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Quarterly

Insurance Journal

October, November, December 2011

Dr. Mohammed Yaseen
Chairman PTA

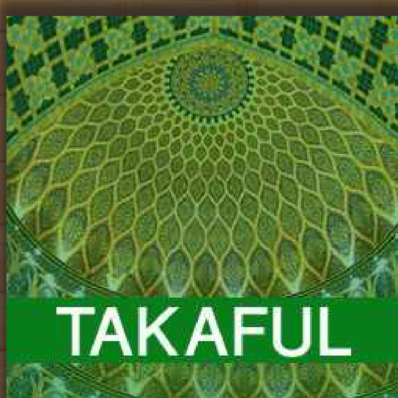
SPEAKS

IMPORTANT STATISTICS

23 Insurance Companies of Pakistan *2010*

(Rs. In Million)	2010	2009
Paid up Capital	9,227.792	8,341.832
Gross Premium	37,588.387	34,387.862
Net Premium	21,267.195	20,668.854
Profit Before Tax	3,317.136	3,870.047
Profit After Tax	2,813.333	3,232.640
Total Assets	98,032.656	84,917.642
Claim Expense	26,132.642	17,642.152

SEMINAR ON MICROINSURANCE



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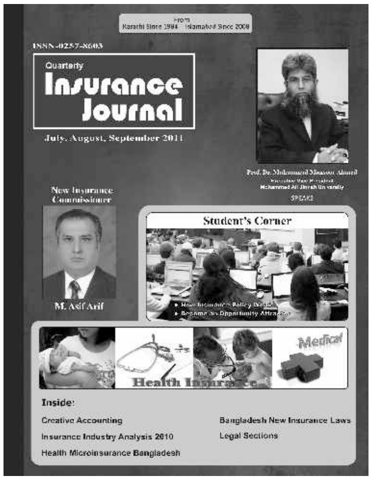
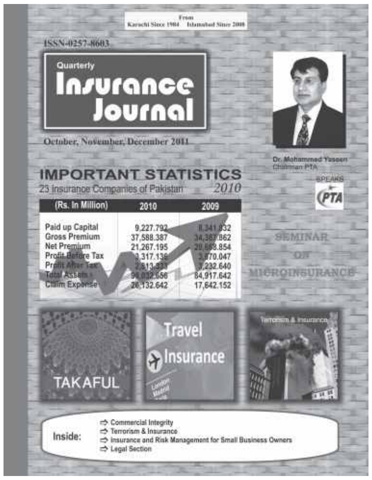


July, August, September 2011



October, November, December 2011

INSURANCE SECTOR ON KARACHI STOCK EXCHANGE

(Quarter: July, August, September 2011)

Company	Paid up Capital (Rs. In Million)	Face Value Rs.	Highest Rate Rs.	Lowest Rate Rs.	Turnover of Shares	Announcement During the Quarter
Adamjee Ins. Co. Ltd.	1,237	10.00	66.80	45.00	4,386,017	Dividend = 10%
American Life Ins. Co. Ltd.	500	10.00	17.08	13.50	15,419	
Asia Ins. Co. Ltd.	250	10.00	18.50	15.00	342	
Askari General Ins. Co. Ltd.	308	10.00	10.09	7.26	64,117	Bonus Issue = 10%
Atlas Ins.	443	10.00	37.00	27.30	354,680	
Beema Pakistan Co. Ltd.	417	10.00	-	-	-	
Business & Industrial Ins. Co.	86	10.00	-	-	-	
Central Insurance Co. Ltd.	391	10.00	69.00	45.00	576,005	
Century Ins. Co. Ltd.	457	10.00	8.65	6.00	321,094	
Crescent Star Ins. Co. Ltd.	121	10.00	4.00	1.48	163,145	
Dadabhoy Ins.Co.Ltd.	50	10.00	-	-	-	
Delta Ins. Co. Ltd.	40	10.00	-	-	-	
EFU General Ins. Co.	1,250	10.00	36.99	29.05	936,039	
East West Ins. Co. Ltd.	251	10.00	-	-	-	Bonus Issue = 10%, Right Issue 10%
East West Life Assurance Co. Ltd.	500	10.00	2.34	0.43	54,918	
EFU Life Assurance Ltd.	850	10.00	73.50	61.96	301,742	
Habib Ins. Co. Ltd.	450	10.00	11.89	9.31	347,540	
Hallmark Ins.	5	10.00	-	-	-	
IGI Ins. Ltd.	1,115	10.00	76.12	58.00	1,693,032	Dividend = 10%, Bonus Issue = 15%
Ittefaq General Ins. Co. Ltd.	10	10.00	-	-	-	
Jubilee Life Ins. Co. Ltd.	627	10.00	67.25	50.43	229.489	
Jubilee General Ins. Co. Ltd.	989	5.00	62.37	53.20	88,762	
Pakistan General Ins. Co. Ltd.	300	10.00	7.09	4.15	14,478	Bonus Issue = 9.09%
Pakistan Guarantee Ins. Co. Ltd.	25	10.00	-	-	-	
Pakistan Northern Ins. Co. Ltd.	8	10.00	-	-	-	
Pakistan Re Ins. Co. Ltd.	3,000	10.00	16.87	12.61	22,578,817	
PICIC Ins.	350	10.00	13.80	6.70	6,271	
Platinum Ins. Co. Ltd.	120	10.00	-	-	-	
Premier Ins. Co. Ltd.	303	5.00	8.99	6.67	762,656	
Progressive Ins. Co. Ltd.	85	10.00	-	-	-	
Reliance Ins. Co. Ltd.	319	10.00	10.90	7.00	294,057	Bonus Issue = 12.50%
Shaheen Ins. Co. Ltd.	250	10.00	15.19	10.50	580,222	
Silver Star Ins. Co. Ltd.	306	10.00	5.95	3.60	71,747	Bonus Issue = 5%
Standrad Ins. Co. Ltd.	8	10.00	-	-	-	
Sterling Ins. Co. Ltd.	5	10.00	-	-	-	
TPL Direct Ins. Co. Ltd	460	10.00	10.69	8.29	2,759,616	
Union Ins. Co. Ltd.	82	10.00	-	-	-	
United Ins. Co. Ltd.	496	10.00	5.68	3.60	63,687	
Universal Ins. Co. Ltd.	263	10.00	2.25	1.05	44,046	

The Issue of July - August - September 2011, period of Insurance Sector on the Karachi Stock Exchange should read as April - May - June 2011. The error is regretted. I.J

Dr. Mohammed Yaseen

Chairman PTA

(Pakistan Telecommunication Authority)

SPEAKS

Did his Ph.D from University of Essex, United Kingdom with specialization in Telecommunication systems. During his professional career spanning almost 22 years, his core areas of expertise lie in the field of digital and voice communications, Optical Fiber Transmission Systems, Fiber Access Networks and broadband Access. He contributed in commissioning, operation and maintenance of large international telecoms, including SMW3 (segment 2), Southern Cross (Australia- USA), 121 (India-Singapore). He also provided consultancy on product development, network/ product cost analysis and deployment of Access Networks. He has been engaged in developing strategies, defining standards, devising regulations, envisioning future roadmaps and management skills. He has authored more than 30 international and national publications on telecom technologies especially broadband, ICT growth, straggles and design networks. After his Ph.D, he worked for the Essex University, UK, as a Senior Research Officer, projects were funded by HP and European Consortium. Later he joined PTCL Pakistan, as senior lecturer and progressed to Director Strategy and then moved to Australia where he was system and project Engineer for Alcatel Submarine Networks Australia. He also worked for "Advanced Networks and systems", Australia as Senior Consultant. Prior to holding the office of Chairman PTA, he served as Member (Technical) at PTA for almost three years. He has been honored to represent PTA at various International and National forums including Asia Pacific Telecomunity (APT), where he was elected as Chairman, APT, Study Group 2 (NETWORKS).

Insurance Journal provided questions to Chairman PTA Dr. Mohammed Yaseen Reproduced below are the questions of the I.J and the answers of Dr. Mohammed Yaseen.

Insurance Journal: ***The role of telecommunication technologies cannot be over emphasized in any growing and developing economy. What are the major contributions PTA has made in the economy and other sectors of Pakistan?***

Chairman PTA: PTA plays a defining role in enhancing telecommunications' contribution to Pakistan's economic growth, particularly in further developing this critical sector. Despite economic downturn, the telecom sector of Pakistan displayed ample resilience and registered positive growth in all of its Key Performance Indicators (KPIs). Telecom sector contributed over Rs. 116.9/- billion to the national exchequer. GST/FED collections from the sector spike to Rs. 52.6 billion. Total telecom revenues swelled to an all-time high Rs. 362 billion during the year. Cellular income which constitute major chunk of the telecom revenues is boosted to Rs. 262 billon. During the past three years, PTA has collected around Rs. 40 billion against t APC for USF, which is being used for broadband and basic telephony expansion in Pakistan. The investment scene was encouraging with investment of US$ 493 million in the telecom and FDI of US$79 million. The imports in this field witnessed climb of US$725 million. PTA arranged several seminars in collaboration with the telecom industry to induce expert deliberations to attract major foreign investors.

Insurance Journal: ***Do you consider this organization is progressing, if yes then please explain the reasons thereof ?***

Chairman PTA Surely, I consider that this Authority is progressing and the main reason for this is the satisfaction of cellular service, internet and other telecommunications users This Authority is working for a fair regulatory regime in the telecom sector. Earlier on PTA's successful implementation of the deregulation policy resulted in attracting record Foreign Direct Investment for the country from the telecom sector. The healthy competition introduced by the Government encouraged operators to go the extra mile for making a strong subscriber base. PTA efforts have been internationally recognized. Major achievements are given below:-

1. ITU has established a center of excellence in Pakistan which being run by PTA through this platform PTA is providing training on regulatory issues to ITU member countries of Asia and pacific region.

2. PTA was awarded GSMA award in 2006.

3. PTA has received global awards in 2010 as Most Progressive Telecom Regulator in South Asia, by South Asian, Middle Eastern, and North African Telecommunication Council (SAMINA).

4. PTA also earned GREX award from ITU in 2007.

Insurance Journal: ***When you took over the charge of PTA, what were the affairs at that time and what do you think there had been improvements since in your supervision?***

Chairman PTA As Chairman PTA, it is my prime responsibility to work for the development of telecom sector in the country and ensure that customer's interest is protected. Salient stapes taken during my tenure as Chairman PTA are given below:-

(1): Establishment of complaint Cell

A dedicated complaint cell has been established in PTA to resolve customer complaints expeditiously.

(2): SIM Related Steps

Previously SIMs were sold without any proper identification. This created a lot of difficulties for law enforcing agencies. Following initiatives were taken to clean the data:-

a: Ban has been imposed on sale of pre activated SIMs. Through 789 services the SIM is activated after authentication from NADRA.

b: Only 10 Sims can be sold against one CNIC. Through 668 service, Sims sold against a CNIC can be traced.

c: A Sim identification procedure has been evolved. Through 667 service, the owner of the SIM can be found.

(3): We are regularly monitoring of Quality of Service of different service providers. We take appropriate action against the licensees who fail to provide the service of good quality to the customers.

Insurance Journal: ***What is the teledensity of Pakistan and its comparison with the neighboring countries?***

Chairman PTA: At the end of FY 2011, teledensity of the country was record at 68.39%, demonstrating 6.7% expansion compared to the previous year. Since mobile sector contributes over 95% to the total teledensity of the country, an increase in mobile penetration from 60.4% (FY 2010) to 64.9% (FY 2011) resulted in improvement of 4.3 percentage points in total teledensity. Fixed Local Loop teledensity has been declined over the years owing to mobile substitution and today it stands at 1.93% (FY 2011) compared to 2.1% last year showing a shrinking of 0.17%. Wireless Local Loop subscribers have been increasing but the proportionate rise in population is keeping the teledensity of WLL services at 1.6% for the past three years.

Insurance Journal: ***When do you think the 3G technology will be introduced in Pakistan ?***

Chairman PTA: The project of 3G licensing is one of the most important telecom prospects in Pakistan. It is a baseline which can enable cellular mobile operators to provide the customers with diverse and rich voice and data services. The introduction of 3G licensing will give tremendous impetus to social and economic growth and increase the revenues. With the launch of 3G, Pakistani cell phone subscribers will be able to transmit and receive high speed data through their mobile phones. 3G licensing in Pakistan is long overdue. Previously, some technical reasons including the issue of vacations of spectrum caused the delay which has now been resolved. Recently, Government of Pakistan has announced policy for 3G Auction. PTA has prepared a schedule for auction of spectrum. As per plan, we intend to hold auction in March 2012. Information Memorandum (IM) has been prepared which includes all necessary information about the telecom sector of Pakistan and auction methodology for 3G spectrum/licensing and it will be placed on PTA website by March 17th 2012. We have also planned to hold road shows in different countries for awareness, of potential investors. Very soon we shall invite Expression of Interest (EoI) from potential investors.

