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# Quarterly Insurance Journal

July, August, September 2016

## Dialogue on Microinsurance

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Commissioner Insurance (SECP)

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Program Director - GIZ


## Half Yearly Statistics 2016


## Inside:

- Retaining Customers (Insurance Industry)
- Fire Insurance Policy Clauses
- Difference between Named Peril Policy and Property all Risk Policy
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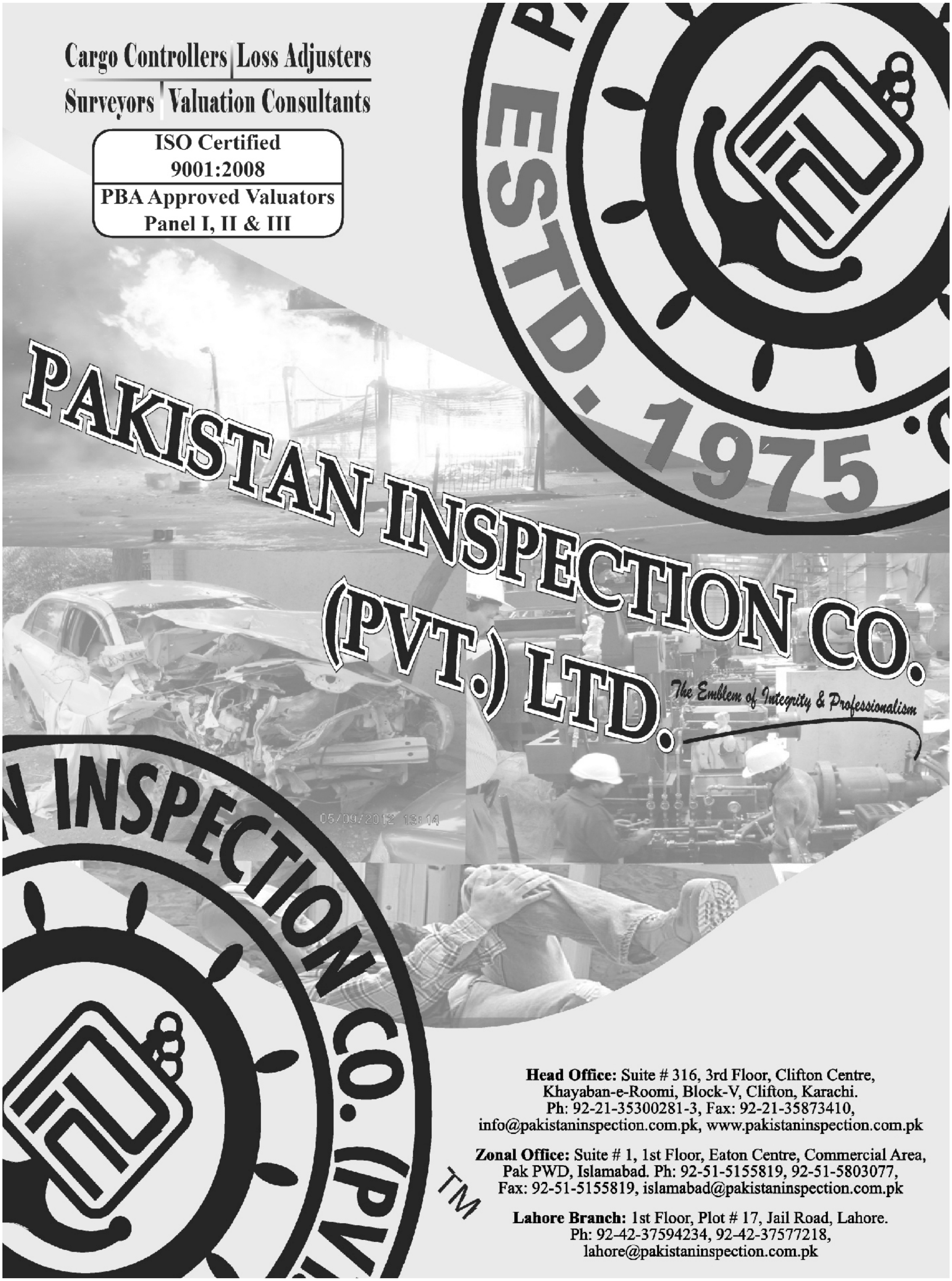
# INSURANCE SECTOR ON PAKISTAN STOCK EXCHANGE

## (Quarter: April, May, June 2016)

**Compiled By: Khurram Shahzad**

| Company | Paid up Capital (Rs. in Million) | Face Value Rs. | Higest Rate Rs. | Lowest Rate Rs. | Turnover of Shares | Announcement During the Quarter |
|---|---|---|---|---|---|---|
| Adamjee Insurance Company Limited | 3,500 | 10.00 | 57.50 | 46.70 | 57,897,000 | |
| Asia Insurance Company Limited | 360 | 10.00 | 21.50 | 21.50 | 2,000 | Bonus Issue = 20% |
| Askari General Insurance Company Limited | 544 | 10.00 | 36.54 | 20.25 | 7,464,000 | |
| Atlas Insurance Limited | 702 | 10.00 | 71.55 | 60.00 | 817,500 | |
| Beema-Pakistan Company Limited | 417 | 10.00 | - | - | - | |
| Business & Industrial Insurance Company Ltd. | 86 | 10.00 | - | - | - | |
| Century Insurance Company Limited | 457 | 10.00 | 34.70 | 21.77 | 1,760,000 | |
| Crescent Star Insurance Limited | 827 | 10.00 | 13.70 | 9.60 | 38,498,500 | |
| Cyan Limited | 586 | 10.00 | 74.10 | 62.50 | 1,403,500 | |
| East West Insurance Company Limited | 452 | 10.00 | - | - | - | |
| East West Life Assurance Company Limited | 594 | 10.00 | 22.99 | 12.79 | 1,162,000 | |
| EFU General Insurance Limited | 2,000 | 10.00 | 133.50 | 117.00 | 4,101,600 | Dividend = 10% |
| EFU Life Assurance Limited | 1,000 | 10.00 | 252.00 | 195.25 | 260,800 | Dividend = 10% |
| Habib Insurance Company Limited | 619 | 5.00 | 20.25 | 15.56 | 1,446,500 | |
| Hallmark Insurance Company Limited | 5 | 10.00 | - | - | - | |
| IGI Insurance Limited | 1,227 | 10.00 | 234.01 | 184.52 | 4,520,500 | |
| IGI Life Insurance Limited | 550 | 10.00 | 104.85 | 61.20 | 686,800 | Bonus Issue = 10% |
| Jubilee General Insurance Company Limited | 1,569 | 10.00 | 120.00 | 100.00 | 140,500 | |
| Jubilee Life Insurance Company Limited | 721 | 10.00 | 529.49 | 497.00 | 537,650 | |
| Pakistan Guarantee Insurance Company Ltd. | 25 | 10.00 | - | - | - | |
| Pakistan Reinsurance Company Limited | 3,000 | 10.00 | 32.75 | 26.51 | 13,929,000 | Dividend = 25% |
| PICIC Insurance Limited | 350 | 10.00 | 9.19 | 5.29 | 295,500 | |
| Premier Insurance Limited | 418 | 10.00 | 38.29 | 23.80 | 221,000 | |
| Progressive Insurance Company Limited | 85 | 10.00 | - | - | - | |
| Reliance Insurance Company Limited | 510 | 10.00 | 12.40 | 8.90 | 1,140,500 | |
| Shaheen Insurance Company Limited | 450 | 10.00 | 5.80 | 4.60 | 504,000 | |
| Silver Star Insurance Company Limited | 306 | 10.00 | - | - | - | |
| Standard Insurance Company Limited | 8 | 10.00 | - | - | - | |
| The Pakistan General Insurance Company Limited | 400 | 10.00 | 9.20 | 7.24 | 103,500 | Dividend = 7.5% |
| The United Insurance Company of Pakistan Limited | 1,803 | 10.00 | 28.99 | 14.45 | 4,136,500 | Bonus Issue = 40% |
| The Universal Insurance Company Limited | 416 | 10.00 | 13.58 | 7.52 | 342,500 | |
| TPL Direct Insurance Limited | 755 | 10.00 | 18.00 | 15.00 | 90,500 | |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**Akber D.Vazir**
ACII (UK)
Executive Director
Afro Asian Insurance Brokers (Pvt) Ltd
Karachi

# Retaining Customers (Insurance Industry)

Having worked in insurance sector for over 4 decades (11 years with Norwich Union and 27 years with Jubilee General) I thought I will pen down few lines for the benefit of upcoming young professionals in Insurance sector. It is very essential to ensure that the customers are retained for long time which is of great importance to both the stake holders.

Insurance intermediaries (agents and brokers) canvas for number of products industrial risks, including home, life, auto, health liability and other insurances. Retaining customers not only makes the insurance company profitable, it helps offset marketing cost incurred on getting in books new customers.

**How effective role a company can play:**

Insurance companies often feel like faceless institutions primarily because consumers often deal with agents or representatives via the Internet or phone. In this circumstances the Insurance Companies have to work to focus increase retention rates by providing greater degrees of personalized customer service to existing policyholders. This can mean assigning a "customers relation team" to handle the needs of individual clients, giving customers a point person to connect with if they have questions or concerns about their policy, coverage or renewal options.

**Discounted Rates:**

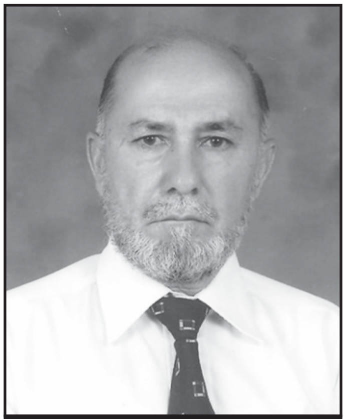
Insurance companies can potentially increase retention rates by offering discounts for clients who have more than one policy. For example, a client who has opted to insure his property, auto and health with the same company will be looked as a "preferential client" and will be able to avail discounted premium. "Bundling" insurance products help the customer not only save the money but also the client loyalty is also taken into account. The idea of shopping for economy and approaching several insurance companies will not be beneficial to the client.

**Why companies have low customer's retention:**

Customers may be motivated to change insurance companies if they have a difficult time filing and collecting on legitimate claims. Some insurance companies have a reputation for repeatedly denying claims or refusing policy payouts due to technicalities. A customer who is denied legitimate coverage or who has to cut through significant red tape to get the benefits due to him may be more likely to seek coverage through another agency and insurance company in the future. Quickly pay policy proceeds on qualified claims to help maintain a good relationship with the client.

**Explain Benefits and Options:**

Insurance jargon can be difficult for clients to fully understand. Take the time to educate clients about their benefits, rights and responsibilities, and be open to answering questions at any time, but particularly during policy renewal talks. Keep clients apprised of insurance industry changes that might impact them, and tell them about rate increases and the introduction of new products that may be beneficial to them. This personalized level of service can help create an ongoing relationship.



**Majid Khan Jadoon**
A.C.I.I. (U.K), MD/CEO
M/s. Pakistan Inspection Co. (Pvt.) Ltd.

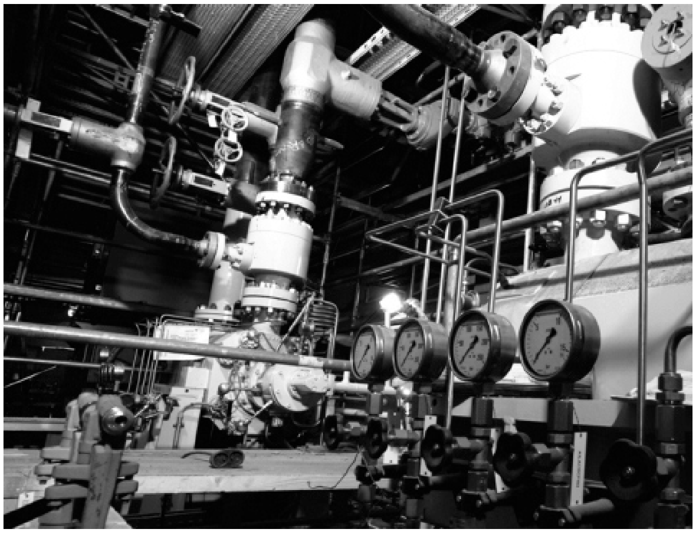
# Fire Insurance Policy Clauses (Part-5)

**1) Electrical Clause-A:-**

By virtue of Electrical Clause-A, Insurers have been declared free from any liability, in respect of Loss or Damage to any electrically-powered Machine, Apparatus, Fixture or Fitting, inclusive of Electric-fans, Electric House-hold/Domestic Appliances, Wire-less Sets & Radios or any Portion of Electrical Installations, if Fire therein would have been originated, due to the following Occurrence:-

1.Over-running,
2. Excessive Pressure,
3. Electric Short-circuiting,
4. Arcing,
5. Self-heating,
6. Lightning.

Now, I would endeavour to define these Terms in accordance with my understanding of the meaning of the same:-



**<u>1: Over-running:</u>**

Every Machine is designed to perform the requisite function for a specific duration of time when the same is put to operation. This would imply that the Machine must not be pressed into continuously functioning for more than a Specified duration. Because the same may get-over-heated due to abnormally over-running consequently resulting in a Fire Loss or Damage to the Machine itself, as well as adjoining other Installations and Stocks/Building etc. etc.

