

# Insurance Matters

IAP NEWSLETTER



# IAP

Together We Assure

The Insurance Association of Pakistan

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## 3RD INSURANCE DAY CELEBRATED IN PAKISTAN May 6, 2015

The purpose of celebrating Insurance Day is to take the message of insurance to public at large and especially to the college/university students at the grass root level. This year the IAP announced to celebrate third "Insurance Day" on 6th May 2015. 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 4 page special report.
- Business Recorder published 6 page special report.
- Express Tribune published 2 page special report.

Messages, articles and interviews from the Commissioner Insurance, Director Insurance Division, SECP, IAP Executive Committee and IAP members were the main features of the supplements. The following member companies contributed their advertisement in the supplements.

Century Insurance, Crescent Star Insurance, EFU General Insurance, EFU Life Assurance, Habib Insurance, IGI Insurance, Jubilee General Insurance, Jubilee Life Insurance, New Hampshire Insurance, PICIC Insurance, State Life Insurance, UBL Insurers and United Insurance.

Importantly the office of Federal Insurance Ombudsman also placed an advertisement highlighting that their office provides free of cost justice to policy holders in case of claim dispute with insurance company.

The IAP would like to thank all its members especially those who sponsored the event and participated in Insurance Day activities.

- A press briefing was arranged on May 5th (2.30 to 3.30 p.m) at Karachi Press Club. It was attended by a number of journalists. Mr. Mahmood Lotia (Chairman IAP) Capt. Azhar Ehtesham Ahmed (Senior Vice Chairman IAP) Mr. Ayaz Hussain M. Gad (Chairman, Karachi Insurance Institute) and Mr. Naim Anwar (Member Executive Committee) addressed to the print and electronic media.

Mr. Tahir Masud of IGI Insurance, Mr. Taseer Yousaf of IGI Life, Mr. S.M. Hanif of Askari General and Dr. Bukht Jamal Shaikh of IGI Window Takaful were also present at the briefing and replied to the queries made by the media persons.

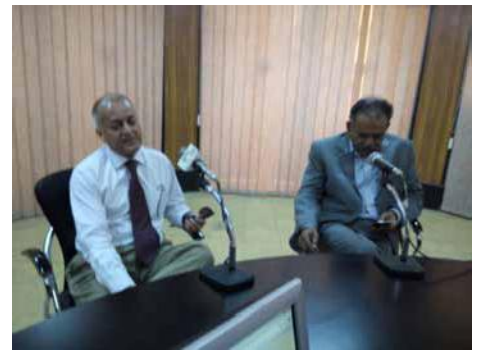
- Insurance Day activities were covered by 60 dailies including leading newspapers.

### Talk Shows on TV/Radio Channels

- AAJ TV
  - May 8th, panel included Mr. Mr. Tahir Ahmed and Capt Azhar Ehtesham Ahmed.
- FM - 101 (Karachi Station)
  - Broadcasted 1 hour program (6.00 to 7.00 pm) on 6th May. Panel included Mr. Tahir Ahmed, Captain Azhar Ehtesham Ahmed, Mr. Naim Anwar, Mr. Muhammad Ali and Mr. N A Usmani.
- FM - 101, 93 & Radio Pakistan (Lahore Station)
  - Broadcasted 1 hour program (5:30 pm) on 6th May. Panel included Mr. Abdul Haye, Syed Imran Rabbani, Mr. Satwat Mahmood Butt, Mr. Muhammad Hisham and Mr. Rahat Sadiq.
- FM - 106.6
  - Broadcasted half hour program (9:15 to 9:45 am) on 6th May. Mr. Nasar-us-Samad Qureshi was the guest.



Mr. Mahmood Lotia, Chairman IAP addressing to the print and electronic media at Karachi Press Club



Mr. Tahir Ahmed and Capt. Azhar Ehtesham at the FM 101 Talk Show programme



Mr. Tahir Ahmed and Capt. Azhar Ehtesham at the Aaj News Channel programme



A panel discussion at Lahore (HCBF)

# IAP ACTIVITIES

## Road Shows at Universities

### University of Karachi

The Pakistan Insurance Institute (PII) arranged lectures and presentations at the Statistics Department. The topic was 'Alternate Distribution Channels and Career Opportunities in the Insurance Industry'. The group included Mr. Umair Ismail Ghaya (Joint Senior Vice President, Jubilee General Ins) Ms. Usha Nemwala (Manager EFU Life Assurance) Syed Abdul Mujeeb (Manager EFU Life Assurance). It was led by Ms. Farzana Siddiq (Executive Director, PII).

### Hailey College of Business and Finance, Lahore (HCBF)

The Regional Committee of IAP in collaboration with the Lahore Insurance Institute (LII) organized a panel discussion at HCBF. It was lead by Mr. Mohammad Ishaque Khan, Mr. Satwat Mahmood Butt (DED, EFU General Ins) Mr. Abdul Haye (Chairman, RCN IAP) and Syed Imran Rabbani (Vice Chairman, RCN).

