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NATIONAL INSURANCE CORPORATION ACT, 1976

1ACT XXIII OF 1976

[19th April, 1976]

An Act to establish a National Insurance Corporation.

WHEREAS it is expedient to establish a National Insurance Corporation and to provide for matters connected therewith or incidental thereto ;

It is hereby enacted as follows :-

1. Short title, extent and commencement.—(1) This Act may be called the National Insurance Corporation Act, 1976.

(2) It extends to the whole of Pakistan, and applies to all public property wherever it may be.

(3) It shall come into force at once.

2. Definitions. In this Act, unless there is anything repugnant in the subject or context,—

(1) "Chairman" means the Chairman of the Corporation ;

(2) "Corporation" means the National Insurance Corporation established under section 3 ;

(3) "Board" means the Board of Directors of the Corporation ;

(4) "company" has the same meaning as in the Companies Act, 1913 (VII of 1913) ;

(5) "Fund" means the National Insurance Fund established by the Government of Pakistan on the first day of July 1973 ;

(6) "public property" means-

(a) any property, movable or immovable, which belongs to, or the safety of which is the legal responsibility of;

(i) the Government or a local authority or statutory corporation ; or

|For Statement of Objects and Reasons, see Gaz., of P., 1976, Ext., Pt. III, p. 201.

(ii) any company, firm, undertaking, institution, organization or other establishment which is managed or controlled by the Government or a local authority or statutory corporation or in which the Government, by itself or jointly with a local authority or statutory corporation or company in which the Government, by itself or jointly with a local authority or corporation or company managed or controlled by it, holds controlling financial share or interest or which is specified by the Federal Government for the purposes of this clause ; and

(b) a project financed out of an external loan, or with external aid until it reaches -

(i) in the case of an industrial project, the stage at which it is capable of commencing normal production ; and

(ii) in the case of any other project, the stage at which it is capable for being put to the use for which it is intended ;

(7) "regulations" means regulations made under section 26;

(8) "rules" means rules made under section 25 ;

(9) "statutory corporation" means a body corporate, other than a company, established or set up by the Government in pursuance of any law ;and

(10) all words and phrases used but not defined in this Act shall have the same meaning as in the Insurance Act, 1938 (IV of 1938).

3. Establishment and incorporation of the Corporation.— (1) As soon as may be after the commencement of this Act, the Federal Government shall, by notification in the official Gazette, establish a corporation for the purposes of this Act.

(2) The Corporation shall be a body corporate to be called the National Insurance Corporation, having perpetual succession and a common seat with power, subject to the provisions of this Act, to acquire and hold property both movable and immovable and shall by the said name sue and be sued.

(3) The Head Office of the Corporation shall be at such place as the Federal Government may, by notification in the official Gazette, specify.

(4) The Corporation may establish such regional and other offices as it thinks fit.

4. Capital. The initial capital of the Corporation shall be provided wholly by the Federal Government which shall determine the amount of such capital and the conditions upon which it is to be provided.

5. Management.— (1) The general direction and administration of the affairs and business of the Corporation shall be vested in a Board of Directors which shall consist of—

(a) a Chairman to be appointed by the Federal Government, who shall also be the chief executive of the Corporation ; and

(b) such number of Directors as the Federal Government may, from time to time, appoint.

(2) In the discharge of any of the functions of the Corporation, the Board shall act, as far as possible, on business considerations consistently with the interests of the Government, the statutory corporations and the other bodies referred to in paragraph (ii) of sub-clause (a) of clause (6) of section 2.

(3) The Chairman shall be responsible for the management of the affairs and business of the Corporation and, in addition, exercise such powers and perform such functions as may be prescribed by regulations or as may be assigned to him by the Board.

(4) The terms of appointment of the Chairman and a Director shall be such as may be determined by the Federal Government from time to time.

(5) The Chairman and a Director shall hold office during the pleasure of the Federal Government.

(6) The Federal Government may, from time to time, give such directions to the Board and the Chairman as it may deem fit.

6. Disqualification. No person shall be, or shall continue to be, the Chairman or a Director if he—

(a) is, or at any time has been, adjudicated an insolvent ;  
(b) is found to be a lunatic or of unsound mind ;

(c) is, or at any time has been, convicted of an offence which in the opinion of the Federal Government is an offence involving moral turpitude ;

(d) not being a government official, is for the time being disqualified from holding any public office or from being a member of an elective body under any law for the time being in force ; or

(e) is a minor.

