

PART II

Statutory Notification (S.R.O.)

GOVERNMENT OF PAKISTAN

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the November 9, 2015

S.R.O. 1096 (I)/2015.-In exercise of the powers conferred under section 40B read with clause (u) of subsection (4) and clauses (fa), (fb), (fc) & (g) of subsection (6) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (Act No. XLII of 1997), and clause (f) of subsection (1) of section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), and in supersession of the S.R.O. 68(I)/2003 dated 24th January 2003, draft Code of Corporate Governance for Insurers, 2015 is hereby published by the Commission for information of all persons likely to be effected thereby and notice is hereby given that objections and suggestions and comments, if any, received by the Securities and Exchange Commission of Pakistan within thirty days of the publication of this notification, will be taken into consideration as under, namely :—

CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2015

Applicability

- (i) The provisions of this Code shall apply to insurer as defined under clause (xxxi) of section 2 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).
- (ii) The provisions / conditions laid down herein shall be in addition to the provisions / conditions imposed by the Code of Corporate Governance, 2012 (for listed insurance companies) or the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 (for public sector insurance companies). However, in case any conflict arises between the provisions of this Code and the provisions of the Code of Corporate Governance, 2012 (applicable on listed companies) or the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 (applicable on public sector companies), as the case may be, the provisions of such other law i.e. Code of Corporate Governance, 2012 (in the case of listed insurance companies) or the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 (in the case of public sector insurance companies) shall prevail to the extent of such conflict.

Composition of the Board of Directors

- (iii) An insurer, in so far as applicable, shall ensure effective representation of independent non-executive directors, including those representing minority interests (if applicable), on its Board of Directors so that the Board as a group includes core competencies considered relevant in

the context of that insurer. For the purpose, insurer may take necessary steps such that:

- (a) the Board of Directors of the insurer includes at least one and preferably one third of the total members of the board as independent director. The board shall state in the annual report (i.e. along with the annual audited financial statements, auditor's report and directors' report thereon) the names of the non-executive, executive and independent director(s).

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

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

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

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

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

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

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

Any person nominated as a director under sections 182 and 183 of the Companies

Ordinance, 1984 shall not be taken to be an "independent director" for the above-said purposes.

The director representing an institutional investor shall be selected by such investor through a resolution of its Board of Directors and the policy with regard to selection of such person for election on the Board of Directors of the investee company shall be disclosed in the Director's Report of the investor company.

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

- (b) executive directors, *i.e.* working or whole time directors, are not more than one third of the elected directors including the Chief Executive:
- (iv) The directors of an insurer shall, at the time of filing their explicit consent to act as such, give a declaration in such consent that they are aware of their duties and powers under the relevant law(s) and the insurer's Memorandum and Articles of Association.

Qualification and Eligibility to Act as a Director

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

Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company.

- (iv) No person shall be appointed as a director of an insurer if he-
 - (a) is a minor;
 - (b) is of unsound mind;
 - (c) has applied to be adjudicated as an insolvent and his application is pending;
 - (d) is an undischarged insolvent;
 - (e) has been convicted by a court of law for an offence involving moral turpitude;
 - (f) has been debarred from holding such office under any provision of this Ordinance;
 - (g) has betrayed lack of fiduciary behavior and a declaration to this effect has been made by the Court at any time during the preceding five years;
 - (h) has been placed on exit control list; or
 - (i) is not a member.

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

- (i) a person representing the Government or an institution or authority which is a member;
 - (ii) a whole-time director who is an employee of the company;
 - (iii) a chief executive; or
 - (iv) a person representing a creditor.
- (v) No person shall be elected or nominated as a director of an insurer unless his appointment has been approved by the Securities and Exchange Commission of Pakistan under the Insurance Companies (Sound and Prudent Management) Regulations, 2012. This requirement cannot be relaxed in exercise of the powers conferred by this Code.

Casual Vacancy in the Board

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

Responsibilities, Powers and Functions of Board of Directors

- (vi) The directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer.
- (vii) The insurer shall ensure that :
 - (a) Statement of Ethics and Business Practices is prepared and circulated among the directors and employees of the insurer to establish a standard of conduct for directors and employees, which shall be signed by each director and employee in acknowledgement of his understanding and acceptance of the standard of conduct. The directors of the insurer shall review the Statement of Ethics and Business Practices annually, and any changes made thereto shall also be communicated to all directors and employees within a period of not later than ten (10) days from the date at which changes have been approved by the Board. Each director and employee of the insurer shall also sign the reviewed / amended Statement of Ethics and Business Practices. The record of all signed Statement of Ethics and Business Practices, along with evidence of circulation among the directors and employees, shall be kept at the registered office of the insurer;
 - (b) The Board of Directors adopt a vision/mission statement and overall corporate strategy for the insurer and also formulate significant policies, having regard to the level of materiality, as may be determined by it;