## Super Final Cricket Match

A super final match was played between the finalists of Karachi and Lahore teams namely EFU Life and SPI Insurance respectively at Vital Five Cricket Club Ground at DHA, Phase VI, Karachi. The Chairman IAP, Mr. Mahmood Lotia awarded trophy to the winning team, the Senior Vice Chairman IAP Capt. Azhar Ehtesham Ahmed to the runner up team. The Chief, Cricket Coordination Committee of IAP, Mr. Naim Anwar presented Man of the Match award to Mr. Zahid of SPI Insurance.

## T-Shirts for the Insurance Day

The IAP and member companies' staff members wore T-Shirts specially designed for Insurance Day. The companies included; New Hampshire, Jubilee General, Alfalah Insurance, Alpha Insurance, IGI General Insurance and IGI Life Insurance.

## Beach Cleaning Activities

IGI Life performed above activity with its 180 workers on Insurance Day between 8:00 to 9:00 a.m.

## Banners display

- KARACHI**  
Through courtesy of EFU General and Jubilee General, hoardings and big banners were displayed at: Jubilee House, Central Hotel Building and Shahrah-e-Faisal.
- LAHORE**  
Around 20 banners were displayed at city's prominent locations.

Essay Competition - Topic: 'Challenges & Opportunities for the Insurance Industry in Emerging Markets'

Apart from the above activities the IAP had decided to continue this activity with much bigger cash prizes to top three positions. In addition a special cash prize to encourage young upcoming insurance professionals has also been included.

In this regard 31 entries have been received from the head offices and branches of New Hampshire, Jubilee Life Ins, Adamjee Insurance, Alfalah Ins Co, EFU General Ins, Asia Insurance, EFU Life Ass, IGI Life Ins, IGI Insurance, Takaful Pakistan Ltd and State Life which are being assessed by the authorized panel. The results will be announced by the end of August 2015.

Following Cash Prizes will be awarded to top three positions at the Ceremony to be held at IAP Annual Dinner in the month of September in Karachi as under:

**1st Prize Rs. 50,000    2nd Prize Rs. 25,000    3rd Prize Rs. 15,000**

Special prize of Rs. 10,000  
(For young insurance professionals of age not more than 27 years)



Mr. Mahmood Lotia, Chairman IAP, awarding trophy to the winning cricket team



Capt. Azhar Ehtesham Ahmed, Senior Vice Chairman IAP, awarding trophy to the runner-up cricket team



Member companies staff wearing T-shirts specially designed for Insurance Day



IGI Life performed Beach Cleaning activities on Insurance Day



## WORLD BANK DELEGATION VISITED IAP OFFICE IN KARACHI

World Bank representatives met Chairman and Senior Vice Chairman, IAP at IAP office on 25<sup>th</sup> February 2015 to understand private sector insurance industry in Pakistan. World Bank is working in association with the Ministry of Finance, Ministry of Commerce and SECP on a project for the Disaster and Climate Resilience Improvement Program. The objectives of the mission include discussion on activities to be undertaken through the project to increase Fiscal Resilience and agreement on next steps and timelines.



## Director Insurance meets IAP's representatives

The Director Insurance Division, SECP, Syed Nayyar Hussain met IAP Executive Committee members on 18<sup>th</sup> March, 2015 at IAP Secretariat, Karachi. The IAP representatives highlighted the difficulties being faced by the insurance industry and discussed various important issues particularly related to party assets and solvency rules. They also discussed members' anxiety and difficulty for practical implementation of the requirements prescribed by the SECP and requested to defer implementation date till further discussion/resolution on the matter.

It was followed by another meeting of IAP's Executive & Taxation Committee Chairmen and members with the Commissioner Insurance at SECP's office who kindly agreed to IAP's submissions.



## Contribution of Insurance Industry in Country's Economy

The industry has been ever willing to assist its clientele whenever a misfortune has occurred whether at micro or macro level. Industry's contribution in terms of revenue generation, claim payments to policyholders, deposition of taxes in Government exchequer and provision of employment for the last five years are as under:

	2014	2013	2012	2011	2010	Total
Premium written (PKR billion)	191	167	148	123	103	732
Claims paid (PKR billion)	76	66	58	49	45	294
Tax contributions to government exchequer (PKR billion)	10.3	9.72	9.69	8.37	7.33	45
Number of employees in insurance companies	14,488	10,200	10,000	9,900	9,600	-

In addition to above the industry has been collecting and depositing Federal Insurance Fee (FIF) of 1% of the premium received on insurance policies which had been levied by the Government of Pakistan in the Budget of 1989-90. Since then approximately Rs. 3.5 billion on account of FIF have been deposited in Government exchequer. The IAP strongly recommends that this amount of FIF be spent for creating awareness and setting up of colleges of insurance in all major cities of Pakistan.

## Meeting with PRCL Representatives

PRCL representatives met IAP's Taxation, Legislation and Banking Committee on 9<sup>th</sup> March 2015 at IAP office to discuss matters of mutual interest.



