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Insurance Journal

October, November, December 2020

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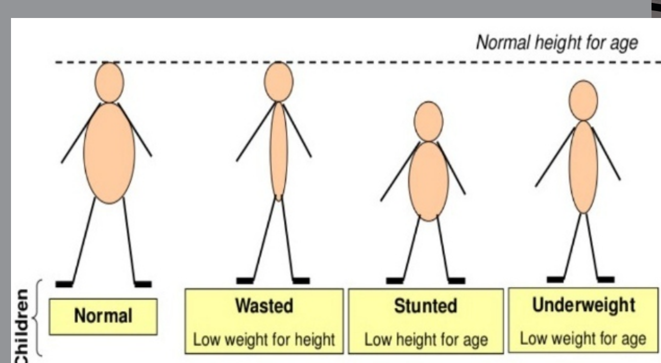
Sustainable Infrastructure - The time is now

Insurance Underwriting Process



Child Malnutrition in Pakistan

Inside:

- Insurance Sector on PSX
- Prevailing Mistrust in Insurance Industry
- Severity and Frequency of Catastrophic Events
- Automating Stock Inspection & Valuation Reports
- Legal Section

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(Steve Jobs, Co-Founder and Ex-CEO of Apple Inc.)

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INSURANCE SECTOR ON PAKISTAN STOCK EXCHANGE

(Quarter: July, August, September 2020)

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	46.50	31.99	36,821,000	Dividend = 12.5%
Asia Insurance Company Limited	603	10.00	-	-	-	
Askari General Insurance Company Limited	719	10.00	26.38	20.15	322,000	
Askari Life Assurance Company Limited	1,502	10.00	9.69	7.50	4,957,500	Right Issue = 36.31% At Par
Atlas Insurance Limited	849	10.00	60.50	50.57	1,179,500	
Business & Industrial Insurance Company Limited	86	10.00	-	-	-	
Century Insurance Company Limited	503	10.00	24.95	15.50	417,000	
Crescent Star Insurance Limited	1,077	10.00	3.87	1.85	87,202,000	
East West Insurance Company Limited	1,183	10.00	106.00	45.52	8,300	
EFU General Insurance Limited	2,000	10.00	138.90	106.00	465,200	Dividend = 15%
EFU Life Assurance Limited	1,000	10.00	224.00	185.00	982,500	Dividend = 15%
Habib Insurance Company Limited	619	5.00	10.00	8.30	582,000	
Hallmark Company Limited	5	10.00	90.00	60.69	1,000	
IGI Holdings Limited	1,426	10.00	248.98	181.50	14,841,600	
IGI Life Insurance Limited	1,706	10.00	48.72	27.50	1,470,500	
Jubilee General Insurance Company Limited	1,985	10.00	49.00	38.41	895,500	
Jubilee Life Insurance Company Limited	873	10.00	530.00	259.00	3,075,700	Dividend = 30%
Pakistan General Insurance Company Limited	464	10.00	3.40	1.76	712,000	
Pakistan Reinsurance Company Limited	3,000	10.00	32.00	22.75	17,327,000	
PICIC Insurance Limited	350	10.00	2.29	0.51	8,260,000	
Premier Insurance Limited	506	10.00	7.25	5.14	472,500	
Progressive Insurance Company Limited	85	10.00	-	-	-	
Reliance Insurance Company Limited	561	10.00	7.44	6.00	2,193,000	
Shaheen Insurance Company Limited	600	10.00	5.40	3.01	2,450,500	
Silver Star Insurance Company Limited	306	10.00	-	-	-	
Standard Insurance Company Limited	8	10.00	-	-	-	
The United Insurance Company of Pakistan Limited	2,950	10.00	8.90	6.80	2,553,500	Dividend = 6%
The Universal Insurance Company Limited	500	10.00	6.55	3.15	264,500	
TPL Insurance Limited	939	10.00	30.44	19.28	688,500	

Christian Wertli
Head Infrastructure Solutions
SWISS Re

Sustainable Infrastructure

The time is now

We will remember 2020 as the year the world came to a halt. But the break in relentless momentum has given us pause for thought, and a chance to redirect our efforts towards a more sustainable and resilient future.

Infrastructure has a huge role to play in that.

The infrastructure we build needs to be environmentally sustainable and resistant to the rising frequency and severity of natural hazards. The insurance industry has a role here, taking these factors into account in pricing and risk calculations.

"We truly believe infrastructure has the power to be transformative," Veronica Scotti, Chairperson of Public Sector Solutions at Swiss Re, says. "But we are at a crossroads and need to make a decision. It is a race against time, but it's like the hare and the tortoise – it's not just about running really fast, but about getting to the finishing line."

That will mean taking a more systematic and data-driven approach, she adds. The insurance industry is doing well and getting better at this way of working and should now apply it to support and drive forwards infrastructure projects.

"Key now is the post-crisis recovery and building economic resilience," says Jerome Jean Haegeli, Swiss Re Group Chief Economist. "At the core of it is the need for more long-term and sustainable infrastructure. And now is the year for ensuring a green recovery – COVID-19 has an expiry

date, climate change doesn't."

Much of the infrastructure opportunity and need is in emerging markets – Swiss Re forecasts there could be USD 66 trillion of infrastructure investment opportunities in the next 20 years, 66% of which will come from emerging markets. And making these projects a reality becomes difficult without regulatory certainty, harmonisation and an investment framework.

"The question is how to bring the tremendous amount of money we have under management in the advanced economies to the emerging markets, where the projects are located," says Franco Ciamberlano, Co-Head EMEA Engineering at Swiss Re.

"We need a transparent and harmonised type of infrastructure asset class."

There is wide agreement that existing policy approaches are unable to deliver a sustainable framework for long-term investment. Things need to change. For example, investment cycles for environmental projects need to be viewed in 30-year terms, not 10-15 years as is currently the case.

Concrete Actions

Insurers and reinsurers have three distinct roles that can each prove critical towards creating a more stable long-term investment framework, says Christian Wertli, Head Infrastructure Solutions at Swiss Re. These are: as investors, as de-riskers and as users of big data.

"Globally, the insurance sector has over USD 30 trillion assets under management and as investors, and we can take concrete actions to make these assets and our investment decisions count," he says.

As an investor, the insurance industry needs to back assets that match the long duration of its liabilities, making infrastructure an ideal long-term investment asset class. By investing in sustainable projects, insurers help reduce financing costs and create incentives to build for resilience.

"We have led the industry in acknowledging the risk climate change poses to our asset management activities," adds Wertli.
"Since 2017, we have begun moving all our assets into environmental, social and governance (ESG) based benchmarks and, today, ESG criteria are applied to nearly 100% of our USD 130 billion portfolio. Our analysis shows that long-term risk adjusted investment performance continues to be more favourable when ESG criteria are taken into account."

While insurers' role as investors is important, Wertli says it is the industry's position as a "de-risker" that can prove most transformational in establishing a longer-term investment framework. It can create new types of insurance offerings that make infrastructure projects more standardised, cashflows more predictable and infrastructure as an asset class more attractive to investors – thus unlocking financing.

As a result, non-resilient infrastructure will become less insurable and the threat of losing access to insurance will incentivise a switch to projects that are better designed, better planned and truly consider the costs of climate change.

The Role of Big Data

The third way in which insurers can shift the market to a longer-term, more resilient investment landscape is as users of big data. Insurers can create products that improve the maintenance and durability of critical infrastructure. Using digital technologies to monitor the performance of infrastructure will also help to avoid losses.

"Infrastructure owners and insurers have a common interest to maintain these assets to avoid catastrophic losses that are expensive to society and insurance companies," says Wertli.

"If we can find smart ways to safely access this data, we could imagine a world where insurance does not just finance the reconstruction after the loss, but more importantly finances activities to prevent the loss," he adds. Leveraging data, analytics and digital tools will also be key to tackling the huge infrastructure needs created by urbanisation. More than half of the world's population – around 4.2 billion people – lives in urban centres now, and that is projected to grow by 2.4 billion by 2050.

"Urbanisation creates massive infrastructure needs and we can expect to see major investments in the transportation sector, such as airports, high-speed rail links, metro systems, as well as in the utility sector to provide electricity, gas and fresh water distribution systems," says Guido Benz, Head Engineering & Construction at Swiss Re Corporate Solutions.

COVID-19 has also highlighted the major healthcare gap. However, Benz warns much of this urban growth will happen in Asia, which is becoming increasingly prone to extreme weather, natural disasters and other climate change-related events.

Focus on Innovation

Wertli says the pandemic has refocused the industry's attention on innovation, environmental issues, resilience and fiscal responsibility. "For us, as an industry, this is clearly an opportunity to do things differently," he says.

"It's an opportunity to do things better. There has to be a shift from simply more infrastructure, to more sustainable infrastructure."

And change is happening. Swiss Re has already demonstrated its commitment to improving the environment by explicitly avoiding investments in companies with substantial revenues from, or usage of, coal. Last year, it decided not to provide re/insurance to businesses with more than 30% exposure to coal.

"We as an industry actually have a choice – we can insure coal or we can support green energy. And therefore, we can actually have a tangible impact on how resilient and how green we are going to make the world after COVID-19," says Wertli.

But it's not all down to the insurance industry. Public-private partnerships and collaboration across multiple parties is necessary to turn projects into reality – and multilateral development banks have a key role in making the world more resilient.

The Asian Development Bank (ADB) is good example of how these institutions can support public-private partnerships through grants, loans, technical assistance and equity investments while raising capital on global bond markets.

The ADB's recently published strategy for a green economic recovery after COVID-19 highlighted "the critical role of green infrastructure in supporting economic growth and livelihoods," and called for innovative finance mechanisms to attract private capital for a sustainable regional recovery.

"The question now is how governments, multilateral development banks, the private sector and insurers can collaborate to allow for effective crisis management and a sustainable recovery to rebuild better," adds Wertli.

There is an opportunity to work with the public sector to create a green recovery, a new growth deal, in which infrastructure plays a key role in tacking climate, drives decarbonization, supports digitalization of economies and fairer economic inclusion.

Unlocking Opportunity

Despite a growing conversation about the need to invest in and support more sustainable projects, there remain some fundamental stumbling blocks.

"We are still lacking a lot of opportunities to direct investments into sustainable and environmentally friendly technologies, businesses and infrastructure," says Carsten Bopp, CEO of Swiss-based engineering consulting firm Pini Group.

"And where is the key point of hesitance from financial institutions, insurance companies and investors? It is policy – we are still lacking a stable framework for these long-term investments, and many investors face significant regulatory risk."

