

## SUMMARY OF THE ACTIVITIES OF EXECUTIVE COMMITTEE



Mr. Muhammad Hussain Hirji  
Chairman



Dr. Bakht Jamal Shaikh  
Vice Chairman



Mr. Altaf Q. Gokal  
Member



Mr. Faisal Khan  
Member



Mr. Ihtsham Ul Haq Qureshi  
Member



Mr. M. Faisal Siddiqui  
Member



Mr. Omer Farooq  
Member



Mr. Saqib Zeeshan  
Member



Syed Kazim Hasan  
Member



Mr. Azfar Arshad  
Ex-Officio Member



Mr. N. A. Usmani  
Secretary General



Mr. Nabeel W. Sabir  
Deputy Secretary General

### 1. Interaction with Regulators

#### Meeting with Competition Commission of Pakistan (CCP)

Meeting with CCP was held on 21st March 2024 through Zoom, the following issues were discussed and then later shared with CCP.

##### i. Competition is needed in local reinsurance market

There is only one reinsurance company in Pakistan namely Pakistan Reinsurance Company Limited (PRCL), which is a state-owned company. All insurers in Pakistan are required by law to offer 35% reinsurance to it before seeking reinsurance support from the international market.

A competitive reinsurance market is needed to ensure better services. There is no incentive for PRCL to provide high quality services or to be adequately capitalized or acquire proper retro cover to give insurance companies the peace of mind that PRCL can pay large claims or an accumulation of claims in the event of a natural disaster such as an earthquake, for example. The legal requirement for compulsory cession to PRCL must be reconsidered.

##### ii. The implementation/ enforcement of mandatory insurance covers

Pakistan Motor Vehicle Act 1939 requires all vehicles plying roads to carry motor third party insurance, but unfortunately there is no enforcement of this law. The new Road Safety

Act is under Law Ministry's review and IAP has in addition to motor third party insurance also proposed introduction of no fault insurance. This will help improve insurance penetration through 30 million vehicle owners in the country

For example:

- China's insurance premium comprises of 60% motor and 20% health
- UAE's insurance premium comprises of 60% motor and health
- India's insurance premium comprises of 70% motor, health and agriculture

Mandatory and government supported programs are key to insurance penetration amongst the population and in bridging the protection gap.

### **iii. Insurance of public property is not competitive**

Insurance of public property is exclusively granted to National Insurance Company Limited NICL through section 166 of Insurance Ordinance 2000, which is discriminatory and against fair competition.

Private insurers should also be allowed to cover public property, bringing healthy competition and improved service to benefit policy holders.

### **iv. Service Sales Tax on reinsurance in case of General Insurance**

Provincial service sales tax imposition on reinsurance in the case of general insurance is double taxation as insurance companies have already paid sales tax when they sold these insurances to customers. Reinsurance of the

same risk is obtained by insurance companies to lessen their exposure and accumulation in the event of large losses or natural catastrophes. Taxing reinsurance is in effect, double taxation. It is imperative to mention here that reinsurance is not taxed anywhere in the world, and therefore, should remain exempted in Pakistan too.

### **v. Service Sales Tax on life, health insurance and reinsurance**

Application of sales tax on life insurance and health insurance is also unjust. Life insurance is also a saving tool for the general public while health insurance reduces the burden of healthcare on the Government and gives the general public access to good healthcare in case of any unforeseen medical emergencies. Taxing this segment is inappropriate in a poor country like ours where the national healthcare system is in a dismal state and incapable of providing quality healthcare to citizens.

### **vi. Requirements of CDD/KYC of legal person in respect of Group Life Insurance needs review**

In this regard, we have already sent a detailed letter to SECP AML/CFT section on Mach 21, 2024, copy of letter provided to CCP for the ease of reference.

### **vii. Need to simplify over-complicated life insurance products**

In Pakistan, life insurers are mostly selling investment linked products (Endowment, Unit Linked, Universal, etc.) which are already very complicated products. The sales process is made even more complicated by the requirement for additional documents including Illustration,

Application, Need Analysis Form, Policy Provisions, etc. There is need to merge these documents and make it simpler so that agents and applicants can understand the product more easily.

