



INSURANCE DIVISION  
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

*In the matter of*

Afro-Asian Insurance Broker (Pvt.) Limited

Show Cause Notice No. and Date : ID/Enf/Broker-Afroasian/2017/10818  
dated August 24, 2017

Date of Hearing: October 4, 2017

Attended By: Mr. Najeeb Moochhala  
Partner, Moochhaala Gangat & Co.  
(Authorized Representative)

Date of Order: October 17, 2017

### ORDER

Under Section 109 of the Insurance Ordinance, 2000 and Rule 50 of the Insurance Rules, 2017 read with Section 102(6) and Section 158 of the Insurance Ordinance, 2000

.....

This Order shall dispose of the proceedings initiated against M/s. Afro-Asian Insurance Broker (Pvt.) Limited (the "Company"), for alleged contravention of Section 109 of the Insurance Ordinance, 2000 (the "Ordinance") and Rule 50 of the Insurance Rules, 2017<sup>1</sup> (the "Rules"). The Company, its Directors including the Chief Executive Officer shall be referred to as the "Respondents" hereinafter.

2. The Company is registered with the Securities and Exchange Commission of Pakistan (the "Commission") under the Ordinance to carry on the business of direct insurance broking in Pakistan.

3. A licensed insurance broker is required to submit the requisite report/accounts/financial statements to the Commission within four months of the close of the financial year in terms of Section 109 of the Ordinance and Rule 50 of the Rules. In this regard, the provisions of Section 109 of the Ordinance state that:

*"Insurance brokers to report annually to Commission. - A licensed insurance broker shall make an annual report to the Commission. Such report shall include*

<sup>1</sup> Rule 27 of the Securities and Exchange Commission (Insurance) Rules, 2002



*audited accounts of the insurance broking business and such other information and statements as may be prescribed, each in such format as may be prescribed."*

4. The provisions of Rule 50 of the Rules state that:

*"Reporting by insurance brokers.- (1) Each year an insurance broker shall be required to provide to the Commission, as at the preceding 31st December, or in respect of the year then ended –*

*(a) a balance sheet of the company;*

*(b) a profit and loss account of the company;*

*(c) a certificate from the auditors of the insurance broker certifying the amount of net equity maintained by the insurance broker as on the reporting date;*

*(d) a statement of the insurance premium written through the broker, distinguishing between premium in respect of which the broker had an agency agreement with the insurer, subdivided by classes of insurance business, and premium in respect of which the broker did not have an agency agreement with the insurer; subdivided by classes of insurance business; and*

*(e) a statement of the commission or brokerage, by whatever name called, receivable by the broker, subdivided by classes of insurance business, distinguishing between commission earned on premium in respect of which the broker had an agency agreement with the insurer, and commission earned on premium in respect of which the broker did not have an agency agreement with the insurer.*

*(2) The Commission may, on the application of a broker, approve a date other than the 31st December, for the date as at which the statements shall be required to be made up for the purposes of sub-rule (1)*

*(3) The statements referred to in this rule shall be provided to the Commission not later than four months after the date to which they are made up."*

5. It was observed that the Company changed its financial year from 31<sup>st</sup> December to 30<sup>th</sup> June. In this regard, the Company was required to obtain approval of the Commission to change the financial year to a date other than 31<sup>st</sup> December in terms of Rule 50 of the Rules.

6. In this regard a warning letter was issued to the Company dated December 6, 2016 whereby the Company was directed to change its accounting year from 30<sup>th</sup> June to 31<sup>st</sup> December, prepare the accounts along with other prescribed statements for the year ending December 31, 2016 and submit the same to the Commission within the prescribed time i.e. April 30, 2017.

7. The Company failed to submit the audited accounts and other statements for the year ended December 31, 2016. The Company was advised/reminded through letter dated June 2, 2017 to submit the said statements without any further delay. The



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Insurance Division

Continuation Sheet 2

Company vide letter dated July 7, 2017 submitted the audited accounts for the year ended December 31, 2015 and requested for extension of 60 days for submission of the accounts and other statements for the year ended December 31, 2016. The Commission in response, vide letter dated July 17, 2017, informed the Company that period for filling of the audited accounts and other statements could not be extended as per provisions of the Ordinance and Rules; and that the period of four months provided in Rule 50 had already elapsed. Therefore, the Company was again advised to submit the audited accounts and other statements for the year ended December 31, 2016 along with other statements at the earliest.

