

THE MINUTES OF THE 125TH MEETING OF THE BOARD OF DIRECTORS

ORS	HELD AT	ON	TIME
OOK	KARACHI	16.8.1995	11.30 a.m.

The One hundred and twenty Fifth (125th) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 16th August, 1995 at the Corporation's Principal Office at Karachi.

PRESENT

1. Mr. M. Zaheer Khan, Chairman
2. Mr. M. Javed Ashraf Hussain, Executive Director
3. Mr. M. Hafeez Malik, Executive Director
4. Mr. Mehmood Ali Bhatti, Director
5. Mr. Shah Nawaz Khan, G.M. (PHS) by invitation
6. Mr. S. Gulrez Yazdani, Secretary Board

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

ITEM NO.1 Confirmation of the Minutes of 124th meeting of the Board of Directors

3. Minutes of the 124th meeting of the Board of Directors were placed before the Board for confirmation and the Board accordingly resolved as under:-

RESOLVED

"that the minutes of 124th meeting of the Board of Directors be and are hereby confirmed".

ITEM NO.2 Ratification of Minutes of 199th and 200th meeting of the Executive Committee

4. The Board took note and ratified the minutes of 199th and 200th meeting of the Executive Committee. The Board accordingly resolved that:

RESOLVED

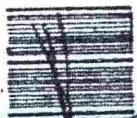
"that the minutes of 199th and 200th meeting of the Executive Committee be and are hereby ratified."

ITEM NO. 3 ACTUARIAL VALUATION REPORT FOR THE PERIOD 1993-94
G.M. (Actuarial) Memorandum dated 9.8.1995

Re: 1994 Actuarial Valuation

A detailed presentation of the 1994 actuarial valuation was made by the General Manager (PHS).

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Based on the Balance Sheets and Revenue account the position of the Corporation as seen by the Actuarial Division is as follows: (1992 figures are shown for comparison)

A. Life Fund & Surplus

(in Rs. 000's)

	<u>1992</u>	<u>1994</u>
Life Fund as per Balance Sheet	23,752,232	33,533,020
<u>Less</u> Policy liabilities by Actuarial Valuation	20,993,523	27,901,993
Surplus	2,758,709	5,631,027
<u>Less</u> 2.5% to Shareholders	70,683	143,353
Balance available for policyholders	2,688,026	5,487,674
<u>Less</u> Cost of recommended bonuses	2,680,324	5,446,412
Carried forward, being reserved for policyholders, (includes provision for Dollar and Dirham business).	7,702	41,262
	=====	=====

B. Bonus recommendation for Pakistan Rupee Business

The Bonus recommendations for Pakistan Rupee policies are:

I. WHOLE LIFE AND ENDOWMENTS

For with profits policies in force for the full sum assured:

a) Reversionary bonuses per thousand sum insured per annum

	<u>1991 & 1992</u>		<u>1993 & 1994</u>
	For First Five Policy Years	From 6th Policy Year Onward	For First Five Policy Years
			From 6th Policy Year Onwards
Whole Life	Rs.52	Rs.74	Rs.52 Rs.79

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Endowments

20 years and over	Rs.44	Rs.66	Rs.44	Rs.71
15 to 19 years inclusive	Rs.31	Rs.53	Rs.31	Rs.58
14 years and less	Rs.16	Rs.38	Rs.16	Rs.43

b) Terminal Bonuses will be paid on claims by death or maturity in 1995 and 1996, where more than 10 years' premiums have been paid. The rate will be Rs 20 per thousand sum insured for each year's premium paid in excess of 10 years subject to maximum of Rs 400 per thousand sum insured (Same as 1992 valuation).

c) Special Terminal Bonuses will be paid on claims by maturity in 1995 and 1996 where a FAMILY INCOME BENEFIT rider is in force at maturity, and has been in force for more than 10 years. The rate will be Rs 10 per thousand basic sum insured under the policy for each year in excess of 10 years that the FIB rider has been in force, subject to a maximum of Rs 200 per thousand basic sum insured (Same as 1992 valuation).

NOTE: Terminal and Special Terminal bonuses are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal and Special Terminal bonuses, if any, which may be allowed on maturities or death claims after 1996.

d) Interim bonuses will be allowed till the next valuation, at the rates as mentioned in I (a) above, subject to 'D' below.

