



SECP

SECURITIES AND EXCHANGE
COMMISSION OF PAKISTAN

Insured Pakistan through Digitalization: Gaps, Potential & Roadmap

Stage 1: Mapping the Existing Digital
Infrastructure of Insurance



SUMMARY:

Insurance Companies Offering Insurance through website



Insurance Companies Mobile Apps



Affinity Platforms



Banking Apps



Insurtechs/ Web Aggregators



E-Wallets



Insurance Classes Offered

Life: Term Life insurance, health insurance, Accident insurance, Critical Illness insurance

Non-Life: Motor insurance, health insurance, travel insurance, accident insurance, home content insurance and mobile insurance

Third Party Platforms: motor insurance, travel, health insurance, mobile insurance, accident insurance, term life insurance, cargo insurance, property insurance, employee benefit insurance, Life Savings and Investment Insurance, solar insurance, crop insurance and theft insurance.

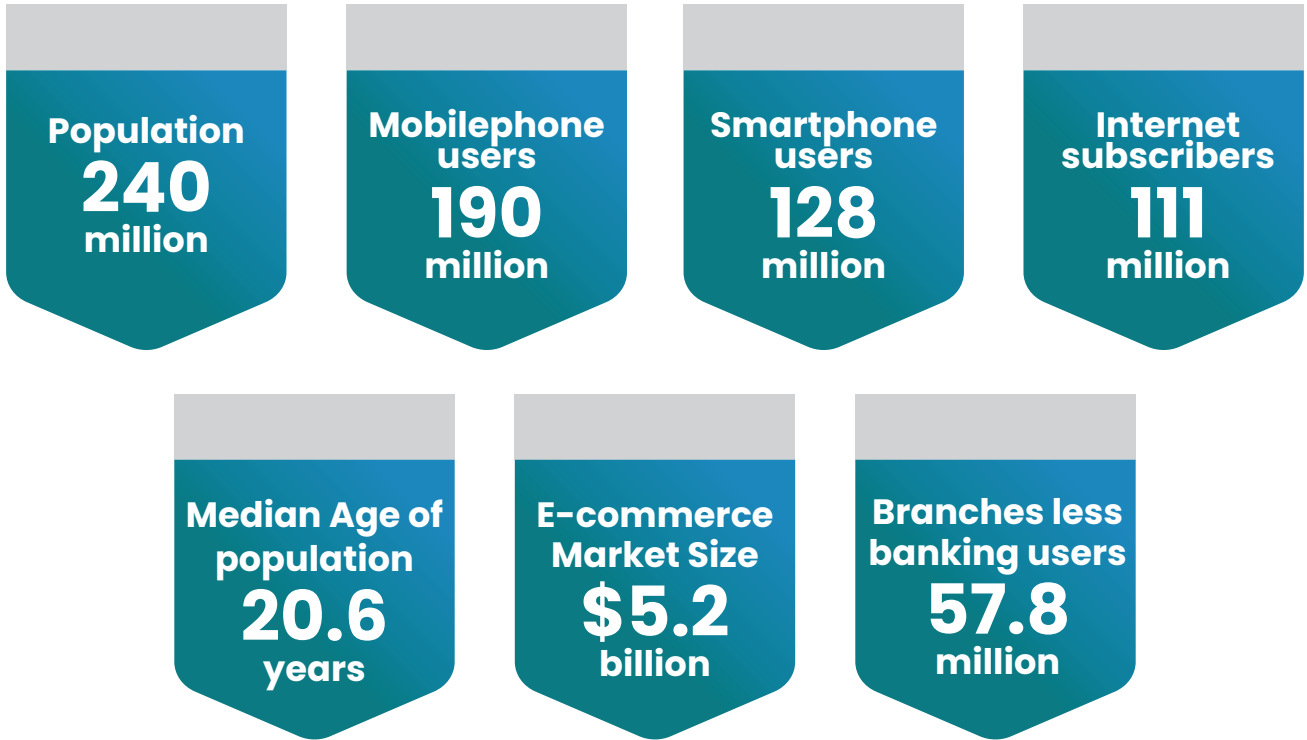
Product-wise Share of Premium from Digital Sources

Travel Insurance:	28%
Accident insurance:	19%
Motor Insurance:	18%
Health Insurance:	15%
Term Life Insurance:	15%

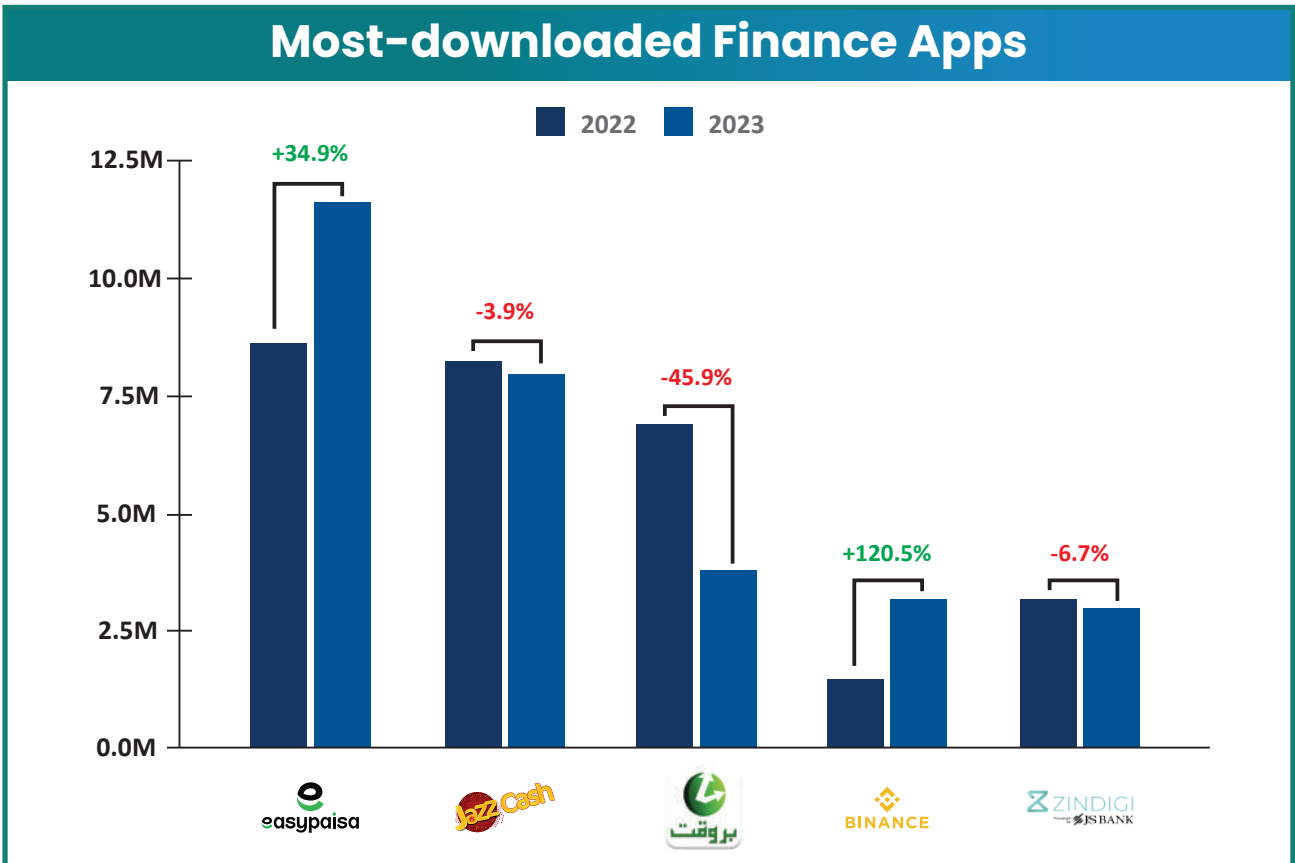
Digital Activities

- Policy Purchase
- Issuance of policy document
- Premium payment
- Claim lodgement
- Customer complaints
- Customer Inquiries
- Quotations

PAKISTAN'S DIGITAL LANDSCAPE



Most-downloaded Finance Apps



Source: Data Darbar, 2023

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COMMISSIONER MESSAGE



I am pleased to share the findings of the Stage 1 study, "Insured Pakistan through Digitalization: Gaps, Potential & Roadmap." This stage focuses on "Mapping the Existing Digital Infrastructure of Insurance," aiming to highlight the digital gaps in Pakistan's insurance sector while drawing comparisons with the digital advancements in other jurisdictions. This study not only identifies the areas where some progress is being made but also highlights those that have been neglected. Based on this analysis, we are charting a course for achieving end-to-end digitalization in the insurance sector.

An industry survey conducted for this report reveals an unsatisfactory level of digital preparedness. Only a few companies have begun their digital journey, and even then, only the distribution side has undergone partial digitalization. A majority of companies have yet to take significant steps in this direction. While the global insurance industry has embraced end-to-end digitalization—from underwriting to claim settlement and payment—many Pakistani insurance companies lack even functional and responsive websites. Out of 40 companies, only 17 offer products through a digital channel, with the degree of digitalization varying significantly among them. Similarly, the presence of third-party platforms is limited, and those that do exist have yet to make an impact.

