

MINUTES OF 110TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
Karachi	Monday, 28th Dec. 1992	10.00 a.m.

The 110th meeting of the Board of Directors was held on 28th December, 1992 at 10.00 a.m. in the Board Room at Principal Office of the Corporation at Karachi.

2. The following attended:-

- | | | |
|----|--|-------------|
| 1. | Sheikh Inaamul Haque | Chairman |
| 2. | Sayed Muzafar Ali Shah, Executive Director | - Member |
| 3. | Mr. Nazier Ahmed Jajvi, Executive Director | - Member |
| 4. | Mr. S. Z. H. Jafri, Executive Director | - Member |
| 5. | Mr. M. Hafiz Malik, Executive Director | - Member |
| 6. | Mr. M. Afzal Mirza, | - Secretary |

3. Mr. Iqbal Mueen, Additional Secretary, Ministry of Commerce/ Director, State Life could not attend the meeting due to his preoccupations at Islamabad.

4. Mr. Sameeul Hasan, Consulting Actuary was present by special invitation.

5. The following business was transacted:-

ITEM NO. 1: CONFIRMATION OF THE MINUTES OF THE LAST (109TH) MEETING OF THE BOARD OF DIRECTORS.

6. While confirming the minutes of the above meeting held on 9th September, 1992 Mr. Nazier Ahmed Jajvi pointed out the typo-graphical errors in sub-para(2) under para-16 of item No.9 relating to State Life's Annual Accounts for the year ending 31st December, 1991 that the figures of increase in FYP should have been 11.9% in 1991 and (0.2%) in 1990 instead of 19.4% and 16.2% respectively.

7. It was decided to correct the figures accordingly.

Action: Secretary Board

8. It was also observed that the analysis of huge difference between surrender figure of 4.3% in 1991 as compared to 121.1% in 1990 was yet to be given by the B&A Division as advised in sub-para(3) of the same item number.

Action: GM(B&A)

9. Thereafter with the above amendment/observation the minutes were confirmed.

ITEM NO. 2: NOTING AND APPROVING THE MINUTES OF THE FOLLOWING MEETINGS:

- i) 162nd meeting of the Executive Committee held on 12th August, 1992.
- ii) 163rd (Emergent) meeting of the Executive Committee held on 25th August, 1992.
- iii) 164th meeting of the Executive Committee held on 15th November, 1992.

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<p>10. The minutes of the above meetings were noted and approved with the following observations.</p> <p>11. Mr. M. Hafiz Malik suggested that the renewed efforts should be made for N.A.I. Scheme discussed in 162nd meeting of the Executive Committee. The Chairman advised Sayed Muzafar Ali Shah to prepare a short note on the subject so that matter could be pursued with the relevant quarters.</p> <p style="text-align: right;">Action: ED(G&P)</p> <p>ITEM NO. 3: <u>IMPLEMENTATION REPORT OF THE DECISIONS TAKEN IN THE PREVIOUS BOARDS' MEETINGS.</u></p> <p>12. While going through the Implementation Report regarding Persistency Committee, it was observed that the matter was of crucial importance. In this connection it was decided that the meeting of the Persistency Committee should be held in February, 1993 to review the position and suggest appropriate measures.</p> <p style="text-align: right;">Action: Convenor, Persistency Committee(GM-Karachi Zone)</p> <p>13. It was desired that while recording the minutes of the meeting the officer concerned who was required to take the action on the decision on a certain matter should be mentioned at the end of the decision for the purpose of follow-up.</p> <p style="text-align: right;">Action: Secretary Baord</p> <p>ITEM NO. 4: <u>CONFIRMATION OF THE RESOLUTION ALREADY PASSED THROUGH CIRCULATION GRANTING THE GENERAL POWER OF ATTORNEY TO MR. ALI MUHAMMAD, ASSISTANT MANAGER, DUBAI (U.A.E).</u> Executive Director(Overseas)'s Memorandum dated 14.9.92.</p> <p>14. The Board confirmed the resolution already passed on 15.09.1992 on the above subject through circulation and decided to cancel forthwith the General Power of Attorney granted to Mr. Ali Muhammad, Assistant Manager, Dubai (U.A.E) through the said resolution.</p> <p style="text-align: right;">Action: ED(Overseas) Manager(Overseas) AGM(Law)</p> <p>ITEM NO. 5: <u>CONFIRMATION OF THE RESOLUTION ALREADY PASSED THROUGH CIRCULATION GRANTING THE GENERAL POWER OF ATTORNEY TO AGHA ASHRAF ABBAS, ASSISTANT GENERAL MANAGER, DUBAI(U.A.E)</u> Executive Director(Overseas)'s Memorandum dated 08.10.92.</p> <p>15. The Board confirmed the resolution already passed through circulation on 11.10.1992 granting the General Power of Attorney to Agha Ashraf Abbas, Assistant General Manager, Dubai (U.A.E) in terms of the above memorandum.</p>			


