GOVERNMENT OF PAKISTAN
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Islamabad, the 9th November, 2016

NOTIFICATION

S.R.O. 1045 (I)/2016.—In exercise of the powers conferred under section 40B read with clause (u) of subsection (4) and clauses (fa), (fb), (fc) & (g) of subsection (6) of section 20 of the Securities and Exchange Commission of Pakistan Act, 1997 (Act No. XLII of 1997), and clause (f) of sub-section (1) of section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), and in supersession of the S.R.O. 68(I)/2003 dated 24th January 2003 and the S.R.O. 160(I)/2016 dated 26th February 2016, the Securities and Exchange Commission of Pakistan is pleased to issue the Code of Corporate Governance for Insurers, 2016 as under, namely :—

CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

Applicability

(i) The provisions of this Code shall apply to insurer as defined under clause (xxxi) of section 2 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) as per the Schedule of Applicability given in Annexure III hereof.

(ii) The provisions / conditions laid down herein shall be in addition to the provisions / conditions imposed by the Code of Corporate Governance, 2012 (for listed companies) or the provisions of the Public Sector Companies (Corporate Governance) Rules, 2013 (for public sector companies). However, the provisions of more stringent law shall prevail.

Composition of the Board of Directors

(iii) An insurer, in so far as applicable, shall encourage effective representation of independent non-executive directors, including those representing minority interests (if applicable), on its Board of Directors so that the Board as a group includes core competencies and diversity, including gender, considered relevant in the context of that insurer. For the purpose, insurer may take necessary steps such that:

(a) the Board of Directors of the insurer includes preferably one third of the total members of the Board as independent director(s). The Board shall state in the annual report (i.e. along with the annual audited financial statements, auditor's report and directors' report thereon) the names of the non-executive, executive and independent director(s).

Explanation.—For the purpose of this clause, the expression "independent director" means a director who is not connected or does not have any other relationship, whether pecuniary or otherwise, with the insurer, its associated companies, subsidiaries, holding company or directors. The test of independence principally emanates from the fact whether such person can be reasonably perceived as being able to exercise independent business judgment without being subservient to any form of conflict of interest.

Provided that without prejudice to the generality of this explanation, no director shall be considered as independent if one or more of the following circumstances exist:

- He/she has been an employee of the insurer, any of its subsidiaries or holding company within the last three years;

- He/she is or has been the Chief Executive Officer of subsidiary, associated company, associated undertaking or holding company during the last three years;

- He/she has, or has had within the last three years, a material business relationship with the insurer either directly, or indirectly as a partner, major shareholder or director of a body that has such a relationship with the insurer:

  Explanation: The major shareholder means a person who, individually or in concert with his family or as part of a group, holds 10% or more shares having voting rights in the paid-up capital of the insurer;

- He/she has received remuneration in the three years preceding his/her appointment as a director or receives additional remuneration, excluding retirement benefits from the insurer apart from a director's fee or has participated in the insurer's share option or a performance-related pay scheme;

- He/she is a close relative of the insurer's promoters, directors or major shareholders:

  Explanation: close relative means spouse(s), lineal ascendants and descendants and siblings;

- He/she holds cross-directorships or has significant links with other directors through involvement in other companies or bodies; and

- He/she has served on the Board for more than three consecutive terms from the date of his first appointment provided that such person shall be deemed "independent director" after a lapse of one term.

Any person nominated as a director under sections 182 and 183 of the Companies Ordinance, 1984 shall not be taken to be an "independent director" for the above-said purposes.

Professional indemnity insurance cover in respect of independent directors shall be recommended.

(b) executive directors, *i.e.* working or whole time directors, are not more than one third of the elected / appointed / nominated directors including the Chief Executive Officer.

(iv) The directors of an insurer shall, at the time of filing their explicit consent to act as such, give a declaration in such consent that they are aware of their obligations, fiduciary duties and

powers under the relevant law(s) and the insurer's Memorandum and Articles of Association.

Qualification and Eligibility to Act as a Director

(v) No insurer shall have as a director, a person who is serving as a director of more than seven listed companies simultaneously.

Provided that this limit shall not include the directorships in the listed subsidiaries of a listed holding company in which such person is a director.

(vi) No person shall be appointed as a director of an insurer if he/she-

(a) is a minor;
(b) is of unsound mind;
(c) has applied to be adjudicated as an insolvent and his application is pending;
(d) is an undischarged insolvent;
(e) has been convicted by a court of law for an offence involving moral turpitude;
(f) has been debarred from holding such office under any applicable law;
(g) has betrayed lack of fiduciary behavior and a declaration to this effect has been made by the Court at any time during the preceding five years;
(h) has been placed on exit control list or has entered into a plea bargain with the National Accountability Bureau; or
(i) is not a member.

Provided that clause (i) shall not apply in the case of—

(i) a person representing the Government or an institution or authority which is a member;
(ii) a whole-time director who is an employee of the insurer;
(iii) the Chief Executive Officer; or
(iv) a person representing a creditor.

Explanation: For the purpose of clause (h) above, the proposed director shall provide an affidavit to the insurer, on whose Board he/she is to be appointed, confirming the placement / non-placement of his/her name on the exit control list, and the status as to whether he/she has entered into a plea bargain with the National Accountability Bureau, which shall be filed with the Securities and Exchange Commission of Pakistan along with the application for seeking approval under the Insurance Companies (Sound and Prudent Management) Regulations, 2012.

All existing directors of an insurer shall also provide the said affidavit to that insurer, which shall be filed with the Securities and Exchange Commission of Pakistan within a period of one month from the date of coming into effect of this Code.

(vii) No person shall be appointed, elected or nominated as a director of an insurer unless his appointment has been approved by the Securities and Exchange Commission of Pakistan under the Insurance Companies (Sound and Prudent Management) Regulations, 2012. This requirement cannot be relaxed in exercise of the powers conferred by this Code.

Casual Vacancy in the Board

(viii) Any casual vacancy in the Board of Directors of an insurer shall be filled up by the directors at the earliest but not later than ninety (90) days from the date of occurrence of the casual vacancy.

(ix) The person filling up the casual vacancy shall not assume the charge until the approval of the Securities and Exchange Commission of Pakistan in terms of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 is obtained. This requirement cannot be relaxed in exercise of the powers conferred by this Code.

Responsibilities, Powers and Functions of Board of Directors

(x) The directors of an insurer shall exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of that insurer and its policyholders.

