

100TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	Thursday, 3rd May, 1990	10.00 A.M.

In pursuance of Notice dated 16th April, 1990, the 100th Meeting of the Board of Directors was held on 3rd May, 1990 at 10.00 A.M. in the Board Room, at Principal Office, Karachi.

The following Directors attended the Meeting.

- |                                   |                      |
|-----------------------------------|----------------------|
| 1. Mr. Iqbal M. Qureshi,          | Chairman - Presiding |
| 2. Malik Mohammad Aslam, MNA,     | Director             |
| 3. Haji Mohammad Ishaque, MNA,    | Director             |
| 4. Mian Tariq Mahmud,             | Director             |
| 5. Chaudhry Sikandar Hayat Malhi, | Director             |
| 6. Mr. Manzoorulhaq Effendi,      | Director             |
| 7. Mr. S.Z.H. Jafri,              | Director             |
| 8. Mr. Mubarik Ahmed Malik,       | Sirector-            |

Shahzada Aman-i-Room, MNA and Malik Asad Sikandar, MNA, Directors were granted leave of absence.

Mr. Zamir-Uddin Hussain, Secretary Board was also present.

After the recitation from Holy Quran by Mr. Zamir-Uddin Hussain, the Chairman, Mr. Iqbal M. Qureshi read out his letter of condolence that he had sent to Malik Asad Sikandar, MNA, expressing his own sentiments and that of the Board of Directors of State Life on the sad and sudden demise of his sister.

The Chairman paid tributes to the services rendered by Mr. Marghub Ahmad, ex-Executive Director(Finance & Administration), both in his capacity as a member of the Board of Directors of State Life, and as an Executive Director, and requested the Board to put this on record which was unanimously agreed to.

The Chairman also expressed deep sense of appreciation for the role played by Dr. A.H. Khan in his capacity as the representative of the Ministry of Commerce and ex-officio member of the Board. The Board paid glowing tributes to Dr. A.H. Khan for his keen perception, intense interest and valuable contribution to the process of decision making in the Board by virtue of his knowledge, experience and his intellectual acumen. The Board was informed by the Chairman that Dr. A.H. Khan has been promoted.

Thereafter, the following matters, as per Agenda, were taken up:

ITEM NO. 1: CONFIRMATION OF THE MINUTES OF 99TH MEETING OF THE BOARD OF DIRECTORS HELD ON 3RD MARCH, 1990.

The Minutes of 99th Meeting of the Board of Directors held on 3rd March, 1990 were confirmed.

ITEM NO. 2: EXECUTIVE DIRECTOR(REAL ESTATE)'S MEMORANDUM NO.21/90 DATED 3.4.90 REGARDING REAL ESTATE (REPORT SUBMITTED BY 'INVESTMENT & ESTATE COMMITTEE') REGARDING SALE AND PURCHASE OF PROPERTIES.

The Board considered the above Memorandum put up by Executive Director(RE), containing different matters and decided as under:

Serial No. 1: Bungalow No.24-D/1, Gulberg-III, vacated by Chaudhry Safdar Ali.

and Serial No. 3:

The general consensus was that the State Life should hold back the selling of this property and examine the feasibility of setting up a 'Training Academy' there. The Board was informed that there are 3(three)

CHAIRMAN'S  
INITIALS



## 100TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

ON

TIME

KARACHI

Thursday, 3rd May, 1990

10.00 A.M.

'training centres' in the vicinity of State Life bungalow run by three Bankers of repute, namely, United Bank Ltd., Habib Bank Ltd., and National Bank Ltd.

The Board observed that once a decision to set up the Training Academy is taken then more rooms could be constructed if the need be. Mr. Mubarik Ahmed Malik, however, observed that Bungalow on plot No.24-D/1 measuring more than 8 canals being near the commercial area can fetch a good price. As an alternative, he suggested that Bungalow No.66-C/1, (Serial No.3) Gulberg, Lahore is eminently suitable for setting up a 'Training Academy' and that the accommodation and the number of rooms are enough to start the 'Academy'. The Board deferred the decision.

Serial Nos. 2, 4, 5 and 6 of the Memorandum No.21/90.

The Board agreed with the recommendations of the 'Investment & Estate Committee' on the above items.

