



July 15, 2024

TIP 2024/0715/1A

The Secretary,
Ministry of Commerce,
Islamabad

Subject: Complaint against the Allegation of Violation of Legal and Procedural Obligations, Procurement Rules, and Irregularities in the Appointments in National Insurance Company Limited (NICL) as identified by the Auditor General of Pakistan, Causing Financial Loss of Billions to the National Exchequer

Dear Sir,

Transparency International Pakistan refers to its letter TIP 2024/0403/1A dated April 03, 2024 to the Principal Secretary to PM about a complaint against the Allegations of Violation of Legal and Procedural Obligations, Procurement Rules and Irregularities in the Appointments/Promotions of Officers in National Insurance Company Limited (NICL) as identified by Auditor General of Pakistan, Causing Financial Loss to the National Exchequer (**Annex-A**)

On TI Pakistan letter, the Prime Minister's Office vide UO No. 9(21)/DS(EA-II)/24-177 dated 22-05-2024, has directed the Ministry of Commerce to furnish the following information regarding the National Insurance Company Limited (NICL):

1. Analyze and verify justifications/explanations provided for each allegation in the Auditor General of Pakistan's report regarding violations of legal and procedural obligations, procurement rules, and irregularities in appointments.
2. Share a table of appointments of the Board of Directors and CEOs of NICL during the past 10 years, including specific dates, the status of the current Board and CEO, and their expected lengths of tenure.
3. Submit a snapshot of the company's performance, along with the latest balance sheet.

The Ministry of Commerce vide its letter dated 24-05-2024 directed the NICL to furnish the requisite information on or before 29th May 2024 (**Annex-B**).

TI Pakistan requests the Secretary, Ministry of Commerce, to provide the details of the response submitted by NICL in response to the Ministry's and the PM office letters.

Transparency International Pakistan is striving for across-the-board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.

Regards

(Advocate Daniyal Muzaffar)
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:

1. PSPM, PM House, Islamabad
2. Minister, Ministry of Commerce, Islamabad
3. Chairman, PMIC, Islamabad
4. Registrar, Supreme Court of Pakistan, Islamabad



Note:

This is to clarify that Transparency International Pakistan is not a complainant, it acts as a whistleblower and operate under Article 19-A, of the Constitution of Pakistan which gives the right to public to know how government is being run by public officers. Article 19-A makes the right to access of information pertaining to a public authority a fundamental right, and a threemember bench in case of Mukhtar Ahmad Ali vs the Registrar, Supreme Court of Pakistan, Islamabad, headed by Chief Justice Qazi Faez Isa in the landmark judgment on 16 October 2023, in CP No. 3532/2023, has declared that:

“What previously may have been on a need-to-know basis Article 19A of the Constitution has transformed it to a right-to-know, and the Access to information is no longer a discretion granted through occasional benevolence, **but is now a fundamental right available with every Pakistani which right may be invoked under Article 19A of the Constitution**”



April 03, 2024

TIP 2024/0403/1A

Principal Secretary to PM
Prime Minister House,
Islamabad

Subject: Complaint against the Allegation of Violation of Legal and Procedural Obligations, Procurement Rules, and Irregularities in the Appointments in National Insurance Company Limited (NICL) as identified by the Auditor General of Pakistan, Causing Financial Loss of Billions to the National Exchequer

Dear Sir,

Transparency International Pakistan has received a complaint against the Allegations of Violation of Legal and Procedural Obligations, Procurement Rules and Irregularities in the Appointments/Promotions of Officers in National Insurance Company Limited (NICL) as identified by Auditor General of Pakistan, Causing Financial Loss to the National Exchequer (**Annex-A**)

The complainant has made the following allegations:

1. The National Insurance Company Limited (NICL) published an advertisements in the Daily Jung, Karachi on 02-05-2023 to fill 30 key officer positions in various departments in violation of the ban on new appointments imposed by the Finance Division wide notification No.7(I)Exp.IV/2016-440 dated 15th July 2021 (**Annex-B**)
2. The current CEO Mr. Khalid Hamid was appointed on 28th April 2021 for a period of 03 years. However, despite various irregularities and inquiries against him, the Board of Directors allegedly renewed his contract in March 2024 for another three years.
3. As per the audit report 2022, conducted by the office of DG Commercial Audit & Evaluation (South) Karachi, NICL has incurred a loss of approx. Rs. 2.8 billion due to irregularities, quoted below (**Annex-C**).

