

MINUTES OF 135TH MEETING OF BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	3rd October, 1997	

The one hundred and thirty fifth(135th) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan, was held on 3rd October, 1997 at Karachi.

PRESENT:

- | | |
|--------------------------|-----------------------|
| 1) Syed Muzafar Ali Shah | Chairman |
| 2) Mr. M. Amjad Virk | Joint Secretary(Ins.) |
| 3) Mr. Zafar Mahmoud | Executive Director |
| 4) Mr. A. Rauf Malik | Executive Director |
| 5) Mr. Mazhar Hussain | Executive Director |
| 6) Mr. A.Q. Raashid | Secretary Board |

2. The meeting commenced with recitation from Holy Quran.

ITEM NO.1 CONFIRMATION OF THE MINUTES OF 134th MEETING OF THE BOARD OF DIRECTORS.

3. The minutes of 134th meeting of the Board of Directors were confirmed.

ITEM NO. 2. IMPLEMENTATION REPORT

4. The Implementation report placed before the Board was perused. It was observed that the implementation of minutes and decisions of previous meetings may also be checked and reported.

Action: GM(BS)

ITEM NO. 3. STATE LIFE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1996.

ED(Budget & Accounts Division) Memorandum dated 26th September, 1997.

5. Mr. Mohammad Latif, GM(B&A), was invited, when the item was taken up for consideration.

First Year Premium

6. The Board noted that the First Year Premium under Individual Life decreased from Rs.2,026.3 million to Rs.1,698.2 million recording a decrease of 16.2%. The reason given for the decrease was that there was excessive unplanned/unrealistic increase in business in 1995 and 1996. However, as compared to FYP of 1994 with FYP of 1996, the annual growth rate was 19.1%.

Second Year Persistency

7. In reply to a question, GM(B&A) informed that on cash basis the Persistency during 1996 was 50.70% whereas on accrual basis the Persistency in 1996 was 65%. Mr. M. Amjad Virk requested that persistency for the last 7-8 years on "accrual" as well as "cash" basis may be intimated at the next Board meeting to know the historical growth trend. It should also be examined as to what should have been the

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normal growth in First Year Premium, Second Year Persistency and Renewal Premium if the growth for 1995 would have been planned and realistic.

Action:GM(B&A) by 20-10-1997.

Improvement in Quality of Business

8. With reference to unplanned/unrealistic business in 1995, the Board was informed that several steps had already been taken to improve the quality of business. There would be no accelerated promotions and emphasis was being laid on Persistency and Renewal Premium. Where the Persistency or Renewal Premium was less than the minimum required under the contract, the facilities to the concerned field personnel were reduced or withdrawn. The Board was also informed that the reasons for low quality business had already been identified and the persons responsible for low quality business were being taken to task.

9. The Board was also informed that the Zones were vitally interested in good business and were taking all practical steps to improve the volume as well as quality of business.

10. The Board required monitoring of business results throughout the year so that unrealistic results were not hankered after during this year on the pattern of 1995.

Action: DGM(S&D) all the time

Control of Expenses

11. Referring to page 5 of ED(F&A) memorandum dated 26th September, 1997, it was observed that expenses under various heads were on the high side in 1996. The Board required control on expenses atleast under such heads as Advertisement, Printing and Stationary, Telephone and Telegram/Fax etc. It was also required that a review of expenses during the first three quarters of 1997 viz-a-viz budget allocations be reported to the Board at its next meeting. It was further desired that the budget approved for the last three years and actual expenses be also reported.

Action:GM(B&A) by 30-10-1997.

Surplus Pool

12. In order to control expenses on salaries, it was desired that the services of employees recruited in 1995 and 1996 who are not required by the Corporation be referred to the Commerce Ministry for advice. It was also required to utilize existing manpower to expand business of the Corporation.

Action: GM(P&GS) by 20-10-1997

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<p>Pay Commission for Officers</p> <p>-----</p> <p>13. It was observed that pay and other benefits to State Life officers had not been revised for a number of years and that they had lagged behind the unionized staff whose pay was revised every two years. It was felt that the Corporation may approach the Ministry of Commerce for constituting a Pay Committee for officers of State Life.</p> <p style="text-align: right;">Action: GM(P&GS) by 20-10 1997</p> <p>Staff Retirement Benefits</p> <p>-----</p> <p>14. With reference to page 4, para 3 of auditors report, it was noted that sufficient provision had not made for gratuity and pension fund. It was felt that full provision be made towards gratuity and pension fund in the next 3-4 years by consulting the income tax authorities, so that the objective is achieved without payment of unduly large amount of income tax.</p> <p style="text-align: right;">Action: GM(B&A)</p> <p>Sundry Creditors</p> <p>-----</p> <p>15. With reference to page 4, item 4, of auditors report, GM(B&A) clarified that though Group & Pension Division had deducted Zakat amounting to Rs.83,338 against the pension payment to the beneficiaries but the balances were not credited to the Central Zakat Fund on the contention that the assets in respect of a pension fund do not come within the ambit of Zakat and Ushr Ordinance, 1980. The matter was still unresolved and correspondence with the Administrator General, Zakat was in process.</p> <p style="text-align: right;">Action: GM(B&A) by 30-11-1997.</p> <p>16. With above observations, the Board approved the Annual Accounts for the year ended 31st December, 1996. Accordingly, it was resolved as under:</p> <p>RESOLVED</p> <p>-----</p> <p>(a) "that State Life Annual Accounts for the year ended 31st December, 1996 be and are hereby approved.</p> <p>(b) "Further that the growth of the Corporation be worked out to indicate the figures in case the distortion of 1995 and 1996 had not taken place. The growth be also indicated for the next three years.</p> <p>(c) "Further that the Board expressed its concern on low quality of business and resolved that the deterioration in quality of business be arrested. It was resolved that improvement both in volume and quality of business be achieved so as to increase the contribution of Life and Group business towards accretion to Life Fund.</p>			

