

STRICTLY PRIVATE & CONFIDENTIAL

MINUTES OF THE TWELFTH EXECUTIVE COMMITTEE (EC) MEETING FOR THE YEAR 2021–2022 HELD ON SATURDAY 24TH SEPTEMBER 2022, AT 11.00 A.M. THROUGH VIDEO LINK

PRESENT

Mr. Azfar Arshad, Chairman
Syed Ali Haider, Vice Chairman through video link
Mr. Altaf Q. Gokal
Mr. Faisal Khan, through video link
Mr. Ihtsham Ul Haq Qureshi through video link
Mr. Mohammed Ali Ahmed

In Attendance

Mr. N.A. Usmani (Secretary General (SG))
Nabeel W. Sabir (Deputy Secretary General)

-X-X-X-X-X-X-X-X-X-

Mr. Babar Mahmood Mirza, Senior Vice Chairman, Mian Kashif Rashid, Mr. M. Faisal Siddiqui, Syed Kazim Hasan and Mr. Farhan Akhtar Faridi could not attend the meeting and were granted leave of absence. Mr. Shabbir Gulamali, Ex-officio Member did not attend the meeting.

The meeting commenced with the recitation from the Holy Qur'an by the SG.

-X-X-X-X-X-X-X-X-X-

1. Confirmation and Signing of the Minutes of Executive Committee (EC) 2021-22 Meeting No.11 held on Tuesday, 2nd August, 2022 at 11:00 A.M. through video link

The minutes which were circulated to members were confirmed by the Committee and approved to be sent to Chairman for signing.

2. IAP Annual Dinner 2022 and Flood Relief Fundraiser

The EC was informed that the subject event has been organized the same day i.e. Saturday, 24th September 2022 at Crystal Ballroom, Marriott Hotel Karachi from 7pm to 10:30 pm.

Members were requested to pledge donations at the event and all funds collected will be donated equally among Akhuwat Foundation, Edhi Foundation, JDC Foundation and Saylani Welfare Trust.

The following update was provided

Amounts already donated by members

EFU Life - 5 million



TPL Insurance - 0.5 million
Jubilee Life Insurance - 21 million
Jubilee General Insurance - 20 million
Atlas Insurance - 10 million
Century Insurance - 2.5 million
IGI Insurance - 10 million
Askari Insurance - 5 million
Adamjee Insurance - 0.5 million

Amounts that will be disclosed at the event

250k donation from an individual who wishes to remain anonymous
5 million pledge from Adamjee Life
500k from Mr. Hussain Hirji CEO Century Insurance
800k from IAP and event sponsors as tonight's event savings.

Total = PKR 81.05 million

The Chairman expressed his desire if PKR 100 million donations can be reached.

3. Meeting with Chairman SRB held on 5th September 2022

The Committee was updated on the industry meeting with Chairman SRB held on 5th September 2022 11:00 am at SRB office and attended by following representatives

SRB

Dr. Wasif Memon, Chairman
Mr. Hameed Memon
Mr. Mushtaq Kazimi, advisor
Ms. Mona Mehfooz, Assistant Commissioner
Ms. Sania, Assistant Commissioner
Ms. Shumaila Yaar Muhammad, Special Assistant to Chairman

IAP

Mr. Altaf Gokal, EFU Insurance
Mr. Asim Nagi, Adamjee Insurance
Mr. Imran Latif, Adamjee Insurance
Mr. Muhammed Rashid, SLIC
Mr. Nawaid Jamal, Jubilee General Insurance
Mr. Omer Farooq, Jubilee Life Insurance
Mr. Shahid Abbas, EFU Life Assurance
Mr. Syed Amir, CFO-PRCL
Mr. M. Naveed Iqbal, Manager Investment PRCL
Mr. N A Usmani, Secretary General
Nabeel Sabir, Deputy Secretary General

After a round of introductions Chairman SRB regretted that the Board and insurance industry has not yet been able to find a breakthrough in sales tax issues, Mr. Maqsood Jehangir's untimely passing has further delayed the discussions but he assured that the Board is ready to restart the deliberations to address all pending matters. The High Court has also advised the industry and Board to discuss and resolve these matters.

