

Jan 16, 2002

SEC directs Insurance Companies to provide evidence of compliance of section 12 of the Insurance Ordinance, 2000.

The Securities and Exchange Commission (SEC) of Pakistan has directed 25 insurance companies to provide evidence, by January 31, 2002, of sound and adequate reinsurance cover and compliance of the following criteria for prudent management in the company, as required under Section 12 of the Insurance Ordinance 2000, failing which their registration certificate might be revoked:

- a. The business of the insurer is carried on with integrity, due care, and the professional skills appropriate to the nature and scale of its activities.
- b. Each director and officer or the principal officer in Pakistan, of the insurer, is a fit and proper person to hold that position.
- c. The insurer is directed and managed by a sufficient number of persons who are fit and proper persons to hold the positions which they hold.
- d. The insurer maintains adequate accounting and other records of its business.
- e. The insurer maintains adequate systems of control of its business and records.

As part of regulatory measure and to ensure protection of interests of policy holders, the Insurance Division of the SEC had notified all the 48 companies operating in the country, in October last, of these legal requirements. A circular issued on 18th October 2001 in this regard said:

"In exercise of the powers conferred under Section 41 of the Insurance Ordinance, 2000, you are advised to furnish evidence pertaining to your reinsurance arrangements for the year 2002. For this purpose you shall furnish certified copies of all correspondence pertaining to treaties or the documentary evidence, **on or before 15th January 2002**, which establishes that your company has made adequate reinsurance arrangements in respect of the risks to be accepted by the company whether in or outside Pakistan.

It is further advised that only those reinsurance arrangements would be acceptable to the Commission which have been made with reinsurers of sound financial standing having good track record, duly rated "A" Class by reputable international rating agencies such as "Standard & Poor's", "A.M Best." etc."

No such evidence has, so far, been provided by the 25 companies who have been issued notices on January 16, 2002. The rest of the companies have submitted the required information, which is being scrutinized and evaluated