

INSURANCE SECTOR HAS GOOD PROSPECT IN PAKISTAN BUT MASS AWARENESS STILL LACKING

Interview with Mr Hasanali Abdullah Managing Director & Chief Executive, EFU General Insurance

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PAGE: TELL ME SOMETHING ABOUT YOURSELF AND YOUR ORGANIZATION, PLEASE:

HASANALI ABDULLAH: I am a Chartered Accountant and have been associated with EFU General Insurance since 1979 and currently I am the Managing Director & Chief Executive of the company. I am also on the Boards of EFU Group companies i.e. EFU Life Assurance and Allianz EFU Health Insurance Ltd. I am also Honorary Treasurer of Aga Khan Hospital and Medical College Foundation, member of the National Committee of Aga Khan University Foundation, Geneva and Director of Tourism Promotion Services Pakistan Ltd. I was Chairman of the Insurance Association of Pakistan for the years 2008, 2010-11 and 2016-17 and also served as Chairman of the Pakistan Insurance Institute for 2014-2015.

EFU General Insurance Ltd is Pakistan's oldest insurers now being over 86 years old making and EFU Life is subsidiary of EFU General Insurance Ltd. EFU Group has the distinction of having specialized health insurance Allianz EFU Health Insurance Ltd as part of the group. Over the years EFU General has the distinction of having improved local Insurers Financial Rating and has the highest rating in the insurance industry in the country from international rating agency A. M. Best. The company has the highest number of long serving highly qualified professionals in the field of insurance, engineering, finance etc. The company's clientele includes the leading industrial houses of the country, financial institutions and business groups. All these satisfied clients have been with the company for long periods and continue to entrust their insurance risks to be covered by EFU.

PAGE: HOW HAS THE INSURANCE SECTOR IN PAKISTAN GONE THROUGH A CHANGE OVER THE PERIOD OF LAST TWO DECADES?

HASANALI ABDULLAH: The main change was due to the government's policy to allow life insurance in the private sector in the early 90s. This

brought in a number of private sector life insurance companies which changed the complexion of the insurance market as various innovative and new products like unit-linked products were introduced for the first time in Pakistan and EFU Life took lead in it. Health insurance has also made an appearance in a major way over the years which was previously done in a restricted manner. In year 2012 Takaful was introduced although initially this was only permitted to dedicated Takaful companies but no major growth was seen. Later when the existing insurers were permitted to have window Takaful operations, the Takaful business both in life and non-life has expanded and the window Takaful business is higher than the dedicated Takaful companies.

PAGE: HOW DO THE MASSES VIEW INSURANCE SECTOR IN PAKISTAN?

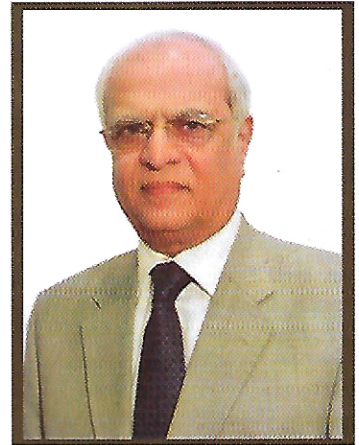
HASANALI ABDULLAH: Awareness of insurance is still weak and a considerable amount of work particularly on the part of the regulators needs to be done to educate the public on the importance of insurance both in non-life and life sector. I believe the NFIS (National Financial Inclusion Scheme) is working on this and it is hoped that some mass awareness scheme would be forthcoming.

PAGE: WHAT ARE THE PROSPECTS FOR THE INSURANCE SECTOR IN PAKISTAN?

HASANALI ABDULLAH: With over 200 million population there is a huge market for personal lines insurance which can increase by making people aware about the benefits of insurance. There is also scope in the life and health insurance sector but what is probably lacking is the mass awareness.

PAGE: WHAT IMPACT DOES THE INSURANCE SECTOR GET FROM THE GOVERNMENT POLICIES?

HASANALI ABDULLAH: The Securities & Exchange Commission of Pakistan (SECP), which is also regulator for insurance industry has over the years developed various regulatory measures to assist the industry but there are various factors which inhibit the development and growth of insurance business. To develop insurance industry,



it is necessary that the insurance companies should have solid base and improve as it grows. Since few years, the entire income of insurance industry emanating from any source be it Dividend, Capital Gains etc are taxed at normal rates of tax and not at special reduced rates as are enjoyed by all the industries excepting banks. If the capital and/or equity of insurance companies grow, they would be able to retain additional risks within the country and save outflow of foreign exchange over time. The other issue which has recently arisen is about levy of Sales Tax on life insurance and health insurance premium by the provinces, which if enforced would be detrimental to these sectors. The tax on life insurance premium is nothing but taxing savings. The life and health insurance companies are hopeful that this measures would be withdrawn by the provincial governments.

PAGE: YOUR VIEWS ON THE GROWTH OF THE ISLAMIC INSURANCE SECTOR OF PAKISTAN:

HASANALI ABDULLAH: The Takaful industry although being active still requires much more work, this is not so only in Pakistan but in other countries like Malaysia where this has been the active for many years. Even there this segment has not been able to grow significantly and continues to be under 10% of the total insurance business. The reason for reduced growth is mainly due to lack of risk absorbing capacity globally. The Takaful business is mainly seen in small ticket personal lines business including motor in non-life.