



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 36 of 2019

State Life Insurance Corporation of Pakistan

...Appellant

Versus

Commissioner Insurance, SECP, Islamabad

...Respondent

Date of hearing:

April 10, 2025

Present:

For the Appellant:

1. Mr. Waqas Asad Sheikh (Authorized Representative)

For the Respondent:

1. Mr. Mubasher Saeed Saddozai, Executive Director, Adjudication Division, SECP
2. Mr. Shafique Ur Rehman, Additional Joint Director, Adjudication-I Department, SECP

ORDER

1. This Order shall dispose of Appeal No. 36 of 2019 filed by State Life Insurance Corporation of Pakistan (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the order dated March 29, 2019 (the



Securities and Exchange Commission of Pakistan

“Impugned Order”) passed by the Commissioner Insurance, SECP, (the “Respondent”) under Section 156 of the Insurance Ordinance 2000 (the “Ordinance”).

2. The brief facts of the case are that the Appellant is a corporation registered with the Securities and Exchange Commission of Pakistan (the “Commission”) under the Ordinance to carry on the business of life insurance in Pakistan. During the inspection of the complaints register of Karachi South Zone (KSZ) of the Appellant for the years 2016 and 2017, the inspection team of the Commission (the “Team”) observed misappropriation of insurance premiums received by the agents of the corporation. As per the complaints register of the KSZ, 21 and 36 complaints were registered during the years 2017 and 2018, respectively. It was also observed by the Team that almost all of those complaints pertained to misappropriation of premiums by sales agents or field workers of the Appellant.
3. A review of the complaints filed with the KSZ indicates that, notwithstanding the significant volume of grievances concerning the misappropriation of insurance premiums and the resultant liability of the Appellant in its capacity as insurer, the Appellant failed to initiate any meaningful or timely action against the individuals implicated in the misappropriation of policyholders’ premium payments. In some cases, more than one complaint was registered against an agent for defalcation of premium, but no action was taken against such agents either. It was revealed that repeated complaints had been lodged against an agent of the Appellant namely, Mr. Muhammad Hussain Nasri and subsequently after a lapse of a considerable time the complaints were resolved. A separate complaint was also lodged against another agent of the corporation namely; Mr. Muhammad Tahir, alleging that he received premium payments from a policyholder but failed to deposit the same with the Appellant.
4. In light of the above-mentioned violations, the Respondent issued a Show-Cause Notice dated June 12, 2018 (the “SCN”) to the Appellant. The Appellant submitted a written reply to the SCN vide letter dated July 04, 2019. A hearing in the matter was held on February 27, 2019 which was attended by the authorized representatives of the Appellant. The Respondent

Appellate Bench

Appeal No.36 of 2019

Page 2 of 7



Securities and Exchange Commission of Pakistan

concluded the SCN proceedings and not being satisfied with the stance taken by the Appellant and in exercise of powers conferred under Section 156 of the Ordinance, imposed a penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) upon the Appellant for the violation of Rule 25(1)(c), 25(2)(e) and 25(3) of the Insurance Rules, 2002 (the "Rules") read with Section 95(1) and 99(1) of the Ordinance.

5. The Appellant has preferred this appeal *inter alia* on the grounds that the Impugned Order has been passed on the basis of misapplication and non-reading of facts as submitted by the Appellant vide its response dated July 04, 2018 and the verbal submissions made at the time of the hearing were not considered. It was submitted by the Appellant that action had been taken against the two sales agents and subsequently the amounts had been recovered and accordingly the policy holders had been compensated for the amounts earlier misappropriated by the agents. The Appellant argued that the complaints mentioned in the SCN are isolated incidents, primarily resulting from the negligence of the policy holders who chose to make cash payments directly to the agents. It was further contended that the policy holders are expressly advised to remit premium payments directly to the Appellant and that, agents of the Appellant are neither authorized nor permitted to accept premium payments on behalf of the Appellant and that the failure to render any findings on this submission, constitutes a violation of the principles of natural justice.
6. It was further submitted by the Appellant that the SCN was issued for the alleged contravention of Rule 25(1)(c), 25(2)(e) and 25(3) of the Insurance Rules, 2002, whereas, the Insurance Rules, 2002 stand repealed by the Insurance Rules, 2017, hence, no proceedings can be initiated under the repealed law, therefore submitting that the Impugned Order is liable to be set-aside on this ground alone and that public functionaries are required to pass an order in accordance with law and also provide reasoning as mandated by Section 24A of the General Clauses Act, 1897.



Securities and Exchange Commission of Pakistan

7. The Respondent rebutted the grounds of Appeals and put forth the arguments that the Team, during inspection of the complaints register of the KSZ of the Appellant for the years 2016 and 2017, observed that 21 and 36 complaints of policyholders were registered with the Appellant in 2016 and 2017, respectively, and the same were not resolved in a timely manner as required under Rule 25(3) of the Rules. Rule 25(3) of the Rules is reproduced herein below:

“Conduct of agents and insurer: (3) On the receipt of a written complaint from the policyholder or intending policyholder that an agent or any other person related to the agent has received money in relation to a contract of insurance from the complainant and the agent has failed to deposit this money with the insurer, the insurer shall conduct an inquiry into it and inform the policyholder or intending policyholder, as the case may be, about the outcome of the inquiry within one month period of the complaint.”

