

GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 3rd December, 2020

S.R.O. 1304/2020: In exercise of the powers conferred by sub-section (3) of section 167 of Insurance Ordinance, 2000 (XXXIX of 2000) read with clause (ii) of sub-section (1) of section 40 and clause (u) of sub-section (4) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan, with the approval of the Policy Board, is pleased to make the following regulations, the same having been previously published in the official Gazette through S.R.O. 343(I)/2020 dated April 28, 2020.

CHAPTER 1

PRELIMINARY

1. Short title, commencement and applicability.— (1) These Regulations may be called the Corporate Insurance Agents Regulations, 2020.

(2) They shall come into force at once.

(3) These Regulations are applicable to all corporate insurance agents of life and non-life insurers including the family and general takaful operators. The relevant provisions of these Regulations are also applicable to the distribution of insurance through technology based distribution channels.

(4) These Regulations shall be applicable on all new insurance business written on or after July 1, 2021 by insurers under their agency agreements with corporate insurance agents. The insurer and the corporate insurance agent shall make amendments in the existing agency agreements, wherever necessary, to comply with these Regulations no later than June 30, 2021. The insurer shall send a written confirmation, signed by the designated insurance executive, to the Commission mentioning that the necessary changes have been completed and the relationship with the corporate insurance agent(s) complies with the requirements of these Regulations.

2. Definitions.— (1) In these Regulations, unless there is anything repugnant in the subject or context,—

(a) “annexure” means annexures appended to these Regulations;

- (b) "agency agreement" called by whatsoever name or title, means a legal contract between the corporate insurance agent and the insurer, under which, the former acts as the corporate insurance agent of the latter, meeting all the requirements of the applicable provisions of the Ordinance, Insurance Rules and these Regulations;
- (c) "bancassurance" means the offering, advertising, distributing, selling and/or marketing of insurance products by a bank licensed by State Bank of Pakistan to their account holders / customers / general public through their sales and distribution channels including but not limited to branches, telemarketing centres, websites or any digital platform etc. by virtue of agency agreement(s) between the insurer and the bank;
- (d) "bank" for the purpose of these regulations, includes,-
 - (i) a "banking company" as defined in clause (vii) of section 2 of the Ordinance; or
 - (ii) a "scheduled bank" as defined in clause (lvii) of section 2 of the Ordinance; or
 - (iii) any other institution or organisation directly or indirectly regulated by the State Bank of Pakistan;
- (e) "bank insurance executive" means an employee of the bank, by whatever name, title or designation called, directly or indirectly responsible for managing the bancassurance arrangement for the bank who shall comply with the requirements imposed through these regulations;
- (f) "certification" means the process by which a specified person is issued a certificate by the insurer entitling him to solicit and procure insurance business on behalf of the Insurer under the agency agreement:

Provided that in the case of bancassurance business, the certificate for certification of specified person shall be issued jointly by the insurer and the bank;
- (g) "Commission" means the Securities and Exchange Commission of Pakistan established under section 3 of the SECP Act 1997 (XLII of 1997);
- (h) "corporate insurance agent" means all persons, excluding individuals, who have entered into agency agreement with any life or non-life insurer registered under the Ordinance and facilitate insurance products distribution for the insurer with which they have entered into an agency agreement;
- (i) "corporate insurance executive" means an employee of the corporate insurance agents (excluding banks), by whatever name, title or designation called, directly or indirectly responsible for managing the arrangement for the corporate

insurance agent who shall comply with the requirements imposed through these regulations;

- (j) "designated insurance executive" means an employee of the insurer, called by whatever name, title or designation, directly or indirectly responsible for managing the business arrangement with the corporate insurance agent on behalf of the insurer;
- (k) "direct sales model" in relation to business through corporate insurance agents means a particular distribution model where the corporate insurance agent uses its own sales force to market and distribute insurance products through its network;
- (l) "group life insurance policies" means a life insurance contract having a term not exceeding one year, offered on yearly renewable term and group underwriting basis through a master policy document. The policyholder is a company, body corporate, bank, registered association or any enterprise. It excludes group life policies with cash values and individual life policies which may be sold to a group of individuals;
- (m) "insurer" means an insurance company registered under the Ordinance to carry on insurance business;
- (n) "insurance consultant" in relation to business through corporate insurance agent means a specified person who is an employee of the insurer and is responsible for soliciting and procuring insurance business under the agency agreement;
- (o) "Insurance Rules" means the Insurance Rules, 2017, and/or the Takaful Rules 2012 or any other rule(s) issued under the Ordinance;
- (p) "loyalty insurance product" means the products which are complimentary with any product or service and which policyholder becomes automatically entitled to insurance coverage upon meeting certain pre-specified conditions and for which, premium is not paid by the policyholder;
- (q) "misselling" means the deliberate, reckless, or negligent sale of insurance products in circumstances where a product sold is either misrepresented or unsuitable for the customer's needs;
- (r) "mobile network operators" means the corporate entities which are licensed by the Pakistan Telecommunication Authority to provide cellular mobile communication service under the applicable laws.
- (s) "Ordinance" means the Insurance Ordinance, 2000 (XXXIX of 2000);
- (t) "persistency" means the ratio of renewal year premiums collected in a calendar year to the premiums due in the same calendar year (the premiums due being

inclusive of any increases as a result of a policy provision). The premium due in that calendar year shall include the premium in respect of policies discontinued (lapsed or surrendered) during that calendar year;

Provided that the renewal year premium received during the grace period provided in the insurance policies issued by the insurer or within a period of up to three months from the date when the renewal premium falls due, may be considered for the purpose of calculation of persistency;

- (u) "policyholder" shall have the same meaning as assigned to it under clause (xlvi) of section 2 of the Ordinance;
- (v) "protection products" means insurance products, underwritten individually or on a group basis, with no element of savings or investments for the policyholder. This includes term life, personal accident, disability, health, critical illness and all non-life insurance products;
- (w) "referral model" in relation to business through corporate insurance agent means a particular distribution model where the insurer uses its own insurance consultants to market and distribute insurance products through the distribution network of the corporate insurance agent based on sales leads generated by the corporate insurance agent;
- (x) "Regulations" means the Corporate Insurance Agents Regulations, 2020;
- (y) "savings products" means regular premium individual life insurance products which have a savings or investment portion for the policyholder, being offered to an individual or a group of individuals. This includes investment linked unit linked policies, investment linked account value policies, universal life policies, and with/without profits conventional endowment and whole life plans;
- (z) "schedule" means schedule appended to these Regulations.
- (aa) "specified person" means either an employee of the corporate insurance agent or an employee of the insurer who has undergone the required practical training, examination, certification in respect of insurance products and the arrangement between the insurer and the corporate insurance agent, and who is responsible for soliciting and procuring insurance business for the insurer under the agency agreement.
- (bb) "technology based distribution channels" means sale of insurance through channels involving technology, including but not limited to, mobile, internet or other technology based platforms etc. whether through involvement of corporate insurance agents or otherwise. The technology provider may or may not be working in the capacity of corporate insurance agent;

- (cc) "telemarketing" means sales of insurance products through recorded telephone lines; and
 - (dd) "voluntary insurance product" means the products which policyholder opts to purchase with his own will and also pays the premium.
- (2) All words and expressions used in these Regulations but not defined shall have the same meaning as assigned to them in the Ordinance and the Insurance Rules.
- (3) In these Regulations, the word "Takaful" may be used interchangeably with the word 'insurance', 'Family Takaful' with 'Life Insurance', 'General Takaful' with 'Non-Life Insurance', 'contribution' with 'premium', 'insured' with 'policyholder' 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.

CHAPTER II

NATURE AND SCOPE OF ARRANGEMENTS FOR CORPORATE INSURANCE AGENTS

3. Basis of contract.- (1) The sale of all insurance products by any corporate insurance agent (on behalf of an Insurer) must be done in such a manner which demonstrates that the prospective purchaser makes an offer to enter into the insurance contract, and either the corporate insurance agent on behalf of the insurer signifies acceptance or the insurer directly signifies acceptance.

Provided that the offer made under sub-regulation (1) shall be made either by signing a proposal form or in the case of telemarketing recording verbal consent or in the case of technology based channel consent obtained through acceptance of the policyholder on a secure web-based "I agree" or "I accept" button or any similar mechanism.

(2) Without the evidence of offer and acceptance, no insurance sale shall be deemed to be completed and the insurance contract shall be considered null and void.

(3) The role and function of the corporate insurance agent shall be subject to the provisions of Ordinance including but not limited to eligibility, qualification and liability of insurance agents.

