

MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

DIPECTORS MINUTE BOOK	HELD AT	ON	TIME
	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	

**CONFIDENTIAL AND RESTRICTED**

The one hundred and fifty sixth(156<sup>th</sup>) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 7<sup>th</sup> October, 2000 at 10:00 a.m., at Board Room, 3<sup>rd</sup> Floor, State Life Building No.9, Principal Office, Karachi.

**Present**

- |                           |                 |
|---------------------------|-----------------|
| 1. Mr. Samee-ul-Hasan,    | Chairman        |
| 2. Mr. Azhar Ali Malik    | Director        |
| 3. Mr. Bashir Ahmed       | Director        |
| 4. Mr. Nesar Ahmad        | Director        |
| 5. Mrs. Spenta Kandawalla | Director        |
| 6. Mr. Umar Ata Bandial   | Director        |
| 7. Mr. Akbar Ali Hussain  | Secretary Board |

2. Letters received from Mr. Salim Iqbal, Director and Air Marshal Sharbat A. Changazi, Director informing the Board of their inability to attend the meeting because they would be out of the country on official tour were placed before the Board. The Board granted them leave of absence.

The Board invited M/s. Imtiaz Rasool, Rasool Bakhsh Baloch and Mohammad Latif, Executive Directors to join the meeting. The Board further decided that in future the Executive Directors would also be invited to the Board meetings unless specifically decided otherwise in respect of any item.

**ITEM (1) 1) CONFIRMATION OF MINUTES OF 155<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS HELD ON 24<sup>TH</sup> AUGUST, 2000**

3. The minutes of 155<sup>th</sup> Meeting of the Board of Directors held on 24<sup>th</sup> August, 2000 were placed before the Board. Mrs. Spenta Kandawalla, Director proposed and Mr Umar Ata Bandial, Director, seconded that the same be confirmed with the following amendments"

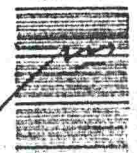
4. Secretary Board presented before the Board a letter No.PA/JS(INS)/2K-SLIC dated 6<sup>th</sup> September, 2000 from Mr. Salim Iqbal, Joint Secretary/Director suggesting amendment in the Minutes to reflect the correct position. After discussions, the Board agreed to the following amendments:

**Para-11 on Page-1867 of 155<sup>th</sup> meeting of the Board of Directors:**


The following words may be added at the end of the para:

"Mr.Salim Iqbal, J.S., Ministry of Commerce invited the attention of the Board to the relevant sections of the new Insurance Ordinance, 2000, relating to investment which may be given due consideration before making any investment. He also pointed out that LINO 1972, also needs to be amended in the light of the new Insurance Ordinance, as Insurance Act, 1938, to which LINO makes references had already been repealed."

CHAIRMAN'S  
INITIALS

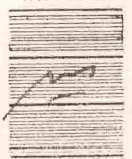


**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME	
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<p>Action: DGM(BS)</p> <p>Action: ED(G&amp;P)</p> <p>Action: ED(Inv.)</p>	<p>The Chairman suggested the following amendments which was agreed to by the Board:</p> <p><u>Resolution in para-11 of Item-5 of 155<sup>th</sup> meeting of the Board of Directors to read as follows:</u></p> <p>(i) "that considering the investment in 8<sup>th</sup> Issue WAPDA Bond would give a minimum pretax return at 12.5% per annum , payable at half yearly rest, in the current scenario of declining markup rates and since the investment is secured by a irrevocable and unconditional first demand guarantee covering principal and markup from the Ministry of Finance, Government of Pakistan, an investment of Rs.750 million in 8<sup>th</sup> Issue of WAPDA Bond be and was hereby approved."</p> <p>(ii) "that ED(Investment) be and was hereby authorized to take all necessary action in this regard."</p> <p>Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b> "that the Minutes of the 155<sup>th</sup> Meeting of the Board of Directors held on 24<sup>th</sup> August, 2000 be and were hereby confirmed with the above amendments."</p> <p><b>ii) RATIFICATION OF MINUTES OF 260<sup>TH</sup> MEETING OF THE EXECUTIVE COMMITTEE HELD ON 26<sup>TH</sup> JUNE, 2000.</b></p> <p>5. The above item was not considered by the Board.</p> <p><b>ITEM (2) PRESENTATION OF LATEST AND DETAILED BUSINESS REPORT WITH COMMENTARY SHOWING COMPARISON OF ACTUAL WITH THE BASE/TARGET OF THE CURRENT YEAR.</b></p> <p>6. ED(G&amp;P), ED(Inv.), ED(Int'l), GM(RE) and DGM(Marketing) presented before the Board, Memorandum for business review of G&amp;P, Investment, International, Real Estate and Marketing Divisions respectively for the period from 1<sup>st</sup> January 2000 to 31<sup>st</sup> August, 2000 which was noted by the Board.</p> <p>7. G&amp;P Division had collected a premium of Rs.745 million as against Rs.728 million for the corresponding period of last year showing an increase of 2.2%. 71 new groups having premium income of Rs.13 million were fetched as against loss of 85 policies having premium income of Rs.91 million. The Board was informed that the Group Division faced cut throat competition from insurers in the private sector and there was a tendency developing to go for self insurance. It was suggested that Pension market could be tapped for small organizations and a plan could be developed whereby Pension Fund could get insured for annuities policies thus saving tax in the process.</p> <p>8. Investment Income for the period totaled Rs.4860 million as against Rs.4877 million in the corresponding period last year. The Board suggested that investment in equity market should be increased as it was felt that equities could provide inflation hedge , currency hedge and through careful analysis of yield adequate income could be generated. It was also decided that State Life should play a role in development of corporate debt market. Investment in mortgaged bonds which provides adequate security could be considered alongwith loans to policyholders against a proper repayment schedule.</p>			<p>CHAIRMAN'S INITIALS</p> 



