

MINUTES OF 160TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS MINUTE BOOK	HELD AT	ON	TIME
	QUETTA	28 TH APRIL, 2001	

CONFIDENTIAL AND RESTRICTED

The one hundred and sixtieth (160th) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 28th April, 2001 at 9:00 a.m., at Serena Hotel, Quetta.

PRESENT:

- | | |
|--|-----------------|
| 1. Mr. Samee-ul-Hasan ✓ | Chairman |
| 2. Mr. Bashir Ahmed ✓ | Director |
| 3. Mr. Salim Iqbal | Director |
| 4. Mrs. Spenta Kandawalla ✓ | 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 Ahmad, Director, informing the Board of his inability to attend the meeting because of his pre-occupation was placed before the Board. Mr. Azhar Ali Malik, Director, had also informed the Chairman that he would not be able to attend the meeting because of his prior commitments. The Board granted them leave of absence.

3. The meeting was also attended by Mr. Mohammad Latif, Executive Director at the invitation of the Board.

ITEM (1) CONFIRMATION OF MINUTES OF 159TH MEETING OF THE BOARD OF DIRECTORS HELD ON 26TH JANUARY 2001

4. The minutes of the 159th Meeting of the Board of Directors held on 26th January 2001 were placed before the Board.

Mr. Salim Iqbal proposed the following amendments:-

I - Para-13 of Item No.4 on Page-1925 of the Minutes of the 158th meeting of the Board of Directors be amended as follows:

After the resolution (iv) in para-13 the following amendment be made:-

However, Mr. Salim Iqbal maintained the reservation that the matter be dealt with as per instructions received earlier in this connection from the Government through Ministry of Commerce, which had asked State Life for certain details before the case was processed further. The details asked for by the Ministry in this regard be submitted by the Corporation. The Board decided that decision taken in 158th Meeting will hold good but details called by the Ministry may be provided.

II - Para-14 of Item No.5 on Page-1938 of the Minutes of the 159th meeting of the Board of Directors be amended as follows:

At the end of this Item, the following para may be added:-

Mr. Salim Iqbal expressed his reservations and reiterated that the whole matter needs to be referred to Finance Division for approval in terms of Government's standing instructions.

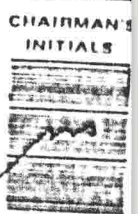
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<p>III - Para-18 of Item No.6 on Page-1938 of the Minutes of the 159th meeting of the Board of Directors be amended as follows:</p>			
<p>At the end of this item the following may be added:- Mr.Salim Iqbal reiterated his earlier observations with regard to prudent, safe, secure and guaranteed investments in the light of Government policies. He informed that the instructions of the Government to other public sector companies like NICL and PRCL was also applicable to State Life.</p>			
<p>The Chairman observed that investments are made by State Life in accordance with the applicable law. However, if there were specific direction from the Government in the public interest, such instructions would be followed. Such instructions of the Government would also be published in the balance sheet. He referred to the remarks of the Ministry to the Board Members on 24th August 2000.</p>			
<p>IV - Para-21 of Item No.8 on Page-1940 of the Minutes of the 159th meeting of the Board of Directors:</p>			
<p>On a question raised by Mr. Salim Iqbal with regard to KSE-100 index, the Chairman informed that State Life was following the applicable law on investments, and the classification of sectors was being changed only for the purpose of convenience.</p>			
<p>V - Para-32 of Item No.12 on Page-1943 of the Minutes of the 159th meeting of the Board of Directors be amended as follows:</p>			
<p>Mr. Salim Iqbal observed that funds to be allocated for the house building loans, conveyance loans and two months advances for implementation of agreement with CBA and with agents, should be done with the consent of the shareholder i.e. the Government. However, the other members of the Board had the view that once the Government had appointed the Board, then it was the duty and responsibility of the Board (as specifically emphasized by the Minister in the 155th meeting of the Board of Directors held on 24th August, 2000 when he addressed the new Board) to manage all funds and assets of the Corporation including shareholders fund, within the law. Of course, if the Board in its own discretion, decides to refer the matter to the Government, it may do so.</p>			
<p>5. Mr. Bashir Ahmed proposed and Air Marshal (Retd) Sharbat A. Changazi, seconded that the minutes be confirmed.</p>			
<p>Accordingly, it was resolved as under:</p>			
<p>RESOLVED: "that the Minutes of the 159th Meeting of the Board of Directors held on 26th January, 2001 be and were hereby confirmed with the amendments mentioned in sub para I to V of para - 4 above."</p>			
<p>ITEM (2) IMPLEMENTATION REPORT ON DECISION TAKEN IN THE PREVIOUS BOARD MEETING.</p>			
<p>6. The Board Secretary presented before the Board the implementation report on decisions taken at the 159th meeting, which was noted. The Board desired, that its previous decision on carrying out of aggressive marketing of child protection policy to improve the literacy rate in the country, should be implemented in full. The Board also instructed the Actuarial Division, that it should make a presentation to the Board at its next meeting with special reference to the mechanics of the child protection policy with stress on education.</p>			

