



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of the Respondent:	M/s. State Life Insurance Corporation of Pakistan
Show Cause Notice No. & Date:	ID/Enf/SLIC/2025/533 dated May 06, 2025
Date(s) of Hearing(s):	June 18, 2025
Case represented by:	(i) Mr. Tariq Saeed Chaudhry, Chief Takaful Officer; (ii) Mr. Arshad Hameed Iraqi, Head of Compliance; and (iii) Mr. Raheel Abu Ali, Deputy General Manager (as the Authorized Representatives)
Provisions of law involved:	Section 83(2) of the Insurance Ordinance, 2000 (the Ordinance) and Rule 12(4), Rule 8(11)(a) of the Unit Linked Products and Fund Rules, 2015 read with Section 156 of the Ordinance
Date of Order:	July 3, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the “Commission”) through Show Cause Notice No. ID/Enf/SLIC/2025/533 dated May 06, 2025 (“SCN”) against M/s. State Life Insurance Corporation of Pakistan (the “Respondent”) under sub-section (2) of Section 83 of the Insurance Ordinance, 2000 (the “Ordinance”) and sub-rule (4) of Rule 12 and sub-rule 11(a) of Rule 8 of the Unit Linked Products and Fund Rules, 2015 (the “Unit Linked Rules”) read with Section 156 of the Ordinance.

2. The provisions of sub-section (2) of Section 83 of the Ordinance provide that requirement of the rules made under Section 83(1) of the Ordinance, which applies to an insurance contract that is entered into after the commencement date of the rules, shall be deemed to constitute a condition of that contract, Accordingly, the requirements of Unit Linked Rules shall be deemed to constitute conditions of unit linked contracts entered into between an insurer and its policyholders. Moreover, sub-rule (4) of Rule 12 of the Unit Linked Rules requires that the insurer engaged in unit linked fund business shall prepare and place the Fund Manager Report (FMR) for each month on its official website and simultaneously intimate policyholders through physical or electronic means. Furthermore, the provisions of sub-rule 11(a) of Rule 8 of the Unit Linked Rules require that the risk profile of the unit linked funds, categorized as ‘Balanced Fund’ shall be classified as “Medium”.

3. The non-compliance of the aforementioned provisions of the Unit Linked Rules constitute contraventions of the requirements of Section 83(2) of the Ordinance, which attracts penal provisions contained in Section 156 of the Ordinance. The provisions of Section 156 of the Ordinance provide that in case any insurer who makes default in complying with or acts in contravention of any requirement of the Ordinance, or any direction made by the Commission, the Commission shall have the power to impose fine on the insurer and its directors, chief executive officer or any other officer of the insurer who is knowingly a party to the default, 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.

4. Brief facts of the instant case are that the Respondent is registered with the Commission under the provisions of the Ordinance to undertake life insurance business in Pakistan and it manages the below mentioned Unit Linked Funds;

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#	Name of Fund	Launching Date
1	Aggressive Fund	01.10.2019
2	Balanced Fund	01.10.2019
3	Conservative Fund	01.10.2019
4	Endowment Fund	03.04.2021

5. The review of information available on the Respondent's official website revealed that the Respondent did not place FMRs in respect of the aforesaid unit linked funds for the months of August 2022, September 2022, October 2022, November 2022, January 2025, February 2025 and March 25, 2025 which, *prima facie*, constituted contravention of provisions of sub-rule (4) of Rule 12 of the Unit Linked Rules.

6. Furthermore, upon review of the FMRs of the Respondent for the months of December 2023 and December 2024, selected on a sample basis, the following further observations were noted;

- Incorrect Risk Profiling of Conservative Fund (Categorized as Balanced Fund) as 'Low' instead of 'Medium' which, *prima facie*, constituted contravention of requirements of Rule 12(4)(a)(iv) read with Rule 8(11)(a) of the Unit Linked Rules;
- Net Asset Value per unit at launch date was not disclosed in respect of all the funds which, *prima facie*, constituted violation of Rule 12(4)(a)(vii) of the Unit Linked Rules;
- Credit/Asset Quality of the portfolio was not disclosed in respect of the funds having exposure in money market placements, debt-based securities, placements with Banks/ DFIs, etc. which, *prima facie*, constituted non-compliance of Rule 12(4)(d) of the Unit Linked Rules; and
- Total Expense Ratio was not disclosed in respect of all the funds which, *prima facie*, constituted violation of Rule 12(4)(e) of the Unit Linked Rules.