Insurance Journal: ***Mobile phone companies are within the purview of the PTA. How are they being regulated to safeguard the interest of the consumers?***

Chairman PTA: For safeguarding the consumer interest include new online complaint management system for quick resolution of consumer complaints, SOP to control menace of spamming, unsolicited telemarketing and technical measures to pre-empt obnoxious and fraudulent communication, installation of Anti-Spam filters on mobile network, allocation of common Short Code, SMS blocking facility, verification of Pre-NPR Data of the consumer, and the facility to stop unwanted balance transfer. PTA also set up national Rabta Information Portal for Provision of information and content at one place. The Authority received 31,338 consumer complaints of which 97% were resolved during the year. To ensure provisioning of quality services, PTA regulatory monitors the quality being provided. The CMTOs are accordingly directed to make improvements in their network.

Insurance Journal: ***Young people of Pakistan are more attracted towards the latest technologies and gadgets. The future of Pakistan depends upon the depth of knowledge they have acquired. What role the PTA is playing in contributing its share encouraging youth to acquire the knowledge more so to the youth of rural areas. Is there any PTA sponsored program in place in different universities of Pakistan?***

Chairman PTA PTA continues to encourage research in the telecom sector through linkages with educational institutions. Under the Academia Linkage Program, PTA has signed Memorandums of Understanding with leading universities of Pakistan to initiate research related activities and groom future leadership on policy and regulatory issues. PTA also awards Gold Medals and Cash Prizes to university students for outstanding research in projects related to telecom and IT. The 'Ericsson-PTA Mobile Excellence Award' was also announced to facilitate ICT proliferation in Pakistan. As a matter of fact entrepreneurship is the only way forward for the youth. ICT provides best platform to start the business. This also creates jobs for the youth. With the introduction of 3G services in country, the opportunities will further increase for the youth to exploit different fields of ICT as many applications would be required to be developed and used for E-Services i.e E-agriculture, E-commerce, E-banking, E-education and E-health etc.

Insurance Journal: ***The international Telecom Union (ITU) has established centre of excellence in Pakistan. Would you please briefly comment upon this center and benefits Pakistan stand to gain?***

Chairman PTA The ITU has established Centres of Excellence (CoE) on regional basis in many countries to assist developing countries in capacity building. These centers have been set up in countries having special expertise on key regulatory issues so that their experience can be shared with other member states for their technological issues so that their experience can be shared with other member states for their technological development in telecom sector.

ITU established a Centre of Excellence in Pakistan in 2006 keeping in view the successful liberalization and deregulation of telecom sector in the country. The mandate of this Centre is to conduct training courses on “Telecom Policy and Regulation” for countries in the Asia Pacific region. ITU Centre of Excellence (CoE) Network PTA Node, arranged the following activities during 2010-11:

- Online course on “Interconnection and cost Modeling” 21 Jan to 4 March 2011
- Workshop on managing to converged Licensing 5-8 April, 2011
- Workshop on IPV6 Strategy for Telecom Service Providers
- Workshop on “Broadband Policy and Regulation Engineering Practice and Lessons” held in Bangkok 2-6 August 2011

IMPORTANT STATISTICS 2010

23 INSURANCE COMPANIES OF PAKISTAN

ADAMJEE INSURANCE CO. LTD.

REGISTERED IN 1960

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	1,237.045	1,124.586
Gross Premium	11,564.169	10,372.716
Net Premium	7,098.887	6,830.998
Profit Before Tax	687.677	2,608.348
Profit After Tax	624.684	2,447.020
Total Assets	28,192.070	21,864.331
Claim Expense	10,598.852	5,656.493

ALPHA INSURANCE CO. LTD.

REGISTERED IN 1950

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	303.600	303.600
Gross Premium	139.767	109.245
Net Premium	59.099	61.511
Profit Before Tax	3.203	(7.737)
Profit After Tax	2.423	(8.559)
Total Assets	646.812	584.705
Claim Expense	74.616	88.487

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

ASKARI GENERAL INSURANCE CO. LTD.

REGISTERED IN 1995

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	203.775	203.775
Gross Premium	1,350.017	1,107.662
Net Premium	639.901	805.176
Profit Before Tax	53.347	(15.075)
Profit After Tax	47.418	(27.545)
Total Assets	1,453.934	1,195.751
Claim Expense	616.816	630.052

ASIA INSURANCE CO. LTD.

REGISTERED IN 1980

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	250.000	200.000
Gross Premium	46.056	36.699
Net Premium	29.451	31.087
Profit Before Tax	9.043	7.090
Profit After Tax	4.461	4.886
Total Assets	456.013	419.519
Claim Expense	7.101	31.941

ATLAS INSURANCE CO. LTD.

REGISTERED IN 1934

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	369.115	335.559
Gross Premium	1,024.860	910.739
Net Premium	530.271	443.534
Profit Before Tax	327.130	237.194
Profit After Tax	242.658	189.056
Total Assets	2,034.734	1,905.093
Claim Expense	304.586	266.302

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

CENTURY INSURANCE CO. LTD.

REGISTERED IN 1988

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	457.244	457.244
Gross Premium	449.674	456.200
Net Premium	219.070	206.646
Profit Before Tax	121.062	(39.947)
Profit After Tax	109.631	(69.959)
Total Assets	1,330.467	1,151.836
Claim Expense	201.235	96.319

CENTRAL INSURANCE CO. LTD.

REGISTERED IN 1960

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	279.179	203.039
Gross Premium	113.521	98.610
Net Premium	10.509	13.397
Profit Before Tax	497.180	(844.897)
Profit After Tax	491.224	(855.118)
Total Assets	3,918.377	3,448.921
Claim Expense	(1.095)	50.816

CRESCENT STAR INSURANCE CO. LTD.

REGISTERED IN 1957

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	121.000	121.000
Gross Premium	109.393	138.162
Net Premium	74.157	105.364
Profit Before Tax	4.605	(43.379)
Profit After Tax	3.744	(30.483)
Total Assets	214.606	237.776
Claim Expense	35.025	69.205

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

EAST WEST INSURANCE CO. LTD.

REGISTERED IN 1983

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	251.379	228.526
Gross Premium	562.501	631.816
Net Premium	331.968	436.968
Profit Before Tax	15.548	(527.995)
Profit After Tax	8.443	(537.123)
Total Assets	633.642	660.482
Claim Expense	306.991	314.945

EFU GENERAL INSURANCE CO. LTD.

REGISTERED IN 1932

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	1,250.000	1,150.000
Gross Premium	10,231.650	9,614.014
Net Premium	5,846.591	5,570.211
Profit Before Tax	(359.763)	801.443
Profit After Tax	(413.321)	732.299
Total Assets	24,541.669	21,938.950
Claim Expense	8,176.868	5,267.381

HABIB INSURANCE CO. LTD.

REGISTERED IN 1942

(Rs. In Million)	2010	(Restated) 2009
Paid up Capital	400.403	400.403
Gross Premium	777.531	702.869
Net Premium	394.643	359.040
Profit Before Tax	192.188	211.296
Profit After Tax	168.482	204.743
Total Assets	1,666.985	1,625.471
Claim Expense	317.065	285.639

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

IGI INSURANCE CO. LTD.

REGISTERED IN 1953

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	718.427	598.689
Gross Premium	1,296.765	1,151.797
Net Premium	720.733	614.586
Profit Before Tax	920.771	364.766
Profit After Tax	836.556	263.966
Total Assets	12,960.451	12,366.066
Claim Expense	473.625	437.930

NEW HAMPSHIRE INSURANCE CO. LTD.
(PAKISTAN BRANCH)

REGISTERED IN 1953

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	-	-
Gross Premium	1,100.283	849.949
Net Premium	405.937	382.172
Profit Before Tax	92.783	32.203
Profit After Tax	56.577	17.142
Total Assets	2,524.252	2,197.984
Claim Expense	413.470	406.573

NEW JUBILEE INSURANCE CO. LTD.

REGISTERED IN 1953

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	790.977	659.148
Gross Premium	4,285.248	4,030.643
Net Premium	2,451.227	2,297.720
Profit Before Tax	546.682	771.898
Profit After Tax	450.151	656.464
Total Assets	7,671.596	6,432.554
Claim Expense	2,297.773	1,951.318

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

THE PAKISTAN GENERAL INSURANCE CO. LTD.
REGISTERED IN 1948

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	250.000	200.000
Gross Premium	312.207	205.678
Net Premium	110.546	109.891
Profit Before Tax	(1.658)	104.459
Profit After Tax	4.826	83.670
Total Assets	594.186	543.777
Claim Expense	181.579	122.925

PICIC INSURANCE CO. LTD.
REGISTERED IN 2004

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	350.000	350.000
Gross Premium	549.629	493.968
Net Premium	166.770	199.656
Profit Before Tax	5.090	16.854
Profit After Tax	5.027	16.854
Total Assets	919.922	731.089
Claim Expense	195.243	196.405

PREMIER INSURANCE CO. LTD.
REGISTERED IN 1952

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	302.821	263.323
Gross Premium	800.555	670.430
Net Premium	376.719	335.456
Profit Before Tax	141.746	79.653
Profit After Tax	120.983	53.343
Total Assets	3,101.280	2,788.719
Claim Expense	411.069	367.395

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

RELIANCE INSURANCE CO. LTD.

REGISTERED IN 1982

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	252.002	252.002
Gross Premium	529.544	506.336
Net Premium	267.920	326.555
Profit Before Tax	56.684	(30.994)
Profit After Tax	51.934	(32.644)
Total Assets	903.459	904.348
Claim Expense	233.442	260.579

SAUDI PAK INSURANCE CO. LTD.

REGISTERED IN 2005

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	325.000	325.000
Gross Premium	193.597	230.459
Net Premium	82.071	124.851
Profit Before Tax	(41.543)	1.472
Profit After Tax	(42.728)	0.848
Total Assets	401.967	522.699
Claim Expense	120.340	144.837

SHAHEEN INSURANCE CO. LTD.

REGISTERED IN 1996

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	200.000	200.000
Gross Premium	553.084	596.327
Net Premium	417.389	481.636
Profit Before Tax	(23.476)	21.002
Profit After Tax	(29.033)	17.466
Total Assets	717.706	729.670
Claim Expense	343.555	391.264

IMPORTANT STATISTICS OF
INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

SILVER STAR INSURANCE CO. LTD.

REGISTERED IN 1984

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	253.125	210.938
Gross Premium	249.604	219.808
Net Premium	154.114	147.869
Profit Before Tax	38.733	38.698
Profit After Tax	37.291	34.073
Total Assets	746.429	584.051
Claim Expense	119.445	72.053

UNITED INSURANCE CO. LTD.

REGISTERED IN 1959

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	400.200	345.000
Gross Premium	845.547	715.031
Net Premium	550.559	423.731
Profit Before Tax	133.537	72.792
Profit After Tax	118.387	64.421
Total Assets	1,238.126	1,018.322
Claim Expense	349.167	239.503

UNIVERSAL INSURANCE CO. LTD.

REGISTERED IN 1958

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	262.500	210.000
Gross Premium	503.185	538.704
Net Premium	328.663	360.799
Profit Before Tax	(103.433)	10.903
Profit After Tax	(86.485)	7.820
Total Assets	1,163.973	1,065.528
Claim Expense	355.874	293.790

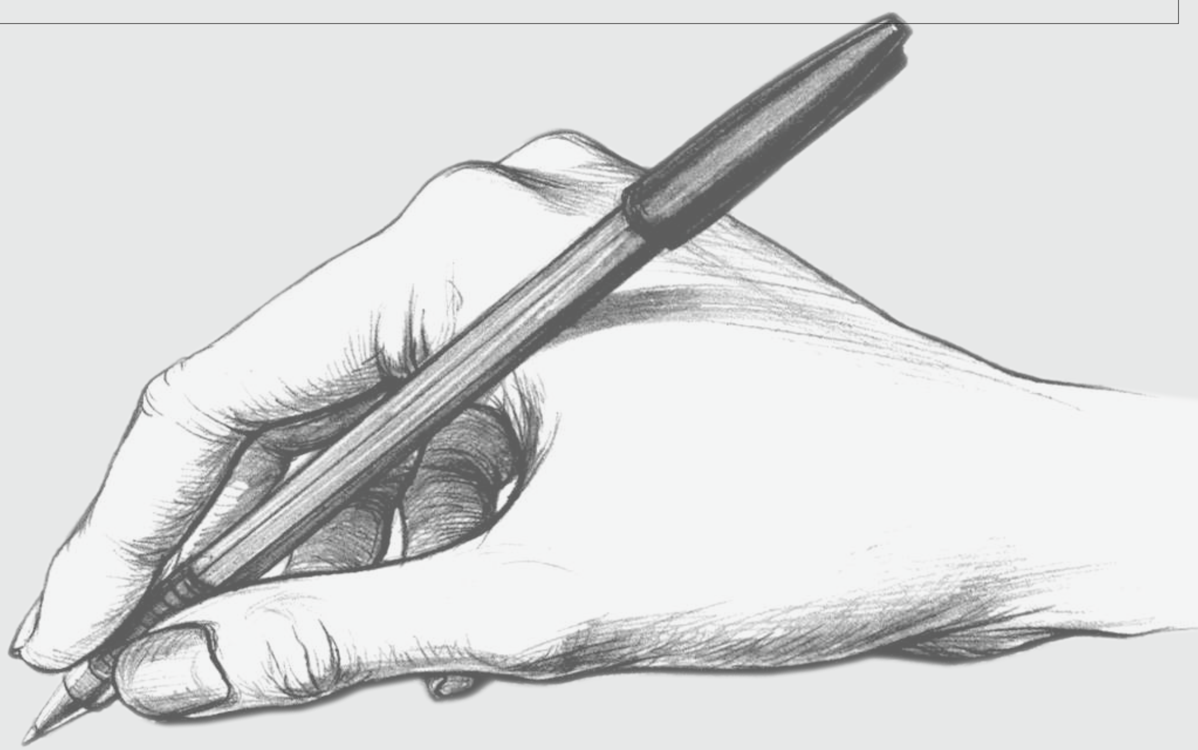
IMPORTANT STATISTICS OF

INSURANCE COMPANIES OF PAKISTAN THE YEAR - 2010

TOTAL

(Rs. In Million)

	2010	(Restated) 2009
Paid up Capital	9,227.792	8,341.832
Gross Premium	37,588.387	34,387.862
Net Premium	21,267.195	20,668.854
Profit Before Tax	3,317.136	3,870.047
Profit After Tax	2,813.333	3,232.640
Total Assets	98,032.656	84,917.642
Claim Expense	26,132.642	17,642.152



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TERRORISM & INSURANCE

WHAT IS TERRORISM?

