such other means as may be specified by the Commission.*

The term ‘Insurance Intermediary’ includes insurance agent, corporate insurance agent, insurance surveyor, insurance broker and third-party administrator (for health insurance).

- 1.5.2. The insurer at the time of seeking approval in terms of the Insurance Companies (Sound and Prudent Management) Regulations, 2012, shall submit to the Commission, undertaking(s) duly signed by the proposed directors or chief executive or principal officer of the insurer that they have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicate offences as provided in the AML Act, 2010, laws made thereunder, or any other AML/CFT requirements notified by the Commission;
- 1.5.3. The insurer shall submit an affidavit annually to the Commission that its key officers, as defined in the Insurance Companies (Sound and Prudent Management) Regulations, 2012, have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicate offences as provided in the AML Act, 2010, laws made thereunder, or any other AML/CFT requirements notified by the Commission;
- 1.5.4. The applicant at the time of seeking approval for issuance of licence as insurance broker in terms of

⁷ S.R.O 933(I) of 2020 dated 30th September, 2020

the Insurance Rules, 2017 and third party administrator (for health insurance) under the TPA Regulations, 2014, shall submit to the Commission, undertaking(s) (on the prescribed format attached as Annexure (A) duly signed by the proposed directors or chief executive, principal officer and key officers of the insurance broker that they have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicated offences as provided in the AML Act, 2010, laws made thereunder, or any other AML/CFT requirements notified by the Commission;

- 1.5.5. The insurer during the execution of various processes relating to insurance policies, including but not limited to underwriting, issuance, endorsement, withdrawal, claim, or maturity, shall ensure that there does not exist any conflict of interest of the insurance intermediaries, particularly, in terms of AML Act, 2010, laws made thereunder, or any other AML/CFT requirements notified by the Commission;
- 1.5.6. At the time of change in ultimate beneficial owner of insurer and also at the time of acquisition of shareholding of an insurance company of more than ten per cent (10%) in terms of Section 67 of the Ordinance, the acquirer(s) or the authorized person in case of corporate entity shall submit undertaking (on the prescribed format attached as Annexure A) that the acquirer and the ultimate beneficial owners, as the case may be, have not been convicted in criminal breach of trust, fraud, offences of money laundering including predicated offences as provided in the AML Act, 2010, laws made thereunder, or any other AML/CFT requirements notified by the Commission;
- 1.5.7. Any person to whom this direction applies and who contravenes or fails to comply with the requirements of this direction or submits an affidavit which is false in material respect or where under a misstatement is made shall be liable to imposition of penalty under Section 40A of the Securities and Exchange Commission of Pakistan Act, 1997 which may extend to ten million rupees and where contravention is a continuing one, with a further penalty which may extend to one hundred thousand rupees for every day after the first during which such contravention continues.

UNDERTAKING**(On Stamp Paper of Appropriate Value)**

I, _____ son/daughter/wife of _____ adult, resident of _____ and holding CNIC/ Passport No. _____ in the capacity of _____ (e.g. sponsor, director, UBO) do hereby state on solemn affirmation as under:-

- (a) I have not been convicted in criminal breach of trust, fraud, offences of terrorism financing or money laundering including predicated offences as provided in the AntiMoney Laundering Act, 2010 (VII of 2010) or contravened the provision of any regulations/directives issued by the Commission in this regard;
- (b) I am not proscribed person either convicted or not "as mentioned in the notifications issued by the Ministry of Foreign Affairs on United Nations Security Council Resolutions or intimation from National Counter Terrorism Authority/ Law Enforcement Agencies/ Home Departments of Provinces/Ministry of Interior"
- (c) I have not been convicted of an offence involving moral turpitude;
- (d) I have not been subject to adverse findings, after conducting an inquiry, by the Commission or any other regulatory or professional body or government agency;
- (e) I have not been involved in the financial irregularities or malpractices in a Company due to which the registration or license of the Company has been revoked or cancelled or which has gone into liquidation or other similar proceedings;
- (f) I am not ineligible or disqualified, under the Companies Act, 2017 and any other legislation from acting as a director;
- (g) I have not entered into a plea bargain arrangement with the National Accountability Bureau or any other regulatory body;
- (h) I have not been defaulter in repayment of loan to a financial institution or defaulter of a stock exchange;
- (i) I have not applied to be adjudicated as an insolvent and such application is not pending; (j) I am not an un-discharged insolvent;
- (k) I shall not be a director in any other insurer engaged in a similar line of insurance business in Pakistan, such as life or non-life insurance business;
- (l) I shall not have any direct or indirect ownership or management interest in any insurer, insurance surveyor or insurance broker (if applicable);
- (m) I shall not be a member of stock exchange or director or employee of a brokerage house registered with any stock exchange or a spouse of such person, provided that this clause is not applicable on the chief executive or director of an insurance broker;
- (n) I confirm that my name has not been placed on the exit control list maintained by Ministry of Interior, Government of Pakistan.
- (o) I confirm that I and the companies, firms, sole proprietorships, etc. where I am a chief executive, director (other than nominee director), owner or partner, etc. have no overdue payment of any financial institution except the following:
- (p) I confirm that I have not been refused the right or restricted in the right to carry on any trade, business or profession for which a specific license, registration or other authorization is required by law in any jurisdiction;
- (q) I confirm that I have not been issued a prohibition order under any Act administered by any regulator or have not been prohibited from operating in any jurisdiction by any financial services regulatory authority;

- (r) I confirm that I have not been censured, disciplined, suspended or refused membership or registration by any regulator, any other regulatory authority, an operator of a market or clearing facility, any professional body or government agency, whether in Pakistan or elsewhere;
- (s) I confirm that I have not contravened or abetted another person in breach of any laws or regulations, business rules or codes of conduct, whether in Pakistan or elsewhere;
- (t) I confirm that I am not or have not been unable to fulfil any of my financial obligations, whether in Pakistan or elsewhere;
- (u) I confirm that I am not subject to a judgment debt which is unsatisfied, either in whole or in part, whether in Pakistan or elsewhere.

Deponent

Solemnly affirmed before me on this _____ day of _____ at _____ by the Deponent above named who is identified to me by _____, Advocate, who is known to me personally.

Signature _____
(Name and Seal)

Chapter 2. Products Approval and Disclosure

2.1. PRODUCT INFORMATION ON WEBSITES⁸

- 2.1.1. It has been observed that many insurance policyholders do not have the requisite information about the policies before and after they sign off the proposal forms. The lack of information about the product causes a number of difficulties for policyholders in case they want to renew, or surrender their contracts, take loans thereupon, approach for claims or maturity etc.
- 2.1.2. Therefore, the managements of all the insurance companies are hereby advised to exhibit the necessary information regarding all their products on the company websites in an easy-to-follow manner and in both the English and Urdu languages.
- 2.1.3. The information material, in case of life insurance products, should include the benefit structure of the products, death benefit, surrender cash values and maturity value, plan terms, eligible ages and claim filing instructions etc.
- 2.1.4. The information material related to claim/grievance handling mechanism/procedure in detail.
- 2.1.5. All the required material should be readily exhibited on the websites by 15 January, 2012 and this must get a priority focus of the managements.

2.2. PRODUCT PUBLICITY INFORMATION⁹

- 2.2.1. It has been observed that some life insurance companies in the publicity ads given in the newspapers, websites, posters, leaflets etc., regarding their products, mention the name of SECP and its logo in the advertisement content.
- 2.2.2. The managements of all life insurance companies are hereby advised to refrain from using the name and logo of SECP in their publicity ads for their insurance products.
- 2.2.3. It is further clarified that the advices contained above shall supersede the relevant contents of November-2005 circular. Hence, the then mandatory tagline “the ABC Company is registered and supervised by the Securities and Exchange Commission of Pakistan” shall not be included now in any ads, papers, and documents including those filed for the product approval.¹⁰

⁸ SECP Circular No. 18 of 2011 dated 30th December, 2011

⁹ SECP Circular No. 03 of 2012 dated 19th January, 2012

¹⁰ Clarification email dated February 13, 2012 on Circular 3 of 2012

2.3. LIFE INSURANCE PRODUCT SUBMISSION REQUIREMENTS¹¹

The Securities and Exchange Commission of Pakistan hereby gives the following directive to all registered life insurers under the Insurance Ordinance, 2000:

- 2.3.1. Whereas section 6(8) of the Insurance Ordinance 2000 (the Ordinance) describes the requirements to be submitted by a life insurer intending to carry on life insurance business. The Commission is pleased to notify detailed product submission requirements after considering a holistic view of Section 6(8) and section 13 of the Ordinance, Rule 26(1)(a) of the Takaful Rules, 2012, the Guidelines for Bancassurance — 2010 and the Guidelines for Life Insurance and Family Takaful Illustrations — 2009 and Circular No. 6 of 2006 as amended by Circular No. 7 of 2011 on Maximum Management Expense Limits for Life Insurers.
- 2.3.2. **Application:** This Directive is applicable to all life insurers (including family takaful operators) offering individual life (including health) insurance products whether in conventional bundled non-linked form or as investment contracts (i.e. unit linked and universal life) through any distribution channel. This Directive is also applicable to group life (including health) insurance products.
- 2.3.3. **Submission Requirements:** A life insurer is required to submit the documents as per Annexure 1 on the following instances:
- (a) Introduction of new products or riders / supplementary benefits;¹²
- 2.3.4. **Group Life Business:** A specific risk such as death due to any cause, critical illness, or hospitalization expenses reimbursements etc. shall be considered to be a product for the purpose of this Directive. It is clarified here that the offering of a particular risk to different corporate clients through the same master policy document shall not be considered a different product even if a different marketing name is used.
- 2.3.5. **Allotment of Unique Product / Rider Registration Number:** After carrying out the due evaluation of the documents submitted, the Commission shall allot a unique product / rider registration number which shall be used in all future correspondence with the Commission. If a same product is offered through different distribution channels (or through different banks) with a different brand name, the unique product registration number shall be different for each brand name.
- 2.3.6. **Withdrawal of a Product / Rider:** An insurer may withdraw an existing product/ rider from the market after informing the Commission the reasons of withdrawal, within 14 days from the date of such withdrawal.
- 2.3.7. **Timeframe for Product Registration:** The Commission shall communicate to the insurer that the product has been registered or not, as the case may be, within 30 days of receipt of an application for product submission. However, if an insurer does not receive any query from the Commission within

¹¹ S.R.O 968(I) of 2013 dated 6th November, 2013

¹² S.R.O 234 (I) of 2020 dated 18th March, 2020

30 days since the date of submission of the product, it shall be permissible for the insurer to market the product. If the Commission sends notice to the applicant before the expiry of thirty days, the period of thirty days shall be extended unless the Commission explicitly communicates its clearance. If the application for product submission is not complete then, it shall not be treated as received until the insurer completes the application from all aspects.

- 2.3.8. **Post-Registration Implementation Certificate:** After getting the product registered with the Commission but before the commencement of selling the Product, a life insurer is required to submit a post-registration implementation certificate that the Product has been implemented on. the administrative systems of the insurer in accordance with the documents submitted to the Commission. Such a certificate shall be signed by the appointed actuary of the insurer.
- 2.3.9. **Effective Date:** This Directive became effective from December 1, 2013. All life insurers (including family takaful operators) are required to submit their products in accordance with this Directive.

Life Insurance Product Submission Requirements

Description	Conventional Products Non-Linked	Investment Products (Unit Linked & Universal Life)
(A) Statement of Rates	(A1) Premium rates, basis, and methodology	(A2) Schedule of mortality (morbidity) rates, basis and methodology (A3) Description of other charges in terms of: (i) Type (i.e. Front-end / Back-end/ Recurring); (ii) Basis for determination (iii) Scale / Rate; (iv) Frequency; (v) Basis for increase
(B) Statement of Advantages	(B1) Description of built-in riders /supplementary benefits	
	(B2) Description of optional riders /supplementary benefits attached with the product	
	(B3) Description of death (or any other main) benefit design including any death benefit deferral period	
	(B4) Description of surrender value	
	(B5) Description of maturity benefits	
	(B6) A sample illustration as per Illustration Guidelines 2009	
(B) Statement of Advantages	(B7) Bonus distribution (including planned rates of reversionary & terminal bonuses)	(B8) Yearly schedule of proportion of premium allocated to policyholders' investment or unit account
		(B9) Loyalty rewards/ bonus allocation / maturity bonus and the accounting policy to recognize the resulting liability
		(B10) Surplus distribution mechanism for Takaful products
	(B11) Policy loan, interest rate and repayment	(B12) Description of partial withdrawal eligibility, limits, charges and any consequent impact on death benefit
(C) Statement of Terms and Conditions	(C1) Statutory Fund to which the policies under the product shall be referable	
	(C2) Life assured person(s) (i.e. single life or joint life, or blanket cover for family etc.)	
	(C3) Type of coverage (death due to any cause, critical illness etc.)	
	(C4) The basis on which surrender value is determined	
	(C5) Minimum and maximum age at entry, term, premium and maximum maturity age	
	(C6) Automatic non-forfeiture options	
	(C7) Settlement options for claim, surrender, maturity proceeds (e.g. annuity option)	
	(C8) Distribution channel(s), remuneration structure, incentives, distribution agreement, sales process	
	(C9) Minimum and maximum financial protection component	
	(C10) Indexation of sum cover and/or premium, indexation basis (simple or compound) and rate;	
	(C11) Any proposed deviation from standard underwriting approach and associated extra loading	
	(C12) Reinsurance arrangement applicable to the product (name of the reinsurer, applicable reinsurance treaty, risk retention-cession structure, any special terms negotiated with the reinsurer etc.)	
	(C13) Policy document to be attached	
(D) Statement of Appointed Actuary	C(14) Long term investment policy of the relevant statutory fund	(C15) Investments to which the policy is linked (including a description of any investment guarantees and/or other guarantees and the associated accounting policy to recognize the resulting liability)
		(C16) Frequency with which and basis by which the unit values are determined; and the values attributed to units at the time of purchase and sale.
		(C17) The basis on which expenses attributed to the policy are determined (for example at aggregate statutory fund level)
(E) Shariah Compliance Certificate	(E1) Only for family takaful operator as per Rule 26(1)(a) of the Takaful Rules, 2012);	

2.4. SIMPLIFIED SUBMISSION REQUIREMENTS¹³

The Securities and Exchange Commission of Pakistan, in addition to and to the extent explained hereunder in partial suppression of SRO 968(I)/2013 dated 6th November 2013, hereby issues the following simplified product submission requirements: -

2.4.1. The Commission had notified the directive for life insurance product submission requirements vide S.R.O 968(I)/2013 dated November 6th, 2013 after taking into account the holistic view of different primary as well as secondary legislations applicable on life insurers with respect to life insurance products.

2.4.2. It has been observed that most of the products/riders submitted to the Commission by life insurers/family takaful operators have standardized features, terms and conditions which are similar to existing products/riders of the insurers. Hence, with an aim to facilitate the insurance sector and to promote ease of doing business, it is imperative that simplified submission requirements for standardized products of life insurers be introduced.

2.4.3. Therefore, in exercise of the powers conferred by Section 40B read with clause (u) of subsection (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) and in partial suppression of S.R.O 968(I)/2013 to the extent of para 3(b) thereof, the Commission hereby provides the following simplification in the life insurance product submission requirements.

2.4.4. Simplified Submission Requirements for Standardized Products or Riders –

2.4.4.1. Where a life insurer intends to introduce a new product, the features of which are similar to its existing product and the life insurer believes on reasonable grounds that there exists reasonable certainty for the purpose of premium determination (i.e. pricing) of the product in terms of predictability or financial modeling of the intended risks to be covered by the product having regard to characteristics or demographics of the target market, distribution channel, intended volume, product mix and aggregate risk exposure of the company including reinsurance arrangement in respect of the new product, simplified submission requirements as per **Annexure 1** to this notification shall be followed.

2.4.4.2. Life insurers shall summarize and document its decision for classification of a product as standardized product against each parameter stated in 1.4.4.1 above, and shall submit this document duly signed by the appointed actuary to the Commission as per format specified under **Annexure 2**. However, whether a particular product or rider meets the criteria of standardized product, the decision of the Commission shall be final.

2.4.5. Simplified Submission Requirements for amendments in Existing Products or Riders–

Where revisions are made to features or structure of existing product or rider, a life insurer is only required to provide intimation of the revisions made, along with a statement containing rationale/

¹³ S.R.O 234 (I) of 2020 dated 18th March, 2020

justification against each revision. However, additional documents shall also be required in following instances:

- (a) In case the amendments involve revisions in the pricing or benefit structure of existing product, a statement from the appointed actuary shall also be submitted, certifying that the revised terms and conditions of the product are sound and workable (including a statement that the revised product satisfies the maximum management expense limits as prescribed under Circular No. 6 of 2006 or any modification thereof, wherever applicable)
- (b) In case revisions are made to existing takaful product, certificate from shariah advisor on shariah permissibility of the product shall be submitted.
- (c) In case revisions are made to the products distributed through banks or corporate insurance agents, addendum to the agency agreement signed with distribution partner incorporating the changes shall be submitted.

2.4.6. **Effective Date:** The requirement under this Notification became effective from April 1, 2020. For those products/riders that do not meet the criteria under Para 4, the requirements of S.R.O 968(I)/2013 dated November 6th, 2013 shall be applicable. All other requirements of the S.R.O 968(I)/2013 shall remain in force.

Simplified Submission Requirements for Standardized Products (Para 2.4.4.1)

1. Name of the new standardized product: _____;
2. Name of the similar existing product(s): _____;
3. Registration No. of existing product(s): _____;
4. Any deviation/difference from existing product as per below table:

Serial No.	Deviation Type	Existing Product	New Product
1	e.g. Allocation fee, entry age, policy wording etc.		
2			
3			
4 and so on			

5. Draft/ Signed Distribution agreement (if corporate insurance agent/bank is involved);
6. Certificate from Appointed Actuary on sound and workability of the product (including a statement that the product satisfies the maximum management expense limits prescribed by SECP, where applicable);
7. Summarized document signed by the Appointed Actuary as referred in Para 2.4.4.2 of this directive.
8. Certificate from Shariah Advisor on shariah permissibility of the product;
9. A Statement from principal officer of a life insurer, that all features, terms and conditions of the product other than the ones mentioned under Point 4 above are exactly similar to existing product.

Decision for Classification as a Standardized Product (Para 2.4.4.2)

The proposed product [Name], is similar to the existing product(s) named [Name(s)] having registration number(s) _____, and meets the criteria of standardized product as defined under Para 2.4.4.1 of this Notification for Life Insurance Product Submission Requirement, on the basis of following parameters:

S. No.	Parameter	Similarity (Yes/No)	Rationale for Classification
1	Premium Determination		
2	Target Market		
3	Distribution Channel		
4	Targeted Volume		
5	Product Mix		
6	Aggregate Risk Exposure		
7	Reinsurance Arrangement		
8	Any other parameter		

[Signed by Authorized Person of Life Insurer]

[Signed by Appointed Actuary]

2.5. MINIMUM FINANCIAL PROTECTION COMPONENT¹⁴

- 2.5.1. The Securities and Exchange Commission of Pakistan (SECP) hereby directs all the registered life insurers under the Insurance Ordinance, 2000 (XXXIX of 2000) to comply with the requirements contained in this directive in respect of such life insurance policies to which this directive applies with effect from 1st July, 2017.
- 2.5.2. The SECP through the Unit Linked Product and Fund Rules, 2015 notified vide S.R.O 343(1)/2015 dated April 22nd, 2015 and the Bancassurance Regulations, 2015 notified vide S.R.O 722(1)/2015 dated July 31st, 2015 had made minimum financial protection component a compulsory feature of all the unit linked products sold through any distribution channel and all regular/single premium life insurance products sold through the Bancassurance channel.
- 2.5.3. Henceforth, all life insurers/family takaful operators shall offer minimum financial protection component, as prescribed under the Unit Linked Products and Fund Rules, 2015 (as amended from time to time), in all their life insurance/family takaful products having savings component being distributed through any distribution channel or through direct selling of such products.
- 2.5.4. Every life insurer/family takaful operator was required to file with the Commission before 1st July, 2017 a written confirmation, signed by its Chief Executive Officer, mentioning that all the existing saving products of the life insurer/family takaful operator comply with the provisions of this directive.
- 2.5.5. Any failure on part of any insurer to comply with the above directions of the Securities and Exchange Commission of Pakistan is punishable under section 156 of the Insurance Ordinance, 2000.

2.6. LIFE INSURANCE POLICIES THROUGH WITHDRAWAL FROM RECOGNIZED PROVIDENT FUNDS¹⁵

- 2.6.1. Life Insurers in Pakistan have been selling insurance policies through withdrawals from the recognized provident funds since these withdrawals are permitted under the Income Tax Rules. The insurance policy is assigned to the trustees of the provident fund in such cases.
- 2.6.2. While marketing this kind of policies, the policyholder is generally given the illustration of only the proposed life insurance policy without any illustration of existing provident fund. Due to this, the policyholder is unable to compare the proposed life policy with his existing provident fund. This can deceive the policyholder, which is in contravention to section 76(1) of the Insurance Ordinance, 2000. The policyholder must be given a full picture so that he can take an informed decision.
- 2.6.3. It is therefore advised to all the Life Insurers that with effect from July 1, 2006 an illustration shall be given to the prospective policyholder, clearly comparing the proposed policy with the situation if the premiums are not withdrawn but left to accumulate in the provident fund. A copy of the illustration

¹⁴ S.R.O. 246(I) of 2017 dated 7th April, 2017.

¹⁵ SECP Circular No. 02 of 2006 dated 6th February, 2006

shall be delivered, by registered post, courier, or other method which provides proof of delivery, to the Trustees of the provident fund prior to completion of the policy sale. If the policy sale is completed, a copy of the illustration shall be placed on the policy file maintained by the insurer.

2.6.4. Further, in any policy year the annual premium shall not exceed the annual contributions to the provident fund from the employee plus the employer for that year.

2.6.5. The illustration shall be based on the following principles:

- (a) The illustration shall show how much the full gross premiums under the proposed policy, without any deduction for the life insurance or other component of the premiums, and without any other deductions whatsoever, would accumulate to if left in the provident fund. For this purpose, it shall be assumed that the Provident Fund would earn 8% per annum compound. This rate for the Provident Fund shall be used irrespective of whether the proposed policy is "investment-linked" or "conventional".
- (b) The results illustrated under the proposed policy shall be in accordance with the SECP's Circular No. 22 of 2005 on Market Conduct.
- (c) The durations illustrated shall be 1 to 10 years inclusive, followed by durations 15, 20 and so on at 5 yearly intervals, up to policy maturity.
- (d) In a clear and simple tabulation, the illustration shall compare the accumulation in the provident fund at each illustrated duration before policy maturity with the amount payable on surrender or encashment of the proposed policy at that duration, net of surrender and other charges. At policy maturity, the illustration shall compare the accumulation in the provident fund with the maturity proceeds of the proposed policy.
- (e) The illustration shall also compare the amount payable on death at the illustrated durations under the provident fund, with the amount payable on death under the proposed policy.
- (f) The illustration shall clearly mention that the values given are illustrated based on assumptions and actual values both under the proposed life insurance policy and the provident fund can be higher or lower than the illustrated values depending upon various factors such as actual rate of return, mortality experience and expenses.
- (g) A signed acknowledgment of the prospective policyholder shall be obtained on the illustration that he has received and understood the illustration and that he has not received any other verbal or written presentation which contradicts with the illustration.

2.6.6. In case such illustration is not made, this shall be taken as deceiving the policyholder according to section 76(1) of the Insurance Ordinance, 2000 and the policyholder shall be entitled to obtain compensation from the Insurer for any loss suffered in accordance with section 76(4) of the ordinance. Further, SECP can also levy fine in accordance with section 76(5) of the ordinance which can go up to Rs. 10 million.

- 2.6.7. The Life Insurers are advised to send the formats of the above-mentioned illustration to the SECP and incorporate any amendment advised by the SECP before start using them.
- 2.6.8. However, for policies which provide benefit only in case of death, disability or illness without any surrender value, maturity or survival benefits or other savings components whatsoever, proposed policies need not compare with the situation if the premiums are not withdrawn but left to accumulate in the provident fund.

2.7. DIRECTIVE FOR LIFE INSURANCE AND FAMILY TAKAFUL ILLUSTRATIONS, 2016¹⁶

The Securities and Exchange Commission of Pakistan hereby directs all the registered life insurers under the Insurance Ordinance, 2000 (XXXIX of 2000) to comply with the following requirements while issuing all the policies to be issued by them after 1st August, 2016.

- 2.7.1. This directive shall be called “Directive for Life Insurance and Family Takaful Illustrations, 2016”.
- 2.7.2. In this directive, the word ‘Takaful’ may be used interchangeably with the word ‘insurance’, ‘Family Takaful’ with ‘Life Insurance’, ‘contribution’ with ‘premium’, ‘insured’ with ‘policyholder’ and ‘Company’ and ‘Insurer’ with ‘Takaful Operator’. Similarly, other terms used in the Takaful Rules, 2012 associated with the Takaful business may be used interchangeably with their conventional counterpart words/terms.

2.7.3. Objectives

- 2.7.3.1. The objectives of this directive are to bring uniformity among insurers in presenting illustrative values, to make illustrations more understandable and to ensure that illustrations do not mislead purchasers of life insurance products.
- 2.7.3.2. The directive provides details of illustration format, prescribe standards to be followed when illustrations are used and specifies the disclosures that are required for illustrations.

2.7.4. Scope

- 2.7.4.1. This directive shall apply to the illustrations of individual life insurance products, which offer cash value on surrender and/or maturity of the policy, which include but not limited to the following:
- i) with profits endowment/ anticipated endowment plans;
 - ii) whole life plans;
 - iii) investment linked plans; and
 - iv) universal life plans.
- 2.7.4.2. For policies which are addressed in SECP Circular 2 of 2006, on Life Insurance Policies through

¹⁶ S.R.O 255(I) of 2016 dated 25th March, 2016

withdrawal from Recognized Provident Funds, this directive shall apply along with the additional requirements for such illustrations mentioned in the said circular. The comparison of the proposed policy's illustrative values with the situation if the premiums are not withdrawn but left to accumulate in the provident fund shall be presented on the first page of the illustration.

2.7.4.3. "Relevant Product" refers to all products to which this directive applies.

2.7.5. Submission of Products Illustrations

2.7.5.1. Every life insurer, to which this directive applies, shall file with Securities and Exchange Commission of Pakistan ("the Commission") illustrations in the prescribed format for each product. For new products, the illustration formats shall be included with the filing made under Section 6(8) and Section 13 of the Insurance Ordinance, 2000 and S.R.O. 968(I)/2013 dated 6th November 2013 on Life Insurance Product Submission Requirements circulated through Circular No. 21 of 2013.

2.7.5.2. For existing products, the illustration format were required to be filed with the Commission not later than 30th June 2016. The Appointed Actuary was required to certify that the illustrations for all existing products which have been filed with the Commission have been made in accordance with this directive.

2.7.6. Illustration to be given in both English and Urdu languages

With effect from August 1st, 2016 all insurers are required to provide "illustration" in both English and Urdu languages to the prospective policyholder which should be comprehensively explained to the prospect. The detailed formats of both English and Urdu Illustration Reports are attached as Annexure A and Annexure B. In respect of illustration reports in Urdu language, insurers can refine the terms in Urdu contained therein, without compromising on the intent of the term(s) and the minimum content of the illustration report.

2.7.7. General Provisions regarding Illustration Report

2.7.7.1. An insurer shall provide the "Illustration Reports" for each Relevant Product to its potential customer. The Illustration Reports shall follow the format and principles described hereinafter.

2.7.7.2. The Illustration Report shall be printed on at least A4 size paper. The font size for printed matter shall not be less than size 8.

2.7.7.3. The Illustration Report shall be divided into following distinct parts:

- (i) Heading
- (ii) Basic Details
- (iii) Coverage Details
- (iv) Illustration table
- (v) Notes
- (vi) Declarations
- (vii) Footer

2.7.7.4. The details for each part shall be, as follows:

- (i). **Heading** shall constitute:
 - (a) Name of Insurer, with trademark logo.
 - (b) “Illustration of Benefits for” followed by name of plan.
 - (c) “Prepared for” followed by name of the prospective life assured. In case of joint life cases, the name of second life shall also be mentioned.
- (ii). **Basic Details** shall at a minimum include:
 - (a) Heading as “Basic Details”.
 - (b) Name of life assured followed by date of birth and/or age. For joint life case, the name and date of birth/age of the second life shall also be mentioned.
 - (c) “Expected commencement date” of the policy.
 - (d) Unique Proposal Number, Policy Number or Reference Number, whichever is in line with the insurer’s record keeping criteria.
- (iii). **Coverage Details** shall provide the details of the basic plan and supplementary riders with a flow of information as follows:
 - (a) Currency of the plan.
 - (b) Mode of premium payment: Yearly/ Half yearly/ Quarterly/Monthly/Single.
 - (c) Level / Indexed Basis; if the illustration is being prepared on Indexed basis, then the indexation mechanism shall also be mentioned. i.e. simple or compound.
 - (d) Name of Plan, followed by sum assured, coverage term, premium payment term if different from coverage term, and premium.
 - (e) If supplementary riders are attached on the plan, the same information shall be shown for all supplementary riders.
 - (f) The premium for the main plan and all supplementary riders shall be totaled in the last row of this part.
 - (g) The initial Medical Requirements (optional).
- (iv). **Illustration Table** shall give illustrative values of the expected benefits under the plan for the duration of the policy, which shall include:
 - (a) The heading of the section shall be “Illustrative Values.
 - (b) The first column of the table shall be labeled “Policy year”. The first 10 policy years shall be shown followed by policy years at intervals of 5 years. The last year in this column shall be the last policy year of the plan. For whole life contracts, the illustrative values shall be shown up to age 70 years of the life assured or minimum of 10 years, whichever is later, and the last policy year shall be determined accordingly.

- (c) The second column of the table shall show the cumulative amount of assumed basic plan premium payments on which the illustrated benefits and values are based. This amount shall be identified as “Cumulative Main Plan Premium Paid”. However, for indexed policies an additional column should be added before Cumulative Premium column with the heading of “Premium for the year”. The same may be added for non-indexed policies.
- (d) The third, fourth and fifth columns shall each comprise of two sub-columns mentioning the “Main Plan Death Benefit” and the amount payable upon surrender of the policy, which shall be identified as “Cash Value” or “Surrender Value” based on the terminology normally used by the insurer for such an amount in its policy documents. These values shall be net of all charges, policy loans and policy loan interest, as applicable. The values shall be shown at three different scenarios as prescribed by the Commission. Each column’s label shall mention the rate of return assumption for each scenario. For plans where no lump sum death benefit is paid on death, the sub column “Main Plan Death Benefit” may be excluded; however, this feature of the plan shall be explained in the notes.
- (e) For plans where the “Main Plan Death Benefit” is paid on death and is not linked to the surrender or cash value of the policy, the “Main Plan Death Benefit” may be mentioned as a separate column independent of the third, fourth and fifth columns mentioned in 2.7.7.4(iv)(d). In such as case, this new column shall be the third column after 2.7.7.4(iv)(c), and columns mentioned in 2.7.7.4(iv)(d) shall be subsequently renumbered. The “Main Plan Death Benefit” then does not need to be shown in these subsequent columns.
- (v). **Notes** shall cover disclosures of the following items:
 - (a) Unit allocation percentage table for Investment Linked contracts.
 - (b) A compulsory description, preferably in a tabular format, of all explicit charges made to the policy such as back end, Bid/Offer spread, Fund Investment Management Charge, administration charge, policy fee etc. All expense charges shall be clearly listed.
 - (c) In cases where mortality charges are deducted on attained age basis and vary every policy year, a note shall be added mentioning this fact. It is not necessary to show the actual mortality charge rates in the notes for any or all policy years.
 - (d) Administrative Charge (at whichever frequency charged) shall be shown at the current starting level. If the charge can be increased in future, the future years’ Administrative Charge to be used in calculation of values under 2.7.7.4(iv)(d) shall be increased at the average rate at which the insurer has increased its Administrative Charges in the last 5 calendar years. The basis used for increase in Administrative Charges, for illustration purposes, shall be mentioned in the notes.

- (e) If charges can be changed in future at the discretion of the insurer then this fact should be explicitly mentioned.
- (f) Summarized description of additional benefit riders selected by the policyholder and as mentioned under 2.7.7.4(iii) shall be given.
- (g) For investment linked plans, where the supplementary riders' premium is paid by deduction of units, a note shall explain the difference between the total premium of the main plan as mentioned in 2.7.7.4(iii) and the premium used in calculating the "Cumulative Main Plan Premium Paid" in 2.7.7.4(iv)(c).
- (h) A note mentioning that the rate of return assumption under the three scenarios is before deduction of the Fund Investment Management charges.
- (i) If a policy offers premium top up option to policy holders, the insurer may, at its discretion, include this feature in the illustration report. The amount of assumed top up premium to be paid by the policy holder in any policy year and the resulting impact on the values mentioned in 2.7.7.4(iv)(e) shall be disclosed in a separate detailed note in a tabular format. This provision of the directive, however, does not make it compulsory for the insurer to show details of the premium top up option in the Illustration Report.
- (j) A note mentioning that the Illustration Report does not take into account partial withdrawals.
- (k) For with profits policies, a note mentioning that the Illustrative Values are cumulative of the cash value of the sum assured and cash value of projected reversionary bonuses, and that the maturity value includes the projected Terminal Bonus, if any.
- (l) For with profits policies, a note mentioning the rate of reversionary bonus and terminal bonus used in projecting future cash values.
- (m) For with profits anticipated endowment contracts, the percentage of main plan sum assured payout at various intervals during the policy term shall be mentioned.
- (n) Note that the cash values are based on assumptions and the actual results may be more or less favourable.
- (o) For investment linked policies, name of the unit fund, or funds in case multiple funds are offered on the policy.
- (p) A notice to the effect that the illustration provided is the approved illustration format of the insurer and any other illustration, verbal or written which contradicts with the illustration shall not be given any consideration and should be reported to the insurer.

(vi). **Declarations** shall cover Declarations by the sales representative and the policyholder, which shall be given on the last page of the illustration report.

- (a) Declaration by sales representative shall at least include the following text:
- (b) *"I confirm that I have not made any verbal, written or electronic presentation which is in contradiction to this illustration. I also confirm that I have not misled or deceived the prospective client in any way. In case of any misconduct on my part, the Insurer and I shall be responsible for any loss to the policyholder, in such circumstances, the Commission shall have the authority to take any action in light of the Insurance Ordinance 2000"*
- (c) The declaration shall be concluded by the name, code, designation, signature of the Sales Representative, and the date on which the Illustration Report was signed.
- (d) Declaration by client shall at least include the following text:
- (e) *"I have studied the above illustration and notes carefully and understood them fully. I also confirm that no other illustration verbal, written or electronic in contradiction to this illustration has been given to me."*
- (f) The declaration shall be concluded by the name, CNIC Number, address and signature of the Client, and the date on which the Illustration report was signed.
- (g) If the Illustration Report comprises more than one page, each page shall have the name and signature of the Sales Representative and the Client and the date on which the Illustration Report was signed; except the last page where the contact details and address should also be mentioned.