7. The Commission vide email dated March 20, 2025 advised the Respondent to provide its response on the aforesaid observations. The Respondent vide email dated March 21, 2025 only shared the weblink and sought extension of one week for submission of response on the observations. However, despite issuance of reminder vide email dated April 15, 2025, the Respondent neither placed the missing FMRs on the shared weblink nor provided its explanation on the aforesaid observations.

8. In view of the above, it transpired that the Respondent, *prima facie*, has contravened the mandatory requirements of Rule 12(4)(a)(iv) read with Rule 8(11)(a), Rule 12(4)(a)(vii), Rule 12(4)(d), Rule 12(4)(e) of Unit Linked Rules read with Section 83(2) of the Ordinance, which attracts penal action under Section 156 of the Ordinance.

9. Accordingly, SCN was served upon the Respondent, calling upon it to show the cause in writing as to why a penal action, may not be taken against it for the aforementioned contraventions of the law. In response, the Respondent vide email dated May 19, 2025, requested for an extension to submit its reply, which was duly granted. Subsequently, the Respondent, vide its letter dated June 2, 2025 submitted its reply, wherein, *inter alia*, the following submissions were made:

S.No	Observation	Response
1	Para-7 FMR for month of August 2022, September 2022, October 2022, November 2022, January 2025,	<i>The mentioned FMRs may not have been visible on website due to some technical Issues. However, re-uploaded on the</i>

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	<i>February 2025 and March 2025, are not placed on website</i>	<i>website and the visibility has been ensured.</i>
2	Para-8(a) <i>Incorrect Risk Profiling of Conservative Fund (Categorized as Balanced Fund) as 'Low' instead of 'Medium', which, prima facie, constitutes contravention of requirements of Rule 12(4)(a)(iv) read with Rule 8(11)(a) of the Rules</i>	<i>Due to an <u>inadvertent typographic error</u>, the risk profiling in the Fund Manager Reports pertaining to December 2023 and December 2024 mentioned as 'Low' instead of 'Medium', whereas correct and appropriate Risk Profiling mentioned in rest of the Reports</i>
3	Para-8(b) <i>Net Asset Value per unit at launch date was not disclosed in respect of all the funds, which, prima facie, constitutes violation of Rule 12(4)(a)(vii) of the Rules</i>	<i>The <u>net asset value per unit at launch date was Rs 100 but could not be incorporated in FMRs due to an inadvertent oversight</u>, has been appropriately incorporated</i>
4	Para-8 (c) <i>Credit/Asset Quality of the portfolio was not disclosed in respect of all the funds, which, prima facie, constitutes non-compliance of Rule 12(4)(d) of the Rules</i>	<i>By virtue of investments in Government Securities/Ijara Sukuk, the Credit/Asset quality of the portfolio for all the funds have been incorporated in the FMRs</i>
5	Para-8(d) <i>Total Expense Ratio was not disclosed in respect of all the funds, which, prima facie, constitutes violation of Rule 12(4)(e) of the Rules</i>	<i>The total expense ratios for respective periods have been appropriately incorporated, mentioned and updated in respective FMRs</i>

10. In order to provide the Respondent an opportunity of representation, hearing in the matter was fixed for June 18, 2025 which was attended by Mr. Tariq Saeed Chaudhry, Chief Takaful Officer, Dr. Arshad Hameed Iraqi, Head of Compliance; and Mr. Raheel Abu Ali, Deputy General Manager as the Authorized Representatives of the Respondent (**the Authorized Representatives**). The Authorised Representative, *inter-alia*, submitted that:

- (i) *The FMRs for the months of August 2022, September 2022, October 2022, November 2022, January 2025, February 2025, and March 2025 were prepared and placed in a timely manner. However, due to a change in the vendor and revamping of the website, they were not visible online at the time of review. The reports have since been re-uploaded, and their visibility on the website has been ensured;*
- (ii) *Due to an inadvertent typographical error, the risk profiling in the Fund Manager Reports for December 2023 and December 2024 was stated as 'Low' instead of the correct 'Medium,' while the rest of the reports contained the appropriate risk profiling;*
- (iii) *The deficiencies in the FMRs regarding NAVs at Launching Date, Risk Profiling, Asset Quality and Total Expense Ratio were due to an oversight and are deeply regretted. All these details have now been duly updated in the respective FMRs;*
- (iv) *The Respondent is undertaking necessary steps to bring improvements in the internal controls and is committed to compliance in future;*

