



PRESS RELEASE

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SECP facilitates CISSII agreement between life insurance companies and CDC

KARACHI, April 29: The SECP—as a part of its ongoing insurance reforms—has facilitated a landmark agreement between life insurance (family takaful) companies and the Central Depository Company of Pakistan Limited (CDC) for the launching of a centralized information sharing solution for the life insurance industry (CISSII).

The CISSII participation agreement was signed between the CDC and EFU Life Assurance, Jubilee Life Insurance Company, MetLife Alico Pakistan, Adamjee Life Insurance Company, East West Life Insurance Company, Pak-Qatar Family Takaful and Dawood Family Takaful Ltd. The State Life Insurance Corporation will sign once its chairman is appointed by the federal government.

The ceremony was held at a hotel in Karachi. Mr. Mohammad Asif Arif, Commissioner Insurance Division, SECP, Muhammad Hanif Jakhura, CEO, CDC, and CEOs and other senior officers of life insurance and family takaful operators attended the ceremony.

On March 12, 2014, the SECP had issued a regulatory directive requiring all life insurance companies and family takaful operators to join the CISSII by April 30. The objective of the directive was to promote 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 critical information, such as acceptance of the claim, postponed or declined life risks, malpractices by agents etc. due to the absence of a formal information sharing mechanism.

The committee highlighted that such a mechanism can be arranged either at the SECP level or at an independent body, which has the capacity and technological wherewithal 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 members of the subcommittee asked the CDC to present a business case. All the participants agreed that the solution proposed by the CDC was beneficial to the life insurance industry and these companies would be part of any such initiative.

Subsequently, an MoU was signed by all life insurers, including family Takaful operators and the CDC on March 21, 2013, whereby the parties agreed that the CISSII should be developed, as it would be an important mechanism for greater efficiency and transparency in the life insurance industry. The MoU also urged the life insurance/family takaful companies to enter into an agreement with the CDC and to subscribe to the CISSII to be developed and maintained by the CDC.

The CISSII is an IT-based formal mechanism through which insurers can share specified critical information on a real time basis. The CISSII has four components, i.e.—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.

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