

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

*Islamabad, the 8<sup>th</sup> July, 2024*

**NOTIFICATION**

**S.R.O. 1088(I)/2024:** 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 directs all the registered life insurers under the Insurance Ordinance, 2000 (XXXIX of 2000) to comply with the following requirements while issuing all the policies after 31<sup>st</sup> December, 2024.

1. This directive shall be called “Directive for Life Insurance and Family Takaful Illustrations, 2024”.
2. In this directive, the word ‘Takaful’ may be used interchangeably with the word ‘insurance’, ‘Family Takaful’ with ‘Life Insurance’, ‘contribution’ with ‘premium’, ‘insured’ with ‘policyholder’ and ‘Company’ and ‘Insurer’ with ‘Takaful Operator’. Similarly, other terms used in the Takaful Rules, 2012 associated with the Takaful business may be used interchangeably with their conventional counterpart words/terms.

**3. Objectives**

- 3.1 The objectives of this directive are to bring uniformity among insurers in presenting illustrative values, to make illustrations more understandable and to ensure that illustrations do not mislead purchasers of life insurance products.
- 3.2 The directive provides details of illustration format, prescribes standards to be followed when illustrations are used and specifies the disclosures that are required for illustrations.

**4 Scope**

- 4.1 This directive shall apply to the illustrations of individual life insurance products, having term of more than 1 year, which offer cash value on surrender and/or maturity of the policy, which include but not limited to the following:

- (i). participating policies such as with profits endowment/ anticipated endowment plans;
- (ii). whole life plans;
- (iii). investment linked plans; and
- (iv). universal life plans.

- 4.2 For policies which are addressed in SECP Circular 2 of 2006, on Life Insurance Policies through withdrawal from Recognized Provident Funds, this directive shall apply along with the additional requirements for such illustrations mentioned in the said circular. The comparison of the proposed policy’s illustrative values with the situation if the premiums are not withdrawn but left to accumulate in the provident fund shall be presented on the first page of the illustration.

- 4.3 “Relevant Product” refers to all products to which this directive applies.

**5 Submission of Products Illustrations**

- 5.1 For new products, the illustration formats shall be included with the filing made under Section 6(8) and Section 13 of the Insurance Ordinance, 2000 and S.R.O. 968(I)/2013 dated 6<sup>th</sup> November 2013 on

Life Insurance Product Submission Requirements circulated through Circular No. 21 of 2013.

5.2 For existing products, the Key Officer and the Appointed Actuary shall certify that the illustrations for all existing products have been made in accordance with this directive. Such certification, without any additional attachment, shall be filed with the Commission not later than 31<sup>st</sup> January 2025.

5.3 In case of revision in growth rate assumptions as mentioned in para 11 below, the Key Officer and the Appointed Actuary shall certify that the illustrations for all existing products have been revised, as per the rates prescribed by the Commission. Such certification, without any additional attachment, shall also be filed with the Commission within 45 days of such revision.

## **6 Illustration to be given in both English and Urdu languages**

With effect from 1<sup>st</sup> January, 2025 all insurers are required to provide “illustration” in both English and Urdu languages to the prospective policyholder which should be comprehensively explained to the prospect. The detailed format of Illustration Report in English language is attached as Annexure A. In respect of illustration reports in Urdu language, insurers can refine the terms in Urdu, without compromising on the intent of the term(s) and the minimum content of the illustration report.

## **7 General Provisions regarding Illustration Reports**

7.1 An insurer shall provide the “Illustration Reports” for each Relevant Product to its potential customer. The Illustration Reports shall follow the format and principles described hereinafter.

7.2 The Illustration Report shall be printed on at least A4 size paper. The font size for printed matter shall not be less than size 10.

7.3 The Illustration Report shall be divided into distinct parts, disclosing details as per the format attached as Annexure A.

