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**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**INSURANCE DIVISION**  
[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

In the matter of

East West Life Assurance Company Limited

Show Cause Notice Date	April 5, 2010
Company Reply Filing Date	April 20, 2010
Auditor Reply Filing Date (on behalf of Company)	April 20, 2010
Hearing Date:	May 18, 2010
Date of Order	June 9, 2010

**ORDER**

(Under Section 52(2) read with Section 156 of the Insurance Ordinance, 2000)

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This Order shall dispose of the proceedings initiated against East West Life Assurance Company Limited ("the Company") for not complying with Section 52(2) read with Section 156 of the Insurance Ordinance, 2000 ("the Ordinance").

**Background Facts**

2. The Company is registered as a Life Insurer under the Ordinance and had submitted the annual audited accounts for the year ended December 31, 2009 under Section 233(5) of the Companies Ordinance, 1984 on March 13, 2010.
3. The annual audited accounts submitted by the Company did not contain statements required under Section 52(2) of the Ordinance.
4. Section 52(2) of the Ordinance states:

*"The statements required to be filed by life insurers for the purposes of sub-section (5) of section 233 of the Companies Ordinance, 1984 (XLVII of 1984), shall be deemed to include the following statements, each in such form as may be prescribed by the Commission:*

- (a) *a statement by the appointed actuary of his opinion as to whether the policyholder liability included in the balance sheet has been determined in accordance with the provisions of this Ordinance;*
- (b) *a statement by the appointed actuary of his opinion as to whether each statutory fund of the insurer complies with the solvency requirements of this Ordinance;*
- (c) *a statement by the directors of the insurer of their opinion as to whether each statutory fund of the insurer complies with the solvency requirements of this Ordinance; and*
- (d) *such other statements as may be prescribed by the Commission."*



5. The applicable penal provision of the Ordinance, Section 156, states:

*"Penalty for default in complying with, or acting in contravention of this Ordinance.- Except as otherwise provided in this Ordinance, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer, and, where the insurer is a company, any director, or other officer of the company, who is knowingly a party to the default, shall be punishable with fine which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues."*

#### Show Cause Notice

6. Accordingly, a Show Cause Notice dated April 5, 2010 under Section 52(2) read with Section 156 of the Ordinance was issued to the Chief Executive and Directors of the Company, calling upon them to show cause as to why the penalty, as provided in Section 156 of the Ordinance, should not be imposed upon them for not complying with provisions of Section 52(2) of the Ordinance.

#### Company's Response to the Show Cause Notice

7. The Company, via its letter dated April 19, 2010, in response to the abovementioned Show Cause Notice stated that the Show Cause Notice *"has been replied by our External Auditors, M/s Anjum Asim Shahid Rahman, Chartered Accountants, and the company endorses the contents of the reply on behalf of the Chairman and Directors of the company and company itself."*

8. The Company requested that *"the unintentional and minor omission be condoned"* adding that they wish to *"avail the opportunity of a hearing through their external auditor/legal advisor"* should further clarification be required.

9. The External Auditors of the Company M/s Anjum Asim Shahid Rahman, Chartered Accountants ("the Auditors") filed their response on behalf of the Chairman and Directors of the company and company itself, via a letter dated April 16, 2010. The letter stated:

*"In this connection, we like to mention here that the company has submitted to your office the balance sheet and profit and loss accounts along with the auditor's report and director's report as required by Section 233(5) of the Companies Ordinance, 1984. However, the company erroneously could not submit the statements as required by Section 52(2) of the Insurance Ordinance, 2000. The default occurred due to overlooking of documents and was not intended to violate the law and after your observation relating to missing documents, the company submitted accounts along with the statements as cited by your notice without any delay."*

10. The Auditors also stated in their letter that the printed accounts contained the statements in question and a copy of the printed accounts was submitted with their letter. The Auditors further stated

*"Further, the Company has followed the rationale of Section 233 of the Companies Ordinance, 1984 read with Section 52(2) of the Insurance Ordinance, 2000 by submitting the accounts along*



with the statements to the members of the company and hence not prejudice the interests of the members as well as the public while preparing and circulating the information contained in the accounts."

### Hearing of the Case

11. In order to provide an opportunity to the Chief Executive and Directors of the Company or their authorized representative for appearing in person to explain the reasons for not complying with said provisions of the Ordinance, the hearing of the case was fixed for May 18, 2010 before Executive Director (Insurance).

12. On the date of the hearing, Mr. Khaliq-Ur-Rahman (Partner of the Auditors) and Mr. Ahsan Laliwala (Partner of the Auditors) appeared with a Power of Attorney to represent the Auditors on behalf of the Company and its Directors.

13. They explained that there was no intention to break the law. The preliminary copy submitted to the Securities and Exchange Commission of Pakistan ("the Commission") did not contain the said statements, as required by Section 52(2) of the Ordinance, but that was due to a clerical error and there was no malafide intent. The statements, as required by Section 52(2) of the Ordinance, were incorporated in the printed accounts. In their view the law was complied with but with a delay. They requested a pardon and stated that they will inform the Company to put effective systems in place so that such similar contravention do not occur in the future.

### Conclusion

14. I have given due consideration to the written submissions and to the views aired by the Respondents and/or their Representatives. The Company did violate the relevant provision of the Ordinance and the Company and its representatives admitted that such a contravention did occur. Thus, it is established that the Company had violated the relevant provision of the Ordinance. However, the Company had rectified their mistake by submitting the statements and incorporating them in their published Annual Report.

### Order

15. In view of the foregoing conclusion, I, in exercise of powers conferred on me under Section 156 of the Ordinance, while taking a lenient view, hereby, condone the aforesaid default this time and warn the Directors & CEO of the Company to ensure compliance of the relevant provisions of the Ordinance in the future.

(Nasreen Rashid)  
Executive Director (Insurance)