



SECP
INSURANCE DIVISION
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

In the matter of

Askari General Insurance Company Limited

Show Cause Notice No. and Date: ID/Inf/Agico/2017/9678, May 26, 2017
Date of Hearings: June 21, 2017
Attended By: Mr. Abdul Waheed
Chief Executive Officer
M/s. Askari General Insurance Company
Limited
Date of Order: July 10, 2017

ORDER

Under Regulation 2(2) of the Insurance Companies (Sound and Prudent Management) Regulations, 2012, and Section 11(1)(f), Section 12(1)(b) read with Section 60 and Section 156 of the Insurance Ordinance, 2000

.....
This Order shall dispose of the proceedings initiated against M/s. Askari General Insurance Company Limited (the "Company") and its Chief Executive Officer (the "CEO"), for alleged contravention of Regulation 2(2) of the Insurance Companies (Sound and Prudent Management) Regulations, 2012 (the "Regulations") read with Section 11(1)(f) and Section 12(1)(b) of the Insurance Ordinance, 2000 (the "Ordinance"). The Company and its Chief Executive shall be collectively referred to as the "Respondents" hereinafter.

2. The Company is registered under the Ordinance to carry on the business of non-life insurance in Pakistan.

3. The Company did not obtain approval of the Commission for appointment of its CEO, namely; Mr. Abdul Waheed Khan, in terms of the Regulations. Since he was lacking in the relevant insurance experience/qualification, the concurrence of his appointment was given by the Commission vide letter dated July 9, 2010, with the condition that his credentials would be reviewed upon promulgation of the Regulations.

4. The criteria for fit and proper persons was subsequently notified through the Regulations (SRO No. 15(1)/2012) dated January 9, 2012. The Company in



order to comply with the Regulations was required to seek approval of the Commission upon expiry of the respective term (in 2013) of Office of its CEO and before the commencement of his new term of office but the same was not complied with.

5. The Company was advised, vide letter dated March 17, 2017, to seek approval of the Commission for appointment of its CEO after expiry of the transitional period under Regulation 4(2) of the Regulations i.e. till January 08, 2017. The Company, vide letter dated March 21, 2017 responded that its CEO has already complied with the provisions of the Regulations in 2015 upon completion of five years' period with the Company; therefore, approval of the Commission for his appointment is not required.

6. In view of the above, it appeared that the Company and the above named CEO violated the provisions under Regulation 2(2) of the Regulations, Sections 11(f) and 12(1)(b) of the Ordinance, for which punitive action under Section 156 of the Ordinance can be taken against the Company and/or its CEO or a direction under Section 60 of the Ordinance may be given.

7. Regulation 2(2) of the Regulations, Section 11(1)(f) and Section 12(1)(b) of the Ordinance are reproduced below: -

Regulation 2(2) of the Regulations

"A proposed director or chief executive or principal officer of the insurer shall not assume the charge of office until their appointment has been approved by the Commission."

Section 11(1)(f) of the Ordinance

"Conditions imposed on registered insurers. -(1) An insurer registered under this Ordinance shall at all times ensure that:

...
(f) the insurer meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;..."

Section 12(1)(b) of the Ordinance

"Criteria for sound and prudent management. - (1) For the purposes of this Ordinance, the following shall, without limitation, be recognised as criteria for sound and prudent management of an insurer or applicant for registration as a person authorised to carry on insurance business:

...
(b) each director and officer or (in the case of an applicant which is a body corporate incorporated outside Pakistan) the principal officer in Pakistan of the insurer or applicant is a fit and proper person to hold that position;..."

8. Hence the Commission initiated proceedings against the Respondents by issuance of a Show Cause Notice bearing number ID/Enf/Agico/2017/9678 on May 26, 2017, thereby calling upon them to show cause as to why the fine, as



provided under Section 156 of the Ordinance may not be imposed and/or a direction under Section 60 may not be given for non-compliance with Regulation 2(2) of the Regulations read with Section 11(1)(f) and Section 12(1)(b) of the Ordinance.

9. Thereafter, the Company vide letter dated June 12, 2017 submitted its response to the SCN which is reproduced below:

"...We would like to explain that in our earlier response of 21 Mar 2017 on the subject matter, we might not have been able to clarify our understanding of the requirement for approval of the CEO; but this by no means put us in denial of the Commissions' requirements. It was just our interpretation of the regulations that we construed that as appointment of our CEO was approved by SECP in year 2010, so he automatically qualified the criteria defined in the regulations upon completion of 5 years term' with the Company.

However, as advised by you and to ensure that we comply with the applicable rules and regulations, we are submitting complete case of our CEO seeking approval of the Commission.

Any earlier delay is regretted and it is assured that it was because of our understanding of the matter only; without any intent to act in contravention of the directions of the Commission.

We would be pleased to submit any other documents in this regard, if required. We would appreciate a lenient view in this regard."

10. Before proceeding further in the matter, it was considered necessary to provide an opportunity of hearing to the Respondents. The Commission, vide its letter No. ID/Enf/Agico/2017/9998 dated June 14, 2017, scheduled the hearing for June 21, 2017. The hearing was held at the Head Office in Islamabad which was attended by Mr. Abdul Waheed, CEO of the Company who was representing himself and the Company in the instant matter.

11. During the hearing, Mr. Abdul Waheed in addition to the response submitted vide letter dated June 12, 2017 stated that there was issue of interpretation of law as the Company assumed that it had complied with the Regulations. The Respondent further stated that after the issuance of Show Cause Notice, the Company has filed application for approval of CEO of the Company. He admitted the mistake and requested for a lenient view in the matter.

12. It would be pertinent to state that Regulation 2(2) of the Regulations specifically requires that prior approval of the Commission should be obtained by the persons before assuming the charge as CEO/Director of an insurer, hence, the application for grant of approval to act as CEO/Director of the Company by the Respondents should have been filed and approved before their assumption of



Power of the Commission to give directions to the insurer.- (1) The Commission may, if it believes on reasonable grounds that an insurer registered under this Ordinance has failed, or is about to fail, to comply with the conditions of registration set out in section 11, issue to the insurer such directions, not otherwise provided for in this Ordinance, as it believes on reasonable grounds to be necessary to protect the interests of the policy holders of the insurer.

(2) The Commission may, on representation made in this behalf, or on its own motion, modify, or cancel any direction issued under sub-section (1) and may, in so modifying or cancelling a direction, impose such conditions as it may deem on reasonable grounds to be appropriate under the circumstances.

(3) Every insurer shall comply with any direction issued under sub-section (1) or such direction as modified under sub-section (2) subject to such further conditions, if any, as may be imposed.

19. In exercise of the powers conferred on me under Section 156 of the Ordinance read with S.R.O. 122(1)/2016 dated February 12, 2016, I, instead of imposing a fine as provided under the said provision for default of Regulation 2(2) of the Regulations, Sections 11(f) and Section 12(1)(b) of the Ordinance, take lenient view due to the fact that Company has submitted its application for approval of its CEO. However, the Respondents are hereby warned to observe strict compliance of the provisions of the Ordinance, Rules and Regulations in future.

20. 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)