Serial No. 7: Sale of State Life Building No.3 on plot bearing No.SE-10-R/59-1, Boharwala Chowk,  
L a h o r e.

The Board was informed that no head-way has been possible because no meeting was arranged with the tenant - Homeopath Doctor. The Board directed that no further time be lost in establishing contact with the tenant so that decision could be taken either to sell the property or to go to the court for the eviction of the tenant on the ground that we require the premises for our own use.

Serial No. 8: Purchase of plot in Rawalpindi Cantt.

The Board agreed with the recommendations of the Investment & Estate Committee that the purchase price of the plot is too high and hence State Life should not buy this property.

Serial No. 9: Purchase of Building at Gujranwala.

The Board agreed with the observations of the Investment & Estate Committee that "negotiations with the owner can only be entered into after we get the Trustees' deed and Trust resolution to sell, and are sure that we will get a litigation free title.

Serial No.10: Purchase of plot at Quetta Cantonment.

The Board agreed with the observation of the Investment & Estate Committee that once the name of State Life appears as the prospective buyer the price of the property generally shoots up. However, the Investment & Estate Committee has directed the Zonal Accountant, Quetta Zone to prepare a financial viability of the offer if State Life were to construct a multi-storied building on the plot. It was noted by the Board that the lease of the plot is commercial and that the plot for the hotel-cum-shopping centre has been approved by the competent authority. The Zonal Accountant has been further directed to obtain the rules for multi-storied buildings in Quetta, and to find out the position of power and water supply and sewerage, should State Life decide to purchase this property for constructing a multi-storied building.

CHAIRMAN'S  
INITIALS

100TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	Thursday, 3rd May, 1990.	10.00 A.M.

Serial No.11: Purchase of plot on Saryab Road, Quetta.

The Board agreed with the recommendations of the Investment & Estate Committee i.e. not to buy this property.

The Board directed the Investment and Estate Committee to do forward planning with regard to investment in real estate and other fields of investment keeping in view the requirements of the Insurance Act.

The Board further decided that in accordance with the earlier decision of the Board taken in 99th Board Meeting, the Investment in real estate be related to the premium income of the respective Zones and where the Investment in real estate is below the required level, necessary steps be taken to bring it to the desired level.

ITEM NO. 3: EXECUTIVE DIRECTOR(RE)'S MEMORANDUM NO.22/90 DATED 22.4.90 REGARDING 'COMPROMISE AGREEMENT WITH M/S VICTORIA FURNISHERS, STATE LIFE BUILDING NO.5-A, (ILACO HOUSE), KARACHI.'

The Board reviewed the earlier decision and decided not to approve the fresh proposal put up by Executive Director(RE) contained in his above Memorandum No.22/90 dated 22nd April, 1990. The decision taken in the Board Meeting on 3rd March, 1990 would stay.

ITEM NO. 4: EXECUTIVE DIRECTOR(RE)'S MEMORANDUM NO.23/90 DATED 18.4.90 REGARDING 'RENTING OUT OF SPACE OF 15000 SFT, IN STATE LIFE BUILDING NO.11, KARACHI FOR REGIONAL OFFICE OF OMBUDSMAN SECRETARIAT'.

The Board discussed the above Memorandum and decided that the Ombudsman's Office be advised that at present no space is available for renting out to them in State Life Building Nos. 3 and 9, as requested by the Ombudsman's Office.

ITEM NO. 5: EXECUTIVE DIRECTOR(PHS)'S MEMORANDUM NO. 24/90 DATED 22.4.90 REGARDING 'YIELD TO THE POLICYHOLDERS OF STATE LIFE.'

The report of Deputy General Manager, Actuarial Division, on the above subject was placed before the Board. Mian Tariq Mahmud also circulated a paper on the subject in the Board Meeting which were his comments on the report.

The Board decided to discuss the above Memorandum in the next Board Meeting together with the comments by Mian Tariq Mahmud and which appear at Annexure 'A'.

ITEM NO. 6: EXECUTIVE DIRECTOR(RE)'S MEMORANDUM NO.25/90 DATED 22.4.90 REGARDING 'PROPOSAL FOR PURCHASE OF REAL ESTATE AT QUETTA'.

The Board decided that the above proposal be referred to the Investment & Estate Committee. As a guideline to the Committee the Board agreed that the value of property be taken to be approximately equal to its 10 years' rental income.

