



# INSURE

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## CONTENTS

Making the leap: Innovation in Pakistan	2
Family Takaful	5
Seminar on Insurance Industry & Career in Insurance University of Karachi	7
Public Service Message	9
IAP Elections 2015~2016 Annual Dinner	10
Federal Insurance Ombudsman -Safeguarding the interest of policy holders	12
Lahore Insurance Institute Workshop on Practical Aspects of Risk Management	13
Licensing Exam for Surveyors -Results	15



**Why Predict  
the Future**



## Making the Leap: Innovation in Pakistan

Andrew Rear

Chief Executive, Africa, Asia Pacific, UK & Ireland  
Munich Re

Mr. Andrew Rear was invited as a speaker for the International Insurance Conference on the topic of 'Challenges & Opportunities for the Insurance Industry in Emerging Markets' held on 19 ~ 21 April 2015. Mr. Rear's presentation was very well received by the participants and on INSURE request Mr. Rear has sent an article based on his presentation for our readers.

### Don't predict the future – invent it

Insurance has always innovated, from the first ideas developed in the Lloyds coffee house to the introduction of computerised underwriting. But we have not been the fastest industry, and different markets have tended to follow a similar path. Someone like me, with responsibilities in many countries, could predict how markets would develop as they followed this road.

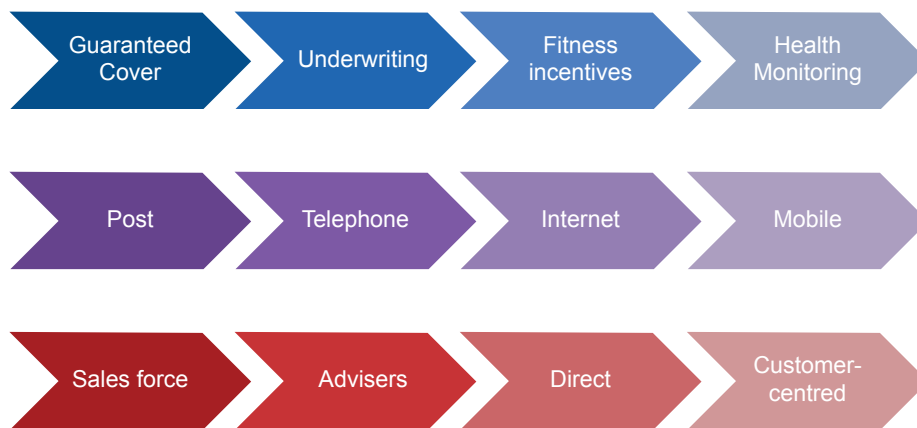


Figure 1: The long road of market development

But things have changed. We now see innovation in developing markets which does not come from developed markets. Insurers in emerging markets across the world are **inventing the future**. They are missing out the middle steps and leaping to a new customer experience.



Figure 2: Making the leap: from emerging market to inventing the future

I see three areas where this is happening in particular:

### Replacing underwriting with monitoring and data

From the point of view of a customer, underwriting does not make much sense. After we persuade them to buy our product, we then seize it back and say 'we have to decide on your application'. Then we make an underwriting decision which for life insurance lasts many years, and does not change even if the customer's lifestyle changes. We are only at the beginning here, but already we see insurers moving to automated underwriting decisions for as many as 80% of customers. These underwriting processes can be done on mobile, tablet or PC.



**Figure 3: Automated underwriting with Munich Re's 'Allfinanz' suite**

We are beginning to see the first experiments in continuous monitoring replacing underwriting, such as AllLife's HIV product. AllLife provides cover for HIV+ customers who are looking after their health. They use blood tests to monitor, and customers not taking their medications lose their cover. The result is that AllLife's customers look after themselves better than people who are underwritten only at the start. In so doing customers live longer and are healthier meaning more profit for AllLife.

