From
Karachi Since 1984 Islamabad Since 2008

ISSN-0257-8603

Quarterly Insurance Journal

January, February, March 2015

Insurance and Takaful Companies of Pakistan

EXCEEDING Over Rs. 1,000,000,000

Gross Premium Written in 2014

General Insurance:

EFU General, Adamjee Insurance, Jubilee General Insurance, UIC Pakistan, IGI Insurance, Security General Insurance, AIG, Askari general insurance, Atlas Insurance (An Atlas Group Company), East West Insurance Company Limited, Premier Insurance, Alfalah Insurance Company, TPL Direct Insurance (A TPL Holdings Company), UBL Insurers Limited (Here for you), Habib Insurance Company Ltd., Reliance Insurance Company Limited

Life Insurance:

Jubilee Life Insurance, EFU Life (EFU Life Assurance Ltd), Adamjee Life

Takaful (General):

Pak-Qatar General Takaful, Pak-Kuwait Takaful (Insurance - the Islamic way)

Takaful (Family):

Pak-Qatar Family Takaful

Health Insurance:

Allianz EFU Health (Allianz EFU Health Insurance Ltd)

Inside:

- Procrastination
- Corporate Social Marketing
- Industrial Power Generators Claims
- Under-Standing Insurance Concepts
- The Role of Insurance in your Financial Plan
- National News
- International News
- Health Corner
- Student's Corner
- Legal Section
- Press Release and Event

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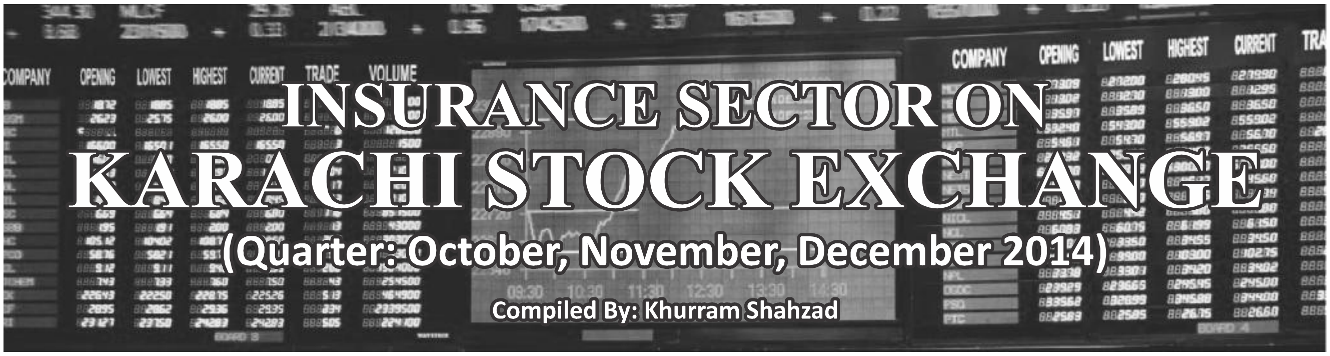

INSURANCE SECTOR ON KARACHI STOCK EXCHANGE

(Quarter: October, November, December 2014)

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 Ins. Co. Ltd	3,500	10.00	53.55	44.90	159,396,000	
Asia Ins. Co. Ltd	300	10.00	-	-	-	
Askari General Ins. Co. Ltd	388	10.00	30.90	23.30	8,671,500	
Atlas Ins. Co. Ltd	702	10.00	87.85	66.00	1,660,500	
Beema Pakistan Co. Ltd	417	10.00	-	-	-	
Business & Industrial Ins Co. Ltd	86	10.00	-	-	-	
Century Ins. Co. Ltd.	457	10.00	26.44	18.30	4,640,500	
Crescent Star Ins. Co. Ltd	620	10.00	5.73	4.20	824,000	
Cyan Ltd	586	10.00	99.70	83.67	5,954,000	
EFU General Ins. Co. Ltd	1,600	10.00	166.50	114.00	9,696,100	
East West Ins. Co. Ltd	402	10.00	-	-	-	
East West Life Assurance Co. Ltd	594	10.00	12.24	4.50	1,301,500	
EFU Life Assurance Ltd	1,000	10.00	177.99	126.90	363,500	
Habib Ins. Co. Ltd	619	5.00	22.99	18.00	3,637,500	
Hallmark Ins. Co. Ltd	5	10.00	-	-	-	
IGI Ins. Ltd	1,227	10.00	273.00	218.06	7,046,500	
IGI Life Ins. Ltd	500	10.00	205.00	111.75	379,000	
Jubilee Life Ins. Co. Ltd	721	10.00	457.95	286.00	297,400	
Jubilee General Ins. Co. Ltd	1,569	10.00	106.00	89.00	451,500	
Pakistan General Ins. Co. Ltd	375	10.00	10.99	8.81	98,000	
Pakistan Guarantee Ins. Co. Ltd	25	10.00	-	-	-	
Pakistan ReIns. Co. Ltd	3,000	10.00	33.60	25.06	22,962,000	
PICIC Ins. Co. Ltd	350	10.00	15.00	10.00	503,500	
Platinum Ins. Co. Ltd		10.00	-	-	-	
Premier Ins. Co. Ltd	303	5.00	25.90	17.83	947,500	
Progressive Ins. Co. Ltd	85	10.00	-	-	-	
Reliance Ins. Co. Ltd	403	10.00	13.35	9.71	1,298,000	
Shaheen Ins. Co. Ltd	450	10.00	6.19	5.26	442,500	
Silver Star Ins. Co. Ltd	306	10.00	13.10	6.99	1,049,500	
Standard Ins. Co. Ltd	8	10.00	-	-	-	
TPL Direct Ins. Co. Ltd	460	10.00	28.00	22.40	2,356,000	
United Ins. Co. Ltd	1,288	10.00	30.45	21.05	1,243,500	
Universal Ins. Co. Ltd	370	10.00	5.50	4.00	355,000	

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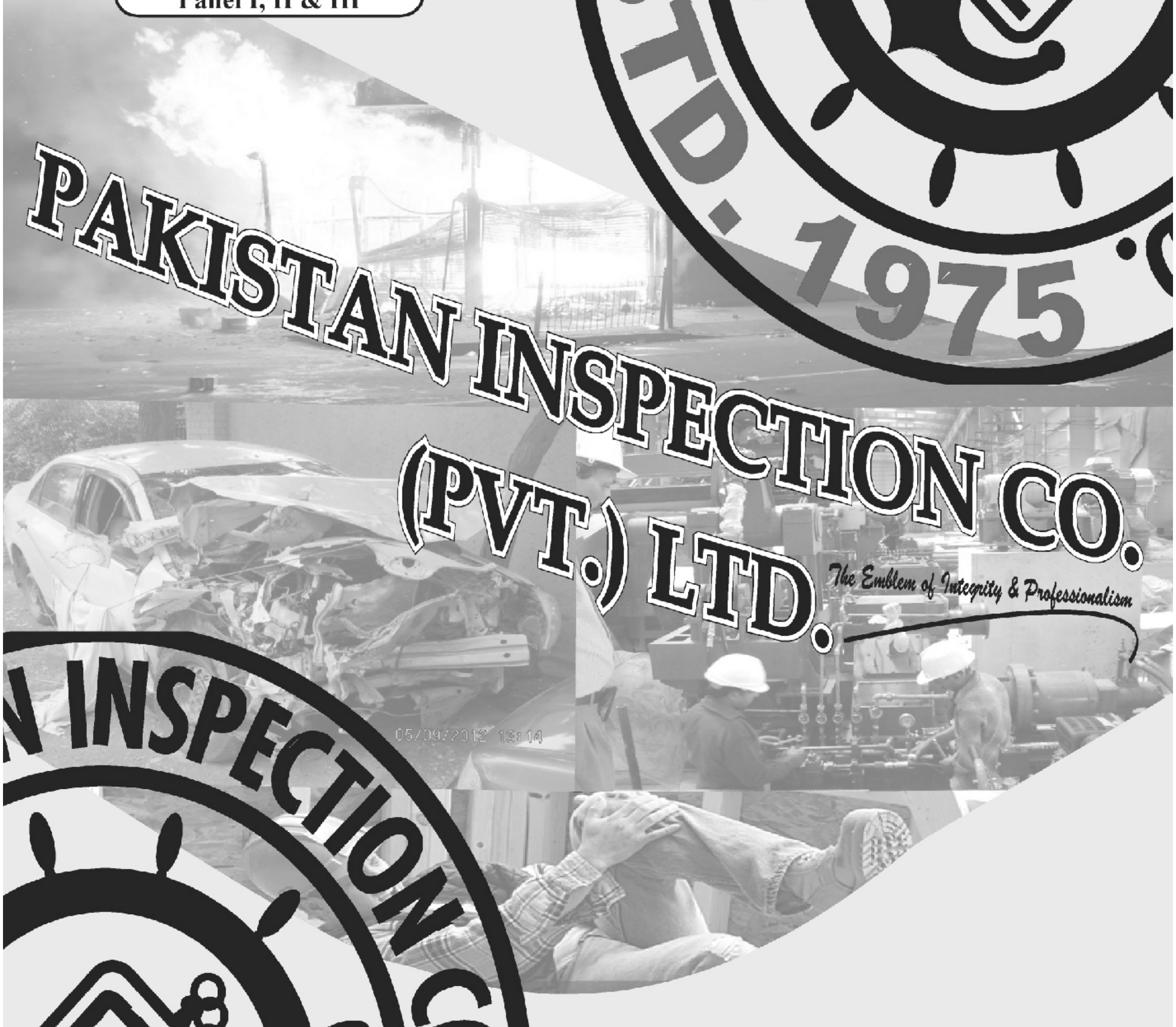

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Over Rs. 1,000,000,000 Premium

Insurance and Takaful Companies of Pakistan EXCEEDING Over Rs. 1,000,000,000 Gross Premium Written in 2014

		Gross Premium* (Amount in Billion)
	GENERAL INSURANCE	
1	EFU General Insurance Co. Ltd	14.514
2	Adamjee Insurance Co. Ltd	12.480
3	Jubilee General Insurance Co. Ltd	6.961
4	United Insurance Co. Ltd	2.475
5	IGI Insurance Co. Ltd	2.140
6	Security General Insurance Co. Ltd	1.800
7	AIG - New Hampshire Insurance Company (Pakistan Branch)	1.797
8	Askari General Insurance Co. Ltd	1.750
9	Atlas Insurance Co. Ltd	1.651
10	East West Insurance Co. Ltd	1.420
11	Premier Insurance Co. Ltd	1.380
12	Alfalah Insurance Co. Ltd	1.331
13	TPL Direct Insurance Co. Ltd	1.221
14	UBL Insurers Ltd	1.100
15	Habib Insurance Co. Ltd	1.009
16	Reliance Insurance Co. Ltd	1.008
	LIFE INSURANCE	
1	Jubilee Life Insurance Co. Ltd	21.823
2	EFU Life Assurance Co. Ltd	18.220
	Adamjee Life Assurance Co. Ltd	N.A
	TAKAFUL (GENERAL)	
1	Pak-Qatar General Takaful Ltd	1.002
2	Pak-Kuwait Takaful Co. Ltd	1.000
	TAKAFUL (FAMILY)	
1	Pak Qatar Faimly Takaful Ltd	5.077
	HEALTH INSURANCE	
1	Allianz EFU Health Insurance Ltd	1.310

* Figures as available now, before finalization of exact figures for balance sheet.

Dr. Safdar Ali Butt
Professor, Corporate Governance
Mohammad Ali Jinnah University,
Islamabad

Corporate Social Marketing

Phillip Kotler and Geral Zaltman launched social marketing as a discipline in their pioneering article published in 1971. More recently, the concept of corporate social marketing has been defined by Kotler, Roberto and Lee as "use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify or abandon a behavior for the benefit of the individual, groups or society as a whole". Over the past few decades, interest has spread from applications of improved public health (e.g. AIDS prevention), to increasing public safety (e.g. wearing seat belts) and more recently to protecting the environment (e.g. abandon use of plastic bags) and promoting community involvement (e.g. organ donations).

Corporate Social Marketing, or simply Social Marketing, is likely to be confused with "Cause Related Marketing. Corporate Social Marketing is aimed at promoting a social cause where the donor corporation simply provides funds or other resources for the purpose. The promotion of the cause is not linked with any product or service being marketed by the donor corporation. In case of Cause Related Marketing, the donor company promises to donate a certain percentage or fraction of its revenue (or profits) derived from the sale of one or more of its products. Here the objective is to promote the sale of the advertised product through appealing to the social sense of the general populace. An example may clarify the situation. If a bank announces that it will donate Rs 100 to Shaukat Khanum Cancer Hospital for every new savings account opened with it, this will be an example of Cause Related Marketing. Here the bank is trying to get new accounts by taking advantage of the goodwill which people have for SKCH. Now, if the same bank simply donates funds to Islamabad Police to help them mount a traffic safety campaign, this has no direct link with the sales of its products. This would be an example of Social Marketing.