## Cricket Events at Karachi & Lahore

IAP's Cricket Coordination Committee organised 4th Cricket Tournament in January this year at Asgher Ali Shah Stadium. As many as 16 insurance companies participated in this exciting event. EFU Life and Jubilee General qualified for the final match. Final was played in chill evening of 28th February, 2015. EFU Life won the final and became Karachi Champion for the third consecutive year, Jubilee General was marked as runner up of the tournament.

At the concluding ceremony, awards were distributed to all contesting teams for good bowling, fielding and batting. Final trophies were awarded to winning and the runner up teams.

Senior Executives of the insurance industry were also present in the final event. While addressing to the spectators and players they appreciated the companies' for their interest in IAP activities and encouragement imparted to youth to participate in such healthy activities.



The Regional Committee North of IAP under the supervision of Chairman, RCN, Mr. Abdul Haye and Convener Sports Committee Mr. Muhammad Hisham organized a cricket tournament at Wapda Sports Complex which was named Cricket Extravaganza because of its extravagant features.

Semi finals were played between Asia vs United and Security General vs SPI which were won by United and SPI.

United Insurance and SPI Insurance reached to the final.

After winning the toss- SPI decided to bat and could manage 126 runs. United lost their premier batsmen during early part of the inning and entire team could manage 124. Thus SPI Insurance won the final game by two runs and lifted the trophy with pride.

Mr. Abdul Haye, Syed Imran Rabbani, Mr. Muhammad Hisham, Mr. Muhammad Ikram, Mr. Tesheen Ahmed Khan, Mr. Naeemuddin, Mr. Zain-ul-Qureshi, Mr. M. K. Baig (EC's Observer) and LII Council Members, Mr. M. Ishaque Khan, Mr. Nasar-us-Samad Qureshi were present at the occasion.

It was a fun day attended by a large number of spectators who enjoyed the colorful atmosphere, live DJ and interesting commentary by Satwat Mahmood Butt.





## SECP INTRODUCES PAPERLESS ENVIRONMENT

ISLAMABAD: The Securities and Exchange Commission of Pakistan (SECP) has taken another step towards paperless environment by introducing the facility of paying fee through Credit Cards in its eServices regime.

By using the eServices system, stakeholders can now complete all requirements including payment of fee through Credit Cards, and submit returns/forms online without any need to visit the Bank or any SECP's Company Registration Offices. This is a huge initiative by the SECP which will result in enormous benefits to the corporate sector, and speed up processing times. The SECP has been actively pursuing this initiative for some time and is finally able to provide it to its stakeholders.

Online payment guide has been made available on the SECP website at <http://www.secp.gov.pk/Guides/2015/eServices%20Online%20Payment%20Guide.pdf> for information. Moreover, SECP has also added United Bank Limited (UBL) branch banking for payment of its fee, whereby designated branches of UBL will accept payment of SECP challans. Earlier, challans could only be deposited in designated branches of MCB Bank only.

Source: SECP Press Release

## Federal Board Of Revenue (FBR) to Charge Federal Excise Duty on Banking, Insurance and Franchise Services

ISLAMABAD: The Federal Board of Revenue (FBR) is charging Federal Excise Duty (FED) on banking, insurance and franchise services at federal level despite payment of sales tax at provincial level, reflecting double taxation on these services.

The FBR data revealed that it collected Rs 20 billion as FED from services in 2013-14 as compared to Rs 13 billion in the corresponding period of 2012-13, reflecting an increase of 50.8 percent. The data also reflects that the FBR has collected FED from services sector covering air tickets and telecom in 2013-14. However, in the current budget the FBR has de-notified the FED collection on telecom sector. Sources said the FBR through its field offices is attempting to tax banking, insurance, franchise services at the federal level in spite of the fact that sales tax is being paid at the provincial level.

This results in double taxation and consequently there are numerous appeals pending against duplicate imposition of sales tax on services. As far as telecommunication service is concerned, the FBR had de-notified the telecom service where provincial sales tax is applicable.

The government is not charging federal excise duty on telecom services in provinces, which are charging sales tax on such services. Sindh, Punjab and KP are charging sales tax on telecom services whereas FBR is no longer charging federal excise duty on these services to avoid double taxation.

FED on services should be confined to Islamabad Capital Territory and the province of Balochistan until such time as separate sales tax legislation is enacted in these areas. In 2014-15 budget, the FBR had reduced FED on telecom services from 19.5 to 18.5 percent for Islamabad and Balochistan province.

In Islamabad, the FBR will collect the FED on telecom services. However, the following provinces have set-up their own Revenue Board Authority to administer and collect

sales tax. Sindh Revenue Board (SRB) through the Sindh Sales Tax on Services Act, 2011 with effect from 01 July 2011; Punjab Revenue Authority (PRA) through the Punjab Sales Tax on Services Act, 2012 with effect from 01 July 2012 and Khyber Pakhtunkhwa Authority (KPKA) through the Khyber Pakhtunkhwa Finance Act 2013 with effect from 01 July 2013, Tax Reform Commission said.

