

Annexure B

Proposal for Changes in the Directive for Life Insurance and Family Takaful Illustrations, 2016

Following amendments are proposed in the Directive for Life Insurance and Family Takaful Illustrations, 2016:

- (i) **Change in illustration format to show explicit deduction of allocation charges:** In order to increase transparency in the illustration document, it is proposed that illustrative values in the illustration should clearly and explicitly show deduction of year wise amount of allocation charges applicable on the policy next to the column containing annual premiums.
- (ii) **Revision of Projected Growth Rate Scenarios for Equity based unit linked funds:** As the actual performance of equity based funds is subject to high market volatility, it is proposed that for Funds with major investment in equity instruments, prescribed rate of returns shall be linked with the performance of Pakistan Stock Exchange as benchmark rather than current basis which uses PIB rates as benchmark. The proposed three growth rate scenarios for equity based funds are as follows:
 - a. 5 year average performance of KSE-100 index;
 - b. 10 year average performance of KSE-100 index;
 - c. 5 years average historical performance of the fund.
- (iii) **Revision of Projected Growth Rate Scenarios for Participating Products:** In order to improve relevancy of the illustrative values in the participating products, it is also proposed that for participating products, the three growth rate of return scenarios shall be based on 90%, 100% and 110% of the 5-years historical average bonus rates of the relevant statutory fund.
- (iv) **Provision of Fund Fact Sheet with the Illustration:** It is proposed that a key fact sheet of a unit linked fund is provided along with illustration to the policyholder enabling him to make an informed decision in selecting a suitable fund as per its risk appetite. The fund fact sheet should provide key information of the fund such as its investment objective, risk category, targeted asset allocation, performance benchmarks, fees and charges of the fund, and its historical performance.