A company may support the development and/or implementation of a behavioral change campaign intended to improve public health, safety, the environment, or community well being. The important point here is the behavior change focus which distinguishes it from mere cause promotion that focuses only on spreading awareness. For example, a company placing television advertisements promoting the habit of washing hands frequently for health reasons, or paying for installing bill boards promoting compliance with traffic laws, etc. A good example comes from Proctor and Gamble Pakistan, makers of safeguard soap, who regularly support the 'Hand Wash Project' covering a large number of schools across the country.

The areas in which corporate social marketing ventures may be launched include:

a) Health Issues: prevention of cancer through stopping tobacco usage, drug addition, alcohol addition, teen pregnancy, eating disorders, AIDS, etc.

b) Injury Prevention Issues: traffic safety, drowning protection, suicide prevention, emergency preparedness, etc.

c) Environmental Issues: water conservation, replanting of trees, energy conservation, air pollution, use of pesticides, litter prevention, preservation of wildlife habitat, etc.

d) Community Involvement Issues: voting, blood donation, volunteering, organ donations, social work, crime prevention watch, etc.

Potential concerns for firms doing Corporate Social Marketing

Companies that agree to mount corporate social marketing campaigns as a service to the society need to be mindful of the following:

a) Some issues may not match with the company. People are generally skeptical about the true motives of any social marketing campaign launched by a business firm – they start looking for hidden agenda of the company. Hence, soap manufacturers propagating 'regular washing of hands' will not seen as doing any social marketing but simply trying to increase the sale of their soap products. Similarly, if a fast food chain starts distributing leaflets that exhort teenagers to do regular physical exercises, it will be interpreted as an attempt by them to justify consumption of fast food by teenagers. The message will be taken to mean: calories consumed by eating fast food can be burned by doing physical exercise. This will not add to the firm's reputation, nor do any real good to the society.

b) Many social issues require a high degree of technical and clinical expertise. Unless the company can access such expertise through use of professionals, it should not venture into potentially risky campaigns.

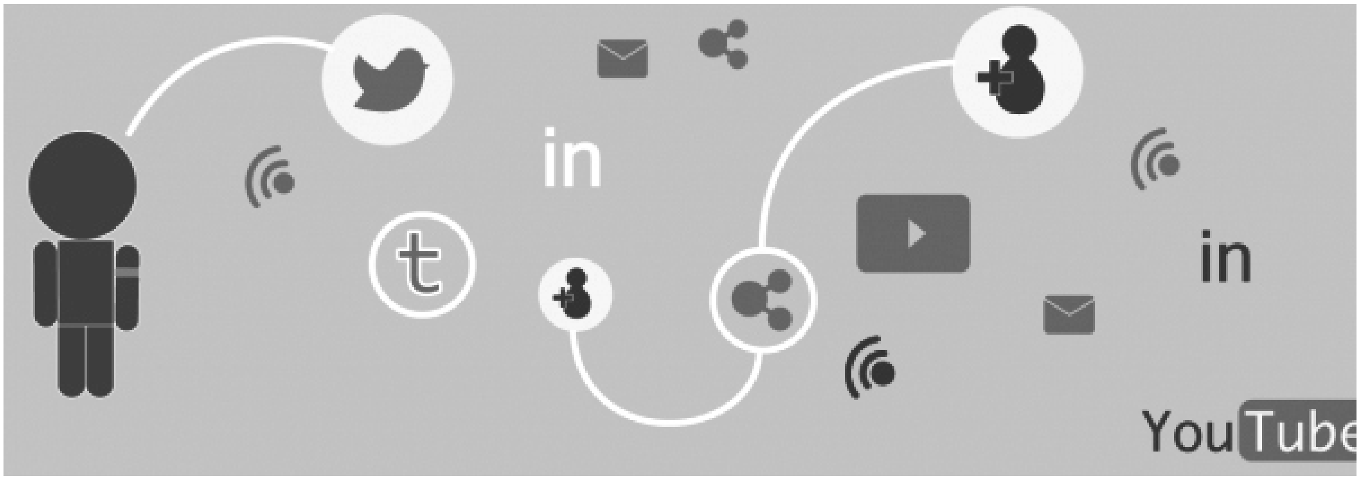
c) Behavior change takes a long time to come about. The expenditure of resources and efforts on social marketing campaigns may not produce immediate results. For example, PTV has been showing advertisements on 'how to cross roads safely' for several decades and it is yet to have any real effect on people even though PTV enjoys about the highest viewership in the country, particularly in the rural areas.

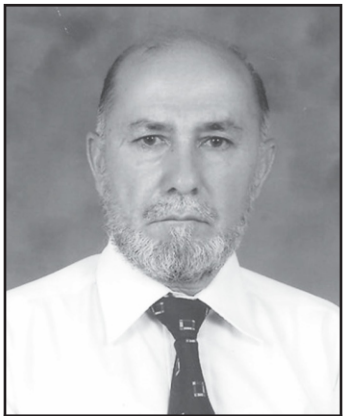
Some segments of the society may not approve of certain business firms engaging in a particular social marketing campaign. For example, a cigarette manufacturer who places signboards on cigarette shops prohibiting sales of cigarettes to minors is not given any credit by people – it is seen as hypocrisy.

Similarly, there is no dearth of critics who think companies doing social marketing asking people to refrain from consuming this product or that product, or refraining from any particular activity, are actually impinging on the personal rights of the population.

Before launching a corporate social marketing campaign, the business firm should therefore:

a) conduct a situational analysis to ascertain the extent of the problem at hand;
b) carefully select the target audience to ensure maximum benefit of the campaign;
c) set clear objectives of the campaign, i.e. the desired behavior to be achieved, keeping them simple and doable;
d) determine possible barriers and problems in achieving the objectives of the campaign. Similarly, identify the motivational forces that could bring about the desired behavioral change in the target audience;
e) develop a proper marketing mix to ensure maximum effectiveness;
f) have a reasonable method of evaluating and monitoring the campaign and its effects;
g) establish budget for the campaign to ensure that it can be implemented without hindrance. If the budget works out to be too high, seek potential partners but do not embark upon the campaign till necessary finances have been pledged.





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Under-Standing Insurance Concepts

In the Insurance Journal's Issue of July, August, September, 2014, my brother Surveyor, Mr. Qayyum Pervez Malik, based in Multan, an experienced and seasoned Surveyor, especially in the field of Cotton Insurance Claims, has elaborately discussed on the Concepts of Theft and Burglary Clauses of an Insurance Policy.

The Article is worth studying which would give in-depth views of the Concepts of Insurance Indemnity, vis-à-vis the Theft and Burglary Clauses of the Insurance Policy. Mr. Malik has extensively quoted definitions of Theft and Burglary from Dictionaries, Law Books, as well as Legal Decisions and has elaborately defined the Concepts of Theft and Burglary Clauses of Insurance Policies.

For example, in the definition of THEFT, it has been quoted from the Dictionary of Insurance by Lewis E. Davids that Theft means: “The taking or removing of Property with intent to deprive the rightful owner.”

From the Dictionary of Law by L.B. Curzon, the Term of Theft has been quoted as: “A Person is guilty of Theft, if he dishonestly appropriates property belonging to another, with intention of permanently depriving the other of it.”

From Black's Law Dictionary, the term Theft has been defined as: “The felonious taking and removing of another's personal property with the intent of depriving the true owner of it.”

These definitions have been quoted vis-à-vis a Case of un-authorized removal and disposal of the pledged Stock by the Mortgagors without the knowledge and permission of the Mortgagee Bank. Legally, in case of Mortgaged Stocks, the Rightful-owners are both the Mortgagees as well as the Mortgagors and, therefore, the disposal of the same must be carried-out with the knowledge and mutual agreement of both the Parties.

As about Burglary, in Black's Law Dictionary, it has been elaborated that the same would mean “Breaking and entering into another's premises with the intent to commit felony” Moreover, Davis Dictionary of Insurance would define Burglary as “Breaking and entering into the premises of another with felonious intent, with visible signs of forced entry”.

From the above, we may conclude that “Theft and Burglary” may be differentiated in that, in Theft, forcible entry is not necessarily visible but, in Burglary, visible signs of Forcible Entry ought to be there.

Currently, Burglars/Dacoits would brazenly enter into the Premises and, on gun-point, would loot Cash/Valuable/Stocks and then get away with the same, e.g. Bank Dacoties etc.

In such, a scenario, Visible Marks of

Forcible Entry or Exit cannot be sighted but the very fact that the Dacoits have made Entry on gun-point would amount to Forcible Entry.

I may mention that once an Insurance Executive placed before me the question of the application of Under-Insurance Clause, quoting the example of a Claim preferred on them by one of their Insureds.

At the time of the Loss, the Value At Risk was stated to stand at, say, Rs.12,000,000/=, while the Sum Insured had been declared at Rs.5,000,000/= only. The Stock was said to have been rendered Total Loss, with some retrievable Salvage Value.

According to the Insurers' executive, their concerned Surveyor had very confidently contended that Under-Insurance Clause would apply and the Loss would be proportionately shared between the Insurers and the Insureds, while Salvage Proceeds would be entirely taken-over by the Underwriters.

On the Insurers' otherwise contention, the Surveyor was stated to have affirmed that he could guarantee the application of Under-Insurance Clause, in writing, to whoever competent authority on the subject would desire him to do so.

On seeking my views on this subject, I elaborately explained to the same Insurance executive that, in my considered opinion, Pro-Rata Average Clause for Under-Insurance would not apply in the above quoted Scenario of the Claim, because the Ceiling of the Underwriters' Liability would stand at the Sum Insured only. For the rest of the amount, the Insured was his Own-Insurer and shall accordingly bear the Loss.

I, further, emphasized that the Salvage Proceeds might not be entirely taken-over by the Insurers which, in my opinion, must be shared between the Insurers and the Insureds, in accordance with the ratio of the Sum Insured.

I have observed that, sometimes, Deductible Excess would have been declared by a considerable percentage of the Total Sum Insured which, at times, would run into hundreds of thousands.

In alike situations, I am of the opinion that the Salvage Proceeds must also be shared between the Insurers and the Insureds in accordance with the Sum Insured and ought not be entirely taken-over by the Insurers.

In the afore-mentioned case, if the contention of the Surveyor has been correctly quoted, I fail to under-stand as to how would a responsible Surveyor apply the Pro-Rata Average Clause in the event of the Loss in the Scenario as described afore.

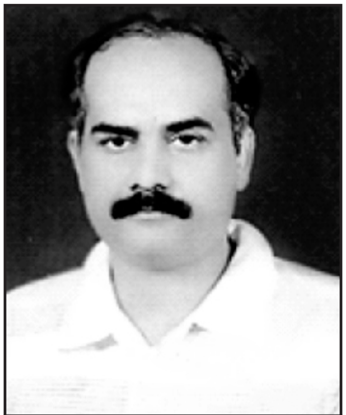
I would believe the Case under reference would not have been the first case of the very Surveyor and, even if so, the gentleman could have sought the views of others on this subject, prior to spelling-out his afore-mentioned opinion to the Insurers.

An Insurance Surveyor cannot be the master of everything, because he has to come across assorted nature of Losses on the daily –basis, wherefor, he can utilize the Services of specialists of the same fields, if the situation would so warrant.

But, in my opinion, an Insurance Surveyor must have deep knowledge of Insurance Concepts, as well as the Scenarios of the application of the same, so that Professional Services can be rendered to the Insurance Industry.

Like-wise, persons engaged in the Insurance and Banking Industry must also have adequate knowledge of the Insurance Concepts, so that they can protect their ligimate rights accordingly.

Conversely, the lack of knowledge of the concerned executives of Insurance/Banking professions would consequently result not only in wastage of precious time, but would also cause Loss to their respective Institutions as a consequence of their ignorance.



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

Industrial Power Generators Claims

With the phenomenon of energy crises in the country the alternative energy generation resources had to be introduced in form of e-power generators.

E-Power generators were initially utilized as standby power supply source but later with the increased energy crises this source shifted from standby to prime power supply source. With the introduction of alternate energy source a new risk introduced in the insurance market. With the Inclusion of this type of subject matter the Machinery break down insurance policies were heavily loaded with the increased risk. High cost of power generators with the extra ordinary high cost of maintenance, repair, and replacement the situation for underwriters became little complicated. High rate of normal wear and tear due to over loading, over running and excessive pressure increased the claims ratio. Imposition of various compulsions, restrictions, and requirements of warranty period by the suppliers further made the situation complicated as the repair cost went high because of missing element of competitive estimation of repair. The issue of lack of skill, lack of maintaining proper operational log book and skilled/qualified operators added up in the phenomenon of increased risk.

Given here under is some introductory/primary stage useful information about power generators for the consideration of underwriters and surveyors.

What is Electric Generator

Electric power generator is a device which converts mechanical/potential energy into an electrical energy.

Generator is consisted of two main parts, Engine and Alternator. Engine produces kinetic energy by converting potential energy into mechanical energy. The engine shifts power to the rotor of the Alternator. The alternator then converts this mechanical energy into electric energy. The 3rd main part could be the panel which provides the full control of generator. The panel consists of switches, starters, controls, pressure, voltage, current, fuel meters, temperature and fuel gauges etc as well as the safety instruments. Generators can further be divided in sub categories, e.g., in accordance with location, rated power required, nature of usage, period of usage, etc. Generators are available in brand new imported, locally refurbished, be imported in used conditions, etc.