The Tax Reform Commission (TRC) maintains that the FED law covering services still remains in force in spite of the fact that the sales tax on services is being collected separately by the provinces of Sindh, Punjab and Khyber Pakhtunkhwa under their own provincial legislations. The TRC recommended that the FED be confined to goods only and all provisions relating to services be eliminated. Alternatively, FED on services should be confined to areas of Pakistan where there is no separate provincial sales tax legislation.

A clarification by way of an SRO needs to be issued that where sales tax is chargeable under the sales tax law of a provincial authority, there will be no demand created on account of sales tax that is payable in the respective provinces and that all existing demands already created stand null and void. This would enable the taxpayers to withdraw the appeals already filed on the matter of dual taxation at various appellate forums, the TRC recommended.

The rationale for change is that continued existence of the FED law results in exposure to dual taxation, the TRC added. Experts told Business Recorder here on Monday that the FBR has retained certain services within the purview of Federal Excise Act. Legally, the FBR is in a position to raise tax demands against service providers liable to FED under Federal Excise Act.

For example, tax department made an attempt to recover FED from banks in Sindh, but the banks obtained stay order from the court. Thus, whenever the FBR intends to collect the FED from these services, the Federal Excise Act authorizes the tax department to initiate recovery proceedings against the service providers.

Source: Business Recorder 10.03.2015

# An Overview on Takaful

*Dr. Syed Arif Hussain is a young and motivated person, bringing to Takaful Pakistan Limited his expertise in management, resource development, marketing and execution of business strategies. His professional experience is spread over 19 years at progressive senior level positions. He has extensive experience in restructuring, insurance operations and automation. He holds M.B.B.S. and Masters Degree in Business Administration. He has also attended a number of Insurance/Takaful and management related workshops and conferences conducted locally and internationally.*



Dr. Syed Arif Hussain

## A Global Overview

As, guided by the fundamentals of Islamic business transactions, the contract of takaful, based on the principles of either Wakala or Mudharaba, has been developed, and is being practiced globally.

Overall, global gross takaful contribution is estimated to reach US\$14 billion in 2014 from an estimated US\$12.3 billion in 2013. Year-on-year growth has moderated from a high CAGR of 22% (2007-11) to a still healthy growth rate of 14% over 2012-14. ASIAN countries (Malaysia, Indonesia, Brunei, Singapore and Thailand), driven by strong economic dynamics and young demographics, continue to achieve buoyant growth at 22% CAGR. The GCC countries (excluding Saudi Arabia) registered growth of about 12%.

Islamic finance is a fast growing phenomenon, which hardly holds 5% share of the global finance industry. In tandem with growth in Islamic finance, demand for Shariah compliant products for mitigating and managing the permissible risks, has risen significantly. From the inauguration of the first takaful company in Sudan in 1979, takaful products are now sold in around 30 countries through over 200 operators (including takaful windows of conventional insurance providers).

However, despite phenomenal growth, takaful industry is merely 1% of the global insurance industry while Muslims represent around one-fifth of the world's population, suggesting potential growth opportunities for takaful to match the Islamic finance penetration, particularly in GCC countries, Malaysia and generally elsewhere.

## An over view of Pakistan's Takaful Industry (2006 – 2013)

Insurance Ordinance 2000 defines Takaful, as

“A scheme based on mutual assistance in compliance with the provisions of Islamic Shariah and which provides for mutual financial aid and assistance to the participants in case of occurrence of certain contingencies, and whereby the participants mutually agree to contribute to the common fund for that purpose.”

In Pakistan, to transact takaful business, both “Wakala” and Mudaraba” based contracts have been allowed under the Takaful Rules 2012 (repealing the Takaful Rules 2005),

Since notification of the Takaful Rules in September 2005, three general Takaful Companies (namely “Pak Kuwait”, “Takaful Pakistan”, and “Pak Qatar General” commenced their operational activities in 2006, 2007, and 2008, respectively) and two family takaful companies (Pak Qatar Family and Dawood Family in 2008) have been issued licenses by Securities and Exchange Commission of Pakistan.

Sr. No	Name of Takaful Operator	Type of Business	Contribution-2013
1	Pak-Kuwait Takaful	General (Non-Life)	780 million
2	Pak-Qatar General Takaful	General (Non-Life)	1,029 million
3	Takaful Pakistan	General (Non-Life)	220 million
4	Pak-Qatar Family Takaful	Family (Life)	4,460 million
5	Dawood Family Takaful	Family (Life)	666 million

The gross takaful (Family +General) contribution is Rs. 7.155 billion in 2013.

Moreover, the development of Takaful (Islamic insurance) industry, including the regulatory environment, needs to keep pace with the rest of the financial industry, especially banking sector.

After enforcement of Takaful Rules 2012, by which conventional insurance companies are allowed to open their window takaful, it is envisaged that takaful industry especially Family Takaful will flourish in future.



# Highlights of ASIA Insurance Review

## Pakistan: More window takaful players entering market

Lahore-based Asia Insurance Company is the latest conventional insurer in Pakistan seeking to offer takaful products. It joins a growing list of insurers in offering Sharia-compliant products.

