

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

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

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Dates of Hearing

September 02, 2021

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**Order-Redacted Version**

Order dated April 29, 2022 was passed by Director/Head of Department (Adjudication-I) in the matter of Trafco Insurance Company Limited. Relevant details are given as hereunder:

<b>Nature</b>	<b>Details</b>
1. Date of Action	Show cause notice dated June 14, 2021.
2. Name of Company	Trafco Insurance Company Limited (the Company)
3. Name of Individual*	The proceedings were initiated against the Company.
4. Nature of Offence	Alleged contraventions of <u>Section 11(1)(f), 12(1)(d), 45(1) and 45(3)(a) of the Insurance Ordinance, 2000 (the Ordinance) read with Section 156 thereof.</u>
5. Action Taken	<p>Key findings were reported in the following manner:</p> <p>I have carefully reviewed the facts of the case in light of the applicable provisions of the law and have given due consideration to the written and verbal submissions of the Respondent Company and observed that:</p> <p>(i) the Company's failure of recording twenty-four (24) policies with total sum assured of Rs.25 million during FY2019 and ten (10) policies with total sum assured of Rs.10 million issued during FY2020 to the insurance surveyors, in its Policy Register/ Premium Register has resulted in misstatement in the premium income for the respective years;</p> <p>(ii) the Company has failed to account for, the premium amounting to Rs.16.929 million in the Premium Register, received on account of the policies issued to the policyholders/ complainants;</p> <p>(iii) receipt of the premium in the bank account of (a related party with whom the Company has been in agency agreement) on account of issuance of seven (7) cover notes with total sum assured of Rs.14.534 million was also not recorded in the Premium Register; and</p>

	<p>(iv) the Company has blamed ex-CFO of the aforesaid related party for issuance of the said Cover Notes without intimation to the Company. The Company's reply is not cogent as no internal controls were in place to prevent issuance of the Cover Notes/Policies in cases where premium is not received in the Company's bank accounts.</p> <p>In exercise of the powers conferred under Section 156 of the Ordinance, I, hereby, impose a fine of <u>Rs. 75,000/-</u> (Rupees Seventy-Five Thousand Only) on the Company on account of the aforesaid conceded and established contraventions/ non-compliances.</p>
6. Penalty Imposed	Rs. 75,000/-
7. Current Status of Order	No Appeal has been filed by the respondents.