



Securities and Exchange Commission of Pakistan

Adjudication Division Adjudication Department-I

Before Ali Azeem Ikram, Executive Director/HOD (Adjudication-I)

In the matter of Show Cause Notice issued to Adamjee Life Assurance Company Limited

Dates of Hearing

January 25, 2021

Order-Redacted Version

Order dated March 9, 2021 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Adamjee Life Assurance Company Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show Cause Notice dated June 4, 2020
2. Name of Company	Adamjee Life Assurance Company Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Adamjee Life Assurance Company Limited
4. Nature of Offence	Alleged violation of under Section 35 read with Rule 14 of Insurance Rules, 2017 and Section 156 of the Insurance Ordinance, 2000.
5. Action Taken	Key findings were reported in the following manner: <i>"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/Authorised Representatives. The Company has rightly referred Annexure II (read with Rule 19 and 24(1)) of Insurance Rules, 2017 for computation of solvency; prescribed format of "Statement of Solvency (Form LI)". As per this format, Insurance Liabilities are to be accounted for after deduction of reinsurance recoveries. Likewise, the Company used the balances of liabilities of "Conventional Business", "Unit Linked Business" and "Individual Family Takaful Unit Linked" funds as Rs. 123.126 million, Rs. 1,519.492 million and Rs. 153.697 million, respectively after deduction of respective reinsurance recoveries. However, despite using these balances in calculation of solvency as on December 31, 2018, a shortfall of Rs. 81.210 million and Rs. 34.215 million respectively existed in solvency of "Unit Linked Business" and "Individual Family Takaful Unit Linked" funds of the Company.</i>



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	<p><i>The Company has also submitted with regard to Unit Linked Business Fund that the practice of transferring the withholding tax deducted on securities of this fund to the Shareholders' Fund has been changed subsequent to the year 2018 and now the withholding taxes are being recorded and maintained in the respective funds to which they belong. Furthermore, inter-fund receivable balances from the Shareholders' Fund were not admissible for the purpose of solvency of "Unit Linked Business" as on December 31, 2018. In view hereof, the reason given by the Company for the shortfall in "Unit Linked Business" fund is not found to be plausible. In case of "Individual Family Takaful Unit Linked" Fund as on December 31, 2018, the Company submitted that it subsequently rectified the shortfall. In view of thereof, the Company requested that a lenient view may be taken in the matter.</i></p> <p>2. <i>In exercise of the powers conferred on me under Section 156 of the Ordinance, I, hereby, impose a fine of Rs. 100,000/- (Rupees One Hundred Thousand Only) on the Company on account of established and conceded defaults of Section 35 read with Rule 14 of Insurance Rules, 2017, as mentioned in the above paras hereof. The Respondent Company is hereby warned to ensure full compliance with the Ordinance, rules, regulations and directives of the Commission, in future."</i></p> <p>Penalty order dated March 9, 2021 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	A Penalty of Rs. 100,000/- (Rupees One Hundred Thousand Only) was imposed on the company and Respondent Company is hereby warned to ensure full compliance with the Ordinance, rules, regulations and directives of the Commission, in future.
7. Current Status of Order	No Appeal has been filed by the respondents.