



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department-I

Adjudication Division

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Through Courier & Email

No.ID/Enf/Trafco/2020/276

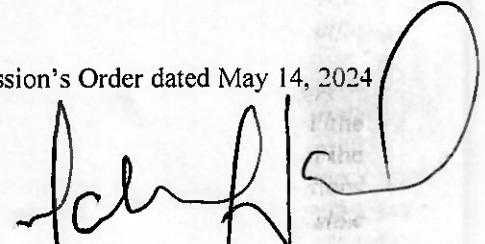
May 14, 2024

S. No.	Name of Respondent	Address
1	Trafco Insurance Company Limited	Trafco Insurance Company Limited
2	Mr. Muhammad Nawaz Shahid, CEO	Trafco House, 1-C-1,
3	Ms. Sadia Atif, Director	Canal Bank Road,
4	Syed Ashfaq Hassan, Director	Canal Park,
5	Mr. Asif Malik, Director	Gulberg-II,
6	Mr. Kashif Malik, Director	Lahore
7	Mr. Jamshed Mir, Director	

**SUBJECT: ORDER IN RESPECT OF SHOW CAUSE NOTICE DATED DECEMBER 11, 2023 UNDER SECTION 11(1)(F) READ WITH SECTION 12(4), SECTION 130(3) OF THE INSURANCE ORDINANCE, 2000 READ WITH SECTION 156 AND SECTION 118 THEREOF**

Dear Sir,

Please find enclosed herewith a copy of the Commission's Order dated May 14, 2024 on the subject matter for your necessary compliance and record.

  
Maheen Najmi  
Assistant Director



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

*Before*

**Shahzad Afzal Khan, Director / Head of Department (Adjudication-I)**

*In the matter of*

**Show Cause Notice issued under Section 11(1)(f) read with Section 12(4), 130(3) of the Insurance Ordinance, 2000 read with Section 156 and Section 118 thereof**

Number and date of Show Cause Notice	ID/Enf/EFUGeneral/2020/3846 dated December 11, 2023
Date(s) of Hearing:	February 16, 2024
Hearing(s) attended by:	Mr. Muhammad Nawaz Shahid, Chief Executive Officer (Respondent No. 2) Mr. Tahir Malik, Chairman and Mr. Munir Ahmad, Chief Financial Officer

### **ORDER**

This Order shall dispose of the proceedings initiated through the Show Cause Notice No. ID/Enf/Trafco/2020/3846 dated December 11, 2023 (the "SCN") against M/s. Trafco Insurance Company Limited (the "Company" or the "Respondent No. 1"), Mr. Muhammad Nawaz Shahid, Chief Executive Officer (the "Respondent No. 2"), Ms. Sadia Atif, Director (the "Respondent No. 3"), Syed Ashfaq Hassan, Director (the "Respondent No. 4"), Mr. Asif Malik, Director (the "Respondent No. 5"), Mr. Kashif Malik, Director (the "Respondent No. 6"), and Mr. Jamshed Mir, Director (the "Respondent No. 7"), for their alleged failure to implement the Order of Federal Insurance Ombudsman (FIO) dated December 20, 2022 in contravention of the provisions of Section 130(3) of the Insurance Ordinance, 2000 (the "Ordinance") and failure to conduct the insurance business by giving due regard to the interests of (existing and potential) policy holders in contravention of Section 12(4) read with Section 11(1)(f) of the Ordinance under the penal provisions of Section 156 thereof, allegedly resulting in payment of liquidated damages on late settlement of claims in terms of Section 118 of the Ordinance.

2. Brief facts of the case are summarized as below:

- a. The Company is registered under the Ordinance to undertake the business of non-life insurance in Pakistan.
- b. The FIO vide Order dated December 20, 2022, in exercise of the powers under Section 130(1)(c) of the Ordinance, directed the Company to pay the claim amount of Rs.1,614,778 to Mr. Amir Awan, Managing Director, Toyota Islamabad Motors (the "Complainant").
- c. The Company filed a representation before the Hon'ble President of Pakistan's Office against the aforesaid Order of FIO; however, the said representation was rejected by the Hon'ble President's Office and the aforesaid Order was upheld vide Decision dated