(vii). **Footer** shall include that:

- (a) Each Illustration Report to have a paragraph at the end of each page separated from the main part of the report.
- (b) This paragraph shall include the version number of the Illustration Report on each page. Pages shall be numbered in a manner to show their relationship to the total number of pages in the illustration (*e.g.*, the second page of a three page illustration shall be labeled "Page 2 of 3 pages").
- (c) The date on which the Illustration Report is prepared.

2.7.8. Illustrative Values

2.7.8.1. For Unit Linked and Universal Life type policies

(i) **Determination of scenarios for Illustrative Values:**

- (a) An insurer shall follow the three scenarios for nominal unit growth rates/investment returns and inflation adjusted unit growth rates/investment returns as prescribed by the Commission after consultation with the Pakistan Society of Actuaries. The yield on a latest issue of 10 year Pakistan Investment Bond and change in Consumer Price Index (CPI) may be taken as a guiding benchmark by the Pakistan Society of Actuaries while recommending the three scenarios. The same scenarios shall also apply on unit linked Takaful plans.
- (b) The prescribed three scenarios for the nominal unit growth rates/investment returns and inflation adjusted unit growth rates/investment returns shall be gross of fund investment management charges.

(ii) **Calculation methodology for Illustrated Values:**

- (a) Life insurers are required to project the cash flows at gross rate of return and then deduct investment management and all other charges for determining projected policy benefits. The cash values under the three scenarios for the nominal unit growth rates/investment returns and inflation adjusted unit growth rates/investment returns shall be calculated by accumulating the premiums at the three rate of return assumptions after taking into account all policy charges which include administration charges, mortality, morbidity, bid offer spread, supplementary rider premium charges, premium loads or any other charges which are deducted from the main plan premium, account or fund before the calculation of the cash value.
- (b) An insurer is required to present/ illustrate Inflation adjusted Illustrative values in addition to nominal values for the maturity year only of the policy under Illustration Report as per prescribed format. The purpose of presenting Inflation adjusted illustrative values is to enable the client to understand the impact of inflation on the policy's maturity values and to take rational decision about the target maturity values requirement of the policy on inflation adjusted basis.
- (c) If Administrative Charges can be increased in future, the future years' Administrative Charge to be used in calculation of values under 2.7.7.4(iv)(e) shall be increased at the average rate at which the insurer has increased its Administrative Charges in the last 5 calendar years. An insurer with less than 5 years of experience in individual life business should mention the basis they are assuming.
- (d) The same nominal unit growth rates/investment returns and inflation adjusted unit growth rates/investment return assumptions shall be used regardless of whether the insurer has a single or multiple investment linked funds available for the policy.

2.7.8.2. For participating policies such as with profits endowment and whole life type plans

(i) **Determination of scenarios for Illustrative Values:**

- (a) For with profits endowment policies, all bonuses to be used for illustrating cash values shall be calculated by carrying out a bonus sustainability analysis for each of the three scenarios' rate of return assumptions (as determined in 2.7.11.1). Other experience factors such as mortality, morbidity, expenses, lapses shall be the same for all the scenarios and shall be based on the current credible experience of the insurer. When suitable data are lacking, experience factors may be derived in a reasonable and appropriate manner from actual experience and past trends in experience of other similar classes of business either in the same insurer, of other insurer, or from other sources, generally in that order of preference. This analysis shall also take into account insurer's surplus distribution philosophy.
- (b) An insurer shall follow the three scenarios for nominal investment returns for life fund and inflation adjusted investment returns as prescribed by the Commission after consultation with the Pakistan Society of Actuaries. The yield on a latest issue of 10 year Pakistan Investment Bond and change in Consumer Price Index (CPI) may be taken as a guiding benchmark by the Pakistan Society of Actuaries while recommending the three scenarios. The same scenarios shall also apply on non-linked individual family Takaful plans.
- (c) The expenses used for determining the bonus rates on participating policies shall not exceed the limits prescribed by the Commission in its circular dated 28th April 2006 including any modifications thereof.
- (d) Per policy expense assumption shall be increased with the effect of expected rate of inflation.
- (e) The bonus sustainability analysis shall be certified by the Appointed Actuary and the certificate shall be submitted to the Commission keeping in view the timeline mentioned in 2.7.11.1 below.

(ii) **Calculation methodology for Illustrated Values:**

- (a) An insurer is required to project the cash flows at gross rate of return and then deduct all the charges for determining projected policy benefits. The cash values under the three scenarios shall be the cumulative cash values for the main plan sum assured and reversionary bonuses. If a terminal bonus of any type has been projected in the bonus sustainability analysis, the amount of the terminal bonus shall also be added in the final maturity value.
- (b) An insurer is required to present/ illustrate Inflation adjusted Illustrative values in addition to nominal values for the maturity year only of the policy under Illustration Report as per prescribed format. The purpose of presenting Inflation adjusted illustrative values is to enable the client to understand the impact of inflation on the policy's maturity values and to take rational decision about the target maturity values requirement of the policy on inflation adjusted basis.

- (c) For anticipated endowment contracts, the cash value under the three scenarios shall be net of the regular anticipated payments under the policies. Details of the anticipated payments in the relevant policy years shall be mentioned in the notes.

2.7.9. Historical Performance

2.7.9.1. An insurer shall state the historical returns of all their funds for at least last 5 years in tabular form, along with the Illustration. The detailed format of Historical Format is attached as Annexure C.

2.7.9.2. The historical returns shall be stated on yearly basis as well as on average return basis since inception of the fund.

2.7.10. Point of Sale Rule

2.7.10.1. Each proposal form submitted to the insurer shall be accompanied by the Illustration Report. The Illustration Report shall be consistent with the plan, supplementary riders and other parameters mentioned in the proposal form. The insurer shall not process the proposal unless a valid illustration signed by the sales representative and the policyholder is attached to it.

2.7.10.2. For the purposes of a clause 2.7.10.1 above, thumb impression of the policyholder on the illustration report and in the case of web sales, acceptance of the policyholder on a secure web-based "I agree" or "I accept" button shall be considered as duly signed by the policyholder.

2.7.10.3. The insurer shall send a copy of the Illustration Report with the policy document to the policyholder at the time of issuing the policy.

2.7.10.4. The original signed Illustration Report shall be retained by the insurer in its record.

2.7.11. Growth Rate Scenarios

2.7.11.1. Every year, before 15 December, Pakistan Society of Actuaries shall give its recommendations to the Commission for the three scenarios' nominal rate of returns assumptions and inflation adjusted rate of returns assumptions to be applicable from 1st January of the next year. The Commission shall circulate the details to all life insurers no later than 31 December of that year. In case the rate of return assumptions are changed in any year, the Commission shall give one month period up to January 31st to the insurers to modify the Illustration Reports and make them available to their distribution channels.

2.7.11.2. In circumstances which may require a more frequent review of the rate of return assumptions, the Pakistan Society of Actuaries may advise the Commission as and when required. The Commission may decide at its discretion if it intends to prescribe the revised rate of return assumption for the insurers more than once in a calendar year.

2.7.12. Offences and Penalties

Any failure on part of any insurer to comply with the above directions of the Securities and Exchange Commission of Pakistan is punishable under section 156 of the Insurance Ordinance, 2000.

2.7.13. Repeal

The “Guidelines for Life Insurance and Family Takaful Illustrations, 2009” are hereby repealed with effect from July 31st, 2016.

[Name of Insurer with trademark logo]
Illustration of Benefits for [name of plan]
Prepared for [name of prospective life assured]

Basic Details:

[Name of life Assured], [Date of Birth or age], [Expected Commencement Date], [Proposal/policy reference number]

Coverage Details:

[Currency of plan],	[Mode of premium payment],	[Level/indexed Basis - Simple/Compound]
[Name of Plan],	[Sum Assured],	[Premium Paying Term, if different], [Premium]
[Name of Supplementary Rider],	[Sum Assured], [Coverage Term],	[Premium Paying Term, if different], [Premium]
		Total Premium

Illustrative Values:

Policy Year	Cumulative Main Plan Premium Paid	[a]% unit growth rate / rate of return		[b]% unit growth rate / rate of return		[c]% unit growth rate / rate of return	
		Main Plan Death Benefit	Cash / Surrender Value	Main Plan Death Benefit	Cash / Surrender Value	Main Plan Death Benefit	Cash / Surrender Value
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
15							
20							
and so on							
Maturity year							
Policy Year	Inflation adjusted Cumulative Main Plan Premium Paid	Inflation adjusted unit growth rate / rate of return		Inflation adjusted unit growth rate / rate of return		Inflation adjusted unit growth rate / rate of return	
Maturity year							

{where [a], [b] and [c] are the prescribed rates under three scenario}

Notes:

- {for unit linked plans} [allocation percentage table by policy year]
- [Details of all charges on the policy, preferably in a tabular format]
- An age based mortality charge applies for the life insurance risk each year and is dependent on the sum at risk. No charge applies in years where there is no sum at risk.
- Administrative Charge: (Administrative Charge at current level)
For determining the illustrative values mentioned above, the Administration Charge is increased every year by []% which is the average rate at which the Company has increased its Administrative Charge in the last five years.
- All charges mentioned in the above notes are reviewable at the discretion of the Company.
- [Brief note on each supplementary rider and its benefits]
- [If Main Plan Death Benefit is not payable as a lump sum on death, give details of the death benefit feature]
- The "Cumulative Main Plan Premium Paid", mentioned in the table above, is net of the supplementary rider premium charges which are deducted from the total main plan premium as mentioned in the "Coverage Details" section. {specially for with profits plans} The Illustrative Values shown above include the cash values for the main plan sum assured and the cash value of projected reversionary bonuses. The maturity value includes the amount of projected Terminal Bonus.
- {specially for with profits anticipated endowments plans} The plan provides for payment of []% of the main plan sum assured every [] policy years. The values shown in the table above are net of the anticipated payouts. The details of anticipated payouts are as follows:

Policy Year	Amount of Anticipated Payment
{only mention policy years in which anticipated payment is due}	

- {specially for with profits anticipated endowment plans} The Cash/Surrender Values shown in the table above show a decrease in policy years [mention all policy years in which anticipated payments are due] due to the anticipated payments mentioned in the note above

Signature of Client

Name of Client: _____

Date: _____

Signature of Sales Representative

Name of Sales Representative: _____

Date: _____

Illustration Version No: []

[Date on which Illustration Report is prepared]

Page [current page no.] of [total] pages

- *{In case policy loan is selected} The illustrated values above are net of policy loan of [mention amount of policy loan] and interest at a rate of [mention rate of interest] %.*
{If a company intends to show the impact of top up premiums, the following note may be added}
- *The plan has an option to pay top up premiums. The top up premium payments are as follows:*

Policy Year {only mention policy years in which top up premiums are aid	Amount of top up premium
2017	1000
2018	1000
2019	1000
2020	1000
2021	1000
2022	1000
2023	1000
2024	1000
2025	1000
2026	1000
2027	1000
2028	1000
2029	1000
2030	1000
2031	1000
2032	1000
2033	1000
2034	1000
2035	1000
2036	1000
2037	1000
2038	1000
2039	1000
2040	1000
2041	1000
2042	1000
2043	1000
2044	1000
2045	1000
2046	1000
2047	1000
2048	1000
2049	1000
2050	1000
2051	1000
2052	1000
2053	1000
2054	1000
2055	1000
2056	1000
2057	1000
2058	1000
2059	1000
2060	1000
2061	1000
2062	1000
2063	1000
2064	1000
2065	1000
2066	1000
2067	1000
2068	1000
2069	1000
2070	1000
2071	1000
2072	1000
2073	1000
2074	1000
2075	1000
2076	1000
2077	1000
2078	1000
2079	1000
2080	1000
2081	1000
2082	1000
2083	1000
2084	1000
2085	1000
2086	1000
2087	1000
2088	1000
2089	1000
2090	1000
2091	1000
2092	1000
2093	1000
2094	1000
2095	1000
2096	1000
2097	1000
2098	1000
2099	1000
2100	1000

Total Illustrative Values after including the top up premiums as follows:

Policy Year	Cumulative Top up Premium Paid	[a]% unit growth rate / rate of return		[b]% unit growth rate / rate of return		[c]% unit growth rate / rate of return	
		Top up Premium Cash/ Surrender Value	Regular Premium plus Top up Premium Cash / Surrender Value	Top up Premium Cash/ Surrender Value	Regular Premium plus Top up Premium Cash / Surrender Value	Top up Premium Cash/ Surrender Value	Regular Premium plus Top up Premium Cash / Surrender Value
5							
10							
15							
20							
and so on							
Maturity Year							
Policy Year	Inflation adjusted Cumulative Top up Premium Paid	Inflation adjusted [x]% unit growth rate / rate of return		Inflation adjusted unit growth rate / rate of return		Inflation adjusted [z]% unit growth rate / rate of return	
Maturity Year							

- The Illustrative Values above do not take into account any partial surrenders.
- The unit growth rates / rate of return assumptions mentioned in the table(s) above are before deduction of the Fund Investment Management charges. These charges have been deducted from the unit growth rates / rate of return assumptions prior to determining the Illustrative Values in the table(s) above.
- {for with profits plans} The bonuses used in determination of the total Cash/Surrender Values in the table above assume that in future the Company will declare a reversionary bonus of [1% of the Sum Assured per year and a terminal bonus of [1% of the Sum Assured % per year.
- The Cash/Surrender Values given above are based on assumptions. The actual values can be higher or lower than the ones illustrated above depending upon the performance of the underlying investments of the Company.
- {for with profits plans} The Cash/Surrender Values given above are based on assumptions. The actual values can be higher or lower than the ones illustrated above depending upon the performance of the underlying investments, expense and mortality experience of the Company
- {For unit linked plans} The underlying investments of the plan are in [name of unit fund(s)]
- Cash/Surrender Values given above are net of all charges.
- This is an approved illustration of the Company. Any other illustration which contradicts this illustration should not be given any consideration and should be reported to the Company.

Declarations:

Declaration by Sales Representative:

I confirm that I have not made any verbal, written or electronic presentation which is in contradiction to this illustration. I also confirm that I have not misled or deceived the prospective client in any way. In case of any misconduct on my part, the Company and I shall be responsible for any loss to the prospective client, in such circumstances, SECP shall have the authority to take any action in light of the Insurance Ordinance 2000

Designation:

Declaration by Client:

I have studied the above illustration and notes carefully and understood them fully. I also confirm that no other illustration verbal, written or electronic in contradiction to this illustration has been given to me.

Signature: _____ Date: _____

Illustration Version No: []

[Date on which Illustration

[Date on which illustration report is prepared]

Page [current page no.] of [total] pages

پالیسی کا سال		بنیادی پلان کا مکمل ادا شدہ پریمیم		1% شرح منافع ایونٹ کی شرح نمو		1% شرح منافع ایونٹ کی شرح نمو		1% شرح منافع ایونٹ کی شرح نمو	
1	2	3	4	5	6	7	8	9	10
1	2	3	4	5	6	7	8	9	10
11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50
51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70
71	72	73	74	75	76	77	78	79	80
81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100

- [illegible]

توضیحات: (در صورتی که نام)	نام و نام خانوادگی
	(در صورتی که نام خانوادگی نام)

- (الخصوص ان تو قہائی اور مصیبت چلانے کیلئے جہاں "شرع متافع" (مصلحت کی خاطر) منہ ہوا، اچھا دہل کی نقد و تہیہ واری مالیت [ان سالوں میں میں تو قہائی اور ایسی ہوگی] سال کی تو قہائی اور التکلیف کے بعد کی مالیت کو ظاہر کر چکا ہے۔
- دعوتی بیروار _____ بیروار کا نام _____ ہمارے _____
- دعوتی بیروار کا نام _____ بیروار کا نام _____ ہمارے _____

تفصیح نمبر []
[کل] صفحوں کا [صفحہ نمبر کا نمبر] صفحہ

[تفصیل رپورٹ کی کتاب کی تاریخ]

- اگر قرض کی سہولت حاصل کی گئی ہے {مندرجہ بالا تصریحی فوائد [قرض کی مالیت] قرض جو [شرح سود] % شرح سود پر دیا جائیگا کے اثرات کو ظاہر کرتے ہیں۔
- اگر کمپنی چاہتی ہے کہ اضافی اختیاری یک مشت پر بیمہ کے اثرات کو ظاہر کرے، تو مندرجہ ذیل نوٹ کا اضافہ کر سکتی ہے {اس پلان کے تحت بیمہ کا اضافی اختیاری پر بیمہ ادا کر سکتا ہے۔ اضافی اختیاری پر بیمہ کی تفصیل یہ ہے۔

اضافی اختیاری پر بیمہ کی رقم	توقعاتی ادائیگی کی رقم
صرف اُن سالوں کا تذکرہ ہو جن سالوں میں اضافی اختیاری پر بیمہ ادا کیا جائیگا۔	

مجموعی تصریح مالیت کی تفصیل اضافی اختیاری پر بیمہ سمیت/ کے ساتھ شامل کر کے یہ ہے۔

پالیسی کا سال	مجموعی ادا شدہ اضافی اختیاری پر بیمہ	% [شرح منافع / یونٹ کی شرح نمو	% [شرح منافع / یونٹ کی شرح نمو	% [شرح منافع / یونٹ کی شرح نمو	% [شرح منافع / یونٹ کی شرح نمو
		اضافی اختیاری پر بیمہ کی نقد / دستبرداری مالیت	اضافی اختیاری پر بیمہ کی نقد / دستبرداری مالیت	اضافی اختیاری اور باقاعدہ پر بیمہ کی نقد / دستبرداری مالیت	اضافی اختیاری اور باقاعدہ پر بیمہ کی نقد / دستبرداری مالیت
5					
10					
15					
20					
بہ مندرجہ بالا ترتیب					
آخری سال / اختتامی سال					
پالیسی کا سال	مجموعی ادا شدہ اضافی اختیاری پر بیمہ	% [شرح منافع / یونٹ کی شرح نمو	% [شرح منافع / یونٹ کی شرح نمو	% [شرح منافع / یونٹ کی شرح نمو	% [شرح منافع / یونٹ کی شرح نمو
		افراط زر منہا کر کے	افراط زر منہا کر کے	افراط زر منہا کر کے	افراط زر منہا کر کے
آخری سال / اختتامی سال					

- اوپر دی گئی تصریحی مالیت کسی بھی قسم کی جزوی دستبرداری کو ظاہر نہیں کرتی۔
- مندرجہ بالا جدول میں لکھی ہوئی یونٹ کی فرضی شرح نمو / منافع میں کسی قسم کا سرمایہ داری چارج شامل نہیں۔ ان جدول میں درج تصریح مالیت کا تعین کرنے کے لیے سرمایہ داری چارج کو فرضی شرح نمو / منافع سے منہا کیا گیا ہے۔
- اُن پلانز کے لیے جہاں شرح منافع مختص کیا جاتا ہے۔ اوپر جدول میں دی گئی نقد / دستبرداری مالیت اس مفروضہ پر مبنی ہے کہ کمپنی مستقبل میں ہر سال زیر بیمہ کے [% واجب الادا بونس اور [% اقطاعی بونس کا اعلان کرے گی۔
- مندرجہ بالا نقد / دستبرداری مالیت فرضی ہے۔ اصل مالیت اس سے زیادہ یا کم ہو سکتی ہے۔ اس کا دار و مدار کمپنی کی سرمایہ کاری پر منحصر ہے۔
- اُن پلانز کے لیے جہاں شرح منافع مختص کیا جاتا ہو مندرجہ بالا نقد / دستبرداری / دستبرداری مالیت فرضی ہے {اصل مالیت اس سے زیادہ یا کم ہو سکتی ہے۔ اس کا دار و مدار کمپنی کی سرمایہ کاری اخراجات اور اسوات کے تجربہ پر مبنی ہے۔
- اُن پلانز کے لئے جو یونٹ سے مربوط ہوں {اس پلان کی سرمایہ کاری [یونٹ فنڈ (ز) کا نام] میں کی گئی ہے۔
- اوپر دی گئی نقد / دستبرداری مالیت تمام چارجز منہا کرنے کے بعد حاصل کی گئی ہیں۔
- یہ کمپنی کی منظور شدہ تصریح ہے اور کوئی تصریح جو اس تصریح سے مطابقت نہ رکھتی ہو قابل توجہ نہیں ہے اور اس کی اطلاع کمپنی کو کی جانی چاہیے۔

تصدیق نامہ

تصدیق بیمہ نمائندہ

میں تصدیق کرتا/کرتی ہوں کہ میں نے اس تصریح سے متضاد کوئی زبانی / تحریری یا برقی بیان / رائے نہیں دی۔ مزید برآں میں تصدیق کرتا/کرتی ہوں کہ میں نے ممکنہ بیمہ دار کو کسی بھی صورت میں مگر انہیں کیا اور نہ دھوکہ دیا ہے میری طرف سے کسی بھی خلاف ورزی کی صورت میں کسی بھی نقصان کے ذمہ دار میں اور کمپنی ہوں گے ایسی صورت حال میں SECP انشورنس آرڈیننس 2000ء کی روشنی میں کارروائی کا اختیار رکھتا ہے۔

نام اور کوڈ _____ عہدہ _____ دستخط _____ تاریخ _____

تصدیق بیمہ دار

میں تصدیق کرتا/کرتی ہوں کہ میں نے مندرجہ بالا تصریح اور نوٹ کا بغور مطالعہ کیا ہے اور کلی طور پر ان کو سمجھا ہے۔ مزید برآں میں تصدیق کرتا/کرتی ہوں کہ مجھے اس تصریح سے متضاد کوئی زبانی / تحریری یا برقی تصریح نہیں پیش کی گئی

نام _____ دستخط _____ تاریخ _____

شناختی کارڈ نمبر _____ پتہ _____

SC : تصریح رپورٹ کا خاکہ _____

تصریح نمبر []

[کل] صفحات کا [صفحہ ہذا کا نمبر] صفحہ

[تصریح رپورٹ کی تیاری کی تاریخ]

Insurer Name

Insurer Logo

Historical Investment Performance

(For Unit linked Products only)

Historical Performance:

The historical performances of ABC Life Insurers' Funds are as follows:

Fund Name : **Fund A** Launch Date : _____
 Fund Category: Equity, Income, Money Market, Balanced etc. Risk Profile : Low, Medium, High etc.

Year	2014	2013	2012	2011	2010
------	------	------	------	------	------

Yearly Returns

Average Return since inception (200X) of the fund:

Fund Name : **Fund B** Launch Date : _____
 Fund Category: Equity, Income, Money Market, Balanced etc. Risk Profile : Low, Medium, High etc.

Year	2014	2013	2012	2011	2010
------	------	------	------	------	------

Yearly Returns

Average Return since inception (200X) of the fund:

Fund Name : **Fund C** Launch Date : _____
 Fund Category: Equity, Income, Money Market, Balanced etc. Risk Profile : Low, Medium, High etc.

Year	2014	2013	2012	2011	2010
------	------	------	------	------	------

Yearly Returns

Average Return since inception (200X) of the fund:

Declaration by Sales Representative:

I confirm that I have not made any verbal, written or electronic presentation which is in contraction to this fund's historical investment performance presentation. I also confirm that I have not misled or deceived the prospective client in any way.

Signature: _____ Date: _____

Name of Sale Representative: _____ Code No.: _____

Insurer Name

Insurer Logo

Historical Investment Performance

(For With Profit Products only)

Historical Performance:

The historical performances of ABC Life Insurers' Statutory Fund(s) are as follows:

Fund Name : **Statutory Fund (1)** Commencement Date: _____

Year	2014	2013	2012	2011	2010
------	------	------	------	------	------

Yearly Returns

Average Return since inception (200X) of the fund:

Fund Name : **Statutory Fund (2)** Commencement Date: _____

Year	2014	2013	2012	2011	2010
------	------	------	------	------	------

Yearly Returns

Average Return since inception (200X) of the fund:

Declaration by Sales Representative:

I confirm that I have not made any verbal, written or electronic presentation which is in contraction to this fund's historical investment performance presentation. I also confirm that I have not misled or deceived the prospective client in any way.

Signature: _____ Date: _____

Name of Sale Representative: _____ Code No.: _____

2.8. GROWTH RATE SCENARIOS FOR LIFE INSURANCE AND FAMILY TAKAFUL ILLUSTRATIONS -2021¹⁷

- 2.8.1. Your kind attention is invited towards clause 8.1, 8.2 and 11.1 of the Directive for Life Insurance and Family Takaful Illustrations, 2016 (hereinafter referred to as the "Directive") notified via S.R.O 255(1)/2016 dated March 25, 2016.
- 2.8.2. Life insurers and family takaful operators use three nominal growth rate scenarios and three inflation adjusted growth rate scenarios to demonstrate projected benefits to potential policyholders. The SECP specifies these growth rate scenarios based on long-term interest rate outlook prevalent in Pakistan.
- 2.8.3. In this regard, the Commission in consultation with Pakistan Society of Actuaries has decided that, for the year 2021, there should be no change in the nominal rate of return and inflation adjusted rate of return as specified for the year 2020 through Circular No. 1 of 2020 dated January 23rd, 2020. Accordingly, for the year 2021 and onwards, the nominal rate of return will remain at 8% 10% and 12% and inflation- adjusted rate of return will remain at 3% 4% and 5%.

¹⁷ SECP Circular No. 01 of 2021 dated 11th January, 2021

Chapter 3. Reinsurance and Retakaful

3.1. CHANGES IN STANDARD FORM FOR FACULTATIVE PERMISSION

Facultative Permission Under Rule 7 of Insurance Rules 2002¹⁸

- 3.1.1. In order to enhance the level of transparency in the remittances of foreign exchange from the country, the Commission has added a new column of 'Premium' in the standardized form for getting a 'No Objection Certificate' in case of facultative permission under Rule 7 of Insurance Rules 2002.
- 3.1.2. The new format became effective from May 20, 2010 and attached as Annexure 1 for your compliance.

¹⁸ SECP Circular No. 10 of 2010 dated 20th May, 2010

FACULTATIVE PERMISSION UNDER RULE 7 OF INSURANCE RULE 2002
STANDARD FORM

- 1) Company's Name
- 2) Name of Insured
- 3) Occupation of the Insured
- 4) Class of Insurance
- 5) Period of Insurance
- 6) Date of Application to SECP for NOC
- 7) Coinsurance if any

	Sum Insured	All in PKR Premium Amount			
8) Sum Insured (100%)					
9) Cedant Company's Share	100.00%	-			
10) Net & XOL Treaty	-	-			
11) Underwriting Capacity	-	-			
12) Ceded to Treaty	-	-			
13) Fac Acceptance by PRCL	-	-			
14) Fac Acceptance by Local Market	-	-			
15) Name of Broker	-	-			
	-	-			
	-	-			
	-	-			
16) Foreign Reinsurance Company	-	-	% Share	Credit Rating	Agency
	-	-			
	-	-			
	-	-			
17) Facultative Sum Insured Amount	-	-			
18) Facultative Net Premium Amount to be Remitted abroad					

3.2. REINSURANCE / RETAKAFUL TREATY ARRANGEMENTS - 2011¹⁹

- 3.2.1. All the insurers/takaful operators are advised to submit the prescribed features/details of their respective reinsurance/retakaful treaty arrangements, as per the requirements contained in sub- Rule (1) of Rule 15 of the Securities and Exchange Commission (Insurance) Rules, 2002 (SEC Rules), by the date specified in sub-section (2) of Section (2) of Section 41 of the Insurance Ordinance 2000 (Ordinance), i.e.

"....not less than one month prior to the coming into effect, or as soon as possible thereafter, of any treaty reinsurance arrangements...."

- 3.2.2. All the insurers/takaful operators required to submit a summary of their respective reinsurance/retakaful arrangements for 2011 by 30 November 2010, on the prescribed revised format.
- 3.2.3. Furthermore, at least 80% of the total reinsurance / retakaful treaty arrangement for each class of insurance/ takaful business must be placed with reinsurance/retakaful operators having "A" or above rating by "Standard & Poor's" or equivalent rating by any other reputed international rating agency, and the balance (20%) may be placed with reinsurers/retakaful operators having at least "BBB" rating by "Standard & Poor's" or equivalent rating by any other reputed international rating agency. Any part of the reinsurance or retakaful treaty arrangement placed with reinsurers/ retakaful operators having rating below "BBB" by "Standard & Poor's" or an equivalent rating by any other reputed international agency would not be acceptable to the Commission.
- 3.2.4. To ensure full compliance of the above requirements by the insurers/takaful operators, the Commission may call for any further information or evidence or investigate into the affairs of the insurers/takaful operators. In case of any contravention by any insurer or takaful operator, the Commission would initiate appropriate action against that company, in the due process of the law, as provided in the Ordinance and the SEC Rules 2002.
- 3.2.5. Additionally, the certified copies of signed treaty slip/cover notes were required to reach this office by 31st January, 2011, duly certified by the authorized officers of the respective insurance companies or takaful operators to demonstrate compliance of Section 41 of the Ordinance, read with Rule 15 of the SEC Rules, and Rule 28 of the Takaful Rules 2005, for the takaful companies. Furthermore, if the insurer's retention is based on maximum probable loss, the maximum liabilities of each reinsurer must be stated, including maximum liability under the total reinsurance treaty and a separate statement for each class or sub-class of business shall be furnished.

3.3. MANNER OF ACCEPTANCE AND PLACEMENT OF FACULTATIVE REINSURANCE²⁰

- 3.3.1. For the purposes of the manner of acceptance and placement of facultative reinsurance under Rule 7 of the Insurance Rules, 2002 read with Section 41 (5) of the Insurance Ordinance, 2000, the Securities and Exchange Commission of Pakistan (hereinafter referred as the "Commission") is hereby issuing this Circular as a step to further strengthen the insurance industry by providing an effective regulatory

¹⁹ SECP Circular No. 24 of 2010 dated 27th October, 2010

²⁰ SECP Circular No. 22 of 2013 dated 5th December, 2013

environment and maintain stability and transparency in the reinsurance system.

- 3.3.2. In the matter of facultative reinsurance placements as required under Rule 7 of the Insurance Rules, 2002 (hereinafter referred as the "Rule 7"), it is hereby mentioned that the Commission is introducing a standard facultative reinsurance acceptance/ decline slip format, which shall be effective from 1st day of January 2014. The format is attached with this Circular as Annexure-I. It is hereby specified that from the 1st day of January 2014, the requests for issuance of no-objection certificate for the facultative reinsurance placements under Rule 7 shall be submitted to the Commission in a document form along with the completed information on the newly prescribed format. Submission of requests with incomplete information on the prescribed format shall be declined by the Commission.
- 3.3.3. For seeking the permission under Rule 7, while the Commission may seek any such document as it may deem necessary in the context of any particular request, the insurers shall present to the Commission the documents including, but not limited to:
- (a) the original form of facultative reinsurance acceptance/ decline slip of the offer made to local insurers/ reinsurer operating within the relevant class of insurance business whereby all such offers shall be made on the same terms and conditions as being offered to the foreign reinsurer(s);
 - (b) copy of the facultative reinsurance acceptance slip of the offer made to the foreign reinsurer(s) whereby all such offers shall be made on the same terms and conditions as offered to the local insurers/ reinsurer;
- 3.3.4. The offer made to local insurers/ reinsurer shall be an open-ended offer such that it shall not be bounded in terms of an absolute or relative basis of pre-allocation of the portion of sum insured. Further, an insurer shall ensure that the terms and conditions being offered to the local insurers/ reinsurer shall be identical as those being offered to the foreign reinsurer. In no way shall the offer be made with a voluntary intention on the part of the insurer making the offer to force the insurers/ reinsurer to whom the offer is being made, to preclude it from consideration.
- 3.3.5. The request for the issuance of permission for the facultative reinsurance placements under Rule 7 shall be submitted to the Commission by the insurers along with fulfilling all documentary requirements no later than 30 days from the date of inception of the original insurance policy.
- 3.3.6. Whereas it has been observed that certain insurers after the issuance of the permission by the Commission for the facultative reinsurance placements tend to make frequent amendments in the original insurance policy, prima facie, due to the subjective requirements from the policyholders, such as inclusion of additional perils coverage, change in the policy period, fluctuation of foreign currency rates (if applicable), etc. Also, it has been observed that short-period policies are being issued by certain insurers without complying with the requirements of the Rules. It is hereby specified that any revision in the original insurance policy seeking the supplementary issuance of the permission by the Commission for the facultative reinsurance placements shall be intimated to the Commission immediately and no later than 30 days from the date of issuance of the original permission by the Commission for the facultative reinsurance placements. Any revision intimated to the Commission after 30 days from the date of issuance of the original permission for the facultative reinsurance placements shall be required to disjointedly fulfil the requirements as laid down in Rule 7(2)(a) of the Insurance Rules, 2002.

- 3.3.7. All insurers shall ensure that where foreign reinsurer(s) are used, at least eighty per cent of the total facultative reinsurance for each risk shall be placed with reinsurer(s) having "A" or above rating by Standard & Poor's (hereinafter referred as the "S&P") or equivalent rating by any other reputed international rating agency while the remaining risk may be placed with reinsurer(s) having at least "BBB" rating by S&P or equivalent rating by any other reputed international rating agency. Any part of the reinsurance placed with reinsurer(s) having rating below "BBB" by S&P or an equivalent rating by any other reputed international agency shall not be acceptable to the Commission and for which no permission shall be granted by the Commission. However, in case of captive foreign reinsurers, exception may be granted by the Commission, on case to case basis, provided satisfactory documentary evidence demonstrating the financial strength of the reinsurer and its capacity to bear the risk under consideration is submitted to the Commission.
- 3.3.8. The local insurers/ reinsurer accepting the share in the local facultative reinsurance offer and where such respective share of acceptance is ten per cent or less of the sum insured, such insurer/ reinsurer shall strictly observe the doctrine of "follow-the-fortunes" whereby the local insurers/ reinsurer shall follow the underwriting fortunes of its reinsured or the leader and, therefore, shall be bound by the claims-handling decisions of its reinsured and for the acceptance of liability as well as quantum of liability.
- 3.3.9. It has been found that certain insurers are placing the reinsurance arrangements with foreign reinsurers without seeking prior permission from the Commission which is a clear violation of Rule 7(1) of the Rules. Under Rule 7(1) it is required that an insurer shall seek permission of the Commission before reinsuring facultatively outside Pakistan for any insurance business or any part thereof underwritten by it in Pakistan, and unless a permission is granted by the Commission in writing, no risk placement shall be done with the foreign reinsurer(s).
- 3.3.10. The non-compliance and any failure on part of an insurer to comply with the above provisions of this Circular shall be liable to be penalized under section 156 of the Insurance Ordinance, 2000.

FACULTATIVE REQUEST NOTE

(Risk Acceptance/ Decline Slip as specified under Circular 22/2013)

Note: As laid down in Rule 7(3) of the Insurance Rules, 2002, no insurer shall accept reinsurance on facultative basis in excess of its net retention, if the insurer seeking such reinsurance so indicates in the reinsurance slip/ request note in writing. The list of insurance companies given in this form is indicative and names can be added as required.