Example: The policy document which used to be two pages has now been increased to ten pages with illustrations and complicated terms. These added requirements have been introduced through "Revised Unit Linked Regulations 2022", "Corporate Insurance Agent Regulations (CIAR) 2020" in addition to Insurance Ordinance 2000 and Insurance Rules 2017.

CIAR 2020 has conditions for automatic commission claw back under which it is presumed that a policy has been mis-sold, if second year premium is unpaid within grace period for a regular premium life insurance policy. It is a unique condition, not present in other countries. Similarly timing of call back confirmation between 24-72 hours after closing of sale is making the process more complicated.

#### **viii. Arbitration forums condoning the concealment of material facts**

Some arbitration forums which deal with private life insurance companies condone the concealment of material facts at the time of purchasing policy, which is against universally accepted insurance principles. Calling Diabetes Mellitus and High Blood Pressure normal conditions suffered by every Pakistani and ordering the insurance companies to pay the death claims in such cases is not fair and against policy terms and conditions as well as SECP Insurance Regulations.

#### **ix. Distribution channels need support**

New technology driven distribution channels (digital sales) must have regulatory requirements matching this channel. The digital customer journey should not require submission of physical documents, identification, approvals, etc. and in fact, needs to be the easier mode with relaxed conditions as all customer information is already being digitally mapped (e.g. mobile number is only issued to a CNIC after biometric verification, similarly payment will be made from the customer's linked bank account/ e-wallet therefore further customer verification should not be needed).

#### **x. Private Sector is deprived of competition under national insurance schemes**

The private sector has been deprived of the opportunity to offer universal health insurance under schemes introduced by the Government (in form of "Sehat Cards") in KPK and Punjab, even though the private sector participated in the bidding process as a consortium, bringing world standard large scale health insurance expertise (e.g. AXA).

The Government has only granted the project to State Life Insurance Company, creating an unfair business environment, depriving growth potential to private insurance companies and resulting in questionable service levels for end users.

For a healthy competitive business environment and to provide a level playing field for both private and public sector insurers, the Government must include the private sector in national schemes.

## **xi. Federal Insurance Fee**

In 1989 through the Finance Act, the Government of Pakistan imposed Federal Insurance Fee @ 1 % on non-life insurance policies. The understanding given at that time was that the amount generated shall be utilized for the awareness, promotion, and development of insurance in the country, but nothing has happened in this regard. It is suggested that this fee be withdrawn till such time that a road map for the development and promotion of the insurance sector is in place.

### **Meeting with Chairman SRB**

Following representatives met Chairman SRB on 5th September 2023, where SRB was requested to keep health insurance exempted from sales tax at least for another year. SRB did not accept IAP's request.

1. Mr. Altaf Q Gokal, Chairman IAP's Taxation Committee, and CFO EFU General Insurance
2. Mr. Nawaid Jamal, Member IAP's Executive Committee, and CFO Jubilee General
3. Mr. Omer Farooq, Member IAP's Executive Committee, and CFO Jubilee Life
4. Mr. Wasiq Majid, Head of Finance Adamjee General
5. Mr. Nooruddin Jaffer, CFO EFU Health Insurance
6. Mr. Haseeb Kasbati, CFO IGI Life

**Constitution Petition No. D-4318 of 2023 in Sindh against health insurance sales tax**

Following 8 companies filed petition D-4318 of 2023 in September 2023, Stay was granted.

1. Jubilee Life
2. IGI Life
3. TPL Insurance
4. EFU Health
5. Pak Qatar Family Takaful
6. Pak Qatar General Takaful
7. Premier Insurance
8. State Life Insurance

The lawyer advised to include SECP as a respondent in a fresh petition, members who were not part of the above petition were asked again if they still want to contest sales tax on group health in Sindh.

The following companies filed CP No. 1290 of 2024 on 12th March 2024

1. Jubilee General
2. Adamjee General
3. Shaheen Insurance
4. Habib Insurance
5. Alpha Insurance
6. TPL Life
7. + Askari General separately

### **Meeting with Chairman PRA: PRA Letters - Sales Tax on Reinsurance, request for information and documentary evidence**

Non-Life representatives met PRA's enforcement team on 26th September 2023 virtually.

