



Pakistan Insurance Institute Quarterly Newsletter

INSURE

Issue 23, September 2018



PII

Pakistan Insurance Institute
Since 1951

“Success consists of going
from failure to failure
without loss of enthusiasm.”
Winston Churchill



CONTENTS

Case Study Persistence Issues in Life Insurance Industry	2
Insurance Association of Pakistan AGM & Annual Dinner	10
DiAmer Basha Dam	14
Case Study Competition 2018	17
Workshops Bancassurance Effective Communication	19

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Persistency Issues in Life Insurance Industry

Introduction

In life, we are always faced with uncertainty. The risk is when uncertainty leads us to undesirable outcomes for which we cannot be prepared. Therefore, we 'insure' ourselves by setting aside a sum of money, which can come handy when required the most. Today, professionals do it and surely, in a better way than we could have. We call them 'life insurers', as they manage our risks. As of now, these life insurers have progressed enough to become a worldwide industry.

Life insurance companies base their business models on assuming and diversifying risks. In simple words, they collect money i.e. **premium** from interested buyers and invest it in different alternative assets to earn a substantial return. In an event of any mishap with the buyer, the insurer pays the nominated person by buyer i.e. **beneficiary**, the sizeable amount i.e. **sum assured**. Both; amount of premium and sum assured is pre-decided at the contractual agreement. The amount of premium differs from one person to another, depending on required sum assured and on the basis of assumed risk that is calculated through the process of **underwriting**. The frequency of premium payments is based on the type of product selected by the buyer and his convenience.

Currently, in Pakistan and South East Asia, life insurance industry is mainly sales driven in nature. The seller inspires a buyer to initiate a buying process. Therefore, it is often said that **"life insurance is sold, not bought"**. Insurers are represented by sales agents in the local market. They hire sales force which brings in different customers by thorough persuasion to purchase life insurance policies.

Each year, many buyers of insurance contract join the circle of insurance. Circle of insurance is composed of all policyholders, each paying his share of premium to help circle keep its shape. As long as all policyholders pay their premiums regularly, insurers will have absolute persistency and high profitability. Oppositely, if policyholders discontinue or lapse their policies by not paying premiums, persistency will decline and profitability will be affected. As a result, the circle of insurance will lose its shape.

For the circle of insurance to retain its shape, persistency should be viewed as a very important indicator for the performance of life insurance

industry because if it is left unmanaged, there are to be grave consequences. Assessing persistency on other hand is quite challenging because it requires insurers to investigate reasons behind policy lapsation or discontinuation. One must have clarity that persistency does not mean enhancing customers' base; rather it deals in retention and strengthening of customer-company relationship.

Managerial views regarding persistency differ from one organization to another. There are insurers who believe that utility from assessment and analysis of persistency is pointless, because, despite low persistency, insurers in Pakistan are enjoying huge profits; which eventually fulfills owner's motive. So, why to incur a cost at all?

In an interview with one senior actuarial official, we asked that what you think about 'poor persistency'. Do you care that you are losing customers? He replied:

"Yes, we care. But before buying a life insurance policy, the customer is supposed to be sure about his financial goals. He should analyze the industry, read terms and conditions, and understand that it is a long-term contract. We do not force people to sign up. But if they sign up and regret it later, that is entirely their fault. Why insurer has to incur a cost to compensate clients for their poor decisions. Customer, if want to exit, will stop at nothing"

Then we asked, that most of your clientele is not educated. How do you expect them to read terms and conditions?

"We don't expect though we want them to understand it, but it is neither ours nor agents' responsibility to educate them and explain those contractual terms. Agents explain that how a product works. Terms and conditions are more of lawyers work"

Another view proposes the standpoint that emphasis on persistency is not enough unless it can approximate to be 100 percent. Such a view derives from the motive that if persistency issues are addressed adequately, profits shall be much more than what insurers in Pakistan are profiting now.

When the same question was asked from another official in another insurance company with more of similar length of industry experience, we were surprised to see such contradicting comments. He replied that:

“That is what worries us the most because the insurance industry is fragile. We are fighting a war against defamed perception of insurance among the public, which should be changed because it is based on misunderstandings. On other hand, we are continuously working on our services, trying to teach the general public what insurance really is. We also focus on need-based selling. We adhere to regulatory guidelines in true spirit, such as converting our forms, media, and website into bilingual formats. There is much to do. We have setup a complaint center that entertains all complaints regarding agents and their mis-selling practices which, indeed, is a temporary solution. We are looking for permanent solutions”

Both school of thoughts being at different extremes implies that approaches to identify causes for policy lapsation and discontinuity also differ. Likewise, response strategy towards these problematic reasons varies as well. For now, the point in question is that what are general reasons due to which policyholders discontinue or lapse their policy and exit from the circle of life insurance? Can they be prevented from doing so? In other words, can persistency be 100 percent? Or it can't be maintained at an absolute level, but can definitely be managed?