The term "terrorism" is used for the strictly reprehensible use of violence to achieve certain goals. Perpetrators of such acts/attacks would not call themselves terrorists: they see themselves as soldiers or fighters for a just cause for which they occasionally even gain support. Attackers and victims will thus never reach consensus on whether a given attack is an act of terrorism or another form of violence, since they invariably view individual events from opposing angles.

From the victim's point of view, terrorism is understood to consist of carefully and covertly planned illegal acts of violence against the existing political and societal order that shock the public at large. This definition is geared to the democratic principle whereby the state holds the exclusive right to the use of force, which binds citizens to resolving any type of conflict in a non-violent and rational manner. Within its own territory, only the state, by means of executive bodies such as the police or military, is entitled to exercise force against individuals in order to maintain public order and safety as laid out in laws. Therefore, any act of violence not sanctioned by the state is clearly illegal.

Terrorism differs from common violent crime by its explicit intention to impact the public. Terrorist violence is never spontaneous and eruptive, it is the result of careful and targeted planning. The structure of terrorist organizations sets terrorism apart from open warfare. Terrorist cells or groups are too small to enter into open combat. As a result, their operations are invariably undercover. However, there is always a danger that such underground organizations may be used as a means of warfare by one state against another.

HOW CAN TERRORISM RISKS BE IDENTIFIED?

Terrorist movements are often rooted in injustice and criticism of the existing balance of power. In any these scenarios, opposition forms and, if it fails to achieve the desired effect, fragment extremist groups may materialize and develop into terrorist cells. These terrorist cells start out by making threats of violence before projecting themselves into the public eye with an initial series of attacks that are often limited to causing property damage.

Although any terrorism act is indeed very ruthless and usually people believe that such brutal direct attacks on the general public simply would not be happened. This trust is the cornerstone of social interaction, whether among nations or individuals. Without this basic mutual trust, any stranger is a possible enemy and therefore a potential threat.

Terrorist attacks are a targeted assault on public safety, while creating and upholding public safety is one of the key functions of a (state) community. Terrorism can only fulfill its aims in places where people feel safe – by shattering people's faith in others, in the community and, especially, in the protection and benefits provided by the state. Free societies are particularly at risk from terrorist attacks, as their solidarity is driven not by coercion, but by basic values and rules affording security.

HOW CAN TERRORISM RISKS BE EVALUATED?

Terrorism differs from "normal" risks as its claims experience cannot be inferred along a linear path. The frequency and severity of future attacks may change abruptly. Nevertheless, terrorism is by no means random. Terrorists plan and act in line with their own logic, according to which their attacks and the human loss and damage they cause are a means to an end. Their aim is to send shock waves throughout society as a whole, weakening its foundations and creating insecurity. In doing so, the attackers hope to bring about a change in society.

By following this cruel logic, it is at least possible to evaluate the relative probability of different scenarios occurring, for example, to identify which persons, groups or institutions are most at risk. Evaluation are facilitated using a risk factor model which groups together many different effects into three main factors:

- The terrorists' intentions
- The terrorists' potential
- The vulnerability of the society under attack

The terrorists' intentions can be derived from their motives. While their motives may be "good" even from the victims' point of view, their intentions are invariably "bad", since they use violence to draw attention to their cause, spread insecurity among the public, destabilize the political situation and intend to weaken and in extreme cases even destroy a given society.

The terrorists' potential depends on such factors as their technical, organizational and financial resources, and in particular on their mental structure and resolve.

The vulnerability of the society under attack is determined by its technical, economic, social and political stability, in other words, by the damage an attack of a given magnitude is likely to trigger by certain consequences and by the way in which the affected society deals with the situation.

The terrorists' potential and the vulnerability of the affected society together reveal the maximum possible dimension of human loss and property damage that terrorists could cause in the worst conceivable case.

By combining the terrorists' intentions and the vulnerability of the affected society, we obtain an indication of the intended loss dimensions, i.e. the damage terrorists consider necessary to achieve the targeted political effect. In the logic of terrorists, the more stable the society under attack is, the more painful the harm that must be done.

Terrorists' intentions and their potential determine the possible frequency of the attacks. Terrorists will attack as often as it takes to achieve their intentions, but obviously not more frequently than they are able to.

The first practical conclusion on the basis of this model is that in order to assess terrorism risks, it is not sufficient to merely analyze the terrorists' potential, e.g. whether a specific terrorist group is capable of deploying weapons of mass destruction. The terrorists' intentions are the key issue. Therefore, in assessing such risks, the background of the terrorist group concerned must be examined thoroughly to obtain an understanding of their logic – however abstruse it may seem.

WHO CAN BE AFFECTED BY TERRORISM RISKS?

Anybody and anything, regardless of where they are, can be the victims of a terrorist attack, simply because they happen to be either in the "line of fire" or affected by the indirect consequences. In addition, the element of surprise is an essential part of the terrorism concept, which is why no individuals or objects are safe from attacks and their effects.

The targets that terrorists explicitly select for their attacks are essentially determined by three factors: the attractiveness of the target, the required effort and their typical method. These three elements are, in turn, influenced by the three main factors.

From a terrorist's point of view, a target is attractive if its destruction shocks and harms society to the "desired" extent. To achieve this, the target must have a strong symbolic significance for the targeted social system and it must be known among the supporters of the terrorist movement concerned to ensure that they understand the message behind the attack.

In this age of mass communication, the target and type of attack are often selected to ensure that their consequences and effects will be broadcast live on television which broadens its range of destruction.
Of the targets which would be suitable according to this logic, terrorists will be likely to select those which are easiest to hit with the technical and organizational resources they have available, i.e. public facilities that are difficult to monitor and control.

HOW CAN TERRORISM RISKS BE HANDLED?

Terrorists are driven by motives and claims which politicians must influence and deal with. Meanwhile, it is the responsibility of state communities to weaken terrorist potential, and all the general public can do is protect itself against attacks as far as realistically possible and bearable, and at the same time attempt to curb its own loss sensitivity. In this respect, the same principles apply to the direct and indirect consequences of terrorist attacks as to any other loss event: the aim must be to contain the damage sustained by separating technical and economic dependencies and by establishing effective emergency and crisis management systems. Finally, the last line of defence is public spirit, i.e. the human ability to pull together in times of need.

TERRORISM & PAKISTAN

Pakistan has suffered the massive financial losses of more than $68 billion or Rs. 5036.8 billion in the war on terror since 2001 while human loss is around 40,000, reveals the Economic Survey report issued by the Government of Pakistan.

After 9/11 Pakistan assumed the role of a front line state in the War against terror. The onset of the war disrupted Pakistan's normal trading activities, as the cost of trading increased substantially because of higher insurance cover. The war spread like a contagion into rural and urban areas of Pakistan that has so far, cost the country more than 35,000 citizens, 3,500 security personnel, destruction of infrastructure, internal migration of millions of people from parts of northwestern Pakistan, erosions of investment climate, nose diving of production and growing unemployment and above all brought economic activity to a virtual standstill in many part of the country, says Economic Survey 2010-11.

UNDERSTANDING TERRORISM RISK IN INSURANCE PROSPECTUS

The phenomenon of terrorism is difficult to define in unambiguous terms. It cannot be readily distinguished from other forms of violence, such as vandalism, rebellion, civil war or war, since its manifestation is highly diverse in terms of its instigators, motives, dimensions, targets and outcome. Various renowned reinsurers and insurers of the world use a definition of terrorism that focuses more on the effects than on the motives of this phenomenon:

Terrorism means an act or threat of violence or an act harmful to human life, tangible or intangible property or infrastructure with the intention or effect to influence any government or to put the public or any segment of the public in fear.

International terrorism, in which perpetrators act across borders and beyond national jurisdictions, is not a new threat either. However, 11 September has brought to light a new dimension of terrorism insurance and reinsurance, previously inconceivable scale of threat scenarios and loss potentials.

Insurers look at terrorism risk in many ways closely parallels natural catastrophe risks such as earthquakes, storms and floods. In both cases, enormous inherent loss potentials make diversification difficult to achieve. Moreover, individual events can affect entire economies, and the incurred damage may be spread across many different insurance lines of business. And yet, there are also very significant differences: unlike terrorist attacks, natural hazards occur randomly and without intent, and their probabilities and consequences can be modeled and quantified with scientific data and methods.

TERRORISM RISK INSURANCE BEFORE 11 SEPTEMBER 2001

The spreading of fear and terror by underprivileged groups is almost as old as human history itself. Likewise, conspiratorial organizations with no official backing are known to have pursued their objectives by violent means throughout ancient history.

Historically, fire insurance covered fire and explosion damage regardless of its cause, with the exception of damage caused by war, civil war or civil commotion. Since terrorism in most countries was not part of the war exclusion clause, fire or explosion damage resulting from a terrorist attack was covered.

However, discussions prior to 11 September tended to concentrate less on whether terrorism risks should be insured at all and more on technical coverage issues.

TERRORISM RISK INSURANCE AFTER 11 SEPTEMBER 2001

Statements such as “terrorism is the new war” made by politicians and journalists in the days and weeks immediately following the attack on the WTC may be entirely understandable, but they also obscured the insurance-related facts somewhat. The international insurance community's initial reactions to the event were therefore not always properly thought out. Some spoke of immediately excluding all political risks, others of private insurers withdrawing from property insurance business altogether. However, an examination of the terrorism risk since 11 September from an insurance theory point of view reveals that there is no fundamental incompatibility with the principles of insurability.

As defined, “Insurance is the mutual cover of a fortuitous, assessable need of a large number of similarly exposed businesses.”

Severe doubts were voiced regarding the criteria “fortuitous”, “assessable” and “mutual” after 11 September 2001. However, at least “fortuitous” and “assessable” can be used safely in the context of social and socio-political risks. The new magnitude of terrorism alone is not enough to change this fact. War and civil war however stay uninsurable.

RANDOMNESS OF TERRORISM RISK

An event is considered fortuitous or random if at least the time and magnitude of the damage are unpredictable, or even the occurrence of this event itself, as is the case with terrorism risk. Of course, in the case of man-made risks, the randomness is of a different nature to that of natural catastrophes. For example, following the occurrence of a small or medium-sized terrorist attack, the probability of a second attack in the same geographical area increases rather than decreases as we have experienced various such incidents in Pakistan. In contrast, it can be assumed that major international terrorist attacks are many years in the planning, which means that an immediate, unprepared follow-up attack, at least by the same terrorist group – becomes unlikely.

At the end of the day, we must also take into account the fact that technological prevention measures can be rapidly mobilized to defend against man-made catastrophes, in contrast to earthquake and flooding. Despite the “non-fortuitousness” described above, the terrorism risk fulfills the fortuity criterion, as it goes without saying that with all socio-political risks – from arson, riots and strikes to terrorism – randomness must not refer to the perpetrators and their malicious intentions but to the policyholders' ability to influence events, i.e. to the so-called moral hazard.

IDENTIFICATION OF TERRORISM RISKS

Understanding scenarios are a proven tool for identifying and addressing different kinds of exposure, they have not yet been thoroughly tested regarding the effects of including terrorism cover in property insurance and related business interruption insurance. Nevertheless, they are able to furnish key findings on the suitability or necessity of special market solutions. The individual components with regards to identify terrorism risk are:

- scenario identification in terms of the assumed probability of occurrence and the assumed loss dimensions,
- identification of exposed risks and areas;
- the damage radiuses and degrees of destruction;
- quantification of loss potential (total loss, insured losses and shares underwritten);
- implementation of underwriting policy and underwriting.

The most difficult step in this process is quantifying the loss potential, since key information may not be available on account of data protection and because tactics of co-ordinated wide-spread attack now also need to be factored in. As a result, the risk landscape is often modeled using assumptions and averages. Accumulation across the various lines of business also hampers the situation. Including business interruption insurance may create additional difficulties, such as contingent business interruption and denial of access coverages.