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DIRECTORS	HELD AT	ON	TIME	
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000		
<p>Action: ED(Int'l) ED(P&amp;GS)</p> <p>Action: ED(B&amp;A)</p> <p>Action: ED(Act.)</p>	<p>9. International Division has procured FYP of USD: 0.7919 million showing an increase of 1.23% over the corresponding period of last year. Second year persistency achieved was 45.53% whereas renewal persistency was 77.98%. The Board desired that aggressive marketing should be done to increase business overseas and new plans be developed to suit the requirements of expatriate Pakistanis. The Board desired that a letter be written to the Ministry that since State Life is an autonomous Corporation with independent policy making Board, the Chairman should be given the authority to sanction travel abroad of Executive Directors and other officers for business purposes without reference to the Ministry.</p> <p>10. Real Estate Division showed a net income of Rs.93.8 million for the period as compared to a loss of Rs.38.9 million in the corresponding period last year. The Board decided that a disclosure of conservative market value be made in Form AA.</p> <p>11. Marketing Division secured first year premium of Rs.463.28 million for the period as against Rs.533.67 million last year thus registering a decrease of 13.19%. The decrease was due basically to the current macro economy position prevailing in the country and certain corrective measures under taken by the Corporation with regard to its field force. It was expected that the measures would have a positive long term impact. The premium income will grow in subsequent months due to better cotton crop and extra efforts by the field force to meet their business targets. The Board desired that protection plans be developed for marketing to the traders.</p> <p><b>ITEM (3) CONSIDER/APPROVE AUDITED ACCOUNTS OF THE CORPORATION FOR THE YEAR 1999 TOGETHER WITH AUDITORS REPORTS THEREON</b> Executive Director(B&amp;A)'s Memorandum dated 26-09-2000.</p> <p>12. ED(B&amp;A) presented before the Board as required under Article 30 of the Life Insurance (Nationalization) Order, 1972 the audited Balance Sheet as at 31<sup>st</sup> December, 1999 and revenue accounts for the year ended 31<sup>st</sup> December, 1999 which were audited by a panel of Auditors namely: M/s. Yousuf Adil Saleem &amp; Co., Chartered Accountants, Karachi; Taseer Hadi Khalid &amp; Co., Chartered Accountants, Karachi; Riaz Ahmad &amp; Co., Chartered Accountants, Lahore and Aslam Malik &amp; Co., Chartered Accountants, Lahore for approval. The accounts of the Corporation at UAE were audited by M/s. KPMG, Chartered Accountants, Dubai(UAE).</p> <p>13. The Chairman presented before the Board a statement showing State Life history of premium and expenses for the year 1989 to 1999 which contained breakup of allowable management expenses and management expenses incurred in excess of the permissible limit.</p> <p>14. The Board noted with concern that the excess management expenses were due to (i) over staffing in 1995 and 1996 (ii) field acquisition expenses paid to dummies (iii) low second year persistency (iv) disproportionate increase in business as compared to inflation (v) increase pension expenses due to delay in transfer of funds and review of salary of officers in 1998 and required contribution of 26% of basic salary as against 20% allowed under the Income Tax Rules. The Board also noted with concern the decline in core business income and expense over runs and desired that the issue be tackled by combination of efforts to increase revenue and control costs.</p>			<p>CHAIRMAN'S INITIALS</p> 



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Action:  
ED(B&A)

15. It was noted that under sub section (9) of section (22) the new Insurance Ordinance 2000, 90% of the sum by which the total amount of management expenses exceed the percentage as may be prescribed by the Commission in Regulations, to First Year and Renewal Premium brought to account in determining surplus earned on participating contracts and the amount determined by applying for 6 months on a compound basis to the above amount, the higher of the investment earning rate of the statutory fund during the year so far as it concerns participating contract and the average based rate during the year calculated as at the final date of each month on a compound basis would be debited to shareholders account. The result of the above rules would be that the shareholders would not be able to get any dividend on their investment. The Board desired that a letter be written to the Ministry in respect of the above problem informing that structural issues were involved which could be sorted out over a period of time and State Life should be allowed time for the same.

After discussion, the Board resolved as under:

Action:  
ED(B&A)

**RESOLVED:**

(i) "that audited accounts for the year ended 1999 together with auditors reports and the notes thereon be and was hereby approved."

Action:  
ED(B&A)

(ii) "that instead of the "Directors Report" there should be a "Chairman's Review" which should give a vision of the future of the Corporation."

Action:  
ED(B&A)

(iii) "that the following provisions/write offs made in the accounts for the year ended 1999 on the advice of State Life External Auditors be and were hereby approved." The Board noted that the projects were cancelled as a result of undue interference and therefore agreed to the provision and write off recommended by the External Auditors for the sake of prudent and conserving accounting policy and because the above decision would not result in cash outflow. The Board also instructed GM(RE) to conserve the drawings of building projects so that they can be used in future if a decision was made to construct buildings. The Board also felt that since the above projects were not financed through the Federal Budget it did not require approval of CDWP and ECC.

(Rupees in million)  
AMOUNT

a) Individual Life

Provision for Doubtful Debts

◆ Policy Loan misappropriated by Field Staff	3.367
◆ Un-verified amount of field commission	3.890
◆ Misappropriations by Staff of Vehari Zone	0.814
Sub-Total	7.814

b) Investment Portfolio

Diminution/Provisions for Bad Debts

◆ against unquoted and de-listed shares	60.558
◆ against doubtful interest income receivable from UBL	12.501
◆ against the amount receivable from Privatization Commission	7.174
◆ against the deposit with NBP	0.090
◆ against interest on debenture loan	0.049
◆ against interest receivable on mortgage loan	0.047
Sub-Total	80.419

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c) Real Estate Operations

Expenses relating to Abandoned Projects charged to Real Estate Income

♦ Karachi Complex	85.442
♦ Islamabad Plot 7, Ph-II	6.137
♦ Davis Road(Lahore)	20.566
♦ Gujranwala	1.906
♦ Plot 61 (Islamabad)	3.888
♦ Rawalpindi	0.785
♦ Miscellaneous	1.115
Sub-Total	119.839
Gross Total (a+b+c)	208.072

Action: ED(B&A) (i) "that Mr. Azhar Malik and Mr. Nessar Ahmed be and were hereby authorized to sign alongwith the Chairman the annual accounts for the year 1999."

