MINUTES OF 152ND MEETING OF THE BOARD OF DIRECTORS

CTORS	HELD AT	ON	TIME
TE BOOK	KARACHI	4TH & 5TH March, 2000	

CONFIDENTIAL AND RESTRICTED

MINUTES OF 152ND MEETING OF THE BOARD OF DIRECTORS

The one hundred and fifty second (152nd) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 4th and 5th March, 2000 at 10:30 a.m., at Board Room, 3rd Floor, State Life Building No.9, Principal Office, Karachi.

PRESENT

1. Dr. Najeeb Samie	Chairman
2. Mr. Mohammad Sulaiman	Director/Additional Secretary (Commerce)
3. Mr. Rasool Bakhsh Baloch	Executive Director
4. Mr. Imtiaz Rasool	Executive Director
5. Mr. Umair Khan	Executive Director
6. Mr. Mohammad Latif	Executive Director
7. Mr. J.M. Pereira	Executive Director
8. Mr. Akbar Ali Hussain	Secretary Board

2. The meeting was also attended by Mr. Akram Hussain, Incharge S&D, at the request of the Board.

3. The meeting commenced with recitation of verses from the Glorious Quran by Mr. Akram Hussain.

ITEM (1) CONFIRMATION OF MINUTES OF 151ST MEETING OF THE BOARD OF DIRECTORS.

4. The minutes of 151st meeting of Board of Directors held on 22nd January 2000 were placed before the Board. ED(Inv) proposed and ED(P&GS) seconded, that the same be confirmed.

5. Accordingly, it was resolved as under:

RESOLVED

"that the minutes of 151st meeting of Board of Directors held on 22nd January, 2000 be and were hereby confirmed."

ITEM (2) POSITION PAPER ON VIABILITY OF ZONES OF INDIVIDUAL LIFE.

6. ED(B&A) informed the Board that an analysis to ascertain the viability of each of the Zones of Individual Life Business was prepared by B&A Division for three years from 1996 to 1998 under the following five different indicators:-

(i) First Year Premium
(ii) Adjusted accretion to Life Fund
(iii) Adjusted Management Expense Ratio
(iv) Second year persistency
(v) Renewal persistency

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7. However, it was observed that the above analysis did not give a true picture of the profitability of each Region/Zone to justify its viability because of non-availability of the figure of life fund that could be allocated to each Region/Zone.

Action ED(Act)/ ED(B&A)

8. The Board directed ED(Act) to allocate life fund as on 31-12-1996 to each Region/Zone respectively using the actuarial method taking into account the policy holders liability and surplus thereon in respect of policies serviced by the Zone and based upon that opening balance of the Life Fund for the year 1997 be worked out, to which would be added income from investment and Real Estate operations, details of which would be provided by Investment Division. The B&A Division would then add therein yearly accretion to Life Fund for the year 1997 and 1998 and provide the figures of Life Fund as at 31-12-1998 to Actuarial Division for actuarial valuation of each zone as at 31-12-1998 to find out profitability of each zone. The Board instructed B&A Division to treat each Zone as an independent cost center.

9. After deliberation, the Board resolved as under:-

RESOLVED

Action ED(Act)

(i) "that ED(Act.)/ED(B&A) would submit to the Board by 15th April, 2000 a statement showing profit/loss of each Region/Zone as at 31-12-1998/31-12-1999 based on information regarding Zone-wise Life Fund as on that date to be provided by B&A Division to Actuarial Division."

Action ED(Act.)/ ED(B&A)

(ii) "that henceforth Actuarial Division/B&A Division would prepare a profit/loss statement for each zone as an independent cost center on the basis of information with regard to Life Fund to be provided by B&A Division. Actuarial Division to provide all necessary assistance to B&A Division in working out Life Fund of each Zone separately."

ITEM (3) <u>PRESENTATION ON ALPHA INSURANCE COMPANY LIMITED</u>

10. MD(Alpha) made a presentation on Alpha Insurance Company Limited before the Board giving details its Board of Directors, Organization Chart, location of its branches, business details and its strength and weaknesses.

11. MD(Alpha) informed that State Life had a holding of 88.02% in the paid-up capital of the company which was presently Rs.55 million. The paid-up capital of the company had increased from Rs.20 million in 1995 to Rs.55 million in 1999 whereas total reserves in 1999 were Rs.59.496 million as compared to Rs.46.176 million in 1995.

12. MD(Alpha) mentioned that premium from fire, marine, motor and miscellaneous business had increased from Rs.42.14 million, Rs.35.29 million, Rs.35.68 million and Rs.13.99 million respectively in 1995 to Rs.64.92 million, Rs.46.41 million, Rs.56.36 million and Rs.24.17 million respectively in 1999. The claims and expenses were Rs.42.709 million and Rs.18.196 million in 1995 and Rs.55.435 million and Rs.42.065 million respectively in 1999. The management expense ratio to gross premium had increased from 15% in 1995 to 22% in 1999.

13. MD(Alpha) further explained that profit before tax of the company had increased from Rs.18.330 million in 1995 to Rs.25.307 million in 1999 and total investment from Rs.111.2 million in 1995 to Rs.109.9 million in 1999, the yield being 12% in 1995 and 15% in 1999. The dividend declared by the company had ranged from 75% in 1993 to an average of 33% from 1994 to 1998.

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14. MD(Alpha) further informed that the strength and weaknesses of the company were as follows:-

STRENGTH

(1) Network of offices comprising 18 in all, in all the major cities of Pakistan.
(2) Alpha ranks No.6 among the Pakistani insurers which a gross premium of Rs.180 million in 1998.
(3) In the last 5 years Alpha has declared cash/stock dividend ranging from 25% to 75%.
(4) Its reinsures are amongst the best in the world namely: SCOR of Sumitomo of Japan and PIC of Pakistan.
(5) Through our Brokers M/s Marsh Ltd. Alpha can underwrite risks of any size.
(6) Have the capital backing of State Life Insurance Corporation.

WEAKNESSES

(1) Alpha was not listed on the Stock Exchanges whereas other leading Pakistan Insurers are listed.
(2) Not being listed Alpha loses its daily free publicity in the newspapers of the country.
(3) Alpha's competitors bracket Alpha with Public Sector and use this propaganda against Alpha in the procuration of business.
(4) Dearth of professional staff.
(5) Absence of training and development programs.
(6) Inadequate salary structures and facilities to staff.
(7) Alpha has no in-house business. All its business is from the market.
(8) Alpha does not enjoy a Level Playing Field compared to other leading insurers. Bank limits are inadequate and no support from Government. Agencies placing their business in the private sector.

15. MD(Alpha) also informed the Board that all the branches were working directly under the Head Office and underwriting and claim settlements looked after by the Southern Region. The ideal situation would have been decentralization, however, cost factor i.e. permissible limit of management expenses was a hurdle in not doing so. A premium of Rs.10 million was required to make a branch viable. In Lahore and other cities of Pakistan, Alpha operated through branches whereas the agency concept was adopted for Karachi. The claim ratio had increased because of decline in morality and family own insurance company revert back their premium. Alpha's solvency margin and cash limit were satisfactorily.

16. MD(Alpha) requested the Board to assist in including Alpha's name on the panel of Insurers of Government units.

17. MD(Alpha) also informed the Board that premium projection for fire, marine, motor and miscellaneous business for the year 2000 was Rs.81.946 million, Rs.54.150 million, Rs.58.212 million, Rs.37.292 million respectively totaling Rs.231.6 million.

Action: MD(Alpha)

18. The Board instructed MD(Alpha) to present a position paper on various steps involved in listing of Alpha Insurance Company Limited on the Stock Exchanges in Pakistan together with options for public issue. MD(Alpha) was also asked to inform the Board as to the advantages and disadvantages of getting the Company listed.

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ITEM (4) POSITION PAPER ON RECOVERY OF EXCESS COST FROM AREA MANAGERS.
ED(ACT) MEMORANDUM DATED 3-3-2000.

19. The Board discussed the above matter in details and resolved as under:-

RESOLVED

Action: Incharge(S&D)

(i) "that effective 1-1-2000, those A category Area Managers who had not completed a minimum of Rs.14 lac as FYP during the year 1999 onwards would not be entitled to car rental and petrol limit. They would however be entitled to conveyance/car maintenance allowance"

Action: Incharge(S&D)

(ii) "that the recovery of excess cost from Area Managers for the 1996, 1997 & 1999 be initiated and monthly installments not exceeding Rs.2000/- be recovered w.e.f. April 1, 2000."

Action: Incharge(S&D)

(iii) "that each Area Manager would be entitled to the laid down perquisites as per their business performance."

Action: Incharge(S&D)

(iv) "that show cause notices should be issued to all those Area Managers who failed to procure at least Rs.7.5 lac FYP and 40% persistency during each of the years 1997, 1998 and 1999, and based on their explanation appropriate action might be taken against them. However, those Area Managers who were appointed in 1997, 1998 or 1999 should not be subject to review having not completed three complete calendar years as Area Managers at the time of review."

Action: Incharge(S&D)

(v) "that previous year's performance would form the basis for payment in the subsequent year".

ITEM (5) POSITION PAPER ON SAMCO.
ED(INV) MEMORANDUM DATED3-3-2000

20. ED(Inv) informed the Board that on 15[th] May 1995 Corporate Law Authority had issued SRO No.392(1) 95 allowing establishment of Asset Management Companies for floatation of open ended mutual funds. Prior to issuance of this SRO, Asset Management Companies and open ended mutual funds were not allowed to be established and NIT was the only exception. The SRO provided the basic concept and frame work to establish Asset Management Companies and open ended mutual funds.

21. In May 1995, a preliminary proposal followed by a detailed one, was received from M/s. Beg Associates, a company registered as an investment advisor under the investment companies and advisor Rules 1971, for the formation of the Asset Management Company in collaboration with State Life for floatation of open ended mutual funds. M/s.Beg Associates was duly registered and authorized to act as investment advisor by the CLA.

22. The matter was considered in the 197[th] Executive Committee meeting of the Corporation held on 31[st] May 2, 1995 which endorsed and accepted the proposal and instructed to submit a detailed memorandum to the Board of Directors. The Board at its 103[rd] meeting held on15[th]June, 1995 appreciated and agreed with the concept and decided that the preliminary legal and documentation process initiated by the Corporation may continue and necessary efforts be made to solicit foreign partnership.

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23. ED(Inv) further informed that the issue was again considered in the 124th meeting of the Board of Directors held on 3rd July, 1995 which approved the proposal for formation of the Asset Management Company(AMC) and allowed initiating necessary preparatory process including finalization of collaboration agreement with M/s. Beg Associates, the local partners / associates.

24. The Corporate Law Authority (CLA) approved registration of SAMCO subject to the following conditions :

(a) That SAMCO would secure equity participation of a firm of international repute. The selection of this firm would be cleared by the CLA.

(b) SAMCO would have at least two directors from international equity partner.

(c) Minimum capital of SAMCO would be Rs.30 million of which 10% would be subscribed initially by M/s. Beg Associates which may increase its share to 26%.

(d) Mr. Nasim Beg would be the first Chief Executive of the Company.

25. State Life disbursed its equity subscription of Rs 27 million equivalent to 90% of the paid up capital of Rs.30 million, the balance was subscribed by M/s. Beg Associates to the company in mid October 1996.

26. The issue was considered in the meeting of the ECC of the Cabinet held on 29th December, 1996 which instructed that the Company be wound up.

27. ED(Inv) further informed that letter No. 1(15)195-INS-I dated 20.10.1997 was received from the Ministry of Commerce informing that proposal had been moved to sell the company to the foreign buyer keeping at least nominal 10% holding of State Life. State Life's comments in this regards were sent to the Ministry vide letter No. INV/KS/0137/97 dated 10th December 1997.

28. In response to State Life's letter, Ministry of Commerce vide their letter dated 03.03.1998 directed State Life that the issue of Asset Management Company (SAMCO) may be placed before the next meeting of Board of Directors keeping in view the decision of E.C.C.

29. The issue was considered in the 137th meeting of the Board of Directors wherein the Board decided that Asset Management Co. be sold to a foreign buyer as indicated by the Ministry in their letter NO. (1) (15) / 95- INS-I dated October 20th, 1997 and Ministry of Commerce be requested to send the name of the intended buyers to State Life for negotiations. However no reply was received from the Ministry.

30. Later on a letter was received from Salman and Co., Chartered Accountants, on May 19th, 1998 in which they informed State Life that a Saudi Group was interested in investing in State Asset Management Co. (SAMCO), provided State Life agrees to hold 20% of the share holding in the company. It was however decided in the Board Meeting of State Life that sale of SAMCO would be advertised in the leading news papers to attract more than one buyer.

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31. ED(Inv) further informed that sale of SAMCO was advertised in news papers. Some parties visited State Life to collect the details but nobody expressed any interest. Later on, M/s. Jardine Fleming vide their letter dated June 2, 1999 had offered to form a Joint Venture with State Life but the proposal did not materialize.

32. Draft Account of SAMCO for the year ended June 30, 1997 have been received from M/s. F. Ferguson & Co. Chartered Accountants. The auditors had desired to know whether it is intended to finalize the accounts on a going concern basis or not. Draft account for the period ended June 30, 1998 have also been prepared but are yet to be audited.

33. ED(Inv) presented before the Board a break down of 1998 accounts of SAMCO which are as follows:-

	Rupees
Fixed Assets	2,461,800
Deferred Cost	16,255,391
Long Term Advances	270,000
Short Term Advances	540,000
Advance Income Tax	205,147
Others Receivable	605,115

34. The fixed assets of Rs. 2,461,800/- include computer system amounting to Rs. 2,446,000/- which was got developed by SAMCO for running of open ended mutual fund. However, while testing of the system was in progress, the operations of SAMCO were frozen, as such this was a sunk cost.

35. ED(Inv) explained that the deferred costs include, salaries and other expenses incurred while SAMCO was in operation. It would be pointed out that according to agreement between Beg Associates and State Life, the former was to incur a maximum expenditure of half of 1% of the targeted fund which was Rs.1 billion for setting up of SAMCO and further equivalent amount for floatation of the fund. However, the deferred expenses had exceeded this limit and were now a sunk cost.