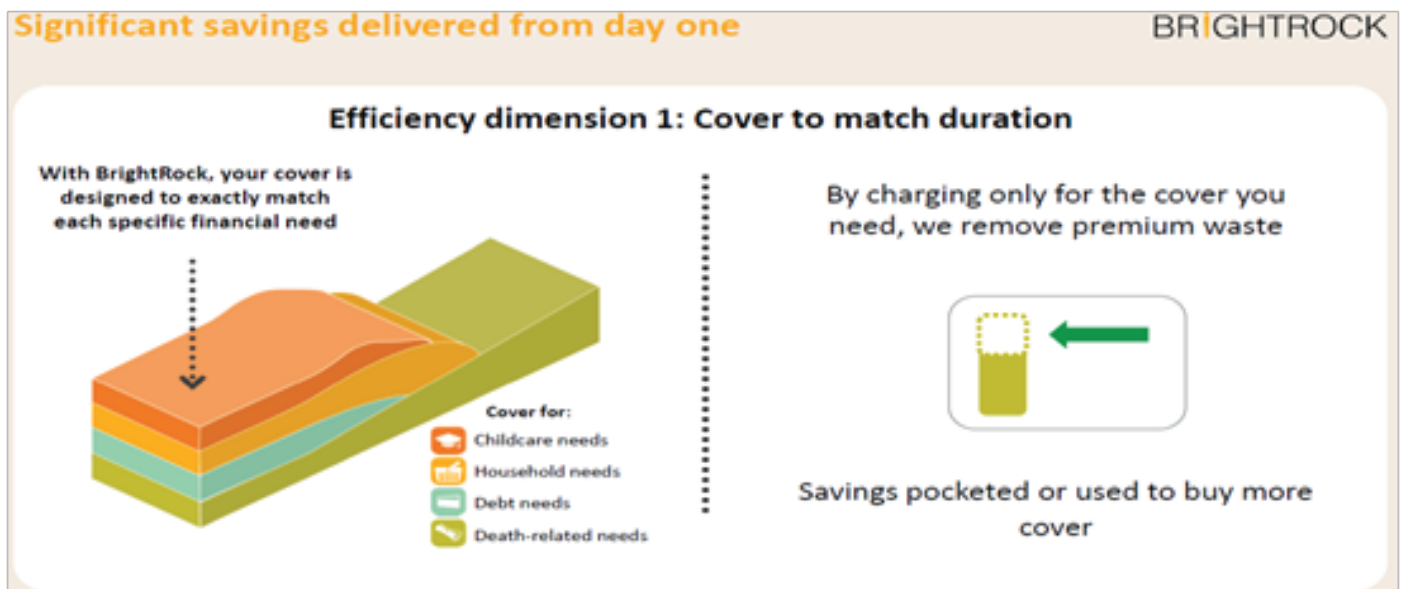
## Buying mobile

Developed markets are on a journey from agent to telephone to fixed-line internet, and now to mobile. Customers in many developing markets are simply leaping to mobile. Mobile to manage their money, their insurance, their lives. Mobile to buy insurance in a way which suits them. When I was in Pakistan recently, the head of digital at one leading insurer told me about their idea for a personal accident product for bus journeys. You buy the product via your mobile when you get on the bus; the cover lasts for the journey and costs very little. This product meets a real customer need – good value cover at a time of higher risk – and costs almost nothing to distribute.

## Customer-centred

Which brings us to the fundamental point of all this innovation. Innovation starts with the customer: revisits the process from the point of view of the customer, and deliver something that works the way a customer expects and understands. Brightrock from South Africa is a good example of this.

Their product matches the customer's cover to his/her need. Instead of a fixed sum for life, the cover changes as the customer's need changes: it does exactly what the customer wants it to do.



**Figure 4: Brightrock matches cover to customer need**

## Making the leap

Successful innovation solves a customer's problem in the way the customer describes their problem. It uses design centred around the customer's needs, delivery the way the customer does their day-to-day business, and data to make the engagement with the customer as simple and easy as possible.