Action: ED(B&A) (ii) "that in future quarterly accounts of the Corporation be submitted to the Board for review."

Action: ED(B&A) (iii) "that ED(B&A) should look into the possibility of capitalization of exchange fluctuation reserves appearing in the audited accounts for the year 1999."

**ITEM (4) CONSIDER/APPROVE APPOINTMENT OF AUDITOR OF THE CORPORATION FOR THE YEAR 2000**

Executive Director(B&A)'s Memorandum dated 27-09-2000.

17. ED(B&A) presented before the Board a Memorandum for appointment of Statutory Auditors for the year ending 31-12-2000. ED(B&A) further informed the Board that two of the existing Auditors of the Corporation had suggested that one or two of the Auditors should be appointed as the Principal Auditor/Auditors of the Corporation.

After deliberation, the Board resolved as under:

**RESOLVED:**

Action: ED(B&A) (i) "that the appointment of M/s. M. Yousuf Adil Saleem Co, Chartered Accountant, Karachi; M/s. Taseer Hadi Khalid & Co, Chartered Accountants, Karachi; M/s. Riaz Ahmad & Co., Chartered Accountants, Lahore and M/s. Aslam Malik & Co., Chartered Accountants, Lahore as Auditors of the Corporation for audit of accounts of business within Pakistan for the year 2000 at an audit fee of Rs. One million and out of pocket expenses of Rs.600,000 be and was hereby approved subject to final approval by Federal Government under Article 28 of the Life Insurance (Nationalization) Order 1972."

Action: ED(B&A) (ii) "that the appointment of M/s. Sajjad Haider & Co., Chartered Accountants, Dubai(UAE) as Auditors of the Corporation for audit of accounts of State Life business in UAE, Kuwait and Saudi Arabia for the year 2000 at an audit fee of DH: 20,000 and out of pocket expenses of DH:5,000 be and was hereby approved."

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	<p><b>ITEM (5) CONSIDER / APPROVE REQUEST FOR RESCINDING THE INSTRUCTIONS FOR NOMINATION OF C&amp;T OFFICERS FOR STATE LIFE</b> Executive Director(P&amp;GS)'s Memorandum dated 12-09-2000.</p> <p>18. The Board considered the Memorandum on the above subject presented by ED(P&amp;GS).</p> <p>After deliberation, the Board resolved as under:</p> <p><b>RESOLVED:</b> "that in view of principle of complete autonomy of the Board as provided in the Life Insurance (Nationalization) Order, 1972 and requirement of criteria for sound and prudent management under Section 12(1) of Insurance Ordinance 2000 which makes it mandatory for each Director and Officer of the insurer to be fit and proper persons possessing such experience and qualification as are appropriate for the duties for which they are responsible. The Chairman/Chief Executive Officer has such experience and qualification which are of direct relevance to the conduct of Insurance Business. The insured has sufficient number of such persons. Accordingly it was decided that a letter be written to the Ministry of Commerce requesting for abolishing reservation of post of C&amp;T officers in State Life."</p> <p><b>ITEM (6) CONSIDER/APPROVE REVISION OF PAY/ALLOWANCES/FRINGE BENEFITS OF OFFICERS</b> Executive Director(P&amp;GS)'s Memorandum dated 28-09-2000.</p> <p>19. The Board considered the Memorandum of ED(P&amp;GS) on the above subject.</p> <p>After deliberation, the Board resolved as under:</p> <p><b>RESOLVED:</b> (i) "that the proposal of ED(P&amp;GS) for restructuring of officers remuneration attached to this minutes as Annexure-A in Scenario-1 resulting in an increase of 19.03% be and was hereby approved in principle. However, since this was an important matter and two Directors namely Air Marshal Sharbat A. Changazi and Mr. Salim Iqbal were not present, the Board decided that the Corporation should wait for a fortnight after circulation of Draft Minutes to all the Directors soliciting their views if any, which should be brought to the attention of the Board, otherwise the Corporation may proceed to implement the same."</p> <p>At this point of time Mr. Bashir Ahmed and Mr. Umer Ata Bandial, left the meeting with the permission of the chair.</p> <p><b>ITEM (7) CONSIDER/APPROVE SCHEME FOR RETENTION OF FULLY QUALIFIED ACTUARIES IN A COMPETITIVE ENVIRONMENT AND REVISION OF TECHNICAL ALLOWANCE AND ACCELERATED PROMOTION STRUCTURE FOR EMPLOYEES TAKING ACTUARIAL EXAMINATIONS OF SOCIETY OF ACTUARIES (USA) AND INSTITUTE OF ACTUARIES (UK).</b> Executive Director(Act.)'s Memorandum dated</p> <p>20. ED(Act.) submitted before the Board a Memorandum on the above subject for consideration.</p>		

Action:  
ED(P&GS)

Action:  
ED(P&GS)

CHAIRMAN'S  
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After discussion, it was resolved as under:

**RESOLVED"**

Action:  
ED(P&GS)

(i) "that the proposed Technical Allowance for employees passing or have passed the examinations of Society of Actuaries, USA and Institute of Actuaries, UK be and was hereby approved. The Technical Allowance being currently drawn by the employees taking actuarial examinations would be allowed under the revised scheme only when the existing actuarial students passes a course/subject under the new system of examination."