8. The Respondent argued that the Appellant terminated the services of the two agents namely; Mr. Hussain Nasri and Mr. Muhammad Tahir, against whom the majority of complaints had been lodged, only after the issuance of the SCN. It was emphasized that complaints against these agents had been filed as early as 2014 and continued thereafter, which clearly depicts that the Appellant failed to accord due consideration to the interest of policyholders by failing to initiate inquiry proceedings against both the said agents, despite recurring incidents of defalcation. The Respondent further contended that it is the fiduciary duty of an insurer to safeguard the policyholders' money by exercising due diligence and taking all necessary measures to prevent any misappropriation of funds by any of its agents. While acknowledging that the policy documents contain instructions directing premium payments to be made through the Appellant's cash counters or via crossed cheques, the Respondent argued that such instructions are not effectively communicated to policyholders, many of whom lack the requisite education or financial literacy to comprehend and implement these prescribed modes of payment. As a result, policyholders often rely solely on the trust placed in the insurance agents. The Respondent further emphasized that, in accordance with Section 99(1) of the Ordinance, payment made by a policyholder to an insurance agent is legally deemed to constitute payment to the insurer.

Appellate Bench

Appeal No.36 of 2019

Page 4 of 7



Securities and Exchange Commission of Pakistan

Section 99(1) of the Ordinance is reproduced herein below:

"Payments by and to insurance agents: (1) Any sums received by an insurance agent from a policy holder or an insurer or an insurer, other than remuneration payable to the agent by the insurer, shall be deemed to held on trust for the insurer. Payment by a policy holder to an insurance agent shall be deemed to constitute payment to the insurer."

9. The Respondent, while rebutting the Appellant's argument that the SCN was issued under the repealed Insurance Rules, 2002, submitted that the violations in question pertain to the years 2016 and 2017, as identified by the Team of the Commission. It was contended that Rule 64 of the Insurance Rules, 2017 contains a saving clause, which expressly preserves the validity of proceedings initiated under the repealed Insurance Rules, 2002, and the Securities and Exchange Commission of Pakistan (Insurance) Rules, 2002.
10. The Respondent further placed reliance on Section 6 of the General Clauses Act, 1897, and Article 264 of the Constitution of the Islamic Republic of Pakistan, 1973, both of which provide that the repeal of a statute does not affect prior operations of the repealed enactment, nor does it extinguish any right, obligation, liability, penalty, forfeiture, or punishment incurred thereunder. It was submitted that these legal provisions preserve the continuity of the legal processes, ensuring that any investigation, legal proceeding, or remedy in respect of such matters arising under the repealed law, may continue and be concluded. Accordingly, the Respondent maintained that the applicable law was rightly invoked, and that the penalty imposed through the Impugned Order is lawful, justified, and ought to be upheld in its entirety.
11. The Appellate Bench (the Bench) has heard the arguments advanced by both parties and perused the record. In view of the foregoing discussion, and after carefully examining the record, written submissions, and hearing the parties, it is evident that the Appellant, being a government-owned insurance corporation entrusted with fiduciary duty to safeguard the interests of the policy holders, failed to exercise requisite degree of due diligence and oversight in addressing recurring incidents of misappropriation of premiums by its field agents. The

Appellate Bench

Appeal No.36 of 2019

Page 5 of 7



Securities and Exchange Commission of Pakistan

Appellant's inaction in the face of multiple, longstanding complaints, demonstrates a significant dereliction of its statutory and fiduciary obligations under the Ordinance and the applicable Rules.

12. The Appellant's reliance on the repeal of the Insurance Rules, 2002 is found to be misplaced and without merit, as Rule 64 of the Insurance Rules, 2017, read with Section 6 of the General Clauses Act, 1897 and Article 264 of the Constitution of the Islamic Republic of Pakistan, 1973, unequivocally preserve the legal continuity of proceedings and enforcement actions initiated under the repealed framework in relation to prior conduct. Accordingly, the initiation and adjudication of proceedings under the superseded rules remains legally valid and enforceable.
13. Furthermore, the Bench finds that the contention of the Appellant that policyholders were negligent in remitting payments in cash to agents does not exonerate the Appellant of its legal obligations. Pursuant to Section 99(1) of the Ordinance, payment to an insurance agent is deemed, in law, to constitute payment to the insurer. The responsibility for ensuring secure and compliant premium collection mechanisms, and for taking immediate corrective measures upon knowing of agent misconduct, rests squarely with the insurer. Moreover, the Appellant, by virtue of its status as a public sector organization, bears a heightened duty of care and accountability. Public trust in such institutions imposes a greater expectation of integrity, vigilance, and responsiveness. The Appellant's failure to act expeditiously in the face of repeated infractions reflects a systemic governance lapse. In view of the gravity of violations and the public interest implications, the penalty of Rs. 100,000/- (Rupees One Hundred Thousand only), as imposed by the Respondent through the Impugned Order is viewed by the Bench as measured, reasonable and commensurate with the seriousness of the contraventions. Consequently, the penalty imposed, is hereby upheld in its entirety.

Appellate Bench

Appeal No.36 of 2019

Page 6 of 7



Securities and Exchange Commission of Pakistan

14. In view of the foregoing, we find no reason to interfere with the merits of the Impugned Order, therefore, by maintaining the Impugned Order, we hereby **dismiss** this Appeal without any order as to cost.

(Abdul Rehman Warraich)
Commissioner

(Akif Saeed)
Chairman/Commissioner

Announced on:

21 JUL 2025