



Institute of Capital Markets

NEWSLETTER

SEPTEMBER 2015

MESSAGE FROM THE CHIEF EXECUTIVE

The last few years have seen a progressive change in size, quality and sophistication of capital markets because of modifications in policies, regulations, entrepreneurial initiatives and availability of trained manpower at individual and organizational scale. The continual growth of capital markets further demands for qualified and well-trained professionals.

Institute of Capital Markets (ICM) plays a pioneering role in meeting the demand of the educated manpower by educating and updating knowledge of capital market participants such as investors, brokers, mutual funders, investment bankers and policy makers by following high-quality educational standards.

The institute's main activities are (1) Licensing the professionals working in the capital markets by certifications in order to examine their knowledge in relevant fields; (2) studying the latest developments in the capital markets in order to discover whether there is such a thing as an ideal market economy; and (3) contributing to the development of capital markets in Pakistan. By means of these three activities, ICM seeks to communicate its ideas to the audience at both, home and overseas.

The institute's research is intended, first and foremost, to be neutral, professional and practical. Rooted in practice, research aims to contribute to the healthy development of Pakistan's capital markets as well as to related policies by conducting professional studies of how these markets and the financial system are regulated, organized and how they perform.

The Institute hopes that, by responding positively to the rapid changes in economy, it can contribute to the dynamic development of the country's capital markets as well as of the economy itself.

SUBSIDIZED FEE STRUCTURE

- * Candidate Registration: PKR 5,000/-
- * Examination Registration: PKR 5,000/-
Effective till 30th June, 2016
- * Grandfathering
PKR 30,000/- (for 3 certifications)
PKR 20,000/- (for 2 certifications)
Effective till 31st December, 2015

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INSURANCE COMPANIES

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for money. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss. The amount of money to be charged for a certain amount of insurance coverage is called the premium. The types of insurance include:

LIFE INSURANCE:

Life insurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity. In most states, a person cannot purchase a policy on another person without their knowledge.

NON-LIFE INSURANCE:

Auto Insurance:

Also known as vehicle insurance, auto insurance protects the policyholder against financial loss in the event of an incident involving a vehicle they own, such as in a traffic collision. The coverage typically includes property coverage (for damage to or theft of the car), liability coverage (for the legal responsibility to others for bodily injury or property damage)

and medical coverage (for the cost of treating injuries, rehabilitation and sometimes lost wages and funeral expenses).

Health Insurance:

Health insurance policies cover the cost of medical treatments. Dental insurance, like medical insurance, protects policyholders for dental costs. In most developed countries, all citizens receive some health coverage from their governments, paid for by taxation. In most countries, health insurance is often part of an employer's benefits.

Property Insurance:

Property insurance provides protection against risks to property, such as fire, theft or weather damage. This may include specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, home insurance, inland marine insurance or boiler insurance.

Casualty Insurance:

Casualty insurance insures against accidents, not necessarily tied to any specific property. It is a broad spectrum of insurance that a number of other types of insurance could be classified, such as auto, workers compensation, and some liability insurances. number of other types of insurance could be classified, such as auto, workers compensation, and some liability insurances.

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INSURANCE COMPANIES



Takaful

A type of Islamic insurance, where members contribute money into a pooling system in order to guarantee each other against loss or damage. Takaful-branded insurance is based on Sharia, Islamic religious law, and explains how it is the responsibility of individuals to cooperate and protect each other.

LIST OF INSURANCE COMPANIES

Life Insurance Companies

1. Adamjee Life Assurance Company Limited
2. IGI Life Insurance Limited
3. Asia Care Health & Life Insurance. Company Limited
4. East West Life Assurance Company Ltd.
5. EFU Life Assurance Limited
6. Jubilee Life Insurance Company Ltd.
7. State Life Insurance Corporation of Pakistan

Non-Life Companies

1. ACE Insurance Limited
2. Adamjee Insurance Company Limited
3. Alfalah Insurance Company Limited
4. Allianz EFU Health Insurance Limited
5. Alpha Insurance Company Limited
6. Asia Insurance Company Limited
7. Askari General Insurance
8. Atlas Insurance Limited
9. Capital Insurance Company Limited
10. Century Insurance Company Limited
11. Continental Insurance Company Ltd.
12. East West Insurance Company Limited
13. EFU General Insurance Ltd.
14. Excel Insurance Company Limited
15. Habib Insurance Company Limited
16. IGI Insurance Limited
17. Jubilee General Insurance Company Limited
18. National Insurance Company Limited
19. New Hampshire Insurance Company Limited
20. PICIC Insurance Limited
21. Premier Insurance Limited
22. Reliance Insurance Company Limited
23. Sahara Insurance Company Limited
24. Saudi Pak Insurance Company Limited
25. Security General. Insurance Company Limited