Innovation is not easy: for every one of these success stories there are 10 failures. But global innovation leaders can come from any market. Insurers in Pakistan can learn from the successes of other markets, but they can also invent the future themselves.



## Family Takaful

Nadym Chandna  
Head of Takaful  
Jubilee Life Insurance Company Limited

### What is Takaful & How does it work?

“Takaful” is an Arabic word which means “joint guarantee”. It is a community-pooling system, based on the principles of brotherhood and mutual cooperation, where participants contribute in a common fund to help those who need it the most. Takaful can also be compared with the modern day Cooperative Insurance Schemes or Plans.

There are various models of Takaful being practiced around the world. However, keeping in view the Technical Shariah aspects and requirements of the industry of the country, the model on which the Takaful system is based and approved by Shariah scholars of Pakistan is the Wakala-Waqf Model.

To understand this model it is important to first understand what is **WAQF**, as the whole mechanism of Takaful revolves around **Waqf**.

- Waqf is transferring of the Corpus (Ain) of a thing to Allah Almighty for wellbeing of the people and for people to benefit from its Usufruct.

The Waqf may be managed by a Waqf Manager/Operator in the capacity of a Wakeel (Manager) under defined rules. Therefore the basic principles of Waqf includes;

- Waqf assets can not be sold
- It can not be distributed in inheritance
- By using that thing, it should not be diminished or consumed
- The Waqf is intended to be perpetual and last for ever
- The Waqif can stipulate that he himself will be the beneficiary of the Waqf
- Waqif can himself be the Manager/Operator of the Waqf on the basis of Wakalah
- It is permissible for the Wakeel to charge a Fee for his/it's services



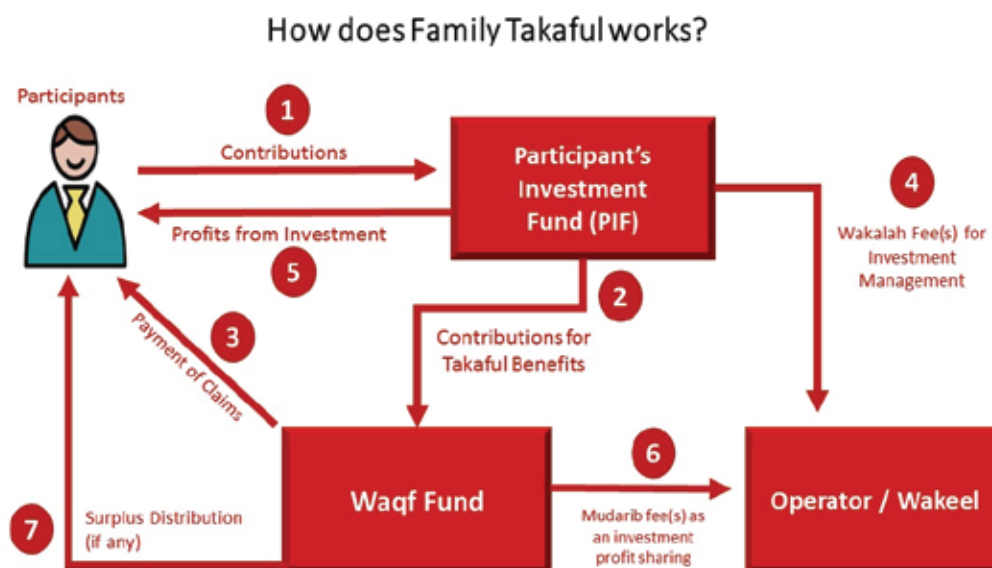
### Wakala Waqf Model

Based on the concept of Waqf, the Takaful operates as follows;

1. The shareholders of the company would first create a Waqf Fund by ceding a certain amount of money. This amount will remain in the Waqf as the Corpus or AIN and belong to Allah.
2. People (Participants) who would like to benefit through the Waqf will become its Member by donating a predetermined amount to the Waqf Fund known as **Tabarru (Charity)**. The Waqf Fund will be called the **Participant Takaful Fund**
3. Since the Tabarru (donation) itself is not considered as Waqf, but the property of Waqf, therefore it is permissible to be utilized for the purpose and benefit of the Waqf and its members.
4. Money in the Waqf Fund will only be invested in Shariah Compliant business and the profit earned will also be a part of the Waqf Funds

