

MINUTES OF 159TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	26 TH JANUARY, 2001	

CONFIDENTIAL AND RESTRICTED

The one hundred and fifty ninth (159th) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 26th January, 2001 at 3:00 p.m., at State Life Building, Davis Road (Sir Agha Khan Road), Lahore.

PRESENT:

- | | |
|--|-----------------|
| 1. Mr. Samee-ul-Hasan | Chairman |
| 2. Mr. Azhar Ali Malik | Director |
| 3. Mr. Bashir Ahmed | Director |
| 4. Mr. Salim Iqbal | Director |
| 5. Air Marshal (Retd.) Sharbat A. Changazi | Director |
| 6. Mr. Umar Ata Bandial | Director |
| 7. Mr. Akbar Ali Hussain | Board Secretary |

2. A letter received from Mr. Nessar Ahmed, Director, informing the Board of his inability to attend the meeting because of his pre-occupation was placed before the Board. Mrs. Scepta Kandawalla, Director, had also informed the Chairman that she would not be able to attend the meeting because of her prior commitments. The Board granted them leave of absence.

3. The meeting was also attended by Mr. M. Saeed Akhtar and Mr. Mohammad Latif, Executive Directors at the invitation of the Board.

ITEM (1) CONFIRMATION OF MINUTES OF 158TH MEETING OF THE BOARD OF DIRECTORS HELD ON 9TH DECEMBER, 2000.

4. The minutes of the 158th Meeting of the Board of Directors held on 9th December 2000 were placed before the Board. Mr. Salim Iqbal proposed the following amendments:

Para-10 on Page-1923 of the Minutes of the 158th meeting of the Board of Directors to be amended as follows:

"Mr. Salim Iqbal recorded his reservation that the Management Services Wing of the Cabinet Division and the Finance Division are of the view that the downsizing scheme previously submitted by the Corporation was not in line with the existing policy/instructions of the Government as the downsizing/rightsizing exercise initiated by the Ministries under the Cabinet Decision does not envisage any extra benefit."

Para-12 on Page-1924 of the Minutes of the 158th meeting of the Board of Directors be amended as follows:

The following addition be made after "termination of remaining large number of "irregular" employees would impair operation."

"Mr. Salim Iqbal observed, that the case of irregular appointees are required to be dealt with in accordance with the Government policy conveyed by the Establishment Division. A comprehensive report has to be submitted by the Corporation to the Establishment Division in this respect."

CHAIRMAN'S
INITIALS



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<p><u>Para-13 on Page-1925 of the Minutes of the 158th meeting of the Board of Directors be amended as follows:</u></p>			
<p><u>Resolution iv be amended to read as follows:-</u></p>			
<p>"that the Chairman be and was hereby authorized to take all necessary steps to implement the above decision of the Board including detailed Pay Scales, time limit for exercise of option and other necessary steps."</p>			
<p>The following addition be made in the last sentence of para-13 after the word "expressed by him":-</p>			
<p>"and observed that the Ministry of Commerce had asked for certain details before the case was processed further, which may be submitted by the Corporation."</p>			
<p><u>Para-23 on Page-1929 of the Minutes of the 158th meeting of the Board of Directors be amended as follows:</u></p>			
<p>The following observations of Mr. Salim Iqbal, be incorporated in para-23 after "this process should be examined by the management".</p>			
<p>"Mr. Salim Iqbal observed that the Corporation should make safe, secure and guaranteed investments with maximum returns, keeping in view the Government policy from time to time in this regard."</p>			
<p>After discussion, Mr. Umar Ata Bandial proposed and Air Marshal (Retd) Sharbat A. Changazi, seconded that the minutes be confirmed with the above amendments.</p>			
<p>Accordingly, it was resolved as under:</p>			
<p><u>RESOLVED:</u></p>			
<p>"that the Minutes of the 158th Meeting of the Board of Directors held on 9th December, 2000 be and were hereby confirmed with the above amendments."</p>			
<p>ITEM (2) IMPLEMENTATION REPORT ON DECISION TAKEN IN THE PREVIOUS BOARD MEETING.</p>			
<p>5. The Board Secretary presented before the Board the implementation report on decisions taken at the 158th meeting, which was noted.</p>			
<p>ITEM (3) CONSIDER/APPROVE - BUDGET ESTIMATES FOR THE YEAR 2001 AND REVISED BUDGET FOR THE YEAR 2000. ED(B&A)'s Memorandum dated 15-01-2001.</p>			
<p>6. ED(B&A) presented before the Board a Memorandum on revised estimates for the year 2000 and budget estimates for the year 2001 to the Board.</p>			
<p>7. The ED(B&A) informed the Board that under Section 22 of the Insurance Ordinance 2000, 90% of the excess of management expenses over the prescribed limit is to be debited to the ledger account "retained earnings on participatory business distributable to shareholders" and credited to the ledger account "retained earnings on participatory business attributable to participatory policyholders." The effect is that 90% of the excess expenses will fall on the shareholders, not the policyholders. In addition, shareholders will be debited with loss of investment income caused by the excess expenses.</p>			

ACTION:
Board Secretary

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8. ED(D&A) informed the Board, that the main reasons for fall in the reported first year premium income during the year 2000 are lighter procedures, a much earlier deadline for year end closing and lack of properly enforced recruitment, selection and training procedures in past years. Major reasons for decrease in group life premium in the year 2000 was discontinuation of policy for WAPDA employees due to recurring losses. There is decrease in investment income because of declining rates of returns and lack of continuous availability of appropriate and safe avenues of investment. There is a negligible increase in the Real Estate income due to the economic conditions as a result of which vacant spaces are lying in various State Life buildings. The Board was informed that no money was being invested in new construction excepting completion of on going projects.

9. The Board desired that there should not be a fixed increase in rent, however it should adjust to the prevailing market condition. Renovation work should be carried out on a continuous basis, to keep the buildings in good condition so that they fetch fair market rents and the tenant is saved the relocation cost for change of premises.

