

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

**In the matter of Show Cause Notice issued to Security General Insurance Company Limited**

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Dates of Hearing

July 07, 2022

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**Order-Redacted Version**

Order dated July 28, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Security General Insurance Company Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated May 26, 2022.
2. Name of Respondent	Security General Insurance Company Limited (the Company and/or the Respondent),
3. Nature of Offence	Alleged contraventions of <u>Section 36 of the Insurance Ordinance 2000 (the Ordinance)</u> read with <u>Section 11(1)(c) thereof and rule 15 of the Insurance Rules, 2017 (the Insurance Rules)</u> .
4. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have examined the facts of the case in light of the applicable provisions of the law and written as well as verbal submissions by the Respondent Company and its Representative and observed that the Company did not apply for seeking declaration of admissibility of its related party assets during the relevant period. Subsequent to the close of the financial year 2020, the said application was submitted to the Commission as late as May 12, 2021; however, the Commission while granting the said declaration vide letter dated June 14, 2021 did not allow its retrospective effect. In terms of Section 11(l)(c) of the Ordinance read with Section 36 thereof and rule 15 of the Insurance Rules, the Company was required to ensure at all times that its admissible assets are in excess of its liabilities by an amount of minimum solvency requirement. However, the Company remained insolvent by an amount of Rs. 3.070 billion as on December 31, 2020. Therefore, the Company failed to comply with the mandatory provisions of Section 11(c) of the Ordinance read with Section 36 thereof and rule 15 of the Insurance Rules,</p>

	<p>which attracts applicability of Section 156 of the Ordinance. The Respondent has cited various precedents in the past where penalty was not imposed under Section 156 of the Ordinance, as mentioned in para 30 of the reply dated June 29, 2022. In this regard, it may be noted that the instant case is entirely different from the cited cases due to delayed submission of application by the Company for grant of declaration after close of the relevant financial year when the annual audited accounts and regulatory returns including the solvency statement had already been filed. Therefore, such precedents cannot be considered while deciding the instant case.</p> <p>Keeping in view the above, in exercise of the powers conferred under Section 156 of the Ordinance, I hereby impose a penalty of <u>Rs. 100,000/- (Rupees One Hundred Thousand Only)</u> on the Company, for the aforementioned established non-compliance.</p>
5. Penalty Imposed	Rs. 100,000/-
6. Current Status of Order	Penalty not deposited and No Appeal has been filed by the respondent.