Background

To understand implications for both school of thoughts, we must carefully examine different dimensions of 'poor persistency'. Careful assessment of low persistency initially requires insurers to diagnose its existence, and measure its extent. Its existence can be diagnosed from figures reported in financial statements each year. Life insurance companies can also analyze improvements or decline in persistency over the years by comparing financial figures. For example, in a single year, company forms insurance contracts with different policyholders and simultaneously many policyholders quit such contracts by simply not paying the required premium. *This behavior can be explained with help of the following table for 2nd-year renewal:*

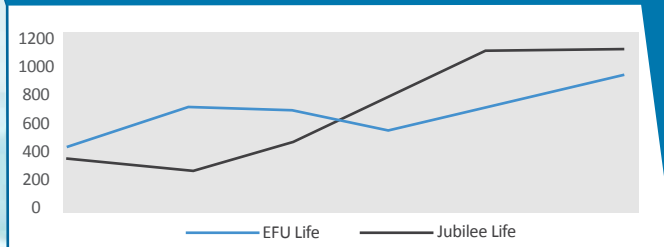
Values in US \$ (million)	2015	2014	2013	2012	2011
First Year Payments	35.54	34.17	30.18	26.52	27.01
Second Year Renewal	26.02	23.40	21.58	20.79	17.05

In 2011, all newly issued policies brought a premium of \$27.01 million to the company. After exact one year, the same amount was supposed to be collected by the insurer. However, as we see that in the next year 2012, collected premium for second-year renewal amounts to be \$20.79 million. Approximately, \$7 million is not received by the insurer next year,

because clients discontinued their insurance policy contracts. *The table below shows the increasing trend of loss in value (premium not received for policies in the second year that were collected in the first year) in million rupees for two private companies dominating life insurance industry in Pakistan.*

Difference of premiums between first & second year (Millions Rs)	2010	2011	2012	2013	2014	2015
EFU Life	440	660	650	520	710	850
Jubilee Life	360	280	440	730	1000	1010

Difference Of Premium Recieved Between First yr & Second yr Renewal - In Millions (Rs)



Persistency can also be diagnosed by carefully studying the change in customer base each year; by separating increase in customers against lost customers for a given year. It is also important to note that when customers exit, implications for policy lapsation in initial years are different in contrast to policy lapsation in years closer to maturity; therefore timing of customers' exit for both scenarios call for different response strategies.

Once the diagnosis is complete and extent of persistency is measured, investigation of factors causing poor persistency becomes easier and comprehensive. In theory, an extent of persistency; either substantial or negligible determines that whether the insurer should dig out causes for 'poor persistency' for his company or not. However, in the real world of insurance, persistency is the most feared terminology for all insurers merely because it is not up to the mark and very poor for each of them. There could be a rare instance, in which insurers' persistency is worth praising mainly because they target a specific class of people; preferably their own community members, and do not open their doors to the general public. Such community-based insurers do not need to study and investigate causes for poor persistency, because it is indeed meaningless for them.

Investigation of causes of 'Poor Persistency'

Reasons for 'poor persistency' could be many. These causes differ from one part of the world to another. At times, these causes are country specific, could be company specific, or may vary because of different region or demographics. However, it is essential to understand the characteristics of life insurance



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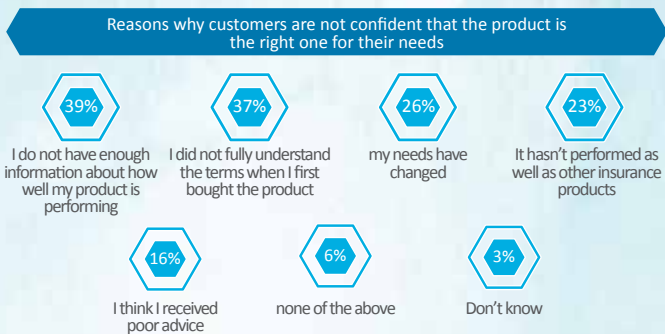
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contracts and agents who sell them, after sales services, external environment, and circumstances which originate these causes, particularly for life insurance industry in Pakistan.

Life insurance contracts are high-end expensive products. They are complex in nature and difficult to understand for a layman¹. Such contracts are not bought once; rather they are maintained regularly by paying the premium amount each year which adds a hassle on policyholder's 'to do list'. Plus, any change initiated by a policyholder in terms and conditions on which insurance contract is formed, it requires investigation, medical tests, or approval through documented formalities. Since amount paid as a premium is invested elsewhere, it deeply concerns the potential policyholder that insurer may bear a loss on his money. These are few main reasons because of which people are reluctant to buy life insurance. Therefore, it is quite rare that buyers approach the seller. In contrast, most agents are keen to pursue the buyers with sheer determination. To accomplish the sale and commission, they highlight promising value, unrealized need of insurance, overall benefits etc.; in short to make most of the potential buyer. With such a strong pitch, many people easily give in without analyzing the very need for life insurance. 'Poor persistency' kicks in when customers regret their decision; also known as **buyer's remorse**². What choice do they have now? Hold the policy until maturity; unwillingly, with a heavy heart or exit now!