5. The utilization of the Fund would be as per the **Waqf Rules** set at the time of the inception of the Waqf and shall be considered as full and final.
6. The benefits offered to the Participant would be proportional to the donation or Tabarru' given by the Participant and this will be determined on the basis of Actuarial calculations
7. In case of any Surplus (donations received minus claims paid to the participants) at the end of the year may be distributed amongst the Participants subject to Shariah Advisor's and the Appointed Actuary's approval. This is a major difference between Takaful and Conventional Insurance and unique feature of Takaful which distinguish it from conventional insurance, where the Underwriting Profits belong to the Company
8. Since the Takaful Operator is managing the Waqf Fund as a Fund Manager by investing the moneys in various Shariah compliant businesses, it is entitled to a predefined share in case of profit to the Fund on the basis of Mudaraba. Besides managing the Fund, the Operator is also engaged in various administrative jobs related to the Waqf, like, calculating and paying claims, corresponding with the Participants etc. Therefore the Operator will also be entitled to a Wakala Fee or an Agent's Fee under the Waqf Rules on the basis of Wakalah.

**Graphically, the model can thus be explained as follows;**



## Evolution of Takaful

While Takaful has been present in the Islamic societies in some form or the other, the modern form of Takaful started to take shape in 1979 when the first Takaful company was formed in Sudan. Since then, Takaful has seen a substantial growth both in terms of new companies and contribution (premium). At present there are more than 85 Takaful companies in more than 35 countries of the world. While Malaysia has emerged as the largest Takaful market, it is expected that by 2017 the Global Takaful market would exceed USD 20 billion.

## Takaful in Pakistan

Takaful in Pakistan is still in its nascent stage. At present there are 2 dedicated Family Takaful companies and 3 General Takaful companies. However, with the start of Window Takaful operations, Takaful in Pakistan is expected to find its rightful place in the market.



# Insurance Industry & Career in Insurance

## Seminar at the Department of Statistics University of Karachi

The insurance industry plays a significant role in the financial system of a country by indemnifying financial risk in the economy. It acts as an institutional investor for capital and money market instruments. Like many other developing countries, the size of Pakistan's insurance industry is relatively small in proportion to its GDP. The total size of insurance business in various countries depends on the nature of insurance markets, regulatory environment, accounting procedures and financial development.

A seminar 'Insurance Industry & Career in Insurance' was held at the Department of Statistics, University of Karachi on the occasion of Insurance Day celebration on May 6th 2015.



The aim of the seminar was to make students aware of the insurance sector and its performance as well as apprise them of the exciting and challenging career opportunities it presents and Mr. Umair Ismail Head of Retail Online Sales Jubilee General Insurance was invited to present on the topic of Alternative Distribution Channel.

Mr. Ismail while engaging the audience emphasized on the career opportunities in the insurance field also gave details of how fertile the industry is; the insurance penetration in Pakistan is the lowest in the region i.e. 0.7% of GDP – presenting a massive opportunity for exponential growth.

Over the last few decades continued changes in environment, operations and technology, alongwith changes in customer behavior and preference have had its impact on the global Insurance Industry. The sales and distribution of insurance have naturally evolved into multiple channels including but not limited to traditional channels such as brokers and agents as well as modern channels which comprises of Bancassurance and Micro insurance.

Although both these channels are still dominant, Mr. Ismail emphasized that it is expected going forward that new ways of distribution shall also evolve - predominantly driven by Technology and Innovation. Alternative distribution channels, especially those leveraged on technology are the trend for the future, channels such as direct internet marketing, shopassurance and telcassurance are not only faster medium of communication between the customer and the insurer but also represents a deeper and stronger connection between the two parties based on the evolving needs of society.



