



INSURANCE DIVISION
Islamabad

Before Tahir Mahmood, Commissioner (Insurance)

In the matter of

IGI Life Insurance Limited

Show Cause Notice No. and Issue Date: ID/Enf/IGILife/2018/13374 dated
January 24, 2018

Date of Hearing: July 4, 2018

Attended By:

1. Mr. Nadeem R. Malik
Chief Executive Officer
IGI Life Insurance Limited
2. Dr. Bakht Jamal
Head of Takaful
IGI Life Insurance Limited
3. Syed Fahad Subhan
CFO
IGI Life Insurance Limited
4. Nasir Qureshi
Company Secretary
IGI Life Insurance Limited

Date of Order: July 30, 2018

ORDER

Under Section 12 and Section 93 read with Section 156 of the Insurance Ordinance, 2000

.....

This Order shall dispose of the proceedings initiated against M/s. IGI Life Insurance Limited (the "Company"), its Chief Executive and Directors for alleged contravention of Section 12 and Section 93 of the Insurance Ordinance, 2000 (the "Ordinance"). The Company and its Directors shall be collectively referred to as the "Respondents" hereinafter.

2. The Company is registered under the Ordinance to carry on Life Insurance business in Pakistan.

3. The Commission initiated thematic review of bancassurance business of insurers in order to check compliance of conduct of business with applicable regulatory



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provisions. Accordingly, call for information notice under Section 61 of the Ordinance dated September 25, 2017 was issued to the Company. The call for information notice as aforementioned, required the Company to provide information as per the Information Seeking Memorandum (the "ISM") and formats provided therein.

4. Point 12 to the ISM required insurers to submit statement of policies in respect of which notices under Section 93 of the Ordinance were issued to the policyholders as per format given in Annexure F to the ISM.

5. The Commission vide email dated October 24, 2017, advised the Company to submit copies of notices issued to "15" policyholders under Section 93 of the Ordinance, which were selected on random sampling basis, as per the following table:

Policy number	Product Name	Account title	Premium due date	Premium amount	Inception date	Notice dates	Subsequent followup date
48052136	Income Max	Zain Mohammad	21-Jun-13	Rs **51000.00	21-Jun-10	21-Feb-16	21-Mar-16
48052662	Retire Easy	Waqar Ahmed	7-Oct-14	Rs **50000.00	7-Oct-10	7-May-17	7-Jun-17
48053618	Income Max	Amir Aziz Dar	1-Oct-16	Rs *200000.00	1-Oct-15	6-Oct-16	2-Nov-16
48053651	Retire Easy	Naqeeb Ullah	12-Nov-16	Rs *200000.00	12-Nov-15	14-Nov-16	12-Dec-16
49050023	Sunehra Cash Builder	Muhammad Imran Qureshi	7-Mar-17	Rs **50500.00	7-Mar-16	8-Mar-17	8-Apr-17
49050003	Sunehra Income Builder	Muhammad Ullah	15-Mar-17	Rs *150000.00	15-Mar-16	16-Mar-17	16-Apr-17
49050010	Sunehra Cash Builder	Abid Hussain	17-Mar-17	Rs 1000000.00	17-Mar-16	20-Mar-17	20-Apr-17
49050044	Sunehra Income Builder	Muhammad Jamil	4-Apr-17	Rs **50000.00	4-Apr-16	6-Apr-17	7-May-17
49010303	VUL Golden Age Plan	Muhammad Rafiq	16-Aug-15	Rs **25000.00	16-Feb-12	17-Feb-16	17-Mar-16
49012520	VUL Goals Plan	Rao Abrar Ajmal	16-Oct-15	Rs **51100.00	16-Oct-14	16-Oct-15	16-Nov-15
49012935	VUL Goals Plan	Faheem Ahmed	17-Mar-16	Rs *127150.00	17-Mar-15	18-Mar-16	18-Apr-16
49012957	VUL Goals Plan	Gul Muhammad	2-Apr-16	Rs **51100.00	2-Apr-15	3-Apr-16	3-May-16
50000693	Tadbeer Plan	Muhammad Zohaib	18-Nov-16	Rs **10000.00	18-Feb-16	21-May-17	21-Jun-17
50000245	Tadbeer Plan	Syed Shaukat Hussain Shah	19-Nov-16	Rs **50000.00	19-Nov-15	23-Dec-16	23-Jan-17
50000247	Tadbeer Plan	Syed Shaukat Hussain Shah	19-Nov-16	Rs **25000.00	19-Nov-15	22-Nov-16	23-Dec-16

