

Press Release
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For immediate release

SECP asks government to implement group insurance

ISLAMABAD, September 7: The SECP has sent its recommendations to the Ministry of Finance to get compulsory group insurance coverage implemented. In this regard, the SECP has written to the federal government to get the relevant federal and provincial labour laws amended.

The provision of compulsory group insurance had been made mandatory for employers in respect of their permanent workmen provided that the minimum number of employees in an industrial establishment is 50 and that of in a commercial establishment is 20 through the 1968 Industrial and Commercial Employment (Standing Order) Ordinance.

The minimum sum cover for which each workman is to be insured is specified in Schedule IV to the 1923 Workmen Compensation Act as adopted by the provinces. The SECP has determined that despite the fact that group insurance is legally mandatory; a significant part of the labour force remains uninsured because their employers do not procure group life insurance. As a result, the families of such uninsured employees remain financially vulnerable in case of death or disability of the breadwinner.

The SECP has pointed out that the minimum sum cover was last notified by the federal government in 2001 through the 2001 Labour Laws (Amendment) Ordinance, according to which the amount stands at Rs200,000. The minimum sum cover amount needs to be substantially raised. It is also been pointed out that the 1968 ordinance becomes applicable where the minimum number of employees in an industrial establishment is 50 and in a commercial establishment is 20.

Furthermore, the provision of group insurance is required for only 'permanent' employees. The contract and temporary workers have been excluded from the scope of the compulsory group life insurance. It has also been found out that the Section 10-B(4) of the 1968 ordinance makes the overall implementation of Section 10-B(1), (2) and (3) ineffective by requiring the employer to pay the prescribed benefits against death and injury to the heir of the workman if insurance has

not been procured by the employer. The penalty for non-compliance with the provisions of the 1968 ordinance is negligible, which has also lost value with the passage of time.

In order to address the above concerns, the SECP has recommended certain legal amendments to the federal and provincial labour laws. The recommendations seek to enhance the scope of coverage of group insurance, dynamize the minimum sum cover by linking it with a multiple of minimum wage, widen the applicability of compulsory group insurance and impose significant penalties for non-compliance. The implementation of this scheme is also in line with the objectives of the National Financial Inclusion Strategy recently launched by the federal government under, which the government has committed to providing access to broad-based financial services, including insurance to those consumers which are currently excluded from the financial sector.