

SUMMARY OF THE ACTIVITIES OF LIFE COMMITTEE

LIFE COMMITTEE



Sitting from Left to Right:

Mr. Muhammad Rashid, Ms. Lilly R. Dossabhoy (Chairperson),
Mr. Jalal Meghani (Vice-Chairman) and Syed Fahad Subhan

Standing from Left to Right:

Mr. Mohammad Asim Khan, Mr. N.A. Usmani (Secretary General) and
Mr. M. Numan Shaikh (Suptt. Accident & Life)

- The Committee continued pursuing the matter pertaining exemption of Sindh Sales Tax on Life and Health Insurance. The Sindh Revenue Board (SRB) exempted the services of life insurance of periods from July 1, 2016 to June 30, 2017.

For health insurance, the exemption had been restricted to individual health insurance, whilst corporate health insurance had been made taxable. In this regard life insurance companies have engaged services of M/s Deloitte to appear before the SRB in its negotiations relating to

extension of exemption status of Group Health Insurance. The levy of Sind Sales Tax is discriminatory vs. the medical care sector, which is exempt. However, any corporate entity availing medical care facilities through health insurance would now have to pay higher cost for the same services. The levy of Sind Sales Tax on health insurance has put the insurance companies offices operating in Province of Sindh at disadvantageous position compared to insurance companies offices operating in other provinces.

The Committee was of the view that life insurance companies should continue to keep on pursuing for permanent exemption. The SRB vide Notification No. SRB-3-4/10/2017 dated 5th June 2017 extended the exemption of life insurance for the period up to 30th June 2018. Further no change has been notified in respect of health insurance.

IAP has taken up the matter with SRB for reconsideration of IAP's request to exempt corporate health insurance from the imposition of Sindh Sales Tax to operate on level playing field with health providers and also with insurance companies' offices operating in other provinces.

- In December 2016 SECP's attention was drawn on operational issues on Implementation of SRO 343 of 2015 - Unit Linked Product & Fund Rules, 2015 faced by life insurance companies with respect to following:
 - i. Existing operational / legal structure of members & their pricing funds
 - ii. Rule 10(3) - Separate CDC accounts & separate bank accounts/fixed deposits for each fund
 - iii. Accounts of Unit Linked Funds

A meeting with SECP was held on 16th December 2016. SECP officials patiently heard practical issues in the implementation of Unit Link Products & Funds Rules 2015. Subsequent to the meeting, a comparison of mutual fund Vis-à-Vis a unit linked funds have been submitted to SECP.

- In May 2017 the SECP while referring to the

Common Reporting Standard Rules notified by the FBR vide S.R.O. 166 (I)/2017 informed that as per the CRS Rules, the Financial Institutions of Pakistan are required to start due diligence procedures from 1st July, 2017 for identifying the reportable accounts under CRS. In this regard, clauses (i) through (vii) of sub-rule (ah) of rule 78B provides details and conditions of different types of accounts that are to be excluded. FBR has approached SECP to seek lists of such excluded accounts. Therefore SECP requested IAP to take up the matter with insurance companies and prepare lists of excluded accounts.

SECP was informed that members have reviewed and found that there are no excluded accounts with cash value for life insurance companies under sub rule (ah) of Rule 78B.

- The Committee's attention was drawn that as per insurance accounting regulations the insurance companies are required to prepare their financial reports as per new format from June 2017 onwards. The new format not only requires to reclassify solvency margins and any inadmissibility as per section 32, 34 of Insurance Ordinance 2001, but also to revalue investments which are valued at cost.

The life insurance companies have taken up this matter individually with SECP for seeking extension which have been granted by SECP. Similar request made by non-life companies individually have also been considered by SECP and extensions were granted.

- The Committee reviewed the draft directive for corporate insurance agents received from SECP. Members suggestions after review were submitted to SECP.