Premiums from digital distribution account for less than 1% of the total premium. Among the few digitally offered products, travel, accident, motor, and health insurance are the main contributors. Furthermore, only a limited range of insurance classes is available digitally.

Furthermore, there is a hesitance on the part of some insurers to even participate in the regulatory initiatives. While existing data-sharing initiatives have limited scope, SECP is committed to expanding the existing ones while introducing new ones. One such initiative is the launch of a motor insurance repository, for which an MOU was recently signed. SECP is also working on amending the Insurance Ordinance to improve the regulatory framework to support the formation of digital infrastructure.

The SECP is developing a blueprint for digital infrastructure for the insurance sector, which will integrate past and future digital initiatives with the national digital strategy. This blueprint will include the creation of repositories for health insurance, inclusive insurance, and a national-level crop insurance program. Additionally, it will feature portals for the payment and settlement of coinsurance and reinsurance, acting as an insurance clearing house. Finally, the concept of a centralized insurance information bureau is also being evaluated to provide an overarching governance framework for these initiatives.

The current state of digitalization requires immediate attention from all stakeholders. While the SECP is committed to this goal, other stakeholders must join forces and advance toward a comprehensive digital insurance ecosystem. In particular, insurance companies must adopt a proactive approach and drive the overall industry's digital transformation.

In conclusion, I commend the efforts of the Insurance Division of SECP for their unwavering support of the insurance sector's progress. Special thanks go to the authors of this report, Wazirzada Yasir Almas Khan, Additional Joint Director, and Sofia Bibi, Management Executive, for a detailed and insightful report.

Aamir Khan
Commissioner Insurance

INTRODUCTION

Complicated processes, difficult terminologies, extensive paperwork, and limited consumer interaction have long been associated with the insurance sector. The situation has been dire in the countries with low financial literacy. However, this is not the case any longer as the advanced technologies have enabled the insurance companies to simplify the complicated processes, offer easy understanding of insurance jargon, reduce the paper work to virtually zero, and facilitate the direct communications between policyholders and the insurance representatives. Digitalization and Insurance have one thing in common: both are driven by data utilization. In insurance every step from risk underwriting to claim settlement is data driven; data is the building block of the digitalization. However, the form of data and information has evolved over the years, and now the sources and volumes of data have immensely increased. Insurance companies in many parts of world are leveraging the advanced data sources to automate the insurance process and facilitate the policyholders as well achieving efficiency for the companies themselves. However, the same cannot be said about insurance sector of Pakistan.

Pakistan has 42 insurance companies: 28 non-life insurers, 2 general takaful operators, 8 life insurers, 3 family takaful operators, and 1 reinsurer. The life insurance sector dominates the insurance sector in Pakistan in terms of premium generation. The premium for life insurance sector was Rs. 375 billion out of a total of Rs. 553 billion, making the life insurers' share in premiums 68%. The premium for the non-life insurance sector for the year 2022 was Rs. 178 billion, making it 32% of the total premium. Total number of policies in the life insurance sector and non-life sector were 7.8 million and 2.3 million, respectively. The insurance penetration in the country is 0.87%, while the insurance density is Rs. 2,776. In 2022, the insurance sector provided employment to 21, 5656 employees and 199,210 sales agents in 2022. Moreover, the sector contributed Rs. 11.7 billion in income tax, Rs. 7.5 billion in sales tax, Rs. 9.7 billion in Federal excise duty, Rs. 3.3 billion in stamp duty, and Rs. 2.1 billion in other contributions, making a total of Rs. 34.3 billion.

Distribution through direct salesforce overshadows other mediums of distribution. In life sector, 99% of the premium from the public sector came from sales force and similarly 33% of the premium share of the private sector was by sales force or agency channels. In non-life sector, the number of premium shares via sales force or agency channel stood at 52%. The only other significant distribution channel after direct sales force is banca channel (bancassurance). Digital channels contributed a meagre 0.5% of the total premium which reflects the level of digital access insurers have to policyholders.

In light of the above, this report aims to develop a situational analysis of digitalization in the insurance sector. It will measure the current status of adoption of digital models and platforms by the insurance sector. Furthermore, it will evaluate the current and future needs of digital infrastructure in the country and the role of the regulator in the development of Architecture of Digital Insurance Infrastructure in Pakistan.

SIGNIFICANCE OF DIGITALIZATION IN INSURANCE SECTOR

Digitalization is crucial for elevating insurance penetration and strengthening insurance density in the country. There are multiple factors contributing to lower insurance penetration, including the poor perception about insurance, inadequate financial literacy, high cost of insurance, and restricted distribution of insurance owing to the legacy system. Digitalization of insurance can remedy the poor perception of insurance by reaching out to larger masses and rebuild the perception of the insurance as a need rather than as an expense. Moreover, digitalization in the internal operations of the insurance companies will not only streamline the process but will also bring efficiencies and reduce the cost of the insurance. Along similar lines, digital platforms have the ability to reach out to larger masses and expand distribution, which is not possible through the legacy system of conventional insurers.

Digitalization offers multiple benefits to insurance companies and policy holders. Some of the advantages are mentioned below:

Enhanced customer experience

Insurers could offer an enhanced customer experience to the policyholders and build a loyal customer base by digitizing the insurance lifecycle through provision of insurance services via online platforms. These platforms could include websites, web portals, mobile apps, etc. Through digital platforms, customers can directly engage with the insurers without the need of physical visits and long waiting times. Moreover, they can not only view the status of their policies but also manage their policies, claims and other functions online at their convenience. Efficiency in customer interaction enhances customer experience and builds loyalty and satisfaction.



Streamlined Processes and Operational Efficiency

Digitalization can streamline insurance functions and make the overall lifecycle more efficient. From underwriting to policy issuance and from claim filing to claim settlement, the whole process can be automated and completed without the need of multiple meetings between policyholder and insurance agents, saving time and effort on both ends: policyholders and insurance companies. Furthermore, automation of the insurance process can reduce the probability of errors, and digitized underwriting through data analytics can result in improved risk assessment, fair pricing, and overall enhanced decision making.



Cost Savings



Insurers can cut costs through digitalization by reducing the cost of physical infrastructure, eliminating paper-based processes, and lowering manual labor cost. Furthermore, insurance companies can achieve optimization in operations by utilizing advanced technologies such as artificial intelligence, machine learning, data analytics, and cloud computing. The cost reductions in operations can ultimately be passed on to policyholders by offering them lower premiums.

Better Risk Assessment



Risk assessment is central to accurate underwriting, and companies can assess risk more effectively by using data analytics and machine learning models. To do so, companies have to use predictive modeling by managing and analyzing historic data (OECD, 2023).

Faster claim processing



In the conventional insurance business, filing and processing of claims are long and drawn-out. With the intention of digital platforms, policyholders no longer need to visit insurance companies and bring a bunch of documents and evidence to support the claim; rather, the whole process can be done from the comfort of home, where claims can be applied online. Digitalization not only brings ease to policyholders for claim filing but also enables insurers to settle the claim using data analytics and automation. This reduces physical labor, time, and the risk of fraud at the company's end.

REVIEW OF THE INTERNATIONAL JURISDICTIONS

India:

InsurTechs Initiatives:

i. BIMA Sugam

BIMA Sugam is an electronic/digital insurance market place, which would enable and empower all insurance stakeholders across the insurance value chain. The main objectives of Sugam BIMA are: (i) Act as a single window for the policyholder to manage his/her insurance coverage; (ii) End-to-end solutions for customers' insurance needs i.e., purchase, service, and settlement in a seamless manner; (iii) Facilitate insurance companies to access validated and authentic data from various touch points on a real-time basis; (iv) Interface for the Intermediaries/Agents to sell policies and provide services to policyholders. This initiative is a step towards achieving the vision of "Insurance for All by 2047".

ii. IRDAI Hackathon

IRDAI organized its first hackathon with the theme 'Innovation in Insurance'. The hackathon invited participants to identify and develop solutions that have the potential to make insurance available to every individual in a seamless and swift manner with the use of technology while protecting the interests of policyholders. The solutions were invited in the areas of: (i) Automated Death Claim settlement using technology; (ii) Tech-based solutions to curtail mis-selling of insurance products; (iii) Tech enabled solution to identify uninsured motor vehicles and ensure issuance of mandatory Motor Third Party Insurance; (iv) Technology based distribution of insurance products, including micro insurance in "difficult terrains and less penetrable areas"; and (v) Fraud mitigation/prevention in motor insurance using technology.

iii. The Insurance Repository System

The Insurance Repository System is an initiative of the IRDAI to de-materialize insurance policies. To achieve this objective, the IRDAI issued the guidelines on Insurance Repositories and electronic issuance of insurance policies in April 2011. Subsequently, in May 2015, the IRDAI issued the "Revised Guidelines on Insurance Repositories and electronic issuance of Insurance policies."

As of 31st March 2023, there were total 1.41 crore eIA (Electronic Insurance Account) created and a total of 1.37 crore policies converted into electronic mode since April 2011. There are four Insurance Repositories approved by IRDAI as on March 31, 2023. They are:

- NSDL National Insurance Repository
- CDSL Insurance Repository Limited
- CAMS Repository Services Limited
- Karvy Insurance Repository Limited

Regime for Promotion of E-Policy:

Insurance Regulatory and Development Authority of India (Protection of Policyholders' interests and Allied Matters of Insurers) Regulations, 2024 mandates that whether the proposal is received in electronic form or otherwise, every insurer shall issue insurance policies only in electronic form, where the following one or more condition(s) are met:

- a. sums insured under the policy exceeds Rs.100; or
- b. the single/annual premium is not less than Rs.10.

