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Quarterly

Insurance Journal

Inside:

- Three Critical Statements
- Fire Insurance Policy Clauses
- Customer Relationship in Insurance
- Fire Fighting
- Non-Life Insurance and Actuaries in Pakistan
- Basics of Selling Skills
- Energy Risks (Assessment)
- International & National News
- Press Release
- Legal Section

October, November, December 2016

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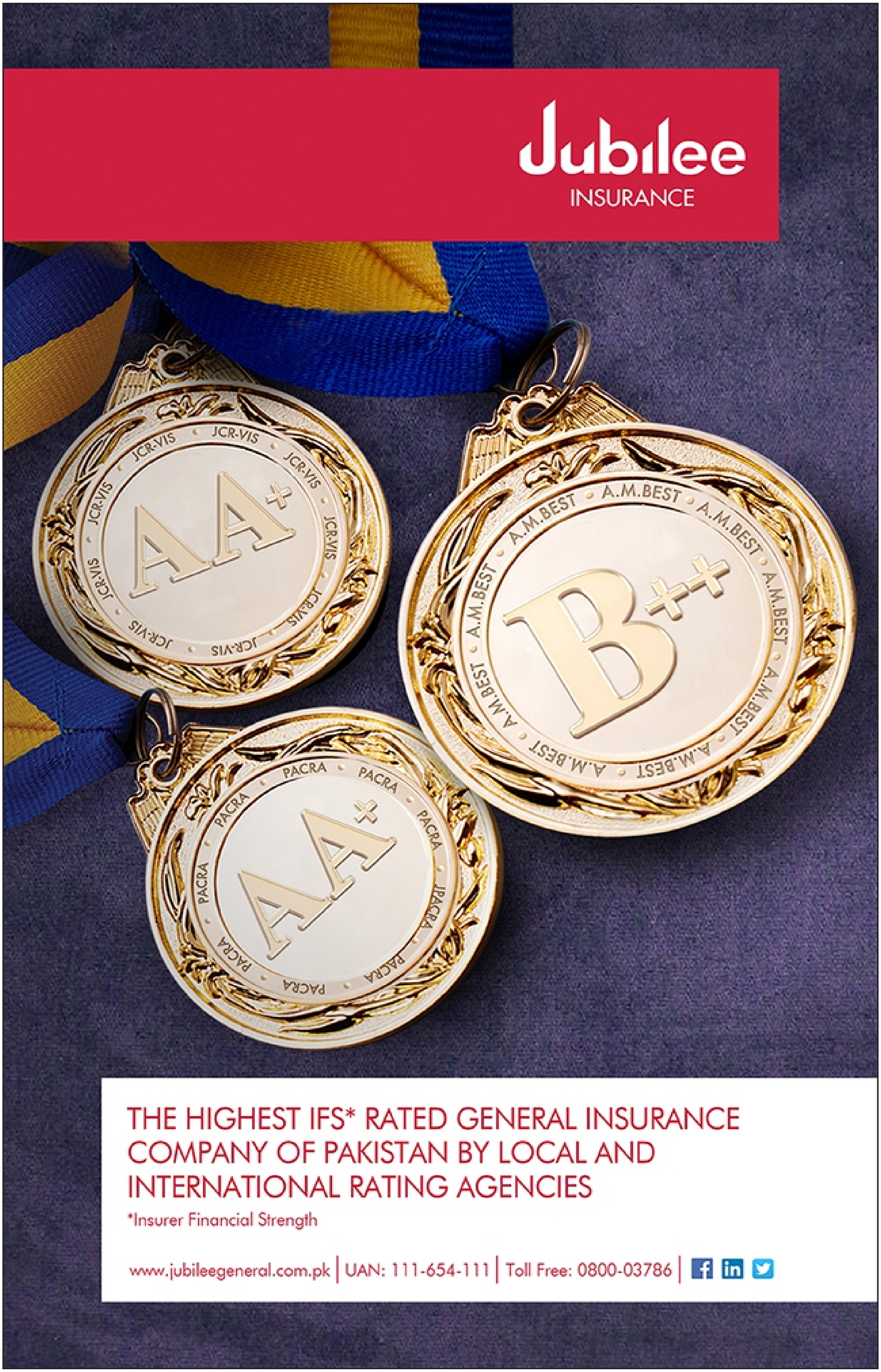
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INSURANCE SECTOR ON PAKISTAN STOCK EXCHANGE

(Quarter: July, August, September 2016)

Compiled By: Khurram Shahzad

Company	Paid up Capital (Rs. in Million)	Face Value Rs.	Higest Rate Rs.	Lowest Rate Rs.	Turnover of Shares	Announcement During the Quarter
Adamjee Insurance Company Limited	3,500	10.00	55.20	49.26	21,916,000	Dividend = 15%
Asia Insurance Company Limited	450	10.00	-	-	-	
Askari General Insurance Company Limited	544	10.00	25.95	20.51	3,103,500	
Atlas Insurance Limited	702	10.00	68.89	59.10	412,500	
Beema-Pakistan Company Limited	417	10.00	-	-	-	
Business & Industrial Insurance Company Ltd.	86	10.00	-	-	-	
Century Insurance Company Limited	457	10.00	29.50	23.60	898,500	
Crescent Star Insurance Limited	827	10.00	12.35	10.20	28,988,500	
Cyan Limited	586	10.00	74.89	64.00	2,596,000	Dividend = 25%
East West Insurance Company Limited	508	10.00	-	-	-	
East West Life Assurance Company Limited	594	10.00	20.85	16.00	99,500	
EFU General Insurance Limited	2,000	10.00	144.00	116.56	3,384,600	Dividend = 10%
EFU Life Assurance Limited	1,000	10.00	210.00	163.00	230,700	Dividend = 10%
Habib Insurance Company Limited	619	5.00	17.50	16.26	393,500	
Hallmark Insurance Company Limited	5	10.00	-	-	-	
IGI Insurance Limited	1,227	10.00	223.99	190.00	2,489,800	
IGI Life Insurance Limited	605	10.00	69.45	50.00	785,500	
Jubilee General Insurance Company Limited	1,569	10.00	105.00	97.12	626,300	
Jubilee Life Insurance Company Limited	721	10.00	534.00	485.00	290,700	Dividend = 30%
Pakistan Guarantee Insurance Company Ltd.	25	10.00	-	-	-	
Pakistan Reinsurance Company Limited	3,000	10.00	37.74	29.01	15,628,000	
PICIC Insurance Limited	350	10.00	5.29	4.26	419,000	
Premier Insurance Limited	418	10.00	27.59	20.19	212,000	
Progressive Insurance Company Limited	85	10.00	-	-	-	
Reliance Insurance Company Limited	510	10.00	11.00	8.50	4,643,000	
Shaheen Insurance Company Limited	450	10.00	6.80	4.42	2,824,500	
Silver Star Insurance Company Limited	306	10.00	-	-	-	
Standard Insurance Company Limited	8	10.00	-	-	-	
The Pakistan General Insurance Company Limited	400	10.00	8.50	6.50	540,500	
The United Insurance Company of Pakistan Limited	1,803	10.00	17.95	14.34	2,654,500	
The Universal Insurance Company Limited	416	10.00	13.85	8.01	618,000	
TPL Direct Insurance Limited	755	10.00	20.00	14.75	504,000	

Dr. Safdar Ali Butt
Professor, Emeritus of Finance and Corporate Governance
Capital University of Science and Technology, Islamabad

Three Critical Statements: Mission, Vision & Values

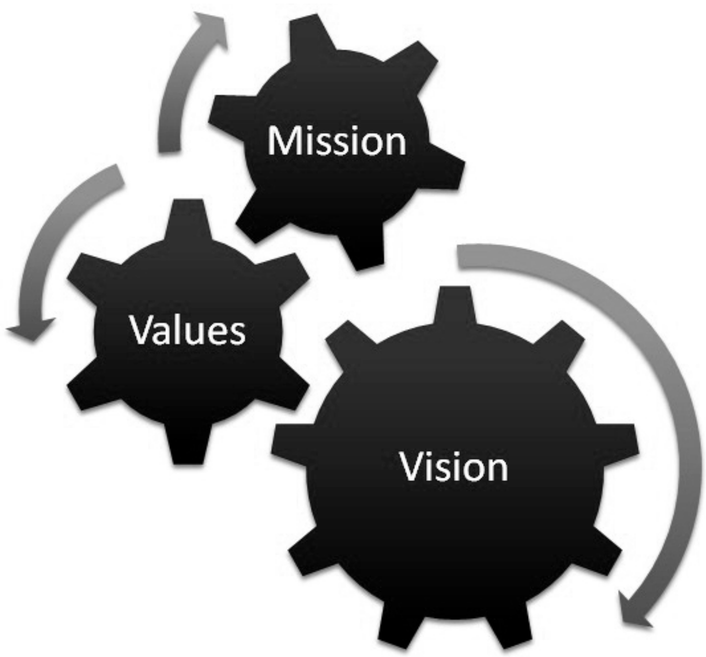
Strategic Intent

An organization's strategic intent is the purpose for which it exists and why it will continue to exist, providing it maintains a competitive advantage. It helps the company's management to emphasize and concentrate on the priorities. Strategic intent is about influencing an organization's resource potential and core competencies to achieve what it sets out to achieve. A well expressed strategic intent can guide/steer the setting of goals and objectives, leading to utilizing organization's competencies to maximize value for the company.

Strategic intent includes directing organization's attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and team participation as well as contribution; and utilizing intent to direct allocation of resources. Strategic intent differs from strategic fit in a sense that while strategic fit deals with harmonizing available resources and potentials to the external environment, strategic intent emphasizes on building new resources and potentials so as to create and exploit future opportunities.

Expression of Strategic Intent

Strategic intent is expressed in terms of three principal statements: Mission Statement, Vision Statement and a Statement of Values. Organizations summarize their long term goals and objectives in mission and vision statements. Both of these serve different purposes for a company but are often confused with each other. While a mission statement describes what a company wants to do now, a vision statement outlines what a company wants to be in the future. Statement of Values, while dependent on the other two statements, is different from them in one very important aspect. It does not talk about what a company; instead it talks about what principles does it follow when doing what it does.



Mission Statement

The Mission Statement concentrates on the present; it defines the customer(s), critical processes and it informs you about the desired level of performance. Mission statement describes why an organization is operating and thus provides a framework within which strategies are formulated. It describes what the organization does (i.e. present capabilities), who all it serves (i.e. different stakeholders) and what makes the organization unique (i.e. its reason for existence). A mission statement differentiates an organization from others by explaining its broad scope of activities, its products, and the technologies it uses to achieve its goals and objectives. It talks about an organization's present (i.e. it is “about where we are”).

A well crafted Mission Statement has the following features:

- Mission must be **feasible** and attainable.
- Mission should be **clear** enough to convey the right message.
- It should be **inspiring** for the management, staff and society at large.
- It should be **precise** enough; it should be neither too broad nor too narrow.
- It should be **unique** and distinctive to leave an impact in everyone's mind.
- It should be **credible**, i.e., all stakeholders should be able to believe it.

The Vision Statement

The Vision Statement focuses on the future; it is a source of inspiration and motivation. Often it describes not just the future of the organization but also the future of the industry or society in which the organization hopes to effect change.

A vision is the potential to view things ahead of themselves. It answers the question "where we want to be". It gives us a reminder about what we attempt to develop. A vision statement is for the organization and its members, unlike the mission statement which is for the customers/clients. It contributes in effective decision making as well as effective business planning. It incorporates a shared understanding about the nature and aim of the organization and utilizes this understanding to direct and guide the organization towards a better purpose. It describes that on achieving the mission, how the organizational future would appear to be.

It should be a clear and unambiguous statement that appeals to the common sense of its intended audience. Its content should be practical and feasible; there is no point heading to a future that is not going to happen.

Advantages of having formal Mission and Vision Statements

Some of the benefits of having vision and mission statements are discussed below:

- They provide unanimity of purpose to organizations and imbue the employees with a sense of belonging and identity.

- These statements, along with core values, spell out the context in which the organization operates and provides the employees with a tone that is to be followed in the organizational environment.

- They serve as focal points for individuals to identify themselves with the organizational processes and to give them a sense of direction.

- They help to translate the objectives of the organization into work structures and to assign tasks to the elements in the organization that are responsible for actualizing them in practice. They specify the core structure on which the organizational edifice stands and to help in the translation of objectives into actionable cost, performance, and time related measures.

- Finally, vision and mission statements provide a philosophy of existence to the which is very crucial because as humans, we need meaning from the work to do and the vision and mission statements provide the necessary meaning for working in a particular organization.

