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MUHAMMAD NABEN (Advocate)
Advocate HC 326

PARTICIPANT TAKAFUL FUND (PTF) POLICIES

1. **Short title.** – These shall be called Participant Takaful Fund Policies
2. **Definitions.** – In these Policies, unless there is anything repugnant in the subject or context,
 - (i) **Accounting Year** means financial year of the Operator, i.e., 12 months commencing from January 1 till December 31.
 - (ii) **Commission** means Securities and Exchange Commission of Pakistan;
 - (iii) **Contribution** means the amount payable by a participant to an operator under a Takaful Fund;
 - (iv) **Companies Act** means the Companies Act, 2017 or any other Company law for the time being in force;
 - (v) **Deficit** means the shortfall in the PTF, that is excess of payments over receipts and after accrual of all expenses and income in accordance with generally accepted accounting principles and applicable law for the time being in force;
 - (vi) **Distributable Surplus** means the portion of amount to be distributed after the necessary evaluation of the assets and liabilities of Participant Takaful Fund(s) determined by the Operator after the consultation with Shariah Advisor and appointed Actuary at the end of every fiscal year
 - (vii) **Ordinance** means the Insurance Ordinance (XXXIX of 2000);
 - (viii) **Operator** means TPL Life Insurance Limited, Window Takaful Operations working in its capacity as Wakeel thereby operating the PTF;

- (ix) **Participant** means a person who participates in a Takaful scheme and to whom a Takaful Contract is issued;
- (x) **Participant membership documents (PMD)** means the documents detailing the benefits and obligations of the Participant.
- (xi) **Qard-e-Hasna** means an interest-free loan to the PTF from the Shareholders' Fund, when the PTF is in deficit and insufficient to meet their current liabilities and insufficient to meet solvency requirements prescribed by the regulator.
- (xii) **Participant Takaful Fund (PTF)** means TPL Life Insurance Limited, Window Takaful Operations Fund established under the Waqf Settlement Deed.
- (xiii) **Operator** means TPL Life Insurance Limited, Window Takaful Operations
- (xiv) **Shariah Advisor** means Shariah Advisor of the Operator appointed under Rule 26 of the Takaful Rules 2012
- (xv) **Supplementary Policies** means sub-policies or other policies made under the Waqf Settlement Deed.
- (xvi) **Takaful Rules** means Takaful Rules, 2012.
- (xvii) **Waqf Fund** means fund established by the Operator in accordance with the requirements of Takaful Rules, 2012. Waqf Fund or Participant Takaful Fund may be used interchangeably.
- (xviii) **Waqf Deed** means Waqf Settlement Deed made by the Operator to establish Waqf Fund.

Unless the context otherwise requires, words or expressions contained in these rules shall have the same meaning as in the Companies Act, 2017, Insurance Ordinance, 2000, Takaful Rules, 2012 and Waqf Deed; and words importing the singular shall include the plural, and *vice versa*, and words importing the masculine gender shall include feminine, and words importing persons shall include bodies corporate.

3. Operator's Obligations

- (a) There shall be paid into the PTF all receipts of the Operator properly attributable to the business to which the PTF relates (including the income of the PTF), and the assets comprised in the PTF shall be applicable only to meet such part of the PTF's liabilities and expenses as is properly so attributable.
- (b) The risk related component of contributions and Operator's fees shall be credited to the PTF and from which benefits shall be paid out.
- (c) The following risks are being covered:
 - (i) For Individual Family Takaful Participants' Fund; mortality, disability and morbidity Risk in respect of individuals with reference to Class 1, ordinary life business as defined in the Ordinance;
 - (ii) For Group Family Takaful Participants' Fund, mortality, disability and morbidity risks in respect of groups with reference to Class 1, ordinary life business as defined in the Ordinance;
 - (iii) For Accident and Health Takaful Participants' Fund; accidental death & disability and morbidity risks in respect of groups and individuals with reference to Class 4, accident and health business as defined in the Ordinance.
- (d) The Operator shall assess, classify, and determine risk prudently in accordance with sound Actuarial Guidelines and Shariah Principles.

