



PRESS RELEASE

For immediate release

October 10, 2024

SECP proposes increase in Paid-up Capital ('PuC') for Insurance Companies under Insured Pakistan Agenda

ISLAMABAD, October 10: The Securities and Exchange Commission of Pakistan (SECP) has proposed to increase the minimum paid-up capital requirement for insurance companies as part of its "Insured Pakistan" initiative. The move aims to strengthen the insurance industry and as a result, provide better protection for policyholders. The key objectives behind this proposal are to ensure:

- Availability of adequate equity to cover the current risk environment
- Promotion of financial stability and soundness in the insurance sector
- Protection of policyholder's interests
- Enhancement of local risk absorption capacity

The concept paper and proposed revisions to the Rules are in line with the Insured Pakistan Vision encapsulated in the SECP's 5-year strategic plan. The proposed revisions will supplement existing initiatives towards enhancement of industry's risk absorption capacity including Risk Based Solvency Regime and IFRS-17 implementation.

The paper proposes to increase the current PuC requirement for non-life and life insurance companies to Rs. 2,000 million and Rs. 3,000 million from Rs. 500 million and Rs. 700 million respectively. For existing insurers, the proposed increase will be implemented in phases, stretching over a period of four years i.e. from 2025 to 2028.

Implementation of proposed increase in the current PuC requirement will strengthen the ability of local insurers to underwrite larger risks and retain sizeable local market share, thereby reducing the outflow of foreign exchange in the form of reinsurance premiums. It will also safeguard the stability and soundness of the insurance sector, and increase the overall net worth of the companies. The move will indirectly mandate the insurers to either raise their PuC or pursue mergers and acquisitions.

To access current research and industry data for insurance sector, published by SECP's Insurance Policy Division, please visit <https://www.secp.gov.pk/data-and-statistics/insurance-companies/>.