II. ANTICIPATED ENDOWMENTS

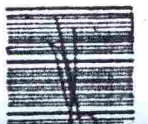
For with profits Anticipated Endowments/- Three Stage/ Three Payment policies of whatever type in force for the full sum insured:

a) Reversionary bonuses for 1993 and 1994 will be at the following rates:

Reversionary bonuses per thousand sum insured per annum

	1991 & 1992	1993 & 1994		
	For First Five Years	From 6th Policy Onward	For First Five Policy Year Onward	From 6th Policy Year
20 years and over	Rs.31	Rs.36	Rs.31	Rs.46
15 to 19 years inclusive	Rs.21	Rs.26	Rs.21	Rs.36
14 years and less	Rs.15	Rs.20	Rs.15	Rs.30

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- b) They will not get Terminal bonuses.
- c) They WILL get Special Terminal bonuses in FAMILY INCOME BENEFIT rider cases, as mentioned in I.(c) above. The Special Terminal bonuses will be calculated on the basic sum insured under the policy, and not on the residual survival benefit.
- d) If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 1995 and 1996 which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (The figures within brackets indicate the previous rates, applicable to Survival Benefits which fell due in 1993 and 1994) :

Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs 1,000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs 1,000 Survival Benefit
20 years	Rs 3,165 (Rs 3,165)	9 years	Rs 1,005 (Rs 1,005)
18	Rs 2,765 (Rs 2,765)	8	Rs 845 (Rs 845)
16	Rs 2,350 (Rs 2,350)	7	Rs 695 (Rs 695)
14	Rs 1,940 (Rs 1,940)	6	Rs 555 (Rs 555)
12	Rs 1,545 (Rs 1,545)	5	Rs 420 (Rs 420)
10	Rs 1,175 (Rs 1,175)	4	Rs 300 (Rs 300)

- e) Interim bonuses will be allowed till the next valuation, at the rates as mentioned in II (a) above, subject to 'D' below.

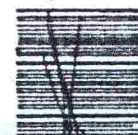
III. SPECIFIED MAJOR SURGICAL BENEFIT:

Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 1994 valuation. It is recommended that the maximum benefit be enhanced from Rs. 50,000 to Rs. 60,000. This benefit is available to all with-profit policies which have been and are in full force for at least 5 complete policy years as at 31.12.1994. Under such policies, if the life assured undergoes specified major surgery during the intervaluation period 1st January 1995 to 31st December 1996 on account of a specified dread disease, the corporation would pay 50% of the survival benefit, subject to a maximum payment of Rs. 60,000/-. The amount payable will be adjusted against future survival benefit payments. The specified surgeries and all other related conditions are the same as those announced in 1992 bonus declaration. Details are given in Annexure A.

IV. ONE TIME BONUS

A totally new ~~new~~ bonus was also recommended which is ONE TIME BONUS. All with profits policies in force for the full sum assured as

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at 31-12-94 will receive this bonus. This is just a one time bonus. The rate of this bonus will be Rs. 40 per thousand sum assured. One Time Bonus will be payable only on death and maturity claims. This bonus has no surrender value. This bonus will not be taken into account for the calculation of surrender values, automatic premium loan, granting loans or any other purpose. The policy holder will have to pay the premium due in 1995 in order to receive this One Time Bonus. However, this condition of payment of premium will be waived for policies terminating in 1995 by death or maturity.

V. FAMILY INCOME BENEFITS WHERE POLICYHOLDER HAS DIED

Family Income Benefit to heirs or nominees of deceased policyholders will be increased from 1st January 1996, under with profits policies, as follows :

<u>Year of Life Insured's death</u>	<u>Increase</u>
1993 or earlier	15.0%
1994	7.5%

Note: The percentage increase will be allowed on the "actual present benefit including any increase of 15% or 7.5% made on 1st January 1994".

VI. EAST WEST MUTUAL ETC.

Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance, former East Pakistani companies and LICI will not get Terminal Bonus, Special Terminal Bonus, Specified Major Surgical Benefit or One Time Bonus.