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August 14, 2023, wherein para 12 of the Decision states that “*It is thus an admitted position that an amount of Rs. 1,614,778/- is payable by the petitioner company to Toyota Islamabad Motors.*”

- d. Subsequently, FIO vide letter dated October 31, 2023 approached the Securities and Exchange Commission of Pakistan (the “**Commission**”) and reported that the Company has not settled the claim to the Complainant so far and that the directions of the Order of FIO dated December 20, 2022 and the Decision dated August 14, 2023 of the Hon’ble President of Pakistan Office in the matter have not been implemented by the Company so far.
- e. Accordingly, the Commission vide email dated November 08, 2023 advised the Company to furnish its comments in respect of status of compliance with the aforesaid Orders.
- f. The Company vide email dated November 23, 2023 replied that the Company has decided to file a writ petition before the respective forum/Court against the aforesaid Orders.

3. The SCN was thereafter served on December 11, 2023 upon the Respondents, *prima facie* in consideration of the following:

- a. Since the Order of FIO achieved its finality after expiry of 30 days from the date of decision of the Hon’ble President’s Office, the persistent failure of the Company to settle the claim and implement the aforesaid Orders constitutes violation of Section 130(3) of the Ordinance.
- b. The Company/Respondent No. 1 is deliberately trying to avoid its claim liability/obligation, which shows that the Company is conducting its business without giving due regard to the interests of its policy holders. Hence, the Company has also contravened the provisions of Section 12(4) read with Section 11(1)(f) of the Ordinance.
- c. The contravention of Section 12(4) read with Section 11(1)(f) and Section 130(3) of the Ordinance attracts the penal provisions contained under Section 156 of the Ordinance.
- d. Delay made by the Company in payment of the aforesaid claim even after expiry of 30 days from the date Decision of the Hon’ble President’s Office i.e. August 14, 2023 and delay occurred in implementation of the aforesaid Orders attracts the provisions of Section 118 of the Ordinance, which requires the Company to make payment of liquated damages to the Complainant on account of delayed settlement of claim in addition to the amount of claim.

4. The Company submitted its response to the SCN vide letter dated December 21, 2023, the relevant extracts of which are reproduced below:



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"...1) The Federal Insurance Ombudsman (FIO) passed the order and directed Trafco Insurance Company Limited (TIC/Company) to pay the Claim amount to Mr. Amir Awan, Managing Director, Toyota Islamabad Motors.

2) The Company filed the appeal against such order before the Honorable President of Pakistan's Office under the provision of Insurance Ordinance, 2000. However, the honorable President of Pakistan's Office uphold the order passed by FIO.

3) In response to the email by Securities and Exchange Commission of Pakistan (SECP/Commission), the Company informed the SECP vide email dated November 23, 2023 that the management of the Company has decided to file the writ petition against the Order passed by the Honorable President of Pakistan's Office.

4) Your kind attention is drawn to para 7 of the said Show Cause Notice, the time limitation of 30 days is applicable against the orders) passed by FIO or Commission vide Section 130(2) of the Insurance Ordinance, 2000. However, in our opinion Section 130(3), as quoted in the said para of Show Cause Notice, no such limitation prescribed. Further, in opinion of our legal advisor, the Company still has reasonable time to file a writ petition.

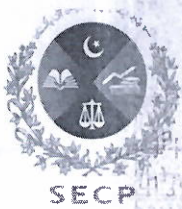
5) Our legal advisor has apprised the management of the Company that all formalities/requirements have been finalized by them to submit the writ petition which will be filed by them in short span of time.

6) We also hereby undertake that we will proceed the matter in accordance with the decision passed by the honorable adjudication authority..."

5. In order to meet the ends of justice and provide an opportunity of being heard to the Respondents, a hearing was scheduled vide hearing notice dated January 23, 2024 for February 06, 2024. The Company vide its letter dated January 25, 2024 confirmed the participation of Mr. Tahir Malik, Chairman, Mr. Muhammad Nawaz Shahid, Chief Executive Officer (Respondent No. 2), and Mr. Munir Ahmad, Chief Financial Officer for the scheduled hearing. Nevertheless, the hearing fixed for February 06, 2024 was adjourned. Another hearing was subsequently fixed for February 16, 2024 vide email dated January 31, 2024.