36. At present the bank balance in the account of SAMCO was Rs.13,672,864/-. Based on only this asset, the breakup value of share SAMCO comes to Rs.4.55 per share.

37. ED(Inv) further informed the Board that the Stock market was showing improvement and KSE index was showing a rising trend. One of the Stock broker M/s. Arif Habib Securities had expressed his interest in investing in SAMCO to the extent that he holds management control. In view of this situation, it had been desired to make SAMCO functional again. A memo was being put to the SAMCO Board to make SAMCO functional. The auditors thereafter would be intimated of this decision and the Annual Accounts of SAMCO would be got audited, AGM would be held and necessary statutory returns filed.

38. M/s. Arif Habib Securities had offered to make fresh investment in SAMCO in the amount of Rs.46.35 million so that cash balance in SAMCO increases to Rs.60 million. However, they propose to retain a minimum 51% share in enhanced equity of SAMCO. Shares would be issued by SAMCO to M/s. Arif Habib Securities at Rs 6/- per Share. This would require issuance of 7,725,000 shares to the Stock Broker. The total paid up

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capital of SAMCO would thus rise to 10,725,000 shares and break-up value of share would be Rs.5.56 per share. This arrangement was subject to State Life obtaining approval from the Government of Pakistan. Among other terms, the proposal also required that SAMCO and State Life would release Beg Associates of any obligation or any claim related to SAMCO.

39. After deliberation, the Board resolved as under:

RESOLVED

Action: ED(Inv).

(i) "that the Investment Division be and was hereby requested to review and submit its recommendation of SAMCO within one week."

Action: ED(Inv)

(ii) "that ED(Inv) be and hereby requested to arrange a meeting of the Board of Directors of SAMCO to consider and finalize the accounts of SAMCO for the year 1997. Subsequent to approval of accounts of SAMCO by its Board, an Annual General Meeting of share holders of SAMCO be held to approve the audited accounts for the year 1997."

Action: ED(CD)/ ED(Sys)

(iii) "that Consultant(CD), DGM(Inv) and AGM(Sys) be and were hereby instructed to prepare a report for ED(Inv) on the utility of computer software designed for SAMCO."

Action: DGM(Inv)/ AGM(law)

(iv) "that DGM(Inv) /AGM(Law) Secretary of SAMCO Board be and was hereby instructed to analyze and submit a report on the following :-

(a) Review accounts of SAMCO for the year ending June 30, 1998 and analyze setting up cost with a view to establish excess expenses incurred there on over and above the maximum expenditure allowed according to agreement between M/s. Beg Associates and State Life."

(b) Advances appearing in books of SAMCO.

(c) Liability of State Life, M/s. Beg Associates and SAMCO with reference to mutual agreement and whether the agreement prescribed any action/penalty for violation of the agreement as regards expenses etc.

(d) Any other matter arising out of review of accounts from the date of inception of SAMCO.

Action: ED(Inv)

(v) "that Investment Division would release an advertisement in the newspaper inviting interested parties to bid for purchase of SAMCO. Investment Division was authorized to give all necessary information to the potential bidders to assist them in submitting their offers."

Action: ED(Inv)

(vi) "that Investment Division would inform M/s. Arif Habib Securities that advertisement was given to follow the laid down procedure for sale of an asset."

ITEM (6) POSITION PAPER ON PAKISTAN EMERGING VENTURES LIMITED. ED(INV) MEMORANDUM DATED 3-3-2000

40. The Board of Directors at its 151st meeting held on 22nd January 2000 had agreed in principle to the draft revised technical advisory agreement submitted by the Investment Division subject to similar approval of the agreement by the Board of Directors of NBP

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and MCB. ED(Inv) was authorized to finalize and execute the agreement for and on behalf of State Life.

41. ED(Inv) informed the Board that a series of meetings were held in the Board Room of NBP as follows:

(a) A meeting of the sponsors of PEVL i.e. State Life, NBP, MCB as well as UBL who intend to step into the shoes of MCB.

(b) Board Meeting of Pakistan Emerging Ventures Limited to approve the minutes of last Board Meeting and the accounts for the period ended 30th June 1999. The Board also resolved that the equity investment in joint venture with CISCO SYSTEMS INC be approved in principle at the next Board Meeting. Mr. Pereira and Mr. Masood Karim were authorized to sign the revised Technical Advisory Agreement between VCFMCL and KPMG Peat Marwick Venture Capital Advisor on behalf of the sponsors. It was confirmed that KPMG dues would be settled as soon as the calculation had been reviewed and checked. The Board finalized the date of the next Annual General Meeting and also approved that Mr. Tameez-ul-Haque would remain the CEO of PEVL until its next Board Meeting.

(c) Board Meeting of VCFMCL to approve the accounts for the year ended June 30, 1997, 1998 and 1999 and the revised Technical Advisory Agreement. The Board also finalized the holding of the AGM Annual General Meeting of the Company.

42. ED(Inv) further informed that a letter dated 29th February 2000 regarding induction of UBL in PEVL had been received from Mr. Mahmood Mandviwalla of M/s. Mandviwalla & Zafar, Legal Advisor of UBL confirming that they had finalized the Legal Due Deligence on the Technical Advisory Agreement on behalf of UBL. However, UBL had not signed the revised agreement with KPMG. The letter also enclosed the comments in respect of Technical Advisory Agreement. However, UBL's reaction was still awaited.

43. The above position was noted by the Board.

ITEM (7) APPROVAL OF RE-NAMING OF S&D DIVISION AS MARKETING DIVISION.
INCHARGE(S&D) MEMORANDUM DATED 3-3-2000

44. Incharge(S&D) presented before the Board a memorandum for re-naming of Sales and Development Division as Marketing Division. Incharge(S&D) informed that as a result of misnomer of marketing functions, the Sales and Development Division concentrated on Sales and Recruitment only whereas the vital aspects of marketing were marketing research, preparation of marketing plans, institutionalization of the system of feed back etc. became extraneous to Sales and Development Division.

45. The Development functionaries were divided into "actual" Sales and Development and "non-actual" Sales and Development. Those who were engaged in the field were treated "actual" Sales and Development Executives and were rewarded accordingly whereas those engaged in the Division or at other levels in the planning, execution and appraisal of marketing activities were considered "non actual" Sales and Development officers and were treated as such in terms of perks and rewards. This treatment

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completely discouraged the persons engaged in marketing to join the higher echelons where more important activities were taking place for the overall improvement of marketing. The Sales and Development personnel therefore preferred to stay away from the Division and accordingly State Life could not benefit from the experience of those who were directly engaged in Sales and Development functions.

46. The resistance/reluctance of marketing personnel such as Zonal Head, Regional Chief to move upward in the operational level deprived the Division of the required acumen, vitality and vigour. Incharge(S&D) stressed that the above anomaly be removed to make Marketing Division as a whole distinct from the other Divisions and all Executives of the rank of AGMs and above engaged in this Division may be treated as Marketing Executives. Presently there was one DGM and one AGM in the Division which could increase in future.

47. Incharge(S&D) proposed that:-

(i) Sales and Development Division be re-designated as Marketing Division.

(ii) The Divisional Head who was normally elevated from the position of Regional Chief be allowed perks and benefits of Regional Chief.

(iii) Marketing Executives/AGM and above selected on merit and posted in the Division be treated as Marketing Executives with same perks and benefits to which Marketing Executives in the field were entitled to.

COMPARATIVE CHART OF PERKS

DIVISIONAL HEAD		REGIONAL CHIEF	
Car Rental	Rs.3000/- p.m	Corporation Maintained Car	
Driver Subsidy	Rs.1500/- p.m.	Driver provided by Corporation	
Petrol (200 litres) (Approximate)	Rs.6000/- p.m.	Petrol (400 litres) (Approximate)	Rs.12000/-
Telephone	450 calls	Telephone	525 calls
Total	Rs.10,500/-	Total	Rs.12,000/- +
		(Chauffeur Driven Car)	

* There was a difference of Rs.1500/- p.m. + 75 local calls
* The facility of Chauffeur Driven Corolla Car 1300 c.c.
* Whereas Corporation will save car rental and driver subsidy of Rs. 4500/- p.m.

AGM(Non-DEV.)		AGM(DEV.)	
Car Rental	Rs.2850/- p.m	Car Rental	Rs.2750/- p.m
Driver Subsidy	Nil	Driver Subsidy	Rs.1500/- p.m.
Petrol (120 litres)	Rs.3480/- p.m.	Petrol (225 litres)	Rs.6750/- p.m.
Telephone	300 calls	Telephone	500 calls
Total	Rs.6,330/-	Total	Rs.11,100/-

* The difference in perks of S&D and
* Non S&D AGM works out to Rs. 4770/- p.m. + 200 local calls

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48. After deliberation, it was resolved as under:

RESOLVED

Action: ED(P&GS)/ Incharge(S&D)

(i) "that Sales & Development Division be renamed as Marketing Division."

Action: ED(P&GS)/ Incharge(S&D)

(ii) "that Divisional Heads (Individual Life and Group Life) be allowed perks and other benefits as allowed to the Regional Chiefs."

Action: ED(P&GS)/ Incharge(S&D)

(iii) "that henceforth Regional Chiefs and Divisional Heads (Individual Life and Group Life) would be entitled to facility of Chauffeur Driven Corporation maintained Suzuki Margala Car. However, car rental and driver subsidy would not be allowed to those officers who were provided Corporation's maintained car with driver."

ITEM (8) APPROVAL OF INCREASE IN AUTHORIZED AND PAID-UP CAPITAL OF STATE LIFE.
ED(B&A) MEMORANDUM DATED 29th FEBRUARY, 2000.

49. ED(B&A) informed the Board that Government of UAE had enacted Federal Law No.13 for the year 1995 according to which it was made mandatory for all foreign insurance companies, operating in UAE to enhance their paid-up capital to Dh.50 million in the next six years i.e. by June 2001 and that it would not be less than Dh.25 million by end of 3rd year i.e. by June 1998. The ECC of Cabinet Division, Government of Pakistan, in its meeting held on 15th April, 1999 had decided, to increase the paid-up capital of the Corporation from Rs.100 million to Rs.350 million through supplementary grant of Rs.250 million which enabled the Corporation to meet the UAE requirement of Dh.25 million, due by June 1998.

50. The Authorized Capital of the Corporation presently was Rs.1,000 million and Paid-Up capital Rs.350 million and according to UAE Law No.13 for the year 1995, the paid-up capital of the Corporation was required to be enhanced to Dh.50 million (around Rs.750 million) by June 2001.

51. The Corporation had retained the Government share of surplus arising from actuarial valuation of 1998 amounting to Rs.155.775 million and it was expected that a further sum of Rs.250 million would be payable to the Government being its share of surplus from actuarial valuation for the year 2000. It was suggested that the Government share of surplus out of actuarial valuation for the year 1998 & 2000 be retained so that it could be used to increase the Paid-Up Capital of State Life to meet the legal requirement of UAE Government of Dh.50 million (equivalent to around Rs.750 million) which had to be fulfilled by the Corporation by June 2001.

52. Matter was submitted to the Board for consideration and approval, for making recommendation to the Federal Government in respect of the following:

(a) Increase in paid-up capital by Rs.400 million raising the same to Rs.750 million (equivalent Dh.50 million).

(b) Retention of a sum of Rs.155.775 million being the Government share of surplus arising from the year 1998 actuarial surplus and an appropriate amount around Rs.250 million if then available, from for the year 2000 actuarial surplus.

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53. After approval of the Board, the matter would be taken up with the Federal Government for further increase in the paid-up capital to meet the requirement of UAE Government due by June 2001.

54 After deliberation, it was resolved as under:

RESOLVED

Action: ED(B&A) (i) "that increase in Paid-Up Capital from Rs.350 million to Rs.750 million be and was hereby approved."

Action: ED(B&A) (ii) "that retention of a sum of Rs.155.775 million being the Government share of surplus arising from the year 1998 actuarial surplus and an appropriate amount around Rs.250 million if then available, from for the year 2000 actuarial surplus be and was hereby approved."

Action: ED(B&A) (iii) "that ED(B&A) be and was hereby authorized to take up the matter with the Federal Government for increase in the Paid-Up Capital to meet the requirement of UAE Government due by June 2001 and apply the retained amount towards Paid-Up Capital if approved by the Government."

Action: ED(B&A) (iv) "that the Federal Government be requested to notify the increase in the Authorized and Paid-Up Capital of the Corporation in the Official Gazette."

Action: DGM(BS) (v) "that when approved and notified, share certificates of Rs.400 million be issued to the Federal Government."

ITEM (9) APPROVAL OF PROMOTION OF GOOD PERFORMING AREA MANAGERS AS AGM(DEV.)
INCHARGE(S&D) MEMORANDUM DATED 3-3-2000.

55. Incharge(S&D) presented before the Board a memorandum for approval of good performing Area Managers as AGM(Development). The Executive Committee at its 21st meeting held on 25th April 1984 had approved a criteria for selection of Manager (Development) from amongst the Area Managers. Subsequently a new set of criteria was formulated and approved by the Executive Committee which became effective from 1-1-1993.

56. Incharge(S&D) informed the Board that a criteria for promotion of Area Managers to AGM(Dev.) was very strict and required a downward revision so that it could be achieved and result in motivation. Incharge(S&D) then presented a comparison of existing and proposed promotion criteria from Area Mangers to Manager (Development) and from Area Managers to AGM(Development) (double promotion) as follows:

Existing Promotion Criteria from Area Manager to Manager (Dev.)	Proposed Promotion Criteria from Area Manger to Manager (Dev.)	Existing Promotion Criteria from Area Manager to A.G.M (Dev.) (Double Promotion)	Proposed Promotion Criteria from Area Manager to A.G.M. (Dev.) (Double Promotion)
1. A minimum service of 4 years as 'A' Category Area Manager.	1. A minimum service of 4 years as 'A' Category Area Manager.	1. A minimum service of 8 years as 'A' Category Area Manager.	1. A minimum service of 7 years as 'A' Category Area Manager.

