

OVERVIEW OF GENERAL INSURANCE OPERATIONS

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AWARD IN GENERAL INSURANCE

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Chartered
Insurance
Institute
Standards. Professionalism. Trust.

Award in General Insurance WO1

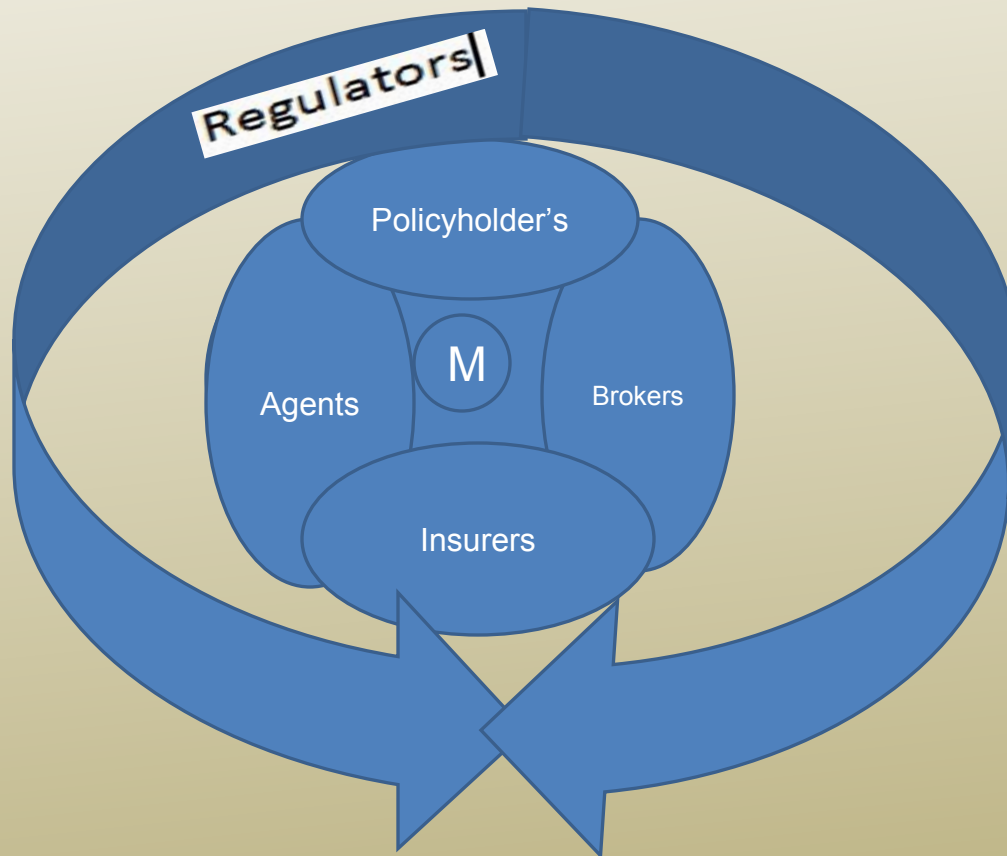
AWARD IN GENERAL INSURANCE

- 1. Risk and Insurance**
- 2. The Insurance Market**
- 3. Contract and Agency**
- 4. Insurable interest**
- 5. Disclosure and representation**
- 6. Proximate Cause**
- 7. Indemnity**
- 8. Contribution and Subrogation**
- 9. Insurance Regulation**
- 10. Ethics Corporate Governance and internal Controls**

WHAT WE WILL COVER TO AND HOW?

- Overview of insurance Operations in Pakistan.
 - ❖ Risk and Insurance
 - ❖ Insurance Market structure – Players in the market
 - ❖ Legal Principles
- How - through a Policy visit , Case scenario , Group discussions and MCQs

