

MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MEETING BOOK	KARACHI	28.12.1994	11.00

The 120th meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 28th December, 1994 at the Corporation's Principal Office, Karachi.

I. Present :

1. Mr. M. Zaheer Khan, Chairman
2. Mr. M. Javed Ashraf Hussain, Executive Director
3. Mr. M. Hafiz Malik, Executive Director
4. Mr. Mehmood Ali Bhatti, Director
5. Mr. M. Jafar H. Siddiqui, Acting Secretary Board

2. The meeting commenced with recitation from the Holly Quran.

3. The Board of Directors expressed grief over the untimely sudden death of Mr. Nazier Ahmed Jajvi, Executive Director of the Corporation on 29.11.1994 and offered fateha so that his sole may rest in peace.

4. The Board appreciated the services rendered by late Mr. Nazier Ahmed Jajvi during the tenure of his service and termed them as meritorious.

LEAVE OF ABSENCE

5. Mr. Javed Masood, Additional Secretary, Ministry of Commerce/Director of the Corporation being out of Country was granted leave of absence.

ITEM NO.1: CONFIRMATION OF MINUTES OF 119TH MEETING OF THE BOARD OF DIRECTORS HELD ON 2ND SEPTEMBER, 1994.

6. The minutes of 119th meeting of the Board of Directors were discussed and confirmed.

ITEM NO.2: CONSIDERATION AND APPROVAL OF BUDGET ESTIMATES FOR 1995 AND REVISED BUDGET ESTIMATES FOR 1994.

7. Executive Director (Finance) presented to the Board the Budget Estimates for the year 1995 alongwith revised budget estimates for the year 1994. Before going into the details of budget estimates he explained the methodology adopted by State Life for preparation of budget estimate.

8. It was informed that the budget estimates for 1994 have been revised to incorporate the development that have taken place subsequently and that the budget for both years 1994(revised)and 1995 have been prepared on historic cost convention basis i.e. past experience and estimates, keeping in view the future trends.

(1) REVENUE BUDGET:

i) First Year Premium:

Discussing the First Year Premium, the Board appreciated the increase in the FYP for the

MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	28.12.1994	11.00 a.m.

first 11 months of 1994. In the first 11 months of 1993, the First Year Premium amounted to Rs.576.493 million. The First Year Premium for the corresponding months of 1994 amounting to Rs.763.394 million recording an increase of 32.42%.

The Chairman lauded the services of Executive Director (S&D) for registering overall increase in the business.

ii) Renewal Premium:

Discussing the renewal premium, the Chairman desired that efforts be made to further increase the persistency by paying special attention to the renewal premium.

iii) Group Premium:

The Board was informed by the Executive Director (G&P) that the group premium has already reached the figure of Rs.1 billion.

iv) Surrender:

The increasing trend of surrender was viewed seriously by the Board and emphasis was laid to improve the services which could help in reducing the surrender. It was desired that the field force being the procurement media of the business may be asked to educate policyholders that instead of surrendering the policy they should retain the policy to avail the attached benefits. Side by side the policyholders may be made aware of the disadvantages of surrender.

9. It was also desired that Executive Director (S&D) may write a letter to Regional Chiefs, Zonal Heads and Area Managers to take steps for reducing ratio of surrender.

(2). ADMINISTRATIVE EXPENSES.

10. It was informed that administrative expenses have been budgeted on the basis of past experience and future trends of increasing costs prevalent in the market.

11. Various heads of administrative expenses were examined in respect of their budget estimates and it was agreed that the expenses on account of petrol and ancillary costs of vehicle expenses need to be controlled with strict compliance of internal checks and controls to be maintained in the division for achieving the desired results.

MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

MEMBERS	HELD AT	ON	TIME
AGENDA BOOK	KARACHI	28.12.1994	

(3). CAPITAL BUDGET.