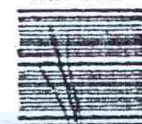
C. Bonus Recommendation - Foreign Currency Policies

I. U.K. Policies expressed in Pound Sterling

Reversionary bonus rates per thousand sum assured per annum:

	<u>1991 & 1992</u>	<u>1993 & 1994</u>
Whole Life	37	37
Endowments:		
20 years and over	32	32
15 to 19 years inclusive	21	21
14 years and less	12	12
PLUS Persistency bonuses from the 6th policy year onwards	4	4

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Family Income Benefits in course of payment under all with profit policies for U.K. Pound Sterling will be increased from 1st January 1996, as under:

<u>Year of Life Insured's death</u>	<u>Increase</u>
1993 or earlier	8%
1994	4%

Note: The percentage increase will be allowed on the "actual present benefit including any increase of 8% or 4% made on 1st January 1994".

Interim Bonuses

Interim bonuses (including persistency bonuses where applicable) will be allowed till the next valuation at rates as mentioned in 'C' above, subject to 'D' below.

Terminal Bonuses, Special Terminal Bonuses etc.

Terminal bonuses, Special Terminal bonuses, Specified Major Surgical Benefit and One Time Bonus will not be allowed to foreign currency policies.

The Valuation of U.K. business was carried out as at 31st December 1994 and has already been submitted to the Department of Trade and Industries (U.K.).

II. Policies expressed in US Dollar and Dirham

The U.A.E. law requires Actuarial Valuation to be carried out every three years. Last Actuarial Valuation was carried out as at 31st December 1992. The next valuation is due on 31st December 1995. Accordingly, no bonus rates were recommended as a result of this valuation to policies issued in U.S. Dollar and U.A.E. Dirham. However, interim bonuses will be paid on these policies at the rates as announced at 1992 valuation.

D. NO CASH VALUE OF BONUSES UNTIL THREE YEARS PREMIUM HAVE BEEN PAID

There will be no cash value of bonuses, whether declared or interim, until the policy holder pays three full years premiums in cash. However, in case of a death claim, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.

The Actuarial valuation indicates that the Corporation is in a sound financial position, investment performance of the Corporation in Pak Rupee Port-folio is satisfactory whereas investment in UAE, Dollar Port-folio needs improvement. However, therefore is a need to take steps to arrest the deteriorating position of persistency.

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The Board members discussing the position of the company felt that the Corporation to be dynamic needs to introduce 3-4 new products every year. The development of a product which is related to inflation rate like optional increase in premium was also discussed but Board members were informed of the resistance from the field force for such a product. The Board members stressing the need for new products advised that some of the new products which are already being developed be finalised at the earliest and be submitted for approval to the next meeting of the Board of Directors.

The Board after detailed deliberations adopted the Actuarial valuation 1994, expressed appreciation of the work undertaken by Actuarial Division and resolved as:

RESOLVED

✓ "that the Actuarial valuation for the year 1994 be and are hereby adopted" ✓

Action: GM (Actuarial)

ITEM NO. 4 THE PRIME MINISTER'S DIRECTIVES FOR DEVELOPMENT OF PARK/PLAYGROUND FACILITIES IN RAWALPINDI
E.D. (F&A) Memorandum dated Nil,

The Board of Directors discussed the memorandum in detail and felt that development of parks is also a corporate responsibility and therefore, approved the donation of Rs.1,00,000/- to the Municipal Authority Rawalpindi for development of Flood - 1994 affected Parks/Playing venue within Municipal Limit of Rawalpindi. The Board accordingly resolved:

RESOLVED

✓ "that the donation of Rs.100,000 to Municipal Corporation Rawalpindi for development of Parks is hereby approved" ✓

Action: ED (F&A)

✓ ITEM NO. 5 GRANT OF GENERAL POWER OF ATTORNEY TO MR. LATIF A. CHAUDHRY A.G.M. (LAW)
E.D (F&A) Memorandum dated 18.6.1995

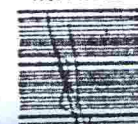
The Executive Committee in its 198th meeting had approved grant of General Power Attorney to Mr. Latif A. Chaudhry, AGM (Law). The Board of Directors approved the decision of the Executive Committee and resolved as under:-

RESOLVED

"that the General Power Attorney be and are hereby given to Mr. Latif A. Chaudhry AGM (Law)"

Action: ED (F&A)

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ITEM NO.6 ✓ CONTRIBUTION OF RUPEES TEN MILLION BY EACH AUTONOMOUS BODY TOWARDS PRIME MINISTER'S FLOOD RELIEF FUND

✓ The Prime Minister has directed that every Autonomous Body in Public Sector should make an immediate contribution of Rupees ten million towards Prime Minister's Flood Relief Fund. The compliance report regarding this payment is to be sent to the Ministry by 16th August 1995. ✓

The Board of Directors felt that since the floods are a national calamity and the affectees also include State Life's policyholders, any payment towards flood relief would therefore also benefit the policyholders so affected.