Explanation.— Significant policies for this purpose may include:

- Product development;
- Underwriting procedures (including ways to ensure compliance with Anti Money Laundering Laws through effective KYC/CDD (know your customer / customer due diligence));
- Claims lodging and settlement procedures (covering stringent timelines);
- Policy servicing;
- Reinsurance policy covering adequacy of class-wise reinsurance arrangements and maximum risk exposure limits in each class of insurance business;
- Risk management;
- Human resource management including preparation of a succession plan;
- Procurement of goods and services;
- Marketing;
- Determination of terms of credit and discount to customers;
- Premium collection and recovery of receivable premiums (if any);
- Write off of bad/doubtful debts, advances and receivables;

- Agency management (including bancassurance) covering the appointment and payment to agents;
- Acquisition/disposal of fixed assets;
- Investments;
- Borrowing of moneys and the amount in excess of which borrowings shall be sanctioned/ratified by a general meeting of shareholders;
- Donations, charities, contributions and other payments of a similar nature;
- Determination and delegation of financial powers;
- Transactions or contracts with associated companies and related parties;
- Health, safety and environment;
- Level of underwriting as well as administrative expenses; and
- Remuneration policy for the directors and the senior management (including the CEO), key officers and other employees of the insurer. It shall also periodically review and adjust the remuneration policy in accordance with changes in the corporate strategies and the business environment. The remuneration policy shall be formulated so as to nullify the induction of excessive or inappropriate risk taking and which is in-line with the identified risk appetite and long term interests of the insurer and the stakeholders.

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

- (c) The Board of Directors shall define the level of materiality, keeping in view the specific circumstances of the insurer and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;
- (d) The Board of Director establishes a system of sound internal control, implemented at all levels within the insurer;
- (e) The following powers are exercised by the Board of Directors on behalf of the insurer and decisions on material transactions or significant matters are documented by a resolution passed at a meeting of the Board:
 - (i) determination of the nature of loans and advances made by the insurer and fixing a monetary limit thereof;
 - (ii) write-off of bad debts, advances and receivables, other assets and determination of a reasonable provision for doubtful debts; and
 - (iii) determination of the terms of and the circumstances in which a law suit may be compromised and a claim/right in favour of the insurer may be waived, released, extinguished or relinquished;
- (f) Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and other executive directors of the insurer are determined and approved by the Board of Directors.
- (viii) The Chairman and the Chief Executive Officer (CEO), by whatever name called, shall not be the same person except where provided for under any other law. The Chairman of an insurer shall be elected from among the non-executive directors of the insurer. The Chairman shall be responsible for leadership of the Board and shall ensure that the Board plays an effective role in fulfilling all its

responsibilities. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and Chief Executive.

Provided that this clause shall take effect from the date at which reconstitution of the Board falls due after the issuance of this Code, or December 31, 2018, whichever is earlier.

Internal Control

- (ix) The board of Directors must establish a system of sound internal control, which is effectively implemented at all levels within the insurer,

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

- (a) *Checks and balances.*— The insurer shall institute policies and procedures such as requiring the separation of critical functions [e.g. risk management, underwriting (subject to the relevant provisions of Insurance Ordinance, 2000), investment, claims handling, internal audit and compliance with statutory rules and regulations, cross checking of documents, dual control of assets and double signatures on certain documents, etc. to ensure checks and balances within the company].
- (b) Internal control shall also cover the following aspects:
- (i) oversight of division of responsibilities between the Board and/or members of the Board and third party service providers;
 - (ii) oversight of custody or other arrangements put in place to safeguard the assets of the company and to review from time to time, if thought appropriate, the internal controls of such service providers;
 - (iii) an annual oversight of compliance issues at each Board meeting.
 - (iv) where an insurer with a head office in the Pakistan carries on business overseas, the Board must ensure that there are systems and controls in place to maintain a sound and verifiable system of reporting to its head office.
 - (v) establish signing authorities and bank mandates with regard to the assets of the company and shall be reviewed regularly.
 - (vi) prudential oversight in respect of insurance matters, including :
 - (a) Controls for underwriting risks;
 - (b) Valuation of technical provisions;
 - (c) Investment and liquidity management;
 - (d) Reinsurance, including the credit standing of reinsurers; and
 - (e) Monitoring and ensuring the adequacy of its capital resources and ability to demonstrate at all times compliance with the solvency margin requirement.