12. The capital budget requirements of the Corporation was deliberated in depth and was approved as under:

Summary of Capital Budget

	(Rs. in million)
(a) For furniture S.A.F. etc.	23.150
(b) Real Estate	18.000
(c) Group & Pensions	5.000
(d) Human Resource Development Div.	16.159
(e) P&GS	10.000
(f) Computer (14.930+15.800)	30.730
(g) Cash reception Counters	12.000
(h) New Zones	13.000
(i) Telephone exchange	1.800

	129.839
	=====

13. Executive Director (Finance) Memorandum regarding budget for initial capital expenditures for Regional Offices - 1994 was also discussed and treated as part of the budget. The Board approved the carrying forward the unspent balance of previously approved budget worth Rs.9.825 million to 1995, which could not be utilized due to the pre-occupation of establishment of newly created Regions.

14. While discussing real estate, it was desired that ratio of investment in real estate should be increased.

ANNEXURE 'A'.

(Rs. in Million)

	Revised Estimates 1994	Budget Estimates 1995
	-----	-----
<u>A. PREMIUM INCOME:</u>		
<u>First Year Premium.</u>		
Pakistan	1123.621	1404.526
Overseas	33.900	49.400
T O T A L	1157.521	1452.926
 <u>Renewal Premium 2nd year.</u>		
Pakistan	629.228	786.535
Overseas	12.184	25.425

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	28.12.1994	11.00 a.m.

Third Year & Above.

Pakistan	2851.645	3063.168
Overseas	41.061	48.271
Total Renewal Premium	3534.118	3923.399

Group Premium.

Pakistan	1040.000	1175.000
Overseas	0.155	0.155
TOTAL	1040.155	1175.155

Annuity & Single Premium	4.960	5.450
--------------------------	-------	-------

TOTAL PREMIUM INCOME:	5736.754	6556.930
-----------------------	----------	----------

B. INVESTMENT & OTHER INCOME.

Interest on Policy Loans	209.829	256.038
--------------------------	---------	---------

Dividend & Interest of other Investment Income	3774.000	4458.000
--	----------	----------

Rental Income (Gross)	173.585	196.209
-----------------------	---------	---------

Misc./Other Income & Adjustments	1.209	1.959
----------------------------------	-------	-------

TOTAL OTHER INCOME :	4158.623	4912.206
----------------------	----------	----------

TOTAL GROSS INCOME:	9895.377	11469.136
---------------------	----------	-----------

ANNEXURE 'B'.Death Claims:

Pakistan	338.000	399.000
Overseas	3.000	2.900

TOTAL	341.000	401.900
-------	---------	---------

Claim Investigation Expenses:

Pakistan	1.624	2.086
Overseas	--	--

TOTAL	1.624	2.086
-------	-------	-------

Maturity Claims:

Pakistan	686.000	765.000
Overseas	35.000	40.300

TOTAL	721.000	805.300
-------	---------	---------

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
BOOK	KARACHI	28.12.1994	11.00 a.
<u>Group Claims:</u>			
Pakistan		728.000	822.500
Overseas		0.025	0.025
T O T A L		728.025	822.525
<u>Group Profit Commission:</u>			
Pakistan		175.760	176.250
Overseas		-	-
T O T A L		175.760	176.250
<u>Annuities</u>		2.600	3.106
<u>Surrenders:</u>			
Pakistan		686.000	788.000
Overseas		9.500	11.700
T O T A L		695.500	799.700
<u>Bonus to Policyholders:</u>		0.450	0.450
TOTAL POLICY PAYMENTS:-		2665.959	3011.317
<u>ANNEXURE 'C'.</u>			
Agency Commission First Year		445.646	559.377
Overriding Commission First Year		410.920	515.789
Agency Commission Annuity		0.372	0.409
Overriding Commission Annuity		0.074	0.082
Production Bonus to Area Managers		23.150	29.059
FIELD PRIZES & AWARDS.			
i) First Year Premium		8.244	13.076
ii) Renewal Premium			4.500
iii) Field Convention		3.000	
Field Group Insurance		9.160	11.575
Field Medical Expenses		18.320	23.150
Field Office Expenses/Allied Facilities		64.121	81.026
TOTAL FIRST-YEAR & OTHER COST:		983.007	1238.044
Agency Commission Renewal		208.776	236.768
Overriding Commission Renewal		74.216	82.391
TOTAL RENEWAL COST:		282.992	319.159

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	28.12.1994	11.00 a.m.