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2. Completed a minimum FYP of Rs.12 lac at an average during last 3 years.	2. Completed a minimum FYP of Rs.30 lac at an average during last 3 years.	2. Completed a minimum FYP of Rs.75 lac on the average during last 3 years, but in any one year (during preceding 3 years) the FYP should not be less than 50 lac)	2. Completed a minimum FYP of Rs.65 lac on the average during last 3 years, but in any one year (during preceding 3 years) the FYP should not be less than 30 lac.)
3. A minimum Persistency of 65% at an average during the last 2 years.	3. A minimum Persistency of 65% at an average during the last 2 years.	3. A minimum Persistency of 70% at an average during the last 3 years but in any one (during preceding 3 years) the persistency should not be less than 65%)	3. A minimum Persistency of 65% at an average during the last 3 years but in any one (during preceding 3 years) the persistency should not be less than 60%)
4. Had completed a minimum of 25% of FYP in the year immediate before the preceding year through New SRs or in the year before preceding year.	4. Had completed a minimum of 20% of FYP in the year immediate before the preceding year through new SRs or in the year before preceding year.	4. A minimum renewal persistency of 90% achieved in the immediate preceding year.	4. A minimum renewal persistency of 85% achieved in the immediate preceding year.
5. A minimum Educational Qualification of Matriculation or equivalent there to.	5. A minimum Educational Qualification of Matriculation or equivalent there to.	5. Had completed a minimum of 25% of FYP in the immediate preceding year through new SRs or in the year before the preceding year.	5. Had completed a minimum of 20% of FYP in the immediate preceding year through new SRs or in the year before the preceding year.

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	6. A minimum educational qualification of graduation from any recognized university.	6. A minimum educational qualification of graduation from any recognized University.
	7. Those Area Managers who have not passed 'LIMRA' MOP, or SCAM" courses, shall not be considered for selection as AGM (Dev.).	7. Those Area Managers who have not passed 'LIMRA' MOP courses, shall not be considered for selection as AGM(Dev.).
	8. Must have operational cost within the prescribed limit.	8. Must have operational cost within the 10% of FYP +1% of Renewal.

57. An exercise to evaluate the performance of the outstanding Area Managers as at 31-12-1998 was therefore carried out on the same pattern as was done in 1995. The list of recommended Area Managers who had completed eight years of association and whose average first year premium exceeded Rs.50 lacs was submitted to the Board at its 147th meeting held on 26th, 27th & 28th July, 1999 as follows:-

Name of the Area Manager	Short fall /(s)
1. Mr. Riaz Akhtar	Average Persistency below criteria
2. Mr. M. Aslam Mulla	Average Persistency and FYP through new SRs below criteria.
3. Mr. Haji Hussain	Average FYP and FYP through new SRs below criteria.
4. Mr. Javed Iqbal Minhas	Fully qualified
5. Mr. Muhammad Ahmed Amjad	Average FYP, FYP through new SRs and average persistency.

58. Incharge (S&D) informed that while submitting the promotion cases, only those cases were submitted whose period of association was 8 years and above. The case of Mr. Azhar Hussain, Area Manager, was not forwarded due to minor deficiency in education and period of association being less than 8 years though his performance otherwise was better than other eligible Area Managers recommended for promotion as AGM (Dev.)

59. The Board of Directors at its 147th meeting held on 24, 25, 26 July, 1999 decided to promote five outstanding Area Managers to the post of Assistant General Managers (Dev.) by condoning certain deficiencies in the laid down criteria. Resultantly, the following Area Managers were offered promotion.

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1. Mr. Riaz Akhtar
2. Mr. Aslam Mullah
3. Haji Hussain
4. Mr. Javed Iqbal Minhas
5. Mr. Muhammad Ahmed Amjad.

60. Mr. Muhammad Ahmed Amjad presently Zonal Head, Karachi Eastern Zone accepted the offered promotion while other four regretted.

61. The decision of the Board was intended to acknowledge and reward the outstanding performers on the one hand and to cater to the present and future needs of the Corporation in shape of successful marketing executives. Due to non-acceptance of promotion from the majority of the selected candidates, the exercise could not produce the desired results.

62. Incharge (S&D) further informed that in order to achieve the above mentioned goals, S&D Division had carried out a fresh exercise on the basis of 1999 performance of Area Managers of the Corporation and the following Area Managers were recommended for promotion:-.

1. Mr. Riaz Akhtar, Area Manager
2. Mr. Aslam Mullah, Area Manager
3. Mr. Azher Hussain, Area Manager

63. Incharge(S&D), therefore, recommended to the Board that the above named three Area Managers be offered double promotion as AGM(Dev.) and they be posted as Zonal Heads.

64. After deliberation, the Board resolved as under:

RESOLVED

Action: ED(P&GS)/ Incharge(S&D)

(i) "that continuance of the existing laid down criteria with reduction in minimum service requirement as A category Area Manager from 8 years to 7 years and minimum education qualification from graduation to intermediate for promotion of Area Manager to AGM(Dev.) be and was hereby approved. The Executive Committee was authorized to consider and decide the list of Area Managers recommended by S&D Division for promotion as AGM(Dev.) on the basis of 1999 performance. In future, however, the Board would consider promotions of Area Managers to AGM(Dev.) who qualify the laid down criteria. Length of service in excess of 6 months would be taken as one year."

ITEM (10) POSITION PAPER ON APPOINTMENT OF AUDITORS TO CARRY OUT SPECIAL AUDIT OF STATE LIFE
ED(G&P) MEMORANDUM DATED

65. ED(G&P) informed the Board that a fraud was detected in Karachi Western G&P Zone and it had been decided to conduct a Special Audit of State Life for the year 1998. The Board of Directors at its 149th Meeting held on November 15, 1999 had approved the Terms of Reference for Audit of all Premium Receipts and Claim Payments in respect of

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Individual Life as well as Group & Pension, as worked out by IA&E Division. In this regard an advertisement was released on 23.11.99 which appeared in the daily Dawn and Jang on 24.11.1999. All interested firms of Chartered Accountants were provided with the Terms of Reference and Expected Volume of Work.

66. A total of 19 Chartered Accountant Firms participated in the bid. M/s Cooper & Lybrand however did not quote and expressed their feeling that the exercise would not be feasible. Four firms were short-listed in consideration of their size, reputation and the fee quoted.

67. The short-listed firms were invited on December 18, 1999 for an interview with the Selection Committee consisting of the Chairman, Executive Directors(G&P, Inv. and B&A) and Divisional Heads (B&A, PHS, G&P, Inv. and S&D). Representatives of the following firms appeared for interview:

1. M/s Taseer Hadi Khalid & Co.
2. M/s Ford, Rhodes, Robson, Morrow
3. M/s A. F. Ferguson & Co.
4. M/s Sidat Hyder Qamar & Co.

68. It was decided in the meeting that a sub committee comprising of General Manager (IA&E) as Convenor, DGMs (Inv., B&A, PHS, B&A, S&D and G&P) and AGM (B&A – G&P) should work out the possibility of making a Consortium of 3 – 4 firms for distribution of the work with the same scope, uniform objective, a single checklist and a single Reporting Format. It was also decided to select Grade A firms with more than 4 partners. Mr. Bashir Jumma of Sidat Hyder Qamar & Co., Chartered Accountants was requested by the Chairman to coordinate in this regard and he agreed to do so. It was however felt after discussion that the formation of a Consortium would not be feasible/manageable due to administrative reasons.

69. After going through a series of meetings with Mr. Bashir Jumma and further inviting the quotation twice from the firms in different ways, the committee was able to get a per transaction rate of fee from 8 firms. The Committee also decided to get the Special Audit done on the following Sample Size:

Individual Life

Premium Receipts	
Upto Rs. 100,000 Sum Assured	20%
More than Rs. 100,000 but less than Rs. 500,000 Sum Assured	30%
Above Rs. 500,000 Sum Assured	50%
Claim Payments	
Upto Rs. 100,000	30%
Above Rs. 100,000	100%

Group & Pension

Premium Receipts	100%
Claim Payments	100%

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70. Based on the Sample size and Criteria developed in the meeting, all the quotations were evaluated after negotiation with the most competitive firms on fee as well as out of pocket expenses. A comparative statement was submitted to the Board.

	Fee Demanded Including Out of Pocket Expenses	Period
M/s Taseer Hadi Khalid & Co.	Rs.4.6794 million	7 – 9 months
M/s A. F. Ferguson & Co.	Rs.3.0935 million	6 months
M/s. Awais Hyder Zaman Rizwani	Rs.1.8134 million	4 - 5 months

71. Rate Quoted by M/s Awais Hyder Zaman Rizwani, Chartered Accountants are reproduced below:

	Rate / Transaction	No. of Transactions
Individual Life		
Premium Receipts	Rs. 03.75	300,000
Claim Payments	Rs. 10.00	40,000
Group & Pension		
Premium Receipts	Rs. 03.75	1,090
Claim Payments	Rs. 10.00	9,011

72. It was however decided that in case the irregularities in a particular zone were found proportionately higher, the sample size in that zone would be increased further.

73. The total fee of M/s. Awais Haider Rizwani for the job at selected sample basis comes to Rs.1,619,198 excluding Out of Pocket Expenses. The firm had been demanding out of Pocket Expenses on actual basis in their initial quotation, which were expected to be on a very high side. However, in order to keep the out of pocket expenses to a minimum level the firm was offered the same @ 12% of the fee charged i.e. Rs.194,300. The firm had agreed to SLIC proposal. The Financial Impact of this exercise would therefore be around Rs.1.8134 million based on the lowest quotation.

74. Ministry of Commerce had raised a query that as to under which rules/regulations, the consultants were to be hired. The reply to the query has been sent.

75. The proposal for award of the work was being submitted to the Committee comprising of ED(G&P) as convenor, ED(P&GS) and GM(IA&E) constituted by the Board at its 149th meeting held on November 15, 1999 for final approval to award the work to M/s. Avais Hyder Zaman Rizwani, Chartered Accountants, on the basis of lowest rates as well as shortest time period required to complete the job.

76. The Board noted that though the Government Auditors carried out audit every year but the above aspects were not covered on a detailed basis and discrepancies were never reported by them , more over it was felt that the Government Auditors did not have the expertise to detect defalcation. It was therefore felt necessary that a firm of Chartered Accountants be appointed to carry out the above work.

77. After due deliberation, the Board resolved as under:-

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RESOLVED

Action:ED(G&P) (i) "that a Committee comprising of ED(G&P) as Convenor and ED(PHS), ED(Inv), GM(IA&E), DGM(Inv), DGM(B&A), DGM(PHS), DGM(Int'l) and AGM(B&A)/G&P was constituted to review the criteria adopted for selection of Chartered Accountants firm for the above work and if found proper the work be awarded to the lowest bidder after re-negotiation with all the bidders within seven days."

Action:ED(G&P) (ii) "that ED(G&P) be and was hereby authorized to finalize and execute the agreement with the selected firm of Chartered Accountants on behalf of State Life."

ITEM (11) POST-FACTO APPROVAL OF LATE FEE WAIVER UPTO 29-2-2000 FOR THE YEAR 1999.
ED(PHS) MEMORANDUM DATED 1[st] MARCH, 2000.

78. · The Board of Directors at its 149[th] Meeting held on 15[th] November, 1999 had given post facto approval of the scheme for waiver of late fee which was approved by the Chairman on September 23' 1999 at the request of the Field Force and Sales Executives as per past practice. The concession was allowed only upto 31-12-1999 after which the existing system was to be continued i.e. 50% late fee subject to maximum of Rs.1000/- would be waived within the budget limit allocated to the Zones @ 0.001% of their preceding year's renewal premium.

79. ED(PHS) informed the Board that S&D Division had requested PHS Division for further extension for waiver of late fee scheme in order to collect reasonable amount of renewal premium in view of the prevalent economic recession. Due to urgency of the matter the Chairman had agreed in principle to accord approval of extension of waiver of late fee scheme upto 29[th] February 2000 and Circular No.DGM/PHS/PO/CIR-06/2000 dated 4[th] February, 2000 was issued by PHS Division.

80. Member of Board of Directors were requested to accord the post facto approval for extension in waiver of late fee scheme upto 29[th] February 2000.

81. After deliberation, the Board resolved as under:

RESOLVED

Action:ED(PHS) "that post-facto approval be and was hereby given for extension in waiver of late fee scheme upto 29[th] February 2000."

ITEM (13) MEMORANDUM ON APPROVAL OF PERSISTENCY RATOR.
ED(ACT) MEMORANDUM DATED

82. Mr. Samee ul Hasan, Consulting Actuary, in a presentation dated 2 August, 1999, analyzed different aspects of State Life's Business with special emphasis on persistency. Mr. Samee ul Hasan, Consulting Actuary, studied the new business for the year 1996 and had analyzed its persistency as on 31-5-1999. The following were the results and recommendations in the presentation.

Mr. Hasan's analysis and recommendations:

(i) Child Protection, Child Education and Marriage, Jeevan Saathi and Sunehri plans showed better persistency than the average. However, these plans constitute only 11% of

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the total new business. Sales of these plans should be encouraged. Child Protection Plan would be modified to pay the sum insured and bonuses immediately on death of the policyholder instead of deferring the amount to maturity.

(ii) The persistency is comparatively better at higher entry ages, over 55, whereas, it was lowest at ages below 30 years. The Corporation sold only 2,500 policies at ages over 55, where persistency was best.

(iii) Policies with poor persistency usually had premiums under Rs.5,000. Profitability of the Corporation would improve if policies were sold with annual premium at least Rs. 5,000. Furthermore, they did not provide adequate margin to pay for the renewal administrative cost.

(iv) A Persistency Rating Manual should be developed for the Corporation to check out poor persistency business at the underwriting stage. Mortality risk should be underwritten correctly and an elaborate manual could help in the same.

(v) HRD should mount an intensive training efforts aimed at both under writers and field workers highlighting State Life's own lapse experience.