(xi) The insurer shall ensure that:

(a) Professional standards and corporate values are put in place that promote integrity for the Board, senior management and other employees in the form of a Code of Conduct, defining therein acceptable and unacceptable behaviors. The Board shall take appropriate steps to disseminate Code of Conduct throughout the insurer along with supporting policies and procedures and these shall be put on the insurer's website;

(b) The Board of Directors adopts a vision/mission statement and overall corporate strategy for the insurer and also formulate significant policies, having regard to the level of materiality, as may be determined by it;

Explanation.— Significant policies for this purpose may include:

- Product development;
- Underwriting procedures (including ways to ensure compliance with Anti Money Laundering Laws through effective KYC/CDD (know your customer / customer due diligence));
- Claims lodging and settlement procedures (covering stringent timelines);
- Policy servicing;
- Reinsurance policy covering adequacy of class-wise reinsurance arrangements and maximum risk exposure limits in each class of insurance business;
- Risk management;
- Human resource management including preparation of a succession plan;
- Procurement of goods and services;
- Marketing;
- Determination of terms of credit and discount to customers;
- Premium collection and recovery of receivable premiums (if any);
- Write off of bad/doubtful debts, advances and receivables;
- Agency management (including bancassurance) covering the appointment and payment to agents;
- Acquisition/disposal of fixed assets;

- Investments;
- Borrowing of moneys and the amount in excess of which borrowings shall be sanctioned/ratified by a general meeting of shareholders;
- Donations, charities, contributions and other payments of a similar nature;
- Determination and delegation of financial powers;
- Transactions or contracts with associated companies and related parties;
- Health, safety and environment;
- Level of underwriting as well as administrative expenses; and
- Remuneration policy for the directors and the senior management (including the Chief Executive Officer), key officers and other employees of the insurer. It shall also periodically review and adjust the remuneration policy in accordance with changes in the corporate strategies and the business environment. The remuneration policy shall be formulated so as to nullify the induction of excessive or inappropriate risk taking and which is in-line with the identified risk appetite and long term interests of the insurer and the stakeholders (including the insurance policyholders).

A complete record of particulars of the above-mentioned policies along with the dates on which they were approved or amended by the Board of Directors shall be maintained and kept at the registered office of the insurer.

(c) The Board of Directors shall define the level of materiality, keeping in view the specific circumstances of the insurer and the recommendations of any technical or executive sub-committee of the Board that may be set up for the purpose;

(d) The following powers are exercised by the Board of Directors on behalf of the insurer and decisions on material transactions or significant matters are documented by a resolution passed at a meeting of the Board:

(i) determination of the nature of loans and advances made by the insurer and fixing a monetary limit thereof;

(ii) write-off of bad debts, advances and receivables, other assets and determination of a reasonable provision for doubtful debts; and

(iii) determination of the terms of and the circumstances in which a law suit may be compromised and a claim/right in favour of the insurer may be waived, released, extinguished or relinquished;

(e) Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors of the insurer are determined and approved by the Board of Directors;

(f) The Board of Directors shall formulate a comprehensive proxy voting policy for institutional investors covering, at a minimum, the areas such as election of directors, appointment of auditors, changes in legal and capital structure, proposals effecting shareholders' rights, corporate restructuring, mergers and acquisitions. The policy shall address the following aspects:

(i) Authority and responsibility for voting proxies;
(ii) Voting procedures;
(iii) Internal participants to be consulted in evaluation of a proxy proposal;
(iv) Procedure and controls for avoidance or minimization of conflicts of interest;
(v) Disclosure of conflict of interest;
(vi) Record keeping of proxy voting;
(vii) System to monitor proxy-voting responsibilities;
(viii) Circumstances under which proxies shall not be voted; and
(ix) Disclosure of proxy voting.

(xii) The Chairman and the Chief Executive Officer, by whatever name called, shall not be the same person except where provided for under any other law. The Chairman of an insurer shall be elected from among the non-executive directors of the insurer. The Chairman shall be responsible for leadership of the Board and shall ensure that the Board plays an effective role in fulfilling all its responsibilities. The Board of Directors shall clearly define the respective roles and responsibilities of the Chairman and Chief Executive Officer.

Internal Control

(xiii) The Board of Directors must establish a system of sound internal control, which is effectively implemented at all levels within the insurer;

Internal control system of an insurer shall include the following aspects:

(a) *Checks and balances.*— The insurer shall institute policies and procedures such as requiring the separation of critical functions (e.g. risk management, underwriting (subject to the relevant provisions of the Insurance Ordinance, 2000), investment, claims handling, internal audit and compliance with statutory rules and regulations, cross checking of documents, dual control of assets and double signatures on certain documents, etc. to ensure checks and balances within the insurer);

(b) Internal control shall also cover the following aspects:

(i) oversight of division of responsibilities between the Board and/or members of the Board and third party service providers;

(ii) oversight of custody or other arrangements put in place to safeguard the assets of the insurer and to review from time to time, if thought appropriate, the internal controls of such service providers;

(iii) an annual oversight of compliance issues at each Board meeting;

(iv) where an insurer carries on business overseas, the Board must ensure that there are systems and controls in place to maintain a sound and verifiable system of reporting to its head office;

(v) establish signing authorities and bank mandates with regard to the assets of the insurer, which shall be reviewed regularly; and

(vi) prudential oversight in respect of insurance matters, including:

(a) Controls for underwriting risks;
(b) Valuation of technical provisions;
(c) Investment and liquidity management;
(d) Reinsurance, including the credit standing of reinsures; and
(e) Monitoring and ensuring the adequacy of its capital resources and ability to demonstrate at all times compliance with the solvency margin requirement.

Meetings of the Board

(xiv) The Company Secretary shall be the secretary to the Board of Directors, who shall facilitate the Board in convening its meetings, and fairly and accurately recording the minutes of all such meetings.

(xv) The Chairman of an insurer, if present, shall preside over meetings of the Board of Directors.

(xvi) The Board of Directors of an insurer shall meet at least once in every quarter of the financial year. Written notices (including agenda) of the meetings shall be circulated not less than seven (7) days before the meetings, except in the case of emergency meetings, where the notice period may be reduced or waived.

(xvii) The Chairman of an insurer shall ensure that minutes of meetings of the Board of Directors are appropriately recorded. The minutes of meetings shall be circulated to directors and officers entitled to attend Board meetings not later than fourteen (14) days thereof, unless a shorter period is provided in the insurer's Articles of Association.

In the event that a director of an insurer is of the view that his/her dissenting note has not been satisfactorily recorded in the minutes of a meeting of the Board of Directors, he/she may refer the matter to the Company Secretary. The director may require the note to be appended to the minutes, failing which he/she may file an objection with the Securities and Exchange Commission of Pakistan, within thirty (30) days of the confirmation of the minutes of the meeting, in the form of a statement to that effect.

Significant Issues to be Placed for Decision by Board of Directors

(xviii) In order to strengthen and formalize corporate decision-making process, significant issues shall be placed for the information, consideration and decision of the Board of Directors of insurer.

Significant issues for this purpose may include:

(a) annual business plan, cash flow projections, forecasts and long term plans;

(b) budgets including capital, manpower and overhead budgets;

(c) quarterly operating results of the insurer as a whole and in terms of its operating divisions or business segments;

(d) internal audit reports, including cases of fraud or irregularities of a material nature;

(e) management letter issued by the external auditors;

(f) details of joint venture or collaboration agreements or agreements with distributors, agents, etc.;

(g) promulgation or amendment of a law, rule or regulation, enforcement of an accounting standard and such other matters as may affect the insurer;

(h) status and implications of any law suit or proceedings of material nature, filed by or against the insurer;

(i) any show cause, demand or prosecution notice received from revenue or regulatory authorities, which may be material;

(j) default in payment of principal and/or interest, including penalties on late payments and other dues, to a creditor, bank or financial institution or default in payment of public deposit and policyholders' claims;

(k) failure to recover material amounts of loans, advances, and deposits made by the insurer, including trade debts, inter-corporate finances and agents' balances;

(l) any adverse judgment or order made on the conduct of the insurer or of another company that may bear negatively on the insurer;

(m) payment for goodwill, brand equity or intellectual property; and

(n) report on governance, risk management and compliance issues. Risks considered shall include reputational risk and shall address risk analysis, risk management and risk communication.