Following matters were discussed:



Sales Tax on Reinsurance

SRB acknowledged that rules for sales tax collection on foreign reinsurance were introduced in 2020 and for the past period of 2011 to 2020, the industry has a valid argument that the SRB should not demand/ assess sales tax. Since these past notices have also been contested in SHC, the SRB agreed that the decision on these should be left to the court. For the current period and beyond the SRB stressed the industry to start charging sales tax on both local and foreign insurance.

SRB also acknowledged that the industry discussions with Mr. Maqsood Jehangir (late) reached the agreement that SRB will not demand sales tax for past periods (which are subjudice) and will also issue a letter in this regard for industry's confidence, however SRB did not acknowledge PRCL's claim that an MOU was signed between SRB and PRCL to allow adjustment of PRCL's already collected 2.5 billion with 2/3 of the monthly amount to be paid to SRB and 1/3 to be adjusted with past payment. This adjustment mechanism was part of IAP's proposal to SRB for reinsurance and has also been submitted by PRCL but SRB stated that no agreement was reached. IAP reiterated that PRCL's acceptance on local reinsurance sales tax proposal is integral for moving forward.

For foreign reinsurance the devised reverse charge mechanism will be used but SLIC stated that Life Insurers will have issues since no sales tax mechanism on life has been accepted yet (if life insurance is not taxed how life reinsurance can be taxed).

The industry informed SRB that whenever an agreement is reached, sales tax on local and foreign reinsurance will be charged by the industry simultaneously and cannot be applied on these components separately.

Sales Tax on Life

SRB stated that the industry proposal for acceptable taxation on IMC/ Policy Fee portion works out to a meagre amount around Rs. 25 million in tax revenue therefore the Board cannot agree to the proposal, another proposal from the industry is needed.

Sales Tax on Agents Commission

SRB noted that private life and non-life sector is deducting and submitting sales tax on agents whereas SLIC has not started the deduction as the imposition has been challenged in SHC by the Field Workers Association of SLIC and a stay has been granted against recovery of sales tax.

SRB agreed to revisit industry recommendations and discussions held with Mr. Maqsood Jehangir (late), SRB will then share their proposal with the industry on the matters and continue the discussion further which will help reach a resolution and build the much needed confidence.

The official SRB minutes were received on 16th September 2022 which did not carry SRB's above action items and these corrections (appearing below) have been sent to SRB on 21st September 2022.

- I. 2 ix should state "At the end of the meeting, the Chairman Sindh Revenue Board, Dr. Wasif Memon directed Mr. Abdul Hameed Memon, the Senior Member Operations, and Ms Mona Mahfooz, the Commissioner to draft a letter to the Insurance Association of Pakistan (The IAP) setting out the possible reliefs to be provided to the insurance industry on the pending disputes particularly local and foreign reinsurance, life insurance, agents commission etc. The Insurance Association of Pakistan (IAP) will discuss the SRB letter internally with the member insurance companies along with with



their tax advisers. After having detailed deliberations about the appropriateness of the reliefs provided in the SRB letter, The Insurance Association of Pakistan will come up again to finally resolve the aforesaid disputes with the Sindh Revenue Board."

- II. On page 1 Mr. N A Usmani's designation should read "Secretary General" not Secretary & Consultant
- III. In 2 ii the name Mr. N A Usmani needs to be replaced with "Mr. Altaf Gokal" who represented IAP and briefed members on industry issues.

The Chairman advised that these developments should be shared with Mr. Khalid Mehmood in due course.

4. Meeting with Chairman SECP on 5th August 2022

The Committee met Chairman SECP on Friday 5th August 2022, brief record of the meeting appears below

SECP

Mr. Aamir Khan, Chairman
Ms. Sadia Khan, Commissioner Insurance on Video Link
Mr. Waseem Khan, Director on Video Link
Mr. Jibran Paracha, Deputy Director on Video Link