**Society of Actuaries, USA**

**On Passing**

Course 1 of Society of Actuaries  
 Course 2 of Society of Actuaries  
 Course 3 of Society of Actuaries  
 Course 4 of Society of Actuaries  
 Course 5 of Society of Actuaries  
 Course 6 of Society of Actuaries  
 Course 7 of Society of Actuaries  
 Course 8 of Society of Actuaries  
 On passing either

**Technical Allowance**

Rs.1,000 per month  
 Rs.1,000 per month  
 Rs.2,000 per month  
 Rs.2,000 per month  
 Rs.2,000 per month  
 Rs.2,000 per month  
 Rs.3,500 per month  
 Rs.3,500 per month  
 Additional Rs.5,000 per month

- Courses 1 & 2 plus any three courses out of Course 3 onwards OR
- Any four courses out of Course 3 Onwards.

Completing Professional Development Requirement.

Rs.5,000 per month

**TOTAL**

**Rs.27,000 per month.**

**Institute of Actuaries, UK**

**On Passing**

Subjects 101 to 109 of Institute  
 Subjects 201 of Institute  
 Subjects 301 to 304 of Institute  
 On passing a total of 9 subjects of Institute out of subjects of series 100 and 300.  
 Fellowship course of Institute (400 Series)

**Technical Allowance**

Rs. 800 per month for each subject  
 Rs. 800 per month  
 Rs.2,250 per month for each subject  
 Additional Rs.5,000 per month.

Rs.5,000 per month

**TOTAL**

**Rs.27,000 per month.**


Action:  
ED(P&GS)

(ii) "that proposed accelerated promotion criteria for employees passing examinations of Society of Actuaries, USA and Institute of Actuaries, UK be and was hereby approved under which an employee would be promoted when he passes a course/subject under the new system of examination as under.

CHAIRMAN'S INITIALS

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**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS MINUTE BOOK	HELD AT <b>KARACHI</b>	ON <b>7<sup>TH</sup> OCTOBER, 2000</b>	TIME
	<b>PROMOTION AS</b>	<b>SOCIETY OF ACTUARIES (USA)</b>	<b>INSTITUTE OF ACTUARIES (UK)</b>
		<b>On Passing</b> (Subject to satisfactory work and conduct)	<b>On Passing</b> (Subject to satisfactory work and conduct)
	Executive Officer	* Course No.1 plus any other course; OR * Course No.2 plus any other course; OR * Any one of course No.3 onwards.	Two subjects
	Assistant Manager	* Course Nos.1 and 2 plus any two of Courses 3 onwards OR * Any three of courses No. 3 onwards.	Six subjects
	Deputy Manager	* Course Nos.1 and 2 plus any four of Courses 3 onwards OR * Any Five of courses No. 3 onwards.	Ten subjects
	Manager	* Any seven courses	Thirteen subjects
	Assistant General Manager	Eight courses plus Professional Development Requirement i.e. on Completing all courses of Society of Actuaries leading To Fellowship of Society of Actuaries.	Fifteen subjects i.e. on passing all the subjects of the Institute of Actuaries leading to Fellowship of Institute of Actuaries.
<b>Action:</b> ED(P&GS)	(iii) "that the recommendations of special pay of Rs.25,000 and in case the officers is maintaining a car, bought or leased by him, an additional monthly allowance of Rs.15,000 to be offered to fully qualified actuary over and above what State Life is presently offering them be and was hereby approved. In case pay scales of State Life Officers are restructured in the future, the above emoluments would be realigned accordingly."		
<b>Action:</b> ED(P&GS)	(iv) "that the proposal that existing actuarial students and Associates, and all new actuarial students would be required to execute a bond that they would serve State Life for a period of at least three years after qualifying as Fellow be and was hereby approved."		
			CHAIRMAN'S INITIALS 



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Action:  
ED(P&GS)

(v) "that the proposal that in case actuarial students, Associates leave State Life before completion of three years after qualifying as Fellow, or they leave at any time before qualifying as a Fellow, the total of all amounts paid to these students and/ or all expenses incurred by State Life as subsidies for examination fees, cost of books, reading material, travelling expenses, professional subscription etc. during the last three years, shall be refunded before they are permitted to leave, be and was hereby approved." The amount to be refunded shall, however, be subject to minimums as follows:

	Minimum Amount refundable in case of existing Associates and Students.	Minimum Amount refundable in case of students recruited in future.
If he leaves before completing Examination requirements for Associateship.	Rs.100,000	Rs.150,000
If he leaves after completing Examination requirements for Associateship but before completing Examination requirements for Fellowship.	Rs.150,000	Rs.225,000
If he leaves after completing Examination requirements for Fellowship.	Rs.200,000	Rs.300,000

Provided that if the person has served State Life for a period of ten years from the date of joining State Life, no amount shall be refundable.

Action:  
ED(P&GS)

(vi) "that, the proposal regarding subsidy for books, exam fee and study sessions during office hours to be allowed to students recruited in future for first six years only from date of joining State Life be and was hereby approved. After six years, only if a new student passes an actuarial exam he would be reimbursed the cost of books and exam fee for the relevant course."

Action:  
ED(P&GS)

(vii) "that in case if an existing actuarial student or Associate does not sign the new bond, he would receive no additional benefit from the technical allowance and accelerated promotion schemes resulting from passing any future examinations. The subsidy for books and exam fee and study sessions during office hours would also cease. If an existing actuarial student or Associate signs the new bond, he would continue to receive subsidy for books, exam fee etc and study sessions during office hours as per the current practice."

CHAIRMAN'S  
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*[Handwritten Signature]*



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**ITEM (8) POSITION PAPER ON PAKISTAN EMERGING VENTURES LIMITED (PEVL) AND VENTURE CAPITAL FUND MANAGEMENT COMPANY (PVT) LIMITED (VCEMC).**  
Executive Director(Invt.)'s Memorandum dated

Action:  
ED(Invt.)

