



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
*Insurance Division*

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[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

*In the matter of*

M/s. Platinum Insurance Company Limited

Date of Show Cause Notice                      September 10, 2009

Date of Hearing                                      December 14, 2009

Attended by                                        (1) Mr. Iftikhar Ahmed, *Chief Executive Officer*  
(2) Mr. S. Shamim Akhter, *Legal Advisor*

Date of Order                                        January 14, 2010

**ORDER**

(Under Section 41 read with Section 158 of the Insurance Ordinance, 2000)

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This Order shall dispose of the proceedings initiated against M/s. Platinum Insurance Company Limited (hereinafter referred to as "the Company") for making a default in complying with the provisions of Section 41 of the Insurance Ordinance, 2000 ("the Ordinance").

2.        WHEREAS, Sub-Section (1) of Section 41 of the Ordinance provides that:

*"An insurer shall effect and shall at all times maintain such reinsurance arrangements as are, in the opinion of the directors (or such other person or body responsible for conducting the management and business of the insurer), formed on reasonable grounds, having regard to the exposures of the insurer in respect of individual contracts accepted and in respect of aggregate losses arising out of individual events, adequate to ensure continuing compliance by the insurer with the provisions of this Ordinance relating to solvency."*

3.        AND WHEREAS, the relevant facts for the disposal of this case, briefly stated, are that during the inspection of the books of accounts and other records of the Company under Section 231 of the Companies Ordinance, 1984, it was noticed that the Company had maintained its reinsurance treaty arrangements with Pakistan Reinsurance Company Limited (PRCL) and Korean National Insurance Corporation (KNIC), ceding them 25 percent and 75 percent shares, respectively. Upon examination of the treaty documents of KNIC it was found that the address of the office printed in their letter head was stated as follows:

*"V-29/I, 16<sup>th</sup> East Street, Phase I, Defense Housing Authority, Karachi – Pakistan  
Fax- 0092 21 5804076 Tel: 0092 21 5882337 E-mail : knicpk@go4b.net.pk"*



4. AND WHEREAS, on inquiry it was revealed that there was no such Reinsurance Company exists at this address & contact numbers. A family, currently resident at this address, has verbally informed that they are on a rental basis for 2 years and there has been no insurance company before they shifted to this address. Therefore, this is being treated as false material information made and presented to the Insurance Division by presenting forged reinsurance treaty documents to the inspection team.

5. AND WHEREAS, the aforesaid violation attracts penal provision of Section 158 of the Ordinance, which provides that:

*"Except as otherwise provided in this Ordinance, whoever, in any return, report, certificate, balance-sheet or other document, required by or for the purposes of any of the provisions of this Ordinance, willfully makes a statement false in any material particular, knowing it to be false, shall be punishable with imprisonment for a term which may extend to three years, or with fine which may extend to one million rupees, or with both."*

6. A Show Cause Notice dated September 10, 2009 under Section 41 read with Section 158 of the Ordinance was served to the Chief Executive and Directors of the Company, calling upon them to explain as to why appropriate action may not be taken against the Company under the law for the aforesaid contravention.

7. The Company's CEO sought an extension of 15 days for submitting a reply or appearing in person, which was accepted by the Insurance Division i.e. up to October 10, 2009. On October 12, 2009, the Legal Advisor of the Company, Mr. S. Shamim Akhter of S. Akhter & Co. requested a further extension of 15 days, to enable them to study the case thoroughly.

8. In order to provide an opportunity to the Chief Executive and Directors of the Company or their authorized representatives for appearing in person to explain the circumstances which have lead to non-compliance with said provision of the Ordinance, a hearing in this matter was scheduled on November 13, 2009 and hearing notice was sent to the Chief Executive, Directors and Legal Advisor of the Company on November 06, 2009. The Company again requested to adjourn the hearing vide their letter of November 11, 2009. In this regard, another hearing notice was sent on December 07, 2009 to the Legal Advisor of the Company, directing them to appear before Executive Director - Insurance on December 14, 2009.

9. The said hearing was attended by the CEO, Mr. Ifikhar Ahmed and Mr. S. Shamim Akhter, Legal Advisor of the Company, wherein they had not provided any satisfactory response to the aforesaid violation of providing false material information.

10. Based on the facts and findings of the case as mentioned in the above paras of this Order, the default of Section 41 of the Ordinance is hereby established. Therefore action against the Company

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*Insurance Division*

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may be taken by imposing a fine under Section 158 of the Ordinance. In exercise of powers conferred on me, I impose a fine of Rupees One Million only on the Company.

11. *M/s. Platinum Insurance Company Limited* are hereby directed to deposit the aforesaid fine of Rs.1 million (Rupees One Million only) 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 receipt of this Order and furnish the receipt vouchers issued in the name of Commission for information and record.

(Nasreen Rashid)  
Executive Director

SC: Order Platinum read with 158 of IO2000