



## Press Release

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*For immediate release*

### **SECP issues Unit Linked Products and Funds Rules for insurance sector**

ISLAMABAD: April 29: The Securities and Exchange Commission of Pakistan (SECP) has issued the Unit Linked Products and Funds Rules, 2015, through S.R.O 343(I)/2015. The new rules have addressed the investment governance process of the unit-linked funds, net asset valuation methodology and the disclosure of investment risk to the insurance policyholders. Additionally, certain features of unit-linked life insurance products have also been addressed such as premium indexation, minimum financial protection and minimum policy term.

The life insurance business underwritten in unit-linked form has increased considerably over the past few years reflecting overall increase in private life insurer's market share. A need had been felt to introduce comprehensive regulations/rules for unit-linked business to ensure the protection of policyholders' interests as well as strengthening insurers' internal controls over investment policy and processes. The growing popularity of unit-linked products is due to the flexibility that insurers have in the product design and relatively lower level of investment guarantees. This flexibility in the product design and low investment guarantees necessitated comprehensive regulatory framework.

The new rules require that the investment governance process must be well structured and documented. Under new rules the asset as well as liability characteristics of the insurance portfolio have to be considered. They also make the inclusion of the internal or the appointed actuary in the investment committee mandatory.

The investment policy shall explicitly mention the maximum allowable exposure to various asset classes, allowable exposure in a single entity, minimum rating or other investable criteria, ineligible asset classes, allowable exposure in related parties and investment performance monitoring frequency. The new rules also mention the manner of custody of assets to ensure segregation of policyholders' funds and shareholders' fund.

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A statement of investment performance measurement has also been required. The rules also state that the quarterly statement of the unit account has to be sent to policyholders to improve the communication of insurance policy benefits to the customers. It is expected that the new rules will ensure the protection of policyholders' interests and a reduction in the overall systematic risk in the insurance sector.