6. The Company failed to submit copies of the notices issued to the policyholders and in its response dated October 30, 2017 stated as under:

"As per our past practice, copies of notices generated from system are not available. The notices were generated from the system and dispatched to policyholders. From Jul-2017, we are now keeping copies of the notices. (Sample attached)"

7. Since, the Company in its response dated October 30, 2017 had stated that the notices were being generated through system and dispatched to the policyholders, accordingly, the Commission through email dated December 28, 2017 required the Company to submit the system log covering details of the policies to which notices under Section 93 of the Ordinance were issued. The Company through its email dated January 3, 2018, provided screenshots of system log, however, perusal of the same revealed that the same were merely snapshots of the premium reminder notices for certain policies informing the policyholders about the fact that non-payment of premium shall lead to termination of the policy, unless otherwise provided by the terms of the policy. Hence, it was inferred that the Company did not even maintain system log of the notices issued under Section 93 of the Ordinance.



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8. In view of the above, it appeared to the Commission that the Company did not maintain adequate records of its business as it failed to retain copies / system log of the notices sent to the policyholders in contravention of Section 12(1)(d) read with Section 12(2) of the Ordinance.

9. Relevant provisions of Section 12 of the Ordinance state that:

"Criteria for sound and prudent management.- (1) For the purposes of this Ordinance, the following shall, without limitation, be recognised as criteria for sound and prudent management of an insurer or applicant for registration as a person authorised to carry on insurance business:

(d) the insurer or applicant maintains adequate accounting and other records of its business;

(2) Accounting and other records shall not be regarded as adequate for the purposes of clause (d) of sub-section (1) unless they are such as:

(a) to enable the business of the insurer or applicant to be prudently managed; and

(b) to enable the insurer or applicant to comply with the obligations imposed on it by or under this Ordinance."

10. Section 93 of the Ordinance states that:

Non-forfeiture.- (1) A relevant policy is not liable to be forfeited only because of the non-payment of a premium (the "overdue premium") if -

(a) the policy has been in force for at least two years; and

(b) the surrender value of the policy exceeds the total of:

(i) the amount of the overdue premium; and

(ii) the total of any other amounts owed to the insurer under, or secured by, the policy.

(2) For the purposes of clause (b) of sub-section (1), the surrender value of the policy shall be calculated as at the day on which the overdue premium falls due and shall be calculated as though the premium has been paid.

(3) When the holder of a policy to which this section applies fails to pay a premium due under that policy, the insurer shall, before the expiry of three months from the date on which that premium in respect was payable but not paid, give notice to the policy holder informing him of the options available to him.

(4) Notwithstanding anything to the contrary in the policy, the options available to the policy holder under this section shall include without limitation two of the following, namely :-

(a) the policy shall be paid up in accordance with this Part;



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(b) the surrender value of the policy shall be applied to the payment of the premium due until the surrender value is exhausted;

(c) the policy shall be surrendered in accordance with this Part; and

(d) the policy shall be surrendered, and the company shall issue to the policy holder a contract for term life insurance for a term to be specified by the policy holder and a sum insured determined on the basis of the surrender value of the policy surrendered less the amount of any debt owed to the company under, or secured by, the policy.

(5) Notwithstanding anything to the contrary in the policy, the action taken by the insurer with respect to the policy shall be -

(a) if a course of action not stated in the notice issued under sub-section (3) is agreed in writing between the insurer and the policy holder, after the policy holder has received the notice, that course of action;

(b) if the policy holder agrees in writing to an option contained in the notice issued under sub-section (3), that course of action;

(c) if the policy holder does not respond to the notice issued under sub-section (3), and after making reasonable efforts the insurer is unable to contact the policyholder:

(i) if the policy holder has elected in writing, either at the time of taking the policy or at any time thereafter before the cessation of the payment of premium, that a course of action should be taken; that course of action; otherwise

(ii) if a course of action (not being the course of action set out in clause (b) of sub-section (4)) is stated in the policy, that course of action; otherwise

(iii) the course of action set out in clause (a) of subsection (4).

(6) No commission shall be payable to any person in respect of the following, namely:-

(a) the application of the surrender value to the payment of premiums in accordance with clause (b) of sub-section (4); and

(b) the issue of a contract of term insurance under clause (d) of sub-section (4).