Meetings of the Board

- (x) The Company Secretary shall be the secretary to the Board of Directors, who shall facilitate the Board in convening its meetings and fairly and accurately recording the minutes of all such meetings.

- (xi) The Chairman of an insurer, if present, shall preside over meetings of the Board of Directors.
- (xii) The Board of Directors of an insurer shall meet at least once in every quarter of the financial year. Written notices (including agenda) of the meetings shall be circulated not less than seven days before the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.
- (xiii) The Chairman of an insurer shall ensure that minutes of meetings of the Board of Directors are appropriately recorded. The minutes of meetings shall be circulated to directors and officers entitled to attend Board meetings not later than 30 days thereof, unless a shorter period is provided in the insurer's Articles of Association.

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

Significant Issues to be Placed for Decision by Board of Directors

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

Significant issues for this purpose may include;

- (a) annual business plan, cash flow projections, forecasts and long term plans ;
- (b) budgets including capital, manpower and overhead budgets, along quarterly operating results of the insurer as a whole and in terms of its operating divisions or business segments;
- (c) quarterly operating results of the insurer as a whole and in terms of its operating divisions or business segments;
- (d) internal audit reports, including cases of fraud or irregularities of a material nature; .
- (e) management letter issued by the external auditors;
- (f) details of joint venture or collaboration agreements or agreements with distributors, agents, etc.;
- (g) promulgation or amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the insurer;
- (h) status and implications of any law suit or proceedings of material nature, filed by or against the insurer
- (i) any show cause, demand or prosecution notice received from revenue or regulatory authorities, which may be material;

- (j) default in payment of principal and/or interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit;
- (k) failure to recover material amounts of loans, advances, and deposits made by the insurer, including trade debts, inter-corporate finances and agents balances;
- (l) any adverse judgment or order made on the conduct of the insurer or of another company that may bear negatively on the insurer;
- (m) payment for goodwill, brand equity or intellectual property; and
- (n) report on governance, risk management and compliance issues. Risks considered shall include reputational risk and shall address risk analysis, risk management and risk communication.

Orientation Courses

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

Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit

- (xv) *Appointment and Approval.*—It shall be mandatory for the insurer to appoint Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, who shall be different persons.

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

The removal of the CFO or the Company Secretary of insurer shall be with the approval of the Board of Directors.

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

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

Qualification of CFO, Company Secretary and Head of Internal Audit

- (xvi) No person shall be appointed as the CFO of an insurer unless he has at least five (5) years of experience of being engaged in or employed in a public practice (audit/accounting) firm, or in managing financial or corporate affairs function of a company, and is:
 - (a) a member of a recognized body of professional accountants; or
 - (b) has a postgraduate degree in finance from a recognized university or equivalent.
- (xvii) No person shall be appointed as the Company Secretary of an insurer unless he has at least three (3) years of experience of being engaged in or employed in a public practice (law / audit /

accounting) firm, or in managing financial or corporate affairs function of a company, and is:

- (a) member of a recognized body of professional accountants; or
- (b) a member of a recognized body of corporate/chartered secretaries; or
- (c) a lawyer; or
- (d) a graduate from a recognized university or equivalent.

(xviii) No person shall be appointed as Head of Internal Audit of an insurer unless he has at least five (5) years of relevant experience in audit or finance or compliance function, and is:

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

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

Requirement to Attend Board Meetings

(xix) The CFO and the Company Secretary of an insurer shall attend meetings of the Board of Directors:

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

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

Corporate and Financial Reporting Framework

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

- (a) The financial statements, prepared by the management of the insurer, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (b) Proper books of account of the insurer have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

- (d) International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored.
- (f) There are no significant doubts upon the insurer's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of corporate governance.

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

- (h) If the insurer is not considered to be a going concern, the fact along with reasons shall be disclosed.
- (i) Significant deviations from last year in operating results of the insurer shall be highlighted and reasons thereof shall be explained.
- (j) Key operating and financial data of last six years shall be summarized.
- (k) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed.
- (l) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the insurer.
- (m) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included.
- (n) The number of Board meetings held during the year and attendance by each director shall be disclosed.
- (o) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by :
 - associated companies, undertakings and related parties (name-wise details);
 - NIT and ICP (name-wise details);
 - directors, CEO and their spouse and minor children (name-wise details);
 - executives;
 - public sector companies and corporations;
 - banks, Development Finance Institutions, Non-Banking Finance Institutions, insurers, modarabas and mutual funds; and
 - shareholders holding five percent or more voting interest in the insurer (name-wise details).