The commercial industrial generators are available in the range of 30 kVA to 500 kVA and 500 kVA to 2 MW and onwards. Categories in respect of fuel can be the Patrol, Diesel, Gas, Furnace Oil, etc. In Pakistan mostly diesel and gas operated generators are used. The fuel category is limited to engines only and not the alternators.

Generators are either used as primary power source, i.e., for 24 hour electric generation or as standby generators used during power failure or load shedding.

Nature of Usual Damage to Generators:

The usual damage to electric generators is of following nature.

1.Engine seizure.
2.Pistons, piston rings, big-end-bearing, crank shaft, connecting rod breakdown.
3.Water jacket crack.
4.Piston sleeves, cylinder head, cylinders block crack.
5. Misc. break downs.
6. Alternator stator winding burnt out.
7. Alternator rotor winding burnt out.
8.Control panel instruments, gadgets etc failure.
9.Fire damage to whole or part of generator set.
10.Massive mechanical breakdown in engine.
11.Massive electrical breakdown in alternator.
12.Electrical breakdown in control panel.
13.Water circulation circuit may develop cracks/joint leaks etc due to temperature and pressure.
14.Turbo charger external body may develop crack by excessive pressure and heat.
15.Long time non-functional engine may develop rust and resultant damage.
16.Cylinders head may develop leak by pressure and heat.
17.Crankshaft bent.
18.Normal wear and tear.

Various tests are available for smooth running of the generators and to avoid any abrupt/sudden damage.

Engine bore scope test.
Engine temperature test.
Cylinder compression test.
Injectors/nozzles test.
Diesel pump function test
Ultrasonic flow test.
Crankshaft hardness test
Performance test
Abnormal noise test
Crankshaft straightening test.
Gaskits test.
Oil seals test.
Exhaust outlet test.
Cooling circuit test.
Radiator performance test.
Governor tuning.
Maintenance test.
Conductors and insulators test.
Leakage of current test.

Vital Causes of Damage:

The usual causes of damage to electric generator are listed below.

1. Overrunning.
2. Overloading.
3. Misuse.
3. Temperature rise.
4.Water shortage.
5. Lack of lubrication.
6. Normal wear and tear.
7.Malfunction of pumps, governors, oil gauges, temperature gauges and safety system.
8.Leakage of oil seals/gaskets.
9.Crack in cylinder head, housing, pipes due to pressure and overheating.
10.Lack of qualified and skilled operator.
11.Poor maintenance.
12.Inappropriate electric cords.
13.Rusty and blocked radiator, pipes, vent, exhaust, filters etc.
14.Sudden change in load especially the electric motors.
15.Short circuit of transmission lines.
16.Generator main connections loosening/failure.
17.Generator components and auxiliaries failure/malfunction.
18.Delayed overhauling.
19.Violation of operating and maintenance manufacturers manual.
20.Defects in casting and material.
21.Faulty design.
22.Faults at workshop or in erection.
23.Bad workmanship.
24.Lack of skill.
25.Carelessness.
26.Short circuit.

Insurance Coverage:

Electric generators are usually covered under machinery breakdown insurance policy under the head of "Engineering Insurance".

Coverage:

Coverage is provided in the following manners.

"The items, or any part thereof, entered in the schedule, whilst on the premises mentioned therein, suffer any unforeseen and sudden physical loss or damage from causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm or from any other cause not specifically excluded hereinafter, in a manner necessitating repair or replacement"

Measure of Indemnity:

The measure of indemnity is taken in the following manners.

"The insurers will indemnify the insured in respect of such loss or damage, as hereinafter provided, by payment in cash, replacement or repair (at the insurers option) up to an amount not exceeding in any one year of insurance in respect of each of the items specified in the schedule the sum set opposite thereto and not exceeding in all the total sum expressed in the schedule as insured hereby"

Commencement of Risk:

The risk would commence in the following manners.

"The policy shall apply to the insured items after successful completion of their performance acceptance tests whether they are at work or at rest or being dismantled for the purpose of cleaning or overhauling, or in the course of the aforesaid operations themselves, or when being shifted with the premises or during subsequent re-erection".

Value at Risk or Sum Insured & Application of Under Insurance:

Lot of ambiguity is observed in the industry in fixing sum insured or working value at risk under machinery policies as to whether the prevailing market value of the items insured would become the measure of fixing sum insured and working value at risk or the new replacement value. Here is the ruling as mentioned in MBD or Machinery policies which is to follow under this reference.

"It shall be a requirement of this policy that the sum insured is equal to the cost of replacement of the insured machinery by new machinery of the same kind and capacity, which means its cost of replacement including e.g. freight, dues, and customs duties, if any, and cost of erection. If the sum insured is less than the amount required to be insured, the insurers shall pay only in such proportion as the sum insured bears to the amount required to be insured. Every item if more than one shall be subject to this condition separately"

Indemnity:

Following measure of indemnity is adopted while assessing a loss and settling claim.

A-Repairable Damage:

"In cases where damage to an insured item can be repaired the insurers shall pay expenses necessarily incurred to restore the damaged machine to its former state of serviceability plus the cost of dismantling and re-erection incurred for the purpose of effecting the repairs as well as ordinary freight to and from a repair shop, customs duties and dues, if any, to the extent such expenses have been included in the sum insured. If the repairs are executed at a workshop owned by the insured the insurers shall pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover the overhead charges"

B-Replaceable Damage:

"In cases where an insured item is destroyed-the insurers shall pay the actual value of the item immediately before the occurrence of the loss, including charges for ordinary freight, cost of erection and customs duties, if any, provided such expenses have been included in the sum insured. Such actual value to be calculated by deducting proper depreciation from the replacement value of the item. The insurers shall also pay any normal charges for the dismounting of the machinery destroyed, but the salvage shall be taken in to account.

Depreciation:

It is again a matter of confusion and the professionals usually get confused on this issue. The issue is simplified as under.

a. In case of repairable damage where the insured item is partially damaged and necessitated to repair by replacing some components then the depreciation shall not be applied. In other words no deduction shall be made for depreciation in respect of parts replaced. But in case if this rule is overridden by any special endorsement then that rule shall apply modifying the policy wording in this respect.

b. In case where an insured item is totally destroyed (irreparable) and it is required to be replaced the insurers shall pay the actual value of the item immediately before the occurrence of the loss. Such actual value of the item be determined after deducting proper depreciation from the replacement value of the item.

Salvage:

Value of salvage shall have to be taken in to account in all cases.

Deductible:

The deductible stated in the schedule to be borne by the insured in any one occurrence, if more than one item is lost or damaged in one occurrence the insured shall not however be called upon to bear more than the highest single deductible applicable to such items.

Exclusions:

MBD/Machinery policy is subjected to large number of exclusions as mentioned in the policy which is required to be followed while dealing with the claims.

Condition Precedent to Payment of Claims:

The Insurers shall make payments only after being satisfied by production of the necessary bills and documents that the repairs have been effected or replacement has been taken place, as the case may be.

Endorsements which Alter/Modify the Policy Terms/Conditions:

While dealing in machinery claims the professional sitting in surveyor's offices or Insurers office must go through the endorsements as attached with machinery/MBD policies which alter/modify the policy wording in various respect. These endorsements are as under.

1. Overhaul of Power Generating Sets:

By insertion of this endorsement in the MBD policy it is agreed that the insured shall arrange at his own expense an overhaul in a completely opened-up state of the whole generator set or parts thereof as per manufacturer's recommendations and shall inform the insurers of such an overhaul at least two weeks in advance so that the insurer's representative may be present during the overhaul at Insurer's expense.

The insured is also agreed to advise the insurers of any significant change in the running behavior of the generator set and both parties shall jointly decide on any action to be taken.

Importantly a very serious nature of condition is incorporated in this endorsement demanding that if indemnifiable damage to a machinery occurs after the manufacturer's recommended period has been exceeded, the insurers shall indemnify only for the extra costs of repair excluding the costs of dismantling, reassembly and similar costs because an overhaul has to be carried out at this stage in any case. The cost of dismantling, reassembly and similar regular overhaul-related work are to be considered as cost of overhauling.

2. Depreciation Adjustment for Repairs to Diesel/Gas Combustion Engines:

Now this endorsement if inserted to any machinery/MBD policy would overrule the policy express wording regarding application of depreciation on parts necessitated to be replaced in case of repair to any insured item which is destroyed partially.

By inserting this endorsement it is agreed that in the event of damage to turbo charger, cylinder liners, cylinder heads inclusive of accessories and pistons, the amount indemnifiable in respect of the items thus affected shall be depreciated to an annual rate to be determined at the time of loss, this rate being not less than 10% per annum but not more than 60% in total.

3. Overhaul of Steam, Water and Gas Turbines and Turbo Generators and Inspection and Overhaul of Boilers:

This is another important endorsement which may be gone through before dealing claims related to these machines. Since this article is electric generator specific so this endorsement is not being discussed in detail.

4. Endorsement for Stand-By Generators:

As mentioned above the generators are of two categories. One is used as stand-by power generation during normal electricity interruption whereas the other type is used as prime electric generation and is used round the clock where there is not grid electric supply.

If the generator insured is declared and categorized as stand-by generator this endorsement is inserted and by its insertion it is agreed that the stand-by generators intended for stand-by operations shall be used for pre-determined number of hours per day as advised by the manufacturer as an alternate power supply only in the case of power breakdown. The insurers will not indemnify the insured in respect of loss, damage or liability directly or indirectly caused by or arising out of continuous / prolonged use of the stand-by generators as an alternate power supply.

5. Special Warranty regarding Operation/Maintenance of Machinery:

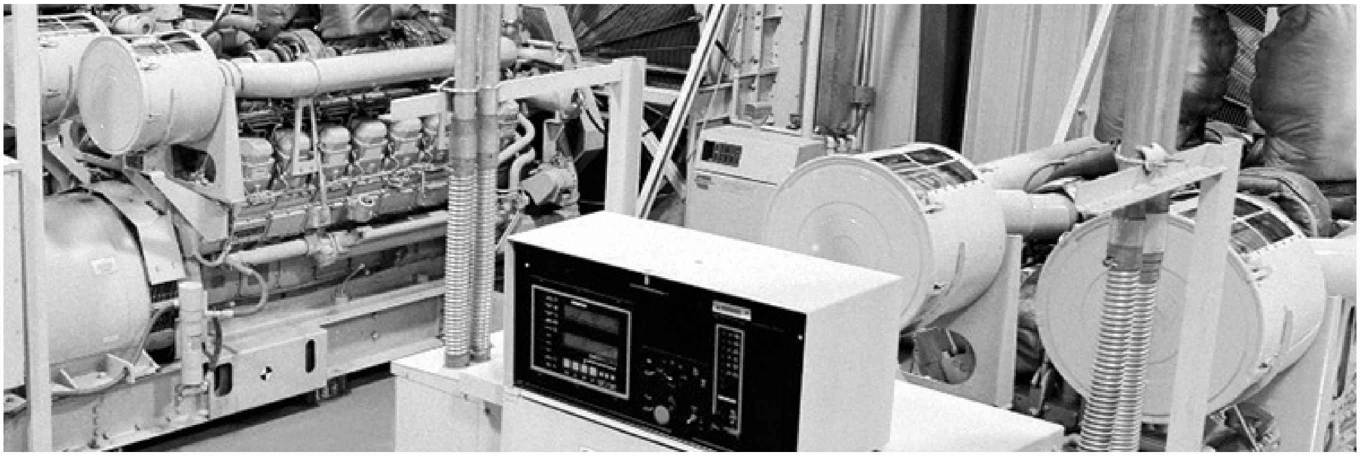
By this special warranty it is agreed that the insurer shall indemnify the insured for loss of or damage to insured machinery if: -

a. It is operated only by qualified, trained and experienced operator.

b. A maintenance contract in respect of the above is enforce or

c. In-house maintenance personnel/engineer are specifically employed to carry out the maintenance job during the currency of the policy and

d. Recommendations of the manufacturer and or maintenance contractors for preventive maintenance/safety checks are complied with.



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

The Role of Insurance in Your Financial Plan

- ***Types of insurance you should consider***
- ***The many uses of life insurance***
- ***Long-term care***
- ***How insurance needs may vary over time***

Insurance is an important element of any sound financial plan. Different kinds of insurance help protect you and your loved ones in different ways against the cost of accidents, illness, disability, and death.

Adding Up Your Insurance Needs

The insurance decisions you make should be based on your family, age, and economic situation. There are many forms of insurance and, unfortunately, no one-size-fits-all policy. Life insurance, for example, can be a virtual necessity, especially if you have a spouse and children. Disability insurance, which provides an income stream if you are unable to work, is important for everyone.

Most people require some amount of all of these categories of insurance.

Auto Insurance: Shop carefully, but don't under buy

Auto insurance helps protect you from damage to the often-considerable investment in a car and/or from liability for damage or injury caused by you or someone driving your vehicle. It can also help cover expenses you or anyone in your car may incur as a result of an accident with an uninsured motorist.