Orientation Courses

(xix) The insurer shall make appropriate arrangements to carry out orientation courses for its directors to acquaint them with their duties and responsibilities and enable them to manage the affairs of the insurer on behalf of shareholders (policyholders in the case of mutual insurer, which are the members of such insurer).

Chief Financial Officer, Company Secretary and Head of Internal Audit

(xx) *Appointment* and *Approval.*—It shall be mandatory for the insurer to appoint Chief Financial Officer, Company Secretary and Head of Internal Audit, who shall preferably be different persons. However, the Head of Internal Audit shall not, in any way, be among any of the heads of the other functions / departments, the Company Secretary and the Chief Financial Officer.

The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, the Company Secretary and the Head of Internal Audit of insurer shall be determined by the Board of Directors.

The removal of the Chief Financial Officer or the Company Secretary of insurer shall be with the approval of the Board of Directors.

The removal of the Head of Internal Audit shall be made with the approval of the Board only upon recommendation of the Chairman of the Audit Committee:

Explanation: For this purpose, the term removal shall include non-renewal of contracts of the Chief Financial Officer, Company Secretary and Head of Internal Audit.

Qualification of Chief Financial Officer and Head of Internal Audit

(xxi) No person shall be appointed as the Chief Financial Officer of an insurer unless he has at least three (3) years of experience of being engaged in or employed in a public practice (audit / accounting), or in managing financial or corporate affairs function of a company, and:

(a) is a member of a recognized body of professional accountants; or

(b) has a postgraduate degree in finance from a recognized university or equivalent.

Provided that individual serving as Chief Financial Officer of an insurer for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

(xxii) No person shall be appointed as Head of Internal Audit of an insurer unless he has at least three (3) years of relevant experience in audit or finance or compliance function, and is:

(a) member of a recognized body of professional accountants; or

(b) a Certified Internal Auditor; or

(c) a Certified Fraud Examiner; or

(d) a Certified Internal Control Auditor.

Provided that individual serving as Head of Internal Audit of an insurer for the last five years at the time of coming into effect of this Code shall be exempted from the above qualification requirement.

Requirement to Attend Board Meetings

(xxiii) The Chief Financial Officer and the Company Secretary of an insurer shall attend meetings of the Board of Directors:

Provided that unless elected / appointed / nominated as a director, the Chief Financial Officer or the Company Secretary shall not be deemed to be a director or entitled to cast a vote at meetings of the Board of Directors for the purpose of this clause.

Provided further that the Chief Financial Officer and/or the Company Secretary shall not attend such part of a meeting of the Board of Directors, which involves consideration of an agenda item relating to the Chief Financial Officer, Company Secretary, Chief Executive Officer or any director.

Corporate and Financial Reporting Framework

(xxiv) The Directors' Report to shareholders.— The directors of insurer shall include statements to the following effect in the Directors' Report, prepared under section 236 of the Companies. Ordinance, 1984:

(a) The financial statements, prepared by the management of the insurer, present fairly its state of affairs, the result of its operations, cash flows and changes in equity;

(b) Proper books of account of the insurer have been maintained;

(c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

(d) International Accounting Standards, International Financial Reporting Standards or any other regulation or law (including but not limited to the Shariah guidelines / principles) as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed;

(e) The system of internal control is sound in design and has been effectively implemented and monitored;

(f) There are no significant doubts about the insurer's ability to continue as a going concern;

(g) There has been no material departure from the best practices of corporate governance;

The Directors' Report of insurer shall also include the following, where necessary:

(h) If the insurer is not considered to be a going concern, the fact along with reasons shall be disclosed;

(i) Significant deviations from last year in operating results of the insurer shall be highlighted and reasons thereof shall be explained;

(j) Key operating and financial data of last six years shall be summarized;

(k) Where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same shall be disclosed;

(l) Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations, shall be outlined along with future prospects, risks and uncertainties surrounding the insurer;

(m) A statement as to the value of investments of provident, gratuity and pension funds, based on their respective audited accounts, shall be included;

(n) The number of Board meetings held during the year and attendance by each director

shall be disclosed;

(o) The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name-wise details where stated below) held by:

- associated companies, undertakings and related parties (name-wise details);
- NIT;
- directors, Chief Executive Officer and their spouse and minor children (name-wise details);
- executives;
- public sector companies and corporations;
- banks, Development Finance Institutions, Non-Banking Finance Institutions, insurers, modarabas and mutual funds; and
- shareholders holding five percent or more voting interest in the insurer (name-wise details).

Frequency of Financial Reporting

(xxv) The quarterly unaudited financial statements of insurer shall be prepared and circulated along with Directors' Review Report on the affairs of the insurer for the quarter, which shall disclose the following:

- State of Company's affairs;
- Business overview with Summary of operational results;
- Reasons for incurring loss and a reasonable indication of future prospects of profit, if any;
- The amount of interim dividend declared by the directors;
- The earning per share;
- Any material information affecting the financial position of the insurer which has occurred between the end of the quarter and the date of the report;
- Defaults in payment of debts, if any; and
- Future outlook of the insurer.

(xxvi) The insurer shall ensure that half-yearly financial statements are subjected to a limited scope review by the statutory auditors in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Securities and Exchange Commission of Pakistan.

(xxvii) The insurer shall ensure that the annual audited financial statements are circulated not later than four months from the close of the financial year unless an extension in terms of sub-section (1) of section 51 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) is granted by the Securities and Exchange Commission of Pakistan, in which case the insurer shall circulate the said financial statements on or before the expiry of such extension.

Annual Reviews and Compliance Procedures

(xxviii) At least annually:

(a) the Board shall review the Strategic Objectives of the insurer;

(b) the Board shall review and monitor key Operational Risks; and

(c) the key officers and the directors shall declare to the Board all conflicts of interest.

Compliance Officer

(xxix) Every insurer shall put in place a Compliance Program to ensure that all relevant laws are complied with, in letter and spirit, and, thus, minimize legal and regulatory risks. For this purpose, the Board of Directors shall appoint/designate a suitably qualified and experienced person as Compliance Officer on a countrywide basis, who may be assisted by other compliance officers down the line. The Head of Compliance will report to the Board of Directors of the insurer through the Risk Management & Compliance Committee on all major issues and on such other non-major matters and at such frequency as the Board may determine, however, in all other routine matters, the Compliance Officer will report to the Chief Executive Officer. The Compliance Officer will primarily be responsible for insurer's effective compliance relating to:

(a) Insurance Ordinance, 2000 and the Rules and Regulations made thereunder;
(b) Companies Ordinance, 1984 and the Rules and Regulations made thereunder;
(c) Listing Regulations, in case of listed insurers; and
(d) Anti-money laundering laws, Rules and Regulations, and related Directives.

(xxx) The Board of Directors of an insurer is, however, free to add other areas of compliance under the responsibilities of Compliance Officer, in consultation with the Risk Management & Compliance Committee.

