





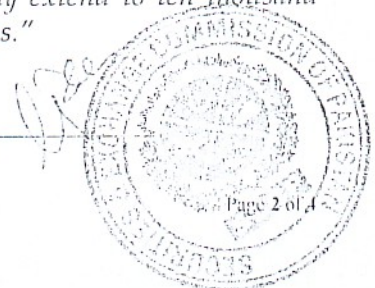
# SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

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- i. It has been observed that the Company did not seek approval from the Securities and Exchange Commission of Pakistan "(the Commission") for appointment of its Chief Executive, namely Mr. Sohail Nazeer as required under the Insurance Companies Sound and Prudent Management) Regulations, 2012.
- ii. It is pertinent to mention that application of the proposed Chief Executive i.e., Mr. Maheen Yunus was rejected vide order dated December 13, 2017 after his failure to comply with regulatory requirements under the Regulations.
- iii. Subsequently, the Company vide letter dated December 29, 2017 nominated Mr. Sohail Nazeer as acting Chief Executive with effect from December 29, 2017, however, no application was submitted to the Commission in order to seek approval of his appointment in terms of Regulation 2(2) of the Regulations. The same announcement was also uploaded on the PSX website on December 29, 2017.
- iv. Thereafter, the Commission vide letter dated January 19, 2018 again sought status of the appointment of proposed Chief Executive of the Company. The Company in its response vide letter dated January 23, 2018 stated that the management has completed the selection process for the appointment of Chief Executive and the matter is at the final stage. However, the Company has not provided any further update to the Commission in this regard.
- v. In view of the above, it appears that the acting Chief Executive i.e., Mr. Sohail Nazeer has not obtained approval of the Commission in respect of his appointment.
- vi. Section 156 of the Ordinance provides that:

*"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."*





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4. In response to the SCN, the Company vide its letter dated, March 22, 2018 submitted its reply as follows: -

*This refers to the Show Cause Notice through Letter No.ID/Enf/EWLAI/2018/14003 dated March 12, 2018 received on March 15, 2018, related to the subject matter. On behalf of the Board of Directors we submit our comments as under:*

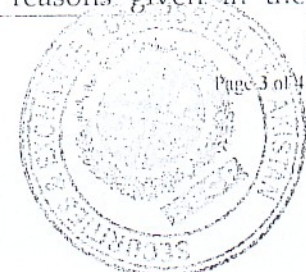
*As mentioned in the above referred Show Cause Notice that, the former Chief Executive Officer (CEO) of our Company was disqualified by Commission on December 13, 2017. The new management namely "Army Welfare Trust" (AWT) was in the process for appointment of a new CEO after taking over full management of the Company on November 27, 2017. It was anticipated that, appointment of the new CEO will be finalized by December 31, 2017. However, this process took some longer time and we have not been able to appoint CEO by the specified timeframe. The Company needs to have a CEO on its board by December 31, 2017 for signing of our annual accounts, therefore the management decided to nominate/designate Mr. Sohail Nazeer current CFO of the Company as Interim CEO.*

*Furthermore, during this period the management has finalized a candidate for appointment as CEO and application for his approval along with the necessary documents will be sent to your good office during next week.*

*The Management understands that, the observation made in the Show Cause Notice does not attract any penal action under section 156 of the Insurance Ordinance due to violation of any section of the Ordinance. Hence, it is requested to your honor, that the Show Cause Notice under reply may kindly be withdrawn and any action in consequence may be dropped. In case your honor still feels to have further explanation/clarification with regards to our reply to the subject Show Cause Notice, the management request for a personal hearing before the Commission.*

5. In order to provide the Respondents an opportunity of making personal representation in the matter, hearing in the matter was fixed for December 11, 2020. The said hearing was attended by Mr. Jehanzeb Zafar, Mr. Muhammad Sohaib, Mr. Muhammad Uzair, Mr. Sandeep Kumar, Ms. Haajra Jafre as the Authorized Representatives of the Respondents through zoom meeting link. During the hearing, the Authorized Representatives were advised to submit the reasons for alleged non-compliances, as narrated in the SCN. The Authorized Representatives reiterated the submissions made in the written reply dated March 22, 2018 and requested for a lenient view in the matter.

6. I have carefully examined the facts of the case in light of applicable provisions of the law and have given due consideration to the written as well as verbal submissions of the Respondent Company. In view of the reasons given in the





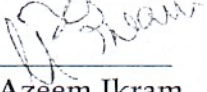
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preceding para, the defaults of Regulation 2(2) of Insurance Companies (Sound and Prudent Management) Regulations, 2012 read with Section 11(1)(f), Section 12(1)(b) of the Ordinance has been established, however keeping in view their submissions and immediate subsequent compliance I hereby warn the Respondents to be careful with regard to compliance of law in future.

8. 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.

  
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Ali Azeem Ikram  
Executive Director (Adjudication-1)