21. ED(Invt.) presented before the Board a position paper on the above subject for its information and perusal which was noted by the Board. The Board desired that ED(Investment) should assess damage and look into the possibility of encashment of all available assets of the Company and its equal placement with each of the sponsors. Efforts should be made to find a buyer instead of winding up which would result in dismissal of the case filed in the court of law for misappropriation. MCB be requested to pay interest on amount deposited into bank account for the period for which it was kept by the bank.

**ITEM (9) CONSIDER/APPROVE REQUEST OF DAWOOD LEASING COMPANY FOR APPROVAL OF TERMS FINANCE LOAN OF RS.75 MILLION AT A MARK OF 15% PER ANNUM PAYABLE AT HALF YEARLY RESTS**  
Executive Director(Invt.)'s Memorandum dated

Action:  
ED(Invt.)

22. ED(Investment) presented before the Board a Memorandum to consider request from Dawood Leasing Company for release of Rs.75 million repayable in three years at a markup of 14% payable at half yearly rests. ED(Investment) confirmed that the above was admissible investment under SRO 309 K, a copy of which was submitted to the Board. The Board desired that issuers of Term Finance Certificate should be encouraged to get their that instrument listed on the Stock Exchange for development of corporate debt market. Furthermore credit worthiness certificate should be obtained from a credit rating agency by the debt issuer, and if possible an undertaking should be obtained from the issuer for off loading of the debt to the issuer at a certain commission at any time during the term of the debt.

After deliberation, the Board resolved as under:

Action:  
ED(Invt.)

**RESOLVED"**  
"that the proposal for release of three tranches of Rs.25 million each with an interval of one to three months each at a markup of 15% per annum payable at half yearly rests be and was hereby approved."

**ITEM (10) POSITION PAPER ON SALE OF STATE ASSET MANAGEMENT COMPANY (SAMCO)**  
Executive Director(Invt.)'s Memorandum dated 26-09-2000.

23. ED(Invt.) submitted before the Board a position paper on sale of State Asset Management Company (SAMCO) which was noted.

**ITEM (11) CONSIDER/APPROVE TRADING IN SHARES OF KESC AT KARACHI STOCK EXCHANGE**  
Executive Director(Invt.)'s Memorandum dated

24. The Board considered a Memorandum on the above subject presented by ED(Invt.).

CHAIRMAN'S  
INITIALS

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After deliberation, it was resolved as under:

**RESOLVED:**

Action:  
ED(Invt.) ✓

"that the proposal for obtaining permission from the Privatization Commission through the Ministry of Commerce for lifting of embargo on sale of KESC Shares held by State Life be and was hereby approved."

**ITEM (12) CONSIDER/APPROVE PROPOSAL FOR PURCHASE OF 6 INTEL BASE COMPUTERS AND UNIX OPERATING SYSTEMS.**  
Executive Director(CD)'s Memorandum dated 28-06-2000.

25. ED(CD) presented before the Board a Memorandum on the above subject for consideration.

After deliberation, it was resolved as under:

**RESOLVED:**

Action:  
ED(CD) ✓

"that the proposal for purchase of seven Intel Based Computers and UNIX operating system for Lahore Central, Rawalpindi, Multan, Faisalabad, Karachi South and Gujranwala Zones and Principal Office alongwith printers for Gujranwala Zone and Principal Office together with other requisite equipment at an estimated cost of Rs.35 million as per specification submitted to the Board, be and was hereby approved."

**ITEM (13) APPROVAL OF REFURBISHING OF OLD LIFTS IN DIFFERENT STATE LIFE BUILDINGS**  
General Manager(RE)'s Memorandum dated

26. GM(RE) presented before the Board a Memorandum for approval of refurbishment of old lifts in different State Life Buildings at a total estimated cost of spare parts and labour totaling Rs. 19 million.

After discussion, the Board resolved as under:

**RESOLVED:**

Action:  
GM(RE) ✓

(i) "that the proposal of GM(RE) for refurbishment of old lifts in different State Life Buildings at a total estimated cost of spare parts and labour totaling Rs. 19 million be and was hereby approved."

Action:  
GM(RE) ✓

(ii) "that GM(RE) was instructed to look into the possibility of charging a base rent for capital investment and to recover service charges at actual from the tenants. This would cater for inflation in cost of services and reduce property tax."

**ITEM (14) STATE LIFE BUILDING HYDERABAD PHASE-II APPROVAL OF REVISED COST OF PROJECT AND EXTENSION OF TIME.**  
General Manager(RE)'s Memorandum dated 14-09-2000.

27. The Board considered the Memorandum submitted by GM(RE) on the above subject. GM(RE) informed the Board that the Executive Committee had at its 200<sup>th</sup> meeting held on 1-8-1999 decided that henceforth all buildings which are being constructed by State Life or will be constructed in future will be centrally airconditioned. The above decision taken after the approval of the project required redesigning of the drawings which resulted in cost over runs and time over runs which was noted by the Board.