INSURANCE OPERATION



INSURANCE / TAKAFUL INDUSTRY IN PAKISTAN

INDUSTRY OVERVIEW



Source: SECP insurance Industry Statistics
2023

Insurance Penetration **0.79%**

Insurance Density **Rs. 3,205**

41 Insurers

Main Distribution Channel in terms of Premium Percentage



Sales Force / Agency Channel Premium

98% of Public Sector premium
35% of Private Sector premium

Banca Channel Premium

1.6% of Public Sector premium
51% of Private Sector premium



Sales Force / Agency Channel Premium

48% of total premium

Direct Channel Premium

34% of total premium

27
Non-Life Insurers

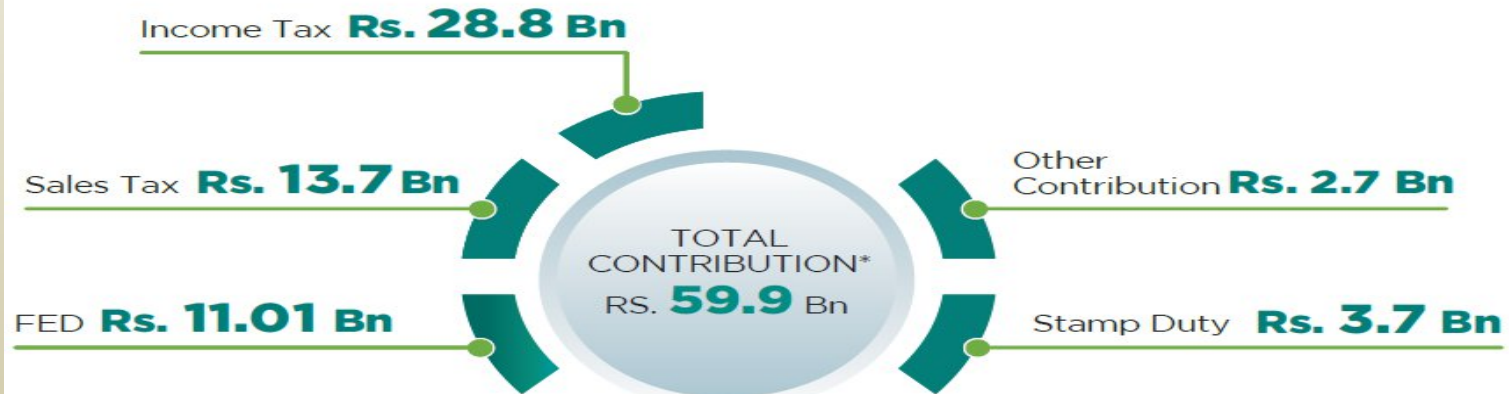
2
General Takaful Operators

8
Life Insurers

3
Family Takaful Operators

1
Reinsurer

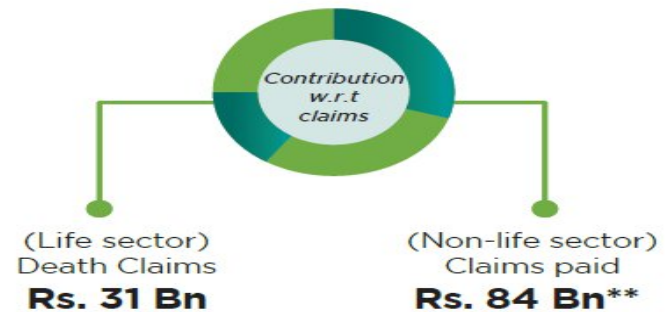
CONTRIBUTION TO NATIONAL ECONOMY



EMPLOYMENT PROVISION

No. of Employees **20,018**

Sales Agents other than employees **233,806**



INDUSTRY OVERVIEW

TAKAFUL SECTOR



**FAMILY TAKAFUL
INDUSTRY PREMIUM**

**RS. 48
BILLION**

**FAMILY TAKAFUL PREMIUM
AS PERCENTAGE OF TOTAL
LIFE INSURANCE INDUSTRY
PREMIUM**

12%

**GENERAL TAKAFUL
INDUSTRY PREMIUM**

**RS. 25
BILLION**

**GEN. TAKAFUL PREMIUM
AS PERCENTAGE OF TOTAL
NON-LIFE INSURANCE
INDUSTRY PREMIUM**

11%

- In Family Takaful Segment, 97.7% of the contribution was written by private sector.
- In General Takaful Segment, 100% of the takaful contribution was written by private sector