As can be seen from the above, articulate, coherent, and meaningful vision and mission statements go a long way in setting the base performance and actionable parameters. They embody the spirit of the organization and act as a signal sent out to the external environment (including external shareholders, creditors, business associates, community and society at large) as to how the company aims to run its affairs. They therefore create some sort of a contractual obligation: once pronounced, a company is duty bound to act on, and within, its core values, mission and vision. The following chart compares the essential features of a Mission Statement and Vision Statements.

	Mission Statement	*Vision Statement*
About	A Mission statement talks about HOW you will get to where you want to be. Defines the purpose and primary objectives related to your customer needs and team values.	A Vision statement outlines WHERE you want to be. Communicates both the purpose and values of your business.
Answer	It answers the question, "What do we do? What makes us different?"	It answers the question, "Where do we aim to be?"
Time	A mission statement talks about the present leading to its future.	A vision statement talks about your future.
Function	It lists the broad goals for which the organization is formed. Its prime function is internal; to define the key measures of the organization's success and its prime audience is the leadership, team and stockholders.	It lists where you see yourself some years from now. It inspires you to give your best. It shapes your understanding of why you are working here.
Change	Your mission statement may change, but it should still tie back to your core values, customer needs and vision.	As your organization evolves, you might feel tempted to change your vision. However, mission or vision statements explain your organization's foundation, so change should be kept to a minimum.

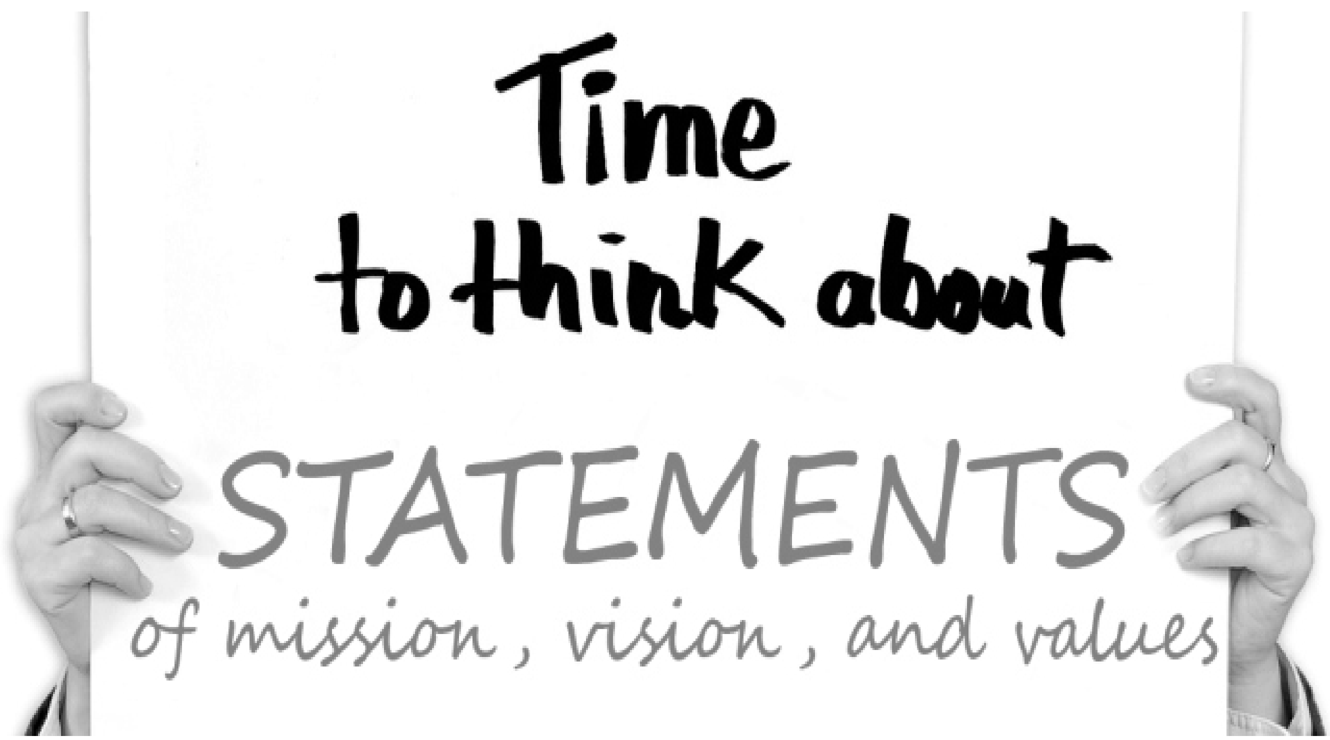
Statement of Values

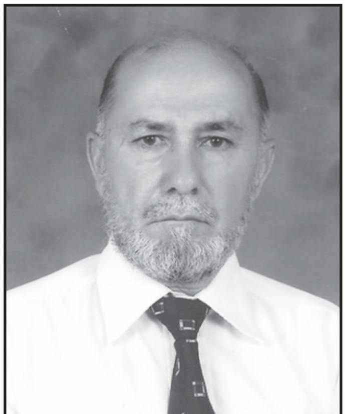
Also known as Core Values Statement, this statement informs all those who come in contact with the company of the company's ethical preferences. It formally informs all concerned about what the firm's major priorities and its core beliefs are. Companies often use a value statement to help them identify with and connect to targeted consumers, as well as to remind employees about its priorities and goals.

Core values are what support the vision, shape the culture, and reflect your company's attitude towards ethical practices. They are your company's principles, beliefs, or philosophy of values. Try limiting your core values to five. Once you get beyond this it's hard for your employees to remember. Quite often words like integrity, fairness, progress, growth, liberal mindedness, generosity, opportunity, etc are given by companies in their statement of values which tend to give an impression that these statements are being used more as a tool for promoting the image of the company than a sincere promise to uphold these principles. If a company's actual conduct is different from its declared core values, it does not take customers and stakeholders long to find out. That often leads to resentment, and a drop in company's reputation, revenues, profits and share price.

Relevance to Insurance Industry

Insurance Companies are among those organizations that depend largely on their reputation to attract business. These three statements therefore hold critical importance for them. Their business is that of trust; its success depends on how their customers and investors perceive them. Well constructed mission, vision and value statements can serve as a strong marketing tool, by helping them significantly improve their image. Insurance companies need to design these statements very carefully, publicize them widely and most importantly act on them sincerely to extract real long term benefits.





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

Fire Insurance Policy Clauses
(Part-6)

Earthquake Clauses

Excess Clause:-

When an Earth-quake Clause would have been endorsed on a Fire Insurance Policy, and an Earth-quake would have taken place which would have caused Loss or Damage to the subject-matter of Insurance, the same Loss or Damage can be Claimed for an Insurance Indemnification under the Provisions of the Earth-quake Clause of the Fire-Insurance Policy.

However, such Loss or Damage must be exclusively attributable to the direct consequences of Earth-quake.

In case Loss or Damage would have been caused by a Fire as a direct consequence of the Earth-quake, the same would fall out of the purview of the Provisions of the Earth-quake Clause of the Fire Insurance Policy.

As such, when an Earth-quake Loss or Damage would have taken place, the same would also be subject to a Deductible Excess of Rs.15,000/= Each & Every Loss, routinely applicable.

Within the wording of the Earth-quake Excess Clauses the following Phrase has been expressly bracketed:

" Other than Loss or Damage by Fire so Caused."

These words would imply that if Loss or Damage Caused by Fire consequent upon an Earth-quake, has not been Covered as per the provisions of the Special Condition No.4 of the Fire Policy, then the afore-mentioned bracketed words shall have to be omitted.

In my opinion, this would mean that the Earth-quake Deductible Excess of Rs.15,000/= shall not be applicable on the Loss consequent upon a Fire caused by the Earth-quake.

However, Provisions of Special Condition No.4 of the relative Fire Insurance Policy shall have to be taken into account, in respect of any Loss or Damage caused as a direct consequence of an Earth-quake.

But, it is most essential to keep in mind that, under condition No.4 of the Fire Insurance Policy, Fire Insurance Coverage shall immediately cease in case of falling-down or displacement of:-

1) On any building or Part of any Building.
2) On any Property contained in any fallen Building.
3) On rent or any other subject-matter of Insurance in respect of or in connection with any Building or any Property contained in any Building.

This shall apply to the falling or displacement of such an Insured Building or any Part thereof, either in whole or any Part of any range of Buildings or any Structure of which such Building would form part of.

This condition will apply only when such falling or displacement is of the whole or a substantial or an important Part of such Building would impair the usefulness of such Building or any Part of the same or an important Part of such a Building or any Part thereof or any Property contained therein is exposed to increased risk of Fire or other materials.

Besides, the same condition would be applicable when such falling or displacement of the Building has not been caused by Fire.

However, this ceasure of Insurance Coverage would be subject to the condition that such a Fall / Displacement of the Building, either in whole or a substantial or important part of the same, would impair usefulness thereof or any property contained therein would be exposed to greater Risk of Fire or would be otherwise material in nature.

Besides, this ceasure of Insurance Coverage would be applicable only when such fall/displacement of the Building / Structure is not caused by a Fire and exclusively attributable to Earth-quake only. But alike Building / Range of Buildings / Structure must be specifically covered by the relevant Fire Insurance Policy.

It is most essential to note that the burden of proof of the Fall / Displacement of the Insured Building/Range of Building/Structure shall rest with the Insureds to materially prove that the same Fall / Displacement etc. has been caused by the effect of Earth-quake.

Besides, it must also be kept in mind that the Earth-quake Clause does not cover any Loss or Damage to any goods or materials stored and/or lying the open.

Onus of Proof

In case of an Insured preferring a Claim under the Earthquake Clause of the Fire Insurance Policy, they have the responsibility to prove that the Loss or Damage has been caused by or through or in consequence of the Earth-quake.

This would mean that in case the Insurers would require that any Claimed Loss or Damage must be proved to have been caused by the direct effects of Earth-quake or through the same Incidence or as a consequence of the occurrence of an Earth-quake, the burden of proof thereof would fall on the Insureds to provide the legal and technical evidences of the same.

Endorsements:-

It is obligatory on the Underwriters to expressly endorse the following Wording as and when Earth-quake Risks are included by means of Endorsements on an ordinary Fire Insurance Policy:-

I: Where Earthquake Fire Cover is Granted:

“ In consideration of the payment by the Insured to the Company of the sum of ______________________, as additional premium, the Company agrees, notwithstanding what is stated in the printed conditions of this Policy to the contrary, that this Insurance covers Loss or Damage by Fire to any of the property Insured by this Policy occasioned by or through or in consequence of an Earth-quake

II: Where Earthquake Shock Risk is also Included:

“ In consideration of the payment by the Insured to the Company of the sum of ______________________,as additional premium, the Company agrees notwithstanding what is stated in the printed conditions of this Policy to the contrary, that this Insurance covers Loss or Damage (including Loss or Damage by Fire) to any of the property Insured by this Policy occasioned by or through or in consequence of Earth-quake.

“Provided always that all the conditions of this Policy shall apply (except in so far as they may be hereby expressly varied), and that any reference therein to Los or Damage by Fire shall be deemed to apply also to Loss or Damage directly caused by any of the perils which this Insurance extends to include by virtue of this Endorsement.”

To be continued……..

Akber D.Vazir
ACII (UK)
Executive Director
Afro Asian Insurance Brokers (Pvt) Ltd
Karachi

Customer Relationship in Insurance

Having spent over 4 decades in insurance sector (general insurance) I thought I should share with upcoming youngsters' importance of "Customers Relationships".

This article is written by me at the end of 2016 and I wish all readers............ A Very Happy, Successful, Peaceful year 2017.

Let us go through each points of CR in some detail as under:

1) Customers Relationships:

Just think for few minutes that you are to visit some superstore to buy some household item and I am sure before deciding which superstore you should be going – you will have following points in your mind:

- Availability of parking space
- Well-marked and well-kept shelves
- Free space between the shelves – it should not to be too crowded
- Short queue for pay out

Similarly, in insurance – Customers have some expectations which can be as follows:

- Well trained manpower in insurance company to guide on appropriate coverage
- Right price to match with the cover afforded
- Prompt attention to claims
- Helping, Courteous and dedicated individuals serving the client.

2) What's the need for Customer Relationship?

Now the question arises why "Customer Relationship. It is helpful both ways – it is of immense benefit to your company as much as to the customers. Now look at this from point of view of how it does it benefit the insurance company.

- Customers remain attached for very long period
- Satisfied customer will spread good word for your company
- Your company get "brand recognition" of a "good service provider"
- The existing customers are retained and the marketing team can focus on getting on board new customers.