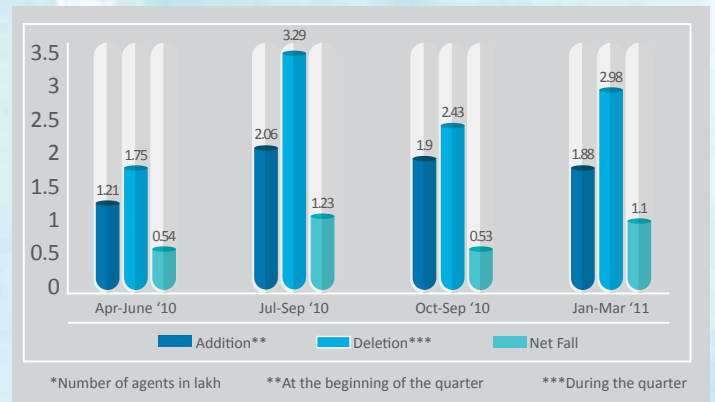
1. The image below shows many inherent causes of post purchase dissonance.



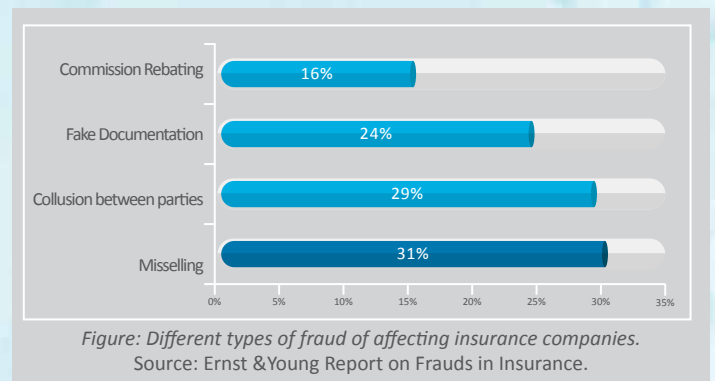
As mentioned before, life insurance is sales driven industry. An intermediary; hired by the insurer is involved in the process of making sales. Due to huge reliance on an intermediary, qualifying criteria to become a sales agent is not very stringent. Standards such as education and experience are usually set at low levels, resulting in low barriers to entry. As an outcome, 'sales agent' becomes the easiest job title to get. As a result, anyone can qualify to become an agent, whether he or she possesses selling skills or not. Therefore, both, entry and exit of agents in sales force is quite random in nature³. The profession of a sale agent is a target

oriented job in which requirement to do a certain business within specified time has to be met. The objective of insurers is to increase its customer base each year, by adding more life policyholders in the circle of life insurance. Which obviously means that more the number of agents, better chances of tapping more clients and eventually policy sales. In return, the sales force is entitled to keep 30 to 60 percent of the first premium received by the life insurance company as a commission. Subsequently each year, sales force keeps its cut from premiums but the rate of commission declines drastically. Higher commission in initial years which reduces with the passage of time motivates sales agents to sell high premium policies. With such one-sided, self-beneficial intention of both the insurer and the agent, there are strong incentives for agents to cheat, manipulate or collude with customers⁴. Whatever may be the case, relationships based on lies, deception and treacheries do not continue for long.

2. South Asian countries have similar trend in this regard. Given below image reflects inflows and outflows of agents for a single year in India.



3. A questionnaire survey exhibits different types of fraud prevalent in insurance industry pertaining to malpractices.



To facilitate clients after policy issuance, insurers setup a 'client services department' to ensure that policyholders are serviced well in many different aspects. These different aspects involve changes to be made in a policy whether financial or non-financial, renewal of contract at each year, inquiry about status, value, and balance of the policy etc. Since the above-mentioned procedures are operational to the core and involve documentation and



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paperwork, therefore **TAT (Turn Around Time)** differs from one policy to another. Even if **TAT** is managed well, customer services can be poor due to a shortage of staff. Big insurance companies have huge customers base, but telephonic calls and written applications; pertaining to inquiry or request, are not only received by policyholders, but also general public who are potential clients. Customer services also largely depend on the ability of a client to convey his queries and to comprehend the guidelines provided by staff members. Any negligence such as delayed response, call waiting, failure to resolve complaints timely etc. can lead to dissatisfaction of customers⁵.

