



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department- I

### Adjudication Division

*Before*

**Shahzad Afzal Khan, Director/Head of Department (Adjudication-I)**

*In the matter of*

**Pakistan Reinsurance Company Limited**

No. and Date of Show Cause Notice	No. ID/Enf/PRCL/2017/283 Dated May 24, 2024
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### ORDER

#### Under Section 156 read with Section 11(3) of the Insurance Ordinance, 2000 and Rule 8(2) of the Insurance Rules, 2017

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This Order shall dispose of the proceedings initiated against **Pakistan Reinsurance Company Limited (the Company and/or the Respondent)** on account of alleged contravention of Section 156 read with Section 11(3) of the Insurance Ordinance, 2000 (**the Ordinance**) and Rule 8(2) of the Insurance Rules, 2017 (**the Rules**) vide Show-Cause Notice No. ID/Enf/PRCL/2017/283 dated May 24, 2024 (SCN). The Company is registered under the provisions of the Ordinance to undertake the business of reinsurance in Pakistan.

2. Pursuant to the provisions of Rule 8(2) of the Rules read with Section 11(3) of the Ordinance, the Company is required to pay to the Commission, Annual Supervision Fee (ASF) for the year 2024, latest by January 15, 2024, at the rate of Rs. 0.8 per thousand of gross reinsurance premium written in Pakistan during the calendar year 2022.

3. As per the record available with the Commission, the Company did not pay due amount of ASF of Rs. 20.381 million for the year 2024 (based on the premium reported in audited accounts for the year ended on December 31, 2022), which was payable by January 15, 2024.

4. The relevant department of the Commission vide emails dated January 8, 2024 and January 25, 2024 advised the Company to deposit the amount of ASF for the year 2024. In response, the Company vide email shared a copy of its letter dated January 15, 2024 addressed to the Insurance Division of the Commission, conveying its concerns over the ASF for the year 2024 payable by it in terms of Rule 8(2) of the Rules.

5. The Insurance Division of the Commission vide letter dated February 22, 2024 responded to the aforesaid letter of the Company as under:

*"Concerns highlighted through the aforementioned letter of the Company have been duly noted and shall be taken into consideration at the time of amendments to the Insurance Rules, 2017. This letter is without prejudice to the responsibility of the Company to ensure compliance with the S.R.O. 1871(I)/2023 Dated December 26, 2023."*

6. The relevant department of the Commission vide email dated March 11, 2024 again advised the Company to pay the aforesaid outstanding amount of ASF without any further delay. However, the Company did not pay the amount of ASF for the year 2024 till May 24, 2024. Consequently, SCN was served on the Respondent Company calling upon it to show cause as to why penalty as provided under Section 156 of the Ordinance may not be imposed on it for the aforementioned contravention of the law.

7. The relevant provisions of the law are reproduced as under:

**Section 11(3) of the Ordinance:**

*"(3) An insurer registered under this Ordinance shall pay to the Commission, on or before the fifteenth day of January in every calendar year, an annual supervision fee of the greatest of:*

- (a) Rs. 100,000;*
- (b) one rupee per thousand of gross direct premium written in Pakistan during the calendar year preceding the calendar year ended on the previous 31<sup>st</sup> day of December; or*
- (c) such amount as may be prescribed."*

**Rule 8(2) of the Rules:**

*"Every insurer registered under the Ordinance and undertaking reinsurance business only shall pay to the Commission, on or before the fifteenth day of January in every calendar year, an annual supervision fee at the rate of Rs. 0.8 per thousand of gross reinsurance premium written in Pakistan during the calendar year preceding to the last year."*

**Section 156 of the Ordinance:**

*"Penalty for default in complying with, or acting in contravention of this Ordinance.- 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."*

8. In response to the SCN, the Company vide letter dated June 6, 2024 submitted its reply, the relevant extracts of which are reproduced as under:

*(Quote)*

*"In this regard, it is informed that the Company has paid Annual Supervision Fee amounting to PKR. 20,381,288 (Original Challan bearing No.M-2024-911870 is enclosed) in the respective head of account of SECP, in line with the compliance of S.R.O. 1871 (1)/2023 dated December 26, 2023. With the complete compliance of the matter, you are kindly requested to please withdraw the Show Cause Notice and any such proceedings thereof, if any.*

*It is pertinent to mention that previously there used to be only PKR.100,000/- as ASF for PRCL but there was sudden huge increase of more than PKR 20 Million from this year. The Company, having certain uncertainties regarding this revision, corresponded with the Commission via letter dated January 15, 2024 and subsequently, on February 16, 2024, a meeting was held with a representative of the SECP to discuss these concerns. Afterwards, on February 22, 2024, the SECP responded via letter, acknowledging that the Company's concerns had been duly noted and would be taken into consideration during the amendments to the Insurance Rules, 2017.*

*In the light of foregoing, it is important to highlight that there are several internal requirements and procedures that need to be completed, in addition to keeping the Board of the Company informed. Given the novelty of the requirement and the significant increase in the ASF for PRCL, the Company was diligently fulfilling these obligations in preparation for the payment of the ASF. Nonetheless, it is informed that the amount has been settled and paid into the respective SECP Bank Account. Concludingly, in the light of complete compliance with S.R.O. 1871 dated December 26, 2023, it is again requested to withdraw the aforementioned Show Cause Notice and any such proceedings thereof, if any."*

*(Unquote)*

9. I have examined the facts of the case in light of the applicable provisions of the law and written submissions of the Respondent Company. It has been observed that:

- The Company has explained that there were several internal requirements and procedures that needed to be completed, in addition to keeping the Board of the Company informed.
- The Company conveyed that it was diligently fulfilling these obligations; however, reasonable time was required owing to novelty of the newly introduced amendment in Rule 8 of the Rules coupled with significant increase in the ASF for the year 2024.
- The Company has informed that compliance has been ensured with the requirements of Rule 8(2) read with Section 11(3) of the Ordinance by depositing the outstanding amount of ASF of Rs. 20.381 million for the year 2024, as evidenced by original paid challan No. M-2024-911870 dated June 7, 2024.

10. In view of the above, the instant proceedings are closed without any adverse action. Nonetheless, the Respondent Company is hereby advised to ensure meticulous compliance with mandatory requirements of Rule 8(2) read with Section 11(3) of the Ordinance and deposit the amount of ASF within due date, in future.

11. This Order is being issued without prejudice to any other action that the Commission may initiate against the Company and / or its management (including CEO of the Company) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.



(Shahzad Afzal Khan)  
Director/Head of Department

**Announced:** June 10, 2024  
Islamabad.