

**GOVERNMENT OF PAKISTAN**  
**Securities and Exchange Commission of Pakistan**

Islamabad, 12<sup>th</sup> September, 2024

DRAFT NOTIFICATION

**S.R.O.1501(I)/2024.** In exercise of the powers conferred by Section 40B read with clause (u) of sub-section (4) and clause (fc) of sub-section (6) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997) and clause (i) of section 458A of the Companies Act, 2017 (XIX of 2017), the Securities and Exchange Commission of Pakistan is pleased to issue the following draft regulatory requirements for the sale of life insurance savings products through technology-based distribution channels by life insurers and is hereby published for information of all persons likely to be affected thereby and notice is hereby given that objections and suggestions, if any received to the Securities and Exchange Commission of Pakistan within the fifteen days of this notification will be taken into consideration.

(1) This directive shall be called the “Directive for Sale of Life Insurance Savings Products through Technology-Based Distribution Channels, 2024”.

(2) For the purpose of this directive:

- (a) “Regulations” means the Corporate Insurance Agents Regulations, 2020;
- (b) “Savings Products” refer to “investment contract” and “participating” as defined under clause (xxxii) and (xlili) of section (2) of the Insurance Ordinance, 2000;
- (c) “Technology Based Distribution Channels” has the same meaning as provided under clause (bb) of sub-regulation (1) of regulation 2 of the Regulations; and
- (d) “Rules” means the Unit Linked Product and Fund Rules, 2015.

(3) This directive shall come into force after three months of the date of publication in the official Gazette.

(4) Life insurers and family takaful operators may distribute savings products through technology based distribution channels under the following two broad product categories, subject to compliance with other regulatory requirements, as are applicable on life insurance products:-

- (a) Category A Products
- (b) Category B Products

(5) Life insurers and family takaful operators may distribute savings products under category A and B, which shall comply with the features and requirements as described in the table below:-

No.	Particulars	Minimum Requirements and Features	
		Category A Products	Category B Products
(i)	Eligible person to whom product can be offered	Pakistani individuals having valid CNIC.	

No.	Particulars	Minimum Requirements and Features	
		Category A Products	Category B Products
(ii)	Minimum and maximum entry age of the policy holder	18 - 60 years	18 - 55 years
(iii)	Maximum regular premium / contribution limit including top-up/adhoc premium	Rs. 200,000/- per annum	No limit
(iv)	Maximum cumulative premium / contribution limit including regular premium and top-up/adhoc premium.	Rs. 2,000,000/- The cumulative maximum amount of premium / contribution (regular and adhoc) shall not exceed Rs. 200,000/- in a policy year.	No limit
(v)	Minimum financial protection component	<ul style="list-style-type: none"> <li>• Single Premium: 1.25 times of the basic premium</li> <li>• Term <math>\leq</math> 1 year: 1.25 times basic total premium</li> <li>• Term &gt; 1 year: 5 multiples of basic annual premium</li> </ul>	<ul style="list-style-type: none"> <li>• Single Premium: 1.25 times of the basic premium</li> <li>• Regular Premium: 5 multiples of basic annual premium</li> </ul>
(vi)	Minimum term of product	No limit	5 years
(vii)	Maximum limit for sum insured	Rs. 2,000,000/-	No limit
(viii)	Maximum term of product	15 years	No limit
(ix)	Maximum allocation charges	<ul style="list-style-type: none"> <li>• Term <math>\leq</math> 1 year: Nil</li> <li>• Term &gt; 1 year: Maximum 10% in first two policy years, nil thereafter.</li> </ul>	Maximum 20% in the first two policy years, nil thereafter.
(x)	Maximum surrender charge	<ul style="list-style-type: none"> <li>• Term <math>\leq</math> 1 year: Nil</li> <li>• Term &gt; 1 year: <ul style="list-style-type: none"> <li>- 1<sup>st</sup> Policy Year: 10% of premium paid.</li> <li>- 2<sup>nd</sup> Policy Year and onwards: Nil</li> </ul> </li> </ul>	<p>For Investment Contracts:</p> <ul style="list-style-type: none"> <li>• Policy Years 1 to 3: 20% of the total premium allocated to investment account.</li> <li>• Policy Year 4 and onwards: Nil</li> </ul> <p>For Participating Contracts:</p> <ul style="list-style-type: none"> <li>• Policy Years 1 and 2: 100% of the premium.</li> <li>• Policy Year 3 and onwards: Nil</li> </ul>
(xi)	Bid offer spread charges	Not allowed	
(xii)	Indexation of premium payment	Not allowed	Allowed
(xiii)	Investment avenues of underlying statutory fund or unit linked fund, as the case may be.	In case of investment contracts: Government securities, bank deposits, money market mutual funds.	As per investment policy of the underlying statutory fund or the unit linked fund, as the case may be.

