



# Securities and Exchange Commission of Pakistan

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## ***PRESS RELEASE***

***FOR IMMEDIATE RELEASE***

### **SECP ELIMINATES BOGUS MOTOR THIRD PARTY INSURANCE CERTIFICATES**

**ISLAMABAD, THURSDAY, FEBRUARY 14, 2008:** Further to the Prime Minister, Mr Mohammad Mian Soomro's directive that third party insurance coverage should be effective and as per law, an inter-ministerial meeting to discuss the proposal of Securities and Exchange Commission of Pakistan (SECP), for eliminating issuance of bogus motor third party compulsory insurance certificates by unauthorized persons/entities was held on 12 February 2008 under the chairmanship of Federal Minister for Finance, Dr. Salman Ali Shah.

Mr. Razi-ur-Rahman Khan, Chairman SECP briefed the meeting of the pros and cons of the SECP proposal to eliminate issuance of bogus third party insurance certificates. The proposal developed by SECP, in consultation with the Insurance Association of Pakistan (IAP) recommends for an efficient and effective process to ensure that only authorised insurance companies issue third party insurance certificates and that bogus certificates issued by bogus companies are not entertained. The meeting agreed to SECP's proposal and gave a go ahead for its implementation. Subsequent to this, Mr Razi-Ur-Rahman Khan, Chairman, SECP held a meeting with IAP today to review the proposal and finalise the implementation details.

Highlights of the approved SECP proposal and its implementation details are as follows:

- Excise & Taxation Department will ensure that all third party insurance certificates submitted at the time of payment of motor vehicle tax are issued by registered insurance/takaful companies. Interior Ministry has agreed to ensure strict compliance.
- IAP has agreed to issue third party insurance certificates which provide for admission of liability "on a no fault basis". Compensation

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made under this policy document will be as per the schedule of benefits of Workmen's Compensation Act 1923 (prevalent capital benefits are Rs.200,000 per life), subject to an overall aggregate limit any one accident of Rs.10m and compensation shall be payable to the third party without going to courts.

- SECP shall provide a list of registered insurance companies who are authorized to issue the certificates. Excise & Taxation Department shall only accept certificates issued by these entities.
- IAP has drawn up a scale of charges which would be followed by insurance/takaful companies.

To ensure that motor certificate issued by authorized insurers/takaful operators only are accepted by the concerned "Excise & Taxation" offices and for the success of the scheme, it was agreed that a close liaison be maintained by SECP and IAP with the relevant senior officials of the respective provinces and for this purpose SECP has had senior level meetings in Sindh and Punjab provincial ministries.

In order to ensure that motor third party insurance certificates cannot be faked/forged easily, IAP will issue third party certificates on security paper with built in security features. Further in order to minimize harassment from police officials, IAP will design and introduce insurance tokens which will be displayed by the insured vehicles on their windscreens. Also, IAP agreed to setup a website for maintaining database for valid motor third party insurance covers issued by their member companies. This website will assist the "Excise & Taxation" and other law enforcing agencies to determine genuineness of the insurance certificate being presented to them.

Under this scheme about 7m vehicles plying on the road (including more than 50 percent motorcycles) will have proper motor third party insurance cover, as against mere 10 percent vehicles having insurance cover from authorized insurance/takaful companies.

31 March 2008 has been agreed as date for launching the proposed scheme and a massive publicity and awareness campaign will be launched by SECP and IAP, shortly.