

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)

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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.

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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>

