

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to IGI General Insurance Limited

Dates of Hearing

June 23, 2021

Order-Redacted Version

Order dated November 30, 2021 was passed by Director/Head of Department (Adjudication-I) in the matter of IGI General Insurance Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 01, 2021.
2. Name of Company	IGI General Insurance Limited (the Company and/or the Respondent)
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>regulations 3(1)(a), 6(3)(a), 6(5), 6(5a), 9(4), 10(3), 13(3), and 13(7) of the SECP AML/CFT Regulations, 2018 (the AML Regulations) read with the SECP Act, 1997(the Act).</u>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent Company. The Company does not record and screen the beneficial owners of its corporate customers. In fact, review of KYC/CDD forms of its corporate customers shows that information regarding beneficial owners is not obtained as no such column is provided therein. While responding to the foregoing observation of the inspection team, the Company has requested that the data available with SECP regarding beneficial owners be made available to insurance companies as they face practical impediments in obtaining the said information. In view of the foregoing, the Company did not identify the beneficial owners of its customers which resulted in its failure to verify the identity of the beneficial owners. Further, the Company did not verify the identity of beneficial owners of its customers even after the establishment of the business relationship. Thus, the Company</p>

	<p>violated the provisions of regulations 6(3)(a) and 6(5) of the AML Regulations. In addition, the Company did not undertake periodical review of adequacy of information obtained in respect of customers, which constitutes violation of regulation 13(3) of the AML Regulations, 2018. The Company has admitted that KYC/CDD Form in respect of an identified PEP remained partially unfilled but stated that the information on her CNIC, NTN and permanent address has been part of the Company's record owing to her long business relationship with the Company. However, the reply of the Company is silent on non-compliance with the requirement of establishing the sources of wealth and/or funds or beneficial ownership of funds, by appropriate means including the Company's own assessment to this effect. It was evident from the Policy File of the said PEP shared with the inspection team that she was not categorized as a high-risk customer. Moreover, approval of the senior management to establish business relationship with her was also not available in the Policy File. Therefore, EDD of the said PEP was not conducted, leading to failure in conducting enhanced monitoring of business relationship and establishing sources of wealth. Thus, the Company was in violation of regulations 9(4) and 10(3) of the Regulations. In view of the foregoing, the Company is liable to be penalized under Section 40A of the Act.</p> <p>In exercise of the powers conferred on me under Section 40A of the Act, I, hereby, impose a fine of Rs. 125,000/- (Rupees One Hundred and Twenty-Five Thousand Only) on the Company on account of established defaults.</p>
6. Penalty Imposed	Rs. 125,000/-
7. Current Status of Order	No Appeal has been filed by the respondents.