4. Arrangement between insurer and corporate insurance agent.- (1) Any arrangement between insurer and the corporate insurance agent shall not be valid unless it incorporates the following components in the agency agreement, namely,-

- (a) It shall not contain any provisions which reduce in any way the liability or responsibility of the insurer towards the policyholder under the Ordinance and the Insurance Rules;

- (b) It shall specify any functions which the insurer, as a part of such arrangement, intends to delegate to the corporate insurance agent;
- (c) It shall clearly define the certification process which shall include a definition of the training required prior to certification;
- (d) It contains a provision which clearly states the 'termination of agreement' clause and rights and obligation of the corporate insurance agent and the insurer subsequent to such termination and such clause shall also state the treatment to be given to existing policyholders and remuneration to the corporate insurance agent subsequent to the termination;
- (e) It contains a provision whereby the corporate insurance agent explicitly agrees to adhere to the provisions of these Regulations and the provisions of the Ordinance in its capacity as an agent of the insurer;
- (f) It contains a provision whereby the corporate insurance agent explicitly agrees that in case of dispute, the authorised representative of the corporate insurance agent will appear before the Insurance Tribunal, Federal Insurance Ombudsman and Small Dispute Resolution Committees or the Wafaqi Mohtasib (where applicable).

Provided that the representation of the corporate insurance agent before the Insurance Tribunal, Federal Insurance Ombudsman and Small Dispute Resolution Committees or the Wafaqi Mohtasib (where applicable), shall strictly be limited to its role in the sales and distribution of insurance products under the agency agreement and these Regulations.

- (g) It contains provisions related to roles and responsibilities of the insurer and the corporate insurance agent in compliance with the requirements of the Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018 and other applicable laws in respect of Anti-Money Laundering and Countering Financing of Terrorism.

(2) In case where an insurance broker acts in the capacity of a corporate insurance agent or an administrative support provider or the services of a third-party administrator or of a mobile network operator are involved, the agency agreement shall clearly stipulate the roles and responsibilities of each of the parties involved in respect of the following areas, at a minimum:

- (a) policy acquisition/enrollment;
- (b) administration and servicing;
- (c) claims processing; and
- (d) complaint handling.

5. Premium collection.- (1) The insurer may assign the responsibility of collecting premiums due on policies once issued, to the corporate insurance agent but before it does this, the Insurer shall ensure that the corporate insurance agent has in place the necessary premium collection system.

(2) Where the insurer is not satisfied with the capability of the corporate insurance agent to collect regular premiums and to effectively follow up on premiums due but not paid, the premium collection function shall be taken over by the insurer.

(3) The insurer shall also ensure that the premium collection system of the corporate insurance agent is effectively working and, if it is not, shall take such action as is required to ensure that it is effective, including the withdrawal of the premium collection function from the corporate insurance agent.

(4) The corporate insurance agent shall always pay the gross premium to the insurer and shall not retain any part of the insurance premium received from the policyholders for payment to the insurer.

(5) The corporate insurance agent and/or the insurer shall, with a view to conserve the insurance business already procured, make every attempt to ensure remittance of the premiums by the policyholders within the stipulated time, by notifying the policyholders orally and in writing, or through other means such as call centre, email or SMS and the insurer shall advise the corporate insurance agent of its desired level of business persistency from time to time and the corporate insurance agent shall make all reasonable efforts to ensure that its systems and processes are in place to meet these levels.

(6) In the case of life Insurance, the insurer shall also ensure that notices under section 93 of the Ordinance are sent to the policy holders.

Provided that the insurer shall be allowed to transmit the notices under section 93 of the Ordinance to the policyholder through other technology based mediums, however, it shall be the responsibility of the insurer to satisfy the Commission, the Insurance Tribunal, the Federal Insurance Ombudsman and the Small Dispute Resolution Committees or the Waqfaqi Mohtasib (where applicable), on demand, that the said notices were sent by the insurer and received by the policyholder.

(7) Any payment for premium made by the policyholder and received by the corporate insurance agent shall be deemed to constitute payment to the Insurer.

(8) The policyholder shall have a right to pay premium to the insurer through any means legally permitted in respect of the policies purchased through a corporate insurance agent.

(9) In the case of bancassurance business, the option of premium deduction through direct debit shall be at the written consent of the policyholder.

Provided that in case of regular premium products, the insurer and/or the bank shall at least one day before the day of deduction under the direct debit instructions, send SMS

at the registered number of the policyholder intimating the amount to be deducted under the insurance policy of the policyholder and another SMS at the time of deduction of the amount of premium from the bank account.

Provided further that in the case of distribution through telemarketing, the consent for deduction through direct debit shall be obtained verbally on recorded line and in the case of sales through other technology based distribution channels, the consent for deduction through direct debit shall be obtained through acceptance of the policyholder on a secure web-based "I agree" or "I accept" button.

Provided further that in case of discontinuance of a policy sold through the bank, the direct debit authority shall stand cancelled and necessary measures shall be taken by the insurer and the bank to ensure that no further amounts on account of premium are deducted from the bank account of the policyholder.

6. Marketing Brochures and Sales Material.- (1) The content and layout of all marketing and sales related materials used to solicit business through corporate insurance agents shall be approved both by the corporate insurance agent and the insurer and should not be in conflict with applicable insurance laws and regulations. The insurer shall be primarily responsible for the accuracy of all contents of advertising and sales material.

(2) In all such sales material the relative roles of the corporate insurance agent and the insurer shall be clearly stated at a prominent place including but not limited to policy servicing, claims lodgement and claims processing and must clearly state that the corporate insurance agent is acting on behalf of the insurer, who is the principal and responsible for all liabilities under the policy and the name, address and contact details of the insurer shall also be mentioned at a prominent place.

(3) The market conduct rules and rules issued in respect of the insurance agent by the Commission shall be observed by the corporate insurance agent.

(4) For life insurance, wherever applicable, illustration of benefits, on the prescribed format provided by the insurer shall be signed or accepted on a secure web based "I agree" or "I accept" button at the time of sales, by the specified person and the intending policyholder and any insurance proposal, where the illustration of benefits is missing, unsigned (physically or electronically) or is not based on the product parameters mentioned in the proposal form, shall not be accepted by the insurer for any further process.

(5) The marketing brochures, sales material and products information available on the websites of the insurer and the corporate insurance agent should be consistent with each other and the corporate insurance agent shall disclose their agency status on their websites and during the call back confirmation with the policyholder that they are acting as agent for the insurer in compliance with section 100 of the Ordinance.

7. Claims Handling.- (1) Under the arrangement with the corporate insurance agent, the claim adjudication and settlement shall be the responsibility of the insurer and the corporate insurance agent shall play a facilitating role by assisting the policyholder or nominee(s), as the

case may be, in claim processing. The contact details of the insurer for claim settlement shall be prominently displayed on the insurance contract and also be made available by the insurer to the corporate insurance agent so that the information can be cascaded to the policyholder or nominee(s) at the time of claim intimation.

(2) The corporate insurance agent shall facilitate the insurer in all possible manner in collecting the necessary documents and information related to claims, as requested by the insurer and the corporate insurance agent shall not question the information requested by the insurer for claim adjudication and settlement, and shall not interfere with or influence the decision of the insurer regarding the payment or repudiation of a claim.

(3) The process of claim lodgement shall be appropriately communicated to the policyholder along with the policy document and the insurer shall acknowledge receipt of claim within seven working days along with communication of all the required documents or information for claim processing. The insurer shall settle a claim within a period of ninety days as provided in in section 118 of the Ordinance. Before declining a claim, on account of deficiencies in claim documents submitted, the insurer shall communicate to the beneficiary (or the guardian as the case may be) such deficiencies within fourteen days from the date of provision of said documents to the insurer.

(4) The insurer shall make the claim settlement directly in the name of the policyholder, life assured, his nominee or guardian, as the case may be.

8. Commission payable to corporate insurance agents.- (1) The level of commission payable to the corporate insurance agent for its role of soliciting and procuring insurance business may vary based on any performance criteria which the insurer and corporate insurance agent may agree and the rates and structure of the commission shall be clearly mentioned in the agency agreement.

(2) Any commission to be paid by the insurer to the corporate insurance agent must be computed on premiums received by the insurer and under no circumstances the commission on premiums to be received in future, be paid.

(3) The corporate insurance agent shall not charge, to the policyholder, any service fee, processing fee, administration charge or any other charge unless such a charge has been included by the insurer in the premium and communicated to the policyholder in advance.

(4) Nothing in regulation 8(1) shall prevent the insurer from sharing any third party costs incurred by the corporate insurance agent related to advertising or development of marketing material subject to the limits specified under regulation 13.

(5) The following shall be applicable for life insurers, in addition to those stated above:

(a) The commission payable to the corporate insurance agent shall be in the form as set out in these Regulations and shall not exceed the limits set out in these Regulations; and

- (b) Any sharing of third party costs incurred by the corporate insurance agent related to advertising or development of marketing material shall be subject to the limits specified under regulation 13.

9. Pricing, Risk Assessment, Insurance Related Documents.- (1) Pricing of insurance products shall be the sole domain of the insurer and the corporate insurance agent shall not interfere in this process.

