



9<sup>th</sup> June, 2014

Mr. Ashraf Mahmood Wathra,  
Governor,  
State Bank of Pakistan,  
Karachi.

Sub: State Life Insurance Corporation of Pakistan Complaint against SBP in Procurement of Services of Insurance Company for Providing Group Term Assurance (GTA) for State Bank Employees.

Dear Sir,

Transparency International Pakistan has received a complaint, from M/s State Life Insurance Corporation of Pakistan, SLIC sent to PPRA, and a copy addressed to TI-Pakistan dated 2<sup>nd</sup> June, 2014. **Annex-A.**

From the complaint it appears that State Bank of Pakistan has not followed the PPRA rule in letter and spirit, and has declared State Life Insurance as non-responsive, which is the biggest and only AAA Insurance Company in Pakistan, and has life fund reserves of over Rs300 billion.

This is also in knowledge of State Bank of Pakistan, that there is no Chairman of State Life Insurance Corporation of Pakistan since last ONE YEAR, 12<sup>th</sup> June, 2013 till date and in the absence of the legal Chairman the board cannot approve the annual reports.

The Supreme Court in December 2012 has declared the appointment of acting Chairman PEMRA as illegal, as a regular Chairman, is required under law for Government departments.

The excuse on which State Bank of Pakistan has been declares non-responsive is due to non availability of annual audit report of 2012, knowing that without a Chairman of Board, Board meeting arte not held, and annual audit reports are not approved.

The PPRA Rule No. 35, does not allow SBP to keep any discriminatory difficult condition for evaluating the competence of a bidder.

Prima Facie, it appears that this condition knowingly was included in the bidding documents and has been used against Life Insurance Corporation to award this tender to a private insurance company, EFU. This may amount to be a collusive practice, under PPRA Rule (2f), and the national exchequer may have been caused loss of millions of rupees, by eliminating company knowingly that it does not have the authority to declared annual reports.

**32. Discriminatory and difficult conditions.-**

*Save as otherwise provided, no procuring agency shall introduce any condition, which discriminates between bidders or that is considered to be met*



*with difficulty. In ascertaining the discriminatory or difficult nature of any condition reference shall be made to the ordinary practices of that trade, manufacturing, construction business or service to which that particular procurement is related.*

The Governor is requested to examine the complaint, and also check the quoted prices of SLIC, and if the allegations and violations are found correct, order to discharge of tender, and re-tender the bid which should also include State Life Insurance Corporation of Pakistan based on its AAA ranking and available annual reports of last 5 years. Action is also to be taken against responsible officers, who have manipulated this tender in favour of another insurance company.

Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption.

With Regards,

Sohail Muzaffar  
Chairman

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

1. Secretary to Prime Minister, Islamabad.
2. Mr. Khurshid Shah, Leader of Opposition & Chairman, PAC, National Assembly, Islamabad.
3. Chairman, NAB, Islamabad.
4. Registrar, Supreme Court of Pakistan, Islamabad.
5. Managing Director, PPRA, Islamabad.





**STATE LIFE**

Insurance Corporation of Pakistan

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June 2, 2014

Mr. Alam Zeb Khan  
Director General  
Public Procurement Regulatory Authority  
First Floor, FBC, Building near State Bank  
Sector G-5/2, Islamabad

**SUBJECT: PROCUREMENT OF SERVICES OF INSURANCE COMPANY FOR  
PROVIDING GROUP TERM ASSURANCE (GTA) FOR STATE BANK  
EMPLOYEES**

Respected Sir,

With reference to the bidding on the subject matter, we may like to submit that State life Insurance Corporation of Pakistan participated in the bid for Group Term Assurance of SBP & SBP-BSC employees and submitted its Technical & Financial bids.

2. However, it was informed to us through e-mail dated 23.05.2014, that our submitted proposal was not eligible due to nonconforming to the predefined technical evaluation criteria, without citing any reason for said non conformation.

3. We may quote the **PPRA clause-16 (4)**, which entails that the procuring agency shall communicate to those suppliers or contractors who have not been prequalified the reasons for not prequalifying them.

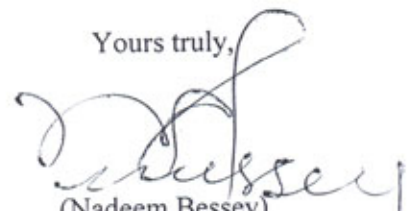
4. From above we understand that State Bank of Pakistan was bound to convey us the justification /reasoning of declaring our proposal as ineligible as per the above referred clause -16 **(4) of PPRA Rules**. However, till writing this communication we have not received any such justification/reasoning.

5. Notwithstanding above, we may submit that in the Technical Bid the State Bank has called three annual reports for the year 2010, 2011 and 2012. We submitted our Annual Reports for the years 2009, 2010 and 2011 for the reason that our Annual Report for the year 2012 though audited and reviewed by the Board Audit Committee State Life, but was yet to be approved by the Board of Directors due non existence of the Board of Directors. Therefore, it was not possible to submit Annual Report of 2012. We apprehend that this might have been the reason of our proposal being nonconforming and resultantly not eligible for further evaluation.

6. It transpires that logical objective of calling Annual Reports, Claims experience and other relevant documents was to assess the financial strength, relevant experience and past performance, capabilities, financial position and appropriate managerial capability of the bidders as envisaged in **clause-15 (2) of the PPRA rules**. It may be pointed that all other required documents were submitted except the Annual report of 2012. In this regard we may submit that the Financial strength of State Life Corporation could be assessed from the all submitted documentary evidences besides its last three years Annual Reports (2009-2011) and its consistent ("AAA") rating by PACRA Rating authority. Both these and collectively all other documentary support sufficiently reflect the satisfactory sound financial strength of State Life (2010-2012).
7. Moreover, the **PPRA clause-32** also favors the easiness and discourages the introduction of any difficult conditions which are considered to be met with difficulty. The condition of submission of approved Annual Report of 2012 did put us in a difficult position which we could not have met in any way.
8. Additionally the **clause- 4** logically mentions that the ultimate objective of this whole procurement exercise is that the respective procurement would bring value for money to the Agency and the procurement process would be efficient and economical. Therefore, we understand that State Life may be qualified for financial bidding for the reason being the leading Life Insurer. Its pricing may turn out to be beneficial to the procuring Agency, thus fulfilling the spirit of the PPRA Rules.
9. We understand that the spirit of the above quoted clauses of PPRA particularly and the whole PPRA Rules generally encourage the facilitation while discouraging the difficult conditions to meet with, therefore, favors our stance.
10. From all above it is evident that due to non existence of the Board of Directors the accounts for the year 2012 have not been approved, therefore, the submission of the same was beyond our control.
11. It is requested that State Life may not be penalized for some something beyond its approach by declaring it as non qualifier for the subject bid process. And that our case may be analyzed judiciously and the Governor State Bank of Pakistan may be advised that considering the technicality of the matter for which State Life is not at fault, State Life may not be disqualified on this basis and its Financial Bid may be considered.

Thanking you,

Yours truly,

  
(Nadeem Bessey)  
General Manager (G&P)

Cc: Transparency International, Pakistan.