(xxxi) The Compliance Officer will:

(a) serve as a contact point between Chief Executive Officer and senior management, with regard to functioning of the compliance program; and
(b) provide assistance in this area to branches and other departments of the insurer.

Furthermore, an insurer should put in place, in writing, a complete program of compliance down the line under the supervision of a Compliance Officer.

Responsibility for Financial Reporting and Corporate Compliance

(xxxii) No insurer shall circulate its financial statements unless the Chief Executive Officer and the Chief Financial Officer present the financial statements, duly endorsed under their respective signatures, for consideration and approval of the Board of Directors and the Board, after consideration and approval, authorize the signing of financial statements for issuance and circulation.

(xxxiii) The Company Secretary of an insurer shall furnish a Secretarial Compliance Certificate as part of the annual return filed with the Securities and Exchange Commission of Pakistan to certify that the secretarial and corporate requirements of the Insurance Ordinance, 2000 (including the Rules and Regulations made thereunder), and the Companies Ordinance, 1984 (including the Rules and Regulations made thereunder) and/or the listing regulations (in case of a listed insurer) applicable onto that insurer, have been duly complied with. Any deviations from or non-compliances of the said laws shall also be disclosed separately in

the aforesaid Certificate.

Auditors and Actuaries not to Hold Shares

(xxxiv) Insurer shall ensure that the firm of external auditors or any partner in the firm of external auditors and his/her spouse and minor children do not at any time hold, purchase, sell or take any position in shares of the insurer or any of its associated companies or undertakings:

Provided that where a firm or a partner or his/her spouse or minor child owns shares in an insurer, being the audit client, prior to the appointment as auditors, such insurer shall take measures to ensure that the auditors disclose the interest to the insurer within fourteen (14) days of appointment and divest themselves of such interest not later than ninety (90) days thereof.

Provided further that this clause is applicable *mutatis mutandis* to the actuary appointed under section 26 of the Insurance Ordinance, 2000.

Committees

(xxxv) ***Management Committees:*** (A) Board of Directors of the insurer shall form the following management committees:

a. Underwriting Committee;
b. Claim Settlement Committee;
c. Reinsurance & Co-insurance Committee; and
d. Risk Management & Compliance Committee.

(B) Each of the management committees shall consist of at least three members including one director as chair of the respective committee.

(C) The members of the Claim Settlement Committee, other than the Chief Executive Officer, shall not be the members of the Underwriting Committee or the Reinsurance & Co-insurance Committee. The insurer may, at its discretion, form only one committee to carry out the responsibilities of the Underwriting Committee and the Reinsurance & Co-insurance Committee, in which case that insurer shall deemed to have constituted both the Underwriting Committee as well as the Reinsurance & Co-insurance Committee.

(xxxvi) *Underwriting Committee.*- The committee shall formulate the underwriting policy of the insurer. It shall set out the criteria for assessing various types of insurance risks and determine the premium policy of different insurance covers. It shall regularly review the underwriting and premium policies of the insurer with due regard to relevant factors such as its business portfolio and the market development.

(xxxvii) *Claim Settlement Committee.*- The committee shall devise the claims settling policy of the insurer. It shall oversee the claims position of the insurer and ensure that adequate claims reserves are maintained. The committee shall determine the circumstances under which the claim disputes shall be brought to its attention and decide how to deal with such claim disputes. It shall also oversee the implementation of the measures for combating fraudulent claims.

(xxxviii) *Reinsurance & Co-insurance Committee.*—The committee shall develop the policy for

effecting reinsurance, not inconsistent with the relevant provisions of the Insurance Ordinance, 2000, and shall ensure that adequate reinsurance arrangements are made for the business of the insurer. It shall peruse the proposed reinsurance arrangements prior to their execution, review the arrangements from to time, and subject to the consent of the participating reinsures, make appropriate adjustments to the arrangements in the light of the market development. It shall also assess the effectiveness of the reinsurance programme for the future reference.

(xxxix) *Risk Management & Compliance Committee.*—The committee shall oversee the activities of the risk management function / department of an insurer, and shall make appropriate recommendations to the Board and shall assist the Board in implementation of the decisions taken by the Board to mitigate probable risks falling within the purview of the risk management function / department.

In addition to the above, the committee shall also be responsible for monitoring the compliance function and the insurer's risk profile in respect of compliance with the laws applicable to it as well as the internal policies and procedures (excluding the insurer's Code of Conduct, which shall be looked after by the Ethics, Human Resource & Remuneration Committee). The committee shall also require reports detailing the insurer's risk profile and the compliance activities undertaken proactively aiming at determination of the insurer's ability to meet its legal and ethical obligations, as well as reports on identified weaknesses, lapses, breaches or violations and the controls and other measures in place to help detect and address the same. The committee shall supervise and monitor matters reported using the insurer's whistleblowing or other confidential mechanisms for employees and others to report compliance concerns or potential breaches, violations or frauds. The committee shall, from time to time, advise the Board on the effect of the above on the insurer's conduct of business and shall assist the Board in setting up adequate controls or take such measures so as to mitigate any risk relating to compliance and/or potential breaches, violations or frauds.

(xl) ***Board Committees:*** Board of Directors of the insurer shall also form the following Board committees:

a. Ethics, Human Resource & Remuneration Committee;
b. Nominations Committee;
c. Investment Committee; and
d. Audit Committee.

Provided that it would be at the discretion of the Board of Directors to form a Nominations Committee, however, in case no Nominations Committee is formed, the Board of Directors shall discharge all responsibilities of that Committee as laid down under clause (xlii) of this Code, or such responsibilities may additionally be assigned to the Ethics, Human Resource & Remuneration Committee.

(xli) *Ethics, Human Resource & Remuneration Committee.*—. The committee shall be responsible for:

(a) recommending human resource management policies to the Board;

(b) recommending to the Board the selection, evaluation, compensation (including retirement benefits) and succession planning of the Chief Executive Officer;

(c) recommending to the Board the selection and evaluation of Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit;

(d) consideration and approval on recommendations of Chief Executive Officer on such matters for key management positions who report directly to Chief Executive Officer;

(e) proposing a remuneration approach and related policies for the insurer covering the remuneration policy, remuneration governance and structure (including approval policy for the level and composition of compensation), and the components of compensation (such as the amount of fixed remuneration, shares or options, other variable remuneration, pension rights, redundancy pay and other forms of compensation and benefits, as well as the performance criteria and their application);

(f) preparing remuneration reports or other required or voluntary disclosures on compensation practices, on an annual basis but at least prior to the convening of the annual general meeting for the immediate preceding year; and

(g) reviewing and making recommendations to the Board of Directors regarding the specific remuneration of the Board members, the Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and Head of Internal Audit. However, at all times, the committee shall ensure that the remuneration approach is consistent with the performance and risk management framework of the insurer.

(xlii) *Nominations Committee.*—The committee shall be responsible to:

(a) implement the Board's policy on Board's renewal so that the Board individually and collectively continues to maintain target skill levels and independence;

(b) make recommendations to the Board with regard to the nomination for appointment or reappointment of members of the Board consistent with appropriate criteria established in their profiles and any succession plans;

(c) ensure proper orientation of Board members in respect of their responsibilities;

(d) establish a mechanism for the formal assessment of the effectiveness of the Board as a whole as well as the contributions of individual Board members;

(e) make recommendations to the appropriate authority within the insurer for dismissal and retirement of members of the Board, Chief Executive Officer, and senior management / key officers of the insurer;

(f) make recommendations to the Board with respect to succession planning for the Chief Executive Officer and other members of senior management and with respect to management development principles;

(g) make recommendations to the Board on nominations of members of Board committees;

(h) review the management development status and succession plans for key officers as well as general talent management of the insurer; and

(i) ensure that all directors receive appropriate ongoing training as required for them to fulfil their role requirements.