(2) Risk assessment, determining the risk premium and insurance underwriting shall be the responsibility of the insurer and the corporate insurance agent shall not interfere in this process.

(3) Where the insurer has provided automated underwriting software to the corporate insurance agent to accept and underwrite insurance proposals, the corporate insurance agent may use the system based on the exact guidelines provided by the insurer. (For insurance proposals underwritten through such a system, and where the policy can be issued immediately without referring the proposal to the insurer, the corporate insurance agent, based on the guidelines provided by the insurer, may issue policy/certificate/document to the policyholder).

(4) The corporate insurance agent shall abide by the guidelines provided by the insurer for usage of the automated underwriting computer system and the use of the system by any sales channel of the corporate insurance agent does not imply in any way, or entitle the corporate insurance agent to represent itself or act as the insurance underwriter.

(5) The name of the corporate insurance agent shall not appear in the policy document as this could mislead or deceive the buyer of the insurance product and all requirements for new products (for life insurance), as mentioned in the Ordinance, shall be complied with by the insurer.

Provided that in case of bancassurance business, the insurers shall remove the names of the banks from their name of the products and policy documents. The name and logo of the insurer should be placed prominently in all the marketing material including the product brochure such that it becomes clear to the intending policyholder that the product is a product of the insurer and not of the bank. Moreover, the the name of the insurer shall be made part of the product name.

Provided further that the requirement provided in the first proviso above shall apply *mutatis mutandis* on other corporate insurance agents as well.

(6) The Insurer shall submit a copy of the agency agreement, that it has entered into with the corporate insurance agent or has made any subsequent amendment therein, for the record of the Commission within fifteen days of its execution. This requirement shall apply to both life and non-life insurers.

CHAPTER III

CODE OF CONDUCT FOR CORPORATE INSURANCE AGENT, INSURER AND SPECIFIED PERSONS

10. Code of conduct for corporate insurance agent.- Every corporate insurance agent shall, -

- (a) ensure that the bank insurance executive or the corporate insurance executive and all specified persons are properly trained as per the relevant provisions of the Ordinance and these Regulations and possess sound knowledge of the insurance products they would market, and have undergone the process of the certification.
- (b) ensure that the bank insurance executive or the corporate insurance executive and the specified person do not make any misrepresentation or make misleading statement to the prospect on policy benefits and returns available under the policy which may tantamount to misleading or being deceptive under the relevant provisions of the Ordinance in respect of the market conduct.
- (c) ensure that no prospect is coerced by the bank insurance executive or the corporate insurance executive or specified Person to buy an insurance product.
- (d) give adequate pre-sale and post-sale advices to the prospective insured in respect of the insurance product.
- (e) extend all possible assistance and cooperation to an insured/nominee in completion of all formalities and documentation in the event of a claim;
- (f) give due publicity to the fact that the corporate insurance agent does not underwrite the risk or act as an Insurer; and
- (g) ensure proper training of persons engaged in sales of insurance products and also enlighten such persons about the consequences of being engaged in misselling, misleading or deceptive conduct under these Regulations.

11. Code of conduct for bank insurance executives or corporate insurance executives and specified persons.- (1) Every bank insurance executive or the corporate insurance executive or specified person shall, -

- (a) identify that the corporate insurance agent is acting as an agent of the insurer at every meeting with the prospect and shall always ensure mentioning the name of the insurer to the prospect;
- (b) disseminate the requisite information in respect of the insurance products offered for sale by the insurer and take into account the needs of the prospect while recommending/tailoring a specific insurance plan;
- (c) indicate the premium to be charged by the insurer for the insurance product offered for sale;

- (d) for an insurance product which is bundled with any other product offered by the corporate insurance agent, mention the cost of the insurance product and the other product separately;
- (e) guide the prospect about the content, purpose and manner of filling the proposal form, explain to him the importance of disclosure of material information required under the relevant insurance contract and that non-disclosure and/or misrepresentation of material information on the proposal form may lead to refusal of claim by the insurer;
- (f) assist the prospect in filling the proposal form, however, utmost effort shall be made that the proposal form is, preferably, filled by the prospective policyholder himself.
- (g) obtain the requisite documents at the time of completion of the proposal form by the prospect and other documents subsequently asked by the Insurer in connection therewith; and
- (h) render such assistance to the policyholder or claimant or nominee, as may be required in complying with the requirements for settlement of claims by the Insurer.

(2) No Specified person shall,-

- (a) solicit or procure insurance business without undergoing the certification process;
- (b) give information to the prospect which deviates from the information provided by the Insurer with regard to the insurance product;
- (c) induce or misguide the prospect to avoid disclosing any material information in the proposal form;
- (d) induce or misguide the prospect to submit incorrect information in the proposal form or documents submitted to the Insurer for acceptance of the proposal;
- (e) behave in a discourteous manner with the prospect;
- (f) interfere with any proposal introduced by any other specified person or any insurance agent of the Insurer;
- (g) offer different rates, benefits, terms and conditions other than those offered or agreed by the Insurer;
- (h) demand or receive a share of proceeds from the policyholder or claimant or nominee under an insurance contract;

- (i) force a policyholder to terminate the existing policy and to effect a new proposal from him within three years from the date of such termination; and
- (j) become or remain a director of any insurer;

(3) In case of bancassurance business, the insurer shall require the bank to seek an undertaking from the specified persons selling insurance products at the front desk of the bank branch to comply with the code of conduct provided above.

CHPATER IV

LIMIT ON THE COMMISSION PAYABLE TO CORPORATE INSURANCE AGENT

12. Direct sales model.- Where a corporate insurance agent uses its own sales force to market and distribute insurance products through its own distribution channel then such model shall be referred to as direct sales model.

- (a) **Regular premium individual life plans.-** (savings products and protection products)
 - (i) **First policy year commission to corporate insurance agent.-** In the first policy year the commission to the corporate insurance agent will be subject to the maximum limit given as per table A1 in schedule to these Regulations;
 - (ii) **Renewal years commission to corporate insurance agent.-** For the efforts of the corporate insurance agent in collecting second year and subsequent year's premium the second policy year commission and subsequent policy year commission to the corporate insurance agent (as a percentage of the corresponding policy year collected premium) will be subject to the maximum limit given as per table A1 in schedule to these Regulations;
 - (iii) **Share in investment management charge** (as an alternative to second policy year and onwards commission rate).- Starting from the second policy year onwards, for investment linked unit linked and investment linked account value products, the insurer shall be allowed to share with the corporate insurance agent, a part of the investment management fee as a percentage of the net asset value (NAV) of the underlying unit linked fund, or the investment fund up to the extent of the fund attributable to the policies procured through the corporate insurance agent. The maximum share of the corporate insurance agent in the NAV shall at any time not exceed 50% of the total investment management fee charged by the insurer on the fund to the extent of the policies procured through the corporate insurance agent, up to a maximum of 0.75% per annum of the NAV.

- (iv) **Production bonus.**- In lieu of a lower first policy year commission, an insurer shall be allowed to pay production bonus to the corporate insurance agent linked to achievement of mutually agreed new business targets. The sum of the production bonus percentage and first policy year commission shall not exceed the maximum commission rate mentioned in schedule to these Regulations. The production bonus in aggregate as a percentage of the first policy year collected premium shall not exceed 5%.
 - (v) **Persistency bonus.**- For the efforts of the corporate insurance agent in collecting renewal premium, and improving and maintaining persistency, an insurer shall be allowed to pay persistency bonus to the corporate insurance agent based on minimum persistency level achieved and the rates as per as per table A2 in schedule to these Regulations. An insurer may split 4th year and onward commission rates into upfront commission and targeted persistency level.
 - (vi) **Maximum aggregate commission.**- The maximum commission payable, i.e. cumulative first policy year, second policy year and subsequent policy year onwards commission, as stated above, over the entire premium paying term of a policy shall not exceed the maximum limits prescribed as per schedule to these Regulations. For policies with premium paying terms between 10 and 20 years, or terms less than 10 years, these limits shall be prorated according to premium paying term.
- (b) The maximum commission limits as per schedule to these Regulations will also be applicable for single premium savings products, regular premium annuities, regular premium personal accident type policies, group term life policies for retail customers of corporate insurance agent, including yearly renewable term policies, personal accident policies, group credit life and similar products.

13. Sales and marketing incentives to corporate insurance agents.- (1) To promote business through corporate insurance agents, an insurer shall be allowed to share with the corporate insurance agent in the costs of sales and marketing incentives including sales conventions and awards called by whatever name in respect of business through corporate insurance agent. The share of the Insurer in such activities shall not exceed 5% of the first policy year collected premium.

Provided that sales and marketing incentive shall not be applicable on contracts having term of not more than one year (including yearly renewable plans) and on single premium products.

Provided further that in order to promote sales of small ticket insurance policies, the insurer shall be allowed to share with the corporate insurance agent, sales and marketing incentive for small tickets insurance policies having term of not more than one year and having such gross premium as may be specified by the Commission. The sharing of sales and marketing incentive under this proviso shall only be eligible for new business acquired through enrolment of new policyholders.