6. Meanwhile, the Company vide its letter dated February 06, 2024 shared a copy of the Order passed by the Honorable Lahore High Court on January 22, 2024 in W.P. No. 4370/2024, pronouncing that "confronted with the fact that this petition needs to be filed either before the Sindh High Court or the Islamabad High Court, learned counsel for the petitioner does not wish to press this petition in order to approach the appropriate High Court...Disposed of as not pressed..."

7. The hearing fixed for February 16, 2024 was thereafter attended by Mr. Muhammad Nawaz Shahid, Chief Executive Officer (Respondent No. 2), Mr. Tahir Malik, Chairman and Mr. Munir Ahmad.



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Chief Financial Officer. During the course of hearing, the Representatives reiterated the written submissions, in addition to the following discussion during the hearing:

- a. The Representatives were inquired about the status of Writ Petition disposed of by the Honorable Lahore High Court in January 2024, in response to which the Representatives informed that the Company is in the process of filing the same before the Honorable Islamabad High Court during the week ending February 23, 2024.
  - b. Upon being inquired about the questioned claim of the Complainant/Toyota Motors, the Representatives maintained that the Complainant is not a client of the Company; that the contract in question dated July 12, 2016 (purportedly entered into between the Company and the Complainant) is fictitious, and such contract, if signed, was signed by the then M/s Credit Insurance Company Limited, and the Company holds no liability to that effect.
  - c. The Representative further submitted that no insurance policy has been issued to the Complainant, thus, it is not a policy holder of the Company. With respect to the operations of the Complainant being an auto workshop, the Representatives submitted that the workshop was required to be obtain necessary approval from the Company being its insurance company; however, no such approval has ever been obtained by the Complainant from the Company.
  - d. The Representatives were advised to provide complete documentary evidence to reflect their stance.
8. Subsequent to the hearing, the Company vide its letter dated February 23, 2024 made the following additional submissions:

*"...Trafco Insurance Company Limited ('Company') assailed the order of the Federal Insurance Ombudsman Pakistan as well as the President's Secretariat (Public) before the Lahore High Court, Lahore through writ petition number 4370/2024 dated 22.01.2024 and the Lahore High Court Lahore has been pleased to pass the order to approach the appropriate high courts either in Sindh High Court or the Islamabad High Court and the Company is willing to approach the Islamabad High Court against these orders...as per law no order attained finality after expiry of the 30 days and the law provided a reasonable time to file the writ petition against the aforesaid orders and in this respect, the Company availed the remedy before the honorable Lahore High Court, Lahore through writ petition and now filing the fresh petition against these orders in Islamabad High Court as early as possible.*

*...the Complainant [is] neither the policyholder of the Company nor paid any premium to the Company and the law mentioned in this para [i.e. Section 12(4) and Section 11(1)(f) of Insurance Ordinance] is relating to the saving of the policyholder and the Complainant filed the claim before the Ombudsman with concealment of the facts and these facts are agitated before the authorities but the same are to be considered..."*



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9. In order to further assess the veracity of claims made by the Complainant, the Commission vide its letter dated March 11, 2024 requested the Complainant *inter alia* to furnish the following information/documents:

- a. Copy of agreement dated July 12, 2016 executed between the Company/Trafco and the Complainant/Toyota Islamabad Motors;
- b. Documentation evidencing the initial repair work estimates shared by the Complainant with the Company; survey report(s) issued by the insurance surveyor (as appointed by the Company) as well as the insurance surveyor's approval on the workshop's estimated repair cost(s);
- c. Documentation evidencing the final inspection report(s) issued by the surveyor(s) (subsequent to the performance of repair works) in respect of the questioned claims;
- d. Correspondence exchanged between the two parties for sending the final repair bills with satisfaction note(s) for payment;
- e. Mode of clearance of bills as agreed upon between the parties, and evidence for such clearance in the past; and
- f. Any other documentary evidence considered relevant to the merits of the case.

