

# PRESS RELEASE

## **Hon'able Lahore High Court Dismisses Petition Against an Order of the SEC**

**Islamabad – January 6, 2004:** The Hon'able Lahore High Court has dismissed the petition filed by M/s. Pakistan Guarantee Insurance Company Limited against an order of the Securities and Exchange Commission of Pakistan (SEC) asking the company to show cause as to why action should not be taken against it for default and violation of relevant laws.

Mr. Justice Mian Hamdi Farooq of the Hon'able Lahore High Court while dismissing the petition as "incompetent and not maintainable" observed that the remedy of the constitutional petition under article 199(1) of the constitution was not available for challenging the show cause notice.

M/s. Pakistan Guarantee Insurance Company Limited was advised by the Insurance Division of the SEC vide their letter dated October 18, 2001 to have adequate reinsurance arrangements in respect of the risks to be accepted in or outside Pakistan for the year, 2002 with the reinsurers of sound financial standing, duly rated 'A' class by the reputable international rating agencies. The company however failed to provide documentary evidence in respect of their treaty arrangements and as a result thereof, as an alternative arrangements, M/s. Pakistan Guarantee Insurance Company Limited were asked vide SEC letter dated April 5, 2002 to get its claims paying ability/financial strength's, rated by a rating agency.

As the company failed to comply with these directives and also failed to furnish its annual accounts/returns as required under the law, a show cause notice was issued on July 16, 2002 to M/s. Pakistan Guarantee Insurance Company Limited to show cause within 7 days as to why action as provided under clause (d) of sub-section (2) of Section 53 of the Insurance Ordinance, 2000, should not be taken for the aforesaid defaults/contraventions. The company was also offered an opportunity of personal hearing.

Instead of replying to show cause notice or availing the opportunity of personal hearing, the company management preferred to go to the high court in a constitutional petition.