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ITEM NO. 6: CONFIRMATION OF THE APPROVAL ALREADY ACCORDED THROUGH CIRCULATION FOR APPOINTMENT OF AUDITORS IN U. A. E. Executive Director(Finance)'s Memornadum dated 24.11.92.

16. The Board confirmed its approval already accorded through circulation for appointment of M/s Sajjad Haider and Company, Chartered Accountants (Registered in U.A.E.) for the audit of State Life's Accounts for the year 1992 in U.A.E. on the same terms and conditions as in the previous year i.e. at Audit Fee of DH.12000 plus DH.2000 as out of pocket expenses.

ITEM NO. 7: CONFIRMATION OF THE RESOLUTION ALREADY PASSED THROUGH CIRCULATION GRANTING THE GENERAL POWER OF ATTORNEY TO THE CHAIRMAN. Executive Director(Investment, Overseas and IA&E)'s Memorandum dated 24.11.92.

17. The Board confirmed the resolution already passed through circulation on 25th November, 1992 granting the General Power of Attorney to Sheikh Inaamul Haque, Chairman in terms of the above memorandum.

ITEM NO. 8: CONFIRMATION OF ADDITIONAL CAPITAL BUDGET FOR OVERSEAS DIVISION FOR 1992 ALREADY APPROVED THROUGH CIRCULATION. Executive Director(Finance)'s Memorandum dated 16.12.92.

18. The Board confirmed its approval for additional capital budget of DH.98700 for Overseas Division for the year 1992 already accorded through circulation as under:-

ABU-DAHBI OFFICE	DH.31200
DUBAI OFFICE	DH.67500
Total:-	DH.98700
	=====

ITEM NO. 9: BUDGET ESTIMATES FOR THE YEAR 1993 AND REVISED BUDGET ESTIMATES FOR THE YEAR 1992. Executive Director(Finance)'s Memorandum No.9/92 dated 22.12.1992.

19. The Board deliberated in depth upon the above memorandum submitted by the Executive Director(Finance) and approved the budget for 1993 as per annexure 'I to IV' with the following observations and amendments.

OBSERVATIONS:

20. The Chairman asked about the projected figure of FYP in 1993. Mr. M. Hafiz Malik replied that the figures were realistic. The Chairman advised that a plan of action should be drawn-up for 1993 and the market segments be identified for proper focus so that significant improvement in business may take place.

(1) REVENUE BUDGET.

(i) FIRST YEAR PREMIUM:

21. Discussing the cost of FYP the Chairman asked if it was possible to bring down the procurement cost of FYP. It was stated by the Directors that it was difficult to bring the cost lower. Mr. Sameeul Hasan informed that he had prepared a paper on the subject which the Chairman desired to have for study.