10. The Board appreciated the keen interest taken and efforts made by the Ministry of Commerce in renting out of vacant premises.

After due deliberation, the Board resolved as under:

RESOLVED:

Approval of Budget for the year 2001 including Capital Budget:

(i) "that the budget for the year 2001 along with the capital budget for the year 2001 and revised estimates for the year 2000 be and was hereby approved. The FYP revised estimates of individual life business for 2000 was Rs.930 million against approved budget of Rs.1650 million. Annexures "A to F" attached contain details of proposed budget for the year 2001 and the revised budget for the year 2000 which are summarized as under:-

	<u>Rupees in Million</u>	
	<u>Revised Budget for 2000</u>	<u>Budget for 2001</u>
a. First Year Premium including Annuity & Single Premium		
- Pakistan	930.000	1,100.000
- Overseas	86.000	91.000
- Annuity and Single Premium	22.000	15.000
b. Renewal Premium - 2 nd Year		
- Pakistan	743.000	618.000
- Overseas	38.000	45.000
c. 3 rd Year and above		
- Pakistan	3,941.000	4,216.000
- Overseas	145.000	146.000
d. Group Premium		
- Group Life	1,222.000	1,302.000
e. Investment Income	7,063.000	7,949.000
f. Real Estate Income	354.000	390.000
g. Total Gross Income	14,544.000	15,872.000
h. Total Policy Payments	5,268.000	5,766.000
i. Total Payments to Field Workers	1,218.000	1,337.000
j. Total Administrative Expenses	3,022.000	1,964.000
k. Capital Budget	150.500	156.700

ACTION:
DD(R.E.)

ACTION:
ED(B&A)

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ACTION: ED(B&A)	(ii) "that ED(B&A) be and was hereby authorized to make re-appropriation of budget among different heads of accounts within the overall amount of budget approved by the Board with subsequent intimation to the Chairman."		
ACTION: ED(B&A)	(iii) "that B&A Division be and was hereby authorized to distribute the budget to the respective centers for the entire year in proportion to business and size of the business center and control the same on monthly basis ensuring that expense ratios were kept in control."		
ACTION: DIR/RC/II	(iv) "that Divisional/Regional/Zonal Heads be and were hereby required to ensure proper budgetary control on expenses."		
ACTION: H(RE)	(v) "that the proposal not to increase rent of self occupied premises in State Life Buildings at 10% per annum be and was hereby approved with effect from 01-01-2000."		
ACTION: DIR (M1/GA)	(v) "that efforts should be made to improve profitability of the Corporation by increasing premium income of Individual Life and Group Life by achieving better persistency and bringing in good business and at the same time reducing administrative expenses and controlling the increasing trend of surrender of policies, early death claims, group claims, the result of which would be reduction of expense ratios and increase in life fund."		
ACTION: ED(B&A)	(vi) "that the management should curtail first policy year acquisition cost i.e. commission, over-riding commission and other benefits to field workers and the cost of Area Managers, in order to create space within the legally prescribed first year for administrative and other administrative costs assigned to the first policy year. Efforts be made to curtail all heads of non productive expenditures."		
ACTION: DIR (M1/GA)	(vii) "that the Board directed the management to remove dummies/benamis from the field force to cut down field expenses and ensure growth of business by genuine performing agents."		
<p>ITEM (4) <u>CONSIDER/APPROVE RECOMMENDATIONS OF THE STANDING COMMITTEE OF THE BOARD OF DIRECTORS OF STATE LIFE IN RESPECT OF APPEALS FILED BY THE PETITIONERS AGAINST THE ORDERS PASSED IN THE DISCIPLINARY ACTION INITIATED AGAINST THEM.</u> ED(P&GS) MEMORANDUM DATED 5TH JANUARY 2001</p>			
<p>11. ED(P&GS) presented before the Board a Memorandum of recommendations of the Standing Committee constituted by the Board under Regulation 33 of State Life Employees (Service) Regulations, 1973 at its 156th meeting held on 7-10-2000 to consider appeals and applications for revision of punishment imposed on officers under disciplinary action.</p>			
<p>12. The Memorandum contained recommendations in respect of appeal of Mr. Javed N. Wafa, Ex-AGM(RE), Islamabad, Mr. Hasan Abbas, AGM(RE), Islamabad, Mr. M. Afzal Rana, Ex-Dy. Manager(HRD), Faisalabad, Mr. Muhammad Saleem, Ex-Zonal Accountant, Sahiwal, Dr. Sajjad Hassan, Assistant Manager(NB), Sialkot, Mr. Muhammad Asghar Ch., Ex-Area Manager, Bahawalpur and Mr. Muhammad Waris, Ex-Area Manager, Gujranwala against punishment awarded to them. The Standing Committee had recorded the statements of the above officers before giving their recommendations.</p>			

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14. However, having regard to the fact that the existing Pay Scales, introduced with effect from 1.1.1998, were specifically approved by the Board at its 140th meeting held on 20.8.1998, it was desired that for good order, the new Pay Scales may also be submitted to the Board for approval, as shown in Annexure 'D' of the E.D. (P&GS)'s Memorandum, now submitted.

After deliberations, the Board resolved as under:

RESOLVED:

(i) "that the new restructured Pay Scales for the officers be and are hereby approved with effect from 1.1.2000, being the rounded Pay Scales contained in Annexure 'D' to E.D. (P&GS)'s Memorandum and as detailed below:-

POST	GRADE	BASIC PAY SCALES	REVISED BASIC PAY SCALES
		AS ON 01-01-1998	AS ON 01-01-2000
E.O.	8	3051-257-8191	4990-350-11990
A.M.	9	4362-335-10057	7200-490-15530
D.M.	10	5454-417-11709	8970-610-18120
MGR.	11	7825-431-14290	12630-640-22230
A.G.M.	12	7867-435-14392	13660-680-23860
D.G.M.	13(a)	9142-452-15922	15970-710-26620
G.M.	13(b)	10657-570-18067	18420-900-30120

ACTION:
ED(P&GS)

ACTION:
ED(P&GS)

ACTION:
ED(P&GS)

ACTION:
ED(P&GS)

(ii) "that the fixation of pay in the revised Pay Scales shall be made on point to point basis."