The Board discussed the issue in detail and decided to make a payment of Rupees 10 million towards Prime Minister's Flood Relief Fund for the affectees of flood and in compliance with the Prime Minister's directive. Accordingly the Board resolved as under:

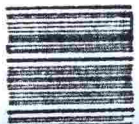
RESOLVED

✓ "that the payment of Rupees 10 million towards Prime Minister's Flood Relief Fund be and is hereby approved". ✓

Action: ED (F&A)

With no other matter to discuss, the meeting ended with a Vote of thanks to the Chair.

[Handwritten Signature]
CHAIRMAN



SPECIFIED MAJOR SURGICAL BENEFIT

Accelerated payment of 50% of survival benefits
subject to maximum accelerated payment of Rs.60,000.

Specified Major Surgical Benefit, which was introduced for the first time at the last valuation, will continue in 1995 and 1996 as well. It provides a unique cover to the existing policyholders, free of cost. Basically it makes a lump sum payment if an eligible insured undergoes major surgery during 1995 and 1996, due to any one of the six "specified surgeries" (as listed below). The lump sum payment provides badly needed financial assistance to help recoup some of the cost of major surgery. The cost of the benefit will be met out of the 1994 actuarial surplus.

The six "specified surgeries" for the purpose of this benefit are defined as follows:

1. Coronary artery by-pass surgery:
Undergoing of open heart surgery to correct narrowing or blocking of two or more coronary arteries with by-pass grafts. Laser treatments and/or reliefs, balloon angioplasty and/or any other procedures not necessitating thoracotomy will be excluded.

The coronary by-pass surgery must be a direct result of a diagnosis of definite coronary artery disease by accepted angiography.
2. Surgery for a disease of the aorta:
The actual undergoing of open heart surgery for a disease of the aorta needing excision and surgical replacement of the diseased aorta with a graft. For the purpose of this definition, aorta shall mean the thoracic and abdominal aorta but not its branches.
3. Replacement of a heart valve:
The replacement of one or more heart valves with

artificial valves due to stenosis or incompetence, or a combination of these conditions. Valvotomy is specifically excluded.

4. Major organ transplant:

The actual undergoing of a transplant of a heart, heart and lung, liver, kidney or bone marrow as a recipient.

5. Craniotomy:

Any major neuro-surgical procedure on or in the brain, involving craniotomy.

6. Cancer surgery:

Any major surgical procedure which is the direct result of cancer. For this purpose, cancer means a malignant tumor characterized by uncontrolled growth and spread of malignant cells and the invasion of tissue. Malignancy must have been evidenced by medical investigations. Excluded are: (a) non-invasive cancers in situ, (b) any skin cancers other than malignant melanoma; and (c) male prostate cancer if limited to the prostate.

DESCRIPTION OF BENEFIT

The specified major surgery benefit is being provided on with profit policies, which have been in full force for five years. The amount of benefit will be 50% of the sum assured subject to a maximum of Rs.60,000.

If the insured is covered under endowment type plans, such as Table 01 & Table 03, then 50% of the basic sum assured or Rs.60,000, whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.

If the insured is covered under anticipated endowment type plans, such as table 05, then of 50% of future installment benefits (including basic maturity benefit) or Rs.60,000, whichever is less, is payable in advance, on undergoing a specified surgery, which is adjustable from the survival installments or death, if earlier. The future survival benefits will be reduced by the specified major surgical benefit to adjust the advance payment on specified major surgery. In case, the insured dies before maturity then the

balance of the specified major surgical benefit paid and not yet adjusted from survival benefits will be adjusted from death proceeds. Installments left with State Life will not be taken into account when computing the lump sum amount to be paid on a specified surgery.

In case of Joint Life Assurance plan (Table 06), 50% of the sum assured or Rs.60,000, whichever is less, is payable in advance, if either of the insured lives undergoes a specified surgery, which is recovered on maturity or on earlier death of either of the insured persons.