10. In response to the above letter of the Commission, the Complainant vide its letter dated March 18, 2024 provided the copies of (i) its agreement entered into with the Company on July 12, 2016; (ii) bills along with approved estimated and satisfaction notes signed by customers; (iii) earlier cheques issued by the Company in favor of the Complainant; and (iv) correspondence made by the Complainant with the Company in respect of the outstanding claim of Rs.1,614,778. The Complainant further submitted that the surveyor reports are directly sent by the surveyor to the insurance company as per the standard procedure.

11. I have gone through the relevant provisions of Section 12(4) read with Section 11(1)(f) of the Ordinance, the requirements entailed under Section 118 of the Ordinance, and the submissions made by the Respondents in the written responses as well as during the course of hearing through the Authorized Representatives. I have also perused Section 156 of the Ordinance, which stipulate penal provisions for contravention of the afore-referred provision of law. I have noted the following pertinent aspects vis-à-vis the merits of the case:

a. **Veracity of the Agreement entered into between the Complainant and the Company:**

The Company/Respondent No. 1 has argued that the agreement in question reportedly entered into between the Company and the Complainant on July 12, 2016 is fictitious. However, bare



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perusal of the aforesaid agreement (consisting of 20 clauses and a 03-page document, *as also indicated by FIO in para 5 of its Order*) reveals that the same has been executed on the letterhead of the Company itself, signed by an authorized signatory for & on behalf of the Company and co-signed by Mr. Amir Awan, Managing Director of Toyota Islamabad Motors. As per the documentary evidence submitted by the Complainant, it is evident that the agreement has been signed on behalf of the Company by Mr. Zafar Iqbal being the Claims Manager at the Company. An extract of email dated October 03, 2019 written by Mr. Asif Malik (Respondent No. 5/Director of the Company) has also been perused, which shows the email addresses of Mr. Zafar Iqbal as well as that of Mr. Tahir Malik (Chairman of the Company) – the response email of Mr. Zafar further bears his digital email signature and identifies him as the Claims Manager of the Company. Furthermore, the respective annual report of the Company for the years 2017 and 2018 *inter alia* identifies its 'Management at Head Office' and includes the name of Mr. Zafar Iqbal as Manager Claims. The agreement also bears the official stamp of the Company on each of the 03 pages of the agreement and a witness signature of Mr. Zahid Nadeem of Toyota Islamabad Motors. Emails clearly showing correspondence of the Company with the Complainant (regarding outstanding dues), particularly written by Mr. Asif Malik (Respondent No. 5), include the email address of Mr. Zahid Nadeem of Toyota Motors as well.

### ***Contradictory Stance of the Company before the Commission***

Be that as it may, the Representatives during the course of hearing held on February 16, 2024 rendered contrasting submissions, since the Representatives firstly altogether denied the veracity of the agreement between the Company and the Complainant and thereafter, submitted that no approval was ever taken by the Complainant from the Company before proceeding with the vehicle repairs. Had there been no legal agreement executed between the Company and the Complainant, it remains unclear as to why the Complainant would require communication with the Company as contended by the Representatives during the hearing. Either there never had been a legally executed agreement between the two parties, or an agreement was legally in place yet the Complainant failed to reach out to the Company to obtain its approval before proceeding with repair works for the vehicles insured by the Company – both of these arguments cannot logically go hand-in-hand.

### ***Contradictory Stance of the Company – Observations of the FIO***

Para 2 of the Order dated December 20, 2022 passed by the FIO expressly records that "*...complaint...was referred for comments to the Respondent Company vide this Forum letter dated 20.05.2021. The Respondent Company failed to furnish its comments despite two reminders...which is highly undesirable under the law. The Respondent Company just sent a letter dated 10.07.2021 intimating that they were continuously in touch with the Complainant for resolving his issue of outstanding payments...*" The Order subsequently notes the contradiction in the stance thereafter taken by the Company in para 5 that "*...the Representative stated that as no agreement was made between the Respondent Company and the Complainant, hence no claim was payable. The statement was not in conformity, with the*



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*contents of the letter dated 10.07.2021... "*