The following note to members was sent on 16th October 2023

"To All Principal Representatives (non-life)

Dear Sir/ Madam,

In context of subject letters received by members from Punjab Revenue Authority demanding information of all insurance contracts, IAP's Taxation and Legislation Committee representatives met Chairman PRA on 13th September 2023 and then the PRA's enforcement team on 26th September 2023 to discuss the need for this detailed information and challenges associated with its submission.

The PRA enforcement team has clarified that the letters should not be interpreted as an audit of insurance companies or tax declaration submitted by them. PRA has requested information of contracts signed with other service providers to help identify unregistered service providers in Punjab. From the list of 35 insurance contract types listed in the letter, insurance companies are only requested to submit details of contracts they have signed with other service providers during 2021-22, contract types not applicable or not entered into by any insurance company may be responded as "not applicable" or "no contract signed" during 2021-22.

PRA enforcement team has also clarified and reiterated that the requested information is not to be confused with all insurance policies written during 2021-22, instead it only requires contracts signed with other service providers in Punjab.

We hope the above provides needed clarity to members and will help you comply with the required information submission.

The following life representatives met Chairman PRA in Lahore on 3rd October 2023

1. Mr. Shahid Abbas
2. Mr. Omer Farooq
3. Mr. Muhammed Rashid

A meeting of all Life and Family Takaful CEOs and CFOs was called at IAP on 12th October 2023 at 10:00 am to update them on the discussion with Chairman PRA, status of the Writ Petition No. 55421/2019 filed at Lahore High Court in September 2019 and potential proposals for sales tax on life and health insurance in Punjab.

Chairman PRA has asked companies to start paying sales on whatever companies' believe to be the taxable portion of life insurance. Which is not possible as no tariff structure/ Rules for IMC/ Policy Fee portion tax submission exists, plus we have filed a case in LHC against the imposition.

PRA has also asked companies to submit their proposal/s by early November 2023.

The following two proposals were agreed to be offered

1. Full rate of tax i.e. 13% Sindh & 16% Punjab on group life and health to be accepted and individual life and health to be exempt. This will yield around 4 billion in tax revenue. If the original IMC/ Policy Fee proposal is combined with this offer, the collective tax revenue pan Pakistan will be around Rs. 5 billion
2. Follow the European life and health insurance taxation model i.e. all policies beyond 12 months are exempt from sales tax while short term policies are taxable.

SRB has been advocating the Indian taxation model which cannot be adopted as India allows Federal tax credit/ adjustment against sales tax charged on life insurance, this cannot be done by SRB. Selective portions of the Indian model cannot be adopted in Pakistan, to only benefit SRB and not extending the tax credit benefit available to Indian consumers.



## Insurance sector meeting with NADRA

SECP facilitated a meeting of IAP and NADRA on 21st December 2023 in context of NADRA Verisys OTP and Bio Verisys requirements, discussion on IAP recommendations sent and extension of skip OTP feature.

It was noted that NADRA wants insurers to adopt Bio Verisys but they are willing to evaluate any IAP proposals (other than not doing Verisys all together).

NADRA conducted an orientation session for the industry, regarding migration of Verisys to point to point (P2P) BVPN on 22nd January 2024.

EC was updated that NADRA had granted till 31st January 2024 for all companies to migrate to BVPN, which was further extended till 9th February 2024.

NADRA has not communicated any further updates for Verisys OTP requirements or to discontinue skip OTP feature.

## Draft Amendments to the Takaful Rules, 2012 (Conventional reinsurance arrangements by Takaful Operators)

In December 2023, the Securities and Exchange Commission of Pakistan (SECP) released SRO 1784(I)/2023, titled Draft Amendments to the Takaful Rules, 2012 (Conventional Reinsurance Arrangements by Takaful Operators); this initiative was aimed to gather feedback from insurers regarding proposed amendments of allowing Takaful Operators to procure conventional reinsurance instead of Re-takaful when necessary, provided that reasonable efforts were made to explore other options.

IAP was informed that several Shariah Advisors have collectively stated that the proposed amendments are not permissible and cannot be

endorsed by Takaful Operators. IAP supported this view and communicated the same to SECP.

On Tuesday 20th February 2024 IAP convened a meeting of industry Shariah Advisors to discuss the matter in the light of exploring "Necessity" and "Challenges" faced by the Takaful Operators in Pakistan due to limited Re-takaful capacities/options.