4. With help of Likert scale with a range from 1 (strongly disagree) to 5 (strongly agree), below table exhibits that out of 67 respondents, many think that poor complaint handling influences perception of life insurance organization.

Factors	5	4	3	2	1
Poor complaint handling	16 (23.9%)	26 (38.8%)	23 (34.3%)	2 (3%)	0 (0%)
Mis-selling by sales agents	4 (6%)	16 (23.9%)	26 (38.8%)	11 (16.4%)	10 (14.9%)

Source: Research data (2012)

Reasons for 'poor persistency' include many external factors that are not under control of the organization. For example, demographic factors such as age, gender, background, region, marital status, the value of insurance (sum assured and premium), payment mode and financial literacy influence one's determination to continue life insurance contracts⁶. Other external factors may include macroeconomic conditions that vary from time to time, weakening the financial ability of the insured⁷. Alternative investment choices available can also sway customers away from the insurer. It largely depends on who provides better returns, more control of own funds, lesser hassle and trust like characteristics that other investment alternatives may not offer. Therefore, movement of clientele from one insurer to another or towards non-insurer is reasonably possible.

5. The table below illustrates that most of the lapse/surrender cases occur in combined 18-40 age group.

Age Bracket (in proportions)	Lapsed	Surrendered	Grand Total
18-25	24.17%	4.83%	29.00%
26-40	43.56%	8.27%	51.83%
41-60	15.51%	3.10%	18.61%
above 60	0.45%	0.10%	0.56%
Grand Total	83.70%	16.30%	100.00%

6. As shown in the table below that lapsation/surrender cases from rural areas are more in number when compared with urban cities. Such a difference can be attributable to lack of communication & access to service etc.

Geographic Dimension	Lapsed	Surrendered	Grand Total
Urban	15,292	1,401	16,693
Sub - Urban	41,815	5,816	47,631
Rural	47,327	9,081	56,408
Grand Total (in numbers)	104,434	16,298	120,732
Urban	12.67%	1.16%	13.83%
Sub - Urban	34.63%	4.82%	39.45%
Rural	39.20%	7.52%	46.72%
Grand Total (in proportion)	86.50%	13.50%	100.00%

7. Tables below illustrate an indirect relationship between an amount of sum assured or premium and lapsation occurrence.

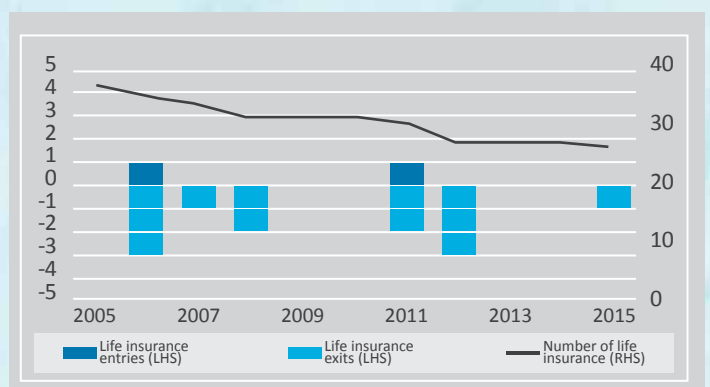
Sum Assured groups (in proportions)	Lapsed	Surrendered	Grand Total
0-\$5000	51.81%	7.56%	59.37%
\$5000 - \$10,000	22.73%	3.39%	26.11%
\$10,000-\$20,000	9.27%	1.33%	10.60%
\$20,000-\$40,000	2.62%	0.36%	2.98%
above \$40,000	0.79%	0.16%	0.94%
Grand Total	87.20%	12.80%	100.00%

Annualized Premium groups (in proportion)	Lapsed	Surrendered	Grand Total
0-\$500	68.56%	9.88%	78.44%
\$501 - \$1,000	12.87%	1.87%	14.74%
\$1001-\$2,000	4.07%	0.72%	4.79%
\$2,001-\$4,000	1.23%	0.22%	1.45%
above \$4,000	0.47%	0.11%	0.59%
Grand Total	87.20%	12.80%	100.00%

8. The table displayed below evidently proves that only 38 percent of issued monthly mode policies complete their tenure.

Mode (in proportions)	Completed the contract till maturity	Lapsed/Surrendered: Discontinued policies	Grand Total
Annual	60.11%	39.89%	100.00%
Half yearly	56.70%	43.30%	100.00%
Monthly	38.76%	61.24%	100.00%
Quarterly	52.63%	47.37%	100.00%
Single Premium	82.08%	17.92% - surrendered	100.00%
Grand Total	58.97%	41.03%	100.00%

9. Life insurance industry hurt most when an economy is engulfed in recession. During financial turmoil 2008, the ability of policyholders to pay regular premium diminishes widely. As a result, insurers do not collect as much premium as they forecast, causing detrimental effects on insurer's profitability. The picture below illustrates that three big life insurers exited life insurance industry from 2007 till 2009.