INSURANCE COMPANIES

26. Shaheen Insurance Company Limited
27. Silver Star Insurance Company Limited
28. Sindh Insurance Limited
29. The Asian Mutual Insurance Company (Guarantee) Limited
30. The Co-operative Insurance Society of Pakistan Limited
31. The Credit Insurance Company Limited
32. The Crescent Star Insurance Company Limited
33. The Pakistan General Insurance Company Limited
34. The Pakistan Mutual Insurance Company (Guarantee) Limited
35. The United Insurance Company of Pakistan Limited
36. The Universal Insurance Company Limited
37. TPL Direct Insurance Limited
38. UBL Insurers Limited

Takaful companies

1. Pak-Kuwait Takaful Company Limited
2. Pak Qatar General Takaul Limited
3. Takaful Pakistan Limited
4. Dawood Family Takaful
5. Pak Qatar Family Takaful

Reference: http://www.secp.gov.pk/ID/id_registeredentities.asp



THE INSURANCE ORDINANCE, 2000



REGULATION OF INSURANCE

The business of insurance in Pakistan has been regulated under the Insurance Act, 1938. In order to implement and administer the provisions of the aforesaid Act, the Government established the Department of Insurance, in April 1948, as a department of the Ministry of Commerce, headed by a Controller of Insurance. Until eventual implementation of the new law of insurance, namely, Insurance Ordinance, 2000 which has only recently been enacted, the insurance industry has continued to be regulated by the Controller of Insurance.

MAIN OBJECTIVES OF THE INSURANCE ORDINANCE, 2000

The new insurance law has the following objectives:

- To correct the existing defects in the insurance market and strengthen the regulatory system of insurance.
- To replace the existing Department of Insurance with a new regulatory authority i.e. the Commission with a view to strengthening the role of the regulator in the public as well as private sector for effective enforcement of insurance laws.
- To improve the capitalization and administration of insurance industry, remove prevailing malpractices, strengthen the role of insurance intermediaries and surveyors and improve their quality of services. Also introduce insurance brokers in the market.
- To improve and strengthen the financial soundness of insurance companies by enhancing their

level of minimum paid up capital and solvency requirements. Also, bring public sector insurance corporations under the purview of Insurance Ordinance.

- To introduce market conduct provisions for developing capital market and establish criteria for sound and prudent management of insurers, as well as protect the rights of policy holders.

- To gradually liberalize and make reinsurance arrangements more effective.

- *To establish the institution of Insurance Ombudsman for investigating the complaints of aggrieved persons.

The link for complete regulation is as under:

<http://www.secp.gov.pk/annualreport/2000/regulationInsurance.pdf>

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INVESTOR'S TERM OF THE MONTH



Appraisal

An evaluation of a home insurance property claim by an authorized person to determine property value or damaged property value. Many policies provide an "appraisal" process to resolve claim disputes. In this process, you and the insurance company hire separate damage appraisers. The two appraisers choose a third appraiser to act as an "umpire." The appraisers then review your claim, and the umpire rules on any disagreements.

Rider

A written agreement attached to the policy expanding or limiting the benefits otherwise payable under the policy. Also called an "endorsement."

Earned Premium

The portion of a policy premium that has been used to actually buy coverage, or that the insurance company has "earned." For instance, if a policyholder has a six-month policy that was paid for in advance, two months into the policy, there would be two months of earned premium. The remaining four months of premium is "unearned premium."

Fee for service

A health plan that allows you to go to any physician

or provider you choose, but requires that you pay for the services yourself and file claims for reimbursement. (Also known as an indemnity plan.)

Underwriter

A financial professional that evaluates the risks of insuring a particular person or asset and uses that information to set premium pricing for insurance policies. Insurance underwriters are employed by insurance companies to help price life insurance, health insurance, property/casualty insurance and homeowners insurance, among others.

Variable annuity

A form of annuity policy under which the amount of each benefit payment is not guaranteed and specified in the policy, but which instead fluctuates according to the earnings of a separate account fund.

Justified complaint

A complaint that exposes an apparent violation of a policy provision, contract provision, rule, or statute; or which indicates a practice or service that a prudent layperson would regard as below customary business or medical standards.

BUSINESS AND ECONOMIC NEWSFLASH

DOMESTIC NEWSFEED

PAKISTAN RECEIVES \$119.3 MILLION IN FDI, HIGHER BY 7.5%

Pakistan received foreign direct investment (FDI) of \$119.3 million in the first two months of 2015-16, which is 7.5% higher than the FDI received in the same period of the preceding fiscal year. According to data released by the State Bank of Pakistan (SBP) on Tuesday, FDI increased \$8.3 million year-on-year (YoY) in July-August, as it amounted to almost \$111 million in the corresponding months of 2014-15. Pakistan has faced low levels of foreign investment in recent years. In a statement last week, the SBP had called an increase in FDI “imperative” for the sustainability of the economy’s external sector. “Recent improvements in the law and order situation and continued macroeconomic stability are likely to increase the prospects for long-term foreign capital inflows,” the SBP said.