(vi) The sale of dynamized policies i.e. table 73 and table 77 should be encouraged.

(vii) Improved marketing of Sunehri plan should be carried out and rate book should given indication of benefits for each policy year. Similarly benefits of Shehnai policy should also be illustrated in the rate book. Modification in the Shehnai plan was suggested to provide payment of an additional sum immediately on death, doubling if it is accidental death. Certain other modifications were suggested for Shehnai plan.

(viii) Non medical scheme be extended to children and it was proposed to pay full sum insured on death followed by a family income benefit rider for Child protection Plan.

(ix) New Sunehri Saving Plan as an alternative to the existing Salary Saving Plan was suggested.

(x) Annual premium mode had a better persistency than that of quarterly and monthly premium mod.

83. A Committee was constituted comprising of ED(Act) as Convenor and ED(PHS), GM(Act.), DGM(S&D), DGM(PHS) and DGM(HRD) as members to study the presentation of Mr. Hasan, analyze the findings and recommendations of Mr. Hasan and give its suggestions as to measures the Corporation should adopt to improve its business and low persistency.

84. Persistency analysis for New Business years 1992 to 1995 carried out by the sub-committee. Mr. Hasan studied the new business for the year 1996 and analyzed its persistency as on 31 May 1999. It was a general consensus that the basis used by Mr. Hasan to analyze persistency was inadequate and the results drawn as a result of this study needed to be supplemented by further analysis before a persistency manual may be developed.

85. In this regard Computer Division was requested to provide duration-wise new business and inforce business data. Based on the data a study was carried out for new business years 1992-1995. Persistency was analyzed in the third policy year, i.e. New

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business in 1992-inforce in 1995, New business in 1993-inforce in 1996, New business in 1994-inforce in 1997 and New business in 1995-inforce in 1998. The basic purpose of the study was to determine the effect of table, entry-ages and size of premium on persistency levels. The analysis was carried out for major plans i.e. Endowment, Anticipated Endowment, Child Protection, Jeevan Sathi, Shadabad, Personal Pension, Sunehri, Child Education and Marriage and Shehnai which constituted 98% of the total business.

86. The Corporation had generally experienced good 2nd year and renewal persistency except for 1996, 1997 and 1998. The persistency experience of the Corporation had remained fairly stable for quite some time.

87. The second year persistency had fallen to a historic low level of 50.61% in 1996. This was not due to the table/entry age/size of premium composition as envisaged by Mr. Hasan but due to a series of decisions forced upon the Corporation since 1995, such as unplanned rapid expansion of the Corporation through increase in the number of zones from 10 in 1994 to 28 in 1996, massive recruitment without any set standards and unrealistic new business target of Rs.2 billion in 1995.

Observations and Conclusions of the Committee:

Table-wise persistency:

88. Child Protection and Jeevan Saathi Plan had shown better than average persistency in all new business years of the analysis irrespective of the persistency experience of the Corporation. In other words, the persistency for these table had been better than average even when the Corporation had not shown good 2nd year and renewal persistency. The better persistency pertained to the emotional attachment of the policyholder with his spouse and children.

89. As the percentage share for Child Protection Plan was low, putting special emphasis on the sales of this plan would had a negligible impact on the overall persistency of the Corporation. Furthermore, Child Protection Plan was a selective plan which was purchased by a particular group of people with a specific purpose in mind, i.e. providing financial protection for their children. If mass marketing was carried out for this plan and policies were sold where there was not a genuine need for this type of insurance coverage, the lapse ratio for this plan may increase which would lead to a decrease in the high persistency.

90. The table-wise composition of the business had remained fairly stable irrespective of the persistency levels of the Corporation. It could, therefore, be concluded that the overall persistency of State Life's business was not necessarily a function of table.

Age-wise persistency:

91. More than 99% of the Corporation's business was sold to people aged less than 55 years. 50% of the Corporation's business lies within the entry age range of "31-55 years". Therefore the persistency of the business in the age bracket of "55 years and below" had the most significant effect on the overall persistency of the Corporation. Efforts should be made to encourage sale of quality business in the age bracket of "55 years and below".

92. The age-wise composition of the Corporation's business conforms to the international experience as evident from the "Life Insurance Fact Book" for the year 1996 published by the "American Council of Life Insurers". It showed that 90% of life

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insurance in USA for the year 1994 was sold to people less than 55 years of age.

93. The age-wise composition of business had remained fairly stable irrespective of the persistency levels of the Corporation. It could, therefore, be concluded that the overall persistency of State Life's business was not necessarily a function of entry age.

Size of premium-wise persistency:

94. It was a general experience that the higher the premium, the better the persistency. The Corporation had experienced better than average persistency for policies where premium was greater than Rs.5,000. However, the percentage share of business for such policies had ranged from 16.4% in 1992 to 27.3% in 1995.

95. The premium wise composition of the Corporation's business had remained fairly stable over the years. With more or less the same premium composition, the Corporation had experienced better and poor persistency. Therefore, it could be concluded that selling policies with higher premium amounts would not necessarily result in improving the overall persistency of the Corporation.

Modification of Child Protection Plan:

96. In his presentation, Mr. Hasan had suggested that Child Protection Plan may be modified to provide for the sum insured and bonuses immediately at death of the policyholder, instead of deferring the amount to maturity. If the present Child Protection Plan was modified there would be a change in premium rates. Then, within the same table number there would be two classes of policies, one where the benefits were deferred to maturity and the other where the benefits are payable immediately at death. It would be difficult to differentiate between the two classes and this would give rise to practical difficulties with respect to administration of the plan and surrender values, Actuarial Valuation, claim settlement, etc. The Committee was of the opinion that the existing life insurance plans may be left in their present form. A new plan may be designed with a separate table number to incorporate the suggestions of Mr. Hasan.

Persistency Rating Manual:

97. A Persistency Rating Manual was a reference scale used to assign ratings to policies at the underwriting stage by considering factors such as table, entry-age, size of premium, mode of premium payment, geographic location etc. The higher the ratings assigned to each factor, the greater the probability that the policy would show good persistency. For example, a proposal under table 07, entry age as 40 years, annual premium of Rs.6,000/- would have a higher persistency rating as compared to a policy under table 03, entry age as 20 years, annual premium of Rs.4,000/-.

98. The persistency experience of the Corporation had remained reasonable over the past few years with more or less the same table/entry age/size of premium composition. Poor persistency was not because of a certain table/entry age/size of premium composition.

99. The Committee was of the opinion that the proposed Persistency Rating Manual would not serve the desired purpose of improving the low persistency of the Corporation.

100. To improve the alarmingly low persistency, the Committee suggested the following:

Recommendations of the Committee to improve persistency.

(i) It was necessary to generate persistency consciousness for which the Zonal Head's special attention was needed. Effective training should be imparted on Zonal/Sector Heads and they should be made aware of the importance and necessity of

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good persistency through intermittent refresher courses conducted by PHS and HRD Divisions. It should be incumbent on the Zonal/Sector Heads to train their Area Mangers and Sales Managers and create persistency awareness among the field force. During the annual performance assessment of Zonal/Sector Heads, persistency should be given primary importance.

(ii) Improve the standards of recruitment, selection and training of field workers

(iii) Strengthen link between persistency and field promotions/demotions. Field personnel should be made accountable for low persistency of their business and an appropriate action should be taken against them. Annual quotas of SR, SO and SM should be revised with particular reference to persistency.

(iv) Set up a system to measure field strength, productivity and persistency

(v) Intensive training efforts by HRD aimed at underwriters and field workers highlighting State Life own lapse experience.

(vi) Provide quality service to policyholders by extensive training of all concerned officers/staff, and making them accountable for any lapse or delay in service

(vii) Reduce concentration of new business in December by promoting field personnel in their original appointment months. All field benefits and facilities should be linked with the appointment month. Computer Division should be consulted whether they could provide data for the field channel from date of appointment to date of appointment. The mechanics for the proposed promotion structure would be worked out by S&D Division in coordination with PHS, Computer and HRD Divisions. It would also have to be analyzed that the proposed promotion structure did not affect the interests of the field personnel adversely.

(viii) If a policy was sold to a person within six months back and forward of lapsing/surrendering of his old policy, then the commission applicable to the extent of the surrendered policy was recovered before commission for the new policy was paid. This rule was already in force. The PHS Division should ensure that this decision be strictly implemented, with the help of Computer Division which would provide necessary data.

(ix) Computer Division should prepare commission statements on a fortnightly basis so that case to case commission payment practice was stopped and pressure on new business was relaxed. The lump sum amount received by the field worker after 15 days of acceptance of proposal would help in improving his financial condition. This would also improve the quality of new business procured by the field worker. The proposed commission payment method would provide lesser opportunities to field workers to utilize their commission payments to bring in poor quality business, especially during December. The second year and renewal commission may continue to be paid once a month, say the 15th of each month. The field personnel should be taken into full confidence before implementation of this recommendation.

(x) Frequent changes at the Zonal Head, Regional Chief and Department Head level should not be made. At appointment, the Zonal Head should be aware of the duration of his tenure so that he could plan out his strategy for business expansion without fear of being replaced. Continuity of leadership was necessary at the zonal level to help the zones achieve their new business targets and record good persistency levels. The monthly performance appraisal of the Zonal Head should continue but it should not be made a tool for replacement.

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(xi) Prompt settlement of all death/maturity claims should be carried out. The investigations at claim settlement should be minimized. This could be achieved by adopting strict standards at the underwriting stage. Underwriting should be free from pressure. A "Code of Practice" for underwriting should be developed so that all necessary verifications and confirmations could be carried out at the underwriting stage. A time frame should be specified in the proposed "Code of Practice" for completion of all underwriting requirements and issuance of the policy. PHS and S&D Divisions should work out the details of the proposed "Code of Practice" and after doing so that there would be no investigation at the time of death claim.

(xii) A request for policy cash loan should be processed promptly and loan cheque should be prepared within 3 days after all necessary verifications had been carried out. At the time of delivering the loan cheque, the policyholder should be informed in writing that if he did not pay the next premium on time, his policy may become auto-surrendered. This would create awareness for timely premium payments among policyholders who did not pay premiums on time after taking a cash loan.

(xiii) Non-receipt of premium notices also adversely affects the persistency levels of the Corporation's business. Computer Division should start the process of printing premium notices at least 3 months before the due date of premium. It should then send the notices to PHS departments in zones in time so that they could be delivered to the policyholders well before the premium due date.

(xiv) After cash loan was granted, the policyholder was usually sent a policy loan statement every six months. The statement may be sent quarterly instead of half yearly. By sending more frequent notices, the policyholder would be reminded to make repayments on the cash loan so that his policy may continue without lapsing.

(xv) The year 2000 should be declared "Persistency Year". Attractive and eye-catching stickers, brochures, pamphlets and banners should be prepared highlighting the importance of achieving high persistency levels.

(xvi) A "National Persistency Scheme" should be launched. Awards and prizes should be given to field personnel achieving persistency levels above 70%.

(xvii) Birthday cards, greeting cards, policy anniversary cards should be sent to all policyholders.

(xviii) An extensive media campaign should be launched highlighting the importance of persistency. The campaign should target both the field force and the policyholders. Programmes should be aired on television, especially in the morning, and on radio informing policyholders how to ensure that they be given prompt service from State Life. For example, programmes titled "How to make premium payments" be prepared showing the policyholder writing cheques and imprinting the policy number on the face of the cheque.

101. After deliberation, the Board resolved as under:-

RESOLVED

Action:ED(Act)
ED(PHS)

(i) "that persistency rating manual which was a reference scale used to assign ratings to policies at the underwriting stage by considering factors such as table, entry-age, size of premium, mode of premium payment, geographic location etc. be prepared and attached with the proposal form to educate field workers and the potential policyholders."

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Action:ED(PHS)

(ii) "that policy loans should not be encouraged as 50% of the surrender was due to non repayment of the policy loan."

Action: Incharge(S&D)

(iii) "that promotion criteria be developed to link promotion to renewal premium and persistency in addition to FYP."

Action:ED(PHS)

(iv) "that discontinuance of acceptance of agent's cheques with the proposal forms should be looked into and its replacement with policyholder's cheques."

Action:ED(PHS)

(v) "that reduction in minimum premium acceptable which provided adequate margin to pay for the renewal administrative cost be worked out and implemented."

Action:ED(PHS)

(vi) "that last date for encashment of cheques deposited by December 31 each year be January 15 of the following year."

Action:ED(PHS)

(vii) "that the policy be back dated to first day of the month of issue to reduce pressure of work on the closing days."

Action:ED(PHS)

(viii) "that DGM(PHS) was hereby instructed to prepare an analysis for 1997, 1998 and 1999 for policyholder' loans and its surrenders."

ITEM (14) POSITION PAPER ON DRAFT INSURANCE BILL AND ITS POSSIBLE IMPACT ON STATE LIFE.
ED(ACT) MEMORANDUM DATED 3-3-2000.

102. ED(Act.) presented before the Board a position paper on Draft Insurance Bill and its possible impact on State Life.

103. ED(Act.) informed that the Ministry of Commerce, in letter No.4(4)/98-Ins.II dated 15 July 1999 had asked for views of various bodies including State Life on Draft Insurance Bill 1999, prepared by Ernst and Young which was submitted to the Ministry.

104. Ernst and Young subsequently prepared a revised Draft Insurance Bill dated 4th November, 1999 which was not sent to State Life, however a copy of the revised bill was obtained from other sources. State Life submitted its comments on 4th November, 1999 version of the bill on 18th January, 2000.

105. Meetings were held at Islamabad on the Draft Insurance Bill with the Consultant of Asian Development Bank, Mr. James Smith on 7th & 8th February, 2000.

106. Issues raised by State Life in its comments were discussed and decisions were reached on some of the issues. Subsequently, amendments were made in the Draft Bill and a version dated 12th February, 2000 was issued.

107. After studying the 12th February, 2000 version, State Life had submitted its comments on the same on 17th February, 2000 to the Ministry.