Auto liability coverage is necessary for anyone who owns a car. Many states require you to have liability insurance before you can register a vehicle. State-required minimum coverage, however, is often too skimpy to provide adequate protection. Of course, these figures will vary depending on your individual situation and requirements. Collision, fire, and theft coverage is also advisable for a vehicle having more than minimal value. You can cut costs, however, by choosing a higher deductible -- the amount of loss that must be exceeded before you are compensated.

The cost of auto insurance varies greatly, depending on the company and agent offering it, your choice of coverage and deductible, where you live, the kind of vehicle, and the ages of drivers in the family. Substantial discounts are often available to safe drivers, nonsmokers, and those who commute to work via public transportation.

Home owners Insurance, For Renters and Owners

Homeowners insurance should allow you to rebuild and refurnish your home after a catastrophe and help cover to costs of lawsuits if someone is injured on your property. Coverage of at least 80% of your home's replacement value, minus the value of land and foundation is necessary for you to be covered for the cost of repairs.

There are several grades of policies, with increasingly comprehensive coverage and cost. Unless you increase coverage, most home owner's policies cover the contents of the house for 50% to 75% of the amount for which the house is insured. The liability coverage in many home owners' policies is different. This figure will vary depending on your individual situation and requirements.

Liability Insurance: Protecting Your Assets

Often called umbrella liability coverage, this takes effect when the personal liability and lawsuit coverage in other policies is exhausted. Especially necessary for high-income individuals and those with considerable assets -- may be only a few hundred rupees a year.

Life Insurance: Your Needs Dictate the Kind and Level of Protection

Life insurance, payable when you die, can provide a surviving spouse, children, and other dependents the funds necessary to help maintain their standards of living, can help repay debt, and can help fund education tuition costs. The amount you need depends on your situation. If you make Rs.100,000 a year, have a sizable mortgage, and two kids headed to a good (read: expensive) college, you could need as much as Rs.10 million in coverage.

Value-accumulating whole life or universal insurance is often offered as death benefit protection with a cash value component that you can borrow against or eventually cash in by surrendering the policy. Term insurance costs less, but may remain in effect only for a specified term of years. For many families, a combination of whole life and term insurance may provide for current and future needs.

Your financial professional can help you assess your needs to determine the kinds and amounts of life insurance that are right for you and your family.

Disability Insurance: Important Protection If You Cannot Work

A long-term disability policy is activated, replacing a portion of your lost income, when you are unable to work for an extended period. Employers cover approximately 40% of all workers with some form of company-paid disability insurance.

If you're buying, you should generally try to get a no cancelable policy with benefits for life, or at least to age 65, and as much salary coverage as you can afford. Insurers will generally cover up to 65% of your salary. Generally, you should have total coverage equal to two-thirds of your current pre-tax income.

If your company provides disability insurance, check to see whether it's enough for your needs. Group disability insurance policies may be capped at six months and provide benefits that won't cover your expenses.

Health Insurance: Available Through Your Employer or Privately

Most people enjoy medical insurance as an employee benefit, often with their employers paying all or part of the premiums. Privately purchased health insurance is much more expensive - often by several thousand a month - depending on such things as deductibles, coverage choices, and location.

Long-Term Care Insurance:

With an aging population and uncertainty about the future of Social Security, insurance to cover the high cost of nursing home or at-home health care is the focus of increased concern. Medicare pays very little of the cost of long-term care in the whole world. Medicaid will pay for the care, but only for patients who meet strict income eligibility requirements. The financial planning for long-term care is more crucial than ever.

Insurance companies can provide information on long-term care insurance. Insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force.

Because your financial professional understands your needs as well as the role of the various kinds of insurance within an individual financial picture, he or she can help you with the policies that are most appropriate for you. Your financial professional can provide you with costs and complete details.

Points to Remember

1) Your insurance needs will vary based on your family, age, and economic situation.

2) Anyone who owns a car should have auto liability insurance. Collision, fire, and theft can protect your investment in a valuable car.

3) Homeowner's insurance should generally provide coverage up to 80% of the cost of replacing your home, minus land and foundation. Homeowners should also have liability coverage.

4) Life insurance can be an especially important financial tool that has many uses, the most important of which is protecting your family.

5) Long-term care insurance may be a necessity for older people, because the long-term coverage of Medicaid and Medicare is often inadequate.

Car Aasan Launch

New Release

Crescent Star Insurance Limited launches its New Motor Insurance Product

Mr. Naim Anwar – Managing Director, Crescent Star Insurance Limited announced the launch of CSI Car Aasan on Mar 31 2015 at an event followed by dinner hosted at the Pearl Continental Hotel Karachi. A comprehensive car insurance product that provides you with the maximum available cover for your car. The event was attended by esteemed dealers from Toyota, Honda, Suzuki, Khalid Bin Waleed, Kashmir Road and Jail Road. “CSI Car Aasan is a result of industry knowledge, market research and an understanding of our customer's Car Insurance needs. As a result, CSI diverse Car Insurance offers **2.25%** the lowest Insurance rate ever in the market knowing the financial needs of our customers”, said Mr. Anwarullah Siddiqi – Head of Motor division in his product presentation.

Mr. Naim Anwar, Managing Director & CEO unveiled the most competitive features of Car Aasan, which had everyone engrossed:

- **Relaxed Depreciation only from the date of registration**
- **NO DEDUCTIBLES on Imported Cars**

Further to this he added, “CSI Car Asaan Insurance is not just a policy document. Along with being an insurance cover, it makes driving a great experience. We go the extra mile for our clients by offering Value Added Services designed to cover what is important to you, as well as to take care of you. Our clients now have liberty to enhance the protection and design their own policy by selecting from our Value Added services to insure for risks that are not covered under a standard policy:

- **Ambulance Service**
- **Tow Service**
- **Cab Service**
- **Rent a Car Service”**

Press Release as issued by CSI

Nouman Ahmad
MS (HRM)
Admin/HR Officer
Shifa Tameer-e-Millat University

Procrastination "The Thief of Time"

The complicated failure of self-regulation is the major flaw in our civilization which directs toward lack of commitment and confidence is usually called Procrastination or the thief of time. Scholars use to define procrastination as Putting off looming tasks to a later time, sometimes to the "last minute" before the deadline. Some other also elaborates it as the practice of carrying out less urgent tasks in preference to more urgent ones.

While Procrastination people use to show themselves as perfect employees and they follow mostly "should" statements, imagine mastery models and try to put the cart before the horse. Procrastinators sometimes behave to avoid lack of confidence, fear of failure, lack of self reward or lack of self awareness.

Sometime Procrastination can be a positive phenomenon for a number of inhabitants because they believe to be more convinced and assured of their abilities that's why they think they can do it easily. In certain cases it is good to be over confident because sometimes procrastinate people can handle tough situations very easily as compare to non procrastinators if some changes happen in eleventh hour. But they are very less among lots.

Mostly there are different reasons of procrastination, like lack of confidence, anger, life style or any mental or health problem. People generally take it as source of pleasure or very normal thing and believe that it use to happen and it's so casual in our life. Such behavior comprise of negative feelings with emotional reactions lead en route for procrastination.

As much as people use to get procrastinate they lose their precious time and health, blow up golden opportunities and lose their career,

dignity and self esteem and misdirect themselves from their goals.

As for as the solution concern, there are different ways to control procrastination like following Islamic Work Ethics (IWE) guide us to deal it. Islamic work ethics comprise of four pillars, fair efforts, fair competition, transparency and moral conducts. By obeying these basic principles, organizations can control procrastination up to some extent. Islamic work ethics under balanced values, guides employees to put their efforts within legal limits and be fair in personal actions and thinking to sustain environment, because procrastination is not only impact on individuals level but also on organizational employees productivity and performance as well.

Other options include , schedule your tasks , put your efforts and make your realistic goals, realize your precious time and work hard to achieve them. Life is full of competition, struggle at each and every step, but it's our liability to comprehend the need and put our maximum effort to achieve our goals, our ultimate goals of life.

At the end we can say that procrastination is the real thief of time and it steel not only our precious time but also our passion, sincerity, belonging with work and organization, motivation, commitment and satisfaction. It can involve us in perceived negative politics which could impact job stress and anxiety. We as a self leader must focus on improving our self respect by putting our moral values and following fair work ethics. Then we can say that we are producing a healthy nation.

So be aware of this "thief of time" very well because "time and tide wait for none"….

EFU Life the first insurance company to launch its Window Family Takaful Operations

EFU Life Assurance Ltd, the leading life insurance company of Pakistan introduces first Window Takaful Operations licensed by Securities & Exchange Commission of Pakistan.

EFU Life Window Takaful Operations are being launched under the brand name 'Hemayah'. The word 'Hemayah' is a derivative of the word 'Himayat' meaning protection and support in Arabic.

Hemayah offers a full range of Shariah compliant Family Takaful solutions for both individuals and corporates. The individual family takaful products are catered to the needs of savings, child financial planning, retirement, investment and saving for Hajj and Umrah and pure Takaful coverage. For Corporates, Takaful solutions are being offered under the Group Takaful cover.

The penetration of family takaful in the life insurance industry of Pakistan is only 5% in terms of gross premiums. Being the leading life insurer for over 20 years, with Insurers financial strength rating of 'AA' (Outlook: Stable) by JCR VIS, EFU Life through its Window Takaful operation aims to provide the much needed impetus to the local takaful market to reach its full potential.

Mr. Tahseen Ahmed Khan, Executive Vice President, Reliance Insurance Company Limited, Gulberg Branch, Lahore cutting cake on achieving 1st Position for the second consecutive year in 2014, also seen is Mr. A. Razzak, Managing Director & CEO

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Your financial security is our first priority.
State Life makes it possible for its policy holders to receive timely remuneration and settlement of claims and bonuses, and this is the biggest proof of our financial stability.

Total Income: **Rs. 89.71 billion**	Gross Income from Premium: **Rs. 53.913 billion**	Claims' Gross Amount Paid: **Rs. 24.36 billion**
Life Fund: **Rs. 314.80 billion**	*Bonus: **Rs. 23.45 billion**	Income from Investment: **Rs. 35.80 billion**

*Statistics for 2011 to 2012

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Rana Naveed ur Rehman
MBA (HRM), Cert CII (UK)
Manager (Health)
East West Insurance Co. Ltd

Kidney Diseases
Prevention & Cure

Even though, I am not a doctor but based of my experience in the field of medical health insurance, some literature review and interaction with some patients, I feel to highlight some useful information for the purpose of public awareness about Kidney related diseases.

The kidneys perform numerous life-supporting roles which include cleaning your blood by removing waste and excess fluid, maintain the balance of minerals in your blood and help control your blood pressure. When your kidneys become damaged, waste materials and fluid can form in the body which cause swelling in your ankles, vomiting, weakness, poor sleep and shortness of breath. If you do not consult the doctor and treat them timely, your kidneys may ultimately fail or stop functioning completely. Loss of kidney function is a serious and possibly incurable condition.

Healthy kidneys perform some particular tasks which include:

- Maintain a balance of water and absorption of minerals, such as sodium, potassium, and phosphorus, in your blood
- Produce an enzyme called renin that helps control blood pressure
- Produce erythropoietin, which stimulates red blood cell production
- Produce vitamin D which is essential for bone health
- Removal of waste / by-products from the blood after digestion, muscle activity and exposure to medications

Some Useful Statistics about Kidney Diseases:

According to Dr. Hasan Orooj (Director Health Services Capital Development Authority), more than 43,000 persons die every year of organ failure in Pakistan with 20,000 of renal failure and around 23,000 people die of other organs' failure, including heart, liver, lungs and pancreas. Chronic Kidney Disease (CKD) is rapidly growing in Pakistan due to late diagnosis, high volume of kidney stone disease and increasing number of patients with diabetes and high blood pressure. According to Dr. Khawaja Sayeed Ahmed (Consultant Nephrologist), Pakistan is at number eight in the world in kidney diseases. According to Dr. Farhat Abbas (Consultant Nephrologist and Head of Nephrology Department, Shifa International Hospital), around 600 million persons worldwide have some form of kidney damage. CKD is predicted to increase by 17 percent over the next decade.