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(v) *Non-compliance with the regulatory requirements was admitted and a lenient view was requested in the matter.*

11. During the hearing and in response to a query posed by the Adjudicating Officer, the Authorised Representatives submitted that all the missing FMRs have been uploaded and the same are now visible online. They apprised that FMR for the month of May 2025 has not yet been uploaded on the Respondent's website and there exists a lag in uploading the FMRs of the unit linked funds on the website. While explaining the reason for this delay, they stated that revamping of the Respondent's website is currently in process and the relevant departments of the Respondent are actively coordinating with the vendor for accomplishing this task. The Authorised Representatives assured that FMRs would be placed on timely basis on the website once its revamping is completed. The Authorised Representatives were advised to furnish the following information/documents within one week:

- i) total subscription of all unit linked funds for December 2023 and December 2024 in terms of number of investor as well as amount of investment to allow the assessment of impact of non-publishing the required FMRs;
- ii) copy of agreement with the vendor, clearly ascertaining the date on which the revamping of the website was initiated; and
- iii) evidence of timely preparation and placement of missing FMRs on the website at the respective point in time.

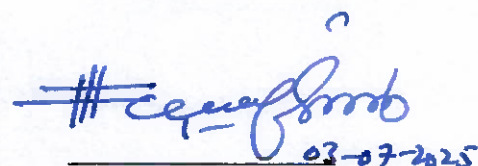
12. I have gone through the relevant provisions of Rule 12(4) of the Unit Linked Rules and Section 83(2) of the Insurance Ordinance and considered the facts of the case along with the available record of the Commission as well as its written and verbal submissions made by the Respondent. I have also perused provisions of Section 156 of the Ordinance, which stipulates penal provisions for contravention of the afore-referred provisions of the law. It is pertinent to observe that the FMR is a critical element as far as the management, disclosure and transparency of unit linked funds is concerned, especially where it offers a comprehensive overview of the fund's performance, investment strategy and other portfolio related details. Moreover, NAVs, particularly the disclosure of NAVs on the launch date, enables the policyholders with a clear and accurate assessment of the investment value and performance at any given time, which is critical in such investment products. Together, both of these disclosures ensure that policyholders are well-informed about the status and progress of their investments, fostering trust and confidence in the insurer's management. Timely and accurate disclosure of NAV and publication of FMR not only facilitate regulatory compliance but also enable better decision-making for the policyholders.

13. Moreover, it is observed that although identified shortcomings in FMRs have been duly admitted by the Respondent and post identification rectification steps have been undertaken, but the same do not absolve the Respondent of its regulatory obligations under the Unit Linked Rules. The inaccessibility of FMRs for the identified months resulted in a clear lapse in ongoing disclosure obligations mandated by Rule 12(4) of the Unit Linked Rules. Furthermore, the absence of key parameters including Total Expense Ratio, Net Asset Value at the launch date, Total Expense Ratio in FMRs for December 2023 and December 2024 constitutes a material deviation from regulatory requirements designed to ensure transparency and investor protection. Moreover, the Respondent has given the reason of 'typographical error' for incorrect risk profiling of Conservative Fund (*Categorized as Balanced Fund*) as 'Low' instead of 'Medium' which is completely unjustifiable and reflects a failure to adhere to explicit regulatory requirement given under Rule 12(4) read with Rule 8(11)(a) of the Unit Linked Rules.

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14. In view of the above, the aforesaid contraventions of the requirements of Rule 12(4), Rule 12(4)(a)(iv) read with Rule 8(11)(a), Rule 12(4)(a)(vii), Rule 12(4)(d), Rule 12(4)(e) of Unit Linked Rules read with Section 83(2) of the Ordinance at relevant point in time have been established beyond doubt and the same have been duly admitted by the Respondent which attract penal action in terms of Section 156 of the Ordinance. I, therefore, in exercise of the powers conferred upon me under Section 156 of the Ordinance read with SRO 1545(I)/2019 dated December 06, 2019, hereby, conclude the instant proceedings by imposing an aggregate penalty of **Rs. 50,000/- (Rupees Fifty Thousand Only)** on the Respondent on account of the aforesaid established defaults. The Respondent is further advised to ensure timely dissemination of FMRs on its website along with all the required disclosures under the relevant provisions of the Unit Linked Rules.

15. The Respondent is, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under the provisions of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997 will be initiated.



Sohail Qadri
Director / Head of Department
Adjudication Department-I

Announced:
July 3, 2025
Islamabad