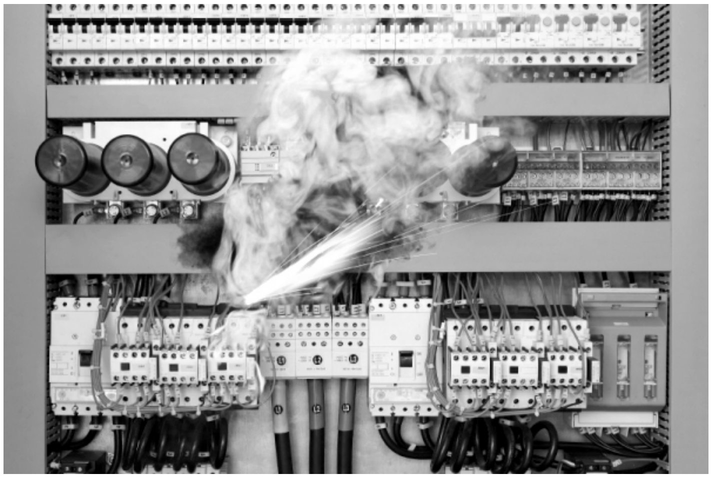
For example, if the Catalogue of a certain Machine would declare that the same must not be continuously subjected to functioning for, say: more than 12-hours, this would mean that, at-least, one hour's stoppage thereof would be most essential for cooling-down of the same. And it is important to check before re-pressing the same to the requisite functioning thereof.

Thus, if alike care would not have been exercised in the functioning of a Machine and the same would have been left to continuously over-running for abnormal hours, it can develop Fire due to over-heating of the same, as elaborated afore. As such, Fire Loss or Damage, due to alike Over-running and thus origination of a Fire in the Machine itself, due to over-heating thereof, would fall under the Exclusions of the Underwriters' relative Fire Insurance Policy, as provided for in the Electrical Clause-A of the Fire Insurance Policy.

**<u>2: Excessive Pressure:</u>**

At times, the flow of Electric-currents would suddenly increase manifold than as required. Consequently, this would result in the Excessive Pressure on the Machine which would be unbearable for the inherent capacity of the same. This can also Proximately Cause an Electric short-circuit within the Machine, resulting in a Fire to the same, as well as other interests, in the vicinity thereof.

Therefore, any Fire Loss or Damage to the same Machine, wherein the Fire would have been originated due to Excessive Pressure of the Electric Currents, would fall out of the liability of the Underwriters' relevant Fire Insurance Policy as provided for in the Electrical Clause-A of the same Policy.



would jump towards each other, creating an Arc.

Consequently, contact of both the Currents would take place at an un-designated point which would create a Short-circuit, as elaborated afore, resulting in the Fire within the Machine. Thus, the consequent Loss or Damage to the Machine, proximately caused by alike Arcing of the Electric-currents, would fall out of the purview of the Underwriters' Fire Insurance Policy, as expressly declared within Electrical Clause-A of the same.

**3: Electric Short-circutting:**

Electric-power is comprised of two currents, i.e. a Negative-current and a Positive-current, which simultaneously flow side-by-side in two different wires, and these two currents are designed to meet at a specifically designated-point to enter-act with each other and, thus, the requisite Power is produced for the desired purposes.

As such, if and when these two different currents, due to any reasons, i.e. usually weakening of insulation because of lack of proper maintenance, would come into contact with each other at a location other than specifically-designated, and Sparks would be created, called Short-circuiting, which may cause Physical Fire. Thus, any Fire Losses or Damages, caused due to alike Electric Short-circuiting within the Machine are deemed Excluded from the Coverage of the Insurers' Fire Insurance Policy by virtue of the Electrical Clause-A thereof.

**4: Arcing:**

Sometimes, due to lack of Proper maintenance, Weakness and/or Wearing-out of Insulation of Electric-cables does take place over a period of time, whereby Wires are rendered naked.

As such, during the flow of currents, the Negative and the Positive Currents

**5: Self-heating:**

In case, the requisite ingredients, like Oiling of the Machine, regular maintenance thereof or lack of Lubricants/Coolants etc. therein, are not taken care of, the Machine would get weakened and abnormally heated during its continuous functioning for hours.

This may also result in originating a Fire therein and Loss or Damage thus caused to the Machine has been expressly declared out of the ambit of the relative Fire Insurance Policy by virtue of the Electrical Clause-A thereof.

**6: Lightning:**

During the course of Atmospheric Disturbances, sometimes, Lightning would take place due to natural phenomenon and the same may hit the Insured Machine as well.

Thus, in case of the Machine catching Fire Proximately Caused due to Lightning because of Atmospheric Disturbances, Loss or Damage to the same would fall out of the liability of the Underwriters' Fire Insurance Policy, as declared in the Electrical Clause-A of the same.

These exemptions of the Underwriters' liability for Loss or Damage, due to the Occurrences under 1 to 6 above, shall, however, be confined only to those Specific Items/Machines, wherein itself Fire would have been originated due to the afore-mentioned Perils.

But Loss or Damage sustained by all other Insured Assets/Interests, as a consequence of the Fire proximately caused by the said Occurrences, shall be deemed Indemnifiable within the purview of the Underwriters' relative Fire Insurance Policy.

However, the Insurers' liability, in respect of all such Assets/Interests, would be normally subject to the terms, conditions, warranties, depreciations, deductibles and all other alike Provisions of the relevant Fire Insurance Policy.

**2) Electrical Clause-B:-**

At times, Electrical Clause-B would have been endorsed on the pertinent Fire Insurance Policy and thus Loss or Damage by Fire to the Insured Appliances and Installations arising from the afore-mentioned Occurrences within the same, would also be deemed Covered within the ambit of the Fire Insurance Policy by virtue of this Electrical Clause-B. Yet again, all other terms and conditions, warranties, exceptions, deductibles, depreciation (unless over-ruled by NRV Clause) would be normally applicable on the Claimed Loss or Damage.

Although, under the Electrical Clause-B, Fire Loss or Damage to Insured Assets/Installations, due to the Occurrences as elaborated afore within the same, would fall Indemnifiable within the Scope of the Fire Insurance Policy, but Loss or Damage to that specific Asset/Installation, which would have been declared inclusive by virtue of the Electrical Clause-B, wherein the Fire would have been originated, would be subject to an individual D/Excess @ 5% of the Value or Rs.1000/= whichever would be the greater.

It has been observed that the Deductible Excess of the Electrical Clause-B is applied @ 5% of the Assessed Loss or Damage, in respect of the Re-instatement Cost of the same Unit/Installation/Machine, or Rs.1000/= whichever would be the greater which, in my opinion, has been an in-correct interpretation of the wording of the D/Excess of the same Clause.

Because, the Specific Wording of the Clause, vis-à-vis the Deductible Excess are: “The Company's Liability, in respect of each Motor or Unit, shall be limited only to the excess over and above the Loss of 5% of the VALUE or Rs.1,000/= whichever is the greater”.

Here, the wording, in my opinion, specifically refer to the VALUE of each Motor/Unit wherein the Loss would have been original and NOT the quantum of the Loss itself sustained by the same.

I am, therefore, of the opinion that the D/Excess of the Electrical Clause-B ought to be calculated on the basis of the Value At Risk of the individual Machine or Unit, as it would exist at the time of the Occurrence of the Fire therein, due to the afore-mentioned Peril Nos. 1 to 6, and NOT on the Assessed Loss sustained by the same.

This individual D/Excess would either stand at 5% of the Value of the specific Asset/Installation or Rs.1000/= whichever would be the greater.

For example, if at the time of the Loss, the Value (VAR) of a Machine/Unit, say; worth at Rs.10,000,000/=, has been rendered a Total Loss, the D/Excess @ 5% of its VAR would stand at Rs.500,000/= only. Or if the same Machine/Unit is to be repaired at the Cost of Rs.2,000,000/= (Net Adjusted Loss) the Underwriters' liability would stand at Rs.2,000,000/= Less Rs.500,000/= (5% of the Value), at Rs.1,500,000/= only as follows:-

Net Loss: Rs.2,000,000.00
Less Excess, as per Electrical Clause-B Excess @ 5% of the Value (VAR) of the Unit: (-) Rs. 500,000.00
Net Adjusted Loss: Rs.1,500,000.00

Or, in case of the same Machine/Unit Repairing Cost standing within Rs.500,000/= only, the Insureds' Claim would stand excluded from the Insurance Indemnification, due to Loss falling with the 5% D/Excess of Electrical Clause-B of the Policy.

Similarly, Loss or Damage to all other Fire-damaged Electrical Appliances/Installations/Interests/Assets/Stocks, etc., as a consequence of the occurrences of the said Fire, would be normally Indemnificable within the ambit of the Fire Insurance Policy, subject, however, to applicable terms, conditions and warranties of the same.

**To be continued……..**

**Nasir Siddique**
ACII (UK), MBA (I & RM)
Team Lead (Property Underwriting)
IGI Insurance Limited

# Difference between Named Peril Policy and Property all Risk Policy

A named peril insurance policy covers **only** what is specifically noted in the policy. For example, if it doesn't say you're covered for vandalism damages or backed up sewers, you aren't. Since the named peril insurance policy only covers specific perils, it is usually **less expensive** than an all-risk or open peril insurance policy. A typical broad form named peril policy would cover fire, windstorm, hail, aircraft, riot, vandalism, explosion and smoke. Flood insurance and earthquake insurance are two other common examples of named peril policies. When coverage is written on a named peril basis, **the burden is on the insured** to prove that one of the named perils caused the loss.

An all-risk or open peril policy covers everything **except** what is specifically excluded in the policy. The all-risk insurance policy is usually **more expensive** than the named peril policy because it is more comprehensive. Under an all-risk policy, **the burden is on the insurance company** to prove that the peril causing the damage is not excluded; otherwise, coverage applies. Since the exclusions and limitations are the key to determining what coverage is provided by an all-risk policy, a better name might be "named exclusions" coverage. The most common perils excluded in an all-risk policy include:

- War
- Earthquake or earth movement
- Flood, mudslide, seepage and sewer backup (and sometimes surface water that builds up after heavy rains, underwater springs, groundwater, burst water pipes, overflowing toilets, and wind or wave-driven water)
- Governmental seizure or destruction of property
- Boiler explosion
- Off-premises utility service interruption
- Building ordinance or law
- Seepage or leakage of water over a period of time
- Electrical damage to electrical devices
- Employee dishonesty
- Wear and tear; rust, corrosion, fungus, decay, deterioration, hidden or latent defect smog; settling, cracking, shrinking, or expansion; nesting, infestation or release of secretions by insects, birds, rodents or animals
- Damage to building interiors by rain, snow, sleet, ice, sand, or dust unless the roof or walls are first damaged – except damage by thawing of snow, ice or sleet
- Mechanical breakdown
- Theft of building materials and supplies not yet attached to buildings
- Pollution

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In consideration of the Insured having paid or agreed to pay to INSURANCE COMPANY (therein after called the "Company") the first premium shown in the Schedule.

The Company hereby agrees subject to the terms exceptions limits and conditions contained herein or endorsed hereon (hereinafter referred to as 'the Terms of the Policy') that if during the Period of Insurance or during any further period in respect of which the Insured, shall have paid and the Company shall have accepted the premium required the Property Insured or any part thereof shall be accidentally physically lost destroyed or damaged the Company will pay to the Insured the value of the property at the time of the happening of its loss or destruction or the amount of such damage or at their option reinstate or replace such property or any part thereof.

Provided that the liability of the Company shall in no case exceed in respect of each item the sum expressed in the said Schedule to be insured thereon or in the whole the total sum insured hereby or such other sum or sums as may be substituted therefore by memorandum hereon or attached hereto signed on behalf of the Company.

**EXCEPTIONS**

The Company will not indemnify the Insured in respect of:

1. a) electrical or mechanical breakdown or derangement of plant machinery or equipment.
b) deterioration of property due to change in temperature or humidity or failure or inadequate operation of an air-conditioning cooling or heating system.
c) Subsidence ground heave landslip erosion settling or cracking.

UNLESS EITHER (i) caused by fire lightning, explosion (for the purpose of this Exception “explosion” shall not mean the bursting or disruption of turbines compressors transformers rectifiers switchgear engine cylinders hydraulic cylinders fly-wheels or other moving parts subject to centrifugal force or boilers economizers or other vessels machinery or apparatus in which pressure is used).

Aircraft or other aerial devices or articles dropped therefrom impact by vehicles watercraft locomotive or roller stock earthquake.

Riot or malicious acts (other than any act excluded by reason of Exception 6 (b) herein)

Strikers locked-out workers or persons taking part in labour disturbances Storm tempest and/or flood.

OR (ii) resulting in the occurrence of any of the events in (i) above then the Company will only indemnify the Insured under the Terms of the Policy in respect of the resultant loss destruction or damage.

2. Loss destruction or damage to:

a) Property in course of manufacture, alteration or repair if such loss destruction or damage is sustained while the property is being actually worked on and directly resulting from such work.
b) Property in course of construction or erection.
c) Boilers economizers turbines or other vessels machinery or apparatus in which pressure is used or their contents resulting from their explosion or rupture.
d) Plant machinery or equipment during installation dismantling or the stripping down and assembly in respect of any re-sitting operations.
e) Electrical equipment or wiring caused by electrical current (other than lightning).
f) Money cheques stamps or unset precious stones bullion negotiable instruments and securities of all kinds.
g) Animals growing plant crops or standing timber.
h) Land and enclosures dams reservoirs piers wharves jetties bridges or tunnels.
i) Construction plant and equipment and any vehicle licensed for road use railway locomotives and rolling stock water craft or aircraft or property contained in water craft or aircraft.
j) Property whilst in transit other than at any premises described in the Schedule or property which at the time of happening of such destruction or damage is insured by or would but for the existence of this policy be insured by any Marine Policy or Policies except in respect of an excess beyond the amount which would have been payable under the Marine Policy or Policies has this insurance not been effected.
k) Documents manuscripts business books or computer systems records for the value to the Insured of the information contained therein.

HOWEVER the Company will indemnify the Insured in respect of loss destruction or damage to:

a) Documents manuscripts and business books but only for the value of the materials as stationery together with the cost of clerical labour expended in writing up.
b) Computer system records but only for the value of the materials together with the costs and expenses necessarily incurred by the Insured in reproducing such records (excluding any cost or expenses in connection with the production of information to be recorded therein).