Key to unlocking investment in resilient infrastructure is the need to build a fundamental understanding of risk, the cost-benefits of mitigating that risk and an evaluation of where and when to transfer risks to others.

Swiss Re Institute's new Biodiversity and Ecosystem Services (BES) Index provides data to support this analysis by comparing and benchmarking the state of local ecosystems around the world that underpin national economies.

BES shows that 55% of global GDP depends on high-functioning biodiversity and ecosystem services. A fifth of all countries (39 states) are at risk from fragile ecosystems. Major economies in Southeast Asia, Europe and the US are exposed to BES decline.

Insurers can use the BES Index to assess the biodiversity loss in any given location and develop relevant nature-based solutions that protect communities from the impacts of a low BES score.

A great example of public-private cooperation to enhance economically essential ecosystems is a project in which Swiss Re helped to design a new type of insurance to protect the Mesoamerican coral reef off the coast of Mexico's Yucatan Peninsula.

Research had shown a direct connection between a healthy coral reef and the region's ability to sustain itself economically. The reef plays a critical role in stopping storm erosion of the beaches on which the region's tourism industry depends.

Swiss Re devised a parametric insurance solution, based on independently verified weather data, that paid out quickly to send divers to repair reef damage after severe storms. It is thought to be the world's first nature-based insurance solution.

In the face of accelerating climate change and its impacts on economies and the livelihoods of people around the globe, we need to show the value that sustainable infrastructure projects provide, and how this value can be translated into tangible revenue streams.

This is an opportunity for the insurance industry to drive us towards a more sustainable future that supports resilient societies. But we can't do this alone. We need collaboration across the public and private sectors if we are to make green infrastructure projects a reality.

<u>*Courtesy:*</u>

Salman Saif Sheikh
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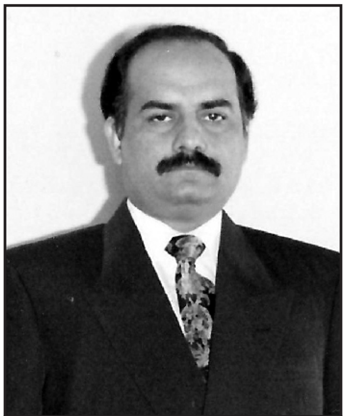


Qayyum Pervez Malik
Insurance Surveyor & Loss Adjuster / Claims Investigator
Qayyum Pervez Malik & Co. (Pvt) Ltd

Prevailing Mistrust in Insurance Industry

The factor of mistrust is prevailing in the Insurance industry of Pakistan since inception fluctuating in degree of seriousness. Mistrust is a serious subject to be given due importance and attention by the stake holders as well as the Regulators.

The major stakeholders of Pakistan Insurance Industry are listed below: -

1. Insurance Companies.
2. Takaful operators.
3. Insured (The policy holders)
4. Insurance Surveyors/Insurance loss adjusters.
5. Insurance brokers
6. Salvage dealers/corps
7. Auto repairing workshops/Auto stores.
8. Chambers of trade, commerce and Industries.
9. The Re-Insurers.
10. The regulators and others.

With the passage of time the expanding insurance market, with the earning of insurance premium from Millions to Billions, set up an endless chain of reasons causing mistrust among all the stake holders. The frequency of disputes is on high degree of escalation. These disputes are prevailing among all the stake holders with changed nature of mistrust. There appears no mechanism to cater with this highly growing phenomenon. No serious consideration has ever been initiated by the stake holders to resolve the issues amicably bringing it down to a bearable degree of frequency.

A large amount of different type of mistrust and disputes as developed from time to time are listed and discussed below as independent / unprejudiced opinion for consideration, debate and re-dressal.

A. Underwriting Related Disputes

Since the day of de-teriffing, de-standardization of insurance policy terms/conditions/warranties/clauses/endorsements, wording etc. the issues based on mistrust are being developed causing various nature of disputes in form of insurance coverage, definition of policy wording and terms, unrealistic and variable rates of insurance premium, unrealistic and variable amounts of deductibles, variable and poorly worded warranties, variable & inordinate penalties, variable format of insurance policies. Unskilled insurance Agents and other staff members lacking sufficient knowledge of Insurance policies, clauses, warranties, and terms/conditions, unawareness of policy terms/conditions by the insured (policy holders), lack of risk inspections/pre-insurance surveys, lack of awareness in explaining the terms and conditions of insurance contract to the policy holders, lack of sufficient knowledge to provide awareness on account of measures of indemnity to the policy holders, Mortgagors being unaware of the policy terms / conditions lacking to hold the copies of insurance policies with jackets which are usually kept in the mortgagees Banks, disputes related to the location, subject matter, risk covered, warranties, deductibles, depreciation, exclusions and ambiguous policy terms / conditions / wordings are adding up into the problem. Unhealthy market competition, deceptive attitude to draw an undue benefits out of the ambiguous terms of insurance contract are vital issues creating disputes and unrest causing mistrust ultimately.

Underwriting a risk against any subject matter without first having reasonably sufficient information about the risk to be underwritten is another source of causing mistrust. Mostly the Insurance contract is formed without any proposal form or having proposed relevant information from the proposer. Insurance laws and practices do not bind the proposer to submit a written proposal form. The prescribed information may be submitted verbally. The underwriter takes a note about the material facts from the source of Agents or the expired policy, in the relevant file and drafted an insurance contract.

The role of an Insurance Agent is vital in this respect. The material facts disclosed to the Agents by the

Proposer and then passing it on to the underwriter by the Agent is delicate issue to be streamlined.

For large risks, the role of risk inspectors/surveyors plays a vital role in the process of transparent underwriting by the Insurance company.

The terms/wording of the insurance contract must be clear, transparent, commonly understandable and popular. Any technical terms or words however may be used unaltered which contains the precise technical meanings and are properly defined and interpreted. Terms of insurance contract having citation of competent Courts must be preferred.

The large business enterprises have been using to appoint a trained Insurance officer with sufficient understanding of the insurance in their offices, who have been playing an important role in the whole process of risk inspection, making proposal and underwriting thereafter. Such corporate sector of the policy holders establishes an insurance cell for taking over all such insurance related affairs starting right from the risk inspection to settlement of claims.

By making such an arrangement the stake holders can easily avoid any future disputes and are able to eradicate any kind of ambiguity for smooth running of insurance affairs.

Role of IAP (Insurance Association of Pakistan), The Surveyors Associations, The chambers of commerce, trade and Industry have so important role to play in this respect.

In case of any ambiguity, amendments, change, drafting policy terms and conditions, drafting new clauses, warranties etc. the internal discussions among the stake holders is necessary in drafting widely accepted terms of contract saving time and money as well as trust.

At time when the revision of cotton ginning and pressing warranty form was being conducted, same practice initializing the discussion and amending the said warranties was followed. Even the input of surveyors was taken by inviting the author of this article in the meeting of executive committee of Pakistan Cotton Ginners Association wherein the issue of rewording, rephrasing, amending the cotton factory warranties form was discussed in detail. Such kind of arrangements may turn the underwriting, risk inspections, surveys and claims settlement process easy, widely acceptable and smooth in order to avoid the factor of mistrust among the stake holders saving time, money and mental peace.

Similarly the periodical visits of the IAP inspectors, Surveyors, Valuers etc. to different type of Industries, warehouses, risks, ports, dry ports etc. and meeting with the technically trained people may resolve the issue of mistrust by collecting relevant information about the risks.

The most vital point to be discussed and resolved is the standardization of Insurance policies jackets, clauses, warranties, conditions and the wording/terms of insurance contract. In absence of implementing this standards the market can never be brought back to the International standards.

At times these standards were being maintained in Insurance Industry when the frequency of mistrust was at its minimum level. But the frequency of mistrust gone upward when every one started writing the Insurance policies in their own ways. In a same category of risk, subject matter of insurance, location, differently worded insurance policies/contracts, clauses, warranties etc. are issued by the insurers which create ambiguity at large scale.

Another important issue is when the insured/policy holders/mortgagees Banks come to know about the policy coverage, wording, interpretation, clauses, deductibles and warranties later at the time of claims. The plea on that situation as taken by the insured/policy holder/claimant is usually in the way that the Agent or the underwriter did not take their consent prior to drafting policy / terms / conditions and warranties or even the issue turns bit serious when it is claimed that the policy terms are different as settled down between the proposer and the insurance company.

The policy holders are not properly guided at the time of risk inspection and subsequent underwriting. The dispute raises when, at the time of claim the claim is declined / repudiated because of the terms / conditions / warranties/deductibles by the adjusters and/or the Insurers. The Policy holder never accept the logic that certain risk were not proposed to be insured at the time of making proposal. At various points the policy may be endorsed/amended on account of coverage, deductible, measure of indemnity if the terms are properly discussed and settled between the proposer and the Insurance company and that could resolve this kind of issue well in time before it raises.

During 40 years of professional career as an Insurance surveyor/loss adjuster it is seen that both the major stake holders i.e. the Insured and the Insurers take this whole issue in a non-serious manner. True professional approach is usually not seen while setting up the process of underwriting. If the Agent of the Insurance company is skilled enough to provide and guide about the material facts to the Insured/proposer as the insured/proposer is expected to be disclosed, mostly things can be settled without going into any dispute.

The proposer may be guided well in time that the premises proposed to be insured contains certain matters which may cause violation of policy terms/conditions, breach of warranties and conditions. The impact of breach of warranties and conditions are not properly mentioned at the time of underwriting a risk. If such issues are discussed and resolved before commencement of insurance risk the expected disputes may be stopped. Even if the proposer does not improve the risk or remove those factors which could bring about the issue of policy terms violation they can't raise any complaint or could be able to justify their act, as they were properly guided by the Agent of insurance company prior to getting the risk insured.

Even after the issuance of insurance policy and commencement of risk, the policy may be amended on request to the Insurers by the proposers but it hardly is seen to be done. The doctrine of utmost good faith is necessary to be followed by both the insured and insurers at all the time.

In case of any material change in the risk/subject matter occurs after the commencement of risk the Insurers must be notified about that change which could alter the nature of risk and thereafter the terms/conditions of the contract should be disclosed to the insurers in time and the insurance contract may be amended accordingly prior to happening any claim.

The proposer/insured must go through the insurance contract / insurance policy thoroughly and discuss with the insurers if any ambiguity is seen in the contract well in time to amend the contract accordingly. Now a days almost every insurance policy contains an undertaking that the insured would go through the policy document with in a certain specified period of time otherwise the insurers may not be able to indemnify the insured against any claim etc. or even the insurance contract may be declared null and void.