The Board further decided that all matters falling within the purview of the Committees formed by the Ministry of Commerce, be first referred to the respective Committee before putting up to the Board.

ITEM NO. 7: EXECUTIVE DIRECTOR(RE)'S MEMORANDUM NO.26/90 DATED 22.4.90 REGARDING 'REAL ESTATE AND PREMIUM INCOME - ZONE-WISE POSITION'.

The Board considered the above Memorandum and recorded its appreciation for the report prepared by Executive Director(RE). Zone-wise statement of premium income for the last three years and Real Estate held was circulated by Mian Tariq Mahmud in the Meeting. The Board noted that all the Zonal Heads have been directed to look for plots and real estate for the purposes of investment, and to send viable proposals for the evaluation of

CHAIRMAN'S INITIALS

## 100TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	Thursday, 3rd May, 1990.	10.00 A.M.
<p>the Investment &amp; Estate Committee which will then be considered by the Board in the light of the statement prepared by Mian Tariq Mahmud, attached as Annexure 'B'.</p>		
<p>ITEM NO. 8: EXECUTIVE DIRECTOR(PHS)'S MEMORANDUM NO.27/90 DATED 24.4.90 REGARDING 'COMPARATIVE PREMIUM RATES'.</p>		
<p>The Board considered the above Memorandum put up by Executive Director(PHS). It contained comparative statement of participating premium rates only as over 99% of State Life New Business was participating. Mian Tariq Mahmud circulated a paper during the Meeting wherein it was justified why only non-participating rates are true for comparison. The Board decided that comparative study of the rates of Without Profit Policies also be done. In participating plan the bonus rates (if available) be taken into account to complete the exercise, as directed by the Board, in its 99th Meeting. The Board also directed Executive Director(PHS) to take into account the comments by Mian Tariq Mahmud annexed as 'C', while presenting the study of comparative premium rates.</p>		
<p>ITEM NO. 9: PROGRESS REPORT FOR THE PERIOD FROM JANUARY - MARCH, 1990 GENERAL MANAGER(G&amp;P)'S MEMORANDUM NO. 28/90.</p>		
<p>To elaborate the above Memorandum, the Board invited the General Manager(G&amp;P) to present the Memorandum No.28/90. The Board expressed its concern over the number of new Policies sold during the first quarter of 1990 as compared to 1989. The Board exhorted the General Manager(G&amp;P) to pay immediate attention towards this area while making all out efforts for the growth of the Group portfolio in Pakistan.</p>		
<p>The Board directed Executive Director(S&amp;D) to instruct all the Zonal Heads to take active interest in the promotion and progress of Group portfolio in their respective Zones.</p>		
<p>ITEM NO.10: GENERAL MANAGER(G&amp;P)'S MEMORANDUM NO.29/90 REGARDING 'UNION COUNCIL GROUP INSURANCE SCHEME'.</p>		
<p>The Board decided to defer the consideration of the above Memorandum.</p>		
<p>ITEM NO.11: GENERAL MANAGER(G&amp;P)'S MEMORANDUM NO.30/90 REGARDING 'MANPOWER REQUIREMENTS OF G&amp;P DIVISION'.</p>		
<p>The Board decided to defer the consideration of the above Memorandum till it is examined by Executive Director(F&amp;A) for its financial and administrative implications.</p>		
<p>ITEM NO.12: IMPLEMENTATION REPORT ON THE DECISIONS TAKEN IN THE 98TH AND 99TH MEETINGS OF THE BOARD OF DIRECTORS.</p>		
<p><u>98th Meeting.</u></p>		
<p><u>ANY OTHER MATTER WITH THE PERMISSION OF THE CHAIR.</u></p>		
<p><u>Cars in Zones.</u></p>		
<p>The Board of Directors decided that till such time the approval of the Ministry is received, car/s may be hired on need basis up to 30th June, 1990, for the development of business and protocol duties.</p>		
CHAIRMAN'S INITIALS		

## 100TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	Thursday, 3rd May, 1990.	10.00 A.M.

ITEM NO.13: EXECUTIVE DIRECTOR(F&A)'S MEMORANDUM NO.31/90 DATED 30.4.90 REGARDING CAR LOAN FACILITY FOR EXECUTIVES AND AREA MANAGERS.

