



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
*International Affairs, Communication & Coordination (IACC) Dept*

***PRESS RELEASE***

**FOR IMMEDIATE RELEASE**

ISLAMABAD –February 1, 2010: Securities and Exchange Commission of Pakistan on the basis of its assessment has observed that a large number of insurance companies are being headed by individuals who neither have any qualification nor any experience of ‘direct relevance’ to the conduct of Insurance operations, as laid down in the Insurance Ordinance 2000. Resultantly, the companies are not being managed in a sound & prudent manner. Many of them are struggling for survival. During the last 2 years, the underwriting of 24 companies has been ceased out of which 12 companies will be going through the winding up proceedings. The ‘Fit and Proper Test’ guidelines are practiced & implemented by Regulators globally, in order to promote good corporate governance and to encourage the Managing Director/ Chief Executive and the Management team to play an effective role for the capacity building of their Institution.

In Pakistan’s financial sector, the ‘Fit and Proper’ criteria have been strictly enforced by the State Bank of Pakistan in case of banks and by the SECP in case of non-banking Financial Institutions. This criterion has now also been implemented on the stock markets. The Insurance Sector is the only exception in the financial sector of Pakistan, where this criteria is not enforced.

The analysis of failed companies revealed a great spread of causes but only one common factor: the failure was caused by the decisions and strategies adopted by the top management of the companies.

It is pertinent to point out that in order to prepare the insurance sector to face the impact of globalization and shrinking margins and also to avoid mal-administration, the Insurance companies must be run by competent executives with adequate know-how of insurance business. It is likely that if the action is not taken by the Commission in this context, the Insurance Industry may also be caught unprepared like the Textile Sector. It is therefore the primary responsibility of the Commission to bring in effective legislation so that other companies do not meet the same fate. Keeping in view the importance and urgency to implement the ‘Fit and Proper Test’ on the insurance sector in line with the Insurance Ordinance 2000, the Commission commenced its discussions with the Insurance Association of Pakistan. This was done with the spirit of devising objective criteria by taking the views of the stakeholders.

Unfortunately, printing misleading news in the news papers before these discussions have reached their conclusion is viewed by the Commission as highly unprofessional and premature. Politicizing the positive efforts of the Commission to bring the insurance industry on a par with the international best practices will be counter productive for the already struggling insurance industry. This will also disrupt the congenial environment created by the Commission and lead to an atmosphere of mistrust which will not be in the best interest of the insurance industry.

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