### ***Contradictory Stance of the Company – Observations of the Honorable President***

Para 6 of the Order dated August 14, 2023 passed by the President's Office notes that *"the learned counsel for the petitioner company has contended that...the alleged agreement dated 12.07.2016 is fake which had not been executed by the petitioner company and it is not under an obligation to pay the alleged outstanding amount to Toyota Islamabad Motors..."* Paras 10 and 11 of the said Order nevertheless rightly rebut the aforesaid contention of the Company by recording that *"...the contention of the learned counsel for the petitioner company that no such agreement had ever been executed with Toyota Islamabad Motors is not tenable as the comments filed by the petitioner company before the Federal Insurance Ombudsman show that it was duly admitted that outstanding amount was payable by the petitioner company to Toyota Islamabad Motors...reply dated 10.07.2021 filed by the petitioner company...Moreover, the email dated 08.07.2021 by the petitioner company sent to Toyota Islamabad Motors establishes that it had informed Toyota Islamabad Motors that the petitioner company was working on outstanding claims of Toyota Islamabad Motors. The stance of the petitioner company that MoU is fake is whimsical as it had never approached the appropriate forum for its cancellation on the ground of alleged fake signatures on it..."*

In light of the abovementioned facts and analysis thereof, the argument taken by the Company with regards to veracity of the agreement in question stands void and unwarranted.

### **b. Refusal to accept the liabilities of erstwhile M/s Credit Insurance Company Limited:**

The argument of the Company/Respondent No. 1 that the agreement dated July 12, 2016, if ever executed, was in fact signed by the then M/s Credit Insurance Company Limited and not the Company/Trafco, is *ab initio* misplaced and largely flawed. The FIO has noted in para 6 of its Order dated December 20, 2022 that *"...the Complainant was ready for settlement but the Representative opened a new story. He averred that the claimed period was pertaining to M/s Credit Insurance instead of Respondent Company hence, the Respondent Company was not liable to pay. The Complainant replied that M/s Credit Insurance has been merged with the Respondent Company as M/s Trafco Insurance Company purchased M/s Credit Insurance in the past. The Representative confirmed that Respondent Company had purchased M/s Credit Insurance but he refused to accept the liabilities of M/s Credit Insurance."* The Order further expressly records that the representative of the Company subsequently 'promised' that the Company would look into the matter and try to settle the case with the Complainant, and that he also promised to send consent for settlement along with closure documents. However, the Order sternly notes that the Company had still failed to produce closure documents.

Further, it has been observed that as per note 2.1 to the annual audited financial statements of the Company for the year ended December 31, 2016, the Company has itself disclosed that it was taken over by the new management of TRAFICO Group of Companies w.e.f. December





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08, 2014. In contrast, the agreement was entered into between the Company and the Complainant on July 12, 2016 i.e. after a lapse of considerable time subsequent to the change in management of the Company.

Hence, it is succinctly made evident that the Company was obligated to discharge all of the liabilities of the erstwhile M/s Credit Insurance subsequent to the reported merger/change in ownership and/or management structure, and the above argument of the Company thus stands nullified.

**c. Past Payments made by the Company to the Complainant:**

The documentary evidence furnished by the Complainant includes an email dated November 07, 2019 written by Mr. Asif Malik/Respondent No. 5, under intimation to Mr. Tahir Malik/Chairman, stating that “...I know for a fact that the outstanding is on a very higher side and the company is trying its level best to bring it down to the maximum level. Just give me a day or two and I will share with you the payment plan accordingly...Kindly reconcile the claim amount with Toyota Islamabad and give me the final figure.” This clearly evidences the fact that the Respondent No. 5 being a member of board of directors of the Company himself admitted the existence of outstanding claims of the Complainant. This is also largely contradictory to the outright denial made by the Company on various occasions with respect to such questioned claims of the Complainant. A subsequent email dated November 26, 2019 written by the Complainant to the Respondent No. 5 and Mr. Tahir Malik depicts that a meeting was held between the Complainant and the Company on November 20, 2019 and both the parties agreed upon a payment plan, which *inter alia* included monthly payments of Rs.500,000 by the Company to the Complainant.

