



Securities and Exchange Commission of Pakistan

BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 80 of 2021

SPI Insurance Company Limited

...Appellant

versus

Executive Director, Adjudication-II, SECP

...Respondent

Date of Hearing:

July 21, 2025

Present:

For the Appellant:

1. Mr. Ali Ibrahim (Authorized Counsel through Zoom)

For the Respondent:

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

ORDER

1. This Order shall dispose of Appeal No. 80 of 2021 filed by SPI Insurance Company Limited (the "Appellant") under Section 33 of the Securities and Exchange Commission of Pakistan Act, 1997 (the "SECP Act") against the order dated March 19, 2021 (the "Impugned Order")



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passed by the Executive Director/Head of Department, Adjudication Department-II, 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 company registered under the Ordinance to carry on non-life insurance business in Pakistan. That an inspection of the Appellant Company was conducted by the inspection team of the Securities and Exchange Commission of Pakistan (the “Commission”) under Section 59A of the Ordinance in pursuance of the Commission’s inspection order dated July 05, 2017(the “Inspection Order”). The findings of the inspection team included:

- (a) The Appellant had overstated its premium revenue and understated its claim expense, thereby making an overstatement of underwriting results and net profit for the period ended 31st December, 2016 and 30th June, 2017, *prima facie*, in violation of Section 45 read with Section 46 of the Ordinance, Section 12(1)(d) and Section 2(xxvii) of the Ordinance and the Commissions Circular No. 04/2010 dated January 23, 2010 read with IFRS 4.
- (b) Despite repeated reminders, the Appellant did not cooperate with the inspection team during the course of inspection and failed to provide information/documents to the inspection team pertaining to financial affairs of the Appellant Company; as a result, the inspection team was unable to perform end-to-end testing of transactions in order to ascertain the accuracy and completeness of the accounting date. Following are instances:
 - (i) 35 claim files which raise serious doubts on their genuineness and authenticity;
 - (ii) Complete ledgers record;
 - (iii) Agent balances along with respective ledgers from the books of accounts;
 - (iv) Details of cancelled policies;
 - (v) Co-insurance details with related parties; and
 - (vi) Not providing access to read-only IT system for book keeping and insurance registers.

The aforementioned non-compliances, *prima facie*, are in violation of Section 59A(3) read with Section 45 of the Ordinance.



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- (c) 57 policies amounting to Rs. 2,921,126/- were issued to the public sector entities. The said policies were issued, *prima facie*, in violation of the provisions of Section 166(3) & (6) of the Ordinance by insuring the public properties.
- (d) The claims register of the Company did not contain the information/columns which are clearly prescribed under the Ordinance such as detail of claims which were rejected, the date of rejection and the grounds. Most of the claim files did not contain acknowledgment of receipt of claim cheques from the respective claimants. In co-insurance cases, survey reports were not available in the record, *prima facie*, in violation of Section 45 of the Ordinance.
- (e) The register of Agents maintained by the Appellant Company did not contain the complete prescribed information and certain fields were found missing. Information such as date of birth, address and in case of firms, description of business and name of partners were missing even in the revised register provided by the Appellant Company in response to the letter of findings (the "LOF"), *prima facie*, in violation of the relevant provisions of Section 97 and 98 of the Ordinance.
3. In light of the above-mentioned violations, as pointed out by the Inspection team of the Commission, the Respondent issued a show-cause Notice dated September 10, 2020 (the "SCN") to the Appellant. Written response to the SCN was submitted by the Appellant vide letter dated October 10, 2021. In order to provide the Appellant an opportunity of personal representation, hearing in the matter was held on January 27, 2021, which was attended by the authorized representatives of the Appellant. The Respondent 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. 1,000,000/- (Rupees One Million only) upon the Appellant for the established default of the mandatory requirements of Sections 45, 46, 12(1)(d), 2(xxvii), 59A(3), 97 and 98 of the Ordinance.
4. Before addressing the substantive grounds of appeal, counsel for the Appellant informed the Appellate Bench (the "Bench") that the Appellant Company had merged with "*The United Insurance Company of Pakistan Limited*". Based on this development, the counsel requested



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that the liability against the Appellant be condoned, asserting that the Appellant no longer exists as a separate legal entity post-merger. However, the Bench rejected this contention, observing that the merger of a company does not extinguish its legal obligations. It was held that even if a company ceases to exist independently due to a merger, its liabilities, including those arising from past non-compliances, continue and are transferred to the successor entity. Therefore, the Bench held that the liability in question remains enforceable against the merged entity and directed the Appellant to argue on the matter.