Insurance Information Bureau of India (IIB)

With the advent of various new-age technologies and insurers rigorously updating their infrastructure systems, there is a significant improvement in the data maintenance pertaining to the insurance business in India. Being the pivot of these data sets, IIB has seen enormous opportunity in centralizing and analyzing the data so that insights from the data are reachable across the industry for empowerment in various aspects of the growing insurance business. Below is the list of such key initiatives offered by India's data analytics body, IIB, promoted by IRDAI:

I. Life Insurance

The Life team conducted the following IIB activities in the year 2022-23:

- Life Insurance Underwriting & Claims Search Tool (QUEST) handled over one crore IIB queries during the year. The tool provided insurance history of proposers and red flagged potential frauds in life insurance/ claims.
- Predictive Life Risk Scoring Model (PRISM) generated risk scores on a scale of 0 to 1000 against queried proposals of life insurers and helped insurers filter out potentially adverse risks at the entry/underwriting stage.
- Persistency Model: IIB developed a Persistency Model and completed a Pilot with two life insurers. The model indicates propensity of a Proposal for persistency.
- Clearance of unclaimed amounts: IIB assisted life insurers in clearance of unclaimed amounts by providing the latest contact details on life insurance policies, which were utilized by 16 life insurers.

II. Motor Insurance

IIB provides insurers a real-time search service called SUDARSHANA for providing the Policy and Claims history of any vehicle for multiple preceding years along with a Risk Score for Private Cars. Today, IIB receives registered vehicles data from VAHAN database to address Vehicle Class/ Sub-Class misrepresentation. IIB has developed a real-time API called UDAYAN for sharing vehicle details. Additionally, IIB is generating the Uninsured IIB Vehicles List.

PRATIBIMB is a daily visual representation of policy & claims statistics. It provides an overview of motor business across India segregated on the basis of geography, share of Public Sector Undertaking & Privates, nature of loss etc, along with trends across 5 FYs.

III. Health Insurance

To support the Insurance Industry, the following activities are taken up in the Health segment:

1. **PORTABILITY** to assist industry underwriting to check claim history of insured who have opted for portability during proposals
2. **ROHINI** is an application which provides a unique identification number across the Industry to Hospitals who are providing cashless facility to its customers. This ROHINI ID is then used as a common identifier across the Industry for all analytical purposes.
3. **BIMA SATARK** is a Health Fraud Analytics System developed by IIB under guidance of IRDAI, which enables insurers to take an informed decision on claims, underwriting & digital purchase journey of customers.

IV. OLB (Other Lines of Business)

Roadmap with the following offerings is planned in Fire insurance.

iPRAN: Risk District Level Fire insurance exposure and claims experience details of 5 years are provided.

iDARPAN: Corporate Customer level exposure in Fire insurance vis-à-vis claims history of 5 years across all insurers can be studied while tracking major occupancies and risk locations.

PRAGYA – Asset level identification and analysis on live map with the help of Latitudes and Longitudes and is useful to mark risk concentrations and other geospatial layers which paves way to develop risk scores.

Apart from the above, IIB also provides customized reports to insurers on basis of their requirements. These reports are largely directed towards business trends, penetration, claims experience etc. This will not only benefit insurers but also create an optimized environment for other stakeholders, helping to mitigate fraud and address lower penetration.

ETASS

In 2010, India started new project namely Electronic Transaction Administration and Settlement System (ETASS) to resolve Disputes on balance reconciliation causing significant delay in settlement.

The ETASS project has been introduced as a platform to bring in transparency and ease of settlements of transactions between the General insurers in India. This is based on the coinsurance agreement signed by all the companies wherein all coinsurance transactions are reconciled and settled as per the ETASS systems. The General Insurance Council has been assigned the role of ETASS administrator by IRDAI. GICouncil has suggested certain process mandates to be followed by all Member companies. There is a generation of statement of settlements of accounts every fortnight to be used prima facie for remittance of funds amidst member companies.

The intercompany transactions in all LOBs are captured in the system and the same process of confirmation/dispute is followed. All forms of transactions and settlements that are inter-company are handled by ETASS. The ETASS system has brought down the inter-company disputes in the area of coinsurances. Also, it is envisaged that the time of settlements will be drastically reduced post the adoption of automated data entry and settlements through the system.

Kingdom of Saudi Arabia (KSA)

Number of insurance aggregators:	9
Online distribution by companies	4.1% of total premium
Online distribution by brokers (Aggregators and insurtechs)	11.5% of total Premium (IA, 2023)

Insurtech Rules:

Saudi Arab Monetary Authority (SAMA) introduced separate insurtech rules in 2023 to facilitate the growth and development of insurtech sector. Insurtech activities refer to any solutions or services fully provided or designed by the use of technology within the scope of insurance activities. Further, rules governing insurance aggregation activities were introduced by SAMA in 2019 for brokers conducting insurance aggregation activities. Insurance Aggregation activities under these rules refer to online insurance brokerage activities carried out to complete the purchase of insurance policies for the insured, including comparison of coverage and prices offered by insurance companies and facilitating the sale and purchase of policies. Moreover, SAMA introduced the Online Insurance Activities Regulation which specifies the requirements for conducting insurance activities by insurance companies, insurance brokers and agents over the internet.

Repositories:

Kingdom of Saudi Arabia have primarily two repositories for insurance sector. Najm is a repository for motor insurance while the NPHIES is a health repository.

I. NAJAM:

Najm for insurance services is a closed, unlisted joint stock company established in 2007 as the result of cooperation between the Saudi Central Bank and the General Department of Traffic with the aim to promote the vehicle insurance sector in the Kingdom of Saudi Arabia.

Najm started operating through a group of services including accident review, damage assessment, and insurance claims, and added in 2009 minor accident review for vehicles insured in Saudi Arabia. Najm also offers a complete range of solutions and services for citizens, residents, and visitors in the Kingdom, serving 40 Saudi cities through a skilled workforce specialized in reviewing accidents and addressing consequent losses, damages, compensations, claims, and other insurance-related services.

With the emergence of Vision 2030 and its ambitious targets, Najm continued the pursuit of its development journey in line with two of the Vision's key programs, first achieving a comprehensive digital transformation across all its services, and second developing and enhancing the quality of life in the Kingdom. Najm also restructured its entire work strategy by adopting world-class professional and marketing standards to develop a work model parallel to the Vision's targets.

II. NPHIES:

The unified electronic services platform is the National Platform for Health and Insurance Exchange Services launched by the Cooperative Health Insurance Council (CCHI) and the National Center for Health Information (NHIC), and led by the Sehati Company. NPHIES has two components:

Taamen (Insurance Services): Digital Standard Insurance Services aims to govern health insurance services by connecting all stakeholders in health insurance (health service providers, health insurance companies).

Sehey(Clinical Services): Unified digital health services (unified health record) for patients in the Kingdom of Saudi Arabia aims to improve the efficiency and quality of health care services provided, and also reduces the cost and time of providing health care services, which is a basis for improving healthcare decision making.

As of now, NPHIES Taameen has achieved broader public accessibility, with approximately 75% of healthcare providers currently integrated into the system. Before NPHIES Taameen was launched, through which hospitals sent requests directly to insurance companies but now the NPHIES platform acts as the intermediary. Hospitals and insurance companies connect their systems to NPHIES. Hospital service requests now go through NPHIES, and insurance companies respond through the platform. The CCHI can monitor and regulate these transactions, ensuring transparency and addressing any issues like fraud, misuse, or patient care delays. NPHIES is a foundation stone for supporting the digital transformation in Saudi Arabia's 2030 Vision. Its target audience includes healthcare providers, health insurance companies, and third-party administrators. NPHIES provides a single unified platform that houses the entire portfolio of health and insurance services. This consolidation streamlines processes and facilitates efficient management. Its primary purpose is to facilitate the exchange of health information for patients.



CURRENT LEVEL OF DIGITAL ADOPTION WITHIN INSURANCE INDUSTRY

To assess the current level of digitalization in the insurance sector of Pakistan, a survey is conducted by the Insurance Division of the Securities and Exchange Commission of Pakistan (SECP). For the purpose of this survey, data is collected from all insurance companies: life and non-life.

According to the data collected under the survey, the total premium for insurance distributed through digital channels 2023 is 842 million. The value of premium was 3 billion as per the Insurance Industry statistic Report 2022 out of total 553 billion premium which makes less than 1% of total premium.

Furthermore, it is pertinent to mention that only limited number of companies are offering products through digital means with limited insurance classes being offered. As the table illustrates travel, accident and motor insurance classes are being offered by non-life insurers whereas term life and

Share-wise:				
Insurance Class	Products Sold	Policies Sold	Premium (Million)	Share
Travel insurance	26	55,483	238.5 Million	28%
Accident Insurance	16	705,049	158 Million	19%
Motor Insurance	8	13,380	154.5 million	18%
Health Insurance	23	1,172,445	130.5 million	15%
Term Life Insurance	20	196,043	124.3 million	15%
Mobile Insurance	3	1,438,656	26.4 million	3%
Home content insurance	1	19	10 million	1%

Major Companies Involved

Pakistan has a total number of 40 insurance companies: 29 non-life insurers and 11 life insurers. Out of 29 non-life insurers, only 10 companies are offering one or more insurance classes through their website which makes up 34%. For life sector the condition is better as out of 11 life insurers, 7 companies are offering digital distribution of their products through their websites which makes the percentage of 63.6%.

