

Before Amir M. Khan Afridi, Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to The United Insurance Company Limited

Dates of Hearing

May 24, 2022

Order-Redacted Version

Order dated July 28, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of The United Insurance Company of Pakistan Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated March 14, 2022.
2. Name of Respondent	The United Insurance Company of Pakistan Limited (the Company and/or the Respondent),
3. Nature of Offence	Alleged contraventions of regulation 6(2), 6(4), 6(13), 7, 12(1)(a) & (d), 13(1), 15(1) & (3) Securities and Exchange Commission of Pakistan (Anti-Money Laundering and Countering Financing of Terrorism) Regulations, 2018 (the AML Regulations) read with Section 40A of SECP Act, 1997 (the Act)
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondent and its Representative and observed that:</p> <p>(i) with regard to the policies issued by the Company pertaining to insurance of loans disbursed by various commercial banks, the Company has stated that there is no requirement in the law to enter into separate confidentiality agreements with banks. The Company has admitted that it does not have any agreement that the banks regarding maintenance of data/ information confidentiality and nondisclosure agreement with any third-party. The Company did not obtain necessary information relating to identification of the customers policyholders, identification of beneficial owners and/or the nature business of the</p>

customers/policyholders, which constitutes violation of the requirements of regulation 12(l)(a) &(d) of the AML Regulations.

(ii) It has been stated in the reply dated May 24, 2022 that the requirement of special resolution or authority for opening account of Government entities does not apply in case of insurance companies. However, in this regard it is stated that like other regulated persons, there is no exemption from compliance available to insurance companies from compliance of the said requirement of regulation 6(13) of the AML Regulations. The account is to be operated by an authorized officer of the Government in his/her official capacity and shall be opened only on production of a special resolution or authority from the concerned administrative department. However, the Company has failed to ensure compliance with regulation 6(13) of the AML Regulations.

(iii) It was observed that out of 160 sample files selected from the premium register and 59 sample files selected from the claim register no CDD was carried out and. During the review of the aforesaid 160 sample files, it was notes that the Company did not obtain any document, as required under Annexure-I to the AML Regulations and no CDD/KYC documentation was available in the files. Furthermore, the Company did not monitor the relation with its policyholders on an ongoing basis. The Company has made various endorsements/ cancellations of insurance policies issued. However, no mechanism was in place to monitor the transactions to ensure that the same are consistent with the regulated person's knowledge of policyholder, its business and risk profile. In view of the above, the Company was in violation of regulations 6(2), 6(4) read with Annexure I, 13 (1) and 15(1) & (3) of the AML Regulations.

(iv) The Company did not acquire the information and data pertaining to beneficial ownership in case of five (5) policyholders identified as legal person/ legal arrangement, which constitute violation of regulation 7 of the AML Regulations.

In exercise of the powers conferred under section 40A of the Act, I hereby, impose a fine of Rs. 200,000/- (Rupees Two Hundred Thousand Only) on the Company on account of established violations of the law, as mentioned in the above paras.

5. Penalty Imposed	Rs. 200,000/-
6. Current Status of Order	Penalty deposited.