3) How to get into Delivering Good Customer Relationship:

- First, we need to appreciate and understand the expectations of customers in 2017 are very different from what they had in 1980's.
- Sales people should be well trained to talk sensibly to customers and offer proper technical guidance on coverage
- The serving official of the company should have a "proper follow up" strategy and not like policy delivered – job over.
- The customer should be briefed on company's strong financials and other aspects
- The serving officer should be readily available and not like as it is today hotline "Press 1 for English and press 2 for urdu"
- The serving official should continually build up image of the company.

4) The Chain:

- All insurance companies have different sections or departments to manage their business like Underwriting department, Claims department, Finance department Admin Department etc etc.
- All the stake holders in the company should combine to form a One unit for delivery of service to customers.
- The responsibilities should be shared and all should move together.

5) Result of Good Customers Relationship:

- The insurance company will see the multiplication of clients
- This will result in "growth of premium and obviously, market share.
- Your company will get recognition in the market.
- As the company gets good reputation, the manpower attached with the company will feel quite satisfied with high level of motivation.

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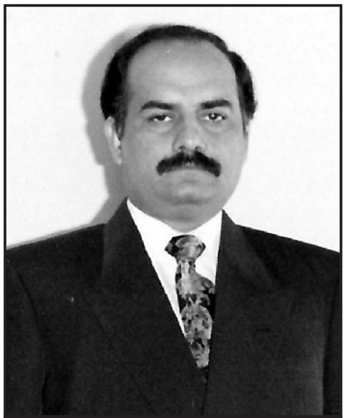

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Fire Fighting

Hazards prevention, management and control are the key factors and play vital role in assessing and managing the risk in the context of Insurance coverage. Fire fighting arrangements at the Insured's premises then play an important role in assessing the risk, providing appropriate coverage at appropriate rate of premium with application of appropriate set of conditions/warranties. Information regarding fire fighting apparatus, mechanism, management and information on account of classification of fire incidents is essential input to evaluate all this. Primarily an underwriter and then a surveyors/loss adjuster have sufficient information to deal with the relevant subject. Some basic information related to this subject is being given in this article to provide basic information about the basic concepts for the officials concerned.

A standard warranty form is being attached with fire insurance policy against cotton ginning and pressing factories imposing arrangement of minimum fire fighting requirements as under:

- 25000 Gallons of water storage.
- 3 Nos. hose pipes of 100 feet length each.
- Water pump with capacity of 250 gallons per minute.

In case of non-compliance the Insured/claimant is liable to suffer 25% deduction out of their claim.

This type of warranties is also attached with other policies but that are not of standard form and different insurers attach different warranties in that respect.

From all above the need to maintain a local fire fighting system is made essential. It is also required by the rules/regulations of Civil defense as well as the Mortgagees banks.

Above all the local fire fighting arrangements for any industry is in their own interest as the factor of controlling the fire immediately after origination is very important.

Classes of Fires

Class A fires are for ordinary combustible materials such as papers, wood, cardboard, cotton, building material, machinery, stocks etc. The numerical rating on these types of extinguishers indicates the amount of water it holds and the amount of fire it can extinguish.

Geometric symbol is green triangle.

Class B fires deals in flammable or combustible liquids such as gasoline, kerosene, grease and oil. The numerical rating for class B extinguishers indicates the approximate number of square feet of fire it can extinguish.

Geometric symbol is red square.

Class C fires involve electrical equipment, such as appliances, wiring, electrical equipments, motors, switches, starters, circuit breakers and outlets where water can never be used to extinguish class C fires – because of the risk of electrical shock. Extinguishers do not have a numerical rating. The C classification means the extinguishing agent is non-conductive.

Geometric symbol is blue circle.

Class D fires include fires of chemical laboratory. They are for fires that involve combustible metals, such as magnesium, titanium, potassium and sodium. These types of extinguishers also have no numerical rating, nor are they given a multi-purpose rating - they are designed for class D fires only.

Geometric symbol is Yellow Decagon.

Class K fire are for fires that involve Ghee, cooking oils, trans-fats, or fats in cooking appliances and are typically found in hotels, restaurant and kitchens.

Geometric symbol is black hexagon.

Type of Fire Extinguishers

Water extinguishers or APW extinguishers (air-pressurized water) are suitable for class A fires only. Never use a water extinguisher on grease fires, electrical fires or class D fires - the flames will spread and make the fire bigger! Water extinguishers are filled with water and are typically pressurized with air. Again - water extinguishers can be very dangerous in the wrong type of situation. Only fight the fire if you're certain it contains ordinary combustible materials only.

Dry chemical extinguishers come in a variety of types and are suitable for a combination of class A, B and C fires. These are filled with foam or powder and pressurized with nitrogen.

BC - This is the regular type of dry chemical extinguisher. It is filled with sodium bicarbonate or potassium bicarbonate. The BC variety leaves a mildly corrosive residue which must be cleaned immediately to prevent any damage to materials.

ABC - This is the multipurpose dry chemical extinguisher. The ABC type is filled with mono ammonium phosphate, a yellow powder that leaves a sticky residue that may be damaging to electrical appliances such as a computer.

How to use Fire Portable Chemical Extinguisher

Pull up the pin at the top of the extinguisher. The pin releases a locking mechanism and will allow you to discharge the extinguisher.

Aim at the base of the fire, not the flames. This is important - in order to put out the fire, you must extinguish the fuel.

Squeeze the lever slowly. This will release the extinguishing agent in the extinguisher. If the handle is released, the discharge will stop.

Sweep from side to side. Using a sweeping motion, move the fire extinguisher back and forth until the fire is completely out. Operate the extinguisher from a safe distance, several feet away, and then move towards the fire once it starts to diminish. Be sure to read the instructions on your fire extinguisher - different fire extinguishers recommend operating them from different distances. Remember: Aim at the base of the fire, not at the flames.

Fire Strykers

The image of fire stryker is given below for quick reference. It is small hand held chemical fire extinguisher which can be used to arrest fire immediately on origination or used on small scale fires i.e. kitchen, car, room fires etc.

Function of Fire Extinguishers

The basic function of fire extinguishers are as under:

- Bringing down the temperature by cooling effect.
- Reducing the Oxygen to die the burning process/flame.

So mostly and commonly used fire extinguisher is water. The 2nd most useful fire extinguishing agent is CO2 (Carbon dioxide) which reduces the Oxygen level from the fire scene through chemical process which is consequently helpful to combat the fire.

The other fire extinguishing agents are used to form a dry powder and foam for particular type/class of fire in terms of type of material on fire.

For example in case of electrical appliances/wiring/gadgets fire wet or conductive agents cannot be used. One needs to use dry and non-conductive agents for that matter. Similarly some type of stocks can suffer more damage through water used to extinguish the fire rather than fire itself so wet/water based extinguishers cannot be used there.

All above categories of fire extinguishers are of portable extinguishers class for small fire incidents and/or to arrest the fire at primary stage to arrest it from spreading.

Guideline Chart

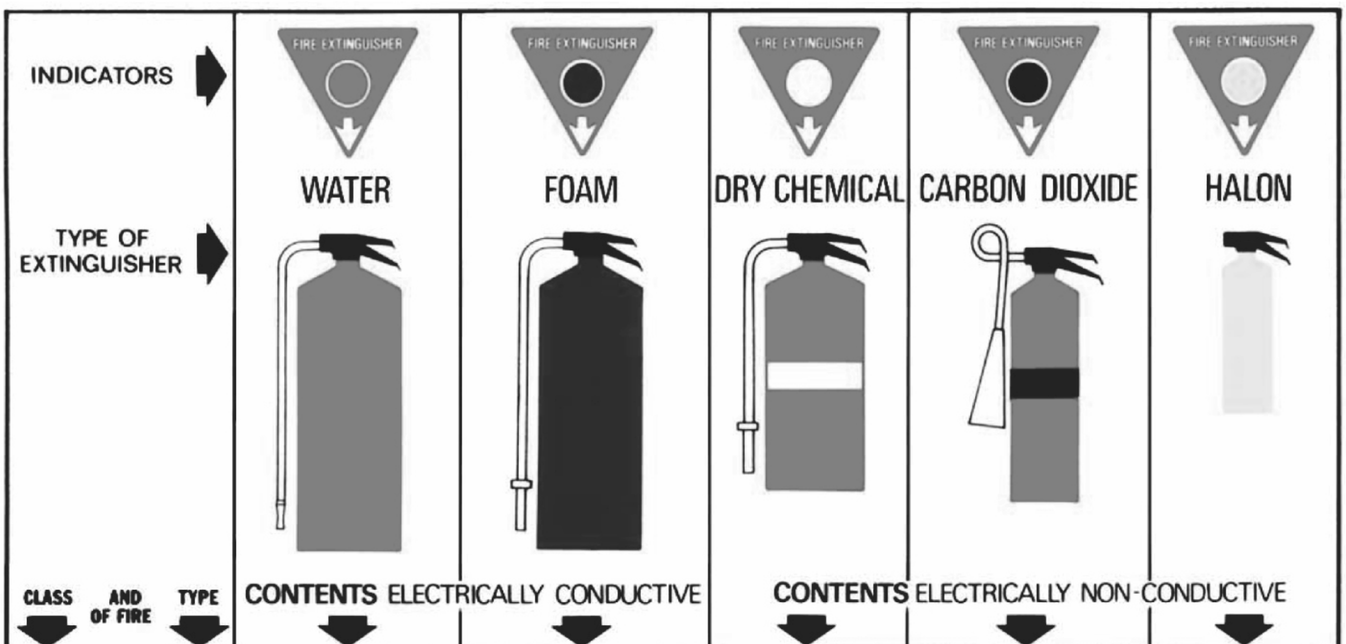
The following chart gives a quick guide line for using portable fire extinguishers against each class of fire.

Heavy Duty Fire Tenders for Large Scale Fire Incidents

Otherwise for big fire incidents heavy duty fire tenders, fire brigades, automatic/manual water sprinklers with the smoke, heat detecting systems are provided.

A large number of classes of fire tenders are available suit to different classes of fires. The key factors which differentiate one tender from others are as under:

- Water carrying capacity.
- Foam carrying capacity.
- Water/foam discharge output rate of pumps.
- Water/foam suction input rate of pumps.
- Length of hose reels.
- Dia of hose reels.



CLASS AND TYPE OF FIRE		WATER	FOAM	DRY CHEMICAL	CARBON DIOXIDE	HALON
A	Ordinary combustibles (wood, paper, etc)	✓ YES MOST SUITABLE	✓ YES	✓ YES	✓ YES	✓ YES
B	Flammable liquids	✗ NO	✓ YES SPECIAL FOAM REQUIRED FOR ALCOHOL-TYPE FIRE	✓ YES	✓ YES	✓ YES
C	Flammable gases	✗ NO	✗ NO	✓ YES	✓ YES	✓ YES
D	Combustible metals	✗ NO	✗ NO	✗ NO	✗ NO	✗ NO
		← USE SPECIAL PURPOSE EXTINGUISHERS ONLY →				
	(E) Fire involving live electrical equipment	✗ NO	✗ NO	✓ YES	✓ YES	✓ YES

- Capacity and provision of equipments/accessories e.g. ladders, nozzles, fire proof uniform etc.
- Carrying capacity varies with an average of 5000 litters.
- Output discharge/suction capability is available between 1000 LPM to 4000 LPM.
- Water discharge hose reels varies from 50 to 100 feet.
- Direct Foam and water discharge Nozzle guns are also available.

So mostly foam and water carrying fire tenders are in use.

Water / Sand Buckets

Water and sand filled buckets are made available near the stock areas, godown/warehouse walls, process halls, machinery and store rooms, boilers, offices etc which are used as a first aid.