No.	Particulars	Minimum Requirements and Features	
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(xiv)	Top-up/adhoc premium allocation, charges and utilization	<ul style="list-style-type: none"> <li>Allowed, without any allocation charges and bid offer spread.</li> <li>Adhoc premium shall not reduce the sum at risk under the policy.</li> <li>No surrender charges.</li> </ul>	
(xv)	Exclusions	Standard exclusions (As per Annexure – A)	
(xvi)	Pre-existing conditions	Pre-existing conditions are at least covered with a waiting period of 30 days.	Pre-existing conditions may or may not be covered.
(xvii)	Maximum Waiting period for death claim admissibility	30 days	As per terms of the policy.
(xviii)	Medical underwriting requirement	No medical underwriting	Medical underwriting as per medical underwriting chart.
(xix)	Built in Supplementary Benefits riders	Allowed	
(xx)	Optional Supplementary Benefits riders	Not allowed	Allowed
(xxi)	Automatic non-forfeiture (ANF) option	<p>At the proposal stage the ANF option offered shall be:</p> <p>For investment contracts, as per clause (b) of sub-rule (2) of rule 32 of the Insurance Rules, 2017.</p> <p>For participating contracts, as per sub-rule (1) of rule 32 of the Insurance Rules, 2017.</p>	
(xxii)	Requirements for insurance need analysis as per the Regulations and the Rules	Not applicable	<p>The Insurer shall conduct the need analysis digitally, to capture the needs of the prospect and shall cover at least the following factors:</p> <ul style="list-style-type: none"> <li>employment / business details;</li> <li>financial details;</li> <li>future saving needs; and</li> <li>risk profiling.</li> </ul>
(xxiii)	Requirements for fund suitability analysis under the Rules (in case of unit linked products)	Not applicable	<ul style="list-style-type: none"> <li>The Insurer shall conduct fund suitability analysis digitally covering information related to investment objective, risk appetite / tolerance level, investment horizon, and level of investment knowledge.</li> <li>In case of investment in unit linked funds having medium or high risk profile, the Insurer shall take declaration digitally</li> </ul>

No.	Particulars	Minimum Requirements and Features	
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			from the policyholder as an acknowledgment of understanding the investment risk associated with exposure to equity.
(xxiv)	Requirement for audio visual clip under the Rules and the Regulations.	<ul style="list-style-type: none"> <li>Insurer to create a link for audio visual clip to enable policy holder to view the clip during digital onboarding.</li> <li>Insurer is encouraged to obtain confirmation digitally from prospect on viewing of the audio visual clip.</li> </ul>	<ul style="list-style-type: none"> <li>Insurer to create a link for audio visual clip to enable policy holder to view the clip during digital onboarding.</li> <li>Insurer to obtain confirmation digitally from prospect on viewing of the audio visual clip.</li> </ul>
(xxv)	Requirement for illustration document	<ul style="list-style-type: none"> <li>Simplified illustration be made available by illustrating values based on the lower rate prescribed by the Commission as per the Directive for Life Insurance and Family Takaful Illustrations, 2024 with an option to download.</li> <li>Illustrative values shall be generated by inputting minimum fields such as age (if standard rate is not used), term, annual premium etc. The generated illustration shall illustrate sum assured, year wise cash value or cash values at policy intervals.</li> </ul>	<ul style="list-style-type: none"> <li>Illustration be made available by providing illustrative tables and relevant notes as per the requirements of the Directive for Life Insurance and Family Takaful Illustrations, 2024 with an option to download.</li> </ul>
		<ul style="list-style-type: none"> <li>Insurer shall maintain record of the generated illustration document.</li> </ul>	
(xxvi)	Requirement for mandatory call back to policy holder	<ul style="list-style-type: none"> <li>Can be made at the discretion of the insurer.</li> <li>In the case the sales are made through assistance of physical modes (i.e. other than digital) call back confirmation (CBC) shall be undertaken within 3-7 days of the issuance of policy.</li> <li>In case the policyholders' response in the CBC is adverse, the premium shall be refunded to the policyholder.</li> </ul>	
(xxvii)		<ul style="list-style-type: none"> <li>Information as per CNIC and verification of CNIC.</li> </ul>	<ul style="list-style-type: none"> <li>Information as per proposal form and as per</li> </ul>