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<p>7. P&GS Division was asked to coordinate with National Accountability Bureau in respect of pending cases of Mr. Javed N. Wafa and Mr. Hasan Abbas.</p> <p>8. It was also pointed out that State Life should submit a comprehensive report to the Secretary Commerce in respect of revision of pay, allowances and retirement benefits to the officers of the Corporation as approved by the Board.</p> <p>ITEM (3) RATIFICATION OF MINUTES OF 262ND MEETING OF THE EXECUTIVE COMMITTEE HELD ON 24TH FEBRUARY 2001.</p> <p>9. The Minutes of the 262nd meeting of the Executive Committee held on 24th February, 2001 was placed before the Board for ratification.</p> <p>Accordingly, it was resolved as under:</p> <p>RESOLVED: "that the Minutes and decisions taken in the 262nd meeting of the Executive Committee held on 24th February, 2001 be and was hereby ratified."</p> <p>ITEM (4-A) CONSIDER REPORT OF THE BOARD COMMITTEE ON ORGANIZATION OF CORPORATION AND SENIOR POSTS. Minutes of 1st meeting of the Organization and Senior Posts Committee held on 24th February, 2001.</p> <p>10. The Board at its 159th meeting of the Board of Directors held at Lahore on 26th January, 2001 constituted an Organization and Senior Post Committee comprising of the Chairman, Mr. Salim Iqbal, Mr. Azhar A. Malik, Mr. Umar Ata Bandial and Air Marshal (Retd) Sharbat A. Changazi. The terms of reference of the above Committee were as follows:</p> <p>(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.</p> <p>(b) Considering the Minister's Directive that the Board should operate independently, considering be given to the following:</p> <p>(i) Whether a rank of Executive Director should be created within the Corporation as part of the Corporation's hierarchy of officers.</p> <p>(ii) The number of posts of Executive Directors.</p> <p>(iii) The procedure for filling this posts.</p> <p>(iv) What to do about the EDs whose appointment will expire on 6th April, 2001 and also how to re-align his remuneration to be equitable vis-à-vis General Managers.</p> <p>(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.</p> <p>(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.</p> <p>(vii) The procedure for promotion or appointment to this posts.</p> <p>In addition to above terms of reference, outside help can be solicited for necessary assistance and expertise for the above assignment.</p> <p>11. A meeting of the above Committee was held on 24th February, 2001, which framed recommendations, which were submitted to the Board.</p>			