(iii) "that the restructured Allowances, Fringe Benefits and Retirement Benefits shall be as approved by the Board at its 156th meeting held on 7th October, 2000, as repeated in Annexure 'C' to E.D. (P&GS)'s Memorandum."

The provisions of the aforementioned Annexure 'C' to E.D. (P&GS)'s Memorandum and other decisions taken by the Board in this respect at the 156th Board meeting are tabulated below, being the revised system of Allowance, Fringe Benefits and Retirement Benefits with effect from 1st January, 2000 in conjunction with revised Pay Scales."

ITEM	CHANGE
1. House Rent Allowance	40% of basic pay, instead of previous 75%.
2. House Maintenance Subsidy	Withdrawn
3. Utilities Allowance	10% of basic pay, instead of previous grade-wise amounts.
4. Newspaper and Entertainment Allowances/Expenses	Withdrawn
5. Dearness Allowance @ Rs.50 p.m.	Withdrawn, being merged with new pay scales/system.
6. Reimbursement of residential telephone expenses.	Existing grade-wise entitlement will continue
7. Conveyance, Car Maintenance, Car Rental and Driver subsidy.	Revised as per statement attached.
8. Car Petrol	Existing grade-wise entitlement will continue

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	<p>9. Pension Scheme.</p> <p>10. Existing Gratuity Scheme</p> <p>11. Provident Fund</p> <p>12. New Defined Contribution Funded Gratuity Scheme.</p>	<p>For past service upto 31st December 1999, pension entitlement will be determined according to service upto that date and according to Pay in force at that date. It will not be affected by pay increases after 31st December, 1999 or by service after 31st December, 1999. However the pension calculated as above as at 31st December, 1999 will be increased each year, upto the date of pension commencement, by 1% p.a. less than the rate of investment return earned by the Pension Fund.</p> <p>For past service upto 31st December 1999, gratuity entitlement will be determined according to service upto that date and according to Pay in force at that date. It will not be affected by pay increases after 31st December 1999 or by service after 31st December 1999. However the gratuity entitlement calculated as above as at 31st December 1999 will be paid into the account of the officer under the New Defined Contribution Funded Gratuity Scheme - see item 12 below, and will grow thereafter by the investment income credited from time to time.</p> <p>Officers contribution at 8.33% of basic pay p.m. plus matching contribution by the Corporation. The matching contribution shall apply to all officers governed by the new structure, irrespective of whether they had earlier opted for the pension scheme.</p> <p>State Life to contribute 8.33% of basic pay p.m. to Gratuity Fund in respect of each officer. The contributed amount plus accumulated investment income thereon to be paid on superannuation or earlier exit from service subject to the same qualifying conditions as in the existing gratuity scheme. Amounts not payable on cessation of service because the officer did not qualify for gratuity or qualified for part gratuity, shall be refundable to the Corporation.</p>	
ACTION: ED(P&GS)	<p>(iv) "that the new restructured Pay Scales, Allowances, Fringe Benefits and Retirement Benefits shall be applicable with effect from 1.1.2000 to officers who were in service as on 31.12.2000, and not in service as on 9th December, 2000, as was earlier decided at the 157th Board meeting. Further, and without prejudice to the foregoing, it would not apply to those officers, whose VRSS options have been accepted, irrespective of their date of release.</p>		
ACTION: ED(P&GS)	<p>(v) "that the proposal that the induction in the new pay scales shall be optional and if any officer desires to opt out of the new scheme within a time limit to be prescribed by the management, he would continue to draw the emoluments under the existing scheme without any benefit of the new package, be and was hereby approved."</p>		
ACTION: ED(P&GS)	<p>(vi) "that the proposal of continuation of various qualification/technical allowance(s) and other benefits if any, received by the officers for acquiring various approved qualifications, and special pay being paid to any officer, be and was hereby approved."</p>		

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ACTION: ED(P&GS)	<p>(vii) "that the officers would continue to receive the existing facility of post-retirement medical benefits of one basic last drawn pay each for (1) Medical Attendance (2) Specialist Fee and Pathological/Clinical Tests and (3) Hospitalization respectively. Officers covered by the new pay scales shall avail this facility on their retirement on the basis of new pay scales. Those who opt out of the new scheme, would avail the medical facility on the basis of their previous pay scale on retirement."</p>		
ACTION: ED(P&GS)	<p>(viii) "In due course, a comprehensive report be submitted to the Ministry of Commerce in respect of the revision of pay, allowances and retirement benefits to the officers of State Life as approved by the Board."</p>		
	<p>ITEM (6) CONSIDER/APPROVE - PLACEMENT OF FUNDS AND OPENING OF ACCOUNTS FOR NORMAL BANKING TRANSACTIONS WITH SELECTED FOREIGN AND LOCAL PRIVATE BANKS. ED(Inv.)'s Memorandum dated 26-01-2001</p> <p>15. ED(Inv.) presented before the Board a Memorandum seeking approval for placement of funds with selected foreign and local private banks and to open accounts with them for carrying out normal banking transactions.</p> <p>16. In accordance with Finance Ministry's letter dated 20th March 1999, Government agencies/public sector enterprises are restricted to do business/enter into banking transactions with the following nationalized banks:-</p> <ol style="list-style-type: none"> 1. National Bank of Pakistan 2. Habib Bank Limited 3. United Bank Ltd 4. First Women Bank 5. National Development Finance Corporation 6. Industrial Development Bank of Pakistan <p>17. Earlier Muslim Commercial Bank and Allied Bank Limited were also included in the aforesaid list. However, with the privatization of these banks, their names were deleted.</p> <p>18. Ministry of Commerce vide their letter dated July 29, 2000 addressed to Chairman of State Life and National Insurance Corporation that the Board of Directors of respective Corporations may decide such issue in the light of Insurance Laws and Government policies. The Board of Directors of National Insurance Corporation has already considered the matter and have decided to deal with foreign/local private banks.</p> <p>After discussions, the Board resolved as under:</p> <p>RESOLVED:</p>		
ACTION: ED(Inv.)	<p>(i) "that placement of some of State Life available funds with selected foreign and local private banks in order to have comparatively higher rate/ of returns on our Investment portfolio be and was hereby approved in principle".</p>		
ACTION: ED(Inv.)	<p>(ii) "that opening of accounts for normal banking transactions for providing better service to State Life's clients in the Zones/Offices be and was hereby approved in principle."</p>		
ACTION: ED(Inv.)	<p>(iii) "that before implementing the above decisions, the Corporation may formulate a policy for selection of banks for placement of funds and opening of accounts and submit the same to the Board for approval at its next meeting"</p>		