Annexure I

General Information					
Date (dd-mm-yyyy)		Request Note No.			
Ceding Insurer's Name		Policy No.			
Name of Insured		Period from		Period to	
Type		Property Covered			
Reinsurance Arrangements					
	%age	Amount		%age	Amount
A. Sum Insured	100%		B. Company Share		
C. Company Net Retention			D. Treaty Share of local insurer(s)		
E. Treaty Share of PRCL			F. Treaty Share of foreign reinsurer(s)		
G. Leftover share of which is being offered as facultative G = B- (C+D+E+F)					
Other Information					
	%age	Amount		%age	Amount
Reinsurance Rate being offered			Deductible(s)		
Commission			Maximum Probable Loss (if applicable)		
Loss History (if any)					
Other Information (if any)					
S.No.	Name of insurers/ reinsurer		Signature and Stamp indicating Acceptance (with terms & condition)/ Decline (with reason(s))		
1	Ace Insurance Limited				
2	Adamjee Insurance Company Limited				
3	Alfalah Insurance Company Limited				
4	Alpha Insurance Company Limited				
5	Asia Insurance Company Limited				
6	Askari General Insurance				

FACULTATIVE REQUEST NOTE

(Risk Acceptance/ Decline Slip as specified under Circular 22/2013)

Note: As laid down in Rule 7(3) of the Insurance Rules, 2002, no insurer shall accept reinsurance on facultative basis in excess of its net retention, if the insurer seeking such reinsurance so indicates in the reinsurance slip/ request note in writing. The list of insurance companies given in this form is indicative and names can be added as required.

General Information					
Date (dd-mm-yyyy)		Request Note No.			
Ceding Insurer's Name		Policy No.			
Name of Insured		Period from		Period to	
Type		Property Covered			
Reinsurance Arrangements					
	%age	Amount		%age	Amount
A. Sum Insured	100%		B. Company Share		
C. Company Net Retention			D. Treaty Share of local insurer(s)		
E. Treaty Share of PRCL			F. Treaty Share of foreign reinsurer(s)		
G. Leftover share of which is being offered as facultative $G = B - (C+D+E+F)$					
Other Information					
	%age	Amount		%age	Amount
Reinsurance Rate being offered			Deductible(s)		
Commission			Maximum Probable Loss (if applicable)		
Loss History (if any)					
Other Information (if any)					
7	Atlas Insurance Limited				
8	Capital Insurance Company Limited				
9	Century Insurance Company Ltd.				
10	Continental Insurance Company Ltd				
11	East West Insurance Company Ltd				
12	EFU General Insurance Ltd				

FACULTATIVE REQUEST NOTE

(Risk Acceptance/ Decline Slip as specified under Circular 22/2013)

Note: As laid down in Rule 7(3) of the Insurance Rules, 2002, no insurer shall accept reinsurance on facultative basis in excess of its net retention, if the insurer seeking such reinsurance so indicates in the reinsurance slip/ request note in writing. The list of insurance companies given in this form is indicative and names can be added as required.

General Information					
Date (dd-mm-yyyy)		Request Note No.			
Ceding Insurer's Name		Policy No.			
Name of Insured		Period from		Period to	
Type		Property Covered			
Reinsurance Arrangements					
	%age	Amount			Amount
A. Sum Insured	100%		B. Company Share		
C. Company Net Retention			D. Treaty Share of local insurer(s)		
E. Treaty Share of PRCL			F. Treaty Share of foreign reinsurer(s)		
G. Leftover share of which is being offered as facultative G = B- (C+D+E+F)					
Other Information					
	%age	Amount		%age	Amount
Reinsurance Rate being offered			Deductible(s)		
Commission			Maximum Probable Loss (if applicable)		
Loss History (if any)					
Other Information (if any)					
13	Excel Insurance Company Ltd				
14	Habib Insurance Company Ltd				
15	IGI Insurance Ltd				
16	Jubilee Insurance Company Ltd				
17	New Hampshire Insurance Company Ltd.				
18	PICIC Insurance Company Ltd.				

FACULTATIVE REQUEST NOTE

(Risk Acceptance/ Decline Slip as specified under Circular 22/2013)

Note: As laid down in Rule 7(3) of the Insurance Rules, 2002, no insurer shall accept reinsurance on facultative basis in excess of its net retention, if the insurer seeking such reinsurance so indicates in the reinsurance slip/ request note in writing. The list of insurance companies given in this form is indicative and names can be added as required.

General Information					
Date (dd-mm-yyyy)		Request Note No.			
Ceding Insurer's Name		Policy No.			
Name of Insured		Period from		Period to	
Type		Property Covered			
Reinsurance Arrangements					
	%age	Amount		%age	Amount
A. Sum Insured	100%		B. Company Share		
C. Company Net Retention			D. Treaty Share of local insurer(s)		
E. Treaty Share of PRCL			F. Treaty Share of foreign reinsurer(s)		
G. Leftover share of which is being offered as facultative $G = B - (C+D+E+F)$					
Other Information					
	%age	Amount		%age	Amount
Reinsurance Rate being offered			Deductible(s)		
Commission			Maximum Probable Loss (if applicable)		
Loss History (if any)					
Other Information (if any)					
19	Premier Insurance Company Ltd.				
20	Reliance Insurance Company Ltd.				
21	Sahara Insurance Company Ltd.				
22	Saudi Pak Insurance Company Ltd.				
23	Security General Insurance Company Ltd.				
24	Shaheen Insurance Company Ltd.				

FACULTATIVE REQUEST NOTE

(Risk Acceptance/ Decline Slip as specified under Circular 22/2013)

Note: As laid down in Rule 7(3) of the Insurance Rules, 2002, no insurer shall accept reinsurance on facultative basis in excess of its net retention, if the insurer seeking such reinsurance so indicates in the reinsurance slip/ request note in writing. The list of insurance companies given in this form is indicative and names can be added as required.

General Information					
Date (dd-mm-yyyy)		Request Note No.			
Ceding Insurer's Name		Policy No.			
Name of Insured		Period from		Period to	
Type		Property Covered			
Reinsurance Arrangements					
	%age	Amount		%age	Amount
A. Sum Insured	100%		B. Company Share		
C. Company Net Retention			D. Treaty Share of local insurer(s)		
E. Treaty Share of PRCL			F. Treaty Share of foreign reinsurer(s)		
G. Leftover share of which is being offered as facultative $G = B - (C+D+E+F)$					
Other Information					
	%age	Amount		%age	Amount
Reinsurance Rate being offered			Deductible(s)		
Commission			Maximum Probable Loss (if applicable)		
Loss History (if any)					
Other Information (if any)					
25	Silver Star Insurance Company Ltd.				
26	The Crescent Star Insurance Company Ltd				
27	The United Insurance Company of Pakistan Ltd				
28	The Universal Insurance Company Ltd				
29	UBL Insurers Ltd				
30	Pakistan Reinsurance Company Ltd				

FACULTATIVE REQUEST NOTE

(Risk Acceptance/ Decline Slip as specified under Circular 22/2013)

Note: As laid down in Rule 7(3) of the Insurance Rules, 2002, no insurer shall accept reinsurance on facultative basis in excess of its net retention, if the insurer seeking such reinsurance so indicates in the reinsurance slip/ request note in writing. The list of insurance companies given in this form is indicative and names can be added as required.

General Information					
Date (dd-mm-yyyy)		Request Note No.			
Ceding Insurer's Name		Policy No.			
Name of Insured		Period from		Period to	
Type		Property Covered			
Reinsurance Arrangements					
	%age	Amount		%age	Amount
A. Sum Insured	100%		B. Company Share		
C. Company Net Retention			D. Treaty Share of local insurer(s)		
E. Treaty Share of PRCL			F. Treaty Share of foreign reinsurer(s)		
G. Leftover share of which is being offered as facultative $G = B - (C + D + E + F)$					
Other Information					
	%age	Amount		%age	Amount
Reinsurance Rate being offered			Deductible(s)		
Commission			Maximum Probable Loss (if applicable)		
Loss History (if any)					
Other Information (if any)					
31	TPL Insurance Limited ²¹				
32	Sindh Insurance Limited ²²				

²¹ Insertion vide SECP's Letter no. ID/PRDD/Reinsurance/16187 dated August 20, 2018

²² Insertion vide SECP' Letter no. ID/PRDD/Reinsurance/16187 dated August 20, 2018

3.4. CIRCULATION OF FACULTATIVE RISK IN LOCAL MARKET

FACULTATIVE REINSURANCE UNDER RULE 7 OF THE INSURANCE RULES, 2002 READ WITH SECTION 41(5) OF THE INSURANCE ORDINANCE, 2000²³

- 3.4.1. For the purposes of the facultative reinsurance under Rule 7 of the Insurance Rules, 2002 (hereinafter referred as the “Rule 7”) read with Section 41(5) of the Insurance Ordinance, 2000 (hereinafter referred as the “Ordinance”), the Securities and Exchange Commission of Pakistan (hereinafter referred as the “Commission”) is hereby issuing this Circular for the necessary guidance of the insurers, including takaful operators, for compliance of the regulatory framework and maintenance of transparency in the reinsurance placements.
- 3.4.2. In the matter of facultative reinsurance placements as required under Rule 7, it is hereby mentioned that the current regulatory framework does not recognize any requirements for an insurer registered under the Ordinance to maintain the credit or financial strength rating issued by any local or foreign rating agency. Hence, the practice of imposing any such requirement by an insurer on the reinsurer accepting the local placement of facultative reinsurance shall be construed as *ultra vires*.
- 3.4.3. An insurer shall circulate the entire risk (100%), which is in excess to its net retention and cession to the treaty, in the local market first for utilizing the available reinsurance capacity and thereafter approach the Commission to seek the permission for foreign facultative reinsurance placement after completing the procedural requirements as prescribed under Rule 7. Unless the permission is granted by the Commission in writing, no placement of risk shall be made with the foreign reinsurer(s).
- 3.4.4. The non-compliance and any failure on part of an insurer to comply with the above provisions of this Circular shall be liable to be penalized under section 156 of the Ordinance.

²³ SECP Circular No. 23 of 2015 dated 2nd July 2015

Chapter 4. Corporate Governance

The Securities and Exchange Commission of Pakistan is pleased to issue the Code of Corporate Governance for Insurers, 2016 as under, namely :—

4.1. CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016²⁴

Applicability

- 4.1.1. The provisions of this Code shall apply to insurer as defined under clause (xxxi) of section 2 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) as per the Schedule of Applicability given in Annexure III hereof.
- 4.1.2. The provisions / conditions laid down herein shall be in addition to the provisions / conditions imposed by the Code of Corporate Governance, 2012 (for listed companies) or the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 (for public sector companies). However, the provisions of more stringent law shall prevail.

Composition of the Board of Directors

- 4.1.3. An insurer, in so far as applicable, shall encourage effective representation of independent non-executive directors, including those representing minority interests (if applicable), on its Board of Directors so that the Board as a group includes core competencies and diversity, including gender, considered relevant in the context of that insurer. For the purpose, insurer may take necessary steps such that:
- (a) the Board of Directors of the insurer includes preferably one third of the total members of the Board as independent director(s). The Board shall state in the annual report (i.e. along with the annual audited financial statements, auditor's report and directors' report thereon) the names of the non-executive, executive and independent director(s).

Explanation.—For the purpose of this clause, the expression "independent director" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the insurer, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest.

Provided that without prejudice to the generality of this explanation, no director shall be considered as independent if one or more of the following circumstances exist:

- He/she has been an employee of the insurer, any of its subsidiaries or holding company within the last three years;
- He/she is or has been the Chief Executive Officer of subsidiary, associated company, associated undertaking or holding company during the last three years;
- He/she has, or has had within the last three years, a material business relationship with the insurer either directly, or indirectly as a partner, major shareholder or director of a

²⁴ S.R.O 1045(I)/ 2016 dated 9th November, 2016

body that has such a relationship with the insurer:

Explanation: The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the insurer;

- He/she has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the insurer apart from a director's fee or has participated in the insurer's share option or a performance-related pay scheme;
- He/she is a close relative of the insurer's promoters, directors or major shareholders:

Explanation: close relative means spouse(s), lineal ascendants and descendants and siblings;

- He/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; and
- He/she has served on the Board for more than three consecutive terms from the date of his first appointment provided that such person shall be deemed "independent director" after a lapse of one term.

Any person nominated as a director under sections 182 and 183 of the Companies Ordinance, 1984 shall not be taken to be an "independent director" for the above-said purposes.

Professional indemnity insurance cover in respect of independent directors shall be recommended.

- (b) executive directors, *i.e.* working or whole time directors, are not more than one third of the elected / appointed / nominated directors including the Chief Executive Officer.

The directors of an insurer shall, at the time of filing their explicit consent to act as such, give a declaration in such consent that they are aware of their obligations, fiduciary duties and powers under the relevant law(s) and the insurer's Memorandum and Articles of Association.

Qualification and Eligibility to Act as a Director

- 4.1.5. No insurer shall have as a director, a person who is serving as a director of more than seven listed companies simultaneously.

Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company in which such person is a director.

- 4.1.6. No person shall be appointed as a director of an insurer if he/she-

- (a) is a minor;
- (b) is of unsound mind;
- (c) has applied to be adjudicated as an insolvent and his application is pending;
- (d) is an undischarged insolvent;
- (e) has been convicted by a court of law for an offence involving moral turpitude;

- (f) has been debarred from holding such office under any applicable law;
- (g) has betrayed lack of fiduciary behavior and a declaration to this effect has been made by the Court at any time during the preceding five years;
- (h) has been placed on exit control list or has entered into a plea bargain with the National Accountability Bureau; or
- (i) is not a member.

Provided that clause (i) shall not apply in the case of—

- (i) a person representing the Government or an institution or authority which is a member;
- (ii) a whole-time director who is an employee of the insurer;
- (iii) the Chief Executive Officer; or
- (iv) a person representing a creditor.

Explanation: For the purpose of clause (h) above, the proposed director shall provide an affidavit to the insurer, on whose Board he/she is to be appointed, confirming the placement / non-placement of his/her name on the exit control list, and the status as to whether he/she has entered into a plea bargain with the National Accountability Bureau, which shall be filed with the Securities and Exchange Commission of Pakistan along with the application for seeking approval under the Insurance Companies (Sound and Prudent Management) Regulations, 2012.

All existing directors of an insurer shall also provide the said affidavit to that insurer, which shall be filed with the Securities and Exchange Commission of Pakistan within a period of one month from the date of coming into effect of this Code.

- 4.1.7. No person shall be appointed, elected or nominated as a director of an insurer unless his appointment has been approved by the Securities and Exchange Commission of Pakistan under the Insurance Companies (Sound and Prudent Management) Regulations, 2012. This requirement cannot be relaxed in exercise of the powers conferred by this Code.

Casual Vacancy in the Board

- 4.1.8. Any casual vacancy in the Board of Directors of an insurer shall be filled up by the directors at the earliest but not later than ninety (90) days from the date of occurrence of the casual vacancy.
- 4.1.9. The person filling up the casual vacancy shall not assume the charge until the approval of the Securities and Exchange Commission of Pakistan in terms of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 is obtained. This requirement cannot be relaxed in exercise of the powers conferred by this Code.

Responsibilities, Powers and Functions of Board of Directors

- 4.1.10. The directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.
- 4.1.11. The insurer shall ensure that:
- (a) Professional standards and corporate values are put in place that promote integrity for the Board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviors. The Board shall take appropriate steps to disseminate Code of Conduct throughout the insurer along with supporting policies and procedures and these shall be put on the insurer's website;

- (b) The Board of Directors adopts a vision/mission statement and overall corporate strategy for the insurer and also formulate significant policies, having regard to the level of materiality, as may be determined by it;

Explanation.— Significant policies for this purpose may include:

- Product development;
- Underwriting procedures (including ways to ensure compliance with Anti Money Laundering Laws through effective KYC/CDD (know your customer / customer due diligence));
- Claims lodging and settlement procedures (covering stringent timelines);
- Policy servicing;
- Reinsurance policy covering adequacy of class-wise reinsurance arrangements and maximum risk exposure limits in each class of insurance business;
- Risk management;
- Human resource management including preparation of a succession plan;
- Procurement of goods and services;
- Marketing;
- Determination of terms of credit and discount to customers;
- Premium collection and recovery of receivable premiums (if any);
- Write off of bad/doubtful debts, advances and receivables;
- Agency management (including bancassurance) covering the appointment and payment to agents;
- Acquisition/disposal of fixed assets;
- Investments;
- Borrowing of moneys and the amount in excess of which borrowings shall be sanctioned/ratified by a general meeting of shareholders;
- Donations, charities, contributions and other payments of a similar nature;
- Determination and delegation of financial powers;
- Transactions or contracts with associated companies and related parties;
- Health, safety and environment;
- Level of underwriting as well as administrative expenses; and
- Remuneration policy for the directors and the senior management (including the Chief Executive Officer), key officers and other employees of the insurer. It shall also periodically review and adjust the remuneration policy in accordance with changes in the corporate strategies and the business environment. The remuneration policy shall be formulated so as to nullify the induction of excessive or inappropriate risk taking and which is in-line with the identified risk appetite and long term interests of the insurer and the stakeholders (including the insurance policyholders).

A complete record of particulars of the above-mentioned policies along with the dates on which they were approved or amended by the Board of Directors shall be maintained and kept at the registered office of the insurer.

- (c) The Board of Directors shall define the level of materiality, keeping in view the specific circumstances of the insurer and the recommendations of any technical or executive subcommittee of the Board that may be set up for the purpose;
- (d) The following powers are exercised by the Board of Directors on behalf of the insurer and decisions on material transactions or significant matters are documented by a resolution passed at a meeting of the Board:

- (i) determination of the nature of loans and advances made by the insurer and fixing a monetary limit thereof;
 - (ii) write-off of bad debts, advances and receivables, other assets and determination of a reasonable provision for doubtful debts; and
 - (iii) determination of the terms of and the circumstances in which a law suit may be compromised and a claim/right in favour of the insurer may be waived, released, extinguished or relinquished;
- (e) Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors of the insurer are determined and approved by the Board of Directors;
- (f) The Board of Directors shall formulate a comprehensive proxy voting policy for institutional investors covering, at a minimum, the areas such as election of directors, appointment of auditors, changes in legal and capital structure, proposals effecting shareholders' rights, corporate restructuring, mergers and acquisitions. The policy shall address the following aspects:
- (i) Authority and responsibility for voting proxies;
 - (ii) Voting procedures;
 - (iii) Internal participants to be consulted in evaluation of a proxy proposal;
 - (iv) Procedure and controls for avoidance or minimization of conflicts of interest;
 - (v) Disclosure of conflict of interest;
 - (vi) Record keeping of proxy voting;
 - (vii) System to monitor proxy-voting responsibilities;
 - (viii) Circumstances under which proxies shall not be voted; and
 - (ix) Disclosure of proxy voting.

4.1.12. The Chairman and the Chief Executive Officer, by whatever name called, shall not be the same person except where provided for under any other law. The Chairman of an insurer shall be elected from among the non-executive directors of the insurer. The Chairman shall be responsible for leadership of the Board and shall ensure that the Board plays an effective role in fulfilling all its responsibilities. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and Chief Executive Officer.

Internal Control

4.1.13. The Board of Directors must establish a system of sound internal control, which is effectively implemented at all levels within the insurer;

Internal control system of an insurer shall include the following aspects:

- (a) *Checks and balances.*— The insurer shall institute policies and procedures such as requiring the separation of critical functions (e.g. risk management, underwriting (subject to the relevant provisions of the Insurance Ordinance, 2000), investment, claims handling, internal audit and compliance with statutory rules and regulations, cross checking of documents, dual control of assets and double signatures on certain documents, etc. to ensure checks and balances within the insurer);
- (b) Internal control shall also cover the following aspects:
 - (i) oversight of division of responsibilities between the Board and/or members of the Board and

third party service providers;

- (ii) oversight of custody or other arrangements put in place to safeguard the assets of the insurer and to review from time to time, if thought appropriate, the internal controls of such service providers;
- (iii) an annual oversight of compliance issues at each Board meeting;
- (iv) where an insurer carries on business overseas, the Board must ensure that there are systems and controls in place to maintain a sound and verifiable system of reporting to its head office;
- (v) establish signing authorities and bank mandates with regard to the assets of the insurer, which shall be reviewed regularly; and
- (vi) prudential oversight in respect of insurance matters, including:
 - (a) Controls for underwriting risks;
 - (b) Valuation of technical provisions;
 - (c) Investment and liquidity management;
 - (d) Reinsurance, including the credit standing of reinsures; and
 - (e) Monitoring and ensuring the adequacy of its capital resources and ability to demonstrate at all times compliance with the solvency margin requirement.

Meetings of the Board

- 4.1.14. The Company Secretary shall be the secretary to the Board of Directors, who shall facilitate the Board in convening its meetings, and fairly and accurately recording the minutes of all such meetings.
- 4.1.15. The Chairman of an insurer, if present, shall preside over meetings of the Board of Directors.
- 4.1.16. The Board of Directors of an insurer shall meet at least once in every quarter of the financial year. Written notices (including agenda) of the meetings shall be circulated not less than seven (7) days before the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.
- 4.1.17. The Chairman of an insurer shall ensure that minutes of meetings of the Board of Directors are appropriately recorded. The minutes of meetings shall be circulated to directors and officers entitled to attend Board meetings not later than fourteen (14) days thereof, unless a shorter period is provided in the insurer's Articles of Association.

In the event that a director of an insurer is of the view that his/her dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board of Directors, he/she may refer the matter to the Company Secretary. The director may require the note to be appended to the minutes, failing which he/she may file an objection with the Securities and Exchange Commission of Pakistan, within thirty (30) days of the confirmation of the minutes of the meeting, in the form of a statement to that effect.

Significant Issues to be Placed for Decision by Board of Directors

- 4.1.18. In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the Board of Directors of insurer.

Significant issues for this purpose may include:

- (a) annual business plan, cash flow projections, forecasts and long term plans;
- (b) budgets including capital, manpower and overhead budgets;
- (c) quarterly operating results of the insurer as a whole and in terms of its operating divisions or business segments;
- (d) internal audit reports, including cases of fraud or irregularities of a material nature;
- (e) management letter issued by the external auditors;
- (f) details of joint venture or collaboration agreements or agreements with distributors, agents, etc.;
- (g) promulgation or amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the insurer;
- (h) status and implications of any law suit or proceedings of material nature, filed by or against the insurer;
- (i) any show cause, demand or prosecution notice received from revenue or regulatory authorities, which may be material;
- (j) default in payment of principal and/or interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit and policyholders' claims;
- (k) failure to recover material amounts of loans, advances, and deposits made by the insurer, including trade debts, inter-corporate finances and agents' balances;
- (l) any adverse judgment or order made on the conduct of the insurer or of another company that may bear negatively on the insurer;
- (m) payment for goodwill, brand equity or intellectual property; and
- (n) report on governance, risk management and compliance issues. Risks considered shall include reputational risk and shall address risk analysis, risk management and risk communication.

Orientation Courses

- 4.1.19. The insurer shall make appropriate arrangements to carry out orientation courses for its directors to acquaint them with their duties and responsibilities and enable them to manage the affairs of the insurer on behalf of shareholders (policyholders in the case of mutual insurer, which are the members of such insurer).

Chief Financial Officer, Company Secretary and Head of Internal Audit

- 4.1.20. *Appointment and Approval.*—It shall be mandatory for the insurer to appoint Chief Financial Officer, Company Secretary and Head of Internal Audit, who shall preferably be different persons. However, the Head of Internal Audit shall not, in any way, be among any of the heads of the other functions / departments, the Company Secretary and the Chief Financial Officer.

The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit of insurer shall be determined by the Board of Directors.

The removal of the Chief Financial Officer or the Company Secretary of insurer shall be with the approval of the Board of Directors.

The removal of the Head of Internal Audit shall be made with the approval of the Board only upon recommendation of the Chairman of the Audit Committee:

Explanation: For this purpose, the term removal shall include non-renewal of contracts of the Chief Financial Officer, Company Secretary and Head of Internal Audit.

Qualification of Chief Financial Officer and Head of Internal Audit

4.1.21. No person shall be appointed as the Chief Financial Officer of an insurer unless he has at least three (3) years of experience of being engaged in or employed in a public practice (audit / accounting), or in managing financial or corporate affairs function of a company, and:

- (a) is a member of a recognized body of professional accountants; or
- (b) has a postgraduate degree in finance from a recognized university or equivalent.

Provided that individual serving as Chief Financial Officer of an insurer for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

4.1.22. No person shall be appointed as Head of Internal Audit of an insurer unless he has at least three (3) years of relevant experience in audit or finance or compliance function, and is:

- (a) member of a recognized body of professional accountants; or
- (b) a Certified Internal Auditor; or
- (c) a Certified Fraud Examiner; or
- (d) a Certified Internal Control Auditor.

Provided that individual serving as Head of Internal Audit of an insurer for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

Requirement to Attend Board Meetings

4.1.23. The Chief Financial Officer and the Company Secretary of an insurer shall attend meetings of the Board of Directors:

Provided that unless elected / appointed / nominated as a director, the Chief Financial Officer or the Company Secretary shall not be deemed to be a director or entitled to cast a vote at meetings of the Board of Directors for the purpose of this clause.

Provided further that the Chief Financial Officer and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the Chief Financial Officer, Company Secretary, Chief Executive Officer or any director.

Corporate and Financial Reporting Framework

4.1.24. The Directors' Report to shareholders. — The directors of insurer shall include statements to the following effect in the Directors' Report, prepared under section 236 of the Companies. Ordinance, 1984:

- (a) The financial statements, prepared by the management of the insurer, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;
- (b) Proper books of account of the insurer have been maintained;
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- (d) International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;
- (e) The system of internal control is sound in design and has been effectively implemented and monitored;
- (f) There are no significant doubts about the insurer's ability to continue as a going concern;
- (g) There has been no material departure from the best practices of corporate governance;

The Directors' Report of insurer shall also include the following, where necessary:

- (h) If the insurer is not considered to be a going concern, the fact along with reasons shall be disclosed;
- (i) Significant deviations from last year in operating results of the insurer shall be highlighted and reasons thereof shall be explained;
- (j) Key operating and financial data of last six years shall be summarized;
- (k) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed;
- (l) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the insurer;
- (m) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included;
- (n) The number of Board meetings held during the year and attendance by each director shall be disclosed;
- (o) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name-wise details where stated below) held by:

- associated companies, undertakings and related parties (name-wise details);
- NIT;
- directors, Chief Executive Officer and their spouse and minor children (name-wise details);
- executives;
- public sector companies and corporations;
- banks, Development Finance Institutions, Non-Banking Finance Institutions, insurers, modarabas and mutual funds; and
- shareholders holding five percent or more voting interest in the insurer (name-wise details).

Frequency of Financial Reporting

4.1.25. The quarterly unaudited financial statements of insurer shall be prepared and circulated along with Directors' Review Report on the affairs of the insurer for the quarter, which shall disclose the following:

- State of Company's affairs;
- Business overview with Summary of operational results;
- Reasons for incurring loss and a reasonable indication of future prospects of profit, if any;
- The amount of interim dividend declared by the directors;
- The earning per share;
- Any material information affecting the financial position of the insurer which has occurred between the end of the quarter and the date of the report;
- Defaults in payment of debts, if any; and
- Future outlook of the insurer.

4.1.26. The insurer shall ensure that half-yearly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.

4.1.27. The insurer shall ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year unless an extension in terms of sub-section (1) of section 51 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) is granted by the Securities and Exchange Commission of Pakistan, in which case the insurer shall circulate the said financial statements on or before the expiry of such extension.

Annual Reviews and Compliance Procedures

4.1.28. At least annually:

- (a) the Board shall review the Strategic Objectives of the insurer;
- (b) the Board shall review and monitor key Operational Risks; and
- (c) the key officers and the directors shall declare to the Board all conflicts of interest.

Compliance Officer

4.1.29. Every insurer shall put in place a Compliance Program to ensure that all relevant laws are complied with, in letter and spirit, and, thus, minimize legal and regulatory risks. For this purpose, the Board of Directors shall appoint/designate a suitably qualified and experienced person as Compliance Officer on a

countrywide basis, who may be assisted by other compliance officers down the line. The Head of Compliance will report to the Board of Directors of the insurer through the Risk Management & Compliance Committee on all major issues and on such other non-major matters and at such frequency as the Board may determine, however, in all other routine matters, the Compliance Officer will report to the Chief Executive Officer. The Compliance Officer will primarily be responsible for insurer's effective compliance relating to:

- (a) Insurance Ordinance, 2000 and the Rules and Regulations made thereunder;
- (b) Companies Ordinance, 1984 and the Rules and Regulations made thereunder;
- (c) Listing Regulations, in case of listed insurers; and
- (d) Anti-money laundering laws, Rules and Regulations, and related Directives.

4.1.30. The Board of Directors of an insurer is, however, free to add other areas of compliance under the responsibilities of Compliance Officer, in consultation with the Risk Management & Compliance Committee.

4.1.31. The Compliance Officer will:

- (a) serve as a contact point between Chief Executive Officer and senior management, with regard to functioning of the compliance program; and
- (b) provide assistance in this area to branches and other departments of the insurer.

Furthermore, an insurer should put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.

Responsibility for Financial Reporting and Corporate Compliance

4.1.32. No insurer shall circulate its financial statements unless the Chief Executive Officer and the Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

4.1.33. The Company Secretary of an insurer shall furnish a Secretarial Compliance Certificate as part of the annual return filed with the Securities and Exchange Commission of Pakistan to certify that the secretarial and corporate requirements of the Insurance Ordinance, 2000 (including the Rules and Regulations made thereunder), and the Companies Ordinance, 1984 (including the Rules and Regulations made thereunder) and/or the listing regulations (in case of a listed insurer) applicable onto that insurer, have been duly complied with. Any deviations from or non-compliances of the said laws shall also be disclosed separately in the aforesaid Certificate.

Auditors and Actuaries not to Hold Shares

4.1.34. Insurer shall ensure that the firm of external auditors or any partner in the firm of external auditors and his/her spouse and minor children do not at any time hold, purchase, sell or take any position in shares of the insurer or any of its associated companies or undertakings:

Provided that where a firm or a partner or his/her spouse or minor child owns shares in an insurer, being the audit client, prior to the appointment as auditors, such insurer shall take measures to ensure that the auditors disclose the interest to the insurer within fourteen (14) days of appointment and divest themselves of such interest not later than ninety (90) days thereof.

Provided further that this clause is applicable *mutatis mutandis* to the actuary appointed under section 26 of the Insurance Ordinance, 2000.

Committees

4.1.35. **Management Committees:** (A) Board of Directors of the insurer shall form the following management committees:

- a. Underwriting Committee;
- b. Claim Settlement Committee;
- c. Reinsurance & Co-insurance Committee; and
- d. Risk Management & Compliance Committee.

(B) Each of the management committees shall consist of at least three members including one director as chair of the respective committee.

(C) The members of the Claim Settlement Committee, other than the Chief Executive Officer, shall not be the members of the Underwriting Committee or the Reinsurance & Co-insurance Committee. The insurer may, at its discretion, form only one committee to carry out the responsibilities of the Underwriting Committee and the Reinsurance & Co-insurance Committee, in which case that insurer shall be deemed to have constituted both the Underwriting Committee as well as the Reinsurance & Co-insurance Committee.

4.1.36. *Underwriting Committee.*—The committee shall formulate the underwriting policy of the insurer. It shall set out the criteria for assessing various types of insurance risks and determine the premium policy of different insurance covers. It shall regularly review the underwriting and premium policies of the insurer with due regard to relevant factors such as its business portfolio and the market development.

4.1.37. *Claim Settlement Committee.*—The committee shall devise the claims settling policy of the insurer. It shall oversee the claims position of the insurer and ensure that adequate claims reserves are maintained. The committee shall determine the circumstances under which the claim disputes shall be brought to its attention and decide how to deal with such claim disputes. It shall also oversee the implementation of the measures for combating fraudulent claims.

4.1.38. *Reinsurance & Co-insurance Committee.*—The committee shall develop the policy for effecting reinsurance, not inconsistent with the relevant provisions of the Insurance Ordinance, 2000, and shall ensure that adequate reinsurance arrangements are made for the business of the insurer. It shall peruse the proposed reinsurance arrangements prior to their execution, review the arrangements from time to time, and subject to the consent of the participating reinsurers, make appropriate adjustments to the arrangements in the light of the market development. It shall also assess the effectiveness of the reinsurance programme for the future reference.

4.1.39. *Risk Management & Compliance Committee.*—The committee shall oversee the activities of the risk management function / department of an insurer, and shall make appropriate recommendations to the Board and shall assist the Board in implementation of the decisions taken by the Board to mitigate probable risks falling within the purview of the risk management function / department.

In addition to the above, the committee shall also be responsible for monitoring the compliance function and the insurer's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedures (excluding the insurer's Code of Conduct, which shall be looked after by the Ethics,

Human Resource & Remuneration Committee). The committee shall also require reports detailing the insurer's risk profile and the compliance activities undertaken proactively aiming at determination of the insurer's ability to meet its legal and ethical obligations, as well as reports on identified weaknesses, lapses, breaches or violations and the controls and other measures in place to help detect and address the same. The committee shall supervise and monitor matters reported using the insurer's whistleblowing or other confidential mechanisms for employees and others to report compliance concerns or potential breaches, violations or frauds. The committee shall, from time to time, advise the Board on the effect of the above on the insurer's conduct of business and shall assist the Board in setting up adequate controls or take such measures so as to mitigate any risk relating to compliance and/or potential breaches, violations or frauds.

4.1.40. **Board Committees:** Board of Directors of the insurer shall also form the following Board committees:

- a. Ethics, Human Resource & Remuneration Committee;
- b. Nominations Committee;
- c. Investment Committee; and
- d. Audit Committee.

Provided that it would be at the discretion of the Board of Directors to form a Nominations Committee, however, in case no Nominations Committee is formed, the Board of Directors shall discharge all responsibilities of that Committee as laid down under clause 4.1.42 of this Code, or such responsibilities may additionally be assigned to the Ethics, Human Resource & Remuneration Committee.

4.1.41. *Ethics, Human Resource & Remuneration Committee.*— The committee shall be responsible for:

- (a) recommending human resource management policies to the Board;
- (b) recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer;
- (c) recommending to the Board the selection and evaluation of Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit;
- (d) consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer;
- (e) proposing a remuneration approach and related policies for the insurer covering the remuneration policy, remuneration governance and structure (including approval policy for the level and composition of compensation), and the components of compensation (such as the amount of fixed remuneration, shares or options, other variable remuneration, pension rights, redundancy pay and other forms of compensation and benefits, as well as the performance criteria and their application);
- (f) preparing remuneration reports or other required or voluntary disclosures on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year; and
- (g) reviewing and making recommendations to the Board of Directors regarding the specific remuneration of the Board members, the Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit. However, at all times, the committee shall ensure that the remuneration approach is consistent with the performance and risk management framework of the insurer.

4.1.42. *Nominations Committee.*—The committee shall be responsible to:

- (a) implement the Board's policy on Board's renewal so that the Board individually and collectively continues to maintain target skill levels and independence;
- (b) make recommendations to the Board with regard to the nomination for appointment or reappointment of members of the Board consistent with appropriate criteria established in their profiles and any succession plans;
- (c) ensure proper orientation of Board members in respect of their responsibilities;
- (d) establish a mechanism for the formal assessment of the effectiveness of the Board as a whole as well as the contributions of individual Board members;
- (e) make recommendations to the appropriate authority within the insurer for dismissal and retirement of members of the Board, Chief Executive Officer, and senior management / key officers of the insurer;
- (f) make recommendations to the Board with respect to succession planning for the Chief Executive Officer and other members of senior management and with respect to management development principles;
- (g) make recommendations to the Board on nominations of members of Board committees;
- (h) review the management development status and succession plans for key officers as well as general talent management of the insurer; and
- (i) ensure that all directors receive appropriate ongoing training as required for them to fulfil their role requirements.