Causes of Acute Kidney Disease:

The sudden loss of kidney function is called acute kidney disease, also known as acute renal failure (ARF). ARF can occur following:

- The sudden decrease of blood flow to the kidneys
- A traumatic injury with blood loss
- Blockage of urine flow, such as with an enlarged prostate
- Damage to the kidneys from shock during a severe infection called sepsis

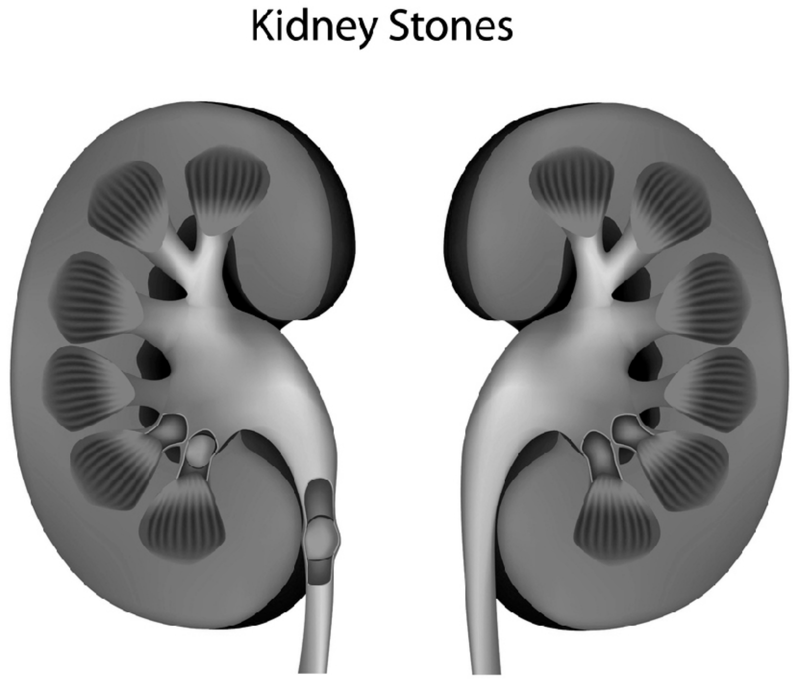
- Damage from certain drugs or toxins
- Pregnancy complications, such as eclampsia and pre-eclampsia

Some Athletes who do not drink enough liquids while competing in long-distance race may suffer acute renal failure due to a sudden breakdown of muscle tissue. This muscle breakdown discharges a huge amount of protein into the bloods called myoglobin that can damage the kidneys.

Causes of Chronic Kidney Disease:

Kidney damage and reduced function that lasts longer than 3 months is called chronic kidney disease (CKD). Chronic kidney disease is very dangerous because you may not have any symptoms until significant kidney damage has occurred. Diabetes and Hypertension (high blood pressure) are the most common causes of CKD. Some other causes are:

- Chronic viral diseases like HIV/AIDS, Hepatitis B and C
- Polycystic kidney disease in which fluid-filled cysts form in the kidneys over time. This is the most common form of inherited kidney disease.
- Urinary Tract Infections (UTI) within the kidneys can lead to kidney damage.
- Inflammation in the kidneys which can happen after strep infection.
- Congenital (By birth) defects are often the result of a urinary tract blockage that affects the kidneys. These defects, sometimes found while a baby is still in the womb can often be surgically repaired by a urologist.
- Drugs and toxins including long-term exposure to some medications Like NSAIDs, ibuprofen, naproxen and use of intravenous injections.



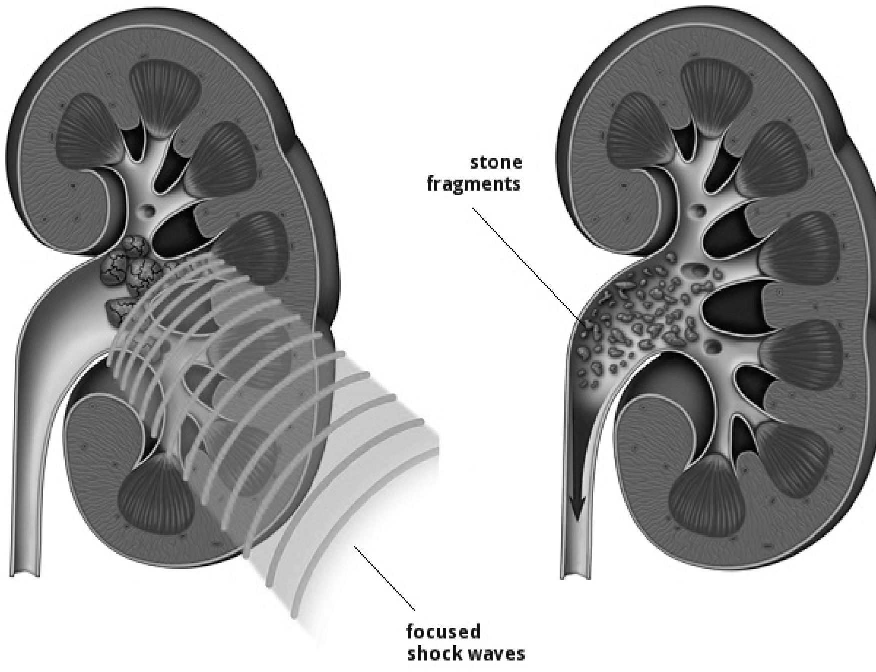
Kidney Stones:

Kidney stones are made of salts and minerals in the urine that stick together to form small "pebbles." They can be as small as grains of sand or as large as golf balls. They may stay in your kidneys or travel out of your body through the urinary tract. The urinary tract is the system that makes urine and carries it out of your body. It is made up of the kidneys, the tubes that connect the kidneys to the bladder (the ureters), the bladder, and the tube that leads from the bladder out of the body (the urethra). When a stone travels through a ureter, it usually causes pain and other symptoms. Kidney stones form when a change occurs in the normal balance of water, salts, minerals, and other things found in urine. Kidney stones often cause no pain while they are in the kidneys but they can cause sudden, severe pain as they travel from the kidneys to the bladder. Consult a doctor immediately if you think you have kidney stones or severe pain in your side, abdomen or for urine that looks pink or red. You may also feel sick to your stomach and may vomit. You may first find out that you have kidney stones when you see your doctor or go to an emergency room with pain in your abdomen or side. Your doctor will ask you some questions about your pain and lifestyle. He will examine you and may do an ultrasound to look at your kidneys and urinary tract. You may need more tests if you have more than one stone or have a family history of stones. To find out the cause of your kidney stones, your doctor may order a blood test and ask you to collect your urine for 24 hours. This can help your doctor find out if you are likely to have more stones in the future.

Tests to Diagnose Kidney Stones:

Your doctor may do one or more of the following tests to help diagnose kidney stones and find out if they are causing or may cause damage to the urinary tract.

- An abdominal X-ray (KUB) gives a picture of the kidneys, the bladder, and the tubes that connect the kidneys to the bladder (ureters).
- An Ultrasound of the kidneys is a preferred test
- A Computed Tomography (CT) scan is also a preferred test for kidney stones.
- Urinalysis and urine cultures test of your urine sample.
- An Intravenous Pyelogram (IVP) is an X-ray test that shows pictures of the urinary tract including any kidney stones.



Treatment for Kidney Stone:

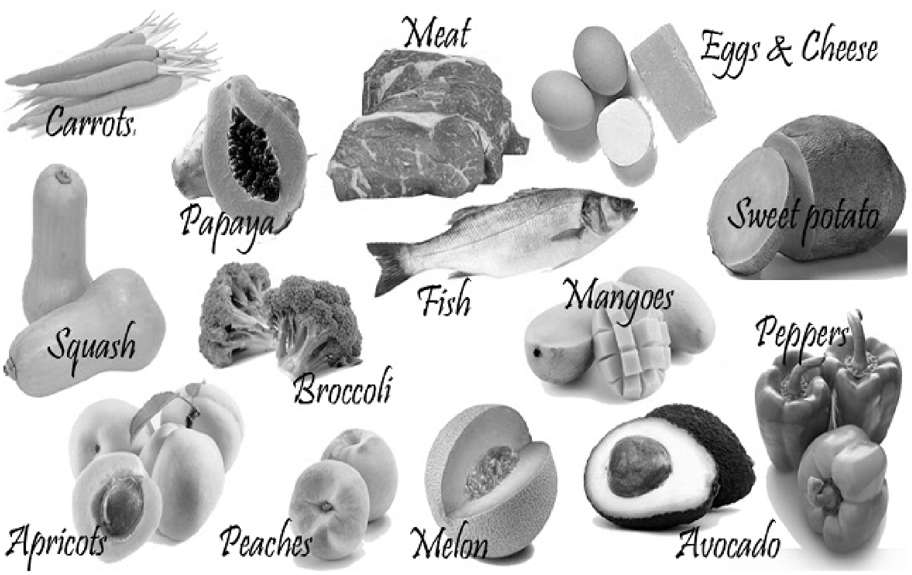
If your doctor diagnoses that the stone can pass on its own and if you feel you can deal with the pain, he may suggest home treatment which includes drinking enough water and using pain killer medicine like NSAIDs that may relieve your pain. Your doctor may also prescribe medicine to help your body pass the stone. If your pain is too severe or if the stones are blocking the urinary tract your doctor will probably suggest a medical procedure such as lithotripsy or surgery to deal with the stone.

The most common treatment is extracorporeal shock wave lithotripsy (ESWL). ESWL uses shock waves to break a kidney stone into small pieces. These small pieces can pass out of your body in your urine. Otherwise, your doctor will need to remove the stone or place a small flexible plastic tube (called a stent) in the ureter to keep it open while stones pass. After you have had kidney stones, you are more likely to have them again. You can help prevent them by drinking plenty of water so that your urine is light yellow or clear like water, about 8 to 10 glasses of water a day. You may have to eat less of certain foods. Your doctor may also give you medicine that helps prevent stones from forming again.

Surgery is rarely needed to treat kidney stones. It is only needed when the kidney stone is very large, blocking the flow of urine out of the kidney or causing other problems like severe bleeding. In percutaneous nephrolithotomy or nephrolithotripsy, the surgeon makes a small cut in your back. He then puts a hollow tube into your kidney and either removes (lithotomy) or breaks up and removes (lithotripsy) the stone. This surgery may be used if other procedures do not work or if you have a very large stone. In open surgery, the surgeon makes a cut in your side or stomach to reach the kidneys. Then, he removes the stone.

Prevention for Kidney Stones:

The first step in preventing kidney stones is to understand what is causing the stones to form. The doctor may ask you to try to catch the kidney stone as it passes, so it can be sent to a lab for analysis. Stones that are retrieved surgically can also be sent to a lab for analysis. The doctor may ask you to collect urine for 24 hours after a stone has passed or been removed to measure daily urine volume and mineral levels. Producing too little urine or having a mineral abnormality can make a person more likely to form stones. Kidney stones may be prevented through changes in eating, diet, lifestyle, nutrition and medications. People can help prevent kidney stones by making changes in their fluid intake. Again, drinking enough water each day is the best way to help prevent most types of kidney stones. Though water is best, other fluids may also help prevent kidney stones, such as citrus drinks. Following are some food items which are helpful in preventing kidney stones:



Dialysis:

When your kidneys are healthy, they clean your blood. They also make hormones that keep your bones strong and your blood healthy. When your kidneys fail, you need treatment to replace the work your kidneys used to do. Unless you have a kidney transplant, you will need a treatment called dialysis. It filters your blood to get rid your body from of harmful wastes, extra salt, and water. There are two main types of dialysis. Both types filter your blood to get rid your body from harmful wastes, extra salt and water.

Hemodialysis uses a machine which is called an artificial kidney. You usually go to a kidney center / hospital for treatments several times a week.

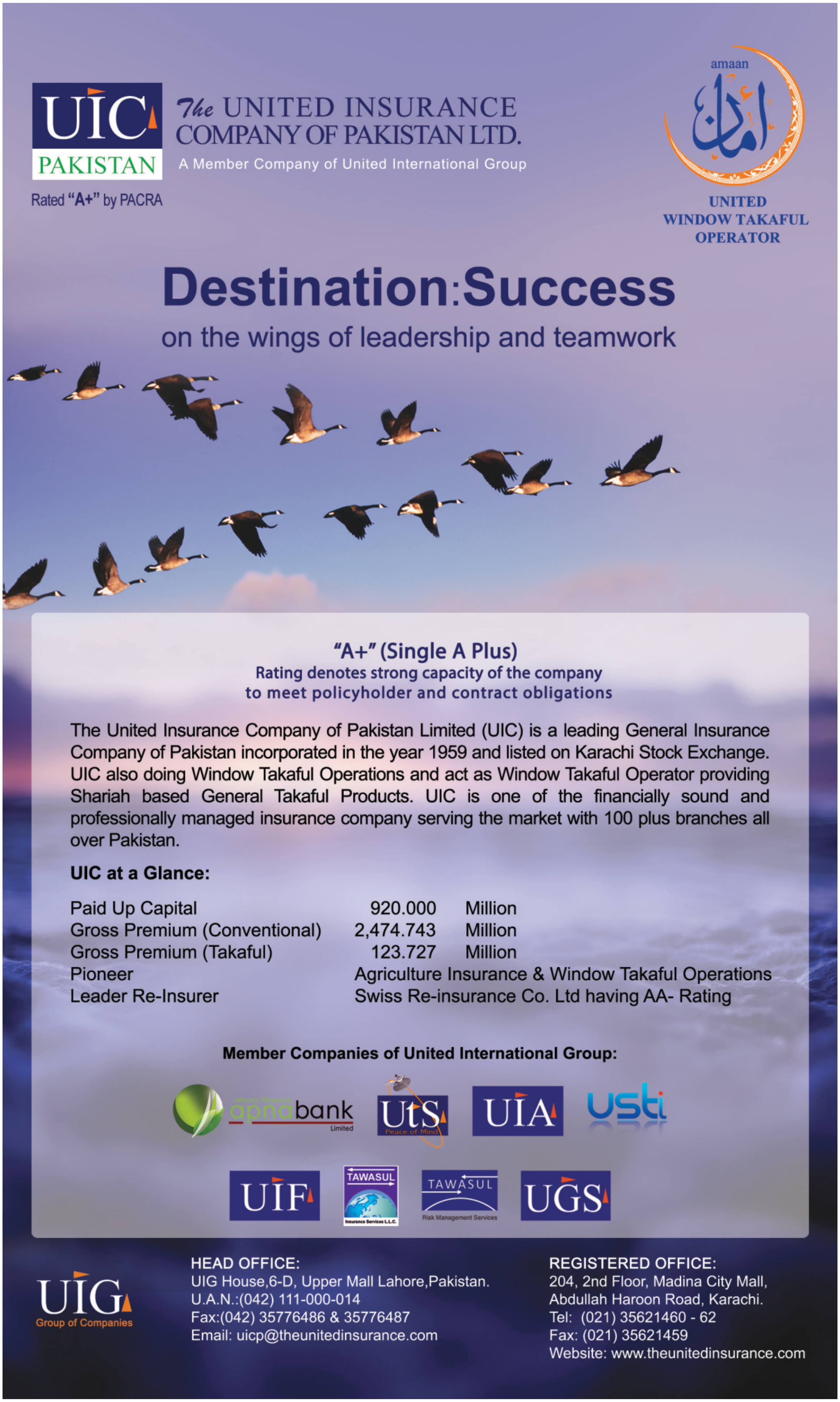
Peritoneal Dialysis uses the lining of your abdomen to filter your blood.

