



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

PRESS RELEASE
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SECP Ceases Guarantees Business of Crescent Star Insurance Limited

ISLAMABAD, December 26: The Securities and Exchange Commission of Pakistan (**SECP**) has ceased the guarantee business of Crescent Star Insurance Limited (**Crescent Star**) through a Direction, under section 60 of the Insurance Ordinance, 2000 (**Ordinance**). Crescent Star had issued guarantees amounting to Rs. 229 billion without obtaining requisite collateral and any valid reinsurance arrangements.

In order to ensure adherence to due process of law and provide Crescent Star with an opportunity to explain its position regarding the highlighted violations of the regulatory framework, a notice was issued to it on January 31, 2024. However, the company challenged the notice in the Honourable Islamabad High Court. The Honourable Court did not grant any relief to Crescent Star and directed it to participate in the proceedings initiated by SECP.

SECP provided six opportunities of hearings to Crescent Star and four written responses were submitted by it during the proceedings. Despite these opportunities, Crescent Star failed to demonstrate the requisite compliance with regulatory requirements to carry on guarantees business including obtaining proper collateral and reinsurance arrangements. Crescent Star's With regard to claim of Crescent Star to have obtained reinsurance arrangement against its guarantees business, SECP approached the concerned insurance company which categorically denied any such arrangement. This confirmed SECP's findings with regard to non-compliance with regulatory requirements to carry on the guarantees business and also exposed the misstatements of facts by Crescent Star Insurance.

It was concluded that guarantees business of Crescent Star was being conducted without obtaining any requisite collateral or reinsurance cover. In order to protect the integrity of the insurance sector, SECP ceased its guarantee business with the direction not to rollover existing guarantees in any form and fulfil its obligations as and when due. Crescent Star has also been required to submit a comparative statement of outstanding guarantees on monthly basis to SECP.

Crescent Star may approach SECP for cancellation or modification of the Direction, provided it complies with the requirements of regulatory framework i.e. obtaining proper collateral and valid reinsurance arrangement, subject to satisfaction of SECP.

In addition to Crescent Star, similar proceedings have also been initiated against United Insurance Company of Pakistan Limited for carrying on guarantees business, apparently, without ensuring compliance with the requisite regulatory requirements. The proceedings are pending as United Insurance has obtained a stay Order from the Honourable Lahore High Court.

As part of its ongoing commitment to enhance customers' confidence, SECP successfully addressed over 2,300 complaints during the first half of FY2024-2025, resulting in an additional recovery of claims to individuals, aggregating to Rs. 268 million.

The proactive approach by SECP, is expected to enhance compliance in the insurance sector and build public trust.