3. a) loss of use or consequential loss of any kind or description whatsoever.
b) loss resulting from dishonesty fraudulent action trick device or other false pretence.
c) loss resulting from theft unless accompanied by violence to persons or threat of violence or forcible and violent entry to or exit from the premises.
d) loss resulting from unexplained or mysterious disappearance or shortage revealed at any periodic inventory or shortages in the supply or delivery of materials or loss or shortage due to

clerical or accounting error.
e) the cost of replacing or rectifying defective materials workmanship design or defect or omission in design plan or specification.
f) Loss resulting from contamination pollution wear and tear corrosion rust vermin fungus rot gradual deterioration deformation or distortion shrinkage evaporation loss of weight change in flavour colour texture or finish or action of light.
g) the cost of normal upkeep or normal making good
h) loss resulting from the freezing or solidification of molten material

4. Loss destruction or damage by storm tempest water hail frost or snow to property:

a) in the open (other than building structures and plant designed to exist and operate in the open).
b) contained in open-sided buildings

UNLESS so described and specifically insured as a separate item in the Schedule.

5. The amount stated in the Schedule as the Deductible in respect of each and every occurrence or a series of occurrences consequent on or attributable to one source or original cause giving rise to loss destruction or damage to the subject of indemnity under this policy.

6. Any loss destruction or damage directly or indirectly occasioned by or through or in consequence of:

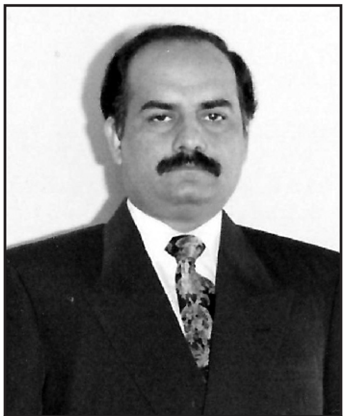
a) war invasion act of foreign enemy hostilities or warlike operations (whether war be declared or not) civil war.
b) mutiny civil commotion assuming the proportions of or amounting to a popular rising military rising insurrection rebellion revolution military or usurped power or any act of any person acting on behalf of or in connection with any organization with activities directed towards the overthrow by the force of the Government de jure or de facto or to the influencing of it by terrorism or violence.
c) (i) permanent or temporary dispossession resulting from confiscation nationalization, commandeering or requisition by any lawfully constituted authority.
(ii) Permanent or temporary dispossession of any building resulting from the unlawful occupation of such building by any person.

Provided that the Company is not relieved of any liability to the Insured in respect of physical damage to the Property Insured occurring before dispossession or during temporary dispossession which is otherwise insured by this Policy.

d) the destruction of property by order of any public authority.
In any action suit or other proceeding where the Company alleges that by reason of the provisions of Exceptions 6(a) and 6(b) above any loss destruction or damage is not covered by this insurance the burden of proving that such loss destruction or damage is covered shall be upon the Insured.

7. Any loss destruction or damage directly or indirectly caused by or arising from or in consequence of or contributed to by:

a) nuclear weapons material
b) ionizing radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel solely for the purpose of this Exception 7(b) combustion shall include any self-sustaining process of nuclear fission.



**Qayyum Pervez Malik**
Insurance Surveyor & Loss Adjuster / Claims Investigator
Qayyum Pervez Malik & Co. (Pvt) Ltd

# Risk of Explosion under Fire Policy

Standard fire insurance policy excludes the loss or damage occasioned by or through or in consequence of explosion under condition No: 7 (h) which is read as under:

**Condition No 7 (H) of Standard Fire Policy**

Any loss or damage occasioned by or through or in consequence of explosion; but loss or damage by explosion of gas used for illuminating or domestic purpose in a building in which gas is not generated and which does not form part of any gas work will be deemed to be loss by fire within the meaning of this policy.

It is so clear from the above condition that in case of loss/damage by explosion of any pressure vessel, network, apparatus etc used for commercial purpose (not domestic for heating or illuminating) the Insurers would not indemnity the insured under the terms of policy. But if the loss by fire or otherwise occurs due to explosion of boiler, pressure vessel etc being used for domestic purposes the loss would be taken as indemnifiable under the terms of standard fire policy.

**Definition of Explosion**

1. A violent shattering or blowing apart of something, as is caused by a bomb.

2. The sudden, loud, and violent release of energy that happens when something (such as a bomb) breaks apart in a way that sends parts flying outward; a sudden and very fast increase.

3. An act or instance of exploding; a violent expansion or bursting with noise, as of gunpowder or a boiler (opposed to implosion)

4. To expand with force and noise because of rapid chemical change or decomposition

5. A release of mechanical, chemical, or nuclear energy in a sudden and often violent manner with the generation of high temperature and usually with the release of gases.
b. A violent bursting as a result of internal pressure.

6. The sudden and violent release of mechanical, chemical or nuclear energy from a confined space which creates a heat wave that travels at subsonic speed.

7. Material that causes a sudden, almost instantaneous, release of gas, heat, and pressure, accompanied by loud noise when subjected to a certain amount of shock, pressure, or temperature.

8. To establish explosion following pre-requisites should be completed.

1. A sudden release of expanding pressure.
2. Noise, although not necessarily loud.
3. A bursting forth of material, whether gaseous, liquid or solid.
4. Evidence of the scattering of debris to locations further than would have resulted from gravity alone.

9. Sudden and violent rending or tearing apart of the structure of a boiler or vessel, or any part or parts thereof by force of internal steam, air or fluid pressure, causing bodily displacement of said structure accompanied by the forcible ejection of its contents.

COVERAGE BY FIRE POLICY

In case the insured intends to cover the losses by explosion under fire insurance policy the risk may be covered by endorsing the policy with "standard explosion endorsement" charging additional premium.

The standard explosion endorsement is being reproduced below for understanding.

**Standard Explosion Endorsement Wording:**

Endorsement No...............................
Extending the insurance under
Policy No..........................................
of the.......................................in the
name of............................................

It is hereby agreed and declared that the insurance under this Policy shall, subject to the Special Conditions hereinafter contained, extend to include:-

Loss of or damage to the property insured by fire or otherwise directly caused by explosion, but excluding loss of or damage to boilers, economizers, or other vessels, machinery or apparatus in which pressure is used or their contents resulting from their explosion.

PROVIDED always that all the conditions of the Policy (except insofar as Condition No. 7(h) is hereby expressly varied) shall apply as if they had been incorporated herein and for the purpose hereof any loss or damage by explosion as aforesaid shall be deemed to be loss or damage by fire within the meaning of this Policy.

**Special Conditions**

(1) The company shall not be liable, under this extension, for any loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from, happening through, arising out of, or in connection with an Act of Terrorism, regardless of any other cause or event contributing concurrently or in any other sequence to the loss, damage, cost or expense.

For the purpose of this endorsement an Act of Terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, or an act harmful to human life, tangible or intangible property or infrastructure, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of public, in fear.

(2) If there shall be any other fire insurance on the property insured under this Policy, the Company shall be liable only pro rata with such other fire insurance for any loss or damage by explosion whether or not such other fire insurance be extended to cover loss or damage by explosion.

(3) The Company shall not be liable under this extension for loss or damage which at the time of the happening of such loss or damage is insured by or would, but for the existence of this extension, be insured by any other existing policy or policies except in respect of any excess beyond the amount which would have been payable under such other policy or policies had this insurance not been effected.

By endorsing the fire policy with standard explosion endorsement coverage against loss to surrounding property of boiler/pressure vessels/economizer and other related apparatus through concussion damage may be covered. Loss to boiler/pressure vessel/economizer and apparatus etc itself cannot be covered through standard explosion endorsement. For that purpose another policy known as "Boiler and pressure vessel) policy could be availed. Such losses may also be indemnified under MBD policy by incorporating the boiler/pressure vessels etc in the schedule of policy.

So damage to surrounding property by concussion i.e. damage occurred due to shock waves, pressure waves, vibration, turbulence, thunder, eruption as the result of explosion as well as loss by fire can be indemnified under this endorsement.

There is difference in explosion, implosion and bursting so while purchasing the cover against loss by explosion these factors should be clarified.

**Brief Commentary to Understand the Concept**

A large number of domestic gadgetry, appliances, fixture, other than boiler or gas may cause an explosion with loud bang with very extensive damage like pressure cookers sometimes explode and spread their contents all over the surrounding area. Bottle of homemade wine may shatter with a loud bang and spread glass and wine over a large area which is accepted as explosion. But if cork of Champaign merely blows out with a noise and red wine spread all over it would not really be an explosion.

The water jacket of domestic boiler often cracks with a loud bang but this is not necessarily an explosion. The cracking or bursting may be of sufficient violence for an insurer to accept that an explosion occurred. The explosion of a boiler usually causes damage to surrounding property and, if there is no evidence of such damage it will be obvious that the water jacket burst rather than exploded. On the other hand a bust water jacket can cause a violent explosion to take place in the combustion chamber.

Implosion is sudden collapse inward which is reverse than the phenomenon of explosion. This is not an explosion and the Insurers may not pay for the damage under explosion coverage. Pressurized drink can if burst out and spread contents staining the surrounding property cannot be considered as explosion.

**Domestic Purpose Only**

The difference of use of boiler or pressure vessel to allocate the loss/damage to standard fire policy coverage or coverage granted by standard explosion endorsement must be made clear as the word “domestic” is important because for indemnity against loss or damage ( both fire and concussion) caused by the explosion of boiler is covered under standard fire policy provided the boiler is used for domestic purposes and no additional premium is required to pay by endorsing the policy for standard explosion endorsement whereas if the boiler or pressure vessel which exploded was being used commercially that is producing steam for process of a plant then to get covered for concussion damage to surrounding property the insured needs the standard fire policy endorsed with standard explosion endorsement by paying additional premium.

The term “domestic purpose only” does not mean that the boiler concerned has to be in a private dwelling. Domestic purpose is taken to mean heating of a building for the general comfort of the occupants or providing hot water for personal purpose or cooking.

Where general heating is required in a building because of the requirement of a trade process it would not fall within the term.

**Sum Insured**

Like insurance against contents of building and machinery under standard fire policy the prevailing market value i.e. value of new machine of same type/specification less depreciation would be the basis of fixing sum insured.

It could however be set on re-instatement basis as well where the basis would be the new replacement cost.

**Indemnity**

The basis of indemnity under standard fire policy or endorsement of standard explosion endorsement the measure of indemnity will also be the same as the measure of determining the value to be declared for insurance i.e. prevailing market value of the machine having the similar specification. If the insured is compensated for loss on the basis of re-instatement basis then the basis would be the same as in case of fixing sum insured under terms of re-instatement value basis.

**Rana Naveed ur Rehman**
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Chief Manager (Health)
East West Insurance Co. Ltd

# Obesity
## (The root cause of all diseases)

Based on my experience in the field of medical health insurance, some literature review, Internet and interaction with some patients, I feel to highlight some useful information for the purpose of public awareness about Obesity which is a root cause of all diseases.

The term 'obese' describes a person who is very overweight, with a lot of body fat. Obesity is a condition where a person has accumulated so much body fat that it might have a negative effect on their health. If a person's bodyweight is at least 20% higher than it should be, he or she is considered obese.

Pakistan ranked 9th out of 188 countries in terms of obesity, according to the Global Burden of Disease Study published in The Lancet medical journal. A staggering 671 million people now fall within the obese category and 78 million of them in the United States, which accounts for five percent of the world's population, but more than a tenth of its grossly overweight people.

China and India with much larger populations, trailed 2nd and 3rd in the top 10 obese countries with 46 million and 30 million people respectively, followed by Russia, Brazil, Mexico, Egypt, Germany, Pakistan and Indonesia. Nearly a third of adults and a quarter of children today are overweight.

There are many ways in which a person's health in relation to their weight can be classified, but the most widely used method is body mass index (BMI). BMI is a measure of whether you are a healthy weight for your height. You can use the BMI healthy weight calculator to work out your score.

For most adults, a BMI of:

18.5 to 24.9 means you are a healthy weight
25 to 29.9 means you are overweight
30 to 39.9 means you are obese
40 or above means you are severely obese

BMI is not used to definitively diagnose obesity, because people who are very muscular sometimes have a high BMI without excess fat. But for most people, BMI is a useful indication of whether they are a healthy weight, overweight or obese.

A better measure of excess fat is waist circumference, which can be used as an additional measure in people who are overweight (with a BMI of 25 to 29.9) or moderately obese (with a BMI of 30 to 34.9).

Usually, men with a waist circumference of 94cm (37in) or more and women with a waist circumference of 80cm (about 31.5in) or more are more likely to develop obesity-related health problems.

