

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to The United Insurance Company of Pakistan Limited

Dates of Hearing

September 14, 2021

Order-Redacted Version

Order dated May 18, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of The United Insurance Company of Pakistan Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 11, 2021.
2. Name of Respondent	The United Insurance Company of Pakistan Limited (the Company)
3. Nature of Offence	Alleged contraventions of <u>Section 32(2)(g) of the Insurance Ordinance, 2000 (the Ordinance)</u> read with Sections 32(7) and 158 <u>thereof</u> .
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law and the written as well as verbal submissions and arguments of the Respondent and state that:</p> <p>(i) the SCN was issued in exercise of the powers vested in the undersigned in terms of Section 158 of the Ordinance;</p> <p>(ii) the provisions of Section 32(7) of the Ordinance, do not restrict ownership interest of a shareholder to his/her/its direct shareholding only. In the instant case, Mian M. A. Shahid has effective shareholding in the Company and Related Party-1 of 87.79% and 67.75%, respectively. Thus, both the Company and Related party-1 not only belong to the Group but are connected with each other by an ownership interest exceeding 49% by same person and accordingly they are under the common control. Therefore, both the Company and Related party-1 fulfill the criteria laid down in Section 32(7) of the Ordinance and the aggregate balance of Rs.1,567.353 million (as shown in Note 8 to the accounts for FY2019) with Related party-1 cannot be</p>

	<p>admissible for the purpose of solvency calculations of the Company as they are related parties;</p> <p>(iii) Based on the same premise, receivables from Related party-2 and Related party-3 amounting to Rs.20.17 million are also inadmissible which the Company has wrongly taken as aforesaid balances, which constitutes violations of Section 32(2)(g) of the Ordinance read with Section 32(7) and 158 thereof. Consequently, the Statement of Solvency filed as part of the regulatory returns for the year 2019 and Note 40 of the financial statements of the Company for the year ended December 31, 2019 are significantly misstated.</p> <p>Keeping on view the above, I in exercise of the powers conferred under Section 158 of the Ordinance, hereby, impose fine of Rs. 175,000/- (Rupees One Hundred and Seventy-Five Thousand Only) on the Company on account of established defaults, as mentioned in the above paras.</p>
5. Penalty Imposed	Rs. 175,000/-
6. Current Status of Order	Penalty not deposited and No Appeal has been filed by the respondents.