



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
INSURANCE DIVISION
Policy Regulation and Development Department

Karachi, September 12, 2012

Circular No. 30/2012

Subject: Call for information of exposure of insurers in related party

Reference subject, it has been noted that in past few years, the financial markets in Pakistan have witnessed structural changes in the traditional financial operators in the insurance, banking and investment companies. The removal of barriers to entry, acquisitions, functional integration and diversification through mergers amongst banking and non-banking finance companies, including the insurers, have led many organizations to open wide array of subsidiaries and affiliates, primarily engaged in businesses other than their core business.

2. Cognizant of its regulatory responsibilities and to safeguard the systemic risks associated with financial conglomerates to various parts of financial sector, the Securities and Exchange Commission of Pakistan (SECP) is identifying the conglomerates involving banks, DFIs and NBFCs, including insurers, while mapping their ownership structures, capital adequacy, intra-group and overall exposures to the financial sector, for better supervision.

3. The formats have been prepared for standardized periodic reporting of information by the insurers pertinent to their exposure in a related party, as part of financial conglomerates, to SECP after every six months, on the prescribed formats (Excel Sheets) which will be sent to every insurer through e-mail. The term related party has the same meaning as defined in the Companies Ordinance, 1984 and as given in International Accounting Standard – 24, adopted in Pakistan.

4. In exercise of the powers conferred under Section 61 of the Insurance Ordinance, 2000, it is hereby required from all insurers to submit the information required in the attached formats after every six months of the calendar year. The information shall be submitted in a manner such that for the period ended on 31st day December every year the information should be submitted to SECP by the following 31st day of March and for the period ended on 30th day of June every year the information should be submitted to SECP by the following 30th day of September. This Circular is effective from the date of its issuance and the first reporting of information by insurers shall be made by 30th day of November 2012 for the period ended on 30th day of June 2012. The insurers having no exposure in related parties shall submit a report marked as nil.

5. The information is required to be submitted through email to obaaid.rehman@secp.gov.pk and shamsudin.memon@secp.gov.pk. The insurers may acquire soft copy of the referred formats by sending requests at the emails mentioned above.

All insurers are hereby advised to note the above contents for due compliance


Shahid Nasim
Executive Director

Distribution:

All Life and non-Life Insurers, including Takaful Operators

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Nabha Road Lahore.Ph. 042-37350473 Cell # 0300-8848226**

FORMATS FOR SEMI-ANNUAL RETURNS BY INSURERS

For the purpose of this return,

1. *Related party will have the same meanings as given in International Accounting Standard - 24 as adopted in Pakistan. The definition will also include an associate as defined in the Companies Ordinance, 1984*
2. *Associate, Associated Company & Associated Undertaking will have the same meanings as given in the Section 2 (2) of the Companies Ordinance, 1984. The definition will also include an entity on which reporting insurer exercises significant influence as given in IAS-28.*
3. *Group comprises a parent and its subsidiaries as well as the entities which are under common management or control (Group Entities mean entities which are under the common control/management along with the reporting insurer and its subsidiaries and parent entity – as defined in Section 2 (2) (ii) of the Companies Ordinance, 1984)*
4. *Amount shall be reported in rupees in millions*

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A- Details of Related Parties and Shareholding Therein

Name of Reporting Insurer:

For the Half Year Ended:

Name of related party	Nature of the business of related party (i.e. Sector of Economy)	Nature of reporting insurer's relationship with related party (mention if related party is a Parent, Subsidiary, Other Group Entity, Associate or Other-Related Party)*	Credit Rating of related party (if available)	Details of reporting insurer's share holding/interest in related party (as on reporting date)			Related party's shareholding in the reporting insurer	
				Cost value of equity investment in related party	Provision held against equity investment in related party	%age share holding by the reporting insurer in the related party	Number of reporting insurer's shares owned by related party	%age share holding by related party in the reporting insurer

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Please mention if related party is a:

- Parent of the insurer;
- Subsidiary of the insurer;
- Other Group Entity (a company or undertaking which is under common management or control along with the reporting insurer other than Parent and Subsidiary company);
- Associate (as defined in IAS-28 or the Companies Ordinance - other than Parent, Subsidiary and Other Group Entity); or
- Other Related Party (as defined in IAS-24, other than Parent, Subsidiary and Associate)