MAIN FACTORS IN ASSESSING TERRORISM INSURANCE RISK

In the standalone terrorism market, capacity is relatively stable, but the appetite and pricing for particular risks can vary considerably, the primary factors being:

Who is the insured?

Ownership is crucial as is the sophistication of the insured and the specific steps it takes to mitigate a terrorism loss.

Threat

In some territories, there is an inherently higher threat either on a national level or in specific locations. Identifying and understanding the objectives of local threat groups is a key criterion in assessing risk.

Criticality

How important is the insured asset to the economy, the government and the society at large? Occupancy is a vital component of determining price and capacity. Underwriters will be much more prudent in underwriting a large hotel or a building of religious significance as opposed to a conventional office building occupied by politically-unaffiliated local interests, for example.

Vulnerability

What the security is like at the insured premises is another very important factor. Information relating to security guards, vehicle entrance, perimeter fencing, CCTV, local military presence all play a part here.

Location

Exactly where the insured assets are is a key determinant. Aside from the general local threat level aspects covered in point two, the proximity of insured assets to other assets is of potentially greater significance: a textile factory next to a critical government office is more exposed than one in the middle of an industrial estate.

Aggregation

The demand for coverage in major metropolitan areas has a substantial effect on the available capacity. Terrorists attack targets of opportunity. Although it is certainly possible that an attack could occur anywhere, demand for coverage will likely be higher in metropolitan areas simply because there is a greater concentration of exposures, and underwriters are obviously concerned to limit their financial exposure to any one event to manageable proportions.

RISK COMMUNITY AND SOLIDARITY AGAINST TERRORISM

In the most parts of the world, the risk community – based on the principle of solidarity – is limited to grouping together individuals exposed to one and the same peril. Such risk communities are normally organized by commercial insurers who promise policyholders payment of future insured losses in return for a premium payable in advance. These insurers, in turn, are backed by reinsurers and retrocessionaires.

However, if a given risk community is too small, due to the fact that there is an insufficient number of insured objects actually threatened by the same catastrophic risk, the state is able to build an extended risk community based on the principle of solidarity. It can do this by setting up a monopoly or making a certain type of insurance mandatory. Another way in which the state can intervene, and the one generally preferred by the private insurance industry, is by providing "back-up capacity of last resort", to which many or even all inhabitants of a country make indirect contributions.

The insurance industry is certainly willing and able to bear its share of the responsibility. Clearly, however, it can only provide insurance protection for limited risks.

THE ROLE OF THE STATE

There are at least three reasons why any government has an interest in maintaining the insurability of international terrorist attacks in the future:

1. If political risks, in particular terrorist attacks, cause huge amounts of damage and claim large numbers of victims, there would be talk of a crumbling political order and the breakdown of authority. After all, any democratic state has the self-imposed constitutional responsibility of ensuring public safety and order. If it is unable to fulfill this duty in its entirety, it must at least contribute to the ensuing costs.

2. Coverage limitations can be eased by the state as a member of the risk community. This increases overall capacity available, which in turn facilitates key economic activities, such as granting mortgages.

3. Estimates of the anticipated future mega-losses from man-made catastrophes must, realistically, be higher than any previous losses. Terrorist attacks escalate in magnitude, i.e. they must be intensified continuously to increase the targeted impact of spreading fear and terror among the public. The bigger the newly defined risk community, the more effectively the economic consequences of the next mega attack will be cushioned.

Consequently, the state should be more than merely a supervisor and regulator. It should also take on the role of an insurer or reinsurer by assuming certain functions, for example by…

- assigning the task of granting insurance or reinsurance protection to a state body;
- setting up a public institution with an independent legal status;
- acquiring a majority holding or a controlling minority holding in a private company, or by setting up a co-operative;
- entering into joint ventures or other types of agreement with private insurers.

CONSEQUENCES FOR INSURERS AND REINSURERS

Regardless of the degree of state involvement, the challenge of terrorism calls for an appropriate response by the private insurance sector, especially from reinsurers with their global scope of business. Terrorism risk must be treated on the basis of established principles of risk assessment and management i.e. identify threats, define perils and covers properly, limit exposures, quantify risks, price risks adequately, grant cover separately or exclude terrorism risk altogether if these criteria cannot be fulfilled.

Terrorism cover can be offered only on a limited, selective basis against payment of an additional premium which reflects the individual risk. Unless solidarity is imposed through some form of state involvement, landmark risks will inevitably be subject to high premium rates. Cover conditions i.e. deductibles and cover limits on the direct insurance and reinsurance level - must ensure that risk sharing among the insured, direct insurers and reinsurers is well-balanced, and that overall exposures are kept within predefined limits.

Insurers and reinsurers who are willing to assume terrorism risk must re-implement or revise some established insurance principles and tackle a new set of topical issues in the following areas:

1. Coverage conditions, wordings, and clauses: update the definition of risk, covered perils, excluded perils. Apply sublimits and named perils to restrict the scope of cover.

2. Pricing and underwriting: develop more refined pricing methods and procedures, adjusted to risk type, country, region, loss experience and expectancy.

3. Risk and capital management:

- review and update scenario estimates i.e. EML, PML or MPL methods for single risks
- expand accumulation control methods and procedures to include possible terrorist attacks
- establish exposure tracking and capacity management methods and procedures similar to the ones for catastrophe risks
- check and refine the balance between risk prevention, protection, reduction and transfer
- improve correlation analysis among lines of business
- improve correlation analysis among underwriting, investment, credit and operational risks
- consider new insurance and economic threat scenarios
- check, adapt and develop alternative risk transfer products and systems in view of terrorism risk.

CONCLUSION & OUTLOOK

Terrorism is today's biggest threat not only to the societies but also to the insurance and reinsurance markets of the world. To predict, assess and quantify losses rise from the terrorism acts and their consequences are one of the most difficult tasks for insurers and reinsurers. However, to meet any huge potential loss, reserves are built as a common pool on the basis of catastrophic loss reserve principles.

Insurers and reinsurers are already willing and able to provide limited cover for the terrorism risk, while insurance capacities will increase and ways to handle terrorism risk will improve over time. Currently, the most promising approach in terrorism insurance is to establish a public/private partnership. With this arrangement, all stakeholders bear a portion of the risk depending on their financial capacity. Large portions of the terrorism risk are insured through specific pools, and governments assume a role as insurers of the last resort.

According to some reports, Pakistan has the lowest level of human life safety in the world particularly in respect of the terrorism risk. The insurance industry of Pakistan has not only suffered huge direct insured losses but also failed to obtain sufficient reinsurance protection. It is also evident, especially in life insurance sector that there is a vibrant increase observed in insurance premiums but at the same time, a huge potential both in life and general insurance sectors of Pakistan still exists.

But above all, the most important aspect is to address root causes of terrorism for its elimination as it does damage the heart of societies and economies. We need to voice against injustice and violence to throw them out for bringing peace and prosperity in the World.

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Takaful

(The Islamic Insurance System)

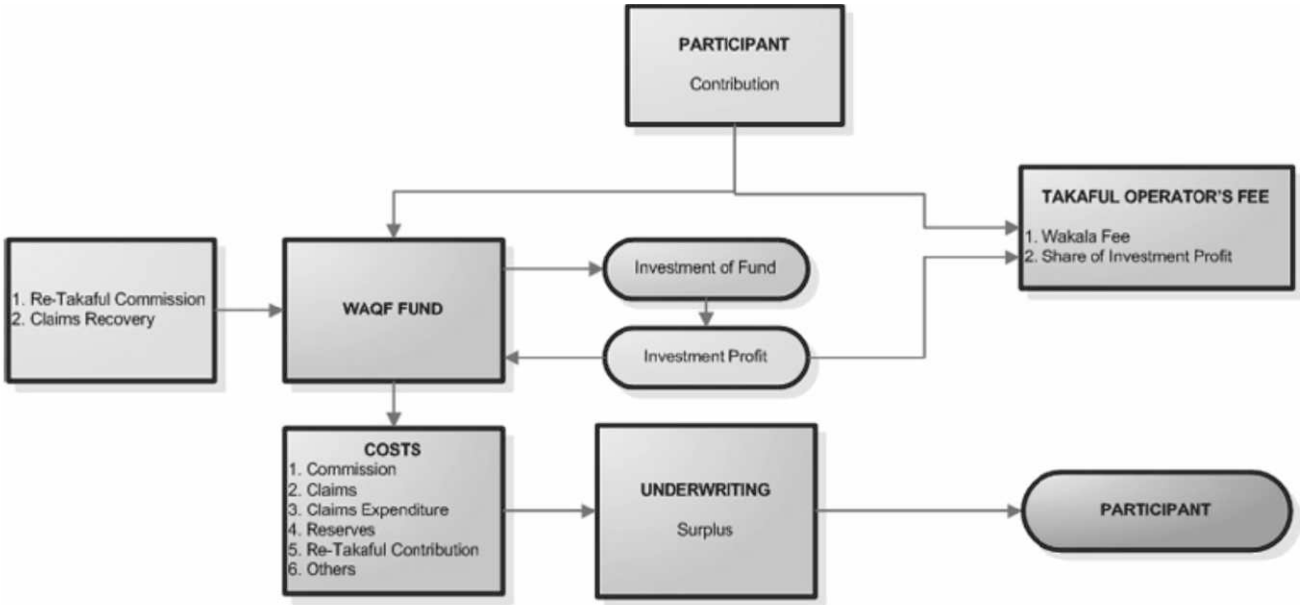
Insurance has its involvement in almost every type of Individual and corporate businesses for many centuries. The origin of insurance was traced to 215 CE (Common Era) by historians, when the Roman Government was required by military suppliers to accept all risks arising from enemy attacks, storms, and other natural disaster for supplies carried on their ships. (Omar Fisher, 2009). In other words, there is a need for human to prepare for the loss and modern insurance can be traced its beginning to the 16th century, when British merchants and ship owners began to meet at coffeehouse near Lombard Street in London. The coffeehouse was called Lloyd's; there they made an agreement to mutually share in the profits and losses of sea voyages (Omar Fisher, 2009). However, there is a need for the Muslims to join to insure themselves in an Islamic way. As a result, the first Islamic Insurance / Takaful Company was formed.

Takaful or Islamic insurance is a comparatively new industry in the world. Although, the concept of Takaful originates from Islamic practices 14 centuries ago. Takaful System was primarily started in Sudan in 1979. After successful promotion of Takaful system, Malaysia adopted this system in 1984. In 1985 Fiqh Academy declared that Takaful system is more acceptable than conventional insurance system because insurance should be based on the application of Shariah compliance, cooperative principles and charitable donations.

The word "Takaful" originates from the Arabic root word "Kafala", which means "guaranteeing each other" or "taking care of one's needs". Takaful is a system whereby individuals and entrepreneurs in the community jointly guarantee themselves against future loses and damages. This method of Risk Mitigation has been used for centuries under different names. Prior to the beginning of Takaful system, as we know it today, the most common has been 'Mutual Insurance' which, although similar, but not identical. Takaful is based on the principle of solidarity, mutual help, brotherhood and cooperation among members of the community. The Tabarru' is the main core of the Takaful system making it free from uncertainty and gambling. Tabarru' means "donation, gift, contribution." Each individual that needs protection must be present with the sincere intention to donate to other individuals faced with difficulties. Therefore, Islamic insurance exists where each individual contributes into a fund that is used to support one another with each individual contributing sufficient amounts to cover expected claims. The objective of Takaful is to pay a defined loss from a defined fund.

The Shariah Supervisory Board (SSB) is a pre-requisite for any Takaful Operator. Its main role is to ensure that all dealings are strictly complaint with Shariah and to protect Takaful Operator from any prohibited transaction. The number of the SSB must be odd, usually three to five members. All members of the SSB must be qualified in Fiqh Almua'malat (Islamic transactions jurisprudence) besides having a suitable background and experience in insurance operations and concepts. Yet, at least one of the SSB members should preferably be an insurance expert.

Takaful system consists three parties namely the Participants, the Takaful Pool, and the Takaful Operator (Company). The Takaful Pool is managed in the form of a Waqf Fund by the Takaful Operator, which acts like an administrator and carries out its role in the form of a Wakeel (Manager). The Takaful Operator receives Wakala Fee from the Participants' Contributions that are contributed into the Waqf Fund. A major portion of Waqf Fund is invested according to the Shariah rules. The profit from the investment is divided into two parts as per agreed ratio. One part is added to the Waqf Fund and the other is taken by the Takaful Operator for managing investment as share of investment profit. Re-Takaful commission and claim recoveries are also added to the Waqf Fund. All costs like claims, claims expenditure, commission, reserves and Re-Takaful contributions etc. are paid out by the Waqf Fund. After meeting all the costs, if there is any surplus amount from underwriting, it is distributed amongst the Participants. Below model shows how the Takaful system works.