(2) For the purpose of sub regulation (1) above, an insurer shall incorporate the minimum persistency benchmarks, as given in table A2 and A3 to the schedule, with all sales and marketing incentives including sales convention at each corporate insurance agent level.

(3) All insurers shall provide a separate disclosure of expenses incurred under sub-regulation (1) above to be included in the statement of expenses as specified under regulation 31(b).

14. Referral model.- (1) If an insurer uses its own insurance consultants to market and distribute insurance products through the corporate insurance agent distribution channel based on sales leads generated by the corporate insurance agent such a model shall be referred to henceforth as the referral model.

(2) The total direct expenses incurred by the insurer in respect of new business as commission to the corporate insurance agent, salaries and commission to its Insurance Consultants, sales and marketing incentives to the corporate insurance agent or its insurance consultants and production bonuses shall be within the aggregate of all first year limits prescribed in regulation 12 and 13 above for each type of product.

Provided that in case of regular premium individual life products, the life insurer shall be allowed to incur an expense of up to 5% of the first year collected premium (over and above the aggregate of all first year limits), as salaries to its insurance consultants, however, the amount of up to 5% shall be borne by the shareholders' fund of the life insurer and shall not be charged to the relevant statutory fund.

(3) The following shall apply to regular premium individual life plans (savings products and protection products), in addition to sub-regulations (1) and (2) where relevant:

(a) **First policy year commission to corporate insurance agents** (as % of first year collected premium).- The first year commission to the corporate insurance agent shall be as per Table A1 in Schedule. The insurer may, based on the product structure, link the commission rate to the premium paying term of the policy, subject to the condition that the maximum commission at any premium paying term shall not exceed the above maximum limit).

(b) **Renewal year commission to corporate insurance agent.-** For the efforts of the corporate insurance agent in collecting second year and subsequent year's premium, the second policy year commission and subsequent policy year commission to the corporate insurance agent (as a percentage of the corresponding year collected premium) will be subject to the maximum limits given as per Table A1 in Schedule to these Regulations.

(c) **Persistency bonus.-** For the efforts of the corporate insurance agent in collecting renewal premium, and improving and maintaining persistency, an insurer shall be allowed to pay persistency bonus to the corporate insurance agent based on minimum persistency level achieved and the rates as per table A3 under schedule

to these Regulations. An insurer may split 4th year and onward commission rates into upfront commission and targeted persistency level.

- (d) Where the corporate insurance agent agrees to a commission rate which is less than the maximum prescribed in schedule, the insurer shall have the option to pay the difference in the commission rate as part of the second or later years' commission, provided the product structure permits such a commission structure.

(4) An insurer shall not give commission to a corporate insurance agent in any manner other than as described above in this regulation and regulation 12.

15. Commission claw-back.- (1) This provision shall apply to the life insurance policies and non-life insurance personal lines products, sold through the corporate insurance agent.

(2) Where a policyholder has intimated within the specified time period, to the insurer or the corporate insurance agent that the policy was missold and the insurer subsequently determines that the policy was missold in accordance with sub-regulation (3) to (4), then the entire commission paid by the insurer to the corporate insurance agent will be clawed back and 100% of the premium paid by the policyholder shall be refunded to the policyholder. For the purposes of this sub-regulation, the specified time period shall be as follows:

- (a) Within twenty five (25) months after issuance of life insurance policies in respect of regular premium individual life investment plans offered as investment contracts (i.e. either investment linked unit linked policy or investment linked account value policy) or conventional non-linked policy;
- (b) Within thirty (30) days after issuance of life insurance policies with term equal to or less than one year and all non-life personal lines insurance policies; and
- (c) Before commencement of insurance coverage in respect of travel insurance policies.

Provided that the application of automatic commission claw-back under regulation 16 below shall not in any case be considered to preclude the insurer to undertake investigation in to any alleged misselling under any such policy.

(3) Upon receipt of intimation from a policyholder regarding misselling, an insurer shall be responsible to investigate that the policy was actually missold within 30 days from the date of receipt of such intimation.

(4) For the purpose of these Regulations, an insurance policy shall be considered as missold if any of the regulatory requirements, including but not limited to training of specified person, disclosures in marketing and sales material, sales process and additionally in case of life insurance policies, financial underwriting, after sales-call and recycling of life insurance policies have not been complied with in letter and spirit.

(5) Sub-regulation (2) shall not preclude an insurer to entertain misselling intimations received after the aforementioned time period, excluding clause (c) of sub-regulation (2) above.

(6) In case of regular premium individual life investment plans including endowment products, if during second policy year, the annual premium of a regular premium individual life insurance policy is reduced by more than 25% of the original annual premium, then the excessive reduction i.e. the difference between actual reduction and allowed reduction of 25% will be deemed to be an adhoc premium paid by the policyholder in the first policy year. The excessive reduction in the annual premium (after adjusting for the first year allocation of premium in respect of the aforementioned excessive reduction) will be transferred to the policyholder's investment account or unit value to give an effect that such differential premium is paid by the policyholder along with the most recent premium payment.

Explanation: For the purposes of this sub-regulation the term "adhoc premium" means the additional lump sum amount of premium (in addition to the regular premium) paid by the policy holder to increase the investment component (i.e. cash value) of the policy.

(7) The differential commission will be calculated by applying the difference in commission rate in the first year between a regular premium plan and single premium plan on the excessive reduction. The differential commission will be clawed back from the corporate insurance agent and retained by the Insurer.

16. Automatic commission claw-back.- (1) Where a regular premium individual life insurance policy lapses due to non-payment of second year premium due under the policy (after the lapse of the grace period provided under the policy), due to any reason whatsoever, the policy shall be subject to automatic claw-back of commission as per the sub-regulation (2) below.

Provided that the provision of sub-regulation (1) shall not apply in the case of those policyholders which had undergone medical examination for the purchase of the insurance policy.

Provided further that in the case of bancassurance business, the provision of sub-regulation (1) shall also not apply in the case of those policyholders whose account with the bank became inactive or dormant or had insufficient account balance due to which the bank was not able to deduct premium from the account of such policyholder and the policyholder on being approached by the insurance company agreed in writing to either pay the premium after removing of dormancy of such bank account or through any other instrument as deemed fit by the policyholder.

Provided further that where an insurance policyholder himself deliberately discontinues his policy by not paying the second year premium, the provisions of sub-regulation (1) shall not apply, however, it shall be the responsibility of the insurer and the corporate insurance agent to seek a written confirmation from the policyholder in this regard. The insurer shall also make a call back to such policyholder seeking his consent on discontinuance of his policy and shall retain the record of such calls for a period of at least three years.

(2) Where a policy becomes subject to automatic claw-back of commission under sub-regulation (1), after two months from the expiry of the grace period under the policy, the commission paid to the corporate insurance agent shall be clawed back and ninety (90) percent of the gross premium shall be paid to the policyholder.

Provided that the commission to be clawed back from the corporate insurance agent, under a policy subject to automatic claw-back of commission, shall be the amount of first year commission paid to the corporate insurance agent less five (5) percent of the gross premium paid under the policy.

Provided further that in the case of unit linked products, where the policyholder opts to invest the amount in his investment account in a unit linked fund which significantly invests, either directly or indirectly in equity securities, ninety (90) percent of gross premium to be paid under this sub-regulation shall be adjusted for the gain or loss arising from the investment made from the investment account of the policyholder.

Explanation: For the purpose of proviso to sub-regulation (2) above, indirect investment in equity securities means taking investment exposure in a mutual fund, which significantly invests in equity securities. A unit linked fund shall be considered to have significant investment in equity securities if:

- (a) the objective of that unit linked fund is to invest in equity securities, directly or indirectly; or
- (b) if the equity portfolio of that unit linked fund, at any point in time during the previous complete year, constituted at least 20% of its total assets under management.

(3) If after the refund of amount, as per sub-regulation (2) above, the policyholder approaches the insurer for reinstatement of the policy, the insurer may reinstate the policy subject to receipt of all due premiums under the policy and meeting of policy conditions by the policyholder.

(4) The policies subject to automatic claw-back of commission under this regulation shall be included in the calculation of premium due for the purposes of calculation of second year persistency of the insurer.

17. Minimum cash values.- (1) Notwithstanding the terms and conditions of the life insurance policy all insurers are required to pay the minimum cash values according to these Regulations.

(2) In case of an investment contract (i.e. investment linked unit linked policy or investment linked account value policy) or conventional non-linked policy with cash value, if an Insurer has determined that the policy was missold as per sub-regulations (3) and (4) of regulation 15, then 100% of the premium shall be refunded back to the policyholder by the Insurer.