Present

Mr. Azfar Arshad (Chairman),
Mr. Ali Haider (Vice-Chairman),
Mr. Altaf Q Gokal,
Mr. Faisal Khan,
Mr. Farhan Akhtar Faridi,
Mr. M. Faisal Siddiqui,
Mr. Mohammed Ali Ahmed
Mr. Shabbir Gulamali
Mr. Karrukh Majeed Qureshi – Company Secretary NICL
Mr. Shoaib Javed Hussain, Chairman SLIC

In Attendance

Mr. N A Usmani
Nabeel W. Sabir

S.No.	Matter	SECP's Comments
1.	<p>Amendments in Motor Vehicle Act 1939 & Road Safety Act 2022</p> <p>Once enacted these will introduce mandatory motor third party insurance and the option of no fault insurance, which the industry awaits. This will help improve insurance penetration through 30 million vehicle owners in the country</p> <p>China's insurance premium comprises of 60% motor and 20%</p>	<p>Road Safety Act is with Law Ministry and will first be rolled out for Islamabad.</p> <p>SECP will follow up to see introduction of mandatory motor insurance through these Acts.</p>

	<p>health UAE 60% motor and health India 70% motor, health and agri Europe dominates with motor and mortgage</p> <p>Mandatory and government supported programs are key to insurance penetration & bridging protection gap</p>	
2	<p>Finance Bill 2022 has withdrawn income tax credit for investment in Life Insurance – (Section 62)</p> <p>Tax credit for investment in Life Insurance should be continued as it encourages general public towards savings. These credits need to be reintroduced next year through Finance Bill 2023 with SECP's support.</p> <p>withdrawal of income tax credit for investment in Health Insurance – (Section 62A) Tax credit for investment in Health Insurance should be continued, supporting people who opt for mitigating their healthcare bills and burden on Government's provided free services.</p>	<p>VPS has been granted and SECP will continue to push for life and health tax credits to be reintroduced next year.</p>
3	<p><u>Reinsurance Remittance</u> With SBP restrictions on foreign payments the industry is facing issues & delays in remitting reinsurance payments, since these arrangements cover specific industry risks including NATCAT with sizeable payments coming back into the country as claims, these FX payments require relaxed conditions.</p>	<p>SECP will support fx remittance case with SBP, IAP to forward its concerns.</p>
4	<p><u>Workmen Compensation and Occupational Safety</u></p> <p>SECP had prepared working papers for introduction of mandatory occupational safety insurance through the Workmen</p>	<p>Workmen Compensation Act is with Ministry of Labour, no timeline is available when these can be enacted.</p> <p>With higher taxes and overall economic recession, the corporate</p>

	Compensation Act but no update is available	sector would not be support introduction of mandatory this year
5	<p><u>Awareness Campaigns for retail products</u></p> <p>Distribution cost of retail products is a concern which leaves no funds for their awareness campaigns</p> <p>SECP should assist in awareness campaigns</p>	SECP did not respond
6	<p><u>Federal Insurance Fee (mentioned by NICL)</u></p> <p>Through Finance Act 1989 the Federal Insurance Fee (FIF) is being levied @ 1% on premium paid on all types of non-life insurance. An amount in excess of Rs. 12 billion has been collected by the Government and not utilized anywhere. FIF needs to be withdrawn or its utility in improving insurance awareness should be revisited.</p>	<p>Not in SECP's immediate control and the industry needs to see beyond it.</p> <p>The industry should not keep its growth & market penetration pegged to release of FIF funds.</p>
7	<p><u>SECP's Regulatory Role and IAP Reforms (by SLIC)</u></p> <p>SECP's regulatory role needs to be defined,</p> <p>IAP needs to be reformed</p> <p>Industry should do more and introduce value added products</p>	<p>SECP will continue to safeguard consumer interests and regulate beneficially, SECP is moving towards rule based regulation. It is not SECP vs Industry but rather a move towards transformational change.</p> <p>Industry data is being collected which will help improve supervision</p>

5. Formation of Self-Regulatory Organization (SRO) for Insurance Sector

SECP through its response dated 27th July 2022 has demanded "IAP's final input covering detailed response" by 22nd August 2022.

The matter was discussed by the EC at the 2nd and 11th August 2022 meetings, the following response was approved by EC.

