

MINUTES OF THE 127TH MEETING OF THE BOARD OF DIRECTORS

CTORS	HELD AT	ON	TIME
TE BOOK	LAHORE	28-12-1995	

1. The One hundred and twenty seventh (127th) meeting of the Board of Directors of State Life Insurance Corporation was held on 28th December, 1995 at Lahore.

PRESENT:

- | | |
|---------------------------------|--------------------|
| 1. Mr. M. Zaheer Khan, | Chairman. |
| 2. Mr. M. Javed Ashraf Hussain, | Executive Director |
| 3. Mr. M. Hafiz Malik, | Executive Director |
| 4. Mr. S. Gulrez Yazdani, | Executive Director |
| 5. Mr. Shahnawaz Khan, | Executive Director |
| 6. Mr. Mehmood Ali Bhatti, | Director |
| 7. Mr. Mohammad Maalik, | Director |
| 8. Mr. A.Q. Raashid, | Secretary Board |

2. The meeting commenced with recitation from the Holy Quran. The Chairman and the Board of Directors welcomed Mr. Mohammad Maalik as the new nominee Director, Ministry of Commerce, to the Board of State Life and hoped that his presence would contribute positively to the Board's deliberations.

ITEM NO. 1 CONFIRMATION OF THE MINUTES OF 126TH MEETING OF THE BOARD OF DIRECTORS

3. The minutes of the 126th meeting of the Board of Directors were placed before the Board for confirmation and the Board confirmed the same. Accordingly it was resolved as under:

RESOLVED

4. "that the minutes of 126th meeting of the Board of Directors be and are hereby confirmed."

ITEM NO. 2 RATIFICATION OF THE DECISIONS TAKEN IN THE 204TH AND 205TH MEETINGS OF THE EXECUTIVE COMMITTEE.

5. The Board took note and ratified the minutes of the 204th and 205th Meetings of the Executive Committee. The Board accordingly resolved:

RESOLVED

6. "that the decisions taken in the 204th and 205th Meetings of the Executive Committee be and are hereby ratified."

ITEM NO. 3 RATIFICATION OF THE DECISION FOR GRANT OF GENERAL POWER OF ATTORNEY TO MR. S. GULREZ YAZDANI, EXECUTIVE DIRECTOR.

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7. The Board took note and ratified the decision of the Board of Directors for grant of General Power of Attorney to Mr. S. Gulrez Yazdani, Executive Director, through circulation. The Board accordingly resolved:

RESOLVED

8. "that the decision of the Board of Directors taken through circulation for grant of General Power of Attorney to Mr. S. Gulrez Yazdani, Executive Director, be and is hereby ratified."

Action: AGM (Law)

ITEM NO. 4 RATIFICATION OF THE DECISION FOR NOMINATION OF MR. M. JAVED ASHRAF HUSSAIN, EXECUTIVE DIRECTOR, AS A DIRECTOR OF PAKISTAN INSURANCE CORPORATION.

9. The Board took note and ratified the decision of the Board of Directors taken through circulation for nomination of Mr. M. Javed Ashraf Hussain, Executive Director, for reelection as a Director of Pakistan Insurance Corporation. The Board accordingly resolved:

RESOLVED

10. "that the decision of the Board of Directors taken through circulation for nomination of Mr. M. Javed Ashraf Hussain, Executive Director, for re-election as a Director of Pakistan Insurance Corporation, be and is hereby ratified."

Action : AGM (Law)

ITEM NO. 5 BUDGET ESTIMATE FOR THE YEAR 1996 AND REVISED BUDGET ESTIMATE FOR THE YEAR 1995.

ED(F&A) Memorandum, dated 27th December, 1995

11. Executive Director (F&A) presented the budget estimates for the year 1996 and revised budget estimates for the year 1995 to the Board. The Board of Directors was informed that the revised budget for the year 1995 and budget for 1996 has been prepared on historic cost convention, i.e., on the basis of past experience and estimates keeping in view the future trends.

✓ 12. REVENUE BUDGET (ANNEXURE -A)

(i) FIRST YEAR PREMIUM

(a) The Board of Directors were informed that the first year premium for 1995 was expected to be around Rs.2000.000 million, showing an increase of 72% over 1994. The FYP for 1996 is estimated to grow at the rate

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of 25% over 1995 and reach Rs.2500.000 million.

(b) The FYP in respect of International Business was expected to be Rs.52.000 million by the end of December, 1995 showing a growth of 68.6% and the FYP is expected to reach Rs.77.000 million by 31st December, 1996 showing a growth of 48.1% over 1995.