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	<p>(d) "Further that economy be observed under all heads of accounts specially advertisement, printing and stationary, telephones, entertainment etc.</p> <p>(e) "Further that the expenses for the first nine months of 1997 viz-a-viz the budget allocation be reported at the next meeting of Board of Directors.</p> <p>(f) "Further that a Management Report be prepared and submitted indicating the strengths and weaknesses of the Corporation."</p> <p style="text-align: center;">Action:GM(P&GS)/GM(B&A)/GM(G&P)/DGM(S&D)</p> <p>ITEM NO. 4. APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS OF STATE LIFE FOR 1997.</p> <p style="text-align: center;">----- ED(Budget & Account Division) Memorandum dated 26th September, 1997.</p> <p>17. Consideration on appointment of Statutory Auditors for audit of accounts of State Life for the year 1997 was deferred.</p> <p>ITEM NO. 5. ACTUARIAL VALUATION AS AT 31.12.1996.</p> <p style="text-align: center;">----- GM(Actuarial Division) Memorandum dated 30th September, 1997.</p> <p>18. Mr. M. Mazharuddin, GM(Actuarial) was invited.</p> <p>19. GM(Actuarial) gave the reasons for delay in Actuarial Valuation. He informed the Board that if there were no computational errors, the Actuarial Valuation would be completed in the next five to six days.</p> <p>Approval of Actuarial Valuation by the Board.</p> <p style="text-align: center;">-----</p> <p>20. The Board resolved that as soon as the Actuarial Valuation was ready, the same be approved by the Executive Committee and then be submitted to the Board of Directors for approval through circulation.</p> <p>21. Mr. M. Mazharuddin was allowed to leave the meeting.</p> <p style="text-align: center;">Action: GM(Actuarial) by 12-10-1997</p> <p>22. The Chairman desired that necessary steps be taken so that the bonus certificates be dispatched to the policyholders as soon as the bonus was declared.</p> <p style="text-align: center;">Action:DGM(CD)/DGM(S&D)</p>		

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ANY OTHER MATTER

(i) UTILIZATION OF BUDGET FOR "COMMERCIAL ENTERTAINMENT" FOR DEVELOPMENT OF GROUP LIFE BUSINESS BY G&P DIVISION.

ED(Group & Pension Division) Memorandum dated 01-10-1997.

23. The Board was informed that the Executive Committee at its 209th meeting held on 26.02.1996 (Item No.5) had approved allocation of budget as entertainment under the head "COMMERCIAL ENTERTAINMENT FUND" amounting to Rs.5 million for the year 1996 for Group & Pension Division to counter the competition in the market, against which Rs.3 million were incurred during the year 1996 and were included in the total advertisement expense.

24. For the year 1997, a total amount of Rs.60 million was approved by the Board of Directors of the Corporation under the head "ADVERTISEMENT" on the whole Corporation basis. This included an amount of Rs.3 million to be utilized for Commercial Entertainment for Group & Pension Division but in the respective Board memorandum relating to approval of budget for 1997, the nature of provision of Rs.3 million i.e. for Commercial Entertainment was not mentioned.

25. Keeping in view the fact that the Advertisement budget already approved for the year 1997 is inclusive of an amount for Commercial Entertainment also, it was proposed that out of total Advertisement budget as stated above, an amount of Rs. one million be allowed to be used as Commercial Entertainment by G&P Division. After due deliberation, the Board approved the same. Accordingly, it was resolved as under:

RESOLVED

"that a budget of Rs.one million be and is hereby allowed to be used with the approval of the Competent Authority as Commercial Entertainment by G&P Division out of the Advertisement budget already approved for the year 1997."

Action:GM(B&A)/GM(G&P) by 20-10-1997.

(ii) BUSINESS REPORT OF G&P DIVISION

26. Mr. J.M. Pereira, GM(G&P), was invited.

27. The Board noted that Group Premium of Rs.822 million had been secured up to 29th September, 1997 excluding emigrants premium, as against Rs.816 million during the same period of 1996 showing a nominal increase of 0.71%.

28. GM(G&P) informed that some of the group clients which had obtained group insurance from private sector had approached State Life again but wanted insurance at the

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premium rates which were previously offered to them. The private sector had suffered losses owing to the low premium rates charged by them.

29. GM(G&P) also informed that the Provincial Governments were facing liquidity problem and had not paid the group premium for their employees.

30. GM(G&P) informed the Board that large premiums were due for collection in October, 1997 and that the overall target of Rs.1,500 million for 1997 would be achieved.

Action: GM(G&P) by 30-12-1997

Review of S&D Business

31. The Daily Business Statement on First Year Premium for September, 1997 and year to date was placed before the Board. The Board noted with concern that with the exception of a few small Zones, most of the Zones had registered a decrease both in September, 1997 and year to date figures.

32. The Board discussed various steps to increase the business including immediate promotion from SMs to Area Managers against available vacancies, and declaration of bonus to policyholders. A case for promotion of top most qualifiers who have been left out in the first round will also be prepared and submitted by ED(S&D) to Board in its next meeting.

Action: ED(S&D)/GM(Act.)/DGM(S&D) by 15-10-1997.

33. The meeting ended with mutual vote of thanks.

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CHAIRMAN

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