



## ***PRESS RELEASE***

### **FOR IMMEDIATE RELEASE**

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## **SECP directs life insurers to enter into CISSII participation agreement before May 1**

KARACHI, March 15: The Securities and Exchange Commission of Pakistan (SECP)—as part of its ongoing insurance reforms—has issued a regulatory directive through S.R.O. No. 162(I)/2014 to instruct the life insurance companies and family takaful operators to participate in the Centralized Information Sharing Solution for Life Insurance Industry (CISSII) before May 1.

The directive is aimed at promoting a formal information sharing mechanism by making membership mandatory for life insurance companies and family takaful operators. Earlier, on May 10, 2012, the SECP had constituted the Insurance Industry Reforms Committee (IIRC) to develop a comprehensive roadmap for promoting a financially sound and technologically efficient insurance industry in Pakistan. The SECP made the IIRC Report 2014 public on February 27, 2014.

The committee had been divided into 5 subcommittees addressing different functional areas. It was pointed out at the operational challenges subcommittee forum that there was a lack of coordination between insurance companies regarding sharing of some critical information, such as acceptance of claim, postponed or declined life risks, malpractices by agents etc. due to absence of a formal information sharing mechanism.

The committee highlighted that such a mechanism can be arranged either at the SECP's level or as an independent body, which has the capacity and technological infrastructure to manage a large data warehouse and support the efficient dissemination of that data. One such organization highlighted was the Central Depository Company (CDC), which has proven expertise in this area. The committee agreed that the solution proposed by the CDC was beneficial to the life insurance industry and that a modular approach should be adopted in areas such as claim register, agency and s-reference register, underwriting information etc., where immediate development could start.

Subsequently, an MoU was signed by all life insurers, including family takaful operators, and the CDC on March 21, 2013, agreeing that CISSII should be developed, as it would be an important mechanism for the life insurance industry in promoting greater efficiency and transparency. Under the MoU, the life insurance and family takaful companies consented to enter into an agreement with the CDC to subscribe to the CISSII to be developed and maintained by the CDC.

The CISSII is an information technology based formal mechanism through which insurers can share specified critical information on real time basis. The CISSII has four components namely—a centralized agents' register including s-register, centralized register for postponed and declined life risks, centralized claim register and centralized group life claim experience register.

Centralized agent register including s-reference register shall contain the agreed information in respect of all codified agents of the insurer. The s-component shall contain codified adverse information relating to the misconduct of agents. The centralized register for postponed and declined life risks shall contain the name and CNIC of the potential customer, proposal date, codified medical and non-medical information, source of medical information and effective date of underwriting decision etc. The centralized claim register shall contain the necessary information in respect of all early individual life claims incurred during the first 3 policy years and having a gross claim liability exceeding Rs.1,000,000. The centralized group life claim experience register shall contain claim loss ratio in respect of certain policies based on defined criteria.

The CISSII is aimed at enhancing the policyholders' protection and sound development of the life insurance industry through promotion of a formal information sharing mechanism among the life insurer to reduce systematic risk in life insurance industry.