He further emphasized that "access is the key to increase penetration, not financial literacy", means that advancement in technology results in self-service and greater convenience on the part of the customer. Easy access to internet via computer, mobiles and other hand held devices have helped update customers on insurance products and services - a trend that is expected to continue to grow in the near future.

Social media platforms such as Facebook, LinkedIn, and Twitter have been used to help business reach out and interact with their target audience base. With the rise in demand for smartphones, enhanced with social media applications, more customers carry these applications where ever they go. These channels are also being used to launch media campaigns educating as well as targeting the customer segment that

has an extensive online presence. Thus, social media has all the potential to turn into an exciting channel in not too distant future for the Insurance Industry.

Undoubtedly, evolution in technology has led to changes in customer preferences. Mobile technologies are reshaping society, culture and creating new norms. Pakistan has also accustomed itself to these changes, one of the examples being the introduction of Easy- Paisa service. Telenor Pakistan launched its mobile financial services offering, easy-paisa, in 2010. It provided a mobile wallet offering, which was an entirely 'standalone' function, giving new customers a fully functional bank account.

Although the insurance market in Pakistan has still a long way to go, however, our market has all the potential to cover distance in shortest possible time. The key question which begets thought is it a glass half full or half empty, with low penetration, high young population base and tech savvy attitude, market presents exponential growth opportunities. It was obvious that the seminar was a tremendous success due to the positive response from the participants. Students attending the seminar were more enthusiastic about the presentations provided; this was indicated by the number of questions posed. This eager feedback from the participants proved that Insurance Industry was successful in its endeavour by signifying the importance of insurance in an untapped market and the career opportunities that exist therein as well as promoting the insurance sector as a whole.

*Hassan Makhdum  
Deputy Manager- Marine Claims  
Jubilee General Insurance Company Limited*



This was my first visit to Karachi University. Being part of this industry since past six years I had come with the intention to raise awareness on insurance and to encourage young girls to stand up for themselves in life as well as a professional. I was extremely delighted to see more than half of the crowd consisted of girls and that they all planned to make a career, not just study and sit home.

I commend the efforts put up by PII to organize this awareness campaign every year. Insurance Day celebration is a brilliant platform that PII and Karachi University conducts to bring students and insurance industry professionals' together.

The event was well attended and as a guest speaker I along with my colleague Syed Abdul Mujeeb Manager EFU Life was pleased to see students open up and talk on their concerns on academics goals and career choices for brighter future, in the panel discussion. This session certainly sparked a lively interactive discussion amongst students, teachers, faculty members and guest speakers and played a significant role in the success of the event.