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	After deliberations, the Board resolved as under:		
	RESOLVED:		
Action: ED(P&GS)	(i) "that the proposal that Systems Division be wound up, after ISO documentation is completed and explained to Zones, which would then be monitored by Internal Audit & Evaluation Division be and was hereby approved. An External Consultant may be engaged periodically to ensure compliance. The personnel of Systems Division would be given to Computer and other Divisions including Internal Audit as may be considered appropriate."		
Action: ED(CD) ✓	(ii) "that the Board noted importance of full computerisation and inter connectivity of the Zones and Principal Office. Expert advice may be obtained to help the Corporation in decision making in this regard."		
Action: ED(CD) ✓	(iii) "that the proposal of setting up a MIS Department within the Computer Division, to be manned by people to be transferred from Systems Division and, if necessary, by other suitable persons, be and was hereby approved."		
Action: ED(P&GS)	(iv) "that the proposal, that Health Insurance Zone should become a Department of P&GS Division, be and was hereby approved."		
Action: ED(G&P) ✓	(v) "that in some way, State Life should encourage the Private Sector to enter Health Insurance business, as it would be a service to the community."		
Action: ED(P&GS) ✓	(vi) "that the Corporation, should investigate the possibility of offering its in-house health portfolio, to the leading Private Sector Insurance Companies."		
Action: DH(MKT.) ✓	(vii) "that the proposal of keeping the number of Zones unchanged, and reviewing the same at the beginning of 2002, be and was hereby approved. A mechanism be developed, to analysis the causes of fall in first year premium in the Zones."		
Action: ED(P&GS)	(viii) "that the suggestion, for creation of rank of Executive Directors, within the Corporation, as part of the Corporation's hierarchy of officers, be and was hereby approved."		
Action: ED(P&GS)	(ix) "that with regard to salary scale, it was agreed, that the Government officers sent on deputation to the Corporation in the Executive Director's grade, should be remunerated according to the usual Government procedure. For those directly recruited from outside on contract, the MP-II scales may be given. For promotees with the Organization, scales may follow those for Mr. Mohammad Latif, Executive Director (see item 4(B))."		
Action: Chairman	(x) "that the proposal, that the number of Executive Directors should be 5, be and was hereby approved. The Chairman would decide from time to time, the portfolios to be assigned to Executive Directors."		
Action: ED(P&GS)	(xi) "that the proposal, that Actuarial and Internal Audit & Evaluation Divisions should report directly to the Chairman, be and was hereby approved."		
Action: ED(P&GS)	(xii) "that the proposal of splitting the Human Resource Development Division into 2 parts - one concerning field manpower under Executive Director Individual Life Marketing within Pakistan, and the second concerning office personnel training under Executive Director P&GS, be and was hereby approved. The Chairman would be authorised to take necessary action in this regard."		
Action: ED(P&GS) ✓	(xiii) "that the proposal of reserving one post of Executive Director for a Government servant, be and was hereby approved. The Ministry should be taken into confidence on this question. The selection of such a person would follow the procedure laid down under Office Memorandum No.6/4/96-R.3 dated 10 th May, 1997 issued by the Establishment Division."		

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Action: ED(P&GS)	<p>(xiv) "that with regard to remaining 4 posts of Executive Directors to be filled by promotion, from within the Corporation or by direct recruitment, as necessary, it was decided to be the prerogative of the Board which should operate independently and autonomously. However, the Chairman would inform the Ministry of the above decision."</p>		
Action: ED(P&GS)	<p>(xv) "that the proposal of extending the term of the Executive Director, whose appointment would expire on April 6, 2001, till the age of superannuation, be and was hereby approved.. In future, Executive Directors promoted from within the Corporation, would serve until the superannuation age. However, the Chairman would inform the Ministry of the above decision."</p>		
Action: ED(P&GS)	<p>(xvi) "that the proposal of keeping one post of Executive Director, with the portfolio of Individual Life Marketing and Field Manpower Development vacant, be and was hereby approved."</p>		
Action: ED(P&GS)	<p>(xvii) "that the proposal of filling one remaining vacant post of Executive Director by promotion, subject to the procedures mentioned in resolution (xiv) above, be and was hereby approved."</p>		
Action: ED(P&GS)	<p>(xviii) "that the following proposal be and is hereby approved: The existing 12 General Managers' posts should be retained and allocated as follows: (a) 8 to Principal Office, out of which - Six to be allocated to the 6 major Divisions i.e. i) Individual Life Marketing and Field Manpower Development within Pakistan, ii) Group Life and Pension, iii) Investment Division, iv) Real Estate Division, v) Policyholder Service Division and vi) Personnel and General Services Division (b) the remaining two posts of General Managers in Principal Office, to be floating posts, to be filled in by the heads of other Divisions, if selected on the basis of seniority, performance, professional standing and other appropriate criteria. If for any reason, any of the above 8 posts is not filled, because of the lack of suitable persons, the un-filled posts would be kept in reserve and (c) 4 posts of General Managers allocated to the Regions i.e. each Region should be headed by a General Manager provided a suitable person can be found."</p>		
Action: ED(P&GS)	<p>(xix) "Assuming that one of the existing General Managers is promoted as Executive Director, and 10 GMs posts are available, the proposal of filling up of the 10 posts by promotion, be and was hereby approved. If it is found, that there is no suitable person to fill the post of General Manager Investment by promotion, then this post may be kept vacant and filled by outside recruitment."</p>		
Action: ED(P&GS)	<p>(xx) "that with reference to 4 posts of General Managers reserved for Government in the Commerce & Trade Group vide Ministry of Commerce's Notification No.3(9)92-Admn.III dated 5th October, 1994 the Board agreed with the recommendation of the Organization and Senior Post Committee, that since by virtue of the Insurance Ordinance 2000, there was a strong bias towards professionalism as such there should be no reservation of 4 posts of General Managers. It was also felt that the Notification of 5th October, 1994 was obsolete and the matter should be taken up with the Government for removal of this reservation of the posts. In the meantime, the Board decided to go ahead with promotions as in (xix) above."</p>		
Action: ED(P&GS)	<p>(xxi) "that with regard to procedure for promotion, the same procedure will apply as indicated under resolution (xiv) above regarding Executive Directors."</p>		
Action: ED(P&GS)	<p>(xxii) "that there should be a written career planning policy including job rotation at senior level."</p>		

