



SECP  
INSURANCE DIVISION  
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

*In the matter of*

IGI Life Insurance Limited

Show Cause Notice Issue Date: October 4, 2016  
Date of Hearing: November 28, 2016  
Attended By: Syed Mansoor H. Gerdezi  
Advocate  
Mr. Aijaz Saleem  
Head of Customer Services  
M/s. IGI Life Insurance Limited.  
Date of Order: December 15, 2016

**ORDER**

Under Section 76, Section 95, Section 11(1)(f) & (h) and Section 12(4) Read with Section 60 and Section 156 of the Insurance Ordinance, 2000.

.....  
This Order shall dispose of the proceedings initiated against Chief Executive Officer of M/s. IGI Life Insurance Limited (the "Company"), hereinafter referred to as the "Respondent", for alleged contravention of Section 76, Section 95, Section 11(1)(f) & (h) and Section 12(4) of the Insurance Ordinance, 2000 (the "Ordinance").

2. The Commission received an order dated August 15, 2016 passed by the Hon'ble Federal Insurance Ombudsman (the "Ombudsman"), in the matter of Complaint No. 381 of 2016, wherein it was stated that Mr. Muhammad Umer Prince (the "Complainant") filed a complaint before the Ombudsman, in which he stated that his father (Chaudhry Muhammad Yousuf) made a commitment with the Branch Manager of Badami Bagh (Lahore) Branch of M/s. Summit Bank Limited, namely Rana Anwar Rao, to obtain an insurance policy in the month of June, 2015. However, his father died on May 26, 2015. The Complainant alleged that after the death of his father, Rana Anwar Rao fraudulently transferred an amount of Rs. 1,000,000/- from the account of his deceased father to the Company through fake signatures of the intending insured. The Company issued the policy in the name of the Complainant on June 30, 2015 with the signatures verified by the Branch Manager even though his father had passed away on May 26, 2015. The Company sent the policy documents to the Complainant in September, 2015. The Complainant further alleged that the premium of Rs. 100,000/- was changed to Rs. 1,000,000/- by making changes through UND-6 forms through fake signatures of the Complainant and his deceased father. It is pertinent to mention that Mr. Umer Prince approached IGI Life Insurance Limited in September, 2015 for resolution of his complaint.



However, upon unsatisfactory response from the Company, he filed a complaint before the Ombudsman.

3. The Company settled the complaint by refunding the entire amount to the Complainant. The Ombudsman, vide his aforesaid order, advised the Commission to inquire into the matter and take further necessary action against the Company. In this regard, the Commission, vide its letter no. ID/Enf/Complaints/2016/6587 dated August 31, 2016, advised the Company to provide certified copies of the proposal form and illustration along with other supporting documents of the Complainant and his deceased father. The Company, vide letter no. CO/SECP/2016/021 dated September 8, 2016 stated that the complaint was settled and the same was communicated to the Ombudsman. Furthermore, the Company also provided certified copies of the application form, proposal form, illustration and other supporting documents allegedly signed by the Complainant and his deceased father.

4. The death certificate produced by the Complainant clearly indicated that Chaudhry Muhammad Yousuf died on May 26, 2015, whereas the policy documents submitted by the Company to the Commission contained signatures of the deceased, allegedly signed by him during the month of June, 2015.

5. Hence, Show Cause Notice bearing number ID/Enf/IGILife/2016/7002 dated October 4, 2016 was issued to the Chief Executive of the Company, thereby calling upon him to show cause as to why punitive action may not be taken against him in terms of Section 156 of the Ordinance and as to why the direction may not be given under Section 60 of the Ordinance for the alleged contravention of Section 76, Section 11(1)(f) & (h) and Section 12(4) of the Ordinance.

6. It may be noted that the provisions of Section 76 of the Insurance Ordinance, 2000 (the "Ordinance") prohibit the insurers from engaging in misleading or deceptive conduct, or a conduct which is likely to mislead or deceive. Section 76(1) to (4) of the Ordinance state as follows:

*"Insurer not to engage in misleading or deceptive conduct.- (1) An insurer shall not, in the course of its business as an insurer, engage in conduct that is misleading or deceptive or is likely to mislead or deceive.*

*(2) The inclusion in an insurance policy of unusual terms tending to limit the liability of the insurer, without the express acknowledgement of the policy holder, shall constitute misleading or deceptive conduct.*

*(3) Nothing contained in sub-section (2) shall be taken as limiting by implication the generality of sub-section (1).*