In case an insurer is not registered under the Companies Ordinance, 1984 then that insurer shall

make out and attach every information, declaration and statement, as required in this Code and subsection (6) of section 46 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), to every balance sheet (i.e. Statement of Assets and Liabilities (Form GA and Form LA)) as required under subsection (1) and (2) of section 46 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Frequency of Financial Reporting

- (xx) The quarterly unaudited financial statements of insurer shall be prepared and circulated along with directors' review on the affairs of the insurer for the quarter.
- (xxi) The insurer shall ensure that half-yearly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.
- (xxii) The insurer shall ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year unless an extension in terms of sub-section (1) of section 51 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) is granted by the Securities and Exchange Commission of Pakistan, in which case the insurer shall circulate the said financial statements on or before the expiry of such extension.

Annual Reviews and Compliance Procedures

- (xxiii) At least annually;
 - (a) the Board shall review the Strategic Objectives of the insurer.
 - (b) the Board shall review and monitor key Operational Risks.
 - (c) the insurance managers and the directors shall declare to the board all conflicts of interest.

Compliance Officer

- (xxiv) The insurer shall appoint a Compliance Officer, who shall be answerable to the Board of Directors, and shall, on behalf of the Board, ensure that the senior management (including the CEO) and key officers:
 - (a) carry out the day-to-day operations of the insurer effectively and in accordance with the insurer's strategies, policies and procedures;
 - (b) promote a culture of sound risk management, compliance and fair treatment of the customers / policyholders;
 - (c) provide the Board adequate and timely information to enable the Board to carry out its duties and functions including the monitoring and review of the performance and implement and risk exposures of the insurer, and the performance of the senior management (including the CEO) and key officers; and
 - (d) provide to the relevant stakeholders the information required to satisfy the legal and other obligations applicable to the insurer or its senior management (including the CEO) and key officers.

(xxv) The Compliance Officer shall be the one who shall be able to identify and understand the laws which are applicable onto the insurer and which may have material impact on the insurer's operations / business. His tasks shall also include:

- (a) conducting compliance risk analyses;
- (b) preparing compliance policies, procedures, and controls and administering them;
- (c) devising communications, training, and other strategies to increase sensitivity to the importance of compliance and ethics, as well as employee awareness of and competence in specific areas of legal and regulatory obligation;
- (d) putting in place mechanisms to encourage and facilitate employee reporting of compliance concerns or potential violations; these mechanisms are accompanied by a policy of non-retaliation against employees who report in good faith;
- (e) designing ways to help detect, investigate and address any compliance deficiencies or violations and assisting employees in respect of specific obligations under applicable laws and internal procedures / policies;
- (f) regularly reviewing the adequacy of the compliance system and overall compliance efforts;
- (g) regular reporting to the compliance committee in respect of progress on all of the above, as well on specific compliance issues or violations.

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

- (a) member of a recognized body of professional accountants; or
- (b) a member of a recognized body of corporate/chartered secretaries; or
- (c) a Certified Internal Auditor; or
- (d) a Certified Fraud Examiner; or
- (e) a Certified Internal Control Auditor; or
- (f) a lawyer; or
- (g) a graduate from a recognized university or equivalent.

Provided that the person appointed (or to be appointed) to act as the Compliance Officer of an insurer shall not, in any way, be among the directors, the Head of Internal Audit, the Chief Financial Officer, the Actuary or a person heading the underwriting or claim department of that insurer.

Responsibility for Financial Reporting and Corporate Compliance

- (xxvii) No insurer shall circulate its financial statements unless the CEO and the CFO present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.
- (xxviii) The Company Secretary of an insurer shall furnish a Secretarial Compliance Certificate as part of the annual return filed with the Insurance Division of Securities and Exchange Commission of Pakistan to certify that the secretarial and corporate requirements of the Insurance Ordinance, 2000, and the Companies Ordinance, 1984 and/or any other law applicable onto that insurer, have been duly complied with.
- (xxix) A report and the statement prepared in pursuance of section 50 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), shall be presented to the Board of directors of the insurer prior to submission before the Securities and Exchange Commission of Pakistan.

Auditors and Actuaries not to hold Shares

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

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

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

Committees

Board of directors of the insurer shall form the following committees:

- (xxxi) *Underwriting Committee.*- The committee shall formulate the underwriting policy of the insurer. It shall set out the criteria for assessing various types of insurance risks and determine the premium policy of different insurance covers. It shall regularly review the underwriting and premium policies of the insurer with due regards to relevant factors such as its business portfolio and the market development.
- (xxxii) *Claim Settlement Committee.*- The committee shall devise the claims settling policy of the company. It shall oversee the claims position of the insurer and ensure that adequate claims reserves are maintained. The committee shall determine the circumstances under which the claim disputes shall be brought to its attention and decide how to deal with such claim disputes. It shall also oversee the implementation of the measures for combating fraudulent claims cases.
- (xxxiii) *Reinsurance & Co-insurance Committee.*—The committee shall develop the policy for effecting reinsurance, not inconsistent with the relevant provisions of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), and shall ensure that adequate reinsurance arrangements are made for the business of the insurer. It shall peruse the proposed

reinsurance arrangements prior to their execution, review the arrangements from time to time and subject to the consent of the participating reinsurers, make appropriate adjustments to the arrangements in the light of the market development. It shall also assess the effectiveness of the reinsurance programme for the future reference.