(ii) RENEWAL PREMIUM

While discussing renewal premium it was desired that efforts be made to further improve persistency by providing better service to policyholders and taking other appropriate measures.

(iii) GROUP PREMIUM

G&P Division has estimated group premium of Rs.1300.270 million in 1995 which shows increase of 17.1% over 1994. The group premium has been estimated to grow to Rs.1600.300 million in 1996 giving an increase of 23.1% over 1995.

(iv) INVESTMENT INCOME

Gross investment income including income from Real Estate Operation was Rs.4561.310 million in 1994. This income is anticipated to rise to Rs.5421.300 million in 1995 recording an increase of 18.8%. This income is expected to further rise to Rs.6363.700 million in 1996 i.e. up by 17.3% over 1995.

13. POLICY PAYMENTS (ANNEXURE -B)

The Board of Directors were informed that policy payments have been budgeted on the basis of estimates provided by Actuarial, International and G&P Divisions. While preparing these estimates, the past experience had also been kept in view.

SURRENDERS

Surrenders were Rs.735.931 million in 1994. These are expected to rise to Rs.856.000 million in 1995, up by 16.3% over 1994 and to Rs.1037.000 million, up by 21% in 1996 over 1995. The surrenders have been showing an increasing trend over the years. The Corporation is losing millions of rupees by way of loss of interest income which would have been earned by way of investment of surrendered amount in profitable ventures. Besides this, the surrenders are reducing our Renewal Premium. Due to increase in surrenders, there has been reduction in second and third year premiums. It cannot be over-ruled that a part of our new business is coming from surrender old policies and ED(S&D) was requested to check this trend effectively in 1996.

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14. ADMINISTRATIVE EXPENSES

(i) ADVERTISEMENT

These expenses were Rs.30.675 million in 1994 and Rs.55.000 million in 1995, up by 79.3%. The steep rise was owing to exceptionally high business target for 1995 requiring massive publicity on TV and other media. The advertisement expenses have been budgeted at Rs.40.000 million in 1996.

(ii) TRAINING EXPENSES

The Chairman directed for massive training efforts during 1996. The Chairman also directed to submit an intensive Training Programme for 1996 to him in February 1996. ED(HRD) informed the Board of outstanding business performance by the participants of advanced training courses in certain Zones.

15. CAPITAL BUDGET

i) INDIVIDUAL LIFE

Capital expenditures are incurred at the zones to procure capital items as furniture, fixtures, office equipment etc. for office use and to meet payments on account of seating and allied facilities for field workers. In the past, capital budget was allowed at 2% of FYP. It was proposed to allow capital budget for the zones @ 2% of FYP. This will amount to Rs.41.000 million for 1995 and Rs.51.500 million for 1996.

(ii) CASH RECEPTION COUNTERS

The Chairman directed that cash reception counters of State Life should be of international level, whether those be in cities, towns or villages.

16. SUMMARY OF CAPITAL BUDGET

a) The requirements of capital budget for 1996 were summarized as under:

(Rupees in million)

(i) Individual life (for zones/S.A.F. etc.)	51.500
(ii) Group & Pension	10.000
(iii) Human Resource Development Div	3.000
(iv) P&GS Division	8.000

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(v) Computer Division	40.000
(vi) Real Estate	5.000
(vii)Furnishing of new zones (individual life)	12.500

	130.000

b) The Board was also requested to carry forward the following capital budget unutilized in 1995:

(Rupees in million)

(i) Human Resource Development Div	6.500
(ii) Computer	14.930
(iii)Cash Counters	10.530

	31.960

17. The Board approved the revised budget estimates for 1995 and budget estimates for 1996 as also the capital budget for 1996 as proposed in paras 16 (a) and (b) above. Accordingly it was resolved:

RESOLVED

18. "that the revised budget estimates for 1995 and budget estimates for 1996 as presented vide annexures A,B,C and D of the memorandum, as also the capital budget for 1996 as proposed in para 16 (a) and (b) above, be and are hereby approved."

Action: GM (B&A)

19. The Chairman and the Board of Directors commended the good job done by the B&A Division in preparing and presenting the budget estimates for 1996 in time.

ITEM NO. 6 ANY OTHER MATTER

✓(i). APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN FOR THE YEAR 1995

ED(Finance) Memorandum dated 28th Dec' 1995

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20. The Board of Directors were informed that the annual accounts of State Life Insurance Corporation of Pakistan for the year 1994 were audited by the following firms of Chartered Accountants:-

- (i) M/s. Khalid Majeed Hussain Rehman, Chartered Accountants, Karachi.
- (ii) M/s. Riaz Ahmad & Company, Chartered Accountants, Lahore.
- (iii) M/s. Ilyas Saleem & Company, Chartered Accountants, Islamabad.