*(4) Where a policy holder has relied upon any representations by an insurer or by an agent of an insurer which are incorrect in any material particular, inasmuch as it has the effect of misleading or deceiving the policy holder in entering into a policy, the policy holder shall be entitled to obtain compensation from the insurer for any loss suffered.*

7. Section 95 of the Ordinance states that:

*"Liability of Insurer for act or omissions of agent. - (1) Every insurer shall, so far as relates to a contract of insurance entered into by the insurer through an agent, be liable to the*



policyholder for the acts or omissions of that agent as though that agent were an employee of the insurer, in circumstances where the policyholder has relied in good faith on the agent and as a consequence has suffered loss or damage. Liability shall be absolute and shall not be capable of being contracted out of, either in the agency agreement or on a policy, proposal or other document."

8. Section 11(1)(f) & (h) of the Ordinance provides that:

*"Conditions imposed on registered insurers.- (1) An insurer registered under this Ordinance shall at all times ensure that:*

...

(f) *the insurer meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;*

...

(h) *the insurer is, and is likely to continue to be, able to comply with such other of the provisions of this Ordinance as are applicable to it."*

9. Moreover, the criteria for sound and prudent management in terms of Section 12(4) of the Ordinance stipulate that:

*"(4) The insurer or applicant shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the interests of policy holders and potential policy holders."*

10. In response to the said Show Cause Notice, the Respondent, vide letter dated November 2, 2016, submitted his written response, summarized hereunder:

- i. Summit Bank forwarded an application for life insurance of Mr. Umer Prince dated June 2, 2015 to IGI Life Insurance Limited. Policy documents contained signatures of Complainant and his father which were duly verified by branch manager of the bank;
- ii. Bank itself conducted verification call with the Complainant on June 2, 2015. On the same day. Bank made another call with someone impersonating as the Complainant's father and confirmed the particulars of the policy;
- iii. IGI also sought further information from the Bank on June 10, 2015, in response bank sent a certificate certifying an account titled " Umer Traders" being maintained which was also valid proof of the particulars of the Complainant;
- iv. Bank sent confidential financial Statement dated June 24, 2015 to IGI confirming the income and occupation of the Complainant. Underwriting dept. of IGI also called UND-6 to confirm the ownership of the policy which was submitted by the bank;
- v. On the basis of above IGI issued policy documents on June 30, 2015 in the name of Complainant
- vi. On June 13, 2016 complaint dated May 28, 2016 was received by IGI through bank. The complaint was against Bank Manager. However, the Complainant admitted that his father committed with branch manager to buy the policy in June 2015 but he died in May 2015. It was the first time that Company discovered that father of the Complainant died on May 26, 2015 and his signatures on the policy were wrongly verified and forwarded to the Company without the consent of the Complainant. IGI immediately cancelled the policy and returned premium of Rs. 1 million through cheque dated July 12, 2016;



- vii. The same complaint was received from Federal Insurance Ombudsman on their letter dated July 27, 2016. IGI Informed FIO vide letter dated July 29, 2016 that the matter has already been resolved. FIO on August 15, 2016 passed an Order whereby irregularities were attributed to Branch Manager, no other irregularity /lapse has been attributed to IGI except bank Manager acted as agent of IGI;
- viii. IGI has taken all necessary underwriting measures before issuance of the policy. Complaint was based on allegations. And allegation of forged signatures on the policy documents has not been tested and proved under any legal process. There is a possibility that signatures were obtained on policy documents when father of the complainant was alive;
- ix. Policy documents were delivered to the Complainant in September 2015 and complaint was lodged in May 2016. Complainant in order to recover premium levelled false allegations. FIO relied on the statement made by the Complainant. IGI is enjoying trust and confidence of renowned reinsurer M/s. Hannover Re;
- x. Under Section 215 of the Contract Act, if an agent deals on his own account in the business of agency, without first obtaining the consent of his principal, the principal may repudiate transaction. IGI in present transaction was not engaged in misleading or deceptive conduct and the lapse if any was on part of the Bank which is not still proved;
- xi. In view of Section 95 of the Ordinance, IGI accepted the liability of its agent and cancelled the policy.

11. Subsequently the Commission vide letter dated November 7, 2016 bearing number ID/Enf/IGILife/2016/7359, scheduled the hearing for November 28, 2016 at 03:00 pm. The hearing was held at the Head Office of the Commission, which was attended by Syed Mansoor H. Gerdezi, Advocate, and Mr. Aijaz Saleem, Head of Customer Services, IGI Life Insurance Limited as authorized representative on behalf of the Respondent.