### Shariah Advisors Present

Mufti Hassan Kaleem	
(SLIC, Adamjee Ins)	online
Mufti Irshad Ahmed Aijaz	online
Mufti Imtiaz Alam	online
Mufti Khalil Ahmad Aazmi	
Mufti M Shakir Siddiqui (PQGTL, Century)	
Mufti Akhlaq (Asia Ins)	
Mufti Ibrahim Essa	

### IAP Representatives

Dr. Bakht Jamal Shaikh, Vice Chairman	
Mr. Faisal Khan	
Mr. Saqib Zeeshan	
Mr. Omer Farooq	online
Mr. Nawaid Jamal	online
Mr. Sabzali Pirani	online

## IAP comments

Pakistan's Takaful market share is 11% of the total insurance and takaful business. With the rise of Islamic banking and Islamic financing obtained by several customers, the need for takaful products has grown. Unfortunately the market capacity has not responded proportionately. Contribution payments to retakaful operators have not grown to support increased retakaful needs. Unlike banks (where Islamic banking yields lower returns) takaful has always been sold as a cheaper alternative which has also played a role in existing insufficient capacity.

With local currency devaluation the Pakistani insurance and takaful market has shrunk in dollar terms from \$1.25 billion to around \$500 million per year.

With this lack of retakaful capacity, takaful operators can no longer entertain their hard earned customers and these takaful customers are only left with the option of buying conventional insurance.

It is also worth noting that several leading international retakaful operators (from whom we are directed to obtain retakaful) in fact have conventional reinsurance arrangements/ retrocessions. Our takaful operator payments are going to the same international conventional reinsurance markets.

Considering these challenges, SECP had proposed the changes in Takaful Rules under strict conditions and on no profit/ no loss basis. If permitted these changes will be short term only until the market has access to adequate retakaful capacity.

#### **Shariah Advisors view**

Takaful operators cannot be permitted to obtain conventional reinsurance. Insurance and reinsurance are both "haram" from the beginning of time.

Takaful operators instead of requesting reinsurance to be allowed, should strive towards

- Increasing takaful market in the country.
- Promote takaful and offer takaful products to all customers.
- Utilize available capacities, several international retakaful operators have exited the Pakistani market due to lack of business.
- Creation of local dedicated retakaful operator/s

Allowing reinsurance (even for a short time) will

present a wrong impression to consumers who trust takaful to be completely free of conventional insurance elements.

#### **Takeaway**

A smaller committee at IAP to be formed comprising of Shahriah Advisors and EC representatives as retakaful committee to conduct focused discussions on possible alternatives.

#### **SECP's International InsureImpact Conference 2023**

SECP held the International InsureImpact Conference 2023 (IIC 2023) in Karachi on 13th and 14th December, 2023.

#### **IAP Letter - Admissibility of Insurance Guarantee/ Bond Collateral u/s 32(2) of the Insurance Ordinance 2000**

IAP letter was sent to Commissioner Insurance SECP, Mr. Aamir Khan on 6th November 2023 drawing SECP's attention towards Insurance Guarantee/ Bond Collateral being classified as inadmissible. The Insurance Ordinance Amendment Bill has not yet been promulgated and a notification through an S.R.O has been requested from SECP.

"The Insurance Association of Pakistan would draw your attention that upon industry's recommendation the Insurance Ordinance Amendment Bill 2020 had carried the proposal to remove section 32(2)k, i.e. removal of collateral collected on insurance guarantees/ bonds from the list of inadmissible assets.

With section 32(2)k in place, collateral collected on insurance guarantees/ bonds is recorded as liability "until guarantee / bond is either called (i.e. claim is lodged) or the underlying guarantee / bond expires" but the collateral is not allowed to be an admissible

asset for solvency determination. This creates an imbalance between assets and liabilities, and presents an inaccurate position for section 32 calculations.

As per the latest update from the Commission, we understand that the promulgation of Insurance Ordinance Amendment Bill 2020 is still in process and no expected timeframe can be ascertained. We request the Commission that while we await the Bill's promulgation, the Commission should allow collateral collected from customers on insurance guarantees/ bonds as admissible asset for solvency determination under section 32.