The Board considered the above Memorandum and agreed to increase the Car Loan Budget to Rs.30 million to be divided equally amongst the executives and Area Managers.

ITEM NO.14: EXECUTIVE DIRECTOR(F&A)'S MEMORANDUM NO.32/90 DATED 2.5.90 REGARDING POST-FACTO APPROVAL OF THE BOARD OF DIRECTORS FOR CREATION OF ADDITIONAL POSTS ALREADY APPROVED BY THE WORTHY MINISTER FOR COMMERCE.

The Board considered the above Memorandum put up by Executive Director(F&A) and decided to grant post-facto approval to the number of posts asked for as a result of the upgradation of Sukkur Sector as a full fledged Zone and Larkana Area Office as Sub-Zone. The summary of the additional staff approved for Sukkur and Larkana Zone/Sub-Zone is given below:

	ADDITIONAL POSTS APPROVED		TOTAL APPROVED
	SUKKUR	LARKANA	
Officers ..	14	5	19
Junior Office Assistants/ Typists. ..	11	9	20
Grade 1 to 3 ..	10	6	16
TOTAL	35	20	55

The Board recorded that the above approval for the additional posts has been accorded by the worthy Minister in the public interest.

The Board further decided that a detailed study be conducted for ascertaining the present day requirements of the staff in various categories in the Principal Office and in the Zones. During the interim period, the Board accorded the approval of under mentioned additional 250 posts in Principal Office and in the Zones already approved by the worthy Minister for Commerce in the public interest. The details are as given below:-

	<u>PO</u>	<u>KZ</u>	<u>HZ</u>	<u>QZ</u>	<u>MZ</u>	<u>FZ</u>	<u>LZ</u>	<u>GZ</u>	<u>RZ</u>	<u>PZ</u>	<u>TOTAL</u>
Executive Officers	2	2	2	2	2	2	2	2	2	2	20
Cpmputer Programmer (Officers Grade)	1	1	1	1	1	1	1	1	1	1	10
Junior Office Assistant.	12	9	3	1	2	3	2	17	27	15	91
Typists	5	5	2	1	1	3	1	8	13	9	48
Naib Qasids	5	4	3	1	1	2	1	8	8	4	37
Security Guards	10	-	-	-	1	2	5	-	3	-	21
<u>Technical Staff</u>											
Supervisor(Civil)	1	-	-	-	-	-	1	-	1	-	3
Superintendent (Electrical)	1	-	-	-	-	-	1	-	-	-	2
Lift Mechanic, Electrician, Plumber. ..	3	-	-	-	-	-	2	-	2	-	7
Liftman.. ..	6	-	-	-	-	-	2	-	3	-	11
TOTAL	46	21	11	6	8	13	18	36	60	31	250

CHAIRMAN'S INITIALS



## 100TH MEETING OF THE BOARD OF DIRECTORS.

HELD AT

ON

TIME

KARACHI

Thursday, 3rd May, 1990

10.00 A.M.

ITEM NO.15: EXECUTIVE DIRECTOR(F&A)'S MEMORANDUM NO.33/90 DATED 2.5.90 REGARDING PROMOTION OF MR. EHSANUL HAQUE, MANAGER, REAL ESTATE DIVISION.

The Board in its capacity as a Selection Board had already approved the promotion of Mr. Ehsanul Haque, Manager (Real Estate Division) as Assistant General Manager on 28th December, 1989. The Ministry was advised accordingly for obtaining approval of the Minister for the same. It has been returned with the remarks that "The case may be put up when there is a vacancy". The Board decided that since no vacancy exists in the Real Estate Division, Mr. Ehsanul Haque be appointed as Assistant General Manager in one of the vacancies available with other Divisions. His services will continue to be placed with the Pakistan Insurance Corporation as at present. The effective date of his appointment will be 28th June, 1989.

ITEM NO.16: GENERAL MANAGER(G&P)'S MEMORANDUM NO.34/90 DATED 18.2.90 REGARDING CAR RENTAL & PETROL FACILITY FOR DEPUTY MANAGERS OF G&P DIVISION ENGAGED ON DEVELOPMENT.

The Board decided to defer the above Memorandum put up by General Manager(G&P).

ITEM NO.17: BUSINESS PROGRESS REPORT - IST QUARTER ENDING 31ST MARCH, 1990 SUBMITTED BY EXECUTIVE DIRECTOR(S&D).