12. Brief proceeding of the hearing of November 28, 2016 is summarized as under:

- i. The Respondent mentioned that the policy was sold after due diligence. It was only after the issuance of the policy; the Company came to know that father of the Complainant had passed away. Thereafter, the premium paid by the Complainant was refunded to him;
- ii. The Respondent read out Para 6 of order of the Ombudsman. As per the said Para, it was evident that the Complainant did not file complaint against the Company. The Respondent reiterated that the employee of the bank carried out illegal act beyond agency agreement and acted as a banker;
- iii. The Respondent was informed that the Company as per Section 95 of the Ordinance was responsible for acts of its agents..

13. The provisions of Section 60(1) to (3) of the Ordinance state that:

*"Power of the Commission to give directions to the insurer.- (1) The Commission may, if it believes on reasonable grounds that an insurer registered under this Ordinance has failed, or is about to fail, to comply with the conditions of registration set out in section 11, issue to the insurer such directions, not otherwise provided for in this Ordinance, as it believes on reasonable grounds to be necessary to protect the interests of the policy holders of the insurer.*



(2) The Commission may, on representation made in this behalf, or on its own motion, modify, or cancel any direction issued under sub-section (1) and may, in so modifying or cancelling a direction, impose such conditions as it may deem on reasonable grounds to be appropriate under the circumstances.

(3) Every insurer shall comply with any direction issued under sub-section (1) or such direction as modified under sub-section (2) subject to such further conditions, if any, as may be imposed."

14. Section 76(5) of the Ordinance states that:

"Notwithstanding the provisions of the foregoing sub-section, the Commission shall also have the power to levy a fine on the insurer which shall be equal to the lesser of twice the loss determined to be suffered by the policy holder under the foregoing sub section and ten million rupees."

15. Section 156 of the Ordinance 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, 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."

16. I have carefully examined the arguments and documents submitted by the Respondent. It is clearly evident from the record particularly the death certificate produced by the Complainant that Chaudhry Muhammad Yousuf died on May 26, 2015. The policy documents were fraudulently signed on behalf of deceased father of the Complainant in June 2015. No evidence of call back confirmation established that the policy was sold to the policyholder with his consent. Furthermore, forged signatures were verified by the bank. It is pertinent to mention that the Commission forwarded the complaint to State Bank of Pakistan(SBP) for further necessary action against the concerned bank official. Summit Bank Limited in its reply to SBP vide letter dated November 2, 2016 stated that:

"Upon instructions received from Banking Mohtasib of Pakistan vide latter dated 31-05-2016, we have conducted an investigation and came up with the following observation and conclusion.

- a) It was found that the signature on the direct debit authority was not matching with the Signature Specimen Card, the signature was verified by the Branch Manager Mr. Anwar Rajpoot while proprietorship stamp was also missing. Further it was witnessed that the mobile number of account holder provided for call back confirmation in the direct debit authority form was not fed in system nor did the same was mentioned anywhere in other records.
- b) In Light of above finding, it was established that this was a forged sale and the concerned Branch Manager was relieved from his duties as his contract was not renewed despite of his outstanding performance in deposit mobilization."

17. The bank manager was aware of the balances in the bank account of the Complainant. It appears that the agent was knowingly and willfully deceiving the Complainant and defying the system/SOPs placed by the Company. Nevertheless, the Respondent was responsible for



the acts and omissions of the agents in the instant case as per the provisions of Section 95 of the Ordinance.

18. In view of the above and given due consideration to the written and verbal submissions of the Respondent, I am of the view that the default of Section 11(1)(f) & (h), Section 12(4) Section 76 read with Section 95 of the Ordinance is established.

19. However, as the Respondent has redressed the grievances of the Complainant by refunding the entire amount of premium of Rs. 1,000,000/- deducted from his account and additionally M/s. Summit Bank Limited initiated action against the responsible bank staff, therefore, I take a lenient view and do not impose penalty on to the Respondent and warn the Company to be careful in future. As the policy was fraudulently issued by the branch official of Summit Bank, acting as an agent, the Company under Sections 60 and 76(4) of the Ordinance, is advised to compensate the Complainant, by paying interest at the rate five percent higher than the prevailing base rate, for the period, the premium amount of Rs. 1,000,000 remained deposited with the Company.

20. 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)