7.4 The illustration table, shall also conform with the following requirements:

- (i) For whole life contracts, the illustrative values shall be shown up to age 70 years of the life assured or minimum of 10 years, whichever is later, and the last policy year shall be determined accordingly.
- (ii) The column labelled as “Allocated to fund”, showing the amount allocated to investment fund and calculated by subtracting allocation charges from the Main Plan Premium per year, shall be applicable only in case of investment linked plans and other similar nature plans.
- (iii) For participating policies where average bonus rates actually declared by the insurer for the last 5 years are available, three growth rate scenarios shall be provided in line with the methodology discussed in para 8, below.
- (iv) In case surrender value under a particular scenario is different from cash value, the lower of the two shall be mentioned.
- (v) The values in the illustration table shall be net of all charges, policy loans and policy loan interest, as applicable.
- (vi) For plans where the “Main Plan Death Benefit” is paid on death and is not linked to the surrender or cash value of the policy, the “Main Plan Death Benefit” may be mentioned as a separate column independent of the columns illustrating expected cash values / surrender values.

## **8 Illustrative Values**

8.1 For Investment Linked and Universal Life type policies

- (i) **Determination of scenarios for Illustrative Values:**

- (a) An insurer shall follow the two scenarios for nominal unit growth rates/investment returns as prescribed by the Commission after consultation with the Pakistan Society of Actuaries (PSoA). The same scenarios shall also apply on unit linked Takaful plans.
  - (b) The prescribed two scenarios for the nominal unit growth rates/investment returns shall be gross of fund investment management charges.
- (ii) **Calculation methodology for Illustrated Values:**
- (a) Life insurers are required to project the cash flows at gross rate of return and then deduct investment management and all other charges for determining projected policy benefits. The cash values under the two scenarios for the nominal unit growth rates/investment returns shall be calculated by accumulating the premiums at the two rate of return assumptions after taking into account all policy charges which include administration charges, mortality, morbidity, bid offer spread, supplementary rider premium charges, premium loads or any other charges which are deducted from the main plan premium, account or fund before the calculation of the cash value.
  - (b) The same nominal unit growth rates/investment return assumptions shall be used regardless of whether the insurer has a single or multiple investment linked funds available for the policy.

8.2 For Participating Policies such as with profits endowment and other similar nature policies where information of last five years' average bonus rates actually declared by the insurer is available:

- (i) **Determination of scenarios for Illustrative Values:**
- (a) Illustrations shall be made on three scenarios as follows:
    - Scenario 1: On the basis of 90% of last five years' average bonus rates actually declared by the insurer for the relevant plan, including but not restricted to revisionary bonuses and terminal bonuses.
    - Scenario 2: On the basis of last five years' average bonus rates actually declared by the insurer for the relevant plan, including but not restricted to revisionary bonuses and terminal bonuses.
    - Scenario 3: On the basis of 110% of last five years' average bonus rates actually declared by the insurer for the relevant plan, including but not restricted to revisionary bonuses and terminal bonuses.
- (ii) **Calculation methodology for Illustrated Values:**
- (a) For illustrating cash values, all types of bonuses applicable to the plan, including but not limited to revisionary bonuses and terminal bonuses shall be taken into account.
  - (b) Under scenario 1, 90% of the average of the last five years' bonuses actually declared by the insurer shall be used to illustrate the cash values.
  - (c) Under scenario 2, the average of the last five years' bonuses actually declared by the insurer shall be used to illustrate the cash values.
  - (d) Under scenario 3, 110% of the average of the last five years' bonuses actually declared by the insurer shall be used to illustrate the cash values.
  - (e) The cash values under the three scenarios shall be the cumulative cash values for the main plan sum assured and revisionary bonuses. Where applicable, death benefit and final maturity benefit shall include the amount of terminal bonuses applicable to the plan.

- (f) For anticipated endowment contracts, the cash value under the three scenarios shall be net of the regular anticipated payments under the policies. Details of the anticipated payments in the relevant policy years shall be mentioned in the notes.
- (g) The average of the last five years' bonuses actually declared by the insurer shall be certified by the appointed actuary.