4.1.43. All committees (whether management committees or the Board committees) shall meet at least once in every quarter. However, the Nomination Committee, and Ethics, Human Resource & Remuneration Committee shall be required to meet on need basis and not on a quarterly basis. The proceedings of the meetings shall be recorded and be kept at the insurer's head office. Each committee of an insurer shall appoint a secretary of the Committee. The secretary shall circulate minutes of meetings of the relevant Committee to all members, directors and, if necessary, the Chief Financial Officer within a fortnight.

Investment Committee

4.1.44. Insurer shall constitute an Investment Committee, which shall consist of a minimum of two non-executive directors of the insurer, the Chief Executive Officer, the Chief Financial Officer and wherever an Appointed Actuary or an internal actuary is employed, the Appointed Actuary or the internal actuary. The decisions taken by the committee shall be properly recorded and shall be made available to the Securities and Exchange Commission of Pakistan upon request.

Provided that where an internal actuary is appointed as member of the Investment Committee, the internal

actuary shall be a person being the Fellow or Associate member of the Pakistan Society of Actuaries, the Institute of Actuaries in England or Society of Actuaries in the United States of America, or such other body as may be recognized by the Commission after obtaining views of the Pakistan Society of Actuaries.

Provided further that the internal actuary shall have at least thirty-six (36) months' post Fellowship / Associateship experience with an insurer.

4.1.45. The Investment Committee shall draw up an investment policy and fund-wise investment policy, in case of life insurance business (shareholders fund and statutory funds) or takaful business (shareholders fund and participants investment fund), which shall be reviewed annually. The investment policy shall, at the least, include the following:

- (a) *Allowable exposure to various asset classes*: The proportion of investments to be held in various asset classes (asset classes, for this purpose, being listed equities, unlisted equities, government securities, term finance certificates, mutual funds, real estate, short-term deposits, sukuk and other instruments of redeemable capital);
- (b) *Allowable exposure in single entity*: The maximum proportion of fund which may be invested in each entity;
- (c) *Minimum rating / other investable criterion*: The investment policy should state the minimum rating requirement for rated instruments as well as other criterion for non-rated instrument;
- (d) *Ineligible asset classes / securities*: The investment policy shall explicitly mention broad ineligibility asset classes and securities;
- (e) *Monitoring frequency*: The investment policy shall state the frequency of performance measurement, monitoring the asset mix and mechanism used for portfolio balancing;
- (f) *Allowable exposure in related parties*: The investment policy shall explicitly state the maximum allowable investment limit in related parties such as associated companies, subsidiary companies etc.
- (g) *Disclosure of corporate governance & voting policies as an institutional investor*: An insurer acting in fiduciary capacity as institutional investor shall incorporate and explicitly disclose in the investment policy, its overall corporate governance and voting policies with respect to its investments, including the procedures that have been or to be put in place for deciding on use of its voting power.

4.1.46. The investment policy drawn up by the Investment Committee shall be placed before the Board of Directors of the insurer for approval. The Board shall approve the investment policy in the light of the risk management policy adopted by the insurer.

4.1.47. The Securities and Exchange Commission of Pakistan may, at any time, require an insurer to file the approved investment policy within such time as may be specified in the direction given in this regard. While framing such policy, the Investment Committee shall ensure compliance with the following:

- (a) Issues relating to liquidity, exposure limits, stop loss limits including securities trading, management of all investment risks, management of assets and liabilities, scope of internal or external audit of investments and investment statistics, and all other internal controls of investment operations, the provisions of the

Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder;

- (b) Ensuring an adequate return on policyholders (in case of life insurer underwriting respective policies) and shareholders' funds consistent with the protection, safety and liquidity of such fund(s);
- (c) The funds of the insurer, which are available for making investments, shall be invested and continued to be invested in equity shares, equity related instruments and debt instruments such that the requirement relating to the minimum solvency as laid down in the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder is met at all times;

- 4.1.48. The investment policy as approved by the Board shall be implemented by the Investment Committee, which shall keep the Board informed on a quarterly basis about investing activities and funds' performance.
- 4.1.49. The Board shall review its investment policy and its implementation on a yearly basis or at such short intervals as it may decide and make such modifications to investment policy as it deems fit, while keeping the interests of the policyholders in view.
- 4.1.50. The insurer shall report to the Securities and Exchange Commission of Pakistan forthwith, the effect or the probable effect of any event coming to its knowledge, which could have material adverse impact on the investment portfolio with regard to the solvency position of the insurer and consequently on the security of policyholders benefits or expectations.
- 4.1.51. The details of the investment policy or its review as periodically decided by the Board shall be made available to the internal and external auditor.
- 4.1.52. In order to ensure proper internal control of investment function, the insurer shall clearly segregate all its functions of front, mid and back office.

Audit Committee

- 4.1.53. *Composition.*—The Board of Directors of the insurer shall establish an Audit Committee, which shall comprise of not less than three members, including the chairman. Majority of the members of the Committee shall be from amongst the non-executive directors of the insurer and the chairman of the Audit Committee shall preferably be an independent director but should at least be a non-executive director. The names of members of the Audit Committee shall be disclosed in each annual report of the insurer.
- 4.1.54. *Frequency of Meetings.*—The Audit Committee of the insurer shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the insurer by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.
- 4.1.55. *Attendance at Meetings.*—The Chief Financial Officer, the Head of Internal Audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed:

Provided that at least once a year, the Audit Committee shall meet the external auditors without the Chief Financial Officer and the Head of Internal Audit being present.

Provided further that at least once a year, the Audit Committee shall meet the Head of Internal Audit and

other members of the internal audit function without the Chief Financial Officer and the external auditors being present.

- 4.1.56. *Terms of Reference.*—The Board of Directors of the insurer shall determine the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the insurer's shareholders and shall consider any question of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the insurer in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee shall also include the following:-

- (a) determination of appropriate measures to safeguard the insurer's assets;
- (b) review of preliminary announcements of results prior to publication;
- (c) review of quarterly, half-yearly and annual financial statements of the insurer, prior to their approval by the Board of Directors, focusing on:
 - areas of major concern;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards; and
 - compliance with statutory and regulatory requirements.
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- (e) review of management letter issued by external auditors and management's response thereto;
- (f) ensuring coordination between the internal and external auditors of the insurer;
- (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the insurer;
- (h) consideration of major findings of internal investigations and management's response thereto;
- (i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- (j) review of the insurer's statement on internal control systems prior to endorsement by the Board of Directors;
- (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider communicating any matter to the external auditors or to any other external body;
- (l) determination of compliance with relevant statutory requirements;

- (m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
- (n) consideration of any other issue or matter as may be assigned by the Board of Directors.

Reporting Procedure

- 4.1.57. The Audit Committee of the insurer shall appoint a secretary to the Committee, who shall either be the Company Secretary or Head of Internal Audit. However, the Chief Financial Officer shall not be appointed as the secretary to the Audit Committee. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors and the Chief Financial Officer within a fortnight.

Internal Audit

- 4.1.58. An insurer shall establish an internal audit function.
- 4.1.59. The insurer shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors.

External Auditors

- 4.1.60. The insurer shall not appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan.
- 4.1.61. The insurer shall not appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.
- 4.1.62. The Board of Directors of the insurer shall recommend appointment of external auditors for a year, as recommended by the Audit Committee. The recommendations of the Audit Committee for appointment of retiring auditors or otherwise shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.
- 4.1.63. The insurer shall not appoint its auditors to provide services in addition to audit and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the insurer.
- 4.1.64. The insurer shall change its external auditors every five years. If for any reason this is impractical, an insurer may at a minimum, rotate the partner in-charge of its audit engagement after obtaining the consent of the Securities and Exchange Commission of Pakistan.
- 4.1.65. The insurer shall not appoint a person as the Chief Executive Officer, the Chief Financial Officer, an internal auditor or a director of the insurer who was a partner of the firm of its external auditors (or an employee involved in the audit of the insurer) at any time during the two years preceding such appointment or is a close relative; i.e. spouse, parent or any of the dependent and non-dependent children, of such partner (or

employee).

- 4.1.66. External auditors shall have the same powers and duties as laid down under section 255 of the Companies Ordinance, 1984 (Ordinance No. XLVII of 1984).
- 4.1.67. The insurer shall require external auditors to furnish a Management Letter to its Board of Directors not later than forty-five (45) days from the date of audit report.
- 4.1.68. The insurer shall require a partner of the firm of its external auditors to attend the Annual General Meeting at which audited accounts are placed for consideration and approval of shareholders.

Risk Management System

- 4.1.69. The Board of the insurer shall be responsible for ensuring that the risk management system is suitable, effective and proportionate for the business of that insurer and that it is implemented and monitored. This includes a regular review of the strategies and policies with regard to risk management. The risk management policy shall outline the way in which the insurer manages relevant categories of risk, both strategically and operationally, and includes the objectives, key principles and assignment of responsibilities across all of the activities of an insurer. The risk management system shall address all reasonably foreseeable and relevant risks included in the calculation of any capital requirement(s) as well as the risks which are not, or not fully, included in that calculation. The system shall cover all relevant categories of risks – including at a minimum underwriting and provisioning risk, investment risk / interest rate risk, market risk, credit risk, operational risk and liquidity risk. In addition, the risk management system shall at least cover the following:
 - a. complex instruments, in particular derivatives and similar commitments;
 - b. reinsurance and other risk mitigation techniques;
 - c. business and reputation risk;
 - d. group contagion risk (if relevant); and
 - e. legal and strategic risk.

Risk Management Function / Department

- 4.1.70. The insurer shall establish a dedicated risk management function / department, which shall implement the relevant Board's strategies and policies. The function / department shall assess, quantify, monitor and control the nature, significance and interdependencies of the risks (at individual level as well as at aggregate level) to which the insurer is or may be exposed and shall also manage them accordingly. The Board, through its Risk Management Committee, shall ensure that the insurer's risk management system is well integrated into their organizational structure, decision making processes and corporate culture and that there is a clear link to other functions / departments of the insurer.
- 4.1.71. The tasks of the risk management function / department shall include:
 - (a) to design, implement, test / validate and document the internal model of an insurer. An internal model helps the insurer to obtain a comprehensive and quantitative view of risks and make specific calculations

on solvency and related matters;

- (b) to assist the Board, through the risk management committee, in the effective operation of the risk management system by performing specialist analyses and quality reviews. The function shall inform the Board (or the risk management committee) about the performance of the internal model, thereby suggesting limitations of the risk management framework and the potential impact in practice of these limitations on risk management and to update them on the status of efforts to improve the previously identified weaknesses;
- (c) to maintain a group-wide and aggregated view on the risk profile of the insurer in addition to the solo and individual risk view;
- (d) to report to the Board, through the risk management committee, details on the risk exposures and the actions that have been taken (or should be taken) to manage the exposures;
- (e) to advise the Board, through the risk management committee, with regard to risk management decisions in relation to strategic and operational matters such as corporate strategy, investments and other major activities of an insurer;
- (f) to regularly prepare contingency plans (or business continuity plans) for risks to which the insurer is (or may be) exposed, and to communicate the same to the relevant staff and ensure that proper training to that staff is provided, for it to curb the insurer's inability to continue business operations in the presence of those risks.

4.1.72. As part of the risk management system, an insurer shall get itself rated from a credit rating agency such as PACRA or JCR-VIS, and such rating shall act as a risk monitoring tool for the risk management function / department.

Actuary

4.1.73. The Board of Directors of the insurer shall ensure that an appointed actuary must not be:

- (a) A person who is, or at any time during the preceding three years was a director, other officer or employee of the insurer;
- (b) A person who is a partner of, or in the employment of a director, officer or employee of the insurer;
- (c) The spouse or lineal ascendant / descendant of the director of the insurer; and
- (d) The person who is indebted to the insurer.

Grievance Function

4.1.74. The insurer shall establish a grievance function which shall be responsible for resolving complaints and grievances of the policyholders and prospective policyholders. All complaints / grievances received by the insurer, either in writing or through the call center of that insurer, shall have to be resolved within a period of not later than thirty (30) days. However, in case of non-resolution of a complaint / grievance of the policyholder or prospective policyholder, such complaint / grievance shall be reported to the Securities and

Exchange Commission of Pakistan, in writing, within a period of not later than ten (10) days from the expiry of the period allowed for resolution of that complaint / grievance, along with the reason(s) for non-resolution.

4.1.75. Claim Settlement Committee shall oversee the activities of the grievance function of an insurer.

Compliance with the Code of Corporate Governance

4.1.76. The insurer shall make out and circulate a statement along with their annual reports to set out the status of their compliance with the best practices of corporate governance as per the format given in the Annexure I.

4.1.77. The insurer shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors, where such compliance can be objectively verified, before publication by insurer.

[Omitted]²⁵

4.1.78. [Omitted]²⁶

4.1.79. [Omitted]²⁷

4.1.80. [Omitted]²⁸

Relaxation from the Requirement of the Code

4.1.81. Where the Securities and Exchange Commission of Pakistan is satisfied that it is not practicable to comply with any of the best practices of corporate governance in a particular case, the Commission may, for reasons to be recorded in writing, relax the same subject to such conditions as it may deem fit.

²⁵ Omitted vide S.R.O. 277(I)/2020 dated 1st April, 2020

²⁶ Omitted vide S.R.O. 277(I)/2020 dated 1st April, 2020

²⁷ Omitted vide S.R.O. 277(I)/2020 dated 1st April, 2020

²⁸ Omitted vide S.R.O. 277(I)/2020 dated 1st April, 2020

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR INSURERS, 2016**

Name of Insurer.....

Year Ended... ..

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

The insurer has applied the principles contained in the Code in the following manner:

1. The insurer encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	
Executive Directors	
Non-Executive Directors	

All independent directors (if any) meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

In case of unlisted insurers, if no independent director has been appointed on the Board, the reason(s) for non-appointment of the independent director should be stated.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this insurer (excluding the listed subsidiaries of listed holding companies in which each one of them is a director <where applicable>).
3. All the resident directors of the insurer are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFIs or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.
4. A casual vacancy occurring on the Board on was filled up by the directors within days thereof.
5. The insurer has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the insurer.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the insurer. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All powers of the Board have been duly exercised and decisions on material transactions, including

appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.

8. The meetings of the Board were presided over the Chairman and, in his/her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the insurer. The insurer has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. The Board arranged..... Orientation course(s) / training programs for its directors during the year to apprise them of their duties and responsibilities.
11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the insurer were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the insurer other than disclosed in the pattern of shareholding.
15. The insurer has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
16. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category

Claim Settlement Committee:

Name of the Member	Category

Reinsurance & Co-insurance Committee:

Name of the Member	Category

Risk Management & Compliance Committee:

Name of the Member	Category

17. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee:

Name of the Member	Category

Nominations Committee *[If constituted]:*

Name of the Member	Category

Investment Committee:

Name of the Member	Category

18. The Board has formed an Audit Committee. It comprises of members, of whom are independent directors (if applicable) and are non-executive directors. The chairman of the Committee is an independent director / non-executive director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.
20. The Board has set up an effective internal audit function / or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they (or their representatives) are involved in the internal audit function on a regular basis.
21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the insurer (if any) also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
	Chief Executive Officer
	Chief Financial Officer

	Compliance Officer
	Actuary
	Company Secretary
	Head of Internal Audit
	Head of Underwriting
	Head of Claims
	Head of Reinsurance
	Head of Risk Management
	Head of Grievance Dept.

NOTE: In case there is any change in appointment of any person to act as Chief Executive Officer, Chief Financial Officer, Compliance Officer, Actuary, Company Secretary, Head of Internal Audit, or during the reporting year, should be adequately disclosed here with cogent reason(s) for such change.

22. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The Appointed Actuary of the insurer has confirmed that he/she or his/her spouse and minor children do not hold shares of the insurer <To be stated by life insurers>.
25. The Board ensures that the Appointed Actuary complies with the requirements set out for him/her in the Code of Corporate Governance for Insurers, 2016.
26. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
27. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
28. The insurer has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
29. The Board ensures that as part of the risk management system, the insurer gets itself rated from (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency(date) is(rating) with outlook.
30. The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

31. The insurer has obtained exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the following requirement(s) of the Code of Corporate Governance for Insurers, 2016:
- *Details of all the requirements which the insurer has obtained including the date at which such exemption(s) was/were obtained and till the date such exemption(s) shall remain valid.*
32. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with except for the following, towards which reasonable progress is being made by the insurer to seek compliance by the end of next accounting year.

*Note.*___ Any exception to the above should be adequately disclosed with reasons.

By Order of the Board

*Name and Signature of the
Chairman of the Board
or Chief Executive*

Date: _____

Annexure II

[Omitted]²⁹

²⁹ Omitted vide S.R.O. 277(I) of 2020 dated 1st April, 2020

SCHEDULE OF APPLICABILITY
OF THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

Clause	Brief Description of the Clause	Effective Date of Implementation
4.1.3(a)	Composition of the Board of Directors (Appointment of Independent Director(s), where practicable)	Election / Appointment / Nomination of Directors or three years from the date of coming into effect of this Code, whichever is earlier
4.1.3(b)	Composition of the Board of Directors (Bar on maximum allowable number of Executive Directors)	Election / Appointment / Nomination of Directors or three years from the date of coming into effect of this Code, whichever is earlier
4.1.4	Composition of the Board of Directors (Declaration at the time of filing of explicit consent to act as Director)	At the time of filing of consent to act as Director before the Election / Appointment / Nomination of Directors or three years from the date of coming into effect of this Code, whichever is earlier
4.1.5	Qualification and Eligibility to Act as a Director (Maximum number of listed companies served by a Director)	Three months from the date of coming into effect of this Code
4.1.6	Qualification and Eligibility to Act as a Director (Ineligibility to act as Director)	Immediate
4.1.6	Qualification and Eligibility to Act as a Director (Existing Director to provide an affidavit to the insurer confirming the placement of his/her name of the Exit Control List, which shall also be filed with the Commission)	Within one month from the date of coming into effect of this Code

4.1.7	Qualification and Eligibility to Act as a Director (Approval by the Commission for appointment of a Director on the Board of an insurer)	Immediate (Already in existence vide the Insurance Companies (Sound and Prudent Management) Regulations, 2012)
4.1.8 & 4.1.9	Casual Vacancy in the Board (Timeframe for filling up casual vacancy and approval by the Commission)	Immediate
4.1.10	Responsibilities, Powers and Functions of Board of Directors (The Directors to exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of the insurer)	Immediate
4.1.11(a)	Responsibilities, Powers and Functions of Board of Directors (Preparation and circulation of the Code of Conduct)	Immediate
4.1.11(b), (c) and (d)	Responsibilities, Powers and Functions of Board of Directors (Adoption of mission/vision statement and overall corporate strategy, formulation of significant policies, and establishment of sound internal controls)	Immediate but not later than six months from the date of coming into effect of this Code
4.1.11(e)	Responsibilities, Powers and Functions of Board of Directors (Powers to be exercised by the Directors through resolution)	Immediate
4.1.11(f)	Responsibilities, Powers and Functions of Board of Directors (Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and other Executive Directors)	Immediate
4.1.11(g)	Responsibilities, Powers and Functions of Board of Directors (Comprehensive Proxy Voting Policy for Institutional Investors)	Immediate but not later than one month from the date of coming into effect of this Code
4.1.12	Responsibilities, Powers and Functions of Board of Directors (Chairman and Chief Executive Officer to be different persons, Chairman to be among the Non-Executive Directors, and defining the roles of Chairman & Chief Executive Officer)	The date at which reconstitution of the Board falls due after the issuance of this Code, or December 31, 2018, whichever is earlier
4.1.13	Internal Control (Aspects of system of internal control to be implemented at all levels)	Immediate but not later than six months from the date of coming into effect of this Code

4.1.14, 4.1.15, 4.1.16 and 4.1.17	Meetings of the Board	Immediate
4.1.18	Significant Issues to be Placed for Decision by Board of Directors	Immediate
4.1.19	Orientation Courses	Immediate but not later than three months from the date of coming into effect of this Code
4.1.20	Chief Financial Officer, Company Secretary and Head of Internal Audit (Appointment and approval)	Immediate
4.1.21 & 4.1.22	Qualification of Chief Financial Officer and Head of Internal Audit	Immediate unless as specified in this clause
4.1.23	Requirement to Attend Board Meetings	Immediate
4.1.24	Corporate and Financial Reporting Framework (Directors' Report to include certain information)	Directors' Report to be made out and attached to every balance sheet as on December 31, 2016 and onwards
4.1.25	Frequency of Financial Reporting (Preparation and circulation of quarterly unaudited financial statements and half-yearly reviewed financial statements along with Directors' Report)	Quarterly financial statements along with Directors' Report to be prepared and circulated for the quarter ended December 31, 2016 and onwards
4.1.26	Frequency of Financial Reporting (Review of half-yearly financial statements by the statutory auditors)	Immediate
4.1.27	Frequency of Financial Reporting (Circulation of annual audited financial statements)	Immediate
4.1.28	Annual Reviews and Compliance Procedures	Immediate but before every Annual General Meeting
4.1.29, 4.1.30 & 4.1.31	Compliance Officer (Adoption of Compliance Program, appointment of and assignment of duties to Compliance Officer, reporting line of the Compliance Officer and duties & responsibilities of Compliance Officer)	Within four months from the date of coming into effect of this Code but not later than six months therefrom

4.1.32 & 4.1.33	Responsibility for Financial Reporting and Corporate Compliance	For all financial statements prepared for the period ended December 31, 2016 and onwards
4.1.34	Auditors and Actuaries not to hold Shares	Immediate
4.1.35, 4.1.36, 4.1.37, 4.1.38, 4.1.39 & 4.1.43	Management Committees	Immediate but not later than six months from the date of coming into effect of this Code
4.1.40, 4.1.41, 4.1.42, 4.1.43, 4.1.44 & 4.1.53 to 4.1.57	Board Committees	Immediate but not later than six months from the date of coming into effect of this Code
4.1.45, 4.1.46, 4.1.47, 4.1.48 & 4.1.49	Investment Committee (Framing / annual review of an investment policy by the Investment Committee, approval of the Board regarding investment policy, Investment Committee to ensure compliance with certain factors while framing the investment policy, quarterly reporting to the Board regarding investing activities and funds' performance)	Immediate but not later than nine months from the date of coming into effect of this Code
4.1.58 & 4.1.59	Internal Audit	Immediate but not later than one month from the date of coming into effect of this Code
4.1.60 to 4.1.68	External Auditors	Immediate
4.1.69	Risk Management System	For underwriting / insurance risk, credit risk, financial risk and capital adequacy risk: Immediate but not later than three months from the date of coming into effect of this Code.

		For all other risks: Immediate but not later than two years from the date of coming into effect of this Code
4.1.70 & 4.1.71	Risk Management Function / Department	In line with timelines provided for “Risk Management System”
4.1.72	Rating by a Credit Rating Agency	Immediate but not later than the date of the Annual General Meeting immediately after coming into effect of this Code
4.1.73	Actuary (Appointed Actuary must not be related with the insurer)	Immediate
4.1.74	Grievance Function (Establishment of & procedure for the Grievance Function of an insurer)	Immediate but not later than three months from the date of coming into effect of this Code
4.1.75	Claims Settlement Committee to oversee the activities of Grievance Function	Immediate upon establishment of the Grievance Function
4.1.76 & 4.1.77	Compliance with the Code of Corporate Governance (Preparation & circulation of the reviewed Statement of Compliance with Best Practices of Corporate Governance along with annual report)	With all financial statements prepared for the period ended December 31, 2016 and onwards
[Omitted] ³⁰		

³⁰ Omitted vide S.R.O. 277(I) of 2020 dated 1st April, 2020

4.2. GENDER DIVERSITY ON BOARD OF DIRECTORS

Policy To Be Prepared At Board Level For Gender Diversity By The Insurance Companies³¹

- 4.2.1. In continuation of the Circular No. 7, dated March 12, 2021 on “Gender Diversity”, the Securities and Exchange Commission of Pakistan (“the Commission”) in exercise of the powers conferred under Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) would like the Boards of insurers and takaful operators to:
- 4.2.1.1. Formulate a gender diversity policy for recruitment, promotion along with gender pay gap analysis within the organization, retention and development of skills of their women employees, providing them conducive work environment which includes but is not limited to the provision of day care facilities, better maternity leaves, robust anti-harassment and speak-up policies and diverse committees overseeing the complaints pertaining to harassment etc.;
 - 4.2.1.2. Oversee the implementation of the above referred diversity policy with concrete targets and review the progress at least annually;
 - 4.2.1.3. Make the diversity objectives part of the Key Performance Indicators (KPIs) of senior management to ensure that they are applied throughout the organization;
 - 4.2.1.4. Maintain the gender dis-aggregated data with regard to female employment, female agency sales force and female customer base;
 - 4.2.1.5. Impart awareness throughout organization regarding anti-harassment policy and development of respectful workplace environment.
- 4.2.2. All insurers are required to submit the gender dis-aggregated data with regards to female employment and female agency sales force as per format enclosed as Annexure – I, to the Commission by April 30 every year. The first data as per given format needs to be submitted by October 30, 2021.
- 4.2.3. All insurers and takaful operators are encouraged to proceed as recommended above and keep all stakeholders apprised by publishing the actions taken on their websites.

³¹ SECP Circular No. 24 of 2021 dated 9th September, 2021

GENDER DIS-AGGREGATED DATA WITH REGARDS TO FEMALE EMPLOYMENT AND FEMALE AGENCY SALES FORCE	Annexure – I
---	---------------------

Name of the Entity	
For the year ended	<i>Dec 31, 20xx</i>

Description	Men	Women	Total
Number of Directors on the Board	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Number of Employees	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
No. of employees in Senior Management	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
No. of employees in Middle management	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
No. of employees in non-Management cadre	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Number of Promotions during last year	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Number of Employees hired during last year	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Median Salary for Senior Management during year	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Median Salary for Middle Management during year	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Median Salary for non-Management cadre during year	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
No. of employees /participants during trainings in last year	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
Employee Retention Ratio for year	<i>% format</i>	<i>% format</i>	<i>% format</i>
No. of agency sales force	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
No. of agency sales force hired	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>
No. of agency sales force turnover	<i>Number format</i>	<i>Number format</i>	<i>Number format</i>

Qualitative Questionnaire	Response
Does the company have a gender diversity policy, approved by its Board?	<i>Yes/No</i>
Date of approval/review of the diversity policy by the Board	<i>dd/mm/yyyy</i>
Are day care facilities provided by the company?	<i>Yes/No</i>
Number of Maternity leaves allowed to women as per HR Policy	<i>Number format</i>
Does the company have gender diversified committee(s) to oversee harassment complaints?	<i>Yes/No</i>
Does the company have an approved anti-harassment policy?	<i>Yes/No</i>
Does the Board oversee the implementation of the gender diversity policy and review progress annually?	<i>Yes/No</i>
Are the diversity objectives part of Key Performance Indicators (KPIs) of Senior management?	<i>Yes/No</i>
Suggestions to improve Gender Parity in the insurance sector (<i>Optional</i>)	<i>text</i>
Have you conducted organization-wide awareness sessions w.r.t. anti-harassment policy?	<i>Yes/No</i>

Chapter 5. Financial and Regulatory Reporting

5.1. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD - 4³²

- 5.1.1. The Securities and Exchange Commission of Pakistan is pleased to direct that the International Financial Reporting Standards 4 issued by the International Accounting Standards Board shall be followed in regard to the accounts and preparation of balance sheet and profit and loss account for the period commencing from 1st January, 2009 of companies engaged in insurance and re-insurance business:
- 5.1.2. Provided that the Commission may, of its own motion or upon an application made to it, grant exemption to any company or any class of companies, if it is in the public interest so to do, from compliance with all or any of the requirements of the aforesaid Standard.

5.2. ASSETS OF LIFE INSURER'S STATUTORY FUNDS (SECTION 39 OF THE INSURANCE ORDINANCE, 2000)³³

Attention is invited to Section 39 of the Insurance Ordinance, 2000 (Assets of Life Insurer's Statutory Funds). The following revised guidelines are being issued for implementation of this Section by all life insurers:

- 5.2.1. All assets owned by the Company shall be clearly designated, in the books of the insurer, as relating to either the Shareholders' Fund or a particular Statutory Fund, and, where a Statutory Fund is sub-divided into sub-funds (such as investment linked funds or participant takaful funds), the sub-fund (sub-funds being included in the term "funds" as used in this document). In the case of investment linked funds, such designation shall be made at the time of acquisition or creation of the asset and shall be recorded in all accounting documents (such as vouchers). In case of other funds such designation shall be made not later than 30 days following the end of the calendar quarter in which the transaction took place. It is recognized that documents issued by third parties (eg., brokers) may simply carry the name of the insurer but all internal documents (including those containing the decision to buy or sell, instructions issued to brokers, accounting vouchers, etc) should clearly designate the fund which is involved.
- 5.2.2. Where there are transactions relating to specific policies (premium receipt, commission payment, benefit payment, etc.) that relate to more than one statutory fund (eg., receipt of premiums on more than one policy, different policies relating to different funds) the transaction shall be recorded in any one fund. The resulting amounts receivable or payable between funds resulting from such transaction shall be recorded not later than 30 days following the end of the calendar quarter in which the transaction took place. Transactions relating to expenses or income which do not relate to specific policies but which relate to more than one fund shall be recorded in any one fund and the resulting amounts receivable or payable between funds shall be recorded no later than 30 days following the end of the calendar quarter in which the transaction took place. Similarly movements of assets backing capital contributions into statutory funds or surplus transfers from statutory funds to shareholder funds

³² S.R.O 149(I)/ 2009 dated 11th February, 2009

³³ SECP Circular Ref: 11 of 2010 dated 3rd February, 2011

shall be recorded as at the last date of the period to which such transfers relate and shall be recorded in the accounting records within 15 days of receipt of advice from the Appointed Actuary relating to such transfers. All such transfers shall be recorded at fair value.

- 5.2.3. Where any asset or liability is designated as belonging to more than one fund the proportion belonging to each fund should be clearly designated in all documents and transactions referred to above.
- 5.2.4. Any transaction to acquire or dispose of any assets which impacts the value to a policyholder (essentially any investment linked fund or any statutory fund containing participating policies), shall be at arm's length, where such assets are listed securities traded on any of the country's stock exchanges, the transaction shall be through a transaction with an external entity. For other assets the transaction shall either be through an external entity or shall required to be specifically certified by the Company's statutory auditors as having been transacted at fair value.
- 5.2.5. The Commission will require, at the end of each year, an opinion from the Company's statutory auditors as to whether the above practices have been effectively implemented by the Company and followed during the year related to which the opinion is being given. Such opinion shall be addressed to the Commission and be issued separately from the audit opinion issued under Section 48 of the Insurance Ordinance 2000.

5.3. GROUP INSURANCE PREMIUM RATES³⁴

- 5.3.1. This has been observed from the various reports that due to stiff competition among life insurance organizations for group insurance business, the premium rates are being reduced quite aggressively. The insurers need to remain careful while reducing the premium rates since the group insurance profitability can significantly affect the overall profitability of the organization.
- 5.3.2. According to sub-section 27(2) of the Insurance Ordinance 2000, it is the duty of the appointed actuary to certify that the premium rates and the terms and conditions of a type of policy issued by the insurer are sound and workable. Also, according to the sub-section 13(1) of the ordinance the insurers are required to file with the commission the material specified in the subsection 6(8) of the ordinance at the time of introduction or amendment to the life insurance policy or contract. The material specified in the sub-section 6(8) includes premium rates. Since no exemption is given under these sections for group business, they apply to group insurance policies also.
- 5.3.3. However, due to generally large number of policies and frequent review of group insurance premium rates, it may not be practically feasible for the appointed actuaries to give and for the insurers to obtain such certificate for each and every group insurance policy every year.
- 5.3.4. Considering the above situation, this has been decided by the Commission that with immediate effect, the appointed actuary shall include a statement of group insurance profitability in the Financial Condition Report. The profitability study shall be carried out on accrual basis and shall take into account

³⁴ SECP Circular No. 9 of 2005 dated 16th August, 2005

movements during the year in Unearned Premium Reserves, Outstanding Premium Reserves and Outstanding Claim Reserves including incurred but not reported claims. If the study shows profit, it can be assumed that the premium rates of overall group insurance business are sound and workable. If the study shows loss, the appointed actuary shall give his opinion in the statement for the reason of loss.

- 5.3.5. Further, the appointed actuary shall certify that the premium rates and other terms and conditions of each group insurance policy with annual premium of Rs.2 million³⁵ or above are sound and workable. The certificate shall contain Name of the group, policy number, type of policy, premium rates and their validity period.
- 5.3.6. The commission believes that the above requirement would encourage healthy competition among the life insurers and positively affect their financial conditions.
- 5.3.7. The commission may call for the details of the group insurance business to investigate reasons of any loss and take appropriate action, if the loss is incurred due to deviation from any provision of the Insurance Ordinance, 2000.

5.4. MORTALITY RATES

Mortality Rates As A Part Of The Minimum Valuation Basis For The Determination Of Minimum Actuarial Reserves For Policyholders' Liabilities³⁶

- 5.4.1. Sub-section 5 of Section 50 of the insurance Ordinance, 2000 (the Ordinance) stipulates that the financial condition report prepared under sub-section (1) of Section 50 of the Ordinance shall include a statement of the minimum actuarial reserve for policyholders' liabilities calculated in the manner and on the basis prescribed by the Commission in this behalf. According to Rule 20 and paragraph 6(2) of Annexure V to the SECP (Insurance) Rules 2002 as modified on January 9, 2012, the mortality rates to be used in the determination of minimum actuarial reserve for policyholder liabilities shall be in accordance with the table of mortality rates prescribed by the Pakistan Society of Actuaries (PSOA).
- 5.4.2. Based on the recommendation of the PSOA, a new mortality table namely — SLIC (2001-05) Individual Life Ultimate Mortality Table is being circulated as Annexure I for the determination of minimum actuarial reserve for policyholders' liabilities required under sub-section (5) of Section 50 of the Ordinance.