Sr.#	Description as per Audit Report 2022	PKR Amount
1.1	Doubtful payment of claim	1,391,000
1.2	Violation of rule due to delay in settlement	1,500,000
1.3	Doubtful payment of claim	2,300,000
1.4	Doubtful payment of claim	3,005,000
1.5	Doubtful settlement of fraud/infidelity claim of NBP	15,000,000
1.6	Irregular settlement of claim	42,987,000
1.7	Irregular settlement of claim	22,319,000
1.8	Settlement of claim in violation of policy	15,000,000
1.9	Unjustified settlement of fraud/infidelity claim of NBP	13,155,000
1.10	Doubtful payment of claim	19,119,000
1.11	Unjustified settlement of Marine claim of PSML	3,600,000
1.12	Unjustified settlement of claim of PSO	7,946,000
1.13	Unjustified settlement of claim of PSO	13,340,000
1.14	Excess payment to SSGCL due to non-deduction of deductibles	80,000,000
1.15	Irregular / unjustified discount allowed on insurance premium	71,735,000
1.16	In-ordinate delay in completing survey by the surveyors	56,821,000
1.17	In-ordinate delay in completing survey by the surveyors	376,570,000



1.18	Violation of rule due to delay in settlement of re-insurance claim	98,204,900
1.19	Irregular charges of premium on different rate	601,830,000
1.20	Payment of premium directly to the international underwriter and brokers	1,331,600,000

4. Since 2021, NICL Board has been non-existent. The CEO Mr. Khalid Hamid has engaged in various activities without the requisite approval from the BoD. This includes repair and maintenance of real estate, unauthorized use of official vehicles, extravagant foreign tours, and unwarranted renovations, rental of international properties at significantly reduced prices, excessive entertainment expenses, and the purchase of official vehicles without proper authorization, including significant renovations carried out without the requisite approval from the NICL Board of Directors.
5. NICL has also consistently violated the PPRA Rules 2004, causing approx. loss of Rs. 100 million to the national exchequer, as identified by the Audit Report 2022 (Annex-D). These violations include:

Sr.#	Description as per Audit Report 2022	PKR Amount
a)	Unjustified procurement against austerity measures of Finance Division	7,317,000
b)	Non-transparent award of contract worth	7,538,000
c)	Violation of rule due to non-uploading procurement plan on PPRA websites	32,838,000
d)	Mis-procurement of I.T equipment on splitting basis	32,838,000
e)	Irregular expenditure through splitting amount	18,454,000

6. NICL has caused loss of approx. Rs. 747 million to the national exchequer due to non-recovery of rent by the Estate Department from various tenants for NICL's properties (Annex-E). These include:

Sr.#	Description as per Audit Report 2022	PKR Amount
3.2	Non-recovery of rent from M/s. Bearing Point	40,668,000
3.3	Non-recovery of outstanding rent from tenants	63,452,000
3.4	Non-recovery of outstanding rent from overseas tenants	13,990,000
3.5	Loss due to renting out the premises at lesser rates	629,210,000

7. Between July 2012 and April 2021, eight CEOs were appointed, six of whom served in an acting capacity. On 8th August 2023, Ministry of Commerce vide notification No. 15(I)/2023-Aos-HR reconstituted the Board of Directors of NICL for a period of 3 years consisting of the following (Annex-F):

Sr.#	Composition of Board	Remarks
1	CEO, NICLS	Executive Director/Ex-Officio
2	Rep Ministry of Commerce	Ex-officio
3	Rep Ministry of Finance	Ex-Officio
4	Executive Director, State Life Insurance Corporation	Ex-Officio
5	Mr. Shahid Sattar, President/CEO, SAMBA Bank Ltd	Independent Director
6	Mr. Abid Sattar, Ex-President & CEO, Askari Bank Ltd.	Independent Director
7	Insurance sector Mr. Ali Syed, CEO, M/s Alltrac (Pvt) Limited; M/s IDC (Pvt) Limited and M/S Simzain International	Independent Director
8	Sahibzada Rafat Raof Ali, Ex Group Head SAMD, The Bank of Punjab	Independent Director
9	Mr. Muhammad Jaffer Raza, Lawyer associated with various Law Firms	Independent Director

8. The newly constituted board comprises of two brothers, who are related by blood, in violation of conflict-of-interest policy namely Mr. Shahid Sattar and Mr. Abid Sattar.



9. In the absence of the BoD, the management of NICL has irregularly enhanced house rent and utility allowance amounting to Rs. 28.829 million, made an un-authorized payment of pension to non-entitled employee at Rs. 11.290 million (Annex-G).