18. Sales process for business through corporate insurance agent.- The following requirements shall apply to all regular premium individual life insurance policies sold through corporate insurance agents:

- (a) **Bilingual documents to be provided to policyholder.-** All documents provided to the policyholder such as proposal form, marketing brochure, sales material, policy documents and any other pre-sale or post-sale document provided to the policyholder or the prospective policyholder shall be bilingual i.e. both in English language and Urdu language written as line by line translation on the same page.
- (b) **Free look period to be mentioned at prominent place on policy document, policy schedule and marketing material.-** The insurer shall ensure that it is mentioned in bold font, at a prominent place on first page of the policy document, policy schedule and marketing material that the policyholder can cancel the policy within fourteen (14) days of the receipt of the policy documents by the policyholder.
- (c) **Audio-visual clip for guidance on proposal form and key product features.-** The insurer shall ensure that a brief audio-visual clip (in English or Urdu language), of at least two (2) minute duration is shown to the prospective policyholder prior to providing him/her the proposal form for filling. The audio-visual clip shall cover at least the following:
 - (i) key features of the insurance product being offered covering premium payment, coverage extended, minimum financial component, free look period, surrender options and partial withdrawals etc.
 - (ii) contents of the proposal form, its significance, duty to provide accurate information and implication of non-disclosure and/or material misrepresentation of material information on claim adjudication.

In the case of sale of regular premium individual life policies sold through telemarketing the requirement of showing audio-visual clip shall not be applicable.

The insurer shall file with the Commission the audio-visual clips prepared under this clause, along with the confirmation required under sub-regulation (4) of regulation 1 to these Regulations.

- (d) **Communication during policy cycle.-**
 - (i) The insurer shall maintain continuous communication with the policyholder so as to provide him pertinent information about the policy and any ancillary matters related thereto, in a timely and effective manner through the communication channel, chosen by the policyholder, throughout the policy cycle. The insurer will, at the least, communicate with the policyholder in the following instances as follows:

- (a) The insurer shall send a "welcome message" through SMS at the registered mobile number of the policyholder containing information about issuance of insurance policy, dispatch of insurance policy documents, and free look period clause.
- (b) The insurer shall send the renewal notice to the policyholder prior to the due date of premium through mail/courier or email at his/her active email address, or both, as specified by the policyholder in writing at the time of policy inception, or later. The insurer will also send follow-up SMS for collection of renewal premium, two days after sending the renewal notices. The insurer shall send the renewal notices for policies with variable premium payment frequencies, at the following intervals, as provided through the table below:

Premium payment frequency	Minimum No. of days prior to due date
Annual	Thirty days
Semi annual	Fifteen days
Quarterly	One week
Monthly	One week

- (c) After premium payment is received by the insurer from the policyholder, the insurer shall send an SMS for acknowledging the receipt of payment to the policyholder, in addition to any other payment acknowledgment receipt provided to the policyholder;
- (d) The insurer shall send intimation of effectuating endorsement for any change in the insurance policy through email at the active email address of the policyholder or SMS, or both, as preferred by the policyholder. Thereafter, the insurer shall also send the endorsement through mail/courier or email, or both, as specified by the policyholder in writing.
- (e) If renewal premium is not received one month after premium due date despite renewal notices and follow up SMS sent by the insurer, the insurer will make an interactive telephonic call to the policyholder, within one month, to remind him about the deposit of renewal premium, inquire the reason for not depositing the renewal premium, and guide him about the non-forfeiture options that the policy may acquire in case of non-payment of premium.
- (ii) The SMS required to be sent by the insurer under this clause shall be in both Urdu and English language.

(e) **Acknowledgment of receipt of policy documents/ terms.-**

- (i) In case of issuance of insurance policies with saving component, the insurer shall obtain acknowledgment of the receipt of documents or policy terms, as the case may be, from the policyholder preferably through email or SMS. This requirement shall apply on all policies issued through all modes inter alia branch visit, telephone or internet.
 - (ii) The insurers are encouraged to obtain such acknowledgement in case of issuance of protection products with no saving component.
- (f) **Insurance need analysis document.-**
 - (i) No regular premium individual life insurance policy will be sold through corporate insurance agent unless the specified person has carried out an "insurance need analysis" of the prospective customer. A general format has been given in Annexure - I to these Regulations containing the minimum aspects to be covered by such a document. An insurer may use a different format for additional information.
 - (ii) The specified person shall be responsible for filling the insurance need analysis document on the basis of information obtained from the potential policyholder. Based on the findings from the insurance need analysis document, the policyholder shall be pitched the most suitable product that meets the identified needs.
 - (iii) Insurers and the corporate insurance agents are encouraged to ensure that the insurance need analysis of the potential policyholders is conducted through an automated application/software, which is able to provide rating relating to policyholder's risk appetite. The insurance product to be pitched shall be on the basis of risk appetite rating given to the potential policyholder by the automated application/software.
- (g) **Format of illustration.-** The insurer and the corporate insurance agent shall ensure that no regular premium individual life insurance policy shall be sold through the corporate insurance agent unless the specified person has provided the illustration as per the format prescribed by the Commission from time to time.
- (h) **Illustration to be given as a stand-alone document.-** The corporate insurance agent shall ensure that the illustration has been given to the prospect as a stand-alone document enabling him to take an informed decision considering the appropriateness of a particular insurance product with his identified insurance needs. The corporate insurance agent shall ensure that there must be a reasonable time period available to a prospect to understand the illustration before purchasing a life insurance product.

Explanation: Clause (h) above is not intended to breakdown the sales process into two phases. The objective of this regulation is to ensure that the specified person has properly explained the product illustration to a prospective customer.

- (i) **Minimum financial protection.** The minimum financial protection component (i.e. sum cover payable on death due to any cause) for regular premium individual life plans and single premium plan, sold through corporate insurance agents, shall be in accordance with the minimum financial protection prescribed under Unit Linked Products and Fund Rules, 2015 as amended from time to time. This shall be applicable to conventional non-linked products, unit linked investment linked products as well account value universal life products.
- (j) **Minimum term of the regular premium individual life plans.-** No insurer shall issue an individual life insurance regular premium (saving) plan of a term shorter than 5 years through the corporate insurance agent.
- (k) **Recycling of life insurance policies.-**
 - (i) Where a regular premium individual life policy is lapsed / surrendered during the *first three policy years*, then unless that policy is reinstated (in case of lapsation), a corporate insurance agent will not sell **any** new individual life policy to the same policyholder through the same insurer or through a different insurer within a year from the effective date of the policy acquiring lapsed / surrendered status.
 - (ii) Where a regular premium individual life policy is lapsed / surrendered *after the third policy year*, then unless that policy is reinstated / revived or the policyholder has separately consented to that effect, a corporate insurance agent will not sell a **similar** new individual life policy to the same policyholder through the same insurer or through a different insurer within a year from the effective date of the policy acquiring lapsed / surrendered status.
- (l) **Minimum financial underwriting.-**
 - (i) An insurer shall consider the regular income of the proposed policyholder in determining the affordability of the policy from the perspective of policyholder as per their existing financial underwriting guidelines applicable to direct sales force distribution channel.
 - (ii) In the case of bancassurance business, an insurer should consider, amongst other pertinent factors, the average balance maintained by the prospect at the concerned bank during at least the last year in assessing his annual regular income.
 - (iii) At the time of policy issuance, the insurer will carry out and document an assessment as to whether the insured would be able to pay subsequent premiums as and when falling due, based on insured's current financial resources.

- (iv) The underwriting committee of the insurer shall, on a sample basis, analyse the assessment carried out in accordance with sub-clause (iii) above, and incorporate the findings so made, in the insurer's underwriting guidelines/policy.

(m) **After sale call by the insurer to all policyholders.-**

- (i) The insurer shall make a structured telephonic call to all policyholders to confirm their understanding of the product, appropriateness of the product considering the identified insurance needs and affordability of the product for the entire term. The insurer will retain the record of such calls, preferably using interactive voice response system, for at least 7 years or maturity of the product whichever is earlier;
- (ii) The after sale call mentioned at sub-clause (i) above shall be made at least one day after the sale is closed within a period of seventy two (72) hours. For ensuring that the call back confirmation is with the policyholder himself, the insurer shall devise policyholder identification mechanisms such as, telephone personal identification number (T-PIN), question about mother's maiden name etc.
- (iii) In the case of bancassurance business, as an alternative to sub-clause (i) above, an insurer may integrate their after sale call scripts with the bank's call back confirmation mechanism to the bancassurance policyholders. However; the product specific scripts of such calls, as per Annexure – III to these Regulations, needs to be submitted to the Commission along with agency agreement;
- (iv) If a policyholder gives an adverse response; the insurer will return the premium to the policyholder within 30 days of such call.
- (v) The after sale call made in accordance with this clause, whether made by the Bank or the Insurer, shall allow cross questioning from the policyholder in Urdu or his native language. The minimum aspects of every after sales call, to be communicated to the policyholder are provided as Annexure – III to these Regulations.