Optimally, life insurance policies are bought as per the need of insured. With ever-changing situations, it is a possibility that insured need may change from what it was at the time of purchase. Since, life insurance contracts are mostly long and very long term in nature, there are acute chances that need may have totally changed, satisfied already or it is irrational to fulfill. For example, a father purchases a product "education plan" for his only kid who God forbid expires. Availability of upgraded products with improved characteristics and higher returns can also motivate a policyholder to lapse his current policy and replace it with a new product with the same insurer or may be in some cases with another insurer.

Effects of 'poor persistency'

Up till now, we kept mentioning that failure of insurers to hold their customers is 'poor persistency'. Then it should not be a problem for life insurance companies because if it is all about often 'customer loss', then insurers can always add up more customers by increasing their sales force, in fact, which they are doing now in Pakistan. So, why 'declining persistency' is feared so much? Should not this case study be more about "how to retain customers" and should have more of marketing element embedded to it?

Of course not! 'Declining persistency' does address the failure of insurers to retain customers, but it emphasizes on the effects that life insurance companies bear due to loss of customers. These effects are two-fold in impact and quite detrimental, and most importantly, newly added customers cannot compensate for the loss of 'lost customers'. That is why; 'poor persistency' is worried the most among insurance industry. These two fold impacts are:

Firstly: in terms of opportunity loss: Insurers gain their true profits when a policyholder continues the policy up till maturity. Any lapsation or surrender of a policy leaves the insurer at somewhat above the break-even point. Had lapsation or surrender not have happened, the company could have gained more.

Secondly: in terms of sunk cost: Failure to hold back customers is more like expenditure on something that doesn't exist anymore, and such expenditure turns into 'sunk cost' that can't be recovered. For example; predominantly, the marketing effort carried out by insurers to make its presence felt by the general public is highly expensive. Time devoted, the energy exerted and money spent by agents in pursuit of successful sale cannot be discounted. After sales, operational activities initiated in regard to documentation and paperwork, medical tests, financial inquiries, underwriting, background checks and other important formalities; till the issuance of new insurance contracts are also highly commendable.

Therefore, it is rightly said that:

"Attracting a new customer can cost as much as 15 times more than retaining an existing customer."

Terry Gillen

"Conventional business wisdom contends that it costs 10 times as much to obtain a new customer as it does to retain an existing customer."

John L. Daly

Effects for poor persistency do not end here. With low persistency, the growth of company's portfolio declines, or falls short of the projected or desired level. Any change in projected profits also calls for re-forecasting of capital requirements and strategy. The impact also transcends on credit ratings assigned by rating agencies, which exposes the insurer towards high reputational risk⁸.

10. Below image shows that how low persistency affects the insurer in return and its cyclical nature magnifies its impact.



Despite falling persistency, profits for insurers in Pakistan are on increasing trend. Why?

In Pakistan, profits for life insurers are on increasing trend. Plus, all other things being equal, future outlook of life insurance industry is bright. Assurance for a positive progression and prospects of life insurer businesses is entirely based on high profits corresponding to marginally insured population of Pakistan. How is it possible?

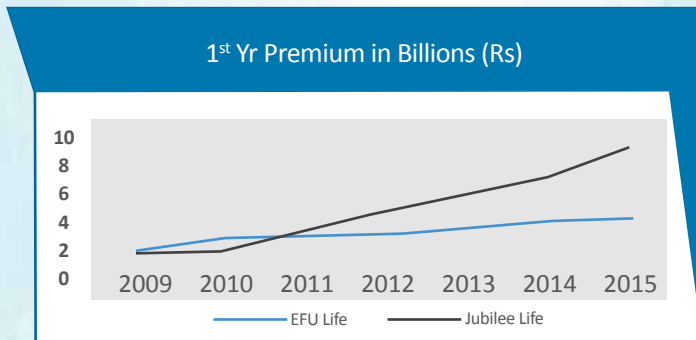
As per reliable estimation from world insurance fact book, 8 percent of Pakistani population is life insured. Among which 5 percent of Pakistani population is life insured through group insurance or employers. The 8 percent life insured Pakistani population is an important statistic because it highlights two major facts:

- (1) Remaining 92 percent are vulnerable to life's risk if sudden death of family breadwinner occurs.
- (2) There is a great potential for life insurance industry to expand.

Above two facts explain that with such a large untapped population, ceteris paribus; profits for life insurance industry are bound to grow exponentially.

Table and graph below show the increasing trend of first-year premiums for two big competitors in life insurance industry of Pakistan.