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	<p>ITEM (4-B) CONSIDER/APPROVE PAY FIXATION OF MR. MUIHAMMAD LATIF, AS EXECUTIVE DIRECTOR. Executive Director(P&GS)'s Memorandum dated: 17-04-2001.</p> <p>12. The Memorandum of ED(P&GS) in respect of the above was presented before the Board.</p> <p>After deliberations, the Board resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that in order to avoid anomaly and to keep the difference between various grades and the same level, the proposal of introducing a new pay scale for Corporation's employees holding the post of Executive Director which would be Rs.21500 - 1050 - 35150, with effect from 1-1-2000 be and was hereby approved."</p> <p>(ii) "that with effect from 1-1-2000 the house rent allowance would be curtailed from 75% to 40%, utilities allowance would be fixed at 10% of the basic pay and payment of house maintenance and compensation allowance would be discontinued."</p> <p>(iii) "that the retirement benefits under the new pay scales would be the same as for the officers in the new pay scales approved with effect from 1-1-2000 by the Board at its 156th meeting held on 7th October, 2000."</p> <p>(iv) "that the existing incumbent will be given the option either to opt for the new pay scales and allied benefits or to stay in the existing pay sales and other benefits as was done in the case of the other officers."</p> <p>ITEM (5) DRIVER'S SUBSIDY TO DEPUTY GENERAL MANAGERS. Executive Director(P&GS)'s Memorandum dated: 17-04-2001.</p> <p>13. ED(P&GS) presented before the Board a Memorandum for approval of Driver's subsidy to Deputy General Managers.</p> <p>After discussions, it was resolved as under:-</p> <p>RESOLVED:</p> <p>(i) "that increase of driver's subsidy to the Deputy General Managers who are provided with Corporation's maintained cars from Rs.2000 to Rs.2500 per month be and was hereby approved with effect from 1st January, 2000. The total cost would be Rs.12000 p.a."</p> <p>(ii) "that ex post facto approval for grant of driver's subsidy to Manager(Dev.) at Rs.2000 p.m. be and was hereby approved with effect from 1st January 2000."</p> <p>(iii) "that increase in driver's subsidy to Regional Chiefs/Zonal Heads from Rs.2500 to Rs. 4000 p.m., subject to the condition that a full time driver is hired by him at his own cost, be and was hereby approved with effect from 1st March 2001. The total annual financial cost of driver's subsidy to Manager(Dev.) and increase in driver's subsidy to Regional Chiefs/Zonal Heads would be Rs. one million p.a."</p> <p>Mr. Salim Iqbal however, expressed his reservations and reiterated that the matter be referred to Finance Division for approval in terms of Government standing instructions.</p>			
Action: ED(P&GS)				
Action: ED(P&GS)				
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	<p>ITEM (6) CONSIDER/APPROVE ACCELERATED PROMOTIONS/UP-GRADATION OF RECENTLY QUALIFIED CHARTERED ACCOUNTANTS/COST AND MANAGEMENT ACCOUNTANTS. Executive Director(P&GS)'s Memorandum dated: 20-04-2001.</p> <p>14. A Memorandum of ED(P&GS) was presented before the Board for accelerated promotions/up-gradation of recently qualified Chartered Accountants/Cost and Management Accountants. State Life had recruited a number of officers in B&A Division who were either fully or partly qualified Chartered Accountants/Cost and Management Accountants. With the passage of time, some partly qualified accountants have qualified final examination and have become Associate Members of their respective Institute.</p> <p>15. Some of the qualified Accountants, all officers, who qualified their CA examinations after recruitment and some of those who qualified ICMA examinations after their appointment, have left the service of State Life, for better prospects, due to wide gap in the salary package and allowances drawn by them in State Life, in comparison to that in other organizations. The new Insurance Ordinance 2000 has further necessitated the need to have qualified personnel in B&A with a potential to accomplish the task efficiently, effectively and within the prescribed time limit.</p> <p>16. The remaining qualified officers who are presently working in State Life, with the passage of time have acquired reasonable experience of State Life working and are discharging their responsibilities upto the mark, but they are dissatisfied with their present position and emoluments, as they have not been upgraded after qualifying the accountancy examinations. Therefore, it has become necessary to make efforts to retain them in the best interest of the Corporation.</p> <p>After discussions, it was resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that all officers who were appointed in the cadre of EO and AM and have improved their qualification and are now fully qualified Accountants possessing ICMA/ACCA(UK)/CIMA(UK) and having more than 3 years of experience in State Life, be upgraded as Deputy Manager with effect from 1st May, 2001 or such later date as the management may decide."</p> <p>Action: ED(P&GS) ✓</p> <p>(ii) "that all officers who were appointed in the cadre of DM and have improved their qualification and are now fully qualified Accountants having attained the degrees of ICMA/ACCA(UK)/CIMA(UK) and possessing more than 3 years of experience in State Life, be upgraded as Manager with effect from 1st May, 2001 or such later date as the management may decide."</p> <p>Action: ED(P&GS) ✓</p> <p>(iii) "that as a matter of policy, in future, all officers:-</p> <p>(a) who are inducted as EO/AM in the Corporation and after their induction in State Life acquire the qualification of ACMA/ACCA/CIMA, be upgraded to the position of Deputy Manager and those acquiring the qualification of ACA, be upgraded to the position of Manager.</p> <p>Action: ED(P&GS)</p> <p>(b) who are inducted as Deputy Manager in the Corporation and after their induction acquire the qualification of ACMA/ACCA/CIMA, be upgraded to the level of Manager and those acquiring the qualification of ACA, be upgraded to the level of Assistant General Manager.</p> <p>Action: ED(P&GS) ✓</p> <p>(iv) "that up-gradation of these qualified Accountants, would be considered on case to case basis by the Promotion Committee on the recommendations given by the Divisional Head(B&A).</p> <p>Action: ED(P&GS)</p>		

