



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
INSURANCE DIVISION**

[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

In the matter of

Union Insurance Company of Pakistan Limited

Date of Show Cause Notice: June 01, 2010

Date of Hearing: July 08, 2010

Attended by: Mr. Muneer Hussain, Chief Accountant- Union Insurance Company of Pakistan Ltd.

Mr. Syed Amjad Hussain- Advocate on behalf of M/s Union Insurance Company of Pakistan Ltd.

Date of Order: July 30, 2010

ORDER

(Show Cause Notice Under Section 245 read with Section 476 of Companies Ordinance, 1984)

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This Order shall dispose of the proceedings initiated against Union Company of Pakistan Limited (hereinafter referred to as ("the Company")) for making default in complying with the provisions of Section 245 of the Companies Ordinance, 1984 ("the Ordinance"), read with Section 476 of the Ordinance.

Background Facts

2. The relevant facts for disposal of this case briefly stated that while examining the relevant documents of the Company it was revealed that the Company had failed to submit/file its quarterly returns for the period ending 31st March, 2010 which were supposed to be submitted and circulated on or before April 30, 2010.



3. In pursuance of Section 245(1) of the Ordinance which states that:

*"(1) Every listed company shall,—
(a) within one month of the close of [first, second and third quarter] of its year of account, prepare and transmit to the members and the stock exchange in which the shares of the company are listed a profit and loss account for, and balance-sheet as at the end of, that quarter, whether audited or otherwise; and
(b) simultaneously with the transmission of the quarterly profit and loss account and balance-sheet to the members and the stock exchange, file with the registrar and the Commission such number of copies thereof, not being less than three, as may be prescribed.
(2) The provisions of sub-sections (1) and (2), of section 241 shall apply to the half-yearly accounts."*

Show Cause Notice and Company's reply

4. It was observed that the company was in default with regard to the aforesaid provisions of the Ordinance and therefore a Show Cause Notice ("SCN") dated June 01, 2010 under Section 245 read with Section 476 of the Ordinance was served to the Chief Executive and Directors of the Company, calling upon them to explain in writing as to why appropriate action may not be taken against the Company under the law for the aforesaid contravention. The company, in reply to the SCN, subsequently filed the quarterly returns with the Commission on June 21, 2010, which resulted in a delay of around 50 days.

Hearing Proceedings

5. A hearing was called at 12:00 P.m. on July 08, 2010 and a hearing notice was sent to the Chief Executive and Directors of the Company to explain the circumstances which had led to such non-compliance. The said hearing was attended by Muneer Hussain, Chief Accountant of the Company and Mr. Syed Amjad Hussain, an Advocate on behalf of the Chief Executive and Directors of the Company. Mr. Syed Amjad Hussain said that since the company was not in operation, directors were not in Pakistan, the chief accountant was acutely ill and the auditors took a lot of time to compile the accounts, the AGM of the Company could not be held in time. Since the AGM was delayed, the final accounts could not be presented to obtain opening balances for the quarterly accounts. He accepted default in the said provisions of the Ordinance and requested to take a lenient view in the matter and requested to condone the penalty this instance. The company representatives also submitted its written reply to the Show Cause Notice during the hearing which pondered over the whole event and requested again to condone the penalty.

Conclusion

6. After carefully examining the arguments and studying the facts and findings of the case as mentioned in the above paras of this Order, the default of Section 245 read with Section 476 of the Ordinance has been established. Therefore action against the Company may be taken by imposing a fine under Section 245(3) of the Ordinance which states that:

"(3) If a company fails to comply with any of the requirements of this section, every director, including chief executive and chief accountant of the company



who has knowingly by his act or omission been the cause of such default shall be liable to a fine of not exceeding one hundred thousand rupees and to a further fine of one thousand rupees for every day during which the default continues"

Order

7. In exercise of powers conferred on me under section 476 of the Ordinance, instead of imposing a fine on the company, I am taking a lenient view with regard to this non-compliance of the company and condoning the aforesaid default this time since the financial position of the company is very weak as its underwriting had been ceased. Additionally, the Company has assured of compliance in the future. Hence the CEO and Directors of the Company are hereby **WARNED** to comply with the aforesaid provisions in the future.

Nasreen Rashid
Executive Director (Insurance)