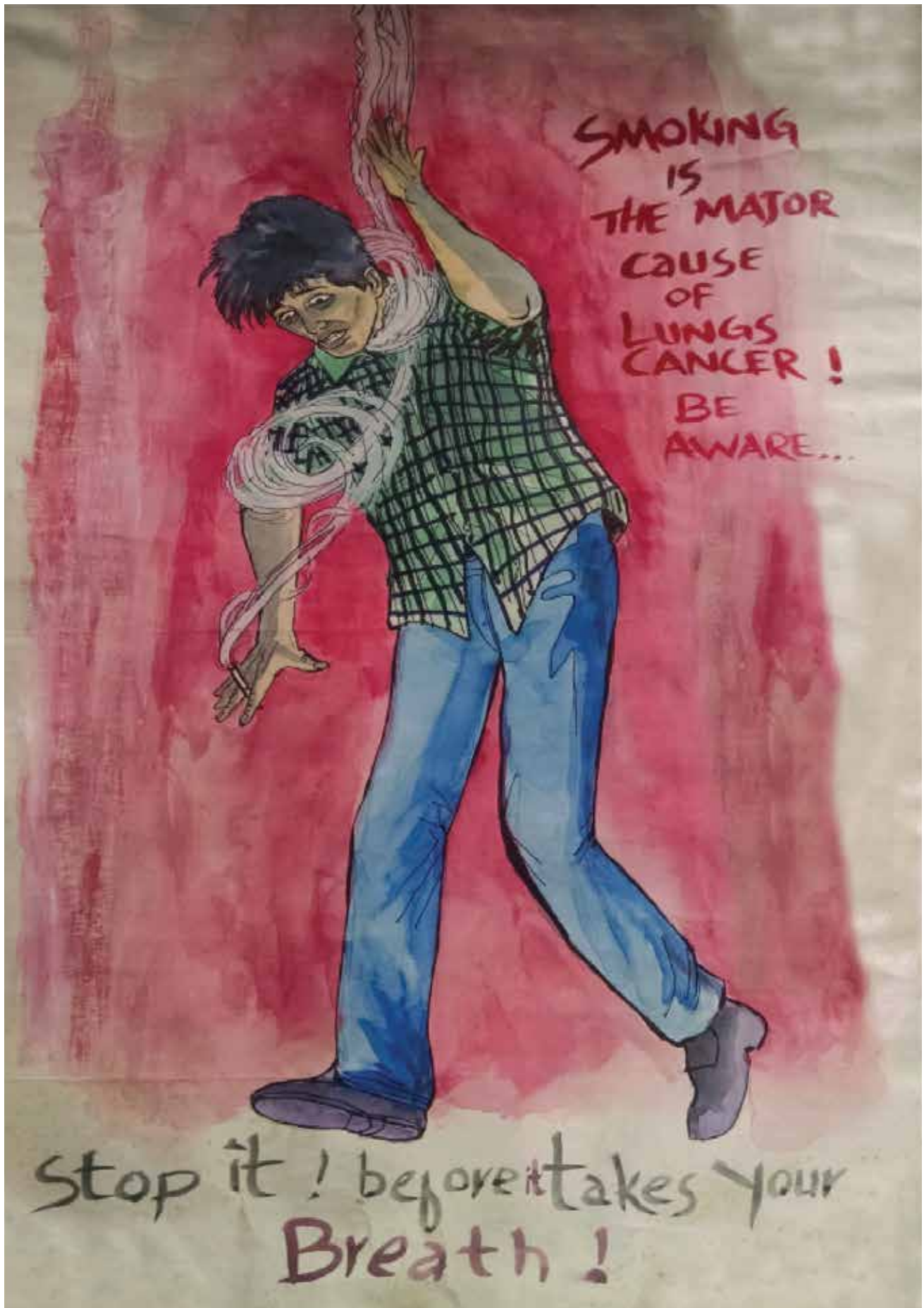
The best part of this insurance awareness seminar was that we all took home new connections which strengthened the integration within the industry. Also, the seminar proved to enhance the young students' vision on potential career options within the insurance industry.

It was an honor to have been part of this event on behalf of EFU Life Assurance Ltd this year where we witnessed a lot of young energetic talent which has the potential to eventually take up most of the roles in Pakistan insurance industry in years to come.

*Usha Nenwani  
Manager EFU Life*



## Public Service Message



Poster by: *M. Haris Bin Yousuf (age: 10 years)*

Winner of poster competition organized by cancer society on 'No Tobacco' Day.

## IAP Elections 2015-16



### **Mr. Tahir Ahmed**

Managing Director, Jubilee General Insurance Company Limited, elected as Chairman.



### **Mr. Nasar us Samad Qureshi**

Chief Executive Officer, Alfalah Insurance Company Limited, elected as Senior Vice Chairman.



### **Mr. Mohammad Hussain Hirji**

Chief Executive Officer, Century Insurance Company Limited, elected as Vice Chairman.

## IAP Annual Dinner

An Essay Competition on the topic of 'Challenges & Opportunities for the Insurance Industry in Emerging Markets' was held as per past practice on the Insurance Day celebrated this year on May 06, 2015.

Cash prize were awarded to top 3 positions at the IAP annual dinner held on September 19, 2015. Mr. Fida Hussain Samoo, Commissioner (Insurance) SECP awarded the prizes.