11. Accordingly, a Show Cause Notice (SCN) No ID/Enf/IGILife/2018/13374 dated January 24, 2018 was issued to the Respondents, calling upon them to show cause as to why the fine as provided under Section 156 of the Ordinance should not be imposed on them for the aforementioned alleged contraventions of the law.

12. The Company vide letter dated January 30, 2018 sought an extension of 10 days to submit reply to the aforesaid Show Cause Notice. The request of the Company was acceded to and the Company was allowed extension until February 10, 2018.

13. Thereafter, the Respondents submitted their reply vide letter dated February 9, 2018, which is reproduced hereunder:



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"..... It is respectfully submitted that IGI Life Insurance Ltd. ("IGI Life") before July 2017 was not keeping copies of notices sent to policyholders under Section 93 of the Insurance Ordinance, 2000. We would like to state that subsequent to the acquisition of Metlife Alico in April 2014, the company had formed an Operational Risk Management Committee ("Committee"). The Committee was tasked to assess overall operational areas, identifying lapses and the risk associated and also suggesting changes, where required. The lapse in keeping copies of notices sent to policyholders was identified as part of the assessment and corrective actions were immediately taken. From July 2017, prior to thematic review, IGI Life had revised its practice and started sending non-forfeiture notices and keeping adequate records for tracking In order to comply with the requirement of Section 93 and of the Insurance Ordinance, 2000 respectively. Attached please find a sample of few copies being maintained to comply with the requirement of Section 12(1)(d) of the Insurance Ordinance, 2000 marked as Annexure A/l- A/3.

IGI Life is continuously strengthening the internal control systems and processes with a view to ensure full compliance with the regulatory requirements. We also request for a personal hearing in order for us to further elaborate our position on the observations made by SECP....."

14. The Commission, vide its notice no. ID/Enf/IGILife/2018/15428 dated June 25, 2018, scheduled the hearing for July 4, 2018 at the Company Registration Office Karachi.

15. The hearing was attended by Mr. Nadeem R. Malik Deputy CEO of the Company along with other authorized representatives namely Dr. Bakth Jamal, Syed Fahad Subhan, and Mr. Yasir Qureshi representing all the Respondents before the Commission in the instant matter.

16. During the hearing, the Representatives stated that before July 2017 the Company was not keeping copies of notices sent to policyholders under Section 93 of the Ordinance. They maintained that the system did not maintain record of notices. The Representatives apprised that this issue was identified by its Operational Risk Management Committee and was accordingly rectified. They apprised the Commission that the Company is keeping adequate records for tracking purposes since July 2017.

17. In terms of Section 12(1)(d) of the Ordinance, the Respondents were required to maintain adequate accounting and other records of its business. However, the Respondents failed to keep proper records of the notices sent to the policyholders. Therefore, it can be termed that the Respondents failed to carry out the business in a sound and prudent manner. The Respondents have also contravened the provision of Section 12(2) of the Ordinance as the Company could not apparently track the notices sent to the policyholders prior to July 2017. The Respondents have admitted in their written response as well as during the hearing that prior to July 2017, the record of notices sent to the policyholders under Section 93 of the Ordinance was not maintained. The Company has not even maintained system log of the notices issued under Section 93 of the Ordinance.

18. The arguments, documents and evidences, which have been submitted by the Respondents so far, have been found to be evidencing the fact that the Company did



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not maintain adequate records of its business as it failed to retain copies / system log of the notices sent to the policyholders in contravention of Section 12(1)(d) read with Section 12(2) of the Ordinance.

19. I have carefully examined and given due consideration to the written and verbal submissions of the Respondents, and have also referred to the provisions of the Ordinance, the Rules made thereunder and/or other legal references, I am of the view that the default of Section 12(1)(d) read with Section 12(2) of the Ordinance is established. Therefore, the fine as provided under Section 156 of the Ordinance can be imposed onto the Respondents i.e. the Company, its CEO and Directors.

20. 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."

21. In exercise of the power conferred on me under Section 156 of the Ordinance read with S.R.O. 750(I)/2017 dated August 2, 2017, I, instead of imposing the maximum fine as provided under the said provisions, impose a fine of Rs. 50,000/- (Fifty Thousand Only) on the Company due to the default of Section 12(1)(d) read with Section 12(2) of the Ordinance, as mentioned in the above paras hereof. The Respondents are hereby warned to ensure full compliance with the Ordinance, rules, regulations and directives of the Commission in future.

22. Hence, the Company is hereby directed to deposit the applicable fine in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the date of this Order and furnish receipted vouchers issued in the name of the Commission for information and record.

23. 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)