- (e) The Operator shall be entitled to appoint intermediaries for soliciting subscribers or participants or members and to perform such functions necessary and incidental thereto.
- (f) The Operator shall perform all functions necessary for the operations of the PTF, including but not limited to:
 - (i) Receiving contributions from the Participants;
 - (ii) Utilizing these contributions for the benefits of all the Participants;
 - (iii) Acting as Modarib or Wakeel in order to manage the funds in the best interest of the PTF;
 - (iv) The Operator shall define, design, implement, manage, administer, run, control, govern, modify Takaful Schemes for the benefits of all the Participants, whether existing or prospective, with the approval of Shariah Advisor and the Appointed Actuary;
- (g) The Takaful Operator shall be required to invest his available funds in the PTF in the modes and products that adhere to principles established by the Shariah and all such modes and products shall be approved by the Shariah Advisor of the Takaful Operator. The following guidelines shall be followed for investments of the funds in the PTF, namely:-
 - (i) Investment in Shariah compliant Government securities.-Any Shariah compliant Government instrument such as Islamic bonds (Sukuks) and securities.
 - (ii) Investments in immovable property.-The Operator shall be allowed to invest in immovable property subject to the following conditions, namely:-
 - a. the use and intended use of the property should be in compliance with the Islamic principles; and
 - b. return on rented property may be in the form of fixed rent but in case of delayed payments penalty may be charged and the penalty amount shall be given to charity.
 - (iii) Investment in Joint Stock Companies.-The Operator may invest its funds in joint stock companies. However, investments in non-Shariah compliant preferred stocks, debentures and interest based redeemable capital securities are not allowed. For investments in the common stocks of joint stock companies, the following guidelines should be followed in consultation with the Shariah Advisor, namely:-
 - a. The main business of the investee company must not violate Shariah. Therefore, it is not permissible to acquire the shares, debentures or certificates of the companies providing financial services like conventional banks or the companies involved in business prohibited by Shariah like alcohol production, gambling or night club activities, etc;-
 - b. The Shariah Advisor of the Operator shall take into consideration factors such as the proportion of income of the investee company from interest bearing accounts or non-Shariah based activities, the debt to equity ratio and cash or cash equivalents of the investee company; and
 - c. The investment decision shall be based on fundamental value of the companies instead of short-term speculations.
 - (iv) Investments in redeemable capital.- The Operator may also make its portfolio investments through various mutual funds operating under the

Shariah principles and approved by the Commission. Before making any investment therein, the Operator shall have the procedures and practices being followed by such funds scrutinized by its Shariah Advisor.

- (v) Investments in redeemable capital.-The Operator may invest their funds in Shariah compliant instruments like Musharika Certificates, Term Finance Certificates (TFCs), Participation Term Certificates (PTCs) etc. However, in case of investment in redeemable capital it shall be necessary that the certificates are issued in compliance with the Islamic injunctions and the scheme of their issue be examined by the Shariah Advisor of the Takaful Operator. The basic conditions as laid down earlier for investments in the common stock of joint stock companies should also be followed.
- (vi) Placement of excess funds with banks and Islamic financial institutions.-The Operator may invest a portion of their funds in liquid or short notice deposits schemes of Islamic banks and their branches or other Islamic financial institutions, placements in PLS saving accounts of Islamic banks and placement in current accounts of traditional banks without any return thereon.
- (vii) Financing under Islamic modes through the Islamic banks and financial institutions.-The Operators may make arrangements with the Islamic banks operating in Pakistan to directly finance under musharika, murabaha, ijara (lease), salam, istisna contracts approved by the Commission.
- (h) Takaful Operator shall appoint a Shariah Compliance Auditor who will conduct its audit for each accounting period, which shall be conducted before the close of accounts and annual audit to make the adjustments advised by the Shariah compliance auditor.
- (i) The Operator shall not accept any risk in respect of any family takaful business unless and until the contribution payable is received by the Takaful operator or is guaranteed to be paid by such person.

