



SECP  
INSURANCE DIVISION  
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

*In the matter of*

Pak-Qatar Family Takaful Limited

Show Cause Notice Issue Date: October 26, 2016  
Date of Hearing: November 10, 2016  
Attended By: Mr. Nasir Ali Syed  
Chief Executive  
M/s. Pak-Qatar Family Takaful Limited;  
Mr. Azeem Iqbal Pirani  
Head of Bancatakaful  
M/s. Pak-Qatar Family Takaful Limited;  
Mr. Jehanzaib Ahmed  
Manager Legal & Compliance  
M/s. Pak-Qatar Family Takaful Limited.  
Date of Order: December 5, 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 M/s. Pak-Qatar Family Takaful Limited (the "Company") and its Directors, hereinafter referred to as "Respondents", 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 complaints from Ms. Rahila Altaf, Mr. Umair Altaf and Ms. Aneela Riazuddin (the "Complainants"). The Complainants alleged that they were conned into buying insurance and takaful policies by Mr. Awais Bin Zahid, Branch Relationship Manager at Faysal Bank Limited (F-7 Markaz Branch, Islamabad) from various insurance/takaful companies. Altogether 11 policies were issued in their names allegedly through mis-selling. The Complainants further alleged that they were not provided with the original copy of the takaful policy documents at the time of commencement of the policies and during the 14 days free-look period. They also alleged that the information in their policies was incorrect and was filled without their express knowledge. The Complainants stated that they could not continue to pay the contributions, therefore, Mr. Awais Bin Zahid offered to reduce the amount of contributions for the respective takaful policies. The Complainants also stated that Mr. Awais somehow obtained the debit authority from them without their knowledge and moved some



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funds without their consent. The Complainants alleged that they came to know about the transactions from the bank statement(s).

3. The following policies were issued to Ms. Rahila Altaf and her son Mr. Umair Altaf:

Sr. No.	Name of the policyholder	Insurer / Takaful Operator	Policy Number	Annual Premium/ Contribution	Sum Assured	
1	Rahila Altaf	Pak-Qatar Family Takaful Ltd.	4408670004420	495,000	5,445,000	
2	Rahila Altaf	Policies issued by different companies other than Pak-Qatar Family Takaful Ltd.		250,000	2,500,000	
Sub Total					745,000	7,945,000
3	Umair Altaf				499,000	2,493,450
4	Umair Altaf				499,000	4,990,000
5	Umair Altaf				495,000	4,950,000
6	Umair Altaf				499,000	5,423,900
Sub Total				1,992,000	17,857,350	
TOTAL →				2,737,000	25,802,350	

4. The following policies were issued to Ms. Aneela Riazuddin:

Sr. No	Name of the policyholder	Insurer / Takaful Operator	Policy Number	Annual Premium /Contribution	Sum Assured
1	Aneela Riazuddin	Pak-Qatar Family Takaful Ltd.	4408670003287	495,000	5,445,000
2	Aneela Riazuddin		4408670006056	200,000	2,200,000
3	Aneela Riazuddin		4408670006299	495,000	5,445,000
4	Aneela Riazuddin		4408670005759	1,000,000	11,000,000
5	Aneela Riazuddin	Another Insurance Company		250,000	2,500,000
TOTAL →				2,260,000	26,590,000

5. The Commission upon receiving the complaints, advised the Company vide email dated July 21, 2016 to resolve the complaints, on which the Company vide email dated July 26, 2016 responded to as under:-

*"...Complaint of similar kind was received by them in September previous year. The level of the allegations compelled the bank for a thorough investigation on their part and hence the wealth sales staff of the Bank's Branch so concerned was investigated, upon conclusion of the investigation, clients were briefed in depth about the nature of the policies and provided with their handwritten letters wherein they had requested their premium to be lowered as they could not pay the said premium. A letter of similar sort was written by Ms. Rahila Altaf citing similar reasons...."*

*".....Perusal of the record available also reflects that the policies were issued having procured rightful consent of the complainants and furthermore, the information gathered in the policy were shared voluntarily by the complainants as well as duly signed by them. Moreover, it is respectfully submitted further that all SOPs of due diligence were followed and the PMD documents were handed over to the complainants whilst the policies were issued by the Bank. Just to assure you that all policies were processed with proper Due Diligence; all the policy documents were dispatched to the client, except Takaful PMD document which was handed over*



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*at the time of sales when the plan was generated by the concerned Bank via the Pak-Qatar business system. The complainants were fully aware about policies and were well aware of all the facts...."*

6. On October 7, 2016, the Company was advised to submit policy documents to the Commission including medical certificates/ reports, income certificates, evidences of employment, illustrations and need analysis forms of the Complainants. The Company vide email dated October 10, 2016 provided the Health Declaration Forms and illustrations of the Complainants, and also stated that:

*"...The rest of the documents fall under the Banca Guidelines which are effective from 2015 and the policies were issued in year 2012 and 2013."*

7. From the perusal of the documents submitted it appeared that the Branch Relationship Manager at the Faysal Bank Limited, arranged five insurance policies for Ms. Aneela Riazuddin from two different companies including the Company. It was noted that he intentionally issued five different policies to avoid the underwriting requirements applicable to large sum assureds, had the aggregate sum assured clubbed into one insurance policy. Similarly, Ms. Rahila Altaf and her son, Mr. Umair Altaf were issued six different policies from different insurance / takaful companies.