21. The Board of Directors had earlier approved the panel of auditors listed in para 20 above, for the audit of accounts of the Corporation for the year 1995 and approved a total of Rs. 600,000/- as audit fee and total of Rs. 300,000/- as out of pocket expenses for all the three auditors for the year 1995.

22. Due to establishment of three Regional Offices and increased number of Zonal Offices (from 10 to 24) it is felt that it may delay the finalization of annual audit for 1995 with the panel of three auditors. It will be appropriate if one more firm of Chartered Accountants is included in the already approved panel of auditors.

23. It was suggested that M/s. S.M. Masood & Company, Chartered Accountants, Lahore be included on the panel of auditors listed in para 20 within the total audit fee and out of pocket expenses already approved as stated in para 21 above. It was pointed out that M/s. S.M. Masood & Company, has been on the panel of auditors previously also (up to 1993) and had done a good job.

24. The Board considered the proposal given in para 23 and approved the appointment of another firm of Chartered Accountants (M/s. S.M. Masood & Company) as auditors for the year 1995, and resolved:

RESOLVED

25. "that M/s. S.M. Masood & Company, Chartered Accountants, Lahore, be and are hereby included on the panel of auditors for State Life Insurance Corporation of Pakistan, for the year 1995."

Action: GM(B&A)

IN

(ii) REVISION RATES OF DAILY ALLOWANCE

ED(Finance) Memorandum dated 27th December, 1995

26. ED(Finance) informed the Board of Directors that

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presently the Officers of the Corporation are allowed reimbursement of room rent of hotels subject to a maximum of three times the daily allowance as per limits applicable on special rates for specified towns and one and half times the daily allowance as per limit applicable on ordinary rates for other towns. Thus the maximum room rent a senior Officer can get is Rs. 1350/- per day.

27. Due to increasing inflation, the hotels have raised their room rents. Recently M/s Pearl Continental Hotel have informed that it would not be possible for them to accommodate our officers at a room rent of less than Rs. 1800/- per day.

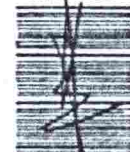
28. The entitlement to hotel accommodation is related to Daily Allowance. The rates of daily allowance were last revised in 1991. It has thus become necessary to revise the rates of daily allowance so that our senior Officers do not face difficulty in getting hotel accommodation in standard hotels. Keeping in view the revision in room rent by hotels, the rates of daily allowance were proposed to be increased by 33.33%. The revised rates of daily allowance are given below:

	SPECIAL RATE	ORDINARY RATE
	-----	-----
	Admissible at	Admissible at
	Islamabad/Karachi/ Hyderabad/Lahore/ Rawalpindi/Peshawar/ Quetta/Multan/Faisal- abad/Gujranwala/ Mirpur(A.K.)/Muzaf- arabad.	other places
PAYLIMITS	Rs.	Rs.
-----	---	---
Rs. 9,000/- and above	600	520
Rs. 7,500/- to Rs. 8,999/-	520	440
Rs. 5,000/- to Rs. 7,499	440	380
Below Rs. 5,000/-	380	340

29. Officers staying in hotel or guest house will be eligible for reimbursement of actual room rent, in addition to daily allowance, subject to the limit of three times the daily allowance applicable on special rates.

30. Some of the Officers while on tour prefer to stay at the residences of their relatives etc. rather than in hotels. It was suggested that such Officers be paid one half of the daily allowance as out of pocket expenses for the period they do not stay in hotels.

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31. The Board was informed that it was decided in the 5th Zonal Heads/Regional Chiefs meeting held on 23rd July, 1995 at Rawalpindi that at places other than big cities, reimbursement of hotel accommodation would be on the basis of actual expenses provided that hotel accommodation expenses do not exceed the expenses allowable in big cities. This decision requires approval of the Board.

32. The Board considered the revision in rates of Daily Allowance, payment of out of pocket expenses and payment of hotel accommodation expenses as proposed in paras 28, 29, 30 and 31 as reasonable and accorded approval for the same. It was resolved:

RESOLVED

33. "that the rates of Daily Allowance, payment of out of pocket expenses and payment of hotel accommodation expenses as proposed in paras 28,29, 30 and 31 be and are hereby approved."