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<p>(ii) <u>GROUP PREMIUM</u></p> <p>22. Mr. Sameeul Hasan pointed out that we might have to lower our premium rates for competing with the new comers in the field. Sayed Muzafar Ali Shah mentioned the recent achievements of Group & Pension Division in this direction. He further informed that a strategy was being formulated to increase the group premium.</p> <p>(iii) <u>REAL ESTATE MANAGEMENT</u></p> <p>23. The Chairman advised that the Real Estate Management should be done in a scientific manner and draw up the modern management practices.</p> <p>24. Sayed Muzafar Ali Shah mentioned the difficulties in bargaining the terms because of inflexibility in our rules. The Chairman directed that property should be managed in a pragmatic businesslike & professional manner. Action: ED(RE)</p> <p>(iv) <u>DEATH CLAIMS</u></p> <p>25. Discussing the death claims payments, the Chairman desired to know the reasons of the difference in claim from year to year. The position was explained by Mr. Sameeul Hasan. The Chairman requested Mr. Sameeul Hasan to provide guidance on the subject of death claim payments and surrenders. It was also decided that in order to minimize/discourage surrenders we should deal with the policyholders directly instead of through the field workers. The Chairman advised that we should discuss this subject in the Zonal Heads Conference. It was also decided to prepare and circulate the summary of surrenders to all concerned. Action: ED(PHS)</p> <p>(v) <u>RENEWAL COMMISSION</u></p> <p>26. The renewal commission of the terminated SRs was also discussed. Mr. Haroon A. Shakoor (DGM-Systems) was called and advised to prepare a statement indicating the number of SRs whose services were dispensed with and the status of their renewal commission. Action: DGM(Systems)</p> <p>(vi) <u>SALARIES:</u></p> <p>27. The Chairman observed that the salaries increase should be productivity oriented. The Directors mentioned some practical difficulty for implementation of this idea. It was decided to examine the matter further. Action: DGM(Systems)</p> <p>(vii) <u>TRAINING:</u></p> <p>28. It was suggested that the training programmes should be increased and broadened and we should invite lecturers/specialists from outside agencies like LIMRA, Chartered Insurance Institute and others likewise. The Chairman advised that in this connection Executive Director(Training) may discuss the matter further with him. Action: ED(Training)</p> <p>(viii) <u>BUDGETING:</u></p> <p>29. Mr. Nazier Ahmed Jajvi observed that over budgeting should be avoided and the increases should be properly explained and justified. Better budgeting and control was also advised and in order to achieve that, the Chairman suggested that we should study the budgeting practices of other Corporations/Institutions. Action: GM(B&A)</p>			


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ANNEXURE 'I'

APPROVED
Budget Estimates for the years
1992 (Revised) and 1993

(Rupees in million)

TITLE OF ACCOUNT	REVISED ESTIMATES 1992	BUDGET ESTIMATES 1993
A. <u>PREMIUM INCOME:</u>		
<u>FIRST YEAR PREMIUM</u>		
Pakistan	1032.687	1239.224
Overseas	<u>11.000</u>	<u>13.200</u>
TOTAL:-	1043.687 =====	1252.424 =====
<u>RENEWAL PREMIUM SECOND YEAR</u>		
Pakistan	657.164	722.881
Overseas	2.600	3.000
<u>THIRD YEAR AND ABOVE</u>		
Pakistan	2341.173	2698.503
Overseas	<u>27.000</u>	<u>30.000</u>
TOTAL:-	3027.937 =====	3454.384 =====
<u>GROUP PREMIUM</u>		
Pakistan	950.068	1116.300
Overseas	<u>0.068</u>	<u>0.152</u>
TOTAL:-	950.136 =====	1116.452 =====
ANNUITY AND SINGLE PREMIUM	<u>3.800</u>	<u>4.500</u>
TOTAL PREMIUM INCOME:-	5025.560 =====	5827.760 =====
B. <u>OTHER INCOME:</u>		
Interest on Policy Loans	125.857	151.019
Dividend and Interest	2748.799	3203.753
Rental Income (Gross)	128.900	152.523
Misc. Other Income & Adjustments	<u>3.055</u>	<u>3.200</u>
TOTAL OTHER INCOME:-	3006.611 =====	3510.495 =====
TOTAL GROSS INCOME:-	8032.171 =====	9338.255 =====

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<u>ANNEXURE 'II'</u>			
<u>APPROVED</u>			
Budget Estimates for the years 1992 (Revised) and 1993			
(Rupees in million)			
TITLE OF ACCOUNTS	REVISED ESTIMATES 1992	BUDGET ESTIMATES 1993	
<u>DEATH CLAIMS</u>			
Pakistan	258.000	291.000	
Overseas	<u>2.050</u>	<u>2.300</u>	
TOTAL:-	260.050 =====	293.300 =====	
<u>CLAIM INVESTIGATION EXPENSES</u>			
Pakistan	1.150	1.520	
Overseas	<u>0.100</u>	<u>0.120</u>	
TOTAL:-	1.250 =====	1.640 =====	
<u>MATURITY CLAIMS</u>			
Pakistan	580.000	640.000	
Overseas	<u>26.000</u>	<u>27.000</u>	
TOTAL:-	606.000 =====	667.000 =====	
<u>GROUP CLAIMS</u>			
Pakistan	607.700	725.600	
Overseas	<u>0.025</u>	<u>0.025</u>	
TOTAL:-	607.725 =====	725.625 =====	
<u>GROUP PROFIT COMMISSION</u>			
Pakistan	100.000	100.000	
Overseas	---	---	
TOTAL:-	100.000 =====	100.000 =====	
<u>ANNUITIES</u>	3.132 =====	4.412 =====	
<u>SURRENDERS</u>			
Pakistan	385.000	408.996	
Overseas	<u>15.000</u>	<u>18.000</u>	
TOTAL:-	400.000 =====	426.996 =====	
<u>BONUS TO POLICYHOLDERS</u>	0.544	0.550	
TOTAL POLICY PAYMENTS:-	1978.701 =====	2219.523 =====	