Agency Commission Group	2.721	3.061
Overriding Commission Group	1.046	1.177
Prizes & Awards Group	0.450	0.600
TOTAL GROUP COST	4.217	4.938
GRAND TOTAL:	1274.433	1562.041

ANNEXURE 'D'.

Salaries	458.543	571.938
Travelling Expenses	53.203	66.942
Auditors Fees	1.223	1.336
Medical Fees	9.398	10.939
Law & Professional Charges	5.835	4.705
Advertisement	41.120	36.067
Printing & Stationary	24.265	28.842
Policy Stamps	9.450	10.030
Staff Welfare	63.795	80.325
Postage, Telegram & Telephones	38.251	46.872
Utilities	27.663	36.785
Entertainment	6.559	8.381
Bank Charges	4.902	5.813
Conference & Meeting	13.536	18.552
Prizes & Awards	1.380	1.167
Training Expenses	14.860	14.860
Computer Expenses	6.505	11.083
Miscellaneous Expenses	57.180	74.090
Rents (State Life Buildings)	30.473	31.970
Rents (Other Buildings)	23.952	32.396
Bad Debts	-	-
Depreciation	37.598	43.238
Gratuity, Pension, Provident	-	-
Fund Contribution	58.095	68.544
Depreciation in value of Investment	-	-
TOTAL ADMINISTRATIVE EXPENSES	987.786	1204.875

15. The Board with the above observations approved the Budget Estimates for 1995 and Revised Budget Estimates for 1994 as given hereinabove mentioned in Annexure 'A', 'B', 'C' & 'D' resolving as under :

RESOLUTION:

"Resolved that the budget estimates for 1995 and revised estimates for 1994 be and are hereby approved."

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

TORS	HELD AT	ON	TIME
BOOK	KARACHI	28.12.1994	11.00 a

ITEM NO.3: CONSTRUCTION OF STATE LIFE BUILDING IN VARIOUS CITIES.

16. General Manager (R.E) Memorandum for construction of State Life Building in various cities of Pakistan was discussed in detail. The Board approved the following:-

(A) State Life Building at Larkana.

- i) Purchase of Sindh Cooperative Bank Building for a total price of Rs.39,19,300/-.
- ii) Appointment of M/s. NESPAK as Architect along- with detailed supervision for a fee @ 5 & 1/2 % of total project cost.
- iii) Total estimated cost of construction of new building as Rs.60.00 million.

(B) State Life Commercial Building/Convention Centre at Karachi.

- i) Appointment of consortium of Architects comprising of M/s. PEPAC, M/s. Wasif Ali Associates and M/s. Shakeel Haider & Associates for a fee of 4% of total cost of construction including detailed supervision of the Project.
- ii) Total cost of construction of the project is estimated to be Rs. One billion.

(C) Islamabad Plot No.7, (PHASE - II) Building Project

- i) Appointment of Consortium of Architects M/s. Nayyar Dada, M/s. Shakeel Haider & M/s. Remco at a fee of 5 and 1/2%.
- ii) Estimated cost of project as Rs.400.00 million.

(D) State Life Building at Mirpur Khas (Sindh).

Lowest tender for civil work for Rs.4,93,98,489/- and the execution of project within a total cost of Rs.65.00 million.

(E) State Life Building at D.I.Khan.

Lowest bid for Rs.33.33 million for civil works and execution of project within a total cost of Rs.52.00 million.

(F) Purchase of Plot at Quetta.

17. The Board approved the purchase of Plot on Zargoan Road adjacent to Imdad Hotel at the end of Jinnah Road at a price of Rs.800 per Square Foot for the land measuring 28280 Sq.Ft. at the total cost of Rs.22,624 million. The Board further approved in principal construction

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	28.12.1994	11.00 a.m.

(G) Construction of Building at Gujrat.

18. The Board approved the construction of a building at Gujrat and approved Rs.161 million as total cost of construction including Lifts and all other works and award of Architecture to M/s. Shakeel Haider including detailed inspection and supervision at 5 & 1/2% of total project cost.