(xliii) All committees (whether management committees or the Board committees) shall meet at least once in every quarter. However, the Nomination Committee, and Ethics, Human Resource & Remuneration Committee shall be required to meet on need basis and not on a quarterly basis. The proceedings of the meetings shall be recorded and be kept at the insurer's head office. Each committee of an insurer shall appoint a secretary of the Committee. The secretary shall circulate minutes of meetings of the relevant Committee to all members, directors and, if necessary, the Chief Financial Officer within a fortnight.

Investment Committee

(xliv) Insurer shall constitute an Investment Committee, which shall consist of a minimum of two non-executive directors of the insurer, the Chief Executive Officer, the Chief Financial Officer and wherever an Appointed Actuary or an internal actuary is employed, the Appointed Actuary or the internal actuary. The decisions taken by the committee shall be properly recorded and shall be made available to the Securities and Exchange Commission of Pakistan upon request.

Provided that where an internal actuary is appointed as member of the Investment Committee, the internal actuary shall be a person being the Fellow or Associate member of the Pakistan Society of Actuaries, the Institute of Actuaries in England or Society of Actuaries in the United States of America, or such other body as may be recognized by the Commission after obtaining views of the Pakistan Society of Actuaries.

Provided further that the internal actuary shall have at least thirty-six (36) months' post Fellowship / Associateship experience with an insurer.

(xlv) The Investment Committee shall draw up an investment policy and fund-wise investment policy, in case of life insurance business (shareholders fund and statutory funds) or takaful business (shareholders fund and participants investment fund), which shall be reviewed annually. The investment policy shall, at the least, include the following:

(a) *Allowable exposure to various asset classes:* The proportion of investments to be held in various asset classes (asset classes, for this purpose, being listed equities, unlisted equities, government securities, term finance certificates, mutual funds, real estate, short-term deposits, sukuks and other instruments of redeemable capital);

(b) *Allowable exposure in single entity:* The maximum proportion of fund which may be invested in each entity;

(c) *Minimum rating / other investable criterion:* The investment policy should state the minimum rating requirement for rated instruments as well as other criterion for non-rated instrument;

(d) *Ineligible asset classes / securities:* The investment policy shall explicitly mention broad ineligibility asset classes and securities;

(e) *Monitoring frequency:* The investment policy shall state the frequency of performance measurement, monitoring the asset mix and mechanism used for portfolio balancing;

(f) *Allowable exposure in related parties:* The investment policy shall explicitly state the maximum allowable investment limit in related parties such as associated companies, subsidiary companies etc.

(g) *Disclosure of corporate governance & voting policies as an institutional investor:* An insurer acting in fiduciary capacity as institutional investor shall incorporate and explicitly disclose in the investment policy, its overall corporate governance and voting policies with respect to its investments, including the procedures that have been or to be put in place for deciding on use of its voting power.

(xlvi) The investment policy drawn up by the Investment Committee shall be placed before the Board of Directors of the insurer for approval. The Board shall approve the investment policy in the light of the risk management policy adopted by the insurer.

(xlvii) The Securities and Exchange Commission of Pakistan may, at any time, require an insurer to file the approved investment policy within such time as may be specified in the direction given in this regard. While framing such policy, the Investment Committee shall ensure compliance with the following:

(a) Issues relating to liquidity, exposure limits, stop loss limits including securities trading, management of all investment risks, management of assets and liabilities, scope of internal or external audit of investments and investment statistics, and all other internal controls of investment operations, the provisions of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder;

(b) Ensuring an adequate return on policyholders (in case of life insurer underwriting respective policies) and shareholders' funds consistent with the protection, safety and liquidity of such fund(s);

(c) The funds of the insurer, which are available for making investments, shall be invested and continued to be invested in equity shares, equity related instruments and debt instruments such that the requirement relating to the minimum solvency as laid down in the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) and the rules and regulations made thereunder is met at all times;

(xlviii) The investment policy as approved by the Board shall be implemented by the Investment Committee, which shall keep the Board informed on a quarterly basis about investing activities and funds' performance.

(xlix) The Board shall review its investment policy and its implementation on a yearly basis or at such short intervals as it may decide and make such modifications to investment policy as it deems fit, while keeping the interests of the policyholders in view.

(l) The insurer shall report to the Securities and Exchange Commission of Pakistan forthwith, the effect or the probable effect of any event coming to its knowledge, which could have material adverse impact on the investment portfolio with regard to the solvency position of the insurer and consequently on the security of policyholders benefits or expectations.

(li) The details of the investment policy or its review as periodically decided by the Board shall be made available to the internal and external auditor.

(lii) In order to ensure proper internal control of investment function, the insurer shall clearly segregate all its functions of front, mid and back office.

Audit Committee

(liii) *Composition.*—The Board of Directors of the insurer shall establish an Audit Committee, which shall comprise of not less than three members, including the chairman. Majority of the members of the Committee shall be from amongst the non-executive directors of the insurer and the chairman of the Audit Committee shall preferably be an independent director but should at least be a non-executive director. The names of members of the Audit Committee shall be disclosed in each annual report of the insurer.

(liv) *Frequency of Meetings.*—The Audit Committee of the insurer shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the insurer by its Board of Directors and before and after completion of external audit. A meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.

(lv) *Attendance at Meetings.*—The Chief Financial Officer, the Head of Internal Audit and a representative of the external auditors shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed:

Provided that at least once a year, the Audit Committee shall meet the external auditors without the Chief Financial Officer and the Head of Internal Audit being present.

Provided further that a least once a year, the Audit Committee shall meet the Head of Internal Audit and other members of the internal audit function without the Chief Financial Officer and the external auditors being present.

(lvi) *Terms of Reference.*—The Board of Directors of the insurer shall determine the terms of reference of the Audit Committee. The Audit Committee shall, among other things, be responsible for recommending to the Board of Directors the appointment of external auditors by the insurer's shareholders and shall consider any question of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the insurer in addition to audit of its financial statements. In the absence of strong grounds to proceed otherwise, the Board of Directors shall act in accordance with the recommendations of the Audit Committee in all these matters.

The terms of reference of the Audit Committee shall also include the following:-

(a) determination of appropriate measures to safeguard the insurer's assets;

(b) review of preliminary announcements of results prior to publication;

(c) review of quarterly, half-yearly and annual financial statements of the insurer, prior to their approval by the Board of Directors, focusing on:

- areas of major concern;
- significant adjustments resulting from the audit;
- the going-concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards; and
- compliance with statutory and regulatory requirements.

