



INSURANCE DIVISION
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

In the matter of

Crescent Global Pakistan (Pvt.) Limited

Show Cause Notice No. and Date ID/Inf/Broker-CrescentGlobal/2017/9747, dated
May 30, 2017

Date of Hearing: June 22, 2017

Attended By:

1. Mr. Aneel Jafari
Chief Operating Officer
Crescent Global Pakistan (Pvt.) Limited
2. Mr. Imran Iqbal
Uhy Hassan Nacem & Co.
(As consultant to the Respondents)

Date of Order: July 5, 2017

ORDER

Under Rule 39(5) of the Insurance Rules, 2017 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. Crescent Global Pakistan (Pvt.) Limited (the "Company"), for alleged contravention of Rule 39(5) of the Insurance Rules, 2017 (the "Rules"). The Company, its Directors including the Chief Executive Officer shall be referred to as the "Respondents" hereinafter.

2. The Company is registered with the Securities and Exchange Commission of Pakistan (the "the Commission") under the Insurance Ordinance, 2000 (the "Ordinance") as a licensed broker for a period of one year i.e. April 25, 2016 to April 24, 2017.

3. The Company was required to submit an application for the renewal of authorization to act as a local insurance broker at least one month prior to the expiry of the license in conformity with Rule 39(5) of the Rules. It was observed that the Company did not submit Application for renewal of license to act as a local insurance broker under Section 102 of the Ordinance.



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4. A letter of intimation along with a copy of the Rules was also sent to the Company on April 19, 2017, whereby the Company was advised to submit the Application in conformity with the applicable rules. However, no response was received from the Company till date of the Show Cause Notice despite expiry of license to act as insurance broker on April 24, 2017.

5. In view of the aforesaid facts, it appeared that the Company contravened the provision of Rule 39(5) of the Rules.

6. The provision of Rule 39(5) of the Rules state that:

"An application for the renewal of authorization to act as an insurance broker shall be submitted to the Commission at least one month prior to the expiry of the licence and shall also be accompanied by a renewal fee of rupees seventy five thousand rupees or rupees two for every rupees one thousand of the gross revenue, without netting off any expenses, whichever is higher during the preceding financial year, subject to a maximum of rupees five hundred thousand."

7. Section 102 of the Ordinance states that:

"Insurance brokers to be licensed.- (1) It shall be unlawful for any person to act as or describe himself or hold himself out or permit himself to be described or held out as an insurance broker in respect of direct insurance business unless he holds a current insurance broker's licence issued by the Commission.

(2) No person who is not a company shall be eligible to be licensed as an insurance broker.

(3) An insurance broker's licence may only be issued by the Commission to a company which complies with such minimum requirements as may be prescribed by the Government in respect of:

- (a) paid-up capital;*
- (b) statutory deposits;*
- (c) professional indemnity insurance; and*
- (d) such other matters as may be prescribed.*

(4) An application for an insurance broker's licence shall be made in the prescribed form, and shall be accompanied by the following documents, namely:-

- (a) the memorandum and articles of the broker;*
- (b) evidence of professional indemnity insurance;*
- (c) a declaration in a prescribed form to the effect that neither the applicant nor any director or principal officer of the applicant is disqualified from holding his office as such;*
- (d) a letter of support from not fewer than five registered insurers in the prescribed form, each signed, on behalf of the insurer, by a duly authorised representative;*
- (e) evidence of payment of the prescribed fee; and*



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(f) such other evidence and documents as may be prescribed.

(5) An insurance broker's licence shall be issued initially for a period of one year and may on application in the prescribed form be renewed annually.

(6) The Commission may cancel or refuse to issue or renew a broking licence, 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.

(7) The Commission may apply for an order from the Tribunal, that a person is disqualified from acting as an insurance broker, or as a director or principal officer of an insurance broker, if it demonstrates on reasonable grounds that the activity of the person as an insurance broker or as a director or principal officer of an insurance broker would be detrimental to the interests of policy holders."

8. Hence, a Show Cause Notice bearing number ID/Enf/Broker-CrescentGlobal/2017/9747 dated May 30, 2017 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 102(6) of the Ordinance for contravening the provisions as aforesaid.

9. The Company vide letter dated June 10, 2017 submitted its response to the Show Cause Notice, which is reproduced below:

"...We would like to inform you that due to extensive travelling of our directors during last two months and delay in finalization of audit for December 2016 we could not submit renewal application on time.

We have however gathered majority of information and will file application in current week.

We apologize for delay in filing application for renewal of license and request you to kindly take a lenient view and withdraw your show cause notice and obliged."

10. Thereafter, the Commission, vide hearing notice no. ID/Enf/Brokers-CrescentGlobal/2017/10000 dated June 14, 2017, scheduled the hearing for June 22, 2017 at 11:00 a.m.

11. The hearing was held at the Head Office of the Commission in Islamabad and was attended through video link from SICP's Karachi Office by Mr. Aneel Jafari, Chief Operating Officer of the Company and Mr. Imran Iqbal, hereinafter referred to as Authorized Representatives of the Respondents.

12. During the hearing, the Authorized Representatives reiterated their stance as submitted vide letter dated June 10, 2017. They further stated that application was



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pending due to non-availability of the CEO. They apprised the Commission that since expiry of the license i.e. April 24, 2017, the Company has not undertaken any insurance business. The Representatives accepted the default and requested the Commission to take lenient view in the matter.

13. The Company was required to submit an application for renewal of its license to act as a local insurance broker at least one month prior to expiry of the license in compliance with Rule 39 (5) of the Rules. The Company however failed to timely submit the application. The Company in its written submission has admitted its default for failure to apply for renewal of license within the stipulated time. From the record, it has been observed that the Company has submitted its application subsequent to issuance of the Show Cause Notice dated May 30, 2017.

14. In view of the above, the Respondents have contravened the provision of Rule 39 (5) of the Rules, on account of which the Commission may cancel the insurance broking license or refuse to renew the broking license under Sections 102(6) of the Ordinance.

15. 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.”

16. 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 Rule 39 (5) of the Rules is there, for which the broking license may be cancelled in terms of Sections 102(6) of the Ordinance. However, the Respondents have submitted the application for renewal of license and have assured the Commission to comply with the rules and regulations in future. Therefore, I take a lenient view and hence sternly warn the Respondents to be careful in future.

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 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)