"Reference to your letter dated 27th July 2022 on the subject and the detailed analysis submitted by IAP on 6th July 2022, we would update the Commission that IAP is forming a Committee to



discuss SRO requirements with Mutual Fund Association of Pakistan (MUFAP) and their planned journey towards becoming a SRO for AMCs.

The matter continues to be evaluated by IAP and all aspects of formation of an Insurance Sector SRO are being examined."

6. SECP Reply | Launch of online portal to access information of companies registered under the Companies Act. 2017

The subject letter dated 23rd May 2022 was shared for the Committee's advices, where SECP had asked IAP to

1. to advise members to generate/ obtain their primary user IDs by sending requests in writing on online.portal@secp.gov.pk
2. ensure that information accessed through the portal should not be misused and accessed by members only
3. monthly invoices be paid timely by companies using the portal
4. update the commission about cancellation of membership of any company so that its user account be treated accordingly
5. A MoU needs to be signed between SECP and IAP to document above arrangements.

The IAP response sent on 17th June 2022 was shared with EC for information

7. CDC's Centralized Gateway Portal

Reference CDC's meeting with IAP representatives (EC, T&L and TC) on 10th June 2022 at 4:00 pm, CDC had requested IAP's feedback on CGP Presentation and Draft copy of SECP master circular at the earliest.

Last month the Committee was updated on IAP comments sent on 28th June to SECP and CDC response received on 1st July

The Committee agreed that the project in essence would be beneficial for the industry if checks performed through various services are done through a single facility, eliminating the need for accessing all these services individually. It was noted that the existing client data submitted by companies to the gateway should remain secure.

Reference SECP's 15th August email seeking IAP nominations for coordination in developing Centralized Gateway Portal, the following nominations have been shared with CDC on 28th August 2022.

- I. Mr. Nawaid Jamal (from non-life sector)
- II. Mr. Zain Ibrahim (from life sector)

8. IAP Levy and Subscription

The Committee noted that PRCL has not yet cleared its 2020 and 2021 IAP levy.

9. Outstanding Payments of Khalid Mahmood, Syed Asad Ali Shah, Akhtar & Hasan Actuaries and Deloitte

The payment status of subject engagements was shared with the EC.



10. S.R.O. 1119 (I)/2022 - Draft Companies Regulations 2022

SECP through S.R.O. 1119 (I)/2022 had invited comments on the Draft Companies Regulations 2022

All members were requested for feedback, the comments received were approved to be sent to SECP.

11. Request for comments on the draft IFRS sustainability disclosure standards

ICAP through its letter dated 30th May 2022 on the subject had requested comments on draft IFRS Sustainability Disclosure Standards IFRS S1 and IFRS S2.

ICAP's Accounting Standards Board (ASB) has formed a specific working group on sustainability reporting who will submit its comments to ISSB highlighting the views and concerns of Pakistan's interest in relation to sustainability report standards and requirements.

ASB had requested IAP to be a part of this consultation process and submit comments and feedback on the draft Standards.

Members were requested for feedback and the comments received were shared with ICAP on 15th August 2022

- I. IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information - comments
- II. IFRS S2 Climate-related Disclosures

12. Matters Arising out of the Previous Minutes

i. Matters of Technology Committee

Six meetings of the Technology Committee have been held on 26th January 2021, 22nd February 2021, 22nd April 2021, 23rd July 2021, 26th August 2021 and 26th November 2021.

The EC approved the Technology Committee's recommended proposal from FetchSky for Rs. 678k and advised works to be commenced at the earliest. The Committee to be updated on the progress of IAP web-based data collection and creation of a webpage for life members unit linked funds' performance aggregator.

The EC was updated that the Technology Committee is no longer functional and the EC advised it to be reconstituted.

ii. PII Grant

The CEO PII briefed the EC at the 2nd November 2021 meeting where he was requested to kindly share the Institute's roadmap and objective action plan which was missing from the presentation to help EC ascertain how the Institute plans to utilize IAP funding. Past IAP grants of Rs. 9.2 million have been provided which have not had the desired impact on the Institute or its performance.

The PII monthly grant of Rs. 400k remains suspended.

13. Brief on Technical Committees' Activities



The Committee reviewed the progress of Technical Committees and the brief shared in this regard.

