



SECP
INSURANCE DIVISION
Islamabad

Before Hasnat Ahmad, Director (Insurance)

In the matter of

Century Insurance Company Limited

Show Cause Notice Issue Date: November 3, 2016
Date of Hearing: November 23, 2016
Attended By: 1. Ms. Rubina Siddiqui, Senior Vice President,
Century Insurance Company Limited;
2. Mr. Nazakat Hussain, G.M. Corporate Affairs,
Century Insurance Company Limited .
Date of Order: December 13, 2016

ORDER

Under Section 111 Read with Section 156 of the Insurance Ordinance, 2000.
.....

This Order shall dispose of the proceedings initiated against M/s. Century Insurance Company Limited (the "Company"), its Chief Executive Officer and its Directors, for alleged contravention of Section 111 read with Section 156 of the Insurance Ordinance, 2000 (the "Ordinance"). The Company and its Chief Executive Officer and Directors shall be referred to as the "Respondents" hereinafter.

A. Background

2. The Company is registered under the Ordinance to carry on the business of non- life insurance in Pakistan.
3. During examination of the Annual Audited Accounts and Regulatory Returns for the year ended December 31, 2015 of the Company and the Management Letter, it was observed that the Company appointed M/s. Shabber Raza Associate (Pvt.) Limited as a Surveyor (the "Surveyor") for the miscellaneous class of business for which the Surveyor was not licensed. Upon inquiry from the Company vide email dated October 13, 2016 about details of surveys conducted by the Surveyor, it was confirmed that the Surveyor conducted two surveys

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pertaining to miscellaneous class of business for the Company during the year 2015.

5. As per provisions of Section 111(1) of the Insurance Ordinance, 2000 (the "Ordinance"), any person who is not licensed, cannot act as a surveyor. Section 111(1) of the Ordinance provides that;

"Persons permitted to act as insurance surveyors.- (1) Subject to subsection (2), it shall be unlawful for any person to act for remuneration as a surveyor, loss adjuster, or loss assessor (by whatever title called) unless such person is

(a) an adjuster of aviation or maritime losses; or

(b) a person licensed as a surveyor under this Ordinance."

....

6. Hence, Show Cause Notice bearing number ID/Enf/Century/2016/7323 dated November 3, 2016 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 Section 156 of the Ordinance for not complying with the provisions of Section 111 of the Ordinance.

7. In response to the said Show Cause Notice, the Respondents, vide letter dated November 7, 2016, stated that:

"....the services of Shabber Raza Zaidi were being utilized by us for Motor & Marine Class for which they have valid licenses. Consequently, we inadvertently appointed them to survey the two cases pertaining to Miscellaneous Class. Later on when we came to know that they do not hold license for Miscellaneous Class we immediately stopped utilizing their services for this class.

Further we have taken measures to ensure that similar instance doesn't take place in future..."

8. In view of the above, it appeared to the Commission that the Company violated the provisions of Section 111 of the Ordinance, as the surveys were conducted despite surveyor not holding a license for Miscellaneous Class.

B. Hearings

9. The Commission, vide its notice no. ID/Enf/Century/2016/7431 dated November 10, 2016, scheduled the hearing for November 23, 2016 at 10:00 a.m. Accordingly, the said hearing was attended by Ms. Rubina Siddiqui, Senior Vice President, Century Insurance Company Limited and Mr. Nazakat Hussain, G.M. Corporate Affairs, Century Insurance Company Limited at the Head Office of the Commission on behalf of the Respondents.



10. During the hearing of November 23, 2016, the Respondents reiterated their stance submitted in response to the Show Cause Notice. The Respondents admitted the violation on part of the Company and requested the Commission to take lenient view in the matter.

C. Issues

11. The Respondents vide letter dated November 7, 2016 and again during the hearing have admitted that the surveyor was appointed by the Company without valid license for Miscellaneous Class of Business in violation of Section 111 of the Ordinance.

D. Summary of arguments and conclusion in respect of each issue

12. The Respondents were required to ensure that the Surveyor holds valid license for the survey. The violation of Section 111 of the Ordinance *prima facie* highlights loose internal controls of the Company. Had there been effective internal controls such violation would not have been occurred.

13. Therefore, in view of the above and as stated earlier, violation of Section 111 of the Ordinance is clearly established, for which the Respondents may be penalized in terms of Section 156 of the Ordinance, which states that:

"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]16, 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."

E. Overall conclusion

14. I have carefully examined and given due consideration to the written and verbal submissions of the Respondents, and have also referred to the provisions of the Ordinance and other legal references, I am of the view that the default of Section 111 of the Ordinance is established.

F. Penalties and directions

15. In exercise of the powers conferred on me under Section 156 of the Ordinance read with S.R.O. 122(I)/2016 dated February 12, 2016, I, instead of imposing the maximum fine as provided under the said provision, impose a fine of

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SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
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Rs. 30,000/- (Rupees Thirty Thousand Only) on the Company, due to the default of Section 111 of the Ordinance, as mentioned hereinabove. Further, the Company and its management are also directed to observe strict compliance of the provisions of the Ordinance, Rules and Regulations in future.

16. Hence, the Company is hereby directed to deposit the applicable fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the date of this Order and furnish receipted vouchers issued in the name of the Commission for information and record.

17. 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 of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

Hasnat Ahmad
Director