Kidney Transplantation:

A kidney transplant is an operation that places a healthy kidney in your body. The transplanted kidney takes over the work of the two kidneys that failed, so you no longer need dialysis. During a transplant, the surgeon places the new kidney in your lower abdomen and connects the artery and vein of the new kidney to your artery and vein. Often, the new kidney will start making urine as soon as your blood starts flowing through it. But sometimes it takes a few weeks to start working. Many transplanted kidneys come from donors who have died. Some come from a living family member. The wait for a new kidney can be long. If you have a transplant, you must take drugs for the rest of your life, to keep your body from rejecting the new kidney.

Conclusion:

In my opinion, the awareness among general public about kidney disease is insufficient and people should be given awareness about prevention, risk factors, importance of medical checkup for early detection of kidney stones and availability of treatment in Pakistan. Some special awareness programs are needed for rural population through electronic and print media (TV, Newspapers, Literatures and Social Media), health / medical insurers and hospitals. Ministry of Health must play its active role in prevention of kidney diseases. Tests for kidney should be available free of cost nearer in the urban and rural basic health centers. The most common cause of kidney disease / stone is not drinking enough water. Try to drink enough water so that your urine is light yellow or clear like water (about 8 to 10 glasses a day).



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The United Insurance Company of Pakistan Limited (UIC) is a leading General Insurance Company of Pakistan incorporated in the year 1959 and listed on Karachi Stock Exchange. UIC also doing Window Takaful Operations and act as Window Takaful Operator providing Shariah based General Takaful Products. UIC is one of the financially sound and professionally managed insurance company serving the market with 100 plus branches all over Pakistan.
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Gross Premium (Takaful) 123.727 Million
Pioneer Agriculture Insurance & Window Takaful Operations
Leader Re-Insurer Swiss Re-insurance Co. Ltd having AA- Rating
Member Companies of United International Group:
apnabank Limited
UtS Peace of Mind
UIA
usti
UIF
TAWASUL Insurance Services L.L.C.
TAWASUL Risk Management Services
UGS
UIG Group of Companies
HEAD OFFICE:
UIG House,6-D, Upper Mall Lahore,Pakistan.
U.A.N.:(042) 111-000-014
Fax:(042) 35776486 & 35776487
Email: uicp@theunitedinsurance.com
REGISTERED OFFICE:
204, 2nd Floor, Madina City Mall,
Abdullah Haroon Road, Karachi.
Tel: (021) 35621460 - 62
Fax: (021) 35621459
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International News

Global risk experts warn of turbulent decade ahead:

A new report from the World Economic Forum identifies the biggest risks facing the world – and the important role insurance can play in mitigating them.

International conflict is the biggest threat to world stability in the next ten years, according to the 2015 edition of the Global Risks report published by the World Economic Forum (WEF). The annual report, which condenses the views of 900 experts, was released in advance of the World Economic Forum meeting in Davos.

Interstate conflict with regional consequences – or asymmetric war – is the number one most likely risk and the fourth most serious in terms of impact. Extreme weather events and climate change is ranked in second place in terms of likelihood, followed by failure of national governance systems, state collapse and high unemployment.

In terms of potential impact, water crises is rated the greatest risk facing the world. The other high impact risks include disease pandemics, weapons of mass destruction and failure of climate change adaptation.

Launching the report in London, WEF's panel agreed that 2015 stands out as the year when geopolitical risks returned to the fore, having been in the background for the last five years. “Twenty five years after the fall of the Berlin Wall, the world again faces the risk of a major conflict between states,” said Margareta Drzeniek-Hanouz, WEF's lead economist. “However the means to wage such a conflict, whether through a cyber attack, competition for resources or sanctions is broader than ever.”

Climate climbs the agenda

Risks to the environment outnumbered economic threats in the report this year, with experts negatively assessing the preparations in place to cope with extreme weather and climate change.
Three of the top ten risks in terms of impact over the next ten years are environmental risks: water crises, failure of climate-change adaptation as well as biodiversity loss. The report cites forecasts that global water requirements could exceed sustainable water supplies by 40% by 2030. Water scarcity will impact more strongly on food production in the future and could even spark interstate conflict, the report warns.

The WEF report stresses the cascading effects that could result from the interconnection of risks. Increasing urbanisation is a danger for different reasons, for example, the report says, noting that by 2025 two thirds of the world's population will live in cities. Too rapid urbanisation will touch all risks, exposing vulnerabilities to do with pandemic disease, infrastructure and utilities. Also, many of tomorrow's mega cities will be located in coastal areas that are prone to flooding and in the so called 'ring of fire' belt of earthquake epicentres.

Interconnected risks resulting from the rapid pace of innovation were highlighted by John Drzik, president of global risk and specialties at Lloyd's broker Marsh. “Cyber is the most visible example and serious vulnerabilities have been highlighted just recently. The cost of cyber attacks is estimated now at $400bn annually,” Mr. Drzik said. “That's equal to the GDP of Thailand.”

Bio hazards multiply

Other emerging technologies that pose new socio-economic threats include synthetic biology, which is increasingly used in medicine, food production and bio-fuels, according to Mr Drzik. Innovation is critical to global prosperity but synthetic biology presents new hazards, he said, reiterating the interconnection of risks, this time to do with “bio-error and bio-terror” and lack of adequate governance.

Nanotechnology and artificial intelligence are other emerging technology risks that could have far reaching socio-economic risk implications, the report says.

Speaking to Lloyds.com on the sidelines of the WEF press conference, John Drzik said that insurance will help to mitigate the financial effects of many of the socio-economic risks identified. But insurers can also contribute to the development of public/private partnerships that strengthen risk resilience. “The insurance industry has a strong role to play in enforcing common standards that help improve risk assessment and management, from cyber security to flood defences, for example,” he said.

Lloyd's regularly publishes reports on emerging risks themes related to the climate, society and security, as well as technology.

(Source : Lloyds Market News)

Lloyd's supports new Government initiatives to make UK world centre in cyber security insurance:

With 81% of large UK businesses and 60% of small companies suffering a cyber security breach in the last year, a new report published by HM Government and Marsh, and supported by Lloyd's, has announced a new set of joint initiatives between Government and the insurance sector.

The joint report aims to help firms get to grips with cyber risk and establish cyber insurance as part of any firms' cyber tool-kit.

The report, UK Cyber Security: The Role of Insurance in Managing and Mitigating the Risk, has been produced in collaboration with the UK's insurance market and a number of top UK companies, and aims to make the UK a world centre for cyber security insurance.

It highlights the exposure of firms to cyber attacks among their suppliers with a key agreement that participating insurers will include the Government's Cyber Essentials certification as part of their risk assessment for small and medium businesses.

Cyber threats are estimated to cost the UK economy billions of pounds each year with the cost of cyber attacks nearly doubling between 2013 -2014. The report found that, while larger firms have taken some action to make themselves more cyber-secure, they face an escalating threat as they become more reliant on online distribution channels and as attackers grow more sophisticated. It issues a call to arms for insurers and brokers to simplify and raise awareness of their cyber insurance offerings and ensure firms understand the extent of their coverage against cyber attack.

Companies are recommended to stop viewing cyber largely as an IT issue and focus on it as a key commercial risk affecting all parts of its operations. The report is the product of collaboration between Government and the sector following a Summit held last November. It recommends firms examine the different forms of cyber attacks they face, stress-test themselves against them and put in place business-wide recovery plans. The report also notes a significant gap in awareness around the use of insurance, with around half of firms interviewed being unaware cyber risk insurance was available. Other surveys suggest that despite the growing concern among UK companies about the threat of cyber attacks, less than ten per cent of UK companies have cyber insurance protection even though 52% of CEOs believe that their companies have some form of coverage in place.

Inga Beale, CEO of Lloyd's said:

“I am very pleased to have had the opportunity to represent Lloyd's on the working group which contributed to this excellent report.

“Cyber risk poses the most serious threat to businesses and national economies, and it's an issue that's not going to go away. The London market has a long, proud history of finding innovative solutions to insuring large, complex risks that are challenging to underwrite locally.

“Just as the market has responded to new challenges before, so it needs to again. The insurance industry, with the Lloyd's market leading the way, has a key role to play in cyber risk protection going forward.”

Francis Maude, Minister for the Cabinet Office and Paymaster General said:

“It is part of this Government's long-term economic plan to make the UK one of the safest places in the world to do business online. The UK's insurance market is world renowned and we want it to be the same in relation to cyber risks. The market has extensive knowledge and experience of more established risks to help businesses manage and mitigate relatively new cyber risks.

“Insurance is not a substitute for good cyber security but is an important addition to a company's overall risk management. Insurers can help guide and incentivise significant improvements in cyber security practice across industry by asking the right questions of their customers on how they handle cyber threats”.

Mark Weil, CEO of Marsh UK & Ireland, added:

“While critical infrastructure in regulated sectors, such as banks and utility firms, are used to this kind of risk, most firms are not and their risk management practices are geared around lower-level, slower moving risks. Companies will need to upgrade their risk management substantially to cope with the growing threat of cyber attack, including introducing disciplines such as stress-testing, and creating a joined-up recovery plan that brings together financial, operational, and reputational responses.”

Key findings from the report:

- Insurers can help firms better manage their cyber risks. By asking the right questions and educating clients, insurers can help drive the adoption of cyber security best practice, including Cyber Essentials.
- The UK insurance sector is already a world-leader. With initiatives like this the sector is demonstrating that the UK is the natural home for a growing global cyber insurance market.
- Insurers support shows the success of Government's Cyber Essential Scheme. They recognise having Cyber Essentials certification is a valuable indicator of a mature approach to cyber security in SMEs that contributes to the reduction of risk.

- The contributing insurers will incorporate Cyber Essentials into their risk assessment process for SMEs, making it easier for firms to get coverage.
- Firms place cyber amongst their leading risks in terms of likelihood and severity of impact.
- Banks and national infrastructure organisations are generally better equipped in modelling cyber risks which can be very fast moving and damaging whereas most other businesses are not as well equipped to deal with this type of 'tail risk'.
- Modelling of cyber risk has been difficult due to a lack of available data. However, there are alternative approaches to valuing the risk of cyber attack including using stress testing.
- There is a lack of awareness of cyber insurance and certainty about coverage – less than 10% of companies have cyber insurance according to recent surveys.
- A lack of data pooling poses a challenge for the insurers in the development of their pricing models and coverage.
- The potential for the aggregation of losses impacting a large number of firms and arising from a is a growing concern for insurers.
- The UK insurance market has a history of underwriting large complex risks and has established itself to be a leading market in the provision of cyber insurance

Recommendations include:

For insurers and Government

- Participating insurers will include the Cyber Essentials certification as part of their cyber risk assessment for SMEs when backed by a suitable insurance policy in order to improve their supply chain resilience. This will simplify the application process for businesses.
- A new forum will be established by HM Government with the insurance sector, including the ABI and Lloyd's, on data and insight exchange for policy discussions.

For businesses

- Firms should review their management of cyber risk. Effective risk management needs to include a Board-level owner for cyber risk, a joined up recovery plan and the use of stress testing to confirm financial resilience against cyber threats

For insurance brokers

- Participating insurers will include Cyber Essentials accreditation as part of their risk assessment for SME to encourage greater adoption. Marsh will launch a new cyber insurance product for SMEs which will absorb the cost of Cyber Essentials certification for the majority of firms. HMG encourages other brokers to follow suit.
- Brokers should provide firms with a cyber assurance statement to give the Board confidence of the completeness of their cover.