Provided that the Commission shall have the power to revise/ amend Annexure – III to the Regulations from time to time.

- (vi) The insurer shall ensure that the call centre representatives authorized to make after sales call on behalf of the insurer are well conversant with the insurance policy contents and elements required to be communicated to the policyholder during the call. The insurer shall also ensure that the call centre representatives are well acquainted with subject of insurance such that they are able to respond to the queries made by the policyholder during the interactive after sale call.

- (vii) The after sale call shall not be made by the sales staff which has been engaged in sale of insurance policies.
- (viii) The requirement to make after-sale call under this clause is applicable in case of insurance policies with savings component and not in case of protection products.

19. Minimum allocations of premium to investment account of insurance policies with saving component.- (1) With effect from July 1, 2021, in all individual life regular premium policies with savings/ investment component sold through the corporate insurance agent, the Insurer shall ensure that minimum allocations into investment account of insurance policyholder have been made as per table given below:

Effective for New Business Issued on or after	Policy Year 1	Policy Year 2	Policy Year 3	Policy Year 4	Policy Year 5 and onwards
July 1, 2021	50%	270% of the sum of 3 years Gross Premium			100%
July 1, 2022	55%	270% of the sum of 3 years Gross Premium			100%
July 1, 2023	57.5%	270% of the sum of 3 years Gross Premium			100%
July 1, 2024	60%	270% of the sum of 3 years Gross Premium			100%

(2) For all such products referred to in sub-regulation (1) above, at the time of filling and signing of the proposal form, the default fund for minimum allocation into the investment account of the insurance policyholder shall be the money market unit linked fund or conservative or low risk unit linked fund or a unit linked fund the asset mix of which is a combination of both money market instruments or medium to long term government debt instruments of the concerned insurer.

Explanation: For the purpose of this sub-regulation.-

- (a) "Money market unit linked fund" refers to those unit linked funds, wherein the underlying fund significantly invests, directly or indirectly, in cash and cash equivalents and highly liquid short-term financial instruments and does not have any investment in equity securities.
- (b) "Conservative or low risk unit linked fund" refers to those unit linked funds, wherein the underlying fund significantly invests, directly or indirectly, in medium to long term government debt instruments and does not have any investment in equity securities.

For the purposes of this sub-regulation, indirect investment in the money market unit linked fund or conservative or low risk unit linked fund, means taking investment exposure in a mutual fund, which significantly invests in money market instruments or medium to long term government debt instruments respectively.

(3) Where at the time of filling and signing of the proposal form or subsequently after the issuance of the policy, the policyholder choses to invest his premiums in a unit linked fund which significantly invests in equity securities or any other unit linked (not being the money market unit linked fund or the conservative or low risk unit linked fund), the corporate insurance agent shall

obtain from the intending policyholder an undertaking as per Annexure – II to these Regulations, which shall be made part of the policy record of the policyholder.

(4) The Commission shall have the power to extend guidance to insurance companies on the different investment instruments permissible for inclusion in the unit linked funds referred to in this regulation.

CHAPTER V

TRAINING AND DEVELOPMENT

20. Fit and proper criteria for bank insurance executive.- (1) Every bank shall ensure that the bank insurance executive fulfils the following fit and proper criteria:

- (a) Comply with section 96 of the Ordinance; and
- (b) Has at least 5 years work experience in an insurance company at a functional head level with direct or indirect responsibility for products and sales management or has at least 5 years work experience within the wealth management segment of a bank with exposure to banking products and sales management.

(2) The insurer shall, while entering into an agency agreement ensure that the bank insurance executive of the bank complies with the fit and proper criteria given above.

(3) For agency agreements effective as on the commencement date of these regulations, the insurer shall ensure that within a period of six months from the coming into effect of these regulations, the continuation of agency agreements with the bank, are subject to compliance by the bank with the fit and proper criteria of the bank insurance executive as per sub-regulation (1) above.

21. Training requirement for bank insurance executive.- (1) At the time of on-boarding a bank, the bank insurance executive shall undergo a training of at least 8 hours, organized by the concerned insurer, covering at a minimum the following:

- (a) Introduction to concept of insurance and takaful;
- (b) Principles of insurance;
- (c) Overview of the Insurer;
- (d) Details of products;
- (e) Product and portfolio management; and
- (f) Compliance with regulatory aspects (SECP and SBP) including Anti-Money Laundering and Countering Financing of Terrorism laws.

(2) Persons acting as bank insurance executive as on the commencement date of these regulations, shall be required to comply with the training requirements within six months of the coming into effect of these regulations.

(3) On joining a different bank, the bank insurance executive shall only be required to undergo an orientation with each insurer, with whom the bank has agency agreements, of at least 5 hours durations covering the specific content related to that insurer, product details, and update on regulatory requirements, if any.

(4) Where the bank insurance executive has already undertaken the training given at regulation (1) above and the bank enters into an agency agreement with another insurer, the training shall be limited to the overview of the insurer and the details of the products of the insurer proposed to be offered.

(5) The Commission shall have the power to revise/amend the content of training of the bank insurance executive from time to time.

22. Certification requirement for the specified person.- (1) The specified person, at the time of joining an insurer or a corporate insurance agent, being assigned the job of sale of insurance products, shall undergo a foundation training course organized by the insurer of at least eighteen (18) hours duration covering at a minimum the following:

- (a) Introduction to concept of insurance/takaful;
- (b) Principles of insurance;
- (c) Introduction of the insurance company, the corporate insurance agent and products specific to the corporate insurance agent;
- (d) Sales process as provided in the Regulations and as amended from time to time;
- (e) Need based selling;
- (f) Operational processes and documentation (insurer and corporate insurance agent);
- (g) Client retention and persistency;
- (h) Regulatory aspects of corporate insurance agents including aspects of compliance with Anti-Money Laundering and Countering Terrorism of Financing laws;
- (i) Sales pitch and objection handling;
- (j) Career path with the Insurer;
- (k) Ethical aspect;

- (l) Grievance handling mechanism of insurer, corporate insurance agent and alternate grievance handling forums; and
 - (m) His duties towards the policyholder being representative of insurer.
- (2) At the end of the foundation training course, the specified person shall be certified by the insurer and the corporate insurance agent after undertaking an examination conducted by the insurer to solicit and procure insurance business as per the terms of the agency agreement.
- (3) The insurer shall periodically carry out refresher trainings as per the training protocols of the insurer.
- (4) Persons acting as specified persons as on the commencement date of these regulations, shall be required to comply with the certification requirements within six months of the coming into effect of these regulations.
- (5) On joining a different insurer or corporate insurance agent, the specified person who has completed foundation training course with one insurer, will be required to undergo only refresher course comprising of corporate insurance agent/insurer specific content, product details, and update on regulatory requirements, if any, and will not require to undergo full-fledge foundation course.
- (6) The refresher course will not be of duration lesser than six (6) hours and will be followed by certification by the insurer and the corporate insurance agent.
- (7) The Commission shall have the power to revise/amend the content of training of the specified persons from time to time.

CHAPTER VI

PROMOTING DIGITALIZATION

- 23. Training through distance learning modes.-** The training of bank insurance executive and foundation/refresher course required to be completed by the specified persons may be conducted through distance learning modes including, but not limited to online lectures, pre-uploaded content on the website, mobile applications or other digital platforms, etc.
- 24. Digital issuance of insurance policies.-** (1) The insurer can issue policies for savings products, protection products and non-life insurance products in physical form (hard copy) or in electronic form (through email/ web portal/ mobile application/ SMS etc.), whichever is agreed by the policyholder, with or without the involvement of the corporate insurance agent. The insurers will send SMS for confirmation of policy issuance in Urdu and English language to all policyholders, in both instances.

Provided that the issuance of savings products in electronic form shall be done for policies solicited through web portal or mobile application only.

Provided further that in the case of savings products, the insurer shall ensure that the requirements of these regulations in respect of such products are complied with including the requirements of call back confirmation.

(2) The insurer may meet the offer acceptance requirement as envisaged in regulation 3 through digital modes using advanced digital signatures as defined in the Electronic Transactions Ordinance, 2002 or as prescribed by the Commission from time to time.

CHAPTER VII

SUITABLE INSURANCE PRODUCT MIX

25. Availability of diversified products in the insurance market.— (1) In order to ensure the availability of diversified products in the insurance market so that needs of policyholders with variable risk appetite can be catered, life insurance companies are encouraged to diversify their product portfolio to be offered through corporate insurance agents.

(2) For the purposes of sub-regulation (1) above, the agency agreement of life insurers with corporate insurance agents shall stipulate the percentage of business comprising of conventional insurance products to be sold through the corporate insurance agent.

CHAPTER VIII

SPECIAL REQUIREMENTS RELATING TO SALE OF INSURANCE THROUGH TECHNOLOGY BASED DISTRIBUTION CHANNELS

26. Provisions to be complied with when mobile network operator or internet is involved in insurance distribution.— The distribution of insurance products through mobile network operator or internet, will be governed by the provisions of this Chapter. The mobile network operator may, or may not be working in the capacity of an insurance agent.

