

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

In the matter of Show Cause Notice issued to Pakistan Reinsurance Company Limited

Dates of Hearing

May 30, 2022

Order-Redacted Version

Order dated June 27, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Pakistan Reinsurance Company Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated April 11, 2022.
2. Name of Respondent	Pakistan Reinsurance Company Limited (the Company and/ or the Respondent).
3. Nature of Offence	Alleged contraventions of <u>rules 10(1)(k) and 20(1) of the Takaful Rules, 2012 (the Takaful Rules) read with Section 156 of the Insurance Ordinance (the Ordinance).</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have reviewed the facts of the case and considered the written as well as verbal submissions of the Respondent Company, in light of the applicable provisions of the law and observed that the Respondent's plea that returns related to treaty business of the insurers for the last quarter of the year 2020 were received after the year end and hence, the treaty business could not be reconciled before the finalization of Audit in the month of April 2021 is not plausible. In order, to comply with the aforesaid provisions of the Takaful Rules, the Company should have carried out assessment of shortfall in PTF well before the year end and should have made adequate provision in PTF based on its claims experience on quarterly basis. Thus, the Company could have ascertained the amount of deficit and could have made actual transfer of <i>Qard-e-Hasna</i> from the Operator's Fund to PTF to meet the deficit. However, the Company failed to comply with the mandatory requirements of rules 10(1)(k) and 20(1) of the Takaful Rules as the admissible assets of the PTF were less than its liabilities by an amount of Rs. 244.354 million as on December 31, 2020 and the aforesaid deficit was not funded by way of actual transfer of <i>Qard-e-Hasna</i> from its Operator's fund to PTF. Therefore, I, in exercise</p>

	of the powers conferred under Section 156 of the Ordinance hereby impose fine of <u>Rs.50,000/-</u> (Rupees Fifty thousand only) on the Respondent Company. The Respondent Company also warned to ensure compliance with all the applicable regulatory requirements including the Takaful Rules in letter and spirit, in future.
5. Penalty Imposed	Rs. 50,000/-
6. Current Status of Order	Penalty deposited and No Appeal has been filed by the respondent.