The EC approved the following notes shared by Life and Property Committee respectively and instructed IAP to convey the EC's appreciation of their efforts.

Life Committee's draft message to Life Members on CDC's CISSII and CIR seeking EC's approval/guidance

The EC advised the following note should be sent to both life and non-life members.

To All Principal Representatives (Life Members)

Dear Sir/ Madam,

The Centralized Information Sharing Solution for Insurance Industry (CISSII) was established in 2014 under SECP's guidance and as part of the Insurance Sector Reforms Committee's recommendations of 2012. CDC was assigned the task of its design, development and maintenance for which individual contracts were signed between insurers and CDC. Using CISSII, companies and SECP formally share information on real time basis to reduce systematic risk in the industry.

The following registers are part of CISSII:

1. **Centralized Agent Register including S-Register** - to facilitate the insurance industry and regulator for effective monitoring and regulation of agents.
2. **Centralized Register for Postponed / Declined Life Risks** - to minimize an operational risk for the insurer that a prospective customer rejected by an insurer might be able to buy a life insurance policy from another insurer.
3. **Centralized Claim Register** - to minimize fraudulent claims in the life insurance industry.
4. **Centralized Health Insurance Claim Experience Register** - to minimize the asymmetry of claims information in the health insurance industry.
5. **Centralized Group Life Claim Experience Register** - to minimize an operational risk for a life insurer that a prospective group life policyholder might be able to purchase a group life insurance policy on lower than justifiable premium rates by manipulation of its own claim experience.

A Centralized Insurance Repository (CIR) was agreed to be set up as the next phase of CISSII. In 2019 CDC under SECP's supervision signed agreements with all Life and Family Takaful Operators to develop a CIR. The repository aims to provide the facility of holding insurance policies in an electronic form (similar to holding dematerialized securities in CDC accounts). Information such as the history of transactions during the term of each policy, cash values, claim details, premium payment details, etc. will also be maintained.

The CDC CIR has been live since 2021 and for now is limited to only Life Insurers and Family Takaful Operators, with all new policy issuance required to be updated on CIR. At a later stage CDC proposes that historic policies will also need to be uploaded on CIR and it may be integrated with CISSII.

IAP has learned that members are paying Rs. 840,000/- per year for CISSII and Rs. 360,000/- per year for CIR however data is not being regularly uploaded on CISSII and CIR. To gain maximum utility from this paid service, availability of data is imperative and therefore IAP requests all members to kindly submit timely information in CISSII registers and upload all new policy data in CIR.



Note from Property Committee on IAP advisory (best practices) to be issued on preventing rain losses of goods stored in basements

BEST PRACTICES/MEASURES TO BE ADOPTED AGAINST RAIN ORIENTED FLOODS

The Property Committee has observed that goods placed in the basements of the buildings or the buildings built at low lying areas are severely hit by the rain-oriented floods. While goods stored in basement are not covered under Fire policies in general but Risks which are low lying are exposed to Flood and Inundation risks. Also due raise in the outside road level due to development over the years the plinth levels of various occupancies are now below road level.

It is felt that to secure goods placed at such occupancies may be protected by adopting best practices to avoid such losses either in form of clause/warranties or in advisory capacity.

Therefore the Committee suggest draft of best practices measures to be taken by the insurance industry while insuring such risks (below) for the Executive Committee's consideration and advices.

Safety measures and Best practices for rain/flooding control

- i. A ramp/slope of appropriate height should be constructed at entrance of the premises if road level is higher than the compound level of the premises.
- ii. A slope or ramp may be constructed at the entrance of each building in case; plinth level of the building is below the compound level of the premises.
- iii. Adequate number of sand bags should be made available at the premises to be used to block the potential flooding entrance.
- iv. All the drain lines at and around the premises should be cleaned and monitored on regular basis, particularly before monsoon season/rain alert.
- v. Rain water prevention gates or stoppage wall be provided at all entrances of each building.
- vi. Fixed drain pumps may be provided at flood prone areas/gates to pump out flood water promptly.
- vii. Pallets should be provided at the premises and stock should be stacked on the pallets, especially during the monsoon season/rain alert. In case of stocks in open, keep them on higher level against ground level using plinths/masonry blocks/ brunt bricks, pallets and covering them all around including bottom with tarpaulin, thick plastic sheets.
- viii. Keep ventilation and windows closed and repair them (if any) to avoid atmospheric disturbance and rain water loss except for chemical storage which may be managed by providing appropriate projection/shelter ahead of windows.