27. Storage and safety of data.— The mobile network operator or the insurance broker may be entrusted with responsibility of data storage and management on behalf of the insurer. However, it is responsibility of insurer to ensure safety of policyholder data. The insurer will ensure that suitable mechanism, including the data backup system, is in place to store data and maintain its safety before delegation of this function to mobile network operator or the broker.

28. File and use procedure for products distributed through mobile network operators and internet.— (1) All life insurers are required to submit the details of the products as stipulated in sub-regulation (2) which they intend to distribute through mobile network operator and internet, whether as loyalty or voluntary product, to the Commission at least thirty (30) days before the intended date of launch of that product as per “file and use” procedure.

(2) In addition to the existing product submission requirements for the life insurance products, the life insurers are required to submit the complete distribution plan with respective roles and responsibilities of each intermediary involved, the enrollment process and the premium payment

mechanism. The information regarding responsibility of each party in respect of claim processing and complaints handling is also required to be submitted.

29. Communication of all terms and conditions through mobile and internet. – (1) In addition to the product details submitted as required by regulation 28 above, the life insurer is required to submit the manner and process to communicate all terms and conditions of policy to the policyholder or the life covered, through the chosen mode of communication whether through SMS, call or internet, or otherwise.

(2) The life and non-life insurer is required to ensure that the key facts such as sum assured/ policy benefits, premium amount, free look period, period of coverage and any other material fact, are communicated to the prospective policyholder before the offer to insurance contract is made. The detailed terms and conditions are required to be communicated to the policyholder after issuance of insurance policy and the onus of such communication as stated in this sub-regulation lies on insurer.

(3) In case of loyalty products, insurer is required to ensure that mechanism is in place to make life covered aware about coverage to which he is entitled, and manner of communicating complete terms and conditions to the life covered is in place soon after he becomes entitled to the coverage.

30. Manner of exiting the agency agreement. – (1) In case of involvement of mobile network operator in the distribution arrangement, whether in capacity of corporate insurance agent or otherwise, the insurer is required to clearly stipulate the roles and responsibilities of each party involved such as the insurer, insurance broker, mobile network operator and third party administrator, if any, in the agency agreement required to be submitted to the Commission under these regulations.

(2) In case the mobile network operator or broker intends to exit the agency agreement, it will continue to perform its role in policy administration cycle for the policies distributed during the time when he was part of distribution arrangement under the valid agency agreement.

(3) If the mobile network operator or insurance broker cannot continue to play its role due to an unavoidable reason, it is required to obtain approval of the Commission for exit of such mobile network operator or insurance broker from policy administration cycle while submitting to the Commission the mechanism through which the existing policyholder will be informed about change of roles between the parties involved.

(4) If there is a change in the roles of any of the parties involved, the policyholder will be communicated in the most effective manner and utmost effort shall be made to ensure that this information has been effectively communicated to the policyholder.

CHAPTER IX

REGULATORY REPORTING OF BUSINESS WITH CORPORATE INSURANCE AGENTS

31. Financial Reporting.- (1) Every insurer shall at the expiration of each year prepare and deliver to the Commission, with reference to that year's annual business with corporate insurance agents, within four months from the end of the period to which they refer, the following statements:

- (a) Statement of premiums;
- (b) Statement of expenses;
- (c) Statement of claims;
- (d) Statement of commission claw-back and minimum surrender value; and
- (e) Statement of automatic commission clawback.

(2) The statements to be furnished under sub-regulation (1) above shall separately provide the business underwritten through bank and other corporate insurance agents.

Provided that in relation to reporting of bancassurance business, the information to be provided shall be provided for each bank, with whom the insurer has an agency agreement.

Provided that for non-life insurers, the statements referred under sub-regulation (1) shall be furnished, where the business underwritten by the non-life insurer with the corporate insurance agents, in aggregate, constitutes 10% of the total gross premium revenue of the insurer.

32. Information to be provided in Financial Condition Report (FCR) in respect of Bancassurance Business.- Every life insurer carrying out Bancassurance business shall prepare and file with the Commission the following statements which shall be annexed to the financial condition report, as required under section 50 of the Ordinance and the formats of these forms should be in accordance with the Annexure IV to the Insurance Rules, 2017 or any subsequent modification. If this information relates to a shorter period than a year, the forms may be adjusted accordingly.-

- (a) in respect of Investment Linked Business,-
 - (i) Form LB-1;
 - (ii) Form LB-2;
 - (iii) Form LB-3;
 - (iv) Form DD;
 - (v) Form DDD; and
 - (vi) Form DDDD;
- (b) in respect of Non-Investment Linked Business:
 - (i) Form NLB-1;

- (ii) Form DD;
 - (iii) Form DDD;
 - (iv) Form DDDD;
- (c) in respect of Universal Life and Universal Life Hybrid Business:
 - (i) Form ULB-1;
 - (ii) Form DD;
 - (iii) Form DDD; and
 - (iv) Form DDDD;
- (d) in respect of Accident and Health Insurance Business, -
 - (i) Form NLB-1; and
- (e) Summary statements:
 - (i) Form H;
 - (ii) Form I; and
 - (iii) Statement of Composition and Distribution of surplus in respect of Policyholders' fund.

33. Reporting of Statement of Maximum Management Expenses.- In addition to the information required under Regulation 31 and 32, every life insurer once a year, along with the Statement of Maximum Management Expenses as required under Sections 22(9) and 23(9) of the Ordinance, file an itemized computation for each Bank and product. This statement shall be certified by the Appointed Actuary.

CHAPTER X

OFFENCES AND PENALTIES

34. Penalty for default in complying with, or acting in contravention of these Regulations.- (1) Any insurer who makes default in complying with or acts in contravention of any of the requirements of these Regulations, the Commission shall have the power to impose fine on the insurer and its directors, chief executive officer or any other officer of the insurer, who is knowingly a party to the default, which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues.

(2) Where it has been established by the insurer that a specified person or the insurance consultant or the bank insurance executive or the corporate insurance executive or the designated insurance executive was engaged in mis-selling, misleading or deceptive conduct in the sale of insurance products, such persons shall be disqualified for a period of not less than three years and the insurer shall enter the details of such persons in the centralized agents (s-reference) register maintained by the Central Depository Company under the Centralized Information Sharing Solution for the Insurance Industry.

CHAPTER XI

REPEAL AND SAVINGS

35. Repeal.- The Bancassurance Regulations, 2015 and the Securities and Exchange Commission Directive for Corporate Insurance Agents (excluding Banks) and Technology Based Distribution Channels, 2017 are hereby repealed with effect from July 1, 2021

36. Savings.- Save as otherwise specifically provided, nothing in these Regulations, or any repeal effected thereby, shall affect or be deemed to affect anything done, action taken, investigation or proceedings commenced, order, appointment, conveyance, mortgage deed, document or agreement made, fee directed, resolution passed, direction given, proceedings taken or instrument executed or issued, under or in pursuance of any regulations or notifications repealed by these Regulations and any such thing, action, investigation, proceedings, order, appointment, conveyance, mortgage deed, document, agreement, fee, resolution, direction, proceedings or instrument shall if in force at the coming into force of these Regulations and not inconsistent with any of the provisions of these Regulations, continue to be in force, and have effect as if it were respectively done, taken, commenced, made, directed, passed, given, executed or issued under these Regulations.

Schedule

Maximum Limits on Commission Payable to Bank in a Specific Policy Year

(These limits are subject to the aggregate limits as per Table B below whereas the proportionate reduction to be applied on each year's maximum commission rate)

Table A1: Commission Schedule for Direct Sales Model and Referral Model

Sales Model	Product Type	Effective for New Business From	Year 1	Year 2	Year 3	Year 4+
Direct Sales Model (DSM)	Regular Premium Savings Products	Prior to July 1, 2021*	50%	5%	2.5%	2.5%
		July 1, 2021	45%	5%	2.5%	2.5%
		July 1, 2022	40%	5%	2.5%	2.5%
		July 1, 2023	37.5%	5%	2.5%	2.5%
		July 1, 2024	35%	5%	2.5%	2.5%
Referral Sales Model (RSM)	Regular Premium Saving Products	Prior to July 1, 2021*	40%	5%	2.5%	2.5%
		July 1, 2021	35%	5%	2.5%	2.5%
		July 1, 2022	30%	5%	2.5%	2.5%
		July 1, 2023	27.5%	5%	2.5%	2.5%
		July 1, 2024	25%	5%	2.5%	2.5%
Direct and Referral Sales Model	Single Premium Saving Products	Prior to July 1, 2021*	4%	NA	NA	NA
		July 1, 2021	3%	NA	NA	NA
	Long Term Health Insurance Products	July 1, 2021	30%	15%	7.5%	5%
	Regular Premium Annuities	Prior to July 1, 2021*	DSM: 10% RSM: 7.5%	2.5%	2.5%	2.5%
		July 1, 2021	5%	5%	5%	2.5%
	Protection Products (Term of 1 Year or Less, Yearly Renewable) and Single Premium Long-Term Protection Products)	Prior to July 1, 2021*	50%	NA	NA	NA
		July 1, 2021	45%	NA	NA	NA
		July 1, 2022	40%	NA	NA	NA
	Protection Products (Term of more than 1 Year, Regular Premium)	July 1, 2021	30%	15%	7.5%	5%