³⁵ SECP Circular No. 11 of 2013 14th June, 2013

³⁶ SECP Circular No. 17 of 2013 dated 13th September, 2013

Mortality Rate as Part of the Minimum Valuation Basis for the Determination of Minimum Actuarial Reserves for Policyholders' Liabilities

SLIC (2001-05) Individual Life Ultimate Mortality Table of the Pakistan Society of Actuaries (PSOA)								
Age (x)	g_x	l_x	Age (x)	g_x	l_x	Age (x)	g_x	l_x
0	0.0021064	1,000,000	36	0.0016775	969,039	72	0.038756	624,629
1	0.0005381	997,894	37	0.0017926	967,413	73	0.0424229	600,420
2	0.0004987	997,357	38	0.0019243	965,679	74	0.0463834	574,949
3	0.0004921	996,859	39	0.0020751	963,821	75	0.0507006	548,281
4	0.000479	996,369	40	0.0022477	961,821	76	0.055437	520,482
5	0.0004528	995,891	41	0.0024451	959,659	77	0.0606463	491,628
6	0.0004331	995,441	42	0.0026705	957,312	78	0.0662301	461,813
7	0.0004068	995,009	43	0.0029277	954,756	79	0.0722332	431,227
8	0.0003806	994,605	44	0.0032208	951,961	80	0.078709	400,078
9	0.000374	994,226	45	0.0035539	948,895	81	0.0857111	368,588
10	0.0003675	993,854	46	0.0039319	945,522	82	0.0932841	336,996
11	0.0003871	993,489	47	0.0043596	941,804	83	0.1013923	305,560
12	0.0004265	993,104	48	0.004842	937,699	84	0.1100535	274,578
13	0.0004987	992,681	49	0.0053843	933,158	85	0.1192588	244,360
14	0.0005774	992,186	50	0.0059913	928,134	86	0.129035	215,218
15	0.0006693	991,613	51	0.0066677	922,573	87	0.1394177	187,447
16	0.0007612	990,949	52	0.0074177	916,422	88	0.1506567	161,314
17	0.0008399	990,195	53	0.0082444	909,624	89	0.1626094	137,011
18	0.000899	989,363	54	0.0091499	902,125	90	0.1753202	114,732
19	0.0009383	988,474	55	0.0101348	893,870	91	0.1889855	94,617
20	0.000958	987,546	56	0.011198	884,811	92	0.2039709	76,736
21	0.0009737	986,600	57	0.0123361	874,903	93	0.2206064	61,084
22	0.0009911	985,639	58	0.0135439	864,110	94	0.239472	47,608
23	0.0010105	984,663	59	0.0148134	852,407	95	0.2608351	36,207
24	0.0010322	983,668	60	0.0161348	839,780	96	0.2849634	26,763
25	0.0010566	982,652	61	0.017496	826,230	97	0.3123474	19,137
26	0.001084	981,614	62	0.0188832	811,774	98	0.3436562	13,159
27	0.001115	980,550	63	0.0202819	796,445	99	0.3792108	8,637
28	0.0011501	979,456	64	0.0216766	780,292	100	0.4196696	5,362
29	0.0011899	978,330	65	0.0230523	763,378			
30	0.0012351	977,166	66	0.0243946	745,780			
31	0.0012866	975,959	67	0.0256905	727,587			
32	0.0013454	974,703	68	0.0275119	708,895			
33	0.0014125	973,392	69	0.0294624	689,392			
34	0.0014893	972,017	70	0.0322454	669,081			
35	0.001577	970,569	71	0.0353316	647,506			

Notes:

“x” means age of the assured life as on the valuation date.

“ q_x ” means the probability of death in the year $x+1$ given survival of the assured life till age x .

“ l_x ” means number of assured lives aged ‘x’ survived as at the valuation age.

5.5. FILING OF RETURNS THROUGH INSURANCE COMPANIES RETURN SUBMISSION (ICRS) SYSTEM³⁷

- 5.5.1. In order to facilitate the insurance industry in submitting the regulatory information required by the Securities and Exchange Commission of Pakistan ("the Commission") under the Insurance Ordinance, 2000 and other relevant laws, it is hereby informed that the Commission introduced an online regulatory returns submission system, namely the Insurance Companies Return Submission (ICRS) system, which was implemented from the date July 1, 2012 for life and non-life insurance companies. Takaful operators would be required to submit their regulatory returns through ICRS system from a later date announced by the Commission.
- 5.5.2. The details of ICRS system and its user manual are also available at the Commission's website, www.secp.gov.pk, for information and assistance. Also, the orientation workshops to facilitate the insurers on using the ICRS system have already been conducted by the Commission during the month of May 2012 at Karachi and Islamabad, wherein the representatives from all life and non-life insurers were invited and the feedback received from such participants in this respect has been duly incorporated in the ICRS system where deemed appropriate.
- 5.5.3. As conveyed during the said workshops, all life and non-life insurers are required to obtain the login names and password from the Information Systems and Technology Department (IS&TD) of the Commission in order to use the ICRS system. Also, for the secure submission of regulatory returns, the Digital Signatures for the Chief Financial Officers of the life and non-life insurers can be easily acquired from the National Institute of Facilitation Technology (NIFT).
- 5.5.4. It is hereby prescribed that all regulatory returns currently being submitted to the Commission by life and non-life insurers under the Insurance Ordinance, 2000 and other relevant laws shall continue to be submitted in physical document form, at varying usual periodicities; however, after the Effective Date, the frequency of submission of the regulatory returns through ICRS system shall be as follows:

For Life Insurers

S. No.	Name of Return	Frequency
1	Statement of Assets and Liabilities - Form LA	Annual, 1st Quarter, half-year, and 3rd Quarter (9 months)
2	Statement of Profits and Losses - Form LB	- do -
3	Statement of Cash Flows - Form LC	- do -
4	Revenue Account - Form LD	- do -
5	Statement of Premiums - Form LE	- do -
6	Statement of Claims - Form LF	- do -
7	Statement of Expenses - Form LG	- do -
8	Statement of Investment Income - Form LH	- do -
9	Statement of Assets for Solvency Purposes - Form LI	- do -
10	Classified Summary of Assets in Pakistan - Form LJ	Annual
11	Notes to the Accounts - Form LK	Annual, 1st Quarter, half-year, and 3rd Quarter (9 months)

³⁷ SECP Circular No. 21 of 2012 dated 26th June, 2012

For Non Life Insurers

S. No.	Name of Return	Frequency
1	Statement of Assets and Liabilities - Form GA	Annual, 1st Quarter, half-year, and 3rd Quarter (9 months)
2	Statement of Profits and Losses - Form GB	- do -
3	Statement of Cash Flows - Form GC	- do -
4	Statement of Premiums - Form GD	- do -
5	Statement of Claims - Form GE	- do -
6	Statement of Expenses - Form GF	- do -
7	Statement of Investment Income - Form GG	- do -
8	Statement of Claim Analysis	Annual
9	Statement of Exposures – Form GI	Annual
10	Statement of Assets for Solvency Purposes - Form LJ	Annual, 1st Quarter, half-year, and 3rd Quarter (9 months)
11	Classified Summary of Assets in Pakistan - Form GK	Annual
12	Notes to the Accounts - Form GL	Annual, 1st Quarter, half-year, and 3rd Quarter (9 months)

5.5.5. All life and non-life insurers are hereby advised to submit their regulatory returns as per the schedule prescribed below:

S. No.	Frequency	Returns to be submitted latest by
1	Annual	April 30
2	1 st Quarter	May 15
3	Half Quarter	August 15
4	3 rd Quarter (9 months)	November 15

5.5.6. However, in order to facilitate the transitions towards the new system, all life and non-life insurers were advised to submit their regulatory returns through ICRS system, namely the annual returns for year ended December 31, 2011 by July 15, 2012 and 1st quarterly returns for period ended March 31, 2012 by July 31, 2012.

5.5.7. The provision available in para 6 above was applicable only for the returns mentioned ipso facto. Thereafter, the regulatory returns shall be submitted as per the schedule given in para 5 above.

5.5.8. All life and non-life insurers are hereby advised to ensure the above for meticulous compliance.

5.6. FINANCIAL REPORTING OF FAMILY WINDOW TAKAFUL OPERATIONS BY LIFE INSURERS³⁸

Attention is invited towards Rule 11(1)(b) and 11(1)(c) of the Takaful Rules, 2012 which states:

"11. Further Conditions applicable to Window Takaful Operator.- (1) In addition to the conditions under Rule 10, a Window Takaful Operator,-

³⁸ SECP Circular No. 15 of 2019 dated 18th November, 2019

(b) shall report its assets, liabilities, revenues and expenses separately for each segment of its Conventional business and Takaful business;

(c) shall comply with the provisions of these Rules or such other conditions as may be imposed by the Commission from time to time;"

The Commission in exercise of the powers conferred under Rule 11(1)(c) of the Takaful Rules, 2012 hereby imposes the following conditions on life insurers related to financial reporting of their window takaful operations:

5.6.1. Life insurers authorized to carry on window takaful operations shall include the Family Takaful results in their published financial statements as follows:

- (a) The assets and liabilities of the window family takaful operations shall be consolidated with the assets and liabilities of the conventional operations in the Statement of Financial Position of the life insurer.
- (b) The incomes and expenses of the window family takaful operations shall be consolidated with the incomes and expenses of the conventional operations in the Profit & Loss Account of the life insurer.
- (c) Supporting notes where considered necessary for understanding of the users of financial statements shall be included as part of the notes to the financial statements; and
- (d) The segment disclosures for Family Takaful Operations in accordance with the requirements of IFRS 8 — Operating Segments shall be included in the financial statements.

5.6.2. In the financial statements the retained earnings of the Participant Takaful Fund (PTF) shall be classified as insurance liability and included in the Total Liabilities of the Window Family Takaful Operations. Balance of the Operator Sub-Funds under the Window Family Takaful operations, shall be classified as part of shareholders' equity of the life insurer presented separately into (i) retained earnings attributable to shareholders — ledger account D; and (ii) other components.

5.6.3. Life insurers shall separately prepare financial statements for Family Takaful operations as if these are carried out by a standalone Takaful Operator and shall be annexed with the insurer's annual/interim report (as applicable). Supporting notes where considered necessary for understanding of the users of separate financial statements shall be included as part of the notes to the separate financial statements.

Accordingly, all Life insurers undertaking Family Takaful business through window operations are directed to ensure that the financial statements for the periods commencing January 1, 2020 submitted with the SECP under the provisions of applicable laws are in compliance with the conditions placed above.

5.7. GUIDELINES FOR ESTIMATION OF INCURRED BUT NOT REPORTED (IBNR) CLAIMS RESERVE

Securities and Exchange Commission (SEC) Guidelines for Estimation of IBNR Claims Reserve, 2016³⁹

In exercise of the powers conferred by sub-section (3) of Section 34 of the Insurance Ordinance 2000, the Securities and Exchange Commission of Pakistan hereby issues the following Guidelines namely:-

5.7.1. **Application:** These Guidelines are applicable to all classes of non-life insurance business with effect from July 1, 2016.

5.7.2. **Definitions.** - (1) In these Guidelines, unless there is anything repugnant in the subject or context, -

- (i) **"Act"** means Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (ii) **"Actuary"** means an actuary as defined in Rule 3 of SEC Insurance Rules, 2002.
- (iii) **"Commission"** means the Securities & Exchange Commission of Pakistan constituted under Section 3 of the SECP, Act 1997 (XLII of 1997);
- (iv) **"Insurer"** means a non-life insurer registered under the Ordinance;
- (v) **"Incurred but not reported (IBNR) claims"** The losses that are incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Insurer by that 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) claims reserve.
- (vi) **"Ordinance"** means the Insurance Ordinance, 2000 (XXXIX of 2000);
- (vii) **"Valuation Date"** is the date as on which accounting year of the insurer is closed and for which the financial statements of the insurer are made.
- (viii) **"Valuation Report"** means a report on the estimation of IBNR claims reserve in accordance with the requirements of these Guidelines whether prepared by the insurer or an actuary used for this purpose.

(2) All words and expressions used in these guidelines but not defined shall have the same meaning as assigned to it in the Ordinance and Act.

(3) In these Guidelines, the word 'Takaful' may be used interchangeably with the word insurance', 'Family Takaful' with 'Life Insurance', 'General Takaful' with 'General Insurance', 'contribution' with 'premium' and 'Company' & "Insurer" with 'Takaful Operator'. Similarly other terms used in the Takaful Rules, 2012 associated with the Takaful business may be used interchangeably with their conventional counterpart words/terms.

³⁹ SEC Guidelines for Estimation of IBNR Claims Reserve, 2016

5.7.3. **Determination of IBNR Claims Reserve:** (1) An insurer shall determine the amount of IBNR claims in accordance with these Guidelines for the preparation of financial statements and regulatory returns under Section 46 of the Ordinance.

(2) These Guidelines encourage an insurer to determine the amount referred in sub clause (1) above based on the written advice of an actuary.

5.7.4. **Submission of Valuation Report:** (1) An insurer shall submit a Valuation Report on the estimation of the amounts referred under clause 3 above, prepared in accordance with these Guidelines, to the Commission along with annual regulatory returns required to be submitted under Section 46 of the Ordinance. The Valuation Report shall include amongst others the quantitative reports as described in Annexure I and elaborated in Annexure II and Annexure III.

(2) If an insurer has hired the services of an actuary for the purpose of these Guidelines, the actuary shall prepare the Valuation Report in accordance with requirements of these Guidelines as well as the applicable professional standards and code of conduct which shall be mentioned in his/her Valuation Report.

5.7.5. **Insurer to maintain adequate data of claims:** (1) An Insurer shall at all times maintain adequate data of claims capturing at minimum the following data fields in respect of each claim:

- (a) class of business
- (b) product type within each class of business
- (c) separately identifiable code for each claim
- (d) policy number
- (e) insured's name
- (t) policy period
- (g) codified details about the claim/event/loss
- (h) claim amount
- (i) claim status (i.e. open, closed or reopened)
- (j) loss date / period
- (k) reporting / intimation date
- (l) paid date(s)
- (m) claim settlement expenses
- (n) reinsurer's name
- (o) reinsurer's share in claim
- (p) reinsurer's share in claim settlement expenses
- (q) applicable deductible

(r) maximum cap/ceiling

(2) An insurer shall maintain the claims' records in electronic format, in addition to any other existing form, to ensure that adequate data of claims is available in an easily understandable and accessible format for its own use and to be used in any other quantitative/qualitative analysis.

5.7.6. **Data for the Estimation of IBNR Claims Reserve:** (1) An insurer shall consider the following data or information components for the estimation of IBNR claims reserve. The same shall be provided to the actuary if an insurer has hired him/her for this purpose.

(a) data of claims;

(b) data of insurance policies;

(c) financial statements;

(d) changes in underwriting policy over preceding relevant years;

(e) changes in claim administration procedures over preceding relevant years; and

(f) changes in method for estimation of outstanding claims reserve over preceding relevant years.

5.7.7. **Considerations for IBNR claim reserves:** (1) The insurer shall consider the following factors for estimation of IBNR claims reserve separately for each class of business:

(a) Homogeneity in the claims development pattern — The Insurer shall consider homogeneity of the claim development pattern for different classes of business or type of risks. If the classes/risks exhibit a similar pattern, the Insurer may aggregate them for estimation of IBNR claim reserve. Where a certain portfolio under a given class has a different development pattern, the Insurer shall estimate the reserve for that portfolio separately or with the relevant homogeneous risk class.

(b) Underwriting Policy — The Insurer shall examine the underwriting policy of the Insurer by each class/subclass/product and consider the changes in the underwriting policy and practices that have been made during the period under consideration. The effect of any such changes on the claim development pattern and the IBNR claims reserve should be examined and incorporated.

(c) Business Mix — The type of business mix within each risk class has significant impact on the claims development pattern. Where there is a significant change in the business mix, the impact of such change on the claims development pattern shall be examined and reflected by the Insurer in estimation of IBNR claims reserve.

(d) Claims Administration — The claims administration procedures and any changes in such procedures over the relevant preceding years shall be examined by the Insurer to determine their impact on claims development pattern. In this regard, the Insurer shall consider, including but not limited to, the following factors:

(i) the manner in which a claim is recorded by the Insurer at onset;

(ii) speed of the subsequent processing of claims;

- (iii) promptness of loss determination and payment;
- (iv) attitude of the Insurer towards litigation;
- (v) practice of partial payments of claims; and
- (vi) effectiveness of recovery procedure.

(e) Reserving method for reported outstanding claims — The Insurer's method of reserving outstanding claims is a significant factor in most IBNR claim. The Insurer shall consider any changes that have been made in the methods of estimating outstanding claims reserve. If the Insurer has the policy to reduce outstanding claims that shows no movement during the year, the effect on the IBNR shall be accounted for in the estimation.

(f) Individual large claims and catastrophic claims — The Insurer shall identify and separate the individual large claims and catastrophic claims from the claims data to estimate the IBNR claims reserve for regular claims. The Insurer shall apply appropriate quantitative and qualitative method to account for the individual large and catastrophic claims based on sound actuarial principals.

(g) External Factors — The Insurer shall consider the following external factors:

- (i) changes in legal environment;
- (ii) changes in regulatory environment;
- (iii) economic factors such as inflation, unemployment, credit default etc.; and
- (iv) other relevant external factors.

(2) Effect of Reinsurance — The Insurer shall calculate the IBNR claims reserve, based either on the prescribed method or an alternative method, gross of reinsurance as well as net of reinsurance. In this regard, the Insurer shall consider the impact of any changes in the reinsurance arrangement on the claims development pattern and make necessary adjustments accordingly. The Insurer shall mention in the Valuation Report any such adjustments and their rationale on account of reinsurance.

5.7.8. **Prescribed Method:** (1) The Insurer shall estimate the IBNR claims reserve based on method as prescribed in Annexure I subject to clause (2) below.

(2) If an Insurer considers, based upon its past experience and views about future outlook, that the prescribed method in Annexure I needs to be adjusted for the considerations as mentioned in Paragraph 7, the Insurer shall be allowed to adjust the method for the reasons to be mentioned in the Valuation Report.

5.7.9. **Margin for Adverse Deviation:** The reserve for IBNR claims shall not be valued at less than the expected settlement cost, including settlement expenses and including prudent but reasonable provision for adverse development in that expected settlement cost after valuation date.

5.7.10. **Alternative Methods:** (1) If adequate data is not available, or the available data is not reliable or relevant

to estimate IBNR claims reserve based upon the prescribed method, then the Insurer may use any other generally recognised method.

(2) If an Insurer, based upon its own or industry's past experience and views about future outlook, considers that the IBNR claims reserve calculated for a specific risk class under the method prescribed in Annexure I does not fully reflect the peculiarities of that particular risk class, the Insurer may use any other deterministic or stochastic method that is more suitable for the risk class.

(3) Provided that the amount estimated under sub-clause (2) above, shall not be less than the amount calculated under the prescribed method.

(4) An Insurer shall state in the Valuation Report the reasons for not using the prescribed method. In this regard, an Insurer shall provide a description of the alternative method used and any assumptions or measures to estimate the IBNR claims reserve.

5.7.11. **Adequacy of IBNR claims reserve** – While estimating the IBNR claims reserve for the current reporting year, the Insurer shall evaluate the adequacy of the IBNR provisions during the last six years and include a comparison of IBNR claims provision with actual subsequent payments as per Annexure III. Such a comparison shall be provided for

To the Guidelines on IBNR Claims Reserve

Prescribed Method

For

Estimation of IBNR Claims Reserve

1. Prescribed Method: The prescribed method for the estimation of IBNR claims reserve is the Chain Ladder method as described in the following paragraphs. The Insurer may use an alternative method for this purpose as allowed under paragraph 9 of the Guidelines after giving comprehensive reasons in the Valuation Report. Triangles may be made at frequency lesser than the annual, as deemed appropriate by the insurer considering the business dynamics.

2. Description of Prescribed Method: The following paragraphs describe the presentation of data of claims to be used in the estimation of IBNR claims reserve and the prescribed method:

(a) Accident Year: It is the year in which an accident occurs when the insurer was exposed to a particular risk underwritten through an insurance policy. For the purpose of this Annexure, the Origin Year is the accident year.

(b) Development Years: The years following the accident year (*for example, for the accident year 2012, the 2014 shall be the second development year, 2015 shall be the third development year and so on*). For the purpose of this analysis, the Insurer shall gauge the time by which the claims for that particular class have been fully developed and no further payment is expected to be made. Such a year shall be referred as the final development year.

(c) Reporting Year: The year for which the IBNR is being calculated and the financial statements and the corresponding Valuation Report is being required.

(d) Ultimate Claims: The cumulative claims paid plus expected claims to be paid in subsequent development years for any accident year. The amount of ultimate claims may change for an accident year from one reporting year to another.

(e) Claims Outstanding: The amount of claims that have been reported and are yet unpaid or partially unpaid at the end of reporting year for a given accident year. This amount shall be the best estimate by the Insurer taking into consideration the past claim settlement experience and its own reserving policy.

(t) Incurred but not reported (IBNR) claims: The losses that have incurred or are in the occurrence period at the end of reporting year and have not been intimated to the Insurer by that 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) claims reserve.

(g) Link Ratio: It is used to project cumulative claims paid till the end of reporting year to ultimate claims for a particular accident year. For example, the link ratio is the ratio of sum of cumulative claim paid by the end of development year 1 to the cumulative claims paid by the end of Origin Year. It is shown in Row M of Table in Annexure II. For a given development year (*d*), mathematically it is denoted as:

General Formula:

$$LR_{(d-1,d)} = \frac{\sum_{i=BY}^{RY-d} CCP_{(i,i+d)}}{\sum_{i=BY}^{RY-d} CCP_{(i,i+d-1)}}$$

Where

$LR_{(d-1,d)}$ = Link Ratio is used for the projection of claims between the Development Year and one year prior to the Development Year calculated over the complete development period.

$CCP_{(i,i+d)}$ = Cumulative claims paid in the Development Year $i+d$ relating to the claims that occurred in Accident Year i .

$CCP_{(i,i)}$ = Cumulative claims paid in Origin Year (i.e. Accident Year) relating to the claims occurred in Accident Year i .

BY = The oldest year in the claims data that is considered to be relevant by the Insurer for the purpose of estimation of IBNR claims reserve for the current reporting year. It is fully developed and no further claims are expected for this year.

RY = The current reporting year for which the estimation of IBNR claims reserve is being undertaken by the Insurer.

Specific Formula of Link Ratio for the Development Year 1 and Origin Year:

$$LR_{(0,1)} = \frac{\sum_{i=BY}^{RY-1} CCP_{(i,i+1)}}{\sum_{i=BY}^{RY-1} CCP_{(i,i)}}$$

$CCP_{(i,1)}$ = Cumulative claims paid in the Development Year 1 relating to the claims occurred in Accident Year i

$CCP_{(i,i)}$ = Cumulative claims paid in Origin Year (i.e. Accident Year) relating to the claims occurred in Accident Year i

3. Estimation of Ultimate Claims: For each accident year, all the relevant link ratios shall be used to project the ultimate claims for that particular accident year and for that particular homogenous risk class. A general formula for projecting the cumulative claims paid to the ultimate claims is given below:

$$UC_i = CCP_{(i,RY)} \times \prod_{j=RY-i+1}^{RY-BY} LR_{(j-1,j)}$$

The last link ratio will be for the year where the Development Year = $RY - BY$.

4. Determination of IBNR: For each accident year, the claims outstanding shall be deducted from the ultimate claims for that particular year to derive an IBNR estimate for that year. Any negative values shall be ignored. The total for each accident year shall be the total IBNR as at the end of reporting year for that risk class.

5. Appropriate unit of development period: Under the method described above, the yearly development period is used. However, an Insurer may use monthly or quarterly development period for a particular risk class. The reason for using such unit of development period shall be explained in the Valuation Report

To the Guidelines on IBNR Claims Reserve

Quantitative Report for the Estimation of IBNR Claims Reserve

As on December 31, 2xxx

IBNR Claims Reserve Table													
Sample Format for Reporting Year 2016													
Accident Year		For Accident Year, cumulative claims paid till the end of									Ultimate Claims	Claims Outstanding	IBNR
		Accident Year	1 year after the accident year	2 year after the accident year	3 year after the accident year	4 year after the accident year	5 year after the accident year	6 year after the accident year					
		Origin Year	Development Year										
		0	1	2	3	4	5	6		UC*			
	A										UC*		
	B										UC*		UC - CO
	C										UC*		UC - CO
2009	D	CCP	CCP	CCP	CCP	CCP	CCP	CCP			UC*		UC - CO
2010	E	CCP	CCP	CCP	CCP	CCP	CCP	CCP			UC*		UC - CO
2011	F	CCP	CCP	CCP	CCP	CCP	CCP	CCP			UC*		UC - CO
2012	G	CCP	CCP	CCP	CCP	CCP	G3>M4				UC*		UC - CO
2013	H	CCP	CCP	CCP	H2>M3	H3>M4					UC		UC - CO
2014	I	CCP	CCP	I1>M2	I2>M3	I3>M4					UC*		UC - CO
2015	J	CCP	J1>M1	J1>M2	J2>M3	J3>M4					UC*		UC - CO
Sum of cumulative paid claims EoY	K	sum of Row A to J	sum of Row A to I	sum of Row A to H	sum of Row A to G	sum of Row A to F					N/A	N/A	N/A
Sum of cumulative paid claims BoY	L	sum of Row A to I	sum of Row A to H	sum of Row A to G	sum of Row A to F	sum of Row A to E					N/A	N/A	N/A
Selected Link Ratio	M	N/A	LRI-1 = K1/L1	LRI-2 = K2/L1	LRI-3 = K3/L1	LRI-4 = K4/L1							
Provision for expected claim settlement expenses	N												
Provision for adverse deviation	O												
IBNR reserves as at	P												
Total	Q	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		

For an accident year, it is assumed that the claims have fully developed till the end of 7th year. This assumption needs to be reviewed by Actuary and the Table be appropriately adjusted. The shaded area shows the data that shall be compiled for analysis.

Note: An insurer may calculate link ratios for each development year (age-to-age factors) and then select link ratios for projection of Ultimate Claims based on weighted average or use latest 3-4 link ratio's average or use average excluding outliers (say excluding highest or lowest ratios).

To the Guidelines on IBNR Claims Reserve

Adequacy of IBNR Claims Reserve over the Preceding Six Years

As on December 31, 2xxx

Sample Format for Reporting Year 2016									
Accident Year	IBNR for the Accident Year at the end of Accident Year	Incurred in Accident Year, Unreported at the end of Accident Year, Paid in subsequent years							Difference
		2011	2012	2013	2014	2015	2016	Total	
	1	2	3	4	5	6	7	8	9
2011									(1) - (8)
2012		N/A							(1) - (8)
2013		N/A	N/A						(1) - (8)
2014		N/A	N/A	N/A					(1) - (8)
2015		N/A	N/A	N/A	N/A				(1) - (8)
2016		N/A	N/A	N/A	N/A	N/A			(1) - (8)

Note: Annexure III should show a run off both of reported outstanding claims and IBNR so that both IBNR and IBNER are accounted for.

5.8. REVISION OF ENLISTMENT/CATEGORISATION OF AUDITORS ON THE APPROVED LIST PURSUANT TO SECTION 48(1) OF THE INSURANCE ORDINANCE, 2000⁴⁰

- 5.8.1. Pursuant to powers conferred under sub-section (1)(a) of Section 48 of the Insurance Ordinance, 2000 which states that "***Every insurer shall appoint an auditor who shall be approved by the Commission as qualified to perform audits of insurance companies***"; the Securities and Exchange Commission of Pakistan ("the Commission") resolved to revise the list of approved auditors for Insurance/Reinsurance/ Takaful entities, issued in 2012 vide its circular Ref. 11/2012.
- 5.8.2. All interested audit firms were invited to file their applications as per Annexure A on or before February 10, 2014 along with all documentary evidence to support the accuracy of the information provided therein. Annexure B contains the terms and conditions. These Annexures can be downloaded from the SECP's website.
- 5.8.3. The Commission shall review the applications received and issue the list of approved auditors be appointed as an external auditor to conduct the statutory audit of Insurance/Reinsurance/ Takaful entities and the same list shall be placed on the SECP's website as well.

⁴⁰ SECP Circular No. 04 of 2014 dated 31st January, 2014

**APPLICATION FOR ENLISTMENT/CATEGORISATION OF AUDITORS
ON THE APPROVED LIST PURSUANT TO
SECTION 48(1)(a) OF THE INSURANCE ORDINANCE, 2000**

1. **Name of the Firm:**
2. **Date of Establishment:**
3. **Addresses:**
 - i). **Main Office:**
.....
 - ii). **Other Branch offices in major cities:**
.....
.....
.....
 - iii). **Contact Details:**
 - Telephone Numbers:
.....
 - Facsimile Number:
.....
 - Email:
.....
 - Website:
.....
4. **Size of firm:**

i). Details of Partners

Sr. #	Name of Partner (1)	ICAP Membership # (2)	FCA or ACA (3)	Date of Joining the firm as partner (4)	Working in other firms (yes/no) (5)	If yes in Column (5) Name of other firms (6)	Location (7)	Area of expertise (8)

ii). Details of Qualified Staff

Sr. #	Name of Staff (1)	Qualification (2)	Registration # (3)	Joining Date (4)

iii). Details of Partly Qualified Staff

Sr. #	Name of Staff (1)	Registration # (2)	Date of Registration (3)	Post Registration Experience (yy-mm) (4)

iv). No. of registered trainees, as on date of application

5. What has been the last 3 Quality Control Review (QCR) awarded by the ICAP:

Sr. #	Year (1)	Rating by the ICAP (2)

6. Does the firm have any affiliation with foreign firms of repute?

.....

Please specify:

- Nature of Affiliation (Member, Representative, Correspondent or Others):

.....

- Name of such Firms:

.....

- Registered Office Address:

.....

- Contact Details:

.....

- Date of Affiliation:

.....

- No. of offices in other countries:

.....

7. Audit experience of the firm with insurers during last 5 years

Sr. #	Name of insurers (1)	Audit of the year ended (2)

Note:

- a). If the audit firm has conducted audit of one company for more than one year, it should provide the above details for each year in a separate row;
- b). If the audit firm has no prior Insurance Company audit experience, but whose Partners have Insurance Company audit experience as audit engagement partner with another firm should provide the required details indicating name of such firm along with date of their retirement.

8. Firm's audit experience of Listed Companies during the last 2 Years:

Sr. #	Name of Listed Company (1)	Audit of the year ended (2)

9. Any other information you consider relevant for this purpose? Please state below.

.....

.....

.....

.....

10. Declaration:

I/ We solemnly declare:

(1) That the above information I in my/our application form for the purpose of enlistment/categorisation on the list of approved auditors pursuant to Section 48(1) of the Insurance Ordinance, 2000 to conduct the audit of insurance companies, is true to the best of my/our knowledge and record.

(2) That I/we undertake to notify the Securities and Exchange Commission of Pakistan within 15 days, any change in the nomenclature of the firm or in its partners or a reduction of more than 25% in its staff declared above.

(3) That I/we also accept the right of the Securities and Exchange Commission of Pakistan to seek information from me/us, at any time, regarding my/our operation, structure and nomenclature.

(4) That I/we have clearly understood that the Commission shall reserve the right to disqualify / remove the name of my/our firm from the list of approved auditors issued under section 48(1) of the Insurance Ordinance, 2000.

NAME & POSITION OF THE SIGNATORY

SIGNATURE AND SEAL

Date of Application:

Place:

[All enclosures to be similarly signed & sealed]

TERMS AND CONDITIONS FOR EVALUATION OF AUDITORS TO BE APPROVED U/s 48(1) OF THE INSURANCE ORDINANCE, 2000

A. Eligibility

- The auditor must be the firm of Chartered Accountants of more than two partners who are members of the ICAP.
- The auditor must be satisfactorily qualified Quality Control Review (QCR) conducted by the ICAP.

B. Selection Criteria

After meeting eligibility requirements, applicants shall be assessed against selection criteria, also known as the "points grid." There are 100 points available to applicants, where points shall be awarded for applicant's geographical spread, staff strength, total and relevant experience, number of partners and foreign affiliation.

All applications received shall be assessed and marked against each of the selection criteria. Applicants scoring 50 or more points shall be placed in the approved panel. However, the approved panel shall be categorized in a way that applicants scoring upto 80 or more points shall be placed in category "A" while applicants securing less than 80 points shall be placed in category "B". Applicant scoring below 50 points shall not be considered as approved auditor. The categorization shall be announced in the said list of Approved Auditors u/s 48(1) of the Insurance Ordinance, 2000 which shall be made available on the website.

C. Disqualification

The Securities and Exchange Commission of Pakistan reserves the right to remove the name of the firm from the list of approved auditors under Section 48(1) of the Insurance Ordinance, 2000 on the following grounds but not limited to:

- If material misstatement of facts and figures is observed in the statement or reports submitted to the Securities and Exchange Commission of Pakistan duly certified by the auditing firm, which will materially alter the assessment of financial position of the Insurance Companies in an adverse manner.
- If serious regulatory issues against the auditing firm are observed by the Securities and Exchange Commission of Pakistan under any of the law being enforced by it.
- If the information submitted to the Securities and Exchange Commission of Pakistan in application form for the purpose of enlistment as approved auditor, is found incorrect or not in harmony with the information provided to the ICAP.
- If any change in the nomenclature of the firm or in the composition of its partners or a reduction of more than 25% staff takes place and the same is not communicated to the Securities and Exchange Commission of Pakistan within fifteen days of the occurrence of such change.
- If any information sought by the Securities and Exchange Commission of Pakistan, whatsoever, about the firm is not supplied to the Commission in a stipulated timeframe.

5.9. APPROVED LIST OF AUDITORS PURSUANT TO SECTION 48(1) OF THE INSURANCE ORDINANCE 2000⁴¹

- 5.9.1. In supersession of its earlier Circular No. 5 of 2021 dated February 18, 2021; the Securities and Exchange Commission of Pakistan, based on review of a fresh application received from an audit firm, pursuant to the provisions of Section 48 of the Insurance Ordinance, 2000 has revised the approved list of auditors, which is attached herewith as Annexure I.
- 5.9.2. All Insurance/Reinsurance/ Takaful entities shall appoint their auditors, to conduct statutory audit, from the approved list issued by the Commission.

⁴¹ SECP Circular No. 21 of 2021 dated 6th July, 2021

LIST OF APPROVED AUDITORS PURSUANT TO S.48(1) OF INSURANCE ORDINANCE, 2000 TO CONDUCT AUDIT OF INSURANCE/RE-INSURANCE/TAKAFUL ENTITIES

Category "A"

No.	Name
1	A.F. Ferguson & Co., Chartered Accountants
2	Grant Thornton Anjum Rahman, Chartered Accountants
3	RSM Avas Hyder Liaqat Nauman, Chartered Accountants
4	BDO Ebrahim & Co., Chartered Accountants
5	EY Ford Rhodes, Chartered Accountants
6	Hyder Bhimji & Co., Chartered Accountants
7	Ilyas Saeed & Co., Chartered Accountants
8	KMPG Taseer Hadi & Co., Chartered Accountants
9	Yousuf Adil, Chartered Accountants
10	Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants
11	Riaz Ahmad & Co., Chartered Accountants
12	Crowe Hussain Chaudhury & Co., Chartered Accountants

Category "B"

No.	Name
1	Baker Tilly Mehmood Idrees Qamar, Chartered Accountants
2	PKF F.R.A.N.T.S., Chartered Accountants
3	ShineWing Hameed Chaudhri & Co., Chartered Accountants
4	Muniff Ziauddin & Co., Chartered Accountants
5	Naveed Zafar Ashfaq Jaffery & Co., Chartered Accountants
6	Parker Randall — A.J.S., Chartered Accountants
7	S.M. Suhail & Co., Chartered Accountants
8	Amin Mudassar & Co., Chartered Accountants
9	Reanda Haroon Zakaria & Co., Chartered Accountants
10	Junaidy Shoaib Asad, Chartered Accountants
11	Sarwars, Chartered Accountants
12	IECnet S.K.S.S.S, Chartered Accountants
13	H.A.M.D & Co., Chartered Accountants
14	Zahid Jamil & Co. Chartered Accountants

- Audit firms in category A are eligible to conduct audit of all Insurance/ Reinsurance/ Takaful entities.
- Audit firms in Category B are eligible to conduct audit of all Insurance/ Reinsurance/ Takaful entities having Gross Written Premium and Total Assets less than Rs. 1 billion, as per the Financial Statements in the immediate preceding year.