News of Asia Insurance's planned entry into the takaful market followed world over last weekend that SPI Insurance Company Limited, formerly known as Saudi Pak Insurance Company Limited, had received permission to start window takaful operations.

Among the conventional insurers which are in the Islamic insurance market are United Insurance Company and EFU insurance group, the largest private insurance group in the country. Last month, Jubilee Life, which is Pakistan's largest private sector conventional life insurance company, formally announced that it was setting up a window takaful business.

## Pakistan: EFU Life opens family takaful window

EFU Life Assurance, one of Pakistan's largest private-sector life insurers, has launched its takaful window operations, believed to be the first such licence granted by the Securities & Exchange Commission of Pakistan (SECP).

Excluding EFU Life Assurance, the Pakistan's takaful sector currently comprises eight operators, of which two are full-fledged family takaful operators, three are full-fledged general takaful providers, and three are general window operators.

## India: Govt considering cap on auto accident liability

The central government is planning to set a limit on the liability arising from road accidents in a move that will come as a relief to insurers which are facing heavy losses from third-party motor insurance.

The government mooted the idea in the draft Road Transport Safety Bill released last year, where it mentioned the need to set the maximum liability limit in consultation with the insurance regulator. It also proposes that vehicle owners buy additional insurance to protect themselves from liability.

Under the current system, there is no ceiling on payouts that insurers have to make in motor liability cases. The compensation amount is decided by the courts. In the case of road accidents, compensation as high as INR500 million (US\$8million) has been awarded, depending on parameters such as the income and the future earnings potential of the victim.

"Having a maximum liability limit in third party motor insurance will help moderate premium increases." Mr. Vijay Kumar, Chief Technical Officer (Motor Insurance) at Bajaj Allianz General Insurance, told Hindu Business Line. He pointed out that while the value of claims rose by about 25% every year, the increase in premiums fixed by the regulator rose only by about 10%.

A ceiling on motor liability compensation would help reduce costs for insurance and can lead to lower insurance premiums. This in turn will help address the issue of the large number of uninsured vehicles, said Mr. Mukesh Kumar, Executive Director, HDFC ERGO General Insurance.

Insurers are seeking a 40% increase in third party motor insurance premiums this year as they have been reeling under a claims ratio of around 120% and estimated losses of INR120 billion. Third-party motor insurance coverage is mandatory by law and the premium is decided by the Insurance Regulatory and Development Authority in India.

## Pakistan: Microinsurance makes headway

Microinsurance in Pakistan is witnessing steady growth of late with the number of policyholders increasing by 4.7% on a quarter-on-quarter basis to 3.3 million at the end of the second quarter of 2014. The total insured sum showed an increase of PKR3.3 billion (US\$32.1 million), or 7.8% over the preceding quarter, to reach PKR45.6 billion.

The potential number of micro-insurance policies in Pakistan is around 31.5 million, reported The Express Tribune citing the Securities and Exchange Commission of Pakistan (SECP) which supervises the insurance and capital markets. SECP came up with this number based on the estimates of the potential microfinance market. It means the current micro-insurance penetration rate in Pakistan is around 10.5%.

In contrast, calculated by taking premiums underwritten as a percentage of the country's GDP, conventional life insurance penetration in Pakistan was estimated to be only 1.1% in 2013 as opposed to 3.2% in India.

Conventional insurance is considered expensive and often involves more paperwork and tedious procedures as opposed to microinsurance. In addition, about 20% of Pakistan's population still lives below the poverty line and almost 45% lives in vulnerable conditions, according to a report by the SECP in 2012.

## Pakistan: Government to launch National Health Insurance Programme

The Government of Pakistan plans to launch the Prime Minister's National Health Insurance Programme for 66 selected districts of the country in phased manner with estimated cost of PKR45.078 billion (US\$446 million) over a period of five years.

The scheme targeting the low income segment of the population will cover the beneficiary for treatment of cardio regular disease, diabetes, burns, road traffic accidents, renal disease and dialysis, TB, hepatitis, treatment of HIV chronic liver disease, chemotherapy, radiotherapy and surgical oncology.

A chalkboard-style advertisement for Century Insurance. At the top right, under 'RISK MANAGEMENT', is a list: ✓ fire, ✓ marine, ✓ motor, ✓ Travel, ✓ engineering, ✓ personal accident, ✓ loss of profits, etc. In the center, 'A+' is written in large white chalk. Below it, text reads: 'From excellence to beyond; our FINANCIAL STRENGTH rating upgraded to A+ by JCR-VIS'. At the bottom is the Century Insurance logo, a crest with a crown, and the text 'CENTURY INSURANCE A LAKSON GROUP COMPANY'. At the very bottom, contact information is listed: 'UAN: 111-111-717 www.cici.com.pk' and 'Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad, Sialkot, Multan'.

