



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN INSURANCE DIVISION


Karachi, June 10, 2010

Circular Ref: 11/2010

Section 39 of the Insurance Ordinance, 2000 (Assets of Life Insurer's Statutory Funds)

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

- All assets owned by the company shall be clearly designated, in the books of the insurer, as relating to either the Shareholders' Fund or a particular Statutory Fund, and, where a Statutory Fund is sub-divided into sub-funds (such as investment linked funds or participant takaful funds), the sub-fund (sub-funds being included in the term "funds" as used in this document). Such designation shall be made at the time of acquisition or creation of the asset and shall be recorded in all accounting documents (such as vouchers). It is recognized that documents issued by third parties (eg., brokers) may simply carry the name of the insurer but all internal documents (including those containing the decision to buy or sell, instructions issued to brokers, accounting vouchers, etc) should clearly designate the fund which is involved. Where the transaction relates to an internal unit linked fund the name of this fund should also be indicated.
- Where there are transactions relating to specific policies (premium receipt, commission payment, benefit payment, etc) that relate to more than one statutory fund (eg., receipt of premiums on more than one policy, different policies relating to different funds) the transaction shall be recorded in any one fund. The resulting amounts receivable or payable between funds resulting from such transaction shall be recorded not later than 15 days following the end of the calendar month in which the transaction took place. Transactions relating to expenses or income which do not relate to specific policies but which relate to more than one fund shall be recorded in any one fund and the resulting amounts receivable or payable between funds shall be recorded no later than 30 days following the end of the calendar quarter in which the transaction took place. Similarly movements of assets backing capital contributions into statutory funds or surplus transfers from statutory funds to shareholder funds shall be recorded as at the last date of the period to which such transfers relate and shall be recorded in the accounting records within 15 days of receipt of advice from the Appointed Actuary relating to such transfers. All such transfers shall be recorded at fair value.
- Where any asset or liability is designated as belonging to more than one fund the proportion belonging to each fund should be clearly designated in all documents and transactions referred to above.
- Any transaction to acquire or dispose of any assets which impacts the value to a policyholder (essentially any investment linked fund or any statutory fund containing participating policies) shall be at arm's length, where such assets are listed securities traded on any of the country's stock exchanges, the transaction shall be through a transaction with an external entity. For other assets the transaction shall either be through an external entity or shall be required to be specifically certified by the company's statutory auditors as having been transacted at fair value. The provisions of this paragraph shall not, however, apply to the settlement of amounts due to or from other funds in cash or through a cheque drawn on a bank account.
- The Commission will require, at the end of each year, an opinion from the Company's statutory auditors as to whether the above practices have been effectively implemented by the Company and followed during the year related to which the opinion is being given. Such opinion shall be included in the audit opinion issued under Section 48 of the Ordinance.


Tariq Hussain
Director-(Insurance)

Distribution:

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