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<p>ITEM (7) PRESENTATION OF BUSINESS FIGURES OF FIRST QUARTER OF 2001 OF MARKETING, GROUP & PENSION, INTERNATIONAL, INVESTMENT AND REAL ESTATE DIVISIONS.</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. DGM(MKTG), ED(G&P), ED(INTL), ED(INV) AND DGM(RE) MEMORANDUM DATED 08-01-2001</p>			
<p>17. 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 operations respectively for the period from 1st January 2001 to 31st March 2001 were submitted to the Board which were noted.</p>			
<p><u>Marketing Division:</u></p>			
<p>On year to date basis, the Corporation procured FYP of Rs.155,951,000 as compared to Rs.88,285,000 completed during the same period of last year, thus registering an increase of 76.64% over the corresponding period of last year. However, there are special reasons for this apparent high growth. Only Rs.37,633,000 FYP was recorded in January and February 2000, compared with Rs.101,133,000 in January and February 2001. During January and February 2000, workers completed the business "submitted" upto December 1999, credit for which was given to the year 1999 because of late closing. The Corporation collected Rs.78,977,000 as second year premium, as compared to first year premium of Rs.88,285,000, completed during the same period of last year. The second year persistency for the period January to March 2001 was 89.45%. The third year and later year's premium for the period January to March 2001 was Rs.682,275,000, with persistency of 67.23%.</p>			
<p><u>Group & Pension Division:</u></p>			
<p>The collection of premium for G&P business upto March 31, 2001 stood at Rs.196 million as compared to Rs.146 million, for the corresponding period of last year showing an increase of 34.67%. G&P Division secured 17 new groups during this period having total premium of Rs.0.78 million as against 24 new groups having premium of Rs.6.67 million, for the corresponding period of last year showing a decrease of 88.24% in premium income under new groups. During first quarter ending 31st March 2001, G&P Division lost 31 policies having total premium of Rs.6.10 million. The persistency of G&P Division was 88.11%.</p>			
<p><u>International Division:</u></p>			
<p>International Division has procured US\$0.1905 million FYP, during the first quarter of 2001, showing an increase of 37%, against the FYP of the corresponding period of last year. The policies sold by International Division during the period January to March 2001 was 165, registering an increase of 9% over the corresponding period of last year. Second year persistency achieved during the period is 89%, through collection of second year premium of US\$0.1232 million. Renewal premium collection is US\$0.6424 million, showing an increase of 43% over the collection of last year, with Renewal persistency of 116%.</p>			