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ANNEXURE 'III'

APPROVED

Commission Expenses Budget Proposal
for the years 1992 (Revised) & 1993

(Rupees in million)

TITLE OF ACCOUNTS	REVISED ESTIMATES 1992	BUDGET ESTIMATES 1993
Agency Commission First Year	401.819	475.921
Overriding Commission First Year	373.118	447.742
Agency Commission Annuity	0.285	0.338
Overriding Commission Annuity	0.057	0.068
Production Bonus to Area Managers	20.874	25.048
Stipend Scheme	---	---
<u>FIELD PRIZES AND AWARDS:</u>		
i) First Year Premium	8.494	9.393
ii) Renewal Premium	---	---
iii) Field Convention	---	2.000
Field Group Insurance	6.606	7.306
Field Medical Expenses	14.156	15.655
Field Office Expenses/Allied Facilities	56.624	62.621
TOTAL FIRST YEAR AND OTHER COST:-	882.033 =====	1046.092 =====
Agency Commission Renewal	184.385	209.013
Overriding Commission Renewal	63.587	72.542
TOTAL RENEWAL COST:-	247.972 =====	281.555 =====
Agency Commission Group	4.275	5.024
Overriding Commission Group	0.950	1.116
Prizes and Awards Group	0.350	0.350
TOTAL GROUP COST:-	5.575 =====	6.490 =====
GRAND TOTAL:-	1135.580 =====	1334.137 =====

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ANNEXURE 'IV'

APPROVED

Budget Estimates for 1993 and
Revised Budget Estimates for 1992

ADMINISTRATIVE EXPENSES

(Rupees in million)

TITLE OF ACCOUNTS	REVISED ESTIMATES 1992	PROPOSED ESTIMATES 1993
Salearies	306.619	360.851
Travelling Expenses	41.179	47.346
Auditors Fees	1.135	1.186
Medical Fees	7.654	8.331
Law and Professional Charges	5.428	5.645
Advertisement	26.688	40.000
Printing and Stationery	20.000	20.000
Policy Stamps	7.991	8.855
Staff Welfare	44.401	46.675
Postage, Telegrams and Telephones	29.396	35.471
Utilities	20.283	20.527
Entertainment	4.709	5.174
Bank Charges	3.293	3.839
Conferences and Meetings	7.873	9.500
Prizes and Awards	0.687	0.740
Training Expenses	6.131	8.346
Computer Expenses	5.120	6.385
Miscellaneous Expenses	34.711	45.771
Rents (State Life Buildings)	25.801	36.481
Rents (Other Buildings)	19.018	21.187
Bad Debts	---	---
Depreciation	24.583	25.812
Gratuity, Pensions, Provident Fund Contribution	34.939	41.273
Depreciation in value of Investments	---	---
TOTAL ADMINISTRATIVE EXPENSES:-	677.639	799.395
	=====	=====

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(2) CAPITAL BUDGET

30. The capital expenditures in the budget proposal were approved with the following observations and amendments:-

OBSERVATIONS

(i) GROUP AND PENSION DIVISION:

31. The amount provided for replacement of furniture for Group and Pension Division was increased to Rs.3 million from Rs.2.873 million and approved.

(ii) REAL ESTATE DIVISION:

32. Mr. Nazier Ahmed Jajvi wanted to have the details of the Real Estate's projects. Mr. S.Z.H. Jafri informed that those shown in the budget expenses were for the projects already approved. It was also observed that the details of the projects should have been included as annexures to the memorandum.