***You can calculate your Body Mass Index (BMI) with the help of below BMI Table:***

| WEIGHT lbs | 100 | 105 | 110 | 115 | 120 | 125 | 130 | 135 | 140 | 145 | 150 | 155 | 160 | 165 | 170 | 175 | 180 | 185 | 190 | 195 | 200 | 205 | 210 | 215 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| kgs | 45.5 | 47.7 | 50.0 | 52.3 | 54.5 | 56.8 | 59.1 | 61.4 | 63.6 | 65.9 | 68.2 | 70.5 | 72.7 | 75.0 | 77.3 | 79.5 | 81.8 | 84.1 | 86.4 | 88.6 | 90.9 | 93.2 | 95.5 | 97.7 |
| HEIGHT in/cm | Underweight | | | | | Healthy | | | | | | Overweight | | | | | Obese | | | | Extremely obese | | | |
| 5'0" - 152.4 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 |
| 5'1" - 154.9 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 36 | 37 | 38 | 39 | 40 |
| 5'2" - 157.4 | 18 | 19 | 20 | 21 | 22 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 33 | 34 | 35 | 36 | 37 | 38 | 39 |
| 5'3" - 160.0 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 32 | 33 | 34 | 35 | 36 | 37 | 38 |
| 5'4" - 162.5 | 17 | 18 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 31 | 32 | 33 | 34 | 35 | 36 | 37 |
| 5'5" - 165.1 | 16 | 17 | 18 | 19 | 20 | 20 | 21 | 22 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 29 | 30 | 30 | 31 | 32 | 33 | 34 | 35 | 35 |
| 5'6" - 167.6 | 16 | 17 | 17 | 18 | 19 | 20 | 21 | 21 | 22 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 29 | 29 | 30 | 31 | 32 | 33 | 34 | 34 |
| 5'7" - 170.1 | 15 | 16 | 17 | 18 | 18 | 19 | 20 | 21 | 22 | 22 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 29 | 29 | 30 | 31 | 32 | 33 | 33 |
| 5'8" - 172.7 | 15 | 16 | 16 | 17 | 18 | 19 | 19 | 20 | 21 | 22 | 22 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 28 | 29 | 30 | 31 | 32 | 32 |
| 5'9" - 175.2 | 14 | 15 | 16 | 17 | 17 | 18 | 19 | 20 | 20 | 21 | 22 | 22 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 28 | 29 | 30 | 31 | 31 |
| 5'10" - 177.8 | 14 | 15 | 15 | 16 | 17 | 18 | 18 | 19 | 20 | 20 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 28 | 29 | 30 | 30 |
| 5'11" - 180.3 | 14 | 14 | 15 | 16 | 16 | 17 | 18 | 18 | 19 | 20 | 21 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 27 | 28 | 28 | 29 | 30 |
| 6'0" - 182.8 | 13 | 14 | 14 | 15 | 16 | 17 | 17 | 18 | 19 | 19 | 20 | 21 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 27 | 27 | 28 | 29 |
| 6'1" - 185.4 | 13 | 13 | 14 | 15 | 15 | 16 | 17 | 17 | 18 | 19 | 19 | 20 | 21 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 27 | 27 | 28 |
| 6'2" - 187.9 | 12 | 13 | 14 | 14 | 15 | 16 | 16 | 17 | 18 | 18 | 19 | 19 | 20 | 21 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 27 | 27 |
| 6'3" - 190.5 | 12 | 13 | 13 | 14 | 15 | 15 | 16 | 16 | 17 | 18 | 18 | 19 | 20 | 20 | 21 | 21 | 22 | 23 | 23 | 24 | 25 | 25 | 26 | 26 |
| 6'4" - 193.0 | 12 | 12 | 13 | 14 | 14 | 15 | 15 | 16 | 17 | 17 | 18 | 18 | 19 | 20 | 20 | 21 | 22 | 22 | 23 | 23 | 24 | 25 | 25 | 26 |

**Risks of Obesity:**

It is very important to take steps to tackle obesity because, as well as causing obvious physical changes; it can lead to a number of serious and potentially life-threatening conditions, such as:

- Type 2 diabetes
- Coronary heart disease
- Some types of cancer, such as breast cancer and bowel cancer
- Stroke

Obesity can also affect your quality of life and lead to psychological problems, such as depression and low self-esteem.

**Causes of Obesity:**

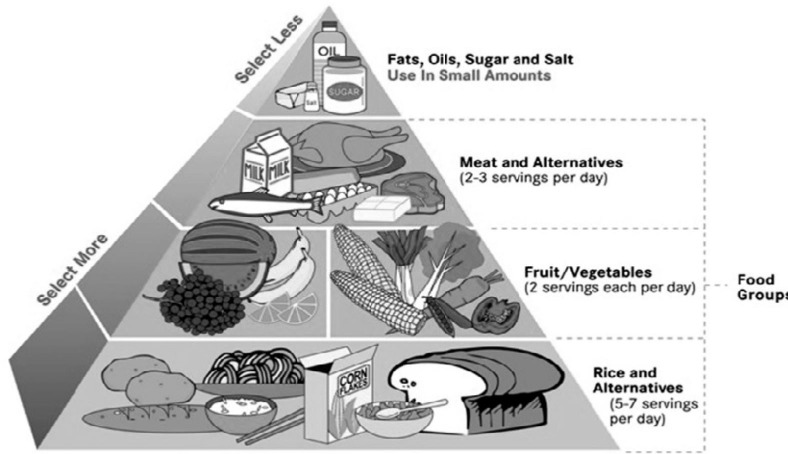
Obesity is generally caused by consuming more calories, particularly those in fatty and sugary foods than you burn off through physical activity. The excess energy is stored by the body as fat.

Obesity is an increasingly common problem because for many people modern living involves eating excessive amounts of cheap, high-calorie food and spending a lot of time sitting down, at desks, on sofas or in cars. There are also some underlying health conditions that can occasionally contribute to weight gain, such as an underactive thyroid gland (hypothyroidism), although these types of conditions don't usually cause weight problems if they are effectively controlled with medication.

**Treatment of Obesity:**

The best way to treat obesity is to eat a healthy, reduced-calorie diet and exercise regularly. To do this you should:

- Eat a balanced, calorie-controlled diet as recommended by your GP or weight loss management health professional (such as a dietitian)




- Join a weight loss group
- Take up activities such as fast walking, jogging, swimming or tennis for 150 to 300 minutes (two-and-a-half to five hours) a week
- Eat slowly and avoid situations where you know you could be tempted to overeat

You may also benefit from receiving psychological support from a trained healthcare professional to help change the way you think about food and eating. If lifestyle changes alone do not help you lose weight, a medication called Orlistat (with brand names of i.e. Orlifit, Orslim, Xenical etc.) may be recommended. If taken correctly, this medication works by reducing the amount of fat you absorb during digestion. Your physician will know whether Orlistat is suitable for you. In rare cases, weight loss surgery may be recommended.

**Day-to-day Problems:**

Obesity can cause a number of further problems, including difficulties with daily activities and serious health conditions. Day-to-day problems related to obesity include:

- Breathlessness
- Increased sweating
- Snoring
- Difficulty doing physical activity
- Often feeling very tired
- Joint and back pain
- Low confidence and self-esteem
- Feeling isolated

The psychological problems associated with being obese can also affect your relationships with family and friends and may lead to depression. Obesity reduces life expectancy by an average of 3 to 10 years, depending on how severe it is. It is estimated that obesity and being overweight contribute to at least 1 in every 13 deaths in the world.

**Conclusion:**

In my opinion, the awareness among general public about Obesity is insufficient and people should be given awareness about prevention, risk factors, importance of medical checkup and availability of treatment in Pakistan. Although, there is no quick treatment for obesity. Weight loss programs take time and commitment and work best when fully completed. The healthcare professionals involved with your care should provide encouragement and advice about how to maintain the weight loss achieved. Regularly monitoring your weight, setting realistic goals and involving your friends and family with your attempts to lose weight can also help. Remember that even losing what seems like a small amount of weight, such as 3% or more of your original body weight and maintaining this for life, can significantly reduce your risk of developing obesity-related complications like diabetes and heart disease.

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Alfalah Insurance Company Limited

# Regularizing Medical Practices

The progress towards achieving health goals for people of Pakistan has remained uneven. Regulatory functions in the health sector have always been underdeveloped, poorly managed, and improperly implemented. In light of the increasing series of medical negligence, maladministration and malpractice cases in recent years (Huma Wasim Akram, Imanae Malik and Faiz Ahmad Khan), a need was felt for an autonomous authority at a provincial level to regulate healthcare services delivery in both Public and Private Healthcare Establishments.

In Pakistan today, there are two levels to regulate medical practice.

**Pakistan Medical and Dental Council (PMDC):**

PMDC is a regulatory body, and gives doctors their licence to practice (after qualifying a doctor has to register with the PMDC in order to practice). If there is a complaint against a doctor, the PMDC can look into the matter and if the doctor is found guilty of negligence, PMDC takes action against him.

A medical practitioner cannot practice medicine without a licence from the regulatory body which is the PMDC in our country. This regulatory body has a great responsibility both for implementing the guidelines for the medical professionals as well as for the education and looking after the medical needs of the general public. It is unfortunate that even our regulatory body (the PMDC) is suffering from political issues and the government is not playing its role; the political stakes are very high there.


**Pakistan Medical Association (PMA):**

The second level is at the Pakistan Medical Association (PMA), which is a representative body of doctors working both for the benefit of doctors as well as the patients. But the PMA cannot take any action as it is not a regulatory body like the PMDC. It has an ethical committee and if a complaint is brought to its notice, it checks the case and if it has some weight it can recommend it to the PMDC (or any regulatory body) for action. The PMA cannot take any action but can try to bring medical practitioners morally to a position that doctors who are in the wrong apologise or even pay compensation to the patient.

Till a few years back there was no law and the aggrieved patient or his family had two options — either go for litigation which is a time-consuming and expensive process given the way our justice system works or to take things in their hands and resort to violence.

A consensus emerged some years ago that although there is a regulatory body, the government should form a commission to regularise the functioning of the hospitals, clinics, laboratories and medical facilities functioning in various provinces of the country. The commission must look after the security of medical and paramedical staff and must ensure that the patient's rights are also taken care of. There should be well-defined standards of care and a mechanism of quality control of health delivery to the common man.

Both the hospital and doctors should be held responsible for a mishap during the management of patients if there was any medical negligence. The health facilities must only do the procedures where proper equipment and skilled personnel are present.

The PMA came up with a plan to make a commission taking on board all stake holders that included all health communities and their sister organisations, health secretary, health minister, law minister, advocate general, etc. and prepared a document, which became Health Commission Act in 2013 after passage from the Sindh Assembly; it was earlier adopted by the Punjab.

**Punjab Healthcare Commission:**

The Punjab Government promulgated the PHC Act, 2010. The Punjab Healthcare Commission was set up to ensure quality healthcare service delivery at all levels and also to protect the well-being of the patients.

**Stakeholders of PHC:**

- Consumers/ patients
- HealthCare Establishments
- Department of Health District Governments
- Medical Associations
- HealthCare Professionals
- Politicians
- Donors
- Media
- NGOs

**Roles and Responsibilities:**

PHC is considered to fulfil following responsibilities within its mandate:

- Maintain register of all healthcare service providers
- Grant, revoke and renew Licenses – impose and collect fees
- Monitor, enforce and regulate the implementation of Minimum Service Delivery Standards (MSDS)
- Enquire and investigate into maladministration, malpractice, medical negligence and system failures
- Advocate rights and responsibilities of recipients and providers of the healthcare services
- Take cognizance of harassment of Healthcare Service Provider or damage to a Healthcare Establishment (HCE)
- Promote healthcare establishments' capacity-building and organizational learning
- Conduct awareness activities
- Grade Healthcare Establishments
- Take necessary steps to ban quackery
- Conduct third party evaluation – independent performance audit of HCEs
- Take measures and devise strategy to address counter sale of drugs without prescription
- Develop Accreditation programs for healthcare service providers and grant accreditation.

**Key Regulatory Functions:**

- Develop and notify Minimum Service Delivery Standards (MSDS) for all categories of Healthcare Establishments
- Inspect HCEs to ensure compliance with the PHC standards
- License HCEs that meet the standards. A HCE that does not meet the minimum service delivery requirements will not be licensed and will not be allowed to operate.
- Suspend or revoke licenses in part or in full on non-compliance with standards, maladministration, mal-practice or medical negligence
- Charge fees from healthcare establishments for licensing / provisional licensing
- Levy fines on HCEs for non-compliance with MSDS
- Investigate serious system failures in service provision


PHC is meant to stop malpractice and define patient's rights, to safe guard the security of doctors and paramedical staff, for quality control and standardisation of medical practice, hospitals, clinics, laboratories, etc. and would help improve the quality of healthcare services and help eradicate quackery. The commission would educate both doctors and patients in what is right and wrong. It can ask the doctors to explain their position and tell them if it was their fault. It is binding on the doctors to accept the commission's decision. The commission has to set up protocols for hospitals, laboratories and theatres, and create awareness among the patients about the standards.

For the commission to be effective it is important that it is autonomous and free from government interference. The commission will be a platform for the patients to refer to get their grievances addressed. The commission will question the doctor for not fulfilling the identified standards and hold the doctors responsible and its decision will be binding for the doctors. It will recommend to the PMDC to cancel the doctor's registration if the doctor is involved in medical malpractice and negligence.

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http://www.phc.org.pk/intro.aspx

# Multi-Stakeholder Dialogue on Microinsurance organized by SECP & GIZ

The Securities and Exchange Commission of Pakistan in partnership with the Deutsche Gesellschaft Für International Zusammenarbeit (GIZ) conducted a Multi-Stakeholder Dialogue to consult with various public and private stakeholders, the results of the study on the Strategic Framework for Microinsurance Development in Pakistan. The two days event was inaugurated by Mr. Fida Hussain Samoo, Commissioner Insurance (SCEP).

The participants included representatives of insurance companies, corporate world and some senior official from SECP.

Dr. Antonis Malagardis, Program Director, GIZ RFPI Asia II gave background of the event, rationale and objectives of the workshop. He highlighted the GIZ study on the Strategic Framework for Microinsurance Development in Pakistan.

Syed Nayyar Hussain, Director Insurance Division (SECP) spoke on Public-Private Dialogue on study findings on Regulatory Framework and Feasible Business Models. He also deliberated on SECP Insurance Division Mission, Vision and focus on Microinsurance. Mr. Tariq Bakhtawar, Director Insurance Division (SECP) spoke on Presentation of the Regulatory Impact Assessment of Pakistan: Focus on Formalization of informal Insurance.