Action: GM P&GS/DGM(P&GS)

✓ (iii) FRINGE BENEFITS TO EXECUTIVE DIRECTORS

GM(B&A) Memorandum dated 28th December, 1995

34. The Board was informed that the pay scales of officers of the Corporation from Executive Officer to General Manager are determined by the Pay Committee set up by the Federal Government while their allowances and fringe benefits are decided by the Board of Directors. The pay scale and the benefits of Executive Directors who are in Management Grade M-II are decided by the Federal Government.

35. The Board of Directors considering the price hike, has recently revised fringe benefits of officers of the Corporation. However, the benefits of Executive Directors have not yet been revised by the Federal Government. After this revision, the General Managers are entitled to Rs. 756/- and Rs. 1,404/- under the head of Utilities and reimbursement of Entertainment expenses respectively while the Executive Directors though senior to General Managers are still getting Rs. 400/- per month under the head of Utility and Rs. 400/- as entertainment allowance.

36. The Federal Government while fixing the terms of deputation of any employee normally emphasizes that the deputationist will be entitled to the existing terms or the facilities of the borrowing organisation in case the said facilities are better in the borrowing organization. Further, promotion of an employee to a higher grade entails added responsibilities putting a claim to better facilities in financial terms so that the employee may discharge his duties efficiently, It is therefore necessary that there should not be any disparity in emoluments or

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promotion. Thus, the fringe benefits of a General Manager get reduced on his promotion to the rank of E.D which is a serious anomaly and requires removal.

37. The circumstances as stated above have rendered it essential that revision in the amount of utilities and reimbursement of entertainment expenses admissible to all Executive Directors, both of the Corporation as well as those on deputation, be considered and be fixed as Rs. 1,500/- per month on account of Utilities and a similar amount of Rs. 1,500/- per month as reimbursement of entertainment expenses.

38. The matter was placed before the Board and the Board after due consideration approved the fringe benefits as proposed. Accordingly it was resolved:

RESOLVED

39. "that Rs. 1500/- per month under the head utilities and Rs. 1500/- per month as reimbursement of entertainment expenses to all Executive Directors of State Life be and are hereby approved."

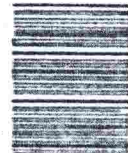
Action: GM/DGM (P&GS)
GM(B&A)

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

[Handwritten Signature]
CHAIRMAN

P.T.O.

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Annexure-"A"

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET ESTIMATES
FOR THE YEAR 1995 (REVISED) AND 1996

I N C O M E

(Rs.in Million)

WORKING CODE	TITLE OF ACCOUNTS	REVISED ESTIMATES 1995	BUDGET ESTIMATES 1996
A. PREMIUM INCOME:			
650 TO 672	First Year Premium		
	PAKISTAN	2000.000	2500.000
	OVERSEAS	52.000	77.000
	T o t a l	2052.000	2577.000
676 TO 677	Renewal Premium Second Year		
	PAKISTAN	814.000	1420.000
	OVERSEAS	24.000	37.000
	Third Year & above		
	PAKISTAN	2900.000	3350.000
	OVERSEAS	40.000	56.000
	Total Renewal Premium	3778.000	4863.000
683 TO 686	Group Premium		
	PAKISTAN	1300.000	1600.000
	OVERSEAS	0.270	0.300
	T o t a l	1300.270	1600.300
690	Annuity & Single Premium	8.000	10.000
	TOTAL PREMIUM INCOME:-	7138.270	9050.300
B. INVESTMENT & OTHER INCOME			
693 TO 697	Interest on Policy Loans	244.000	306.000
	Dividend & Interest of other Investment Income (Gross)	4956.000	5816.000
	Rental Income (Gross)	220.000	240.000
	Misc./Other Income and Adjustments	1.300	1.700
	TOTAL OTHER INCOME:-	5421.300	6363.700
	TOTAL GROSS INCOME:-	12559.570	15414.000

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Annexure-"B"

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET ESTIMATES
FOR THE YEAR 1995 (REVISED) AND 1996

PAYMENTS TO POLICYHOLDERS (Rs.in Million)

WORKING CODE	TITLE OF ACCOUNTS	REVISED ESTIMATES 1995	BUDGET ESTIMATES 1996
755 TO 763	Death Claims		
	PAKISTAN	350.000	420.000
	OVERSEAS	3.000	4.000
	T o t a l	353.000	424.000
764	Claim Investigation Expenses		
	PAKISTAN	2.000	3.000
	OVERSEAS	-	-
	T o t a l	2.000	3.000
765 TO 769	Maturity Claims		
	PAKISTAN	870.000	990.000
	OVERSEAS	27.000	28.000
	T o t a l	897.000	1018.000
770 -A G	Group Claims		
	PAKISTAN	975.000	1200.000
	OVERSEAS	-	-
	T o t a l	975.000	1200.000
771	Group Profit Commission		
	PAKISTAN	163.000	200.000
	OVERSEAS	-	-
	T o t a l	163.000	200.000
	Annuities	3.000	3.000
	Surrenders		
	PAKISTAN	844.000	1020.000
	OVERSEAS	12.000	17.000
	T o t a l	856.000	1037.000
738 TO 786	Bonus to Policyholders	-	-
	TOTAL POLICY PAYMENTS:-	3249.000	3885.000

