



## **PRESS RELEASE**

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### **SECP to introduce Risk Based Capital Regime for Insurance Sector**

ISLAMABAD, April 27: The Securities and Exchange Commission of Pakistan (SECP) has decided to move towards development and implementation of Risk Based Capital regime for the insurance sector in a phased manner.

In order to introduce RBC Regime for Pakistan, the SEC has decided to form a technical working group comprising of officials of SECP's Insurance Division, the Pakistan Society of Actuaries and insurance companies, tasked with the responsibility of developing the RBC regime.

As per currently applicable regime in Pakistan, compliance based Paid-up Capital requirements and solvency requirements are levied on insurance companies. The solvency regime does take into account, to some extent, liquidity risk, credit risk, market risk, insurance risk etc. in calculation of solvency through admissibility of assets test, however, it does not quantify the levels of different risks borne by the insurers and therefore does not deliberate on the adequacy of capital keeping in view the risks undertaken.

Majority of international jurisdictions have already shifted or have commenced working to move towards RBC Regime for their insurance sector.

SECP believes that for the RBC to be implemented, the most important part would be quantification of the different risks faced by the insurance companies including their correlation/ interconnectedness in relation to the size and complexity of an insurer.

Introduction of RBC would provide true reflection of risks taken by insurance companies and would result in a more disciplined and financially resilient insurance sector in Pakistan.