(xxxiv) *Remuneration Committee*.—The committee shall be responsible to propose a remuneration approach and related policies for the insurer covering the remuneration policy, remuneration governance and structure (including approval policy for the level and composition of compensation), and the components of compensation (such as the amount of fixed remuneration, shares or options, other variable remuneration, pension rights, redundancy pay and other forms of compensation and benefits, as well as the performance criteria and their application). The committee shall also prepare remuneration reports or other required or voluntary disclosures on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year. Additionally, the committee shall also review and make recommendations to the Board of directors regarding the specific remuneration of the Board members, the CEO, the senior management and key officers and other high earners of the insurer. The remuneration committee shall also oversee the compensation of control functions such as the internal audit. However, at all times, the committee shall ensure that the remuneration approach is consistent with the performance and risk management framework of the insurer.

(xxxv) *Nominations Committee*.—The committee shall be responsible to:

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

(xxxvi) *Ethics and/or Compliance Committee*.—The committee shall be responsible for monitoring the

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

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

Each committee shall consist of at least three members including one director. The committee shall meet at least once in every quarter. The proceedings of the meetings shall be recorded and be kept at the company's head office. Each Committee of an insurer shall appoint a secretary of the Committee. The secretary shall circulate minutes of meetings of the relevant Committee to all members, directors and the CFO within a fortnight.

Investment Committee

(xxxviii) Insurer shall constitute an investment committee, which shall consist of a minimum of two non-executive directors of the insurer, the CEO, the CFO and wherever an appointed actuary is employed, the Appointed Actuary. The decisions taken by the committee shall be recorded and be provided to the Securities and Exchange Commission of Pakistan within thirty (30) days from the date at which the decisions are taken by the committee.

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

- a. *Allowable exposure to various asset classes*: The proportion of investments to be held in various asset classes (asset classes, for this purpose, being listed equities, unlisted equities, government securities, term finance certificates, mutual funds, real estate, short-term deposits, sukuk and other instruments of redeemable capital);
- b. *Allowable exposure in single entity*: The maximum proportion of fund which may be invested in each entity;
- c. *Minimum rating / other investable criterion*: The investment policy should state the minimum rating requirement for rated instruments as well as other criterion for non-rated instrument.
- d. *Ineligible asset classes / securities*: The investment policy shall explicitly mention broad ineligibility asset classes and securities;

- e. *Monitoring frequency:* The investment policy shall state the frequency of performance measurement, monitoring the asset mix and mechanism used for portfolio balancing;
 - f. *Allowable exposure in related parties:* The investment policy shall explicitly state the maximum allowable investment limit in related parties such as associated companies, subsidiary companies etc.
- (xl) The investment policy drawn up by the investment committee shall be placed before the Board of directors of the insurer for approval. The Board shall approve the investment policy in the light of the risk management policy adopted by the insurer.
 - (xli) The approved investment policy shall be communicated to the Securities and Exchange Commission of Pakistan at the time at which the financial statement and regulatory returns as required under subsection (1) of section 46 and subsection (1) of section 51 are filed with it. While framing such policy, the Board shall ensure compliance with the following:
 - a. Issues relating to liquidity, prudential norms, exposure limits, stop loss limits including securities trading, management of all investment risks, management of assets liabilities scope of internal or external audit of investments and investment statistics, and all other internal controls of investment operations, the provisions of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder;
 - b. Ensuring an adequate return on policyholders (in case of life insurer underwriting respective policies) and shareholders' funds consistent with the protection, safety and liquidity of such fund(s);
 - c. The funds of the insurer shall be invested and continued to be invested in equity shares, equity related instruments and debt instruments such that the funds so invested are fully admissible in the light of the solvency regime as laid down in the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder;
 - (xlii) The investment policy as approved by the Board shall be implemented by the investment committee, which shall keep the Board informed on a quarterly basis about its activities and funds(s) performance.
 - (xliii) The Board shall review its investment policy and its implementation on an half-yearly basis or at such short intervals as it may decide and make such modifications to investment policy as is necessary to bring it in line with the solvency regime as laid down in the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder, while keeping the interests of the policyholders in view. However, any changes made to the investment policy shall be communicated to the Securities and Exchange Commission of Pakistan within a period of thirty (30) days from the date at which changes are made to the said policy.
 - (xliv) The insurer shall report to the Securities and Exchange Commission of Pakistan forthwith, the effect or the probable effect of any event coming to his knowledge, which could have material adverse impact on the investment portfolio with regard to the solvency position of the insurer and consequently on the security of policyholders benefits or expectations.
 - (xlv) The details of the investment policy or its review as periodically decided by the Board shall be made available to the internal and external auditor. The external auditor shall comment on such review and its impact on the investment operations, systems and processes in their report to be