CHAIRMAN'S INITIALS

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ITEM (7) NOTE ON ORGANIZATION OF CORPORATION AND SENIOR POSTS.
Chairman's Memorandum dated 18-01-2001.

19. The Chairman presented before the Board a Memorandum on the existing organization structure of the Corporation together with details as to the number of sanctioned posts of General Managers and existing vacancies. Establishment Division's Office Memorandum dated 10th May, 1997 partially amended by O.M. dated 26th May, 2000 on the procedure regarding appointment in autonomous/semi autonomous bodies under the Federal Government was also submitted to the Board.

20. The Chairman informed the Board that a Senior Posts Committee consisting of Chairman and four Board members is proposed to be set up for organization.

After discussions, the Board resolved as under:

RESOLVED:

ACTION:
ED(P&GS)

(i) "that an Organization and Senior Posts Committee comprising of the Chairman, Mr. Salim Iqbal, Director, Mr. Azhar A. Malik, Director, Umar Ata Bandial, Director and Air Marshal (Retd) Shārbat A. Changazi, Director be and was hereby constituted. To constitute a quorum at the meeting, not less than three members including the Chairman shall be present."

ACTION:
ED(P&GS)

(ii) "that the terms of reference of the Committee would be as follows:

- (a) To take a fresh look at the present organizational structure of the Corporation with a view to improve the efficiency and cost effectiveness, keeping in mind employee morale.
- (b) Considering the Minister's Directive that the Board should operate independently, considering be given to the following:
 - (i) whether a rank of Executive Director should be created within the Corporation as part of the Corporation's hierarchy of officers.
 - (ii) The number of posts of Executive Directors
 - (iii) The procedure for filling this posts.
 - (iv) What to do about the ED whose appointment will expire on 6th April, 2001 and also how to re-align his remuneration to be equitable vis-à-vis General Managers.
 - (v) In view of lapse of time, a fresh look should be taken as to the number of posts of General Managers, how many at Principal Office, and in which Divisions, and how many in the Regions and in which Regions.
 - (vi) How many posts are to be filled in by promotion, how many by direct recruitment from outside and how many should be left vacant for the present.
 - (vii) The procedure for promotion or appointment to this posts.

(c) In addition to above terms of reference outside help can be solicited for necessary assistance and expertise for the above assignment.

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ITEM (8) CONSIDER/APPROVE - REVISION IN INVESTMENT POLICY.
ED(Inv.)'s Memorandum dated 26-01-2001

21. ED(Inv.) presented before the Board a Memorandum for revision in investment policy which was approved by the Board of Directors at its 147th meeting held in July, 1999 which allowed investment in one sector of the equity portfolio upto a maximum of 20% of the total equity portfolio. The sectoral classification is based on the official sector defined by the Karachi Stock Exchange which merges certain industries of unlike nature with each other. According to classification made by Karachi Stock Exchange the listed companies have been divided into 27 sectors. Vital information service (Pvt) Ltd (vis a credit rating agency, in collaboration with a leading newspapers (The News) has devised its own classification dividing certain sector defined by KSE into two or more sectors which appear to be a better classification.

After discussions, the Board resolved as under:

RESOLVED:


"that the proposal that State Life may follow the classification of sectors made by "VIS" and "The News" according to which 8 sectors defined by Karachi Stock Exchange have been split into 19 sectors as given below be and was hereby approved, however actual investment decision would be made by the Investment Committee:

ACTION:
ED(Inv.)

<u>Sectors defined by "KSE"</u>	<u>Sectors defined by "VIS" and "The News"</u>
a. Investment companies, Security Companies/Banks.	i) Banks & Investment Cos. Brokerage Firms.
b. Synthetic & Rayon.	i) Polyester Fibre/Chips/Filament ii) Polyester Yarn & Fabrics.
c. Fuel & Energy.	i) Petroleum and oil fields. ii) National/Industrial Gas & LPG iii) Energy.
d. Auto & Allied Engineering.	i) Auto & Assemblers ii) Auto Parts & Batteries.
e. Chemical & Pharmaceutials.	i) Fertilizers ii) Pharmaceutials. iii) Coating/Raxin/Chemicals
f. Paper & Board.	i) Paper & Board. ii) Paper Products.
g. Food & Allied Industries.	i) Food & Confectioners ii) Dairy & Beverages
h. Miscellaneous.	i) Toiletries ii) Apparel iii) Misc.

