

GOVERNMENT OF PAKISTAN

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

NOTIFICATION

Islamabad, the 6<sup>th</sup> November, 2013

S.R.O 968 (I)/2013: In exercise of the powers conferred by Section 40B read with clause (u) of subsection (4) of Section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan hereby gives the following directive to all registered life insurers under the Insurance Ordinance, 2000:

1. Whereas section 6(8) of the Insurance Ordinance 2000 (the Ordinance) describes the requirements to be submitted by a life insurer intending to carry on life insurance business. The Commission is pleased to notify detailed product submission requirements after considering a holistic view of Section 6(8) and section 13 of the Ordinance, Rule 26(1)(a) of the Takaful Rules, 2012, the Guidelines for Bancassurance – 2010 and the Guidelines for Life Insurance and Family Takaful Illustrations – 2009 and Circular No. 6 of 2006 as amended by Circular No. 7 of 2011 on Maximum Management Expense Limits for Life Insurers.

2. **Application:** This Directive is applicable to all life insurers (including family takaful operators) offering individual life (including health) insurance products whether in conventional bundled non-linked form or as investment contracts (i.e. unit linked and universal life) through any distribution channel. This Directive is also applicable to group life (including health) insurance products.

3. **Submission Requirements:**

A life insurer is required to submit the documents as per Annexure 1 on the following instances:

- (a) Introduction of new products or riders / supplementary benefits; and
- (b) Amendments in existing products or riders / supplementary benefits

4. **Group Life Business:** A specific risk such as death due to any cause, critical illness, or hospitalization expense reimbursement etc. shall be considered to be a product for the purpose of this Directive. It is clarified here that offering of a particular risk to different corporate clients through the same master policy document shall not be considered a different product even a different marketing name is used.

5. **Allotment of Unique Product / Rider Registration Number:** After carrying out the due evaluation of the documents submitted, the Commission shall allot a unique product / rider registration number which shall be used in all future correspondence with the Commission. If a same product is offered through different distribution channels (or through different banks) with a different brand name, the unique product registration number shall be different for each brand name.
6. **Withdrawal of a Product / Rider:** An insurer may withdraw an existing product /rider from the market after informing the Commission the reasons of withdrawal, within 14 days from the date of such withdrawal.
7. **Timeframe for Product Registration:** The Commission shall communicate to the insurer that the product has been registered or not, as the case may be, within 30 days of receipt of an application for product submission. However, if an insurer does not receive any query from the Commission within 30 days since the date of submission of the product, it shall be permissible for the insurer to market the product. If the Commission sends notice to the applicant before the expiry of thirty days, the period of thirty days shall be extended unless the Commission explicitly communicates its clearance. If the application for product submission is not complete then, it shall not be treated as received until the insurer completes the application from all aspects.
8. **Post-Registration Implementation Certificate:** After getting the product registered with the Commission but before the commencement of selling the Product, a life insurer is required to submit a post-registration implementation certificate that the Product has been implemented on the administrative systems of the insurer in accordance with the documents submitted to the Commission. Such a certificate shall be signed by the appointed actuary of the insurer.
9. **Effective Date:** This Directive shall be effective from **December 1, 2013**. All life insurers (including family takaful operators) are required to submit their products in accordance with this Directive.

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BUSHRA ASLAM  
SECRETARY TO THE COMMISSION

## Annexure I

### Life Insurance Product Submission Requirements

Description	Conventional Products Non-Linked	Investment Products (Unit Linked & Universal Life)
(A) Statement of Rates	(A1) Premium rates, basis, and methodology	(A2) Schedule of mortality (morbidity) rates, basis and methodology
		(A3) Description of other charges in terms of: (i) Type (i.e. Front-end / Back-end/ Recurring); (ii) Basis for determination (iii) Scale / Rate; (iv) Frequency; (v) Basis for increase
(B) Statement of Advantages	(B1) Description of built-in riders /supplementary benefits	
	(B2) Description of optional riders /supplementary benefits attached with the product	
	(B3) Description of death (or any other main) benefit design including any death benefit deferral period	
	(B4) Description of surrender value	
	(B5) Description of maturity benefits	
	(B6) A sample illustration as per Illustration Guidelines 2009	
	(B7) Bonus distribution (including planned rates of reversionary & terminal bonuses)	(B8) Yearly schedule of proportion of premium allocated to policyholders' investment or unit account
(B9) Loyalty rewards/ bonus allocation / maturity bonus and the accounting policy to recognize the resulting liability		
(B10) Surplus distribution mechanism for Takaful products		
(B11) Policy loan, interest rate and repayment	(B12) Description of partial withdrawal eligibility, limits, charges and any consequent impact on death benefit	
(C) Statement of Terms and Conditions	(C1) Statutory Fund to which the policies under the product shall be referable	
	(C2) Life assured person(s) (i.e. single life or joint life, or blanket cover for family etc.)	
	(C3) Type of coverage (death due to any cause, critical illness etc.)	
	(C4) The basis on which surrender value is determined	
	(C5) Minimum and maximum age at entry, term, premium and maximum maturity age	
	(C6) Automatic non-forfeiture options	
	(C7) Settlement options for claim, surrender, maturity proceeds (e.g. annuity option)	
	(C8) Distribution channel(s), remuneration structure, incentives, distribution agreement, sales process	
	(C9) Minimum and maximum financial protection component	
	(C10) Indexation of sum cover and/or premium, indexation basis (simple or compound) and rate;	
	(C11) Any proposed deviation from standard underwriting approach and associated extra loading	
	(C12) Reinsurance arrangement applicable to the product (name of the reinsurer, applicable reinsurance treaty, risk retention-cession structure, any special terms negotiated with the reinsurer etc.)	
	(C13) Policy document to be attached	
	C(14) Long term investment policy of the relevant statutory fund	(C15) Investments to which the policy is linked (including a description of any investment guarantees and/or other guarantees and the associated accounting policy to recognize the resulting liability)
(C16) Frequency with which and basis by which the unit values are determined; and the values attributed to units at the time of purchase and sale.		
(C17) The basis on which expenses attributed to the policy are determined (for example at aggregate statutory fund level)		
(D) Statement of Appointed Actuary	(D1) A statement by the appointed actuary that the terms and conditions of the life insurance contracts proposed to be entered into are sound and workable (including a statement that the product satisfies the maximum management expense limits as prescribed under Circular No 6 of 2006 or any modification thereof.)	
(E) Shariah Compliance Certificate	(E1) Only for family takaful operator as per Rule 26(1)(a) of the Takaful Rules, 2012;	