Some time a genuine overlook occurs while proposing a risk or risk inspection / underwriting which must be accommodated in the spirit of utmost good faith where the proposer / insured appears to be innocent. The responsibility of any negative impact created as the result of any ambiguity while drafting an insurance contract, should be borne by the insures. Insurers are also responsible to any deceptive attitude of their Agents causing any loss to the insured even if the insured could not take notice of it timely despite of going through the contract because the contract is of technical nature and not all the proposers/insured could understand it properly but the warranty of reading the contract and notifying any mistake or misrepresentation to the insurers well in time still prevails. With the application of clear and positive mind these issues may be avoided.

Most of the time the underwriting process is completed on the basis of already available data of the expired policy or policy issued against the same risk by any other insurance company which is incorrect. The risk must be inspected at least by the Agent and the proposers must be discussed in case of any alteration of risk so that the renewal of policy may be amended accordingly.

Jacket of insurance policy must be provided to both the mortgagees and the mortgagors so that they may go through it. No harm if the crossed jacket is provided to the proposer as well so that they may have a look at it for any discussion or amendment or at least he might alter the subject matter/risk accordingly. Issuing of cover note for a specified period of time assuming that the insured would know about the terms/conditions of proposed insurance contract is insufficient because the cover note does not contain the complete information required for that purpose.

It is seen that “All risks”type of insurance policies generate major misunderstanding and ambiguity. These policy do not contain clear terms of reference. The risk which must be loaded / worded like a complete independent insurance policy are inserted into the list of covered risks with a single line addition. Each type of major risk demands to have fully loaded jacket as well as terms / conditions / warranties / clauses etc. which are not provided with each type of such risks and so the draft is always poorly worded in the end. All risks type insurance policy also throws a false impression as if every risk/loss/claim is covered. It is deceptive and must be resolved.

Certain technical issues are hard to be resolved with the insured at the time of claim. For example the issue of non-concurrent average policy where under insurance is present. When the non-contributing insurance policy is not included in the total sum insured despite of the fact the insured pays for it and assumes to have been fully covered. However the Surveyors have been resolving these kind of issues at the sites of losses since inception.

The issue of breach of warranty where that breach does not cause that particular loss/claim is also considered to be a disputed issue. This too is a difficult task to be made understood to the insured.

Another issue arises when the impact of breach of warranty/condition is revealed at the time of claim and the insured claims that the Insurance company's Manager as well as the filed developments official kept visiting the insured's premises and were well aware of that kind of violation in the premises with the understanding that the insurers were well aware of the fact who, in other words, allowed that kind of violation because they never raised any objection on that violation. This issue is also worth to be resolved which is being resolved by the surveyors so far.

To be continued.....!

Atique Ahmed Chishti
Sr. Manager & Shariah Compliance Officer
IGI General Insurance Limited
(Window Takaful Operations)

Insurance Underwriting Process

The underwriting process of insurance is a core activity carried out by the underwriter familiar with risk management activities combined with underwriting skills and technical knowledge. The purpose to write on this topic is to present a complete underwriting process with the tools and techniques used to underwrite risks.

The first step towards proper underwriting requires the underwriter to have complete and correct information surrounding the risk. According to the principle of utmost good faith the potential client has to provide all information known to him about the risk. This principle applies equally to both the client and the insurer. The insurer must be open with the client to let him know about the insurance so that he can buy an insurance policy covering his interest fully with a reasonable premium.

There are a number of ways and means to obtain information about the risk to be insured. These include (a) Proposal Form, the most common, designed according to the nature of the risk (b) Survey Report in the case of a large or complex risk (c) Layout of a factory or building, if the commercial risk (d) Audited Annual Report in some cases, if available. (e) Meeting with the client to obtain further information (f) Questionnaires used when dealing with particular aspects of the risk (g) Organizational Structure in a few cases (h) Flow Chart of the process for production (i) Fault Trees when required to find out weaknesses or events leading to a failure associated with the risk.

It is worth mentioning that insurance is a mechanism to transfer risks but not every kind of risk is insurable. The following is a brief introduction explaining insurable and non-insurable risks.

Financial and Non Financial Risks: Financial risk means that in the case of loss the outcome of the incident must be capable to calculate for compensation of the loss. For example, a loss arising out of fire at the factory could be measured financially on the basis of either repairing or replacing the lost property. Non financial risks may have a financial aspect but at the time of loss occurrence the amount of claim cannot be measured in terms of finance. The selection of a life partner or enjoyment of holiday falls under the category of non financial risks because of incapability to measure loss in the case of adverse events.

Pure and Speculative Risks: Pure risk has two outcomes either a loss or no change. Driving a car is an example where a chance exists that an accident

may occur or a safe arrival. Speculative risk involves three possible chances such as loss, no change or gain. Investment in the stock market is an example of speculative risk. Rise and fall in the prices of shares may result in loss, breaking even or profit.

Particular and Fundamental Risks: Any risk which brings about disaster at a high level that a large group of people and a big area gets affected adversely is called fundamental. Losses arising from nuclear accident, war, social, economic or natural causes are wide-ranging in their effect and considered as fundamental risks and generally not insurable. On the other hand, particular risks are small and less in wide-ranging. For instance, an accident of a car, a fire at the factory or theft of the personal possessions is considered particular risks and affecting one or few individuals.

Summarizing the above, an insurable risk must be capable of financial measurement, pure and particular. Furthermore, there are other features to be applied on a risk to be insurable.

Insurable interest: This is one of the six general insurance principles. According to the principle there must be a financial relationship between the insured and the property recognized by law. The legal right to insure arises due to having a financial interest in the property whether partially or fully or on a temporary basis. For example, a joint owner in the property, a garage owner possessing a car on behalf of the legal owner or a tenant of a house as they are liable for the cost of loss in the case of damage to the property.

Loss must be accidental: If a person is involved in an act where loss or damage to the surrounding property is certain or the insured deliberately damages the property, the risk is not insurable. So for a risk to be insurable, it must be accidental, unforeseen or sudden.

Legal or lawful activity: A risk that a person is willing to cover under insurance must be recognized in law. Any activity or risk that is against public policy is not insurable. For example a fine, loss, damage and liability arising out of any criminal act or illegal activity or contract considered against public interest is not coverable under insurance.

Looking at the components of a risk enables the underwriter to gain a deeper understanding of the risk. One of them is to evaluate the risk in connection with the perils and hazards. A peril is the cause of a loss such as fire, explosion, windstorm and theft. A hazard is a condition that increases the chance of a loss arising from the peril. The hazard is further divided into two categories.

The physical hazard: it relates to the type of risk, for example, the construction of a building, the location of the property and the condition of a car.

The moral hazard: it refers to the attitude, behavior and conduct of the insured for instance dishonesty of the insured, poor housekeeping in the business premises and careless driving of a driver.

It is also important to check the level of a risk in relationship between frequency and severity of loss. Frequency means how often a loss will occur and severity indicates how serious a loss could be, if it happens. For example, shop lifting represents high frequency, low severity. Earthquake carries high severity, low frequency of loss.

Analyzing a risk includes estimating a loss exposure arising from a single risk or in aggregation of losses during the underwriting period of insurance. The term known as Probable Maximum Loss (PML) is used to anticipate the quantum of a loss in the case of destruction of the insured property. Suppose there are two shops worth Rs. 100,000/- each covered under a fire policy. There is a distance of 100 meters between the shops. It is hoped that a fire, if occurs in one of the shops, cannot spread to the other shop. In this case the total value at risk is Rs. 200,000/- but the PML is Rs. 100,000/-.

All steps taken by the underwriter to assess the risk enables him to decide whether to accept or reject the risk and if yes, then on what terms and premium rate.

Charging suitable premiums is the main task of the underwriter for funding pools in a way to manage them successfully. Premium is charged against the individual risk calculated on the basis of the perils and hazards associated with the risk. Moreover, the law of large numbers, which describes the trend of losses occurring in similar risks, also helps the underwriter in fixing a fair premium rate.

Premium is generally calculated by applying a premium rate to a premium base (rate x sum insured = premium). It is worth mentioning that the base of premium might be different in some classes of insurance. In the employer's liability insurance the total wage roll for the coming year is estimated, the annual turnover is based for public or product liability policy, professional indemnity is rated on fees earned yearly and in a property policy, the market value is the basis of sum insured.

It is worth noting that the value of the property declared by the insured must be as per the market value. Where the value of the property is lower than the market price, the insured would not receive the full amount of claim due to underinsurance. The term of underinsurance means the insured is considered to be his own insurer for the amount he has chosen not to insure and at the time of loss occurrence would share the loss in proportion to the amount of underinsurance. For

example the property worth Rs. 100,000 is insured for Rs. 80,000/- A loss, if arises, is estimated for Rs .10,000/-, the insurer would pay only Rs. 8,000/- by applying an insurance term called the average condition used to calculate a claim payment i.e. formula
(80,000÷100,000x10,000=Rs.8,000/-)

Perils as described earlier can be divided into three groups; insured, excluded and uninsured perils. It is possible that more than one peril takes part leading to a loss. In this situation, it could be difficult to find out the main peril responsible for giving rise to the loss. Here the insurance principle of proximate cause guides to establish the main cause of the loss. It is worth noting that the proximate cause always remains dominant because of a direct link between it and the loss. For example, a thunder uproots a tree which falls on wiring resulting in fire at the factory which was controlled by water causing damage to stocks. In this situation the loss, if caused by uninsured or excluded perils, is not payable. This example is suggesting for adequate coverage of risks against a number of perils expected to threaten the insured property.

In some cases the acceptance of the risk is subject to application of conditions and warranties attached with policy documents. Conditions include an excess, deductible and franchise applied either by way of imposing on the risk or offering a discount in the premium depending on the types of risks.

An excess usually applied on small risks is the first amount of each and every claim borne by the insured. A deductible is similar to an excess but very large amount applied generally on a large industrial business. For example, a fire policy has a deductible of Rs. 100,000/-. In the case of loss for Rs. 500,000/-, the insurer would pay only Rs. 400,000/- and the insured would bear Rs. 100,000/- being co-insurer to share the risk to the extent of the deductible amount.

A franchise means that no claim is payable unless it exceeds the amount or time franchise. Once the claim exceeds the stated amount or time, the entire amount of claim including franchise is payable.

There are a large number of warranties attached with the insurance policies to safeguard the insured assets or minimize the frequency of losses. For instance, an insurance policy covering the assets of Cotton Mills is issued with the important warranties applied with a view to protect the stocks of cotton against fire.

It seems appropriate to describe some other areas of a risk to be examined before providing insurance coverage to a risk.