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	<p><u>Investment Division:</u> Book value of the investment portfolio, which was Rs.64,960 million on December 31, 2000, is estimated to have increased to Rs.67,131 million as of March 31, 2001, reflecting an absolute increase of Rs.2,171 million, during the three months ended March 31, 2001. An amount of Rs.16.016 million, on account of proceeds of SGB's maturing upto 31st March, 2001, has been received so far by State Life from Federal Government, out of which State Life has been able to invest Rs.1,143 million in Pakistan Investment Bonds of 10 years duration bearing interest at 14% p.a., either through auction or direct purchases through primary dealers. Investment income is expected to be Rs.2,267 million for the period January to March 2001.</p> <p><u>Real Estate Division:</u> The net income of Real Estate Division, increased from Rs.17 million to Rs.52 million, during the period January to March 2001, over the corresponding period of last year, due to reduction in expenses including that of VRSS. The Board felt that the management should renew its efforts to purchase a plot and put up its building in Quetta Centre.</p> <p>ITEM (8) <u>CONSIDER/REVIEW MINUTES OF THE BOARD AUDIT COMMITTEE MEETINGS.</u> Divisional Head(IA&E)'s Memorandum dated:</p> <p>18. Mr. Bashir Ahmed, Chairman Board Audit Committee, presented before the Board the Minutes of the 1st and 2nd meeting of the Board Audit Committee held on 2nd December 2000 and 26th January 2001 respectively, which was noted.</p> <p>ITEM (9) <u>REVIEW REPORT ON INCOME AND EXPENSES FOR THE FIRST QUARTER ENDED MARCH 31, 2001.</u> Executive Director(B&A)'s Memorandum dated: 20-04-2001.</p> <p>19. ED(B&A) presented before the Board, a Memorandum, giving details of figures of income and expenses of all operating Divisions, for the first quarter ended 31st March 2001, which was noted by the Board. The Board desired, that in future B&A Division should include graphs and charts in the Memorandum, so that it is easy to understand. Similarly the actual figures should be compared with the budgetary allocation and variances explained.</p> <p>ITEM (10) <u>CONSIDER POSITION PAPER ON FINALIZATION OF ACCOUNTS AND SUBMISSION OF RETURNS FOR THE YEAR ENDING DECEMBER 31,2000, TO SECURITY AND EXCHANGE COMMISSION OF PAKISTAN UNDER INSURANCE ORDINANCE, 2000.</u> Executive Director(B&A)'s Memorandum dated: 20-04-2001.</p> <p>20. ED(B&A) presented before the Board, a position paper on finalization of accounts and submission of returns for the year ended December 31, 2000 to Security Exchange Commission of Pakistan, under Insurance Ordinance 2000. The Memorandum, contained reasons for delay in the preparation and finalization of accounts for the year 2000 by 30th April 2001, which was noted by the Board.</p>			

Action:
DH(RR.)

