



**TRANSPARENCY
INTERNATIONAL-PAKISTAN**

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03rd October, 2012

The Director,
Human Rights Cell,
Supreme Court of Pakistan,
Constitution Avenue,
Islamabad.

Subject: Comments of Syed Adil Gilani, Adviser, Transparency International Pakistan on Human Right Case No. 28311-S/2012.

Respected Sir,

Kindly find attached additional comments of Syed Adil Gilani on Human Right Case No. 28311-S/2012, to be submitted in the Court on /or before 11th October 2012.

Yours sincerely,

Syed Adil Gilani
Adviser

Encl: Comments of Syed Adil Gilani with Annexes.

IN THE SUPREME COURT OF PAKISTAN, ISLAMABAD
(ORIGINAL JURISDICTION)

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Human Right Case No 28311-S/2012

Application by Syed Adil Gilani, 5C, 2nd Floor Khayaban-e-Ittehad, Phase VII, DHA, Karachi

Comments of Syed Adil Gilani in response to Supreme Court Letter dated 19th September 2012 in Fraud in Insurance Claims paid on various dates of Rs. 640 Million, Rs. 350 Million and in process Rs. 160 Million & Rs. 550 Million. TI-Pakistan Letter dated 25th August 2012

Respectfully Sheweth;

The Comments by the Adviser Transparency International Pakistan, the Applicant, respectfully are as under:

1. The reply of NICL letter dated 10th August 2012 was sent to the Secretary, Ministry of Commerce on 25th August 2012. (Annex).
2. NICL has admitted that the insurance claim of Rs. 640 Million was paid by NICL to various contractors and the tax was disbursed in the name of contractors and not in the name of client for e.g WAPDA etc. It is an illegal act.
3. NICL has admitted that FIA in 2009 had taken up the investigation of this case.
4. This is also to inform the Supreme Court that NICL has paid the claims, which were to be investigated by FIA, of about Rs. 640 Million to the contractors from its own accounts, but Rs. 350 are not yet reimbursed by the Reinsurer Company to NICL.
5. That this is another illegal act and NICL should not have paid without first getting the claim settle by reinsurer which is outstanding since last two years, only the interest loss on this insurance claim of Rs. 360 Million at the bank interest rate of 12% is Rs. 84 Million.
6. That NICL admission of obtaining NOC from WAPDA etc. to settle the claim directly with contractor is also an illegal act of WAPDA.
7. The fact of the matter is that the contractors were already paid by the client like WAPDA for the Structure Damaged due to flood etc. The reconstruction cost agreed by the Insurance Company under the (Contractors All Risk Policy) CAR policy, should be paid to the client by the Insurance Company, who will get the damaged structure reconstructed from the same constructor, under the supervision of their consultant, and

after the certification of client's consultant that the works have been done as per specifications, the insurance claim should be released by the client to the contractors.

8. NICL statement that Federal Investigation Agency has not reported any progress in last one year may also be noted by Honorable Supreme Court.
9. That TI-Pakistan is of firm opinion that most of the claims paid by NICL, out of Rs. 640 Million and Rs. 350 Million, may not be genuine.

NICL may also be directed to pay insurance claims under CAR policies in future directly to the client only, so that any irregularity may be avoided.

By



Syed Adil Gilani

Adviser, Transparency International Pakistan

Dated 3rd October 2012



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Advisory Committee

On 25 August 2012

Mr. Munir Qureshi,
Federal Secretary Commerce,
Islamabad.

Sub: Fraud in Insurance Claims paid on various dates of Rs. 640 Million, Rs. 350 Million and in process Rs. 160 Million & Rs. 550 Million.

Dear Sir,

With respect to complaint sent on 23 July 2012 by TIP to NICL, and their reply dated 10th August 2012 addressed to Chairman TI-Pakistan, and copied to you, this is to state that the clarification given by the chairman NICL is not correct.

The insurance policies under the contract are required to be of the value of the contract plus 10% in the joint name of client and contractor as the premium is being paid by the client. The rates quoted by the contractor in their item rates include all other expenses including insurance charges.

In case of damages caused to the work because of any accident, natural disaster or other reason, the insurance company through their surveyor surveys the damages to the works, contractor's equipment, material etc. Such a big claim as mentioned by the complainant of more than 1 billion rupees is understood to be before the damages caused to the works already constructed by the contractor and already paid by the client. The contractor has to rebuild those works.

It is therefore mandatory on the insurance company to pay the entire insurance claim to the client of the project, who then disperses the amount to the contractor after the work has been reconstructed by the contractor.

In case WAPDA or any other client of NICL has issued a NOC for payment direct to the contractor, as stated by the Chairman NICL, it is a violation of the standard terms of contract and there appears to be a collusion between the contractor, clients and NICL. This needs to be checked by Clients also and responsible officers to be made accountable for this illegal act of issuing NOCs.

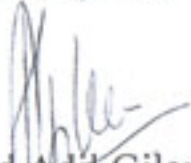
Another statement given by NICL is that NICL has the exclusive rights to insure Public Sector Organizations like PARCO, PAPCO, SNGPL, PPL, PSO etc is not correct. According to PPRA Regulations 2008, Pakistan Engineering Council standard bidding documents are mandatory on WAPDA and all procuring agencies, and these rules do not give exclusive right to NICL only, and all the AA rated insurance companies are also qualified to insure Public Sector Organizations. The monopoly of NICL has been eliminated by PPRA.



We request you to kindly conduct an inquiry on the above alleged corruption of NICL independently, as FIA did take notice on this case, but did not proceed further, for reasons known to every one.

After a thorough probe if the allegation are found correct action be taken against the contractor/client/NICL , as there are possibilities that if such act are found to be true, and not stopped, NICL may be blacklisted for reinsurance companies in future insurance business by Pakistan Insurance Corporation and their foreign reinsurers also.

With Regards,


Syed Adil Gilani
Adviser

Copy forwarded for the information and action under their mandate to;

1. Chairman Public Accounts Committee, National Assembly, Islamabad.
2. Auditor General Pakistan, Islamabad
3. Chairman, NAB, Islamabad.
4. Chairman, WAPDA, Islamabad,
5. Registrar, Supreme Court of Pakistan, Islamabad, with request to include this also in Suo Moto Case 18 of 2010.
6. Managing Director, PPRA, Islamabad - *with a request to take action under section 5(2) (a) "monitor application of the laws, rules, regulations, policies and procedures in respect of, or relating to, procurement" and under section 5(2) (i) of the PPRA Ordinance 2002.*
7. Chairman, TCP, Karachi