As mentioned earlier that a risk must be insurable in order to cover but there are some risks which even meet this criteria cannot be insured on a stand alone basis. For example, a policy against loss of profit can never be issued in isolation. Loss of profit policy is issued only in relation to the property damage or machinery breakdown insurance because indemnification under this policy would only be payable, if business interruption is caused by physical loss or damage under the respective policy.

There are two types of insurance contracts in non-life insurance called indemnity and benefit. The indemnity means the insured must be able to recover the actual loss amount neither more nor less. For example the market value of a car is Rs. 600,000/- but insured with the insurance company for Rs. 800,000/-. In the event of total loss, the company will be responsible to pay only Rs. 600,000/-. If the insured has received Rs. 800,000/- it would mean that the insured has gained Rs. 200,000 which is against the insurance principle of indemnity. It would not be out of place to mention here that in the case of car theft the insurer obtains a letter of subrogation from the insured at the time of claim payment. The subrogation letter means taking over the insured's rights to exercise it as and when needed in connection with recovery of the theft car. One of the reasons to get this letter is to prevent the insured from taking any kind of benefits by way of recovery of the theft car because he has already been indemnified and taking more than indemnity means breaking the principle of indemnity.

The benefit policy is generally issued covering the risk of personal accident and sickness. As there is no mechanism to estimate the loss of any part of the body so the insurer pays fixed benefits to the insured at the time of losses.

It is possible that an item of the insured is covered under more than one policy. It generally happens due to overlapping of policies or travel insurance policy covering the same item already covered under a house insurance policy. In this situation the insurance principle of contribution is applied. It operates when the same interest under double insurance gets damaged and lost resulting from the same peril. Here all insurers would share the burden of claim in proportion to the amount of loss. Take the example of a laptop worth Rs. 30,000/- insured with two different companies for the same amount. In the case of theft of the laptop the rule of contribution would apply and both the companies make contribution equally to make up the total loss of Rs. 30,000/-.

It is hoped the efforts made in presenting the important steps taken into account during the underwriting process as well as analyzing the levels of a risk along with covering all general insurance principles will help all together in leading towards a prudent underwriting of insurance.

Making of a Successful Team

Major Muhammad Ajmal Khan (Retd.)

It was 1995 that I voluntarily retired from the Army and started looking for a suitable job in civilian setup. I was lucky to get inducted in a company being raised in corporate sector. Getting adjusted to civilian culture after having served forces for 25 years was not easy. Adaptability to working style, environment and available resources; particularly in an organization which was in its formative stage was quite demanding both emotionally and mentally. Being responsible for administration initially with nothing on ground including staff, I would be asked to perform the work/job for which I would have detailed my lowest under command in previous capacity. Perseverance, patience and acceptance of reality was all I had to use in my armories to change my mindset and get adjusted. This however was not a singular effort, the adjustment was facilitated, supported and comforted by a highly professional, enlightened, kind, caring and wise boss, a personality entitled to be called “Fatherly Figure”. Under his guidance and command, I decided to continue and accept the challenge.

Establishment of a new insurance company North of Pakistan was an enormous and challenging task which would not have been accomplished if it was not the professional acumen, commitment, and persuasiveness of the cool nerved First President and Chief Executive of the company. His untiring efforts, positive attitude, vision and inspiration contributed towards the initial successes which in 25 years have Snow Balled.

It may be of interest to some that how a now big name in insurance industry started in its infancy and how slowly but effectively it transformed into a successful team.

After having a little space (small glass cabin) and some staff on loan from Askari bank, a team of (Two) executive started preparatory work for the herculean task. Hiring a team of professionals at managerial level, preparation of policies, rules, regulations, treaties / reinsurance arrangement, establishment of branches in major cities were the first and foremost challenge. Meager strength of trained professionals available in this part of the country were not willing to leave theirs ship for small boat preparing to navigate in floppy waters of insurance business.

To start with, selection mainly from available pool at Karachi market was made. This experience did not work well as most of the heads of departments who shifted from Karachi found it difficult to get adjusted to the life in Rawalpindi/Islamabad and returned to their base at an early stage. This situation created a new challenge and resulted into a blessing in the long run for the company, the insurance industry and the area (North Zone) as at that time management decided to create own nursery and cultivate insurance professionals. Young men and women were encouraged to join the field. They were helped, trained, guided, educated, groomed and professionally developed to become an asset for the company/ industry. Employees were encouraged and facilitated to improve their education. Incentives in form of promotion / increment were rewarded on achieving next higher degree / qualification. The President took it on himself to train them tacitly by spending long hours with them encouraging and helping them whenever they wanted.

This was a colossal effort towards human development, corporate social responsibility and uplift of the image which the industry due to lack of insurance culture was regarded with. Towards this end, libraries containing good (insurance) books and journals with comfortable environment for study and discussions were established in each branch. A case was initiated to start MBA (insurance) on the lines of banking with different universities of Punjab, Sindh and KPK which now have started degree program in this field.

Besides professional competence, efforts were made to develop personality/leadership traits and mannerism of the staff. Their communication skills were enhanced. Dress code was introduced. They were expected to conduct in office and in the field with dignity, respect and responsibility. The highest source of motivation and example to follow was the President himself who was available for guidance and pep talks. He would support and inculcate confidence by being willingly ready to accompany even the lowest (field staff) to conduct meeting with his clients even at odd times. The most interesting part of such (business) meetings was that he (The President) would only clarify insurance concepts (if required) and discuss other subjects with the client less business as it was left to the staff to negotiate and later get approval. Methodology adopted to procure business was not to stress the staff with targets. They were given free hand to access the market, their own capability and accepting the business keeping the company's capacity in view. This educated and helped them in understanding the market, insurance principles and developed their self-confidence. Policy of "Incentive and Denial" was adopted. Incentives were given to achievers/producers. "Sustainable Relationships" was the moto for all dealings.

Another big challenge and the most ambitious one was to convert all members of the staff (who joined initially and concurrently) from different companies/backgrounds into a well net homogeneous team belonging to, owning and accepting the company as a family. Lot of time was spent and successful efforts were made to achieve this end. They were nurtured and motivated to adopt the company culture. They were made to own and take pride in being the part of prestigious organization. A journey which in most cases started with "I" (claiming achievement for self) to "We" (achievement claimed of a small group) to "Our" (achievement of the company as a whole) was long, persuasive, pertinacious and tedious part of success story called "Askari General Insurance Company" which will be celebrating its "Silver Jubilee" falling on 15th October 2020.

Just look around as to how many successful insurance figures are serving the industry within the country and abroad who have been fostered, groomed and shaped by one of the icons of insurance industry, "The Father of the Company" , Mr. Mohammad Jamaluddin. Salute to him for uplifting so many families from lower to middle and higher social stature. They and their generations are standing tall in the society with honor, dignity and pride living a successful life. May he live a long healthy, happy life and may the company keep progressing bringing new laurels and pride to its "Founders". Ameen.

On this occasion our special prayers for all those who contributed vigorously towards development and progress of the company and have left for their heavenly abode during this period.

Courtesy:
Major Muhammad Ajmal Khan (Retd.)
Ex-Head HR & Admin,
Askari General Insurance Company Ltd.

15th October
Happy Anniversary

The Beginning

The Chief of Army Staff General Abdul Waheed Kakar. NI (M), SBt, initiates the modest beginning of the company by signing his "Personal Accident Proposal Form", the first Policy to be issued by "Askari General Insurance Company Ltd." On October the 15th, 1995. Present on the occasion, Lieutenant General Farrakh Khan (Retd), SBt, Managing Director Army Welfare Trust (Standing Left), Mr. Mohammad Jamaluddin, President & Chief Executive Askari General Insurance Company and Lieutenant General Moinuddin Haider, HI(M) Adjutant General Pakistan Army and Chairman Army Welfare Trust (standing right of the COAS).

Inauguration

Adjutant General Pakistan Army and Chairman Army Welfare Trust, Lieutenant General Moinuddin Haider, HI(M), delivering the inaugural address. Sitting on the stage Lieutenant General Farrakh Khan (Retd), SBt, Managing Director Army Welfare Trust (Left) and Mr. Mohammad Jamaluddin, President & Chief Executive Askari General Insurance Company (right).

Response from the Team

Waqas Ahmad:

Brilliant, excellent. MashaAllah zabardast. Praying for Jamal sb. health & everyone Agicoian.

Shah Saud Mirza:

Very well written, much appreciated, no doubt about the efforts of Mohammad Jamaluddin sb, we all are standing tall in this society with honor, dignity and pride because of him. May Allah give long and healthy life to him and the entire team of AGICO. My special thanks and regards to everyone who prayed and were always there during my kidney transplant last year from AGICO team, special thanks to Jamal sb for his support as always. AGICO team is more like a family and shall always be remembered for the brotherly support we get from this team.

Gulfraz Anis:

My professional career starts in 2000 with my respectable seniors in AGICO, who encouragedme for my assigned job in MIS department. Today i am, working on highest post in insurance industry. Only because of my seniors who give me the confidence and knowledge. Thanks to all my seniors, colleagues and ALLAH PAK. My lovely and unforgettable memories with all AGICO team. On this day AGICO start his journey lead by Our Respectable Teacher and CEO/President MR. Jamal Uddin sahib, now AGICO become a big insurance industry player. Happy 25th Year.

Muhammad Ali Soomro:

This is great pleasure for me to remain the part of askari general insurance company 11 years. I became part of this company in January 2020 as internee and became permanent employee in July, 2020. I was handed over to a very professional team. I am very thank full to Almighty Allah who gave me opportunity to server in this organization with those professional who were the founder of Askari General Insurance Co. Ltd. I directly worked with respected President Mr. Jamal Sahib, Major Ajmal Sahib, Gulfraz Anis, Mr. Waqas, Mr. Waseem, Mr. Hassan Nadeem, Mr. Iqbal, Dr.Barq, Mr. Ehtisham and Mr. Noor Afsar. These professional trained me and treated me just like a family member. Due to this I moved forward and currently working as head of the department in Centaurus Mall. My prayers will always be for all AGICO staff who are currently working in AGICO and is the part of another company. May Allah keep all safe and keep this love between each other for ever. I am also thank full all those who were in all over the branches and supported me.

Shah Rukh:

Mashallah Allah pak jamal sahib ko sehat o tandrusti aur lambi umer atta farmai. Aameen. Today I miss the moment.

Tallat Raza:

Congratulations on the silver jubilee of Askari insurance, which we own right from the beginning i.e. 15th October, 1995. I am thankful to all the people, especially Mr. Jamal-uddin who gave a base which has such a strong pillars and can have the opportunity to celebrate silver jubilee. Congrats to all who are working there as our prayers are always there for a more prosperous AGICO.

