



SECP  
INSURANCE DIVISION  
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

In the matter of

Cap Insurance Brokers (Private) Limited

Date of Show Cause Notice : July 27, 2016  
Date of Hearing: October 3, 2016  
Attended By: 1. Mr. Imran Iqbal, M/s. UHY Hassan Naeem & Co, Chartered Accountants  
2. Mr. Naveed Saleem, M/s. UHY Hassan Naeem & Co, Chartered Accountants  
Date of Order: October 19, 2016

**ORDER**

Under Section 109 Read with Section 102(6) of the Insurance Ordinance, 2000.  
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This Order shall dispose of the proceedings initiated against M/s. Cap Insurance Brokers (Private) Limited (the "Company"), for alleged contravention of Section 109 of the Insurance Ordinance, 2000 (the "Ordinance") read with Rule 27 of the Securities and Exchange Commission (Insurance) Rules, 2002 (the "Rules"). The Company, its Directors (including the Chief Executive Officer) and/or their authorized representatives shall be referred to as the "Respondents" hereinafter.

**A. Background**

2. The Company is registered under the Ordinance to carry on business of direct insurance broking in Pakistan. .
3. All licensed insurance brokers are required to submit the requisite report / accounts / financial statements to the Commission within four months of the close of the financial year. 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 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 27 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 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*

*(d) 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. As per record of the Commission, the Company failed to file its annual audited accounts and financial statements for the year ended December 31, 2015 within the timeframe as stipulated under Rule 27 of the Rules i.e. within four months from the close of the financial year.

6. Hence, Show Cause Notice bearing number ID/Enf/Cap/2016/6128 dated July 27, 2016 was issued (at Company's registered Office) to the Company and its Board of Directors, thereby calling upon them to show cause as to why punitive action may not be taken against the Company in terms of Section 102(6) of the Ordinance for contravening the provisions of Section 109 of the Ordinance read with Rule 27 of the Rules. The Show Cause Notice however, was returned undelivered, which was subsequently served to the Respondent on August 8, 2016 via facsimile transmission, and the receipt was duly acknowledge by the Company through return fax.

7. However, the Respondents failed to submit their response to the aforesaid Show Cause Notice within the timeframe as stipulated in the said Notice.



138

**B. Hearings**

8. Thereafter, the Commission, vide its notice no. ID/Enf/Cap/2016/6774 dated September 20, 2016, scheduled the hearing for October 3, 2016 at 10:00 a.m.

9. The hearing was held through video link facility of the Commission connecting the Commission's Karachi Office with its Head Office in Islamabad on the request of the Respondents. The hearing was attended by Mr. Imran Iqbal and Mr. Naveed Saleem of M/s. UHY Hassan Naeem & Co, Chartered Accountants along with an Authority Letter dated September 30, 2016 duly executed in favor of the said individuals.

10. Brief proceedings of the hearing of October 3, 2016 were as follows:

- i. The representatives of the Respondents were asked to present the arguments, on which they admitted that the Accounts of the Company have not yet been filed. The representative, however, confirmed that the Accounts have been finalized and would be filed very soon; and
- ii. Having admitted the failure to submit the Accounts of the Company for the year 2015 to the Commission, the representative of the Respondents were directed to file the Accounts of the Company within ten days from the date of hearing.

**C. Issues**

11. In terms of Section 109 read with Section 102(6) of the Ordinance, a licensed insurance broker (like the Company), is required to submit the requisite report / accounts / financial statements to the Commission within four months of the close of the financial year i.e. by April 30, 2016.

12. The record of the Commission reveals that the Company failed to file its annual audited accounts and financial statements for the year ended December 31, 2015 within the timeframe as stipulated under Rule 27 of the Rules in violation of Section 109 of the Ordinance, for which the Commission may take action under Section 102(6) of the Ordinance.

**D. Summary of the arguments and conclusions in respect of each issue**

13. With regard to the merits of the Show Cause Notice, the Respondents have admitted that the Accounts could not be filed with the Commission within the prescribed period.

14. It is the responsibility of the insurance broker to submit accounts within four months of the year-end as per Rule 27(1) & (3) of the Rules. The financial year-end of the Company is December 31<sup>st</sup>, hence, the accounts should have been filed with the Commission by April 30, 2016.



15. In view of the above, the Respondents have contravened the provisions of Section 109 of the Ordinance read with Rules 27(1) & (3) of the Rules, on account of which the Commission has the power to cancel the insurance broking license or refuse to renew the broking license under Sections 102(6) of the Ordinance for contravening the provisions of, as mentioned hereinabove.

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.”*

**D. Overall conclusion;**

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 read with Rule 27(1) & (3) of the Rules is there, for which the application dated September 6, 2016 for issuance or renewal of broking license may be refused in terms of Sections 102(6) of the Ordinance. However, as directed during the hearing, the Company has submitted its Financial Statements for the year ended December 31, 2015 vide letter dated October 7, 2016, hence, a lenient view may be taken.

**E. Penalties and directions**

18. I, instead of refusing the application for issuance or renewal of the insurance brokerage license of the Company in terms of Sections 102(6) of the Ordinance, consider the late submission of Financial Accounts for the year ended December 31, 2015. However, the Company is hereby strictly warned to be careful in future.

19. 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)