A colorful advertisement for Sindh Insurance. At the top, it says 'IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO'. The company name 'SINDH INSURANCE' is prominently displayed with a crescent moon and star logo. Below the name, various insurance types are listed: Fire, Marine, Business, Group Health Plans, Home, Car. A central illustration shows a group of people under a large umbrella labeled 'SINDH INSURANCE'. To the right, an 'A-' IFS Rating by PACRA is shown. Below that, the slogan 'Reaching every one for Insurance.' is written. A list of services includes: FIRE INSURANCE, ENGINEERING INSURANCE, MARINE INSURANCE, CAR INSURANCE, HOME INSURANCE, MISCELLANEOUS INSURANCE, and GROUP HEALTH PLANS. At the bottom, contact details for the Head Office are provided: '1ST FLOOR, IMPERIAL COURT, DR. ZIA UDDIN AHMED ROAD, Karachi, Pakistan'. Contact numbers and email are also listed: 'Tel No.: +92 (21) 35640715-17', 'Fax No.: +92 (21) 35640714', 'E-mail: info@sindhinsurancelttd.com', and 'Web: http://www.sindhinsurancelttd.com'.



## RISK IS NOT OUR ENEMY!

Risk is uncertainty surrounding an outcome arising out of the lack of knowledge regarding future events. Every activity undertaken, decision made, or decisions avoided individually, nationally, or in a business entity carry some level of risk. Driving to work, talking with clients, flying, investing in stocks, buying or starting a business, hiring a new employee, buying a home, etc., involve some level of risk. Regardless of its effect i.e., small or large, risk cannot be avoided. But is risk our enemy?

Risk is unavoidable. Since, it is unavoidable risk cannot be our enemy. How can any person or entity be completely surrounded by the enemy and still experience growth and success? They can't, so risk cannot be our enemy. Further, risk is not our enemy because of risk's irony.

Risk's irony is: Without risk there is no reward or, higher the risk, the greater the reward, risk is necessary for any individual or society to innovate and prosper. Risk is required if life, people and society are to progress.

Nobody takes a risk or joins a risky venture with the expectation that his efforts will fail, fall apart, or be detrimental to himself or others. In fact, the opposite is true, individuals and businesses undertake calculated risks intending to improve their place in the world and help society in the process.

So what is the enemy if it is not risk? What should be feared more than the ubiquity of risk?

Ignorance about and/or apathy towards risk are the real enemies. They work individually or in unison to obstruct an individual's or organization's proper management of existing risks, whether the individual or entity wants to admit the risks exist or wants to manage them or not.

### Zulfiqar Ali Khan

FCII (Chartered Insurer),  
CPCU, ARM, CITIP, M.B.Econ., M.Sc.  
Company: EFU General



To be successful over risk, individuals and organizations must know whether risk ignorance or risk apathy is enemy. If the person or entity is unwilling or unable to uncover their enemy, they will lose ultimately.

Apathy towards risk is not an enemy that can be managed, nor can this enemy be defeated. Beware of the apathetic and don't partner with them in any manner. Any person or business not concerned with knowing and understanding the risks involved is dangerous. Failure and financial loss, and possibly even ruin, are inevitable. If we study our country's majority businesses and individual's behaviour we will find apathy towards risk which can only be changed with the change in attitude. Similarly ignorance regarding risk can improve with education, awareness, study, and research.

So, all individual members of insurance industry of Pakistan generally and IAP particularly have responsibility to create awareness about risks to society, business organizations and individuals to fight back the enemy of ignorance.

Ignorance about risk is an enemy that can be overcome – with effort. Defeating the enemy of ignorance requires education and training to discover:

1. What risk is?
2. What is at risk, and
3. The ultimate effect of the risk being considered.

Desire is all that is required to overcome the enemy of ignorance. Where there is desire, there is no apathy. Individuals and businesses must desire to honestly and logically study and actively (or inactively) creating risk, its potential consequences, and how to manage those potentials. Ignorance is not fatal as long as it is temporary. Today the business of risk is booming.

## UPSIDE AND DOWNSIDE OF RISK MANAGEMENT



President of Pakistan Mr. Mamnoon Hussain presenting Souvenir to Mr. Khurram Ali Khan

Fauji Fertilizer Bin Qasim (FFBL) organized the 3rd International Safety Seminar at Marriott Hotel, Karachi. The ceremony was graced by the President of Pakistan Mr. Mamnoon Hussain as Chief Guest. EFU General was represented by Mr. Hasanali Abdullah, Managing Director.

The seminar attracted speakers from Bahrain and United Kingdom along with professionals from Pakistan. Mr. Khurram Ali Khan, Senior Executive Director at EFUs Head Office was one of the speakers who presented a paper on Upside and Downside of Risk Management.

As this was high profile international seminar organized by FFBL, many distinguished speakers wanted to present papers on the occasion. A very strict selection criteria was adopted by FFBL's organizing committee and after detailed review only 8 speakers were selected.

