



SECP

INSURANCE DIVISION  
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

*In the matter of*

**Cap Insurance Broker (Pvt.) Limited**

Show Cause Notice No. and Date : ID/Enf/Broker-Cap/2017/10542 dated August 9, 2017

Date of Hearing: October 16, 2017

Attended By: Mr. Imran Iqbal  
Partner, UHY Hassan Naeem & Co.  
(Authorized Representative)

Date of Order: November 23, 2017

**ORDER**

Under Section 109 of the Insurance Ordinance, 2000 and Rule 50 of the Insurance Rules, 2017 read with Section 102(6) and Section 158 of the Insurance Ordinance, 2000  
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This Order shall dispose of the proceedings initiated against M/s. Cap Insurance Broker (Pvt.) Limited (the "Company"), for alleged contravention of Section 109 of the Insurance Ordinance, 2000 (the "Ordinance") and Rule 50 of the Insurance Rules, 2017<sup>1</sup> (the "Rules"). The Company, its Directors including the Chief Executive Officer shall be referred to as the "Respondents" hereinafter.

2. The Company is licensed by the Securities and Exchange Commission of Pakistan (the "Commission") under the Ordinance to carry on the business of direct insurance broking in Pakistan.

3. A licensed insurance broker is required to submit the requisite report/accounts/financial statements to the Commission within four months of the close of the financial year in terms of Section 109 of the Ordinance and Rule 50 of the Rules. In this regard, the provisions of Section 109 of the Ordinance state that:

*"Insurance brokers to report annually to Commission. - A licensed insurance broker shall make an annual report to the Commission. Such report shall include audited accounts of the insurance broking business and such other information and statements as may be prescribed, each in such format as may be prescribed."*

<sup>1</sup> Rule 27 of the Securities and Exchange Commission (Insurance) Rules, 2002



4. The provisions of Rule 50 of the Rules state that:

***“Reporting by insurance brokers.- (1) Each year an insurance broker shall be required to provide to the Commission, as at the preceding 31st December, or in respect of the year then ended –***

*(a) a balance sheet of the company;*

*(b) a profit and loss account of the company;*

*(c) a certificate from the auditors of the insurance broker certifying the amount of net equity maintained by the insurance broker as on the reporting date;*

*(d) a statement of the insurance premium written through the broker, distinguishing between premium in respect of which the broker had an agency agreement with the insurer, subdivided by classes of insurance business, and premium in respect of which the broker did not have an agency agreement with the insurer; subdivided by classes of insurance business; and*

*(e) a statement of the commission or brokerage, by whatever name called, receivable by the broker, subdivided by classes of insurance business, distinguishing between commission earned on premium in respect of which the broker had an agency agreement with the insurer, and commission earned on premium in respect of which the broker did not have an agency agreement with the insurer.*

*(2) The Commission may, on the application of a broker, approve a date other than the 31st December, for the date as at which the statements shall be required to be made up for the purposes of sub-rule (1)*

*(3) The statements referred to in this rule shall be provided to the Commission not later than four months after the date to which they are made up.”*

5. The record of the Commission revealed that the Company *prima facie* failed to file its annual audited accounts and financial statements for the year ended December 31, 2016 within the prescribed period of four months after the day to which they are made up i.e. until April 30, 2017.

6. The Company was advised/reminded through letter dated June 2, 2017 to submit audited financial statements for year ending December 31, 2016 without any further delay. However, the Company neither submitted the said financial statements nor responded to the reminder letter.

7. The Company also failed to submit the financial statements for year ended December 31, 2015 within the prescribed period and consequently, enforcement action was initiated and the Company, vide order dated October 19, 2016 was warned as under:-

*"I, instead of refusing the application for issuance or renewal of the insurance brokerage license of the Company in terms of Section 102(6) of Ordinance, consider the late submission of Financial Accounts for year ended December 31, 2015. However, the Company is hereby strictly warned to be careful in future".*

8. The Company alongwith application for renewal of license dated September 6, 2016 provided a declaration / undertaking to Commission which read as follows:

*"We undertake to comply, and declare that we will comply with the Ordinance and the rules made there under concerning the conduct of an insurance broker."*

9. In view of the above, the Company failed to file its annual audited accounts and other statements within the stipulated period i.e. within four months from the end of the accounting period in violation of Rule 50 of the Rules and Section 109 of the Ordinance.

10. Hence, a Show Cause Notice bearing number ID/Enf/Broker-Cap/2017/10542 dated August 9, 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 Sections 102(6) and 158 of the Ordinance for contravening the provisions as aforesaid.

11. Upon non-receipt of reply to the SCN, the Commission vide letter dated September 26, 2017 bearing no. ID/Enf/Broker-Cap/2017/12055 scheduled the hearing on October 5, 2017. However, the hearing notice was returned undelivered. Thereafter, the Commission, vide hearing notice no. ID/Enf/Broker-Cap/2017/12163 dated October 3, 2017, rescheduled the hearing for October 16, 2017 at 11:30 a.m.

12. The hearing was held at Head Office of the Commission in Islamabad on the scheduled date i.e. October 16, 2017 connected via video link at CRO Karachi where Mr. Imran Iqbal hereinafter referred to as the "Authorized Representative" appeared for and on behalf of the Respondents.

13. During the hearing, the Authorized Representative apprised that the hearing notice of the Commission could not be delivered to the Respondents due to change of address of the Company. He stated that the annual audited accounts and financial statements for the year ended December 31, 2016 were submitted to the Commission in August 2017. He explained that the delay was caused due to change of the year-end from June to December. The Authorized Representative requested the Commission to take a lenient view in the matter and assured to comply with the Ordinance and Rules in the future.



14. In terms of Rule 50(3) of the Rules, the Respondents were required to file Company's annual audited accounts and other statements within four months from the end of the accounting period i.e. until April 30, 2017, The Respondents, however failed to comply with the said requirement. The annual audited accounts and financial statements for the year ended December 31, 2016 were filed late i.e. on August 11, 2017, in contravention of Section 109 of the Ordinance and Rule 50(1) & (3) of the Rules.

15. In view of the above, the Respondents have contravened the provisions of Section 109 of the Ordinance and Rules 50(1) & (3) 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.

16. 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."*

17. 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 Section 109 of the Ordinance and Rule 50(1) & (3) of the Rules is there, for which the broking license may be cancelled in terms of Sections 102(6) of the Ordinance. However, the Authorized Representative has assured to comply with the rules and regulations in future. Therefore, I take a lenient view and strictly warn the Respondents to be careful in future.

18. 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)