Other speakers included:

| | |
|---|---|
| Mr. Faisal Mumtaz | Divisional Head (Actuarial), State Life |
| Mr. Mouhammad Ali Ahmed | Chief Strategy Officer & Executive Director, EFU Life |
| Mr. Murtaza Khalil Hassan | Head of Insurance & Savings, Telenor |
| Mr. Sohail Fakhar | Group Head (Corporate Business, Marketing & Administration), Jubilee Life |
| Mr. Rehan Butt | Head of Business Development Asia & Country Manager Pakistan, MicroEnsure |
| Mr. Osman Haneef | Managing Director & CEO, MILVIK Pakistan |
| Mr. Nadeem Malik | CEO, IGI Life |
| Ms. Kanwal Aisha | Management Executive, SECP |

# Mian M. A. Shahid elected Chairman APNA Bank

Mian M. A. Shahid Chairman United International Group (UIG) was unanimously elected Chairman of APNA Bank by the Board of Directors of the Bank for three years.

Mian M. A. Shahid is a leading businessman and chairs United International Group in which forth largest insurance company of Pakistan, The United Insurance Company, SPI Insurance Company and United Track System are part of this group.

Mian M. A. Shahid was conferred Life Time Achievement Award by Punjab Governor.

**Mr. Fida Hussain Samoo Commissioner Insurance SECP in his address of welcome said the idea of gathering representative from both public and private sector was to devise a joint Strategy for the development of Microinsurance sector through sharing of ideas and experiences.**

**For microinsurance, he said, the natural partnerships extend beyond conventional insurance players and the role of the private sector could not be undermined. They could play the most pivotal role through collective synergies for the development of microinsurance sector in Pakistan.**

**Being part of the SECP, he felt proud in stating that "SECP is fully committed to play its part as an effective facilitator for the betterment of the industry especially microinsurance industry. Code of Corporate Governance 2016, Bancassurance Regulations 2015, Microinsurance Rules 2014, Takaful Rules 2012, constitution of Small Dispute Resolution Committee etc. are few of the recent major reforms that have been made to strengthen the regulatory framework of the industry and to protect the interest of the policyholder and other stakeholders in order to foster the confidence of these. Moreover, SECP assures that any regulatory & supervisory support can be extended to the industry participants to help them achieve optimum results."**

**Mr. Samoo said "The reason why SECP has been encouraging the industry participants to explore the untapped masses through microinsurance is the National Financial Inclusion Strategy, which among other major initiatives aims at introduction of small-ticket insurance for the low-income people who have no access to the financial system."**

**He added, most low-income people face a number of risks events like illnesses, accidents, disability, deaths, natural disasters - all events with negative effects leading to a decline in income or a rise in expenditure or both. The microinsurance could play a role in providing social and financial protection against such losses by ensuring financial shock absorbence of low-income household to both predictable and unpredictable risk events and to maintain wellbeing.**

**"Insurance is a business of making profits through economics of scale, so the insurance companies intending to explore microinsurance would recognize the hidden treasures of this business. There is a large microinsurance opportunity. But the sector has a number of challenges which must be overcome to succeed. From the economic point of view, microinsurance can be an effective complement to existing options of social protection programs of the government. Moreover viewing the importance of technology in promoting the microinnsurance it is necessary to invest in the technological infrastructure. And once the technology improves, the focus can be put on types of insurance products that can be offered through the technology platforms".**

**Mr. Samoo said, "In addition, a conducive and enabling regulatory environment is required for the development of microinsurance. SECP is working assertively towards adapting relevant rules and regulations, which support the evolution of more inclusion insurance systems by encouraging the existing insurers to serve the low-income segments and thus facilitating microinsurance business to evolve and integrate with the formal insurance sector. Attributed to this, a formal regulatory framework for microinsurance is expected to be unveiled before end of this year."**

**He said the next level of deliberation would lead to a drastic development of the microinsurance in Pakistan.**

**In the end, he appreciated the efforts of the Mutual Exchange Forum on Inclusive Insurance (MEFIN). He expressed his appreciation for GIZ efforts. The assistance from GIZ-REPI Asia had been significant.**

# Dr. Antonis Malagardis

## Program Director - GIZ

**Speaks**

**Dr. Antonis Malagardis, Program Director, Deutsche Gesellschaft Für International Zusammenarbeit GIZ RFPI Asia II was in Islamabad to attend a Multi-Stakeholder Dialogue organized by Securities and Exchange Commission of Pakistan (SECP) in partnership with GIZ to consult with Public and Private Stakeholders, the result of the study on the strategic framework for Microinsurance Development in Pakistan.**

**Dr. Antonis Malagardis agreed to the request for an Exclusive Interview with Insurance Journal. Given below are the Questions of Insurance Journal and response of Dr. Antonis Malagardis (GIZ).**

***Insurance Journal:*** ***Kindly mention briefly your company GIZ***

GIZ Response Dr. Antonis Malagardis

GIZ in the German language is Deutsche Gesellschaft Für Internationale Zusammenarbeit or German Development Cooperation (www.giz.de) is a federally owned enterprise that supports the German government on international development cooperation. It has offices in 90 countries, and is present in 130 countries worldwide.

***Insurance Journal:*** ***What is the role and contribution of GIZ in helping microinsurance spread in the countries, your company is operating actively?***

GIZ Response Dr. Antonis Malagardis

GIZ partners with Insurance Regulators in target countries on the formulation of supportive policies on microinsurance designed to develop this new and emerging segment of the market. We also work with the private sector, bringing them in public-private dialogues with Insurance Regulators to exchange on policies and laws that promote consumer protection and market development among various members of the Mutual Exchange Forum on Inclusive Insurance (www.mefin.org), a collegial body composed of Insurance Regulators and representatives of the private Insurance Industry in Indonesia, Mongolia, Nepal, Pakistan, the Philippines, and Vietnam.

In Pakistan, GIZ supports the development of microinsurance regulation in partnership with the Securities and Exchange Commission of Pakistan (SECP) through the Regulatory Framework Promotion of Pro-Poor Insurance Markets in Asia Phase II (GIZ RFPI Asia II).

***Insurance Journal:*** ***How one should describe microinsurance?***

GIZ Response Dr. Antonis Malagardis

Microinsurance can have various definitions depending on the background and needs of target countries. In general, GIZ RFPI Asia II views microinsurance as insurance designed for the low income sector. It is simple, easy to understand, affordable and accessible. It is different from social insurance which targets the poor and is subsidized by Government. GIZ believes that for microinsurance to be sustainable, it must be based on the needs of the market, and free from unnecessary Government subsidies which can be variable over time and distorts market conditions. Microinsurance is similar with all insurance products in the market. Its distinctive feature is the observance of proportionality in all aspects --- this means that the coverage, extent and content of regulation, product development, distribution, etc. must be commensurate with the level of exposure to risk.

***Insurance Journal:*** ***If microinsurance is for the poor, the handlers of microinsurance are from well-established corporate institutions. How would you suggest there be some inter connect between the two. What measures you suggest that is simple and within poor people's intelligence and microinsurance can reach their doorstep.***

GIZ Response
Dr. Antonis Malagardis

A well-established insurance company providing microinsurance to the mass market sector is one of the important factors that will ensure the financial viability of said institutions to pay the microinsurance coverage and comply with all the stipulations of the microinsurance contact, particularly during catastrophic events. On the contrary, financially unstable insurance companies will likely pose a risk on its ability to compensate the insured when the assured peril is triggered.

A number of factors have to be met to ensure consumer protection: A Regulatory Framework on Microinsurance that is responsive to the needs, conditions and capabilities of the mass market sector must be crafted. It should align well, and is supported by the respective Insurance Laws of target countries. While the Microinsurance Framework encapsulates main requirements, such as definition of microinsurance, identification of the the target population, the products and the stakeholders necessary in the implementation of microinsurance, it must also be inclusive and must not be designed to meet the needs of selected companies, personalities or entities.

The design of microinsurance products must take into account the background of the target population, the average: age, educational attainment, financial activities, capacity to pay, and the distribution channel directly involved with the target group, amongst others. However, companies must design products with value to the customer. Not all cheap products have value.

There must be a careful study on the combination of price, the product features, limitations, and the approach and manner of explaining the product to the target population, to ensure consumers understand what they are buying. We must remember to explain to consumers that microinsurance is not the 'magic bullet' or the 'cure all' for all ills of the target market --- it will contribute to the cure, but not solve all their problems.

***Insurance Journal:*** ***Microinsurance is networking. Please explain and benefits that can be obtained from it.***

GIZ Response
Dr. Antonis Malagardis

In simple terms, microinsurance is about sharing risk among all who have bought a microinsurance policy. When more people buy insurance, the more will share the risk. When an unplanned or contingent event happens to an insured person, the money from the rest of those who bought the microinsurance policy will be used to pay for the coverage of that contract. Therefore, when coverage is spread and not concentrated in one area, risk is spread across a given space. Spreading coverage across distance and period of cover or maturity of contracts in microinsurance is needed to spread and manage risk.

People insured with microinsurance policies are entitled to the compensation stated in the contract. People who buy microinsurance or insurance in general have a faster time to recover financially because they receive a specific amount of insurance cover based on the contract agreed with the insurance company.

Formalizing microinsurance products by using international standard practices allows the entry of global reinsurance providers needed to take the financial risk from microinsurance out of target countries.

***Insurance Journal:*** ***At recently held microinsurance Dialogue at Islamabad where you had a pivotal role for its success. There was talk of Strategic Framework for Microinsurance development in Pakistan, would you please mention the main features of this Framework.***

GIZ Response
Dr. Antonis Malagardis

The Strategic Framework for Microinsurance in Pakistan has five main objectives focusing on the revisit and establishment of a responsive and sound Microinsurance regulatory framework, growth outreach, documentation and institutionalization of diversified and sustainable business models, development of tailored microinsurance for multi-peril risks, and development of client awareness to ensure client protection of the target population.

***Insurance Journal:*** ***Would you please share the recommendations made at the recently held microinsurance Dialogue in Islamabad.***

GIZ Response
Dr. Antonis Malagardis

The dialogue between the public and the private sector discussion was very comprehensive and tackled various facets of microinsurance development in Pakistan. The discussions focused on the need to revisit the microinsurance framework, emphasis on consumer protection, and provision of space to the private sector to allow developments. Harnessing technology to promote market development was a priority. Companies focused on Financial Literacy and the need to explain the product features to customers, and be understood. Insurance companies emphasized access to effective distribution channels through sustainable business models. The creation of the right products for the right price using effective distribution channels was a priority.

***Insurance Journal:*** ***In a country like Pakistan where Financial Literacy is low, religious belief and lack of awareness on part of people marketing and people purchasing microinsurance. How do you think these hurdles should be overcome?***

GIZ Response
Dr. Antonis Malagardis

Microinsurance has to be understood by the target communities, using their own language, designed along the sensitivities of their distinctive culture, and combined with the financial soundness of the microinsurance products using international standards, to bring utmost value and protection to the masses. These microinsurance products must deliver the coverage that they promise in their contracts --- therefore, they must be able to pay fast, within 10 days for example. It has to be driven both ways: from the target communities up to policy makers through ownership and feedback on various microinsurance interventions, and vice versa; with the participation of relevant public and private stakeholders. Microinsurance has to be paired with other services, like access to credit, to provide more value to the target customers.

| | |
|---|---|
| ***Insurance Journal:*** | ***Would you please briefly compare the success – index of microinsurance in Pakistan, Philippines and India.*** |
| GIZ Response<br>Dr. Antonis Malagardis | Massive development on microinsurance in Pakistan can capitalize on technology, particularly the use of mobile technology. Pakistan has begun the development of massive distribution of mass market insurance through mobile, which has to be underpinned a strategic policy framework on Microinsurance.<br><br>Philippines' strength is founded on a strong Microinsurance Policy Framework which is driving market growth from 5 million policy holders in 2010 increasing to 34 million microinsurance policies in 2014. The policy framework has a strong ownership by the public and private sectors. India on one hand has a different approach, with Government providing premium subsidy to the private insurance sector, through a tender process. Under its Rashtriya Swasthya Bima Yojana health insurance program, Government provides 95% of premium subsidy to insure workers from the unrecognized sector below the poverty line, which is around 37.2% of the total population in India. |
| ***Insurance Journal:*** | ***Where do you see microinsurance say ten years hence.*** |
| GIZ Response<br>Dr. Antonis Malagardis | With increasing incomes globally and more people graduating to the middle income sector, Microinsurance will be gradually progressing to the usual insurance lines. However, now is the critical period to start this transition> But first, we must explain the value and use of microinsurance to the target population and advocate the need to access the products approved by the Securities and Exchange Commission of Pakistan (SECP) now. |
| ***Insurance Journal:*** | ***Any comment or suggestion you would like to make.*** |
| GIZ Response<br>Dr. Antonis Malagardis | The Regulatory Framework Promotion of Pro-Poor Insurance Markets in Asia Phase II (GIZ RFPI Asia II) is honored to partner with the Securities and Exchange Commission of Pakistan to support the development of microinsurance in the country. GIZ brings rich experience on microinsurance from other country members of the Mutual Exchange Forum on Inclusive Insurance Network (www.mefin.org), towards the development of a regulatory framework that is relevant, fit, and owned by all stakeholders in Pakistan.<br><br>In behalf of my company GIZ, the GIZ RFPI Asia II Program, and the MEFIN Network, we thank the Quarterly Insurance Journal for the opportunity to share our views on this important topic of microinsurance development in Pakistan. |

# MR. HASANALI ABDULLAH
**Chairman**
**The Insurance Association of Pakistan**

# MR. ARSHAD P. RANA
**Senior Vice Chairman**
**The Insurance Association of Pakistan**

# MR. ATIQ ANWAR MAHMUDI
**Vice Chairman**
**The Insurance Association of Pakistan**

The nominations received for the IAP's Election from Member Companies were notified in the IAP's Election Circular dated September 02, 2016 addressed to All Principal Representatives. The election of the Executive Committee members was held to fill up five (5) seats three (3) from non-life and two (2) from life insurance companies.