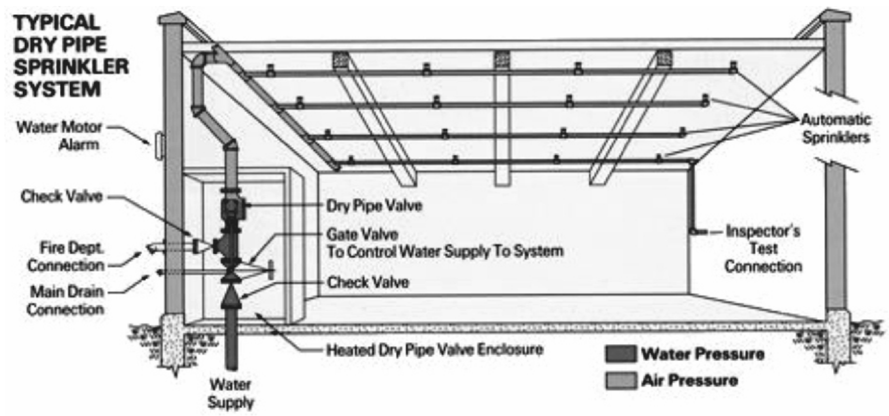
Sprinkler System

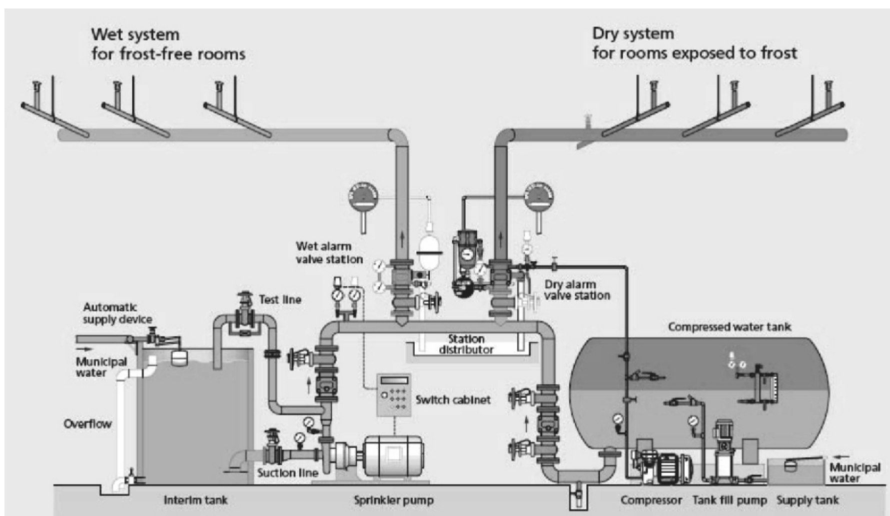
Such automatic water sprinkler system is installed mostly in large warehouses, godowns, stores etc. It is very effective fire fighting system. There are so many specialists companies who offer such services in Pakistan.

For stocks in open compounds a ground based water sprinkler system may be helpful at low cost. It can be better understood from the following picture.

Heat, smoke and flame detectors make this sprinkler system so efficient in order to control the fire immediately after origination.

To be Continued....





Junaid Akram
Consulting Actuary

Non-Life Insurance and Actuaries in Pakistan

This article will discuss the role of actuaries in non-life insurance and how it compares in Pakistan, however, before coming to the main topic we will discuss the following as well:

- A brief look at the size of the insurance industry of Pakistan
- Segmentation between life and non-life insurance in Pakistan

Size of Insurance Industry of Pakistan

Table 1.1, provides 2015 Gross Premium and Insurance Density (premium per capita) for comparable countries. Out of these countries from GCC, South Asia and Far-East Asia the Gross Premium of Pakistan is only higher than Oman & Bangladesh, while Insurance Density is only higher than Bangladesh. This shows that there is huge potential for the insurance industry to grow in future given the right direction is followed.

The insurance industry of Pakistan is small due to various reasons some of which are summarized below:

- No income tax culture, although life insurance premiums are income tax deductible even then the business is low due to small proportion of people paying taxes
- No Compulsory Insurance, although the law is there for Third Party Liability (TPL) insurance to be compulsory for motor vehicles but this is not correctly enforced and motor vehicle owners are able to get TPL insurance at nominal costs which does not provide the required coverage
- No insurance culture, it is said that the insurance is not in the culture of the people of Pakistan. People are reluctant to buy insurance, they feel it is not Islamic as well as they assume the family and friends will help during difficult times.

Life & Non-Life Insurance in Pakistan

During the last decade, in Pakistan, the insurance industry focus has shifted from non-life to life insurance i.e. major portion of gross premiums are for life insurance companies, as shown in the table 1.2.

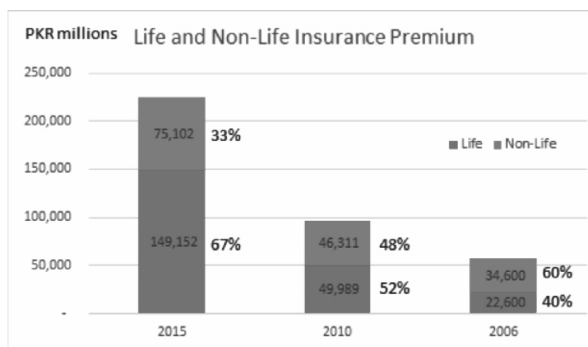


Table 1.2: Development of Life and Non-Life Insurance Premium

The above table highlights how the life insurance premium over the period of 10-years has increased in proportion i.e. from 40% in 2006 to 67% in 2015. This shows an annual growth rate of 23% for life insurance and 9% for non-life insurance with a combined annual growth rate of 16%.

It is expected that the proportion of life insurance will increase further in future years, given no immediate action is taken by the non-life insurance sector and regulators to

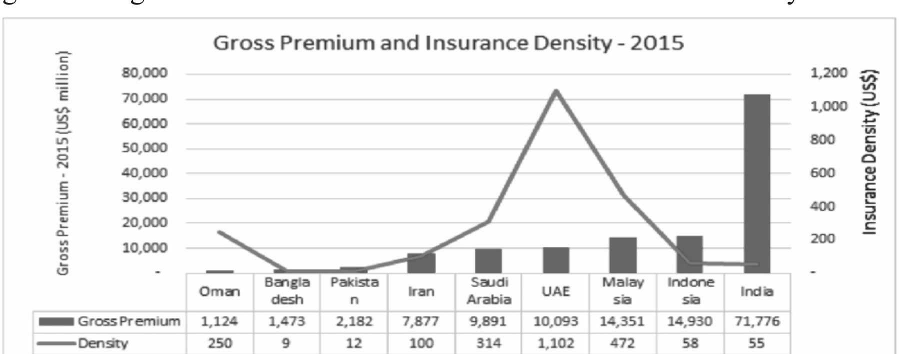


Table 1.1: Gross Premium and Insurance Density

support non-life insurance. Overall the global average business of life insurance is around 55% i.e. around 45% of global insurance business is for non-life insurance.

Non-Life Insurance and Actuaries

Actuaries are rarely being employed in the non-life insurance sector of Pakistan, when compared with other comparable countries where actuaries have a critical role in management of the company. This is in contrast to life insurance where actuaries are considered critical since the beginning of the life insurance industry. When compared with other comparable countries, in UAE, Saudi Arabia and India actuaries are being employed by non-life insurance companies while in Malaysia it is mandatory for a non-life insurance company to have a qualified actuary as an employee.

The main reason for small (no) participation of actuaries in non-life is due to life insurance being based on actuarial principles whereas non-life insurance is considered more as an ad-hoc (short term) business though with respect to riskiness some classes of non-life insurance are even more volatile than life insurance. The reason also lies, in part, with actuarial profession as actuaries showed less interest in non-life insurance pricing and reserving initially.

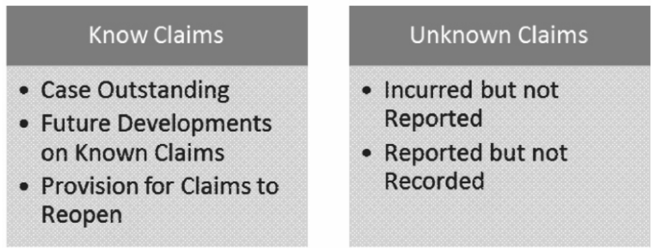
Recently SECP gave 'Guidelines for Estimation of IBNR Claims Reserves' which encourage the use of an Actuary by non-life insurance companies in Pakistan for claim reserving purpose.

We describe in detail the areas where actuaries help non-life insurance companies globally.

1. Claim Reserving

Claim reserving is a key actuarial role in non-life insurance, when working in this function communication of Actuary with other departments is important particularly with claims, finance and legal.

Actuaries apply actuarial techniques and professional experience to come up with adequate amount of reserves for claims in the following categories.



These are described as follows:

Known Claims

• **Case Outstanding:** Claims which are reported and recorded by the insurance company. A particular value is also assigned to the claim estimate in monetary terms as Case Outstanding.

• **Future Developments on Known Claims:** Amount assigned to reported and recorded claims in addition to Case Outstanding to account for actual paid amount being higher/lower than the Case Outstanding.

• **Provision for Claims to Reopen:** Amount assigned to claims which are paid and closed to account for re-opening of claims resulting in additional out/in payments.

Unknown Claims

Incurred but not Reported: Claims which have occurred but not yet reported to the insurance company.

Incurred but not Recorded: Claims which have occurred and been reported but not yet recorded by the insurance company.

Adjustment is also made for claim handling and settling expenses and reinsurance arrangement to arrive at reasonable final claim reserving figures.

The two critical aspects of claim reserving process are

1. Technical Evaluation

This part of the process is based on evaluation of claims data using suitable actuarial methods. The data usually required is paid and outstanding claims apart from underwriting, financial etc.

Each method produces different results and is based on the principle that the past pattern of claims is representation of future. The basic methods used are

- Chain Ladder Method
- Expected Claims Method
- Bornhuetter-Ferguson Method
- Cape-Cod Method
- Case Outstanding Method
- Stochastic Method
- Frequency-Severity Method

2. Actuarial Judgment

Actuarial judgement is a critical part of claim reserving process. Application of actuarial methods without regard to underlying claims data and processes can lead to misleading results. Actuaries apply actuarial judgement in order to select the most appropriate method and assumptions.

When applying actuarial judgment actuaries look at various factors including the following:

- Changes in underwriting policies
- Changes in outstanding claims reserving processes
- Changes in regulatory or legal environment
- Changes in business mix
- External factors

SECP # Circular 09 of 2016 – Guidelines for Estimation of Incurred but not Reported (IBNR) Claims Reserves

The Securities and Exchange Commission of Pakistan (SECP) has issued guidelines for non-life insurance companies on methodology for estimation of 'Incurred But Not Reported (IBNR)' claims reserve, through Circular # 09 of 2016 as at March 09, 2016. The guidelines prescribe a standard method for the estimation of IBNR. This will bring standardization and uniformity across the non-life insurance sector in respect of IBNR estimation. All non-life insurance companies are required to comply with the guidelines effective July 1, 2016.

The following are the main points from the circular

- **Prescribed Method:** Chain Ladder Method
- **IBNR Reserve:** To be determined according to the guidelines
- **Annual Valuation Report:** Annual Valuation report to include quantitative reports and to be submitted to the regulator
- **Claims Data:** Maintenance of adequate claims data is the responsibility of the insurance company
- **Effect of Reinsurance:** To be considered
- **Other External and Internal Factors:** Need to consider other external and internal factors when determining the IBNR reserves
- **Alternate Method:** May use alternate method based on past experience and future outlook, must not result in lower IBNR then prescribed method
- **Settlement Expenses:** Need to include in the IBNR reserves

2. Pricing

For many products the cost is known at the time of sale however for insurance products it is not possible to know the exact cost at the time of sale. Actuarial techniques help insurance companies determine the cost to be charged from the clients in order to cover the cost of insurance, expenses and make reasonable profit. Actuaries are usually sitting by the side of underwriting providing guidance on policy pricing.

The basic premium equation is usually used to determine the premium amount, which says

Premium = Loss + LAE + UW Expenses + UW Profit

Premium = Amount charged from the policyholder
Loss = Amount of compensation paid to the policyholder (include recovery from salvage or subrogation)
LAE = Loss Adjustment Expenses (LAE) cover claim's direct and indirect cost related to settlement of expenses. Direct cost include survey cost etc. while indirect cost includes claims department cost etc.
UW Expenses = Underwriting (UW) Expenses include all costs other than LAE. These include general expenses, commission, taxes etc. less investment income

UW Profit = Underwriting (UW) profit includes suitable risk margin and reasonable profit

The primary actuarial work in pricing is determination of expected loss cost. This is determined using exposures, loss trends and developments based on available internal and external data.

Credibility factors are also used to weight past experience based premium with premium determined on overall portfolio experience.

In Pakistan actuaries are usually not being used in pricing of non-life insurance policies except for in health insurance by some companies.

3. Capital and Risk Management

In recent years, actuaries have become more involved in financial and corporate matters of the insurance companies including capital management and risk.

Capital Adequacy

Actuarial techniques and methods are used to determine capital adequacy by projecting future assets and liabilities using deterministic and stochastic methods. The results are then analysed to determine the chance of insolvency.

Risk Management

Insurance risk are usually very complex since insurance business assume additional risk than the usual risks involved.