The Board noted the contents of the above Memorandum put up by Executive Director(S&D) and observed that there was noticeable decrease in new premium during the first quarter. The reasons of depressed business during the first quarter of 1990 over 1989 were spelled out in detail by the Executive Director(S&D). They are enumerated below:

- 1) Imposition of 1% Federal Insurance Fee. This has been an issue of constant protest from old as well as new policyholders. In an earlier meeting the negative impact of the levy was mentioned and fear expressed that it may cause a shortfall in business to the tune of 10%.
- 2) Withdrawl of National Accident Insurance Scheme. This was a good source of new business for State Life. Its withdrawl from State Life has adversely affected our new business substantially.
- 3) The proposal to do away with one tier of employers of agents right at the time when State Life does its maximum business also badly affected the business.
- 4) Earlier, Income tax @ 2% was being deducted at source from commission earnings of field personnel. It has now been increased by 5 times to 10% in the last budget. Even at 2% most of the field workers used to claim refund. The increase has demoralised the field workers and they are now reluctant to put in new business from which 10% income tax would be deducted.
- 5) The law and order situation remained somewhat disturbed particularly in Karachi and Hyderabad Zones and this also contributed to the decline in busienss.

The Directors who are also MNAs, were requested to have the views of State Life made known to the policy making machinery of the Government so that the genuine difficulties of the Corporation in the day-to-day working may be reduced.

## 100TH MEETING OF THE BOARD OF DIRECTORS

ECTORS	HELD AT	ON	TIME
TE BOOK	KARACHI	Thursday, 3rd May, 1990.	10.00 A.M.

ITEM NO.18: EXECUTIVE DIRECTOR(S&D)'S MEMORANDUM NO.35/90 DATED 2.5.90  
REGARDING PROMOTION OF AREA MANAGER TO MANAGER(DEVELOPMENT).

The Board decided that the above Memorandum is within the purview of Management Committee appointed by the Minister for Commerce and hence referred it to the Committee for framing its recommendations for the consideration of the Board.

ANY OTHER MATTER WITH THE PERMISSION OF THE CHAIR.

- I. APPOINTMENT OF MR. MANZOORULHAQ EFFENDI, EXECUTIVE DIRECTOR(FINANCE) AS A MEMBER OF THE EXECUTIVE COMMITTEE.

The Board considered the above Memorandum put up by the Chairman, Mr. Iqbal M. Qureshi, and passed the following Resolution:

RESOLUTION

"The Board of Directors, State Life Insurance Corporation of Pakistan under Regulation 5(1) of the State Life Insurance Corporation (General) Regulations, 1972; hereby resolves that Mr. Manzoorulhaq Effendi, Executive Director(Finance) is hereby and with immediate effect appointed a member of the Executive Committee vice Mr. Marghub Ahmad."

- II. IMMAGE OF STATE LIFE.

To build up and boost the image of State Life, the Board directed Sales Promotion Committee to prepare a plan with the main objective of improving the image of State Life by holding sports events, series of seminars, programmes of short courses on Management at different centres, and lectures by opinion makers from different walks of life, including publication of these lectures. Other than this, the Sales Promotion Committee was asked by the Board to recommend any other programme or activity or identify measures conducive to bolstering the status and prestige of State Life as a public service organisation.

- III. SALES PROMOTION COMMITTEE.

Mian Tariq Mahmud in his capacity as a member of the Sales Promotion Committee placed before the Board his letter titled "Current Standing of the Sales Promotion (S&D) Committee Within the frame work of State Life Insurance Corporation" which he circulated to the members of the S&P Committee. The copy of the letter is attached as Annex 'D'. The Board requested the Sales Promotion Committee that detailed report on the lines mentioned in the previous Board Meeting be expedited.

There being no other matter for consideration, the Meeting ended with a vote of thanks to the Chair.

*Iqbal M. Qureshi*

CHAIRMAN

CHAIRMAN'S  
INITIALS



## 100TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

ON

TIME

KARACHI

Thursday, 3rd May, 1990

10.00 A.M.

ANNEXURE 'A'  
Item No. 5.