8. The Company failed to file its annual audited accounts and other statements within the stipulated period i.e. within four months from the end of the accounting period in violation of Rule 50 of the Rules and Section 109 of the Ordinance.

9. Hence, a Show Cause Notice bearing number ID/Enf/Broker Afroasian/2017/10818 dated August 24, 2017 was issued to the Respondents, thereby calling upon them to show cause as to why punitive action may not be taken against them in terms of Sections 102(6) and 158 of the Ordinance for contravening the provisions as aforesaid.

10. Subsequently, the Authorized Representative of the Respondents, Moochhala Gangat & Co. submitted copy of the annual audited accounts and other statements for the year ended December 31, 2016 along with the response to the SCN vide letter dated September 05 2017, 2017 which is reproduced below:

*"With reference to your show cause notice ref: ID/Enf/Broker-Afroasian/2017/10818 dated August 24, 2017 received (via courier) on August 25, 2017, on the captioned subject. In this connection, we on behalf of our above named client are submitting audited accounts for the year ending December 31, 2016.*

*The reason for the delay was due to sad demise of our Chairman Syed Akbar Ali Khan.*

*Kindly drop the proceeding and oblige."*

11. Thereafter, the Commission, vide hearing notice no. ID/Enf/Broker-Afroasian/2017/11043 dated September 13, 2017, scheduled hearing for September 25, 2017 at 11:30 a.m. However, the Company vide letter dated September 21, 2017 requested to reschedule the aforesaid hearing to another date. Request of the Company was acceded to and the hearing was rescheduled on October 4, 2017 at 12:00 pm.

12. The hearing was held at Head Office of the Commission in Islamabad on the scheduled date i.e. October 4, 2017 connected via video link at CRO Karachi where Authorized Representative Mr. Najeeb Moochhala was present for and behalf of the Respondents.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Insurance Division

Continuation Sheet 3

13. During the hearing, the Authorized Representative apprised the Commission that the Chairman of the Company had expired in the month of April, 2017, therefore accounts of the Company could not be approved. He maintained that the Company conducted the AGM without presenting the accounts; however, appointment of the auditors was approved during the AGM. He stated that on August 9, 2017, the Board of Directors of the Company approved its accounts. He requested the Commission to take a lenient view in the matter and assured to comply with the Ordinance and Rules in the future.

14. In terms of Rule 50(3) of the Rules, the Respondents were required to file Company's annual audited accounts and other statements within four months from the end of the accounting period i.e. by April 30, 2017, The Respondents, however failed to comply with the said requirement. The annual report of the Company for the year ended December 31, 2016 was filed late i.e. on September 5, 2017, in contravention of Section 109 of the Ordinance and Rule 50(1) & (3) of the Rules.


15. In view of the above, the Respondents have contravened the provisions of Section 109 of the Ordinance and Rules 50(1) & (3) of the Rules, on account of which the Commission may cancel the insurance broking license or refuse to renew the broking license under Sections 102(6) of the Ordinance.

16. Section 102 (6) of the Ordinance states that:

*"(6) The Commission may cancel or refuse to issue or renew a broking license, where the Commission believes on reasonable grounds that the broker has contravened a provision of the Ordinance, including without limitation that the broker has failed to maintain prescribed minimum levels of paid-up capital, statutory deposit or professional indemnity insurance."*

17. I have carefully examined and given due consideration to the submissions made by the Respondents, and have also referred to the provisions of the Ordinance and other legal references (i.e. the Rules), I am of the view that the element of default of Section 109 of the Ordinance and Rule 50(1) & (3) of the Rules is there, for which the broking license may be cancelled in terms of Sections 102(6) of the Ordinance. However, the Respondents have assured to comply with the rules and regulations in future. Therefore, I take a lenient view and strictly warn the Respondents to be careful in future.

18. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and / or its management (including the chief executive officer or directors of the Company) in accordance with the law on matters including those subsequently investigated or otherwise brought to the knowledge of the Commission.

  
Fida Hussain Samoo  
Commissioner (Insurance)

