

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to The United Insurance Co. of Pakistan Limited

Dates of Hearing

August 24, 2021

Order-Redacted Version

Order dated February 14, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of The United Insurance Co. of Pakistan Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated June 11, 2021.
2. Name of Respondent	The United Insurance Co. of Pakistan Limited (the Company)
3. Nature of Offence	<u>Alleged contraventions of rules 10(1)(k) and 20(1) of the Takaful Rules, 2012 (the Takaful Rules) read with Section 156 of the Insurance Ordinance, 2000 (the Ordinance)</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have 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 Respondent. In terms of rules 10(1)(k) of the Rules, the Company was required to have admissible assets in its PTF in excess of its PTF's liabilities at all times. However, it was observed that admissible assets of the PTF were less than its liabilities as at December 31, 2019 by an amount of Rs. 303.94 million. The Company has submitted an incorrect interpretation of rule 10(1)(k) in order to justify exclusion of liability of Wakala Fee Payable and with a view to circumvent its compliance with the said mandatory provisions of the law. The Rules do not allow inadmissibility or exclusion of any liability of PTF for the purpose of calculation of its solvency. Moreover, from the perspective of the participants, it is extremely important that PTF must be solvent at all times after taking into account all the liabilities of PTF. In case of insolvency in PTF at any point in time, the</p>

	<p>Operator would not be in a position to protect the interest of the participants effectively Furthermore, inclusion of Wakala Fee Payable for calculating total liabilities of PTF would have resulted in deficit of Rs. 303.94 million. Thus, the Operator was required to provide Qard-e-hasna to fund the deficit in the PTF as per rule 20(1) of the Rules, which states that if at any point in time, admissible assets in a PTF are not sufficient to cover liabilities, the deficit shall be funded by way of actual transfer of funds as Qard-e-hasna (interest free loan) from the Operator's Fund to that PTF. However, the compliance with the requirements of rule 20(1) of the Rules was also not made by the Company.</p> <p>In exercise of the powers conferred on me under Section 156 of the Ordinance, I hereby, impose a fine of <u>Rs.100,000/- (Rupees One Hundred Thousand Only)</u> on the Company on account of established violations of the law.</p>
5. Penalty Imposed	Rs. 100,000/-
6. Current Status of Order	Penalty not deposited and Appeal has been filed by the respondent.