placed before the Audit Committee.

- (xlvii) In order to ensure proper internal control of investment functions and operations, the insurer shall clearly segregate the functions and operations of front, mid and back office.

Audit Committee

- (xlviii) *Composition.*—The Board of Directors of the insurer shall establish an Audit Committee, which shall comprise not less than three members, including the chairman. Majority of the members of the Committee shall be from amongst the non-executive directors of the insurer and the chairman of the Audit Committee shall preferably be a non-executive director. The names of members of the Audit Committee shall be disclosed in each annual report of the insurer.

- (xlix) *Frequency of Meetings.*—The Audit Committee of the insurer shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the insurer by its Board of Directors and before and after completion of external audit. A Meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.

- (l) *Attendance at Meetings.*—The CFO, the Head of Internal Audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed:

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

Provided further that at least once a year, the Audit Committee shall meet the Head of Internal Audit and other members of the internal audit function without the CFO and the external auditors being present.

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

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

- (a) determination of appropriate measures to safeguard the insurer's assets ;
- (b) review of preliminary announcements of results prior to publication;
- (c) review of quarterly, half-yearly and annual financial statements of the insurer, prior to their approval by the Board of Directors, focusing on :
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices;

- compliance with applicable accounting standards; and
 - compliance with statutory and regulatory requirements.
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
 - (e) review of management letter issued by external auditors and management's response thereto;
 - (f) ensuring coordination between the internal and external auditors of the insurer;
 - (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the insurer;
 - (h) consideration of major findings of internal investigations and management's response thereto;
 - (i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
 - (j) review of the insurer's statement on internal control systems prior to endorsement by the Board of Directors;
 - (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
 - (l) determination of compliance with relevant statutory requirements;
 - (m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and
 - (n) consideration of any other issue or matter as may be assigned by the Board of Directors.

Reporting Procedure

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

Internal Audit

- (lii) There shall be an internal audit function in the insurer. The Head of Internal Audit shall have access to the chair of the Audit Committee.
- (liii) The insurer shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors.

External Auditors

- (liv) The insurer shall not appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan.
- (lv) The insurer shall not appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.
- (lvi) The Board of Directors of the insurer shall recommend appointment of external auditors for a year, as suggested by the Audit Committee. The recommendations of the Audit Committee for appointment of retiring auditors or otherwise shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the elapse of three consecutive financial years, the reasons for- the same shall be included in the Directors' Report.
- (lvii) The insurer shall not appoint its auditors to provide services in addition to audit and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the insurer.
- (lviii) The insurer shall change its external auditors every five years. If for any reason this is impractical, an insurer may at a minimum, rotate the partner in charge of its audit engagement after obtaining the consent of the Securities and Exchange Commission of Pakistan.
- (lix) The insurer shall not appoint a person as the CEO, the CFO, an internal auditor or a director of the insurer who was a partner of the firm of its external auditors (or an employee involved in the audit of the insurer) at any time during the two years preceding such appointment or is a close relative; i.e. spouse, parents, dependents and non-dependent children, of such partner (or employee).
- (lx) External auditors shall have the same powers and duties as laid down under section 255 of the Companies Ordinance, 1984 (Ordinance No. XLVII of 1984).
- (lxi) The insurer shall require external auditors to furnish a Management Letter to its Board of Directors not later than 45 days from the date of audit report.
- (lxii) The insurer shall require a partner of the firm of its external auditors to attend the Annual General Meeting at which audited accounts are placed for consideration and approval of shareholders.