NON-LIFE INSURANCE / GENERAL TAKAFUL INDUSTRY-WIDE KEY INFORMATION

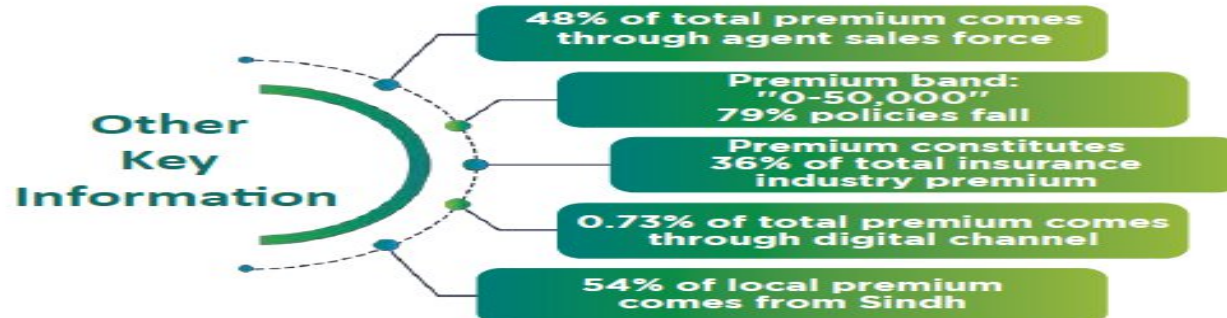


Sector Wise Premium Distribution

Private 86%

Public 14%

Premium Distribution			
2023		2022	
Conventional	Takaful	Conventional	Takaful
Rs. 202 Bn	Rs. 25 Bn	Rs. 157 Bn	Rs. 21 Bn



NON-LIFE INSURANCE / GENERAL TAKAFUL

GROSS WRITTEN PREMIUM - CHANNEL WISE DISTRIBUTION

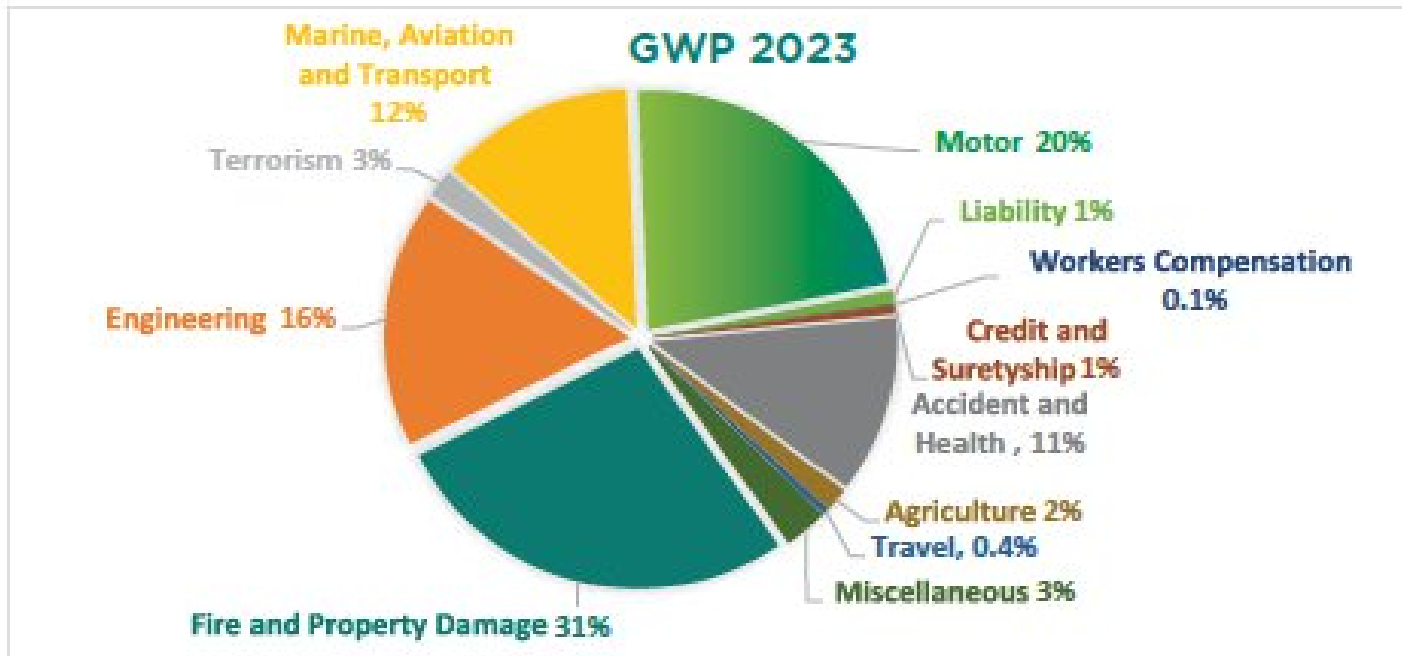
Agency / sales force channel and direct channel continued as being the primary distribution channels of non-life insurance industry in the year 2023, contributing to 83% of total premium written.



