

Insecure industry

# To break monopoly, CCP asks govt to amend policy

## NICL has exclusive rights over insurance of public property

**OUR CORRESPONDENT**  
 ISLAMABAD

The anti-trust watchdog on Tuesday asked the federal government to amend an Act of parliament in order to break the monopoly of the National Insurance Company Limited in the public property insurance business.

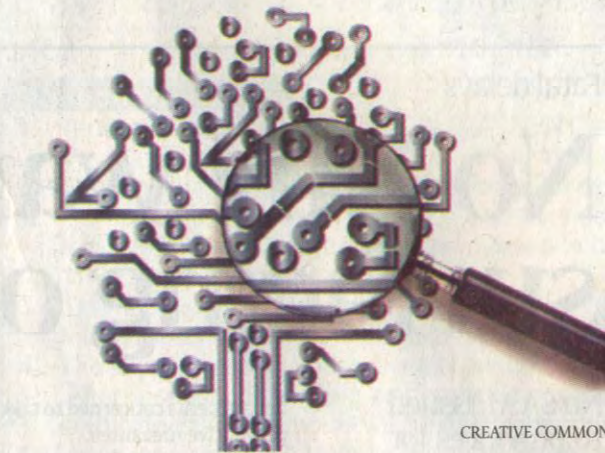
In a policy notice, the Competition Commission of Pakistan (CCP) asked the federal government to amend section 166 of the Insurance Ordinance, 2000, which currently prevents competition in the non-life insurance market by extending exclusive rights to the NICL with respect to insurance of public property, according to an official handout.

Section 166 (3) of the Insurance Ordinance, 2000 provides that all insurance businesses relating to any public property, or to any risk or liability appertaining to any public property, will be placed with NICL only and will not be placed with any other insurer.

The NICL is the only state-owned company, under the administrative control of the Ministry of Commerce, which is involved in non-life insurance business in the country.

In pursuance to commitments under World Trade Organisation financial service agreement, in December 1997, Pakistan had opened the insurance market as part of its financial sector reforms. The actual impetus to the reform process came with the promulgation of the Insurance Ordinance, 2000. However, the federal government permitted only NICL to underwrite and insure public sector property/liability.

The CCP observed that this statutory monopoly of NICL harms competition in the insurance market. The government is the direct consumer and denying itself the benefits of competition such as improved quality of service and competitive premiums, it added.



CREATIVE COMMONS

The statutory monopoly of NICL can be distinguished from situations in which a business may have achieved a monopoly position through organic growth or development because of a superior product, business acumen, or historic accident, said the CCP. Monopolistic position of the NICL has emerged not because of business acumen but because of the use of government

power to monopolise through the creation of statutory barriers to reduce competition.

The NICL has a share in the total industry assets of 22% but its share in Gross Written Premium was only 12%.

Such preferential treatment for NICL creates de facto subsidies and leaves no incentive for NICL to maximise its efficiency. Statutory monopoly of NICL limits opportunities for

potential competitors because legislative exclusive rights create barriers for new entrants.

The policy note recommends the federal government to take measures to amend Section 166 of the Insurance Ordinance, 2000 in order to open insurance of public property to the private sector, excluding public property that is related to national security, which will create a level playing field for all nonlife insurers in the insurance market.

The CCP said that market power in conjunction with statutory protection allowed far-reaching negative effects on consumers in two ways. First, monopolist undertaking may act anti-competitively in its own market, where it can restrict output or raise prices. Secondly, a statutory monopoly for an undertaking can create distortions in another market by anti-competitively cross subsidizing into product and service in which there is competition.



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## Insurance Ordinance, 2000

# CCP recommends amendment in Section 166

### RECORDER REPORT

**ISLAMABAD:** The Competition Commission of Pakistan (CCP) has recommended amendment in section 166 of the Insurance Ordinance, 2000, which currently bars competition in the non-life insurance market by extending exclusive rights to the National Insurance Company Limited (NICTL) for public property.

The CCP has issued a policy note to the Ministry of Commerce here on Tuesday in this connection.

CCP has strongly recommended that the Federal Government may amend Section 166 of the Insurance Ordinance, 2000 to open insurance of public property for the private sector, excluding public property meant for national security, which will create a level playing field for all non-life insurers in the insurance market. This will attract new entrants, which would increase the choice of insurance products and reduce premium costs for the Federal Government. At the same time, NICTL be incen-

tivized to increase operational efficiency due to increased competition. Sectors attached to the non-life insurance would also benefit from increased competition.