A.P. Kirmani:

I wish I would've been there. I really missed such an August gathering. What a great leader with great companions. We owe our success to you sir. Sir you and your most able team navigated our success in life.

Imtiaz Ali:

Whatever I am today is because of Agico

Rana Shahbaz Ahmed:

It is a pleasure to receive your comprehensive note on the auspicious occasion of silver jubilee of Askari general insurance co. ltd. A great journey that started back in 1995 i.e., 25 years ago but seem to be the matter of yesterday. This journey has contribution and efforts of a great number of people who have been associated with AGICO. The real contributory factor being one and only, Mr. Muhammad Jamaluddin who took the challenge to bring the company to sound footing and efforts and support of everyone from day one who has paved way in fulfilling that challenge. AGICO is not only a company it is an institute as we have seen lot of people associated with AGICO being successful after joining outside this organization. This market has seen other companies started with a sound back but are still fighting for their survival for the only reason that they didn't have a visionary leader like Jamal sahib and a supporting and caring team that helped to bring the company out as the only success story. I may add that your role has been remarkable in bringing professional culture in the company which is a major component in shaping corporate future of the organization. It is a matter of pride to be associated with AGICO since starting days having seen all phases the company has routed through and it gives immense satisfaction that this organization stood by all the conditions and enjoys ideal rating with commercial rating companies and entire satisfaction and trust of our clients. I take this opportunity to thank you for remembering us on this graceful occasion. Wishing you all the best on Silver Jubilee.

Muhammad Akmal Khan:

Hard work, Loyalty & diligence inculcated by Jamal sb the ex-President & CEO of Askari insurance & his team in the employees of agico make them the best employees in insurance industry. Thank you everything you & your team have done for Askari. We are celebrating silver jubilee of Agico. The company have achieved many milestones since. I would like to extend my heartiest wishes to Agico family.

M. Javed Kamoka:

It is honor for me to express my views in few words on the occasion of silver jubilee of my company Askari General Insurance Co Ltd. It was my first switching after eleven years serving from EFU General Insurance to Agico. Me and Mr. Muhammad Tariq, JVP Lahore both had joined this company on 12th Feb 2007. I have remembered that moments when I was a little bit scared concerning upon new work place and unknown team. But Mr. Muhammad Ajmal Khan, Ex HOD HR & Admin warmly welcomed me as a new member of Agico family. He introduced me to management as well as about company and gave me much confidence to start my new journey with Agico's professional team. When I met with Mr. Jamal ud Din, Ex CE & President I found him a very good leader with a lot of qualities and as a most gracious and supportive to all employees. Now after completing 25 years, AGICO tree has grown with a strong standing amongst top insurers of Pakistan. Our company's present CE & President and his professional, skilled and committed team have achieved various miles stones and taking this company to a new heights.

Muhammad Tahir:

I am also one of them who was initially interviewed/selected by Respected Maj M Ajmal khan sb to server this company on 01 Nov 2007.On this special occasion silver jubilee of AGICO, I would like to thanks of our Ex-CEO, Ex-Head HR & Admin and my seniors who support me to be a successful part of AGICO family. May you all live a long healthy and happy life.

Muhammad Iqbal:

Lovely times of life will not return back. But the lovely relation and missing memories of lovely people will stay in the heart forever.

Riaz Hussain Khan Jadoon
Member Chartered Institute of Loss Adjusters (UK),
LLMIT (Lloyds & London Market),
Authorized Surveying Officer (The SECP),
MBA (UK), M.Com (Insurance)
Executive Director - Pakistan Inspection Company Pvt. Ltd.

Automating Stock Inspection & Valuation Reports

My experience of downloading a Digital Consumer Banking App developed by one of the banking giants of Pakistan was quite delightful. It was astonishing to find the App very User-friendly comparing to Apps of some International banks and quite competitive. In fact, the App of local Bank surpassed my expectations in many ways and allowed me to break the stereotype that local means cheap. Perhaps, I had grossly underestimated the intelligence of our IT geniuses and Senior Executives working in Banks responsible for digitally transforming and investing in technology to improve operational efficiencies.

During a casual meeting with one of the Bankers, we discussed on the prospect of launching cloud-based portal for Valuation and Stock Reports (Hypo / Pledge) instead of hard copy submission. The Banker was kind enough to explain that the Core Banking System of the Bank has certain Security Protocols and Firewalls. Since security is of paramount significance due to involvement of financial transactions, therefore, any changes to the Core Banking System always require the never-ending reviews and approvals of IT Team. Similarly, if a Third-Party Solution is acquired and integrated with the Core Banking System, it would face the same issues. Thus, bringing any change in the status quo would not only be difficult but require out of the box solution.

The Insurance Industry also mainly relies on their GIS and, like Banking Industry, faces same issues with regard to Security and never-ending approvals of IT Teams. They also need Survey Reports from Licensed Surveyors who more or less work in the same way as PBA Approved Valuators do. As such, a stand-alone cloud-based system (AdjusTech) was proposed by us and successfully implemented to resolve Claims

Management issues faced by one of the Insurers. The Survey Reports are created on cloud-based system (AdjusTech) by Surveyors wherefrom the Insurer obtain all the information as required in real time. A manual approach is being used to feed data into their GIS without any integration or changes in their GIS. Thus, giving them peace of mind that their GIS is secure with no outside interference.

The approach of creating a separate Portal or Stand-alone System has proved quite useful and, in my opinion, is what the Banking Industry needs to digitalize the Inspection and Valuation function. At least at this stage, when IT Teams of Banks are not ready or reluctant to bring any complication in their Core Banking System.

Being part of the Insurance and Banking Industries by the virtue of our Professional Services, I have also observed that majority of Surveyors and Valuators had not been able to work during Corona Virus lockdown so much so that their operation had completely halted. This happened for the reason that neither any Bank nor any Valuator had the digital infrastructure to meet such unprecedented situation. In case of Banks, there is capacity but the resolve to automate is missing. The need of having such a system has also increased due to remote working culture and work from home phenomenon.

The Government's initiative of "**Naya Pakistan Housing Scheme**" and Court decision on "**Foreclosure Laws**" would also stimulate bank financing and, as a result, increase in Valuation assignments. The availability of online-cloud based systems would become inevitable in processing large volume of work efficiently. With the infrastructure currently available to Valuators, it would become extremely difficult if not possible.

This gave us the inspiration to extend our Cloud-based System to Banking Industry on similar lines as used for Insurance Industry. The implementation of such system would not only allow Bankers to view their Survey and Valuation Reports but also view Photos, Documents and Status of any Valuation assignments in real-time. A simple digital cloud-based system can let Bankers avail the following features and benefits:

- Convenient 24/7 access anytime anywhere from phone, tablet and laptop
- No phone calls for most inquiries, resulting in reduction of telephonic costs
- Reviewing Valuation and Stock Inspection Reports online
- Visual representation of Site Surveys through Photographs and Videos
- Paperless environment resulting in reduction of printing costs (Go Green)
- Safe keeping of Case Files in Cloud Systems

The creation of brilliant Digital Banking Apps by local Bankers is a proof that interest in technological transformation have gradually been picking pace. However, collaboration with Third-Parties would expedite the process of digital transformation. Importance of collaboration could not be ruled out as Apple would not have become a Trillion Dollar Company without collaborating with Foxconn. Similarly, Samsung could have never competed with Apple without collaborating with Google for their Android.

The Banking Industry have already been collaborating with Valuators for their Inspection and Valuation needs. The Banks make their important financing decisions on the basis of very same reports submitted by Valuators and, if such is the case, then they should not stop from collaborating for Technology sharing with Valuators offering them out of the box solutions. Banks which are able to adjust their Tech Strategy in post Covid era will not only be successful in ruling hearts and mind of their customers but also their employees, vendors and shareholders in alike manner.

Nasir Siddique
ACII (UK), CPRM & I (USA), MBA (I & RM)
AGM / Team Lead (Underwriting)
IGI Insurance Limited

Severity and Frequency of Catastrophic Events

The severity and frequency of catastrophic events, both natural and man-made, have been increasing over the past 30 years between 1990 and 2020, hurricanes and tropical storms accounted for major portion of total catastrophe losses and the rate and intensity of these storms is predicted to increase with global climate change. A large portion of claims' payouts result from business interruption coverage losses – in the Chilean earthquake, for example, over 50% of claims were filed for business interruptions and extra expenses, addition to catastrophic events, insurers must also consider man-made degradation of the environment. Increasing energy consumption and associated atmospheric pollution will directly impact carriers' risk exposure. The world, for example, predicts world energy consumption will grow by 49% between 2007 and 2025 with continued fossil fuel use, pollution will remain a significant health issue, threatening the well-being of populations in both developed and developing countries. Life and health insurers will need to closely monitor trends in atmospheric pollution in order to accurately assess risk in different regions. Environmental measures will help mitigate the most serious consequences. Renewable energy sources are projected to account major portion of electricity by 2025. Increased consumer investment in sustainable solutions (e.g. solar panels) will gradually create new modelling and pricing risks for Property & Casualty (P&C) insurers.

Managing these types of risks will require insurers to be more sophisticated in their risk modelling and innovative in structuring risk-sharing and risk transfer deals. Catastrophe modelling will become more sophisticated and use advanced, early warning technologies to underwrite in specific, catastrophe prone areas. Insurers who fail to keep pace with this increasing sophistication might be forced to exit markets in certain coverage areas, such as those prone to flooding or forest fire.

Historically, the insurance sector has been good at developing catastrophic models that capture known high severity/low frequency events (e.g. earthquakes, tsunamis, etc). However, most of these models perform poorly when it comes to unknown 'Black Swan' events. Over the next decade the insurance sector could be overwhelmed with uncorrelated catastrophic events reducing capacity and raising prices. Alternatively, new sensing and monitoring technology, together with risk transfer mechanisms, could cushion insurers and reinsurers against abnormal losses.

How to design your business strategy to face the future

There is no prescriptive solution about how you should prepare your business for the future scenarios we have described. While STEEP drivers impact all insurers globally, they have different levels of impact within each region and country. In addition, the actions that insurers choose to take will depend not only on their national or regional markets, but also on their strategic intent, core capabilities, availability of talent, capital and organizational culture. We have, however, identified four broad strategic directions that developed market and emerging market insurers could take, based on their specific situations.

Insurers who want to reshape the future through innovation. Whether these innovators are in emerging or developed markets, their focus will be on R&D, new product innovation and analytical decision-making techniques. In light of the limited growth opportunities in developed countries for traditional insurance products, developed market insurers will focus on creating value-added loss control and risk management services.