Despite the number of companies offering insurance through their website, the distribution through digital means remain significantly low. The major reason is that the digital journey for a customer remains elusive and difficult coupled with insufficient product choices which reflects that the inclination of insurers towards corporate clients with little consideration for under-serve segments of retail customers.

Serial No	Non-life Insurers	Life Insurers
1	Adamjee Insurance Company Limited	Adamjee Life Assurance Company Limited
2	Asia Insurance Company Limited	Dawood Family Takaful Limited
3	Askari General Insurance Company Limited	EFU Life Assurance Company Limited
4	Atlas Insurance Limited	Jubilee Life Insurance Company Limited
5	Jubilee General Insurance Company Limited	Pak-Qatar Family Takaful Limited
6	Salaam Takaful Limited	TPL Life Insurance Limited
7	TPL Insurance Limited	State Life Insurance Corporation of Pakistan
8	The United Insurance Company of Pakistan Limited	
9	EFU General Insurance Limited	
10	Habib Insurance Company Limited	

Companies having mobile app

The fintech sector in Pakistan is majorly operating through mobile apps as the internet density in Pakistan is at 155 million subscription (Darbar, 2023). The median age of population in Pakistan is 20.6 years (PBS, 2024). The mobile density is 80.3%, broadband penetration is 53.2%, which presents a very ideal situation for reaching out to younger customers through mobile apps. The insurance companies have not fully realized the impact of mobile apps, as only 10 non-life insurers and 7 life insurers have mobile apps. Even these companies are not fully leveraging the advantages of mobile apps.

These apps are designed to cater the needs of existing policyholders in most cases and do not serve as an innovative distribution line to develop new products and attract fresh policyholders.

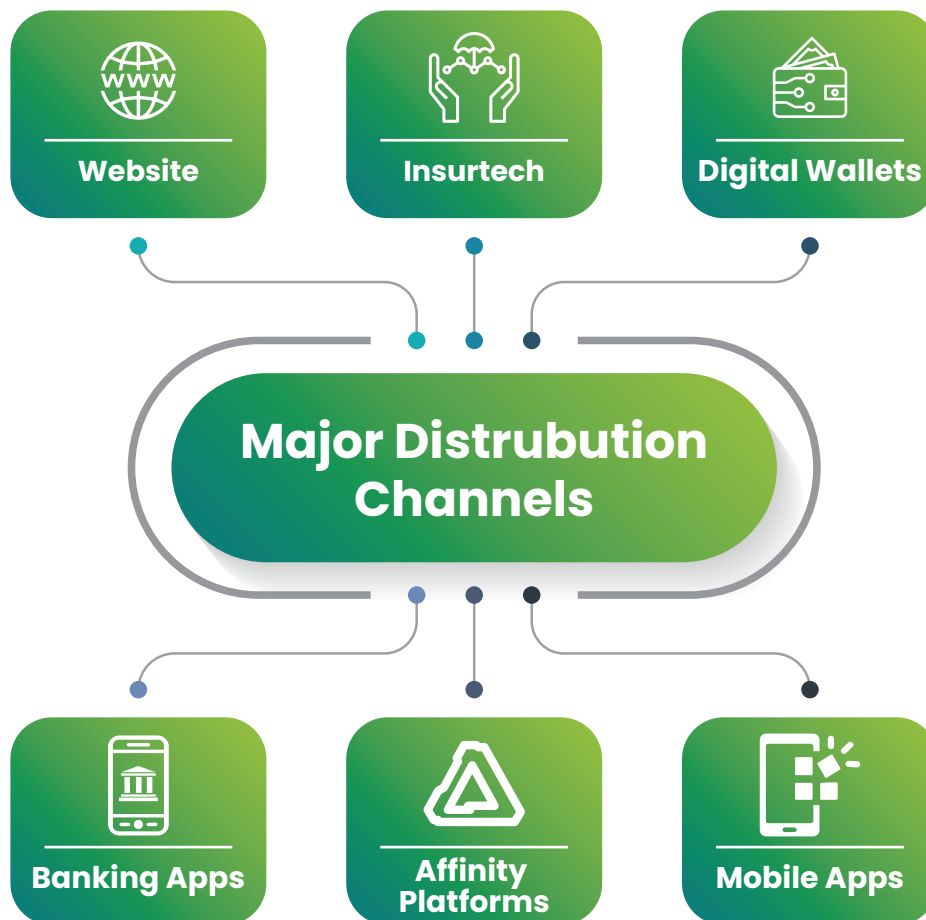
Mobile Apps
Adamjee Insurance Company Limited
IGI General Insurance Limited
Askari General Insurance Company Limited
EFU General Insurance Limited
Jubilee General Insurance Company Limited
The United Insurance Company of Pakistan Limited
TPL Insurance Limited
Alfalah Insurance Company
Salaam Takaful Limited
EFU Health Insurance Limited
EFU Life Assurance Company Limited
IGI life Insurance
Jubilee Life Insurance Company Limited
TPL Life Insurance Limited
Pak-Qatar Family Takaful Limited
State Life Insurance Corporation of Pakistan
Dawood Family Takaful Limited



Major Distribution Channels

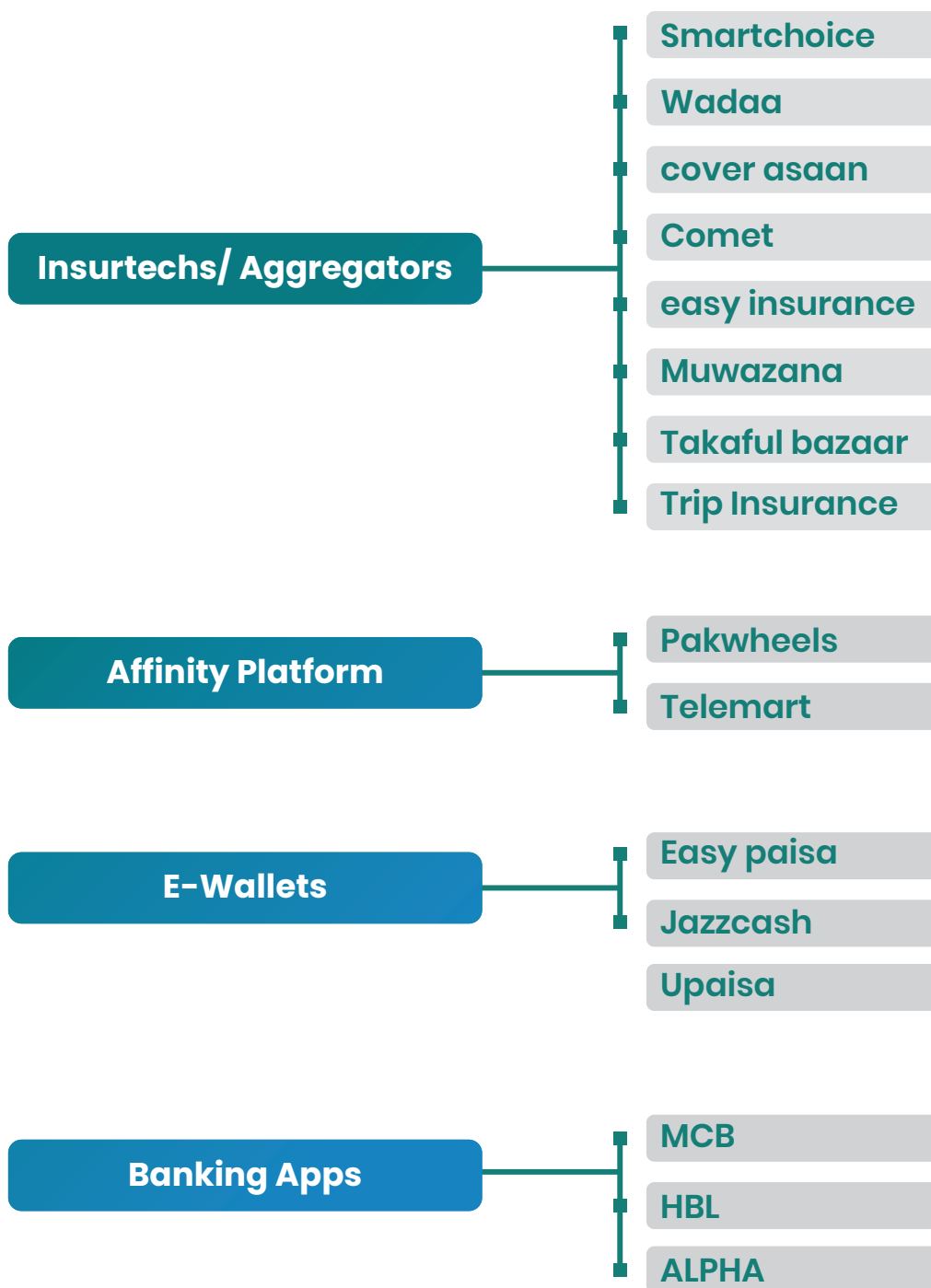
Distribution of insurance sector has remained majorly dependent on the conventional means to reach out to potential policyholders. However, recently the trends have changed, and there have been some new players introducing new channels for distribution. The new and upcoming distribution channels include websites, mobile apps, insurtechs, affinity platforms, banking apps, and digital wallets.