According to the CCP, section 166 (3) of the Insurance Ordinance, 2000 provides that all insurance business relating to any public property, or to any risk or liability pertaining to public property, shall be placed with NICTL only and shall not with any other insurer. NICTL is the only state-owned company, under the administrative control of the Ministry of Commerce, which is involved in non-life insurance business.

The CCP observed that this statutory monopoly of NICTL harms competition in the insurance market. In this case the government is the direct consumer and is denying itself the benefits of competition such as improved quality of service and competitive premiums.

The CCP's Policy Note further states that the monopoly position of NICTL has emerged not because of business acumen

but through the creation of statutory barriers that reduced competition. It is important to note that NICTL has a share in total industry assets of 22 percent but its share in Gross Written Premium was only 12 percent.

Such preferential treatment for NICTL creates de facto subsidies and leaves no incentive for NICTL to improve efficiency. Statutory monopoly of NICTL limits opportunities for potential competitors because exclusive legislative rights create barriers for the new entrants.

The choice of creating a statutory monopoly over free competition may have deleterious effects for consumers. It deprives the consumers of the benefits of competition; more choice, better quality and a competitive price. Particularly, in this scenario where NICTL's statutory monopoly has been created to insure public property, the government is the direct consumer and is denying itself the benefits of competition such as improved quality of service and competitive premiums.

The Policy Note recommend-

ed the Federal Government to take measures to amend Section 166 of the Insurance Ordinance, 2000 to open insurance of public property to the private sector, excluding public property that is related to national security, which will create a level playing field for all non-life insurers in the insurance market.

The CCP said the statutory monopoly created under Section 166(3) of the Insurance Ordinance, 2000 in favour of NICTL distorts the competitive process in the non-life insurance sector. Such preferential treatment creates de facto subsidies and reduces budgetary constraints on NICTL leaving no incentive for NICTL to maximize its efficiency.

Securities and Exchange Commission of Pakistan (SECP) has made observation in its Insurance Industry Reform Committee Report, 2014 that the law does not restrict NICTL from underwriting the private sector property and risks. The NICTL is registered with SECP as a non-life insurer and authorized to transact all classes of

non-life insurance business. The report further goes on to state that somehow preferential treatment has led to misconception that the role of NICTL is restricted solely to public property. This is the major reason that since the promulgation of the Insurance Ordinance, 2000, NICTL has restricted itself to insuring public property only and that too in certain specific classes of insurance with almost stagnant market share despite having one of the largest asset and gross premium base among the non life insurers. Thus preferential treatment has emerged as a weakness of NICTL with no experience in business acquisition, CCP said.

The statutory monopoly of NICTL can be distinguished from situations in which a business may have achieved a monopoly position through organic growth or development as a consequence of a superior product, business acumen, or historic accident. The monopoly position of NICTL has emerged not because of business acumen but the use of government power to

monopolise through creation of statutory barriers to reduce competition. It is important to highlight that the total Gross Written Premium (GWP) of the non-life insurance sector in 2012 was Rs 57 billion out of which NICTL had an approximate market share of 12 percent i.e. its GWP was Rs 6.84 billion. The total assets of the non-life insurance sector stood at Rs 159 billion with NICTL having assets worth Rs 34.98 billion or a share of 22 percent. NICTL therefore had a share in assets of 22 percent but its share in GWP was only 12 percent.

Market power in conjunction with statutory protection allows for far-reaching negative effects on consumers in two ways. First, monopolist undertaking may act anti-competitively in its own market, where it can restrict output or raise prices. Second, a statutory monopoly for an undertaking can create distortion in another market by anti-competitively cross-subsidizing into product/service in which there is competition, CCP added.



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# Govt urged to end NICL 'monopoly'

By A Reporter

ISLAMABAD: The Competition Commission of Pakistan (CCP) has asked the government to end the monopoly of the National Insurance Company Limited (NICL) with respect to insurance of public property.

The CCP on Tuesday issued a policy note to the federal government recommending it to amend Section 166 of the Insurance Ordinance, 2000, which currently prevents competition in the non-life insurance market.

The commission has pointed out that the Section 166 (3) of the Insurance Ordinance provides that all insurance business relating to any public property or to any risk or liability appertaining to any public property, shall be placed with NICL only and shall not be placed with any other insurer.