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

Child Malnutrition in Pakistan

(How to overcome deficiency through food?)

Malnutrition is the primary cause of child morbidity and mortality in Pakistan. It affects the future health and socioeconomic growth of children and the dynamic potential of the society. Pakistan has been reported to have one of the highest degree of prevalence of child malnutrition compared to other developing counties. According to the National Nutrition Survey, 33% of all children were underweight, 44% were stunted, 15% were wasted and 33% were anemic (iron deficiency).

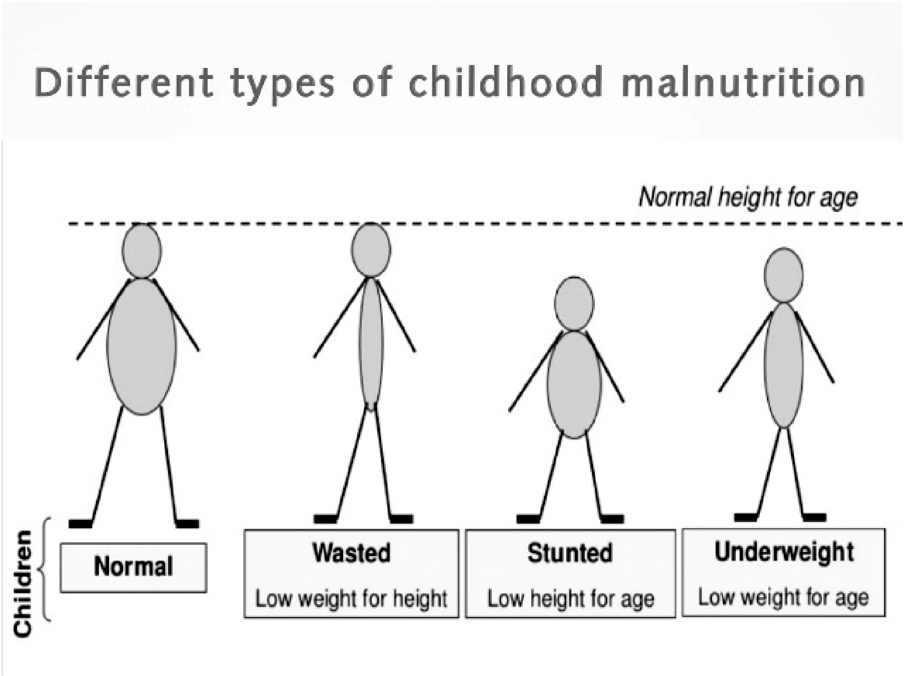
Malnutrition has been the most serious health issue which has been neglected deliberately over the past four decades. The death of thousands of children in the age bracket of 1-3 years in Thar of Sindh province over the past few years is the well-known example in this regard. Pakistan Peoples Party (PPP) government in Sindh spent billions on cultural festivals but was not willing to spend it on addressing the issues of malnutrition and infant mortality.

These issues were regularly highlighted by the Prime Minister Imran Khan in his speeches at public meetings, interviews on TV Channels before elections and told in his victory speech. He is man of vision, conviction and action. The World Bank and Health Ministry agreed to work together on the issues of rising population and malnutrition in the country.

The Council of Common Interests (CCI) approved a project worth Rs.350 billion to attain the issue of malnutrition and stunted growth among children. In its 43rd meeting presided over by Prime Minister Imran Khan, the CCI took serious note of malnutrition and stunted growth among children and decided to launch a program that would target this core problem.

According to the Prime Minister Office, the CCI unanimously agreed to initiate a project **'Tackling Malnutrition Induced Stunting in Pakistan'** which would run for five years (2020-25). It was also agreed that 50% of the amount would be provided by the federal government while the remaining cost would be borne by provincial governments for five years. The project will target 30% of the country's population with 15 million women of the reproductive age group and 3.9 million children under the age of two.

The meeting decided that the federal government would provide for nutrition supplementary commodities, capacity building of new and existing healthcare workers, research and monitoring while the provinces would contribute towards implementation through lady health workers and community health workers. It would also identify the



target population and handle program management, institutional arrangement, evaluation and data sharing.

Foods that make up for Vitamin deficiencies in Children

Most children look younger or weaker due to their age, mainly due to the vitamins they contain, which are passed on to their body through the foods given to them.

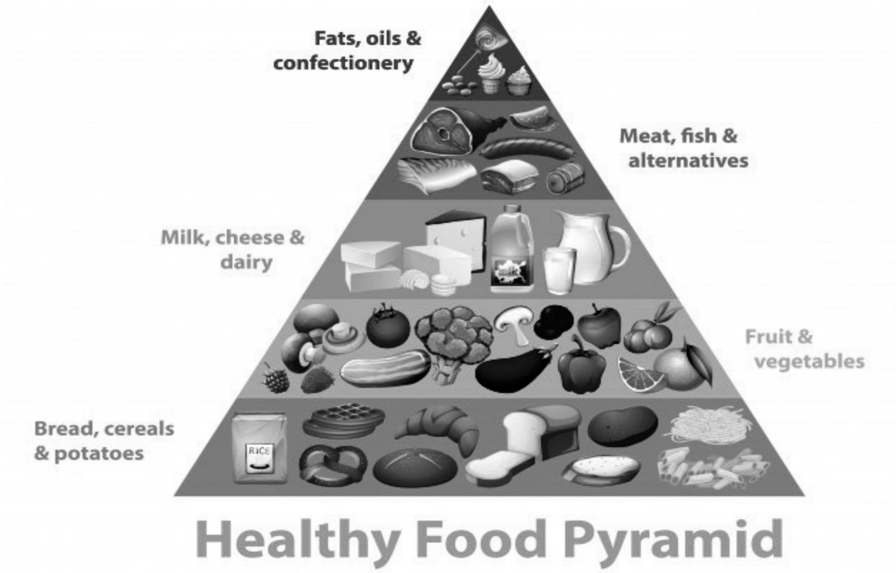
Are the foods you are giving to your children meeting the vitamin needs of the children? If not, I will tell you which foods meet the vitamin deficiency in the children.

Vitamin A

Vitamin A is a fat-soluble vitamin that plays an essential role in maintaining vision, body growth, immune function and reproductive health. Getting adequate amounts of Vitamin A from your child's diet should prevent the symptoms of deficiency, which include hair loss, skin problems, dry eyes, night blindness and increased susceptibility to infections. Deficiency is a leading cause of blindness in developing countries. The recommended dietary allowance (RDA) is 300–600 mcg for children and adolescents. The foods that are rich in vitamin A are liver, fish oil, milk, eggs, leafy green vegetables, orange, yellow vegetables, tomato products, fortified cereals, carrots and broccoli etc.

Vitamin B

Vitamin B and other vitamins are also very important in providing energy to the body. B vitamins are very important in metabolism, energy, healthy heart and nervous system while B12 is considered as one of the most important B vitamins. According to medical experts, infants need about 0.5 micrograms per day, children up to three years about 0.9 micrograms, children between four and eight years about 1.2 micrograms, children between nine and thirteen years about 1.8 micrograms per day, while 18 years and Approximately 2.4 micrograms per day for older people.



Experts say that vitamin B12 is present in most meat, poultry, fish and eggs. However, eating vegetables also helps children to get rid of vitamin B12 deficiency while fortified foods are also useful.

Vitamin C

Vitamin C is a water-soluble vitamin that's found in many foods, particularly fruits i.e. Orange, Guava, Kiwi, Papaya, Lemon, Strawberries, Lychees etc. and vegetables i.e. Cilli Pepper, Parsley, Mustard Spinach, Broccoli etc. It's well known for being a potent antioxidant, as well as having positive effects on skin health and immune function. It's also vital for collagen synthesis, connective tissue, bones, teeth and your small blood vessels. The current daily value (DV) for vitamin C is 90 mg.

Vitamin D

Vitamin D is essential for people of all ages because it, along with calcium, strengthens bones and protects against chronic diseases associated with aging. Egg yolks and fortified milk are very useful for getting vitamin D, while many types of fish contain large amounts of vitamin D. Children who eat a lot of vegetables should include fortified grains (cereals) in their daily diet to get vitamin D.

The American Academy of Pediatrics advises all parents to give their children vitamin D supplements if their child is not getting the 400 international units of vitamin D they need.

Vitamin E

Over the past year, coronavirus has changed the lives of people around the world, with only those whose immune systems were strong enough to survive the deadly epidemic and whose immune system is strengthened by vitamin E.

Experts say that vitamin E also cleanses the blood vessels and improves blood circulation. To make up for vitamin E deficiency, use vegetable oils such as sunflower and saffron oil, nuts and seeds, including almonds, walnuts, and sunflower seeds.

Every parent has heard that children should be eating a "balanced diet." But a balance of what? Here are the nutrients that every child should be getting on a daily basis i.e. Vitamins, Protein, Carbohydrates, Fats, Calcium, Iron, Folate, Zinc and Fibers etc.

2016 C L D

[Lahore]

Before Muhammad Sajid Mehmood Sethi, J

STATE LIFE INSURANCE CORPORATION OF PAKISTAN—Petitioner

Versus

ADDITIONAL DISTRICT JUDGE-1, LAHORE and another---Respondents

Writ Petition No.4937 of 2014, heard on 12th October, 2015

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

---Ss. 162, 122(3) & 123---Civil Procedure Code (V of 1908), O, VII, R. 11---Constitution of Pakistan, Arts. 199, 23, 18, 9, 5, 4, 3, & 2-A---Constitutional petition---Previous sanction of Securities and Exchange Commission of initiation of proceedings--- Rejection of insurance application---Powers and procedure of Insurance Tribunal---Right of individual to be dealt with in accordance with law, etc---Respondent-Insurance company filed application under S. 162 of Insurance Ordinance, 2000 read with O, VII, R. 11, C.P.C for rejection on insurance application on ground that applicant had not obtained prior sanction of Securities and Exchange Commission before filling of insurance application as required under S. 162 of Insurance Ordinance, 2000, which was dismissed by Insurance Tribunal---Validity---Insurance Tribunal and its jurisdiction for entertaining insurance claim, as per scheme of Insurance Ordinance, 2000, was dealt with in Part XV of the Ordinance, starting from Ss. 121 to 124--- Concept of prior sanction was basically linked with criminal prosecution---Provisions which governed criminal prosecution and penalties were in Part XIX of Insurance Ordinance, 2000, starting from Ss. 156 to 163---Section 162 of Insurance Ordinance, 2000 dealt with prior sanction of Securities and Exchange Commission for institution of proceedings---Reading of S.162 in juxtaposition with other provision starting from Ss.156 to 163 of Insurance Ordinance, 2000, made clear that prior sanction was confined to criminal prosecution against insurance company or its employees, and the same was not for purpose of filing the insurance claim---Provision of S. 162 of Insurance Ordinance, 2000, which mandated prior sanction, were not to be applied in isolation but in juxtaposition to other sections starting from 156 to 163 of the Ordinance---Court was under duty to interpret various provisions of statute harmoniously in order to advance remedy---Any other interpretation of provision o S.162 of Insurance Ordinance,2000 would lead to suppression of remedy, that did not seem to be in conformity with provisions of Arts. 2-A, 3, 4, 5, 9, 18, & 23 of the Constitution, and the same would give undue advantage and edge to the insurance company over bona fide claimant--- Constitutional petition was dismissed in circumstance.

