

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN Insurance Division

[Karachi]

Before Nasreen Rashid, Executive Director (Insurance)

In the matter of

M/s. Platinum Insurance Company Limited

Date of Show Cause Notice

September 10, 2009

Date of Hearing

December 14, 2009

Attended by

(1) Mr. Iftikhar Ahmed, Chief Executive Officer

(2) Mr. S. Shamim Akhter, Legal Advisor

Date of Order

January 14, 2010

ORDER

(Under Section 39 read with Section 156 of the Insurance Ordinance, 2000)

This order shall dispose of the proceedings initiated against M/s. Platinum Insurance Company Limited (hereinafter referred to as "the Company") for making default in complying with the provisions of Section 39 of the Insurance Ordinance, 2000 ("the Ordinance").

2. WHEREAS, Section 39 of the Ordinance provides that:

"None of the assets in Pakistan of an insurer shall, except in the case of deposits made with the State Bank of Pakistan under section 29, or in the case of assets, other than deposits, with a scheduled bank acting as a custodian, be kept otherwise than in the corporate name and under the direct control of the insurer and, in the case of assets of a statutory fund of a life insurer, in the name of the statutory fund."

- 3. AND WHEREAS, the relevant facts for the disposal of this case, briefly stated, are that during the inspection of the books of accounts and other records of the Company, it was noticed that the Company had invested Rs. 135 million in land, Rs. 39 million in building and Rs. 13.45 million on vehicles out of total assets base of Rs. 187.450 million of the Company as on December 31, 2008. The Company had not provided the title documents of any of the aforesaid assets to the inspection team which has established a substantial doubt that the titles of such assets not being in the name of the Company. The failure of the Company to comply with the aforesaid mandatory requirement has necessitated action as provided under Section 156 of the Ordinance which requires imposing a penalty.
- 4. AND WHEREAS, the aforesaid violation attracts penal provision of Section 156 of the Ordinance, which provides that:

"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, and, where the insurer is a

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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."

- 5. A Show Cause Notice dated September 10, 2009 under Section 39 read with Section 156 of the Ordinance was served to the Chief Executive and Directors of the Company, calling upon them to explain as to why appropriate action may not be taken against the Company under the law for the aforesaid contravention.
- 6. The Company's CEO sought an extension of 15 days for submitting a reply or appearing in person, which was accepted by the Insurance Division i.e. up to October 10, 2009. On October 12, 2009, the Legal Advisor of the Company, Mr. S. Shamim Akhter of S. Akhter & Co. requested a further extension of 15 days, to enable them to study the case thoroughly.
- 7. In order to provide an opportunity to the Chief Executive and Directors of the Company or their authorized representatives for appearing in person to explain the circumstances which have lead to the non-compliance with said provision of the Ordinance, a hearing in this matter was scheduled on November 13, 2009 and hearing notice was sent to the Chief Executive, Directors and Legal Advisor of the Company on November 06, 2009. The Company again requested to adjourn the hearing vide their letter of November 11, 2009. In this regard, another hearing notice was sent on December 07, 2009 to the Legal Advisor of the Company, directing them to appear before Executive Director—Insurance on December 14, 2009.
- 8. The said hearing was attended by the CEO, Mr. Iftikhar Ahmed and Mr. S. Shamim Akhter, *. Legal Advisor of the Company, wherein they had provided the sale agreements of the assets stated in . para 2, but still titles of these assets were not transferred in the name of the Company.
- 9. Based on the facts and findings of the case as mentioned in the above paras of this Order, the default of Section 39 of the Ordinance is hereby established. Therefore, action against the Company may be taken by imposing a fine under Section 156 of the Ordinance. In exercise of the powers conferred on me, I impose a fine of Rupees Two Million only on the Company.
- 10. *M/s. Platinum Insurance Company Limited* are hereby directed to deposit the aforesaid fine of Rs.2 million (Rupees Two Million Only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the receipt of this Order and furnish receipt vouchers issued in the name of Commission for information and record.

(Nasreen Rashid)
Executive Director

SC: Order Platinum 39 read with 156 of IO2000