108. ED(Act.) informed that if State Life's comments dated 17th February, 2000 were not incorporated, following would be the major implications of the proposed Act on State Life:

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(i) Whole new Insurance Act would be applicable to State Life. Presently under Article 38 of the Life Insurance Nationalization Order, certain Sections of the Insurance Act 1938 were applicable to State Life.

(ii) State Life would have to get itself registered and fulfil all registration requirements after one year from commencement date of the new Act.

(iii) Under Section 17 of the bill, State Life would have to create one or more statutory funds.

(iv) Due to application of Section 23 (Allocation of surplus on life insurance) and 24 (Restriction on dividends and bonuses) of the new Act, State Life would not be able to pay dividends to its shareholders.

(v) State Life would be at a disadvantage compared to its competitors as the expense limitations and their effect on shareholder's share of surplus would not be applicable to companies selling non-participating including unit linked business.

(vi) State Life would be required to provide quarterly statement of assets and liabilities.

(vii) State Life would be liable for acts and omission of its agents.

(viii) The new Act required that any payment to an insurance agent would be deemed to constitute payment to the insurer. This would put enormous responsibility on State Life.

(ix) The new Act required number of notices to be sent to the policyholders. System of generating and sending these notices would have to be put in place.

109. The Board noted the above comments and appreciated efforts make by the Actuarial Division in this behalf.

ITEM (15) <u>POST-FACTO APPROVAL OF EXTENSION IN DATES OF ENCASHMENT OF CHEQUES UPTO 14TH FEBRUARY 2000 FOR 1999 YEAR END CLOSING.</u>
ED(PHS) MEMORANDUM DATED 25th February, 2000.

110. The Board of Directors at its 150th meeting held on 25th December, 1999 had accorded post-facto approval of acceptance of personal cheques of field workers as premium, if attached with proposal forms, subject to their encahsment within thirty one days.

111. ED(PHS) informed that at the request of the GM/Incharge(S&D) Division, the competent authority, had agreed in principle for extension of the cheque encashment date in two phases as follows and for issuance of circular for which post-fact approval was to be obtained from the Board of Directors:-

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First Phase:
Cheque encashment dated 7th February, 2000.

Second Phase:
Cheque encashment dated 14th February, 2000.

112. Members of the Board of Directors were requested to accord post-facto approval of extension in dates of encashment of cheques upto 14th February 2000 for the year-end closing 1999 only.

113. After deliberation, the Board resolved as under:

RESOLVED

Action:ED(PHS)

"that post-facto approval be and was hereby given for extension in dates of encashment of cheques upto 14th February 2000 in respect of cheques received during 1999 year-end business closing only."

ITEM (16) WORKING PAPER FOR THE PROPOSED AMENDMENT REGARDING ENQUIRY PROCEDURE TO BE INCORPORATED IN THE SERVICE REGULATIONS.
ED (P&GS) MEMORANDUM DATED

114. The Board of Directors at its 147th meeting held on 26th, 27th & 28th July, 1999 approved amendments in Regulation 31(2) of State Life Employees (Service) Regulations while discussing position paper regarding disciplinary proceedings and pending inquiries. The proposed amendments were aimed at expediting the pending inquiries and to bring the procedure for disciplinary proceedings under Service Regulations in line with procedure provided under Government Servants (Efficiency and Disciplinary) Rules, 1973. A time frame for conclusion of inquiry proceedings was also laid down in the proposed amendments.

115. ED(Law) informed that as per legal provision for notification, the proposed amendments were sent to the Ministry for their approval vide State Life's letter dated December 6, 1999. The Ministry in response vide their letter dated 17th December, 1999 requested a comparative statement of the existing provision and the proposed amendment which was furnished to them under covering letter dated 27.12.1999. The Ministry vide its letter dated 31st December, 1999 further requested that a position paper/working paper submitted to the Board of Directors in support of the proposed amendments be also furnished to them. Since no formal position paper/working paper was submitted to the Board in connection with this matter and the decision was taken by the Board of Directors while discussing position paper regarding disciplinary proceedings and pending inquiries submitted by ED (P&GS), the Ministry was sent a copy thereof. The Ministry was not satisfied with it and through its letter dated 20th January, 2000 had again requested that a proper position paper/working paper with regard to the proposed amendments be furnished to them as they felt that the papers already submitted according to them did not serve the purpose.

116. The proposed amendments had been examined by ED(P&GS) and it was suggested that since there is no role of Divisional Head (Personnel) in the State Life Employees (Service) Regulations, its mention in the proposed amendments be deleted. The proposed amendment had been revised accordingly.

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117. ED(Law) requested the Board that in order to satisfy the requirement of the Ministry, the Board may re-examine the revised proposed amendment. The objects of the amendment as stated above were as follows:

(i) To bring the inquiry procedure provided under State Life Employees (Service) Regulations in line with that provided in Government Servants (Efficiency and Disciplinary) Rules, 1973.

(ii) To provide time frame for disposal of inquiries.

(iii) To provide for detailed procedure to enable the inquiry officers to complete their assignments in efficient manner and without violating any provision of law.

118. After deliberation, the Board resolved as under:

RESOLVED

Action:ED(Law)

"that revised proposed amendments in Regulation 31(2) of State Life Employees (Service) Regulation 1973 in a manner that existing provisions be replaced with the proposed amendments and clause 31(3) be inserted before the proviso be and was hereby approved."

ITEM (18) <u>POSITION PAPER ON DECISION OF THE SUPREME COURT DECLARING INTEREST AS RIBA AND HOW STATE LIFE INTENDS TO OPERATE UNDER THE CHANGED SCENARIO.</u>
ED(INV) MEMORANDUM DATED 3-3-2000.

119. ED(Inv) inform the Board that consequent upon the recent judgment on Riba by the Shariat Appellate Bench of the Supreme Court of Pakistan, it was desired that a paper be submitted to the Board on the impact of the above decision on State Life in respect of its investment activities, premium pricing, actuarial valuation and policy loans etc. It was further desired that the paper should also cover as to how State Life intends to operate under the changed scenario.

120. ED(Inv) further informed that to examine the aforesaid judgment and prepare comments therein so far as its recommendations would reflect upon State Life's activities, a Committee was constituted on 28th January, 2000 with the following members:

1.	E.D.(B&A)	Convenor
2.	E.D. (Inv.)	Member
3.	G.M.(Actuarial)	Member
4.	AGM (Law)	Member/Secretary

121. The Ministry of Commerce had also requested for the views and comments of the Corporation concerning parts of the judgment which relate to the Ministry of Commerce.

122. ED(Inv) apprised the Board that certain provisions of the Insurance Act, 1938 were challenged before the Federal Shariat Court relating to provision for charging of interest, guarantee as to interest amount, payment of interest on installments and other conditions as to interest, which were held to be repugnant to the injunction of Islam. At that time, i.e. in November 1991, the Ministry of Commerce had asked for comments on the decision of the Federal Shariat Court in respect of the Insurance Act, 1938. State Life's comments provided through letter dated November 27, 1991, was circulated to the Board.

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123. ED(Inv) further informed that the above provisions of the Insurance Act, 1938 had been examined by the Shariat Appellate Bench of the Supreme Court and it upheld the decision of the Federal Shariat Court regarding these provisions except deletion of word interest appearing in Sec.27(3). However, there were certain other aspects apart from the Insurance Act, 1938 factor which needed to be examined in greater detail such as to State Life's investment in fixed return, securities and bank deposits.

124. It may be noted that recently UBL had challenged the Supreme Court (Shariat Appellate Bench) judgement on the grounds that the Court had gone beyond its jurisdiction while delivering the judgment, the news item of which was circulated to the Board.

125. State Bank of Pakistan had also constituted a Committee which was looking into this matter. In view of the depth of study required and the fact that the matter was being examined by various institutions, the Committee constituted by State Life required at least one month's further time for preparing a paper on the aforesaid subject.

126. ED(Inv) also informed that Mr. Shamsuddin Khan of NIT had knowledge about this subject and assistance would be taken from him by the Committee in preparing the above paper.

127. The Board was requested for approval of further time for at least one month and to grant permission to seek the assistance of Mr. Shamsuddin Khan of NIT as and when the need arises.

128. After deliberation, it was resolved as under:

RESOLVED

Action:ED(Inv)

"that a Committee consisting of E.D.(B&A) as Convenor and ED(Inv.), GM(Actuarial) as Member with AGM (Law) as Member/Secretary was requested to examine the aforesaid judgement and submit its comments on how it would affect various functions of State Life together with its recommendation to the Ministry of Commerce within the next fifteen days."

ITEM (19) MEMORANDUM ON DEFAULT IN RESPECT OF CHAKWAL CEMENT, NINA INDUSTRIES TO BE REPORTED TO N.A.B.
ED(INV) MEMORANDUM DATED 2-3-2000.

129. ED(Inv) informed the Board that in 1995, State Life had made investment in Chakwal Cement, Nina Industries and Schon Refinery. The sponsors/management of the above named companies had failed to perform as per terms of the respective agreement.

130. Brief details of these investments were as under:

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A) CHAKWAL CEMENT

131. Sponsors of Chakwal Cement had offered State Life equity participation up to the extent of Rs.554.400 million at Rs.10.5 per share in private placement. Further State Life's participation to the extent of Rs.250 million in convertible Rupee loan/share issue with the option of conversion into shares at premium equal to return earned. The loan would carry a return of 16% p.a and the conversion option would be for three years. the Executive Committee after discussing the proposal in depth and considering that the cost of the project was lower as compared to other proposed projects in the cement industry and expecting that the commercial production would start within the next two years considered the offer to be reasonable and decided as follows:

I Subscribe Rs.100 million towards direct equity participation with buy back provision/ option.and

II Invest another Rs.100 million in the convertible Rupee loan/share issue with the option of convertibility which should not be restricted in one whole lot, rather State Life would be free to exercise the option for full or partial conversion within the specified period of maturity which was three years from date of coming into production. State Life would receive a return of 16% per annum payable annually and at the time of exercise of option State Life would pay premium equal to return earned.

III It was also agreed that State Life's direct equity participation of Rs.100 million would be cushioned against capital loss and would be subject to, that sponsors of the unit would enter into a buy back agreement at par with the State Life. The agreement would be valid for a period of three years from the date of coming of the unit into production. The buy back option would be with the State Life Insurance Corporation of Pakistan and the sponsors would have to buy back the shares at par, in full or partial lot, if the State Life so desires on completion of three years. The State Life and sponsors of the project would have the right to cancel the buy back agreement giving prior notice of fifteen days for definite decision on the issue when the share was trading above Rs.10.5 per share within the period of four years from the date of public subscription.

132. The Executive Committee with the above bifurcation and condition allowed disbursement of funds which was later ratified by the Board at its 125th meeting held on 16th August 1995.

133. In accordance with the decision, of the Executive Committee necessary agreements were prepared and vetted by the Law Division of State Life and finalized and signed by GM(Inv) on behalf of State Life Insurance Corporation of Pakistan and Mr. Khawaja Jawed, Chairman of M/s. Chakwal Cement Company Ltd., on 22nd day of August 1995. Accordingly, two cheques for Rs. 99,999,900/- each in consideration of 19,047,600 shares of Chakwal Cement Company Ltd. having a par value of Rs.10 and issued at Rs.10.5 per share were delivered.

134. Later, the issue price of share was reduced to Rs. 10.00 per share, State Life further received 952,380 shares as a result of this price reduction.

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135. As per terms and conditions of the Agreement, Mr. Khawaja Jawed of Chakwal Cement Company Ltd. was under legal obligation to pay State Life a return @ 16% per annum on our investment of Rs. 99,999,900/- in convertible share option. The first payment of return amounting to of Rs.15,999,984/- was due on 22nd August 1996.

136. A letter of demand was sent to Khawaja Mohammed Jawed Chairman, M/s. Chakwal Cement Company Ltd., on September 9, 1996. The message was also faxed to the party on 18th September 1996. Since no response was received from them, a reminder letter was also dispatched on October 13, 1996.

137. As the Chairman of M/s. Chakwal Cement Company Ltd. had failed to respond to State Life's above communications, a legal notice dated 30.11.96 was served to him. In response to the legal notice, Chairman Chakwal Cement, acknowledged the liability vide his letter dated 29.12.96 and requested State Life to allow him time upto 31.01.97. for payment of amount demanded.

138. Though, State Life had not allowed the time requested by the Chairman Chakwal Cement, however, he had failed to pay his liabilities even after the expiry of the time requested by him. On April 3,1997, the Corporation served a final legal notice which was followed by a suit of recovery against the party. The legal proceedings had also been initiated by State Life for enforcement of the side agreement.

139. An amount of Rs. 63,999,936/- was recoverable from Khawaja Mohammed Jawed, Chairman Chakwal Cement, representing the amount of interest @ 16% p.a. from 22.08.95 to 22.08.99. At present, State Life holds 19,999,980 shares of Chakwal Cement at market price of Rs.1.65 per share.

B) <u>NINA INDUSTRIES:</u>

140. In July 1995, M/s. Nina Industries approached State Life with a request for participation in the private placement of its 2 million shares at issue price of 15/- per share i.e. at a premium of Rs.5/- shares.

141. The Executive Committee at its 199th meeting held on 12-07-1995 had discussed the proposal and approved the subscription of 2 million shares of M/s. Nina Industries at Rs.15/- per share the rate at which the share would be offered to the public. Nina Industries was engaged in processing and export of fabrics and knit wear which was a relatively new concept as there were only three units in the country of which Nina was one.

142. However, the Company unnecessarily delayed public offering till September 1997 and thereafter it offered shares to general public at face value i.e. Rs.10/- per share. State Life, therefore, requested them to refund the excess amount charged from the Corporation as premium, plus interest @ 22% p.a. for using the Corporation's funds. M/s. Nina Industries had filed a petition in High Court of Sindh for reduction of share capital, as according to them premium amount can only be returned to State Life after Court's approval which contention was denied by State Life. The case was still pending.

