

August 1, 2025

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: **Miscellaneous Information Press release**

Dear Sir,

CRESCENT STAR INSURANCE RESUMES GUARANTEE BUSINESS AS COURT NULLIFIES SECP ORDER

Islamabad, July 31, 2025 – Crescent Star Insurance Limited (CSIL) has resumed its guarantee business following a landmark judgment by the Honourable Islamabad High Court, which set aside the Securities and Exchange Commission of Pakistan's (SECP) order dated November 5, 2024, that had directed the company to cease issuance of fresh guarantees.

In a detailed judgment passed by Honourable Mr. Justice Mohsin Akhtar Kayani, on July 29, 2025, the Court held that SECP's directive, issued under Section 60 of the Insurance Ordinance (2000), was without lawful authority and contrary to the statutory scheme of the Ordinance. The Court observed that the Commission had failed to follow the procedure mandated under Sections 62 and 63 of the Ordinance, which require that an insurer be given a fair opportunity to address alleged contraventions through a compliance plan before any coercive actions are undertaken. The Honourable Court held that the entire proceedings leading up to the impugned direction were illegal, void, and passed without jurisdiction.

CSIL submitted before the Court that its guarantee business falls under Class VI, Credit and Suretyship, a recognized category of non-life insurance, and that it operated through valid facultative reinsurance arrangements. While addressing this submission, the Court acknowledged the concept of facultative reinsurance, where risk is assessed and accepted on a case-by-case basis, and noted that there is no legal requirement for a facultative insurer to obtain further reinsurance from other companies to carry on its business and such decisions, the Court observed, fall within the insurer's commercial discretion depending on its risk tolerance, specific needs and strategic objectives. It was also noted that no complaints had

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been filed by any policyholders, and that SECP had acted beyond its jurisdiction in ordering an immediate cessation of CSIL's guarantee business.

The Honourable Court allowed the writ petition and directed SECP to engage with the company in accordance with the law.

A spokesperson for Crescent Star Insurance stated:

“We welcome the Court's decision, which reaffirms the importance of due process and regulatory accountability. Crescent Star Insurance remains fully committed to compliance, transparency, and the protection of our policyholders' interests. We extend our sincere thanks to our clients, stakeholders, and partners for their continued trust and support throughout this period. The company is now focused on restoring full operations and continuing to play its part **in facilitating business and economic activity across Pakistan.**”

The company further expresses its appreciation to Syed Ahmed Hassan Khan of Hassan, Kaunain & Nafees – Legal Practitioners & Advisors, and Saadat Ali Saeed of AHM & Co. for their expert legal representation in the proceedings before the Islamabad High Court.

You may please inform the TRE Certificate Holders of the Exchange accordingly.

Yours Sincerely,



Malik Mehdi Muhammad
CFO & Company Secretary

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