14. Hiring of IAP Surveyors

Reference discussion of 11th August 2022 and on F&A committee's advice the Committee was updated that the following advertisement has been posted on IAP's LinkedIn, Facebook and Twitter pages and published in Dawn on 18th September 2022.

The Committee was requested to please help spread the word in finding suitable candidates for these positions.



CAREER OPPORTUNITIES

The Insurance Association of Pakistan (IAP) incorporated under section 42 and registered with the Ministry of Commerce is a trade association working to promote, support and protect the interests of member Insurance companies and Takaful operators since 1948.

IAP has following vacancies at its Karachi Secretariat and Regional Office Lahore.

	Job Title	Requirements/ Qualifications	Place
1	Secretary Regional Office	MBA or relevant business education with prior experience of non-profit organizations to head the Lahore Regional Office Prior knowledge of Ministry of Commerce Regulations for trade associations will be useful but not mandatory	Lahore
2	Risk Surveyor	Engineering Degree with prior 3-5 year experience in risk assessment and surveys with a survey firm or an insurer	Once vacancy each in Karachi and Lahore
3	Coordinator	Business Degree holder with 2-3 year experience to handle IAP's Technical Committees Coordination, Event Management and Social Media	Karachi
4	Finance Officer	ACCA or MBA with some experience of managing company accounts/ vendor management/ compliance & tax matters/ audit	Karachi
5	Assistant Officer	Minimum BCOM degree holder familiar with office clerical work, records, dispatch and assistance to other functions	Karachi
6	Telephone operator/ receptionist	Minimum BCOM degree holder with some experience of handling PABX phones and secretarial work	Karachi

IAP offers market competitive salary and benefits upon confirmation including group life insurance, health insurance, provident fund, gratuity among others.

Interested candidates who match the above requirements are requested to please send their resumes to the Secretary General IAP at info@iap.net.pk by 15th October 2022

The Insurance Association of Pakistan
IAP House, 5C Nishat Lane 1, DHA Phase VI, Karachi 75500
Tel: (021) 35171571-574 | Fax: (021) 35171576 | Email: info@iap.net.pk | Web: www.iap.net.pk

15. Any Other Matter with the Permission of the Chairman

The Global Federation of Insurance Associations (GFIA)

The Chairman requested the EC to explore the possibility of IAP joining GFIA which can help the members gain valuable insights from other markets.



He instructed IAP to keep the matter for incoming EC's agenda with some details on GFIA's membership requirements and fee.

16. Matters for Record

Ashura Holidays

Secretarial Circular No. 5 dated 4th August 2022.

Scale of Levy: Association Finances

Circular No. C- 6 dated 19th August 2022.

Final List of Voters 2022-23

Circular No. C- 7 dated 25th August 2022.

Appointment of Technical & Regional Committees of IAP for the year 2022-23

Circular No. C- 8 dated 25th August 2022.

Notice & Agenda for the Sixtieth (61st) Annual General Meeting to be held on Saturday, 24th September, 2022 at 12:30 P.M 4th Floor, IAP House, 5C Nishat Lane 1, DHA Phase VI, Karachi
Circular No. C- 9 dated 1st September 2022.

Bulletin on matter of interest

Circular C-10 dated 2nd September 2022

IAP Election Circular 2022-23 (List of Candidates for IAP Election 2022-23)

dated 1st September 2022.

17. To Fix Day, Date, Time & Venue of the Next Executive Committee Meeting

This was the last meeting for the year 2021-22, the Chairman thanked the members for their trust in him and their efforts throughout the year. The sentiment was reciprocated by the members present who commended the Chairman's leadership.

The meeting ended at 12:30 p.m. with a vote of thanks to the Chair.

CHAIRMAN

Minutes Twelfth EC Meeting September-2022

