

**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
INSURANCE DIVISION**

[Karachi]

Before Tariq Hussain, Director (Insurance)

In the matter of

Union Insurance Company of Pakistan Limited

Date of Show Cause Notice: September 09, 2010
Date of Hearing: October 15, 2010
Attended by: Mr. Nishat Raffiq, President
Date of Order: December 10, 2010

ORDER

(Under Section 193 read with Section 476 of the Companies Ordinance, 1984)

.....
This Order shall dispose of the proceedings initiated against Union Company of Pakistan Limited (herein referred to as "the Company") for not complying with the provisions of Section 193 read with Section 476 of the Companies Ordinance, 1984 ("the Ordinance").

Background Facts

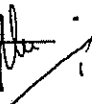
2. The relevant provisions of Section 193 of the Ordinance state that:

"193. Proceedings of directors- (1) The quorum for a meeting of directors of a listed company shall not be less than one-third of their number or four, whichever is greater.

(2) The directors of a public company shall meet at least once in each quarter of a year....."

3. The Company, in its annual accounts for the year ended 2009, disclosed that it had conducted four (4) Board Meetings during the entire year but also mentioned that the first meeting was held on 09-04-2009 which does not fall under the first quarter of the year.

4. The applicable penal provision of the Ordinance for contravention of Section 193 states that:





"(3) If a meeting of directors is conducted in the absence of a quorum specified in sub-section (1), or a meeting of directors is not held as required by subsection (2), the chairman of the directors and the directors shall be liable—

(a) to a fine not exceeding ten thousand rupees and in the case of a continuing default to a further fine not exceeding one hundred rupees for every day after the first during which the default continues, if the contravention relates to a listed company; or...."

Show Cause Notice

5. Accordingly, a Show Cause Notice was issued on September 09, 2010 under Section 193 read with Section 476 of the Ordinance to the Chief Executive and Directors of the Company, calling upon them to show cause as to why the penalty should not be imposed upon them for not complying with provisions of Section 193.

Company's Response to the Show Cause Notice

6. The Company, via its letter dated September 22, 2010, responded to the abovementioned Show Cause Notice. Their reply has been reproduced below:

"We are in receipt of the show cause notice on 14th Sept 2010 and are pleased to reply as under:

- 1) *That operations of Company were stopped by the Authority (Insurance Division).*
- 2) *That by this business set back the staff was not regularly coming as they were looking for jobs.*
- 3) *That Directors were disturbed very much in view of the above circumstances. They themselves were searching and looking into for compliances.*
- 4) *As listed company the companies shares were not being transacted on the Stock Exchange.*

In view of the above genuine difficulties and compulsions the meeting was held on 9/4/2009 for compliance of legal requirement.

You will be pleased to appreciate that compliance has not been avoided at all.

In view of the above submissions we may not be treated in default and no penalty be imposed. We request that situation may please be considered sympathetically in the circumstances and delay may please be condoned as a special case submitted as above."

Hearing of the Case

7. Therefore, a hearing notice was sent to the Company to appear before Mr. Tariq Hussain, Director (Insurance) at 3 P.M on October 15, 2010.

8. The said hearing was attended by Mr. Nishat Raffiq, Chief Executive Officer of Union Insurance Company.

Consideration of Company's Submissions

9. The Company accepted the default with regard to the non-compliance and requested that the contravention be condoned. The Chief Executive stated that they were facing difficulty in running the Company given its current situation and requested that some solution be provided to the Company. He stated that they were considering either a voluntary winding up of the Company or a merger as a way out of the Company's current problems.



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Conclusion

10. I have carefully examined and given due consideration to the written submissions of the Company and have also referred to several provisions of the Ordinance. I am of the view that there has been an established default under the relevant provision of the Ordinance which was also accepted by the Company during the hearing of this case.

11. Before proceeding further, I find it relevant to discuss the duties of the Directors & the Chief Executive. The Directors & the Chief Executive of the Company, in addition to the day to day running of the Company and the management of its business, also have some 'fiduciary' duties i.e. duties held in trust and some wider obligations imposed by statute on them and on the Company. The Directors and the Chief Executive of the Company are supposed to be well aware of their legal obligations.

12. It is also pertinent to mention that the General Public holds 79.57% of the total shareholding of the Company and have entrusted the Directors & the Chief Executive with the responsibility to perform their duties diligently and in the best interests of the Company and its shareholders. However, the attitude of the Directors and the Chief Executive shows their lack of professionalism towards their duties and obligations towards the Company and its stakeholders as evidenced by the various non-compliances repeatedly committed by the Company. Their reply to the Show Cause Notice is not cogent and satisfactory. The Directors and Chief Executive do not appear to be taking adequate steps to steer the Company out of its current situation. The future of the Company seems bleak. The Chief Executive stated at the hearing of the case about considering the voluntary winding-up of the Company or a merger, however, due to the lack of a proactive approach, the Company has not formally approached the Commission.

Order

13. In view of the foregoing material information, I, in exercise of powers conferred on me under Section 476 the Ordinance, take a lenient view and instead of imposing the maximum fine, hereby, impose a fine of Rs. 3,000 on each Director and the Chief Executive of the Company, as outlined in the table below. The Chief Executive, the Directors and the Company itself are, hereby, warned and advised, to exercise due caution in the future whilst complying with the requirements of the law in future.

S.No	Name of Directors	Fine Amount Rs.
1	Mr. Nishat Rafiq, Chief Executive	3,000
2	Mr. Muhammad Naeem, Director	3,000
3	Mr. Syed Fayyaz Mazhar, Director	3,000
4	Mr. Fida Hussain Samoo, Director	3,000
5	Mr. Sikandar Khalil Mangal, Director	3,000
6	Mr. Walid Zafar, Director	3,000
7	Ms. Zareen Ashfaq, Director	3,000
	Total	21,000

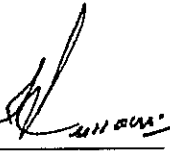
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The Chief Executive and the Directors of M/s. Union Insurance Company of Pakistan Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.21,000/- (Rupees twenty one thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB Bank Limited within thirty (30) days from the receipt of this Order and furnish receipt vouchers issued in the name of Commission for information and record, failing which proceedings under the Land Revenue Act, 1967 shall be initiated which may result in the attachment and sale of movable and immovable property. It may please be noted that the said fines are imposed on the Chief Executive and the Directors of the Company in their personal capacity and they are required to pay the said fines from their personal resources.


Tariq Hussain
Director (Insurance)

10/12/10