In case of Child Protection Plan (Table 07), 50% of the sum assured or Rs.60,000, whichever is less, is payable in advance, if the payor undergoes a specified surgery, which is recovered on maturity. No specified major surgical benefit is payable in respect of surgery on a "child" covered under table 07.

In case of Jeevan Saathi Plan (Table 19), 50% of the sum assured or Rs.60,000, whichever is less, is payable in advance if either of the life insureds undergoes a specified surgery which is recovered on maturity, or on his/her death if earlier.

POSITION OF POLICY AFTER SPECIFIED MAJOR SURGICAL BENEFIT IS PAID

The policy will continue to participate in the profit of the Corporation, and bonus will accrue on the full sum assured as before. Premium payable under the policy, including extra if any, will continue to be paid by the policyholder, unaltered. Any rider attached to the policy and premium payable thereunder, will be unaffected by the payment of specified major surgical benefit.

CLAIM PROCEDURES

Evidence of having undergone a specified surgery will have to be provided by the claimant to the satisfaction of, and at no cost to State Life. The claimant will have to send his policy document and submit a personal statement. Confidential statements will also be required from the physician making the original diagnosis and the concerned surgeons, including the surgeon who performed the operation. State Life may require any additional proof to support the claim e.g. reports, test results, medical examination of the life insured etc. as it deems fit. The decision of State Life's Doctor, appointed for this purpose, will be final and binding.

If policy is assigned then the official discharge and permission in writing of the assignee must be obtained before any amount may be advanced to the insured.

If the policy has an irrevocable beneficiary, or the owner of the policy is not the insured then the official discharge and permission in writing must be obtained from the beneficiary/owner in writing before any amount can be advanced to the insured.

If the benefit is claimed under Joint Life Assurance Policy or Jeevan Saathi Policy then both the insured must request that the benefit be paid.

ELIGIBILITY

The age of the life insured must be between 20 and 65 at the date of the surgery.

The policy must have been in full force for at least 5 years at the date of surgery.

The policy must be enforce for the full sum assured, (that is not paid up for reduced sum assured) as at 31-12-1994 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31-12-1994 and revived subsequently.

Benefits are only payable on Pak Rupee policies.

The benefit is only paid on with profit policies.

MISCELLANEOUS CONDITIONS

1. To obtain the specified major surgery surgical benefit, the date of surgery must be between 1st January 1995 and 31st December 1996.

NB: The question of surgery after 31st December 1996 will be considered at the time of the 1996 actuarial valuation.

2. Benefits will be paid only once to any one life. That is once any insured has obtained benefits under the specified major surgical benefit, he is not eligible for any further benefits on any subsequent surgery.

3. Benefits will be paid only once on any policy. If any insured has received any specified major surgical benefits under a Joint Life or Jeevan Saathi Policy then neither he nor the other insured will be able to claim any subsequent specified major surgical benefit.

4. If the insured is covered under more than one policy, the maximum amount paid on all the policies together is limited to Rs. 60,000. The specified major surgical benefit will be provided out of the policies in the date issue order until the maximum benefit of Rs. 60,000 is reached. If the insured is covered under multiple policies and is eligible for surgical benefit, then the benefit will be paid (at 50% of the basic endowment benefits outstanding subject to maximum of Rs. 60,000) from the policy issued first to the insured. If the amount paid is less than Rs. 60,000 then amount will be paid from the second policy issued and so on subject to a total payment of Rs. 60,000.

5. If the specified major surgery surgical benefit is paid, it will affect the basic surrender value of the policy from which it is paid. The subsequent basic surrender value of the policy will be 50% of the basic surrender value of the policy had no specified major surgical benefit been paid (or more exactly, the basic surrender value of the policy will be reduced proportionate to the outstanding endowment benefits advanced). The total surrender value of the policy would be the reduced basic surrender value of the policy plus the surrender value of the accrued bonuses (which will not be affected by the payment of the specified major surgical benefit).

6. If there is a policy loan and/or APL on the policy, the specified major surgery payment will be first used to pay off 50% (to be more exact, the proportion of policy loan/APL paid off will equal the proportion of outstanding endowment benefits advanced) of the policy loan/APL outstanding. The balance of the specified major surgical payment will be paid to the insured.