

SUMMARY OF THE ACTIVITIES OF EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE



Sitting from Left to Right:

Mr. Javed Ahmed, Mr. Mahmood Lotia, Mr. Mohammad Hussain Hirji (Vice Chairman)
Mr. Tahir Ahmed (Chairman), Mr. Hasanali Abdullah, Mr. Taher G. Sachak &
Mr. Nasar us Samad Qureshi (Senior Vice Chairman)

Standing from Left to Right:

Mr. N.A. Usmani (Secretary General), Mr. Zain Ul Haq Qureshi, Mr. M.K. Baig,
Mr. Abdul Waheed, Mr. Abdul Razak Ahmed & Mr. Zeeshan Raza

- In follow up of IAP efforts on matter pertaining Bank Limits the Committee decided that rather concentrating on higher forums for resolution, the IAP should approach directly to the concerned banks and impress upon them that their attitude is hurting cause of insurance. The members were requested to identify the issues being faced by them with the banks specifying names of banks supported by documents so that IAP can take

up with concerned banks. The information received from member companies was compiled.

In the meantime an interesting development took place that the Competition Commission of Pakistan (CCP) informed IAP that they have received concerns regarding the enlistment of insurance companies with the approved panel of various banks and in this regard sought IAP

comments on various queries. The Committee in principle decided to reply CCP's queries and a point wise reply was submitted in March 2016.

In April 2016 another development took place which further strengthened IAP's view point that the CCP passed an order in favor of complaint filed by IAP member company against Pakistan Engineering Council (PEC) by imposing hefty fines on PEC, advising them to remove minimum rating requirements for insurance companies.

To know the status/ outcome of enquires made earlier by the CCP the matter is consistently being followed up by the IAP. In a recent response the CCP has intimated that the preliminary probe in the matter is still in progress they will inform IAP about the outcome in due course.

- Subsequent to representations made by the IAP at various meetings with the Commissioner Insurance on Training of Insurance/Takaful Agents, the SECP deferred compliance for the persons entering into agency contracts with insurers after 30th June, 2017.
- In November 2015 the SECP announced amendment in Rule 35 vide Circular 41 of 2015 notified through SRO 1052 (I)/2015 dated 28th October 2015, which was not in line with the discussions held earlier with SECP and the contents of draft notification shared with IAP.

The matter was brought in to the knowledge of Commissioner Insurance in a meeting with him apprising that this amendment would not serve the purpose to address the industry's longstanding issue of outstanding premium hence requested

to amend the Rule as agreed earlier. Later on in a follow up meeting, the SECP officials informed that their Policy Board has not approved the draft wording. However the IAP representatives requested them to arrange a meeting of IAP representatives with their Policy Board so that they could try to convince them. SECP response awaited.

In October 2015 the SECP informed that the Commission had issued SEC Microinsurance Rules, 2014. A survey of microinsurance market carried by the SECP showed that the market has not picked as yet, therefore considering policy options for development of microinsurance market and sought IAP comments. A consolidated response finalized by the Committee in the light of comments received from member companies was submitted to SECP.

- The SECP issued draft Securities and Exchange Commission of Pakistan (Reinsurance Brokers) Regulations 2015 vide notification SRO 1091 (I)/2015 dated 6th November 2015. A delegation of IAP met Commissioner Insurance SECP and expressed industry's concerns over the proposed regulations. The Commissioner was requested to defer them and suggested to form a working group consisting of IAP nominees and SECP to review the matter.

In February 2016 the SECP forwarded amended draft to IAP for comments which were submitted to SECP. In April 2016 further discussion was held with Commissioner Insurance and IAP's view point was explained to him in detail followed by another representation dated 16th June, 2016.

- In January 2016, the SECP issued a clarification on applicability of Section 166 of the Insurance Ordinance 2000 to CAR/EAR/TPL etc Policies to Private Contractors that all CAR and EAR policies procured by private contractors for insurance of public properties to be insured only by NICL.

In this regard the IAP informed SECP that the Commission has on various occasions ruled that all such insurances do not fall within the purview of Section 166 of Insurance Ordinance 2000 and that it is the choice of the contractor as to where they would insure.

Moreover the CAR/EAR/TPL etc insurances are meant for covering liability of the contractors, in respect of contractual work till these works are handed over/delivered to the Employer, under the contract conditions. Until issuance of TOC (taking over certificate) the safety and security of the works, equipment & raw materials, remains the responsibility of the contractors & not Employer. The safety and security of these things do not get transferred to Employer, till Employer formally takes over the property after the completion of all the works to the satisfaction of the Employer and of the codal formalities.

Also that the safety & security of these works is the sole, legal & contractual liability of the contractors till the TOC is issued. Hence the works do not fall under the definition of public property as given in Insurance Ordinance 2000 since during construction and until handover neither is the property belonging to the Employer nor is its safety their legal responsibility.