Chapter 6. Management Expense Limits

6.1. MAXIMUM MANAGEMENT EXPENSE LIMITS FOR LIFE INSURERS ⁴²

6.1.1. Securities and Exchange Commission of Pakistan (SECP) is pleased to prescribe, in a phased-manner, the maximum management expense limits under S.22(9) and S.23(9) of the Insurance Ordinance, 2000 for life insurers/ family takaful operators as given in para 2 below. These limits shall start with application to the year 2007 and shall be fully implemented with application to the year 2012 and later.

6.1.2. The maximum limit of management expenses brought into account in determining the surplus on participating contracts under S.22(9), or the maximum amount charged to policies under S.23(9), in any statutory fund shall be the total of the following items:

Item	Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015 & Later
	Maximum Management Expenses under S.22(9) and S.23(9) of the Insurance Ordinance, 2000								
(1) Single Premium Policies including immediate and deferred annuities	7.50%	7.00%	6.50%	6.00%	5.50%	5.00%	5.00%	5.00%	5.00%
(2) Group Insurance Policies	10.00%	9.50%	9.00%	8.50%	8.00%	7.50%	7.50%	7.50%	7.50%
<u>(3) Regular Premium Annuities</u>									
First Year Considerations	15.00%	14.00%	13.00%	12.00%	11.00%	10.00%	10.00%	10.00%	10.00%
Renewal Year considerations	6.00%	5.50%	5.00%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%
(4) Annual Average Sum Assured of in force policies where no further premium is payable	0.10%	0.09%	0.08%	0.07%	0.06%	0.05%	0.05%	0.05%	0.05%
(5) All annuities paid during the year	2.00%	1.80%	1.60%	1.40%	1.20%	1.00%	1.00%	1.00%	1.00%
<u>(6) Premium other than referred in (1), (2) and (3) above</u>									

⁴² SECP Circular Number 06 of 2006 dated 28th April 2006.

<u>First year's premium</u>									
During first six years of insurer's life insurance business in Pakistan	135.00%	130.00%	125.00%	120.00%	115.00%	110.00%	110.00%	110.00%	110.00%
During seventh to tenth years of insurer's life insurance business in Pakistan	130.00%	125.00%	120.00%	115.00%	110.00%	105.00%	105.00%	105.00%	105.00%
After the tenth year of insurer's life insurance business in Pakistan	125.00%	118.00%	111.00%	104.00%	104%	100.00% ⁴³	102.00%	96.00%	90.00% ⁴⁴
<u>Renewal year's premium</u>									
During first six years of insurer's life insurance business in Pakistan	30.00%	29.00%	28.00%	27.00%	26.00%	25.00%	25.00%	25.00%	25.00%
During seventh to tenth years of insurer's life insurance business in Pakistan	27.00%	26.00%	25.00%	24.00%	23.00%	22.00%	22.00%	22.00%	22.00%
After the tenth year of insurer's life insurance business in Pakistan	25.00%	23.00%	21.00%	19.00%	19.00%	18.00% ⁴⁵	18.00%	17.00%	15.00% ⁴⁶

All items in the above table shall be gross before reinsurance. Under Paras 2 and 3, the management expenses to be compared with the maximum limit shall also be gross, without taking into account the cost of reinsurance, or expense or other recoveries from reinsurers.

6.1.3. Under S.22(9), for the purpose of comparing management expenses with the maximum limit computed under the above Table, management expenses shall include all expenses whatsoever brought into account in determining the surplus earned on participating contracts, including but not limited to commission, other acquisition costs, surrender charges and administrative expenses. If any immovable assets of a statutory fund attributable to participating business, are used by the insurer for carrying out participating business of the same statutory fund, whether directly or through agents and/or others, a fair rent for such use shall be added to management expenses for the purpose of S.22(9), if it has not already been brought into account. Provided that expenses which may properly be regarded as a reduction of investment income (such as CDC charges, and expenses which reduce the net rental income from immovable property) shall be excluded from management expenses for the purpose of S.22(9). Taxes and government levies (including stamp duties, sales tax etc.), and regulatory fees shall be excluded from the management expenses for comparing it with the maximum limits⁴⁷.

6.1.4. Under the second proviso to S.23(9), for the purpose of comparing management expenses charged to

⁴³ SECP Circular No. 07 of 2011 dated 18th March, 2011

⁴⁴ SECP Circular No. 20 of 2013 dated 7th November, 2013

⁴⁵ SECP Circular No. 07 of 2011 dated 18th March, 2011

⁴⁶ SECP Circular No. 20 of 2013 dated 7th November, 2013

⁴⁷ SECP Circular No. 15 of 2021 dated 8th June, 2021

policies with the maximum limit computed under the above Table, the management expenses charged to policies shall include expenses charged under all heads whatsoever, whether directly or indirectly. The comparison of the management expenses charged to policies with the maximum limit computed under the above table, shall be done on aggregate basis for each statutory fund. In particular, and without prejudice to the generality of the foregoing:

- (a) In the case of investment-linked ("unit-linked") contracts, management expenses charged to policies shall include:
 - (i) bid-offer spreads,
 - (ii) portions of premiums not used to purchase units,
 - (iii) policy fees and administration charges by whatever name and howsoever calculated including (but not limited to) surrender charges,
 - (iv) charges for investment management by whatever name and howsoever calculated in excess of 1.50% of fund value,
 - (v) the excess of mortality charges and other charges for risk over the expected claims. The basis of expected claims shall be advised by the appointed actuary and shall be realistic including provision for mortality improvement.

- (b) In the case of investment contracts which are not investment-linked "(for example "universal life"), management expenses charged to policies shall include:
 - (i) the proportion of premiums not credited to the "running account" of the policy
 - (ii) policy fees and administration charges by whatever name charged to the "running account" including (but not limited to) surrender charges,
 - (iii) charges for "investment management" by whatever name and howsoever calculated in excess of 1.50% of fund value,
 - (iv) the excess of mortality charges and other charges for risk over the expected claims. The basis of expected claims shall be advised by the appointed actuary and shall be realistic including provision for mortality improvement.

Provided that expenses which may properly be regarded as a reduction of investment income (such as CDC charges, and expenses which reduce the net rental income from immovable property) shall be excluded from management expenses charged to policies for the purpose of S.23(9). Taxes and government levies (including stamp duties, sales tax etc.), and regulatory fees shall be excluded from the management expenses for comparing it with the maximum limits⁴⁸.

- 6.1.5. (a) In respect of investment contracts, whether investment-linked or not, written in any statutory fund, the Appointed Actuary shall, while preparing the Statement of Financial Condition, compute whether the mortality, expense and/or other charges previously certified by him resulted in management expenses charged to policies, computed in accordance with Para 4, exceed the maximum limit computed under the above Table. Subject to Para 5(b), these computations shall be for the aggregate of all

⁴⁸ SECP Circular No. 15 of 2021 dated 8th June, 2021

policies.

- (b) If there is more than one type or product of investment contract in a statutory fund, then the Actuary shall make the computation separately for each type or product, while aggregating all policies within each type or product. The comparison of the management expenses charged to policies with the maximum limit computed under the above table, shall be done on aggregate basis for each statutory fund.
- (c) In case the management expenses charged to policies did exceed the maximum limit or limits, he shall appropriately revise his certificate or certificates regarding mortality, expenses and/or other charges under investment contracts.
- (d) The revised certificate or certificates shall be filed with the SECP with the Statement of Financial Condition.

6.1.6. To enable the SECP to monitor the implementation of this circular, the following supplemental statements, separately for each statutory fund, shall be filed with the annual accounting returns for (i) participating business (ii) each type or product of investment linked business and (iii) each type or product of investment contracts which are not investment-linked:

- (a) an itemised computation of the maximum limit under the above Table.
- (b) A statement of the management expenses, under various heads, brought into account in determining the surplus on participating contracts, computed in accordance with Para 3 of this circular.
- (c) A statement of the management expenses, under various heads, charged to investment linked and other investment contracts, computed in accordance with Para 4 of this circular.
- (d) A statement of expenses, under various heads, excluded under the provisos to Paras 3 and 4.

These statements shall be signed by the same officers of the insurer who sign the accounting returns, certified by the external auditor.⁴⁹

6.1.7. These limits shall not apply to following types of statutory funds:

- i. Statutory Funds which contain only non-participating contracts including group term insurance, group disability insurance, group health insurance and group accident insurance,
- ii. Statutory Funds which contain investment contracts, not being participating contracts, under the terms of which expense charge structure is fixed and not changeable in any case during the term of the policy.

SECP believes that these expense limits shall go a long way towards policyholders' protection and increasing credibility of the life insurance industry.

⁴⁹ SECP Circular No. 3 of 2008 dated 1st April 2008

Chapter 7. Related Party Assets

7.1. CALL FOR INFORMATION OF EXPOSURE OF INSURERS IN RELATED PARTY⁵⁰

- 7.1.1. It has been noted that in past few years, the financial markets in Pakistan have witnessed structural changes in the traditional financial operators in the insurance, banking and investment companies. The removal of barriers to entry, acquisitions, functional integration and diversification through mergers amongst banking and non-banking finance companies, including the insurers, have led many organizations to open wide array of subsidiaries and affiliates, primarily engaged in businesses other than their core business.
- 7.1.2. Cognizant of its regulatory responsibilities and to safeguard the systemic risks associated with financial conglomerates to various parts of financial sector, the Securities and Exchange Commission of Pakistan (SECP) is identifying the conglomerates involving banks, DFIs and NBFCs, including insurers, while mapping their ownership structures, capital adequacy, intra-group and overall exposures to the financial sector, for better supervision
- 7.1.3. The formats have been prepared for standardized periodic reporting of information by the insurers pertinent to their exposure in a related party, as part of financial conglomerates, to SECP after every six months, on the prescribed formats (Excel Sheets) which are sent to every insurer through e-mail. The term related party has the same meaning as defined in the Companies Ordinance, 1984 and as given in International Accounting Standard — 24, adopted in Pakistan.
- 7.1.4. In exercise of the power conferred under section 61 of the Insurance Ordinance, 2000, It is hereby required from all insurers to submit the information required in the attached formats after every six months of the calendar year. The information shall be submitted in a manner such that for the period ended on 31st day December every year. the information should be submitted to SECP by the following 31st day of March and for the period ended on 30th day of June every year the information should be submitted to SECP by the following 30th day of September. This Circular became effective from the date of its issuance and the first reporting of information by insurers was required to be made by 30th day of November 2012 for the period ended on 30th day of June 2012. The insurers having no exposure in related parties shall submit a report marked as nil.

7.2. RELATED PARTY ASSETS⁵¹

- 7.2.1. Attention is invited towards Circular 21 of 2014 dated December 30, 2014 of this office in respect of the captioned subject.
- 7.2.2. The aforementioned Circular of this office, advised insurers to ensure compliance with the provisions of Section 32(2)(g) of the Insurance Ordinance, 2000 (the "Ordinance") by July 1st, 2015 and also provided a detailed procedure for obtaining declaration from the Commission under Section 32(1)(d) read with

⁵⁰ SECP Circular No. 30 of 2012 dated 12th September, 2012

⁵¹ SECP Circular No. 36 of 2015 dated 29th September, 2015

Section 32(8) of the Ordinance.

7.2.3. Taking cognizance of the difficulties faced by insurers in compliance of the referred Circular, the Commission hereby issues the following revised instructions to be complied with by the insurers:

(a) All insurers advised to strictly ensure compliance with the provisions of Section 32(2)(g) of the Ordinance with effect from January 1, 2016;

(b) Submission of Application:

As required under Section 32(8)(a) of the Ordinance, insurers seeking to obtain declaration of the Commission in respect of any asset(s) as admissible asset(s) under Section 32(1)(d) of the Ordinance should apply in writing before this office

(c) Content of the Application under Section 32(8)(a) of the Ordinance:

The application furnished by insurers as stated in point 3(b) above should, at a minimum, be submitted along with the following documents/statements:

- (i) A statement establishing "related party" relationship in light of Section 32(7) of the Ordinance;
- (ii) Following statements to be submitted related to the last reported annual accounts and last quarter accounts:
 - For all insurers:
 - ✓ Financial Statements;
 - ✓ Statement of Assets for Solvency Purpose;
 - ✓ Detailed solvency calculations taking the subject asset(s) as admissible and inadmissible;
 - In the case of a life insurer, in addition to the foregoing statements:
 - ✓ Statement of Statement of Solvency Margins: Life Insurers (refer: Attachment 2 to Annexure III of SEC (Insurance) Rules, 2002);
 - ✓ Form-I (Refer Annexure IV of SEC (Insurance) Rules, 2002).
- (iii) Projected balance of the asset(s) for which the declaration is being sought should be submitted for every quarter from the date when the insurer submits the declaration till completion of one complete year after the declaration comes into effect along with its impact on the solvency position of the insurer in that particular quarter;
- (iv) Statement entailing the reasons for seeking the declaration from the Commission; and
- (v) Any other document that the Commission may specify in writing.

(d) Time Frame for the Application to be Submitted:

The application so submitted should be made at least three months earlier to the date from which the insurer seeks to obtain the declaration i.e. for seeking declaration with effect from March 31, 2016, the application should be furnished with this office on or before January 01, 2016 and likewise.

It is reiterated that under the provisions of Section 32(8)(g) of Ordinance, the declaration by the Commission cannot remain in force for a period of more than twelve months from its coming into effect. The Commission further reserves the right under the aforementioned section of the Ordinance to revoke any declaration so provided before the expiry of its time

Chapter 8. Information Sharing

8.1. CENTRALIZED INFORMATION SHARING SOLUTION FOR INSURANCE INDUSTRY⁵²

Functioning of Centralized Information Sharing Solution for Insurance Industry (CISSII)

The Securities and Exchange Commission of Pakistan hereby issues the following directive to all registered life insurers under the insurance ordinance 2000.

- 8.1.1. This Directive shall apply to the functioning of the Centralized Information Sharing Solution for Life Insurance Industry (CISSII) maintained by the Central Depository Company in accordance with Memorandum of Understanding (MOU) signed between Central depository company and life insurance/family takaful operators on 21st March 2013 for effective development of life insurance industry. The detailed rights and obligations of the life insurers and the Central depository company with regards to confidentiality and security of information shall be provided in the CISSII Participation Agreement.
- 8.1.2. The primary objective of the CISSII is to enhance the policyholders' protection and sound development of the life insurance industry through promotion of a formal information sharing mechanism among the life insurer to reduce systematic risk in life insurance industry.
- 8.1.3. All life insurers (including family takaful operators) are required to share information in respect of their individual life and group life business through any distribution channel with the Central Depository Company in accordance with the CISSII Participation Agreement.
- 8.1.4. Any life insurer registered after the notification of this Directive shall participate in CISSII as per the terms of the CISSII Participation Agreement.
- 8.1.5. The CISSII agreement shall at the minimum provide for various types of centralized agent's register including s-register, centralized register for postponed and declined life risks, centralized claim register and centralized group life claim experience register.
- 8.1.6. Where any difficulty arises in giving effect to any of the provisions of this Directive in a particular case, or class of cases, or if it would be in the interest of insurance sector so to do, the Commission may, for reason to be recorded in writing relax such requirements subject to such conditions as it may deem fit.
- 8.1.7. This directive came into effect from May 1, 2014. All life insurers were required to enter into CISSII Participation Agreement before effective date and share the information in accordance with the CISSII Participation Agreement.

8.2. ADDITION OF HEALTH REGISTER IN CISSII⁵³

In continuation of S.R.O 162(I)/ 2014 dated 12th March 2014, the Securities and Exchange Commission of Pakistan hereby issues the following directive to all companies registered as life and non-life insurers under the

⁵² S.R.O 162(I) of 2014 dated 12th March, 2014

⁵³ S.R.O 896(I) of 2016 dated 21st September, 2016

Insurance Ordinance, 2000 (XXXIX of 2000) including the family and general takaful operators, which are engaged in underwriting the business of group health insurance business.

- 8.2.1. Group health insurance means policy issued on group underwriting basis through a master policy document offered on yearly renewable term. The policyholder is a company, body corporate, bank, registered association, or any enterprise. For the purposes of this Directive, “insurance” includes “takaful” and insurer includes “takaful operator”.
- 8.2.2. This Directive shall apply to the functioning of the register of group health insurance claims experience (hereinafter to be referred as the “health register”) added in the Centralized Information Sharing Solution for Insurance Industry (CISSII), in accordance with the Memorandum of Understanding (MoU) signed between the insurance companies/ takaful operators and the Central Depository Company of Pakistan (CDC) on July 28, 2016 and August 5, 2016 for addition of health register in the CISSII, the information sharing solution already developed and maintained by the CDC. The detailed rights and obligations of the parties and the CDC with regards to confidentiality and security of information shall be provided in the CISSII participation agreement.
- 8.2.3. The primary objective of addition of health register in the CISSII is to enable the insurance companies/ takaful operators to make informed decision in respect of underwriting and pricing of health risks due to availability of enhanced information. This will encourage the organized development of the insurance market in Pakistan and help protect the interests of policyholders in respect of maintenance of minimum service standards.
- 8.2.4. All life and non-life insurers/ takaful operators which are engaged in underwriting the business of group health insurance are required to share information in respect of their group health insurance business with the CDC in accordance with the health register participation agreement.
- 8.2.5. All life and nonlife insurers, which are not engaged in group health insurance business as on notification date of this directive, and any life or non-life insurer registered under the Insurance Ordinance, 2000 after the notification of this directive, will be required to share information on the health register of the CISSII by signing the MoU and the health register participation agreement, as soon as they get registered and start underwriting the group health insurance business, after the notification date of this Directive.
- 8.2.6. The health register will enable sharing of information regarding health insurance claims experience triggered by certain prespecified parameters, as stated in the participation agreement.
- 8.2.7. Where any difficulty arises in giving effect to any of the provisions of this Directive in particular cases, or class of cases, or if it would be in interest of the insurance sector to do so, the Commission may, for reason to be recorded in writing, relax such requirements subject to such conditions as it may deem fit.
- 8.2.8. All life and non-life insurers/ takaful operators engaged in underwriting the group health insurance business were required to enter into health register participation agreement on or before October 31, 2016 and share the information in accordance with the health register participation agreement from November 1, 2016.

8.3. STATEMENT OF PERFORMANCE INFORMATION ON ANNUAL BASIS⁵⁴

- 8.3.1. Currently insurance companies are submitting various regulatory return to the Commission regarding the financial performance of the insurance companies. However, there is no mechanism for regular submission, consolidation and disclosure of insurance industry performance information. Thus, in order to evaluate the performance of insurance industry in a holistic manner, and also for industry image building, it is imperative to consolidate and present the industry performance information on a regular basis.
- 8.3.2. In this connection, the Securities and Exchange Commission of Pakistan ("SECP") in exercise of the powers conferred under Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997, hereby directs all life and non-life insurers to submit performance information as per standardized format enclosed herewith, on annual basis by April 30 every year.
- 8.3.3. The information as per format given in Annexure — A, B & C is required to be submitted at info.insurance@secp.gov.pk

⁵⁴ SECP Circular No. 31 of 2021 dated November 9, 2021

Instruction Manual	
ANNEXURE - A	
1	The amount of Premium shall be written as rupees in million e.g. 100,000,000,000/- shall be written as 100,000/-.
2	The count shall be written as actual number e.g. number of policies, number of agents etc.
3	The figures like number of active agents, sum at risk, inforced policies, total policies shall be taken as at end of period (e.g. as at year end 2020 / 2021) and rest of figures i.e. Premium amount shall be taken for the period (e.g. during the year 2020 / 2021)
4	Number of Lives data shall include both the lives covered under the main plan and lives covered under riders.
5	Premium amount includes main plan premium, adhoc premium / top up premium and riders premium
6	The sales through Digital channels in Non-Life Format shall include Partner Digital Channels.

Non-Life Insurance Industry Information Sheet for the Year 2020 and 2021

ANNEXURE - B

Name of Company			
Current year	2021	Previous Year	2020

Table 01: Details of Premium Written and Claims Paid during the year

Details of Premium Written and Claims Paid during the year	Premium				Claims			
	Conventional & Takaful				Conventional & Takaful			
	Gross W Premium		Net Premium		Gross Claims		Net Claims	
	2020	2021	2020	2021	2020	2021	2020	2021
Fire and Property Damage Business								
- Fire and Property (Excluding Home and House hold contents)								
- Home and Household contents								
Engineering Business								
Terrorism								
Marine, Aviation and Transport Business								
- Marine and Transport Business excluding Aviation								
- Aviation Business								
Motor Business								
- Comprehensive Car & Motorcycle								
- Commercial Vehicle								
- Motor Third Party Liability								
Liability Business								
Workers Compensation Business								
Credit and Suretyship Business								
Accident and Health Business								
- Individual Health								
- Group Health								
- Accidental Death and Disability								
Agriculture Business								

Table 02: Insurance Business Band Wise Count and Premium

Insurance Business Band Wise Count and Premium	Annual Premium Bands		Conventional & Takaful			
			Count		Premium	
			2020	2021	2020	2021
Band Level 1	Up to	50,000				
Band Level 2	50,000	100,000				
Band Level 3	100,000	250,000				
Band Level 4	250,000	500,000				
Band Level 5	500,000	1,000,000				
Band Level 6	1,000,000	5,000,000				
Band Level 7	5,000,000	10,000,000				
Band Level 8	10,000,000	50,000,000				
Band Level 9	50,000,000	100,000,000				
Band Level 10	100,000,000	and above				

Table 03: Details of Policyholders

Details of Policyholders	Conventional				Takaful			
	Number of clients		No. of Policies		Number of clients		No. of Policies	
	2020	2021	2020	2021	2020	2021	2020	2021
Listed Companies								
Unlisted Public Companies								

- Live Stock							
- Live Stock Loan Insurance							
- Crop Insurance							
- Crop Loan Insurance							
Travel							
Miscellaneous							

Private Companies							
Partnership							
Government Organization							
Individuals							
Others							

Table 05: Province Wise Business Distribution Premium					Table 06: Type of Accidental and Health Policies Gender Distribution												
Province Wise Business Distribution Premium	Conventional		Takaful		Type of Accidental and Health Policies Gender Distribution	Male						Female					
	2020	2021	2020	2021		No of Policy		Lives Covered		Premium		No of Policy		Lives Covered		Premium	
						2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Sindh					Individual Health												
Punjab																	
KPK																	
Balochistan					Group Health												
Federal/Islamabad																	
GB					Personal Accident												
Total																	

Table 04: Premium Information Distribution Channel wise																		
Premium Information Distribution Channel wise	Conventional & Takaful																	
	Direct Channel		Traditional Intermediaries								Digital						Miscellaneous	
			Agents / Sales force excluding online		Brokers		Banca		Corporate Agent other than Banca		Telecos (through mobile network operator)		Website		Web aggregator and Others		Others	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Fire and Property Damage Business																		
- Fire and Property (Excluding Home and House hold contents)																		
- Home and Household contents																		
Engineering Business																		
Terrorism																		
Marine, Aviation and Transport Business																		
- Marine and Transport Business excluding Aviation																		
- Aviation Business																		
Motor Business																		

- Comprehensive Car & Motorcycle																		
- Commercial Vehicle																		
- Motor Third Party Liability																		
Liability Business																		
Workers Compensation Business																		
Credit and Suretyship Business																		
Accident and Health Business																		
- Individual Health																		
- Group Health																		
- Accidental Death and Disability																		
Agriculture Business																		
- Live Stock																		
- Live Stock Loan Insurance																		
- Crop Insurance																		
- Crop Loan Insurance																		
Travel																		
Miscellaneous Business																		

Life Insurance Industry Information Sheet for the Year 2020 and 2021

Name of Company				
Current year	2021	Previous Year	2020	

ANNEXURE - C

Table 1: Premium Information Channel Wise Distribution

Premium Information Channel wise	Conventional & Takaful											
	Sales Force / Agents		Banca		Corporate Agents other than Banks		Telecos (through mobile network operator)		Websites and Web Aggregators (Online and Digital)		Other	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Life Insurance Premium												
First Year Premiums												
Second Year Renewal Premiums												
Subsequent year Renewal Premiums												
Single Premiums												
Group Life Premiums with Cash Values												
Group Life Premiums without Cash Values												
Annuities												
Accident and Health Insurance Premium												
Accident and Health Premiums excluding Group policies												
Group Accident and Health Premiums												

Table 2: Premium Information Product Wise Distribution

Premium Information Product wise	Conventional & Takaful															
	Unit Linked		Participating		Universal		Personal Accident		Health		Term Life		Critical Illness		Other non-participating	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
First Year Premiums																
Second Year Renewal Premiums																
Subsequent year Renewal Premiums																
Total Single Premiums																

Total Group Premiums with Cash Values															
Total Group Premiums without Cash Values															
Annuities															

Table 3: New Business Band Wise Count and Premium														
New Business Band Wise Count and Premium	Annual Premium Bands		Conventional				Takaful							
			Count		Premium		Count				Premium			
			2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Band Level 1	Up to	25000												
Band Level 2	25000	50000												
Band Level 3	50000	100000												
Band Level 4	100000	250000												
Band Level 5	250000	500000												
Band Level 6	500000	1000000												
Band Level 7	1000000	and above												

Table 4: Individual Life Province Wise Business Distribution									
Individual Life Province Wise Business Distribution	Conventional				Takaful				
	Count		Premium		Count		Premium		
	2020	2021	2020	2021	2020	2021	2020	2021	2021
Sindh									
Punjab									
KPK									
Balochistan									
Federal/Islamabad									
GB									
Total									

Table 5: Details of Individual and Group policies Gender Distribution %																
	Individual Policies								Group Policies							
Details of policies Gender Distribution %	Count				Premium				Count				Premium			
	Male		Female		Male		Female		Male		Female		Male		Female	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Inforced Policies - (Active policies)																
Conventional																
Takaful																
Total Policies - (Inforced/Active policies and Outstanding/Lapsed/Inactive Policies)																
Conventional																
Takaful																

Table 6: Industry Persistency Individual Life Count and Premium									
Industry Persistency Individual Life Count and Premium	Conventional & Takaful								
	Count					Premium			
	Year 2		Year 3 & +			Year 2		Year 3 & +	
	2020	2021	2020	2021		2020	2021	2020	2021
Agency Sales Force									
Bancassurance									
Corporate Agents other than Banks									
Telecos (through mobile network operator)									
Websites and web aggregators (Online and Digital)									
Others									

Table 8: Claims Information Count and Amount									
Claims Information Count and Amount	Conventional					Takaful			
	Count		Amount			Count		Amount	
	2020	2021	2020	2021	2020	2020	2021	2020	2021
	2020	2021	2020	2021	2020	2021	2020	2021	2021
Individual Life									
Individual Claims - Death									
Individual Claims - other than death									
Individual Claims - Surrenders									
Individual Claims - Maturity									
Group Life									
Group Claims - Death									
Group Claims - other than death									
Group Claims - Surrenders									
Group Claims - Maturity									

Table 11: Acquisition Expenses											
Acquisition Expenses	Conventional						Takaful				
	Sales Force		Banca		Other		Sales Force		Banca		Other
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2021
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2021
Remuneration to insurance intermediaries on individual policies:											
- Commission to agent on first year premiums											
- Commission to agent on second year premiums											
- Commission to agent on subsequent renewal premiums											
- Commission to agent on single premiums											
- Override commission to supervisors											
Salaries, allowances and other benefits											

Table 7: Sales Force Information					
Sales Force Information	Conventional		Takaful		
	2020		2021		2021
	2020	2021	2020	2021	2021
Direct Sale Force					
No. of Total Active Sales Agents - Individual					
No. of Total Branches - Individual					
Corporate Agent Sales Force					
No. of Corporate Agents - Banks					
No. of Corporate Agents - Non-Banks					

Table 9: Risk Covered					
Risk Covered	Conventional		Takaful		
	2020		2021		2021
	2020	2021	2020	2021	2021
Individual Life					
Individual Life - Sum at Risk Life					
Individual Life - Sum at Risk Health					
Group Life					
Group Life - Sum at Risk Life					
Group Life - Sum at Risk Health					

Table 10: Complaints			
Complaints	2020	2021	2021
Complaints received by Insurer on all forums			
- Received during period			
- Disposed of during the period			

Remuneration to insurance intermediaries on group policies										
Other Acquisition Cost - Policy Stamps										

Table 12: Inforced Policies Distribution Channel Wise Count												
Inforced Policies Distribution Channel Wise Count	Conventional & Takaful											
	Sales Force / Agents		Banca		Corporate Agents other than Banks		Telecos (through mobile network operator)		Websites and Web Aggregators (Online and Digital)		Other	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
Total Number of Inforce Policies - Life												
New Individual Policies issued												
Old Individual Inforced Policies												
Total Individual Lives Covered												
Total Group Life Policies												
Total Group Lives Covered												
Total Number of Inforce Policies - Health and Accident												
Total Individual Health and Accident Policies												
Total Individual Lives Covered												
Total Group Health and Accident Policies												
Total Group Lives Covered												

Table 13: Product Type of Policies count wise									
Product Type of Policies count wise	Conventional				Takaful				
	No of Policy		Lives Covered		No of Policy		Lives Covered		
	2020	2021	2020	2021	2020	2021	2020	2021	2021
Life Insurance									
Unit Link									
Participating									
Universal Life									
Term Life									
Other Non-participating									
Annuity/Pension									
Critical Illness									
Group Life									
Accident and Health Insurance									
Individual Personal Accident and Health									
Group Health and Personal Accident									

Chapter 9. Training and Certifications

9.1. APPROVED PROFESSIONAL INSTITUTES FOR CONDUCTING EXAMINATION OF AUTHORIZED SURVEYING OFFICERS (ASOS) OF SURVEYING⁵⁵

- 9.1.1. As required under Rule 44 of the Insurance Rules, 2017 read with Section 113 of the Insurance Ordinance, 2000, any person desirous to get himself registered as Authorized Surveying Officers (ASOs) with the Commission, is required to obtain necessary qualifications which, inter alia, include an exam to be passed by all fresh applicants conducted by a professional institute approved by the Commission.
- 9.1.2. In exercise of the powers conferred under Rule 44(c) of the Insurance Rules, 2017, the Securities and Exchange Commission of Pakistan (SECP) hereby approves and notifies the Institute of Financial Markets of Pakistan (IFMP) as the approved professional institute to conduct examination of Authorized Surveying Officers (ASOs) for the purposes of Rule 44(c) of the Insurance Rules, 2017.
- 9.1.3. The SECP, vide Circular 5 of 2013 dated April 22, 2013, had recognized the test devised by Pakistan Insurance Institute (PII), to ascertain the competence of the fresh applicants for registration as ASO, in line with section 113(1) of the Insurance Ordinance, 2000. The PII will continue to conduct exams for fresh applicants for ASO registration, as recognized vide Circular 5 of 2013.

9.2. MANDATORY CERTIFICATION REQUIREMENTS FOR THE PROFESSIONALS WORKING WITH INSURERS, INCLUDING TAKAFUL OPERATORS, IN THE DESIGNATED FUNCTIONS⁵⁶

- 9.2.1. The Institute of Capital Markets (hereinafter referred as “ICM”), a not for profit company was setup in 2008 by the Securities and Exchange Commission of Pakistan (hereinafter referred as the “Commission”) along with various other financial market stakeholders, as a certification body for the development of human capital and professionals in the financial markets under the Commission’s regulatory purview. Since then, ICM has been playing a pivotal role in the organized development of these markets and striving to build the investor confidence by enhancing professional competence of individuals working in these financial markets through the examination and certification process.
- 9.2.2. The Commission hereby directs all insurers, including Takaful operators, registered with it under the Insurance Ordinance, 2000 (hereinafter referred as the “Ordinance”) to ensure compliance with the below mentioned requirements:-
 - a. All professionals working for or with the insurers and who are engaged in the official dealing with any part of the financial markets under the regulatory purview of the Commission under the Act, shall obtain the valid certifications of the courses namely the Pakistan Markets and Regulations (PMR) and the Fundamentals of Capital Market (FCM), from ICM or any such Institute as may be

⁵⁵ SECP Letter No. SECP/ID/MDPR/Training-Inst/2021/1540 dated 12th April, 2021

⁵⁶ SECP Circular No. 10 of 2015 dated 13th April, 2015

approved by the Commission, within eighteen (18) months from the date of issuance of this Circular;

- b. Such professionals shall, without limitation, include the relevant Key Officers of the insurers, such as the Chief Investment Officer or Head of Investment or by whatever name called as under the Regulation (2)(1) of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 (hereinafter referred as the “Regulations”) read with the Ordinance;
- c. Some of the functions as performed by such Key Officers under the Regulations include, but not limited to:
 - i. Product development and design, where the insurance product has any component of investments in the financial markets under the regulatory purview of the Commission;
 - ii. Investment management where such persons are managing the portfolio of investments in financial markets under the regulatory purview of the Commission, including all members of the investment committees;
 - iii. Operations and settlement where such persons are responsible for execution and settlement for trades in securities;
 - iv. Research where such persons are carrying out fundamental analysis of all existing and potential investment in securities;
 - v. Compliance officer(s) where such persons are responsible for ensuring compliance with applicable regulatory requirements as prescribed under the Commission’s Directive S.R.O.No.20(I)/2012 dated January 11, 2012; and
 - vi. Risk management where such persons are responsible to ensure that investments in securities are within the desirable level of risk.

9.2.3. All such professionals performing any of the above mentioned functions, who are not already certified by ICM for the above mentioned qualifications and are joining any insurer after the date of the issuance of this Circular, shall be required to obtain the above mentioned certifications from ICM, or any such Institute as may be approved by the Commission, within twelve (12) months of the date of their first employment with an insurer, including Takaful operators.

9.2.4. All such professionals who are desirous of availing the certification through the grandfathering provisions shall approach ICM for details about the grandfathering process and their respective eligibility. The desired candidates may avail the certifications under grandfathering option required under this Circular at any time, if they fulfill the criteria⁵⁷.

9.2.5. The insurer shall be responsible to ensure that their employees who have obtained the certification from ICM, either through the examination process or through the grandfathering provisions, shall maintain the membership of ICM or any such Institute as may be approved by the Commission, as the case may be, at all times and comply with such membership requirements as specified by ICM or any such Institute as may be approved by the Commission, from time to time.

⁵⁷ SECP Circular No. 11 of 2018 dated 5th July, 2018

- 9.2.6. It shall be the responsibility of the insurer to ensure the meticulous compliance of above mentioned requirements, even in the cases where any of the stated functions has been delegated to any third party.
- 9.2.7. This Circular shall come into force with immediate effect.