For the market

- Lloyd's will work with UKTI to market the cyber capabilities of the London Insurance market globally.
- A new multi-disciplinary taskforce set up by CityUK aimed at bringing together different sectors to accelerate discussions on a joint UK cyber offering related to insurance for export.

The Cyber Essentials Scheme was launched on 5 June 2014. This new Government-backed and industry supported scheme guides businesses in protecting themselves against the most common cyber threats. Cyber Essentials documents are free to download and any organisation can use the guidance to implement essential security controls. Organisations successfully independently assessed by a Certification Body can achieve a Cyber Essentials award to demonstrate that they meet the government endorsed set of basic controls on cyber security. The Ten Steps to Cyber Security guidance and the Cyber Security Guidance for small businesses show companies how they can manage cyber security risk and put best practice in place.

(Source: Lloyds Corporation News)

National News

IGI Life has announced the setting up of a Takaful Window Business:

The board of directors of IGI Life Insurance has approved the commencement of family Takaful business, which is the Shariah-compliant. The SECP replaced Takaful Rules 2005 with Takaful 2012 two years ago, which allowed conventional insurance companies to set up Islamic windows to conduct Shariah-compliant business. In addition, Jubilee Life, EFU Life and Adamjee Life have also expressed their intention to establish Islamic window operations recently. With the current level of insurance penetration in Pakistan – measured at 0.9% of the gross domestic product (GDP) – the potential market for Takaful appears to be substantial. Total premiums of life insurance players, excluding government-owned State Life Insurance, were in excess of Rs40 billion at the end of 2013. The share of the Takaful segment, however, was less than 5% in the overall insurance industry.

Healthcare for all: New Company to implement Health Insurance Scheme:

The Health Department announce that the Punjab Health Initiative Management Company (PHIMC) will implement the Punjab Health Insurance Scheme. Under the pilot project, 0.28 million people in four districts will be provided coverage. The company will invite five short-listed insurance companies. Separate biding will be held for each district. There will, however, be no bar on a company bidding for more than one district. The pilot project will be started in Layyah, Rajanpur, Hafizabad and Chakwal districts. The budget for the project is Rs4 billion. A pre-bidding conference will be held to brief insurance companies about the project. The Health Department will select potential bidders during the conference. The government was planning to launch the scheme on March 23. The selected families will be issued an insurance card. All members of the families will be treated free of cost at the listed hospitals. Beside the divisional headquarters hospital, some private hospitals will be on the panel of the insurance company. Each family will be entitled to a maximum of Rs35,000 expenditure per annum.

In the pipeline: 'Khyber-Pakhtunkhwa to be the first to issue Health Insurance Cards'

The Khyber-Pakhtunkhwa government would soon introduce health insurance cards for deserving people. KPK will be the first province to introduce the cards as the health ministry is all set to initiate the programme in four districts in the first phase. This is not only for government hospitals, as patients who cannot be treated at government hospitals for some diseases due to lack of facilities will be entitled to get medical assistance from private hospitals in their respective districts.

Khyber-Pakhtunkhwa launches health insurance for the underprivileged

In what can be seen as a major leap, the Khyber-Pakhtunkhwa government has launched a social health insurance programme for the underprivileged of the province. The project will ensure the provision of health cards to the underprivileged in the first of its kind public sector facility in the country. Through these insurance cards, introduced along the lines of social security programmes in developed countries, the disadvantaged will be able to receive medical assistance at both private and public hospitals across the province free of cost. In the first phase of the project, health cards will be provided in four districts namely Mardan, Malakand, Chitral and Kohat. The programme will then be expanded to other areas of the province. The programme has been launched in collaboration with Kreditanstalt für Wiederaufbau (KfW), a German government-owned development bank. The KfW will fund 88% of the total expenditure that amounts to Rs1.34 billion over five years in shape of a grant, while the remaining 12% will be covered by the K-P government. While talking to the media at the MOU signing ceremony. The health department has also reached an agreement with State Life Insurance Corporation (SLIC) to collaborate, after selecting the government-owned company following an open bidding procedure. the Provider Payment Mechanism—a cashless system through which the health cards will operate—will ensure no involvement of cash on any level of the service and that card holders will be able to receive medical assistance at public and private health facilities alike, without worrying about the expenses.

Special Courts: SECP suggests setting up Insurance Tribunal

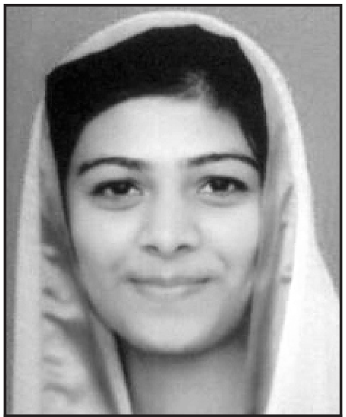
The Securities and Exchange Commission of Pakistan (SECP) has approached the Law and Justice Division recommending it to establish a specialised and independent insurance tribunal in Islamabad. The tribunal would be in accordance with the provisions of the Insurance Ordinance 2000. In a letter, the SECP has pointed out to the law ministry that in 2006 with the approval of the chief justices of relevant high courts, the federal government had conferred the powers of insurance tribunal on district and sessions judges in Karachi, Lahore and Peshawar. But due to the heavy workload in the sessions courts, the SECP's complaints have been pending for the last five years.

“The desired results could not be achieved as no relief was provided to the aggrieved policyholders,” an SECP official said.

In order to provide speedy justice to the aggrieved policyholders, the SECP is in favour of establishing independent and exclusive insurance tribunals as envisaged under Sections 121, 122 and 123 of the Insurance Ordinance. Meanwhile, the SECP has started formulating regulations for the small dispute resolution committees. These committees will arbitrate between insurance companies and the policyholders.

Jubilee Life Insurance:

The after-tax profit of Jubilee Life Insurance for 2014 is Rs1.3 billion. The company's earnings per share increased to Rs18.8 from Rs13 recorded in 2013. Jubilee Life also declared a final cash dividend of Rs7 per share, which is in addition to the interim dividend of Rs2.5 per share. Jubilee Life announced in October that it was formally launching Islamic insurance products through a window of Takaful business.



Ayesha Aslam
MBA (I & RM), Cert CII (UK)
Assistant Manager (Health Claims)
Alfalah Insurance Company Limited

Insurance Frauds

In criminal law, a fraud is an intentional deception made for personal gain or to damage another individual. Fraud is a crime, and also a civil law violation. Defrauding people or entities of money or valuables is a common purpose of fraud.

Fraud can be committed through many media, including mail, phone, and the Internet (called cyber-crime/fraud). The international dimensions of the web and ease with which users can hide their location, the difficulty of checking identity and legitimacy online, and the simplicity with which hackers can divert browsers to dishonest sites and steal credit card details have all contributed to the very rapid growth of Internet fraud.

In some countries, tax fraud is also prosecuted under false billing or tax forgery.

Types of Insurance Frauds:

Insurance fraud can be external or internal:

External Frauds: It takes a variety of forms, such as;

- The inflation of genuine claim, e.g.in the case of a burglary including items that were not in fact stolen.
- Creating an entirely factious event, e.g. a theft that never took place.
- Causing deliberate, as opposed to accidental, damage to insured property, i.e. pouring water into video recorder.

In connection with fraudulent exaggeration it has been held by the courts that a degree of exaggeration designed to improve an insured's bargaining power is permissible but submitting claims for the amounts known to be incorrect and substantial; in excess of the correct figure clearly constitutes fraud.

Internal Frauds are those perpetrated against a company or its policyholders by agents, managers, executives, or other employees. Examples include:

- Agent or insurer pocketing premiums, then issuing a phony policy or none at all.
- Agent or insurer issuing fake policies, certificates, ID cards or binders.
- Agent or insurer making a false statement on a filing.
- Agent fraudulently claims binding authority which does not exist.
- Agent issue policies or certificate fraudulently.
- Failure to issue a cover-note at the commencement of a risk and the subsequent "Back dating of cover".

Hard vs Soft Frauds:

Hard fraud occurs when someone deliberately plans or invents a loss, such as a collision, auto theft, or fire that is covered by their insurance policy in order to receive payment for damages.

Soft fraud, which is far more common than hard fraud, is sometimes also referred to as opportunistic fraud. This type of fraud consists of policyholders exaggerating otherwise legitimate claims. For example, when involved in a collision an insured person might

claim more damage than was really done to his or her car. Soft fraud can also occur when, while obtaining a new insurance policy, an individual misreports previous or existing conditions in order to obtain a lower premium on their insurance policy.

Insurer's Attitude to Fraud:

In the past because of adverse publicity, particularly if court proceedings were involved, was a major reason of reluctance to adopt a routine approach for fraudulent cases.

Today, insurers are taking hard-nosed approach because of the following changes:

- Enhanced understanding of fraud motivators.
- Co-operation between the insurance companies to re-educate the public.
- Advances in technology.

Detection of Insurance Frauds:

Experienced claim handlers are able to identify a large number of fraudulent claims relatively easily; they do so because of the existence of one or more so called ***pre- fraud indicators***:

- ***Frequent change of insurers:*** to avoid the attention of a particular insurer.
- ***Uncharacteristic increase in the level of cover:*** For example, a request to add accidental cover mid-term.
- ***Unclear ownership of goods:*** in particular of motor vehicles. This suggests that either an item does not exist or else it has been borrowed for claim purposes.
- ***Financial difficulties:*** These are not readily identifiable by the insurers, information may come to light. e.g. where there is a loss of cash claim and bank statements, provided to substantiate a cash withdrawal, show a substantiate overdraft.

In addition following will also cause suspicion:

- Prevarication by the insured.
- Excessive pressure to settle
- Inconsistent story which shows fabrication of facts
- Poor documentation
- Perfect documentation (appear "too good to be true" to an experienced claims handler)

Obstacles to Measuring Fraud:

Insurance fraud is hard to measure accurately. Insurance fraud means many different things to different people, and therein lays one of the biggest challenges in measuring fraud "*There is no universally understood definition of insurance fraud*."

From a strict legal sense, a fraud exists only when a court has deemed it so, either through criminal or civil rulings. While measuring court actions is relatively easy most of the time, the results may not be meaningful in gauging the fraud problem because only a small fraction of fraudulent acts ever end up in court.

Other possible areas to measure include:

- Prosecutions and civil cases brought to light
- Cases referred to prosecutors
- Criminal arrests and civil complaints
- Cases referred to law enforcement
- Claims denied or reduced
- Red flags triggered

Even with these criteria, not all fraudulent acts will be captured because some go undetected during the claims process while some suspected of fraud are established as valid.

Another obstacle is defining the type of fraud to measure. Most fraud estimates focus on claims fraud. Applications, underwriting or premium fraud go largely unmeasured. Fraud by insurers or company insiders also is rarely quantified.

Lines of insurance also define how and what gets measured or even estimated. Property/casualty insurance, specifically automobile and workers compensation, have received the greatest attention. Health insurance frauds are also increasing. Research of life and disability insurance fraud is virtually nonexistent, yet there are signs that criminal activity is growing in both areas.

Insurers Responses to Fraud:

As a part of the anti-fraud culture, insurers are raising the general awareness of fraud within the insurance industry. This doesn't mean that a genuine claimant may be subject to unnecessary harsh inquisition at the time of a claim.

Use of confidential telephone lines to facilitate confidential and anonymous tip-offs is an example in this regard.

Fraud Clauses:

Many insurance policies contain an express clause that all benefits otherwise due under a claim will be forfeited where fraud is proven. The position at common law is that a claim is in any respect fraudulent; all benefits under the policy are forfeited. There is then no need for a specific fraud condition to be inserted in insurance policies but it is usual to include such clauses to strengthen the insurer's position.

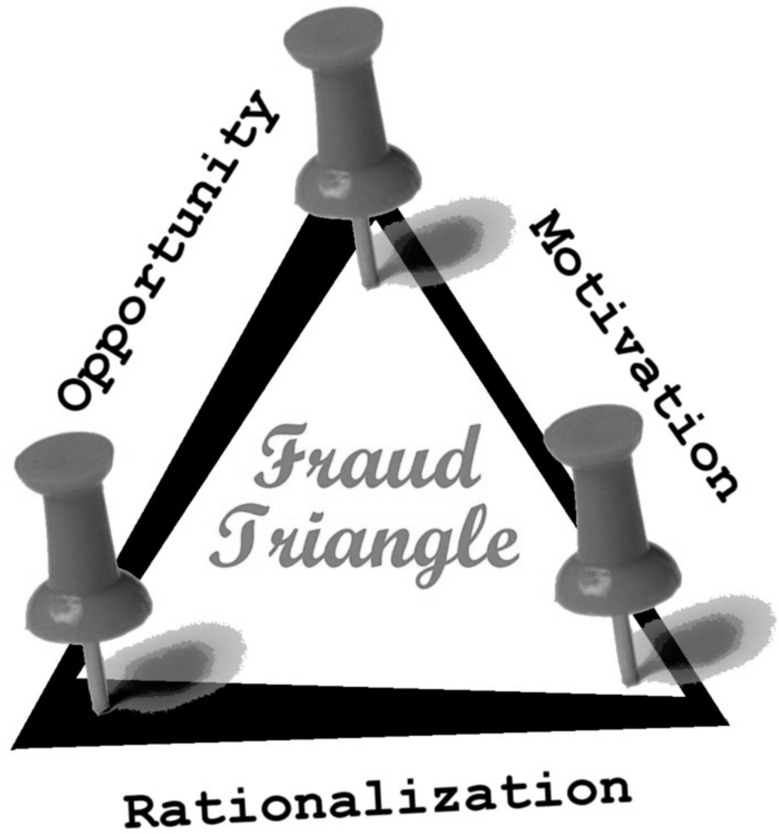
Red Flags applying to the Insurance Policy:

- Policy is relatively new in relationship to the date of loss.
- Policy is due to expire shortly.
- Agent may have been contacted recently by the insured regarding questions concerning coverage."
- May be duplicate, multiple policies.