These channels are in very nascent stage and so far their contribution towards enhancing insurance footprint remains minimal.



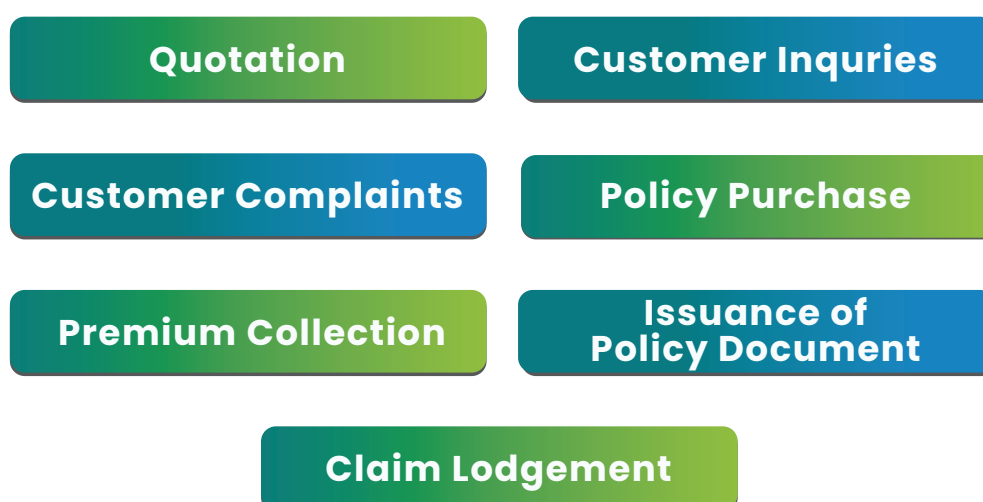
Major Third parties Involved

The insurance landscape of Pakistan is evolving, although slowly but gradually new players are entering the market. Four major categories of new third parties involved in insurance sector are insurtechs/ aggregators, affinity platforms, digital wallets and banking apps.



Dominant Digital Operations

The insurance life-cycle is comprehensive and involves multiple steps. The current state of digitalization of insurance life cycle is not fully digitalized. It is a combination of digital and physical modes making it phigital. There is a general observation from the survey that the following activities/steps of the insurance lifecycle are digitalized.



Digital Underwriting

Digital underwriting is still in its juvenile phase, as only two companies are currently offering data-driven products. These products mainly fall under motor and crop insurance categories. In life sector, insurance companies are working to offer vitality products. Similarly, there is very little acceptance of leveraging Artificial Intelligence (AI) and Machine Learning (ML) in insurance sector of Pakistan.

Digital Underwriting	Companies
Companies offering data-driven products	2
Companies utilizing AI/ML technologies in its digital operations	3
Companies utilizing cloud computing in its digital operations	13

External DATA sources

As discussed above the external data sources are being deployed in motor and crop insurance underwriting and claim payment. The major external data sources are mentioned below:



Tracker Data for Motor Insurance



Satellite Data for Crop Insurance



Geospatial Data for Insurance

Strategic Direction

Although the survey illustrates that insurance companies have board approved digital strategies and digital marketing strategies however, the impact of these strategies is not visible in increasing insurance outreach.

The survey showed that almost half of the companies have realized the need of digitalization and hence have a board approved strategy. Similarly, the survey shows that insurance companies are shifting towards a pull model of marketing and advertising, as 29 companies have adopted a digital marketing strategy

Strategic Decision	Companies
Companies have a board approved digital strategy	19
Companies have a digital marketing strategy	29
Digital marketing channels utilized by companies	
Social media advertising	29
Search engine marketing (SEM)	14
Content marketing	17
Email marketing	15
Influencer marketing	9

Linkages with other data Sources

Insurance sector largely operates in a vacuum and does not have thorough integrations with data sources within or outside the insurance sector. The following table shows willingness or onboarding of companies with industry-based insurance datasets, primarily with the initiatives by the regulator.

External Data Sources/ Back-End Utilization of Data	Companies
Companies having connectivity with NADRA (National Database and Registration Authority)	31
Companies boarded with CDC- Customer Gateway Portal (CGP) for performing KYC	15
Companies who believe that there is a need for a repository for clearing and settlement of co-insurance and reinsurance	19
Companies having internal system capable enough to integrate into the proposed repository	20
Companies supporting idea of Auto Insurance Repository	17
Companies using the regulatory CISSII (Centralized Information sharing solution for Insurance Industry)	9
Companies updating data on CISSII	9
Companies using CIR (Centralized Insurance Repository)	9

Cybersecurity and Cloud Computing

Under the survey companies were also asked about the adoption of SECP' guidelines on cyber security. The feedback is shared below:

Cybersecurity Measures and Cloud Computing	Companies
Number of companies which have adopted SECP's guidelines on cyber security framework	39
Verification of cyber security framework by an external firm	26
Companies utilizing cloud computing in its digital operations	13

REVIEW OF EXISTING INITIATIVES BY REGULATOR/ INDUSTRY FOR DIGITALIZATION

In last few years, SECP in consultation with insurance industry has taken multiple initiatives for the adoption of digitalization in the insurance sector. A brief overview of the initiatives is as follows:

a. Central Information sharing solution for Insurance (CISSI):

CISSI is an online platform for information sharing in the areas of underwriting, claims, agents and group life claims experience. All the information is retrievable on a real time basis. The portal is administered and technologically supported by the Central Depository Company of Pakistan (CDC) and governed by SECP. CISSII was launched in April 2014 under the recommendations of the Insurance Industry Reforms committee (IIRC) for supporting financially sound and technologically efficient insurance industry in Pakistan.

The current version of this information sharing portal for life and health insurance sectors helps insurers and stakeholders in the following ways:

- i. Facilitating underwriting function by providing information on claims experience, including the loss ratio
- ii. Improving the pricing and risk assessment function
- iii. Facilitating the monitoring of agents' conduct and their selection

CISSII have currently following registers:

a. Agents register: Agents register provides a list of all agents working for an insurance company. Two types of agents are in use: individual and corporate. An insurance company can search and verify information of its agents through their respective CNICs.

A sub register of Agent register is the **S-Reference Register** which provides information of misconduct and fraudulent activities done by agents. An agent's fraud/ misconduct can be searched through their respective CNICs. Misconduct/ fraud can only be entered here once the agent is proven guilty. As a solution to this problem, a "Delete S-Register" was added in November 2018 to enable agent deletion, along with a report in which an agent's record will be stored up to 12 months from the date of deletion and permanently deleted thereafter. Insurance companies are also able to search and fetch the record of agents deleted by other insurance companies.

b. Claims Register: The register contains information for group policy in respect of all early claims incurred during the first 3 policy years and having a gross claim liability exceeding rupees 1 million. Claim information is updated here as soon as the request is intimated to the insurance company. The information helps to reduce exploitation of insurance companies by an individual making multiple fraudulent claims within the insurance industry.

c. Adverse Information/ centralized Register for Postponed and Declined Life Risk: This register includes information about those individuals whose policies were not issued because of medical issues, etc. but there are chances that their policies will be issued in the near future. The postponed life risk register includes information regarding an underwriting decision to defer issuance/ alteration of an individual life insurance proposal/ policy for a defined period. On the other hand, the declined life risk register includes information regarding which a life insurer has taken an underwriting decision to reject issuance/ alteration of an individual life insurance policy for an indefinite period.

b. Central Insurance Repository (CIR)

Central Insurance Repository was launched by SECP in February 2020 with the aim to complement government's objectives of providing ease of doing business and enhancing consumer protection. CIR is Pakistan's first ever centralized information repository and functions under the regulatory impetus of SECP. It holds critical data of life insurance policies electronically. The key objective of Centralized Repository is to enable electronic storage of life insurance and family takaful policies and serve as a central point for critical policyholder related information. CIR was developed with aim to introduce electronic insurance account (eIA) and issuance of electronic policies however, so far the objective has not been achieved.

S. No	Requirement	Total
1	Total No. of new policies issued during the period starting from January 01, 2023 to December 31, 2023	740,253
2	Total No. of issued policies as of December 31, 2023	8,950,728
3	Number of policies with data uploaded on CIR	3,625,449
4	Number of policies with data not uploaded on CIR	5,325,279
5	Deviation between total no. of issued policies and no. of policies data uploaded on CIR	5,325,279

Disclaimer: This dataset does not include data from largest public sector companies having major chunk of policies number and premium i.e. State Life Insurance Corporation of Pakistan and Postal Life Insurance Company.

c. Regulatory Sandbox

The Securities and Exchange Commission of Pakistan (SECP) issued Regulatory Sandbox Guidelines in December 2019 to promote innovation in the financial sector and encourage startups. This was Pakistan's first Regulatory Sandbox in the financial services industry. The guidelines were aimed at reducing regulatory obligations through allowing testing of new products, business models, services in the Regulatory Sandbox. The regulatory sandbox is available for all the regulated sectors of the SECP i.e. insurance, capital markets, non-banking financial services and the overall corporate sector. The Sandbox is a tailored regulatory environment for conducting limited scale, live tests of innovative products, services, processes, and/ or business models in a controlled environment. Such tests are conducted under close supervision of the regulator for a specific period to assess the viability, compatibility, and conducive regulatory environment for innovative solutions.