ITEM NO.4: RENOVATION AND REFURBISHING OF AIRCONDITIONING SYSTEM IN STATE LIFE BUILDING NO.2, WALLACE ROAD, KARACHI.

19. General Manager (R.E) Memorandum regarding renovation and refurbishing of airconditioning system in State Life Building No.2 was considered and discussed in detail. ✓ The Board approved Rs.60.00 million (approximately) as total project cost of getting whole central airconditioning system including air-handling units, fan coil units, chillers, cooling towers, ducting and piping re-designed and replaced. ✓

20. ✓ The Board decided that a consultant be appointed to check the design, equipment etc. for the above job.

21. The Board further decided that the tenants of the Building may be requested by Real Estate Division to increase the existing rent by atleast 10% in view of huge cost involved in renovating and refurbishing the amenity. ✓

ITEM NO.5: GRANT OF GENERAL POWER OF ATTORNEY TO REGIONAL CHIEFS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN.

22. The Executive Director (Law) Memorandum regarding grant of General Power of Attorney to Regional Chiefs of the Corporation was considered and discussed in depth. ✓ The Board was of the view that the grant of blanket power to Regional Chiefs to purchase movable or immovable property and execution contract, agreement, deeds etc. and have them registered would not be feasible instead they may be granted this power on case to case basis.

23. The Board decided that power to purchase movable or immovable property and execution and registration of required documents be granted to Regional Chiefs on case to case basis. The Board with this amendment/modification approved the grant of General Power of Attorney to Regional Chiefs. ✓

ITEM NO.6: NEW ADDITIONAL SCHEME FOR AREA MANAGERS.

24. Deputy General Manager (S&D) Memorandum regarding new additional scheme for Area Managers was considered and discussed in depth. It was explained to the Board by E.D (S&D) that uptill now Area Manager were categorized as 'A' & 'B'. In view of competition with new Life Insurance Companies since 1992 in order to meet the objective of expanding the Corporation's life insurance business in the remote areas of the Country specially the less developed areas, the introduction of

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIA
DATE BOOK	KARACHI	28.12.1994	11.00

new additional scheme for Area Managers categorized as 'C' has become unavoidable. The Board approved the introduction of new additional scheme for Area Managers categorized as 'C' as follows :-

I- Proposed Selection Criteria:

25. The Sales Managers who had a minimum association of three years as Sales Managers and whose performance was not less than that given hereunder will be considered for selection as Area Manager under 'C' Category :

- ✓ (a) First Year Premium in preceding year must be minimum Rs.6.00 lac and the average FYP of last three years must be minimum Rs.5.00 lac.
- ✓ (b) Minimum number of new policies 110 in the preceding year.
- ✓ (c) Minimum Persistency 70% in the immediate preceding year and 65% in the year before that.
- ✓ (d) FYP through new SRs in the immediate preceding year to be minimum 30% of the total FYP completed in that year.
- (e) Qualifying marks under various personal factors, like General Behaviour and Field Strength, etc. will be the same as prescribed for all categories of Area Managers, for considering the selection as Area Managers. The selection would also be subject to the approval of the Executive Committee on the basis of recommendations of Selection Committee appointed by the Corporation for the purpose, who may personally interview the candidates.
- ✓ (f) The Sales Managers who had undergone and passed the prescribed courses shall be considered as 'C' Category Area Managers. Those who have not passed these courses but are selected, will be required to undergo and pass these courses within six months of appointment as Area Manager..
- ✓ (g) It will be ensured by the concerned Zonal Head that the selected area Manager Category 'C' is a full time bonafide worker and a certificate to this effect be provided by the Zonal Head to Principal Office.
- (h) The appointment of 'C' Category Area Manager will also be subject to the conditions regarding age and other aspects as laid-down by the P&GS Division, P.O.
- (i) The appointment of 'C' Category Area Manager will be on probation for one year from the date of appointment. At the end of complete one year, the performance in respect of First Year Premium and Persistency will be reviewed. In case the performance is found unsatisfactory, the probation period may be extended

CI

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

HELD AT	ON	TIME
KARACHI	28.12.1994	11.00 .am.

and in case of very poor performance the appointment may be reverted.