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	<p>ITEM (9) <u>CONSIDER BUSINESS REVIEW:</u></p> <p>I) REVIEW OF INVESTMENT PORTFOLIO FROM JANUARY 1, 2000 TO DECEMBER 31, 2000.</p> <p>II) REVIEW BUSINESS PROGRESS REPORT OF OVERSEAS OPERATIONS FROM JANUARY 1, 2000 TO DECEMBER 31, 2000.</p> <p>III) REVIEW BUSINESS PROGRESS FROM JANUARY 1, 2000 TO DECEMBER 31, 2000 OF MARKETING DIVISION.</p> <p>IV) REVIEW BUSINESS PROGRESS OF GROUP & PENSION DIVISION FROM JANUARY 1, 2000 TO DECEMBER 31, 2000.</p> <p>V) REVIEW FINANCIAL PROGRESS STATEMENT – JANUARY, 2000 TO 31ST DECEMBER, 2000 OF REAL ESTATE.</p> <p>DGM(MKTG), ED(G&P), ED(INT'L), ED(INV) AND DGM(RE) MEMORANDUM DATED 08-01-2001</p> <p>22. The Business Review Memorandums of DGM(Marketing), ED(G&P), ED(International), ED(Investment) and DGM(Real Estate) for business review of Marketing, Group & Pension, Overseas, Investment and Real Estate Divisions respectively for the period from 1st January 2000 to 31st December, 2000 were submitted to the Board which was noted.</p> <p>23. The actual collection on provisional basis of individual life premium within Pakistan increased from Rs.4.7 billion in 1999 to Rs.5.3 billion in the year 2000 showing an overall increase of 13% over last year. Though there is a decline of 22% in First Year Premium, the Renewal Premium has increased by 24%. The Board commended the overall increase. The Board desired that availability of loans to policyholders should be used for sales promotion. The Board instructed that efforts should be made to carry out aggressive marketing of child protection policy so that literacy rate in the country could be increased. A report on the number of child protection policies sold during the year 1999 and policies in force as of 31-12-1998 be submitted to the Board at its next meeting.</p> <p>24. The collection of premium for Group & Pension business for the year 2000 stood at Rs.1.213 billion as compared to Rs.1.207 billion last year showing a slight increase of 0.45%. The achievement is good because of the fact that during the year WAPDA business was given up which had yielded a premium income of Rs.87.65 million during the year 1999. The management has decided not to continue with non profitable business wherever possible.</p> <p>25. The net income of Real Estate Division increased from Rs.3.3 million in 1999 to Rs.64.6 million in the year 2000 mainly because certain exceptional write offs/charges were debited in 1999. The Board desired that the management should look into the possibility if improvement in maintenance services could result in increase in rent.</p> <p>26. The International Division has procured premium of US\$:1.4927 million FYP equivalent to Pak Rs.86.6977 million showing a decrease of 5% against FYP of corresponding period of last year. The Board desired that special efforts should be made to develop the business of International Division.</p>			<p>CHAIRMAN'S INITIALS</p> 

ACTION:
DH(M&L)

ACTION:
GM(A&I)

ACTION:
ED(G&P)

ACTION:
DH(RE)

ACTION:
ED(INT'L)

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ACTION:
ED(Inv.)

27. The book value of the Investment portfolio which was Rs.59.930 billion on December 31, 1999 is estimated to have increased to Rs.64.488 billion as of December 31, 2000 showing an increase of 7.61% over last year. Investment income which was initially estimated at Rs.8.38 billion for the year 2000 is expected to be Rs.7.16 billion in the year 2000 due to decrease in rate of returns on investments. It was also suggested that the possibility of using State Life's balance sheet with strong financial for leverage purposes such as non funded items including guarantees and reinsurance of general insurance business be examined to help increase investment income.

ITEM (10) CONSIDER/APPROVE INCOME AND EXPENSES FOR FIRST THREE QUARTERS UPTO 30TH SEPTEMBER, 2000.
ED(B&A)'s Memorandum dated 07-12-2000.

28. The Board of Directors, at its 156th meeting held on 7th October, 2000, had decided that un-audited quarterly accounts should be submitted to the Board. Accordingly a Memorandum was submitted by ED(B&A) giving details figures of income and expenses from all accounting centres within Pakistan and outside Pakistan (UAE, Kuwait & Saudi Arabia) in respect of all business portfolios and the estimated position of accounts for the first 3 quarters as on 30-9-2000 which was noted by the Board.

ITEM (11) CONSIDER/APPROVE - BONUS TO OFFICERS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN.
ED(P&GS)'s Memorandum dated 23-01-2001

29. The Board at its 156th meeting held on 7-10-2000 had conditionally recommended bonus for 1999 equal to 2.5 months basic pay to the officers of the Corporation. However, the Ministry of Commerce vide its communication dated October 27, 2000, had conveyed concurrence of the Finance Division to payment of bonus for the years 1997 and 1998 to the officers of the Corporation equal to two months basic pay. Subsequently two months basic pay as at 31-12-1999 was paid as bonus to the officers for the year 1999 as an advance. Payment to officers who had opted for the VRSS Scheme was treated as final payment as approved by the Board at its 157th Meeting held on 11th November 2000.

30. The Board had subsequently requested ED(P&GS) at its 158th meeting held on 9-12-2000 to submit a revised Memorandum regarding approval of bonus to officers for the year 1999 equal to two months basic pay at its next meeting.

31. ED(P&GS) therefore submitted a Memorandum to the Board informing implementation of the Board's decision of its 156th meeting.

After discussions, it was resolved as under:

RESOLVED:

"that two months basic pay as on 31-12-1999 disbursed to officers as advance be and was hereby approved as final payment of bonus for the year 1999 as against 2.5 months basic pay previously approved by the Board at its 156th meeting."

ACTION:
ED(P&GS)

CHAIRMAN'S
INITIALS

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MINUTES OF 159TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	26 TH JANUARY, 2001	

STATEMENT OF REVISED CONVEYANCE, CAR MAINTENANCE, CAR RENTAL AND DRIVER SUBSIDY PAYABLE TO OFFICERS WITH EFFECT FROM 1ST JANUARY 2000.