Cohorts	Insurance Start-ups/ Ideas
First Cohort	M/s First Digital Takaful was allowed to operate and commence testing under first cohort for its business model “Dedicated digital only takaful provider set-up”. However, the company did not apply for licensing due to financial constraints.
Second Cohort	Salaam Takaful Limited was granted approval for live testing and experimentation of product ‘Crop Parametric Takaful’, which provides coverage instantaneously upon a parameter being triggered. The only assessment required is the intensity weather conditions, e.g., how much rainfall or dry days in a district. It can be calculated remotely. As soon as the parameter is met, the predefined payout is given to the farmer.
Third Cohort	<ul style="list-style-type: none"> i. Salam Takaful Limited was given approval in the third cohort for its product Pay as You Drive (PAYD), which is also known as Usage-Based Takaful (UBT), Pay How You Drive (PHYD), and Mileage-Based Auto Takaful or Telematics Takaful. ii. Insurance Bazaar, an insurance broker, was given permission to provide a platform for Telematics Motor Insurance (TMI) and to enter into agreement with one insurance company for underwriting Telematics Motor Insurance policies. Insurance Bazaar was able to secure an agreement with an insurance company but could not launch the product within the time period. The idea was not launched at a scalable level.
Fourth Cohort	Ibox7 (Pvt) Limited was given approval for launch of its Insurance customer need analysis platform. However, Ibox7 (Pvt) Limited was unable to meet the approval condition of onboarding an underwriter during the incubation period; therefore, they withdrew their request.

d. Digital Only Insurers Regime

The Securities and Exchange Commission of Pakistan (SECP) introduced a registration regime for digital-only insurers and dedicated micro-insurers in August 2022. This introduction of a new regime is to promote digitalization and improve customer convenience through instant provision of services. In this regard, amendments to the Insurance Rules, 2017 were notified via S.R.O. 1513(I)/2022. The new framework is aimed at encouraging innovation, expanding the product range, and promoting financial inclusion.

The registration requirements have been designed to reduce barriers to entry in terms of minimum paid up capital and solvency requirements. The minimum capital requirements have been set at Rs100 million for non-life digital-only business and Rs250 million for life digital-only business, whereas for non-life and life micro-insurers, the capital requirements have been set at Rs80 million and Rs150 million, respectively.

The framework requires the digital-only insurer to develop a digital claim lodgement and payment process since inception of operations, whilst demonstrating through an implementation plan towards a complete transition to digitalized claims processing comprising of claim intimation, claims assessment, and payment. It is notable here that the new framework does not prohibit existing insurance companies from underwriting microinsurance products or distributing insurance through digital modes, under their existing setup.

Salaam Family Takaful Limited was granted a license as the first digital Islamic insurance company under the regime of digital only insurers in May 2024.

e. Auto Insurance Repository

Securities and Exchange Commission of Pakistan (SECP) is working with insurance companies and the Central Depository Company (CDC) to develop an inclusive motor insurance repository that can assist in improving motor insurance penetration in Pakistan and refine the risk management and underwriting mechanisms for the insurance industry. The aim is to develop an independent & integrated motor vehicle repository that can be accessed by insurance companies and registration authorities through web portals / API integration. The repository will have information from insurance companies, enforcement agencies, and registration authorities across Pakistan to curb non-compliance with the mandatory motor third party insurance in Pakistan.

Objectives:

1. To identify uninsured vehicles in Pakistan through registration authorities and develop a mechanism to enforce mandatory motor third party insurance.
2. To provide insurance companies with integrated data from vehicle registration authorities to digitize motor insurance policy issuance.
3. To share insured vehicles data across the insurance industry and enforce risk based premium pricing.
4. To make insurance mandatory for registration and transfer of motor vehicles across Pakistan.

Under the guidance of SECP, MOU has been signed between 9 insurance companies and CDC for launch of Auto Insurance Repository.

f. Centralized Gateway Portal

Centralized Gateway Portal (CGP), a central portal for customer onboarding, is being moderated by Central Depository Company of Pakistan Limited (CDC). All securities brokers, mutual funds, and insurance companies (market intermediaries) can use the portal to onboard customer online. CGP maintain Know Your Customer (KYC) information, and if in case the subject customer approaches another market intermediary, the information will be shared with that intermediary, which will avoid duplication of the KYC process for customers. Under CGP, the KYC information to be obtained from customers has also been streamlined and rationalized after a rigorous process in which the KYC information was benchmarked against banks to ensure that no excessive information is collected. As a result, for the first time, the account opening requirements will be standardized and made uniform across the aforementioned asset classes. Hence, this landmark project allow KYC sharing among these asset classes for the first time in Pakistan.

Market intermediaries can use the CGP portal or can avail the white labelling option free of cost to provide customers with an efficient and user-friendly onboarding experience. In case market intermediaries use their own websites or in the case of walk-in customers, the KYC information will be routed by CKO to CGP. Centralized Digital Onboarding Boarding Mechanism for all Asset Classes was prescribed through a circular on April 19, 2023

Insurance Association of Pakistan (IAP) raised certain concerns. To address IAP's concerns the Insurance Division, in collaboration with Securities Market Division, arranged meetings with IAP and CDC to address their concerns regarding the onboarding of customers through the gateway or any other channels, the sharing of existing data and the sharing of data for customers onboarded through the conventional channel and online channel of insurance companies.

CDC held series of sessions with IAP members and both mutually decided that the CGP for insurance industry will be implemented in three phases:

Phase 1 – Process flow of information from CGP to Insurance Companies;

Phase 2 – Process flow of customer information from Insurance Companies to CGP; and

Phase 3 – Process flow in the case of sharing of information relating to customer onboarded physically or through conventional mode at Insurance Company's end

Currently Phase 1 is in progress and so far 17 insurance companies have onboarded the Centralized Gateway Portal.

g. Policy Finder

The introduction of a policy finder is an initiative aimed at addressing the longstanding issue of unclaimed life insurance benefits. This innovative endeavour is being developed in collaboration with the Insurance Association of Pakistan (IAP) by SECP. By establishing a common platform across the industry, this initiative will empower beneficiaries to quickly locate the insurance policies of their deceased loved ones and lodge a claim. This centralized service will alleviate administrative burdens, foster transparency, and expedite the disbursement of unclaimed insurance benefits, ensuring rightful recipients receive their due financial protection promptly. By proactively identifying families unaware of lost insurance policy benefits and streamlining the retrieval of unclaimed benefits, the Life Insurance Policy Finder will provide relief and stability during challenging times, enabling a broader population to effortlessly find out whether their loved ones had a life insurance policy with any company and receive the intended financial support left behind by their loved ones.

The objective of this project is to design and implement a life insurance-SMS-based claim inquiry service that will:

- Provide beneficiaries accurate and up-to-date information about the policies issued to their deceased family members (by various insurance companies) through SMS.
- Be easy to use and accessible to everyone, regardless of their location, device, or internet connectivity.
- Comply with the regulatory and security standards of the life insurance industry.
- Be scalable and cost-effective to maintain and operate within Pakistan.

The development of Policy Finder system bears the in-principle approval of the Insurance Association of Pakistan, with the CDC onboarded for development of the system. For private sector life insurance companies, the data available in the Centralised Insurance Repository shall be leveraged for responding to queries received from the general public. In respect of State Life Insurance Corporation of Pakistan, the system would function through API connectivity with SLIC. Currently, the system development is underway, however, minimal progress has been noted in respect of development of system for API configuration from SLIC.

h. Pakistan Single Window (PSW)

Pakistan Single Window operations are working on the digitalization of the process related to the issuance of marine insurance policies. As part of the reform, PSW intends to completely digitize the receipt, processing, and issuance of the insurance policy and replace the existing paper-based document with e-versions. The electronic documents shall be accessible to customs and other stakeholders in real time for clearance of import, export, and transit goods. Similar models have already been successfully implemented in other countries, including Korea, Hong Kong and Ethiopia.

Marine insurance is a requirement under the State Bank of Pakistan's regulations to provide coverage against accidents, theft, or damage during shipping of import/export goods. At present, the entire business process of seeking and utilizing insurance policies by importers is manual. Importers get themselves registered with the insurance companies by filling in a KYC form and providing hard copies of supporting documents. Similarly, at the time of acquiring/utilizing insurance policies, importers reach out to the insurer either by email/telephone or by visiting the office of the insurers physically. The insurance covers/policies are then shared manually with the concerned banks for issuance of bank guarantees.

PSW intends to automate the process with the following objectives in mind:

- i. Reducing the time and cost of doing business for traders
- ii. Replacement of paper-based documents with electronic versions of system uploaded scanned documents
- iii. Enhancing transparency and visibility of the process for all users including customs, transporters and traders
- iv. Digitalization of the B2B processes related to cross border trade.

Currently, the proposed design of the system is under the review of IAP.

Proposed Amendments in Insurance Ordinance 2000:

SECP has proposed following amendments in the Insurance Ordinance to facilitate any digitalization efforts of future:

- 120A. Insurance repository and/or information sharing arrangement for insurers: The Commission shall have the power to direct the insurers to become part of insurance repository/information sharing arrangement including cyber security information sharing platforms and may specify any requirements regarding the conduct and manner of operation of such arrangement or platforms and ancillary matters thereto.

