

## SUMMARY OF THE ACTIVITIES OF MARINE COMMITTEE



**Mr. Mohammed Safdar**  
Chairman



**Mr. M. Sohail Nazir**  
Vice Chairman



**Mr. Jamshaid Hussain**  
Member



**Mr. M. Naveed Fayyaz**  
Member



**Mr. Rehan Fasih**  
Member



**Syed Nasir Hussain Shirazi**  
Member



**Mr. Usman Arif**  
Member



**Mr. Farrukh Aleem**  
EC Observer



**Mr. N. A. Usmani**  
Secretary General



**Mr. Nabeel W. Sabir**  
Deputy Secretary General

- The Committee continued collection of inland transit losses data. The data included comparison for the past four years highlighting top 5 commodities, concerned cities, transporters engaged and incident time. The comparison was circulated to members and uploaded on IAP website.
- Marine, Aviation and Transport Business data collected from members for the year 2020 was reviewed by the Committee and circulated to member companies and uploaded on IAP website. Since 2019 the data also carries Takaful / Window Takaful Operations information separately in addition to the conventional business data collected from members.
- Marine Committee representatives briefed the EC at the 6th April 2021 meeting on local insurance industry's preparedness on adopting "International Transport of Goods by Road (CMR 1978)" mandated after Pakistan's accession to the convention on 28th August 2019. In order to acquaint all stakeholders (including insurers, freight forwarders, transporters) with the requirements of this Convention and facilitate international transport of goods by road the Ministry of Communications Pakistan has appointed Mott MacDonalds Pakistan to engage stakeholders and a CMR Implementation Committee has been formed. The Ministry of Communication has included IAP in the CMR Implementation Committee and Chairman and

Vice Chairman Marine Committee have been nominated as the focal persons.

The Convention defines responsibilities and liabilities of the parties to the contract including the limits of liability for loss, damage or delay in delivery of goods by road in the same manner as it has been done in the international convention for sea transport, known as Hague Visby Rules and the Montreal Convention for air transport. The basic purpose of the Convention (like most multilateral treaties) is to unify the rules for international road haulage with the aim of promoting the development of international trade. Haulers, carriers and freight forwarders find the Convention to be of great importance from a practical point of view because, without it, every country would be adhering to their own national regulations. The Convention allows a single document to replace the dozens of documents that would have to be otherwise used.

In order to cover the liabilities of the transporters, Carrier's Liability Insurance policies are required to be issued by Pakistani insurers. The Pakistani Insurance Industry is ready to implement CMR 1978 by providing standard and add-on covers under Carrier's Liability Insurance. However, the Government of Pakistan will need to address the following:

1. Availability/ use of Road Transport Vehicles of International Standards
2. Availability of International HTV Driver's License
3. Road Transport Agreement facilitating driver's visa and road permit issuing authority or association for CMR Waybill needs to be decided
4. Promulgation of necessary legislation to provide legal cover to CMR convention in Pakistan

The Marine Committee will be sharing their recommendations with the Ministry of Communication in due course.

- SECP on 18th May 2021 through email intimated IAP of the Revision of Chapter 14 (Commercial Remittances) of the Foreign Exchange Manual and requested feedback on Para 6 as required by SBP on following amendments.
- *Para 6(i)a stipulates requirement of submission of circular of Insurance Association regarding General Average. SECP is requested to guide SBP whether or not such circular is still required as per the laws/rules/regulations etc.*
- *Para 6(i)b contains the requirement of submission of NOC from both Insurance Association and NICL about the remittance of the amount of General Average. We have changed it to submission of NOC either from Insurance Association or from NICL. Accordingly SECP is requested to guide SBP whether or not NOC from both the bodies i.e. Insurance Association and NICL is required as per the laws/rules/regulations etc.*

The Marine Committee held an emergent meeting to discuss these suggested revisions on 19th May 2021 which was also attended by Chairman IAP and Chairman Taxation and Legislation Committee of IAP, and the following response was sent to SECP on 20th May 2021.

*"Keeping in view the urgency of the matter, an emergent meeting of the relevant committees of IAP was called in. After lengthy deliberations, The Insurance Association of Pakistan (IAP) hereby opines that the text in the existing manual, regarding section 6 - General Average Payments ; which deals with foreign remittances of general*

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*average contributions to be made by the shipping companies in Pakistan, should prevail in its original form.*

*The shipping companies, in order to seek approval from the State Bank for making foreign remittances for general average contributions, are currently required to submit their applications with (amongst other documents) a copy of the general average circular issued by Insurance Association of Pakistan along with their NOC. Our support to keep these requirements in the list emanates from the following reasons:-*

*These claims are made on the policies issued by the member companies hence by way of this requirement, they are able to keep a proper track of the funds released from them until they reach the ultimate recipient(s).*

*There may be instances when recoveries become due from the shipping companies for the particular average claims emanating from the same general average event. This gives an opportunity to the eligible insurer(s) to take up the matter with the relevant shipping line before the GA funds are released.*

*With regard to replacement of the word "and" with "or" in the section 6(i)b, please be advised that IAP is the representative body of private insurance companies of Pakistan whereas National Insurance Company Limited (NICL) looks after Government's interests. Since both these bodies look after two distinct portfolios, the requirement from one cannot be replaced by the other as they are not alternates by any definition. The consent of each has its own importance. Whilst IAP would want the requirement of its NOC to remain in place, matter regarding NICL should be referred to them for*

*their decision.*

*Needless to mention that a general average event may simultaneously involve cargo of private parties (insured by a member companies of IAP) and Government (insured by NICL)."*

- The Committee's attention was drawn that requests from a Bank were being received to remove the "Institute War Cancellation Clause" and "War Risk Rate Adjustment Clause" that were reintroduced in policies by some members with deteriorating security situation in Iran. The "Institute War Cancellation Clause" specifically protects the insured such that the insurers cannot cancel the war cover before 7 day notice and that too needs to be accompanied with cancellation justification. In the absence of this clause the underwriter can cancel the cover within 24 hours.

It was also noted that the responsibility to safeguard property and compensate for losses shifts to the state during wartime, that the practice adopted during the 1965 and 1971 wars was that a War Risk Insurance Ordinance was promulgated by the Government. A pool was created and managed by PRCL and all insurers were required to deposit their premium in the pool, and all war loss claims were to be paid from the pool.

Banks who are apprehensive of "Institute War Cancellation Clause" and "War Risk Rate Adjustment Clause" and request its removal can be updated that when a war breaks out the liability shifts from the insurance company to the Government of Pakistan. The absence of the subject clauses will not provide any additional cover to them.

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The Committee noted that the position has been clarified to the Bank by the members who received such requests and any such future request can also be handled individually.

- Last year the Committee had prepared a letter to a bank which had been insisting on removing the Institute Classification Clause from policies which was sent after EC's review in August 2019. This year another bank raised the subject classification clause removal request and the IAP sent a letter to them on 26th January 2021. The letter presented that the Institute Classification Clause is an international clause designed by International Underwriting

Association (IUA) of London and is used worldwide in all marine policies. It is a paramount and compulsory clause and is a part of all marine cargo policies issued across the globe. The removal of this clause from the policy will give the insured the option of moving the cargo on vessels which do not meet international safety standards thus making the cargo vulnerable to physical hazards. Hence it is not in the interest of the insurance companies as well as the banks to expose their finances to these higher risks which can easily be avoided. As this report is being printed no further cases of requests for the removal of Institute Classification Clause were reported by members.