B- Details of Exposure to and From Related Parties
 Name of Reporting Insurer:
 For the Half Year Ended on:

i- Fund Based Exposures on Related Parties

Name of Related Party	Receivables/Due from Related Parties as on reporting date										Maximum total outstanding amount during the reporting period	Amount of classified loans, investments, receivables (if any)	Provision Held against classified loans, investments, receivables (if any)	Amount written off during the reporting period (principal + markup)		
	Loans & Advances		Equity Investment		Subordinated Loans/TFCs		Investments in TFC, Bonds Sukuks, Certificate of Musharaka, Certificate of Deposits, Commercial Papers, etc.		Investment in Mutual Funds						Other Receivables	Total Outstanding Amount (a+b+c+d+e+f)
	Outstanding amount of loans & Advances	Average Return on loans & advances (%)	Amount of equity investments in share capital of related party (cost value)	Amount of equity investments in TFCs, Bonds, Sukuks, etc. (cost value)	Outstanding amount of subordinated loan/TFC etc. (cost value)	Average return on subordinated loans/TFCs	Outstanding amount of investments in Mutual Funds (cost value)	Average Return on Mutual Funds (%)	Outstanding amount of Other receivables							
	(a)		(b)		(c)		(d)		(e)		(f)					

Loans & advances granted to employees of the reporting insurer as per BoD's approved HR policy may be not be reported

ii- Fund Based Exposures on Related Parties

Name of Related Party	Non-Fund Financing Facilities/ Exposures to Related Parties as on reporting date						Provision Held Against net balance sheet exposures
	Trade & Transaction Related Commitments	Direct Credit Substitutes	Commitment to extend credit	Other commitments	Fair value of Derivative transactions (asset/liability)	Amount of non-classified fund based exposure to related party (if any)	

iii- Details of Balances Payable/Due to Related Parties

Name of Related Party	Payables/Due to Related Parties on reporting date						Maximum total outstanding amount during the reporting period
	Amount of Outstanding Deposits	Amount of Outstanding borrowings/ debt etc.	Amount of subordinated loan from related party by investment in subordinated TFCs issued by the reporting insurer.	Other payables	Total outstanding amount		
	(a)	(b)	(c)	(d)	(e+b+c+d)		

C - Details of Related Party Dealings and Transactions
Name of Reporting Insurer:
For the Half Year Ended:

i- Details of Expense Paid/Accrued to Related Parties During the Period

Details of expense paid/accrued to Related Party (year-to-date)						
Sr. #	Name of Related Party	Interest Expense	Fee/ Commission	Fee/charges for services obtained under outsourcing arrangements	Rental Expense	Any Other Expenses
1						
2						
3						

ii- Details of Transactions with Related Party during the Period

Details of Transactions with Related Party During the reporting period (excluding transactions with employees as covered under Human Resource policy of the reporting insurer)											
Sr. #	Name of Related Party	Sale of Immovable Assets			Sale of Movable Assets			Purchase of Immovable Assets		Purchase of Movable Assets	
		Book value of asset	Fair Value of asset	Sale price	Book value of asset	Fair Value of asset	Sale price	Market or Fair value of asset	Purchase price	Market or Fair value of assets	Purchase price
1											
2											
3											

iii- Details of Contracts, Agreements and Outsourcing Arrangements with Related Parties for Construction or Procurement of Assets and Services

Sr.No.	Name of Related Party	Relationship with the party	Nature of contract	Length of Contract	Amount of contract OR Estimated Annual Amount to be paid (where agreement/ arrangement is of recurring nature)	Special condition imposed	Penalties in case of non-performance of contract	Country of origin of related party	Currency of Payment to be paid to related party

iv- Details of Services Rendered on Behalf of Subsidiaries and Associates over the Counter of Reporting insurer's Branches

Sr.No.	Name of Subsidiary Associate	Nature of Business of Subsidiary/Associate	Nature of services offered	Commission charged for the services	Tenor of contract



E- Details of Regulatory Capital Requirements for insurer & Its Subsidiaries

Name of Reporting insurer:

As of Half Year Ended:

Name of insurer and Subsidiary	Reporting insurer's Percentage shareholding in subsidiary	Balance sheet capital requirements for the insurer and subsidiaries (e.g.)		
		Required Capital/Equity	Minimum paid up capital Capital/Equity Held	Surplus/ (shortfall) (b-a)
Insurer		(a)	(b)	(b-a)
Subsidiary-1				
Subsidiary-2				
Subsidiary-3				

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