



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

PRESS RELEASE

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SECP launches new takaful rules

KARACHI, July 13: Takaful, the Islamic alternative of insurance, is a scheme based on the principles of mutual assistance in compliance with the provisions of Islamic shariah, and which provides for mutual financial aid and assistance to the participants in case of occurrence of certain contingencies and whereby the participants mutually agree to contribute to the common fund for that purpose. The existing Takaful Rules were issued in year 2005. During the course of business activity and implementation of these Rules, a number of practical issues were highlighted by the stakeholders.

To address these concerns, the Securities and Exchange Commission of Pakistan (SECP) constituted a Committee in year 2007 with a mandate to review the existing Takaful Rules and recommend the possible enhancements. The Committee laid a special focus on the areas including the coherence with accounting provisions of the SEC (Insurance) Rules 2002, guidelines for allowing conventional insurance companies to do Takaful business through specialized “window” operations, prescribing of percentages in respect of various modes of the Shariah compliant investments for the purpose of determining solvency, among others.

The Committee after detailed deliberations finalized and submitted its recommendations based on which the new Takaful Rules have been drafted. The SECP reviewed the draft rules and after seeking expert opinion of Shariah scholars and legal experts, the draft new Takaful Rules have been approved by the SEC Policy Board. The launching ceremony of new rules took place at a local hotel in Karachi today where Chairman SECP, Muhammad Ali officially announced the promulgation of the new Takaful Rules, 2012. These rules will also be available on the official website of SECP.

The Chairman further said that SECP is committed to partner with key stakeholders for the development of Takaful, to extend the insurance services and awareness to people around Pakistan. The SECP’s unconditional support to such initiatives is another example of this strong commitment and represents the path of progress SECP want to take together over the upcoming times.

While speaking at the occasion, Commissioner (Insurance), Mohammed Asif Arif said that at present three General Takaful (non-life insurance) and two Family Takaful (life insurance) companies are operating in Pakistan but it is expected that after the promulgation of new Takaful Rules, the number of Takaful service providers in Pakistan will increase substantially as the conventional insurance companies will also be allowed then to offer the Takaful products. Pakistan is the second country in the world, after Indonesia, which has allowed such window Takaful operations. It has been seen from the empirical experience that since existing conventional companies have edge in terms of better reinsurance & retakaful accessibility with years of expertise, along with the customers having brand loyalty, such companies may serve the larger portion of the market with their larger sales force and vast branch network. ■