There are also some more models like, Modaraba, Wakala and Mixed models, which are exercised by Takaful Operators in the world. Takaful is a global phenomenon, which is growing very rapidly among Muslim countries as well as non-Muslim countries. There are two main factors, which make it a good concept and the financial industry is keeping its eyes on. First is its acceptance by non-Muslims shows that its appeal has less to do with religion and more with the fact that it is an ethical, transparent and customer friendly system. Secondly, global Takaful contributions are growing at a very healthy rate and reached to US$ 5.3 billion in 2008 and also they are expected to cross US$ 11 billion by 2015. Following are the major Takaful Operators in the world:

Name of Takaful Operator	Country
Takaful International Company	Bahrain
Allied Cooperative Insurance Group	Saudi Arabia
Al Ahlia Cooperative Insurance Company	Saudi Arabia
Alahli Takaful Company	Saudi Arabia
Abu Dhabi National Takaful Company	UAE
Dubai Islamic Insurance and Reinsurance Company	UAE
Islamic Arab Insurance Company (Salama)	UAE
Qatar Islamic Insurance Company	Qatar
First Takaful Insurance Company	Kuwait
Gulf Company for Takaful Insurance	Kuwait
CIMB Aviva Takaful Berhad	Malaysia
Hong Leong Tokio Marine Takaful Berhad	Malaysia
Takaful Ikhlas Sdn. Berhad	Malaysia
Takaful Pakistan Limited	Pakistan
Pak-Qatar Family & General Takaful Limited	Pakistan
Pak-Kuwait General Takaful Limited	Pakistan

Conventional insurance contains three elements that contradict the Shariah (Islamic law).

Uncertainty (Gharar):

Any transaction should be free from excessive uncertainty. The purpose of this prohibition is to avoid fraud, injustice and exploitation. In a conventional insurance, uncertainty arises when insured pays a premium but does not know whether he is going to make a claim in the future and the amount of financial benefit to be received is not known as well. Similarly, the insurer does not know whether he is going to be called upon to pay claims under the policy, nor the amount to be paid to the insured.

Gambling (Maisir):

Gambling is clearly unacceptable under Islamic law. In a game of gambling, one party is always hoping for a gain as a cost of loosing for another party. In the context of insurance, the policyholder hopes (bet) to gain a large sum from his small amount of contribution. What the policyholder actually hopes is that the claim will exceed his contribution. In this case, the company would probably be in deficit. However, the policyholder would loose the money paid for premium if the insured event does not occur. Here, the gambling is playing its role. When the policyholder does not make any claim during the period, the insurance operator may obtain all the profit while the policyholder may not obtain any profit at all. The loss of premiums on ending of contract by the policyholder will only be burden to the policyholder. Furthermore, only a proportional refund would be made if any termination of contract done by the insurance company.

Interest (Riba):

An insurance contract in which the policyholder expects to obtain a fix amount of profit that is greater than what he has contributed is considered as riba, which is not acceptable under Islamic law. Furthermore, the investment of premiums usually involves prohibited elements such as riba and maisir.

Below table shows the comparison between Takaful and Conventional Insurance:

Issues	Takaful	Conventional Insurance
Contracts Utilized	Donation and Mutual Contract	Exchange Contract
Economic Objectives	Mutual Interest or Joint Guarantee	Profit Maximization for the benefit of Shareholders
Company Role and Responsibility	As Operator (Portfolio Manager) to Pay Claims with Underwriting Fund and an Interest Free Loans in case of shortfall (Qard Al-Hassan)	As Insurer to Pay Claims from Underwriting Fund and Shareholder's Equity
Participant's Responsibility	Pay Contributions	Pay Premiums
Laws	Shariah Regulations	Secular Regulations
Capital Utilized	Participant's Fund	Share Capital
Ethical Framework	Islamic Business Ethics and Social Responsibility	Codes of Conducts for Business benefits
Investment Considerations	Shariah Complaince	No Restrictions except Prudential
Surplus	Distributed among Participants	Distributed among Shareholders

Despite the significant growth in the Takaful industry, still there have been many challenges faced by Takaful companies in the world. Following are some major challenges faced by Takaful Industry:

- It is required from All Takaful Operators to establish Islamic Insurance awareness as a "Cause" with dedication and commitment.

- Takaful Operators' entry to bigger & complex risk is highly dependant on Re-Takaful Operators' capacity, which is very limited compared to Conventional Re-insurers.

- The rapid growth of Takaful Industry is not backed by required technically skilled Human Resource.

- Takaful Operators have limited investment options that are according to Shariah principles.
- New and Innovative products meeting participant's requirement need to be developed by Takaful Operators.

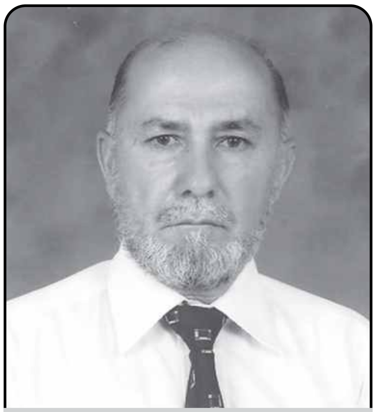
- The establishment of International standards for Takaful would allow consistency in regulation across jurisdictions.

- The target market for takaful is the low-income population especially in rural areas, the middle class and the small and medium-sized businesses. Takaful companies should activate their distribution channels by developing the strategies for Family Takaful (Life), Micro-insurance and Bancassurance etc.

In the end, the above challenges should be resolved so that Takaful system would become the best alternative to the conventional insurance. As conventional insurance contradict the Shariah due to elements of Gharar (excessive uncertainty), Riba (interest), and Maisir (gambling). Clearly, the application of the Takaful system has avoided those elements and provides a transparency as well as fair contract. Also, Special effort needs to be undertaken by existing Re-takaful companies to be able to quote, lead treaty programs and risks by increasing their capacities, improving their expertise and rating. Without assistance and good quality service to the direct Takaful companies, there is no chance for Takaful companies to convert from conventional Re-insurance to Re-takaful. However, there are still many challenges in the future for the Takaful industry to grow nationally and internationally and future research focused on those challenges would help for the best performance of Islamic insurance in the world.

Reference: The World Takaful Report 2010

COMMERCIAL INTEGRITY



Majid Khan Jadoon
A.C.I.I.(U.K) MD/CEO
M/S.PAKISTAN INSPECTION CO. (PVT.) LTD.

When in School, in the Morning Assembly, our Principal would usually quote:-

" WEALTH IS LOST, NOTHING IS LOST"

" HEALTH IS LOST, SOMETHING IS LOST"

" CHARACTER IS LOST, EVERYTHING LOST"

The last-mentioned Quote is of Utmost Importance in every walk of the entire perspective of Human-life and, in my opinion, it works wonders in the parlance of Commercial Activities.

Commercial Activities consist of Two Main Branches i.e. Material Products & Services Material Products would include, e.g. Automobiles, Food-stuffs, Cloths, and alike assorted Products.

Services would consist of Insurance Surveyors' Services, Insurance Brokers/ Agents Services and alike other numerous Services in assorted Fields of Man's Commercial Activities.

It is commonly said that a product would sell itself, but let me add that, in my opinion, a Product would not always sell itself as well. It is because a Product, whether Material or Service, may be Commercially acquired once or twice but when the utility of the same would prove un-worthy of the price paid, the same would ultimately cease to sell itself.

Although, it can be said that Products or Services would cease selling otherwise as well, e.g. replaced by much improved versions, change of fashion and human-habits, but I am of the opinion that the phenomenon of its utilizational integrity never affects its Marketability .

As elaborated afore, Integrity, especially Commercial Integrity, is the harbinger of ever-improving Image and Commercial Status of an individual, as well as of the Commercial Entity which is represented by that person.

Being in the Insurance Profession and an Insurance Surveyor, it is my considered opinion that a Surveyors' duty is of utmost importance in the ethical pursuance of the Profession because Underwriters would receive the Claim Intimation either over telephone or by a letter from the Insureds.

It is the Surveyor who has to promptly attend to the Claim on the spot, wherefor he has to immediately reach the Location of the Loss and, first of all, take Loss minimization Steps or advise the Insureds to do so.

After physically conducting the Survey, the Surveyor has to minutely scrutinize the Insureds' pertinent records, as well as other relative Documents and to establish the authenticity of the Insureds' Claim, duly supported by Documentary-evidences of the Occurrence, vis-a-vis the Terms and Conditions of the Contract of Insurance and to opine the admissibility or otherwise of the Insureds' within purview of the same.

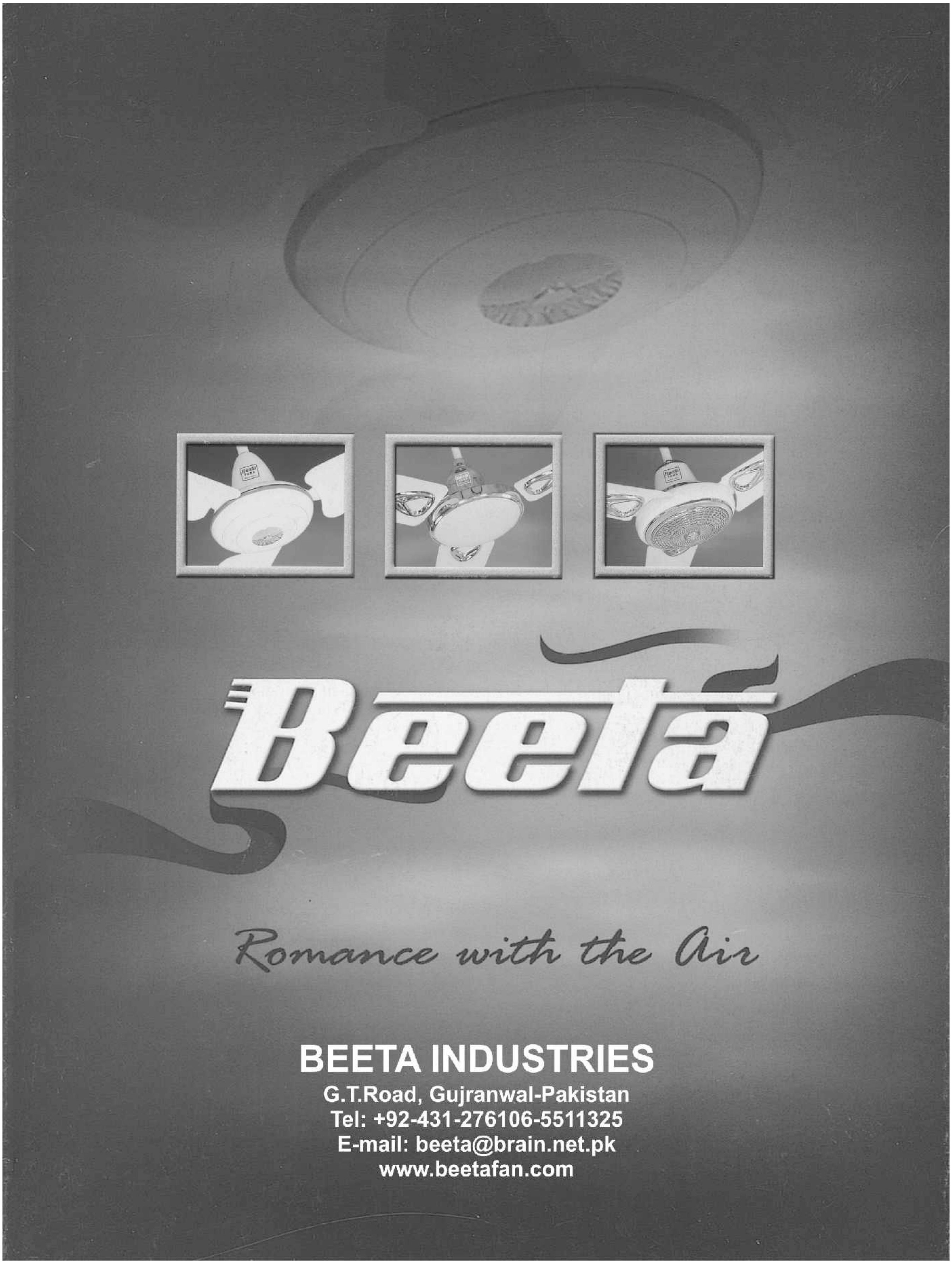
At times, the Surveyor would have to make extensive independent Inquiries as well, so as to be able to support his opinion, regarding the admissibility or otherwise of the Insureds' Claim, vis-à-vis the Scope of the Underwriters' relevant Policy of Insurance.

In the process, the Surveyor may come across assorted Pressures/Influences which may be maturely dealt with Professional-integrity.

It is my considered-belief that a professionally and morally Sound Surveyor can be a previous asset to the Insurance Profession and, in my opinion, there is no dearth of Surveyors of integrity and professional maturity in our country.

They are the back-bone of not only the Insurance Industry but, in fact, of the entire spectrum of the Commercial Activities, the World-over, whom's integrity and professionalism is the deciding element in the promotion of Commerce and Industry.

In the process, the Surveyor may come across assorted Pressures/Influences which may be maturely dealt with Professional-integrity.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Naveen Felix
Chief Manager
(East West Insurance)

TRAVEL INSURANCE

You're all ready with your bags packed up, tickets bought and accommodation reserved only **Travel Insurance** ignored… what happens if anything goes wrong? If you didn't take the time to buy yourself a Travel Insurance policy, your bargain holiday might not be as cheap as you expect when you try to recover the cost of the digital camera stolen from your bags, baggage lost or God forbid encounter a health problem.