(in Rupees)

POST	CONVEYANCE	CAR MAINTENANCE	CAR RENTAL	DRIVER SUBSIDY
E.O.(NON DEV)	750	-	-	-
E.O. (NON DEV)	-	800	-	-
E.O. (DEV.)	-	800	-	-
A.M.(NON DEV)	750	-	-	-
A.M. (NON DEV)	-	800	-	-
A.M. (DEV.)	-	800	-	-
D.M.(NON DEV)	750	-	-	-
D.M. (NON DEV)	-	925	-	-
D.M. (DEV.)	-	-	1450	-
MGR.(NON DEV)	750	-	-	-
MGR. (NON DEV)	-	1150	-	-
MGR. (DEV.)	-	-	3250	-
A.G.M. (NON DEV)	750	-	-	-
AGM(NON DEV)	-	-	3400	-
A.G.M. (DEV.)	-	-	3400	2000
D.G.M.(NON DEV)	-	-	3600	2000
D.G.M. (DEV.)	-	-	3600	2000
D.G.M.(DEV)- Z.H.	-	-	-	2500
G.M.(NON DEV)	-	-	4000	2500
G.M. (DEV.)	-	-	4000	2500

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CHAIRMAN'S INITIALS



DIRECTORS	Held AT	ON	TIME
MINUTE BOOK			

ANNEXURE - A
BUDGET PROPOSAL

SUMMARY OF BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

Description	Year(s) ----->	Rs. in millions				Remarks					
		Within Pakistan		Overseas							
		Actual 1999	Estimates 2000	Projection 2001	Actual 1999		Estimates 2000	Projection 2001			
1. INCOME											
1.1 - Premium Income		6,608	6,658	7,251	230	259	282	6,539	7,127	7,533	
1.2 - Investment / Real Estate & other Income		8,822	7,351	8,267	42	66	72	8,864	7,417	8,339	
Total Income		15,430	14,209	15,518	272	325	354	15,702	14,544	15,872	Annexure - A-1
2. OUTGO											
2.1 - Field Expenses		1,233	1,138	1,253	70	80	84	1,303	1,216	1,337	Annexure - B
2.2 - Administrative Expenses including RED / Inv. VRSS Expenses including 37 m RED / Inv		2,218	2,163	1,908	51	60	56	2,269	2,223	1,954	Annexure - C
Total Administrative Expenses		2,218	2,961	1,903	51	61	56	2,269	3,022	1,964	
Less: Investment / R.E.D Expenses incl. VRSS		(417)	(296)	(257)	-	-	-	(417)	(296)	(257)	
Administrative Expenses (NET)		1,801	2,665	1,651	51	61	56	1,852	2,726	1,707	
2.3 - Total Management Expenses (2.1 + 2.2)		3,034	3,803	2,904	121	141	140	3,155	3,944	3,044	
2.4 - Payment to Policyholders		4,774	5,103	5,578	130	165	168	4,504	5,269	5,766	Annexure - D
Total Outgo (2.3 + 2.4)		7,808	8,906	8,482	251	306	328	8,659	9,212	8,810	
3. LIFE FUND											
Gross Accretion to Life fund (1 - 2)		7,622	5,303	7,036	21	23	26	7,643	5,332	7,062	
less: RED & Investment Expenses		(417)	(296)	(257)	-	-	-	(417)	(296)	(257)	
less: provision for Income tax		(46)	(70)	(76)	-	-	-	(46)	(70)	(76)	
less: Govt. share of surplus		(155)	(75)	(75)	-	-	-	(155)	(75)	(75)	
Life fund at the year end		62,130	66,992	73,620	354	383	409	62,494	67,315	74,029	
4. EXPENSES											
4.1 - Allowable Expenses											
89.50% of F.Y.P. 0		1,064	832	985	62	77	81	1,126	909	1,066	
7.5% of Single Premium/Annuity		1	2	1	-	-	-	1	2	1	
7.5% of Group Premium		94	92	98	-	-	-	94	92	98	
15% of Renewal Premium		623	703	725	24	27	29	647	730	754	
Total		1,782	1,629	1,809	86	104	110	1,868	1,733	1,919	
4.2 - Excess over allowable Expenses (2.3 - 4.1)		1,252	2,174	1,095	35	37	30	1,287	2,211	1,125	
5. RENEWAL EXPENSE RATIO											
5.1 - Renewal Expense Ratio including VRSS		45%	61%	33%	37%	35%	31%	45%	60%	37%	
5.2 - Renewal Expense Ratio - without VRSS		45%	45%	33%	37%	35%	31%	45%	45%	37%	

* including one m VRSS
** including 798 m VRSS
*** including 799 m VRSS

CHAIRMAN'S
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DIRECTORS
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Annexure -A-

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

INCOME

Description	Year(s)	Rs. in millions								
		Within Pakistan		Overseas		Corporation basis				
		Actual 1999	Estimates 2000	Projection 2001	Actual 1999	Estimates 2000	Projection 2001			
First Year Premium		1,189,000	930,000	1,100,000	69,000	86,000	91,000	1,258,000	1,016,000	1,191,000
Single Premium / Annuities		17,000	22,000	15,000	-	-	-	17,000	22,000	15,000
Second Year Premium		549,000	743,000	618,000	32,000	38,000	45,000	581,000	781,000	663,000
Renewal Premium		3,602,000	3,941,000	4,216,000	129,000	145,000	146,000	3,731,000	4,066,000	4,362,000
Group Premium		1,251,000	1,222,000	1,302,000	-	-	-	1,251,000	1,222,000	1,302,000
Total Premium		6,608,000	6,858,000	7,251,000	230,000	269,000	292,000	6,838,000	7,127,000	7,533,000
Investment & Other Income		8,493,000	6,997,000	7,877,000	42,000	66,000	72,000	8,535,000	7,063,000	7,949,000
Real Estate Income		329,000	354,000	390,000	-	-	-	329,000	354,000	390,000
Total Income		15,430,000	14,209,000	15,518,000	272,000	335,000	354,000	15,702,000	14,544,000	15,872,000

ON

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STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