COMMENTS BY MIAN TARIQ MAHMUD 29.4.90

ON

Report: YIELD TO THE POLICYHOLDERS OF STATE LIFE

- 4.(a) - It is true that Life Insurance is different from the normal forms of investment. However, people wish to use Life Insurance as a form of investment and this is clearly indicated in State Life's own experience. According to the results of the 1988 valuation

	<u>Number of Policies</u>	<u>As a Percentage of Total</u>
With Profits	844,552	89.9%
Without Profits	95,349	10.1%
Total	939,901	

Further, Page 1 of the Report shows that 89.5% of the new policies as of 31.12.1988 were endowments which are designed basically for investment minded policyholders.

Thus, the consumers are looking to State Life for a combination of Life cover plus investment opportunity. If Life Insurance is to expand in a substantial manner in the future it must be able to compete with the other modes of investment as far as possible. This will only be possible if the yield on SLIC premiums is in the range of the yields provided by other investment vehicles.

- 4.(b) - Keeping administrative expenses of the company including commissions at reasonable levels is the responsibility of the company. Furthermore, expenses are recoverable throughout the lifetime of the policy and hence do not constitute a large part of the premium income of a portfolio of policies. Yields should be based upon the gross premium as they should reflect not only the investment performance of the company but also on its managerial skills.
- 4.(c) - Yields on policies resulting in early claims is not a relevant factor as the expected deaths have been incorporated in the premium rates. The early deaths will lower the overall long-term yields, but since the proportion of policies that result in deaths is small the effect will also be small.

Yields based on gross premiums and for policies reaching maturity is the correct method of comparing Life Insurance with other savings schemes.

Appendix 2 shows the correct figures to be considered which give the yield to be mostly in the range 4% to 6%. This rate of return does not compare well with the present available rates in the investment market for the small investor. The rate of return must be improved in the future by either

- a) decreasing the premium rates; or
- b) increasing the bonus returns on policies; or
- c) a combination of both.

It should be mentioned here that the 1988 valuation report showed the rate of return on the overall Life Fund to be about 13.5%. Thus



100TH MEETING OF THE BOARD OF DIRECTORS.

MEMBERS	Held at	ON	TIME
AGENDA BOOK	KARACHI	Thursday, 3rd May, 1990	10.00 A.M.

State Life has the capacity of giving a better rate of return to the policyholders. If this is introduced in a proper manner the consequent growth in business can be considerable.

**ANNEXURE 'B'**  
Item No. 7

**ZONE-WISE STATEMENT OF PREMIUM INCOME FOR THE LAST THREE(3) YEARS AND REAL ESTATE HELD BY RESPECTIVE ZONES AS PREPARED BY MIAN TARIQ MAHMUD.**

Total REI as % of Total Income: 10.5%.

Description	2		3		4		5		6		7		8		9	
	Insurance Income 1987	Insurance Income 1988	Insurance Income 1989	Total Insurance Income (2+3+4)	Share in Over-all Income	Share in Over-all Investment	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate	Investment in Real Estate
1. Karachi Zone	472.168	518.339	602.373	1,592.880	26.3%	26.3%	359.92	359.92	56.7%	56.7%	56.7%	56.7%	56.7%	56.7%	56.7%	56.7%
2. Lahore Zone	347.167	433.496	530.867	1,311.530	21.6%	21.6%	56.13	56.13	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%	8.8%
3. Rawalpindi Zone	236.988	298.491	356.424	891.903	14.7%	14.7%	102.92	102.92	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%	16.2%
4. Multan Zone	133.016	185.676	257.495	576.187	9.5%	9.5%	7.49	7.49	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
5. Faisalabad Zone	132.865	192.161	255.167	580.193	9.6%	9.6%	10.74	10.74	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
6. Gujranwala Zone	84.863	127.649	188.852	401.364	6.6%	6.6%	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7. Hyderabad Zone	107.757	129.784	135.421	372.962	6.2%	6.2%	12.45	12.45	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
8. Peshawar Zone	72.344	101.147	134.297	307.788	5.1%	5.1%	83.62	83.62	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%	13.2%
9. Quetta Zone	3.556	8.298	15.351	27.205	0.4%	0.4%	0.00	0.00	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sukkur	-	-	-	-	0.0%	0.0%	1.31	1.31	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
10. TOTAL	1,590.724	1,995.041	2,476.247	6,062.012	100.0%	100.0%	634.54	634.54	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%	10.5%

ANNEXURE 'B'  
Item No. 7.

