



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

ORDER	
Name of Company:	M/s. TPL Life Insurance Limited
Show Cause Notice No. & Date:	ID/Enf/TPLLife/2025-526 dated May 06, 2025
Respondents:	M/s. TPL Life Insurance Limited
Date(s) of Hearing(s):	May 30, 2025
Case represented by:	(i) Syed Kazim Hassan, Chief Financial Officer; and (ii) Mr. Farhan Mustafa, Head of Actuaries (the Authorized Representatives)
Provisions of law involved	Section 83(2) of the Insurance Ordinance, 2000 (the Ordinance) and Rule 12(4) of the Unit Linked Products and Fund Rules, 2015 read with Section 156 of the Ordinance
Date of Order:	June 30, 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/TPLLife/2025-526 dated May 06, 2025 (“SCN”) against M/s. TPL Life Insurance Limited (the “Company”) under sub-section (2) of Section 83 of the Insurance Ordinance, 2000 (the “Ordinance”) and sub-rule (4) of Rule 12 of the Unit Linked Products and Fund Rules, 2015 (the “Unit Linked Rules”) read with Section 156 of the Ordinance. The Company is registered under the provisions of the Ordinance to undertake life insurance business in Pakistan.

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, 2015 shall be deemed to constitute conditions of unit linked contracts entered into between an insurer and its policyholders entered after the said rules.

3. The provisions of 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.

4. The brief facts of the case are that review of information available on the Company’s official website revealed that the Company did not prepare and place FMRs on its website since date of the amendment in Rule 12(4) of the Unit Linked Rules vide S.R.O. 1014(I)/2022 dated July 5, 2022, which, prima facie, constituted contravention of provisions of sub-rule (4) of Rule 12 of the Unit Linked Rules. Accordingly, the Commission vide email dated March 14, 2025 and through subsequent two reminders vide emails dated March 17, 2025 and March 18, 2025 advised the Company to provide evidence of preparing and placing FMRs for each month since date of the amendment in Rule 12(4) of the Unit Linked Rules and also share the weblink where the FMRs are placed on its website. However, the Company neither provided copies of any FMR nor shared the

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weblink. The Company vide email dated March 27, 2025 only furnished the below given information in respect of its unit linked funds;

Fund: Individual Life Unit Linked-Banca;

Fund Name	TPL Islamic Aggressive Fund	TPL Islamic Balanced Fund	TPL Islamic Conservative Fund
Launch date	01.01.2024	01.01.2024	01.01.2024

Fund: Individual Life Unit Linked-DSF;

Fund Name	TPL Life Progressive Fund	TPL Life Steady Fund	TPL Life Reliance Fund	TPL Life Interest Free Fund	TPL Life Booster Fund
Launch date	23.12.2016	28.07.2017	25.01.2018	31.01.2019	10.08.2018

5. In view of the above, it transpired that the Company, *prima-facie*, has contravened the mandatory requirements of Rule 12(4) of Unit Linked Rules read with Section 83(2) of the Ordinance, which attracts penal action under Section 156 of the Ordinance.

6. Accordingly, a SCN was served upon the Company, 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 Company vide its letter dated May 27, 2025, *inter-alia*, submitted as under:

"Banca Unit Linked Funds-NAV & FMR Status"

Due to some bugs in the system our calculation under Banca unit linked funds, is delayed temporarily and also the publication of Net Asset Values (NAVS). Our Finance, IT and actuarial teams are actively working to resolve these computational issues on priority.

"Direct Sales Force (DSF) Unit Linked Funds-Business Closure & System Transition"

We also wish to inform that business from our DSF distribution channel was discontinued effective February 1, 2022. This was due to the closure of the third-party system previously responsible for the unit linked product operations.

We have since developed a new, fully internalized unit linked administration system. This system is currently in the final phases of error resolution and testing. Upon going live, it will enable the resumption of automated daily NAV calculations and FMR generation and publication, in full compliance to the aforesaid SRO and Rules.