Premium collection (Digital vs Conventional Channel)



NON LIFE INSURANCE/GENERAL TAKFUL – GWP 2023



INSURANCE COMPANIES

LIST OF COMPANIES THAT SUBMITTED DATA

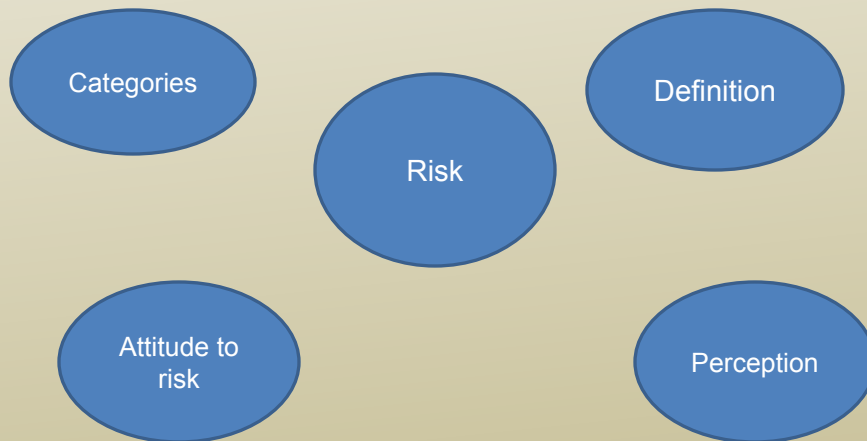
Non-Life Insurers/ General Takaful Operators

01	Adamjee Insurance Company Limited	16	National Insurance Company Limited
02	Alfalah Insurance Company Limited	17	Pak Qatar General Takaful Limited
03	EFU Health Insurance Limited	18	Premier Insurance Limited
04	Alpha Insurance Company Limited	19	Reliance Insurance Company Limited
05	Asia Insurance Company Limited	20	Security General Insurance Company Limited
06	Askari General Insurance Company Limited	21	Shaheen Insurance Company Limited
07	Atlas Insurance Limited	22	Sindh Insurance Limited
08	Century Insurance Company Limited	23	Salaam Takaful Limited
09	Chubb Insurance Pakistan Limited	24	The Co-Operative Insurance Society
10	Crescent Star Insurance Company Limited	25	The United Insurance Company of Pakistan Limited
11	EFU General Insurance Limited	26	The Universal Insurance Company Limited
12	East West Insurance Co. Limited	27	TPL Insurance Limited
13	Habib Insurance Company Limited	28	Trafco Insurance Company Limited
14	IGI General Insurance Limited	29	UBL Insurers Limited
15	Jubilee General Insurance Company Limited		

Life Insurers/ Family Takaful Operators

01	Adamjee Life Assurance Company Limited
02	Askari Life Assurance Company Limited
03	Dawood Family Takaful Limited
04	EFU Life Assurance Company Limited
05	IGI Life Insurance Limited
06	Jubilee Life Insurance Company Limited
07	Pak-Qatar Family Takaful Limited
08	State Life Insurance Corporation of Pakistan
09	TPL Life Insurance Limited
10	5th Pillar Family Takaful Limited

WHAT IS RISK?