9.3. COURSE OUTLINE FOR TRAINING

Course Outline For Training The Managerial Level Personnel And Sales Force Of Takaful Operators / Window Takaful Operators And Minimum Infrastructural Training And Faculty Requirements For Approval Of The Institutions By The Securities And Exchange Commission Of Pakistan Under Rule 28 Of The Takaful Rules, 2012⁵⁸

- 9.3.1. In order to standardize the course outline for training the managerial level personnel and sales force of takaful operators /window takaful operators, the Securities and Exchange Commission of Pakistan is pleased to issue the standard training course outline and minimum infrastructural /training and faculty requirements for approval of the institutions by the Commission. The training course shall be conducted for minimum twenty hours duration.
- 9.3.2. The takaful operators / window takaful operators arranging the in house training program or institutions offering the training course to the managerial level personnel and sales force of takaful operators /window takaful operators should follow the minimum standardized course outline and minimum infrastructural [training and faculty requirements as prescribed hereunder:-

A. STANDARD COURSE OUTLINE- FOR MANAGERIAL LEVEL PERSONNEL AND SALES FORCE TRAINING COURSE GENERAL TAKAFUL [WINDOW TAKAFULOPERATORS]

- 1. Risk & Insurance**
 - 1.1. What is Risk
 - 1.2. Types of Risk
 - 1.3. Insurance defined
 - 1.4. Fundamental principles of Insurance
- 2. Introduction to Takaful .**
 - 2.1. Takaful defined
 - 2.2. Origins of Takaful
 - 2.3. Principles of Takaful
 - 2.4. Takaful through time
 - 2.5. Renaissance in modern times
- 3. Takaful Versus Conventional Insurance .**
 - 3.1. Difference in Concept
 - 3.2. Difference in Contract

⁵⁸ SECP Circular No. 37 of 2015 dated 7th October, 2015

- 3.2.1. Contract /aqad (Islamic contract) & types of contract
- 3.3. Objectionable ingredients of conventional insurance:
 - 3.3.1. Gharrar
 - 3.3.2. Maisir — Qimaar
 - 3.3.3. Direct Riba
 - 3.3.4. Indirect Riba
- 3.4. How objectionable ingredients of conventional insurance are mitigated in takaful
- 3.5. Additional features of takaful products including principles of surplus distribution
- 4. Models of Takaful**
 - 4.1. Mudarbah Model
 - 4.2. Wakala Model
 - 4.3. Wakala Waqf Model including principles related to Waqf
- 5. Relationships in a Takaful Contract**
 - 5.1. Relationship between Takaful Operator and Waqf
 - 5.2. Relationship between Takaful Operator and Participant
 - 5.3. Relationship between Participant and Waqf
- 6. Agency Contracts**
 - 6.1. Types of Agency Contracts
 - 6.2. Qualifications & Criteria
 - 6.3. Duty of Disclosure
 - 6.4. Relationship with the Principal / Participant
 - 6.5. 'Market Conduct' & Business Ethics
- 7. Classes of General Takaful**
 - 7.1. Fire / Property
 - 7.2. Marine
 - 7.3. Motor
 - 7.4. Miscellaneous
- 8. Takaful Documents**
 - 8.1. Proposal Forms
 - 8.2. Participants Membership Document
 - 8.3. Declarations
 - 8.4. Claim Document
- 9. Underwriting Information**
 - 9.1. Requirements for Fire / Property Quotes:
 - 9.1.1. Risk Details
 - 9.1.2. Past Claims History
 - 9.1.3. Risk Inspection Forms
 - 9.1.4. Filling of Proposal Forms
 - 9.1.5. Obtaining Quotes
 - 9.1.6. Instructions to 'Hold Covered'

- 9.2. Requirements for Marine Quotes:
 - 9.2.1. Risk Details
 - 9.2.2. Annual Turn-over for Open Covers
 - 9.2.3. Scope/Type of Cover
 - 9.2.4. Anticipated Inception Date
 - 9.2.5. Banks' Requirements
 - 9.2.6. Obtaining Quotes
 - 9.2.7. Acceptance & Issuance
- 9.3. Requirements for Motor Quotes:
 - 9.3.1. Risk Details
 - 9.3.2. Risk Inspection
 - 9.3.3. Filing of Proposal Forms
 - 9.3.4. Type and Scope of Coverage Required
 - 9.3.5. Obtaining Quotes
 - 9.3.6. Acceptance and Issuance
- 9.4. Requirements for Other Classes:
 - 9.4.1. Risk Details
 - 9.4.2. Past Claims History
 - 9.4.3. Annual Turn-over (if applicable)
 - 9.4.4. Proposal Forms
 - 9.4.5. Scope of Coverage Required
 - 9.4.6. Obtaining Quotes
 - 9.4.7. Issuance of 'Held Covered' letter on Acceptance

10. Follow-Up & Clients Servicing

- 10.1. Timely and accurate submission of data
- 10.2. Follow-up with the Participants
- 10.3. Follow-up with the Takaful Operator
- 10.4. Reconciliation of Statements/Accounts
- 10.5. Assimilation of Market Trends & Intelligence

B. STANDARD COURSE OUTLINE- FOR MANAGERIAL LEVEL PERSONNEL AND SALES FORCE - TRAINING COURSE - FAMILY TAKAFUL/WINDOW TAKAFUL OPERATORS

1. Introduction to Takaful

- 1.1. Takaful defined
- 1.2. Origins of Takaful
- 1.3. How elements of Riba , Gharar, Maisar are avoided in Takaful
- 1.4. How Takaful is all new concept when compared with insurance contract
- 1.5. Takaful through time
- 1.6. Renaissance in modern times

2. Takaful Market

- 2.1. How Takaful operations are conducted
- 2.2. The categories of risk e.g. Pure & speculative

- 2.3. Relationship between participants, intermediaries and Takaful operators
- 2.4. Main functions of Takaful agents/brokers
- 3. Legal Principles**
 - 3.1. Mudarba
 - 3.2. Wakala
 - 3.3. waqf
 - 3.4. Wakala Waqf Model
 - 3.5. Contract /aqad (Islamic contract) & types of contract
 - 3.6. Riba & Tabbaru
 - 3.7. Role of Takaful Operator (wakeel)
- 4. Insurance Ordinance 2000**
 - 4.1. Agency Contracts
 - 4.1.1. Qualification & criteria
 - 4.1.2. Relationship with Participant / Principal
 - 4.1.3. Relationship with Takaful operator
 - 4.1.4. Market conduct & business ethics
- 5. Family Takaful Products**
 - 5.1. Takaful investment plan- Unit linking system
 - 5.2. Level Term Takaful plans
 - 5.3. Decreasing Term Takaful plan
 - 5.4. Supplementary riders:
 - 5.4.1. Accidental Death Benefit
 - 5.4.2. Total & permanent Disability
 - 5.4.3. Family income benefit
 - 5.4.4. Waiver of contribution
- 6. Operational Issues in Family Takaful**
 - 6.1. Understand the concept of PTF & PIA
 - 6.2. Treatment of underwriting surplus in family takaful
 - 6.3. Introduction to Underwriting
 - 6.4. Factors affecting underwriting i.e. age, sex, health, family history, financial status
 - 6.5. Concept of Takaful participation interest (insurable interest) in family takaful
- 7. Completion of forms & other requirements for Takaful Contract Issuance**
 - 7.1. Takaful application form (Non- Medical)
 - 7.2. Medical Form
 - 7.3. Financial Questionnaires
 - 7.4. Medical questionnaires
 - 7.5. Participant membership document (PMI)
- 8. Participant Services**
 - 8.1. Importance of customer / participant service
 - 8.2. Concept of grace period

- 8.3. Concept of lapsation & reinstatement of takaful contract
- 8.4. Surrender of Takaful contract by participant
- 8.5. Claims Administration

Furthermore, the criteria for approved institutions offering the training course to the managerial level personnel and sales force of takaful operators /window takaful operators shall be as follows:

C. CRITERIA FOR APPROVAL OF INSTITUTIONS

1. An institution may offer training course for the managerial level personnel and sales force of takaful operators/window takaful operators, after seeking prior approval of the Commission and subject to any conditions imposed by the Commission. An application received by the Commission from any of the institution, shall be judged on the following minimum parameters:
 - ❖ permanent training set up;
 - ❖ infrastructure and facilities;
 - ❖ track record of the institution for the last five years;
 - ❖ program content and structure as given in this document;
 - ❖ key resource (faculty) profile (permanent and adjunct); and
 - ❖ Accreditations from recognized professional bodies
2. The names of the institutions, approved by the Commission, to offer training course to the managerial level personnel and sales force of takaful operators/window takaful operators, shall be placed on the website of the Commission.

9.4. CURRICULUM FOR FOUNDATION COURSE FOR INSURANCE AGENTS

Curriculum For Foundation Course For Life And Non-Life Insurance Agents Or Designated Persons And Minimum Infrastructural/Training And Faculty Requirements⁵⁹

The Securities and Exchange Commission of Pakistan hereby approves the following curriculum for foundation course for life and non-life insurance agents or designated persons and minimum infrastructural/training and faculty requirements for recognition of the institutes. The approved standard curriculum for life and non-life foundation courses shall be as follows:

A. STANDARD CURRICULUM- FOR INSURANCE AGENTS-FOUNDATION COURSE -LIFE

1. **Introduction to Insurance**
 - 1.1. What is Insurance?
 - 1.2. Brief History of Insurance
 - 1.3. Purpose and Need of Insurance
 - 1.4. Insurance as a social security tool
 - 1.5. Role of Insurance in economic development

⁵⁹ S.R.O 909 of 2015 dated 3rd September, 2015

- 1.6. Bifurcation of Insurance Sector:
 - 1.6.1. Life Insurance, and
 - 1.6.2. Non-Life Insurance
- 2. The Non-Life Insurance Market**
 - 2.1. Operation and structure of the life insurance market
 - 2.2. Distribution channels in the life sector:
 - 2.2.1. Direct Sales Force.
 - 2.2.2. Bancassurance
 - 2.2.3. Websales, and
 - 2.2.4. Telesales
 - 2.3. Insurance Intermediaries:
 - 2.3.1. Insurance Agents
 - 2.3.2. Insurance Brokers
 - 2.3.3. Third Party Administrators
 - 2.3.4. Insurance Surveyors
 - 2.4. Life insurance market of Pakistan
- 3. Insurance Agency**
 - 3.1. Definition of an Insurance Agent
 - 3.2. Agency contract under the Insurance Ordinance, 2000
 - 3.3. Legal status, rights and responsibility of the agent and the principle
- 4. Risk & Insurance**
 - 4.1. Definition of risk as it relates to Insurance
 - 4.2. Categories of risk
 - 4.3. Types of risk which can be insured.
 - 4.4. Types of risk which cannot be insured
 - 4.5. Components of risk
 - 4.6. Basis of insurance as a risk transfer mechanism
 - 4.7. Pooling of risks
 - 4.8. Self-insurance; co -insurance; dual insurance; reinsurance
 - 4.9. Benefits of insurance
- 5. Basic Insurance principles**
 - 5.1. Essentials of a valid contract
 - 5.2. Insurable interest
 - 5.3. Utmost good faith
 - 5.4. Indemnity
 - 5.5. Proximate cause
 - 5.6. Subrogation
 - 5.7. Underinsurance and the application of average
 - 5.8. Non-Life Reinsurance and its types
- 6. Principles of Life Insurance**

- 6.1. Life Insurance contract
- 6.2. Principle of utmost Good faith
- 6.3. Insurable Interest
- 6.4. Principle of Indemnity
- 6.5. Needs and Insurance
- 7. Life Insurance Products**
 - 7.1. Unit Linked Policies
 - 7.2. Universal Life Policies
 - 7.3. With Profit and Without Profit
 - 7.4. Individual and Group Policies
 - 7.5. Types of Insurance Products as Whole Life Products, Interest sensitive product, Term Assurance
 - 7.6. Annuities, Endowment Assurance etc.
 - 7.7. Insurance Products for Female and Children etc.
- 8. Underwriting**
 - 8.1. Introduction
 - 8.2. Classification of Risks
 - 8.3. Financial Underwriting
 - 8.4. Non-medical underwriting
 - 8.5. Underwriting by Agents
 - 8.6. Recent Trends
- 9. Insurance Documents**
 - 9.1. Insurance Documents including Proposal Forms, illustrations and other relevant Forms
 - 9.2. First Premium Receipt / Renewal Premium Receipt
 - 9.3. Policy Contract, Endorsement, Renewal Notice / Bonus Notice, others
- 10. Policy Conditions**
 - 10.1. Age, Days of Grace, Lapse and Non-forfeiture, Paid up value, Revival, Assignment
 - 10.2. Nomination, Surrenders and Loan
 - 10.3. Indisputability of the Policy
- 11. Claims**
 - 11.1. Intimation Procedure
 - 11.2. Claims Documents- Forms
 - 11.3. Settlement Procedure
 - 11.4. Accident and Disability Benefits
- 12. Life Insurance Marketing**
 - 12.1. Marketing concept
 - 12.2. Distribution Channel
 - 12.3. The Customer
 - 12.4. Strengthening Relationship
 - 12.5. Function of an Agent

- 12.6. Advertisement
- 12.7. Customer Satisfaction

13. Role of an Insurance Agent

- 13.1. What is Insurance Agent?
- 13.2. Selling Process
- 13.3. Pre-approach, Interview, Objection, Closing, Service, Ethical behavior
- 13.4. Consumerism in Insurance

14. Personal Development

- 14.1. Scope
- 14.2. Product Knowledge
- 14.3. Customer Oriented business target.
- 14.4. Time Management
- 14.5. Long-Term Relationship
- 14.6. Motivation, Morale
- 14.7. Communication Skill
- 14.8. Behavior with others

15. Laws and Regulations

- 15.1. Insurance Ordinance, 2000
- 15.2. SEC Insurance Rules, 2002
- 15.3. Insurance Rules, 2002
- 15.4. Financial Planning & Taxation

B. STANDARD CURRICULUM- FOR INSURANCE AGENTS-FOUNDATION COURSE-NONLIFE INSURANCE

1. Introduction to Insurance

- 1.1. What is Insurance?
- 1.2. Brief History of Insurance
- 1.3. Purpose and Need of Insurance
- 1.4. Insurance as a social security tool
- 1.5. Role of Insurance in economic development
- 1.6. Bifurcation of Insurance Sector:
 - 1.6.1. Life Insurance; and
 - 1.6.2. Non-Life Insurance

2. The Non-Life Insurance Market

- 2.1. Operation and structure of the non-life insurance market
- 2.2. Distribution channels in the non-life sector:
 - 2.2.1. Direct Sales Force
 - 2.2.2. Bancassurance
 - 2.2.3. Websales, and
 - 2.2.4. Telesales
- 2.3. Insurance Intermediaries:

- 2.3.1. Insurance Agents
 - 2.3.2. Insurance Brokers
 - 2.3.3. Third Party Administrators
 - 2.3.4. Insurance Surveyors
- 2.4. Non-life insurance market of Pakistan
- 3. Insurance Agency**
 - 3.1. Definition of an Insurance Agent
 - 3.2. Agency contract under the Insurance Ordinance, 2000
 - 3.3. Legal status, rights and responsibility of the agent and the principle
- 4. Risk & Insurance**
 - 4.1. Definition of risk as it relates to Insurance.
 - 4.2. Categories of risk
 - 4.3. Types of risk which can be insured.
 - 4.4. Types of risk which cannot be insured.
 - 4.5. Components of risk
 - 4.6. Basis of insurance as a risk transfer mechanism.
 - 4.7. Pooling of risks
 - 4.8. Self- insurance; co- insurance; dual insurance; reinsurance
 - 4.9. Benefits of insurance
- 5. Basic Insurance principles**
 - 5.1. Essentials of a valid contract
 - 5.2. Insurable interest
 - 5.3. Utmost good faith
 - 5.4. Indemnity
 - 5.5. Proximate cause
 - 5.6. Subrogation
 - 5.7. Underinsurance and the application of average
 - 5.8. Non-Life Reinsurance and its types
- 6. Issues in Selling of Insurance**
 - 6.1. Misrepresentations by:
 - 6.1.1. Insurance Agents
 - 6.1.2. Policyholders
 - 6.2. Mis-selling
 - 6.3. Overselling
 - 6.4. Underselling
- 7. Compliance**
 - 7.1. Market conduct part of the Insurance Ordinance, 2000.
 - 7.2. Know your customer/Customer Due Diligence under the AML/CFT regime.
 - 7.3. Valid contract/void/voidable contract
 - 7.4. Policy wording and premium collection

- 8. Insurance procedures- underwriting**
 - 8.1. Material facts
 - 8.2. Quotations
 - 8.3. Cancellation
 - 8.4. Proposal forms / Policies; cover notes; certificates Of insurance
 - 8.5. Premium payment

- 9. Insurance procedures- policy wordings; renewals**
 - 9.1. Policy wordings
 - 9.2. Common policy exceptions and conditions
 - 9.3. Excesses and franchises
 - 9.4. Warranties; conditions and exclusions
 - 9.5. Renewals

- 10. Insurance procedures — claims**
 - 10.1. Valid, invalid and partially met claims
 - 10.2. Duties of the insured after a loss
 - 10.3. Documentary evidence
 - 10.4. Claims settlement
 - 10.5. Fraudulent claims

- 11. Conduct of insurance business**
 - 11.1. Compulsory Insurance(s)
 - 11.2. Grievance handling mechanism and forums:
 - 11.2.1. Insurance Ombudsman
 - 11.2.2. Insurance Tribunals
 - 11.2.3. Small dispute Resolution Committees

- 12. Personal Insurance**
 - 12.1. Motor
 - 12.2. Home, building and contents
 - 12.3. Travel
 - 12.4. Health
 - 12.5. Personal accident and sickness

- 13. Commercial Insurance**
 - 13.1. Liability Insurance
 - 13.2. Commercial property and pecuniary insurance
 - 13.3. Commercial vehicle and 'fleet' motor insurance

- 14. PERSONAL DEVELOPMENT**
 - 14.1. Scope
 - 14.2. Product Knowledge
 - 14.3. Customer Oriented business target.
 - 14.4. Time Management

- 14.5. Long-Term Relationship
- 14.6. Motivation, Morale
- 14.7. Communication Skill
- 14.8. Behavior with others

15. LAW AND REGULATIONS

- 15.1. insurance Ordinance, 2000
- 15.2. Sec Insurance Rules, 2002
- 15.3. insurance Rules, 2002

Furthermore, the recognition criteria for institutes offering the foundation course to the life and non-life insurance agents of the insurers shall be as follows:

C. RECOGNITION CRITERIA FOR INSTITUTES

1. An institute may offer foundation Course for the insurance agents (both life and non-life), after seeking prior approval of the Commission and subject to any conditions imposed by the Commission. An application received by the Commission from any of the institute, shall be judged on the following minimum parameters:
 - ❖ Permanent training set up;
 - ❖ infrastructure and facilities;
 - ❖ track record of the institution for the last five years;
 - ❖ program content and structure as given in this document;
 - ❖ key resource (faculty) profile (permanent and adjunct); and
 - ❖ Accreditations from recognized professional bodies.
2. The names of the institutions, recognized by the Commission to offer Foundation Course to the insurance agents, shall be placed on the website of the Commission.

9.5. INSTITUTES APPROVED BY THE COMMISSION TO OFFER TRAINING AND FOUNDATION COURSE⁶⁰

- 9.5.1. Following is the list of Institutes approved by the Commission to offer training course to the managerial level personnel and sales force of General/Family Takaful,

S.no	Name of Institute	Address
1	Center for Excellence in Islamic Finance, Institute of Management Sciences	1-A, Sector E-5, Phase 7, Hayatabad, Peshawar
2	Institute of Financial Markets of Pakistan (formerly Institute of Capital Markets)	Suite No. 1009, 10th Floor, Park Avenue Building, P.E.C.H.S Block No. 6, Shahrah-e-Faisal, Karachi.
3	Pakistan Insurance Institute (PII)	30-B, Lalazar Drive, M.T. Khan Road, Karachi.

⁶⁰ Approved by commission as on 26th September, 2018

4	Ehsan Shariah Advisors and Consultants (ESAAC)	Suite 114, 3rd Floor, Karachi Stock Exchange Building, Off II Chundrigar Road, Karachi.
5	Institute of Poverty Alleviation and Economic Development (IPAED) ⁶¹	96, Linear Commercial, Phase 8, Bahria Town, Islamabad.

9.5.2. Following is the list of Institutes approved by the Commission to offer foundation course for Insurance Agents (both life and non-life)

S.no	Name of Institute	Address
1	Pakistan Insurance Institute (PII)	30-B, Lalazar Drive, M.T. Khan Road, Karachi
2	Institute of Financial Markets of Pakistan (formerly Institute of Capital Markets).	Suite No. 1009, 10th Floor, Park Avenue Building, P.E.C.H.S., Block No. 6, Shahrah-e-Faisal, Karachi.
3	IGI Financial Services Institute (IGI FSI)	187, Ali Institute of Education, First Floor, Main Ferozpur Road, Lahore.
4	Institute of Poverty Alleviation and Economic Development (IPAED) ⁶²	96, Linear Commercial, Phase 8, Bahria Town, Islamabad.

⁶¹ Approved by commission on 6th March, 2020.

⁶² Approved by commission on 6th March, 2020.

Chapter 10. Complaints Handling

10.1. INSURANCE TRIBUNALS⁶³

10.1.1. SECP is pleased to inform that in accordance with section 121(1) of the Insurance Ordinance 2000, the Federal Government, in consultation with the Chief Justices of Lahore High Court, Sindh High Court, Peshawar High Court and Balochistan High Court has conferred powers of Insurance Tribunals in each Province on the District & Sessions Judges specified in column (2) of the table below to exercise territorial jurisdiction specified in column (3) thereof:

S. No. (1)	Name of Sessions Court (2)	Territorial Limits (3)
1.	District & Sessions Judge Lahore	Whole Province of Punjab
2.	District & Sessions Judge Karachi (Central)	Whole Province of Sindh
3.	District & Sessions Judge Peshawar	Whole Province of Khyber Pakhtunkhwa
4.	District & Sessions Judge Quetta	Whole Province of Baluchistan

10.2. AWARENESS TO POLICYHOLDERS

Awareness among Policyholders about Availability of the Complaints Resolution Forums i.e. Federal Insurance Ombudsman and Small Disputes Resolution Committees for Resolution of their Grievances⁶⁴

10.2.1. In line with its fundamental objectives to protect the interest and secure fair treatment to the policyholders, the Securities and Exchange Commission of Pakistan ("the Commission") actively takes up the complaints of the policyholders with the insurers for their prompt resolution.

10.2.2. To address the complaints of mal-administration on part of the insurers, the Office of Federal Insurance Ombudsman ("FIO") was established pursuant to Section 125 of the Insurance Ordinance, 2000 ("the Ordinance"). The Commission has also constituted three Small Disputes Resolution Committees ("SDRC") at Islamabad, Lahore and Karachi under Section 117 of the Ordinance with a view to expeditiously resolve the grievances pertaining to the claims within the prescribed pecuniary limits defined in SDRC (Constitution and Procedure) Rules, 2015. However, there is an immense need to enhance awareness among the policyholders about availability of these forums for prompt and effective resolution of their grievances as the Commission has noticed a growing number of policyholders' complaints against insurers.

10.2.3. In order to enhance awareness among the public at large about availability of the aforesaid forums, the Commission under Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997, hereby directs all the insurers to: -

- i. Fix the notice board(s) containing the attached (Annexure A) 'awareness message' in both Urdu as well as English languages at prominent places at head office and branch offices where general public

⁶³ SECP Circular No. 15 of 2006

⁶⁴ SECP Circular No. 5 of 2016 dated 26th January, 2016 amended through Circular 27 of 2020 4th September, 2020

or the policyholders pay frequent visits including bank branches authorized to offer bank assurance products to the general public;

- ii. Upload the attached (Annexure A) 'awareness message' on their respective websites under the heading of "Complaints Resolution Forums" (in red font) in both Urdu as well as English languages; and
- iii. Print the attached (Annexure A) 'awareness message' on all the forms i.e. policy illustrations, proposal forms, policy documents and claim forms on conspicuous position (in red font) in both Urdu as well as English languages.

10.2.4. In accordance with the recommendation of Federal Insurance Ombudsman Secretariat, all life insurance companies/ family takaful operators are advised to include following message in the letters issued to the policyholders at the time of maturity of their policies: ⁶⁵

"If you are not satisfied or have any complaint/ grievance against the insurance company with respect to maturity value or proceeds, you may file your grievance with the Federal Insurance Ombudsman which is a free of cost forum for policyholders' grievance handling."

10.2.5. All insurers shall take necessary action to ensure compliance with the above requirement.

10.3. DISCLOSURE ABOUT THE COMPLAINT RESOLUTION FORUMS⁶⁶

10.3.1. The Securities and Exchange Commission of Pakistan hereby directs all the insurers to convey / apprise the policyholders through letter about the respective complaint resolution forums along with their valid addresses, both in Urdu and English languages in the following situations: -

- i. Repudiation of claim of a policyholder or claimant;
- ii. Request for premium refund (in case of mis-selling complaint), policy surrender or maturity is not acceded to or responded to by the insurer;
- iii. Any other grievance in which insured or claimant is not satisfied; and
- iv. In case of expiry of 90 days from the date of filing of claim ⁶⁷in respect of life insurance policies only or request made as above;

10.3.2. Respective addresses of the complaint resolution forums shall be conveyed vide the same letter, whereby such decision is communicated by stating that if he/she is aggrieved by the decision of the insurer or a delay beyond 90 days is caused in settlement of his/her claim ⁶⁸in respect of life insurance policies only or request as stated above, he/she may file his/her complaint with one of the following forums:

- i) Federal Insurance Ombudsman (with complete address);

⁶⁵ SECP Circular No. 13 of 2021 dated 20th May, 2021

⁶⁶ S.R.O 1405(I)/2018 dated 16th November, 2018

⁶⁷ Inserted vide SRO 720(I)/2019 dated 3rd July, 2019

⁶⁸ Inserted vide SRO 720(I)/2019 dated 3rd July, 2019

- ii) Small Disputes Resolution Committees at Islamabad, Lahore and Karachi (with complete address of the respective committee); and
- iii) Insurance Tribunals established in all the Provinces;

10.3.3. An insurer who contravenes or fails to comply with any requirement of this Directive shall be liable to pay by way of penalty as provided under section 40A of the Securities and Exchange Commission of Pakistan Act, 1997.

10.4. PLACEMENT OF SERVICE DESK MANAGEMENT SYSTEM (SDMS) ON INSURER'S WEBSITE

Mandatory Requirement for Placing SECP Queries and Complaints Handling logo/link on Website of the Insurers⁶⁹

- 10.4.1. In line with its fundamental objectives to protect the interest of investors and insurance policyholders, the Securities and Exchange Commission of Pakistan (the "SECP") has implemented its new and technologically advanced online Service Desk Management System (SDMS). As per SDMS, a new toll free number facility is integrated with the system, which also allows the investors and policyholders to lodge queries and/or complaints with the SECP by following a few easy steps. System features such as unique tracking numbers, auto generated SMS and email notifications about progress on their queries and complaints ensure that investors and policyholders are regularly kept up-to-date and a built in query/complaint escalation mechanism ensures efficient and timely handling of the lodged concern.
- 10.4.2. Keeping in view the best interest of investors and policyholders, the SECP has deemed it necessary to further propagate awareness about this initiative.
- 10.4.3. Accordingly, in order to achieve this objective, the SECP under Section 40B of the Securities and Exchange Commission of Pakistan Act, 1997, hereby directs all insurers to display details of designated person for assisting and handling investors / policyholders grievances along with web-link and image of SECP's toll free number, queries and online complaints portal on their websites.
- 10.4.4. All insurers are advised to link the aforesaid image with the following URL and place it on their respective websites in a prominent place for the convenience of the investors and policyholders:
<https://sdms.secp.pk/>
- 10.4.5. All insurers are advised to furnish their compliance to the SECP within fifteen days of the date of this circular.
- 10.4.6. Other licensed entities falling under purview of the Insurance Ordinance, 2000 are also encouraged to display details of designated person for assisting and handling investors / policyholders grievances along with web-link and image of SECP's toll free number, queries and online complaints portal on their websites.

⁶⁹ SECP Circular No. 36 of 2017 dated 12th December, 2017

Chapter 11. Cyber Security Guidelines

11.1. THE SECURITIES AND EXCHANGE COMMISSION (SEC) GUIDELINES ON CYBERSECURITY FRAMEWORK FOR THE INSURANCE SECTOR

11.1.1. Introduction

The increasing reliance of the insurance sector of Pakistan on the technology, in distribution and in offering other innovative products through usage of technology, makes it imperative that adequate measures must be taken to make its information technology systems, and of its partners and intermediaries, secure and resilient. This also makes it imperative to put regulatory measures in place for threat reduction, vulnerability reduction, deterrence and other cyber security measures. Accordingly, the Securities and Exchange Commission of Pakistan (SECP) is pleased to issue the SEC Guidelines on Cybersecurity Framework (the “Guidelines”) specifying guiding principles for adoption of suitable cybersecurity measures. The SECP recognizes that while cybersecurity is necessary for all insurers, there is no one-size-fits-all prescription for insurers, rather it is dependent on the nature, size and complexity of the insurers business.

11.1.2. Applicability

These Guidelines will apply to all insurers, including takaful operators registered under the Insurance Ordinance 2000. These Guidelines will become effective from July 1, 2020; However, earlier adaption is encouraged.

11.1.3. Alignment of Cybersecurity Framework with overall Risk Management Framework

The insurers need to take into account the underlying cyber risk at the time of formulation of risk management policy by the Board of Directors (the “Board”) of the insurer, as part of significant policy as required under the clause (xi) of the Code of Corporate Governance for Insurers, 2016. The Chief Information Security Officer (CISO) and the Risk Management Department (or function) will jointly identify, assess, quantify, monitor, and control the nature, significance and interdependencies of the cyber risks and will be required to develop a cybersecurity strategy and framework to be put in place for mitigation of inherent cyber risk.

11.1.4. Developing cybersecurity framework and mechanisms

Insurers, as a starting point, shall consider existing core technical standards on cybersecurity such as the National Institute of Standards and Technology (NIST) **Cybersecurity Framework**, and Information Systems Audit and Control Association (ISACA)’s COBIT (“Control Objectives for Information and Related Technologies”), and the International Organisation for Standardisation (ISO) **27000 series**, which consist of a set of standards and best practices to manage cyber risks. In 2017, the Financial Stability Board (FSB) had also published a **Stocktake of Publicly Released Cybersecurity Regulations, Guidance and Supervisory Practices** to discuss cybersecurity in the financial sector. Further, International Association of Insurance Supervisors (IAIS) has published **Application Paper on Supervision of Insurer Cybersecurity, November 2018** which focuses on supervision (i.e. from regulatory perspective) of insurers’ cybersecurity.

11.1.5. Appointment of Chief Information Security Officer (CISO)

- (i) The insurers are encouraged to appoint or designate a senior officer as Chief Information Security Officer (CISO) having adequate qualification and experience, who will be responsible for implementation of overall cybersecurity framework within the organization. The insurer shall carryout, a well-documented and signed assessment of whether a separate CISO is required or not, taking into consideration the risks inherent in the organization with regards to the cybersecurity, and then based on the assessment may appoint/ designate a CISO, within three months of coming into effect of these Guidelines.
- (ii) The Head of Information Technology Department (HoIT) of Insurer shall preferably not be appointed as CISO. Where the same person is appointed as both HoIT and CISO or a senior person of the Information Technology department is appointed as CISO, it should be ensured that direct reporting lines of that person for both the roles are separate. Further, the CISO should report to the Board at least once a year.

11.1.6. Insurers to conduct cyber risk assessment

- (i) Insurers should implement annual assessment programs to help the Board and senior management evaluate and measure the adequacy and effectiveness of the insurer's cybersecurity framework .
- (ii) The insurers shall submit to the Commission the cybersecurity framework assessment reports, formulated in compliance of the above clause, by April 30 of every year. The cybersecurity framework assessment report is required to be signed by the Chief Information Security Officer (CISO) and the Chief Operations Officer (COO)/ Chief Executive Officer (CEO) of the Company.

11.1.7. Data Security and Confidentiality

The insurer's cybersecurity framework should be able to protect the policyholder data in the wake of enhanced reliance on business process outsourcing (BPO), technology based agency arrangements and other strategic partnerships for offering technology based innovative insurance products and services.

11.1.8. Cyber risk insurance coverage

- (i) All insurers should consider obtaining the cyber risk insurance to cover their own cyber risks, to which they are exposed. The purpose of cyber risk insurance is to mitigate losses from a variety of cyber incidents, including data breaches, business interruption, and network damage.
- (ii) Purchasing cyber insurance does not remove the need for a sound control environment. Rather, cyber insurance may be a component of a broader risk management strategy and framework that includes identifying, measuring, mitigating, and monitoring cyber risk exposure. The insurer while weighing benefits and costs of purchasing cyber insurance should consider involving appropriate department across the organization, in the cyber insurance decision.

11.1.9. Insurers to have adequate cybersecurity systems in place

The insurers are required to have adequate network security and system security in place to safeguard their operating systems, software and databases against the cyber risks. The insurers will put in place secure configuration of hardware, operating systems, software, applications, databases and servers with all

unnecessary services and programs disabled or removed. The insurers will ensure encryption at database level, storage level and during network transmission as per the classification and sensitivity of the data.

11.1.10. The Guiding Cybersecurity Framework for Insurance Sector

The insurers will formulate a sound cybersecurity framework in order to anticipate, withstand, detect, prevent and respond to cyber attacks in line with international standards and best practices. Few guiding principles in respect of formulation of cybersecurity framework are given in this section.

(A) Cybersecurity Strategy and Framework

- (i) Cybersecurity strategies should clearly articulate principles regarding how the insurer intends to address cyber risks. The insurer's cybersecurity strategy should be closely aligned with, and complementary to, its cybersecurity framework, to ensure that the framework is capable of achieving its objectives.
- (ii) The framework should support and promote both its operational security and the protection of policyholder data. Therefore, framework objectives should aim to maintain and promote the insurer's ability to anticipate, detect, withstand, contain and recover from cybersecurity incidents, so as to limit the likelihood or impact of a cybersecurity incident, which could damage the insurer's operations, its reputation, and the data privacy of its policyholders and third parties.
- (iii) The framework should clearly define its objectives and horizon as well as the requirements for people, processes, and technology necessary for managing cyber risks and timely communication.
- (iv) The framework must be supported by clearly defined roles and responsibilities of the insurer's Board and its management, and it is incumbent upon the Board and management to create a culture which recognizes that staff at all levels have important responsibilities in ensuring the insurer's cybersecurity.
- (v) The framework should clearly articulate a plan for identification, assessment, measurement, monitoring, mitigation and management of cyber risks. The insurers should consider how the insurer would regularly review and actively mitigate the cyber risks that it bears from and poses to its stakeholders. The framework should be reviewed and updated with sufficient frequency to ensure that they remain effective.

(B) Governance

- (i) The Board is ultimately responsible for setting strategy and ensuring that cyber risk is effectively managed. The Board should be regularly apprised of the insurer's cyber risk profile to ensure that it remains consistent with the insurer's risk tolerance as well as the insurer's overall business objectives.
- (ii) The insurers need to define and facilitate performance of roles and responsibilities for officers implementing, managing, and overseeing effectiveness of cybersecurity strategy and framework to ensure accountability and to provide adequate resources, appropriate authority, and access to the governing authority e.g. board of directors.