8.3 For Participating Policies such as with profits endowment and other similar nature policies, where information of last five years' average bonus rates actually declared by the insurer is not available, illustration shall be made on two scenarios, in line with the basis of determination of rate of return scenarios and calculation methodology for Investment Linked and Universal Life type policies, as mentioned in para 8.1, above.

## **9 Historical Performance**

9.1 An insurer shall state the historical returns of all their funds for at least last 5 years in tabular form, along with the Illustration. The detailed format for disclosure of such historical information is attached as Annexure B.

9.2 The historical returns shall be stated on yearly basis as well as on average return basis since inception of the fund.

## **10 Point of Sale Rules**

10.1 Each proposal form submitted to the insurer shall be accompanied by the Illustration Report. The Illustration Report shall be consistent with the plan, supplementary riders and other parameters mentioned in the proposal form. The insurer shall not process the proposal unless a valid illustration signed by the sales representative and the policyholder is attached to it.

10.2 For the purposes of a clause 10.1 above, thumb impression of the policyholder on the illustration report, and in the case of sale through digital modes, acceptance of the policyholder on a secure web-based "I agree" or "I accept" button, receipt of confirmation SMS from the registered mobile number of the prospective policyholder, in reply to an SMS by the insurer requesting to confirm acceptance, or confirmation on a recorded line after seeing a digital illustration on application / website, shall be considered as duly signed by the policyholder.

10.3 The insurer shall send a copy of the Illustration Report with the policy document to the policyholder at the time of issuing the policy.

10.4 The original signed Illustration Report shall be retained by the insurer in its record.

## **11 Growth Rate Scenarios**

11.1 Every year, before 1<sup>st</sup> December, PSoA shall give its recommendations, in line with the methodology available on the official website of PSoA, to the Commission for the scenarios' nominal rate of return assumptions. The Commission shall circulate the details to all life insurers no later than 15<sup>th</sup> December of that year. In case the rate of return assumptions are changed in any year, the Commission shall require the insurers to modify the Illustration Reports by 31<sup>st</sup> January and make them available to their distribution channels.

11.2 In circumstances which may require a more frequent review of the rate of return assumptions, the PSoA may advise the Commission as and when required. The Commission may decide at its discretion if it intends to prescribe the revised rate of return assumption for the insurers more than once in a calendar year.

## **12 Offences and Penalties**

Any failure on part of any insurer to comply with the above directions of the Securities and Exchange Commission of Pakistan is punishable under section 156 of the Insurance Ordinance, 2000.

**13 Repeal**

The “Directive for Life Insurance and Family Takaful Illustrations, 2016” is hereby repealed with effect from 1<sup>st</sup> January, 2025.

**Name of Insurer with trademark logo**  
**Illustration of Benefit for [Name of Plan]**

**1. Basic Details:**

Reference number:

[Name(s) of Life Assured]	[D.O.B or Age]	[Expected Plan Start date]	[Valid Till]
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**2. Coverage Details:**

**Currency of Plan:** [Rs./\$ etc.]    **Pay Premiums:** [Yearly/Semi Annually/etc.]    **Premium Indexation:** [Level/indexed]

Name of Plan	Sum Assured	Coverage Term	Premium Paying Term	Annual Premium
[Main Plan]	[Amount]	[Term]	[Term]	[Premium]
[Supplementary Rider(s)]	[Amount]	[Term]	[Term]	[Premium]

[Total Premium]

**3. Illustrative Values:**

- The table below provides expected benefits under the [Main plan] for its duration
- [for investment linked plans and other plans, if applicable] This is a life insurance product that has two distinct components i.e. Insurance Protection and Investments.
- Expected cash / surrender values are net of all charges including mortality charges, policy admin. fee, fund management charges etc., as described in the brochure, policy document and website of the [name of insurer]

Policy year	Cumulative Main Plan Premium paid	Main Plan Premium	Allocated to fund (net of allocation charges*)	Growth at --%		Growth at --%	
				Expected Cash / Surrender Value	Main Plan Death Benefit / Sum Assured	Expected Cash / Surrender Value	Main Plan Death Benefit / Sum Assured
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
15							
20							
So on till maturity							