We appreciate the Commission's assistance for addressing industry's earlier request on 5th July 2022 through S.R.O. 1012(I)/2022 to disconnect collateral collection with level of retention as part of the original Credit and Suretyship Conduct of Business Rules 2018, and simplifying collateral collection as "at least 10 percent of the sum insured / amount of bond/guarantee". And through S.R.O. 1012(I)/2022 also dated 5th July 2022 to introduce needed changes in Insurance Rules 2017 Rule 12 and Rule 16 to allow admissibility of "right of use assets" and clarity on the condition of 40% investment in Government Securities u/s 35(7).

For the subject matter we request the Commission for a similar approach i.e. notification through an S.R.O to provide the long awaited relief to insurers that collateral collected by them under the Credit & Suretyship Rules is an admissible asset for solvency determination.”

SECP called a meeting on 1st February 2024, where SECP commented that even though it agrees with IAP's views; for SECP to make a convincing proposal it feels the product reputation is not supportive.

### **Amendments in Circular 24/2010 - Reinsurance/ Retakaful Treaty Arrangements- 2024**

In January 2023 IAP had written to SECP seeking reinsurer rating relaxation as Pakistani Insurance companies found it increasing difficulty this year to secure international reinsurance support due to economic uncertainty and resultant reluctance from the international market. The following recommendations were shared with SECP on 16th January 2023.

At least 60% risks be placed with minimum 'A' rated and above reinsurers

Maximum 30% risks be placed with at least 'BBB' rated reinsurers

Maximum 10% risks be placed with 'B' rated reinsurers

Last year the changes were announced by SECP through Circular 2 of 2023 on 3rd March 2023 where changes in Circular 24 of 2010 (for the year 2023 only and until further notice) were notified.

This year SECP through Circular 18 of 2023 dated 6th December 2023 extended the rating relaxation for treaty arrangements of the year 2024.

IAP had requested SECP to extend the scope to both international facultative and treaty placements which was not entertained.

The following response from SECP was received on 9th January 2024

"In this regard, Insurance Association of Pakistan (IAP) is requested to provide detail analysis and rational for relaxing the rating requirements of foreign reinsurers/re-takaful operators in facultative reinsurance placements. The proposal should be duly supported by the current and past data with



rationale for relaxation the rating requirements and nature of business/exposure where relaxation is necessitated. The analysis may cover different approaches to the Conventional Re-insurance and Re-Takaful business, just as the Treaty Circular 2 of 2023 and Circular 18 of 2023 has adopted. Furthermore, the analysis may also deliberate the insurers risk mitigating ability to handle exposure of placing facultative risks with low rated reinsurers/re-takaful operators."

The following response was sent to SECP on 2nd April 2024

"Dear Usman Sb.,

*IAP is once again thankful to the Commission for extending foreign reinsurance rating relaxation for treaty arrangements. Our members have requested this relaxation to also be extended to foreign facultative reinsurance arrangements as the same challenges are being faced by members in securing this support from international market.*

*With rapid devaluation of our currency coupled with global inflation, customer sums insured requirement has proportionately increased but local capacity to cover these risks has not been able to respond immediately. Insurers are working to increase their capacities but this will take some time. In this current market situation insurers have to seek increased facultative reinsurance support from the international market to adequately cover specific risks.*

*A case to illustrate this challenge is of cotton bale prices, all non-life insurers offer fire and allied perils policy to cotton/ ginning warehouses where cotton bales are stored. The price of local cotton bales has increased from average Rs. 40k per bale to Rs. 80k per bale and that of imported bales from Rs.50k to Rs. 150k. Each warehouse stores at least 3000 bales translating the insurance exposure from*

*Rs. 135 million per site to Rs. 345 million per site i.e. (\*assuming each site has 50% of local and imported bales). All of which has happened rapidly within a span of 2-3 years. The market has not been able to respond this quickly to build adequate local capacity to insure such risks and therefore has to rely on placing at least some portion of the risk with foreign reinsurers under facultative arrangement.*

*With the existing country economic outlook, obtaining 80% facultative reinsurance from 'A' rated reinsurance securities is posing a challenge. Insurers are working to build capacities but as requested for treaty arrangements, a short term relaxation in rating requirements of placing facultative reinsurance with international reinsurers is also needed. We request a consistent regime be followed as done for treaty arrangements i.e.*

*At least 60% risks be placed with minimum A rated and above reinsurers*

*Maximum 30% risks be placed with at least BBB rated reinsurers*

*Maximum 10% risks be placed with B rated reinsurers*

*We hope the Commission will consider the industry request and we are available for any further discussion/ clarification needed."*

SECP's response on the matter is awaited.