Sr.#	Composition of Board	Remarks
4.1	Irregular enhancement in house rent and Utility Allowance	28,829,000
4.2	Un-authorized payment of pension to non-entitled employee	11,290,000

Transparency International Pakistan Comments

Transparency International Pakistan has reviewed the allegations of the complaint. Following are TI Pakistan comments:

1. If the findings of the audit report are authentic, prima facie the allegations seem correct.
2. The affairs of NICL have been subject to various allegations since many years. The serious allegations of violation of rules in the audit report 2022, resulting in loss amounting to billions to the national exchequer, must be investigated so that the responsible officers are held accountable in accordance with the law.
3. On 27-08-2010, the Honorable Supreme Court of Pakistan ordered o to convert Transparency International Pakistan letter addressed to Chairman NICL dated 6 May 2010 as petition and converted HRC No. 18567-S/2010 to Suo Moto Case 18 of 2010 for Suo Moto Action regarding violation of Public Procurement Rules 2004, in procurement loss of over billions of rupees to exchequer caused by National Insurance Company Limited (**Annex-H**).
4. The Honorable Supreme Court of Pakistan ordered filing of FIR against the beneficiaries including Govt. officials, and ordered NAB to file references in Court for recoveries of billions of rupees. The NAB cases are pending in courts for last 14 years (**Annex-I**).
5. Section 196 of Company Act 2017 requires that the affairs and business of a company are managed by its Board of Directors. The decisions taken by the CEO and the management including enhancing the house rent allowance, utility allowance, unauthorized payment of pension to non-entitled employee and procurement without the approval of the BoD and treated as irregular by the audit report, for which the amount may be recovered under the applicable rules.
6. TI Pakistan requests the NICL to recover Rs. 629 million loss incurred due to renting out the premises at lesser rates and to hold investigation as to under which rules and regulations such decisions were taken by the management.
7. The procurements worth Rs. 100 million as identified by the audit report are in complete violation of Public Procurement Rules 2004, and therefore required to be declared as mis-procurement under Rule No. 50.
8. Rule-7 of Public Procurement Rules 2004 states that procurements exceeding Rs 10 million shall be subject to an integrity pact, and the loss to the procuring agency due to corruption will be recovered at amount equivalent to ten times the sum of the contract value as per the PPRA Rules 2004.
9. If the allegations of the Auditor General are proved to be false, action may be taken as per the NAB (Amendment) Bill 2022, encompassing punishment for the person responsible for initiating false case against anyone (**Annex-J**).

Transparency International Pakistan's Recommendations

Transparency International Pakistan requests the Honorable Prime Minister to examine the serious allegations of the complaint and if the alleged violations are found to be correct, take action under the applicable rules.

Transparency International Pakistan is striving for across-the-board application of Rule of Law, which is the only way to stop corruption, and achieve against Zero tolerance against corruption.



Regards

(Advocate Daniyal Muzaffar)
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for the information with request to take action under their mandate to:

1. Minister, Ministry of Commerce, Islamabad
2. Secretary, Ministry of Commerce, Islamabad
3. Chairman, PMIC, Islamabad
4. Chairman, NAB, Islamabad
5. DG, FIA, Islamabad
6. Chairman, NICL, Karachi
7. Registrar, Supreme Court of Pakistan, Islamabad

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NO. 1(2)/2022-NICL/AOS-HR
GOVERNMENT OF PAKISTAN
MINISTRY OF COMMERCE

Islamabad, the 24th May, 2024

SUBJECT: COMPLAINT AGAINST THE ALLEGATION OF VIOLATION OF LEGAL AND PROCEDURAL OBLIGATIONS, PROCUREMENT RULES, AND IRREGULARITIES IN THE APPOINTMENT IN NATIONAL INSURANCE COMPANY LIMITED (NICL) AS IDENTIFIED BY THE AUDITOR GENERAL OF PAKISTAN, CAUSING FINANCIAL LOSS OF BILLIONS TO THE NATIONAL EXCHEQUER

I am directed to refer to this Ministry's letter of even number dated 18-04-2024 and NICL's subsequent response dated 19-04-2024 on the above noted subject and to state that the Prime Minister's Office, vide U.O No. 9(21)/DS(EA-II) /24-177, dated 22-05-2024, has directed to furnish the following information:-

- i. Analyze and verify justifications/explanations provided for each allegation in the report;
- ii. Share a table of appointments of Board of Directors and CEOs of NICL during the past 10 years with specific dates, including status of the current Board and CEO and their expected lengths of tenure; and
- iii. Submit a snapshot on performance of the company alongwith latest balance sheet.

2. NICL is directed to furnish the above requisite information to this Ministry on or before Wednesday, the 29th May, 2024, positively for onward transmission to Prime Minister's Office.


(Mirza Haseeb Baig)
Section Officer (AOs-HR)
051-9206540

The Chief Executive Officer,
National Insurance Company Limited,
Karachi.