SUMMARY OF APPROVED CAPITAL BUDGET

(Rupees in million)

Zones @ 1.25% on 1991 FYP (Provisionally)	11.841
Group and Pension Division	3.000
Real Estate Division	155.910
Field Manpower Development Division (amount to be carried forward)	3.114
Computer Division	20.000
Personal and General Service Division	5.200
Total:-	198.938
	=====

33. The Board approved capital budget for the zones for 1993 @ 1.25% of FYP for 1992.

34. The Board also directed that till such time 1992 figures were available, 1.25% of 1991 premium which amounts to Rs.11.841 million be released to the Zones provisionally.

REAPPROPRIATIONS:

35. The Board authorised Executive Director(Finance) to reappropriate budget for the year 1993 within the overall approved budget.

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<p>ITEM NO.10: <u>REQUEST FROM SHABIBR TILES TO RESTRUCTURE/RESCHEDULE THE OUTSTANDING DEBENTURE LOAN.</u> Executive Director(Investment)'s Memorandum No.10/92 dated 15.12.1992</p> <p>36. The Board considered the above memorandum presented by Mr. Nazier Ahmed Jajvi for rescheduling of the outstanding debenture loan to M/s Shabbir Tiles.</p> <p>37. Sayed Muzafar Ali Shah asked about the status of the previous payments by M/s Shabbir Tiles. He also suggested that the amount of monthly instalment for repayment should be increased to Rs.3 lacs instead of Rs.2 lacs. The Board decided that Executive Director(Investment) to negotiate with the party for better terms of repayment.</p> <p style="text-align: right;">Action: ED(Investment)</p> <p>ITEM NO.11: <u>PROMOTION OF AREA MANAGER AS MANAGER(DEVELOPMENT):</u> General Manager(P&GS)'s Memornadum No.11/92 dated 22.12.92.</p> <p>38. The Board considered the above memorandum.</p> <p>39. The Board approved the creation of two posts of Manager(Development). Two promotions of Area Manager as Manager(Development) - one in Peshawar Zone and one in Karachi Zone were approved as recommended by the Selection Committee and mentioned in the memorandum.</p> <p style="text-align: right;">Action: GM(P&GS)</p> <p>ITEM NO.12: <u>PLANS PREPARED AND SUBMITTED BY MR. SAMEEUL HASAN, CONSULTING ACTUARY.</u> i) SINGLE PREMIUM BUSINESS IN PAKISTAN ii) DYNAMIC BONUS GROWTH LIFE POLICY.</p> <p>40. The plan of Single Premium was discussed by Mr. Sameeul Hasan who stated that there was a great potential for this plan because we were offering better returns than PICIC and other Banks.</p> <p>41. It was decided to approve the plan subject to clearance by the Law Department and making other refinements in the plan. It should be launched in the beginning of the next year it was further decided.</p> <p>42. The second viz, "Dynamic Bonus Growth Life Policy" plan was presented by Mr. Sameeul Hasan. He explained that it was an attractive and marketable plan for the policyholders, State Life as well as for the field workers. He further stated that such a plan was needed to face the challenges of competition. It was decided that the plan will be discussed with all concerned before we go ahead with it.</p> <p>43. Mr. Nazier Ahmed Jajvi suggested that more appropriate name should be given to the plan</p> <p style="text-align: right;">Action: Consulting Actuary</p>			

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ANY OTHER MATTERS WITH PERMISSION OF THE CHAIR:

I) PROGRESS REPORTS OF THE BUSINESS:

44. The Life Business Progress Report presented by Mr. M. Hafiz Malik was reviewed. The efforts made were appreciated. It was hoped that upward momentum would not only be kept but would be accelerated and that concerted efforts would be made for achieving better results in FYP as well as renewal persistency in the future.

45. Mr. Nazier Ahmed Jajvi informed the Board of the increase in Overseas business which was appreciated.

46. Sayed Muzafar Ali Shah apprised the Board of the progress of Group and Pension Business for which he and his team were congratulated. It was also desired that persistency aspect should be properly emphasised.


47. It was also advised that the term "Individual Life" and "Group Life" should be used to indicate the life and group business in all financial statements.

II) REVISION OF HOUSE RENT ALLOWANCE TO THE OFFICERS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN.

48. The Board considered the above memorandum presented by the General Manager(P&GS) for the increase in House Rent Allowance for the officers from 65% to 70%.

49. It was pointed out that the financial implications shown in the memorandum did not give the true picture of the expenses because the proposed income would result in steep rise in the taxation liabilities of the Corporation. It was, therefore, decided to study the total financial implications and put-up a detailed paper.

Action: GM(P&GS)


(CHAIRMAN)



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