5. The Appellant stated that the appeal has been preferred *inter alia* on the grounds that the Impugned Order has been passed on the basis of misreading and non-reading of the facts and the applicable law. The Appellant argued that in terms of Section 10 of the SECP Act, the Commission has been empowered to delegate any of its functions or powers under the SECP Act or any administered legislation to one or more Commissioners or any officers of the Commission. The Appellant asserted that the power so delegated to the Commissioner or any officer cannot be sub-delegated as it is not provided for in terms of the SECP Act and that no sub-delegation of power, vested in either the Commissioner or the officer of the Commission, is allowed in terms of the SECP Act or S.R.O 122(I)/2016 (the "Notification"), while further asserting that the order appointing officers to carry out the on-site inspection in terms of Section 59A of the Ordinance was issued under the hand of Mr. Shahid Nasim (Executive Director, Specialized Companies Division), which is in contravention to the applicable law and the Notification of delegation of powers.
6. The Appellant further agitated the ground that following the inspection, a warning letter dated March 18, 2020 (the "Warning Letter") was issued, setting out the observations of the inspection team. Pursuant thereto, the Appellant was required to submit a compliance report, which was duly submitted via letter dated July 8, 2020 (the "Compliance Letter"). The Appellant contended that the scope of the inspection report was significantly expanded in the SCN to encompass a range of additional alleged violations that had not been raised by the Deputy Director (Insurance), in the Warning Letter.



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7. Accordingly, the Appellant argued that any issues not expressly identified in the Warning Letter ought to be struck from the SCN. The Appellant asserted that the conduct of the Commission's officers, in expanding the scope of the inquiry beyond the initial observations, had prejudiced the Appellant's rights and amounted to a roving inquiry aimed solely at penalizing the Appellant Company. In support of this contention, the Appellant relied on the case titled *National Feeds Limited v. Competition Commission of Pakistan*, reported as 2016 CLD 1688, wherein it was held that it is a settled principle of law that authorities vested with powers under a statute cannot exercise such powers to conduct indiscriminate, roving, or fishing inquiries.
8. The Appellant further submitted that once the Warning Letter was issued to the Appellant, it should not have been reagitated through a separate show-cause notice, due to the fact that the Warning Letter in itself is a punishment. The Appellant asserted that once the warning letter had been issued, the matter became a past and closed transaction and the reopening or enlargement of the scope of the proceedings initiated through the inspection amounts to vexing the Appellant for the same thing twice and the same falls under the scope of "double jeopardy".
9. The Respondent rebutted the arguments advanced by the Appellant and submitted that the inspection of the Appellant was conducted strictly within the scope and mandate of Section 59A of the Ordinance, and that the due process of law was duly observed throughout the proceedings. The Respondent further asserted that the Impugned Order was passed only after affording the Appellant ample opportunity to be heard and to present its defence, and upon a thorough consideration of the facts and circumstances of the case. It was further contended that the Impugned Order is a well-reasoned and self-explanatory document, passed in accordance with law.
10. The Respondent vehemently denied the allegation levelled against it regarding the conduct of an indiscriminate and roving enquiry against it regarding the conduct of an indiscriminate and



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roving enquiry against the Appellant, asserting that the inspection was undertaken strictly in accordance with the mandate conferred under the Ordinance. It was submitted that, as a statutory regulator, the Commission was discharging its duties through the inspection team in a lawful and bonafide manner.

