

Press Release

SECP Agrees to Raise Minimum Paid-up Capital Requirement for Insurance Companies Phase-wise

Islamabad – August 7, 2006: The Securities and Exchange Commission of Pakistan (SECP)'s pursuance for development of the insurance industry yielded a roadmap drawn by the Insurance Association of Pakistan (IAP). As a follow-on to this, in a meeting this afternoon, Chairman, SECP Mr. Razi-ur-Rahman Khan with the consensus of the IAP, subject to approval by the federal government, has agreed for phase-wise raising of the minimum paid-up capital requirement from Rs.80m to Rs.300m for non-life insurance companies (2007: Rs.120m, 2008: Rs.160m, 2009: Rs.200m, 2010: Rs.250m and 2011: Rs.300m) and in case of life insurance companies from Rs.150m to Rs.500m (2007: Rs.350m, 2008: Rs.400m, 2009: Rs.450m and 2010: Rs.500m)

Appreciating adoption of Code of Conduct by the IAP for its members, as a self-regulatory measure, Chairman, SECP emphasized on its strict adherence by the insurance companies thereby safeguarding policyholders' interests.

In response to the public demand for Sharia compliant insurance products, Chairman, SECP, in principal, supported "window operation" for transacting Takaful business by the existing conventional insurers. In this regard, IAP agreed to submit a detailed regulatory mechanism for SECP's consideration and approval.

Recognizing volatility in the equity market, Chairman, SECP desired limitation as to the mode of investment for which SECP in a couple of weeks will be issuing the policy guidelines for compliance by the insurance industry.

Whilst reiterating his position regarding compliance of Code of Corporate Governance by insurance companies, the Chairman, SECP asked the companies to ensure that all the operating companies get themselves rated by 30 June 2007.

In order to help the farmers' community in the country, Chairman, SECP stressed the need for a Crop Insurance scheme, and in this connection he advised the IAP to present a Working Paper so that the SECP may extend needed support in implementation of the same.

Presently, only 9 percent of the six millions registered vehicles have valid third party insurance covers, thus providing tremendous opportunity for the insurance industry to serve the affected citizens who become victims of road accidents. In this respect, Chairman, SECP promised his full support for implementation of an effective third party insurance scheme developed by the IAP.