(d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

(e) review of management letter issued by external auditors and management's response thereto;

(f) ensuring coordination between the internal and external auditors of the insurer;

(g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the insurer;

(h) consideration of major findings of internal investigations and management's response thereto;

(i) ascertaining that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

(j) review of the insurer's statement on internal control systems prior to endorsement by the Board of Directors;

(k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider communicating any matter to the external auditors or to any other external body;

(l) determination of compliance with relevant statutory requirements;

(m) monitoring compliance with the best practices of corporate governance and identification of significant violations thereof; and

(n) consideration of any other issue or matter as may be assigned by the Board of Directors.

Reporting Procedure

(lvii) The Audit Committee of the insurer shall appoint a secretary to the Committee, who shall either be the Company Secretary or Head of Internal Audit. However, the Chief Financial Officer shall not be appointed as the secretary to the Audit Committee. The secretary shall circulate minutes of meetings of the Audit Committee to all members, directors and the Chief Financial Officer within a fortnight.

Internal Audit

(lviii) An insurer shall establish an internal audit function.

(lix) The insurer shall ensure that internal audit reports are provided for the review of external auditors. The auditors shall discuss any major findings in relation to the reports with the Audit Committee, which shall report matters of significance to the Board of Directors.

External Auditors

(lx) The insurer shall not appoint as external auditors a firm of auditors which has not been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan.

(lxi) The insurer shall not appoint as external auditors a firm of auditors which firm or a partner of which firm is non-compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan.

(lxii) The Board of Directors of the insurer shall recommend appointment of external auditors for a year, as recommended by the Audit Committee. The recommendations of the Audit Committee for appointment of retiring auditors or otherwise shall be included in the Directors' Report. In case of a recommendation for change of external auditors before the elapse of three consecutive financial years, the reasons for the same shall be included in the Directors' Report.

(lxiii) The insurer shall not appoint its auditors to provide services in addition to audit and shall require the auditors to observe applicable IFAC guidelines in this regard and shall ensure that the auditors do not perform management functions or make management decisions, responsibility for which remains with the Board of Directors and management of the insurer.

(lxiv) The insurer shall change its external auditors every five years. If for any reason this is impractical, an insurer may at a minimum, rotate the partner in-charge of its audit engagement after obtaining the consent of the Securities and Exchange Commission of Pakistan.

(lxv) The insurer shall not appoint a person as the Chief Executive Officer, the Chief Financial Officer, an internal auditor or a director of the insurer who was a partner of the firm of its external auditors (or an employee involved in the audit of the insurer) at any time during the two years preceding such appointment or is a close relative; i.e. spouse, parent or any of the dependent and non-dependent children, of such partner (or employee).

(lxvi) External auditors shall have the same powers and duties as laid down under section 255 of the Companies Ordinance, 1984 (Ordinance No. XLVII of 1984).

(lxvii) The insurer shall require external auditors to furnish a Management Letter to its Board of Directors not later than forty-five (45) days from the date of audit report.

(lxviii) The insurer shall require a partner of the firm of its external auditors to attend the Annual General Meeting at which audited accounts are placed for consideration and approval of shareholders.

Risk Management System

(lxix) The Board of the insurer shall be responsible for ensuring that the risk management system is suitable, effective and proportionate for the business of that insurer and that it is implemented and monitored. This includes a regular review of the strategies and policies with regard to risk management. The risk management policy shall outline the way in which the insurer manages relevant categories of risk, both strategically and operationally, and includes the objectives, key principles and assignment of responsibilities across all of the activities of an insurer. The risk management system shall address all reasonably foreseeable and relevant risks included in the calculation of any capital requirement(s) as well as the risks which are not, or not fully, included in that calculation. The system shall cover all relevant categories of risks – including at a minimum underwriting and provisioning risk, investment risk / interest rate risk, market risk, credit risk, operational risk and liquidity risk. In addition, the risk management system shall at least cover the following:

a. complex instruments, in particular derivatives and similar commitments;

b. reinsurance and other risk mitigation techniques;

c. business and reputation risk;

d. group contagion risk (if relevant); and

e. legal and strategic risk.

Risk Management Function / Department

(lxx) The insurer shall establish a dedicated risk management function / department, which shall implement the relevant Board's strategies and policies. The function / department shall assess, quantify, monitor and control the nature, significance and interdependencies of the risks (at individual level as well as at aggregate level) to which the insurer is or may be exposed and shall also manage them accordingly. The Board, through its Risk Management Committee, shall ensure that the insurer's risk management system is well integrated into their organizational structure, decision making processes and corporate culture and that there is a clear link to other functions / departments of the insurer.

(lxxi) The tasks of the risk management function / department shall include:

(a) to design, implement, test / validate and document the internal model of an insurer. An internal model helps the insurer to obtain a comprehensive and quantitative view of risks and make specific calculations on solvency and related matters;

(b) to assist the Board, through the risk management committee, in the effective operation of the risk management system by performing specialist analyses and quality reviews. The function shall inform the Board (or the risk management committee) about the performance of the internal model, thereby suggesting limitations of the risk management framework and the potential impact in practice of these limitations on risk management and to update them on the status of efforts to improve the previously identified weaknesses;

(c) to maintain a group-wide and aggregated view on the risk profile of the insurer in addition to

the solo and individual risk view;

(d) to report to the Board, through the risk management committee, details on the risk exposures and the actions that have been taken (or should be taken) to manage the exposures;

(e) to advise the Board, through the risk management committee, with regard to risk management decisions in relation to strategic and operational matters such as corporate strategy, investments and other major activities of an insurer;

(f) to regularly prepare contingency plans (or business continuity plans) for risks to which the insurer is (or may be) exposed, and to communicate the same to the relevant staff and ensure that proper training to that staff is provided, for it to curb the insurer's inability to continue business operations in the presence of those risks.

(lxxii) As part of the risk management system, an insurer shall get itself rated from a credit rating agency such as PACRA or JCR-VIS, and such rating shall act as a risk monitoring tool for the risk management function / department.

Actuary

(lxxiii) The Board of Directors of the insurer shall ensure that an appointed actuary must not be:

(a) A person who is, or at any time during the preceding three years was a director, other officer or employee of the insurer;

(b) A person who is a partner of, or in the employment of a director, officer or employee of the insurer;

(c) The spouse or lineal ascendant / descendant of the director of the insurer; and

(d) The person who is indebted to the insurer.

Grievance Function

(lxxiv) The insurer shall establish a grievance function which shall be responsible for resolving complaints and grievances of the policyholders and prospective policyholders. All complaints / grievances received by the insurer, either in writing or through the call center of that insurer, shall have to be resolved within a period of not later than thirty (30) days. However, in case of non-resolution of a complaint / grievance of the policyholder or prospective policyholder, such complaint / grievance shall be reported to the Securities and Exchange Commission of Pakistan, in writing, within a period of not later than ten (10) days from the expiry of the period allowed for resolution of that complaint / grievance, along with the reason(s) for non-resolution.

(lxxv) Claim Settlement Committee shall oversee the activities of the grievance function of an insurer.

Compliance with the Code of Corporate Governance

(lxxvi) The insurer shall make out and circulate a statement along with their annual reports to set out the status of their compliance with the best practices of corporate governance as per the format given in the Annexure I.

(lxxvii) The insurer shall ensure that the statement of compliance with the best practices of corporate governance is reviewed and certified by statutory auditors, where such compliance can be objectively verified, before publication by insurer.