Financial Risk	Non-Financial Risk
• Credit Risk • Market Risk • Liquidity Risk • Insurance Risk	• Operational Risk • Business Risk • Strategic Risk • Reputational Risk

The insurance risk includes

- Underwriting Risk
- Reinsurance Risk
- Catastrophe Risk
- Reserve Risk
- Asset/Liability Management

In addition, actuaries are also providing insurance companies with complete Enterprise Risk Management (ERM) framework in order to manage the risks being faced.

PAKISTAN INSPECTION
United Kingdom

To accomplish great things we must not only act, but also dream: not only plan but also believe

(Introductory speech at a session of Academia Françoise, December 24, 1896)

Insurance Journal Performance Awards 2016

The 2nd Insurance Journal Performance Awards 2016 ceremony was held on 22nd Nov 2016 at Hotel Marriott Karachi attended by a large number of guests.

The Chief Guest on the occasion was Mr. Muhammad Raeesuddin Paracha Federal Insurance OMBUDSMAN. Give below is the speech delivered by Mr. Muhammad Raeesuddin Paracha.

“I am thankful to Mr. Jamaluddin for inviting me to this forum as it gives me immense pleasure to be with this august and distinguished gathering of Pakistan's Insurance Industry in the ceremony of “Second Insurance Journal Performance Awards 2016. It is heartening to note that Quarterly Insurance Journal has maintained its legacy successfully for the second time.

In fact the initiative for introducing awards taken by Mr. Jamaluddin is the first of its kind in the Insurance Industry of Pakistan which is very encouraging and will definitely boost and tempt the Companies to woe for it. It is a general practice throughout the world and in Pakistan too that awards in many fields are given to recognize the outstanding performance of an individual of in this case the Company in a respective field but as the same time it creates an atmosphere of competition amongst the individuals and the Companies to raise their performance and establish entitlement for the award.

I believe that the instant awards are definitely serving this purpose and it has now been recognized by all the stockholders. The Insurance Company which is found eligible for the award in any category will definitely be delighted to get one which not only proves good performance in the field of insurance or corporate social responsibility but at the same time it benefits the Company to improve their image and integrity amongst general public and specially their clients, the insured. As it is a tendency that the people opt to avail the services of best performer and the Insurance Company who clinched the award will definitely increase its folio of clients.

The purpose of award nomination is in fact an encouraging move to recognize and appreciate the working and good performance of the insurance companies in the field of good corporate governance and discharging their obligations for corporate social responsibility as highest donor for the year 2013 – 2016 and the underwriting profit award.

This is yet another good step taken by Mr. Jamaluddin Editor of Quarterly Insurance Journal that he has arranged an impressive award ceremony for those insurance companies which have ranked in excel in performance and good corporate governance.

I appreciate the Quarterly Insurance Journal for recognizing the work of corporate social responsibility (C.S.R.) as highest donors for the year 2013 – 2016, underwriting profit awards and best written article awards.

Availing this opportunity, I would like to suggest that apart from current award list, there should be an award for “Best Business Performance” to a company which has promptly settled the claims in highest numbers. One more award should also be dedicated to a company as a “Corporate Governance Award”.

Least but not the last, I hope that the team of Quarterly Insurance Journal under the able leadership of its Editor Publisher Mr. M. Jamaluddin will continue to pursue the literary mission with the same zeal and spirit in future. Thanks”.

Mr. Saifuddin Zoomkawala Convener of the 2nd Insurance Journal Performance Awards 2016 committee speaking said it was a great moment for him to see the 2nd Award Ceremony which was the indication of the acceptance of Awards as a major and positive step by the Insurance Journal. He was appreciative of the Insurance Journal for very regular publication of the Journal for the last 32 years. He assured the Insurance Journal for his full support for strongly projecting the insurance industry. He thanked the committee members for their help and cooperation.

The chairman of Insurance Association of Pakistan Mr. Hasanali Abdullah addressing the audience welcomed the initiative taken by the Insurance Journal. He also briefly outlined the activities of IAP. He was of the opinion that insurance industry could play much bigger part in the economic development and thought proper dynamics such as tax regime was devised in a way that the general public of all incomes group could be encouraged to buy insurance policy.

Mr. M. Jamaluddin Editor and Publisher Insurance Journal earlier in his welcome address once again urged the Insurance industry to come forward and be a part of Insurance Journal. He said positive and active participation of the industry should be considered as part of their professional engagement. He said initiative to bring out an exclusive magazine on Insurance had been taken in 1984. These 32 years had proved that God willing the Insurance Journal had come to stay. He once again repeated proposals he made to IAP at the 1st Insurance Journal Awards 2015 ceremony held in 2015.

Concluding he thanked the Award committee members the sponsors of the event and the guests.

Mr. Moin Fudda conducted the Award Ceremony.

Mr. Ayaz Hussain M. Gad presented the Vote of Thanks.

Mr. Kazmi of TPL Direct Insurance receiving the award from Mr. Raeesuddin Paracha (Federal Insurance Ombudsman), Mr. Munir Bhimjee and Mr. Saifuddin Zoomkawala are also seen in the picture. TPL Direct Insurance won the C.S.R award dedicated to Mr. Roshen Ali Bhimjee for the highest donation after tax in 2013-2015.

Mr. Azfar Arshad of Jubilee General Insurance Co. receiving Insurance Journal Award for Highest Donation (2013-2015) from Raeesuddin Paracha (Federal Insurance Ombudsman). Mr. M. Jamaluddin Editor/Publisher Insurance Journal is also seen in the picture.

Mr. Arshad P. Rana CEO of Atlas Insurance Co. Ltd. receiving the award from Mr. Raeesuddin Paracha (Federal Insurance Ombudsman). Mrs. Nafisa Choudhry and Mr. Saifuddin Zoomkawala are also seen in the picture. Atlas Insurance won the Highest Underwriting Profit Award 2013-2015 after tax dedicated to Mr. Mohammad Choudhry.

Mr. Mian M.A. Shahid Chairman United Group of Companies receiving Insurance Journal Award from Mr. Raeesuddin Paracha (Federal Insurance Ombudsman). Mr. Saifuddin Zoomkawala is also seen in the picture. The United Insurance Co. of Pakistan Ltd. a member company of UIG won the 2nd Highest Underwriting Profit 2013-2015 after tax.

Mr. Waseem Dar receiving award dedicated to Mr. M. A. Chishti on behalf of Dr. Safdar Ali Butt Professor, Emeritus of Finance and Corporate Governance Capital University of Science & Technology Islamabad from Raeesuddin Paracha (Federal Insurance Ombudsman) and President Karachi Chamber of Commerce & Industry Mr. Shamim Ahmed Firpo for writing Best Article in Insurance Journal.

Mr. Nasir Siddique (ACII) receiving The Insurance Journal Award for Best Articles in Insurance Journal from Raeesuddin Paracha (Federal Insurance Ombudsman) and Prof. S.B. Hassan. Mr. Saifuddin Zoomkawala is also seen in picture.


Insurance Journal
Welcome


Insurance Journal




Winners of 2nd
Insurance Journal
Performance Awards
2016


Insurance
Journal






Winners of The Insurance Journal Performance Awards 2016

C.S.R Award

Highest donation As percentage of After Tax Profit 2013-2015
Award dedicated to **MR. ROSHEN ALI BHIMJEE**

Winner:

TPL Direct Insurance
Award received by **MR. KAZMI**

Highest Donation 2013-2015
Insurance Journal Award

Winner:

Jubilee General Insurance
Award received by **MR. AZFAR ARSHAD**

Highest Underwriting Profit percentage of Written Premium 2013-2015

Award dedicated to **MR. MUHAMMAD CHOUDHRY**

Winner:

Atlas Insurance
Award received by CEO **MR. ARSHAD P. RANA**

2nd Highest Underwriting Profit percentage of Written Premium
Insurance Journal Award

Winner:

United Insurance Company
Award received by **MIAN M. A. SHAHID** Group Chairman UIC

Articles Written in Insurance Journal

Award dedicated to **MR. M.A. CHISHTI**

Winner:

Dr. Safdar Ali Butt Professor, Emeritus of Finance and Corporate Governance Capital University of Science and Technology, Islamabad.

Insurance Journal Award

Winner:

Mr. Nasir Siddique ACII (UK), MBA (I & RM) Team Lead (Property Underwriting) IGI Insurance Ltd. Lahore.

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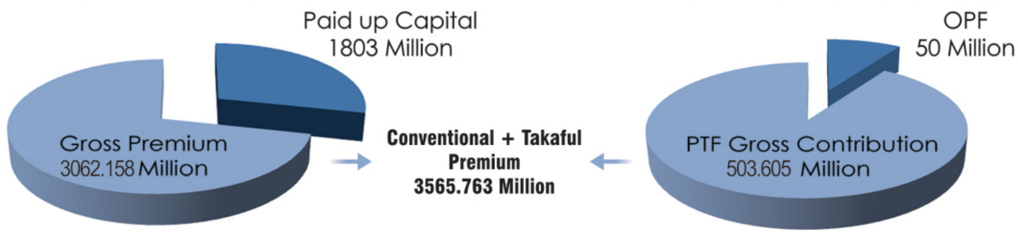

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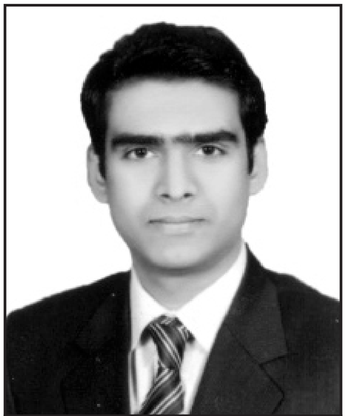


Dr. Sanaullah Aslam
B.Sc, Doctor of Pharmacy (RPh), MBA, MPhil
Product Manager
Standpharm Pakistan (Pvt) Ltd

Basics of Selling Skills

To many people the word "Selling" implies manipulating, pressuring, cajoling. Although someone once told me that selling is the art of closing the deal which encapsulates selling's essence.

Are people born natural sales people or can the skills of selling be learned? We firmly believe in that no matter what your background, education or experience is, that learning the art and the science of selling can be mastered with right approach and technique. Now when it comes to elaborate "Selling Skill" it is being said that it is the small talk whose purpose is to relax both parties and establish an easy and natural dialogue or the selling is first and foremost a transaction between the seller and the prospective buyer or buyers (the target market) where money (or something considered to have monetary value) is exchanged for goods or services.

But we have to sell "something" to our customer or potential buyer and that something is "Product"

What is Product?

Any item which can be brand or services that ideally satisfies customers' needs will be called as product.

In our corporate world, there are multiple brands and options available to our customers and we manipulate and in more realistic way, we convert and converge the attentions and desires of our potential buyer to focus at our product. So in other words we "help the customer" to decide to have/ buy our product and we do that by satisfying his needs with our product for mutual benefits by persuading him of the merits of our products. All this happens when a representative, in a discussion, presents all good reasons that satisfies all requirements that customer wants.

The Selling Process Stages:

To streamline the selling process the basics of any sales call or process were defined. The basic steps include pre call planning, opening, probing, reinforcing, closing, objection handling and gaining commitment. We will discuss each step in remaining article.

1. Pre Call Planning:

Pre call planning is to manage the collection of relative data to cope with the objective goal which may help us during the call flow. It includes following main points.

- ***Targeting:*** Targeting the right customer. In other words it is the selection of right customer who can be our potential buyer. Targeting may include identifying the behaviour, habits, liking, disliking (what product is he already using and why), and the problems he is facing and objections which may arise during call. This is done to set the right product for right customer at right time.
- ***Daily call planning:*** It is the rough plan or points which we want to discuss with our customer depending on feedback (of competitor, customer and of our product too).
- ***Bag preparation:*** To arrange the

required supportive data.

- ***Joint working planning:*** To get help from senior or any associate.
- Activity/ Campaign Planning

Being well informed about the product, the customer and the competitors, the representative can prepare himself to build a customized points, do discuss, for each customer.

Benefits of Pre Call Planning:

Pre call planning helps in reduction of uncertainty, to engage customer in better quality of discussion, better interpretation of the product in terms of the customer's needs.

2. Opening:

Opening is the skill of capturing the customer's attention and focusing the sales call. Opening involves two steps:

- Identify a known or presumed customer need (A presumed customer need is an educated guess about what the customer probably needs. A known customer need is what you have already discussed with the customer on a previous call).
- Propose feature, action and benefit that satisfy the need.

3. Probing:

Probing is the skill of questioning. Questions are used to probe information from customer. Questions starting with what, why, how, who, which are generally used and are very useful for one's positive persuasion and motivation.