CATEGORIES OF RISKS

Financial and Non Financial

- The term '*financial risk*' relates to the outcome rather than the nature of the risk itself.
- A '*Non financial risk*' is the one where outcome is not measurable in monetary terms. No value can be placed on the outcome

Pure and Speculative

Pure risk – No possibility of profit as far as policy holder is concerned

Particular and Fundamental

FEATURES OF INSURABLE RISK

- The event insured against must be fortuitous
- There must be an insurable interest
- Insuring the risk must not be against public Policy
- There should be homogenous exposures.

COMPONENTS OF RISK

- **Uncertainty**
- **Level of Risk** (Frequency and severity)
- **Peril or Hazard.**

Peril is that which gives rise to a loss

Hazard is that which influences the operation of the perils.

INSURANCE AS RISK TRAN MECHANISM

- Risk Management.
 - Identification
 - Analysis
 - Control

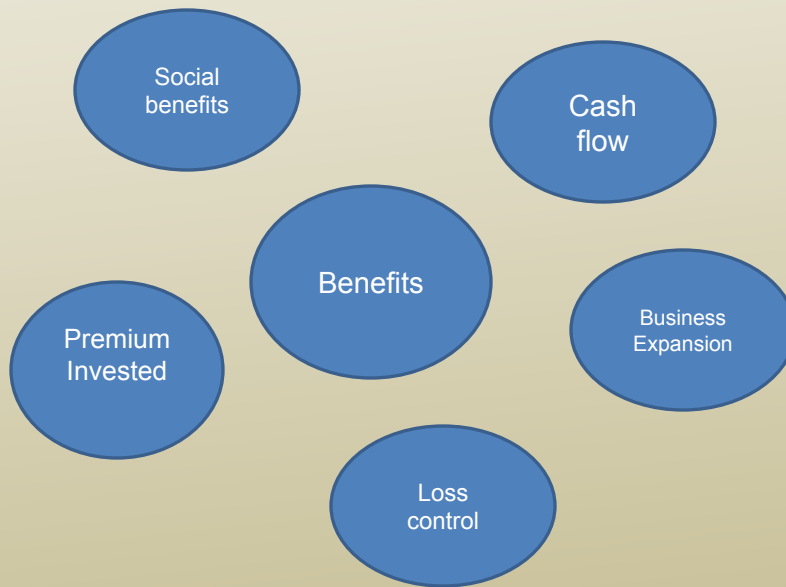
POOLING OF RISK

- Principle – losses of few paid/ shared by many)
- Law of large number
- Equitable premium

TYPES OF INSURANCE

- Self Insurance
- Co – Insurance
- Dual Insurance
- Reinsurance

BENEFITS OF INSURANCE



INSURANCE MARKET

- **There are three major players in the non life insurance market.**
 - 1. Buyers**
 - 2. Intermediaries**
 - 3. Seller**

INSURANCE MARKET

Distribution Channels:

1. Direct Sales Force

2. Bancassurance

Bancassurance, is a relationship between a bank and an Insurance company, aimed at offering insurance products or insurance benefits to the bank's customers.

3. Websales

Websales Marketing refers to advertising and marketing efforts that use the Web and email to drive direct sales via electronic commerce, in addition to sales leads from websites or emails.

4. Telesales

Telesales is the selling of a company's products and services by telephone, either by calling potential customer or by answering calls from customers.

5. InsureTech and its role

TYPES OF INSURANCE

- Self Insurance
- Co – Insurance
- Dual Insurance
- Reinsurance

CONTRACT & AGENCY

Essentials of a valid contract

- Offer & acceptance
- Consideration
- Cancellation of Insurance contracts

Insurers right to cancel

Policyholder's right to cancel

CONTRACT & AGENCY

Agency – contract and Agent

Duties of Agents

Duties of Principal

Consequence of an Agents action

LEGAL PRINCIPLES

Insurable interest

- the **legal right to insure...**
- ...arising out of a **financial relationship recognized at law...**
- ...between the insured person and the ***subject-matter of insurance.***

Utmost good faith

Proximate cause

- For a cause to be seen as the proximate cause of a loss it must be the **dominant cause and**
- there must be a direct link between it and the **resulting loss.**

LEGAL PRINCIPLES

Indemnity

Contribution &

- **Subrogation** is the right of an insurer to reclaim a debt from a third party that has caused its
- policyholder to experience a loss. For example, if an insured driver is in an accident through
- the fault of another driver, once the insurer has indemnified the insured driver it can take
- legal action against the driver who was at fault.