The National Insurance Company Limited is the only state-owned company, under the administrative control of the Ministry of Commerce, which is involved in non-life insurance business in the country.

The CCP observed that this statutory monopoly of NICL harms competition in the insurance market. In this case the government is the direct consumer and is denying itself the benefits of competition such as improved quality of service and competitive premiums.

The CCP's policy note further states that the monopoly position of NICL has emerged not because of business acumen but through the creation of statutory barriers that reduce competition.

The NICL, the commission said, has a share in total industry assets of 22 per cent but its share in Gross Written Premium was only 12pc.

"Such preferential treatment for NICL creates de facto subsidies and leaves no incentive for NICL to maximise its efficiency," the CCP has said.

Statutory monopoly of the National Insurance Company Limited limits opportunities for potential competitors because legislative exclusive rights create barriers to entry for the new entrants.

Public property insurance

# CCP recommends ending NICL monopoly

**Staff Report**

**KARACHI:** The Competition Commission of Pakistan (CCP) has issued a policy note to the federal government recommending for an amendment in Section 166 of the Insurance Ordinance, 2000.

The ordinance currently prevents competition in the non-life insurance market by extending exclusive rights to the National Insurance Company Limited (NICL) with respect to the insurance of public property.

Section 166 (3) of the Insurance Ordinance, 2000 provides that all insurance business relating to any public property, or to any risk or liability appertaining to any public property, shall be placed with NICL only and shall not be placed with any other insurer. NICL is the only state owned company, under the administrative control of the Ministry of Commerce, which is involved in non-life insurance business in the country.

CCP observed that this statutory monopoly of NICL harms competition in the insurance market. In

this case the government is the direct consumer and is denying itself the benefits of competition such as improved quality of service and competitive premiums. CCP's policy note further states that the monopoly position of NICL has emerged not because of business acumen but through the creation of statutory barriers that reduce competition. It is important to note that NICL has 22% share in total industry assets but its share in Gross Written Premium is only 12%.

The note by CCP further states that such preferential treatment of NICL creates de facto subsidies and leaves no incentive for NICL to maximise its efficiency. Statutory monopoly of NICL limits opportunities for potential competitors because legislative exclusive rights create barriers to entry for the new entrants.

It recommends the federal government to take measures to amend Section 166 of the Insurance Ordinance, 2000 in order to open the insurance business of public property to the private sector - excluding the public property that is related to national security institutions - which will create a level playing field for all non-life insurers in the insurance market.



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## CCP issues policy note to withdraw NICL's monopoly

**N****OUR STAFF REPORTER  
ISLAMABAD**

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Economy Watch

# CCP opposes NICL's monopoly over insurance of public property

STAFF REPORTER

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# جہانِ پاکِستان

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مسابقتی کمیشن آف پاکستان نے وفاقی حکومت کو پالیسی نوٹ جاری کر دیا

## پبلک پراپرٹی این آئی سی ایل کی اجارہ داری ختم کرنے کی تجویز انشورنس

قانوناً نافذ اجارہ داری انشورنس مارکیٹ میں مسابقت کے لئے نقصان دہ ہے، انشورنس آرڈیننس کے سیکشن 166 میں ترمیم کی جائے

این آئی سی ایل کو پبلک پراپرٹی کی انشورنس کے لئے خصوصی حقوق حاصل ہیں جو نان لائف انشورنس مارکیٹ میں مسابقت کو روکتے ہیں

داری مارکیٹ میں نئی آنے والی کمپنیز کے لئے بھی رکاوٹ کا باعث ہے، پالیسی نوٹ میں وفاقی حکومت کو یہ تجویز دی گئی کہ وہ انشورنس آرڈیننس 2000 کے سیکشن 166 میں ترمیم کے لئے اقدامات کرے تاکہ پبلک پراپرٹی کی انشورنس میں پرائیویٹ سیکٹر بھی برابری کی سطح پر شمولیت اختیار کر سکے ماسوائے ایسی پبلک پراپرٹی کے جو کہ قومی سلامتی سے متعلقہ ہو۔