### **SECP Session on National Risk Assessment and Internal Risk Assessment Reports (IRAR)**

NRA session was conducted by SECP's AMLD on 28th February 2024 at IAP House, to Raise Awareness on NRA-2023 and Guidance on the Development of Internal Risk Assessments (IRAs).

## Launch of Life Insurance Policy Locator Service

The following Life Insurance Policy Locator committee was formed under SECP's guidance to work on launching the subject service for general public.

1. Mr. Jibran Paracha, SECP,
2. Ms. Sahar Kanwal, SECP,
3. Dr. Bakht Jamal Shaikh,
4. Mr. Arshad Iqbal, GM Operations, EFU Life,
5. Mr. Sohaib Shams, EFU Life,
6. Mr. M. Danish - Head/AGM Customer Services, Adamjee Life,
7. Mr. Muhammad Saleem, SVP Salaam Takaful Limited,
8. Mr. Muhammad Farhan Hasan, Pak Qatar Family Takaful
9. Mr. Muhammad Taufeeq Hanif, Head of Claims, Askari life Assurance Company Limited,
10. Mr. Zahir Shah, Jubilee Life,
11. Mr. Osama Khan, Jubilee Life,
12. Mr. Abdul Salam, Divisional Head (Policyholder's Services) State Life,

After evaluating proposals from several vendors the project was advised to be awarded to CDC in April 2024.

Development works are ongoing and the service is expected to be available for trials in July 2024.

## SECP's Risk Based Capital template and push for early adoption

EC was updated that SECP had called a meeting of selected CEOs and got an agreement to launch RBC in Pakistan from May 2024, an implementation template for the purpose has also been shared with some companies.

IAP was requested to write to SECP, emphasizing that such industry matters should be discussed at

IAP's platform. The RBC adoption needs to be deliberated across the industry and any template should be routed through IAP.

The following letter was sent to Director Insurance SECP Mr. Waseem Khan on 4th April 2024

*"Dear Sir,*

*We have been informed by some members that SECP had called select CEOs to a meeting last month where a commitment to transition to RBC has been obtained with broad timelines. Subsequently an RBC adoption template has been shared which needs to be completed and submitted by May 2024.*

*In June 2023 on IAP's request you graciously presented to IAP members the RBC model, factors that favour this transition, markets where this model is in use and discussion on potential challenges the industry may face. Subsequently in August 2023 IAP had shared two sets of comments on RBC adoption in Pakistan from life and non-life members.*

*We humbly request the Commission to continue utilizing IAP's platform for such industry wide discussions, ensuring collective feedback. In addition these initiatives need expert guidance from ICAP and PSOA, the discussions if being held in isolation from these platforms will be counterproductive.*

*As we understand the immediate deliverable to SECP is "comments on the template" followed by submission of "completed templates" in May 2024. Since the RBC transition has to be made by all insurers irrespective of their business volume and complexity, we strongly recommend the Commission to share the template with IAP and solicit IAP member comments before the template is finalized and circulated to all insurers for compliance.*

*IAP is available for any discussion needed by the Commission"*

No response from SECP was received

## 2. Budgetary and other Proposals

### Taxation Proposals 2024-25

The Taxation and Legislation Committee of IAP finalized the budget 2024-25 proposals based on comments received from members, the budget proposal was then sent to the Federal Board of Revenue, Punjab Revenue Authority, Sindh Revenue Board and Securities and Exchange Commission of Pakistan directly and also forwarded through FPCCI.

