

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Asia Insurance Company Limited

Date of Hearing

July 21, 2020

Order-Redacted Version

Order dated August 20, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Asia Insurance Company Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated May 28, 2020
2. Name of Company	Asia Insurance Company Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Asia Insurance Company Limited and its Board of Directors.
4. Nature of Offence	Proceedings under Section 11(1)(f), Section 12(1) and Section 12(4) read with Section 60 and Section 156 of the Insurance Ordinance, 2000 (the "Ordinance")
5. Action Taken	<p>Key findings of the default of above provisions of the law were reported in the following manner:</p> <p>The evidence before me has successfully established processing and payment of bogus claims by the Respondent, thereby exposing the deficiencies in the internal controls. The Respondent has not challenged the veracity of the allegation as well. However, the complacency with which the matter has been dealt by the Company is of grave concern. To date neither have the company instituted an internal inquiry in the matter nor made an effort to analyze its processes and people to identify loopholes or fix responsibility. On the contrary it has been argued that the bogus claims constitute 0.06% of the claims processed by the company since 2013. It has also been noted that all the eight bogus claims were settled on the basis of the survey report of the same surveyor. Therefore, adequate and effective procedures and controls were not implemented by the Company to prevent payment against bogus claims.</p> <p>The vires of the case is determined by the SCN, based on the adjudication reference received from the Supervision Department, Insurance Division; hence, the matter shall be examined and decided upon to the extent of internal controls, due care and professional skills applied. I have carefully</p>



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examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents. The Company has submitted that it was not aware that payments of the said claims were being made into the fake bank accounts. As a matter of fact, payment against the said fake claims was manipulated through fake incident reporting and fake survey report. This state of affairs indicates that there were serious lapses in internal controls of the Company which were neither adequate nor effective. Therefore, the business of the Company was not being conducted with integrity, due care and professional skills required for insurance business. The Company could not be regarded as conducting its business in a sound and prudent manner as its business was not carried on with due regard to the interests of its policyholders. Thus, the Company has failed to meet the criteria for sound and prudent management as provided under section 12(1)(a) and 12(1)(e) and 12(4) read with Section 11(1)(f) of the Ordinance which attracts penal action as provided under Section 156 of the Ordinance.

In exercise of the powers conferred on me under Section 156 of the Ordinance, I, hereby impose an aggregate penalty of Rs. 3,040,000/- (Rupees Three Million Forty Thousand only) on the Company and its Board of Directors including the Chief Executive, on account of their failure to ensure compliance with the provisions of Section 11(1)(f), Section 12(1)(a), Section 12(1)(e) and Section 12(4) of the Ordinance.

In terms of Section 60 of the Ordinance, I hereby direct the Company to take up the matter of all bogus reinsurance recoveries obtained by it including but not limited to those identified in the investigation, with its reinsurance partners including PRCL for repayment of recoveries against all bogus claims to them. Furthermore, it is directed that all possible measures be taken to make good the loss caused to the Company.

As stated earlier in the order, vires of the case is determined by the SCN, based on the adjudication reference received from the Supervision Department, Insurance Division i.e. to the extent of internal controls, due care and professional skills applied. The Company's submission that it has neither inquired into nor taken any action against the perpetrators of the fraud nor has it informed the reinsurance partners about the bogus claims. The aforesaid conduct of the Company and its management raises serious reservations about their role and prevalence of such activities in the company. Furthermore, connivance of the Company and its management in the alleged fraudulent act cannot be ruled out. Supervision Department of Insurance Division is advised to examine and analyze the matter and take appropriate action(s) in this regard based upon the said facts.

Penalty order dated August 20, 2020 was passed by Executive Director (Adjudication-I).



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6. Penalty Imposed	An aggregate penalty of Rs. 3,040,000/- (Rupees three million forty thousand only) was imposed on the Respondents.
7. Current Status of Order	Appeal was filed before the SECP's Appellate Bench.

Redacted version issued for placement of website of the Commission.