CHAIRMAN'S  
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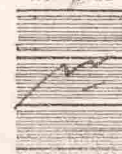
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**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME	
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000		
	<p>After deliberation, the Board resolved as under:</p> <p><b>RESOLVED:</b></p> <p><b>Action: GM(RE)</b> (i) "that increase in cost of construction of State Life Building Hyderabad Phase-II from Rs.115 million to Rs.137 million due to reasons specified in the Memorandum be and was hereby approved subject to there being no objection by IA&amp;E Division."</p> <p><b>Action: GM(RE)</b> (ii) "that extension in completion time of State Life Building Hyderabad Phase-II as per contract agreement from April 1997 to November 1999 i.e. 31 months over and above the stipulated completion due to reasons specified in the Memorandum period be and was hereby approved subject to there being no objection by IA&amp;E Division."</p> <p><b>Action: GM(RE)</b> (iii) "that release of 50% retention money to the contractor as per contract be and was hereby approved subject to the condition that the contractor would not put up any financial claim for extension in construction period and claim if any submitted by the contractor would stand withdrawn and there being no objection from IA&amp;E Division."</p> <p><b>Action: GM(RE)</b> (iv) "that State Life has not suffered any loss due to revision of cost and extension in completion time of the project."</p> <p><b>Action: GM(RE)</b> (v) "that in future approval of sanction grade 5 to 10 % be obtained at the time of the approval of the project and cost escalation and time over runs if any should be submitted for approval of the Board immediately after completion of the building and not at such a late stage as is the case in the above project."</p> <p><b>ITEM (15) STATE LIFE BUILDING D.I.KHAN APPROVAL OF REVISED COST OF CIVIL, ELECTRICAL, PLUMBING WORKS AND PROJECT AND EXTENSION OF TIME MS/S. NASIM &amp; CO. General Manager(RE)'s Memorandum dated 19-09-2000.</b></p> <p>28. GM(RE) presented before the Board a Memorandum on the above subject for consideration. GM(RE) informed the Board that the Executive Committee had at its 200<sup>th</sup> meeting held on 1-8-1999 decided that henceforth all buildings which are being constructed by State Life or will be constructed in future will be centrally airconditioned. The above decision taken after the approval of the project required redesigning of the drawings which resulted in cost over runs and time over runs. The other reasons for cost runs was due to change in design to comply with instructions by Cantonment Board, D. I. Khan which was noted by the Board.</p> <p>After discussions, the Board resolved as under:</p> <p><b>RESOLVED:</b></p> <p><b>Action: GM(RE)</b> (i) "that the total revised cost of the civil, electrical and plumbing works of State Life Building at D. I. Khan on completion at Rs.60 million as explained in the Memorandum be and was hereby approved subject to there being no objection by IA&amp;E Division."</p> <p><b>Action: GM(RE)</b> (ii) "that extension in completion time of State Life Building D. I. Khan as per contract agreement from April 1997 to July 31, 2000 i.e. 166 weeks over and above the stipulated completion due to reasons specified in the Memorandum period be and was hereby approved subject to there being no objection by IA&amp;E Division."</p>			

CHAIRMAN'S INITIALS





**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	
Action: GM(RE)	(iii) "that release of 50% retention money to the contractor as per contract be and was hereby approved subject to the condition that the contractor would not put up any financial claim for extension in construction period and claim if any submitted by the contractor would stand withdrawn subject to there being no objection by IA&E Division."		
Action: GM(RE)	(iv) "that State Life has not suffered any loss due to revision of cost and extension in completion time of the project."		
Action: GM(RE)	(v) "that in future approval of sanction grade 5 to 10 % be obtained at the time of the approval of the project and cost escalation and time over runs if any should be submitted for approval of the Board immediately after completion of the building and not at such a late stage as is the case in the above project."		
<p><b>ITEM (16) STATE LIFE BUILDING MIRPURKHAS APPROVAL OF REVISED COST OF PROJECT</b></p>			
<p><u>General Manager(RE)'s Memorandum dated 20-09-2000.</u></p>			
<p>29. GM(RE) presented before the Board a Memorandum on the above subject for consideration. GM(RE) informed the Board that the Executive Committee had at its 200<sup>th</sup> meeting held on 1-8-1999 decided that henceforth all buildings which are being constructed by State Life or will be constructed in future will be centrally airconditioned. The above decision taken after the approval of the project required redesigning of the drawings which resulted in cost over runs and time over runs which was noted by the Board.</p>			
<p>After discussions, the Board resolved as under:</p>			
<p><b>RESOLVED:</b></p>			
Action: GM(RE)	(i) "that the total revised cost of the civil, electrical and plumbing works of State Life Building at Mirpurkhas on completion at Rs.75 million as explained in the Memorandum be and was hereby approved subject to there being no objection by IA&E Division."		
Action: GM(RE)	(ii) "that in future approval of sanction grade 5 to 10 % be obtained at the time of the approval of the project and cost escalation and time over runs if any should be submitted for approval of the Board immediately after completion of the building and not at such a late stage as is the case in the above project."		
<p><b>ITEM (17) CONSIDER/APPROVAL FOR CONSTITUTION OF AUDIT COMMITTEE OF THE BOARD</b></p>			
<p><u>Chairman's Memorandum dated</u></p>			
<p>30. The Chairman presented before the Board a Memorandum for setting up a Board Audit Committee under Article 24 of the Life Insurance (Nationalization) Order, 1972 ("LINO").</p>			
<p>After deliberation, it was resolved as under:</p>			
<p><b>RESOLVED:</b></p>			
Action: ED(P&GS)	(i) "that a Board Audit Committee consisting of four members of the Board of Directors to be nominated by the Board be and was hereby approved. No Director who is a full time employee of the Corporation would be on this Committee, however the Board Audit Committee may invite such Directors to attend its meetings."		