Travel Insurance is like any conventional Health Insurance cover given by an Insurance company. The difference is that conventional health Insurance or group health insurance mainly covers its client within the country and has a panel of hospitals whereas the Travel Insurance not only gives health related services to its client globally but takes care of other unforeseen incidents that may occur during their trip.

There are some standard cover benefits you can expect when you take out a Travel Insurance policy – and with them, some fairly standard terms and conditions for what will and won't be covered in the event of a claim. Here are some of the salient features that are offered by most of the Insurance companies providing Travel Health insurance.

- Hospitalization: This covers hospitalization expenses in case of accident or illness and include in-patient and emergency dental treatment.
- Personal accident: This covers accidental death (during travel using recognized means of Transport, planes, trains, buses and taxis) and permanent disability.
- Repatriation of mortal remains.
- Repatriation of family member traveling with the insured.
- Sea and mountain search and rescue.
- Baggage loss.
- Loss of credit card.
- Compensation for flight cancellation.

These facilities are offered outside the homeland of the insured, free of cost, but there is also a reimbursement plan of most of the Insurance Companies i.e. if the insured has borne the expenses from his/her own pocket that amount can be reimbursed upon producing the original documents. At the same time there are some **limitations of Coverage, Exoneration from benefits** and **Exclusions** etc that the insured should carefully read and understand. Let me give you a brief description of these restrictions.

Limitation of Coverage

Coverage ceases automatically upon the expiration of the contract (policy). Should the beneficiary extend his/her journey beyond the covered period,

no renewal of benefits is granted unless he/she signs in person a new contract from the country in which the expired contract has been issued.

Coverage under any such plan is secondary, which means that the Assistance Company will not pay any cost which is recoverable from any other insurance, fund or institution, except eligible amounts that exceed the limits covered by that other insurance, fund or institution, subject

to the General Conditions of the contract, and up to the limits set.
The Insurance Company shall not be held liable for the consequence of medical malpractice or inadequate or deficient treatment.

The Insurance Company shall not be held liable for any medical post-treatment or follow-up incurred by the incident.

Exoneration from Providing Benefits

The Insurance Company is released from any obligation to provide benefit in the following cases.

Failure by the beneficiary to notify the Insurance Company within 48 hours of the event calling for medical or travel assistance.

Failure by the Beneficiary to submit to the Insurance Company all documents required for setting the case of the accident.

The committing by the Beneficiary of a crime or an offense, which was the cause of the accident.

Any decision to change treatment, transfer to a different medical facility, or perform a necessary procedure, such as a surgery, during an approved hospitalization must be subject to the prior approval of the Company. Failure to notify the Company of such decision may result in the denial of coverage.

Failure by the Beneficiary to notify the Insurance Company of the existence of Insurance, covering the same risks.

Exclusions

Expenses and damages resulting from the following events are not covered:

a) Brawl (punches during a violent dispute)

b) The practice of high risk sports such as, but not limited to, parachuting, acrobatics, races using mechanical appliances, Ski jumping, hand gliding, scuba diving and skidoo etc.

c) Telluric movements, floods, volcanic eruptions or other kind of natural phenomenon considered as natural calamity.

d) War, declared or otherwise, revolution, terrorism, sabotage actions etc.

e) Consumption of alcohol, narcotics and/or other hallucinogenic substance.

f) All damage to health brought about by nuclear radiation.

g) Suicide or attempted suicide.

h) Treatment, hospitalization or any medical costs related to a pre-existing medical conditions (whether know or unknown, diagnosed or not treated or not the beneficiary at the time of signing of the contract) and possible complications thereto. Pre-existing medical conditions and any other related treatment repatriation, evacuation or emergency room expenses are not covered under such plan

Mentioned above are some of the main exclusions that are not covered and therefore the policy holder/passenger is advised to go through all the terms and conditions in order to avoid any inconvenience.

Seminar on the topic of Microinsurance Development was organized at Karachi. below we reproduce the paper read on the subject by the Commissioner Securities Exchange Commission of Pakistan (SECP) Mr. Asif Arif

It is indeed a great honor and privilege for me to be here amongst you and to address this august gathering at the Seminar on the topic of "Microinsurance" development. Today, we have a gathering of professionals from the private and public sectors together in order to discuss an important topic in financial inclusion – the microinsurance. I feel that from insurance companies, to microfinance banks, everyone here has a part to play in the development of this field, which will help create a more stable and secure economic landscape in Pakistan.

I would like to appreciate the Pakistan Insurance Institute for arranging this seminar and also all the stakeholders who have supported this initiative to create the forum to discuss the challenges and opportunities ahead for managing the growth this important line of business, the Microinsurance.

As you all know the Securities and Exchange Commission of Pakistan is committed to partner with key stakeholders for the development of microinsurance, to extend the insurance services and awareness to rural and low income people around Pakistan. Our unconditional support to this event is another example of this strong commitment and represents the path of progress we want to take together over the upcoming times.

You would agree that the insurance industry plays an important role in the financial system by providing indemnification of financial risks and also serves as the defense against unforeseen economic shocks. But like many other developing countries, the size of Pakistan's insurance industry is relatively small in proportion to its GDP. To put it buoyantly, the figures reflect a tremendous scope for substantial development, if the right macro environment is established and an appropriate regulatory framework is developed. It is my vision at SECP to promote the orderly development of a financially strong and transparent insurance industry, thereby increasing the insurance penetration in the country. We see our role not only as a regulator but mainly as a facilitator. We continue to take many important steps in order to translate our vision into reality.

The insurance industry in Pakistan can enhance its outreach and penetration in the market by leveraging state of the art technology and accessing multiple channels of distribution. Now is the time that insurance companies should become more customer-responsive and adopt a more conscious approach to integrate with the social, ethical and environmental demands of the society. This will certainly add economic value to their businesses as well.

I am delighted to share that we are also working and supporting the initiatives of crop as well as live stock insurance schemes with the relevant stakeholders to help the industry in exploring the potential of contemporary business avenues. Similarly, it is exciting to see that few insurance companies are now realizing the importance of technology and bringing innovative products to be offered through mobile phones as the distribution channel; new distribution channels such as Banc assurance, Web-sales and Tele-sales have also recently emerged. There has been significant progress on the technology front in recent times. With the advent of mobile money transfers, the delivery of insurance products to the rural and uninsured markets has become easier and more practical. The ability to provide insurance services over these mobile networks will allow to access rural and low income people that were previously too remote, or too expensive to reach. This will be the way to reach hundreds of thousands of customers, and will grow exponentially every day.

Now I will specifically talk about the microinsurance. According to the globally recognized definitions of Microinsurance, it is a mechanism to protect low-income people against risks such as accidents, illness, death in the family, natural disasters, etc., in exchange for insurance premium payments tailored to their needs, income and level of risk. It is aimed primarily at the low-income workers, especially those in the informal economy who tend to be underserved by mainstream commercial insurance businesses.

This leaves us to the next level of deliberation that why microinsurance is important and what are its potential benefits?

Having said that, the Microinsurance has been seen providing a host of benefits to the target market. In the devastating floods of last year and even this year, we have seen that population who is vulnerable to the economic shocks has suffered the most. With no proper risk mitigating mechanisms, the population had to suffer heavy losses which were ultimately transferred to the national exchequer and hence had to be paid by the tax payers. I see such incidents not as a threat but as an opportunity for the insurance industry to shoulder the economic burden of the government yet keeping it profitable for itself.

You would agree that technology play a pivotal role here. As access to technology improves, the focus can be put on types of insurance products that can be offered through the technology platforms. The goal is written with forethought to promote a “broad range” of insurance services as international experience has clearly shown that microinsurance products beyond health and credit life yields significant benefits to those struggling to overcome poverty.

The insurance companies are of course the partners in growth, when it comes to microinsurance. The data clearly suggests there is a large microinsurance opportunity, but the sector has a number of challenges which must be overcome to succeed. Given the scale of the microinsurance opportunity, many commercial insurers are now beginning to turn their attention to the low-income market. The reasons for commercial interest are clear such that the current Insurance market is relatively saturated and many insurers are looking for options to expand. Simultaneously, the microinsurance helps get an insurer's brand into these low-income markets, where today's low-income customer is rapidly becoming tomorrow's middle class customer. And above all, the microinsurance can be commercially viable and generate profit.

It is obvious to us all that while there are situations when most of the time the credit life insurance is needed, it is by no means the “cure-all” insurance product that it is often touted as. Some of the events are unpredictable, meaning that they are hard to save for, and when they occur, a loan may not be available or appropriate. These events, like floods, injuries at work, a death in the family, are the exact situations for which insurance was created. When these situations occur, low income people should have the appropriate financial mechanisms available to them to reduce their risk of catastrophic income and property loss.

From the economic point of view, the Microinsurance can be an effective complement to existing options of social protection programs of the government. It reduces vulnerability and mitigates the negative effects of external shocks on poor households. Simultaneously as it grows, it provides a risk transfer mechanism from the grass-root level to international reinsurance markets where the international players are ready to take the risks of supporting the large numbers of small policyholders. However, microinsurance programs require well-developed institutional arrangements in order to run in an efficient and effective manner. Such conditions can be difficult to find in low-income countries. Social Funds can help bridge this gap, standing as a platform to organize and deliver microinsurance products.

Although, microinsurance does not currently exist in a broad manner in Pakistan on any large scale, but its power to increase people's financial security and fortify their level of social protection warrants this informational event today. As many of you know, this product is now considered as the fastest growing insurance product in the world, providing benefits to millions of low income people, farmers, and small business owners around the world.

Just as a portrayal of viable business cases, now I would like to tell you briefly about some of the successful international examples.
The Swiss Re's Tamil Nadu Health Insurance Pool program is one such

good example where the Swiss Re has acted as the Lead Reinsurer. This is a Multi-Year Reinsurance Solution started in 2010. Target group is the low-income families in the State of Tamil Nadu while the payments as are made for a list of defined diseases, treatments and surgeries. The Funding of Insurance premiums of individuals are subsidized by the Government of Tamil Nadu whereas the Swiss Re provides aggregate stop loss reinsurance between 80% and 150% of the annual premium.

In Haiti, the Swiss Re created the microinsurance solutions such that the insured perils included Hurricane, earthquake and rainfall and the payments were made to microfinance borrowers post-disaster to reduce their loans and provide emergency cash. The Parametric and basis risk policies are distributed through a local Haitian microfinance institution, Fonkoze. Other partners involved were Mercy Corps and Guy Carpenter.

In India, the Regulator has assumed a developmental role. It is an obligation to provide insurance services to the Rural and social sectors and this is treated as a licensing condition for all insurers. The specific set of regulations has been issued for the Microinsurance agents, Product simplification and standardization, Composite microinsurance product and Higher commission to microinsurance agents.

Here, I would like to share one more interesting example from our neighboring country. About 70 percent of India's population lives in rural areas, but Bajaj Allianz business is 90 percent urban. Clearly, there was space to grow. To reach out to these customers, Bajaj Allianz used large, efficient delivery channels that already existed. Working with SKS Microfinance brought scale to Allianz microinsurance business in India. SKS is considered as one of the fastest-growing MFI in the world and the largest in India. In April 2008, Bajaj Allianz and SKS launched life insurance product with a savings component. With a premium of only $0.60per week over a period of five years, customers receive $220 in case of natural death and $565 in case of accidental death. If unclaimed, the deposit is refunded with interest after five years. The simplicity of the product makes it easy to sell. After less than two years in operation, it already has over 2.5 million customers.

Later, the Bajaj Allianz looked for additional delivery channels to reach the rural population, and found them in India's dairy cooperatives. The experts at Bajaj Allianz realized this hierarchical structure was an excellent delivery channel for microinsurance, and developed a customized insurance and savings product. Since early 2010, the product has been sold in the northwestern state of Punjab to the almost 400,000 members of Punjab State Cooperative Milk Producers' Federation.

With all these efforts, the overarching goal is to reach the uninsured clients in upcoming years through a coordinated effort, supported by a variety of financial service providers and distributors, offering a broad range of relevant, accessible, affordable and cost effective insurance services.

There are few instances of bundled microinsurance where the insurance product bears no relationship to the good or service sold. In India, the “Sankat Haran Policy” sold by Iffco-Tokio provides accidental death and disability cover. The cover is obtained when clients buy a 50-kg fertilizer bag of Iffco and Indian Potash brands. The receipt for the fertilizer bag acts as proof of payment and the policy document is printed on the fertilizer bag. The amount of cover is US$90 in the event of an accidental death and US$45 for certain categories of dismemberment and disability. The insured is the purchaser of the fertilizer bag and a single person can hold multiple policies up to a maximum of US$2,260 in cover. Claiming on the policy appears somewhat arduous as claimants must submit a variety of documents to Iffco-Tokio directly. This scheme is considered as one of the largest commercial microinsurance schemes in the world. Essentially the scheme sells pre-paid insurance, in the sense that the retailer buys the fertilizer, including its insurance component, from a wholesaler. The retailer pre-pays the insurance premium, so there is no need for the insurer to collect premiums from the client or, indeed, from the retailer.