بات بھی اہم ہے کہ تمام انڈسٹری اثاثہ جات میں این آئی سی ایل کا حصہ 22 فی صد ہے لیکن گراس پریمیم میں اس کا حصہ صرف 12 فی صد ہے، این آئی سی ایل کے لئے حکومت کا یہ ترجیحی رویہ خود این آئی سی ایل کے لئے بھی نقصان دہ ہے اور این آئی سی ایل کو اپنی کاروباری صلاحیتوں میں اضافہ کرنے کی کوشش میں کوئی فائدہ نظر نہیں آتا، این آئی سی ایل کی یہ قانونی اجارہ

مسابقت کے لئے نقصان دہ ہے، اس معاملے میں حکومت ایک صارف کی طرح ہے اور وہ اپنے آپ کو مسابقت سے حاصل شدہ فوائد سے محروم کر رہی ہے جیسا کہ سروس کی بہتر فراہمی اور مسابقت پر پیسہ سے اسے مل سکتے ہیں، یہ بھی نوٹ کیا گیا کہ این آئی سی ایل کی یہ اجارہ داری اس کی بہتر کاروباری مہارت کی بنا پر نہیں ہے بلکہ مسابقت کو کم کرنے والی قانونی رکاوٹوں کی بنا پر ہے، یہ

ہیں، انشورنس آرڈیننس 2000 کے سیکشن 166 (3) کے تحت پبلک پراپرٹی سے متعلقہ تمام انشورنس بزنس این آئی سی ایل کے علاوہ کسی اور انشورنس کمپنی کو نہیں دیا جاسکتا، وزارت کامرس کے تحت این آئی سی ایل واحد سرکاری انشورنس کمپنی ہے جو کہ نان لائف انشورنس بزنس کو ڈیل کر رہی ہے، پالیسی نوٹ کے مطابق این آئی سی ایل کی یہ قانوناً نافذ اجارہ داری انشورنس مارکیٹ میں

کراچی (کامرس رپورٹر) مسابقتی کمیشن آف پاکستان نے وفاقی حکومت کو ایک پالیسی نوٹ جاری کیا ہے جس میں یہ تجویز دی گئی ہے کہ انشورنس آرڈیننس کے سیکشن 166 میں ترمیم کی جائے جس کے تحت پبلک پراپرٹی انشورنس کمپنی لمیٹڈ (این آئی سی ایل) کو پبلک پراپرٹی کی انشورنس کے لئے خصوصی حقوق حاصل ہیں جو کہ نان لائف انشورنس مارکیٹ میں مسابقت کو روکتے

## انشورنس آرڈیننس کے سیکشن 166

### میں ترمیم کی جائے، مسابقتی کمیشن

اسلام آباد (خبرنگار خصوصی) مسابقتی کمیشن آف پاکستان (ایس ای سی پی) نے پبلک پراپرٹی انشورنس پرنیشنل انشورنس کمپنی لمیٹڈ (این آئی سی ایل) کی اجارہ داری ختم کرنے کے لیے تجویز دیدی ہے۔ اس ضمن میں مسابقتی کمیشن نے وفاقی حکومت کو ایک پالیسی نوٹ جاری کیا ہے جس میں یہ تجویز دی گئی ہے کہ انشورنس آرڈیننس کے سیکشن 166 میں ترمیم کی جائے جس کے تحت نیشنل انشورنس کمپنی لمیٹڈ کو پبلک پراپرٹی کی انشورنس کے لیے خصوصی حقوق حاصل ہیں جو کہ نان لائف انشورنس مارکیٹ میں مسابقت کو روکتے ہیں۔ انشورنس آرڈیننس 2000 کے سیکشن 166(3) کے تحت پبلک پراپرٹی سے متعلقہ تمام انشورنس بزنس این آئی سی ایل کے علاوہ کسی اور انشورنس کمپنی کو نہیں دیا جاسکتا۔ پالیسی نوٹ میں وفاقی حکومت کو یہ تجویز دی گئی کہ وہ انشورنس آرڈیننس 2000 کے سیکشن 166 میں ترمیم کے لیے اقدامات کرے تاکہ پبلک پراپرٹی کی انشورنس میں پرائیویٹ سیکٹر بھی برابری کی سطح پر شمولیت اختیار کر سکے ماسوائے ایسی پبلک پراپرٹی کے جو کہ قومی سلامتی سے متعلقہ ہو۔



مسابقتی کمیشن کی پبلک پراپرٹی انشورنس پر  
NICL کی اجارہ داری ختم کرنے کیلئے تجویز