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143. As M/s. Nina Industries obtained funds from State Life fraudulently and thereafter failed/ neglected/refused to pay back and filed a petition in High Court of Sindh as a delaying tactic, the Corporation had filed a winding-up petition against the Company. The petition was also pending in the High Court of Sindh and following amount are recoverable from M/s. Nina Industries.

i) Amount of Premium Rs. 10 Million.
ii) Interest @ 22% compounded annually amounting to Rs.14,360,065

C) SCHON REFINERY:

144. On June 1, 1995, M/s. Schon Refinery Ltd., approached State Life for pre - IPO equity subscription and underwriting of 5 and 10 million shares respectively @ Rs.20.00 per share including a premium of Rs.10.00/- amounting to Rs.100 million and 200 million respectively.

145. A memo dated 26-10-1995 was submitted to Executive Committee for its consideration at its 204th meeting held on 26th October 1995. The Executive Committee discussed the proposal in all details and agreed that State Life should take up equity participation of Rs.100 million in the proposed Schon Refinery subject to fulfillment of the following conditions:-

(i) Disbursement of funds to be made after verification of the auditors that the sponsors and majority of the financial institutions have mad their contribution as per their agreed portion of equity financing.

(ii) IPO subscription should not be offered below the value i.e. Rs.20 (including Rs.10 premium) at which the State Life would subscribe the share. In case IPO goes below Rs.20 the sponsors would refund the excess amount or compensate by way of offering additional shares to State Life.

(iii) In case of sponsors' failure to offer the shares for general public subscription within six months from the date of agreement for equity participation, a mark-up @ 16% per annum on the State Life's contribution amount would be paid by the sponsors till they go for public subscription.

146. The Executive Committee's decision was ratified by the Board of Directors at its 127th meeting held on 28th December, 1995 and State Life invested Rs.100 million in 5.0 million shares at Rs.20/- per share.

147. Schon Refinery failed to go for public issue with in the stipulated time and the project was abandoned. State Life has been able to recover Rs.70.87 million through Ehtesab Bureau vide demand draft dated 19.03.98. Regarding the settlement of balance amount, Schon Refinery advised State Life to take up the matter with NDFC with whom they had funds in Escrow Account.

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148. State Life repeatedly approached NDFC for recovery of balance amount. However, NDFC had not responded to our request. Lastly, the matter was taken to the Ministry of Commerce. The Ministry vide their letter No. 6(10)/99-Ins.I dated October 1,1999 directed NDFC to settle the matter with State Life.

149. Chairman NDFC vide his letter CM/PAD/211/99 dated 16-10-1999 replied that they had Rs.19,445,524/- but the sister concerns of Schon Refinery are heavily indebted to NDFC and unless they recover their dues, it would not be possible for them to refund the amount in the escrow account to any other lender/investor like State Life Insurance Corporation.

150. At present following amount recoverable from the sponsors of Schon Refinery:-

I	Balance amount of Principal Investment	Rs.	29.130 million
II	Interest @ 16% on Rs. 100 million From 29.01.96 to 19.03.98		34.178 million
III	Interest @ 16% on Rs. 29.130 million From 20.03.98 to 29.2.2000		9.153 million
	TOTAL		72.461 million

151. In view of the heavy amount of the Corporation funds involved in the above investments it was suggested that the cases of the above named parties / institutions may be referred to National Accountability Bureau.

152. After deliberation, the Board resolved as under:

RESOLVED

Action:ED(Inv)

"that ED(Inv) be and was hereby requested to sent a complete brief together with all the supporting documents in respect of each of the bad investments to the Ministry of Commerce so that the same could be sent onward to the National Accountability Bureau if deemed fit."

ITEM (20) APPROVAL OF UPGRADATION OF POST OF DIVISIONAL HEAD LAW FROM AGM TO DGM.
ED(P&GS) MEMORANDUM DATED

153. ED(P&GS) informed that the staff strength of Law Division was determined in 1991 keeping in view the quantum of work handled by it then when the total number of court cases were about 250, and the considerable part of advisory work was being handled by the Legal Retainer of State Life. However, over the years, the litigation had increased considerably due to the following:-

(1) The decision of the Management to file fixation of fair rent cases against the tenants who are paying less than market rent; and

(2) Termination of the services of a large number of employees, in recent years, due to various reasons.

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154. ED(P&GS) further informed that the total number of cases pending in various Courts as on 31st December, 1999 had increased from about 250 cases to 761 cases. The Law Division also handled all the in-house legal advisory work. And on an average 120 legal reference from various Divisions at P.O. and Zones per month were being looked after by the Law Division. Due to increase in quantum of work, it was desirable that staff strength of Law Division be increased. The cases pending in the courts all over the Country were also required to be monitored and supervised more efficiently and for this purpose an officer of the rank of Manager was needed to be given the full time assignment of pursuing the litigation and ensure its speedy disposal.

155. It was therefore proposed as under:-

(i) An additional post of Manager to coordinate and supervise Court cases pending in various Courts of the Country be created.

(ii) The post of Divisional Head (Law) which was at present of an A.G.M. may also be upgraded from A.G.M. to D.G.M.

(iii) Until the post was filled in by promotion, Mr. Latif Ahmed Choudhri, A.G.M. (Law) be allowed to officiate as DGM(Law Division).

156. The Board appreciated performance of Law Division and after due deliberation it was resolved as under:

RESOLVED

Action:ED(P&GS) (i) "that an additional post of Manager to coordinate and supervise Court cases pending in various Courts of the Country be and was hereby created."

Action:ED(P&GS) (ii) "that the post of Divisional Head (Law) which was at present of an AGM. be and was hereby upgraded from AGM. to DGM."

Action:ED(P&GS) (iii) "that until the post was filled in by promotion, Mr. Latif Ahmed Choudhri, AGM(Law) be and was hereby allowed to officiate as DGM(Law Division)."

Action:DGM(Law) (iv) "that officiating DGM(Law) be and was hereby authorized to engage an advocate on a part time basis who would come to the Principal Office regularly and discuss and advice on professional aspect of the cases pending in various courts and follow up its current status."

Action:DGM(Law) (v) "that officiating DGM(Law) be and was hereby authorized to finalize and settle the terms and condition of the advocate."

ITEM (21) <u>POSITION PAPER ON STATUS OF CASES REPORTED BY THE CHAIRMAN'S INSPECTION TEAM</u>
ED(P&GS)/INCHARGE(CIT) MEMORANDUM DATED

157. ED(P&GS) presented before the Board a list of cases of financial and administrative irregularities which had been referred to the P&GS Division from all Division and Departments of Principal Office and Zones/Regions. A sizeable number of cases had also been reported by the Chairman's Inspection Team.

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158. The cases of financial and administrative irregularities had been examined by the P&GS Division for initiating disciplinary proceedings against the accused officers and staff of State Life. On the basis of this preliminary inquiries, explanation letters/charge sheets and inquiry proceedings had been initiated.

159. The list of relevant cases, containing details of actions taken and their present status, were submitted to the Board for perusal. The cases included list of employees who acquired appointment in the Corporation on the basis of bogus educational degrees/certificates and a list of employees against whom disciplinary proceedings were initiated and action taken.

160. A performance review of Chairman's Inspection Team was also received.

161. The above position was noted by the Board with instruction that the finalization of inquiries be expedited and finalized at the earliest.

ITEM (22) POSITION PAPER ON CURRENT STATUS OF APPOINTMENT OF CONSULTING FIRM FOR COMPUTERIZATION OF ALL FUNCTIONS OF STATE LIFE.
ED(CD) MEMORANDUM DATED 1-3-2000

162. The Board at its 149th meeting held on 15th November, 1999 had directed that a fresh advertisement be called for technical and financial bids for the appointment of consulting firm for computerization of all functions of State Life.

163. ED(CD) informed the Board that an advertisement was placed on 11th February 2000, specifying details of the project . A subsequent addendum also appeared that specified details of the schedule which was as follows.

(i) The Terms of Reference documents would be available to potential bidders since 28th February 2000.

(ii) Any questions pertaining to the tender must be submitted in writing by potential bidders by March 10, 2000.

(iii) A pre-bid discussion meeting would be held on 21st March, 2000 to respond to the questions submitted, and answer any further technical or financial questions pertaining to the tender. This meeting was to ensure that all firms had understood the objective and scope of work clearly. Additional supplementary details of the project would be provided at this point by State Life.

(iv) the deadline for submission of the Technical and Financial bids is 31st March, 2000.

164. ED(CD) made the following specific recommendations for consideration and approval by the Board:-

(i) Following Steering Committee for Software Development be appointed for overseeing the process comprising of the following members:-

1. ED(CD)
2. ED(P&GS)
3. ED(B&A)
4. ED(Inv)
5. ED(Act)
6. DH(CD)/(Member Secretary)
7. Convenor CPC

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(ii) Following Technical Committee be appointed for short listing of potential bidders:-

1. Dr. Sayeed Ghani DH(CD)
2. Dr. Attaullah Khan AGM(CD)
3. Tauqir Zaidi AGM(CD)
4. Pervaiz Tahir AGM(CD)
5. Ali Akbar AGM(CD)
6. Mohammad Aslam Manager(CD)
7. S.M. Sabir DM(CD)

(iii) The Technical and Financial Bids be received by CPC.

(iv) The Technical Bids be handed over to Technical Committee for short listing of the bidders and submitting its recommendation to the Steering Committee.

(v) The Steering Committee would submit its recommended short listed bidders to the Board for approval.

(vi) The approved short listed bidders should have their financial bids opened by the Steering Committee. The sealed bids of companies that were not short-listed should be returned to the bidder un-opened.

(vii) The final quotations along with recommendations from the Steering Committee should be put up to the Board for its final decision.

165. After deliberation, the Board resolved as under:

RESOLVED

Action:ED(CD)

(i) "that following Steering Committee for Software Development be appointed for overseeing the process comprising of the following members:-

1. ED(Act)
2. ED(CD)
3. ED(P&GS)
4. ED(B&A)
5. ED(Inv)
6. DH(CD)/(Member Secretary)
7. Convenor CPC

Action:ED(CD)

(ii) "that the following Technical Committee be appointed for short listing of potential bidders:-

1. Dr. Sayeed Ghani DH(CD)
2. Dr. Attaullah Khan AGM(CD)
3. Tauqir Zaidi AGM(CD)
4. Pervaiz Tahir AGM(CD)
5. Ali Akbar AGM(CD)
6. Mohammad Aslam Manager(CD)
7. S.M. Sabir DM(CD)
8. DH(Law)
9. DH(PHS)
10. DH(B&A)
11. DH(S&D)
12. DH(Int'l)
13. DH(G&P)
14. DH(RE)
15. DH(Inv)
16. DH(Sys)
17. DH(IA&E)
18. ZH(Health)
19. DH(Act)

Action:ED(CD)

(iii) "that the Technical and Financial Bids be received by CPC. The financial bids would not be opened without the permission of the Board."

Action:ED(CD)

(iv) "that the Technical Bids be handed over to Technical Committee for short listing of the bidders and submitting its recommendation to the Steering Committee."

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Action:ED(CD) (v) "that the Steering Committee would submit its recommended short listed bidders to the Board for approval."

Action:ED(CD) (vi) "that the financial bids of the approved short listed bidders would be opened by the Steering Committee as per instruction of the Board/Competent authority. The sealed bids of companies that were not short-listed should be returned to the bidder un-opened."

Action:ED(CD) (vii) "that the final quotations along with recommendations from the Steering Committee would be put up to the Board for its final decision."

ITEM (24) . POSITION PAPER ON STATUS OF INQUIRY ON FINANCIAL IRREGULARITIES IN G&P DIVISION.
ED(G&P) MEMORANDUM DATED 2-3-2000.

166. ED(G&P) presented before a position paper on current status of enquiry on financial irregularities in G&P Division. The Board was informed that the matter was under investigation with the FIA authorities and the G&P Division was in touch with them. The available records and witnesses required by them were being produced for investigation.

167. ED(G&P) informed the Board that out of the four employees detained by FIA one Mr. Nizamuddin, JOA, had been released on interim bail under the court orders while another Mr. Amir Abbasi, Assistant Manager, had been released by FIA authorities u/s 169 Cr.Pc. while two two employees namely Dr. Shafqat Qamar then Deputy Manager G&P Claims and Mr. Shadab Rizvi, JOA, were in judicial custody. Judicial proceedings under criminal laws were under way.

168. ED(G&P) also informed that an internal enquiry was also being conducted by Mr. Yahya Chamdia, AGM(Sys). The proceedings of the enquiry were near completion and its findings were expected to be received in due course.

169. The above position was noted by the Board with instruction that the Board should be kept apprised of the progress of the enquiry.

ITEM (25) POSITION PAPER ON CURRENT STATUS OF WORK ON ISO-9000.
ED(SYS) MEMORANDUM DATED 1-3-2000

170. The Board of Directors at its 137th meeting held on 5/6-2-1998 had decided to obtain ISO- 9000 Certification for State Life Insurance Corporation of Pakistan and for this purpose Systems Division was authorized to engage a well qualified consultant. Appointment of M/s. BMIQA as Consultant to assist State Life in making all the preparation necessary to obtain ISO 9000 Certification was approved by the Board at its 144th meeting held on 22nd /23rd January, 1999 with whom the agreement was signed on 13-5-1999.

171. ED(Sys) presented before the Board a position note regarding progress on the work for ISO-9000 certification which was noted by the Board.

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172. ED(Sys) informed that the Head of Systems Division had been designated as Chief Quality Management Representative (CQMR) who was looking after the entire ISO-9000 assignment along with the ISO-9000 Steering Committee. Divisional Head (Systems) was coordinating the ISO-9000 activities at Principal Office and Karachi Southern Zone. Mr. Maqbool Sadiq DGM (B&A) Lahore, had been designated as Quality Management Representative (QMR) for Lahore (Central) Zone of Individual Life and Lahore Zone of Group Life. In all the three Zones, Zonal Quality Management Representatives (ZQMR) have been appointed to see that instructions given to them by the Steering Committee/Systems Division were carried out by the Departments in the respective Zones. The major part of ISO-9000 assignment deals with documentation, for which purpose, Assistant Quality Management Representatives (AQMRs) had been appointed in all the Divisions at P.O. and all the different Departments in the three selected Zones. These AQMRs had been made responsible for documenting procedures and functions etc. of their respective Divisions/Departments working under the supervision of their respective Divisional/ Departmental Heads.