8. The insurance policies were issued without verification of the occupation and monthly income of the Complainants. The Company, however, based its underwriting on certificates prepared by the Relationship manager (although signed by the policyholders) but without proper supporting documents reflecting the occupation and income of the Complainants.

9. It is pertinent to mention that another insurance company cancelled all of the policies sold through the aforesaid bank official of Faysal Bank Limited and refunded the entire premium to the Complainants.

10. Accordingly, it appeared to the Commission that the Branch Manager misled the Complainants through deceptive conduct which breached the trust of the Complainants and caused financial loss to them.

11. Hence, Show Cause Notice bearing number ID/Enf/PakQatar/2016/7190 dated October 26, 2016 was issued to the Board of Directors and the Company, thereby calling upon them to show cause as to why punitive action may not be taken against them 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.

12. 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 (5) 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.*



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(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.

(5) 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."

13. 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."*

14. 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."*

15. 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."*

16. In response to the said Show Cause Notice, the Respondents, vide letter dated November 1, 2016, requested for hearing in the matter. The hearing was held on November 10, 2016 at 11:00 a.m. which was attended by Mr. Nasir Ali Syed, Chief Executive of the Company, Mr. Azeem Iqbal Pirani, Head of Bancatakaful, and Mr. Jehanzaib Ahmed, Manager Legal & Compliance as authorized representative on behalf of the Respondents.



17. During the hearing, the Respondents submitted their written response dated November 7, 2016. Their arguments both in written submission as well as during the hearing were as follows:

- i. During the period of 2012-13 and 2013-2014 only one complaint was received from the Commission which was addressed accordingly;
- ii. The Complainants acquired memberships through the Company's corporate agent i.e. Faysal Bank Limited in the year 2012-13;
- iii. The contents of the complaints revealed that both the Complainants were requesting for refund of the contributions, they paid against their five Takaful Plans;
- iv. Any person or agent representing the Company did not fraudulently, or otherwise, misrepresent any fact thereby inducing the clients to participate in the said Plans and the same was binding upon them as well as on the Company;
- v. The Complainants executed the said illustrations in which they in particular agreed that they have *"studied the above illustration and notes carefully and understood them fully. I also confirm that no other illustration verbal, written or electronic in contradiction to this illustration from any representative of the Bank related to this product has been given to me"*;
- vi. The Complainants did not raise any concern with representative of the Company during the conversations held after the issuance of the policies;
- vii. The entire policy documents were handed to the Complainants at the time of inking the respective documents;
- viii. The Complainants were even provided with the Takaful policy documents, which were sent through courier service. The Complainants continued the policy for more than two years. During this period, the Complainants submitted various requests to alter the Takaful Plans which were duly processed by the Company;
- ix. It appears that Complainants' inability or unwillingness to continue with the said Plans prompted them to come up with their complaints. The Respondents further stated that the policies were issued through Bancassurance channel. The Company is using auto underwriting system which is used globally. The Company strictly adheres to the underwriting limits;
- x. The Respondents reiterated that the Complainants altered their plan as they could not pay the premiums. They further stated that no complaint was received from the Complainants in the year 2012 when the polices were issued;
- xi. The Respondents stated that they relied on the declarations made by the Complainants and in fact the Complainants responded positively to the 'call back' at the time of issuance of the policies;
- xii. The Respondents stated that the Complainants accepted the terms and conditions when they signed the policy documents. Ignorance of law is no excuse. It's debatable whether they were misguided. The Company received the complaints on July 21, 2016 from the Commission. However, before this the complaints were not received directly by the



Company. The Complainants might have approached the respective bank in the matter for redress of their grievances;

- xiii. The Respondents agreed to redress grievances of the Complainants by cancelling all five Takaful Plans and refunding the entire contribution paid by them. The Respondents delivered original cheques for the amount and indemnity bonds to be signed by the Complainants; and
- xiv. The Respondents prayed that the complaints have been amicably resolved, therefore a lenient view in the matter may be taken.

18. I have carefully examined the arguments and documents submitted by the Respondents. Although the Complainants have given their consent to the issuance of the policies but the agent deliberately sold various insurance policies to avoid the underwriting requirements applicable to large sum assureds. The bank manager was aware of the balances in the bank account of the Complainants. It appears that the agent was knowingly and willfully deceiving the Complainants and defying the system placed by the Company as mentioned above. The Respondents were required to properly underwrite the Takaful Plans by seeking proper medical, income and occupational certificates from the Complainants. Proof of income should have been sought, instead of relying on the certificate prepared by the agent or merely on the income mentioned in the proposal form. The responsibility of the Company to properly underwrite the policies was there even before the issuance of Bancassurance Regulations, 2015. Nevertheless, the Respondents were responsible for the acts and omissions of the agents in the instant case as per the provisions of Section 95 of the Ordinance. It would be appropriate to mention here that the Commission has also taken up the aforesaid matter with State Bank of Pakistan for further necessary action against the concerned bank official.

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

20. However, as the Respondents have agreed to redress the grievances of the Complainants by refunding the entire contributions paid by them and have subsequently paid Rs. 2,985,000/-, I take a lenient view and do not impose penalty on to the Respondents and warns the Company to be careful in future.

21. 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)