The proposal carried suggestions in respect of the following

1. Withdrawal of Super Tax under Clause 6DA of the fourth schedule introduced through the Finance Act 2022.
2. Tax credit for investment in Life Insurance should be retained.
3. Tax credit for investment in Health Insurance should be retained and in addition, premiums paid on other micro-insurance products (i.e. Personal Accident, Travel, Householders, Private Motors etc.) should be added in section 62A.
4. Withdrawal of Rule 6(B) of Fourth Schedule - Single Basket Income. Taxation of Capital Gains and dividend income of Insurance Companies as one basket income.
5. Rules 13E for computation of Capital gain on disposal of securities under Section 37 A should also be applicable on Fourth Schedule of the Income tax ordinance, 2001.
6. Withdrawal of Federal Insurance Fee on Insurance premium.
7. Personal Lines / Micro insurance products of Insurance Companies should be exempted from Federal Excise Duty.
8. Withdrawal of the change made in finance act 2019, the tax collected from commission agent

U/s 233 (3) shall be the minimum tax on the income of such person instead of final tax.

9. Input tax adjustment should be allowed on reduced rate of services under Islamabad Tax on Services Ordinance, 2001.
10. Capital gains on sale of securities Section 37A, As the amendments in the Finance supplementary (Second Amendment) Bill, 2019 are not be effective for Insurance Companies unless the said amendments are made in the Fourth Schedule to the Income Tax Ordinance 2000, therefore we suggest that similar amendments be made in the Fourth Schedule by inserting new Clause 6C.
11. Exorbitant Stamp duties on marine line of business to be rolled back.

The Taxation & Legislation Committee also deliberated on the following draft regulations at its various meetings and finalized suggestions/ comments which were submitted to the concerned authorities.

December 2023	Concept paper: Issuance of subordinated debt securities by insurance companies and treatment for solvency purposes and draft of amendments to the Insurance Rules, 2017
April 2023	SECP Circular No. 5 of 2023 dated April 10, 2023, Application of Section 166 to Contractors' CAR/EAR Policies Issued to Private Contractors for Construction/Renovation/Maintenance of Public Properties
January 2024	FBR SRO 1771(1)/2023 Amendments in Income Tax Rules 2002 - New CHAPTER VIII B REAL TIME ACCESS TO INFORMATION AND DATABASES
March 2024	Adoption of AAOIFI's Shariah, accounting, auditing and governance standards

As this report is being printed the following sales tax in provinces is applicable

	Sindh	Punjab	KPK	Baluchistan
Life	3% individual life 13% group life from 1st July 2019 to 30th June 2024 15% from 1st July 2024	16% from 1st November 2018	15% from 1st July 2021	15% from 1st July 2015
Health	Group health 13% from 1st July 2023 to 30th June 2024 15% from 1st July 2024	16% group health from 1st November 2018	1% from 1st July 2021	15% from 1st July 2021
Agent	5% from 1st July 2019	5% from 1st July 2021	8% for non-corporate insurance agents and at 15% for corporate insurance agents	15% from 1st July 2015

## Concept Paper on Insurance Pool Dynamics

In March 2024 the following comments on SECP's subject concept paper were shared

*IAP appreciates the "Concept Paper on Insurance Pool Dynamics" which is comprehensive and captures most pertinent aspects of creating, executing and managing an (re)insurance pool. We request the Commission to consider following IAP comments*

*"In the section detailing the Limitations of the Pakistani Insurance Market, one major limitation which should be mentioned is the prevalence of compulsory or mandatory insurance. Compared with developed economies as well as regional countries where the insurance market is developing presence of, and more importantly, enforcement of mandatory and compulsory insurances eg Motor, Health and Agri plays a major role in the development of these markets, examples can be*

*quoted from China, India, Bangladesh, Saudi Arabia and UAE. Mandatory insurances in all these*

*territories have helped increase insurance penetration and reduced protection gap facilitating their Governments at times of natural calamities.*

*For any pool to succeed it must be self-sustaining, this aspect needs to be addressed upfront. From the examples quoted in the concept paper it is evident that almost all success stories have two things in common, there is some mandatory business class which needs to be ceded in the pool and it is funded by contributions from the government. Will be helpful if the recommendation and way forward section can highlight these prerequisites.*

*In the case of Pakistan it is very evident that the pool will need to be supported extensively through reinsurance as a single large event has the potential to wipe off the entire non-life sector, as the overview in the concept paper highlights that the total equity of the non-life insurance sector is around US\$ 1 billion whereas the 2022 flood event resulted in losses to the tune of US\$ 30 billion.*

*Furthermore keeping in view the primary objectives of creating insurance pools as risk sharing and risk reduction coupled with stability and predictability the reinsurance support is necessary for long term sustainability. It may be viable that as the pool progresses with experience and financial strength the extent of reinsurance support may be progressively reduced. But for starters the Reinsurance support is an absolute must.*

