

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

In the matter of Show Cause Notice issued to Asia Insurance Company Limited

Date of Hearing

July 21, 2020

Order-Redacted Version

Order dated August 20, 2020 was passed by Executive Director/Head of Department (Adjudication-I) in the matter of Asia Insurance Company Limited. Relevant details are given as hereunder:

Nature	Details
1. Date of Action	Show cause notice dated May 29, 2020
2. Name of Company	Asia Insurance Company Limited
3. Name of Individual*	The proceedings were initiated against the Company i.e. Asia Insurance Company Limited and its Board of Directors.
4. Nature of Offence	Proceedings under Section 43, Section 45 and Section 46 read with Section 158 and Section 60 of the Insurance Ordinance, 2000 (the "Ordinance")
5. Action Taken	<p>Key findings of default of the above provisions of the law were reported in the following manner:</p> <p>I have carefully examined the facts of the case in light of the applicable provisions of the law and have given due consideration to the written as well as verbal submissions and arguments of the Respondents and their Authorized Representatives. The processing of the said bogus claims resulted in fabricated amounts of net retention and sum assured reported in the corresponding Statement of Business reinsured with PRCL under Section 43(2) of the Ordinance for the respective years. Further, the Company also made misstatements in the Registers of Policies and Register of Claims for the respective years required to be maintained under Section 45(3)(a) & (b), respectively, consequent to recording the premium and claims against the said cases. Moreover, Regulatory Returns for the respective years filed under Section 46(1)(b) of the Ordinance were also misstated due to fictitious amount of premiums, claims, reinsurance recoveries and resultant overstatement of</p>



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	<p>claims expenses and underwriting profit. Thus, the Company has failed to ensure compliance with the provisions of Section 43(2), 45(3)(a) & (b) and 46(1)(b) of the Ordinance which attracts penal action as provided under Section 158 of the Ordinance.</p> <p>In exercise of the powers conferred on me under Section 158 of the Ordinance, I, hereby impose an aggregate penalty of Rs. 2,480,000/- (Rupees Two Million Four Hundred Eighty Thousand only) on the Company and its Board of Directors including the Chief Executive on account of their failure to ensure compliance with the provisions of Sections 43(2), 45(3)(a) & (b) and 46(1)(b) of the Ordinance.</p> <p>In terms of Section 60 of the Ordinance, I hereby direct the Company to take up the matter of all bogus reinsurance recoveries obtained by it including but not limited to those identified in the investigation, with its reinsurance partners including PRCL for repayment of recoveries against all bogus claims to them. Furthermore, it is directed that all possible measures be taken to make good the loss caused to the Company.</p> <p>The Company's submission that it has neither inquired into nor taken any action against the perpetrators of the fraud nor has it informed the reinsurance partners about the bogus claims. The aforesaid conduct of the Company and its management raises serious reservations about their role and prevalence of such activities in the company. Furthermore, connivance of the Company and its management in the alleged fraudulent act cannot be ruled out. Supervision Department of Insurance Division is advised to examine and analyze the matter and take appropriate action(s) in this regard based upon the said facts.</p> <p>Penalty order dated August 20, 2020 was passed by Executive Director (Adjudication-I).</p>
6. Penalty Imposed	An aggregate penalty of Rs. 2480,000/- (Rupees two million four hundred eighty thousand only) was imposed on the Respondents.
7. Current Status of Order	Appeal was filed before the SECP's Appellate Bench.

Redacted version issued for placement of website of the Commission.