Ballot was held on September 15, 2016 in Association's Head office at Karachi and Regional Office at Lahore for the above mentioned seats. The Commission counted the votes and determined the persons who have received the largest number of votes and elected to the above Committee.

No election was held for life insurance companies reserved seats as the nominations received were not more than the number to be elected, therefore, the persons nominated by the life insurance companies were elected unopposed.

As regards election of Office Bearers (i.e. Chairman/ Senior Vice-Chairman / Vice-Chairman of the Executive Committee) only one nomination each for the Chairman, Senior Vice-Chairman & Vice-Chairman, from Mr. Hasanali Abdullah, Mr. Arshad P. Rana and Mr. Atiq Anwar Mahmudi, respectively were received. The aforementioned persons therefore, stand elected unopposed as the Chairman, Senior Vice-Chairman & Vice-Chairman of the Executive Committee for the year 2016-17.

The full composition of newly elected/ Continuing (*) members of the Executive Committee for the year 2016-17 is as follows:

## Executive Committee 2016-17

| | |
|---|---|
| 1.(*) Mr. Hasanali Abdullah, Chairman | EFU General Insurance |
| 2. Mr. Arshad P. Rana, Senior Vice Chairman | Atlas Insurance Limited |
| 3. Mr. Atiq Anwar Mahmudi, Vice-Chairman | Jubilee General Insurance |
| 4. Mr. S. Shahid Abbas | EFU Life Assurance |
| 5.(*) Mr. Abdul Razak Ahmed | Reliance Insurance Company |
| 6. Mr. Fredrik Coenrard De Beer | Adamjee Life Assurance |
| 7.(*) Mr. Mohammad Hussain Hijri | Century Insurance Company |
| 8.(*) Mr. Nasar us Samad Qureshi | Alfalah Insurance Company |
| 9.(*) Mr. Zain Ul Haq Qureshi | Asia Insurance Company |
| 10. Mr. Muhammad Rahat Sadiq | United Insurance Company |
| 11. Mr. Abdul Waheed | Askari General Insurance |

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# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| ADAMJEE INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 3,500.000 | 3,500.000 |
| Gross Premium | 8,760.612 | 6,790.326 |
| Net Premium | 4,368.316 | 3,719.730 |
| Profit Before Tax | 1,764.282 | 1,762.665 |
| Profit After Tax | 1,476.395 | 1,598.411 |
| Investment Income | 1,366.848 | 1,495.213 |
| Investments | 16,721.889 | 14,453.208 |
| Total Assets | 36,759.707 | 30,841.075 |
| Claim Expense | 2,585.845 | 2,238.458 |
| Earning / (Loss) per Share - (Rupees) | 4.22 | 4.57 |

| ALFALAH INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 500.000 | 300.000 |
| Gross Premium | 1,103.132 | 740.052 |
| Net Premium | 433.011 | 360.216 |
| Profit Before Tax | 100.125 | 74.277 |
| Profit After Tax | 72.766 | 59.711 |
| Investment Income | 45.393 | 52.434 |
| Investments | 740.461 | 1,132.940 |
| Total Assets | 2,770.328 | 2,265.063 |
| Claim Expense | 475.123 | 210.291 |
| Earning / (Loss) per Share - (Rupees) | 1.46 | 1.19 |

| ALPHA INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 403.600 | 403.600 |
| Gross Premium | 69.718 | 97.896 |
| Net Premium | 37.275 | 42.770 |
| Profit Before Tax | (31.275) | 12.011 |
| Profit After Tax | (20.484) | 9.557 |
| Investment Income | 29.875 | 35.662 |
| Investments | 663.668 | 654.630 |
| Total Assets | 1,021.790 | 974.476 |
| Claim Expense | 26.127 | 13.783 |
| Earning / (Loss) per Share - (Rupees) | (0.51) | 0.24 |

| ASKARI GENERAL INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 427.178 | 388.344 |
| Gross Premium | 1,215.561 | 1,029.901 |
| Net Premium | 619.819 | 525.614 |
| Profit Before Tax | 156.278 | 133.517 |
| Profit After Tax | 109.025 | 106.761 |
| Investment Income | 48.993 | 63.509 |
| Investments | 1,205.361 | 1,023.664 |
| Total Assets | 3,507.649 | 2,675.966 |
| Claim Expense | 298.594 | 290.711 |
| Earning / (Loss) per Share - (Rupees) | 2.15 | 2.12 |

# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| ASIA INSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 360.000 | 300.000 |
| Gross Premium | 291.759 | 245.876 |
| Net Premium | 199.714 | 149.683 |
| Profit Before Tax | 70.742 | 47.862 |
| Profit After Tax | 53.544 | 34.742 |
| Investment Income | 15.480 | 12.541 |
| Investments | 254.953 | 231.445 |
| Total Assets | 1,058.982 | 911.802 |
| Claim Expense | 24.647 | 27.362 |
| Earning / (Loss) per Share - (Rupees) | 1.49 | 0.97 |

| ATLAS INSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 701.614 | 701.614 |
| Gross Premium | 1,336.047 | 1,064.929 |
| Net Premium | 484.632 | 476.897 |
| Profit Before Tax | 444.512 | 410.237 |
| Profit After Tax | 313.149 | 321.830 |
| Investment Income | 176.734 | 149.307 |
| Investments | 2,026.405 | 1,837.257 |
| Total Assets | 4,130.164 | 3,374.725 |
| Claim Expense | 107.597 | 107.128 |
| Earning / (Loss) per Share - (Rupees) | 4.46 | 4.59 |

| CENTURY INSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 457.244 | 457.244 |
| Gross Premium | 568.213 | 489.461 |
| Net Premium | 355.218 | 219.866 |
| Profit Before Tax | 88.815 | 210.446 |
| Profit After Tax | 67.987 | 190.559 |
| Investment Income | 73.495 | 204.218 |
| Investments | 1,642.020 | 1,372.299 |
| Total Assets | 2,642.984 | 2,324.846 |
| Claim Expense | 227.720 | 119.450 |
| Earning / (Loss) per Share - (Rupees) | 1.49 | 4.17 |

| CRESCENT STAR INSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 826.833 | 620.125 |
| Gross Premium | 129.593 | 163.637 |
| Net Premium | 109.501 | 125.683 |
| Profit Before Tax | 5.853 | 12.419 |
| Profit After Tax | 4.758 | 11.162 |
| Investment Income | 3.732 | 5.973 |
| Investments | 110.810 | 64.221 |
| Total Assets | 968.236 | 646.071 |
| Claim Expense | 25.991 | 38.186 |
| Earning / (Loss) per Share - (Rupees) | 0.06 | 0.18 |

# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| EAST WEST INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 451.690 | 401.502 |
| Gross Premium | 982.612 | 852.842 |
| Net Premium | 497.101 | 454.521 |
| Profit Before Tax | 131.413 | 103.835 |
| Profit After Tax | 115.362 | 77.180 |
| Investment Income | 52.372 | 31.158 |
| Investments | 915.684 | 700.754 |
| Total Assets | 1,787.045 | 1,513.859 |
| Claim Expense | 210.248 | 195.297 |
| Earning / (Loss) per Share - (Rupees) | 2.55 | 1.71 |

| EFU GENERAL INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 2,000.000 | 1,600.000 |
| Gross Premium | 7,905.841 | 6,564.520 |
| Net Premium | 3,760.948 | 3,379.612 |
| Profit Before Tax | 1,677.745 | 1,553.644 |
| Profit After Tax | 972.040 | 1,256.573 |
| Investment Income | 590.380 | 847.316 |
| Investments | 19,464.519 | 15,877.844 |
| Total Assets | 34,110.728 | 28,379.189 |
| Claim Expense | 1,577.137 | 1,584.146 |
| Earning / (Loss) per Share - (Rupees) | 4.86 | 6.28 |

| HABIB INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 619.374 | 619.374 |
| Gross Premium | 784.374 | 593.311 |
| Net Premium | 269.916 | 259.509 |
| Profit Before Tax | 136.278 | 170.302 |
| Profit After Tax | 93.199 | 148.079 |
| Investment Income | 108.763 | 143.648 |
| Investments | 870.059 | 830.079 |
| Total Assets | 3,073.871 | 2,756.196 |
| Claim Expense | 117.376 | 113.009 |
| Earning / (Loss) per Share - (Rupees) | 0.75 | 1.20 |

| IGI INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 1,226.895 | 1,226.895 |
| Gross Premium | 1,668.640 | 1,330.294 |
| Net Premium | 662.679 | 561.352 |
| Profit Before Tax | 778.942 | 951.535 |
| Profit After Tax | 484.731 | 795.947 |
| Investment Income | 783.864 | 938.444 |
| Investments | 15,010.724 | 12,160.837 |
| Total Assets | 18,066.088 | 14,598.879 |
| Claim Expense | 343.570 | 321.474 |
| Earning / (Loss) per Share - (Rupees) | 3.95 | 6.49 |

# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| JUBILEE GENERAL INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 1,569.100 | 1,569.100 |
| Gross Premium | 4,781.919 | 5,015.972 |
| Net Premium | 2,055.017 | 2,054.233 |
| Profit Before Tax | 812.998 | 1,018.097 |
| Profit After Tax | 484.047 | 804.773 |
| Investment Income | 588.243 | 697.643 |
| Investments | 6,063.098 | 7,726.927 |
| Total Assets | 18,742.774 | 16,131.269 |
| Claim Expense | 1,093.145 | 1,078.968 |
| Earning / (Loss) per Share - (Rupees) | 3.08 | 5.13 |

| NEW HAMPSHIRE INSURANCE CO. LTD. (PAKISTAN BRANCH) | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | --- | --- |
| Gross Premium | 324.266 | 818.269 |
| Net Premium | 38.484 | 247.013 |
| Profit Before Tax | 122.593 | 67.703 |
| Profit After Tax | 82.529 | 57.068 |
| Investment Income | 60.038 | 83.476 |
| Investments | 1,686.270 | 1,994.413 |
| Total Assets | 2,688.510 | 3,632.543 |
| Claim Expense | 21.903 | 157.796 |
| Earning / (Loss) per Share - (Rupees) | --- | --- |

| THE PAKISTAN GENERAL INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 400.013 | 400.000 |
| Gross Premium | 184.230 | 186.096 |
| Net Premium | 135.906 | 127.764 |
| Profit Before Tax | 19.609 | 38.910 |
| Profit After Tax | 15.973 | 26.039 |
| Investment Income | 7.872 | 16.390 |
| Investments | 24.365 | 50.635 |
| Total Assets | 930.730 | 900.191 |
| Claim Expense | 65.556 | 59.749 |
| Earning / (Loss) per Share - (Rupees) | 0.40 | 0.65 |

| PICIC INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 350.000 | 350.000 |
| Gross Premium | 24.497 | 264.198 |
| Net Premium | 58.801 | 157.783 |
| Profit Before Tax | (28.999) | (2.913) |
| Profit After Tax | (28.999) | (3.271) |
| Investment Income | 0.193 | 0.167 |
| Investments | 37.090 | 65.302 |
| Total Assets | 476.521 | 814.021 |
| Claim Expense | 27.544 | 61.926 |
| Earning / (Loss) per Share - (Rupees) | (0.83) | (0.09) |

# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| PREMIER INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 417.893 | 348.244 |
| Gross Premium | 651.141 | 442.309 |
| Net Premium | 317.770 | 332.852 |
| Profit Before Tax | (135.503) | 117.712 |
| Profit After Tax | (149.398) | 101.455 |
| Investment Income | 76.166 | 125.788 |
| Investments | 725.767 | 1,121.673 |
| Total Assets | 4,129.280 | 3,179.824 |
| Claim Expense | 213.999 | 154.715 |
| Earning / (Loss) per Share - (Rupees) | (3.58) | 2.43 |

| RELIANCE INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 510.375 | 463.978 |
| Gross Premium | 580.801 | 501.454 |
| Net Premium | 177.547 | 156.743 |
| Profit Before Tax | 59.152 | 99.259 |
| Profit After Tax | 51.012 | 92.259 |
| Investment Income | 47.893 | 95.505 |
| Investments | 701.423 | 656.299 |
| Total Assets | 1,827.288 | 1,700.750 |
| Claim Expense | 48.789 | 145.966 |
| Earning / (Loss) per Share - (Rupees) | 1.00 | 1.99 |

| SAUDI PAK INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 396.500 | 325.000 |
| Gross Premium | 317.119 | 321.750 |
| Net Premium | 247.851 | 250.921 |
| Profit Before Tax | 36.845 | 55.469 |
| Profit After Tax | 24.892 | 33.946 |
| Investment Income | 6.542 | 5.318 |
| Investments | 95.983 | 79.457 |
| Total Assets | 890.293 | 708.269 |
| Claim Expense | 91.909 | 77.064 |
| Earning / (Loss) per Share - (Rupees) | 0.63 | 1.04 |

| SECURITY GENERAL INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 680.625 | 680.625 |
| Gross Premium | 829.529 | 445.753 |
| Net Premium | 196.362 | 229.194 |
| Profit Before Tax | 571.210 | 605.190 |
| Profit After Tax | 363.400 | 468.223 |
| Investment Income | 512.427 | 542.596 |
| Investments | 8,700.740 | 8,249.472 |
| Total Assets | 13,656.870 | 10,539.005 |
| Claim Expense | 35.138 | 53.836 |
| Earning / (Loss) per Share - (Rupees) | 5.34 | 6.88 |

# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| SHAHEEN INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 450.000 | 450.000 |
| Gross Premium | 170.288 | 133.997 |
| Net Premium | 130.971 | 106.205 |
| Profit Before Tax | 14.356 | 5.914 |
| Profit After Tax | 13.047 | 4.842 |
| Investment Income | 9.094 | 6.038 |
| Investments | 281.231 | 278.440 |
| Total Assets | 815.799 | 763.834 |
| Claim Expense | 49.398 | 38.840 |
| Earning / (Loss) per Share - (Rupees) | 0.29 | 0.11 |

| TPL DIRECT INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 755.159 | 746.256 |
| Gross Premium | 663.308 | 576.070 |
| Net Premium | 586.619 | 565.189 |
| Profit Before Tax | 88.356 | 11.733 |
| Profit After Tax | 56.346 | 10.735 |
| Investment Income | 6.157 | 2.992 |
| Investments | 102.191 | 101.022 |
| Total Assets | 2,100.676 | 1,797.368 |
| Claim Expense | 257.142 | 283.933 |
| Earning / (Loss) per Share - (Rupees) | 0.75 | 0.17 |

| UBL INSURERS LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 1,152.174 | 1,152.174 |
| Gross Premium | 1,370.718 | 800.416 |
| Net Premium | 391.449 | 229.292 |
| Profit Before Tax | 98.994 | 74.064 |
| Profit After Tax | 67.496 | 50.001 |
| Investment Income | 46.212 | 46.976 |
| Investments | 1,031.414 | 798.536 |
| Total Assets | 3,653.274 | 2,450.018 |
| Claim Expense | 185.738 | 81.990 |
| Earning / (Loss) per Share - (Rupees) | 0.59 | 0.43 |

| UNITED INSURANCE CO. LTD. | 2016 | (Restated) Rs. in Million 2015 |
|---|---|---|
| Paid up Capital | 1,803.200 | 1,288.000 |
| Gross Premium | 1,829.917 | 1,411.726 |
| Net Premium | 1,230.803 | 980.884 |
| Profit Before Tax | 326.102 | 245.401 |
| Profit After Tax | 281.754 | 216.809 |
| Investment Income | 48.325 | 47.086 |
| Investments | 1,032.165 | 769.276 |
| Total Assets | 5,345.161 | 4,638.850 |
| Claim Expense | 532.629 | 427.436 |
| Earning / (Loss) per Share - (Rupees) | 1.56 | 1.20 |

# Half Yearly Statistics 2016

## Insurance Companies of Pakistan

### General Insurance:

| UNIVERSAL INSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 416.180 | 370.000 |
| Gross Premium | 15.053 | 1.050 |
| Net Premium | 20.075 | 8.824 |
| Profit Before Tax | 17.216 | 71.140 |
| Profit After Tax | 16.195 | 70.296 |
| Investment Income | 10.579 | 2.436 |
| Investments | 264.609 | 159.182 |
| Total Assets | 732.843 | 754.360 |
| Claim Expense | (7.811) | (34.258) |
| Earning / (Loss) per Share - (Rupees) | 0.39 | 1.90 |

### Life Insurance:

| EFU LIFE ASSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 1,000.000 | 1,000.000 |
| Gross Premium | 11,772.828 | 16,200.431 |
| Net Premium | 11,380.597 | 15,892.088 |
| Profit Before Tax | 1,097.343 | 1,083.637 |
| Profit After Tax | 692.793 | 701.937 |
| Investment Income | 4,930.036 | 5,139.495 |
| Investments | 76,622.520 | 68,075.720 |
| Total Assets | 93,196.364 | 80,772.683 |
| Claim Expense | 10,204.937 | 4,027.156 |
| Earning / (Loss) per Share - (Rupees) | 6.93 | 7.02 |

| IGI LIFE INSURANCE LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 550.000 | 500.000 |
| Gross Premium | 3,736.216 | 1,998.472 |
| Net Premium | 3,659.019 | 1,945.200 |
| Profit Before Tax | 44.061 | 38.247 |
| Profit After Tax | 30.402 | 26.008 |
| Investment Income | 728.412 | 672.773 |
| Investments | 14,019.496 | 11,366.867 |
| Total Assets | 16,018.564 | 12,635.927 |
| Claim Expense | 1,630.658 | 1,407.217 |
| Earning / (Loss) per Share - (Rupees) | 0.55 | 0.47 |

| JUBILEE LIFE INSURANCE CO. LTD. | 2016 (Restated) Rs. in Million | 2015 |
|---|---|---|
| Paid up Capital | 721.188 | 721.188 |
| Gross Premium | 17,574.633 | 14,373.928 |
| Net Premium | 16,962.858 | 13,876.323 |
| Profit Before Tax | 1,288.608 | 1,086.428 |
| Profit After Tax | 808.454 | 674.350 |
| Investment Income | 5,409.068 | 4,174.584 |
| Investments | 70,223.877 | 51,010.452 |
| Total Assets | 82,027.010 | 60,009.344 |
| Claim Expense | 4,462.641 | 3,357.208 |
| Earning / (Loss) per Share - (Rupees) | 11.21 | 9.35 |

**2014 C L D 96**

**[Securities and Exchange Commission of Pakistan]**

***Before Tariq Hussain, Director (Insurance)***

***TAKAFUL PAKISTAN LIMITED: In the matter of***

**Show Cause Notice dated 13th February, 2013; decide on 28th June, 2013.**

**Insurance Ordinance (XXXIX of 2000) —-**

---Ss, 2(lxiv) & 156---Takaful Rules, 2012, R.26---Takaful scheme---Failure of company to comply with the Principles of Islamic Shariah, violation of shariah Guidelines---Takaful was a scheme of mutual assistance to the participants in case of occurrence of certain contingencies, and the participants mutually agreed to contribute to the common find for that purpose in compliance of principles of Sharia---Rule 26 of Takaful Rules, 2012, required that each operator would appoint a Shariah advisor who would ensure adherence of condition specified by the commission upon advice of the Shariah Advisory Board on all matters---Company's Shariah Board had also prescribed the Shariah Guidelines regarding Co-Takaful arrangement with the conventional insurers---Company had violated the Shariah Guidelines relating to Co-Takaful arrangement with the conventional insurers---Default of the company of the shariah Guidelines issued by Shariah Supervisory Board of the general takaful operators was established---Company should at all times comply with the principles of Shariah, which was the most integral part of the Takaful business, but company failed to do that---Penalty as provided under S.156 of the Insurance Ordinance, 2000, could be imposed onto the company and/or its Director---Commission, instead of imposing the penalty, took a lenient view and condoned the company due to fact: (a) that, the company's management had adopted the required procedure as laid down in Shariah Guidelines issued by the Shariah supervisory Board of the general takaful operators; and (b) that prior to December, 2011 there were no guidelines for the company to follow in respect of co-insurance/facultative inward arrangements with the conventional insurers. [pp.97, 99, 106, 107] A, B, C & D

Taimur Mirza, Advocate/Legal Counsel (Messrs Mohsin Tayebaly and Co.) attended.

Date of hearing: 4th April, 2013

**ORDER**

(Under section 2(lxiv) Read with Section 156 of the Insurance Ordinance, 2000)

TARIQ HUSSAIN, DIRECTOR (Insurance).--- This order shall dispose of the proceedings initiated against Messrs Takaful Pakistan Limited ("the Company"0 for not complying with the principles of Islamic Shariah, thereby violated the definition of "takaful" business as laid down under section 2(lxiv) of the Insurance Ordinance, 2000 (the "Ordinance").

**<u>Background Facts</u>**

2. Takaful is a scheme of mutual assistance to the participants in case of occurrence of certain contingencies and the participants mutually agree to contribute to the common fund for this purpose, in compliance of the principles of Shariah. So, the prime objective of a Takaful Operator is to conduct Takaful Business based on the principles of Islamic shariah.

3. Takaful has been defined under section 2(lxiv) of the Ordinance, which states that:--

"Takaful means a scheme based on 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:" (Underlined to put emphasis)

4. Rule 26 of the Takaful Rules, 2012 (the "Rules of 2012") requires that each operator shall appoint a Shariah Advisor who shall be responsible for the approval of the following:--

(a) Product including all related documentation:
(b) Participants Takaful Fund policy;
(c) Investment policy:
(d) Re-takaful arrangements: and
(e) Distribution of surplus to the participants.

Rule 26 of the Rules of 2012 further requires that the Shariah Advisor shall ensure adherence to the conditions specified by the Commission upon advice of the Shariah Advisory Board on all matters.

Similarly, the repealed takaful Rules. 2005 (the repealed Rules of 2005") required that the Shariah Board shall formulated all operational practices. As Rule 34 of the repealed Rules of 2005 required that:--

"Shariah Board. --- (1) Each Takaful operator shall appoint a Shariah Board (SB) of not less than three members which shall be responsible for the approval of products, documentation as well as approval of all operational practices and investment of funds which shall be filed with the Commission."

5. In this regard, the Shariah Guidelines formulated and issued by the Sharjah Supervisory Board (SSB) of the general takaful operators have allowed the co-takaful arrangements with conventional insurers subject to various conditions. These guidelines required that in the case of co-takaful arrangements with conventional insurers, the respective operators shall be required to pay its own share of claim directly to the client / participant / policyholder as well as receive its share of contribution directly from the client/participant/policyholder. This means that the Company was not allowed to receive contributions and settle claims through conventional insurers.

6. Moreover, the Company's Shariah Board has also prescribed the Shariah Guidelines for the Company regarding Co-Takaful arrangements with the conventional insurers. Para 2(e) and (h) of the Company's Shariah Guidelines state that:--

"For Co-Takaful/Co-Insurance arrangement with conventional insurance Company , TPL must ensure compliance of the following requirements:

(e) The concerned participant should directly pay to TPL, its share of the Takaful contribution irrespective of the fact whether TPL is the leader or follow co-sharer.

(h) TPL, as lead Co-Takaful/Co-Insurance operator, may pay the 100% amount of the benefit to the concerned participant and then recover from others Co-Takaful/Co-Insurance operators are conventional insurers, then TPL should pay only its Co-Takaful/Co-Insurance share of the benefits (claim) payable.

7. Note 1 of the said Shariah Guidelines for the Company also state that:--

"General Guidelines for Takaful operations should also the taken into consideration by TPL when engaging in Takaful business as Co-Takaful/Co-Insurance operator."

8. However, it was observed that the Company has violated the Shariah Guidelines relating to co-takaful arrangements with the conventional insurers.

Following is the detail of the Company's business with conventional insurers during the years 2009, 2010 and 2011:--

| YEAR | Name of the Conventional Insurer | Natural of Business | Amount |
|---|---|---|---|
| 2011 | Adamjee Insurance Co. Ltd. | Premium collected and paid to the Company | 236,580 |
| | | Amount of Claim Paid On Behalf of the Company | |
| | EFU General Insurance Ltd. | Premium Collected On Behalf of the Company. | 863,695 |
| | | Premium Paid to the Company | 555,739 |
| | | Claims Paid On Behalf of the Company | |
| | Jubilee General Insurance Ltd. | Claims settled on Behalf of the Company | |

| YEAR | Name of the Conventional Insurer | Natural of Business | Amount |
|---|---|---|---|
| 2010 | Adamjee Insurance Co. Ltd. | Premium collected and paid to the Company | 38,471 |
| | | Amount of Claim Paid On Behalf of the Company | 82,240 |
| | EFU General Insurance Ltd. | Premium Collected On Behalf of the Company. | 411,816 |
| | | Premium Paid to the Company | 354,300 |
| | | Claims Paid On Behalf of the Company | 231,553 |
| | Jubilee General Insurance Ltd. | Claims settled on Behalf of the Company | --- |

| YEAR | Name of the Conventional Insurer | Natural of Business | Amount |
|---|---|---|---|
| 2009 | Adamjee Insurance Co. Ltd. | Premium collected and paid to the Company | 624,677 |
| | | Amount of Claim Paid On Behalf of the Company | 595,639 |
| | EFU General Insurance Ltd. | Premium Collected On Behalf of the Company. | 1,531,986 |
| | | Premium Paid to the Company | 1,163,102 |
| | | Claims Paid On Behalf of the Company | 1,191,471 |
| | Jubilee General Insurance Ltd. | Claims settled on Behalf of the Company | 97,127 |

9. In view of the above, it appeared that the Company has violated the basic idea and definition of Takaful scheme by acting against the principles of Shariah, as laid down under the guidelines formulated and issued by the shariah Supervisory Board, which is detrimental to the interests of the participants of the takaful fund, and hence, attracts penal action against the Company as provided under section 156 of the Ordinance.

**Show Cause Notice**

10. Accordingly, the Show Cause Notice was issued on February 13, 2013 under section 2(lxiv) read with section 156 of the Ordinance to the Chief Executive and Directors of the Company, calling upon them to show cause as to why the penalty, as provided under section 156 of the ordinance. Should not be imposed upon the Company and/or its Directors for not complying with the principles of Islamic Shariah as envisaged in the Shariah Guidelines issued by the Shariah Supervisory Board of the general takaful operators, which, as of now, acts as a benchmark for adherence to the principles of Islamic Shariah, in terms of section 2(1xiv) of the Ordinance.

**Company's Response to the show Cause Notice**

11. In response to the said Show Cause Notice, the Company, through Messrs Mohsin Tayebaly & Co. vide their letter No.IM894/TKPL/04/413/2013 dated February 27, 2013, stated that:--

"…We have been instructed to reply to the Notice as follow:

**Preliminary Objections**

(a) At the very outset it is sated that the Hon'ble High Court of Sindh has vide order dated 2-8-2012. Passed in Constitutional Petition No. D-2791 of 2012 filed by our Client along with four other takaful operators, directed the Commission to maintain status quo in respect of the Takaful Rules, 2012 (the |2012 Rules"). The said order still holds and is in the field and therefore the Notice could not have been issued to our Client in the first place.

(b) No guidelines or direction have been issued by the Commission or the Takaful industry and the terms of our Client's Shariah Guideline's for Co-Takaful/Coinsurance cannot be deemed to have retrospective effect.

(c) In view of the above, the Notice has been issued in violation of the aforesaid order of the High Court of Sindh and is liable to be withdrawn immediately.