## LIVESTOCK INSURANCE SCHEME FOR BORROWERS

Participation	All banks involved in livestock lending and all insurance companies interested to participate in this scheme.
Eligibility	All borrowers availing loan from banks for the purchase of livestock covered under LISB
Loan covered	All livestock loans up to Rs.5 million for the purchase of animals
Joint insured	Bank and the borrower
Period of Insurance	Yearly renewal insurance
Animals covered	<ul style="list-style-type: none"> <li>- All local dairy, milch animal, fattening animals comprising (Buffaloes, Cows &amp; Bulls) (Age from 9 months to 7 years old)</li> <li>- All imported animals as per terms &amp; conditions of underwriting guideline of the participating Insurance Companies.</li> </ul>
Insured perils	<ul style="list-style-type: none"> <li>- Death due to disease/natural</li> <li>- Death due to flood, heavy rains, wind storm</li> <li>- Accidental death</li> </ul>
Premium	<ul style="list-style-type: none"> <li>- Up to a maximum of 4% per annum of amount insured excluding applicable levies</li> <li>- Bank will be responsible for collection &amp; payment of premium to the Insurer.</li> </ul>
Indemnity	<ul style="list-style-type: none"> <li>- Up to the insured amount of loan or individual price of animal as declared by bank.</li> <li>- Maximum sum insured is PKR 5,000,000 per borrower.</li> <li>- 20% compulsory deductible each and every claim.</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>- Name &amp; address of the loanee</li> <li>- Loan detail</li> <li>- Description of Animals to be insured;</li> <li>- Purchase invoice of new animals;</li> <li>- The Insurance company and bank will ensure tagging through third party arrangement;</li> <li>- Photographs of animal insured</li> <li>- Veterinary certificate/certificate of health</li> <li>- A list of animals will be provided in writing</li> <li>- Copy of CNIC of loanee</li> </ul>
Claim Process	<ul style="list-style-type: none"> <li>- Insured/branch will inform immediately to the Company via email, phone call, SMS, writing etc. and will wait for at least 24 hours before disposing off the carcass.</li> <li>- Insurance company shall arrange a veterinary doctor approved by Pakistan Veterinary Medical Council to investigate the cause of loss and issue a death certificate.</li> <li>- The insured/branch will submit the claim form duly stamped and signed within 14 days.</li> <li>- Insurance company shall settle the claims within 30 days of claim lodgment.</li> </ul>
Others Modalities	<ul style="list-style-type: none"> <li>- Evidence of Death</li> <li>- Free access of inspection of animal</li> <li>- Complete document, veterinary attendance and certificate conforming the cause of death.</li> <li>- Identification of Animals</li> <li>- In case tag is lost, the insured/BM/ACO shall immediately inform to the insurance company;</li> <li>- The insured farmer/bank will ensure inoculation/vaccination for recommended disease by Registered Veterinary Officer (Private/Government) within 15 days of purchase of animal.</li> <li>- Insurance Company and Bank shall be responsible for tagging of the insured animals for which a mechanism will be devised with mutual consent.</li> </ul>
Main Exclusion	<ul style="list-style-type: none"> <li>- Death due to Rinderpest, Blackquarter, Hemorrhagic Septicemia, Anthrax and Foot &amp; Mouth Disease if the animal is not inoculated/vaccinated.</li> <li>- Pre-existing diseases or injuries</li> <li>- Change of location without prior permission in case of: <ul style="list-style-type: none"> <li>- Transport of animal by land vehicle beyond 25 kms from the place of farming.</li> <li>- Transit by foot beyond 50 kms from the place of farming.</li> </ul> </li> <li>- Slaughter of the animal under the order of the government</li> <li>- Epizootic illness</li> <li>- Participation in fairs, exhibitions, markets or contests</li> <li>- Poisoning</li> <li>- Riot, strike &amp; civil commotion</li> <li>- Sabotage and terrorism</li> </ul>

Source: State Bank of Pakistan



## Packaged Commercial Insurances

By: **Imran Yasin**

FCII (UK), ARM (USA), MBecon.,

CITIP (UK), DIS, PGDAE

Vice President EFU General Insurance Ltd

Long term growth in the number of small businesses and the development & use of communication and information technologies by prospective insureds, insurers and intermediaries in developed and developing economies has increased the scope of selling and marketing of packaged commercial policies which are designed according to the needs and wants of a particular market segment after extensive market research. Insurance companies are employing some relatively new distribution channels like banks and building societies in addition to direct and indirect distribution channels for selling packaged policies in order to enhance their market share in the competitive business environment. A typical Packaged Commercial Policy always include covers for damage to business contents (theft, money & glass), business interruption & employers', products and public liability insurance. Main type of Packaged Commercial Policies comprise on salons, hotels & guest houses, surgeries, offices, care homes, commercial liability and shops. It has predetermined sum insured / limits of liability and restrictions in cover with general, market and specific exclusions at an all-inclusive price.

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- \* Single policy document with a common renewal date; and
- \* Lower premium levels with wider cover.

### Benefits to the insurer

- \* Lower handling costs;
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## Signing of Agreement between State Life Insurance Company (SLIC) and Central Depository Company (CDC)

KARACHI: The SECP as a part of its ongoing insurance reforms has facilitated the signing of an agreement between State Life companies and the Central Depository Company of Pakistan Limited (CDC) for the development of centralized information sharing solution for the life insurance industry (CISSII).