CHAIRMAN'S INITIALS



## 100TH MEETING OF THE BOARD OF DIRECTORS.

HELD AT

ON

TIME

KARACHI

Thursday, 3rd May, 1990.

10.00 A.M.

ANNEXURE 'C'

Item No. 8.

April 29, 1990.

Sub: COMPARATIVE PREMIUM RATES.

The premium of a typical Life Insurance Policy incorporates the following 4 major assumptions:-

- i) Mortality assumption estimates the anticipated cost of paying the sum assured at death or maturity.
- ii) Expense provision estimates all kinds of direct and indirect expenses of the Insurance Company allocable to a particular product.
- iii) Interest rate assumption estimates the yield that the assets accumulated from the excess of premiums over expenses will earn to meet future mortality, maturity and expense costs.
- iv) For with profit policies an amount is added to the premium rate for increasing the sum assured of the policy at the time of claim payment.

Assumptions (i) to (iii) are incorporated in each premium rate calculated by an insurance company and represent the expected income that the company estimates is required to pay the death claims, maturity claims and expenses assuming the Fund earns the assumed rate of interest.

Assumption (iv) increases the premium rate according to the bonus policies of the company and hence is an arbitrary factor.

Comparing with profit policy rates lead to complications as the bonus structure of each company is totally different and a proper matching between benefits, which will vary from company to company, and costs is not produced by the comparison.

Therefore, in comparing premium rates of different companies the rates for without profit products must be used. This method of comparison gives the correct picture in terms of benefits offered, these are the same for each company under this approach, and premiums charged.

'ANY OTHER MATTER' - 'III'.ANNEXURE 'D'

Subject: Current Standing of the Sales & Promotion (S&D) Committee  
Within the framework of State Life Insurance Corporation.

Before beginning the discussion it is appropriate to point out that this Committee has been referred to as the Sales Promotion Committee, Sales & Development Committee and Sales & Promotion (S&D) Committee in the various documents upon which this discussion is based. For the remainder of the discussion the title Sales & Promotion (S&D) Committee will be used at all times.

## REVIEW

1. The Sales & Promotion (S&D) Committee was one of the three constituted in accordance with the directive from the Ministry of Commerce. The underlining obligation of these Committees was stated as formulation and implementation of plans of action which would improve the working, efficiency and overall performance of State Life Insurance Corporation. The Committees were also directed to monitor the effective implementation of policies and functions initiated by the Corporation in carrying out its duties in accordance with the policy of the Government.

## 100TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	Thursday, 3rd May, 1990	10.00 A.M.

The various departments of SLIC were directed to coordinate with their respective Committee so that the Corporation could be run in a harmonious manner.

While each member of the Committees was entrusted with the task of assisting the Executive Director of each Committee and departments of SLIC, falling within their purview, in fulfilling their duties within the Corporation it is the overriding responsibility of the Executive Director to coordinate the whole process.

2. In the 98th meeting of the Board of Directors held on December 28, 1989 the Sales & Promotion (S&D) Committee was given specific areas of responsibility.

The slow growth of business and the small segment of population presently insured by SLIC was a major concern to the Board and in this regards it directed Sales & Promotion (S&D) Committee to research :

- a. business potential;
- b. ways and means of covering larger segments of the population.

To help achieve these tasks the Board authorized the Sales & Promotion (S&D) Committee to hire outside agency for research work, if necessary, and earmarked a sum of Rs.2 lac for this purpose.

After the necessary research study the Sales & Promotion (S&D) Committee is to give its proposal for achieving the said targets, and all such proposals should specifically provide estimates :

- a. for the projected business growth;
- b. on the expected increase in expenses required to support future business growth;
- c. on the future requirements of advertising necessary for increasing the business.

The Board requested recommendations regarding its efforts in enlarging the scope of Group Insurance from the Sales & Promotion (S&D) Committee.

3. In its 99th meeting the Board of Directors held on March 3, 1990 gave further responsibilities to the Sales & Promotion (S&D) Committee and some individual responsibilities to certain members of this Committee.

The Sales & Promotion (S&D) Committee was directed to incorporate the findings of the two-man Committee, comprising Haji Mohammad Ishaque, MNA, Director and Mr. Nauman Cheema, Actuary, constituted regarding the U.K. market into its report on future business directions in Pakistan which was called for in the 98th meeting.