Description	Within Pakistan		Overseas		Corporation basis		Basis for Estimate	FIELD AT	ON	TIME
	Actual 1999	Estimates 2000	Projection 2001	Actual 1999	Estimates 2000	Projection 2001				
INDIVIDUAL LIFE										
First Year Cost										
Agency commission - first year	458,892	358,680	424,600	25,872	33,195	35,126	484,764	392,175	459,725	Around 39.6 % of current year FYP
Over-riding commission - first year	434,479	340,300	402,600	27,275	31,476	33,305	461,754	371,856	435,908	Around 36.6 % of current year FYP
Agency commission - Annuity/single premium		1,650	1,125					1,650	1,125	Around 7.5 % of Annuity + Single Premium
Over-riding commission - Annuity/single premium		0.033	0.023					0.033	0.023	Around 1.5 % of Annuity - Single Premium
Incentive bonus to Area Manager	13,555	16,740	19,800	9,019	1,548	1,638	22,574	18,268	21,438	Around 1.8 % of current year FYP
Sub-Total	906,925	717,793	848,148	62,167	68,220	70,070	969,092	724,003	813,218	
Renewal Cost										
Agency commission - Renewal	174,469	231,940	230,440	5,565	9,500	10,340	175,834	241,540	240,769	Around 10 % of SYP - 4% of 3rd year & above
Over-riding commission - Renewal	58,657	74,944	77,344	2,220	2,928	3,056	60,877	77,972	80,400	Around 1.6 % of total Renewal
Sub-Total	233,126	306,884	307,784	7,785	12,428	13,396	240,711	319,412	321,180	
Other cost										
Field prize & awards / Contests	11,753	9,300	11,000	0,162	0,860	0,910	11,935	10,160	11,910	Around 1.0 % of current year FYP
Field Convention		3,000	4,000					3,000	4,000	Estimated
Field Group Insurance	8,600	8,918	6,975				3,000	8,918	6,975	Around 7.5 % of last year FYP
Field medical	17,979	22,591	17,670				17,979	22,591	17,670	Around 1.9 % of last year FYP
Field office Expenses	52,987	67,773	53,010				52,987	67,773	53,010	Around 5.7 % of last year FYP
Sub-Total	91,339	111,582	92,655	0,162	0,860	0,910	91,581	112,442	93,585	
Total Individual Life	1,231,450	1,136,249	1,248,587	69,934	79,608	84,376	1,301,384	1,216,957	1,332,963	
GROUP LIFE										
Group Field Cost	2,009	2,600	4,200				2,009	2,600	4,200	
Grand Total	1,233,459	1,138,849	1,252,787	69,934	79,608	84,375	1,303,393	1,218,457	1,337,163	

CHAIRMAN'S INITIALS



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DIRECTORS
MINUTE BOOK

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STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000
ADMINISTRATIVE EXPENSES

Description	Year(s)	Within Pakistan		Overseas		Corporation Basis		Rs. in millions
		Actual	Estimates	Actual	Estimates	Actual	Estimates	
		1999	2000	2000	2001	1999	2000	
1. Personnel Cost								
1.1 - Officers								
Individual Life including P O								
Group Life		531.464	538.095					462.619
International Business		35.714	46.917					42.735
Sub - Total		1.694	2.538					30.000
Investment / RED Expenses		568.872	587.550	20.756	25.735			28.273
Voluntary Retirement Expenses		30.984	39.107	20.756	25.735			30.000
Total Officers Expenses		599.856	655.864	20.756	25.735			535.414
				1.352				30.152
				27.087				230.559
		620.612	682.951					673.564
1.2 - Area Managers								
		216.813	216.813					216.813
1.3 - Staff								
Individual Life including P.O.								
Group Life		610.223	614.125					478.452
International Business		38.693	39.016					32.670
Sub - Total		1.556	1.584	6.786	6.804			8.321
Investment / RED Expenses		650.472	654.725	6.786	6.804			661.529
Voluntary Retirement Expenses		53.853	53.821	6.786	6.804			519.443
Total Staff Expenses		568.404	568.404					45.990
Total Personnel Cost Inc. Area Managers		704.325	1,276.950	6.786	6.804			565.423
2 - Other Office Expenses		1,520.994	2,349.627	27.542	33.991			1,353.800
Major Expenses								
Advertisement		26.883	38.200	0.381	0.500			38.900
Conference & Meetings		6.933	8.355	0.525	0.550			8.905
Training		6.901	9.500	0.031	0.035			10.505
Rent & Utilities		134.879	156.050	6.832	6.883			15.460
Travelling		15.296	15.951	0.804	0.804			156.175
Postage & Telegrams		12.402	15.850	0.573	0.600			15.745
Printing & Stationery		22.162	27.400	0.380	0.500			15.300
Telephone (Office)		17.561	20.650	1.701	2.000			28.600
Law & other Professional Charges		8.436	14.078	5.474	8.500			48.850
Policy Stamps		8.424	33.025					12.702
Entertainment		8.085	6.732	0.194	0.200			12.525
Data Processing		8.609	9.680	0.069	0.100			6.432
Repair & Maintenance		9.084	11.110	0.354	0.500			12.360
Rates & Taxes			0.320		2.000			11.310
Depreciation		38.739	39.720	0.593	0.600			3.045
Project abandoned Cost (RED)		7.814						36.620
Provision for Bad / Doubtful Debts		32.664	38.420	5.249	2.859			
Other Office Expenses		364.912	445.041	23.180	27.271			7.814
Sub - Total		332.164	465.357	23.180	27.271			37.933
Investment / RED Office Expenses		697.07	611.40					41.319
Total Office Expenses		1,885.906	2,794.668	50.722	61.162			473.312
Total Admin Expenses (1 + 2)		2,268.789	3,022.187					435.044
								172.838
								607.91
								1,963.730

MANAGER'S
INITIALS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK			

Annexure - C-1

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

ACQUISITION COST ON FYP

Description	Year(s) ----->	Rs. in millions		
		Within Pakistan		Projection 2001
		Actual 1999	Estimates 2000	
First Year Premium		1,189,000	930,000	1,100,000
Agency commission - first year		458,892	358,980	424,600
Over-riding commission - first year		434,478	340,380	402,600
Other field costs on FYP		91,399	111,582	92,655
Area Managers Cost		216,813	216,813	216,813
Incentive bonus to Area Managers		13,555	16,740	19,800
Total acquisition cost on FYP		1,215,137	1,044,495	1,156,468
Percentage of acquisition cost on FYP		102%	112%	105%

CHAIRMAN'S
INITIALS



DIRECTORS MINUTE BOOK	Held AT	ON	TIME
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Annexure D

