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Changes to insurance rules may hurt competition

ISLAMABAD: The Competition Commission of Pakistan (CCP) has stated that the proposed changes by the Securities and Exchange Commission of Pakistan (SECP) to Insurance Rules 2002 may affect competition in the Insurance Surveyors Market.

The SECP has proposed to raise the paid-up capital requirement for insurance surveyors from Rs1 million to Rs5m, and indemnity insurance requirement for insurance surveyors from Rs1m to Rs10m.

The SECP, in its letter, dated Sept 10, 2014, to the CCP stated that the changes have been proposed to "establish surveyors on better footing," to check casual entry and exit of the surveyors, and to "develop an element of responsibility and sensitivity into the surveyor class."

The CCP in its comments to SECP appreciated the fact that the latter was striving to improve standards in the market, for which it has statutory oversight.

However, it noted that since the insurance surveyors rely more on

professional skills rather than financial strength to undertake their work, the proposed changes — a five-fold increase in capital requirements and a 10-fold increase in indemnity insurance — will do little to improve either the standards in the industry or inculcate responsibility in the surveyors.

The CCP feels that the proposed changes will most certainly lead to the exit of smaller insurance surveyors and make the entry of new ones more difficult, thereby affecting competition in the insurance surveyors market.

The proposed increase may have the effect of excluding capable and professional insurance surveyors unable to meet the proposed financial requirements from competing in the market.

The CCP strongly recommends that the SECP should drop the raise in capital requirements and indemnity insurance in favour of better competency-based regulations encompassing education, examination, licensing, and continued education requirements.—Reporter

Proposed changes in insurance rules termed uncompetitive

By Mehtab Haider

ISLAMABAD: The Competition Commission of Pakistan (CCP) is concerned over the proposed changes in the Insurance Rules, 2002, saying they may affect surveyors' market.

The CCP has conveyed its reservations on the proposed changes to the Securities and Exchange Commission of Pakistan (SECP), said an official on Friday.

The SECP proposed changes in the rules by raising the paid-up capital requirement for insurance surveyors to five million rupees from one million rupees and indemnity insurance requirement for insurance surveyors to Rs10 million from one million rupees.

The SECP, in a letter to the

CCP, stated the changes have been proposed to 'establish surveyors on better footing', 'check casual entry and exit of the surveyors', and 'develop an element of responsibility and sensitivity into the surveyor class.'

However, the CCP, in its reply, appreciated the fact the SECP is striving to improve standards in the market, for which it has statutory oversight. Since the insurance surveyors rely more on professional skills rather than financial strength to undertake their work, the proposed changes – a five-fold increase in capital requirements and a ten-fold increase in indemnity insurance – will do a little to improve either the standards in the industry or inculcate responsibility in the surveyors, the CCP said.

According to the competi-

tion watchdog, the proposed changes will certainly lead to the exit of smaller insurance surveyors and make the entry of new ones more difficult, thereby affecting competition in the insurance surveyors market. The proposed increase may have the effect of excluding capable and professional insurance surveyors, who will be unable to meet the proposed financial requirements, from the market.

The CCP advised the SECP should cut these requirements in favor of better competency-based regulations encompassing education, examination, licensing and continued education requirements.

Improved competency-based regulation are more pertinent, reasonable and pro-competitive way to improve standards, it said.

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CCP conveys concerns to SECP on proposed changes in insurance rules



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The CCP has conveyed its concerns to the SECP on the proposed changes in Insurance Rules, 2002, stating that the proposed changes may affect competition in the Insurance Surveyors Market.

SECP has proposed to change the Insurance Rules, 2002, by raising the paid up capital requirement for insurance surveyors from PKR 1 million to PKR 5 million, and raising indemnity insurance requirement for insurance surveyors from PKR 1 million to PKR 10 million.

SECP, in its letter dated 10 September 2014 to CCP, stated that the changes have been proposed to 'establish surveyors on better footing', 'to check casual entry and exit of the surveyors', and to 'develop an element of responsibility and sensitivity into the surveyor class.' CCP, in its comments to SECP, appreciated the fact that the latter was striving to improve standards in the market, for which it has statutory oversight. However, it noted that since the insurance surveyors rely more on professional skills rather financial strength to undertake their work, the proposed changes - a five-fold increase in capital requirements and a ten-fold increase in indemnity insurance - will do little to improve either the standards in the industry or inculcate responsibility in the surveyors. CCP feels that the proposed changes will most certainly lead to the exit of smaller insurance surveyors and make the entry of new ones more difficult, thereby affecting competition in the insurance surveyors market. The proposed increase may have the effect of excluding capable and professional insurance surveyors unable to meet the proposed financial requirements from competing in the market.

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CCP conveys concerns to SECP on raise in capital indemnity requirements for insurance Surveyors

Friday, 31 October 2014 19:07

Posted by Shoaib-ur-Rehman Siddiqui

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CCP feels that the proposed changes will most certainly lead to the exit of smaller insurance surveyors and make the entry of new ones more difficult, thereby affecting competition in the insurance surveyors market.

The proposed increase may have the effect of excluding capable and professional insurance surveyors unable to meet the proposed financial requirements from competing in the market.

CCP strongly recommends that SECP should drop the raise in capital requirements and indemnity insurance in favor of better competency-based regulations encompassing education, examination, licensing, and continued education requirements.

Improved competency-based regulation would be a more pertinent, reasonable, and a less competition-restrictive way to improve standards and inculcate responsibility in the industry.