7. Declaration of fidelity and secrecy. The Chairman and every Director, auditor, officer or

servant of the Corporation shall, before, entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule.

8. Delegation of powers. The Board may, for the purpose of ensuring efficient functioning of the Corporation and facilitating transaction of its daily business, by a resolution, delegate to the Chairman, subject to such conditions, if any, as may be specified therein, such of its powers and duties under this Act as it may deem necessary.

9. Functions of the Corporation. Subject to the provisions of this Act, the Corporation may transact the following kinds of business, namely—

(a) undertaking general insurance business relating to any public property or to any risk or legal liability appertaining to the use of any public property,

including execution of bonds, guarantees and other instruments of indemnity and granting of personal accident insurance to the directors, officers or employees of Government, statutory corporations and other bodies referred to in paragraph (ii) of sub-clause (a) of clause (6) of section 2, but excluding life insurance business ;

(b) undertaking general insurance business relating to any risk or legal liability appertaining to the use of public property, including execution of bonds, guarantees and other instruments of indemnity and granting of personal accident insurance to the directors, officers or employees thereof but excluding life insurance business ;

(c) advising the Government, statutory corporations and other bodies referred to in paragraph (ii) of sub-clause (a) of clause (6) of section 2 on any matter relating to insurance including measures to minimum wastage arising from causes which are usually insured against and to reduce the cost of insurance ;

(d) undertaking such other general insurance business relating to other properties and interests as the Federal Government may from time to time authorise the Corporation to undertake ;

(e) subject to the provisions of section 13, reinsuring or counter-reinsuring any risk and undertaking all kinds of reinsurance and counter-reinsurance connected with any business aforesaid ;

(f) conducting or managing the business relating to any Scheme or undertaking any functions connected with general insurance business which the Federal Government may entrust to the Corporation from time to time;

(g) borrowing or raising any money in such manner and upon such security as the Corporation may think fit ; and

(h) generally all matters and things incidental or subsidiary to, or consequential upon, the exercise of its powers or the performance of its functions under this Act.

10. Public property to be insured with the Corporation only.— (1) All insurance business relating to any public property or to any risk or liability appertaining to any public property, shall be placed with the Corporation and with no other insurer:

Provided that the marine insurance relating to goods the import of which is financed out of an external loan, or with external aid, may, at the option of the importer, be placed with any insurer authorised to do marine insurance business in the country giving the loan or aid.

(2) Any policy of insurance taken or issued in contravention of sub-section (1) shall be void :

Provided that any claim for loss, damage, compensation or refund of premium arising out of, or relating to, such policy shall binding on the insurer:

Provided further that any such policy operative immediately before the establishment of the Corporation, or a policy relating to any property, or to any risk or liability appertaining to any property, taken before such property becomes public property, shall, unless earlier determined in accordance with the terms thereof, continue in force for the term for which it had been originally issued.

11. Insurance of other properties permissible. Nothing in section 10 shall be construed as precluding the Corporation from accepting reinsurance relating to any property or risk from the Pakistan Insurance Corporation under any of the pooling arrangements devised by that Corporation.

12. Taking over assets and liabilities of the Fund. The business, assets and liabilities, including bank accounts, deposits, securities and rights, of the Fund operating immediately before the establishment of the Corporation shall, on such establishment stand transferred to and vest in the Corporation.

13. Reinsurance business. The Corporation shall reinsure with the Pakistan Insurance Corporation, on generally acceptable terms and conditions, such portion of its insurance business as it cannot retain on its own account.

14. Disputes arising under policies, etc.— (1) Where any dispute arises under a policy, or over a claim under a policy, issued by the Corporation, any party to the dispute may make an application to the Federal Government.

(2) The Federal Government shall, as soon as possible, constitute for the purpose of deciding disputes referred to in sub-section (1), or any particular dispute, a Dispute Settlement Committee consisting of such members, including a Chairman, as it may think fit.

(3) The decision of a Dispute Settlement Committee on an application shall be final and shall not be called in question in any court.

15. Transfer of service of existing employees.— (1) Every whole time employee of the Pakistan Insurance Corporation who was mainly engaged on the business of the Fund and who had continuously served in connection with the business of the Fund for a period of not less than six months immediately before the establishment of the Corporation under sub-section (1) of section 3 shall on such establishment, become an employee of the Corporation and shall hold office therein on the same terms and conditions including remuneration, tenure of office, rights, perquisites, privileges and obligations as to Gratuity, Provident Fund, Group Insurance and other matters, as were applicable to him immediately before such establishment:

Provided that the Federal Government shall be the sole judge as to whether any person employed in the Pakistan Insurance Corporation was or was not mainly engaged on the business of the Fund.