Annual Statement of Compliance with section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000)

(lxxviii) Along with the financial statements and regulatory returns as required under subsection (1) of section 46 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), insurer shall file with the Securities and Exchange Commission of Pakistan, an annual certificate of compliance duly signed by the Chief Executive Officer (by whatever name called) and two directors, confirming the status of compliance with the provisions of section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) during the year, as per the format given in the Annexure II.

(lxxix) The content of the said annual certificate of compliance should be reviewed and certified by the statutory auditor of the insurer, and the review report should also be filed along with the said certificate.

(lxxx) In case during the period referred to in the certificate, an insurer has not been in compliance with any of the requirements of section 11 and / or section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000), the same should be disclosed in the declaration and the reasons for non-compliance thereof should also be provided by the insurer as note to the said certificate.

Relaxation from the Requirement of the Code

(lxxxi) Where the Securities and Exchange Commission of Pakistan is satisfied that it is not practicable to comply with any of the best practices of corporate governance in a particular case, the Commission may, for reasons to be recorded in writing, relax the same subject to such conditions as it may deem fit.

Annexure I

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

Name of Insurer.....

Year Ended... .....

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

The insurer has applied the principles contained in the Code in the following manner:

1. The insure encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	
Executive Directors	
Non-Executive Directors	

All independent directors (if any) meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

In case of unlisted insurers, if no independent director has been appointed on the Board, the reason(s) for non-appointment of the independent director should be stated.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this insurer (excluding the listed subsidiaries of listed holding companies in which each one of them is a director <where applicable>).

3. All the resident directors of the insurer are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company. A DFI or an NBFI or, being a member of stock exchange, has been declared as a defaulter by a stock exchange.

4. A casual vacancy occurring on the Board on ..... was filled up by the directors within..... days thereof.

5. The insurer has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the insurer.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the insurer. A complete record of

particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.

8. The meetings of the Board were presided over the Chairman and, in his/her absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.

9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the insurer. The insurer has adopted and complied with all the necessary aspects of internal controls given in the Code.

10. The Board arranged..... Orientation course(s) / training programs for its directors during the year to apprise them of their duties and responsibilities.

11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.

13. The financial statements of the insurer were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

14. The directors, Chief Executive Officer and other executives do not hold any interest in the shares of the insurer other than disclosed in the pattern of shareholding.

15. The insurer has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

Underwriting Committee:

Name of the Member	Category

Claim Settlement Committee:

Name of the Member	Category

Reinsurance & Co-insurance Committee:

Name of the Member	Category

Risk Management & Compliance Committee:

Name of the Member	Category

17. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee:

Name of the Member	Category

Nominations Committee *[If constituted]*:

Name of the Member	Category

Investment Committee:

Name of the Member	Category

18. The Board has formed an Audit Committee. It comprises of ..... members, of whom ..... are independent directors (if applicable) and .... are non-executive directors. The chairman of the Committee is an independent director / non-executive director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category

19. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has set up an effective internal audit function / or has outsourced the internal audit function to ..... who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they (or their representatives) are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. The Appointed Actuary of the insurer (if any) also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

Name of the Person	Designation
	Chief Executive Officer
	Chief Financial Officer
	Compliance Officer
	Actuary
	Company Secretary
	Head of Internal Audit
	Head of Underwriting
	Head of Claims
	Head of Reinsurance
	Head of Risk Management
	Head of Grievance Dept.

NOTE: In case there is any change in appointment of any person to act as Chief Executive Officer, Chief Financial Officer, Compliance Officer, Actuary,

Company Secretary, Head of Internal Audit, or during the reporting year, should be adequately disclosed here with cogent reason(s) for such change.

22. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. The Appointed Actuary of the insurer has confirmed that he/she or his/her spouse and minor children do not hold shares of the insurer <To be stated by life insurers>.

25. The Board ensures that the Appointed Actuary complies with the requirements set out for him/her in the Code of Corporate Governance for Insurers, 2016.

26. The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.

27. The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.

28. The insurer has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.

29. The Board ensures that as part of the risk management system, the insurer gets itself rated from ..... (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency .....*(date)* is .....*(rating)* with ..... outlook.

30. The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

31. The insurer has obtained exemption(s) from the Securities and Exchange Commission of Pakistan in respect of the following requirement(s) of the Code of Corporate Governance for Insurers, 2016:
    - *Details of all the requirements which the insurer has obtained including the date at which such exemption(s) was/were obtained and till the date such exemption(s) shall remain valid.*

32. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 have been complied with except for the following, towards which reasonable progress is being made by the insurer to seek compliance by the end of next accounting year.

*Note.*__ Any exception to the above should be adequately disclosed with reasons.

By Order of the Board

Name and Signature of the
Chairman of the Board
or Chief Executive
Date: _____

Annexure II

ANNUAL CERTIFICATE OF COMPLIANCE WITH SECTION 11 AND SECTION 12 OF THE INSURANCE ORDINANCE, 2000

This is to certify that _____[Name of Insurer]_____, bearing insurance registration no. _____ dated _____ has at all times complied with the following provisions of the Insurance Ordinance, 2000 (XXXIX of 2000) during the period **January 01, 2xxx** till **December 31, 2xxx**:

(a) the provisions of the Ordinance relating to minimum paid-up share capital requirements;

(b) the provisions of the Ordinance relating to minimum statutory deposits;

(c) the provisions of the Ordinance relating to minimum solvency requirements;

(d) the provisions of the Ordinance relating to the obtaining of reinsurance arrangements;

It is further certified that _____[Name of Insurer]_____:

(a) is, and is likely to continue to be, able to meet its liabilities;

(b) meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;

(c) has appointed an auditor from the panel of approved auditors formed by the Commission;

(d) undertakes to abide by the decisions of the small disputes resolution committee(s) constituted under section 117 of the Ordinance;

(e) has paid to the Commission, the amount of annual supervision as applicable on it;

(f) has chief executive officer, directors and officers; who are fit and proper person to hold the positions that they hold such that:

(i) they possesses experience and qualification as are appropriate for the duties for which they are responsible, and they conduct those duties with due diligence and skill;

(ii) their association with the insurer is not and is not likely to be detrimental to the interest of the insurer or of its policy holders;

(g) is directed and managed by sufficient number of persons who are fit and proper persons to hold the positions which they hold;

(h) maintains adequate accounting and other records of its business such that;

(i) it enables its business of the insurer to be prudently managed; and

(ii) it enables the insurer to comply with the obligations imposed on it by or under this Ordinance.

(i) maintains adequate systems of control of its business and records as the persons who are responsible for the direction and management of the insurer hold responsibilities for those systems;

(j) is conducting its business in a sound and prudent manner giving due regards to the interests of policy holders and potential policy holders;

(k) is conducting its business in a sound and prudent manner by:

(i) satisfying obligations to which it is subject by virtue of the Ordinance; and

(ii) supervising the activities of its subsidiary with due care and diligence and without detriment to its own business.

(l) has not appointed a managing agent for the conduct of its business.

Dated:

We hereby undertake that the annual certificate of compliance filled in above, is true to the best of our knowledge, information and belief and nothing has been concealed or misstated therein.