*For starters the focus should be on a single objective of the pool e.g. agri or disaster risk.*

*SECP may want to consider incentivizing participation of insurers in the pool (e.g. tax benefits)*



*Under Table # 4 - High level summary of insurance schemes in Pakistan - Punjab Fasal Beema Program, whilst it mentions the 90% insurance pay back in case claims are not triggered, it should also be mentioned that this attribute prevents insurers and reinsurers of repute from participating in the scheme as the concept goes against the principles of catastrophic insurance programs. "*

### **Mechanism for settlement of balances between PRCL and Insurance Companies**

In response to letters received by members dated 3rd October 2023 from SECP in support of PRCL demanding the following, citing the agreement reached between IAP, SECP and PRCL.

- "closing particulars to be provided to PRCL within 30 days from the date of PRCL's final acceptance"
- "payments to be remitted to PRCL within 15 days of receiving debit notes"

A meeting with Director SECP was held on 4th December 2023 to reinitiate discussions.

SECP called an industry meeting on 2nd May 2024, where the industry was requested to share revised mechanism by 9th May 2024. With internal IAP deliberation the final document was shared with SECP and PRCL on 9th May 2024.

SECP's counter comments were received on 30th May 2024 and a meeting with SECP and PRCL is now being planned.

### **3. IAP**

Consultancy Agreement with Consilium Consultancy  
Following representatives met Mr. Khalid Mahmood on 24th August 2023.

Mr. Altaf Q Gokal, EFU General

Mr. Nawaid Jaml, Jubilee General  
Mr. Shahid Abbas, EFU Life  
Mr. Omer Farooq, Jubilee Life

T&L Committee recommended to renew Mr. Khalid Mahmood's contract for another year with same terms and conditions at Rs. 2.5 million for the period 1st July 2023 to 30th June 2024.

### **4. Annual Events**

IAP Annual Dinner 2023

IAP Annual Dinner 2023 was held on 23rd September 2023 at Crystal Ballroom, Marriott Hotel Karachi.

Following individuals were presented with mementos

- 1) Mr. Taher G. Sachak for 'Lifetime Achievement Award'
- 2) Mr. Hasanali Abdullah for "Lifetime Achievement Award"
- 3) Mr. Noman Cheema
- 4) Mr. Muhammad Aslam Sabir
- 5) Mr. Zahid Barki

### **Insurance & Takaful Week Pakistan**

Insurance & Takaful Week 2024 was celebrated between 6-10th May 2024 with the theme "Vital role of insurance in protecting life, health and assets"

Following activities were conducted

1. University Road Shows by RCN
2. Newspaper supplement in Business Recorder, Express Tribune and Dawn on 6th May 2024, and TV show on Aaj TV
3. Social Media Campaign flyers made by IGI and run by IAP itself
4. Radio shows on FM 100 Karachi and Radio Pakistan Lahore



## **IAP Cricket Tournament 2024**

The Executive Committee approved resumption of IAP cricket tournament with matches commencing from 4th February 2024 with 14 companies, the Karachi final was won by Salaam Takaful on 24th February 2024.

### **5. General**

#### **Scale of Levy**

The Committee suggested to collect levy under Article 29(b) at the rate of 0.12% of Gross Direct Premium/ Contribution written inside Pakistan subject to minimum of Rs. 100,000/- and maximum of Rs. 2,000,000/-.

## **LIST OF CIRCULARS**

- Scale of Levy-Association Finances
- Final List of Voters
- IAP Technical Committees 2023-24
- Notice & Agenda 61st AGM of IAP 2023
- Awareness among Policyholders about Availability of Forums for Resolution of their Grievances.
- IAP Committees 2023-24
- Bulletin On matters of interest 2024
- Names of Voting Representatives-2024
- 46th Export Award of FPCCI (2022-2023)
- Finances of the Association for the year 2024
- Industry Tax Data for the year 2023
- Premium Ceded Data for the year 2023
- Eid Miladun-Nabi (SAW) 2023
- Public & Optional Holidays 2024
- Office Hours in Ramazan 2024
- Eidul Fitr Holidays 2024
- Eidul Adha Holidays 2024