- May be recent changes of coverage such as amendments to a policy to insure a scheduled item.
- Excessive or unusual coverage. In the case of life insurance, rarely are policies sought where a physical exam is required and quite often there will be numerous "small coverage" policies.
- Online policy applications are susceptible to abuse due to their anonymity.

Red Flags applying to the Insured:

- May often pay premiums in cash.
- May often use an agent or agency, which may show a somewhat unusual pattern of claims by his/her clients.
- May show an extensive "claims history" not especially pertaining to the same type of loss; however, then may again show very similar losses.
- May show losses relative to times in which they are experiencing financial hardships or perhaps "premiums" are due.
- May show losses during times in which there may be issues pertaining to rented or leased vehicles or property.
- Excessive mileage or perhaps damaged property may very well cause additional fees to be incurred by the insured.
- May be very well versed on the claims process and/or terminology.
- May exhibit an unusual demeanor.
- May seem over willing to accept a small settlement to stop processing of the claim.
- May exhibit inability to recall specific facts regarding the loss, very often will be vague on details.
- May be hesitant to submit to an examination under oath or to specific questioning.
- May fail to mention "medical injuries" until they have acquired legal representation.
- May have the skills to restore a vehicle that has been "totaled in a hail storm" to look like new with a little dry ice.



Red Flags applying to the Claimant:

- May be somewhat elusive. Claimant may use a post office box, multiple addresses, hotel or motel, or perhaps a "drop box" as an address. Often provides a cell phone number, in which use of "voice messaging" is common.
- May provide names of witnesses who are just as elusive.
- May provide witnesses who are over enthusiastic or perhaps provide scripted statements.
- May emphasize his/her willingness to accept quick reduced settlements.
- May threaten extended medical treatment or "seeing" an attorney.
- May be unusually familiar with medical care, vehicle or home repair, or insurance terminology.
- May be experiencing personal, financial, or business difficulties.
- May refuse or become evasive when asked specific questions.
- May have an extensive or somewhat unusual claims history.
- May approach an agent sometime prior to a loss with specific questions regarding coverage.
- In the case of an automobile accident, claimant's vehicle may not be available for inspection.
- May be hesitant to be examined by an independent medical provider.
- May be hesitant to submit to an examination under oath.
- May use medical and legal providers who may themselves show questionable claims provider histories.
- May have waited several weeks prior to seeking medical treatment.
- May have sought treatment for "soft tissue" type injuries and/or extensive chiropractic treatment.
- May provide "differing" lists of damaged/stolen property regarding an insurable loss.
- May provide questionable "proof" of purchase for expensive items.
- May provide invoices or estimates that appear to be "inflated" and/or altered.

Remedies of Fraud:

- Cancellation of the policy (from the date of the fraudulent claims).
- Avoidance of the policy ab-intio (i.e from the very beginning of the contract.)
- In certain circumstances, the insurer has the right to retain any premiums paid on policies where fraud is subsequently discovered.
- Damages may also be available to an insurer who suffers loss directly attributable to fraud the insured.
- Various criminal remedies, for example confiscation of property or term of imprisonment.

Complexities in Fraud Control:

Fraud is not self-revealing: This means that the fraud has to be looked for to be discovered. One only sees what is unveiled; and that is never the problem, Sparrow regularly claims. Fraud control is subject to constraints of speedy detection and minimal investigation lead time.

Proving fraud legally is difficult: Mere suspicion is not enough to act as legal proof. The warning signs that trigger suspicion may be suggestive of a degree of risk, but often fail as definite proof "beyond reasonable doubt". Considering the seriousness of the allegation one needs solid, high standard legal evidence of fraud.

News on fraud is always a bad news: Fraud control is not only a complex matter, it is especially hard to sell to management. "Failure to detect fraud is bad news, and finding fraud is a bad news too." The very existence of fraud is an embarrassment to insurers and their management.

Recommendations:

- Develop concise definitions of fraud for the purposes of uniform measurement, and promote the understanding and use of the definitions with industry, government, academia and the media. Terms might include "suspected fraud," "referred fraud" or "convicted fraud," depending on the action taken.

- Make clear the role of exaggerated or buildup claims as they relate to the definitions of fraud.

- Investigate the feasibility of developing methods of conducting closed claims studies in non-auto lines, including homeowners, workers compensation and health insurance.

- Investigate securing the aggregate reporting data insurers file annually with state insurance departments, to determine whether data could be extrapolated for measurement purposes.

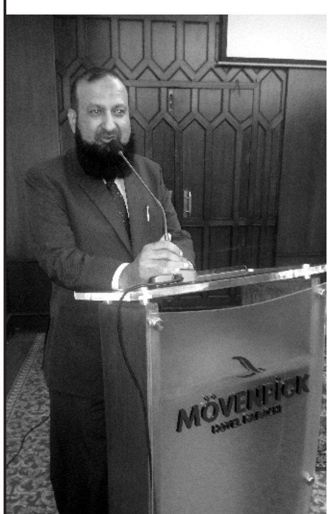
- Develop methodologies for measuring the extent of fraud in the application process, especially in automobile and life insurance.

- In the interim until more accurate measurements can be ascertained, major anti-fraud organizations should seek agreement on more-consistent estimates, or perhaps resist publishing estimates that are not based on some level of scientifically valid empirical studies.

- Centralized database needs to be managed for sharing the claims within a specific class of business. A unified, all-industry approach to measurement is needed to detect and cater frauds.

(Source: Various Books Consulted)

First Window Takaful started "Amaan" Operation



A training on " Amaan" Takaful was organised by United Insurance Co. Ltd under the supervision of Sharia advisor Mufti Zeeshan Abdul Aziz on 03rd March 2015, at Hotel Movenpick.

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, decided 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, and 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 fund for that purpose in compliance of principals of Shariah---Rules 26 of Takaful Rules,2012, required that each operator would appoint a shariah advisor who would insure adherence of conditions specified by the commission upon advise 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 Shariah Guidelines issued by Shariah Supervisory Board of the general takaful operators was established --- Company should at all-time 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 on to the company and/or its director---Commission, instead of imposing the penalty, took a lenient view and condoned the company due to the 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

Takaful Pakistan Limited: In the matter of
(Tariq Hussain, Director (Insurance))
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') for not complying with the principles of Islamic Shariah, thereby violating the definition of " takaful " business as laid down under section 2 (lxiv) of the Insurance Ordinance, 2000 (the "Ordinance").

Background Facts

2. Takaful is a scheme of mutual assistance to the participants in case of occurrence of certain contingencies and the participants mutual 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:-

""Takafill" 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") required that each operator shall appoint a Shariah

Advisor who shall be responsible for the approval of the following:--

(a) Products 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 required that the Shariah Advisor shall ensure adherence to the conditions specified by the Commission upon advice to the Shariah Advisory Board on all matters.

Similarly, the repealed Takaful Rules, 2005 (the "repealed Rules of 2005") required that the Shariah Board shall formulate all operational practice. 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 Shariah 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 operator shall be required to pay its own share of claim directly to the client / participant / policyholder as well receive its share of contribution directly from the client/participants / 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 other Co-Takaful/Co-Insurance operators, their respective shares. However, where 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	Nature 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	863,965
		Premium Paid to the Company	555,739
		Claim Paid to the Company	
	Jubilee General Insurance Ltd.	Claims Settled on Behalf of the Company	

Year	Name of the Conventional Insurer	Nature 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
		Claim 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	Nature 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
		Claim 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 envisages 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 follows:

Preliminary Objections

(a) At the very outset it is stated 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 directions 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". Any 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-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 2017, no guidelines were available in respect of co-takaful/co-insurance which is a complicated filed within Takaful.it is also reiterated that since the issuance of guidelines ,our Client has followed the same in letter and spirit. Any retrospective application of such guidelines is contrary to the established principles of law.

(6) In view of above, there has been no contravention of section 2(1xiv) 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 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 contraventions 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 our Client has not committed the contraventions 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 documents in support of its defense at such hearing, if the same is 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 it 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(1xiv) 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/Advisor 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

reschedule the hearing 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 4, 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(1xiv) of the Ordinance i.e. the idea and definition of the takaful business. However, the 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(1xiv) of the Ordinance.

Conclusion

21. After carefully examining the arguments and studying the facts and finding of the case as mentioned in the above paras of this Order, the default of section 2(1xiv) 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 ad 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:-

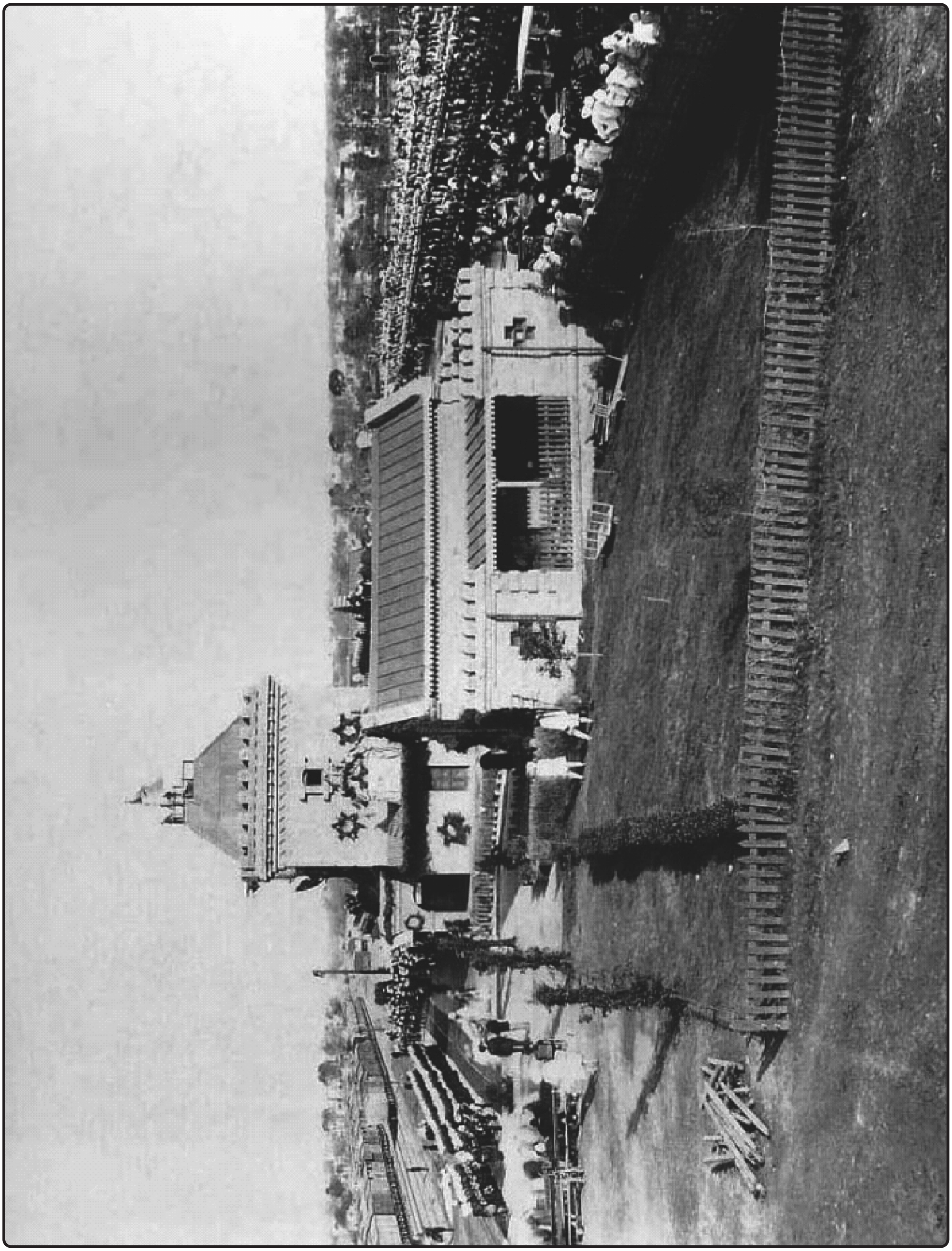
(a) THAT the Company's management has adopted the required procedures as laid down in Shariah Guidelines issued by the Shariah Supervisory Board of the general takaful operators; and
(b) THAT prior to December 2011, there were no guidelines for the Company to follow in respect of Co-insurance/facultative 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.

Rawalpindi Railway Station 1885



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