Nargis Ghaloo, Chairperson, SLIC, and Muhammad Hanif Jakhura, CEO, CDC, signed the agreement. SECP Chairman Zafar Hijazi chaired the signing ceremony.

Fida Hussain Samoo, Commissioner, Insurance, SECP; Tahir Mahmood, SECP, Commissioner, Company Law Division, and Akif Saeed, SECP, Commissioner, Specialized Companies Division, and other senior officials from State Life, CDC and SECP also attended the ceremony held at the CDC House.

The inclusion of SLIC into the CISSII will greatly enrich the CISSII database and help in achieving the objectives of this information sharing mechanism, including the reduction of systematic risk in the insurance sector.

The CISSII is the result of efforts spearheaded by the SECP's Insurance Division, the Insurance Industry Reform Committee (IIRC) and the CDC. The main objective was to utilize technology to revolutionize the insurance industry.

The CISSII was launched by the CDC as a central electronic database and electronic claims register through which all stakeholders of the insurance industry can access information greatly reducing the risks associated with management of filed claims, also mitigating the risks and tediousness associated. CISSII was launched with the induction of seven private life insurance companies in April 2014.—PR

Source: Business Recorder 13.03.2015



## Premier Insurance appointed new Chief Executive Officer

**Mr. Mohammed Asif Arif** has been appointed as Chief Executive Officer of Premier Insurance Limited.

Mr. Mohammad Asif Arif, a Chartered Insurer with MBA finance from IBA Karachi and ACII from Chartered Insurance Institute London, have served the insurance industry for over 30 years prior to joining the apex regulator SECP as Commissioner.

He has in depth understanding of operations, marketing, accounting and legal framework of insurance companies. He was mainly involved in law and decision making of all the four sectors regulated by SECP viz. Company Law, Securities Market, Non-Banking Financial Institutions and Insurance, as all approvals are made at the Commission as a collegiate body.

He has at his credit the following expertise:

- Extensive knowledge of insurance laws and successfully legislated the key insurance rules and regulations;
- Proven track of spearheading the insurance function at the regulator and implementation of the industry compliance standards;
- Thorough knowledge of Insurance Core Principles of IAIS; Expert in project management and implementation;
- Excellent understanding of issues faced by the industry;

Hands on experience of working with local industry players, reinsurers and brokers around the world, banks, government departments and multinational agencies are additional features in his cap. During his tenure he organized 2nd Meeting of SAARC Insurance Regulators Forum where he was elected Chairman of the Forum and International Insurance Conference which was attended by 500 delegates including more than 60 foreign delegates from 19 countries.



Mohammed Asif Arif, MBA (IBA),  
Chartered Insurer (CII, UK)



## APPOINTMENTS

### **SPI Insurance Company Ltd appointed their new Executive Director**

**Mr. Muhammad Iftexhar Ahmed** has been appointed as Executive Director of SPI Insurance Company Ltd., Window Takaful Operations w.e.f. 16th March 2015.

### **The United Insurance Company of Pakistan Ltd. appointed Advisor to Chairman**

The United Insurance has appointed **Mr. Muhammad Jamal ud Din** as Advisor to Chairman w.e.f. 01-01-2015. He has excellent track record in insurance and connections in the business circles. He is also well known and seasoned personality in insurance industry.

## **CRESCENT STAR APPOINTS PROFESSIONALS**

**Mr. Akbar Naqi** - DMD CSI  
**Mr. Aamir Ahmed** - Head of Sales  
**Mr. Anwarullah Siddiqui** - Head of Motor Division  
**Mr. Ehtesham Malik** - GM North  
**Mr. Jamal Arain** - Deputy General Manager  
**Mr. Inam Muqaddam** - Head of Retail Health

### **EFU Clifton Branch shifted to new premises**

EFU General has announced shifting of their Clifton Division to a new location as under:

**4th Floor, EFU House, M. A. Jinnah Road, Karachi.**  
**Telephone: 021-32313571-9**  
**Fax Nos. 021-32201466 & 021-32203797**

### **EFU's Mardan Branch converted into Mardan Sub-Office:**

The management of EFU General has decided to convert their Mardan Office into Mardan (Sub-Office) under the supervision of Peshawar Branch.

**Mr. Arshad Iqbal**, Assistant Vice President (Dev.) will look after all affairs of the above office.

#### **Disclaimer:**

IAP and its staff is not responsible for any error of fact of whatsoever nature and also for any loss, financial or otherwise, resulting from business or trade or speculation conducted, or investment made on the basis of information posted here in this newsletter. Reading this newsletter stipulates that you have also read this disclaimer.

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**UIC at a Glance:**

Paid Up Capital	920.000	Million
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Gross Premium (Takaful)	123.727	Million
Rating	A+ (Single A Plus)	
Pioneer	Agriculture Insurance & Window Takaful Operations	
Leader Re-Insurer	Swiss Re-insurance Co. Ltd having AA- Rating	

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