SAMPLE POLICY SCHEDULE

- **TYPE:** Fire & Lightning
- **INSURED:** ABC
- **Policy Period :**
- **ADDRESS:** -----

ORIGINAL INSURED: Section 1

- Bank A/c ABCEach for their respective rights and interests
- **Property insured :**
- **LIMIT OF LIABILITY:**
- **DEDUCTIBLES:**

PROPOSAL FORM

- **MOTOR INSURANCE - PROPOSAL FORM**
- **IMPORTANT:** You are requested to disclose in this Proposal Form the correct information and the entire facts you ought to know. Otherwise, the policy would stand void.
- **PERIOD OF INSURANCE:**
- **From:** _____ **to** _____
- **1) THE PROPOSER (YOURSELF)**
- **a) Name of Proposer (in full)**
- **b) Address**
- **Phone Number (home):** _____ **Mobile Number:** _____
- **Email:** _____ **Fax Number:** _____
- **c) Precise Business or Profession**
- _____
- **d) Date of Birth:** _____ **CNIC No:** _____
- **e) Registration No:** _____ **NTN No:** _____
- **f) Passport No / NICOP (for overseas):** _____ **Validity of Driving License:** _____
- **g) Type of Driving License Owned:** _____
- **2) PARTICULARS OF CAR TO BE INSURED**

PROPOSAL FORM

- **INSURANCE STATUS**

- Are you currently or have ever been insured in respect of any motor vehicle? If so, please state names of insurance Companies. ____

- **8) DECLARATION**

- I declare that to the best of my knowledge and belief

- a) Everything I have specified above is true

- b) All material particulars affecting the assessment of the risk have been disclosed

- c) The car is in a sound and roadworthy condition; I clearly understand that **“Pre-Existing Damages” will not be covered in my aforesaid Insurance policy.**

- Pre-Existing Damages if any: _____

- d) I have made sure of existence of **“INSURABLE INTEREST”**, where vehicle **“Registration Ownership”** and **“INSURED PERSON”** should **be the same, or else, Claim will not be entertained.**

- I agree that this proposal and declaration shall be the basis of the contract between me and the company shall be deemed to be the incorporated in such contract. I undertake that the car or cars to be insured shall not be driven by any person who to my knowledge has been refused any motor vehicle insurance or continuance thereof.

- **Date:** _____ **Proposer Signature:** _____

- **NOTE: INSURANCE POLICY AND COVER SHALL NOT BE EFFECTIVE, UNTIL THIS PROPOSAL HAS BEEN ACCEPTED BY THE COMPANY AND THE PREMIUM PAID, EXCEPT AS PROVIDED BY OR IF ANY OFFICIAL COVER NOTE IS ISSUED BY THE COMPANY.**

CASE STUDY

- **Scenario: Fire Damage to Commercial Property**

- **Facts**

ABC Ltd. owns a warehouse insured under a property insurance policy with XYZ Insurance Co. The policy covers fire damage with a sum insured of Rs 500,000. A fire occurs due to an electrical fault, causing Rs 400,000 worth of damage to the building and Rs100,000 in damage to its contents.

- Upon investigation, it's discovered that the warehouse's total value (building + contents) is Rs.1,000,000, How much amount to be Paid to insured. Give final settlement amount with reasons.

Thank You

LEGAL PRINCIPLES

- **Legal Principles of Insurance**
- **Principle of Utmost Good Faith (Uberrima Fides a latin phrase)**
 - Disclosure of Material Facts
 - Consequences of Non-Disclosure
- **Principle of Insurable Interest**
 - Definition and Examples
 - When Insurable Interest Must Exist
- **Principle of Indemnity**
 - Definition and Practical Application
 - Limitations and Exceptions

LEGAL PRINCIPLES

- **Principle of Subrogation**
 - Rights Transferred to Insurer
 - Practical Examples
- **Principle of Contribution**
 - When and How it Applies
 - Methods of Contribution
- **Principle of Proximate Cause (Causa proxima – latin phrase)**
 - Determining the Nearest Cause of Loss
 - Case Studies