CHAIRMAN'S INITIALS

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*Shereh Khan*

**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	
Action: ED(P&GS)	(ii) "that a Board Audit Committee comprising of Mr. Bashir Ahmed, Director; Mr. Azhar Ali Malik, Director; Mr. Nessar Ahmad, Director and Mr. Umar Ata Bandial, Director be and was hereby constituted with Mr. Bashir Ahmed as Chairman."		
Action: ED(P&GS)	(iii) "that Standing Committee in terms of Regulations 33(1) and (2) of State Life Employees (Service) Regulations, 1973 be reconstituted to consist of Mr. Samee-ul-Hasan, Chairman, Air Marshal Sharbat A. Changazi, Director and Mr. Umar Ata Bandial, Director."		
Action: ED(P&GS)	(iv) "that one of the Board Audit Committee members would be nominated by the Board as its Chairman."		
Action: ED(P&GS)	(v) " <u>that the following functions of the Board Audit Committee</u> be and was hereby approved:"		
	<b><u>I. External Audit</u></b>		
	a. To devise for Board approval, a procedure for selecting the external auditors under Article 28 of LINO which should also be in conformity with any applicable provisions of the Insurance Ordinance, 2000.		
	b. After approval of the procedure by the Board, to recommend auditors and their remuneration to the Board. The views of the Corporation's Budget & Accounts Division would be obtained before finalising its recommendations in respect by the external auditors for any year.		
	Notes: Under Article 28 aforesaid, the recommendation of the Board has to be sent to Government for final approval and the auditor's remuneration is fixed by Government.		
	This procedure would be applicable to the appointment of Auditors for year 2001 and later.		
	c. To review the results of the external audit and its cost effectiveness. Where the external auditors also provide non-audit services to the Corporation, the BAC will review the nature and extent of these services in relation to the independence and objectivity of the auditors.		
	d. To review the audit report and other communications between the auditors and management, as well as actions taken by management on recommendations included in previous communication.		
	<b><u>II. Internal Controls</u></b>		
	e. To provide an oversight function over management's responsibility for the effectiveness of the internal control system.		
	f. To review with management the adequacy of policies and practices to ensure compliance with relevant statutes and policies.		
	g. To review with management the adequacy of the financial information presented to the Board.		
	<b><u>III. Internal Audit</u></b>		
	h. To ensure that the internal audit function has adequate resources, and has appropriate standing within the Corporation.		
	i. To review the activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the responses of executive management to specific recommendations.		
	<b><u>IV. Commercial Audit</u></b>		
	j. To review the "Commercial Audit" Reports and the actions taken by management on those reports.		

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INITIALS





**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	
Action: ED(P&GS)	(vi) "that the primary contact between the BAC and the rest of the Corporation would be the Divisional Head of Internal Audit and Evaluation Division who shall also act as Secretary to the BAC."		
Action: ED(P&GS)	(vii) "that through the Head of the IA&E Division, the BAC may ask the Head of any Division of the Corporation to attend, bring the relevant records, answer questions, and render assistance to the BAC as required."		
Action: ED(P&GS)	(viii) "that to constitute a quorum at a meeting of the BAC, not less than three members shall be present."		
Action: ED(P&GS)	(ix) "that a resolution in writing signed by all three members of the BAC shall be as valid and effectiveness as if it had been passed at a meeting of the BAC duly called and constituted."		
Action: ED(P&GS)	(x) "that the BAC shall meet at such places within Pakistan and on such dates as it may decide. However, the first meeting shall take place within two months of its appointment, and no more than two calendar months shall intervene between BAC meeting."		
Action: ED(P&GS)	(xi) "that subject to the specific matters provided above, BAC meetings shall, so far as may be applicable be conducted as laid down for Board meetings in the General Regulations."		
Action: ED(P&GS)	(xii) "that the minutes of the BAC would be sent to the Secretary of the Board for being placed on the agenda of the Board for information and any necessary action."		
Action: ED(P&GS)	(xiii) "that through the Secretary of the Board, the Chairperson of the BAC may submit an item to be placed on the agenda of the Board."		
	<p><b>ITEM (18) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></b></p> <p><b>1. CONSIDER AND APPROVE CHANGE IN SIGNATORIES FOR OPERATION OF STATE LIFE ACCOUNT WITH CENTRAL DEPOSITORY COMPANY (CDC) AND GRANT OF AUTHORITY TO ED (INVESTMENT) TO ADD/DELETE OR ALTER THE NAME OF ANY OFFICER EARLIER AUTHORISED.</b></p> <p>31. ED(Investment) presented before the Board a Memorandum requesting the Board to approve a revised Board resolution as per specimen given by CDC in respect of the above. The Board had earlier approved a resolution at its 139<sup>th</sup> meeting held on June 30, 1998.</p> <p>After deliberation, the Board resolved as under:</p> <p><b>RESOLVED:</b></p>		
Action: ED(Invt.)	(i) "that consequent to retirement of Mr. J. M. Pereira, Executive Director(Investment), his authorities granted by the Board in its 139 <sup>th</sup> meeting held on June 30, 1998 pertaining to Corporation's Account Holder account with the CDC be and are hereby revoked."		
Action: ED(Invt.)	(ii) "that Mr. Mohammad Latif, Executive Director(Investment) be and is hereby authorized jointly with the existing authorized signatories namely Mr. Ansar Hussain and Mr. Abdul Karim to represent the Corporation to CDC on all matters pertaining to the implementation and performance of the Account Holder Agreement to deal, liaise and correspond with CDC and to fulfil all responsibilities and obligations of the Corporation under the Central Depositories Act, 1997 and the Central Depository Company of Pakistan Limited Regulations from time to time, and to do all other incidental and ancillary acts, things and deeds."		