Moving forward, South Africa provides another interesting example of using retailers to sell voluntary insurance. The clothing stores of Edcon group provide insurance to low-income clients for those who qualify for the store's credit card. There are more than 430 stores located across South Africa. Edcon and Hollard Insurance Ltd established a joint venture, Edcon Insurance Services, in June 2001. The two companies agreed that the Edcon group would sell a wide range of insurance policies underwritten by the Hollard's life and non-life insurance companies. The insurance policies have store branding (not that of the insurer) to exploit high retailer brand awareness. Both Edcon and Hollard Insurance were actively involved in the design of the products. All the products were designed to suit the needs of the average Edcon customer. Policies are sold over the counter. The rationale behind the store-card model, as used here, is that monthly premiums can be more easily collected through the stores. The scheme has proved highly profitable, where an annual growth of 23.4 per cent in active insurance policies has been seen.

I feel that the microinsurance is an extremely long-term trend, and it will grow and grow. Because insurance markets are essentially saturated, growth in these markets can only come from taking market share away from competitors. One of the avenues of real growth in insurance is in microinsurance which is a crucial component of insurers' expansion. Interest from reinsurers also confirms this. And let me share this fact that over last few months we have repeatedly seen a tremendous amount of excitement and commitment from international reinsurers like Swiss Re when it comes to Microinsurance in Pakistan, as they recognize it to be a business line of high potential returns.

You would agree that microinsurance is a game of efforts and patience. Without proper focus on the business planning and efficient product development, the reaping of benefits would be a miracle.
The concept of 'product' covers not only price, benefits and terms, but also product management and delivery processes. In microinsurance, the challenges include accurately setting price and benefits, coping with huge volumes of small policies, collecting premiums from people without bank accounts, verifying and paying small claims, and controlling fraud, adverse selection and moral hazard. Simultaneously, the product is expected to be customized according to the needs of the target market. This means that microinsurance is not merely a downsized version of the existing or conventional insurance products.

Currently, it has been observed that with limited product innovation, there is a substantial amount of mis-selling, leading to poor re-enrollments. While players do explain their own products, we rarely see investment in general risk communication which would assist the household in answering the critical question, "How much insurance and of what type, is needed?" Consumer education takes time: it's a whole journey for a household from awareness to action.

The innovations in use of agents and administrators, microfinance institutions and beyond are the key. Community institutions, mobile phone networks and retailers are distribution networks that have not been fully explored. I also think there are untapped opportunities in employers and payroll deductions. Without commitment and investments, the sector will not grow.

The microinsurance schemes have to reach to significant scale, while ensuring profitability. And the three factors that determine profitability are: the profit contribution of each policy, the volume of policies sold and the operating costs. Microinsurance schemes must strive for efficiency within each of these factors and they have a number of levers at their disposal to do so.

Marketing insurance to low-income people means educating them about the concept and benefits first. Demand is there, but it can be harnessed only step by step. Global experiences show that the mass awareness campaigns are also effective and to make proper use of it, customers need to fully understand the product, starting from a perception of the risks they face. We always stress that when a customer signs a policy, sales staff has to make sure he or she fully understands the cost and coverage.

When it comes to distribution of products, all I can say that "Nobody can do it alone."Partnerships can play an important role in overcoming the barriers to the development of microinsurance, such as limited data availability, insufficient capacity, and lack of awareness at all levels. To help overcoming these constraints, microinsurance for the poor should also become a priority of development cooperation.

One issue observed is that we currently have no standardized reporting format for microinsurance, which means financial transparency is low. In order to increase the transparency of microinsurance business, and facilitate better performance monitoring standards, SECP is considering introducing a set of regulations to streamline the issues related to microinsurance line of business.

I feel that the technology may also play a significant role where the crucial need is information processing.

The key here is to process transactions in the field, for example data needs to be exchanged consistently across all players involved – customers, microfinance institutions, insurers and reinsurers.

However, it is a big challenge for insurers. If insurers can manage huge numbers of people, they can make a profit. While the insurance companies may be great at managing claims, they are accustomed to fewer numbers of customers. Also, in low-income markets you have to reduce the number of forms and digitalize data to process it efficiently.

Similarly a conducive and enabling regulatory environment is required for the development of microinsurance. We at SECP are aiming towards adapting rules and regulations, which support the evolution of more inclusive insurance systems by encouraging the existing insurers to serve the low-income segments and by also encouraging microinsurance business to evolve and integrate with the formal insurance sector. A few microinsurance arrangements exist, which are currently operating in a partial to non-regulated environment. Attributed to the lack of any formal regulatory framework for the microinsurance segment, lack of awareness and formalized structures, the outreach and penetration of microinsurance is not even touching 1% of the target population. The direct target population in 'micro' category is estimated at around 54 million people, which is almost 30% of the population of the country.

The assistance from World Bank for the development of microinsurance regulatory framework is going on. Further a comprehensive assessment of the Pakistan's insurance regulatory and supervisory regime is being conducted against the IAIS standards and principles and very soon a comprehensive report will be completed on the same topic with the assistance from World Bank. The report is intended to highlight the areas in which we need to make reforms, and is expected to offer some clear guidance on paths we can take moving forward.

Here, I would also like to tell you that the SECP is also aiming to increase the consumer awareness of insurance, so all our children will have the basic understanding of the importance of insurance to succeed.

Because of this phenomenon the SECP is reviewing the market and developing the regulatory framework for it, to ensure that there are no restrictions hindering the introduction of this product here in Pakistan. We totally support any initiative or pilot project in microinsurance, and hope that insurance companies do take the initiative to explore the potential of this market.

The development process is going on with industry's consultation and support from the World Bank and we expect to put the regulatory framework for microinsurance in place positively by the mid of 2012.

The few timid contacts between purely commercial ventures and microinsurance businesses are based on a relatively rigid scope of products. There are a few examples where the interactions have led to a slightly better fit between what each partner expects from the relationship.

However, most insurers and reinsurers do not have a clear strategy for servicing microinsurance segment, and therefore do not invest in acquiring knowledge of how to do it. Microinsurance business needs the insurers to have the capacity to the extent that enables them to a) sell a variety of products at low premiums and b) remain solvent. The first issue is directly linked to the fact that if the low-net-worth market is to pay a premium, insurers must ensure that they sell relevant insurance products at affordable prices. The second issue is linked to the legitimate concern of poor people that the companies they deal with will be there when the time comes for them to pay benefits. Large insurers seem to underestimate the long-term potential of this market segment and their need to work closely with a local partner if they are to conclude many small transactions.

The evolution of business relationships between commercial reinsurance companies and microinsurance providers is largely contingent on delivering more variety at a lower per-contract cost.

What can insurers and reinsurers actually do now? They can make efforts to develop innovative ways of selling their services to the low-income market. The entry of insurers and reinsurers into microinsurance line of business can be seen as an investment aimed at developing a business model for selling insurance in small portions so that these sales can aggregate to significant financial volume over time. This would be the equivalent of what was done in mobile phone business: the huge up front investments in infrastructure are justified by large market penetration in the low-income segment.

Reinsurance could easily satisfy this

need with existing tools, although it may have to content itself with lower margins. The barrier is neither conceptual nor technical, but created by an unwillingness to underwrite the small volume of business. The anecdotes that some microinsurance schemes have not been able to obtain reinsurance because the total value of their portfolios was lower than the reinsurer's deductible are indicative of the gap between the two parties.

There is at least one example showing that such business relations are possible: the Interpol is Re model. This Dutch reinsurer has “adopted” a Sri Lankan microinsurance scheme and initially provided technical assistance to help the microinsurer to quantify and present its underwriting exposure. Interpol is also agreed to reinsure some of the risk, but with a higher than average “no claims commission” as a means of reducing the reinsurance premium to the bare minimum. It could be said that Interpol is absorbs excess risk, if it were to occur, with caps that are relatively low for the large reinsurer, but sufficiently large for the microinsurer.

Here, two courses of action seem particularly opportune:

1. Focus on building up the capacity of microinsurance businesses to assume a growing range of insurance activities, rather than limiting micro schemes to the role of agents. This is particularly important in product types where the potential for conflict of interest between the agent and the microinsurance business is acute.

2. Create a reinsurance facility that would service this market segment until it becomes sufficiently attractive for commercial insurers to manifest more interest, possibly with some public funding.

In the conclusion I would like to say that 2011 has been another challenging year so far. The major challenge faced by the insurance industry today is the limited economic growth in the country. The growth and development of the insurance industry is directly dependent on all macroeconomic factors. However, despite these challenges, the insurance industry in Pakistan has shown reasonable development during last few years.
Our industry needs to prepare itself to face the challenges of globalization and technology adaptation. Now that the information technology has totally transformed the world, the pace of change has become phenomenal. Resultantly, our market dynamics have also undergone a major change. The market is rapidly maturing. In order to survive this impact, the industry must reposition itself and change its business model.

In order to meet the challenges of the coming times, the insurance industry must make a choice. It can proceed with the traditional business models or it can take charge of its own destiny by re-positioning itself. We have to take steps and develop new products in the field of microinsurance, health insurance, crop and livestock insurance, long terms saving and pension plans and other such products which meet the need of the general masses. Further we have to provide these services through most efficient and cost effective distribution channels such as tele-sales, web-sales and mobile phones. The future landscape of the insurance industry in Pakistan awaits our commitment.

Thank you for your kind attention.

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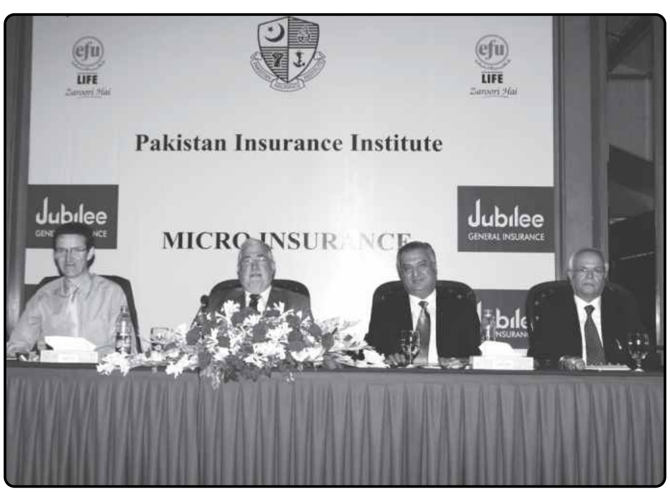
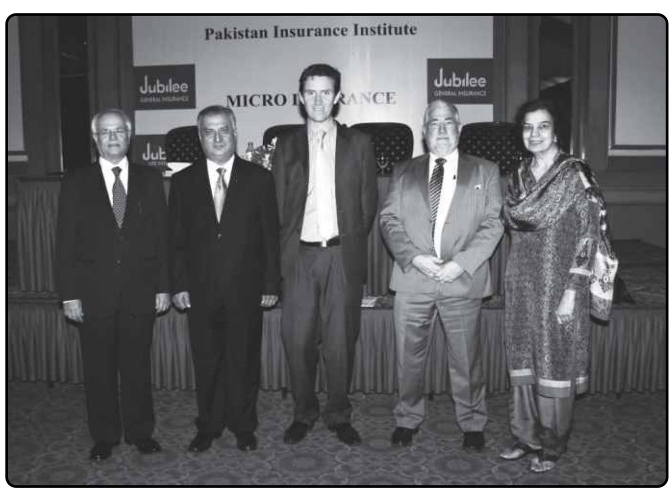




Insurance and Risk Management for Small Business Owners

Ali Munem Shamsi
President
Asia Insurance Co. ltd

A lot of small business owners truly suppose that when they have a proper and comprehensive insurance coverage for their business, they will be "fully sheltered" from financial losses. Setting aside the grey areas on the fine print of most insurance policies, there are many losses that insurance cannot be unmitigated.

After occurrence of such losses relates to small business may affect or lost of goodwill to customers due to stoppage to deliver merchandises on time; lot of faith from employees for not providing a beneficial working environment, and many more losses which do not have financial impact initially but gradually translate into financially losses.

While insurance is important in indemnifying small business owners in case of fire damaging their properties and/or accidents that causing injuries and loss of life thus downtime in productivity, small business owners should practice risk management in order to create a more sustainable business and have a competitive edge over their competitors to minimize their lost time hence cost.

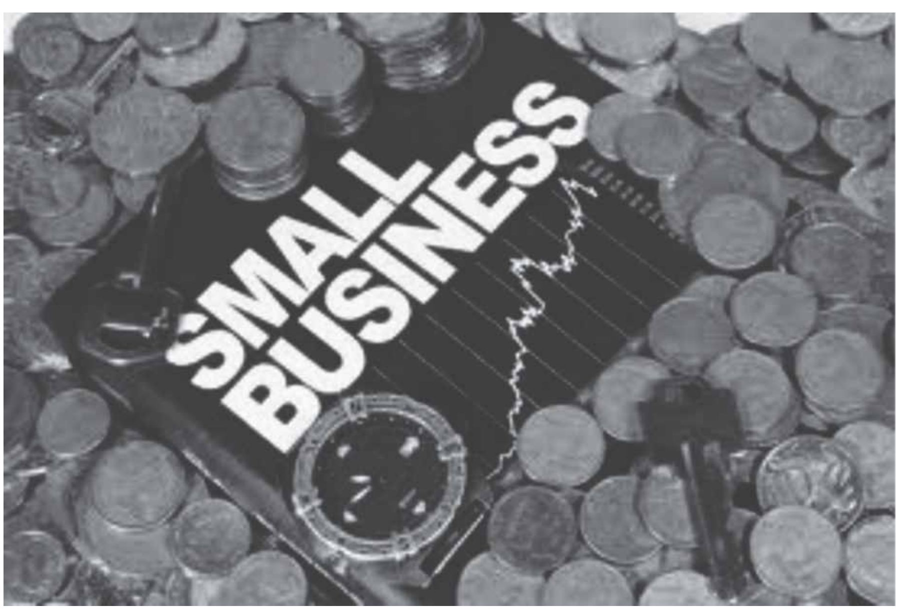
The basic methods of risk management are

1. Avoidance of Risk

Simple procedures and things that most small business owners took for granted can have huge impact when they resulted in accident. Always practice the maxim of "prevention is better than cure."