Muhammad Huzafa v.American Life Insurance Company (Pakistan) Ltd. (ALICO) through Chairman/General Manager/Managing Director and another 2013 CLD 1470; Syed Saghir Ahmad Naqvi v. Province of Sindh through Chief Secretary, S&GAD, Karachi and another 1996 SCMR 1165; UBL Insurers Limited v. Ashiq Hussain and another 2014 CLD 1155; Ismail Ebrahim Alloo and others v. The State PLD 1959 (W.P.) Kar. 440; State Life Insurance Corporation of Pakistan and 4 others v.Mst. Sartaj Begum R.F.A NO.43 of 2009; Surendra Nath Sarkar and others v. Kali Pada Das AIR 1940 Calctta 232; Jaswantray Manilal Akhaney v. State of Bombay AIR 1955 Bombay 259 and National Insurance Company Ltd. v. Narendra Kumar Jhanjhri 1990 Cri.LJ 773 ref.

(b) Interpretation of statutes—

---Rules of construction of statutes---Scope and object---No provision of Law, contained in a statute, is to be considered in isolation, until and unless any section or provision is complete code in itself---Any scheme contained in statute is to be considered in totality of the scheme of the statute---Statute is to be interpreted by making it consistent with its scheme---Statute had to be read as a whole and not in bits and pieces---Law is to be interpreted and applied rationally, fairly and not arbitrarily--- Literal construction or plain meaning causes hardship, futility, absurdity and uncertainty---Purposeful and contextual construction is preferred to arrive at a more just, reasonable and sensible result---Court is under a duty to mould or creatively interpret legislation by liberally interpreting statute---Statue must be interpreted to advance cause of statute and not to defeat the same.

Ibrar Ahmed for Petitioner.

Liaquat Ali Butt, Akhtar Ali Kureshi, Standing Counsel for Pakistan and Muhammad Ejaz, Assistant Advocate General for Respondents.

Date of Hearing: 12th October,2015.

JUDGMENT

MUHAMMAD SAJID MEHMOOD SETHI, J.---This consolidated judgment shall dispose of instant writ petition along with following connected writ petitions as common question of law and facts are involved in these cases:

(1) W.P. No.8816 of 2014. State Life Insurance Corporation of Pakistan v.The Additional District Judge-1, Lahore and another.

(2) W.P. No.8919 of 2014. State Life Insurance Corporation of Pakistan v.The Additional District Judge-1, Lahore and another.

(3) W.P. No.13458 of 2014. State Life Insurance Corporation of Pakistan v.The Additional District Judge-1, Lahore and another.

(4) W.P. No.30906 of 2014. State Life Insurance Corporation of Pakistan v.The Additional District Judge-1, Lahore and another.

(5) W.P. No.31511 of 2014. State Life Insurance Corporation of Pakistan v.The Additional District Judge-1, Lahore and another.

(6) W.P. No.31512 of 2014. State Life Insurance Corporation of Pakistan v.The Additional District Judge-1, Lahore and another.

2. Brief facts for disposal of this writ petition are that the deceased wife of respondent No.2, namely, Jameela Kausar, Purchased two life insurance policies from petitioner. Respondent No.2 has been named as her nominee. The policy-holder died on 25.06.2009. Respondent No.2 lodged a death claim thereafter, being nominee in the insurance policy, which claim has been repudiated by petitioner. Respondent no.2 assailed this repudiation of insurance claim, before respondent No.1, which is still pending adjudication. Petitioner filed an application under section 162 92) of the Insurance Ordinance, 2000 ("Ordinance"), read with Order VII, Rule 11, C.P.C. for rejection of the insurance application being not maintainable, as having been filed without previous sanction of the Securities and Exchange Commission of Pakistan ("SECP"), in terms of Section 162 of the Ordinance. Petitioner's application has been dismissed by respondent No.1 vide order dated 28.01.2014. Through the instant petition, petitioner has assailed the aforesaid order, with the following prayer:-

"(a) The impugned Order dated 28.01.2014 passed by the respondent No.1 while exercising powers of Insurance Tribunal Punjab may please be declared illegal, arbitrary and ultra vires of the provision of Insurance Ordinance 2000 being passed without lawful authority and consequently of no legal effect.

(b) The writ petitioner's application filed under section 162(2) of the Insurance Ordinance 2000 read with Order VII, rule 11, C.P.C. for rejection of insurance application filed by the respondent No.2 may please be accepted.

(c) Any other relief, which this Hon'ble Court may deem fit and appropriate, may also be awarded to the writ petitioner against the respondents to meet the ends of justice."

3. Learned counsel for petitioner submits that prior permission/sanction of the SECP is mandatory before initiating any proceedings before the Insurance Tribunal against an insurer, in terms of Section162 of the Ordinance. In this regard, learned counsel for petitioner has relied upon Muhammad Huzafa v.American Life Insurance Company (Pakistan) Ltd. (ALICO) through Chairman/General Manager/Managing Director and another(2013 CLD 1470). He further submits that impugned order has been passed in violation of section 162 of the Ordinance and case law referred above. In support of his contention, learned counsel for petitioner has further relied upon Syed Saghir Ahmad Naqvi v. Province of Sindh through Chief Secretary, S&GAD, Karachi and another (1996 SCMR 1165) and UBL Insurers Limited v.Ashiq Hussain and another (2014 CLD 1155).

4. On the other hand, learned counsel for respondent No.2 submits that Section 162 of the Ordinance falls in Part XIXX (Offences and Penalties) of the Ordinance. This part starts from Section 156 and the Section of this part is 163. He further submits that only in criminal prosecution, prior permission/sanction of SECP is required, and it is not required for filing insurance claims in the Insurance Tribunal. Learned counsel for respondent No.2 has relied upon Ismail Ebrahim Alloo and others v. The State (PLD 1959 (W.P.) Karachi 440), State Life Insurance Corporation of Pakistan and 4 others v. Mst. Sartaj Begum (R.F.A. No.43 of 2009), Muhamamd Huzafa v. American Life Insurance Company (Pakistan) Ltd. (ALICO) through Chairman/General Manager/Managing Director and another (2013 CLD 1470) (referred above), Surendra Nath Sarkar and others v. Kali Pada Das (AIR 1940 Calcutta 232), Jaswantray Manilal Akhaney v. State of Bombay (AIR 1955 Bombay 259), and National

Insurance Company Ltd. v. Narendra Kumar Jhanjhri (1990 Cri.LJ 773).

5. Arguments have been heard and record perused.

6. It is evident from bare reading of the scheme of Insurance Ordinance,2000, that the Insurance Tribunal and its jurisdiction for entertaining insurance claim is dealt in Part XV of the Ordinance , starting from sections 121 to 124. Section 121 deals with constitution of the Tribunal, section 122 relates to power of Tribunal, section 123 lays down procedure of Tribunal for trial of an application and section 124 provides right of appeal to the aggrieved person against decision of Tribunal before High Court. Provision of Section 122 clearly lays down that the tribunal shall, in its exercise of civil jurisdiction, in respect of a claim filed by a policy-holder against an insurance company, in respect of or arising out of a policy of insurance, all the powers vested in a Civil Court under the Code of Civil Procedure, 1908 ("CPC"). Provision of section 122(3) says that no Court other than a Tribunal shall have or exercise any jurisdiction with respect to any mater to which the jurisdiction of a Tribunal extends under this Ordinance, including a decision as to the territorial limits and the execution of a decree, order or judgment passed by a Tribunal. The Tribunal, for the purpose of trial of an application, follow such procedure as may be prescribed and have the same powers as are vested in a Civil Court trying a suit under the C.P.C., in respect to summoning and enforcing the attendance of any person examining him on oath, requiring the discovery and production of documents and material object, receiving evidence on affidavits, and issuing commission for the examination of witnesses or documents.

7. The concept of prior sanction is basically linked with a criminal prosecution. Provision which govern the criminal offences and penalties are in Part XIX of the Ordinance. It starts from the provision of section 156 to Section 163 of the Ordinance. Section 156 deals with penalty for default in complying with, or acting in contravention of this Ordinance, section 157 provides penalty for transacting insurance business in contravention of sections 5,6 and 29, section 158 lays down penalty for false statement in document, section 159 states wrongfully obtaining or withholding property, section 160 stipulates power of Tribunal to order restoration of property of insurer or compensation in certain cases, section cases, section 161 relates to notice to Commission and hearing. Section 162 deals with prior sanction of Commission for institution of proceedings and Section 163 deals with power of Court to grant relief. Provision of section 162 of the Ordinance is reproduced as under:-

"162. Previous sanction of Commission for institution of proceedings.---

(1) Except where proceedings are instituted by the Commission no proceedings under this Ordinance against an insurer or any director, manager or other officer of an insurer shall be instituted by any person unless he has previous thereto obtained the sanction of the Commission (which shall not unreasonably be withheld) to institution of each such proceedings.

(2) Where the proceedings are not initiated by the Commission or the Commission have not been made a party, the Tribunal shall before proceeding further in the matter give notice to the Commission and shall not proceed to hear and decide the matter without giving the Commission the opportunity of participating in the proceedings and being heard."

Reading the Section 162 in juxtaposition with other provisions, starting from Section 15 6 to Section 163 of the Ordinance, makes it clear that prior sanction is confined to criminal prosecution against insurance companies or its employees, as mentioned therein. It is not for the purpose of filing insurance claims. Had it been so, it could have been clearly mentioned in the relevant provisions dealing with the insurance claims. The object of the legislature seems to be very clear that prior sanction is required for initiating criminal proceedings under Chapter XIX of the Ordinance, which governs the criminal offences and penalties.