- (j) The selected Area Manager Category 'C' will be required to shift his place of residence to the place of posting and in case he fails to do so, the appointment as Area Manager is liable to termination.

II- Emoluments:

- (a) The area Manager appointed under Category 'C' will receive the basic monthly pay, house rent and conveyance allowance as payable to the Assistant Manager of State Life at initial scale of pay.
- (b) Incentive Bonus: The Area Manager under Category 'C' will receive the Incentive Bonus as per the Rules prescribed by S&D Division. The rates of Incentive Bonus have been mentioned in para 6 of the proposed letter of appointment to be issued to the Area Manager.
- (c) The perquisites other than salary will be allowed on the basis of the FYP completion. The Car Rental and Petrol will not be allowed to the 'C' Category Area Manager.
- (d) The 'C' Category Area Manager will be entitled for utility expenses and medical expenses as payable to the Assistant Manager as per Rules.

III- ✓ Performance Standards:

- (a) FYP Quota: The basic annual FYP quota for a 'C' Category Area Manager will be Rs.10.00 lac to be completed as prescribed in the letter of appointment.
- (b) Persistency: The Category 'C' Area Manager will be required to maintain Persistency Ratio of 70%.
- (c) Operational Cost: The Direct Operational Cost not to exceed 5% and the Office cost also to be restricted to 5% of the FYP as prescribed in the letter of appointment.

IV- Review of Business Performance:

26. The business performance of the Category 'C' Area Managers will be reviewed by the Zonal Head as per the State Life Service Regulations on six-monthly basis. If it is found that the performance falls short of the prescribed standards, such measures including but not limited to, reduction, curtailment or withdrawal of perquisites to be taken by the Zonal Head.

V- Service:

27. The 'C' Category Area Manager will be an employee of State Life Insurance Corporation of Pakistan for all purposes under the State Life Insurance Corporation Act. His appointment will be governed under such

THE MINUTES OF THE 120TH MEETING OF THE BOARD OF DIRECTORS

MEMBERS	HELD AT	ON	TIME
MEMORANDUM	KARACHI	28.12.1994	11.00 a.

regulations as amended from time to time as advised by the P&GS Division, P.O.

28. The Board further decided that creation of post of 'C' Category Area Manager may properly be incorporated in State Life Employees (Service) Regulations, 1973.

ANY OTHER MATTER WITH THE PERMISSION OF CHAIR.

i) Executive Director (Investment) Memorandum regarding State Life's Investment Portfolio was considered and discussed at length. Executive Director (Investment) informed the Board that State Life's Investment Portfolio at the close of fiscal year 1993 was as under

SECTOR OF INVESTMENT	AMOUNT (Rs. in million)	Percentage of Total
Government Securities	22134.5	80.2
Loans to Policyholders	2311.2	8.4
Debentures	94.7	0.3
Long Term Finance Certificates	43.9	0.2
Shares (equity)	1792.8	6.5
Mortgage Loans	2.0	-
Real Estate	725.1	2.6
Deposits in Banks/NDFC	492.7	1.8
Other Assets	3.7	-
	<u>27600.6</u>	<u>100</u>
	=====	=====

29. Executive Director (Investment) further explained that from the above said tabulation it is apparent that State Life has presently invested excessively in fixed income government security whereas the spread of investment portfolio is very narrow, therefore the portfolio need to be hedged against inflationary pressures for which diversification of investment portfolio is very essential, particularly towards real estate which carry very substantial long term yield.

30. The Board decided the diversification of investment portfolio particularly towards real estate. The Board further decided that the investments in real estate be brought up to the internationally accepted principal that real estate should form approximately 10% of the total investment portfolio. The Board furthermore decided that concentration of real estate at any one place be avoided and it should be spread all over the Country.

31. The meeting ended with a vote of thanks to the Chair.

[Signature]
(CHAIRMAN)

CHAIRMAN
INITIALS