



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Continuation Sheet - 2 -

5. In view of the above, it appeared that the Company had failed to meet the mandatory minimum paid up capital requirement as prescribed under the provisions of Section 11(1) and Section 28 of the Ordinance read with Rule 9 of the Securities and Exchange (Insurance) Rules, 2002 (the "Rules").

6. Section 11(1) of the Ordinance requires that:

"Conditions imposed on registered insurers.-(1) An insurer registered under this Ordinance shall at all times ensure that:

(a) the provisions of this Ordinance relating to minimum paid-up share capital requirements are complied with;"

7. Section 28 of the Ordinance provides that:

"Requirements as to capital.-(1) An insurer registered under this Ordinance to carry on insurance business shall have a paid-up capital of not less than the required minimum amount.

(2) For the purposes of this section, the required minimum amount is:

(a) one hundred and fifty million rupees, or such higher amount as may be prescribed by the Federal Government, for an insurer carrying on life insurance business; and

(b) eighty million rupees, or such higher amount as may be prescribed by the Federal Government, for an insurer carrying on non-life insurance business;"

8. Rule 9 of the Securities and Exchange (Insurance) Rules, 2002 (S.R.O 828 (1)/2015 dated August 18, 2015) requires every non-life insurer, registered under the Ordinance, to raise the paid-up share capital in the manner as given hereunder:

(Rs. in Millions)

Type of Insurer	Year 2015		Year 2016		Year 2017	
	31 st December	30 th June	31 st December	30 th June	31 st December	30 th June
Life Insurer	500	550	600	650	700	
Non-Life Insurer	300	350	400	450	500	

9. Accordingly, a Show Cause Notice (SCN) ID/Enf/PICIC/2017/12656 dated November 6, 2017 was issued to the Respondents, calling upon them to show cause as to why action under Section 63(1) and Section 156 of the Ordinance should not be taken for the aforementioned alleged contraventions of the law.

10. To provide an opportunity of hearing to the Respondents, the Commission vide notice dated November 21, 2017 scheduled the hearing for November 27, 2017. However, the aforesaid hearing was rescheduled on March 7, 2018 through letter dated March 2, 2018. The Authorized Representative of the Company vide letter dated March 3, 2018 requested to reschedule the hearing to another date due to his unavailability on the scheduled date. The request of the Company was acceded to and the Commission



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Continuation Sheet - 3 -

vide its notice dated June 25, 2018 rescheduled the hearing to July 3, 2018 to provide Respondents a final opportunity of hearing.

11. The hearing of July 3, 2018 was held at the Company Registration Office of the Commission in Karachi and was attended by Mr. Zeeshan Abdullah and Mr. Tanveer Ahmed for and behalf of the Respondents in the instant matter. During the hearing the Authorized Representative agreed that the Commission may initiate action under Section 63 of the Ordinance (i.e. direction to cease entering into new business) as the Company has already stopped underwriting new insurance business. The Authorized Representatives however, requested that the penalty under Section 156 of the Ordinance may not be imposed if action under Section 63(1) of the Ordinance is initiated.

12. In terms of Section 11(1) of the Ordinance the Company was required to meet the minimum paid-up share capital at all times. However, examination of the Half-Yearly Accounts highlighted that paid-up capital of the Company as on December 31, 2016 and June 30, 2017 was Rs. 350 Million. The paid up capital was required to be raised by Rs. 50 Million each to meet the minimum paid up capital requirement of Rs.400 Million and Rs. 450 million as on December 31, 2016 and June 30, 2017, respectively

13. The Company has failed to meet its minimum paid up capital requirement. It appears from other responses submitted before the Commission that the Company does not intend to continue insurance business. The Authorized Representative has not objected to the initiation of regulatory proceedings under Section 63(1) of the Ordinance.

14. I have carefully examined and given due consideration to the written and verbal submissions of the Company, and have also referred to the provisions of the Ordinance the Rules and the Regulations made thereunder and/or other legal references, I am of the view that the default of Section 11(1) and Section 28 of the Ordinance is established as mentioned in the above paras hereof. The Authorized Representatives have also admitted the default. The Company has failed to meet the minimum paid up capital requirements and has failed to show any progress towards meeting the paid up capital requirements until the date of this Order. Therefore, action under Section 63(1) and/or Section 156 of the Ordinance can be taken against the Respondents i.e. the Company, its chief executive and directors.

15. Relevant provision of Section 63 of the Ordinance states that:

"Power of Commission to issue direction to cease entering into new contracts of insurance.- (1) The Commission may issue a direction to cease entering into new contracts of insurance if it believes on reasonable grounds that an insurer registered under this Ordinance has failed, or is about to fail, to comply with the conditions of registration set out in section 11.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Continuation Sheet - 4 -

16. Section 156 of the Ordinance provides that:

“Penalty for default in complying with, or acting in contravention of this Ordinance.- Except as otherwise provided in this Ordinance, any insurer who makes default in complying with or acts in contravention of any requirement of this Ordinance, or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer, and, where the insurer is a company, any director, or other officer of the company, who is knowingly a party to the default, shall be punishable with fine which may extend to one million rupees and, in the case of a continuing default, with an additional fine which may extend to ten thousand rupees for every day during which the default continues.”

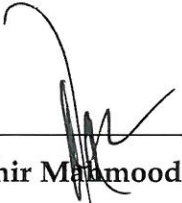
17. Before proceeding any further, I find it relevant to discuss the duties of the Directors & the Chief Executive. The Directors & the Chief Executive of the Company, in addition to the day to day running of the Company and the management of its business, also have some ‘fiduciary’ duties i.e. duties held in trust and some wider obligations imposed by statute on them and on the Company. The Directors and the Chief Executive of the Company are supposed to be well aware of their legal obligation and the Company’s legal obligation in the aforesaid matter along with the consequences of the said default.

18. In exercise of the power conferred on me under Section 63(1) of the Ordinance read with S.R.O. 750(I)/2017 dated August 2, 2017, I hereby direct PICIC Insurance Limited to cease entering into new contracts of insurance due to the reason that the Company has failed to comply with the minimum paid up capital requirements.

19. The said direction may only be revoked upon meeting the requirements relating to the minimum paid up capital as laid down under the notification, Rules, and Ordinance.

20. The statement of reasons has been provided in the preceding paras 5 to 14 above.

21. This Order is issued without prejudice to any other action that the Commission may initiate against the Company and / or its management (including the CEO of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.



Tahir Mahmood
Commissioner (Insurance)