Subsequent to above the SECP on 4th March agreeing to IAP's view point issued a circular letter with reference to Circular No. 1 that the Contractors' All Risks (CAR) and Erection All Risks (EAR) policies cover physical damage to the contract works, equipment and machinery in relation to the construction work, therefore, the risks covered by CAR and EAR policies shall not be treated as insurance in respect of 'property' belonging to, or liability appertaining to the Government.

On 29th March the NICL approached SECP with a request to review the clarification. The SECP forwarded it to IAP for comments supported by legal opinion to proceed further.

Accordingly the IAP submitted detailed comments along with legal opinions obtained from renowned law firms.

- The SECP solicited comments on the draft Credit and Suretyship (Conduct of Business) Rules, 2016 vide notification SRO 511(I)/2016 dated 2nd June 2016. IAP submitted its response to SECP in the light of comments received from member companies.
- In May 2016 the SECP invited suggestions from non-life insurance companies. The IAP decided to submit a consolidated response on behalf of its members and requested them to forward their suggestions to IAP. The suggestions received were compiled, comments finalized and submitted to SECP.
- Exceptional tax measures had been proposed in the Federal Budget 2016-17 relating to insurance

industry by taxing Capital Gains and Dividend Income at corporate rate of 31% instead of the applicable rates to other assesses which the committee felt that it would burden the insurance companies with approximately 80% additional and unprecedented tax. Also that a new provision was proposed to be inserted whereby every non-life insurance company would be required to collect advance tax at the rate of 4% and life insurance company at the rate of 1% (if premium exceeds Rs. 0.2 million per annum) from non-life filers.

In this regard a detailed letter comprising IAP comments had been addressed to Chairman, FBR with request of urgent meeting with him, Mr. Haroon Akhtar, Special Assistant to the Prime Minister for Revenue and Mr. Ishaq Dar, Finance Minister. Unfortunately the meeting could not be held with Chairman, FBR and Finance Minister. However meeting was arranged with Mr. Haroon Akhtar who stated that IAP's suggestions might be considered at later stage but he could not make any promise in this regard.

Finding no way out appeals were made to Prime Minister of Pakistan, Finance Minister and Special Assistant to the Prime Minister for Revenue through leading newspapers. Their attention was drawn to exceptional tax measures being taken by the government would hamper the capacity building and growth of the insurance companies. The matter is still being followed up on priority basis.

- The Taxation and Legislation Committee finalized the proposals on various matters

concerning the insurance industry which were forwarded to the Federal Board of Revenue, Punjab Revenue Authority, Sindh Revenue Board, Securities and Exchange Commission of Pakistan and Federation of Pakistan Chambers of Commerce and Industry.

In addition to above proposals, the Taxation Committee deliberated on the following draft regulations at its various meetings and finalized suggestions/comments which were submitted to the concerned authorities:

19th Nov. 2015: Annual Statement of Compliance with Section 11 & 12 of the Insurance Ordinance (Submitted to SECP)
15th Jan. 2016: Draft Insurance Rules, 2015 (Submitted to SECP)

25th Feb. 2016: General Takaful Accounting Regulations and Financial Statement format (Submitted to ICAP & SECP)

8th June 2016: Code of Corporate Governance for Insurers, 2016 (Submitted to SECP)

20th July 2016: Code of Corporate Governance for Insurers, 2016 (Submitted to SECP)
5th Aug. 2016: 3rd Draft of Companies Bill, 2016 (Submitted to SECP).

- By the grace of Allah the construction works of IAP House commenced as per plan in December 2015. Structure of Basement, Ground and 1st floor has completed and works for 2nd floor are underway.

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- IAP Offices in Karachi and Lahore have been equipped with the Video Conference facility so that the members who could not attend meeting physically may at least participate in discussions. It has helped saving their time and money and convenient for them to participate in IAP meetings.
 - In February 2016 the IAP announced its team for hard ball cricket. The team consists of 19 players selected by Mr. Mohinder Kumar (Ex-cricketer Pakistan Team) from a probable pool of 65 players, nominated by the member companies. Soon after its formation the team played its very first inter - industries tournament and won it. The Executive Committee of IAP while appreciating the outstanding performance of IAP team announced cash prizes to each player. Later the prizes were awarded by the Chairman IAP in a ceremony followed by lunch which was hosted by the Chairman himself.
 - This year the IAP announced to celebrate fourth "Insurance Day" on the 5th April 2016. Like previous years the Day started with the publication of special supplements on insurance and insurance industry in the leading newspapers of the country. Dawn published 6 page special report. Business Recorder & Express Tribune published 4 page special reports.

Messages, articles and interviews from the Commissioner Insurance, SECP, IAP Executive Committee and IAP members, were the main feature of the supplements. In addition to this the following activities were organized by the

IAP and member companies on the insurance day:

- Press Briefing at Karachi Press Club
- Talk Shows on TV/Radio Channels
- Road Shows at Universities
- Super Final Cricket Match
- Beach Cleaning Activity
- Banners display
- Essay Competition
- Elocution Contest
- Family Carnival