Basically there are two types of probes: Open and Closed

- ***Open probes:*** Questions that invites extended explanation ---- Allows the customer to describe a need.
- ***Closed probe:*** Questions that can be answered in single word (Yes/ No) ---- Allows us to direct the customer to a presumed need.

Probing helps as it allows us to guide the customer to reveal his needs. With effective probing skills, we can take control of the sales call.

Probing Strategy:

An ideal flow chart for probing is as follows

a) Begin with an OPEN Probe → If need Identified → Go for "Reinforcing".

b) Begin with an OPEN Probe → If no need Identified → Switch to CLOSED Probe.

4. Reinforcing:

We probe to uncover needs that can be satisfied by the features and benefits of our product, then we reinforce, you show the customer why your product is needed. Reinforcing is the skill that firmly establishes you as a problem-solver and promotes your product to the customer with real motivation.

Reinforcing is the skill of satisfying customer needs with product features and benefits. When you have successfully used the skill of probing, your customer will either state or confirm a clear need that can be satisfied by a feature and a benefit of your product.

It involves following two steps:

Step 1: Agreement/ Acknowledge, Paraphrase the customer need (First we make a direct expression of agreement. "Exactly", "That can be a real problem", "Absolutely", "That's a significant issue", "Without question", "Good point". Then we have to restate the customer's need). Do not repeat the customer's exact words, paraphrase them.

Step 2: Propose a feature and a benefit that can satisfy his need.

5. How to Demonstrate a Product:

We can demonstrate a product by its features, advantages and benefits.

a) Feature: Feature is a factual statement about the product or service. They are the characteristics of the product. This is what the producer puts into a product to produce useful effects. A Feature may be an ingredient or description of any aspect of the product.

b) Advantage: It is the Unique Selling Proposition (USP), compared to other products.

c) Benefits: They are how the end user is improved. These are the final results/ advantages of the action of that particular feature. They are the reason why your product is worth buying or how your product can make your customers' life better.

Don't assume that a benefit that's important to one customer will be important to another customer. Don't assume that your customer will translate your product features into benefits by himself.

Remember that it is role of representative to elaborate and translate features into benefits according to customer's needs for better results.

Organizing the Features, Advantages and Benefits:

There are two ways to do that:

a) Feature Action Benefit (FAB): In this method, we start with the feature and explain its action and then come up with the benefit.

b) Benefit Action Feature (BAF): In this method of organization, we start with the benefit and then prove it with the action and relate this action to the feature.

Selling the Price Effectively:

The right stage to present the price is not until the customer has realised the benefits of your product in terms of quality, reliability, brand name and services. If the customer asks, "How Much" – Tackle him/ her in the following manner:

- I am coming to that Sir (ask Question)
- I am sure the Price is not your only consideration
- I will provide you with a full Price list Sir

If pressed a lot, tell the price using **Sandwich Method** and continue. Sandwich method is to sandwich the price in between two or more features of our product i.e.

Step 1: Present the benefits.

Step 2: Put the price in front of the customer.

Step 3: Continue with explaining the benefits that will derive out of this price.

We have to identify our strategy for the conversation. Our strategy must be to start with some positive feedback to relax our customers, then give them the negative feedback — the price — and then end with more positive feedback so they won't be so disappointed or angry.

6. Closing The Sales Call:

Why a representative may not close well? Representatives usually think or actually try to close a business call too early, too late or they behave too aggressively, customer's objections are not resolved completely, sales process is not followed properly. So when a representative must close his business call? He may choose to close when the customer has understood our product completely, has developed trust in our company or has a desire for the benefits.

7.Gaining Commitment:

Gaining commitment is the skill of obtaining the customer's agreement to act. The action may be anything from reviewing a research, article, study or to note and review a specific feature by using our product on a trial basis. The key objective is to make a specific agreement leading towards product usage.

When a Customer is Ready to Give Commitment?

Customer signals for acceptance for us to seek commitment. It involves two steps:

Step 1: Review the benefits accepted by the customer. Probe for an acceptance signal. If we try to gain commitment without receiving an acceptance signal, we should summarize the accepted benefits and then probe for acceptance signal.

Step 2: Ask for action. A request for action is actually a paraphrased sales call objective. When we ask for action you must be specific.

Strategy to Gain Commitment:

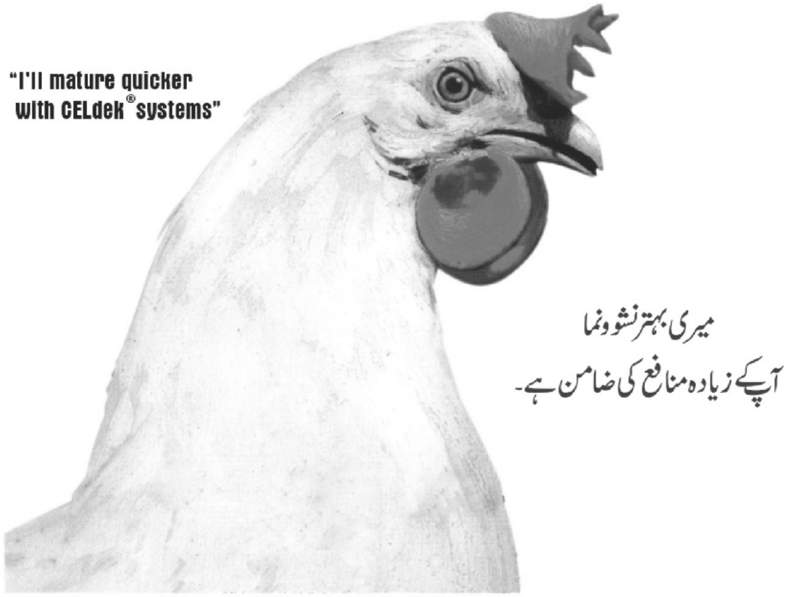
a) If acceptance signal is received → Review accepted benefits → Ask for action

b) If NO acceptance signal is received → Review accepted benefits → Probe for acceptance signal → Ask for action

8. Post Call Analysis:

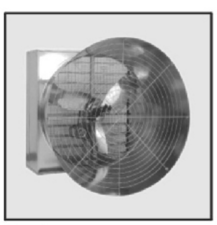
In post call analysis we evaluate the business call with customer critically, record call information or data received and set objectives for next meeting with the customer. We analyse whether we have followed the basic steps of any business meeting, developed customers' interest. We note down the query or any objection raised, effectiveness of input, pre call plan implementation.

Post call analysis also involves the timely reporting of that particular call, sales closing management, inventory management (if required), feedback to head office (for new product launch, competitor details, types/ nature of queries, campaign/ activity feedback).



When rearing poultry, maintaining a controlled climate is more important to optimal growth than even feed or stocking density. Conventional ventilation systems in poultry houses simply do not compensate adequately for temperature and humidity fluctuations caused by body heat and the sun's radiation. CELdek® system, on the other hand, maintain an optimal temperature and humidity, safely, efficiently throughout the production cycle.

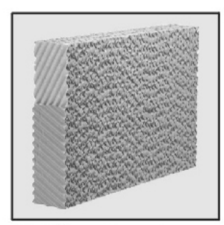
A healthy, unstressed bird is a productive bird. CELdek® systems address the bird's total rearing environment to help eliminate stress and improve weight gain and feed conversion. And the more you do for the well-being of your poultry, the more they' II do for you.


Cone fan


Euroemme fans (Em 36)


Euroemme fans (EM 50n)

Air heaters


CELdek® evaporative cooling pads

ISO 9001-2000 Certified

Sole Distributors: **Munters** *Climate. Controlled.*

بہترین نشوونما کے لئے **پیپکو پاکستان** آپ کو جدید ترین ٹیکنالوجی کے حامل امپورٹڈ ایکوپمنٹ اور معلومات مہیا کرنے کے لئے چوبیس گھنٹے حاضر ہے۔

PEPCO (Pvt) Ltd.

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www.pepcopakistan.com

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

Energy Risks
(Assessment)

1.What we are insuring under Energy?
2. Type of covers
3. Energy Hazards
4. Risk Assessment

Energy Insurance Product Offering

- Control of Well / Operator Extra Expense
- Physical Damage
- Business Interruption
- Liability
- Machinery Breakdown
- Hull & Machinery
- Cargo
- Political Violence
- Terrorism

Hazard Identification

A. Physical Hazards
B. Chemical Hazards
C. Mechanical Hazards
D. Natural Hazards
E. Third party Hazards
F. Financial loss
G. Design & Maintenance Hazards
H. Cyber Attack
I. Hydrocarbon Effect
J. Hazardous materials spill or release

What Else

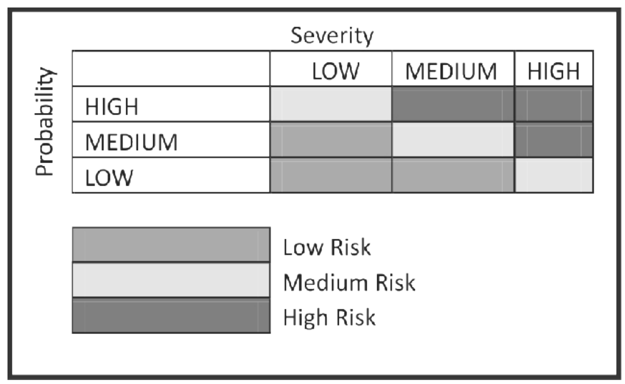
o General growth or decline of the Economy
o Political Stability/Instability
o Governance System
o Sanction
o Currency Fluctuation
o Oil Prices
o Taxation
o Safety regulation
o New rules and Regulations
o Labor skills and Education

What information is needed to the evaluate risk

A. Features of the facility and Hardware (Spacing)
B. Concentration of assets and their values
C. Hydrocarbon, flammable inventories & Toxic inventories (Gas &Liquids)
D. Process conditions (temperatures and pressures)
E. Management system
F. Inspection & Maintenance procedures
G. Security
H. Fire Safety and Protection
I. Emergency Control
J. Loss estimates
K. Location related to third party and existing exposures
L. Natural perils
M. Risk improvement recommendation

Classification of Risk Exposures

Relate the inherent hazards and the loss control factors to 'Risk Potential Classification Matrix'



Mechanisms

Assess the severity of the consequence against probability of occurrence to allocate the risks to:

I. High Risk
II. Medium Risk
III. Low Risk

Key Messages

- Give you an overall idea of what you are insuring in Energy
- Understand the risks involved - what is important and what is minor
- Give an understanding of information required to review energy risks.
- Quality assurance and control from the beginning of construction and throughout operations
- Inspection and Maintenance a key element

Sustainable development creates win-win situations: Swiss Re supports new UN Sustainable Development Agenda 2030:

We've got just this one Earth. Let's preserve it for future generations.

In essence, that what the 193 member states of the United Nations have committed to by declaring the new Sustainable Development Goals – the new SDG agenda 2030. It contains a broad range of sustainable development goals for fighting hunger by increasing food security to ensure availability of water; and from combating climate change to developing cities in a sustainable manner that reduces their vulnerability to natural disaster risks. This is a remarkable political milestone: for the first time, all nations commit to a common agenda for sustainable development.

Swiss Re strongly endorses the new UN SGD agenda 2003. Our long-standing commitment to sustainable business is well known and broadly acknowledged, most recently by being named as the insurance industry sector leader in the Dow Jones Sustainability Indices (DJSI) for the second consecutive year – and the ninth time since 2004.

New goals challenging, but doable

What does the new UN SDG agenda 2030 mean for Swiss Re? Thomas Wellauer, Group Chief Operating Officer, says: "We see this as a great opportunity. Sustainable development benefits all. The new goals provide a strong vision and alignment of efforts by governments, NGOs, and the private sector. Swiss Re will analysis the goals to identify areas where we can make a contribution based on our business focus, our competencies and our partnership network"

To achieve the new UN goals for sustainable development by the set year 2030 is indeed a tall order. But then, so were the Millennium Development Goals the UN set for the timespan 2000 – 2015. Very substantial progress was made towards many of these goals in areas like the reduction of poverty, hunger and access to improved water sources.

This is an encouraging lesson: setting ambitious goals helps align efforts at national and hopefully also at international levels towards driving the new SGD agenda. It also provides great opportunities for a multi-stakeholder approach where international institutions, governments, NGOs and the private sector team up to develop innovative approaches that help make progress on the path to sustainable development.