As per the documentary evidence provided by the Complainant, it has been observed that two cheques dated August 03, 2020 and August 24, 2020 (*reportedly relating to the bank account of the Company held in Bank of Punjab; cheques bearing number 1313322786 and 1313322787*) each amounting to Rs.500,000 were issued by the Company to be paid to the Complainant. The said cheques have been duly signed by Ms. Saboohi Tahir. The said payment of Rs.1,000,000 made by the Company through these cheques has been acknowledged by the Company vide email dated August 05, 2020 (written by Mr. Manzoor Ahmed, Manager Claims, under intimation to the Respondent No. 5). The aforesaid facts further affirm the existence of contractual relationship between the Company/Respondent No. 1 and the Complainant, and any outstanding claims to that effect are clearly required to be honored by the Company as per the defined terms of the agreement between the parties.

**d. Protection of Interests of Existing and Potential Policyholders:**

Section 11(1)(f) of the Ordinance mandates an insurer to ensure that it meets and is likely to continue to meet, at all times, criteria for sound and prudent management including without



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limitation to those set out in Section 12 thereof. Section 12(4) of the Ordinance pronounces that the insurer shall not be regarded as conducting its business in a sound and prudent manner if it fails to conduct its business with due regard to the interests of policy holders and potential policy holders. The Company/Respondent No. 1 has contended that the Complainant is not a policy holder of the Company while the afore-referred provisions of law relate to the protection of interests of policy holders. However, it is clearly evident that the Company has conducted its business without giving due regard to its contractual obligations owed to the Complainant, which ultimately affected, or could reasonably be expected to affect, the interests of its policy holders i.e. owners of the vehicles insured by the Company who obtained repair work services from the workshop of the Complainant. More so, the failure of the Company to settle the dues of the cars (insured by the Company itself) repaired by the said workshop would lead to future reluctance of the workshop in rendering the requisite vehicle repair services to the car owners who hold insurance policy of the Company. This would, in turn, result in an adverse 'word of the mouth' to spread in the vicinity, and the current policy holders would be affected in approaching the Complainant's workshop in the future while the potential policy holders would be affected while considering to obtain motor vehicle insurance from the Company. Hence, even if the Complainant is admittedly not *per se* a policy holder of the Company, the considerable delay on part of the Company in honoring its contractual obligations towards the Complainant bears adverse consequences for the policy holders of the Company, which cannot be regarded as the conduct of business by the Company in a sound and prudent manner.

e. Applicability of Section 130 of the Ordinance vis-à-vis Section 13 and 14 of the Federal Ombudsmen Institutional Reforms Act, 2013:

It is mentioned that the Order dated December 20, 2022 was passed by the FIO in terms of Section 130(1)(c) of the Ordinance of 2000, which stipulates that if the Ombudsman comes to the conclusion that the complaint is justified, in part or in whole, he shall try and facilitate an amicable resolution or settlement, and communicate his findings to the concerned insurance company with the direction to pay reasonable compensation to the complainant as fixed by the Insurance Ombudsman. Section 130(2) of the Ordinance stipulates that any insurance company or a complainant aggrieved by an order passed by the Insurance Ombudsman may file an appeal with the Commission within 30 days. Further, Section 130(3) of the Ordinance hence pronounces that any order passed by the Insurance Ombudsman that has not been appealed against, or any order passed by the Commission in appeal, as the case may be, shall become final and operative.

In the instant case, however, the FIO in para 13 of its Order dated December 20, 2022 recorded that the aggrieved party can, within 30 days of FIO's Order, avail the remedy of review under Section 13 of the Reforms Act of 2013 or file a representation before the Honorable President of Pakistan under Section 14 of the said Act of 2013. As a matter of fact, any party aggrieved by an order passed by the Insurance Ombudsman under Section 130(1) of the Ordinance can, within 30 days of such order, **either** (i) file an appeal before the Commission under Section



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130(2) of the Ordinance; (ii) file a review before FIO under Section 13 of the Reforms Act; or (iii) file a representation before the Honorable President of Pakistan under Section 14 of the Reforms Act. With regards to an appeal filed before the Commission, Section 130(3) of the Ordinance of 2000 expressly awards finality to the order of the Commission passed thereunder.