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

POLICY PAYMENT

Description	Year(s)	Within Pakistan		Overseas		Corporation basis		Rs. in millions
		Actual 1999	Estimates 2000	Projection 2001	Actual 1999	Estimates 2000	Projection 2001	
INDIVIDUAL LIFE								
Death Claims		548,989	567,000	620,000	13,609	15,000	18,000	562,598
Maturity Claims		970,399	1,204,000	1,423,000	87,347	110,000	125,000	1,057,746
Surrenders		1,848,456	2,081,000	2,221,000	29,025	40,000	45,000	1,975,481
Annuities		7,535	8,000	10,000	-	-	-	7,535
Claim Investigation Expenses		2,342	3,000	4,000	-	-	-	2,342
Sub-Total		3,475,721	3,863,000	4,278,000	129,981	165,000	188,000	3,605,702
GROUP LIFE								
Group Claims		1,290,722	1,075,000	1,150,000	-	-	-	1,290,722
Group Profit Commission		7,659	100,000	100,000	-	-	-	7,659
Health Insurance Claims		-	65,000	50,000	-	-	-	-
Sub-Total		1,298,381	1,240,000	1,300,000	-	-	-	1,298,381
Total Policy Payments		4,774,102	5,103,000	5,578,000	129,981	165,000	188,000	4,904,083
								5,268,000
								5,766,000

CHAIRMAN'S
INITIALS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK			

Annexure - E

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000
CAPITAL BUDGET
YEAR 2001

(Rupees in millions)

Individual Life (Within Pakistan-Zones/Regions)	16.500
Overseas Division	2.000
Group Life	5.000
Real Estate Division	88.000
Human Resources development	0.700
Computer Division	26.000
P&GS Division	18.500
Total	<u>156.700</u>

CHAIRMAN'S
INITIALS

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Annexure F-1

DIRECTORS	Held at	ON	TIME
MINUTE BOOK			

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATE S. FOR 2000

1999

TITLE OF ACCOUNTS	INDIVIDUAL LIFE	GROUP LIFE	INVESTMENT	REAL ESTATE	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
Rs. in millions							
INCOME							
Premium Income	5,357	1,251			6,608	230	6,838
Investment/Real Estate & other Income			8,493	329	8,822	42	8,864
Total Income	5,357	1,251	8,493	329	15,430	272	15,702
OUTGO							
Field Expenses	1,231	2			1,233	70	1,303
Administrative Expenses	1,706	95	90	327	2,218	51	2,269
TOTAL MANAGEMENT EXPENSES	2,937	97	90	327	3,451	121	3,572
Policy Payments (Group Life)		1,298			1,298		1,298
Outgo before Policy Payment (Individual Life)	2,937	1,395	90	327	4,749	121	4,870
Increase in Life fund before IL Policy Payment	2,420	(144)	8,403	2	10,681	151	10,832
Policy Payments (Individual Life)					3,476	130	3,606
Net addition to Life fund after policy payment					7,205	21	7,226
Govt. share of surplus							(156)
Provision for income tax							(46)
Net increase in Life fund							7,024
Life fund at end of the year							62,484

CHAIRMAN'S
INITIALS



Annexure 5.2

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

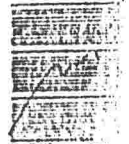
2000

TITLE OF ACCOUNTS	Rs. in millions						
	INDIVIDUAL LIFE	GROUP LIFE	INVESTMENT	REAL ESTATE	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
INCOME							
Premium Income	5,636	1,222			6,858	269	7,127
Investment / Real Estate & other income			6,997	554	7,551	66	7,617
Total Income	5,636	1,222	6,997	554	14,209	335	14,544
OUTGO							
Field Expenses	1,135	3			1,138	80	1,218
Administrative Expenses	2,521	144	13	283	2,961	61	3,022
TOTAL MANAGEMENT EXPENSES	3,656	147	13	283	4,099	141	4,240
Policy Payments (Group Life)		1,240			1,240		1,240
Outgo before Policy Payment (Individual Life)	3,656	1,387	13	283	5,339	141	5,480
Increase in Life fund before IL Policy Payment	1,980	(168)	6,984	71	8,870	194	9,064
Policy Payments (Individual Life)					3,863	165	4,028
Net addition to Life fund after policy payment					5,007	29	5,036
Govt. share of surplus							(75)
Provision for income tax							(70)
Net increase in Life fund							4,891
Life fund at end of the year							67,375

ON

TIME

CHAIRMAN
INITIALS



DIRECTORS
MINUTE BOOK

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ON

TIME

Annexure 2

BUDGET PROPOSAL FOR THE YEAR 2001 AND REVISED BUDGET ESTIMATES FOR 2000

TITLE OF ACCOUNTS	2001						TOTAL CORPORATION
	INDIVIDUAL LIFE	GROUP LIFE	INVESTMENT	REAL ESTATE	TOTAL WITHIN PAKISTAN	OVERSEAS	
INCOME							
Premium Income	5,949	1,302	7,877	390	7,251	282	7,533
Investment (Real Estate & other Income)			7,877	390	8,267	72	8,339
Total Income	5,949	1,302	7,877	390	15,518	354	15,872
OUTGO							
Field Expenses	1,249	4			1,253	84	1,337
Administrative Expenses	1,556	95	10	247	1,908	56	1,964
TOTAL MANAGEMENT EXPENSES	2,805	99	10	247	3,161	140	3,301
Policy Payments (Group Life)		1,300			1,300		1,300
Outgo before Policy Payment (Individual Life)	2,805	1,399	10	247	4,461	140	4,601
Increase in Life fund before IL Policy Payment	3,144	(97)	7,867	143	11,057	214	11,271
Policy Payments (Individual Life)					4,278	188	4,466
Net addition to Life fund after policy payment					6,779	26	6,805
Govt. share of surplus							(75)
Provision for income tax							(76)
Net increase in Life fund							6,654
Life fund at end of the year							74,029

CHAIRMAN'S
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