1st prize: Dr. Fawad Sarwar



2nd prize: Mr. Waqas Mehmood Danish



3rd prize: Mr. Muhammad Rashid



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## Federal Insurance Ombudsman

### Safeguarding the interest of Policy holders

The establishment of Federal Insurance Ombudsman (FIO) is an initiative of the Federal Government to protect the rights of all the stakeholders in Insurance business. This organization is functioning under Insurance Ordinance, 2000 and Federal Ombudsman Institutional Reforms Act, 2013.

The prime role of the Federal Insurance Ombudsman is to resolve disputes pertaining to mal-administration, between the insurance company and its policyholders according to the prescribed rules and ensuring implementation of the decisions. The FIO not only provides free of cost speedy resolution of complaints but also alerts the Insurance sector of systemic problems leading to grievances, and be instrumental in removal of root causes of complaints.

The complainants can either mail their complaints or visit the office of the Federal Insurance Ombudsman on the 2nd floor of the Red Crescent Building at Dawood Pota Road, where the experienced officers and members of the Ombudsman team are available to help and assist the policyholders. The procedure for lodging complaint is very simple and straight forward as laid down in Article 129 of the Insurance Ordinance, 2000.

Generally, the complaints are for non-payment of claims, inordinate delay in settlement of claims, non-issuance of receipt of premium, fraud etc. Review Petitions can also be filed against the decision of the Ombudsman and the concerned parties if not satisfied also have the right to make a Representation to the Honorable President of Pakistan.

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## EFU's Hat-Trick of winning FPCCI Achievement Award



*Managing Director, Mr. Hasanali Abdullah receiving "Achievement Award" of Federation of Pakistan Chamber of Commerce & Industry (FPCCI) from Mr. Mamnoon Hussain, President, Islamic Republic of Pakistan*

## Workshop on Practical Aspects of Risk Management August 18, 2015

A workshop on Practical Aspects of Risk Management was arranged by Lahore Insurance Institute, Lahore on 18 August, 2015 wherein 49 executives of various insurance companies participated. This workshop was conducted by Mr. Nasir Siddique, Team Leader-Property Underwriting, IGI Insurance Limited, Lahore.

In this workshop understanding of risk management was created for the participants. They were apprised with the traits needed for physical risk assessment. The concept of risk appetite and risk tolerance were explained. The risks associated with different occupancies including textile, paper & board, chemical, pharmaceutical, sports goods, surgical instruments, metal industry, foundries, construction sites, machinery erection, machinery breakdown etc., were discussed in detail.

This workshop will help the participants to rate the risk to improve underwriting profits and to identify red risks in their portfolios. At the end a practical exercise was conducted in which all the people participated which followed Question & Answer session.

As per training evaluation and feedback 75% participants were fully satisfied from this workshop and desired to conduct such workshops on various technical topics in future as well.





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## Result of Licensing Examination for Surveyors held in May 2015

Following candidates have been declared successful:

<b>Class of Business: FIRE</b>			
S.#	Enrolment No.	Name	Company
<b>Karachi</b>			
1	ASO/05/2015/K-1	Syed M. Amir Hassan Zaidi s/o Syed Hasan Pervez Zaidi	PMS Surveyors (Pvt.) Ltd
2	ASO/05/2015/K-5	Farhan Munir s/o M. Munir Alam	Saybolt Pakistan Ltd
3	ASO/05/2015/K-9	Syeda Ghazala d/o Syed Dilbar Hussain	Chaudhary Noor M. & Co. (Pvt.) Ltd
<b>Lahore</b>			
1	ASO/05/2015/L-1	Iqbal Khalid s/o Khalid Masood Sheikh	Material & Design Services (Pvt.) Ltd
2	ASO/05/2015/L-2	Rabia Bashir d/o Bashir Ahmed	A. Z. Awan (Pvt.) Ltd
3	ASO/05/2015/L-3	Kaleem Azhar s/o Abdul Hakim Shami	A. Z. Awan (Pvt.) Ltd
4	ASO/05/2015/L-5	Ahmed Fraz s/o M. Anwar Aftab	Hamid Mukhtar & Co