First Year Premium in Billion Rs	2009	2010	2011	2012	2013	2014	2015
EFU Life	1.77	2.45	2.83	2.78	3.16	3.58	3.73
Jubilee Life	1.58	1.77	2.71	4.22	5.33	6.23	7.97



Currently, life insurance companies influx local markets with more sales agents than before to capture market resulting in new customers. The inflow of new customers brings in substantial premium amount as compared to the simultaneous, customer loss on which marketing and operational costs have been incurred, before and at the time of issuance. But since, due to insignificant size of 'sunk cost' in comparison with collected premium, it does not catch attention.

Options and Implications

We started our discussion with a debate between two managerial views each endorsing their own stance towards 'poor persistency'. One school of thought highly recommends that 'poor persistency' is to be well managed and fixed with sincerity and utmost devotion, aiming to achieve greater profits than now. In contrast, other insurers believe that 'poor persistency' is part of life insurance business which we must admit, and should mend superficially whenever possible, but no concrete measures that call for incurring costs must be taken; especially when insurers are already making great profits.

We feel that it is very important to highlight that difference in opinion among both types of insurers is; maybe, an outcome or learning from different experiences they have had in past. Such distinguishable attitude towards a very serious issue i.e. 'poor persistency' cannot be merely attributed to the laziness of one party and industriousness of other. There is definitely more to it that needs to be unearthed.

Factors such as costs to be incurred, reduction in profitability, team availability, organizational culture, owner-management conflict, short run profits versus long run losses, or short run costs versus long run profits, affiliation with groups, effectiveness of such programs,

status quo, market structure, favorable conditions and many other aspects; must be thoroughly thought of, before making key decisions regarding persistency.

One must ponder upon, that what motivates one big insurer of Pakistan to neglect poor persistency and other to be very worried and proactive. And what it could be that prevents one insurer to agree with other. While making a decision, the implication of each view for short and long run and the effect on the overall industry must be kept in mind.

Conclusion

Life insurance business deals in assuming the risk of individuals and protecting them against unwanted – uncertain outcomes. Being very lucrative business in nature, it heavily relies on premium collection from all of its customers. Obvious relationship between a number of customers and total premium collection signifies the importance of persistency i.e. for how long each customer maintains and keeps up his/her relationship with the insurer.

This business relationship can only be sustained by making both ends meet and creating such favorable incentives that will result in a win-win situation for both parties. It is customary to highlight that insurers in Pakistan have different opinions about this customer – company bond, each having their own pros and cons, arguments and justifications. Nevertheless, it should not be forgotten that prosperity of insurance industry counts on the general perception of insurance among the public, mainly because customers are real ambassadors of any company.

From the above passage, we conclude that decision for managers to influence persistency boils down to the choice between two viewpoints. Therefore, whatever measures insurers take regarding persistency, it will eventually impact on how insurance is perceived.

We; as insurers, consumers, employees, shareholders, key industry players, regulatory bodies, students, all are interested to know the answers to more important questions for now that: Are we willing to fix 'poor persistency' or not? Will insurers sincerely take up this demanding challenge? Do insurers understand real implications of their respective agenda and its effect on the overall industry? Will insurance industry continue to prosper in future as it is now, especially when market saturates? And lastly, will policyholders ever feel the sigh of relief that they are getting the true value of services against the premiums they pay?

Muhammad Ali Nathani
EFU Life Assurance Ltd.

Insurance Association of Pakistan Annual General Meeting

September 29, 2018

Executive Committee Members elected for the year 2018-2019:

Mr. Nasar us Samad Qureshi (Chairman)
Chief Executive Officer
Alfalah Insurance Company Limited

Mr. Mahmood Lotia (Senior Vice Chairman)
Senior Deputy Managing Director
EFU General Insurance Limited

Mr. Naim Anwar (Vice Chairman)
Chief Executive Officer
Crescent Star Insurance Limited

Ms. Huma Waheed
Director
United Insurance Company

Mr. Ihtsham Ul Haq Qureshi
Chief Executive Officer
Asia Insurance Company Limited

Mr. M. Faisal Siddiqui
Chief Executive Officer
Sindh Insurance Limited

Mr. Muhammad Sohail Fakhir
Group Head Corporate, Marketing & Administration
Jubilee Life Insurance Company Limited

Mr. Muhammad Junaid Moti
Executive Director
Pakistan Reinsurance Company Limited

Mr. Shabbir Gulamali
Chief Executive Officer
Habib Insurance Company Limited

Syed Kazim Hasan
Chief Operating Officer
TPL Insurance Limited

Mr. Zain Ibrahim
ED / Chief Operating Officer
EFU Life Assurance Limited

Annual Dinner and Musical Evening



In celebration of 'Insurance Day' on April 5, 2018, IAP held an essay competition and the topic selected was 'CPEC's impact on the Insurance Industry of Pakistan'. The competition was open to all professionals working in the insurance companies.