Action:
ED(B&A)

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<p>ITEM (11-A) CONSIDER/APPROVE DISBURSEMENT OF LOANS AND ADVANCES TO EMPLOYEES AND AGENTS/EMPLOYER OF AGENTS OUT OF SHAREHOLDERS' FUND.</p>			
<p>Executive Director(B&A)'s Memorandum dated: 20-04-2001.</p>			
<p>21. ED(B&A) presented before the Board, a Memorandum for approval of disbursement of loans and advances to employees and agents/employer of agents out of shareholders' fund. The Board was informed, that employees and agents/employers of agents of the Corporation, are facing hardship due to non release of loans and advances, owing to the constraint of new Ordinance and that they are repeatedly requesting the Management for making arrangement, for restoration of the facility, earlier allowed to them.</p>			
<p>22. Before the promulgation of the Insurance Ordinance 2000, temporary advances and conveyance loans, were being paid to the employees and agents/employers of agents as a percentage of Life Fund and the total amount that could be paid was increasing every year with the increase in Life Fund.</p>			
<p>23. Under the new Ordinance, payment of all these loans and advances from the Life Fund ceased, as such loans and advances now can only be released out of Shareholder's Fund. Section 37(9) of this Ordinance provides: "With effect from the commencement date, no loan or temporary advance granted under this section, by a life insurer to an employee or an agent of the insurer, other than a loan, granted on the security of policy, issued to the employee or the agent on his own life and on which the insurer bear the risk, shall be made other than from Shareholder's Fund of the insurer."</p>			
<p>After discussions, it was resolved as under"</p>			
<p>RESOLVED"</p>			
<p>(i) "that placement of the provisional shareholders assets against shareholder's fund as given below be and was hereby approved:</p>			
<p><u>SHAREHOLDER'S FUND:</u></p>			
<p>Paid up capital Rs.350.000 million</p>			
<p>Less Balance of compensation receivable, paid to former Insurers in respect of Life.</p>			
<p>Insurance business taken over Rs. 56.008 million</p>			
<p>Rs.293.992 million</p>			
<p>Add Balance of compensation payable Rs. 0.591 million</p>			
<p>Balance of Shareholder's Fund Rs.294.583 million</p>			
<p><u>Placement of Shareholder's Fund to be made as follows:-</u></p>			
<p>Investment in 10 year PIBs Rs. 90.000 million</p>			
<p>For loans and temporary advances to employees and agents Rs.200.000 million</p>			
<p>Balance to be placed in Bank A/c: Rs. 4.583 million</p>			
<p>Rs.294.583 million</p>			

Action:
ED(B&A)