This is the amount you need to pay

This is the amount from premium invested in your account

Cash values indicated in the table are based on assumptions. Actual amounts can be higher or lower than the illustrated values

The amount you / your beneficiaries will receive on the happening of uncertain event / death

**4. Notes**

- \*Allocation charges at the following rates, have been deducted from the premium per year before the amount is allocated to the relevant fund:

Year	Allocation charges (%)
1	[----] %
2	[----] %
3	[----] %
4 & onward	[----] %

- [Details of main plan / death benefit feature]
- [Brief note on each supplementary rider and its benefits]

- The illustrative values above do not take into account any partial surrenders.
- [for investment linked plans and other plans, as applicable] The unit growth rates / rate of return assumptions mentioned in the table(s) above are before deduction of the Fund Investment Management charges. These charges have been deducted from the unit growth rates / rate of return assumptions prior to determining the illustrative values in the table above.

**5. Declarations**

**Declaration by Sales Representative**

I confirm that I have not made any verbal, written or electronic presentation which is in contradiction to this illustration. I also confirm that I have not misled or deceived the prospective client in any way.

Signature: \_\_\_\_\_  
Date: \_\_\_\_\_  
Name and code: \_\_\_\_\_  
Designation: \_\_\_\_\_

**Declaration by Client**

I have studied the above illustration and notes carefully and understood them fully. I also confirm that no other illustration verbal, written or electronic in contradiction to this illustration has been given to me.

Signature: \_\_\_\_\_  
Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
CNIC: \_\_\_\_\_  
Address: \_\_\_\_\_

## Historical Investment Performance

(For Unit linked Products only)

### Historical Performance:

The historical performances of ABC Life Insurers' Funds are as follows:

Fund Name : **Fund A** Launch Date : \_\_\_\_\_  
 Fund Category: Equity,Income,Money Market,Balanced etc. Risk Profile : Low, Medium, High etc.

Year	2024	2023	2022	2021	2020
Yearly Returns					
Average Return since inception (200X) of the fund:					

Fund Name : **Fund B** Launch Date : \_\_\_\_\_  
 Fund Category: Equity,Income,Money Market,Balanced etc. Risk Profile : Low, Medium, High etc.

Year	2024	2023	2022	2021	2020
Yearly Returns					
Average Return since inception (200X) of the fund:					

Fund Name : **Fund C** Launch Date : \_\_\_\_\_  
 Fund Category: Equity,Income,Money Market,Balanced etc. Risk Profile : Low, Medium, High etc.

Year	2024	2023	2022	2021	2020
Yearly Returns					
Average Return since inception (200X) of the fund:					

### **Declaration by Sales Representative:**

I confirm that I have not made any verbal, written or electronic presentation which is in contraction to this fund's historical investment performance presentation. I also confirm that I have not misled or deceived the prospective client in any way.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Sale Representative: \_\_\_\_\_ Code No.: \_\_\_\_\_



## Historical Investment Performance

(For With Profit Products only)

### Historical Performance:

The historical performances of ABC Life Insurers' Statutory Fund(s) are as follows:

Fund Name : Statutory Fund (1) Commencement Date: \_\_\_\_\_

Year	2024	2023	2022	2021	2020
Yearly Returns					
Average Return since inception (200X) of the fund:					

Fund Name : Statutory Fund (2) Commencement Date: \_\_\_\_\_

Year	2024	2023	2022	2021	2020
Yearly Returns					
Average Return since inception (200X) of the fund:					

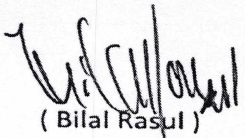
### Declaration by Sales Representative:

I confirm that I have not made any verbal, written or electronic presentation which is in contraction to this fund's historical investment performance presentation. I also confirm that I have not misled or deceived the prospective client in any way.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Sale Representative: \_\_\_\_\_ Code No.: \_\_\_\_\_

SY/SECP/8/13

  
 ( Bilal Rasul )  
 Secretary to the Commission