2. Reduction of risk and losses

Be aware of the consequences of risk and accident, develop a loss prevention or reduction system to minimize the occurrence of risk and losses when risk happened.



3. Transferring of Risk

Transfer the risk to other parties like insurance company.

4. Retention of risk/losses (Self Insurance)

If transfer of risk is not possible, you may have to absorb some of the risk and/or losses. Some of the insurance policies require the insured to bear a portion of the losses term as deductible or excess.

Arranging a comprehensive insurance cover for small business is essential for the survival, many small businesses have overlooked or ignored the importance of a proper coverage for their business, when accident happens, they found themselves in a financial distress and thus loosing their customers to their competitors.

It is thus advisable to seek professional advice for a proper insurance coverage and more importantly practice good risk management.

2010 C L D 1171

[Lahore]

Before Nasir Saeed Sheikh

And Mian Shahid Iqbal, JJ

Mst. FATIMA BEGUM --- Appellent

Versus

STATE LIFE INSURANCE CORPORATION OF PAKISTAN and other — Respondents

Regular First Appeal No. 440 of 2007, heard on 7th July, 2010.

(a) Insurance Ordinance (XXXIX of 2000) —

---S, 123---widow of insured person filed application before Insurance Tribunal urging that her husband was Policy holder for a sum of Rs. 100,000 on non-medical grounds which Insurance Company had issued in his favour without medical examination---Insurance company attested application on the ground that insurance policy was obtained by misrepresentation and by suppression of facts by the policy holder---Insurance Tribunal dismissed application of the widow---Validity---Contention that insurance policy of deceased husband of the applicant was repudiated, was not supported by lawful repudiation order as no such order had been produced during trial of the application---Insurance Company's witness did not produce any written report of his investigation and stated in the examination-in-chief that deceased remained under treatment in the hospital---In absence of any written report of any record of the hospital, Insurance Company could not establish the alleged fraudulent conduct or concealment of some facts prior to purchasing of insurance policy by the deceased---Company's witness did not even allege any misrepresentation having been made by policy-holder before purchasing insurance policy---High Court accepted the appeal and set aside impugned judgment and directed the Insurance Company to make payment under insurance policy to the applicant.

[pp. 1172, 1173, 1174, 1175] A, B, D, E, F, G & H

(b) Insurance Ordinance (XXXIX of 2000)---

---S. 123---Insurance claim---Application for---Plea of Insurance Company that application was time-barred-Insurance Tribunal dismissed application for recovery of insurance claim---Validity---Contention that such application was time-barred was repelled as only upon the constitution of the Insurance Tribunal under the Insurance Ordinance, 2000, the right to keep remedy, by invoking the power of the Tribunal, could be availed. [p. 1173] C

R.F.A. No. 16 of 2008 rel.

Liaqat Ali Butt for Appellant.

Abrar Ahmad for Respondents.
Date of hearing: 7th July, 2007.

JUDGMENT

NASIR SAEED SHEIKH, J.--- This R.F.A. is directed again the judgment date 21-11-2007 passed by the learned Insurance Tribunal Punjab, Lahore whereby the appellant widow of the late Muhammad Akram submitted an application for the recovery of Insurance claim before the Insurance Tribunal which application was rejected.

2. Briefly stating the facts of the case are that Muhammad Akram was a policy-holder for a sum of rupees one lac on non-medical grounds which the respondent No. 1 issued in his favour without medical examination conducted upon the said policy-holder. This policy was issued on 31-3-1996. The policy-holder unfortunately died on 31-3-1997. After his death ultimately upon the constitution of Insurance Tribunal, the widow of Muhammad Akram instituted an application for the recovery of the policy proceeds under the Policy of Insurance bearing No. 574632-2.

3. The application was resisted by the respondents. The learned Tribunal framed the following issues:--

Issues.

(1) Whether the Tribunal lacks the jurisdiction to hear the petition? OPR.

(2) Whether the petitioner has no cause of action? OPR.

(3) Whether the petition is barred by principle of resjudicata? OPR.

(4) Whether the petition is barred by time? OPR.

(5) Whether the petition is bad in view of preliminary objections Nos. 7, 8 and 10? OPR.

(6) Whether the petition is bad for misjoinder of the parties? OPR.

(7) Whether the petitioner is entitled to policy proceeds, along with liquidated damages, if so, to what amount? OPR.

(8) Relief.

4. The learned Tribunal vide judgment dated 21-11-2007 dismissed the application of the widow of Muhammad Akram. The learned Insurance Tribunal mainly focused on two grounds that it is barred by time and secondly that there was no pre-examination of ailment of the policy holder and that a misstatement was made by him.

5. This judgment of the leaned Insurance Tribunal dated 21-11-2007 has been assailed through the instant R.F.A. by the widow Fatima Begum.

6. It is contended by the learned counsel for the appellant that in so far as the question of limitation is concerned this honourable Court in a recently pronounced judgment in R.F.A. No. 16 of 2008 had already held that upon the constitution of the Tribunal under the Ordinance of 2000 the right to seek a remedy by invoking the powers of the Tribunal can be availed of. Paragraph No. 12 of the judgment is reproduced below:--

"In our view, the constitution of the Tribunal under the special law vide notification dated 20-6-2006, gave rise to an intimation to the insurance policy-holder to seek enforcement of their claims from the learned Insurance Tribunal constituted under the Ordinance of 2000, therefore, in our opinion the limitation for moving the Tribunal for the enforcement of Insurance Policy claim will commence from the date when the Tribunal was constituted for the first time on 20-6-2006. In this context, the Article 86 of the Limitation Act of 1908 will not cover the cases of those claimants who move the learned Insurance tribunal for the purpose of their insurance policies' claim through constitution of the Tribunal constituted under the Ordinance 2000. Thus the finding of the learned Tribunal of holding the claim as moved before the Insurance Tribunal to be barred by time is not sustainable."

7. The learned counsel next contended that there is no legally admissible material produced by the respondent for the purposes of denying the entitlement of the appellant claim under the Insurance Policy.

8. The learned counsel for the respondents has argued that the insurance policy was obtained by misrepresentation and by suppression of facts by the policy-holder and therefore the respondents repudiated the policy contract. The learned counsel for the respondents has further argued that the officer of the respondent who conducted the investigation in the matter appeared as R.W.1. However the learned counsel admitted that no report was prepared by R.W.1. Nisar Khadim in pursuance to the alleged investigation made by him. It is also admitted fact by the learned counsel for the respondents that no such investigation report has been produced by the respondents during the trail of the application before the Tribunal.

9. We have considered the arguments of the learned counsel for the parties and have perused the record with their valuable assistance.

10. We have already decided the questions of limitation in our judgment in R.F.A. No. 16 of 2008, paragraph No. 12 of which is reproduced above.

11. The contentions of the learned counsel for the respondent that the insurance policy of the deceased husband of the appellant was repudiated is not supported by an lawful repudiation order as no such order has been produced during the trail of the application. R.W.1. who appeared before the Tribunal in the evidence of the respondent did not produce any written report of his investigation. The respondent-corporation therefore did not produce any admissible piece of evidence to controvert the claim of the appellant. It is important to note that R.W.1. Nisar Khadim stated in the examination in chief that Muhammad Akram deceased remained under treatment in Shalimar Hospital and date of his admission is 18-1-1997. However in his cross-examination he admitted that he did not visit the Shalimar Hospital during the ailment of the deceased. The record of the Shalimar Hospital was also not taken into possession by the said witness nor was placed on record in support of his contention by the R.W.1. Thus in the absence of any written report prepared by R.W.1. nor of any copies of the record of the Shalimar Hospital, we do not consider that the respondent-State Life Insurance Corporation established the alleged fraudulent conduct or concealment of some facts prior to the purchasing of the insurance policy by the said Muhammad Akram from the respondent-Corporation. It is further important to note that the insurance policy was purchased by Muhammad Akram deceased on 31-3-1996 and the evidence of respondent No. 1 is to the effect that said Muhammad Akram remained hospitalized in Shalimar Hospital from 18-1-1997 which date is after the purchasing of policy by the said Muhammad Akram. The R.W.1. did not even allege any misrepresentation having been made by the policy-holder Muhammad Akram before

purchasing the insurance policy on 31-3-1996.

12. In view of the above circumstances we are of the opinion that the claim of the appellant was illegally denied to her by the Insurance Tribunal. Resultantly the impugned judgment dated 21-11-2007 is set aside and the application moved by the appellant for the recovery of the claim under the insurance policy of her late husband is accepted as prayed for. The respondent State Life Insurance Corporation is denied to make the payment under the insurance policy to appellant. The R.F.A. is accepted and parties to bear their own costs.

M.U.Y./F-29/L Appeal accepted.

JABBAR AKHTAR PASSED AWAY

ONE THE MOST PROMINENT AND HIGHLY QUALIFIED PROFESSIONAL TO BE ASSOCIATED WITH THE PAKISTAN INSURANCE INDUSTRY FOR OVER FIVE DECADES MR. JABBAR AKHTAR F.C.I.I DIED IN KARACHI. SOFT SPOKEN BLESSED WITH THE FINEST QUALITIES OF A TRUE GENTLEMAN MR. JABBAR AKHTAR WAS AN ASSET TO THE ORGANIZATIONS HE WORKED WITH. HE WAS A GREAT INSPIRATION AND INDEED AN INSTITUTION FOR YOUNG AND UPCOMING PROFESSIONALS.

MR. JABBAR AKHTAR WORKED BOTH IN PUBLIC AND PRIVATE SECTOR WITH EQUAL EASE AND DEVOTION. FROM 1951-1983 HE WORKED IN CONTROLLER OF INSURANCE OFFICE. FROM 1984-2002 HE WAS ASSOCIATED WITH ADAMJEE INSURANCE CO. DURING A VERY LONG ASSOCIATION WITH THE INSURANCE INDUSTRY HE CONTRIBUTED IN AMENDMENTS OF INSURANCE LAWS ESPECIALLY SUPERVISORY LAWS, CROP INSURANCE, RISIDUAL VALUE INSURANCE. FOR TEN YEARS MR. JABBAR AKHTAR WAS CHAIRMAN MARINE COMMITTEE OF INSURANCE ALLOCATION OF PAKISTAN. HE ATTENDED ADVANCED COURSE OF INSURANCE AND REINSURANCE IN ENGLAND. THIS COURSE WAS SPONSORED BY THE BRITISH GOVERNMENT. HE WAS A PARTICIPANT IN INSURANCE SUPERVISION COURSE HELD BY THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT IN MANILA.

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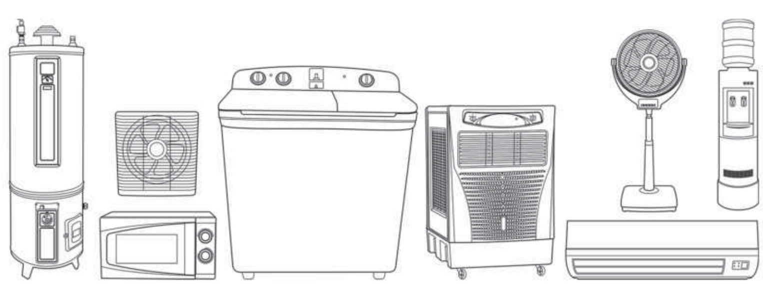

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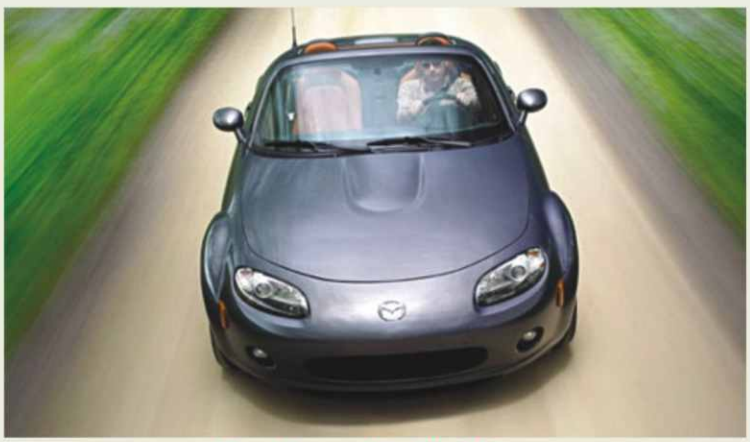

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