No.	Particulars	Minimum Requirements and Features	
		Category A Products	Category B Products
	Requirement for minimum Information at time of purchase of policy		<p>Circular No. 06 of 2023 dated April 19, 2023 and verification of CNIC.</p> <ul style="list-style-type: none"> <li>Insurer shall ensure pairing of mobile number with CNIC through Pakistan Mobile Network Database or conduct video call interview with prospective customer.</li> <li>Insurer may fetch relevant information from Mobile Network Operator(s) (MNOs), Mobile Wallet(s) or Bank(s) etc. subject to formal agreement and consent.</li> <li>Screening the name and CNIC against proscribed/ designated persons and entities as per the statutory notifications issued by Federal Government from time to time.</li> </ul>
(xxviii)	Form of insurance policy	E-policy (electronic format). Printed copy of the policy shall be made available on the request of the policyholder. The e-policy shall be bilingual i.e. in English and Urdu language.	
(xxix)	Transmission of policy documents and other key documents	Insurer shall ensure that key documents i.e. insurance policy as well as the summary statement of product features shall automatically flow to the policyholders on their registered and verified email/SMS on issuance of the policy.	
(xxx)	Acceptance of contract and terms and conditions	Acceptance of policyholder on a secured web-based "I agree" or "I accept" button or any other similar mechanism.	
(xxxi)	Minimum communication during policy cycle with policyholder	<ul style="list-style-type: none"> <li>Through SMS to the policyholder at his registered mobile number in both Urdu and English language covering at a minimum:- <ul style="list-style-type: none"> <li>Welcome message covering issuance of policy and free look period.</li> <li>Premium receipt message.</li> <li>Renewal notice before the premium due dates.</li> </ul> </li> <li>Insurer shall give to policyholder a digital receipt of every payment made by the policyholders under the policy.</li> </ul>	
(xxxii)	Payment of premium	<ul style="list-style-type: none"> <li>Insurer shall ensure that premium shall be received from the bank account/branchless banking account of the policyholder.</li> <li>Insurer shall ensure pairing of IBAN Number with CNIC.</li> </ul>	
(xxxiii)	Claim lodgement and payment	<ul style="list-style-type: none"> <li>Insurer shall ensure that claim lodgement including lodgement of surrender claims be enabled digitally.</li> <li>Insurer shall ensure that claim payment be made directly to the bank account/branchless banking account of the policyholder/beneficiary.</li> </ul>	
(xxxiv)	Subscription/distribution mode of the product	<p>Website, mobile application, digital platform of the insurer or the technology partner (MNOs, Aggregator, Bank, Mobile Wallet etc.).</p> <p>Physical assistance mode for sales is permitted, but not encouraged.</p>	

(6) The requirements of the regulatory framework i.e. the rules, regulations, notifications and circulars issued under the Insurance Ordinance, 2000 or the SECP Act, 1997 shall not be applicable in respect of those matters which are specifically provided for in clause (5) above. Save as provided above, all the other applicable regulatory requirements of the regulatory framework shall be applicable on life insurance savings products distributed through technology based distribution channels.

(7) Within six months of the date of notification of this directive in the official Gazette, all life insurers shall:

- (a) offer at least one life insurance savings product under category A and category B through its own website or mobile application; and
- (b) place its savings products under category A and category B on an independent platform providing online aggregation/comparison services.

(8) The insurer shall develop adequate technological capability to conduct the operations digitally in the areas of customer engagement, customer enrolment, distribution, administration, servicing, claim processing and/or any other aspect of its core operations. This may include *inter alia* the necessary resources to carry out the business operations, the availability of back-up system for business continuity planning and disaster recovery and arrangements to protect the confidentiality of policyholder data.

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**Annexure – A**

**Standard Exclusion(s) for Product Category A and B**

- (a) No benefit(s) shall be paid, in the event of an insured's death caused by suicide within 13 months of policy inception.

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[File No. ID/LP&AD/DIGITAL-SAVINGS/2024]

  
( Bilal Rasul )  
Secretary to the Commission