(2) The Pakistan Insurance Corporation shall pay to the Corporation, as soon as possible, the amount of Provident Fund, Gratuity Fund and other funds, credits or assets relating to the employees referred to in sub-section (1).

16. Investments of moneys. The Corporation may invest its moneys in such manner as the Board may deem fit.

17. Bank account. The Corporation may open current or deposit accounts in such banks as may be approved by the Board from time to time, subject to any general or special instructions of the Federal Government.

18. Accounts. The accounts relating to the transactions connected with the business of the Corporation shall be maintained, and the annual Revenue Account, Profit and Loss Account, Profit and Loss Appropriation Account and Balance sheet shall be prepared, by the Corporation in the forms set forth in the Schedules to the Insurance Act, 1938 (1V of 1938).

19. Disposal of profits. If, after meeting all claims and expenses, and after making appropriations and providing for the Premium Reserve, Reserve for Outstanding Claims, Exceptional Loss Reserve, General and Contingency Reserves and such other reserves as may be approved by the Federal Government, there remains a surplus in the profit and loss account of the Corporation for any year, such surplus shall be credited to the revenues of the Federation.

20. Audit.— (1) The accounts of the Corporation shall be audited by not less than two auditors, being chartered accountants within the meaning of the Chartered Accountants Ordinance, 1961 (X\_of 1961), who shall be appointed by the Federal Government on such remuneration as may be determined by it.

(2) Notwithstanding anything contained in sub-section (1), the Auditor-General of Pakistan may at any time of his own motion, and shall when required by the Federal Government so to do, undertake such audit of the accounts of the Corporation as the Auditor-General or, as the case may be, the Federal Government, may consider necessary.

(3) Every auditor in the performance of his duties shall have at all reasonable times access to the books of accounts and other documents of the Corporation.

(4) The auditors shall, in the audit of accounts, have the powers of, exercise the functions vested in, and discharge the duties, and the subject to the liabilities and penalties, imposed on, auditors of companies under the law for the time being in force relating to companies.

21. Returns. The Corporation shall furnish to the Federal Government—

(a) annually a report giving an account of its activities and performance during the year, an account of the activities and plans, if any, which are likely to be undertaken by the Corporation during the year next following the year to which the report relates together with statements of revenue and profit and loss accounts as audited, and the audited balance-sheet, for the year, within six months after the close of the year ; and

(b) such other reports, statements and returns in respect of the working of the Corporation, at such intervals, as the Federal Government may, from time to time require.

22. Liquidation of the Corporation. The Corporation shall not be wound up save by order of the Federal Government and in such manner as it may direct.

23. Advisory Committee. The Corporation may appoint an Advisory Committee consisting of the representatives of the departments of Government and the statutory corporations to advise it on any of the aspects of its working.

24. Application of Insurance Act, 1938 (IV of 1938). Such provisions of the Insurance Act, 1938 (IV of 1938), shall apply to the Corporation as may be specified by the Federal Government by notification in the official Gazette, and while issuing such a notification the Federal Government may direct that any such provision shall, in its application to the Corporation, have effect subject to such exceptions and modifications as may be specified in the notification.

25. Powers to make rules. The Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Act.

26. Power to make regulations. The Board may, with the approval of the Federal Government, make regulations not inconsistent with this Act or the rules to provide for all matters for which provision is necessary or expedient for the purpose of giving effect to the provisions of this Act.

27. Removal of difficulties. If any difficulty arises in giving effect to any of the provisions of this Act, the Federal Government may make such order, not inconsistent with the provisions of this Act, as may appear to it to be necessary for the purpose of removing the difficulty:

Provided that no such power shall be exercised after the expiry of one year from the commencement of this Act.

28. [Repeal.] Omitted by the Federal Laws (Revision and Declaration) Ordinance, 1981 (XXVII of 1981), s. 3 and Sch., IT.

#### THE SCHEDEULE (See section 7)

I hereby declare that I will faithfully, truly and to the best of my judgement, skill and ability, execute and perform the duties required of me as the Chairman, or a Director, Officer, servant or auditor (as the case may be) of the National Insurance Corporation and which properly relate to any office or position in the said Corporation held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Corporation nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the Corporation and relating to the business of the Corporation.

Signed before me

Signature...

Signature..... 0s

Designation. ....cc cece

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