Risk Management System

- (lxiii) The Board of the insurer shall be responsible for ensuring that the risk management system is suitable, effective and proportionate for the business of that insurer and that it is implemented and monitored. This includes a regular review of the strategies and policies with regard to risk management. The risk management policy shall outline the way in which the insurer manages relevant categories of risk, both strategically and operationally, and includes the objectives, key principles and assignment of responsibilities across all of the activities of an insurer. The risk management system shall address all reasonably foreseeable and relevant risks included in the calculation of any capital requirement(s) as well as the risks which are not, or not fully, included in that calculation. The system shall cover all relevant categories of risks – including as a minimum underwriting and provisioning risk, market risk, credit risk, operational risk and liquidity risk. In

addition, the risk management system shall at least cover the following:

- a. complex instruments, in particular derivatives and similar commitments;
- b. reinsurance and other risk mitigation techniques;
- c. business and reputation risk;
- d. group contagion risk (if relevant); and
- e. legal and strategic risk.

Risk Management Function / Department

(lxiv) The insurer shall establish a dedicated risk management function / department, which shall implement the relevant Board's strategies and policies. The function / department shall assess, quantify, monitor and control the nature, significance and interdependencies of the risks (at individual level as well as at aggregate level) to which the insurer is or may be exposed and shall also manage them accordingly. The Board, through its Risk Management Committee, shall ensure that the insurer's risk management system is well integrated into their organizational structure, decision making processes and corporate culture and that there is a clear link to other functions / departments of the insurer.

(lxv) The tasks of the risk management function / department shall include:

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

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

Actuary

- (lxvii) The Board of Directors of the insurer shall ensure that an appointed actuary must not be:
- (a) A person who is, or at any time during the preceding three years was a director, other officer or employee of the company.
 - (b) A person who is a partner of, or in the employment of a director, officer or employee of the company;
 - (c) The spouse of the director of the company;
 - (d) The person who is indebted to the company.

Grievance Department

- (lxviii) The insurer shall establish a dedicated grievance department which shall be responsible for resolving complaints and grievances of the policyholders and prospective policyholders. All complaints / grievances received by the insurer, either in writing or through the call center of that insurer, shall have to be resolved within a period of not later than thirty (30) days. However, in case of non-resolution of a complaint / grievance of the policyholder or prospective policyholder, such complaint / grievance shall be reported to the Securities and Exchange Commission of Pakistan, in writing, within a period of not later than ten (10) days from the expiry of the period allowed for resolution of that complaint / grievance, along with the reason(s) for non-resolution.

- (lxix) Claim Settlement Committee shall oversee the activities of the grievance department of an insurer.

Compliance with the Code of Corporate Governance

- (lxx) The insurer shall make out and circulate a statement along with their annual reports to set out the status of their compliance with the best practices of corporate governance as per the format given in the Annexure I.
- (lxxi) The insurer shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors, where such compliance can be objectively verified, before publication by insurer.

Annual Statement of Compliance with section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000)

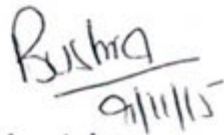
- (lxxii) Along with the financial statements and regulatory returns as required under subsection (1) of section 46 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), insurer shall file with the Securities and Exchange Commission of Pakistan, an annual certificate of compliance duly signed by the CEO (by whatever name called) and two directors, confirming the status of compliance with the provisions of section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) during the year, as per the format given in the Annexure II.

- (lxxiii) The content of the said annual certificate of compliance should be reviewed and certified by the statutory auditor of the insurer, and the review report should also be filed along with the said certificate.
- (lxxiv) In case during the period referred to in the certificate, an insurer has not been in compliance with any of the requirements of section 11 and / or section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), the same should be disclosed in the declaration and the reasons for non-compliance thereof should also be provided by the insurer as note to the said certificate.

Relaxation from the Requirement of the Code

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

No.ID/PRDD/CCG/IOM/2015/3


Bushra Aslam
Secretary to the Commission

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR INSURERS, 2015**

Name of Company

Year Ended

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

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

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

Category	Names
Independent Directors	
Executive Directors	
Non-Executive Directors	

All independent directors (if any) meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2015.

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

8. The meetings of the Board were presided over the Chairman and, in absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the company. The company include all the necessary aspects of internal controls given in the code.
10. The Board arranged..... Orientation course(s) / training programs for its directors during the year to apprise them of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
12. The directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2015 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The directors, CEO and executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2015.
16. The Board has formed the following Committees:

Underwriting Committee:

Name of the Member	Category

Claims Settlement Committee:

Name of the Member	Category

Reinsurance & Coinsurance Committee:

Name of the Member	Category

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Remuneration Committee:

Name of the Member	Category

Nominations Committee:

Name of the Member	Category

Ethics and/or Compliance Committee:

Name of the Member	Category

Risk Management Committee:

Name of the Member	Category

Investment Committee:

Name of the Member	Category

17. The Board has formed an audit committee. It comprises members, of whom are non-executive directors including the chairman of the committee. The composition of the audit committee is as follows:

Audit Committee:

Name of the Member	Category

18. The meetings of the committees were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for Insurers, 2015. The terms of references of the audit committee have been formed and advised to the audit committee for compliance.
19. The Board has set up an effective internal audit function / or has outsourced the internal audit function to who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they (or their representatives) are involved in the internal audit function on a full time basis.
20. The CEO, CFO, Compliance Officer, Company Secretary and the Head of Internal Audit possess such qualification and experience as required under the Code of Corporate Governance for Insurers, 2015. The Appointed Actuary of the Company (if any) also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000);

Name of the Person	Designation	Qualification	Experience (with details)
	Chief Executive Officer		
	Chief Financial Officer		
	Compliance Officer		
	Actuary		
	Company Secretary		
	Head of Internal Audit		
	Head of Underwriting		
	Head of Claims		
	Head of Reinsurance		
	Head of Risk Management		
	Head of Grievance Dept.		

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

21. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

22. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold shares of the Company.
24. The Board ensures that the appointed actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2015.
25. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2015.
26. The Board ensures that the risk management system of the Company is in place as per the requirements of the Code of Corporate Governance for Insurers, 2015.
27. The Company has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2015.
28. The Board ensures that as part of the risk management system, the Company gets itself rated from (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency(date) is(rating) with outlook.
29. The Board has set up a grievance department, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2015.
30. The Company has obtained exemptions from the Securities and Exchange Commission of Pakistan in respect of the following requirements of the Code of Corporate Governance for Insurers, 2015:
 - *Details of all the requirements which the Company has obtained including the date at which such exemption(s) was/were obtained and till the date such exemption(s) shall remain valid.*
31. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2015 have been complied with except for the following, towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Note. __ Any exception to the above should be adequately noted with reasons.

*Name and Signature of the
 Chairman of the Board
 or Chief Executive*
 CNIC / Passport # _____
 Date: _____

ANNUAL CERTIFICATE OF COMPLIANCE
WITH SECTION 11 AND SECTION 12 OF THE INSURANCE ORDINANCE, 2000

This is to certify that _____ [Name of Insurer] _____, bearing insurance registration no. _____ dated _____ has at all times complied with the following provisions of the Insurance Ordinance, 2000 (XXXIX of 2000) during the period **January 01, 2xxx** till **December 31, 2xxx**:

- (a) the provisions of the Ordinance relating to minimum paid-up share capital requirements;
- (b) the provisions of the Ordinance relating to minimum statutory deposits;
- (c) the provisions of the Ordinance relating to minimum solvency requirements;
- (d) the provisions of the Ordinance relating to the obtaining of reinsurance arrangements;

It is further certified that _____ [Name of Insurer] _____:

- (a) is, and is likely to continue to be, able to meet its liabilities;
- (b) meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;
- (c) has appointed an auditor from the panel of approved auditors formed by the Commission;
- (d) is, and is likely to continue to be, able to comply with such other of the provisions of this Ordinance as are applicable to it;
- (e) undertakes to abide by the decisions of the small disputes resolution committee(s) constituted under section 117 of the Ordinance;
- (f) has paid to the Commission, the amount of annual supervision as applicable on it;
- (g) carries its business with integrity, due care and the professional skills appropriate to the nature and scale of its activities;
- (h) has chief executive officer, directors and officers; who are fit and proper person to hold the positions that they hold such that:
 - (i) they possesses experience and qualification as are appropriate for the duties for which they are responsible, and they conduct those duties with due diligence and skill;
 - (ii) their association with the insurer is not and is not likely to be detrimental to the interest of the insurer or of its policy holders;

- (i) is directed and managed by sufficient number of persons who are fit and proper persons to hold the positions which they hold;
- (j) maintains adequate accounting and other records of its business such that;
 - (i) it enables its business of the insurer to be prudently managed; and
 - (ii) it enables the insurer to comply with the obligations imposed on it by or under this Ordinance.
- (k) maintains adequate systems of control of its business and records as the persons who are responsible for the direction and management of the insurer hold responsibilities for those systems;
- (l) is conducting its business in a sound and prudent manner giving due regards to the interests of policy holders and potential policy holders;
- (m) is conducting its business in a sound and prudent manner by:
 - (i) satisfying obligations to which it is subject by virtue of the Ordinance; and
 - (ii) supervising the activities of its subsidiary with due care and diligence and without detriment to its own business.
- (n) has not appointed a managing agent for the conduct of its business.

Dated:

We hereby undertake that the annual certificate of compliance filled in above, is true to the best of our knowledge, information and belief and nothing has been concealed or misstated therein.

Chief Executive Officer

Director

Director