SBP CUTS POLICY RATE TO 6%

In view of declining inflation, the State Bank of Pakistan (SBP) decided to reduce the policy rate by 50 basis points, or 0.5%, to 6% for the next two months. The central bank adjusts the benchmark interest rate every two months mainly to address price stability and economic growth targets. The SBP’s decision to reduce the policy rate by 50 basis points is

partly based on its expectation that average inflation, measured by Consumer Price Index (CPI), will remain 4.5%-5.5% for 2015-16. Although the SBP listed both upside and downside risks to its inflation forecast, it noted that the probability of downside risks appear to be greater than the upside risks in view of the current economic trends.

PAKISTAN ISSUES \$500 MILLION EURO BONDS FOR 10 YEARS

With its economy on the upswing, Pakistan issued a new 10-year bond of \$500 million in the international Eurobond market that raised nearly dollars one billion, claims Finance Minister Ishaq Dar. Dar also met US Deputy Secretary Treasury Sarah Bloom Raskin and President Overseas Private Investment Corporation (OPIC) in Washington and apprised them of the remarkable turnaround of Pakistan’s economy. Dar also said that Pakistan went ahead by issuing the bond despite the advice that the market situation was not favorable, as some financially strong countries had postponed their bids. But Pakistan’s sound economy helped in evoking a good response from the market, even though there were some negative factors, Dar said. The coupon rate was 8.25%, equivalent to the rate at which it issued the same bonds in April last year.

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BUSINESS AND ECONOMIC NEWSFLASH

INTERNATIONAL NEWSFEED

IMF CHIEF WARNS OF WEAKER GLOBAL ECONOMIC GROWTH

A marked slowdown in big emerging market countries will cut global growth to its lowest level since the deep recession of 2009, the head of the IMF has warned. Christine Lagarde, the IMF's managing director, said forecasts to show activity expanded by less than the 3.4% recorded in 2014 – the joint weakest since the world economy came to a standstill six years ago. Speaking in Washington, Lagarde said “global growth will likely be weaker this year than last, with only a modest acceleration expected in 2016”. Lagarde said she was “concerned about the state of global affairs”, highlighting the refugee crisis in Europe, the prospect of 2015 being the hottest year on record and the state of the global economy.

GOLD PRICE RALLY ON FED HOLD 'WOULD BE SHORT LIVED'

Gold prices are continuing to drift lower - but within a very narrow range - as traders wait on the sidelines

ahead of a keenly-watched Federal Reserve meeting this week. The precious metal dipped to below \$1,108 in Asia overnight, the Wall Street Journal reports, marginally lower than the finish in the previous session but still lingering around the \$1,110 level at which it has found limited support in recent days. It is unlikely to “make any significant gains until the meeting, when the possible timing of an increase in US interest rates may become clearer”.

OIL PRICES TO REMAIN LOW IN NEAR FUTURE IN THE INTERNATIONAL MARKET

Oil prices will remain low in the next few years due to increased supplies, says a report released by the International Monetary Fund's global economy forum. “Our view is that supply factors are playing a bigger role than demand,” said the report. The report explains that Opec's decision to maintain its level of production and strong shale oil production in the United States — in addition to the large production capacity from earlier investment — have contributed to an unprecedented supply glut. The supply will continue to increase as Iran also prepares to enhance its production after the nuclear deal, which promises to remove US and UN sanctions on country's petroleum industry.

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BUSINESS AND ECONOMIC NEWSFLASH

REGULATORY NEWSFEED

SECP NAMES MEMBERS FOR DISPUTE RESOLUTION COMMITTEES

The Securities and Exchange Commission of Pakistan (SECP) has approved appointment of members for all three Small Dispute Resolution committees. These committees have been constituted in the cities of Islamabad, Karachi and Lahore for mediation and resolution of disputes arising between insurers and policyholders.

These committees would be responsible to arbitrate small disputes arising between insurance policyholders and insurance companies. Each committee will comprise of a chartered accountant or a management accountant, a lawyer and a senior insurance industry professional, while the SECP has also designated three of its officials to coordinate with the said committees.

SECP DIRECTS COMPANIES TO SHARE INFORMATIONAL MESSAGE ON JAMAPUNJI

The Securities and Exchange Commission of Pakistan (SECP) has directed all listed companies to incorporate an informational message on Jamapunji in their annual accounts. This informational message at the Jamapunji web portal is comprise details on stock trading simulator based on live feed from the KSE, knowledge center, risk profiler, financial calculator,

subscription on alerts, Jamapunji application on mobile device and online quizzes.

While considering the significance of fundamental knowledge and understanding of financial market, the Commission in June initiated an investor education program, Jamapunji, because a lack of financial literacy and capability make the general public vulnerable to frauds.

SECP APPROVES FOUNDATION COURSE FOR INSURANCE AGENTS

The Securities and Exchange Commission (SECP) has issued a notification approving the curriculum for foundation course for life and non-life insurance agents and minimum infrastructural and training and faculty requirements for recognition of the institutes by it. The course contents consist of basic principles, role of insurance agents, risks and insurance, claims handling and law governing insurance industry. The Commission approved the Institute of Capital Markets and Pakistan Insurance Institute as recognized institutes and authorized them to train insurance agents.

<http://www.secp.gov.pk/annualreport/2000/regulationInsurance.pdf>

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