

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

September 17, 2021

---

**Order-Redacted Version**

Order dated June 29, 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 February 23, 2021.
2. Name of Respondent	Pakistan Reinsurance Company Limited (the Company), Company Secretary (the Respondent).
3. Nature of Offence	<u>Alleged contraventions of Sections 11 (1)(f), 12(1)(c), and 54 of the Insurance Ordinance, 2000 (the Ordinance) and regulation 2 (5) of the Insurance Companies (Sound &amp; Prudent Management) Regulations, 2012 (the Regulations) read with Section 158 of the Ordinance.</u>
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>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 No. 1 i.e. the Company Secretary and the Respondent No. 2 i.e. the Company. In view of the admission made by the Company Secretary it is an undisputed fact that fake minutes were submitted to the Commission in respect of an EOGM which was never held. Moreover, the Fabricated resolution of the EOGM which was actually not held was submitted to the Commission along with application for seeking approval for appointment of the aforesaid two Directors. Therefore, default of Section 54 of the Insurance Ordinance, 2000 is established. The Company cannot be absolved of its responsibilities and liabilities for the aforesaid misstatements, ant fake minutes and special resolution as these acts cannot be considered as acts of ar individual. Had there been a proper and effective system of internal checks and controls in place, an officer of the Company could have managed to commit such acts.</p>

	<p>Moreover, the Company Secretary having made misstatements in a statutory return required to be filed with the Commission, can no longer be considered as a fit and proper person in terms of the criteria for the fitness and propriety, as laid down under the Insurance Companies (Sound &amp; Prudent Management) Regulations, 2012.</p> <p>Owing to the aforesaid misstatements, submission of fake minutes and special resolution, the Respondents are liable to be penalized under Section 158 of the Ordinance, which provides that:</p> <p><i>“158. Penalty for false statement in document: - Except as otherwise provided in this Ordinance, whoever, in any return, report, certificate balance-sheet or other document, required by or for the purpose of any of the provisions of this Ordinance, willfully makes statement false in any material particular, knowing it to be false, shall be punishable [by the Commission] with fine which may extend to one million rupees.”</i></p> <p>Although, in order to strengthen the internal controls to avoid any such instance from happening again in future, the Company has taken multiple measures as mentioned in para 18 above and employment-contract of the Respondent No. 1 has been discontinued and relieved from the service of the Company, however, keeping in view severity of the non-compliance, I in exercise of the powers conferred under Section 158 of the Ordinance, hereby impose fine of <u>Rs. 100,000/- (Rupees One Hundred Thousand Only)</u> on the Company. The Company is hereby directed to ensure that proper, effective and fool-proof internal control systems are in place to prevent any misstatement in any return or document filed with the Commission.</p>
5. Penalty Imposed	Rs. 100,000/-
6. Current Status of Order	Penalty deposited and No Appeal has been filed by the respondent.

