



SECP

Insurance Division
Karachi

Reference No: ID/PRDD/PDW-II/CISSII/2014/

Date: March 13, 2014

Circular No:7 of 2014

Subject: Centralized Information Sharing Solution for Life Insurance Industry (CISSII)

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 issues the attached directive to all registered life insurers under the Insurance Ordinance, 2000.

2 Earlier, the Securities and Exchange Commission of Pakistan (SECP) has constituted the Insurance Industry Reforms Committee (IIRC) on May 10, 2012 to develop a comprehensive roadmap to promote a financially sound and technologically efficient insurance industry in Pakistan. The SECP has made public the IIRC Report 2014 on February 27, 2014. The Committee had been divided into 5 sub-committees addressing different functional areas. It was pointed out at the Operational Challenges Sub-Committee forum that there is lack of coordination between insurance companies regarding sharing of some critical information like acceptance of claim, postponed or declined life risks, malpractices by agents etc. due to absence of a formal information sharing mechanism. The Committee highlighted that such a mechanism can be arranged either at SECP level or at an independent body which possess capacity and technological infrastructure to manage large data warehouse and support the efficient dissemination of that data. One of such organizations highlighted was the Central Depository Company (CDC) which has proven expertise in this area.

3 The members of the sub-committee visited the CDC house on October 11, 2012 and asked the CDC to present a business case. All the participants of the meeting mutually agreed that the solution proposed by CDC is beneficial for the life insurance industry and these companies would be part of any such initiative. Participants of the meeting also concluded that a modular approach should be adopted in areas where immediate development can start (like claim register, agency & s-reference register, underwriting information etc.). Subsequently, a *Memorandum of Understanding (MoU)* was signed between all life insurers (including family takaful operators) and the CDC on March 21, 2013 where it was agreed between the parties that a Centralized Information Sharing Solution for Life Insurance Industry (CISSII) should be developed as it will be an important mechanism for the life insurance industry which will result in greater efficiencies and transparency in the industry.

SECURITIES & EXCHANGE
COMMISSION OF PAKISTAN

Insurance Division, State Life Building-2
4th Floor, Wallace Road, Karachi, Pakistan

Tel: +92-21-32461053, +92-21-32465469 Fax: +92-21-32423248 Web: www.secp.gov.pk



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Insurance Division

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4 The SECP has been providing regulatory support to this arrangement for the betterment of the industry. Through the attached directive, all life insurers are required to enter into the CISSII Participation Agreement before May 1, 2014 and share the information in respect of their individual life and group life business from that date.

Muhammad Asif Arif
Commissioner Insurance

Distribution:

1. Chief Executives of all Life Insurers and Family Takaful Operators.
2. Chairman Insurance Association of Pakistan (IAP).
3. President (Institute of Chartered Accountants of Pakistan).
4. President (Pakistan Society of Actuaries)
5. President (Institute of Cost and Management Accountants of Pakistan).
6. Executive Director (IS & T) (SECP Islamabad)
7. Secretary to the Commission (SECP Islamabad)

Statutory Notification (S. R. O)

GOVERNMENT OF PAKISTAN

Securities and Exchange Commission of Pakistan

NOTIFICATION

Islamabad, 12th March, 2014

S.R.O 162 (I)/2014: 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 issues the following directive to all registered life insurers under the Insurance Ordinance, 2000 (XXXIX of 2000).

(1) This Directive shall apply to the functioning of the Centralized Information Sharing Solution for Life Insurance Industry (CISSII) to be developed and maintained by the Central Depository Company in accordance with Memorandum of Understanding (MoU) signed between Central depository company and life insurance/family takaful operators on 21st March 2013 for effective development of life insurance industry. The detailed rights and obligations of the life insurers and the Central depository company with regards to confidentiality and security of information shall be provided in the CISSII Participation Agreement.

(2) The primary objective of the CISSII is to enhance the policyholders' protection and sound development of the life insurance industry through promotion of a formal information sharing mechanism among the life insurer to reduce systematic risk in life insurance industry.

(3) All life insurers (including family takaful operators) are required to share information in respect of their individual life and group life business through any distribution channel with the Central depository company in accordance with the CISSII Participation Agreement. However, any life insurer carrying out only health insurance business is not required to participate in CISSII.

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(4) Any life insurer registered after the notification of this Directive shall participate in CISSII as per the terms of the CISSII Participation Agreement.

(5) The CISSII agreement shall at the minimum provide for various types of centralized agent's register including s-register, centralized register for postponed and declined life risks, centralized claim register and centralized group life claim experience register.

(6) Where any difficulty arises in giving effect to any of the provisions of this Directive in a particular cases, or class of cases, or if it would be in the interest of insurance sector so to do, the Commission may, for reason to be recorded in writing relax such requirements subject to such conditions as it may deem fit.

(7) This Directive shall be effective from May 1, 2014. All life insurers are required to enter into CISSII Participation Agreement before the effective date and share the information in accordance with the CISSII Participation Agreement from the effective date.

[No.Sy/SECP/16/2014.]

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12/3/14

(Bushra Aslam)
Secretary to the Commission