

# CU CHIEF SPEAKS OF INHIBITING FACTORS IN INSURANCE INDUSTRY

High taxes — restriction on investing in stock exchange — discrimination by public sectors financial institutions

Commercial Union Assurance (C.U. for short) is one of the largest multinationals operating in Pakistan, and its General Manager Moin M. Fudda, who had an almost meteoric rise to the top slot, reflects the corporate psyche of the global corporation whose fundamental claim is efficiency.

"We pay more taxes," he says, "and are subjected to higher rates of taxation. There is discrimination against us in public sector banks and financial institutions, though it is somewhat relaxed when it is explained to them that we retain larger portion of risks and thereby resulting in less outflow of foreign exchange on account of reinsurance premia. Since retention of foreign companies is high as compared to the local companies, their contribution to national exchequer by way of taxation is also more."

He argues that foreign companies' outflow of foreign exchange on account of profit remittance as well as reinsurance premia is less than that of the local companies on account of reinsurance premia alone.

Fudda says, that though government has allowed foreigners to invest into the stock market, the foreign insurance companies are not permitted to do so.

Both CU and American Life would like to enter life business. Their applications are with the government. Fudda hopes that there will be positive response to these applications because of the continued government policy on foreign investments.

"As a Pakistani", he says, "I feel that if we are allowed to enter life business and allowed to operate with



Mr. Moin Fudda

relative freedom and reasonable facilities in what is still a restricted sector it will be in the interest of government as well as the masses. It will have an indirect effect in encouraging foreign investment not only in the insurance industry but also other fields, with all the attendant advantages of infusing state of the art technology and local diffusion of modern business prac-

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tices as well as the availability of innovative products to attract a wide range of potential customers."

## Poor coverage

At present, he points out, in a population of some 120 million, only about seven million are insured and five out of these seven are group life. Which means that only about two million have individual insurance.

About the perception that foreign companies are primarily concentrating on big corporate entities, such as MNCs, Fudda says, we do insure multinationals but we also go for small and medium sized clientele. In addition we also offer Personal Accident and Household Policies to individuals.

Asked about the agriculture sector (crop insurance) the CU chief recalled his experience when he was with the Pakistan Insurance Corporation (PIC). At the request of the Ministry the PIC developed a scheme for crop insurance. It was to be insured by private companies and reinsured by PIC. It kept lying in government files. Then another scheme was prepared by the IAP but it too did not receive proper attention. The Finance Ministry thought that since it was to provide the money it should have the right to decide. The Ministry of Agriculture thought it was their turf and the Ministry of Commerce staked its claim because insurance came under its jurisdiction. Fudda feels that though the introduction of Crop Insurance may be a political issue, in his view the ministry of commerce being aware of the practices of agricultural insurances in other devel-

oping countries should have the final say in the matter.

Another example cited by him of the low priority that some of the government departments give to insurance was the fire that had extensively damaged the uninsured civil airport some time back. Instead of rushing to get it insured the bureaucrats involved instituted an inquiry as to why the airport had not been insured. As it happened two days after the first incident another fire caused more damage to the airport. (He hastened to add that the Quaid-e-Azam Air Terminal has been indeed insured).

### Is Insurance un-Islamic?

In insurance, says the CU Chief, a substantial part is reinsurance in which international markets are involved. Naturally, we cannot dictate any systems other than what is being practiced internationally. Some people are indeed very strongly against Insurance on the basis of what they believe to be Islamic injunctions. There are others who profess to be against insurance on religious ground, "like the one who had always stoutly opposed it but suddenly one day he came to me for the insurance of his car. Why this change? His son's car had been stolen the previous day. That is to say, when it comes to a real security concern people will buy insurance, whatever their public stance."

Selling the policy says the CU Chief, is not enough; servicing is equally important. That calls for intensive training of the staff. About the perception that the insurance companies eagerly collect premiums but when it comes to payment of the claim their process is cumbersome. He says CU is very prompt. Of course when we insure a project we try to investigate thoroughly both the physical and moral hazards involved. At CU there is always a senior executive to speak on the customer's behalf before finalising business with a client.

### Other observations

Auto insurance is becoming more difficult for the industry in view of the ever increasing instances of snatching vehicles at gun point. The sad part is that even if the stolen car is traced it is not all that easy to get it back. With this experience, Fudda is afraid if some of the companies will be able to arrange reinsurance for their motor insurance.

### About reinsurance

There is only one reinsurance company in the country, the Pakistan Insurance Corporation. The decision to form ECO Re has recently been announced. In Fudda's views, the Company may have a sound beginning if the three governments and insurance and reinsurance companies in the region extend their full support. After all it will not only require a very strong capital base and highly trained professional management whose emoluments should be in line with others in the industry.

### Insurance Association of Pakistan

Asked about the Insurance Association, Mr Fudda said: "Foreign companies are generally satisfied with the way it is functioning but we are not too happy about a situation which developed recently. It is the move to reduce the existing quota of foreign companies in the Central and other committees of the Association.

There are now 10 foreign companies and 42 local. The foreign companies are of the view that the Central and other committees should comprise men of high technical expertise and considerable experience. Foreign companies as well as a number of local companies feel that there is no need for a fixed quota. Since the local companies have a dominant voting strength (42:10) in a straight election they should choose those they deem professionally suitable (if they are from foreign companies so be it) ■



### MOIN FUDDA — A PROFILE

General Manager of Commercial Union Assurance Company, Moin Fudda's is an impressive success story.

His academic honours include an RCD scholarship awarded by the Government of Pakistan to study at the International School of Insurance, Tehran; MBA from the College of Insurance, New York in his studies he concentrated on Insurance, Management, Marketing, Finance and Economics—a combination that gave him strength and confidence in successive positions of high responsibility. Mr Fudda served as Executive Director, Pakistan Insurance Corporation, (1984-88); General Manager CU (1988—).

Before coming back to Pakistan he was Manager Re-insurance at American International Group, New York and also had a teaching assignment as Adjunct Assistant Professor in the Business Administration Division at the New College of Insurance (1978-82).

Moin Fudda is Honorary Consul of New Zealand in addition to being its Trade Representative in Pakistan. He is also honorary secretary of the Management Association of Pakistan.