Michel M. Lies, Swiss Re's Group Chief Executive Officer says: "The new agenda for sustainable development creates opportunities for win-win situations: when Swiss Re works with partners like Oxfam, the UN World Food Programme, Columbia University and others to develop solutions that help smallholder farmers in Africa to cope with the negative effects of climate change, this reinforces the resilience of local agricultural communities. But is also contributes to creating insurance markets where there were none, and thus lays the ground for further development steps."

Public-private partnership in action

Swiss Re actively participated in the there-year national consultation process in the run-up to the new agenda 2030. We provided insights from a private sector perspective to the Swiss government. Indeed, this new UN SGD agenda will simply not fly without the comprehensive mobilization of resources from the private sector! Swiss Re strongly suggested that the new UN goals be backed up by a solid and transparent approach to measure progress and to hold stakeholders accountable for their commitments.

The private sector can build on strong ground here. Many companies – including Swiss Re – report annually on their efforts to ensure sustainability across all business processes. Many do so based on the standards developed by the Global Reporting Initiative. This allows investors and other stakeholders to compare achievements – an important requirement to enable investors to decide about where to put their money.

Courtesy: SwissRe

SDRCS Provide relief to Policyholders:

According to a Press Report the SMALL DISPUTE RESOLUTION COMMITTEE (SDRCS) of the Securities and Exchange Commission of Pakistan has provided relief of Rs. 3.64 million to policyholders during 2015- 2016. Three SDRCS were constituted one each in Islamabad, Lahore and Karachi. The purpose is to mediate and resolve disputes arising between the Insurers and the Policyholders. Each committee is comprised of a Chartered Accountant, a Lawyer and an Expert Professional Insurers.

AIG leads $12mn Pakistan aviation loss:

AIG is the lead insurer for the Pakistan International Airlines (PIA) craft that crashed during an internal flight yesterday, The Insurance Insider has learned.

The aircraft hull is understood to be valued at $12mn, while sources said it was still too early to accurately estimate potential liability losses.

The policy was brokered by Marsh and UIB, according to market sources. The value of the aircraft is towards the lower end of those in the PIA fleet.

SECP approves draft of Insurance Bill 2016:

The Bill aims to encourage market development, strengthen regulatory framework to ensure alignment with Insurance Core Principles of IAIS.

The Securities and Exchange Commission of Pakistan has approved the draft of proposed Insurance Bill 2016 in order to ensure conducive regulatory environment to the insurance industry. Finance Minister Ishaq Dar was briefed by SECP about the changes required in the insurance regulatory framework.

The draft Bill aims to encourage market development, strengthen the regulatory framework to ensure alignment with the Insurance Core Principles of the International Association of Insurance Supervisors.

Easypaisa Joins Forces with EFU Life for Insurance Premium Collection:

Easypaisa has entered into an agreement with EFU Life Assurance Ltd. under which Easypaisa will extend its services to accelerate insurance premium collection from EFU Life's clientele through Easypaisa's ubiquitous network across Pakistan. Now Easypaisa Joins Forces with EFU Life for Insurance Premium Collection.

The agreement was signed by Muhammad Yahya Khan, Head of Easypaisa, and Taher G Sachak, MD & CEO, EFU Life Insurance. EFU Life is a pioneer life insurance company of Pakistan offering a wide array of insurance products to its expansive clientele.

Sharing his thoughts on the development, Muhammad Yahya Khan, Head of Easypaisa, said,

“We are glad to extend Easypaisa's services to support EFU Life Insurance for insurance premium collection from across the country. Easypaisa, with the help of its expansive network of agents all over the country, will be instrumental in facilitating smooth and convenient collection of premium for EFU. The agreement comes in connection with Easypaisa's commitment to facilitate everyday transactions as part of its long term socioeconomic empowerment goals. We will continue to forge partnerships and support interoperability to enhance financial inclusion in Pakistan.”

Speaking on the occasion, Taher G Sachak, MD & CEO, EFU Life, stated,

“Customer centricity is the core of our business. As the leading life insurer in Pakistan, we believe in connecting with our clients by giving them greater accessibility to our products and services through expansion of our distribution footprint and investing in IT solutions, and also by continuously striving to serve them better. It gives me immense pleasure to have partnered with Easypaisa for our payment solutions, giving our clients the ease, flexibility and access to pay their renewal premiums in a reliable and secure manner through the vast network of over 77,000 Easypaisa outlets and retailers.”

Easypaisa being Pakistan's pioneer branchless banking service has been instrumental in transforming the banking and finance outlook of the country through ground-breaking products and services. It has played a pivotal role in bringing swathes of unbanked population into the fold of banking services through its initiatives aiming at strengthening financial inclusion in Pakistan.

JazzCash and MicroEnsure Pakistan Launch JazzCash Sehat Sahulat:

Recently, JazzCash entered in to a strategic alliance with MicroEnsure Pakistan, a leading provider of mass market insurance worldwide, whereby innovative small ticket insurance products and solutions were to be offered JazzCash customers.

JazzCash and MicroEnsure Pakistan Launch JazzCash Sehat Sahulat. Understanding the scarcity of financial issues related to healthcare matters and scarcity of health insurance products for the common person in Pakistan, the two organizations worked together and developed an innovative solution in partnership with a leading local insurance company.

The solution called JazzCash Sehat Sahulat provides significant financial protection to clients against a number of health related perils upon payment of a nominal fee.

Speaking on the occasion of the product launch, Aniqa Afzal Sandhu, Head of Digital & Mobile Financial Services – Mobilink, stated,

“We have always worked towards offering innovative solutions to the needs of our users. Through JazzCash Sehat Sahulat, we are looking to provide ease to the masses who cannot afford primary healthcare, especially in times of urgent need. We are excited to launch this health insurance in collaboration with MicroEnsure and hope it will be a major step towards reaching our financial inclusion objectives.”

Commenting on the occasion, Rehan Butt, Country Manager Pakistan & Head of Business Development Asia – MicroEnsure added,

“We appreciate the focus and enthusiasm of Mobilink and JazzCash in introducing this product which is a great step in solving one of the most critical financial problems of tens of millions of Pakistanis. People from every walk of life can avail substantial financial benefit from this innovative product upon payment of a small fee and through a tech-based and highly simplified process. We are glad to be a major contributor in introducing the concept to insurance to millions of peoples in developing countries and endeavor to further this effort through our valued partners including Mobilink and JazzCash.”

Source: Websites

Group Photo of Sheikh Sarwat Ikram, newly elected Mayor of Gujranwala with Mr. Sarfraz Ahmed Tarar (EVP) Askari General Insurance Co. Ltd along with Mr. Saeed Taj (President, Gujranwala Chamber of Commerce & Industry), Mr. Murad Amin Sheikh, Mr. Nadeem Ikram Sheikh, Mian Muhammad Saleem (Ex-President, GCCI), Mr. Waqar Afzal, Mr. Waqas Afzal, Hafiz Abdul Waheed and others, congratulating and greeting him after the Oath Ceremony.

International insurance regulators establish forum to address sustainability issues

San Francisco, December – A new international network of insurance regulators and supervisors has been launched to promote cooperation on critical sustainable insurance challenges, such as climate change.

Held in San Francisco, the first meeting of the Sustainable Insurance Forum included insurance supervisors and regulators from Brazil, California, France, Ghana, Jamaica, Morocco, the Netherlands, Singapore and the UK, as well as the International Association of Insurance Supervisors.

The insurance sector is pivotal to an effective response to sustainable development. This includes providing coverage against natural disasters as well as integrating environmental, social and governance (ESG) factors into the management of their assets.

Increasingly, insurance regulators and supervisors are exploring how these factors impact upon their goals of ensuring the safety, soundness and accountability of the sector. For the first time, the forum provides an international platform for insurance regulatory and supervisory bodies to share experience and explore common approaches.

The California Department of Insurance and UN Environment co-hosted the inaugural meeting of the Forum.

California's Insurance Commissioner Dave Jones said: “Insurance regulators have an important role to ensure that critical sustainability risks and opportunities are effectively managed. The new Forum will enable supervisors to learn from each other and take common action against shared threats to the insurance sector such as climate change.”

UN Environment's Assistant Secretary General Elliott Harris said: “Insurance is one of the pivotal sectors underpinning the transition to sustainable development. As part of this, regulators and supervisors will play a vital role and UN Environment is delighted to be the secretariat for the new Forum.”

Natalie Haanwinckel Hurtado, Secretary General of Brazil's SUSEP said: “SUSEP welcomes the launch of the Sustainable Insurance Forum as a way for us to both learn from the experience of others and share Brazil's lessons with our peers in other countries.”

Commissioner Lydia Bawa of the National Insurance Commission of Ghana said: “In providing a space for supervisors and regulators to convene and collaborate, the Sustainable Insurance Forum can inspire other jurisdictions to tackle critical sustainability issues.”

David Rule, Executive Director of Insurance Supervision at the UK's Prudential Regulatory Authority said: “The potential for an international network to share experience among regulators was highlighted in our landmark review of the insurance sector and climate change. We are delighted that this seed of an idea has now come to fruition.”

Yoshiro Kawai, Secretary General of the International Association of Insurance Supervisors, said: “As **IAIS**' Secretary General, I welcome the establishment of the Forum as a platform for insurance supervisors to discuss how they can support the development of an insurance industry that contributes to environmental, social and economic sustainability.”

The Forum builds on UN Environment's long-standing work on sustainable insurance – and UN Environment will provide the Forum's secretariat. UN Environment is home for the Principles for Sustainable Insurance, which provides a structured framework for insurance companies to integrate ESG factors into their operations.

In addition, UN Environment's Financial Inquiry has explored how the rules that govern the financial system, including the insurance sector, can best promote long-term sustainable development. A leadership group of eight jurisdictions – including Brazil, France, the Netherlands, the Philippines, South Africa, the UK and the US States of California and Washington – has guided the design of the Forum.

The San Francisco meeting approved the Forum's first year work programme for 2017, including a focus on disclosure, access to insurance, sustainable insurance roadmaps, climate risk, disaster risk reduction and capacity building for supervisors.

Nick Robins, co-director of the Inquiry added: “The launch of the Sustainable Insurance Forum highlights the leadership that exists across the world among a growing number of Insurance supervisors. Its work programme aims to make a real difference in the way that insurance supervisors respond to the world's sustainability challenges.”

The Forum's inaugural meeting also benefitted from presentations from the insurance sector and sustainability experts including from Aon, Bahamas First General Insurance, CERES, DLA Piper, Insurance Association of the Caribbean, Mercer, S&P, SwissRe and the 2Degrees Initiative.

Note for Editors

The California Department of Insurance:

As regular of the largest insurance market in the United States, Insurance Commissioner Dave Jones leads a national, multi-state insurance regulators group that surveys annually more than 1,000 companies regarding their response to climate risk, capturing approximately 77 percent of the entire U.S. insurance market. In January 2016 Jones launched the Climate Risk Carbon Initiative to enable the industry, regulators, consumers and investors to assess climate risks posed for insurers' investments in fossil fuel holdings and thermal coal enterprises. The data received will be used to better inform regulators, interested members of the public, and the insurance companies themselves on the extent to which they hold carbon investments facing potential climate risk. The information will also enhance regulators' future in-depth financial analysis and financial examinations of insurers with regard to climate risk. More information on the Climate Risk Carbon Initiative.

UN Environment's Principles for Sustainable Insurance:

The Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities, and strengthen its contribution to building resilient, inclusive and sustainable communities and economies. Endorsed by the UN Secretary-General and insurance CEOs, the PSI was launched at the 2012 UN Conference on Sustainable Development and is the largest collaborative initiative between the UN and Insurance industry. Nearly 100 organizations worldwide have adopted the PSI, including insurers representing more than 20% of world premium volume and US$14 trillion in assets under management. More information on the PSI is at: www.unepfi.org/psi or from: butch.bacani@unep.org.

UN Environment's Inquiry into the Design of a Sustainable Financial System:

The Inquiry into the Design of a Sustainable Financial System has been initiated by UN Environment to advance policy options to improve the financial system's effectiveness in mobilizing capital towards a green and inclusive economy – in other words, sustainable development. Established in January 2014, it published the first edition of 'The Financial System We Need' in October 2015, and the second edition 'From Momentum to Transformation' in October 2016. The Inquiry's mandate currently extends to the end of 2017, with work focused on deepening and taking forward its findings.

2014 C L D 510

[Securities and Exchange Commission of Pakistan]

Before Tariq Hussain, Director (Insurance)

UNIVERSAL INSURANCE COMPANY LIMITED: In the matter of

Show Cause Notice dated 2nd August, 2013 decided on 26th December 2013.