Cash prize and mementos were awarded by Syed Kazim Hasan Senior Vice Chairman IAP to the winners at the IAP Annual Dinner held on September 29, 2018.



1st prize Rs. 50,000
Muneeb Naeem
IGI General Insurance Ltd.



2nd prize Rs. 25,000
Ayaz Munir
Jubilee General Insurance Company Ltd.



3rd Prize Rs. 7,500
Waqas Mehmood
IGI General Insurance Ltd.



3rd Prize Rs. 7,500
Saniya Salahuddin
EFU General Insurance Ltd.

As per tradition of IAP, plaques were presented by Mr. Muhammad Rahat Sadiq Chairman IAP to members of the insurance fraternity who have made a valuable contribution to the insurance sector: They are:

Mr. Ali Raza D. Habib, Ms. Zehra Naqvi, Mr. Atiq A. Mahmudi and Mr. Arshad P. Rana



Mr. Ali Raza D. Habib



Mr. Atiq A. Mahmudi



Ms. Zehra Naqvi

Jubilee

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ISO 9001:2015
(All functions including Enterprise
Risk Management)
- ★ **FPCCI**
Outstanding Services in Insurance
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Di Amer Basha Dam

Climate change is the biggest environment challenge of our times and Pakistan has also been affected by it. Floods, unprecedented rains, heat waves and droughts, we have seen all in recent times. But for a country of 220 million people, water shortage is something which is the most distressful. According to a recent report by the International Monetary Fund (IMF), Pakistan ranks third in the world among countries facing acute water shortage. Reports by the United Nations Development Programme (UNDP) and the Pakistan Council of Research in Water Resources (PCRWR) also warns that Pakistan will reach absolute water scarcity by 2025, PCRWR reported that Pakistan touched the "water stress line" in 1990 and crossed the "water scarcity line" in 2005. If this situation persists, Pakistan is likely to face an acute water shortage or a drought-like situation in the near future. On top of it, Pakistan cannot save floodwater due to a lack of enough dams.



Keeping the situation in view, Government has decided to initiate Di Amer Basha Dam Project, which will not only contribute to overcome water shortage in the country but will be a major source of flood protection as well. It will also generate 4500MW of Hydel Energy, which is around 20% of country's current power generation capacity.

The project is located on Indus River, about 315 km upstream of Tarbela Dam, 180 km downstream of the Gilgit-Baltistan capital Gilgit and 40 km downstream of Chilas. It will have maximum height of 272 m, and impound a reservoir of about 8.1million acre feet (MAF), with live storage of more than 6.4 MAF. Mean annual discharge of Indus River at the site is 50 MAF. Thus the dam will impound 15% of the annual river flow. The dam project would cover an area of 110 km² and extend 100 km upstream of the dam site up to Raikot Bridge on Karakoram Highway (KKH). Since the dam will be upstream of Tarbela it will add to life of Tarbela Dam about another 35 years as it will take a lot of silt from the river Indus on the way to Tarbela.

Feasibility studies and design of the project have already been completed. Similarly, the land acquisition too has almost been

done. As per design the dam will be of Roller compacted Concrete type, its maximum height will be 272 meters. 2 No. of Diversion Tunnels will be constructed whereas one Diversion Channel will also be provided. 12 number of units each of 375 MW will be installed for power generation; it will contribute 18097 Gwh of electricity annually.

Construction activities of the project will be undertaken through following five lots:

- LOT 1. Concrete Dam and Related Structures including Diversion Tunnels and Permanent Access Bridge
- LOT 2. Underground Works and Related Structures (Left and Right Banks)
- LOT 3. Hydro-Mechanical Equipment and Hydraulic Steel Structural Structures
- LOT 4. Power Plant Generation Equipment (Left and Right Bank)
- LOT 5. Electrical High Voltage Equipment and Power Plant Electrical Equipment (Left and Right Bank)

Water and Power Development Authority (Wapda) has recently received the pre-qualification bids from five joint ventures led by the international companies / groups (Local companies are also part of these ventures) for the construction of main reservoir and appurtenant structures. Now the process to evaluate the bids on certain technical and financial parameters and standards will be started then negotiation with the shortlisted bidders over cost will take place. According to WAPDA civil work on the project will be started by May next year.

Obviously arranging the required funds will be a huge task for Government but there are few other challenges as well, top of which is about 140 km of Karakorum Highway (KKH) will be submerged into the dam catchment. Considering the strategic importance of KKH, an alternative highway has to be constructed prior to beginning of water storage in the reservoir. In addition to that about 32 villages / towns have to be relocated. However, the merits are far more than challenges in comparison. Few of the benefits are listed as under:

- Availability of about 6.4 MAF annual surface water
- Renewable source of clean and cheap energy i.e. 4500 MW
- Extending life of Tarbela reservoir by 35 years by blocking the sediments upstream.
- Carbon Credit Benefits
- Employment opportunities, particularly to the locals during the construction and subsequently in agriculture, industry and the commercial sectors.
- The project will pay back its cost in 8 years

Ideally speaking the Basha Dam should have been built some 30 years ago, but its better late than never; Government should now utilize all its available resources to complete the project.

