

PRESS RELEASE

Chairman SEC Meets Representatives of Insurance Companies

ISLAMABAD – 19 January 2004: Chairman Securities and Exchange Commission of Pakistan (SEC), Dr. Tariq Hassan, has advised insurance companies with a paid up capital less than the required minimum level to step up their efforts in order to meet the threshold by 31 December 2004.

Dr. Hassan said this during his meeting with the representatives of private sector life and non-life insurance companies to discuss the issues being faced by the industry. This meeting was in continuation of his earlier meeting with the leading insurance companies on 12 December 2003. Participants of the meeting included CEOs and representatives of life and non-life insurance companies, including Agro General, Allianz EFU Health, Alpha, Central, Crescent Star, Jupiter, Progressive, Seafield, Union, ACE, Metropolitan Life and American Life.

In order to comply with the paid up capital requirement, Dr. Hassan encouraged companies to submit their action plans, including proposals for merger, wherever possible, as to how these companies were planning to raise their capital base to the required minimum level. At the same time, he also reminded/reiterated that no relaxation would be given in this regard since there was no such provision under the Insurance Law.

Emphasizing the importance of having sound reinsurance arrangements with "A" rated international reinsurers, Chairman SEC was of the view that companies should not only streamline their underwriting procedures but also form partnerships with reinsurance companies with good international rating, in order to increase their capacity to underwrite and also to bring international experience along with technical expertise.

Another issue discussed during the course of the meeting was non-implementation of the (uniform minimum) tariff, already agreed by all the companies and notified by the Insurance Association of Pakistan. The companies were of the view that since the large companies quote lower rates based on their experience and larger capital base, smaller insurance companies were unable to participate in the insurance of major projects. Moreover, with small portfolio of business, they were unable to obtain reinsurance treaties from good international reinsurers.

The meeting also discussed wide-ranging issues including insistence of banks to allocate limits on deposits from insurance companies. Certain issues relating to taxation of the income of the insurance companies, including capital gains tax were also raised in this meeting. The participants were told that these issues had already under consideration of the SEC and the proposal formulated in consultation with the industry had been sent to the Central Board of Revenue and was being considered by the tax authorities.