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Annexure-"C"

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET ESTIMATES
FOR THE YEARS 1995 (REVISED) AND 1996

PAYMENTS TO FIELD WORKERS

(Rs. in Million)

WORKING CODE	TITLE OF ACCOUNTS	REVISED ESTIMATES 1995	BUDGET ESTIMATES 1996	BASIS FOR ESTIMATES
790 TO 792	Agency Commission First Year	772.000	965.000	AROUND 38.60% OF CURRENT YEAR FYP
808 TO 811	Overriding Commission First Year	720.000	900.000	AROUND 36% OF CURRENT YEAR FYP
804	Agency Commission Annuity	0.600	0.800	AROUND 7.50% OF ANN+SIN. PREM
823 TO 824	Overriding Commission Annuity	0.120	0.150	AROUND 1.5% OF ANN+SIN. PREM
812	Production Bonus to Area Managers	40.000	50.000	AROUND 2% OF CURRENT YEAR FYP
805	FIELD PRIZES & AWARDS			
	i) Field Contests (FYP/ Renewal Premium)	20.000	25.000	AROUND 1% OF CURRENT YEAR FYP
	ii) Field Convention	5.500	6.000	
796 815 & 816	Field Group Insurance	9.000	14.000	AROUND 0.70% OF LAST YEAR FYP
825	Field Medical Expenses	24.000	40.000	AROUND 2% OF LAST YEAR FYP
826	Field Office Expenses/Allied Facilities	78.000	130.000	AROUND 6.5% OF LAST YEAR FYP
	TOTAL FIRST YEAR & OTHER COST:-	1669.220	2130.950	
799 TO 801	Agency Commission Renewal	230.000	316.000	AROUND 10% OF STP+5% OF 3rd & ABOVE
817 TO 821	Overriding commission Renewal	71.000	92.000	AROUND 1.9% OF TOTAL RENEWAL
	TOTAL RENEWAL COST:-	301.000	408.000	
793	Agency Commission Group	3.200	4.000	
822	Overriding Commission Group	1.000	1.300	
805	Prizes & Awards Group	0.800	1.000	
	TOTAL GROUP COST:-	5.000	6.300	
	GRAND TOTAL:-	1975.220	2545.250	

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Annexure "D"

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET ESTIMATES FOR THE YEARS
1995 (REVISED) AND 1996

ADMINISTRATIVE EXPENSES (Rs.in Million)

WORKING CODE	TITLE OF ACCOUNTS	REVISED ESTIMATES 1995	BUDGET ESTIMATES 1996	% INCREASE (DECREASED) OVER REVISED ESTIMATES.
809	Salaries	600.000	765.000	27.5
810	Travelling Expenses	70.000	90.000	28.6
811	Auditors Fees	1.300	1.500	15.4
812	Medical Fees	13.000	16.000	23.1
813	Law & Professional Charges	4.000	5.000	25.0
814	Advertisement	55.000	40.000	-27.3
815	Printing & Stationary	30.000	35.000	16.7
816	Policy Stamps	14.000	17.000	21.4
817	Staff Welfare	106.000	150.000	41.5
818	Postage, Telegram & Telephones	50.000	60.000	20.0
819	Utilities	50.000	60.000	20.0
820	Entertainment	10.000	11.000	10.0
822	Bank Charges	6.000	8.500	41.7
823	Conference & Meeting	20.000	22.000	10.0
824	Prizes & Awards	3.000	3.000	0.0
825	Training Expenses	14.000	16.000	14.3
826	Computer Expenses	9.000	12.000	33.3
828	Miscellaneous Expenses	60.000	70.000	16.7
829	Rents(State Life Buildings)	25.000	33.000	32.0
830	Rents(Other Buildings)	32.000	43.000	34.4
831	Bad Debts	-	-	-
834	Depreciation	53.000	70.000	32.1
835	Gratuity, Pensions, Provident Fund Contribution	52.000	64.000	23.1
836	Depreciation in value of Investment	-	-	-
TOTAL ADMINISTRATIVE EXPENSES		1277.300	1592.000	24.6

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