Chief Executive Officer	**Director**	**Director**

Annexure III

SCHEDULE OF APPLICABILITY
OF THE CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

Clause	Brief Description of the Clause	Effective Date of Implementation
(iii)(a)	Composition of the Board of Directors (Appointment of Independent Director(s), where practicable)	Election / Appointment / Nomination of Directors or three years from the date of coming into effect of this Code, whichever is earlier
(iii)(b)	Composition of the Board of Directors (Bar on maximum allowable number of Executive Directors)	Election / Appointment / Nomination of Directors or three years from the date of coming into effect of this Code, whichever is earlier
(iv)	Composition of the Board of Directors (Declaration at the time of filing of explicit consent to act as Director)	At the time of filing of consent to act as Director before the Election / Appointment / Nomination of Directors or three years from the date of coming into effect of this Code, whichever is earlier
(v)	Qualification and Eligibility to Act as a Director (Maximum number of listed companies served by a Director)	Three months from the date of coming into effect of this Code
(vi)	Qualification and Eligibility to Act as a Director (Ineligibility to act as Director)	Immediate
(vi)	Qualification and Eligibility to Act as a Director (Existing Director to provide an affidavit to the insurer confirming the placement of his/her name of the Exit Control List, which shall also be filed with the Commission)	Within one month from the date of coming into effect of this Code
(vii)	Qualification and Eligibility to Act as a Director (Approval by the Commission for appointment of a Director on the Board of an insurer)	Immediate (Already in existence vide the Insurance Companies (Sound and Prudent Management) Regulations, 2012)
(viii) & (ix)	Casual Vacancy in the Board (Timeframe for filing up casual vacancy and approval by the Commission)	Immediate

(x)	Responsibilities, Powers and Functions of Board of Directors (The Directors to exercise their powers and carry out their fiduciary duties with a sense of objective judgment and independence in the best interests of the insurer)	Immediate
(xi)(a)	Responsibilities, Powers and Functions of Board of Directors (Preparation and circulation of the Code of Conduct)	Immediate
(xi)(b), (c) and (d)	Responsibilities, Powers and Functions of Board of Directors (Adoption of mission/vision statement and overall corporate strategy, formulation of significant policies, and establishment of sound internal controls)	Immediate but not later than six months from the date of coming into effect of this Code
(xi)(e)	Responsibilities, Powers and Functions of Board of Directors (Powers to be exercised by the Directors through resolution)	Immediate
(xi)(f)	Responsibilities, Powers and Functions of Board of Directors (Appointment, remuneration and terms and conditions of employment of the Chief Executive Officer and other Executive Directors)	Immediate
(xi)(g)	Responsibilities, Powers and Functions of Board of Directors (Comprehensive Proxy Voting Policy for Institutional Investors)	Immediate but not later than one month from the date of coming into effect of this Code
(xii)	Responsibilities, Powers and Functions of Board of Directors (Chairman and Chief Executive Officer to be different persons, Chairman to be among the Non-Executive Directors, and defining the roles of Chairman & Chief Executive Officer)	The date at which reconstitution of the Board falls due after the issuance of this Code, or December 31, 2018, whichever is earlier
(xiii)	Internal Control (Aspects of system of internal control to be implemented at all levels)	Immediate but not later than six months from the date of coming into effect of this Code
(xiv), (xv), (xvi) and (xvii)	Meetings of the Board	Immediate
(xviii)	Significant Issues to be Placed for Decision by Board of Directors	Immediate
(xix)	Orientation Courses	Immediate but not later than three months from the date of coming into effect of this Code
(xx)	Chief Financial Officer, Company Secretary and Head of Internal Audit (Appointment and approval)	Immediate
(xxi) & (xxii)	Qualification of Chief Financial Officer and Head of Internal Audit	Immediate unless as specified in this clause
(xxiii)	Requirement to Attend Board Meetings	Immediate

(xxiv)	Corporate and Financial Reporting Framework (Directors' Report to include certain information)	Directors' Report to be made out and attached to every balance sheet as on December 31, 2016 and onwards
(xxv)	Frequency of Financial Reporting (Preparation and circulation of quarterly unaudited financial statements and half-yearly reviewed financial statements along with Directors' Report)	Quarterly financial statements along with Directors' Report to be prepared and circulated for the quarter ended December 31, 2016 and onwards
(xxvi)	Frequency of Financial Reporting (Review of half-yearly financial statements by the statutory auditors)	Immediate
(xxvii)	Frequency of Financial Reporting (Circulation of annual audited financial statements)	Immediate
(xxviii)	Annual Reviews and Compliance Procedures	Immediate but before every Annual General Meeting
(xxix), (xxx) & (xxxi)	Compliance Officer (Adoption of Compliance Program, appointment of and assignment of duties to Compliance Officer, reporting line of the Compliance Officer and duties & responsibilities of Compliance Officer)	Within four months from the date of coming into effect of this Code but not later than six months therefrom
(xxxii) & (xxxiii)	Responsibility for Financial Reporting and Corporate Compliance	For all financial statements prepared for the period ended December 31, 2016 and onwards
(xxxiv)	Auditors and Actuaries not to hold Shares	Immediate
(xxxv), (xxxvi), (xxxvii), (xxxviii), (xxxix) & (xliii)	Management Committees	Immediate but not later than six months from the date of coming into effect of this Code
(xl), (xli), (xlii), (xliii), (xliv) & (liii) to (lvii)	Board Committees	Immediate but not later than six months from the date of coming into effect of this Code
(xlv), (xlvi), (xlvii), (xlviii) & (xlix)	Investment Committee (Framing / annual review of an investment policy by the Investment Committee, approval of the Board regarding investment policy, Investment Committee to ensure compliance with certain factors while framing the investment policy, quarterly reporting to the Board regarding investing activities and funds' performance)	Immediate but not later than nine months from the date of coming into effect of this Code

(lviii) & (lix)	Internal Audit	Immediate but not later than one month from the date of coming into effect of this Code
(lx) to (lxviii)	External Auditors	Immediate
(lxix)	Risk Management System	For underwriting / insurance risk, credit risk, financial risk and capital adequacy risk: Immediate but not later than three months from the date of coming into effect of this Code. For all other risks: Immediate but not later than two years from the date of coming into effect of this Code
(lxx) & (lxxi)	Risk Management Function / Department	In line with timelines provided for "Risk Management System"
(lxxii)	Rating by a Credit Rating Agency	Immediate but not later than the date of the Annual General Meeting immediately after coming into effect of this Code
(lxxiii)	Actuary (Appointed Actuary must not be related with the insurer)	Immediate
(lxxiv)	Grievance Function (Establishment of & procedure for the Grievance Function of an insurer)	Immediate but not later than three months from the date of coming into effect of this Code
(lxxv)	Claims Settlement Committee to oversee the activities of Grievance Function	Immediate upon establishment of the Grievance Function
(lxxvi) & (lxxvii)	Compliance with the Code of Corporate Governance (Preparation & circulation of the reviewed Statement of Compliance with Best Practices of Corporate Governance along with annual report)	With all financial statements prepared for the period ended December 31, 2016 and onwards
(lxxviii), (lxxix) & (lxxx)	Annual Statement of Compliance with section 11 and section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000) & its review by the statutory auditors	With all financial statements prepared for the period ended December 31, 2016 and onwards

Bushra 9/11/16

(Bushra Aslam)
Secretary to the Commission