- 167A. Commission may make regulations for the purposes of regulating and for the purposes of the organized development of all or any of the following matters, namely: adoption, manner and usage of emerging technology based platforms and processes including but not limited to InsurTech which shall include but shall be not be limited to the following:
- (i) types of permissible technology platforms to be used in insurance operations;
 - (ii) role of the Commission, licenced insurers, microinsurers, dispute settlement forums, insurance intermediaries, technology service providers and the insurance policyholders;
 - (iii) measures for ensuring privacy of data including policyholder information;
 - (iv) reporting requirements of insurance business undertaken through technology based platforms and processes

CHALLENGES AND GAPS IN EXISTING DIGITAL INSURANCE ARCHITECTURE

I. No Holistic Approach: Digital Fragmentated Insurance Sector

Insurance companies are working in vacuum and there is no holistic approach for digital adoption by insurance sector. A broad assessment indicates that a few players have initiated their digital journey while some have not even initiated the process of adopting digitalization at any stage. As for the companies showing inclination towards digitalization, their journey is dominated by digital fragmentation where the digital processes, models and technologies are introduced and adopted in bits and pieces. In a whole the current adaption of digitalization is dominated by Phigital model of business where a combination of physical and digital modes is used. Furthermore, it is pertinent to mention here the whatever digitalization is being adopted by insurance industry is conversion of existing process into digital models and there is no new innovations or adoption of new cutting-edge technologies like Artificial intelligence, machine learning, deep machine learning, distributed ledger technology, big data, data analytics etc.

II. Industry Digitalization is in nascent stage – Current focus on Distribution

Digitalization in the insurance sector is at a very nascent stage. Among the overall insurance life cycle, only few steps have been partially digitalized. As the survey illustrated that almost 17 companies are offering insurance products through their websites. As per the findings of survey, the current focus of companies is only digital distribution, and a thorough digital adoption in underwriting, pricing, claim assessment and payment are still largely done through conventional means. It is important to mention here that digital distribution is being adopted by only few companies. Most insurers are still fully dependent on conventional model of insurance business for all the business functions.

A positive finding from the survey is that nearly half of insurance companies have adopted board-approved digital strategies. However, the scope and impact of these digital strategies is yet to be seen. Similarly, majority of companies (66% non-life insurers and 81% life insurers) have adopted digital marketing strategies. It is a good initiative to raise awareness about need and significance of insurance sector in a cost-effective manner. Nevertheless, digital marketing approaches are not very thorough and potential of the digital marketing is not fully utilized. However, since the journey has been started so there is hope that it can eventually reach a level of maturity.

III. Absence of Efficient data sharing within Industry

Data sharing within the sector is considered beyond the pale. The limited data sharing within industry is made possible through the SECP initiatives. These existing initiatives are agreement-based and there is a reluctance in its full adoptability hence the desired outcomes have not been yet achieved. Moreover, these steps have been introduced as components of an all comprehensive digital infrastructure and in order for insurance companies to leverage digitalization to its fullest in digital underwriting and claim processing, a full fledged acceptance of data sharing within the industry is pre-requisite. This can further translate into embracing the initiatives by the regulator and new stratagem by the industry itself.

IV. Data Repositories have Limited Scope

At present, there are two functional insurance repositories: central information sharing solution for insurance (CISSI) and central insurance repository (CIR) initiated by SECP. Both of these repositories are solely for life insurance sector and house data related to life insurance companies and policyholders. Motor Insurance repository is being developed as the MOU signing has been done between insurance companies and CDC. However, the scope of motor insurance repository is also limited to motor insurance only. There is no comprehensive repository or database where data from all insurance classes is being collected and utilized for improved underwriting, pricing or claim settlement. Similarly, Pakistan does not have a centralized mechanism for clearing payment and settlement for the reinsurance and coinsurance which has been adopted by other countries decades ago.

V. No linkages with External Data Sources

Insurance sector in Pakistan is working in isolation. There are no reported linkages with external data sources. Data from national and provincial disaster management authorities, registration authorities (excise and taxation authorities), agriculture departments, commercial banks, hospitals, NADRA death registry etc. is crucial for underwriting, risk assessment, risk reduction and claim processing and payment. However large-scale data-integration with these institutions is missing and this is primarily because of absence of supportive ecosystem in the country for data sharing and integrated approach of service delivery.

VI. Insufficient Data-Driven Products

The insurance underwriting is no longer a manual laborious work, it has been shifted to digital underwriting utilizing external data sources outside the conventional provided data to assess and underwrite the risk. However, in case of Pakistan, the practice of underwriting is still very conventional and the industry as a whole has not moved to offering data-driven products. The primary reason is absence of data integration within and outside the industry. Nonetheless, a few insurers have started offering data-driven products but both the number of insurers offering such products and the scope at which data driven products are offered is very limited to create an impact.

VII. Broken Payment Platform Links

Insurance companies often struggle with efficient service delivery, particularly when it comes to payments. The service delivery chain breaks down at multiple points, with the most critical issue being the payment process. Many companies do not have an integrated payment system, leading to broken payment platform links that disrupt the overall service experience.

VIII. Reliance on Phigital Mode –: No End-to-end Digitalization

The current ecosystem of the insurance sector is still far away from achieving end-to-end digitalization of the insurance lifecycle. The insurance life cycle is highly inclined towards physical methods and even where digital methods and modes are being introduced the overall process still remains phigital which is a combination of physical and digital processes. It is a form of digital fragmentation where digitalization is being employed in bits and pieces but at large the insurance sector in Pakistan remains unable to harness the true power of technology.

IX. Presence of Players without Penetration

Insurance sector in Pakistan have substantial number of players including 30 general insurers, 11 life insurers, and 15 insurtechs. Despite this number the insurance penetration is very low. It is expected that the insurance coverage will increase given that Pakistan have over 190 million mobile phone users and 155 million internet subscribers. Moreover, the share of younger generation in the population is also quite high and this generation has increased digital literacy so the penetration is expected to grow but so far there has not been a remarkable breakthrough.

X. Absence of Legal Support

Commission is actively engaged with Insurance Industry and with their support various initiatives of information sharing mechanism such CISSII, CIR, /MIR etc. have been launched. However, it has been noted that primary law remains silent in respect of creation of such insurance information sharing mechanism and creation of repository arrangement. To address this concern in the draft Insurance Bill a section has been introduced which not only allows Commission to specify how these information sharing /repository arrangements or platforms should be operated and any related matters but also to direct insurer to become part of such arrangement. Currently, the draft Insurance Bill is placed before Ministry of Finance and Ministry of Commerce for initiation of legislation process.

WAY FORWARD

i. Blueprint for Digital Infrastructure for Insurance Sector:

Digital initiatives introduced by regulator and digital activities within the insurance sector are fragmented and not linked with national level digital strategy. In order to build a centralized and cohesive approach, a blueprint is required which should cover digital distribution, payment, KYC, repository, clearing and settlement, identity, information sharing, and data points etc. This blueprint should have linkage with overall Digital Pakistan Policy and e-services portals. It ought to have integration with external stakeholders and data sources. This blueprint will include the creation of repositories for health insurance, inclusive insurance, disaster insurance, and a national-level crop insurance program. The concept of a centralized insurance information bureau is also being evaluated to provide an overarching governance framework for these initiatives.

ii. Industry should adopt a holistic approach for digital adoption

Although an inclination towards digitalization can be observed among the insurance companies however, the efforts are being done in bits and pieces and at this pace, the insurance sector cannot leverage the true benefits of the digitalization. Hence there is a dire need for adoption of a holistic approach for digital adoption across board. A major focus should be on the internal operations of the organization which are still run through the conventional approach. Conclusively, a more comprehensive and holistic approach covering all dimensions of insurance Lifecycle should be adopted.

iii. Regulatory Support

Regulatory support is crucial for the growth of the digital side of insurance landscape. Approval of the proposed amendments in the Insurance Ordinance will be the starting point for support of digital initiatives. Although there has been number of initiatives by the regulator, a more proactive role is required in this regard. This can be achieved by continuous engagement with stakeholders. The engagement should be with all new and related players for finding new opportunities. However, proactive approach of the regulator should be taken advantage of by the insurance companies by increasing their pace of introducing new products and leveraging technology for growth and development of insurance sector. Moreover, regulatory support can help sell investment products which are clearly not sold in current scenario.