Insurance Ordinance (XXXIX of 2000) ---

----Ss. 11(1)(c), 36, 63(1) & 156---Securities and Exchange Commission (Insurance) Rules, 2002, R.13(1)(b)--- Admissible assets in excess of liabilities to meet the minimum solvency requirements---company, in the present case, was not having admissible assets in excess requirements, as prescribed through R.13(1)(b) of Securities and Exchange Commission (Insurance) Rules, 2002 and contravened the provision of S.36 of Insurance Ordinance, 2000---Company appeared to be insolvent as on December 31-2012, which was non-compliance of S.11 of the Ordinance---Default of S.36, read with S.11(1)(c) of Insurance Ordinance, 2000 having been established, penalty as provided under S.36(1) and S.156 of Insurance Ordinance, 2000 could be imposed on the company---Securities and Exchange Commission, instead of imposing the penalty, took a lenient view, condoned the penalty, due to the facts; (a) that company was solvent by the end of year 2011, and adherence of minimum solvency requirement at all times before notice; (b) that the Management of the company had adopted and undertook that the minimum solvency requirement as laid down by the laws should be fulfilled; and should take care to adherence of the applicable laws, rules in that regard in future; (c) that the company also took remedial measurement to come up to meet the shortfall by injecting new-equity; and disposing of its properties and investments in associated (companies) to bring the company's solvency position as required by law, [pp. 513, 514, 517, 518] A, B, C, D & E.

Amir Raza, Principal Officer of the Company.
Date of hearing: 28th October, 2013.

<u>Order</u>

(Un<u>der section 36 read with section 11(1)(c), section 63(1)and section 156 of the Insurance Ordinance, 2000)</u>

TARIQ HUSSAIN, DIRECTOR (INSURANCE) --- This order' shall dispose of the proceedings initiated against Messrs The Universal Insurance Company Limited ("the section 11(1)(c) and section 63(1) and section 156 of the insurance , 2000 ("the Ordinance").

<u>Background Facts</u>

2. The relevant provision of section 11(1)(c) of the ordinance states that:--

"11. **Conditions imposed on registered insurers.** --- (1) an insurer registered under this Ordinance shall at all times ensure that:
(c) The provision of this Ordinance relating to minimum solvency requirements are complied with;

3. The relevant provisions of section 36 of the Ordinance state that:--

<u>"Insurers of non-life insurance business to have assets in excess of minimum solvency requirement.</u>

(1) An insurer registered under this Ordinance to carry on non-life insurance business shall at all times have admissible assets in Pakistan in excess of its liabilities in Pakistan of an amount greater than or equal to the minimum solvency requirement.
(2) An insurer incorporated in Pakistan and registered under this Ordinance to carry on non-life insurance shall at all times have admissible assets in excess of its liabilities of an amount greater than or equal to the minimum solvency requirement.
(3) For the purposes of this section, the minimum solvency requirement is the greatest of;
(a) Such required minimum amount as may be prescribed by the Commission:
(b) Such percentage as may be prescribed by the Commission of its earned premium revenue in the preceding twelve months, net of reinsurance expense subject to a maximum deduction for reinsurance of fifty per cent of the gross figure; and
(c) Such percentage as may be prescribed by file Commission of the sum of its liability for unexpired risk and its liability for outstanding claims, net of reinsurance subject to a maximum deduction for reinsurance in each case of fifty per cent of the gross figure:

Provided that in the case of an insurer incorporated in a jurisdiction outside

Pakistan the amounts set out in clauses (b) and (c) of this subsection shall be calculated with reference to the earned premium revenue, un-expired risk liability and outstanding claims liability and related reinsurance balances of that insurer in respect of its insurance business in Pakistan only".

4. Rule 13 of the Securities and Exchange Commission (Insurance) Rules. 2002 (the "Rules") stated that:-

"Solvency of non-life insurer. --- (1) For the purpose of clause (a) of subsection (3) of section 36 of the Ordinance, the following shall be the prescribed amount namely:-

(a) Until 31 December 2011, fifty million rupees; and
(b) Thereafter as per the following table

On or After	Rupees
31st December, 2012	One hundred million
31st December, 2013	One hundred and twenty five million
31st December, 2014	One hundred and fifty million

(2) For the purpose of clauses (b) of subsection (3) of section 36 of the Ordinance, the following shall be the prescribed percentage namely:-
(a) In the case of an insurance company registered after the commencement date, twenty per cent: and
(b) In the case of an insurance company registered at the commencement date—
(i) ten per cent until the 31 December, 2002;
(ii) fifteen per cent until the 31 December, 2004; and
(iii) Thereafter the percentage as set out in clause (a) of this sub-rule.
(3) For the purpose of clause (a) of subsection (3) of section 36 of the Ordinance, the following shall be the prescribed percentage, namely:-

(a) In the case of an insurance company registered after the commencement date, twenty per cent; and
(b) In the case of an insurance company registered at the commencement date-
(i) ten per cent until the 31 December, 2002;
(ii) fifteen per cent until the 31 December, 2004; and
(iii) thereafter the percentage as set out in clause (a) of this sub-rule."

5. While reviewing the Financial Statements and regulatory Returns of he Company for the year ended December 31, 2012, it was noted that the company was not having admissible assets in excess of liabilities to meet the minimum solvency requirements of Rs. 100 Million as prescribed through Rule 13(1)(b) of the SEC (Insurance) Rules, 2002.

Detailed calculations for ascertaining solvency position of the Company are as follows;

Solvency Calculations – December 31, 2012	(Amount in Rs.)
Admissible assets as per regulatory return	552,864,000
Liabilities as per balance sheet	522,012,000
Total net admissible assets (Excess of assets over Liabilities)	30,852,000
Solvency Requirement	
Higher of method A, B & C	100,000,000
Total net admissible assets (Excess (shortage) of assets over Liabilities)	30,852,000
Excess / (Shortage) of minimum solvency requirement.	69,148,000
Solvent (Yes/No)	No

6. In view of the forgoing paras, it appeared that the company has contravened the provisions of section 36 of the Ordinance, as the Company appeared to be insolvent as on December 31, 2012 by an amount of Rs. 69,148,000, which is non-compliance of the section 11 of the Ordinance as well.

Show Cause Notice

7. Accordingly, the Show Cause Notice was issued on August 2, 2013 under section 36 read with section 11(1)(c), section 63(1) and section 156 of the Ordinance to the Chief Executive and Directors of the Company, calling upon them to show cause as to why the penalty, as provided under section 63(1) and section 156 of the Ordinance, should not be imposed upon the Company and/or its Directors for not complying with provisions of section 36 read with section 11(1)(c) of the Ordinance.

Company's Response to the Show Cause Notice

8. The Company vides its letter dated August 23, 2013, submitted reply to the Show Cause Notice, whereby they had stated that:--

"… it is being clarified that, as at 31st December, 2011, the Company had admissible assets in excess of liabilities by an amount of Rupees 136.444 million which when compared to minimum solvency requirement of Rupees 50.00 million at that time resulted in positive solvency of Rupees 86.444 million but due to deterioration in IFS rating of the Company and amendments in minimum solvency requirement through S.R.O. 16(I)/2012 dated January 9, 2012 further squeezing the minimum solvency of the Company as at 31st December, 2012. During the financial year 2013, remedial measures like change of top management of the Company, closing/reshuffling/merger of non-profitable branches, prudent underwriting, downsizing of inefficient staff, development of new credit policy, competitive premium rates, effective and efficient recovery department, target based incentives and improvement in claim settlements, etc. have been taken to strengthen the financial position and enhance the business of the Company. Further in addition to above mentioned remedial measures regarding operations of the Company, the management, has the following plans to strengthen the minimum solvency margin and liquidity position of the Company.

1. To inject equity amounting of Rupees 150.00 million over the period of 3 years out of which Rupees 70 million would be injected during the month of September 2013.
2. To dispose off the properties amounting to Rupees 54.348 million (Estimated realizable value)
3. To dispose off the investments amounting to Rupees 26.810 million (Current market rates of KSE)

Hearing of the Case and Subsequent Developments

9. The hearing in the matter was scheduled on October 28, 2013 at 11:00 am. Accordingly the said hearing was attended by Mr. Amir Raza, Principal Officer of the Company, on behalf of the Company, the Chief Executive and the Directors of the Company.

10. Brief proceedings of the hearing of October 28, 2013 are as follows:--

(a) The case was briefed by the Deputy Director with the instruction of the Director Insurance, Mr. Raza replied with restated their earlier reply dated August 23, 2013 and also submits the written response during the hearing about the notice that the Company is trying to remove the default and for that the road map as given in earlier and this response would be appreciated by the Commission in this regard.

(b) Mr. Raza also admitted that the Company is non-complaint of the section 36 of the Ordinance and stated that the Company is in the process of improving the solvency through the road map approved by the Board of Director regarding three measures as mentioned in the written reply;

(i) To inject capital amounting to Rs. 70 million by December 16, 2013,
(ii) To dispose of the Company's properties amounting to Rs. 17.290 million,
(iii) To dispose of the investments in related parties, available for sale investments and investments at fair value through profit or loss.

(c) On making an inquiry regarding the non-compliance Mr. Raza replied that the default is committed and also requested to allow the Company to meet the requirement of section 36 till December 31, 2014. This was not allowed by the Director Insurance.

(d) After detailed arguments Mr. Raza requested to the Commission that default may please be condoned for the non-compliance and reiterated that by December 31, 2013 the Company would be solvent;

(e) The authority asked to Mr. Raza if he can provide an undertaking that in the year 2013 the Company would not be short of Solvency and no non-compliance will be there and if you undertake that by Board of Directors of the Company, then we shall take the lenient view;

11. As agreed during the hearing of October 28, 2013, the Company vides letters dated November 18, 2013 appraised the Commission about the resolution passed by the Board of Directors and endorsed that the requirements of solvency should be met by December 31, 2013.

Consideration of Company's Submissions

12. I have carefully examined and given due consideration to the written and verbal submissions of the Company (through the Company's Legal Counsel and representative), and have also referred to the provisions of the Ordinance. I am of the view that there has been an established default under the relevant provision of the Ordinance. The Company's Legal Counsel has also admitted this as well and showed the commitment of the Company to fulfill the requirement.

13. Before proceeding further, I find it relevant to discuss the duties of the Directors. The Directors, in addition to the day to day running of the Company and the management of its business, also have some 'fiduciary' duties i.e. duties held in trust and some wider duties imposed by statute and breach of these statutory duties will usually be a criminal offence, punishable by fine or imprisonment. Hence the Directors are gauged against a higher standard of accountability which requires them to be vigilant and perform their duties with due care. In the instant case, however, the Directors have overlooked and failed to perform their duties with due care and prudence. As the Directors are supposed to be well aware of their legal obligations in connection with the aforesaid statutory requirement of the section 36 read with section 11(1) of the Ordinance i.e. the Directors of the Company were required to maintain adequate solvency so as to comply with the minimum solvency requirement as on December 31, 2012 and even thereafter, which was grossly overlooked by the Directors of the Company, and that the Company was required to act proactively for maintaining the minimum solvency requirement as stipulated in the law, therefore, it could be legitimately inferred that the default was committed.

14. The Company, being an unlisted concern, should have a better and proactive approach towards compliance of the applicable laws.

Conclusion

15. After carefully examining the arguments and studying the facts and findings of the case as mentioned in the above paras of this Order, the default of section 36 read with section 11(1)(c) of the Ordinance is established, and to a greater extent, the Company has also accepted its default. Therefore the penalty as provided under section 63(1) and section 156 of the Ordinance can be imposed on the Company.

16. Section 63(1) of the Ordinance states that:--

"Power of Commission to issue direction to cease entering into new contracts of insurance. --- (1) The Commission may issue a direction to cease entering into new contracts of insurance if it believes on reasonable grounds that an insurer registered under this Ordinance has failed, or is about to fail, to comply with the conditions of registration set out in section 11."

17. And section 156 of the Ordinance states that:--

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

Order

18. In exercise of the power conferred on me under sections 63(1) and 156 of the Ordinance, I, instead of imposing the penalty, take a lenient view, and thus, condone and stern warned the Company due to fact:--

(a) THAT the Company was solvent by the end of year December 31, 2011 and adherence of the minimum solvency requirement at all times before this notice;

(b) THAT the Company's management has adopted and undertakes via a resolution that the minimum solvency requirement as laid down the laws should be fulfilled and should take care to adherence of the applicable laws rules in this regards in future; and

(c) THAT the Company also took remedial measures to come up to meet the shortfall by injecting new equity and disposing of its properties and investments in associated to bring the Company's Solvency position as required by the laws; and

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

HBT/1/SEC

Order accordingly.

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