



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
(Insurance Division)

No. 4(5)-ID-SECP/2411

24th November, 2006

Chief Executives
All Life Insurance Organizations

Subject: **Projected Growth Rate for Illustration of Investment-linked Policies**

Please refer to the SECP's Circular No. 22 of 2005 on Market Conduct in which it has been advised not to use projected growth rate at higher than 8% for illustration of investment-linked insurance policies. This has been observed that illustration of investment-linked policies at a fixed rate of 8% sometimes gives an impression of a guaranteed rate rather than illustrated to the prospective policyholders despite statements clarifying this point.

In view of the above scenario, it is advised that in addition to illustration at 8% projected growth rate which is currently being made, the projected growth rates of 6% and 10% would also be illustrated in respect of investment-linked policies for the purpose of comparison and also for clarification that these are only illustrations.

The illustration shall also include a statement by prospective policyholder that he has fully understood the illustration and has not received any verbal or written presentation from any representative of the company which is contradictory to the illustration. There shall also be a statement by the company's representative that he has not made any verbal or written presentation which is contradictory to the illustration and has not misled or deceived the prospective policyholder in any way. The statement shall include that in case of any misconduct by the company's representative, the company and the representative shall be responsible for any loss to the prospective policyholder and shall face necessary action against them by SECP under the Insurance Ordinance.

Both the prospective policyholder and the company's representative shall sign the illustration. The illustration shall mention the name, designation and code of the company's representative.

Original illustration shall be delivered to the prospective policyholder and a copy shall be kept by the company for its record and any future reference.

You are advised to start making illustration on these lines as soon as possible but in any case not later than 31st January, 2007.

Regards,

Sincerely,

Shoib Soofi, FSA, FPSA
Director