11. The Respondent further contended that it was, in fact, the Appellant who, under various pretexts, repeatedly sought deferments, thereby causing substantial delays in the submission of complete and requisite information to the inspection team. It was further stated that after issuance of the Inspection Order, the Appellant continued to evade the inspection proceedings for a period extending to almost two years. The inspection team was eventually able to undertake the first on-site visit to the Appellant's premises on March 29, 2019, and subsequently conducted a total of seven visits, culmination with the final visit on July 12, 2019. Accordingly, the Respondent asserted that any delay in the finalization of the inspection findings is solely attributable to the Appellant and not to any inaction or lapse on part of the Commission or its inspection team while also submitting that complete record was still not provided to the inspection team.
12. With regard to the objection of the Appellant, regarding the sub-delegation of the powers by an officer of the Commission, the Respondent stated that the appointment of the inspection team is a matter of due procedure adopted to carry out the "order of the inspection" in its true spirit, while asserting that the appointment of the inspection team by Mr. Shahid Nasim (Executive Director, Specialized Companies Division) vide the Inspection Order was rightly exercised in terms of the powers delegated to him by the Commission vide the Notification. The Respondent stated that, such appointment cannot in any manner be construed as an impermissible sub-delegation of powers.
13. The Respondent further submitted that the issuance of a warning in respect of a particular instance of non-compliance, identified as part of the composite findings arising out of the inspection, cannot, in any manner whatsoever, be construed as amounting to closure or



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settlement of the entire set of findings. It was further contended that the issuance of the SCN was duly warranted on the basis of the inspection team's observations, and that there exists no legal prohibition or bar precluding the Respondent from initiating such proceedings and that the principles of double jeopardy do not apply to the matter at hand.

14. The Bench has heard the arguments of both parties and perused the record along with the relevant legal provisions. At the outset, the Bench notes that the Appellant has preferred this appeal primarily on technical grounds concerning the manner in which the inspection was conducted, the alleged sub-delegation of powers by the officer, and the contention that the issuance of a show-cause notice was impermissible following the issuance of a warning letter. While the Appellant has denied the violations established against it in the Impugned Order, such denials were devoid of any cogent legal arguments to substantiate the position, accordingly, the Bench is inclined to decide the matter strictly within the ambit of the grounds raised in the appeal and the arguments presented by the parties.

15. The Bench is also of the considered view that the principle of double jeopardy is not applicable to the facts and circumstances of the present case. Upon careful examination of the record and hearing the arguments of both parties, it is evident that the Warning Letter issued to the Appellant addressed a specific and limited set of non-compliances observed during the inspection. In contrast, the SCN issued thereafter pertains to a distinctly separate set of violations and findings that were identified and documented by the inspection team as part of their comprehensive review. The issuance of the SCN was, therefore, not a reiteration or repetition of the matters covered in the Warning Letter, but rather an initiation of formal proceedings with respect to additional breaches. Consequently, the Appellant cannot be said to have been subjected to multiple proceedings or penalized twice for the same offence. The principle of double jeopardy, which protects against being tried or punished more than once for the same offence, is thus inapplicable in this context, and the Respondent's initiation of the SCN proceedings is legally justified.



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16. The Bench finds that the Appellant's objection to the alleged sub-delegation of powers is without merit and fails to establish any legal infirmity in the impugned proceedings. The Bench is of the view that the appointment of the inspection team by Mr. Shahid Nasim (Executive Director, Specialized Companies Division) of the Commission, was made pursuant to the powers validly delegated to him under the Notification issued by the Commission. There is no evidence to support the contention that these powers were unlawfully sub-delegated. The procedure followed was consistent with the statutory framework and established regulatory practice.
17. Further, the Bench notes that the claim of the Appellant that the inspection constituted a roving or indiscriminate inquiry is unfounded. The inspection was conducted in accordance with the statutory mandate under the Ordinance, and any delay or obstruction was attributable to the Appellant's own conduct, including repeated requests for deferment and failure to provide required information.
18. 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:

14 OCT 2025