



## SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN INSURANCE DIVISION

Karachi, 27 October 2010

**Circular No.24/2010**

### **REINSURANCE / RETAKAFUL TREATY ARRANGEMENTS - 2011**

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....”***

2. Accordingly, all the insurers/takaful operators are advised to submit a summary of their respective reinsurance/retakaful arrangements for 2011 by 30 November 2010, on the prescribed revised format which is available at the following link:

[http://www.secp.gov.pk//ID/pub\\_id/pdf/RI\\_Treaty\\_Arrangement-2011.xls](http://www.secp.gov.pk//ID/pub_id/pdf/RI_Treaty_Arrangement-2011.xls)

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.

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.

5. Additionally, the certified copies of signed treaty slip/cover notes should reach this office by 31<sup>st</sup> January, 2011. These copies must be duly certified by the authorized officers of the respective insurance companies or takaful operators to demonstrate compliance of

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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.

**Nasreen Rashid**  
**Executive Director (Insurance)**

### **Distribution:**

Chief Executives (All Insurance Companies / Takaful operators)  
Chairman (National Insurance Company Ltd.)  
Chairperson (Pakistan Reinsurance Company Ltd.)  
Chairman (Insurance Association of Pakistan)  
President (Institute of Chartered Accountants of Pakistan)  
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