However, in view of the overriding effect of the Reforms Act of 2013 under Section 24 of the said Act, the contention of the Company/Respondent No. 1 is admitted to the extent that Section 130(3) of the Ordinance is applicable only to an order passed by the Commission in an appeal filed under Section 130(2) of the Ordinance against the order of FIO; while Section 14 of the Reforms Act is applicable for any representation filed before the Honorable President of Pakistan or for any writ petitions filed thereagainst. For record purposes, it is mentioned that the Company in the instant case had preferred to file a representation before the Honorable President against the Order of FIO dated December 20, 2022, and after being aggrieved by the order of Honorable President, the Company had preferred to file a writ petition (W.P. No. 4370/2024) before the Honorable Lahore High Court.

f. **Inordinate Delay in Settlement of Claim:**

Notwithstanding the analysis drawn in para (e) above, it is pertinent to highlight that the aforesaid writ petition has been disposed of by the Honorable Lahore High Court in January 2024 on the grounds of maintainability. The Company/Respondent No. 1 had since then maintained that it was in the process of approaching the Honorable Islamabad High Court. However, contrary to the submissions made by the Respondent No. 1, it has failed to produce any documentary evidence including copy of petition and/or Court orders to demonstrate as to whether it has subsequently assailed the Order of Honorable President (passed on August 14, 2023) before the Honorable Islamabad High Court. Therefore, with no other appellate proceedings reportedly in field as of now, it is abundantly evident that the Company has failed to honor its contractual obligations and settle the claims even after the lapse of a considerable time since passage of the Order of FIO in December 2022 and by the Honorable President of Pakistan in August 2023.

**Conclusion:**

The above detailed analysis of the facts and circumstances clearly demonstrate that the Company/Respondent No. 1 has failed to conduct its business in a sound and prudent manner by not giving due regard to the interests of its current and potential policy holders. Hence, the contravention of Section 12(4) read with Section 11(1)(f) of the Ordinance is established. Further, the persistent failure of the Company to implement the abovementioned Orders renders the Company liable, in terms of Section 130(3) of the Ordinance, to such action including the imposition of a fine or penalty as the Commission may deem fit, and in relation to an insurance company officer, to the appropriate disciplinary or other proceedings. Moreover, on account of an inordinate and unexplainable delay on part of the Company to



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settle its claims towards the Complainant in a timely manner, the Company is liable to pay liquidated damages in terms of Section 118 of the Ordinance, as also rightly ordered by the FIO in its Order of December 2022.

12. It is imperative to note that in the Order of State Consumer Disputes Redressal Commission, Punjab, Chandigarh, in First Appeal No. 05 of 2021 titled as United India Insurance Company Ltd. Vs. Surinder Singh, it was rightly pointed out that *"...Rejection of claims on purely technical grounds in a mechanical fashion will result in policyholders losing confidence in the insurance industry, giving rise to excessive litigation... It is also necessary to state here that it would not be fair and reasonable to reject genuine claims which had already been verified and found to be correct..."* (emphasis added).

13. In view of the above-stated facts & circumstances, it is established that the Company/Respondent No. 1 has failed to comply with the provisions of Section 12(4) read with Section 11(1)(f) and Section 130(3) of the Ordinance. Therefore, I hereby, in exercise of the powers conferred under Section 156 of the Ordinance, **impose a penalty of Rs.300,000/- (Rupees Three Hundred Thousand Only) on the Respondent No. 1** while the rest of the Respondents No. 2 to 7 are hereby strictly warned to ensure meticulous compliance of all applicable laws in the future.

14. The Respondent No. 1 is directed to deposit the aforesaid respective penalty in the designated bank account maintained in the name of the Securities and Exchange Commission of Pakistan with MCB Bank Limited or United Bank Limited, within a period of thirty (30) days from the date of this Order, and furnish receipted voucher issued in the name of the Commission for information and record. The Respondent No. 1 is also directed to ensure due compliance of Section 118 of the Ordinance for payment of the liquidated damages, which are to be calculated in the manner stipulated therein.

15. This Order is being issued without prejudice to any other action that the Commission may initiate against the Respondent and / or its management (including CEO of the Respondent) in accordance with the law on matters subsequently investigated or otherwise brought to the knowledge of the Commission.

**(Shahzad Afzal Khan)**  
Director / Head of Department  
(Adjudication Department-I)

**Announced:**  
May 14, 2024  
Islamabad