"Provision of Policyholder Cash Values"

Notwithstanding the temporary suspension of NAVs and FMRs, our actuarial team continues to provide policyholder cash values on request. These calculations are available to all policyholder by contacting our customer services."

7. In order to provide the Company an opportunity of representation, hearing in the matter was fixed for May 30, 2025, which was attended by Syed Kazim Hassan, Chief Financial Officer along with Mr. Farhan Mustafa, Head of Actuaries as the Authorized Representatives of the Respondent (the Authorized Representatives). The Authorised Representative, *inter-alia*, stated that;

- i) *The calculation and publication of Net Asset Value (NAV) and FMRs for Banca Unit Linked funds have been temporarily delayed due to system bugs. The Finance, IT and*

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actuarial teams of the Company are actively working to resolve the issues on a priority basis;

- ii) The business operations through the Direct Sales Force distribution channel were discontinued w.e.f. February 1, 2022, following the shutdown of the third-party system that previously managed unit linked product operations. This system, named "Muawin", was developed in house to engage free agents but the same was failed to calculate proper NAVs;*
- iii) A new internal unit linked administration system has been developed, which is currently in the final stages of testing. Once operational, this system will facilitate automated daily NAV calculations and FMR generation, ensuring full compliance with the relevant SRO and Rules; and*
- iv) Non-compliance with regulatory requirements regarding the preparation and publication of FMRs was admitted and leniency in the matter was requested.*

8. In response to a query during the hearing, the Authorised Representatives apprised that the Company currently does not have ability to generate a proper account statement and for the time being, is bridging this gap through preparation of the account statements in MS Excel sheets, as and when required. Furthermore, the Company also does not have the ability to calculate NAVs properly as the portfolio management system along with the requirements of trading room policy are not in place. It was also apprised by the Authorised Representatives that they have a legacy portfolio of 472 clients with estimated value of investment of Rs. 55 million.

9. 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 Company as well as its written and verbal submissions made on behalf of 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 law. It is pertinent to observe that the FMR and NAV are critical components as far as the management and transparency of unit linked funds is concerned. NAV represents the per-unit market value of the fund, providing policyholders with a clear and accurate assessment of their investment value at any given time, which is critical in such investment products. The FMR offers a comprehensive overview of the fund's performance, investment strategy and financial health. 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 calculation of NAV and publication and FMR not only facilitate regulatory compliance but also enable better decision-making for the policyholders.

10. The Respondent during the hearing as well as in its written submissions has clearly admitted its inability to calculate the NAVs and preparing and placing FMRs on its website on timely basis due to lack of its ability and discontinuation of the third-party system, which reflects a failure to maintain an effective business plan. The failure to maintain proper systems and arrangements for critical business operations cannot be ignored. It is a fundamental responsibility of the Company to have robust, tested and reliable backup mechanisms and business continuity plans to prevent operational disruptions. It is essential to put in place these measures prior to launch of any such products for the Company's internal risk management and also for protecting the interests of policyholders and maintaining market confidence.

11. The non-compliance of the aforementioned provisions of Section 83(2) of the Ordinance attracts penal provisions contained in Section 156 of the Ordinance, which provides that 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

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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.

12. In view of the above, the aforesaid contraventions with the requirements of Rule 12(4) of Unit Linked Rules and Section 83(2) of the Ordinance at relevant point in time have been established beyond any 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 impose an aggregate penalty of **Rs. 100,000/- (Rupees One Hundred Thousand Only)** on the Company on account of the aforesaid established default. In addition, the Company is directed to put in place a proper, complete and reliable system capable of calculating NAVs in respect of its unit linked funds and report and disseminate FMRs to its policyholders through its website on monthly basis, within 30 days of the date of this Order and submit a comprehensive compliance report to the Licensed & Unlisted Companies Department of the Commission (LUCD) within 30 days of the date of this Order. In case of failure to submit the compliance report within the stipulated period, LUCD may take further necessary action to protect the interests of policyholders and other stakeholders.

13. The Company 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:
June 30, 2025
Islamabad