iv. Identification of Fragmented Data Sources and Establishment of Linkages

Insurance sector is at the centre of dense set of data sources. These data sources vary for different insurance classes. For health insurance, scattered data is available with State Life Insurance Corporation of Pakistan (SLIC) under the Sehat Sahulat Program. Hospitals and medical centres have huge data sets of medical history which is crucial for underwriting and pricing. Similarly, NADRA's data is essential for any national level health insurance program. For an efficient health repository or data centre, the fragmented data sources are to be identified and linked together. Furthermore, disaster insurance data is available with National Disaster Management Authority (NDMA) which is the key institute overseeing the disaster risk in the country, and given that Pakistan is one of 10 most vulnerable countries, the need of integration between NDMA/ PDMA's with insurance companies is crucial for underwriting disaster insurance and claim payments. A disaster insurance program will require all data sources to be merged for underwriting and claim settlement. On the similar fronts, largely, insurance companies do not have any integration with the agriculture departments and farmers welfare organizations to offer financial protection to the farmers for agriculture and livestock insurance despite country's heavy reliance on agriculture sector. In brief all insurance classes including but not limited to health insurance, disaster insurance, crop insurance and inclusive insurance requires identification of fragmented data sources and establishment of linkages among them. If these institutions are not willing to share data for the repositories or data centers, they should open their data for access through registered third parties and concept of open insurance can be introduced. Open insurance can significantly improve the digital landscape of insurance in Pakistan by fostering innovation, enhancing customer experience, and increasing market transparency. By allowing secure data sharing between insurers, third-party providers, and other stakeholders through APIs, open insurance enables the development of tailored and innovative insurance products that meet specific customer needs.

v. New Integrated Data Centers

Insurance ecosystem in Pakistan is disconnected from important data sources and operates in vacuum. As discussed above, for every significant insurance class, once the data sources are identified, they need to be linked and gathered into new data centres. These data centres can take form of repositories or any other consolidated shape or form where the up-to-date data is provided by all concerned stakeholders and the available data is being accessible to all concerned stakeholders. The number of these data centres could also vary however, for starting, there should be integrated data centres for health, inclusive insurance, a disaster insurance program, national level crop insurance program. Based on the data available through these data centres, companies could provide data-driven products with improved underwriting and pricing. Moreover, standardized products can be introduced by the companies. A standardized product can significantly enhance the adoption of digitalization in the insurance sector by simplifying the purchasing process for consumers and ensuring consistent, transparent benefits.

vi. Insurance Clearing House

An insurance clearing house is a centralized entity that streamlines the processing, verification, and settlement of insurance transactions between insurers, reinsurers, brokers, and policyholders. By automating claims processing, premium collection, data management, and regulatory compliance, it reduces administrative overhead and operational costs, enhances accuracy and transparency, and improves customer satisfaction through faster and more reliable services. It also aids in risk management and fraud detection, contributing to market stability and regulatory adherence. Implementing an insurance clearing house fosters innovation and scalability, providing a competitive edge and supporting the sector's modernization and growth.

1. Developing platform for reinsurance and co-insurance payment and settlements

In Pakistan the entire reinsurance process is completely manual and based on bilateral engagement of insurer and reinsurer. Absence of a centralized database results in many issues, such as reconciliation issues between insurers and reinsurers, lack of efficiency in offering and acceptance process, identification of risk appetite of a particular company as well as inability to determine the magnitude of the entire industry. This is why it is crucial that a centralized platform is established to make the process of placement of risks for coinsurance and reinsurance more efficient and transparent. The system has to be equipped with features for carrying out the task of offering risks for reinsurance and coinsurance in the local market place and forwarding the leftover risk for SECP's approval for placement abroad, thereby improving efficiency and transparency of the overall process. Furthermore, it will aid in the reconciliation of premium and claim payments involved in the reinsurance arrangement with a centralized database and comprehensive reports.

2. Health clearing portal

Health clearing portal will be a single-window digital platform acting as a gateway for exchanging claims-related information among various players involved in the claim process including 'payers' (insurer, third-party administrator, government scheme administrator) and 'providers' (hospital, laboratories, Health Centers). It will simplify, accelerate and standardise the health insurance claim settlement process through the seamless exchange of information and documents between hospitals and insurance companies

vii. System Design and Infrastructure of the Architecture of Digital insurance

The formation of comprehensive digital infrastructure is essential for the adoption of digitalization in the insurance sector because a robust infrastructure will enable seamless integration of advanced technologies, enhances data security, and improves customer experience. A solid digital foundation will be able to support the deployment of innovative solutions such as AI-driven analytics, data-driven products, automation of claims processing and payment, and mobile platforms for customer interactions. This infrastructure will facilitate efficient data management, real-time processing, and personalized services, which are essential for meeting modern consumer expectations and staying competitive in a rapidly evolving market.

viii. Public Awareness: Financial Literacy and Digital Literacy

Pakistan have an over 190 million mobile phone subscriptions and 155 million internet subscriptions. This number illustrates the potential customer base which can be reached out using digital mediums. The number of users of E-wallets present a success case study that people in Pakistan are willing to use fintech platforms if there are given the financial and digital literacy. Insurance sector in general have not been able to get the message across the masses that insurance is a need and not an expense. The current scenario of tele density and internet density presents an ideal opportunity for the insurers to educate the public for the need of insurance through financial and digital literacy. The insurance companies can work together on educating masses through platform of Insurance Association of Pakistan in collaboration with SECP and other stakeholders.

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Annexures

Disclaimer: Data shared throughout this report is provided by insurance companies under the digitization survey and actual data may vary.

Table: 1 Data on Digital Distribution of Insurance – Class Wise

Share-wise: Biggest to Smallest Premium share				
Insurance Class	Products sold	Policies Sold	Premium	Share
Travel insurance	26	55,483	238,467,594	28%
Accident Insurance	16	705,049	158,175,679	19%
Motor Insurance	8	13,380	154,461,302	18%
Health Insurance	23	1,172,445	130,536,506	15%
Term life	20	196,043	124,348,463	15%
Mobile Insurance	3	1,438,656	26,422,433	3%
Home content insurance	1	19	10,109,316	1%

Table 2: Non-Life Insurers and Major Insurance Classes Offered

Companies	Insurance Classes					
Adamjee	Motor	Health	Travel	Accident	Home	
Asia	Motor	Health	Travel			
Askari	Motor		Travel			
Jubilee	Motor	Health	Travel	Accident	Home	
Salaam	Motor	Health	Travel	Accident	Household	Mobile
TPL	Motor	Health	Travel		Home	Moible
United	Motor	Health	Travel			
EFU General	Motor		Travel			
Habib			Travel			
Atlas	Motor		Travel			
Total	9	6	10	3	4	2

Table 3: Life Insurers and Major Insurance Classes Offered

Companies	Insurance Classes			
Adamjee	Term Life	Health		
DFT	Term Life			
EFU	Term Life	Health	Accident	
Jubilee	Term Life	Health		
Pak Qatar			Accident	Critical Illness
TPL	Term Life	Health		
SLIC	Term Life	Health		
Total	6	5	2	1

Table 4: Third Parties and Major Insurance Classes Offered

	Motor	Travel	Health	Mobile	Accident	Term Life	Cargo	Property	Employee Benefit	Savings	Solar	Crop	Theft
Insurtechs/ Aggregators													
Smartchoice	motor	travel	health										
wadaa			health		accident	term life							
cover asaan	motor	travel	health	mobile	accident								
comet	motor	travel	health				cargo	property					
easy insurance	motor	travel	health			term life		property	employee benefit	saving/ life	solar		
Muwazana	motor	travel	health		accident	term life							
Takaful bazaar	motor	travel	health										
Trip Insurance		travel											
Affinity Platform													
Pakwheels	motor												
Telemart					accident								
E-Wallets													
Easy paisa			health	mobile	accident	term life							theft
jazzcash			health		accident	term life						crop	
Banking Apps													
MCB		travel	health			term life							
HBL		travel	health		accident	term life							
Alpha			health			term life							
Total	7	9	12	3	7	8	1	2	1	1	1	1	1

Table 5: Digital Presence

Digital Presence	Non-Life	Life
Companies having a board approved digital strategy	13	6
Frequency of the digital strategy reviewed and updated	Quarterly 3 Semi-annually 8 Annually 7 Irregularly 3	Quarterly 3 Semi-annually 6 Annually 6 Irregularly 1
Companies which have adopted SECP's guidelines on cyber security framework	29	11
Annual assessment of the cyber security framework is conducted by internal resources or by an external firm.	13 External 11 Internal 7 both	7 External 3 Internal
Verification of cyber security framework by an external firm	19	7
Operations being performed digitally		
Underwriting	20	7
Claims	21	5
Reinsurance	13	3
Distribution	11	6
Customer Interaction	16	6
Compliance	16	3
Risk Management	9	1
Digital tools currently utilized for internal operations by Companies		
Customer Relationship Management (CRM) software	10	9
Enterprise Resource Planning (ERP) system	20	6
Database Management systems(Oracle etc.)	23	9
Document Management System (DMS)	16	6
Data Analytics Tools	11	8
Reinsurance software	15	5
Others (please specify)		5
Number of companies that have a digital marketing strategy	20	9
Digital marketing channels used by companies		
Social media advertising	20	9
Search engine marketing (SEM)	7	7
Content marketing	11	6
Email marketing	10	5
Influencer marketing	5	4
Others (please specify)		

Table 6: Companies Interaction with Policyholder

Companies interaction with the customer for follow up communication during the policy duration	Non-Life	Life	Total
Mode			
Manual	26	9	35
Call Centre	12	8	20
Digital	12	8	20
SMS	16	9	25
Email	25	9	34

Table 7: Digital or Phigital Journey

Level of digital journey provided to the customer/policyholder?		
Platforms	End-to end digitalization	Phigital Mode
Websites	7	17
Web portal	10	9
Mobile App	10	5
Insure Tech	3	3
Banking App	2	5
E-Wallets	2	5
Web Aggregators	7	10
MNO	2	
Affinity Platform	2	2



SECP

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