اسلام آباد (نمائندہ خصوصی) مسابقتی کمیشن پاکستان نے وفاقی حکومت کو ایک پالیسی نوٹ جاری کیا ہے جس میں یہ تجویز دی گئی ہے کہ انشورنس آرڈیننس کے سیکشن 166 میں ترمیم کی جائے جس کے تحت نیشنل انشورنس کمپنی لمیٹڈ NICL کو پبلک پراپرٹی کی انشورنس کے لیے خصوصی حقوق حاصل ہیں جو کہ Non Life انشورنس مارکیٹ میں مسابقت کو روکتے ہیں۔ انشورنس آرڈیننس 2000 کے سیکشن (3) 166 کے تحت پبلک پراپرٹی سے متعلقہ تمام انشورنس بزنس NICL کے علاوہ کسی اور انشورنس کمپنی کو نہیں دیا جاسکتا۔

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### مسابقتی کمیشن نے انشورنس آرڈیننس میں ترمیم کیلئے پالیسی نوٹ جاری کر دیا

اسلام آباد (خصوصی رپورٹر) مسابقتی کمیشن پاکستان (سی سی پی) نے انشورنس آرڈیننس کے سیکشن 166 میں ترمیم کے لیے وفاقی حکومت کو پالیسی نوٹ جاری کر دیا ہے۔ حکومت کو جاری کردہ مذکورہ پالیسی نوٹ میں یہ تجویز دی گئی ہے کہ انشورنس آرڈیننس کے سیکشن 166 میں ترمیم کی جائے جس کے تحت نیشنل انشورنس کمپنی لمیٹڈ (این آئی سی ایل) کو پبلک پراپرٹی کی انشورنس کے لیے خصوصی حقوق حاصل ہیں جو کہ نان لائف انشورنس مارکیٹ میں مسابقت کو روکتے ہیں۔ انشورنس آرڈیننس 2000 کے سیکشن (3) 166 کے تحت پبلک پراپرٹی سے متعلقہ تمام انشورنس برنس این آئی سی ایل کے علاوہ کسی اور انشورنس کمپنی کو نہیں دیا جاسکتا۔ وزارت کامرس کے تحت این آئی سی ایل واحد سرکاری انشورنس کمپنی ہے جو کہ نان لائف انشورنس برنس کو ڈیل کر رہی ہے۔ پالیسی نوٹ کے مطابق این آئی سی ایل کی یہ قانوناً نافذ اجارہ داری انشورنس مارکیٹ میں مسابقت کے لیے نقصان دہ ہے۔ اس معاملے میں حکومت ایک صارف کی طرح ہے اور وہ اپنے آپ کو

مسابقت سے حاصل شدہ فوائد سے محروم کر رہی ہے جیسا کہ سروں کی بہتر فراہمی اور مسابقت پر ترمیم یہ بھی نوٹ کیا گیا کہ این آئی سی ایل کی یہ اجارہ داری اس کی بہتر کاروباری مہارت کی بنا پر نہیں ہے بلکہ مسابقت کو کم کرنے والی قانونی رکاوٹوں کی بنا پر ہے۔ یہ بات بھی اہم ہے کہ تمام انڈسٹری اثاثہ جات میں این آئی سی ایل کا حصہ 22 فیصد ہے لیکن خام تحریری پریمیم میں اس کا حصہ صرف 12 فیصد ہے۔ این آئی سی ایل کے لیے حکومت کا یہ ترجیحی رویہ خود این آئی سی ایل کے لیے بھی نقصان دہ ہے اور این آئی سی ایل کو اپنی کاروباری صلاحیتوں میں اضافہ کرنے کی کوشش میں کوئی فائدہ نظر نہیں آتا۔ این آئی سی ایل کی یہ قانونی اجارہ داری مارکیٹ میں نئی آنے والی کمپنیوں کے لیے بھی رکاوٹ کا باعث ہے۔ پالیسی نوٹ میں وفاقی حکومت کو یہ تجویز دی گئی کہ وہ انشورنس آرڈیننس 2000 کے سیکشن 166 میں ترمیم کیلئے اقدامات کرے تاکہ پبلک پراپرٹی کی انشورنس میں پرائیویٹ سیکلر بھی برابری کی سطح پر شمولیت اختیار کر سکے ماسوائے ایسی پبلک پراپرٹی کے جو کہ قومی سلامتی سے متعلقہ ہو۔