8. Perusal of impugned order also indicates that learned Insurance Tribunal has specifically noted that in Part XIX of the Ordinance, the concept became very clear as these provisions relate to other proceedings/disputes against insurance company or its Directors or officers, whereas the provisions relating to the claims of insurance are neither subservient to the provisions of Section 162 of the Insurance Ordinance, 2000, but independent, nor any prior permission from SECP is necessary, for filing of the insurance claims in the Insurance Tribunals.

9. The established principle of interpretation of statutes is that no provision of law, contained in a statute, is to be considered in isolation, until and unless any Section/provision is a complete code in itself and any scheme contained in statute is to be considered in totality of the scheme. Thus, adhering to this principle, the Court has to consider al the relevant provisions of Insurance Ordinance, 2000.One provision of the Section is not to be considered ignoring its other provisions. Provisions of section 162 which mandates prior sanction are not to be applied in isolation but simultaneously in juxtaposition to other Sections starting from sections 156 to 163. Statute is to be interpreted by making it consistent with the scheme of the Ordinance. It has to be read as a whole and not in bits and pieces. Law is to be interpreted and applied rationally, fairly and not arbitrarily.

10. It is settled law that where literal construction or plain meaning causes hardship, futility, absurdity or uncertainty, the purposive or contextual construction is preferred to arrive at a more just, reasonable and sensible result. Every law is designed to further the ends of justice and not to frustrate it on mere technicalities. Though the function of the Court is only to interpret the law and not to legislate, nonetheless the legislature cannot be asked to sit to resolve the difficulties in the implementation of its intention and the spirit of the law. In such circumstances, it is the duty of the Court to mould or creatively interpret the legislation by liberally interpreting the statute. The statutes must be interpreted to advance the cause of statute and not to defeat it. There is consensus that a remedial enactment is intended to provide relief which was not already provided for. The remedy is to obviate a defect, anomaly or hardship, and is designed to bring the existing law in line with the intention of the legislature. It is the duty of Court to interpret the various provisions of statute harmoniously in order to advance the remedy. It has to construe the law beneficial for the said purpose.

11. Any other interpretation of provision of section 162 of the Ordinance leads to suppression of remedy that does not seem to be in conformity with the provisions of Articles 2-A, 3, 4, 5, 9, 18 and 23 of the Constitution of the Islamic Republic of Pakistan, 1973, and that will give undue advantage and edge to the Insurance Company over the bona fide claimant.

12. Learned counsel for petitioner has placed reliance upon the case of Muhammad Huzafa supra, to contend that no proceedings can be conducted without prior sanction of the commission under Section 162 of the Ordinance. The operative part of the said judgment reads as under:-

"(4) The contention of learned counsel for petitioner has got no force because the provisions of section 162 of the Insurance Ordinance are very much clear and unambiguous and no proceedings can be conducted without the sanction of the Commission. The provision of section 162 is reproduced as under:-

"Except where proceedings are instituted by the Commission no proceedings under this Ordinance against an insurer or any Director, Manger or other Officer of an insurer shall be instituted by any person unless he has previous thereto obtained the sanction of the Commission (which shall not unreasonably be withheld) to the institution of such proceedings."

(5) So, it is obvious from the above mentioned provision of section 162 of the Insurance Ordinance, 2002 that no proceedings shall be lodged by any person without previous sanction of the Commission (i.e. SECP). Thus, we hold that the impugned order of learned insurance Tribunal is perfectly in accordance with law and legal provision, hence, warrants no interference by this Court in exercise of Constitutional jurisdiction."

13. I have carefully gone through the said judgment Learned counsel for respondents has brought to my notice another judgment passed by learned Division Bench of Hon'ble Peshawar High Court, Peshawar, in R.F.A. No.43 of 2009, titled State Life Insurance Corporation of Pakistan and 4 others v. Mst. Sartaj Begum, vide dated 31.01.2012, the operative part of which reads as under:

"So far as the second objection is concerned that permission was not obtained from the Commission, that is based on misconception because that relates to the other disputes against Insurance Company or its Directors or Officers and does not speak about such claims of Insurance and this was also rightly discarded by the Tribunal."

14. It appears that the above judgment passed by learned Division Bench of Hon'ble Peshawar High Court, Peshawar, has not been brought to the notice of another learned Division Bench of the same Court in the case of Muhammad Huzafa supra.

15. In my humble opinion, the earlier view of learned Division Bench of Hon'ble Peshawar High Court, Peshawar, giver in the case of State Life Insurance Corporation of Pakistan (supra), seems to be more in conformity with the provisions of section 162 read with all other enabling provisions of the Insurance Ordinance, 2000.

16. Resultantly, the instant writ petition along with connected petitions have no merits and the same are hereby dismissed with no order as to cost.

AL/S-130/L

Petition dismissed.

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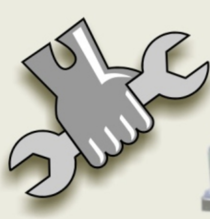

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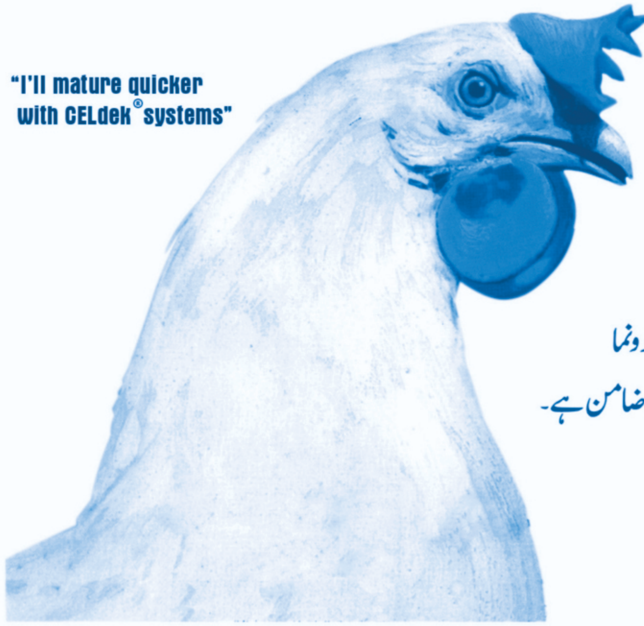

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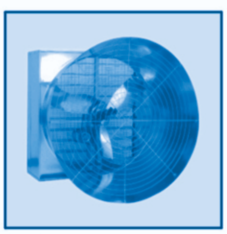
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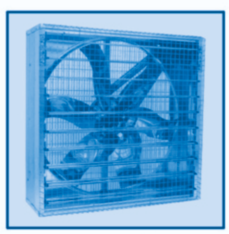
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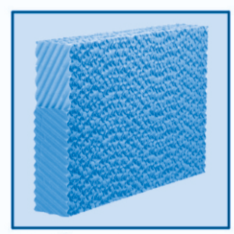
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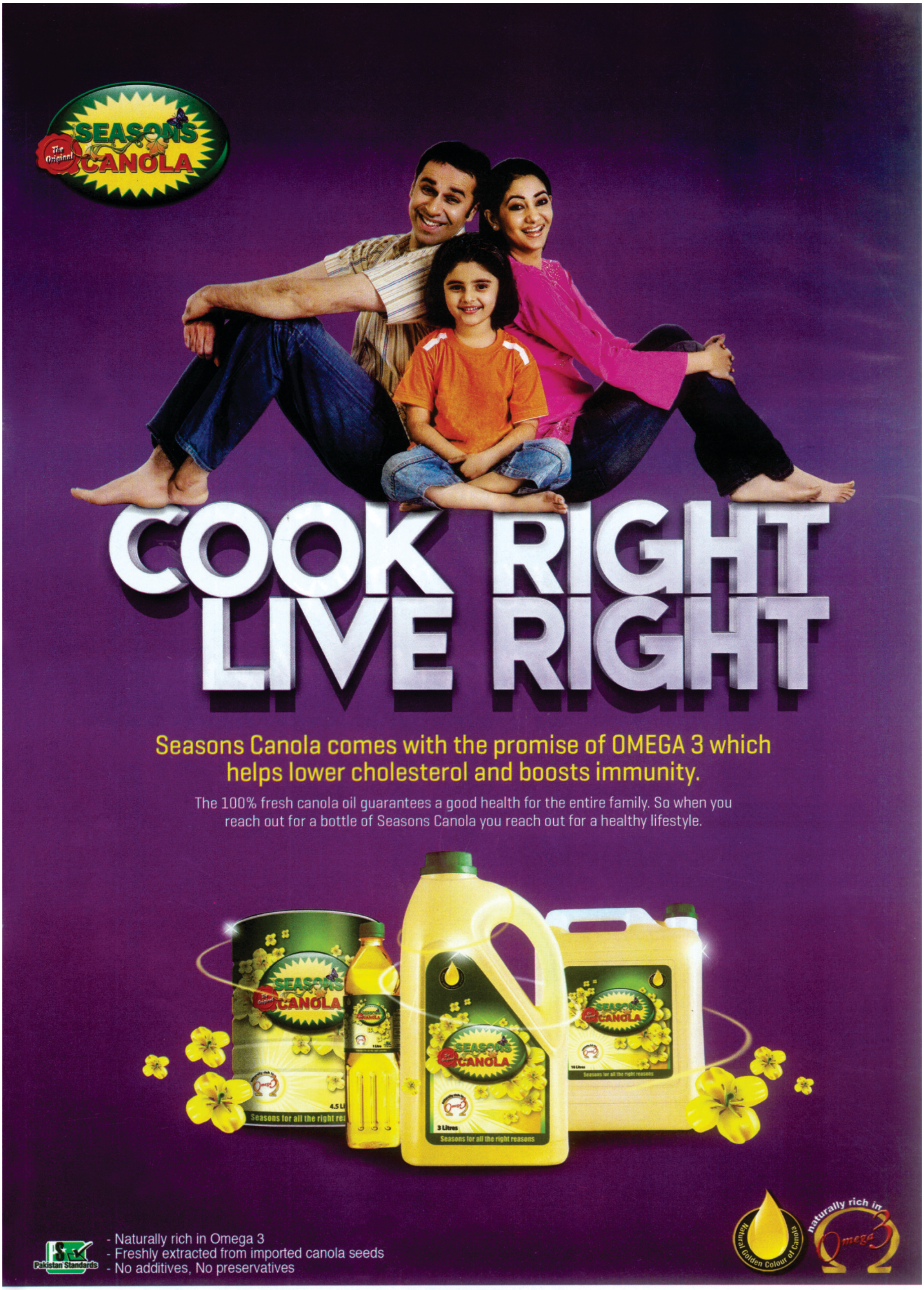

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