Provided, where the contribution payable, as aforesaid is received by any person, including a Takaful agent or a Takaful broker, on behalf of the Operator, such receipt shall be deemed to be receipt by the Takaful operator for the purposes aforesaid and the onus of proving that the contribution payable was received by a person, including a Takaful broker, who was not authorized to receive such contribution shall lie on the Operator.

Provided further, any benefit, which may become due to a participant on account of the cancellation of a policy or alteration in its terms and conditions or for any other reason shall be paid by the Operator, from the PTF, directly to the participant and a proper receipt shall be obtained by the Operator from the participant and such payment shall under no circumstances be paid or credited to any other person, including a Takaful broker.

- (j) The Takaful Operator would periodically perform surplus calculation for the PTF, under advice from the Appointed Actuary as it considers appropriate. Atleast at the end of each accounting year the Takaful Operator shall evaluate the assets and liabilities of the PTF and determine whether the operation for that particular period had produced a surplus for sharing amongst the participants.

The surplus for each period would be calculated in the following manner:

Balance in Fund brought forward
Add: Takaful Contributions received in the PTF
Add: Investment income earned by investment of the PTF itself
Add: Receipts from retakaful operators as their share of any claims paid out or as shares of surplus earned on retakaful arrangements

- Add: Reserves required by preceding year's Actuarial Valuation to be brought forward
- Add: Any donation made by the Takaful Operator
- Less: Incurred Claims
- Less: Takaful Operator's Fees if it has been credited to the Participant Takaful Fund;
- Less: Repayment of Qard-e-Hasna
- Less: Takaful Operator's share in Investment income earned by investment of the PTF itself
- Less: Amounts paid out to retakaful operators as retakaful contributions
- Less: Any donation paid by the PTF on the advice of the Shariah Advisor
- Less: Reserves required by actuarial valuation to be carried forward

The Takaful Operator may hold a portion of the surplus as a contingency reserve. The basis of this would be defined and reviewed by the Appointed Actuary each year in consultation with the Shariah Advisor. The rest of the surplus would be called the 'Distributable Surplus'.

The basis of the Surplus allocation amongst participants would be recommended by the Appointed Actuary in consultation with the Shariah Advisor. The basis of Surplus allocation shall:

- (i) ensure fair and equitable treatment of the Participants of the Waqf Fund (PTF);
- (ii) be in line with the prescribed regulations of the Commission;
- (iii) be in line with the generally acceptable actuarial principles;
- (iv) be in line with the terms and conditions of the Participants' Membership Document.

The mechanism and frequency of Surplus distribution amongst Participants would be as approved by the Appointed Actuary and the Shariah Advisor.

In case there is a deficit in the PTF, the Takaful Operator shall donate an interest-free loan to be called Qard-e-Hasna to make good the shortfall in the fund. The loan shall be repaid from the future surpluses generated in the PTF without any excess on the actual amount given to the PTF.


- (k) Takaful operator may require such technical reserves to be setup in the PTF, as may be deemed appropriate, that is to say:-
 - (i) Unearned contributions reserves;
 - (ii) Incurred but not reported claims' reserve;
 - (iii) Deficiency reserve;
 - (iv) Reserve for Qard-e-Hasna to be returned in future; and
 - (v) Surplus equalization reserve.

4. General

- 4.1 These Rules shall be governed by the laws in Pakistan applicable from time to time on the Operator and the Waqf Fund.
- 4.2 The Operator shall have the right to modify / change in, add to, subtract from these, as may be deemed necessary, with due consultation of Shariah Advisor.

IN WITNESS HEREOF these Rules are executed hereunto on 23 day of November
2018 at Karachi.

For and on behalf of
TPL Life Insurance Limited,
Window Takaful Operations (the Operator)



Faisal Shahzad Abbasi
Chief Executive Officer

Witness 1: Name & Address:

Signature: _____



Witness 2: Name & Address:

SYED WAQAS AHMED

Signature: _____