<b>Class of Business: MARINE</b>			
S.#	Enrolment No.	Name	Company
<b>Karachi</b>			
1	ASO/05/2015/K-1	Syed M. Amir Hassan Zaidi s/o Syed Hasan Pervez Zaidi	PMS Surveyors (Pvt.) Ltd
2	ASO/05/2015/K-2	Tariq Pirzada s/o Abdul Ghani Pirzada	Indemnis Marine (Pvt.) Ltd
3	ASO/05/2015/K-5	Farhan Munir s/o M. Munir Alam	Saybolt Pakistan Ltd
4	ASO/05/2015/K-9	Syeda Ghazala d/o Syed Dilbar Hussain	Chaudhary Noor M. & Co. (Pvt.) Ltd
<b>Lahore</b>			
1	ASO/05/2015/L-1	Iqbal Khalid s/o Khalid Masood Sheikh	Material & Design Services (Pvt.) Ltd
2	ASO/05/2015/L-2	Rabia Bashir d/o Bashir Ahmed	A. Z. Awan (Pvt.) Ltd
3	ASO/05/2015/L-5	Ahmed Fraz s/o M. Anwar Aftab	Hamid Mukhtar & Co

<b>Class of Business: MISC / MBD</b>			
S.#	Enrolment No.	Name	Company
<b>Karachi</b>			
1	ASO/05/2015/K-4	Mujeeb ur Rehman s/o Shafiq ur Rehman	Mackinnon Mackenzie of Pakistan (Pvt.) Ltd
2	ASO/05/2015/K-5	Farhan Munir s/o M. Munir Alam	Saybolt Pakistan Ltd
3	ASO/05/2015/K-9	Syeda Ghazala d/o Syed Dilbar Hussain	Chaudhary Noor M. & Co. (Pvt.) Ltd
<b>Lahore</b>			
1	ASO/05/2015/L-1	Iqbal Khalid s/o Khalid Masood Sheikh	Material & Design Services (Pvt.) Ltd
2	ASO/05/2015/L-2	Rabia Bashir d/o Bashir Ahmed	A. Z. Awan (Pvt.) Ltd
3	ASO/05/2015/L-4	Shiraz Hamid s/o Hamid Saulat	Saulat & Associates Pvt Ltd
4	ASO/05/2015/L-5	Ahmed Fraz s/o M. Anwar Aftab	Hamid Mukhtar & Co

<b>Class of Business: MOTOR</b>			
S.#	Enrolment No.	Name	Company
<b>Karachi</b>			
1	ASO/05/2015/K-1	Syed M. Amir Hassan Zaidi s/o Syed Hasan Pervez Zaidi	PMS Surveyors (Pvt.) Ltd
2	ASO/05/2015/K-5	Farhan Munir s/o M. Munir Alam	Saybolt Pakistan Ltd
3	ASO/05/2015/K-7	Awais Ahmed s/o Khursheed Ahmed	S. M. Shafique (Pvt.) Ltd
4	ASO/05/2015/K-8	Syed Tariq Haider s/o Syed Haider Imam	Ghafoor Associates (Pvt.) Ltd
5	ASO/05/2015/K-9	Syeda Ghazala d/o Syed Dilbar Hussain	Chaudhary Noor M. & Co. (Pvt.) Ltd
<b>Lahore</b>			
1	ASO/05/2015/L-1	Iqbal Khalid s/o Khalid Masood Sheikh	Material & Design Services (Pvt.) Ltd
2	ASO/05/2015/L-5	Ahmed Fraz s/o M. Anwar Aftab	Hamid Mukhtar & Co
3	ASO/05/2015/L-6	Naim Ullah s/o M. Allah Bukhsh	Hasib Associates (Pvt.) Ltd



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