

SECP - INSURANCE DIVISION RESPONSE TO COVID-19 RELATED ISSUES

1. Guidance Issued to Insurers to Ensure Continuity of Services to Insurance Policyholders during Coronavirus Outbreak:

In view of the disruption caused by Coronavirus (COVID – 19), the Insurance Division through Circular Letter dated March 25, 2020 instructed insurance companies to show its commitment to serve insurance policyholders by providing maximum relief and facilitation in all operational aspects related to insurance policies. The guidelines extended to insurance companies covered the following major aspects:

- (i) Utilization of digital payment modes for receipt of insurance premium and disbursement of claim payments;
- (ii) Utilization of electronic mediums such as SMS, emails, mobile applications, online portals etc. for claims handling, delivery of policy documents and issuance of pre-authorizations for treatment in hospitals;
- (iii) Consider providing coverage against claims incurred in non-panel hospitals along with recommendation for increasing list of panel hospitals;
- (iv) Waiving off non-mandatory documentary requirements for claims processing and use alternative methods for verifying authenticity of claims; and
- (v) Consider extension in the grace period for payment of renewal premiums under insurance policies.

2. Insurers Advised by SECP to Utilize Institutional Delivery System (IDS) Module:

Due to the disruption caused by COVID – 19, all the major segments of financial services sector have been impacted. In order to ensure uninterrupted settlement of equity trades, insurance companies have been advised to perform their settlement by utilizing the “Institutional Delivery System (IDS)” module of NCCPL.

3. SECP recommended insurers to grant complimentary coverage to Motor policyholders:

Taking into account the anticipated low claim ratio in motor insurance business due to lockdown, the SECP had recommended insurance companies to pass on the benefit of low claim ratio to motor insurance policyholders by granting one month free of cost extension in insurance coverage to all motor insurance policyholders affected due to COVID-19.

4. Extension in validity of licenses of insurance intermediaries:

To provide ease of doing business, SECP had relaxed the license renewal requirements for insurance brokers, insurance surveyors, and authorized surveying officers (ASO's) by introducing a relaxation period of two months starting from March 15, 2020 to May 15, 2020. Insurance brokers/insurance surveyors/ASOs whose license expired during this period were able to continue to carry on their business without renewal.

5. Relaxation from IAS-39 on AFS (Available for Sale) Investments:

Due to difficulties faced by insurers in complying with the requirements of IAS-39 resulting from depressed performance of stock market due to COVID-19 effect, the SECP granted relief by allowing the insurance companies and other entities to disclose impairment loss due to significant or prolonged decline in fair value of AFS equity investment portfolio as at March 31, 2020, in the statement of changes in equity instead of charging it to the statement of profit and loss.

6. Relaxation from requirements of IFRS 16 – Leases to insurers:

Due to adverse implications of implementation of “IFRS 16 – Leases” on solvency position of the insurers, the SECP in light of the extraordinary circumstances prevalent due to COVID-19, granted exemption to insurers under Insurance Accounting Regulations, 2017 from the applicability of IFRS 16 to the extent of regulatory returns only till the period ended June 30, 2020.

7. Relaxation from Regulatory Reporting and Submission Requirements:

SECP had also granted relaxation to overall corporate sector including insurance companies in meeting the regulatory requirements related to communication with shareholders, holding general meetings and filing of financial statements with the Commission.