



ICMA
Pakistan

ICMAP: Please tell us briefly about your company and its standing in the insurance sector in Pakistan in terms of paid up capital, gross premium revenue, total claims and investment income?

AW: Askari General Insurance Co. Ltd. (AGICO) was incorporated as a public limited company on 12 April 1995 and commenced its operations on 15 October 1995. It is listed on Pakistan Stock Exchange Limited. Our Company is engaged in general insurance business. AGICO is placed at tenth position in terms of paid up capital and at eighth position in terms of Equity. We are ranked 6th in terms of gross premium revenue and claims while we are at 9th position in terms of investment income.

ICMAP: How much is the size of private and public insurance business in Pakistan and their contribution towards the national GDP?

AW: As per the statistics published by the Insurance Association of Pakistan, as of year 2015, the total gross premium written by private insurance companies was Rs. 61 billion which contributed less than 0.5% to the national GDP. The only public sector general insurance company of Pakistan is National Insurance Company Limited and its premium was approximately Rs. 9 billion.

ICMAP: How insurance sector is playing its role in the economic progress and development of the country?

AW: A key contributor to the economic progress and development of Pakistan nowadays is CPEC. Insurance sector has enabled investors to protect their assets / investments by getting them insured and expand their businesses worry free. Sufficient insurance arrangements provide comfort for investor's stake.

ICMAP: How do you compare the insurance sector in Pakistan with other countries in the region?

AW: The insurance penetration in Pakistan remains very modest as compared to neighboring jurisdictions, wherein, insurance penetration, as measured by the ratio of premiums to GDP, is at the lowest level.

“Management accountants play key role in accounting for efficiency of insurance operations, budgeting, and value assessment for new projects/ideas”

Abdul Waheed
President and CEO,
Askari General Insurance Limited

Pakistan is also at the lowest side in terms of insurance density as compared to the other more mature insurance markets in the region with China leading the market followed by India.

ICMAP: What is the current tax structure on insurance industry and whether any tax incentives have been provided to this sector in the budget 2016-17?

AW: Currently, through Finance Act, 2016, all profits of insurance companies have been exposed to a flat 31% corporate tax. Previously, different classes of income were subject to reduced rates of taxes. Recent changes in Budget 2016-17 have resulted in significant decline in profits after taxes and earnings per share of insurance companies.

Further, Insurance companies have been tasked to collect Income tax from the non-Filers which will affect the sale of insurance policies to the individuals who are shy providing any information to FBR. Furthermore, it has put challenges to growth in insurance revenues.

ICMAP: Please identify few major issues and concerns of the insurance sector in Pakistan?

AW: Pakistan is a typical example of a market where most individuals and assets remain uninsured. A number of factors lead to these issues and concerns including but not limited to low penetration and density rates due to lack of awareness, macroeconomic uncertainty, rising cost of living, high inflation, the long standing concern of Halal and Haram etc.

Additionally, increased taxation is the utmost issue for insurance sector, being hit by about 80% increase in taxation, it has become challenging to maintain the earnings per share and to achieve growth in distributions to shareholders.

Also, over regulation by the Securities & Exchange Commission of Pakistan thereby issuing Code of Corporate Governance specifically for insurance companies and other multiple rules and regulations that have increased cost of doing business for insurance companies without adding much value.

Lastly, lack of comprehensive regulatory framework and failure on the part of insurance industry to raise the awareness on importance of insurance along with limited academia presence in terms of insurance, underwriting and risk management all adds to the challenge for Pakistan's Insurance Industry.

ICMAP: How do you see the role of Securities and Exchange Commission of Pakistan (SECP) in promoting, strengthening and ensuring an effective regulatory environment for the insurance business?

AW: With a dedicated Insurance Division, SECP has been very active in implementing new rules and regulations recently. It is focusing on strengthening and maintaining an effective regulatory environment for the insurance industry, promotion of competition so as to enhance the customer

satisfaction, ensuring the financial security of the insurance market and ensuring strict compliance.

We would appreciate if SECP gives due consideration to insurance companies' stance and ensuring value addition while developing new regulations.

ICMAP: What are the reasons for low penetration of insurance business in Pakistan? Do you have any suggestions for raising the insurance penetration level?

AW: Low awareness amongst people about the benefits of Insurance and lack of regulations to ensure that assets e.g. cars, are allowed to come on the road without insurance are two major factors of low penetration of insurance business in Pakistan.

Additionally, low literacy rate, macroeconomic uncertainty, rising cost of living, obsolete business models all lead to low penetration rates.

Policy decision by the Government to make insurance mandatory for certain factions e.g. motor, health etc. along with strong awareness campaigns would raise the insurance penetration level.

ICMAP: What is the significance of insurance for the growth of trade and industry in the country?

AW: Annually, billions of rupees are dispersed through policy benefits and claims each year by the insurance industry which has a trickle-down effect on all sectors of our economy. Insurance companies also invest heavily in companies, stocks, and bonds which in turn boosts our financial markets.

Due to insurance policies, businesses can replace their assets in the event of a major catastrophe which allows them to continue operating and, hence, aids the economy.

Insurance also mobilizes domestic savings and turns accumulated capital into useful investments.

ICMAP: How do you see the role of Management Accountants in bringing operational efficiency in insurance companies and also cost effectiveness in financial products offered to policy holders?

AW: The role of Management Accountant involves identifying internal cost for any business process that helps an organization, firm or an individual in making decisions related to production/services, operations and investment in market.

Management accountants play key role in accounting for efficiency of insurance operations, budgeting, and value assessment for new projects/ideas. They account for results of investment portfolios and help in ultimate financial reporting. They also play an effective role in ensuring compliance with applicable laws and regulations.

The interview ended with a vote of thanks to Abdul Waheed, President and CEO, Askari General Insurance Limited who spared his valuable time and gave his candid views exclusively for this Journal - Editor