**Seriatim Reply**

Without prejudice to the preliminary objections above, our seriatim reply to the Notice is as follows:

(1) That as regards the contents of paragraphs 1 and 2 of the Notice, it is stated that our Client firmly believes in and abides by the application of the principles of Shariah while conducting "Takaful Business" as defined in Rule 2(t) of the Takaful Rules, 2005 (the "2005 Rules") i.e. "business of Takaful whose aims and operations do not involve any element which is not in consonance with the injunctions of Islam as laid down in the Shariah". An insinuation that our Client acts in any manner contradictory to the principles of Shariah are denied.

(2) That in respect of time contents of paragraph 3 of the Notice it is submitted that our Client has impugned the 2012 Rules in its aforementioned petition and has prayed to the High Court of Sindh to set aside the same. It is reiterated that the High Court has directed the Commission to maintain status quo in respect of the 2012. Therefore the extracts of the provisions of the 2012 Rules mentioned in paragraphs 3 are denied as being in the field and applicable to our Client. It is further denied that the 2005 Rules have been repealed in view of the aforementioned order as status quo is to be maintained. Furthermore, as pointed out in the Notice, Rule 34 of the 2005 Rules requires the appointment of a "Shariah Board", which shall, inter alia, formulate all operation practices. It is submitted that our Client has a valid Shariah Board, comprising three distinguished Shariah Scholar and is in compliance of the requirements of the said rules.

(3) That the contents of paragraph 4 of the Notice are denied as the same are misconceived and incorrect. It is submitted that the application of Takaful worldwide is still in a development phase with regard to Shariah and standardization is yet to be achieved in this respect. It is pointed out that the concerns raised in the Notice have been raised by our Client; however, there were no guidelines or directions available from either the Commission or the takaful industry to address such issues. In view of the same, the issues were extensively deliberated by our Client with its Shariah Board, which culminated with the issuance of the "Shariah Guidelines for Co-Takaful/Co-Insurance" by Our Client's Shariah Board in December 2011. Accordingly thereafter, our client has been following guidelines, in letter and spirit.

(4) That the contents of paragraphs 5 and 6 of the Notice warrant no comments: being a reproduction of our Client's Shariah Guidelines for Co-Takaful/Co-Insurance. It is highlighted that as pointed out above, the same were deliberated by our Client's Shariah Board, in its wisdom, due to the non-existence of guidance from the Commission.

(5) That the contents of paragraph 7 of the Notice are vehemently denied being unfounded and incorrect. It is submitted that since the issuance of the aforementioned guidelines in December 2017, our Client has been strictly complying with the directions contained in the same. It is emphasized that prior to December

2071. No guidelines were available in respect of co-takaful/co-insurance which is a complicated field within Takaful. It is also reiterated that since the issuance of the guidelines, our Client has followed the same in letter and spirit. Any retrospective application of such guidelines in contrary to the established principles of law.

(6) In view of the above, there has been no contravention of section 2(lxiv) of the Insurance Ordinance, 2000 and contents of paragraph 9 of the Notice are therefore denied as the same are incorrect and misconceived. Our Client has strictly abided by the terms of the aforementioned guidelines since the issuance of the same. Without prejudice to our Client's aforesaid position, it is submitted that the Shariah Guidelines for Co-Takaful/Co-Insurance did not even exist at the time of the supposed violations of the same. Therefore the question of contravention of the said guidelines cannot even arise and if any contravention has been made by our Client, which is categorically denied, the same can only be attributable to the fact that no guidance was provided by the Commission. Since no such contravention of any provision of guidelines has taken place, the Notice is liable to be withdrawn. It is also submitted that our Client has always abided by the principles of Sharjah and has not in any manner carried out any acts to the detriment of the participants of the takaful fund. The assertions of the Commission are entirely baseless as our Client has not violated any guidelines.

(7) That as regards the contents of paragraph 9 of the Notice and in view of the aforesaid it is submitted that no action contemplated under section 156 of the Insurance Ordinance, 2000 or any other adverse action can be taken against our Client as our Client has not committed the contravention alleged in the Notice.

(8) It is further submitted that the Notice may kindly be withdrawn by the Commission and the Commission issue the finding that out Client has not committed the contravention alleged in the Notice.

(9) It is also submitted that our Client would like to appear before the Commission through us in order to put forth its defense to the allegations raised in the Notice against it and also produce further document in support of its defense at such hearing , if the same its deemed necessary." (Underlined to put emphasis)

12. In the reply of the Company through Messrs Mohsin Tayebaly and Co., the Company has shown concerns about the provisions of the Rules of 2012 that have been placed as supportive clauses in the Show Cause Notice dated February 13, 2013., in the light of the order passed by the Hon'ble Court in the Constitutional Petition No. 2791 of 2012. The sole purpose of the relevance to the Rules of 2012 and the repealed Rules of 2005 is that is has been mandatory for the takaful operators to appoint Shariah Scholars as their Advisors on Shariah matters, and that their responsibilities have been laid down in both the rules, so as to ensure that the idea and definition of Takaful business as laid down under section 2(lxiv) of the Ordinance has been complied with by the takaful operators, in letter and spirit.

13. Furthermore, the reply of the Company also reveals that the Company admits that the Takaful business should be conducted in the light of the principles of Islamic Shariah.

14. Moreover, the Company, in its reply, has stated that the Shariah Board/Advisors of the Company had formulated the aforementioned Shariah Guidelines in December 2011, and the Company has adhered to these Guidelines, in letter and spirit, thereafter. However, prior to December 2011, there were no guidelines for the Company to follow. The Company further believes that the Commission had also not issued any guidelines for the conduct of Takaful business and hence, the Company is not liable to be penalized.

## Hearing of the Case and Subsequent Developments

15. As the Company, through Messrs Mohsin Tayebaly & Co., had requested for a hearing in the matter, vide their reply to the aforesaid Show Cause Notice, as quoted hereinabove, the Commission had initially scheduled the hearing in the matter for March 15, 2013, which was communicated to the Company via the Commission's hearing notice No. ID/Enf/TPL/2013/15852 dated March 8, 2013. However, the Company through Messrs Mohsin Tayebaly & co. vide their letter No. IM894/TKPL/01/485/2013 dated March 14, 2013 requested the Commission to adjourn the hearing with at least 10 to 15 days' notice.

16. Accordingly, the Commission had rescheduled the hearing in the in the matter for April 4, 2013 at 11:00 a.m., which was communicated to the Company via the Commission's hearing Notice No.ID/Enf/TPL/2013/16110 dated March 22, 2013.

17. Accordingly, the said hearing, which was held on April 4, 2013 at 11:00 a.m., was attended by Mr. Taimur Mirza, Advocate Messrs Mohsin Tayebaly & Co., on behalf of the Company (who will be referred to as the "Company's representative" hereinafter).

18. Brief proceedings of the hearing of April 3. 2013 are as follows:--

(a) Prior to the start of the hearing proceedings, the Company's representative handed over the undated Power of Attorney/Vakalatnama to the Commission:

(b) The said Power of Attorney/Vakalatnama was signed by Dr. Mumtaz Ahmed Hashmi, the

Director of the Company, who was empowered by the Chairman of Board of Directors of the Company to appear himself, or to engage or appoint any legal practitioner to act on behalf of the Company and its Board of Directors in any legal cases, vide Circular Resolution of the Board of Directors dated January 9, 2013;

(c) The Company's representative was asked to present the stance of the Company, to which the Company's representative stated that since the matter of Takaful Rules, 2012 have been impugned under C.P. No. 2791/2012, and the Hon'ble High Court of Sindh has passed the Order in which the Commission has been directed to maintain status quo, therefore, no comments will be made:

(d) The Company's representative further stated that the matter may be decided on the basis of the written submissions of the Company.

**Consideration of Company's Submissions**

19. I have carefully examined and given due consideration to the written and verbal submissions of the Company (through the Company's representative, Mr. Taimur Mirza of Messrs Mohsin Tayebaly & Co.), and have also referred to the provisions of the Ordinance and facts of the case. I am of the view that there has been an established default of the Shariah Guidelines, issued by the shariah Supervisory Board of the general takaful operators read with section 2(lxiv) of the Ordinance i.e. the idea and definition of the takaful business. However, the Shariah Board/Advisor of the Company had issued Shariah Guidelines in December 2011, which was at the end of the year 2011.

20. However, before proceeding further, I find it relevant to discuss that the Company should at all times comply with the principles of Shariah, which is the most integral part of the Takaful business in terms of section 2(lxiv) of the Ordinance.

**Conclusion**

21. After carefully examining the arguments and studying the facts and findings of the case as mentioned in the above paras of this Order, the default of section 2(lxiv) of the Ordinance was there. Therefore, the penalty as provided under section 156 of the Ordinance can be imposed onto the company and/or its Directors.

22. Section 156 of the Ordinance states that:--

"Penalty for default in complying with or acting in contravention of this Ordinance. ---Except as otherwise provided in this Ordinance, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance, and, where the insurer is a company, any director, or other officer of the company, who is knowingly a party to the default, shall be punishable with fine which may extend to one million rupees and in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues."

**Order**

23. In exercise of the power conferred on me under section 156 of the Ordinance, 1, instead of imposing the penalty, take a lenient view, and thus, condone the Company due to fact:--

(a) THAT the Company's management has adopted the required procedures as laid down in Shariah Guidelines issued by the Shariah Supervisory Board of the general takaful operators: and

(b) THAT prior to December 2011, there were no guidelines for the Company to follow in respect of co-insurance/facultative inward arrangements with the conventional insurers.

24. This order is issued without prejudice to any other action that the Commission may initiate against the Company and/or its management (including the Chief Executive Officer of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

**HBT/50/SEC**

**Order accordingly.**

# International News

## United Nation, World Bank and Insurance Industry (U.S.A) form Insurance Development Forum (IDF):

At a meeting in Washington DC the formation of Insurance Development Forum (IDF) by United Nations World Bank Group and Insurance Industry was announced.
The aims of IDF are:

I. Incorporate Insurance Industry Risk Measurement know-how into existing governmental disaster risk reduction and resilience.
II. To build out a more sustainable and resilient global insurance market in a world facing growing natural disaster and climate risk.

This announcement followed a keynote address by the UN Secretary General Ban Ki-Moon at a planning conference with many CEO's from the industry which emphasized the critical role that the insurance industry can play in building natural disaster resilience and helping meet the UN's Sustainable Development Goals.

**Today in the developing world more than 90% of economic costs of natural disasters are uninsured, it is known as Protection Gap**. The IDF mission is to better understand and utilize risk measurement tools that will help government apply that knowledge at multiple levels in order to better deploy governmental resources targeting resilience to protect people and their property.

IDF Established four priority work streams:

**1. Understanding Risk:** The IDF will support a better understanding of hazards and the exposure and vulnerability of people and assets to those hazards. By quantifying the risk and anticipating the potential impact of hazards, governments, communities and individuals can make informed decisions on resilience, insurance, investment and wider policies and interventions.
**2. Risk and insurance regulation legislation and policy:** The IDF will promote
(i) Supportive and inclusive insurance regulation to increase access to insurance by the most vulnerable.
(ii) Integration of quantitative and standardized climate and natural hazard risk disclosure into mainstream financial and accounting systems and the appropriate adoption of resilience policies to protect lives, livelihood and assets.
**3. Risk sharing, transfer and response:** The IDF will fully support the delivery of the G7 insuresilience Climate Risk Insurance Target and facilitate availability of climate and natural hazard risk sharing facilities is most regions. The IDF will identify and address challenges to wider insurance coverage (including sovereign, micro-insurance and conventional insurance facilities) and encourage insurance development metrics within updated official statistics and post 2015 indicators.
**4. Risk and resilience:** The IDF will help build the capacity of developing and emerging countries to manage and implement sustainable financing and resilient investment from insurance and related sectors. It will support the creations of a Global Adaptation and Resilience Fund to invest in resilience related technologies, innovation and facilities.

The IDF acts as a Forum to enable the optimal coordination of insurance related activities; the

# International News

development of shared priorities; the mobilization of collective resources; the development of strategic and operational relationships within and between governments, industry and international institutions; and, the avoidance of unhelpful and unnecessary fragmentation of efforts and resources. These collective actions can help close the Protection Gap. It will lead by a High Level Steering Group of senior leaders from the insurance industry and governmental institutions supported by and Executive Secretariat, housed at the International Insurance Society (IIS).

The IDF is chaired by:

Stephen Catlin, Executive Deputy Chairman, KL Catlin; Deputy Chair International Insurance Society and Chair of the Association of Bermuda Insurers and Reinsurers.

With co-Chairs:

Joaquim Levy, Managing Director and World Bank Group Financial Officer, and former Minister of Finance of Brazil.

Helen Clark, Administrator of the United Nations Development Program (UNDP), and former Prime Minister of New Zealand.

## The London Market Group (LMG) announced that PPL had begun trading:

PPL is the London market's electronic placing platform, and brokers and underwriters can now use it to exchange information on standalone Terrorism risks, the first class of business to go live on the system.

David Ledger, Chairman of the PPL Board said "We are delighted that the system is up and running. We expect there to be a steady build-up of use as brokers and carriers move their processes onto the system, pass more information and ultimately transact business. This is just the first step in ensuring that our market is fit for purpose in the 21st century.

This is a market based initiative - it was formed by our associations, it is governed by market practitioners – it is our solution. This is not about getting rid of face to face negotiation, quite the opposite. It is about ridding the market of duplication and administration, leaving more time for the value added activities. It's about everyone having one set of correct information when they talk about a risk and data being entered once, and once only."

PPL is a core component of the Target Operating Model, which being delivered by the London Market Group, an association of associations, which itself is made up of the Corporation, the Lloyd's Market Association (LMA), the International Underwriting Association (IUA), and the London and International Insurance Brokers Association (LIIBA).

*Source: Websites*

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