



INSURANCE DIVISION
Islamabad

Before Fida Hussain Samoo, Commissioner (Insurance)

In the matter of

The GreenShield Insurance Brokers (Pvt.) Ltd.

Show Cause Notice No. and Date : ID/Inf/GreenShield/2017/9352, dated April 28, 2017

Date of Hearing: June 1, 2017

Attended By: 1. Syed Ali Niaz Akhtar
Chief Executive
The GreenShield Insurance Brokers (Pvt.) Ltd.

2. Mr. Muhammad Adnan
Deputy Manager
The GreenShield Insurance Brokers (Pvt.) Ltd.

Date of Order: June 8, 2017

ORDER

Under Section 109 of the Insurance Ordinance, 2000 and Rule 50 of the Insurance Rules, 2017 (Rule 27 of the Securities and Exchange Commission (Insurance) Rules, 2002) read with Section 102(6) and Section 158 of the Insurance Ordinance, 2000
.....

This Order shall dispose of the proceedings initiated against M/s. The GreenShield Insurance Brokers (Pvt.) Ltd. (the "Company"), for alleged contravention of Section 109 of the Insurance Ordinance, 2000 (the "Ordinance") and Rule 50 of the Insurance Rules, 2017¹ (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 Ordinance to carry on business of direct insurance broking in Pakistan.

3. All licensed insurance brokers are required to submit the requisite report / accounts / financial statements to the Commission within four months of the close

¹ Rule 27 of the Securities and Exchange Commission (Insurance) Rules, 2002



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.”

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. It was noted that the Company changed its financial year from 31st December to 30th June without obtaining approval of the of the Commission in terms of Rule 50(2) of the Rules. Further, the Company under Rule 50(3) of the Rules, was required to provide the financial statements to the Commission within four months from the date to which they are made up i.e. up to October 30, 2015, even if the year-end was considered to be June 30, 2015. However, the Company provided the financial statements for the year ended June 30, 2015 on May 31, 2016, after a delay of seven months in contravention of Rule 50(3) of the Rules read with Section 109 of the Ordinance.



6. The Company vide letter dated August 02, 2016, was advised to provide a copy of the approval (if any) to change the financial year to a date other than 31st December and the clarification regarding non-submission of the financial statements within four months of the year end. However, the Company failed to submit its reply despite number of reminders issued by the Commission.

7. Hence, a Show Cause Notice bearing number ID/Enf/GreenShield/2017/9352 dated April 28, 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) and 158 of the Ordinance for contravening the provisions as aforesaid.

8. The Company sought the extensions to respond to the Show Cause Notice as detailed below:

Extension sought by the Company	Extension allowed by the Commission	Response submitted by the Company within the given time
May 11, 2017	May 19, 2017	Nil
May 18, 2017	May 26, 2017	The Company vide letter dated May 26, 2017 requested to fix the hearing

9. Thereafter, the Commission, vide hearing notice no. ID/Enf/GreenShield/2017/9681 dated May 26, 2017, scheduled hearing for June 1, 2017 at 11:30 a.m.

10. The hearing was held at the Head Office of the Commission in Islamabad and was attended by Syed Ali Niaz Akhtar, Chief Executive of the Company and Mr. Muhammad Adnan, Deputy Manager of the Company, for and behalf of the Respondents.

11. Submission of the Respondents both through their written reply to the SCN dated May 28, 2017 and at the time of hearing are summarized as under:

- i. The annual report containing the balance sheet, profit and loss account, auditors certificate, statement of the insurance premium written through the broker and statement of the commission or brokerage for the year ended June 30, 2016 was dispatched to the Commission on May 24, 2017.
- ii. Delay regretted due to unavoidable circumstances.
- iii. A request was made to the Commission to change the date of the financial year from December 31 to June 30 every year, which was approved by the Commission vide letter No. ID /10.102 (1) / 2005 dated October 6, 2006.
- iv. The delay in submission of the documents to the Commission was caused due to the unavoidable circumstances, mainly due to prolonged illness of



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our company Secretary. We assure you that the delay will not occur in future.

- v. We are the oldest and the first registered Broker with the Commission in 2004 and have always complied with the Rules. We sincerely hope that in view of our track record you will be kind enough to withdraw the 'Show Cause Notice' issued to Greenshield Insurance Brokers (Pvt.) Ltd.
- vi. The Respondents pleaded that it was not a serious violation therefore, license may not be revoked.

12. The Respondents have provided a copy of the approval granted to the Company vide letter dated October 6, 2006 to change the financial year to a date other than 31st December in terms of Rule 50(2) of the Rules.

13. The Respondents have admitted that the annual report of the Company for the year June 30, 2015 was filed late i.e. on May 31, 2016, in contravention of Section 109 of the Ordinance and Rule 50(1) & (3) of the Rules. Further, annual report of the Company for the year June 30, 2016 was also delayed by seven months. It appears that the Respondents frequently violated the provisions of Section 109 of the Ordinance and Rule 50 of the Rules.

14. The Company along with its application for renewal of license dated May 11, 2015 provided an undertaking to the Commission which read as follows:

...

a) the Company shall comply all the provisions of the Insurance Ordinance 2000, and the rules made thereunder concerning the conduct of an insurance broker;

...

15. Similar undertaking was also provided to the Commission along with application for renewal of license dated May 10, 2016. The Company however, violated the provisions of the Ordinance and did not submit the accounts within four months of the close of the financial year i.e. October 30, 2015 and hence misstated.

16. 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.

17. 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



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broker has failed to maintain prescribed minimum levels of paid-up capital, statutory deposit or professional indemnity insurance."

18. Furthermore, the Respondents can be penalized under Section 158 of the Ordinance:

"Penalty for false statement in document.- Except as otherwise provided in this Ordinance, whoever, in any return, report, certificate, balance-sheet or other document, required by or for the purposes of any of the provisions of this Ordinance, wilfully makes a statement false in any material particular, knowing it to be false, shall be punishable [by the Commission] with fine which may extend to one million rupees."

19. 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 Respondents have assured to comply with the rules and regulations in future. Therefore, I take a lenient view and impose a fine of Rs. 100,000 under Section 158 of the Ordinance on to the Respondents as follows:

Sr. No.	Name of Respondents	Amount of penalty/fine (Rs.)
1	Syed Ali Niaz Akhtar, Chief Executive	50,000
2	M/s. The GreenShield Insurance Brokers (Pvt.) Ltd.	50,000
Total		100,000

20. Hence, the above mentioned Respondents are hereby directed to deposit the applicable fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the date of this Order and furnish received vouchers issued in the name of the Commission for information and record.

21. Furthermore, the Company is strictly warned to comply with all the Rules and Regulations in future.

22. 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)