Asadullah Javeed
Jubilee General Insurance Co. Ltd.

HOW TO SAVE

Water

IN YOUR HOME



Take a shower of
5 minutes or less

save up to
70 litres
per shower



Install a water-saving
toilet flush system

save up to
700 litres
each year



Turn off the tap.
while brushing your teeth

save up to
20 litres
per day



Use a bucket of
water to wash your car

save more than
300 litres
with each wash



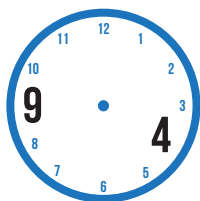
Close taps properly
Don't rinse dishes
under a running tap



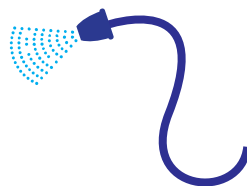
Re-use your bath and
shower water in the
garden



Fix leaking taps,
pipes and toilets

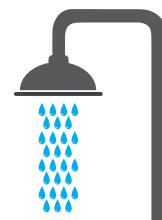


Water gardens on
alternate days before
9am or after 4pm



Hosepipes must be fitted
with turn-off nozzles

Hosepipes are not to be
used on paved areas



Showerheads must
be replaced with
water efficient
ones

Workshop by Aon Reinsurance
September 26 ~ 27, 2018

Aon Pakistan had the honour to once again host a reinsurance workshop, featuring one of the most knowledgeable trainers in the world of reinsurance – Charles Robertson – having over 50 years of training experience. He is based in Singapore and is currently serving as Senior Director Training – Reinsurance at Aon. The workshop held at Avari Towers on 26 and 27 September, 2018 focused on Proportional, Non-Proportional Treaty, their pros and cons and risk analysis.

Participants were awarded with certificates at the end of workshop.



EFU General & EFU Life receives Consumers Choice Award 2018



Mr. Altaf Qamruddin Gokal, Chief Financial Officer, received the award from Mr. Khalid Maqbool Siddiqui, Federal Minister IT & Telecom



Mr. Mustafa Hussain Oonwala, National Sales Director, received the award from Mr. Sardar Masood Khan, President Azad Jammu and Kashmir.

PRCL allowed to conduct window re-takaful operations

The Securities and Exchange Commission of Pakistan (SECP), in exercise of its powers under Takaful Rules, 2012, has authorized the Pakistan Reinsurance Company Limited (PRCL) to conduct window re-takaful operations.

Since its formation in 2002, PRCL is playing its part in the economy as the country's only reinsurance company, offering reinsurance to the general

insurance sector of Pakistan. However, there was no entity in Pakistan which could provide re-takaful cover for the takaful and window takaful operators.

The authorization given to PRCL to conduct window re-takaful operations has opened the doors of new business opportunity for the state owned reinsurer. This will also enable the locally

established takaful operators to obtain re-takaful cover from within Pakistan at competitive terms without outflow of capital from the country in the form of re-takaful premium. Pakistan Reinsurance Company Limited is rated AA by JCR VIZ and authorization to conduct re-takaful operations will pave the way not only for its future growth, but also for insurance and the takaful sector of Pakistan.

Last date for submission of case studies has been extended to **November 30, 2018**

CASE STUDY COMPETITION 2018



For further enquiries you may contact the office of the Institute located at 30-B, Lalazar Drive, M.T. Khan Road, Karachi
Phone: 35611063-64



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Workshops

Bancassurance

July 19, 2018

A half day workshop on “Bancassurance” was held on July 19, 2018 at the Institutes premises. The work shop was conducted by Mr. Furqan Ahmed Head of Training – Bancassurance EFU life Assurance Ltd . Following introduction to Bancassurance, its role as an effective distribution channel for insurance products was emphasized and explained in a simple manner. Different Bancassurance operative models were discussed and questions related to the models were ably handled by the presenter. Workshop concluded with explanation of the ‘Five Laws of Sales’ for Bancassurance products.

Overall the workshop was interactive and well received by the participants and the feedback was very positive.



Effective Communication

September 5, 2018

A half day workshop on Effective Communication Skills was held in Karachi on September 5, 2018 at the premises of the Pakistan Insurance Institute. The workshop was conducted by Mr. Furqan Ahmed Head of Training – Bancassurance EFU life Assurance Ltd. The workshop got a very positive response from various insurance companies attended the workshop.

The workshop was very interactive and well received by the participants. The feedback was very positive; a dry concept was presented in a very simple and interesting manner.



CORPORATE SNAKES & LADDERS