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**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	
<p>Action: ED(Invt.)</p>	<p>(iii) "that Mr. Muhammad Latif, Executive Director(Investment) be and is hereby authorized to add/delete or alter the name of an officer earlier authorized or make any change with regard to their functions as considered necessary for the operation of the Corporation's account with CDC."</p>		
<p>Action: ED(P&amp;GS)</p>	<p><b><u>2. BONUS TO OFFICERS FOR THE YEAR 1999.</u></b></p> <p>32. The Board considered the Memorandum submitted by ED(P&amp;GS) on the above subject.</p> <p>After deliberation, the Board resolved as under:</p> <p><b><u>RESOLVED:</u></b></p> <p>(i) "that in order to maintain status quo, the proposal of ED(P&amp;GS) in para-4 of the above Memorandum to recommend Bonus to officers for the year 1999 equal to 2.5 months basic pay be and was hereby approved. The approval is subject to the condition that it is not contrary to instructions of Ministry of Finance in this regard and that actual disbursement or advance against Bonus would take place only after payment of Bonus to the officers for the years 1997 or 1998 is approved by the Federal Government."</p>		
<p>Action: ED(P&amp;GS)</p>	<p>(ii) "that in case of restructuring of Pay Scales, the Bonus rate would be adjusted accordingly."</p> <p><b><u>3. SUPPLEMENTARY GRANT OF RS.400 MILLION FOR ENHANCEMENT OF PAID UP CAPITAL OF STATE LIFE INSURANCE CORPORATION.</u></b></p>		
<p>Action: DGM(BS)</p>	<p>33. An Office Memorandum No.2(2)/92-Ins.I dated 17<sup>th</sup> August, 2000 of Ministry of Commerce, Government of Pakistan informing State Life of the decision of the ECC of Cabinet in its meeting held on 2<sup>nd</sup> August, 2000 on the above subject was put up before the Board. The ECC had allowed State Life to increase its paid up capital from Rs.350 million to Rs.750 million by June, 2001 through provision of Rs.400 million as supplementary grant by the Government. Ministry Finance has been requested to sanction a supplementary grant of the above amount to raise paid up capital of State Life from DH:25 million to DH:50 million.</p> <p>34. The Chairman informed the Board that as per Section 37(9) of Insurance Ordinance 2000, no loan or temporary advance by a life insurer to an employee or an agent of the insurer, other than a loan granted on the security of a policy issued to the employee or agent on his own life and on which the insurer bears risk, shall be made other than from the shareholders fund of the insurer. There has been further devaluation of the Pak Rupee which in turn would require further enhancement of the paid up capital to meet the requirement of doing business in UAE.</p> <p>35. The meeting ended with vote of thanks to the chair after deciding that the next meeting of the Board would be held in the first week of November, 2000.</p>		

  
**CHAIRMAN**

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MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	
<p>(c) Pay would be restructured as follows:</p>			
			(Rs. in million)
1. Existing Pay as at 1 Jan 2000			Rs. 13.688
2. Add adjustment to restore the difference between 35% increase originally envisaged, and the reduced increase actually given on 1 Jan 1998, worked on 31 Dec 1997 pay			Rs. 1.083
Note: this adjustment is NIL for Executive Officers			
3. Add House Rent Allowance @ 75% on total of (1) and (2)			Rs. 11.078
4. Add House Maintenance Allowance @ 5% on total of (1) and (2)			Rs. 0.739
5. Add Utilities, Newspaper and Entertainment Allowances as at 1 Jan 2000			Rs. 2.364
6. Add Actuarial Normal Cost of Pension Scheme @ 26% of "(1) + (2)"			Rs. 3.840
7. Add Actuarial Normal Cost of Post Retirement Medical Benefits* @ 5% of "(1) + (2)"			Rs. 0.739
8. TOTAL of (1) to (7) inclusive			Rs. 33.531
9. Add inflation @ 10.63% of (8) (Two years compounded inflation from Jan 1998 to Dec 1999, using average official CPI)			Rs. 3.564
10. REVISED TOTAL TARGET effective 1 Jan 2000 = (8) + (9)			Rs. 37.095
Work back from the revised total target under the following formula:			
New Basic Salary + 40% House Rent Allowance + 10% Utilities			
+ 8.33% of New Basic as State Life Contribution to Provident Fund			
+ 8.33% of New Basic as State Life Contribution to Defined Contribution Gratuity			
+ 5% of New Basic as cost of Post Retirement Medical Benefits			
= REVISED TOTAL TARGET i.e. Row (10) above.			
ADD revised Conveyance Related Allowances and Expenses			Rs. 2.437
REVISED TOTAL COST TO STATE LIFE			Rs. 39.532
*Estimated. Exact normal cost not available.			
This is <u>Scenario I</u> , recommended by the management. Its total cost for all officers works out Rs 39.532 million per month, i.e. Rs 474.384 million per annum.			
The present cost is Rs. 33.212 million per month, i.e. Rs. 398.544 million per annum, including all Pay, allowances, perquisites and the Actuarial Normal Cost of the Pension and Post Retirement Medical Benefit Schemes.			
The increase in cost is Rs 6.32 million per month, i.e. Rs 75.84 million per annum. This is an increase of 19.03 %.			

CHAIRMAN'S INITIALS





**MINUTES OF 156<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	7 <sup>TH</sup> OCTOBER, 2000	

We have also worked out the following alternative scenarios:

Scenario 2 (less generous)

No adjustment to restore the difference between 35% increase originally envisaged, and the reduced increase actually given on 1 Jan 1998, i.e Row (2) missing.

And no increase in Conveyance Related Allowances and Expenses.

The total monthly cost of Scenario 2 would be Rs. 36.533 million per month, i.e. Rs. 438.40 million per annum. This would be an increase of Rs. 39.85 million per annum over the present cost of Rs. 398.54 million per annum, i.e. an increase of 10 %

Scenario 2 would be harsh on senior officers.

Scenario 3 (more generous)

In addition to benefits of Scenario 1, restore the increases in Utilities, Newspaper and Entertainment Allowances which were granted with effect from 1 Jan 1998 as interim relief and which were withdrawn from 1 Jan 1998 when the revision took place.

The total monthly cost of Scenario 3 would be Rs. 40.189 million per month, i.e. Rs. 482.268 million per annum. This would be an increase of Rs. 83.72 million per annum over the present cost of Rs. 398.54 million per annum, i.e. an increase of 21%.

Scenario 3 would be relatively generous to officers, because the increase in the above three items given on 1 Jan 1998 was specifically conditional on withdrawal when a general revision took place. In accordance with this condition, this increase was duly withdrawn with effect from 1 Jan 1998.

Summary of Present Cost and the three Scenarios

Amounts in Rs millions

	Total cost pm	Total cost pa	Increase pa compared with present	% increase compared with present
Present	33.212	398.54		
Scenario 1	39.532	474.38	75.84	19%
Scenario 2	36.533	438.40	39.86	10%
Scenario 3	40.189	482.27	83.73	21%

CHAIRMAN'S INITIALS