- (iii) An Board and senior management should cultivate awareness of and commitment to cybersecurity and should promote a culture that recognizes that staff at all levels have important responsibilities in ensuring the insurer's cybersecurity and lead by example.
- (iv) Insurers should have in place information security policies, procedures and processes including definitions of roles and responsibilities across the organization. These policies, procedures and processes should include oversight of third party service providers, as well as cyber risk management processes and determination of priorities, constraints, assumptions, and risk tolerance level.

(C) Risk and Control Assessment

- (i) Insurers should identify and classify functions including information assets and data sensitivity, as well as their interconnectedness; proactive technology and processes; external dependency management; and situational awareness.
- (ii) The insurer should adequately account for cyber risks in its overall risk management system, identifying its business functions and supporting processes and conducting a risk assessment to understand the importance of each function and supporting processes. Identified business functions and processes should then be classified by insurers in terms of criticality, which in turn should guide the insurer's prioritization of its protection, detection, response, and recovery efforts.
- (iii) To the extent practicable, the insurer should identify and maintain a current inventory or mapping of its information assets and system configurations, including interconnections with other internal and external systems including third party's systems. The inventory should encompass hardware, software platforms and applications, devices, systems, data, personnel, external information systems, critical processes, and documentation on expected data flows.
- (iv) Insurers should identify and maintain a current record of both individual and system access rights. Insurers should integrate identification efforts with other relevant processes, such as acquisition and change management. Similarly, insurers should conduct business impact analysis for cyber risks.
- (v) Insurers' risk profiles should identify key operational areas exposed to cyber risk, arising from both internal and external sources. Insurers should consider identification of cyber risks in its technologies and connection types; delivery channels for products and services; organizational characteristics (such as current or planned mergers, acquisitions, changes in IT environment, number of persons with privileged access, locations of operations and data centers, reliance on third party service providers etc.); and external threats.
- (vi) Insurers should protect data both when at-rest, in-transit and in-storage commensurate with the criticality of the information held and associated classification, extending to backup systems and offline data stores as well.
- (vii) Insurers should actively manage cyber risks presented by third parties and should verify that third-party service providers have implemented appropriate administrative, technical, and physical measures to protect and secure the data of an insurer and its customers to the same degree expected of the insurer.

- (viii) An insurer should have appropriate situational awareness of the cyber risks that it faces. An insurer should seek to proactively identify cyber threats that could materially affect its ability to perform or to provide services as expected, or that could have a significant impact on its ability to meet its obligations, including protection of confidential data. The insurer should regularly review and update this analysis.
- (ix) Cyber threats to be considered should include those which could trigger extreme but plausible cyber events, even if they are considered unlikely to occur or have never occurred in the past.

(D) Monitoring and Testing

The insurers should establish systematic monitoring processes to rapidly detect cyber incidents and periodically evaluate the effectiveness of identified controls, including through network monitoring, testing, audits, and exercises.

- (i) Insurers should protect network (hardware, firmware and software components) integrity including control of information flow, boundary protection, and network segregation if needed. Insurers should consider establishing a Security Operations Centre or developing similar capability to provide round the clock monitoring and such capabilities should be adaptively maintained and tested.
- (ii) The insurers should be able to recognize signs of a potential cyber incident, or detect that an actual breach has taken place. An insurer should maintain effective capabilities to extensively monitor for anomalous activities.
- (iii) The insurers should monitor relevant internal and external activities and events, seeking to detect vulnerabilities through a combination of signature monitoring for known vulnerabilities and behaviorally-based detection mechanisms. Insurers' detection capabilities should also address misuse of access by third party service providers, policyholders, potential insider threats, and other advanced threat activity through a strong cyber threat intelligence programme.
- (iv) Insurers should manage the identities and credentials for physical, logical, and remote access to information assets, based on principles of least privilege and separation of duties. Insurers should take a defence-in-depth approach by instituting multi-layered detection controls covering people, processes, and technology, with each layer serving as a safety net for preceding layers.
- (v) Insurer should consider placing an effective intrusion detection capability which may include data loss/leaks prevention and detection, the recording and documentation of audit logs, event data aggregation, correlation, analysis and communication, as well as network, personnel and external dependency activity monitoring.
- (vi) The insurer should employ monitoring and detection capabilities to facilitate its incident response process and support information collection for the forensic investigation process.
- (vii) Insurers should rigorously tests all elements of their cybersecurity framework to determine their overall effectiveness before being employed within an insurer, and regularly thereafter. The results should be communicated within the organization and should be used by the insurer to support the ongoing improvement of its cybersecurity. Proper procedures should be put in place to ensure that its Board and

Senior Management are appropriately involved (e.g., as part of crisis management teams) and informed of test results.

(viii) The insurers should consider using a combination of the available state-of-the-art testing methodologies and practices which may include the following elements (which partly overlap and can be combined):

- Vulnerability assessments to identify and assess security vulnerabilities in the systems and processes.
- Scenario-based testing to address an appropriately broad scope of scenarios, including simulation of extreme but plausible cybersecurity incidents, and should be designed to challenge the assumptions of response, resumption, and recovery practices, including governance arrangements and communication plans.
- Penetration testing to identify vulnerabilities that may affect insurer's systems, networks, people or processes and to provide an in-depth evaluation of the security of insurers' systems.
- Red Team testing to challenge insurer's own organizations and external dependencies and to test for possible vulnerabilities and the effectiveness of an insurer's mitigating controls.
- Response testing to ensure effectiveness of insurer's response, resumption, and recovery plans and processes.
- Integrated or Dynamic testing to identify plausible complexities, dependencies and weaknesses that may have been overlooked in its recovery plans. Testing should include scenarios that cover breaches affecting external dependencies.

(E) Response

- (i) The insurers should be able to implement incident response policies and other controls to facilitate effective incident response," and among other things, these controls should clearly address decision-making responsibilities, define escalation procedures, and establish processes for communicating with internal and external stakeholders."
- (ii) Insurers should raise awareness among all its stakeholders by providing training for employees and others with access to its systems. Insurers should also develop response plans (Incident Response and Business Continuity) and communication plans which should be subject to review and improvement as appropriate.
- (iii) Upon detection of a cybersecurity incident (or an attempt), an insurer should perform a thorough investigation to determine its nature and extent as well as the damage inflicted. The investigation should be followed by immediate actions to prevent further damage, and commence recovery efforts to restore operations based on its response planning.
- (iv) Insurers should also be cognizant not to bring systems back up too quickly and risk another attack or expansion of the cybersecurity incident. Insurer should plan to resume critical operations as soon as is safely possible after a cybersecurity incident, it should analyse critical functions, transactions, and interdependencies to prioritize resumption and recovery actions while remediation efforts continue.
- (v) Insurers should plan to have access to external experts, recognizing that a large-scale or industry wide event may reduce the availability of such key resources on short notice.

- (vi) Insurers should develop and test response, resumption, and recovery plans. These plans should support objectives to protect the confidentiality, integrity, and availability of its assets, including policyholder data.
- (vii) Insurers should consider implementing system and process design and controls for critical functions and operations to support incident response activities to the extent possible. An insurer's incident response, resumption, and recovery processes should be closely integrated with crisis management, business continuity, and disaster recovery planning and recovery operations, and coordinated with relevant internal and external stakeholders.
- (viii) Insurers should have the capability to assist in or conduct forensic investigations of cyber incidents and engineer protective and detective controls to facilitate the investigative process.

(F) Recovery

- (i) Insurers should have in place validated plans and procedures to recover from a cybersecurity incident. Cyber incident recovery arrangements should be designed to enable insurers to resume operations safely with a minimum of disruptions to policyholders and business operations. The recovery plans (Incident Recovery and Disaster Recovery) should be subject to review and improvement as appropriate.
- (ii) Insurers should design and test their systems and processes to enable timely recovery of accurate data following a breach. In addition, the insurer's cybersecurity framework should include data recovery measures, such as keeping a backup copy of all policyholder data in the event such data is corrupted.
- (iii) In the event of a cyber incident where insurer's system and process are interconnected with third party service providers, an insurer should work with these third parties to resume operations in a safe manner.
- (iv) Insurers should have formal plans for communicating with policyholders, internal and external stakeholders likely to sustain harm due to a major cybersecurity incident. Communication plans in accordance with governing law should be developed through an adaptive process informed by scenario-based planning and analysis as well as prior experience. Insurers should determine decision-making responsibilities for incident response and recovery in advance, and implement clearly defined escalation and decision-making procedures.

(G) Information Sharing

- (i) Insurers should engage in the timely sharing of reliable, actionable cybersecurity information with internal and external stakeholders (including entities and public authorities within and outside the financial sector) on threats, vulnerabilities, incidents, and responses to enhance defenses, limit damage, increase situational awareness, and broaden learning.
- (ii) Insurers should establish a process to gather and analyse relevant cyber threat information and should consider participating actively in information-sharing groups and collectives, within the country to gather, distribute and assess information about cyber practices, cyber threats, and early warning indicators relating to cyber threats. Insurers may participate in system-wide initiatives such as Incident Response Teams (IRT), if established through the joint efforts of insurers, or other financial institutions.

- (iii) An insurer's analysis of cyber threat information should be in conjunction with other sources of internal and external business and system information.
- (iv) An insurer's cyber threat intelligence operations should include the capability to gather and interpret information about relevant cyber threats posed by the insurer's third-party service providers, as well as utility providers and other critical infrastructure resources.
- (v) An insurer should make cyber threat intelligence available to appropriate staff within the insurer with the responsibility for the mitigation of cyber risks at the strategic, tactical, and operational levels.
- (vi) Insurers should plan for information-sharing through trusted channels, collecting and exchanging timely information that could facilitate the detection, response, resumption, and recovery of its own systems and those of other sector participants during and following a cybersecurity incident.
- (vii) An insurer should consider exchanging information on its cybersecurity framework bilaterally with its third-party service providers to promote mutual understanding of each other's approach to securing systems that are linked or interfaced

(H) Continuous Learning

- (i) Insurers should adopt a cybersecurity framework premised on ensuring continuous cybersecurity amid a changing threat environment. An insurer should implement an adaptive cybersecurity framework that evolves with the dynamic nature of cyber risks and allows the insurer to identify, assess, and manage security threats and vulnerabilities for the purpose of implementing appropriate safeguards into its systems.
- (ii) Insurers should implement cyber risk management practices that go beyond reactive controls and include proactive protection against future cyber events.
- (iii) Insurers should work towards achieving or acquiring predictive capabilities, capturing data from multiple internal and external sources, and defining a baseline for behavioural and system activity, including through outsourcing such expertise.
- (iv) An insurer should systematically identify and distil key lessons from cyber events that have occurred within and outside the organization in order to advance its resilience capabilities.
- (v) An insurer should actively monitor technological developments and keep abreast of new cyber risk management processes that can more effectively counter existing and newly developed forms of cyber attack. An insurer should consider acquiring such technology and know-how to maintain its cybersecurity, including through outsourcing such expertise.
- (vi) Insurers may consider using metrics to assess cybersecurity maturity against a set of predefined criteria, such as operational reliability objectives.

Chapter 12. Miscellaneous

12.1. MARKET CONDUCT⁷⁰

- 12.1.1. This has been observed by the SECP that the market conduct of the Life Insurers is sometimes not in accordance with the Insurance Ordinance 2000 and the Rules made there-under in 2002. The following specific instructions are therefore issued in accordance with the Ordinance and the Rules. It is important to note that the basic requirements regarding market conduct as given in the Ordinance and the Rules shall remain effective and the insurers can take to have complied with them only if they meet all the requirements of the Ordinance and the Rules pertaining to market conduct including these instructions.
- 12.1.2. In all policy documents, free look period shall be clearly mentioned on the first page of the document in accordance with the section 39 of SECP Rules 2002. The policy document shall also include Incontestable and Payment of liquidity damages on late settlement of claim clauses in accordance with the sections 80 and 118 of the Insurance Ordinance 2000, respectively. These points must be incorporated in all the policy documents issued after January 31, 2006 whether under the existing insurance plans or new plans. For existing insurance plans, the policy documents must be amended accordingly not later than January 31, 2006.
- 12.1.3. According to section 79(2)(b) of the Insurance Ordinance 2000, the insurer may not avoid a contract of insurance by reason only of the failure to comply with the duty of disclosure or the misrepresentation if the failure to comply with the duty of disclosure or the misrepresentation was not fraudulent. For this purpose, a non-disclosure or misrepresentation shall be taken as fraudulent if the same was in the knowledge of the policyholder at the time of proposal and was material for acceptance of the risk. This shall be the responsibility of the insurer to prove that the non-disclosure or the misrepresentation was in the knowledge of the policyholder and was material for acceptance of the risk.
- 12.1.4. According to the section 76(1) of the Insurance Ordinance 2000, the insurers are not allowed to engage in misleading or deceptive conduct. According to the section 76(4) of the Ordinance, if a policyholder suffers losses due to misleading or deceptive conduct of an insurer, the policyholder shall be entitled to obtain compensation from the policyholder for loss suffered and according to the section 76(5) of the Ordinance, the SECP shall have the power to levy fine on the insurer which can go up-to ten million rupees.
- 12.1.5. The SECP shall make periodic visits to the offices and branches of the insurers and inspect books, records and papers in accordance with the section 84 of the Insurance Ordinance 2000 and the section 23 of SECP Rules 2002 to ensure the compliance to the above specific instructions and general market conduct of the insurer and may take action in case of any contravention.
- 12.1.6. The image of the Life Insurance Industry is extremely important for the development of the industry and heavily depends on the market conduct of the insurers. An insurer may be able to sell few policies by misleading or deceiving the people but in long run this shall damage the image of the insurer in particular

⁷⁰ SECP Circular No. 22 of 2005 dated 24th November, 2005.

and the industry in general. Therefore, all the insurers must avoid any misleading or deceptive conduct of business and be realistic, fair, equitable and clear with their policyholders for their own interest and for the development of the industry at large.

12.2. LEGAL DUTIES OF AGENTS⁷¹

- 12.2.1. It has been observed that many agents appointed by the insurance companies do not perform services as laid out in their contracts of agency / appointment. Some of the agents are found to be deviating from the actual spirit of Sections 95 & 101 of the Insurance Ordinance — 2000.
- 12.2.2. It has also come into the notice of the Commission that agents sometimes act over and above of the actual level of authority given under the law, like preparing their own illustration reports and issuing policy documents at their own. Such acts create complications, mislead the prospective policyholders and fall under market misconduct.
- 12.2.3. The managements of all insurance advised to keep a vigilant eye upon their marketing personnel/agents and make sure they strictly adhere to their statutory role as per aforementioned section of the Insurance Ordinance 2000, which clearly state the Liability of Insurer for act or omissions of Agent. Any contractual lapses on part of the agents may be deemed to be on the part of insurers as per the dictates of agent-principal relation.

12.3. UNCLAIMED INSURANCE BENEFITS⁷²

- 12.3.1. The unclaimed insurance benefits are the amounts which have become payable in accordance with the terms and conditions of an insurance policy but have not been claimed by the policyholders or their beneficiaries. Such unclaimed amounts may fall into the following categories:
- (a) maturity benefits under a life insurance policy which have become payable but the same have not yet been claimed;
 - (b) other life insurance benefits which might have potentially become payable due to the occurrence of a covered contingent event, for example death or disability, but the claimant have not intimated such occurrence for any reason whatsoever; and
 - (c) outstanding claims in respect of which the cheques have been issued by the insurer for claim settlement but the same have not been encashed by the claimant for any reason whatsoever.
- 12.3.2. **Financial and Regulatory Reporting:** All insurers are required to provide age-wise break-up of unclaimed insurance benefits to the Commission in accordance with Annexure 1, to be disclosed in their financial statements.

⁷¹ SECP Circular No. 19 of 2011 dated 30th December, 2011

⁷² SECP Circular No. 11 of 2014 dated 19th May, 2014

- 12.3.3. **Accounting Policy:** The insurers are not allowed to write back or appropriate the unclaimed insurance benefit amounts in any circumstances.
- 12.3.4. **Search Process for Unclaimed Maturity Benefits:** All life insurers are required to carry out a search process within three months from the date when the maturity benefits become due under a life insurance contract. The aforementioned search process shall include amongst other, contacting the policyholders and their beneficiaries through letters, telephonic call and other communication modes assisting them in processing the maturity claims. For this purpose, an insurer may establish and subsequently use a procedure to utilize the database of National Database and Registration Authority ("NADRA") for getting up to date information about the policyholders and their beneficiaries.
- 12.3.5. **Search Process for Unclaimed Death (or other) Benefits:** All life insurers are required to carry out a search process within three months from the end of 31st December each year to determine if a policyholder has expired. The aforementioned search process shall be carried out in respect of life insurance policies which have become inactive due to non-payment of premium during the preceding year. This search process shall be based on the lines as outlined in paragraph 12.3.4 above.
- 12.3.6. **Web-Placement:** All insurers are required to place on their website an updated list of all policyholders' names who have not claimed or encashed their benefits. Further all the insurers shall place on their website an information request form and / or contact details of the concerned officer who would provide information pertaining to existence/status of an insurance policy to the insured or his/her legal heirs.
- 12.3.7. **Advertisement of Unclaimed Maturity Benefits:** All insurers are required to publish an advertisement twice every year, in two national daily newspapers (in English and Urdu) of wide circulation at the prominent place in respect of unclaimed maturity benefits payable. The advertisement shall clearly mention the subject, the contact details of the concerned official or department and a link to the information mentioned under paragraph 6 above. It must mention that complete list of policy holder is available on website. This advertisement requirement shall be mandatory for all life insurers having aggregate unclaimed maturity benefits exceeding Rupees 5.0 million as on December 31 of the preceding year. In respect of the unclaimed maturity benefits payable as on December 31, 2013, an insurer shall make the required advertisement in each of the remaining quarter of the year 2014.
- 12.3.8. **Effective Date:** All life insurers were required to comply with the following requirements:
- (a) Complete the search process as required under paragraph 12.3.4 in respect of unclaimed maturity benefits payable as on December 31, 2013 by on or before Aug 31, 2014.
 - (b) Publish the advertisement as required under paragraph 7 above in respect of unclaimed maturity benefits payable as on December 31, 2013 for the remaining quarters of 2014 by the end of each quarter i.e. by June 30, 2014, September 30, 2014 and December 31, 2014.

Statement of Age-wise Breakup of Unclaimed Insurance Benefits
As on December 31

Particulars	Total Amount	Age wise Breakup				
		1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months
Unclaimed Insurance benefits						
Unclaimed death benefits						
Unclaimed disability benefits						
Claims not encashed						
Other unclaimed benefits						
Total						

12.4. ISSUANCE OF US\$ DENOMINATED POLICIES BY LOCAL INSURANCE COMPANY⁷³

This is with reference to the State Bank of Pakistan Circular No. 10 of 2017 dated 01 November 2017, wherein it is stated that, the insurance companies intending to issue US\$ denominated insurance policy will submit an application for prior approval to the Director, Exchange Policy Department, State Bank of Pakistan, Karachi through an Authorized Dealer along with an explicit recommendation letter from the Securities and Exchange Commission of Pakistan (SECP) for each proposal.

Accordingly, all non-life insurers willing to seek recommendation letter from the SECP, in the matter of obtaining approval from State Bank of Pakistan for issuance of US\$ denominated insurance policies, shall file the following documents, on their letterhead, to SECP along with their application:

1.46.1. Documentary evidence establishing case for issuance of US\$ denominated insurance policies:

- (a) In the case of US\$ denominated policies required to meet condition of FCY loan raised from abroad, documentary evidence establishing special or general permission given by the SBP to the prospective policyholder; or
- (b) In the case of US\$ denominated policies required to be issued for projects undertaken in Pakistan as part of bilateral agreement between Government of Pakistan and a foreign country/multilateral agency, a copy of the bilateral agreement or any other document as evidence to the bilateral agreement.

12.4.2. Evidence of having a minimum insurer financial strength rating of "A" by local credit rating institutions;

12.4.3. In case of coinsurance arrangement with local insurer(s) for the underlying risk, evidence of the local coinsurer(s) having minimum insurer financial strength rating of "A" by local credit rating institutions;

12.4.4. Proposed reinsurance solution covering the following:

- (a) Share of risk proposed to be retained by the insurer/coinsurers (which shall be minimum of 1% of the underlying risk);
- (b) Share of risk proposed to be placed under the reinsurance treaties available with the insurer/coinsurer(s); and
- (c) Share of risk proposed to be placed under facultative reinsurance arrangement by the insurer/coinsurer(s).

12.4.5. Following details in respect of the underlying risk:

- (a) Name of insured;
- (b) Type of risk insured;
- (c) Period of insurance;

⁷³ SECP Circular No. 35 of 2017 dated 11th December, 2017

- (d) Amount of Premium;
- (e) Amount of Sum Insured;
- (f) Amount of risk retained by the insurer (in case of coinsurance, amount of risk retained by coinsurer(s) as per their retention be mentioned);
- (g) Names of coinsurer(s), if any; and
- (h) Any other information, considered necessary.

12.4.6. Any other document/clarification communicated by the SECP to the insurer in writing.

12.5. MAINTENANCE OF SECURITIES AND DEPOSITS

Compliance with Section 226 Of The Companies Ordinance, 1984 Regarding Maintenance Of Securities And Deposits⁷⁴

12.5.1. Whereas Section 226 of the Companies Ordinance, 1984 (the "Ordinance"), stipulates that:

"Securities and deposits, etc. - No company, and no officer or agent of a company, shall receive or utilise any money received as security or deposit, except in accordance with a contract in writing; and all moneys so received shall be kept or deposited by the company or the officer or agent concerned, as the case may be, in a special account with a scheduled bank:

Provided that this section shall not apply where the money received is in the nature of an advance payment for goods to be delivered or sold to an agent, dealer or sub-agent in accordance with a contract in writing. "

12.5.2. Within this context, it has been noted that some insurance companies and insurance brokers do not adhere to the provisions of Section 226 of the Ordinance, in respect of the security deposits, cash margins against guarantee business and/or any other such deposits that they receive. The insurance companies and brokers receive and maintain these security deposits, cash margins against guarantee business and/or any other such deposits in their normal operational accounts, thus, the true essence of the provisions of Section 226 of the Ordinance is not complied with.

12.5.3. Henceforth, all insurance companies and insurance brokers are required to observe strict compliance with the said Section, and that no such deposit shall be received or utilised except in accordance with a contract in writing. However, if any money is received as a result of any contract in writing, then all such deposits shall be kept in a special account with a scheduled bank and no portion thereof should be utilised, except as stated in the underlying contract.

⁷⁴ SECP Circular No. 09 of 2014 dated 22nd April, 2014

12.6. APPLICABILITY OF SECTION 166 OF THE INSURANCE ORDINANCE 2000 TO CONTRACTORS' ALL RISKS/ ERECTION ALL RISKS POLICIES ISSUED TO PRIVATE CONTRACTORS FOR CONSTRUCTION/ RENOVATION/ MAINTENANCE OF PUBLIC PROPERTIES ⁷⁵

12.6.1. Attention of all non-life insurers is drawn towards the provisions of Section 166(3), (4) & (5) of the Insurance Ordinance, 2000, which state that:

"(3) Subject to the provisions of sub-sections (4) and (5), all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with the Company only and shall not be placed with any other insurer:

Provided that marine, aviation and transport insurance relating to goods the import of which is financed out of an external loan, or with external aid/ may, at the option of the importer, be placed with any insurer authorised to carry out such insurance business in the country giving the loan or aid.

(4) The Federal Government may -

- (a) by order in writing exempt from compliance with sub-section (3) any property or liability to which that subsection applies; or*
- (b) by notification in the official Gazette exclude from the application of sub-section (3) such property or liability as is specified in that notification.*

(5) If the Company declares in writing that it is not able, by virtue of the operation of a provision of this Ordinance or for any other reason, to enter into a contract of insurance to which sub-section (3) refers, the property or liability which is the subject of that proposed contract of insurance shall be exempted from the provisions of sub-section (3) to the extent of the insurance proposed to be obtained by means of that contract of insurance."

12.6.2. As such, it must be noted that Section 166 of the Insurance Ordinance, 2000 deals with the insurance of the public property and all the risks and liabilities appertaining to the public property.

12.6.3. It is, therefore, clarified that all "Contractors' All Risks Insurance and Erection All Risks Insurance policies" procured by the private contractors who are engaged by the Federal Government, Provincial Governments, statutory corporations and other public sector institutions for construction / renovation / maintenance of the 'public properties' have to be issued only by the National Insurance Company in conformity with the provisions of Section 166 of the Insurance Ordinance, 2000.

12.6.4. Thus, all such insurance policies which fall within the scope of Section 166 of the Insurance Ordinance, 2000 have to be issued by National Insurance Company Limited (NICL) only unless an exemption under Section 166(4) of the Insurance Ordinance, 2000 is granted by the Federal Government, or NICL declares in writing that it is not able to issue such insurance policies.

⁷⁵ SECP Circular No. 01 of 2016 dated January 4, 2016

12.7. CLARIFICATION ON CIRCULAR 1 OF 2016 – APPLICABILITY OF SECTION 166 OF THE INSURANCE ORDINANCE 2000 TO CONTRACTORS' ALL RISKS/ ERECTION ALL RISKS POLICIES ISSUED TO PRIVATE CONTRACTORS FOR CONSTRUCTION/ RENOVATION/ MAINTENANCE OF PUBLIC PROPERTIES⁷⁶

- 12.7.1. Attention of all non-life insurers is drawn towards the Circular No. 1 of 2016 dated January 4, 2016.
- 12.7.2. In this regard, it is clarified that the Contractors' All Risks (CAR) and Erection All Risks (EAR) policies cover physical damage to the contract works, equipment and machinery in relation to the construction work, therefore, the risks covered by CAR and EAR policies shall not be treated as insurance in respect of 'property' belonging to, or liability appertaining to the Government.

12.8. SALES AND MARKETING INCENTIVE FOR SMALL TICKET INSURANCE POLICIES⁷⁷

- 12.8.1. This is with reference to clause 13 of the Corporate Insurance Agents Regulations, 2021 (the "Regulations") notified vide S.R.O 1304(1)/2020 dated December 3rd, 2020.
- 12.8.2. In exercise of the powers conferred under second proviso of sub-clause 1 of clause 13 of the Regulations, the Securities and Exchange Commission of Pakistan hereby specifies the annual gross premium amount per policy of up to Rs. 50,000/- for the purpose of sharing sales and marketing incentive of maximum up to 5% of the premium with the corporate insurance agent for small ticket insurance policies having term of not more than one year.
- 12.8.3. The sales and marketing incentive as allowed in Para 2 above shall only be paid for new business acquired through enrolment of new policyholders, in accordance with the requirements of the Regulations.

⁷⁶ Reference SECP Circular No. 01 of 2016

⁷⁷ SECP Circular No. 25 of 2021 dated 30th September, 2021

LIST OF CIRCULARS AND DIRECTIVES

S.No.	Circular/ Directive	Dated	Subject	Category
1	09 of 2005	16 th August, 2005	Group Insurance Premium Rates	Financial and Regulatory Reporting
2	22 of 2005	24 th November, 2005	Market Conduct	Miscellaneous
3	02 of 2006	6 th February, 2006	Life Insurance Policies through withdrawal from recognized Provident Fund	Products Approval & Disclosure
4	06 of 2006	28 th April 2006	Maximum Management Expense Limits for Life Insurers under S.22(9) & S.23(9) of the Insurance Ordinance 2000	Management Expense Limits
5	15 of 2006	30 th October 2006	Insurance Tribunals	Complaints Handling
6	03 of 2008	1 st April 2008	Certification Requirement of Para 6 of Circular 6/2006 – Maximum Management Expense Limits for Life Insurers	Management Expense Limits
7	149(I)/2009	11 th February, 2009	Adoption of International Financial Reporting Standard – 4	Financial and Regulatory Reporting
8	25 of 2009	19 th August, 2009	Issuance/ Renewal of Insurance Surveying License and Registration as ASO under Section 112 & 113 of the Insurance Ordinance 2000	Licensing and Authorization
9	10 of 2010	20 th May, 2010	Facultative Permission under Rule 7 of the Insurance Rules	Reinsurance and Retakaful
10	Ref. 11 of 2010	3 rd February, 2011	S.39 of the Insurance Ordinance 2000 (Assets of Life Insurer's Statutory Funds)	Financial and Regulatory Reporting
11	24 of 2010	27 th October, 2010	Reinsurance/Retakaful Arrangements – 2011	Reinsurance and Retakaful
12	07 of 2011	18 th March, 2011	Maximum Management Expense Limits for Life Insurers under S.22(9) & S.23	Management Expense Limits
13	18 of 2011	30 th December, 2011	Product Information on Websites	Products Approval & Disclosure
14	19 of 2011	30 th December, 2011	Legal Duties of Agents	Miscellaneous
15	03 of 2012	19 th January, 2012	Product Publicity Information	Products Approval & Disclosure
16	21 of 2012	26 th June, 2012	Filing of Returns through Insurance Companies Return Submission (ICRS) System	Financial and Regulatory Reporting
17	30 of 2012	12 th September, 2012	Call for Information of Exposure of Insurers in Related Party	Related Party Assets
18	968(I)/2013	6 th November 2013	Directive on Life Insurance Product Submission Requirements	Products Approval & Disclosure
19	03 of 2013	15 th March, 2013	Launching of eInsurance Surveyors: Online Surveyors' Licensing & Registration System	Licensing and Authorization
20	22 of 2013	5 th December, 2013	Manner of acceptance and placement of facultative reinsurance under Rule 7 of the Insurance Rules, 2002	Reinsurance and Retakaful

			read with Section 41(5) of the Insurance Ordinance, 2000	
21	11 of 2013	14 th June, 2013	Amendment to SECP Circular No.9 of 2005 on Group Insurance Premium Rates	Financial and Regulatory Reporting
22	17 of 2013	13 th September, 2013	Mortality Rates as a Part of the Minimum Valuation Basis for the Determination of Minimum Actuarial Reserves for Policyholders Liabilities	Financial and Regulatory Reporting
23	20 of 2013	7 th November, 2013	Maximum Management Expense Limits for Life Insurers	Management Expense Limits
24	04 of 2014	31 st January, 2014	Revision of Enlistment/Categorization of Auditors On The Approved List Pursuant To Section 48(1) Of The Insurance Ordinance, 2000	Financial and Regulatory Reporting
25	08 of 2014	16 th May, 2014	Application for Authorization as Window Takaful Operator under the Takaful Rules, 2012	Licensing and Authorizations
26	162(I)/ 2014	12 th March 2014	Functioning of CISSII	CISSII
27	09 of 2014	22 nd April, 2014	Compliance with Section 226 of the Companies Ordinance, 1984 Regarding maintenance of Securities and Deposits	Miscellaneous
28	11 of 2014	19 th May, 2014	Unclaimed Insurance Benefits	Miscellaneous
29	23 of 2015	2 nd July 2015	Facultative reinsurance under Rule 7 of the Insurance Rules, 2002 read with Section 41(5) of the Insurance Ordinance, 2000	Reinsurance and Retakaful
30	10 of 2015	13 th April, 2015	Mandatory certification requirements for the professionals working with insurers, including takaful operators, in the designated functions	Training & Certification
31	37 of 2015	7 th October, 2015	Course Outline for Takaful Training	Training & Certification
32	909(I)/2015	3 rd September, 2015	Curriculum for Foundation Course of Insurance Agents	Training & Certification
33	36 of 2015	29 th September, 2015	Related Party Declaration	Related Party Assets
34	1 of 2016	4 th January, 2016	Applicability of section 166 of the Insurance Ordinance 2000	Miscellaneous
35	Ref. 01 of 2016	4 th March, 2016	Clarification on Circular 1 Of 2016 – Applicability of Section 166 Of the Insurance Ordinance 2000 To Contractors' All Risks/ Erection All Risks Policies Issued to Private Contractors for Construction/ Renovation/ Maintenance of Public Properties	Miscellaneous
36	5 of 2016	26 th January, 2016	Awareness to Policyholder about Complaint Resolution Forums	Complaints Handling
37	255(I)/2016	25 th March, 2016	SRO 255(I)/ 2016 Directive for Life Insurance and Family Takaful Illustrations, 2016	Products Approval & Disclosure
38	9 of 2016	9 th March, 2016	SEC Guidelines for IBNR, 2016	Financial and Regulatory Reporting
39	896(I)/2016	21 st September, 2016	Addition of Health Insurance Register in CISSII	CISSII

40	1045(I)/2016	9 th November, 2016	Code of Corporate Governance for Insurers, 2016	Corporate Governance
41	246(I)/2017	7 th April, 2017	SRO 246(I)/ 2017 Directive for Minimum Financial Protection Component	Products Approval & Disclosure
42	35 of 2017	11 th December, 2017	Issuance of US\$ denominated policies by local insurance companies	Miscellaneous
43	36 of 2017	12 th December, 2017	Mandatory Requirement for Placing SECP queries and Complaints Handling logo/link on website of insurers	Complaints Handling
44	11 of 2018	5 th July, 2018	Mandatory certification requirements for the professionals working with insurers, including takaful operators, in the designated functions	Training & Certification
45	1405(I)/2018	16 th November, 2018	Disclosure of Complaint Resolution Forums	Complaints Handling
46	1 of 2019	15 th January, 2019	Licensing of Insurance Surveyors Under Section 112 of the Insurance Ordinance 2000 - Undertaking required under AML notification directive S.R.O 1525(I)/2018	Licensing and Authorizations
47	15 of 2019	18 th November, 2019	Financial Reporting of Family Window Takaful Operations	Financial and Regulatory Reporting
48	234(I)/2020	18 th March, 2020	SRO 234(I)/2020 Simplified Submission Requirements for Life Insurance Products	Products Approval & Disclosure
49	277(I)/2020	1 st April, 2020	Amendments in COCG, 2016	Corporate Governance
50	27 of 2020	4 th September, 2020	Awareness to Policyholders about Complaint Resolution Forums	Complaints Handling
51	2020	16 th March, 2020	SEC Guidelines on Cybersecurity Framework for the Insurance Sector, 2020	Cybersecurity
52	933(I)/2020	30 th September, 2020	SRO 933(I)/ 2020 Additional Fit & Proper Criteria for AML/CFT	Licensing and Authorizations
53	01 of 2021	11 th January, 2021	Growth Rate Scenarios for Life Insurance Illustrations, 2021	Products Approval & Disclosure
54	13 of 2021	20 th May, 2021	Awareness to Policyholders about Complaint Resolution Forums	Complaints Handling
55	15 of 2021	8 th June, 2021	Maximum Management Expenses Limits for Life Insurers under S.22(9) and S.23(9) of the Insurance Ordinance 2000	Management Expense Limits
56	21 of 2021	6 th July, 2021	Announcement of Approved list of Auditors	Financial and Regulatory Reporting
57	Letter No. SECP/ID/MDPR/ Training-Inst/2021/1540	12 th April, 2021	Approved Professional Institutes for Conducting Examination of Authorized Surveying Officers (ASOs) of Surveying	Training & Certification
58	24 of 2021	9 th September, 2021	Policy to Be Prepared at Board Level for Gender Diversity by The Insurance Companies	Corporate Governance
59	25 of 2021	30 th September, 2021	Sales and Marketing Incentive for Small Ticket Insurance Policies	Miscellaneous
60	31 of 2021	9 th November, 2021	Statement of Performance Information on Annual Basis	Financial and Regulatory Reporting