173. ED(Sys) briefed the Board about the work to be carried out to obtain ISO-9000 Certification for State Life which was as follows:-

- Documentation of
  - Quality Manual
  - Procedure Manual
  - Work Instructions
- Review of Documentation
  - Refinement (if required)
- Implementation of the above in Model Zones and in different divisions at Principle Office
- Formation / Training of Internal Audit Team
- Review of the functions / procedures in the Model Zones and P.O. by Internal Audit Team
- Taking of corrective / preventive action
- Replication of the documented procedures / instructions in other zones besides Model zones
- Management Review with regard to overall progress
- Selection of a suitable ISO-9000 certifying body
- Certification

174. The documentation process had been assigned as under:

Principal Office

175. The designated AQMRs would write procedures and work instructions for their divisions. After getting it vetted by Divisional Heads, these would be handed over to Systems division, who would review them and then hand it over to the ISO-9000 Consultant. The Consultant would make sure that all elements of ISO-9000 were covered in the documentation. If not, then the concerned Divisional Head would be asked to change the document accordingly after which the document from that division would be considered as final.

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Karachi (S) Zone, Lahore (C) Zone and G&P Lahore Zone:

176. ZQMR would collect all the documents from AQMRs after getting it vetted by the concerned Departmental Head. ZQMR would then hand over these documents to Systems division, who would again had it vetted by the concerned Divisional Head at principal Office. Later on similar procedure would be adopted as stated above for the Principal Office.

177. In order to get the input and participation from all the Divisions, it was decided to extend the existing ISO-9000 Steering Committee. Accordingly an Office Order was issued by P&GS on 29-6-1999 to include those Divisional Heads in the Steering Committee who were not represented previously in the Committee.

178. A Time Plan and Quality Policy of ISO-9000 Certification was submitted to the Board of Directors at its 147th Meeting held from 27th to 29th July 1999 which approved the same. According to the Time Plan the entire project of ISO-9000 had been divided into five phases. Each phase had to be followed by a Management Review. Management Review of Phase I was held on 4th November 1999. The meeting was attended by members of the Steering Committee, Zonal Head Karachi Southern Zone, ZQMR Karachi Southern Zone and Mr. Aqib Bashir, Chief Executive of the Consulting firm. The agenda of the meeting was to review and discuss the activities pertaining to 1st and 2nd phase.

179. ED(Sys) explained that the activities of Phase I and II were as follows:

Phase I

- Appointment of QMR and Steering Committee
- Awareness on ISO-9000 to Management
- Formulation of Quality Policy
- Preparation of Organization Charts (see Annex 'D')
- First Management Review – Effectiveness

Phase II

- Documentation of Job Descriptions
- Review and Refinement of Job Descriptions
- Documentation of Procedures
- Refinement of Procedures
- Second Management Review Effectiveness

Phase III

- Documentation Work Instructions
- Refinement of Work Instructions
- Issue & Control of Procedures & Work Instructions
- Implementation of Procedures & Work Instructions
- Design and Review of Forms & Reports
- Implementation of Forms & Reports
- 3rd Management Review – Effectiveness

The activities of Phase I had been completed whereas the preparation of Job Descriptions, Procedure Writing and Work Instructions which were covered under 2nd and 3rd phases, were in progress.

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180. In Principal Office, assignment of writing of Job Descriptions and procedures had already been completed, duly vetted by concerned Divisions.

181. The Job Description and Procedure Writing of Karachi Southern Zone had also been completed. Job Descriptions of Lahore Zone (G&P) and Lahore Zone (Central) Individual Life had been received.

182. ED(Sys) informed that on 29.11.1999 QMR Lahore notified that procedures he had received from various departments of Lahore (C) Individual Life were not in a shape to be sent to P.O. The procedures pertaining to Karachi Southern Zone duly vetted by Systems Division were sent to QMR Lahore on December 3rd 1999 in order to help and expedite the matter. On 13.1.2000 the Consultant M/s BMIQA informed in writing that different approaches have been adopted for procedure writing at both Zones. Therefore, it was thought necessary to hold a meeting to sought out the matter. Therefore, a meeting, regarding the procedure writing of Lahore Zone was held on 18.1.2000. During the meeting, Divisional Head (Systems) pointed out that Lahore Zone lags behind the schedule and submissions of even raw procedures were too late. After discussion, it was agreed that QMR and Consultant would develop merged procedures by studying the final procedures of Karachi Southern Zone and raw procedures of Lahore Zone. This was decided in the spirit to cover up the lost time and to assist the concern Divisional Heads by vetting only one procedure to finalize and standardize. The Consultant and QMR agreed to finish the task within 25 days i.e. till 3rd week of February 2000. It was decided to hold the second meeting after a month to review the progress.

183. ED(Sys) further informed that Systems Division had received merged procedures pertaining to B&A, New Business and Agency Departments which were accordingly sent to Divisional Heads of B&A(PO) on 27/1/2000, PHS(PO) on 7/02/2000 and S&D(PO) on 21/02/2000 for suggestion/amendments/changes (if any) with the request to return the finalized/standardized procedures as soon as possible. Reminders have been sent to B&A and PHS, but to date Systems Division had not yet received any finalized/standardized procedures.

184. With regard to the third phase of ISO-9000 Project, Systems Division had started the documentation of Work Instructions. Our consultant i.e. M/s BMIQA went through the procedures of all Divisions at Principal Office and provided a list on 17.2.2000 containing the areas where Work Instructions were to be documented. Letters alongwith template of Work Instructions have been sent to all Divisions on 18.2.2000 with advice to write Work Instructions of their respective Divisions.

185. Keeping in view the importance of the assignment all Divisional Heads, Zonal Heads of selected zones of Individual Life and Group Life were required to take it personally and involve themselves during the process of documentation of Quality Manual / Procedures Manual / Work Instructions etc. for which they were continuously being followed by the Systems Division.

186. Systems Division had to coordinate activities for this huge task would be requiring continuous support and help from the Board of Directors for completion of this assignment. All Executive Directors were also requested to give personal attention to this assignment and instruct all the concerned Officers of the Divisions under their jurisdiction to work expeditiously and cooperate with Systems Division in completion of this project.

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187. The above position was noted by the Board with instructions to all concerned to extend fullest corporation to System Division for completion of the task by the target date which was 30th June, 2000.

ITEM (26) POSITION PAPER ON PROPOSAL FOR PURCHASE OF ONE FLOOR MEASURING 2000 SQ.FT. IN KOHAT.
GM(RE) MEMORANDUM DATED3-3-2000

188. GM(RE) informed the Board that State Life had Sub-Zonal Office at Kohat in a rented bungalow at a rent of Rs.15,000/- per month, the agreement of which as per Zonal Head, Peshawar letter dated 01-02-2000, would expire on March, 2000. The landlord wants State Life to vacate the premises on expiry of the existing agreement or to increase the rent to Rs 25,000/- per month.

189. The Zonal Head had recommended for purchase of an office space on first floor measuring 1920 sq.ft., (60X32 = 1920 Sft) in a building which was under construction namely "Askari Plaza" in Alfalah Market in the main city, Kohat. This transaction would be on 99 years lease for a total sum of Rs.15 lac out of which Rs.4 lac would be down payment and the balance would be payable at the time of taking over of the premises by State Life.

190. GM(RE) further informed that Army was constructing a Plaza and if it was booked at this stage they would design first floor to suit State Life's requirements and the construction would be completed within next 3 months. Army would also charge a fixed rent @ Rs.5,000/- per month for this space for the entire lease period. The selling rate according to the total price comes out to Rs 780/- per sq.ft. The Plaza is centrally located very close to Banks, Post Offices, Market etc. The Zonal Head had very strongly recommended for purchase/booking of this floor for State Life and requested for an earliest decision in the matter as there was a great public interest. The S&D Division also supported the proposal.

191. GM(RE) informed the Board that the proposal seemed attractive and beneficial to the Corporation and the matter was being placed before the Board of Directors for consideration and approval.

192. After due deliberation, the Board declined the above recommendation.

ITEM (27) FINANCIAL IMPACT OF DECISIONS TAKEN IN THE MEETING WITH M/S. GCL HELD ON 06^{TH} JANUARY' 2000.
ED(INT'L) MEMORANDUM DATED 2-3-2000.

193. The Board of Directors at its 151st meeting held on 22-1-2000 had approved the decisions made by the Committee constituted by the Board and agreed to by M/s. GCI in respect of a) One time compensation on business prior to agreement b) Deduction made by State Life on Non-completion of targets in accordance with the terms of agreement c) Demand of M/s. GCI claiming higher rate of compensation d) Payment of Medical Facilities to State Life Sales staff and e) Reimbursement of Medical Fee. The Board while approving the decision had instructed the International Division to furnish the financial impact of the above decision at its next meeting.

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194. ED(Int'l) informed the Board that the amount payable and deductible for not achieving the targets as per original agreement for the period from June 1994 to Dec 1999 was as under:

First Year Premium:	
Sponsorship fee	$ 134,809.30
Compensation on FYP	$ 392,673.52
Deductions for not achieving targets	$ (78,534.70)
Net payment	$ 448,948.12
Renewal Premium:	
Compensation	$ 80,802.26
Deductions as per agreement	$ (9,713.59)
Net Payment	$ 71,088.67
Total Payment:	$520,036.79

195. M/s. GCI did not agree with the deductions made for not achieving the targets and had conveyed their reasons/arguments for not achieving the targets in various meetings and communications and have demanded the following amounts:

Sponsor fee on FYP	$ 134,809.30
Compensation on FYP as per original agreement(without Deductions)	$ 392,673.52
Compensation on Renewal Premium as per original agreement(without Deductions)	$ 80,802.26
One time compensation on Dollar Business	$ 9,861.81
One time compensation of on Rupee Business	$ 3,052.28
Additional compensation on FYP from year sixth (without Deductions)	$ 44,087.70
Additional compensation on Renewal Premium from year sixth (without Deductions)	$ 13,458.28
Total	$ 678,745.15

196. M/s GCI had given the notice to State Life that if the rate of compensation was not enhanced w.e.f. June 1999 then it would terminate their association with State Life from 1st January, 2000 as the cost of providing services to State Life was more than the revenue that M/s GCI generates in the form of Sponsorship Fee and Compensation. Further they had also stated that the deductions for not achieving the targets and persistency was one sided as State Life also did not fulfill certain obligations as per agreement. Therefore the issue relating to deductions for not achieving the targets and persistency as per agreement be placed before the arbitration as per clause 13 of the agreement.

197. ED(Int'l) informed the Board that the amount payable as per revised rates of compensation and deductions agreed to by M/s. GCI at its meeting with the Committee constituted by the Board of Directors of State Life was as under:

Sponsor fee on FYP	$ 134,809.30
Compensation on FYP as per original agreement	$ 392,673.52
Compensation on Renewal Premium as per original agreement	$ 80,802.26
One time compensation on Dollar Business	$ 3,001.30
One time compensation of on Rupee Business	$ 757.84
Additional compensation on FYP from year sixth	$ 22,043.85
Additional compensation on Renewal Premium from year sixth	$ 13458.28
Deduction for not achieving targets / persistency	$ (26918.87)
Total	$ 620,627.48

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198. ED(Int'l) informed the Board that the financial impact of the new revised agreement was as follows:-

a)	Amount demanded by M/S GCI	$ 678,745.15
	Amount payable as per original agreement with M/S GCI	$ 520,036.79
	Financial Impact of M/s GCI Demands	$ 158,708.36
b)	Amount payable as per revised agreement with M/S GCI	$620,627.48
	Amount payable as per original agreement with M/S GCI	$ 520,036.79
	Financial Impact of Revised agreement	$ 100,590.69

199. The above information was noted by the Board.

ITEM (28) <u>RATIONALIZATION OF PAY AND ALLOWANCES OF OVERSEAS OFFICERS.</u>
ED(P&GS) MEMORANDUM DATED 3-3-2000.

200. The Board of Directors at its 147th Meeting held on 26th, 27th and 28th July 1999 ratified the memorandum of ED(P&GS) regarding approval of rationalization of salaries of overseas employees passed by the Board through circulation on 22nd June, 1999 which superseded the earlier decision of the Executive Committee passed at its 85th meeting held on 31-7-1984.

201. The salient features of the said rationalization scheme was to convert the Pakistan Rupees salary of regular officers into US $ at the prevailing parity rate fixed by the Federal Government. The other allowances etc. had been determined in US Dollars. The definition of prevailing parity rate as clarified through P&GS memorandum of 13th January 2000 as under:-

> "the prevailing parity means the official rate exchange of conversion of Pakistan Rupees into US $ fixed by the Federal Government. The parity rate i.e. official rate taken on the last day of the month for which salary is being paid. If any change occurs during the period release of salary till last day of the month its effect may accounted for at the time of payment of salary for the next month."

202. ED(P&GS) informed that the regular officers of the Corporation who were/are working much prior to the decision of the Board effective from 1-7-1999, moved their representations about the financial loss and removal of some facilities availed by them in local currency giving their justification by comparison with the prevailing systems in foreign missions of Pakistan. A meeting of the Executive Directors and the overseas offices was held wherein the State Life officers were asked to provide for comparison purposes, emoluments of officers of Pakistan Foreign Missions posted at the stations where the offices of the Corporation are exist. The emoluments of officers of Pakistan Foreign Missions was examined and the Chairman was pleased to constitute a Committee comprising of the following for submission of the proposal for remedial measures of difficulties if any faced by the regular officers posted abroad:-

1. ED(Int'l) Convenor
2. ED(B&A)
3. ED(P&GS)
4. ED(PHS)

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203. The Committee held its meeting on 22-10-1999. Another meeting was held on 19-11-1999, which was attended by the following:-.