It was further brought upon the Sales & Promotion (S&D) Committee to incorporate the findings of the report "Need of Actuary" into its proposals for the uplift of SLIC business.

Haji Mohammad Ishaque was given the additional task of preparing recommendations necessary for improving the production and persistency of business originating from the Middle East.

Mr. Mubarik Ahmed Malik, Executive Director (S&D) in collaboration with the Sales & Promotion (S&D) Committee was requested to submit proposals for reducing the acquisition costs of new business.

CHAIRMAN'S  
INITIALS



## 100TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	Thursday, 3rd May, 1990.	10.00 A.M.

## SCOPE OF THE SALES &amp; PROMOTION (S&amp;D) COMMITTEE

It is my opinion that based upon above directives and guidelines of the Ministry and the Board of Directors our first task should be to set out the scope of this Committee. I feel that the scope of the Sales & Promotion (S&D) Committee can be divided into two distinct sections as follows :

1. Constitutional Scope

- a. To devise, implement and monitor various policies for the betterment of SLIC business in accordance with its founding spirit and the policies of the Government.
- b. To advise the various departments falling within its allotted field for improving the overall performance of SLIC.

2. Current Scope

- a. Examine fresh avenues of business and to put forward proposals for economically and socially viable policies.
- b. Introduce programmes which will result in greater business growth and larger coverage of the population. All proposals within these programmes should indicate :
  - i. the expected increase in expenses due to the projected business growth;
  - ii. the expected increase in advertising or changes in its mode required for implementing these programmes;
  - iii. increased staffing, especially with respect to actuarial department, required to produce and sustain the expected growth.

Identify, initiate and monitor various studies necessary for producing the above programmes.

- c. Prepare a set of recommendations for the assistance of the Board of Directors in their efforts in enlarging the Group Insurance business.
- d. Put forward strategies for betterment of U.K. and Middle East business incorporating the findings of the U.K. and Middle East study.
- e. Make recommendations on ways and means of reducing future acquisition expenses.

After the scope of the Committee has been established I suggest that a plan of action along the lines given below be adopted to achieve the aims set before this Committee.

1. Because much of the work involved in the preliminary stage is of Research and Development nature demanding a high level of actuarial and other technical knowledge the Committee should seek the services of suitably qualified person or firm to prepare a report concerning the following points:
  - a. Study the trends of the insurance market and the requirements of the average consumer in Pakistan.
  - b. Examine existing products to analyze if they are satisfying consumer needs, and if not to suggest any alterations that are needed.
  - c. Identify various new products that can be introduced at reasonable rates and which will enhance the scope of Life Insurance coverage in Pakistan.

100TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	Thursday, 3rd May, 1990	10.00 A.M.

- d. Suggest possible systems that can be introduced to monitor new products and improve old products.
  - e. Provide detailed analysis of the future projected expenses and staffing needs to meet the expected increase in business.
  - f. Look at the present expenses, especially acquisition expense, and suggest practical ways in which these can be reduced without disturbing the income generating capacity of the Corporation.
2. Once these suggestions have been prepared and submitted the Sales & Promotion (S&D) Committee carefully considers each proposal to select the most suitable course of future action for SLIC.
  3. To achieve actual marketing success a well prepared product alone is not enough and requires a sound marketing and advertising strategy. Thus, expert opinion should be sought on the right marketing and advertising campaign so that the overall plan produces a significant and lasting improvement in SLIC performance.
  4. Once a complete plan has been decided upon by the Sales & Promotion (S&D) Committee in which all aspects have been properly and duly considered it can be placed before the Board of Directors for their approval and adoption.

The Board of Directors foresaw the nature of the problems before the Committee and in their wisdom allocated a budget for its use of Rs.2 lac for Research and Development needs and as an initial step the Committee can call for quotations from reputable actuarial organisations for allocating the work discussed above. It is further suggested that the proceedings of this Committee in its first meeting scheduled for April 14, 1990 be notified to the Board of Directors for their information and record.

I would like to state that the views, perceptions and conclusions drawn above are my own understanding of the present situation. Any other proposals in the minds of the committee members or suggestions of any type will be most welcome and helpful.

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CHAIRMAN'S INITIALS