* (as per Bancassurance Regulations, 2015)

Table A2: Persistency Bonus Schedule for Direct Sales Model

Product	July 2021 and onwards			
	Policy Year 2*		Policy Year 3*	
	Persistency Level	Bonus Rate	Persistency Level	Bonus Rate
Regular Premium Individual Life & Regular Premium Personal Accident Plans	Less than 80%	0%	Less than 87.5%	0%
	80% or more but less than 85%	5%	87.5% or more but less than 92.5%	2.5%
	85% or more	10%	92.5% or more	5%
Regular Premium Annuities	Less than 80%	0%	Less than 85%	0%
	80% or more	2.5%	85% or more	2.5%

Table A3: Persistency Bonus Schedule for Referral Model

Product	July 2021 and onwards			
	Policy Year 2*		Policy Year 3*	
	Persistency Level	Bonus Rate	Persistency Level	Bonus Rate
Regular Premium Individual Life & Regular Premium Personal Accident Plans	Less than 82.5%	0%	Less than 90%	0%
	82.5% or more but less than 87.5%	5%	90% or more but less than 92.5%	2.5%
	87.5% or more	10%	92.5% or more	5%
Regular Premium Annuities	Less than 85%	0%	Less than 87.5%	0%
	85% or more	2.5%	87.5% or more	2.5%

* Reference to Policy Year 2 and Policy Year 3 in Table A2 and A3 refers to the 2nd and 3rd policy year of the new policies issued on or after July 1, 2021

Table B. Maximum Limits on Aggregate Commission Payable to a Bank over Entire Policy Term

Maximum Aggregate Commission (excluding persistency bonus) for regular premium paying plans	For Individual Life Insurance Policies with a Premium Payment Term of			
	20 Years or more	10 Years	5 Years	Between 10 to 20 or 5 to 10 years
Direct Sales Model	100%	70%	30%	On linear proportionate basis
Referral Model	90%	60%	25%	

Annexure - I

Insurance Need Analysis of Mr. _____

Basic Information						
Name						
Address						
Telephone (Landline / Mobile)						
E-mail Id						
Date of birth						
Marital status						
State of health		Excellent/Very good/Good/Moderate/Poor				
Smoker		Yes/No				
Family Details						
Number of dependents						
Details of dependents		1	2	3	4	5
Name						
Relationship						
Age						
State of Health (Excellent/Very Good/Good/ Moderate/Poor)						
Occupation						
Income if any						
Whether financially dependent						
Any scope of expansion of family		Yes/No				
Employment Details						
Occupation						
Length of service						
Annual Income						
Covered under pension scheme?						
Normal retirement age						
Financial Details						
Value of Savings and Assets						
Details of Liabilities/ Outstanding Loan						
Expected Inheritance						
Pension Details						
Employer's Scheme/Insurance						
Personal Contribution/Premium						
Retirement Age						
Anticipated Value						
Future Saving Needs						
For Education for Children						
For Wedding						
For House Purchase						
Others						
Existing Life Assurance Plans						
Company	Policy No.	Sum Assured	Premium	Start Date	Maturity Date	Purpose

Financial Priorities and Objectives	
What is more important for you? (Please number in order of priority)	
Financial Security for family in the event of death	
Financial Security in the event of Critical Illness	
Providing Retirement Income	
Planning for your children's education	
Planning for your children's wedding	
Building capital through regular saving	
Investing existing capital for better return	
Identified Insurance Needs	
Life Insurance (Death/Maturity)	
Desirable Sum Assured	
Health Insurance	
Desirable limit of coverage per annum	
Savings and Investment Planning	
Desirable returns per annum	
Pension planning	
Desirable pension per annum	
Any Additional Information	
Recommendation	
Life stage	Childhood/Young unmarried/Young married/ Young married with children/married with older children/post-family or pre-retirement/ retirement
Protection needs	Life & Health/Savings and Investment/Pension
Appetite for risk	Low/Medium/High
Policy recommended, including name of Insurer	
Commitment for the current/future years	
Whether all risk elements and details of charges to be incurred and all other obligations have been explained	
Why you think this policy is most suited prospect	

Agent's Certification:

I/We hereby certify that I/we believe that the product/s recommended me/us above is suitable for the prospect, based on the information submitted by him/her, as recorded above.

Dated: _____

(Name and Signature of Agent)

Prospect's Acknowledgement:

The above recommendation is based on the information provided by me. I have been explained about the features of the product and believe it would be suitable for me based on my insurance needs and financial objectives.

Dated: _____

(Signature of Prospect)

ANNEXURE – II
[See regulation 19(3) of the Regulations]

**UNDERTAKING ON UNDERSTANDING INVESTMENT RISK
FOR INVESTMENT LINKED INSURANCE PRODUCTS**

To be submitted by the Insurance Policyholder

Statement in English

“I have been given complete information about the risks in the investment I have made through this insurance product [insert product name] by the insurance company representative namely Mr. _____ s/o _____. I am fully responsible for the profit or loss made in this investment. I am fully aware and informed about the inherent risks, which are in-line with my risk appetite and after thorough analysis and understanding, I am ready to purchase this product [insert product name].”

Statement in Urdu

اردو میں بیان

مجھے اس بیمہ پروڈکٹ [نام لکھیں] میں کی جانے والی اپنی سرمایہ کاری میں پائے جانے والے خطرات کے بارے میں بیمہ کمپنی کے نمائندے _____ ولد _____ نے مکمل آگاہی فراہم کر دی ہے۔ میں اس سرمایہ کاری میں نفع اور نقصان کا مکمل طور پر ذمہ دار ہوں۔ میں سرمایہ کاری میں موجود خطرات سے آگاہ و مطلع ہوں جو کہ میرے خطرہ لینے کے رجحان و استعداد سے مطابقت رکھتے ہیں اور مکمل تجزیہ و تفہیم کے بعد میں یہ پروڈکٹ [نام لکھیں] خریدنے کے لئے تیار ہوں۔

Name _____

نام _____

Signature _____


دستخط _____

ANNEXURE – III
[See regulation 18(m)(v) of the Regulations]

MINIMUM ASPECTS OF CALL BACK CONFIRMATION

- (a) You have bought an insurance policy from ____ [Name of Corporate Insurance Agent], which is acting as an agent of ____ insurance company. Please note that it is an insurance product under which ____ risk(s) are covered. For pre-requisite checks, kindly confirm your CNIC number and mother's name*.
**(any other authentic identification mechanism may be used.)*
- (b) Total term of the policy is ____ years, premium paying term is ____ years, and you are required to pay premium amounting to Rs. ____ every year/ quarter/ month, as the case may be. The premium of your policy may increase due to indexation option chosen by you from second year onwards*.
**(This information would only be provided to customers who have chosen the indexation option as YES.)*
- (c) Please note that during first two years, the insurance policy will not acquire any cash/ surrender value*. You must be aware that an amount corresponding to ____% and ____% shall be deducted from your first and second year premium respectively and the remaining amounts shall be deposited into your policy.
**(This statement shall accordingly be amended for those insurance products, which acquire cash value during first two years.)*
- (d) Please note that this insurance product [insert product name] is an investment linked product and cash value of your policy may go up and down according to performance of the underlying fund(s) in which you have opted to invest. Therefore, you may earn profit or bear loss on the investments made in the said fund(s).
- (e) Please note that you will be covered for an amount of Rs. ____ for death due to any cause and [Rs. ____ for ____ risk]*. Please note that you have purchased a long term insurance policy and if you cancel the policy earlier, you may not get the total amount paid by you. It is requested to carefully read the illustration sheet specifically the charges and the policy value during the initial years.
**(for relevant riders' amount, if any.)*
- (f) Please confirm it an audio-visual clip on product features and proposal form has been shown to you at the point of sale.
- (g) As per the information provided by you in the policy form, you are not suffering from any chronic/terminal illness such as any form of Cancer, Heart Failure, Renal Failure, Chronic Liver Disease etc. or have not received treatment for any such illness.*
**(If the policy is issued on standard terms and conditions without any extra mortality loading.)*
- (h) Please read the terms and conditions of the policy in detail. You can cancel the policy within fourteen (14) days of receipt of policy documents for full refund of premium.

[ID/PRDD/BANCASSURANCE/2020]


(Bilal Rasul)
Secretary to the Commission