1. Mr. Imtiaz Rasool, Executive Director (G&P)
2. Mr. Rasool Bakhsh Baloch, Executive Director (Int'l)
3. Mr. Muhammad Latif, Executive Director (B&A)
4. Mr. Umair Khan, Executive Director (P&GS)
5. Mr. Sikandar Abbas, Divisional Head (G&P)
6. Mr. Talib Ali, Divisional Head (Int'l)
7. Mr. S. Mushtaq A. Naqvi, Deputy Manager (Int'l)
8. Malik Nazir Ali, Deputy Manager (B&A/Int'l)

204. The Committee discussed at length the comparative statements of salaries of overseas officers before and after the revision of salary with the salaries of foreign mission officers and recommended to the Board review of the pay structure.

205. ED(P&GS) mentioned that the traveling allowances rules for regular officers working abroad as previously determined by the Executive Committee of the Board of Directors at its 85th meeting held on 31-7-1984 was still applied.

206. Members of the Board were requested to consider the above proposal for approval.

207. After due deliberation, the Board resolved as under:

Action:ED(P&GS)/ ED(Int'l)

RESOLVED

"that the review of the pay structure effective 1-7-1999 as given below, recommended by the Committee constituted by the Chairman be and was here by approved."

1. ASSISTANT GENERAL MANAGER / ZONAL CHIEF.

(i) . Basic	Existing Scale in Pakistan convertible into US Dollar at prevailing parity rate fixed by the Government of Pakistan.
(ii) Overseas Allowance	US $ 1502/- which is being paid to the Counsellors of respective foreign mission offices subject to confirmation. It will be revised as and when Government revises overseas Allowances for their foreign offices.
(iii) House Rent	US $ 1500 pm including electricity, Gas and Water & Conservancy charges.
(iv) Conveyance	Corporation's maintained car along with Driver (Local appointee)
(v) Petrol	400 liters per months.
(vi) Entertainment	US $ 150/- per month
(vii) Residence Telephone	US $ 95/- per month
(viii) Education Allowance	50% of the actual school fee or US $50 per month which ever is less subject to maximum of 3 children provided the family is shifted abroad.

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2. MANAGER.

(i) . Basic	Existing Scale in Pakistan convertible into US Dollar at prevailing parity rate fixed by the Government of Pakistan.
(ii) Overseas Allowance	US $ 1136/- which is being paid to the Second Secretary of respective foreign mission offices subject to confirmation. It will be revised as and when Government revises overseas Allowances for their foreign offices
(iii) House Rent	Manager (Zonal Chief) US $ 1500 p.m including electricity, Gas and Water and conservancy charges. Manager (Non Dev)/Manager (Development) US $ 1300/- per month including electricity, Gas and Water and Conservancy charges.
(iv) Conveyance	Manager (Zonal Chief) Corporation's maintained car alongwith Driver (Local appointee) Manager (Dev) US $ 300/- per month as Car Rental. Manager (Non Development) US $ 204/- per month
(v) Petrol	Manager (Zonal Chief) 400 liters per months. Manager (Development) 300 Liters per month
(vi) Entertainment	US $ 133/- per month
(vii) Residence Telephone	*Manager / Zonal Chief US $ 95/- per month* Manager (Development) US $ 93 per month Manager (Non Development) US $ 22 per month
(viii) Education Allowance	50% of the actual school fee or US $ 50/- per month which ever is less subject to maximum of 3 children provided the family is shifted abroad.

3. DEPUTY MANAGER.

(i) . Basic	Existing Scale in Pakistan convertible into US Dollar at prevailing parity rate fixed by the Government of Pakistan.
(ii) Overseas Allowance	US $ 947 which was being paid to the Third Secretary of respective foreign mission offices subject to confirmation. It wouldl be revised as and when Government revises overseas Allowances for their foreign offices
(iii) House Rent	US $ 1100 pm including electricity, Gas and Water and conservancy charges
(iv) Conveyance	US $ 163 per month.
(vi) Entertainment	US $ 127/- per month
(vii) Residence Telephone	US $ 22/- per month
(viii) Education Allowance	50% of the actual school fee or US $50 per month which ever is less subject to maximum of 3 children provided the family was shifted abroad.

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ITEM (29) REVIEW OF POLICY FOR ALLOTMENT OF STATE LIFE's RESIDENTIAL ACCOMMODATIONS.
GM(RE) MEMORANDUM DATED 3-3-2000.

208. GM(RE) informed the Board that the issue of allotment of the residential buildings and rate of rent etc. were discussed by the Board at its 145th meeting held on 25/27-02-1999. The Board decided the terms and conditions of renting of these residential accommodations for SLIC employees. It was also decided by the Board that since a number of officers had been transferred to Karachi from other stations and residential accommodation was required by them, the tenants of State Life who were occupying residential accommodations be issued notices for vacating the premises in their possession for use and occupation by State Life officers. It was also decided that ejectment applications be filed on the aforesaid grounds against those tenants who did not vacate the premises within the stipulated period.

209. In compliance with the Board decision notices were issued and on failure to vacate the premises ejectment applications were filed against private tenants. Efforts were also made for renting of the vacant premises to State Life Officers on the terms and conditions as approved by the Board.

210. State Life had at present 03 vacant flats at Lalazar Karachi but State Life officers were not very much keen to take these residential units on market rent because the flats were very small i.e., of 450-600 Sft., area having one bed room and two bed rooms, which could accommodate only a very small family. The market rate of these flats had been fixed at Rs 4500/- while SLIC officers had been given option to pay either the market rate or to forgo their house rent entitlement.

211. GM(RE) further informed the Board that some Government Officials were pressing hard for allotment of these accommodations to them. Since State Life Officers were not interested in these units, it was proposed that these flats could be rented out to the Government Officers on standard terms on the condition that as soon as he was transferred, left the job or retired from service he would return this premises to State Life. These were the conditions earlier set for State Life Officers.

212. GM(RE) presented before the Board that a request had been received from one of the Government officials for allotment of a two room flat in Lalazar in State Life Building 1-B having 600 Sft., covered area. The official would retain this flat till his posting at Karachi and would vacate as soon as he was transferred. The market rent of this flat was Rs.4500/-. There was no pending request from SLIC officers for renting of these 3 vacant flats.

213. The matter was placed before the Board of Directors for review of its previous decision and special consideration.

214. After due deliberation, the Board resolved as under:

RESOLVED

Action GM(RE)

"that residential accommodation be rented out to a Government official, if there was no prior pending request of State Life officers, at market rent of Rs.4,500/- on the condition that as soon as he was transferred or left employment of the Government either on retirement or otherwise would hand over the peaceful vacant position of the premises and pay all outstanding charges/rent."

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ITEM (30) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(i) RETIREMENT OF MR. J.M. PEREIRA, EXECUTIVE DIRECTOR(INV)

215. ED(G&P) informed that Mr. J.M. Periera, ED(Inv), would be retiring from State Life on attaining the age of sixty on 17th April, 2000 after a very long illustrious and dedicated service. ED(G&P) suggested that Mr. J.M. Periera may be engaged as a consultant after his retirement so that the State Life could benefit from his rich experience.

216. The Board resolved as under:

RESOLVED

Action:ED(P&GS)

"that the appointment of Mr. J.M. Periera as a consultant after his retirement be and was hereby approved by the Board so that State Life could benefit from his rich experience. The Executive Committee be and was hereby authorized to decide on his remuneration and terms and conditions of his appointment as it considered fit. ED(P&GS) was requested to prepare a memorandum for consideration and decision by the Executive Committee."

(ii) PAYMENT TO MR. SAMEE-UL-HASAN, CONSULTING ACTUARY STATE LIFE FOR TIME SPENT BY HIM ON EXAMINING THE DRAFT INSURANCE BILL.

217. ED(Act.) informed the Board that Mr. Samee-ul-Hasan had rendered professional services on examining the draft insurance bill prepared by Ernst & Young and recommended that a sum of Rs.100,000/- be paid to him for professional work done by him for preparation of comments on the likely impact of its provision on the stakeholders of the insurance industry.

218. After due deliberation, the Board resolved as under:

RESOLVED

Action:ED(P&GS)

(i) "that a total payment of Rs,100,000/- to Mr. Samee-ul-Hasan for professional services on examining the draft insurance bill be and was hereby approved against bills submitted by him amounting to Rs.2,32,000/- and 2,83,000/- respectively."

Action:ED(P&GS)

(ii) "that the Board expressed its sincere thanks and special appreciation to Mr. Mohammad Sulaiman, Additonal Secretary (Commerce), and his team for taking up the case of State Life in the meetings held for examination and recommendation on the draft insurance bill."

(iii) CONSTITUTION OF A COMMITTEE IN TERMS OF REGULATION 20(i) OF STATE LIFE EMPLOYEES SERVICE REGULATIONS 1973.

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219. The Board resolved as under:

RESOLVED

"that a Committee be constituted consisting of Mr. Imtiaz Rasool, E.D(G&P/ACT.) as Convenor and Mr. Rasool Bakhsh Baloch, ED(INT'L/PHS)Mr. Mohammad Latif, ED(B&A/SYS) and Mr. J.M. Pereria, ED(INV/A&SP) as Members with Syed Sikandar Abbas as Member Secretary to review cases of all the employees who had completed 25 years of service with the Corporation and decided as to whether they were fit to continue employment/service or be sent on retirement."

220. The consideration of Item Nos.12, 17 & 23 was deferred by the Board until its next meeting.

ITEM (12) <u>POSITION PAPER ON ADVERTISING PLAN FOR THE YEAR 2000 AND MEDIA WISE ALLOCATION OF ADVERTISING BUDGET.</u>
ED(A&SP) MEMORANDUM NOT RECEIVED.

ITEM (17) <u>MEMORANDUM ON APPROVAL OF INVESTMENT STRATEGY FOR THE YEAR 2000.</u>
ED(INV) MEMORANDUM DATED 3-3-2000.

ITEM (23) <u>PRESENTATION OF LAST THREE YEARS SURRENDERS AND MATCHING OF THE SAME WITH NEW POLICIES ISSUED THERE AGAINST.</u>
ED(PHS) MEMORANDUM NOT RECEIVED.

221. The meeting ended with vote of thanks to the Chair.

CHAIRMAN

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NOTIFICATION

S.R.O.-----------(1)/99----In exercise of the powers conferred by Article 49 of the Life Insurance (Nationalization) Order, 1972, (P.O. No.10 of 1972), the State Life Insurance Corporation of Pakistan, with the previous approval of the Federal Government, is pleased to direct that the following further amendments shall be made in the State Life Insurance Corporation Employees (Service) Regulations, 1973 namely: -

In the aforesaid Regulations:

(1) Regulation No.31(2) be replaced with the following and Regulation 31(3) be inserted before the proviso:

31(2) for award of punishment, the following procedure shall be adopted:

(i). In the light of complaint/report against an employee, Executive Director (Personnel) shall determine whether in the light of facts of the case or in the interest of justice an inquiry should be conducted through an inquiry officer/committee. If on such determination, the Inquiry Officer/Committee is appointed, the procedure described below in sub Regulations (iii),(iv),(v),(vi) & (vii) shall be followed.

(ii). If it is determined that in the light of the facts of the case or in the interest of justice it is not necessary to have an inquiry conducted through an Inquiry Officer/Committee, he shall;

(a). by order in writing, inform the accused of the action proposed to be taken in regard to him and the grounds of the action; and

(b). give him a reasonable opportunity of showing cause against that action and of personal hearing if so desired by the accused employee.

(c). after receipt of the reply of the accused and grant of personal hearing if so desired by him, E.D. (Personnel) shall pass an appropriate order against the accused employee.

(iii). where an Inquiry Officer/Committee is appointed, a charge sheet along with a statement of allegation leveled against the accused employee, shall be served on him. While serving the charge sheet, the accused employee shall be given a reasonable time, not being less than 7 days to put in his written defense and to state at the same time whether he desires to be heard in person.

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(iv). The Inquiry Officer/Committee, as the case may be, shall inquire into the charge and may examine such oral and documentary evidence in support of the charge and in defense of the accused as may be considered necessary and the accused shall be entitled to cross examine the witnesses against him.

(v). The Inquiry Officer or the Committee as the case may be, shall commence the hearing of the case within 5 days of the receipt of reply of the accused employee and continue it from day to day. No adjournment shall be given except for reasons to be recorded in writing. Normally no adjournment shall be for more than three days.

(vi). where the Inquiry Officer or the Committee as the case may be, is satisfied that the accused in hampering or attempting to hamper the progress of the Inquiry, he or it shall administer a warning, and if thereafter he or it is satisfied that the accused employee is acting in disregard of the warning, he or it shall record a finding to that effect and proceed to complete the inquiry in such manner as he or it thinks best suited to do substantial justice.

(vii). The Inquiry Officer or the Committee, as the case may be, shall within a week of the conclusion of the proceedings submit his or its findings whether the charges against accused employee have been proved or not and the grounds thereof to Divisional Head (Personnel).

(viii). On receipt of the report of Inquiry Officer or the Committee as the case may be, or where no such Officer or Committee is appointed, on receipt of the explanation of the accused employee, if any, Divisional Head (Personnel) shall determine whether the charge has been proved and shall forward the case to the Competent Authority i.e. ED(Personnel) along with the charge sheet and statement of allegations served on the accused employee, the explanation of the accused, the findings of the Inquiry Officer or Committee, if appointed, who shall pass such orders as he may deem proper.

(ix). ED(Personnel) before passing any order shall inform the accused employee about the findings of the Inquiry Officer or Committee and ask him to show cause why he should not be awarded punishment as provided in Regulation No.30(1)(g) and shall also afford him an opportunity of personal hearing if he so desires. A copy of the findings of the Inquiry Officer or Committee may also be provided to the accused employee before the personal hearing.

31(3) In the Zones, the Zonal Head being the competent authority, with regard to employees in grade 1 to 7, SS I to SS III and MN I to MN III shall exercise the same power as that of ED(Personnel) under the regulations, in disciplinary proceedings.

CHAIRMAN'S INITIALS