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Action: ED(B&A)	(ii) "that as decided at the 159 th Board meeting, ED(B&A), be and was hereby authorized, to make detailed allocation of Rs.200 million for different types of loans and advances and to different categories of employees/agents."		
Action: ED(B&A)	(iii) "that ED(B&A) be and was hereby authorized ex post facto to allocate funds for loans and temporary advances to officers, with effect from 19 th February, 2001, to be subsequently adjusted against the shareholder's fund."		
Action: ED(B&A)	(iv) "that loans and temporary advances to officers, inadvertently omitted in the resolution of 159 th Board meeting held on 26 th January 2001, may be deemed to be included therein. However no loan or temporary advances would be given to Directors, or their families, Chief Executive, Appointed Actuary or Auditor of the Insurer, as mentioned in S. 37(1) of the Ordinance."		
	<p>ITEM (11-B) CONSIDER/APPROVE PROPOSAL FOR REMOVAL OF ANOMALIES IN HOUSE BUILDING LOAN TO OFFICERS OF STATE LIFE. Executive Director(P&GS) Memorandum dated: 19-04-2001.</p>		
	<p>24. A Memorandum of ED(P&GS) was presented before the Board, for removal of anomalies in house building loan to officers of State Life. The Board was informed that the scheme of house building loan to the officers was approved in the 177th meeting of the Executive Committee held on 22nd March 1994, whereby house building loan was allowed, upto a maximum of 80 months basic pay subject to a minimum of Rs.215,000, with mark up to be charged at 10% p.a. on an advance in excess of Rs.215,000 or 30 months basic pay whichever was higher.</p>		
	<p>25. ED(B&A) informed, that with the promulgation of the Insurance Ordinance 2000, all loans and advances would be advanced from the shareholders funds and not as previously accounted for, from the Life Fund. The availability of shareholder's fund is limited and only Rs.15 million has been earmarked in the current budget for the house building loan to officers of State Life.</p>		
	<p>After discussions, it was resolved as under:</p>		
Action: ED(P&GS)	<p>RESOLVED: (i) "that in order to provide house building loans to maximum number of applicants, the maximum advance of 80 months basic pay be reduced to 48 months basic pay."</p>		
Action: ED(P&GS)	<p>(ii) "that the officers availing house building loans would be insured, to cover the liability of the borrower, in the event of his/her death."</p>		
Action: ED(P&GS)	<p>(iii) "that mark up, on all the outstanding balances of existing and future loans including house building loans, conveyance loans, two months salary advances, would be charged at the rate of 12% p.a. with immediate effect, however no mark up would be charged to those borrowers, who do not avail mark up on balances, to the credit of their Provident Fund account. Further no mark up would be charged on payment of house rent advance to the officers on transfers."</p>		

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	<p>ITEM (12) CONSIDER/APPROVE APPOINTMENT OF SECRETARY STATE LIFE INSURANCE CORPORATION EMPLOYEES CONTRIBUTORY PROVIDENT FUNDS. Executive Director(B&A)'s Memorandum dated: 19-04-2001.</p> <p>26. ED(B&A) presented before the Board, a Memorandum to consider and approve the proposal of the Administrators of the State Life Insurance Corporation Employees Contributory Provident Fund under Regulation 4(2) of the said fund, to appoint Mr. Mushtaq Ahmed(CPF), as Secretary of State Life Employees Contributory Provident Fund, in place of Mr. Rehmat Iqbal, Deputy Manager(CPF). Accordingly, it was resolved as under:</p> <p>RESOLVED: "that proposal of the Administrators of State Life Insurance Corporation Employees Contributory Provident Fund, to appoint Mr. Mushtaq Ahmed, Manager(CPF) as Secretary of the Fund in place of Mr. Rehmat Iqbal, Deputy Manager(CPF), as presented by ED(B&A), be and was hereby approved as per Regulation 4(2) of the said Fund."</p> <p>ITEM (13) CONSIDER/APPROVE POLICY FOR PLACEMENT OF FUNDS AND OPENING OF ACCOUNTS FOR NORMAL BANKING TRANSACTION WITH SELECTED FOREIGN AND LOCAL PRIVATE BANKS. Executive Director(Inv.)'s Memorandum dated: 20-04-2001.</p> <p>27. The Board at its 159th meeting held on 26th January, 2001, approved in principle, 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 State Life investment portfolio. However, the Board had instructed that before implementing the above decision, 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 at its next meeting for approval.</p> <p>28. ED(Inv.) presented before the Board, a Memorandum for consideration/approval of points to be considered in formulation of a policy for selection of banks.</p> <p>After discussions, the Board resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that Executive Committee, be and was hereby authorized, to approve criteria for selection of foreign and local private banks, after taking into consideration the Government instructions, if any, in this regard and ensure security, safety and profitability of State Life's funds."</p> <p>(ii) "that the Executive Committee, may consider and if deem fit, approve the following criteria, suggested by the Investment Division for selection of three foreign and three local private banks:</p> <p>I - Foreign Banks:</p> <p>(a) Minimum 'A' rating either by Standard and Poor or Moody's Investors Services. (b) Profitability during the last three years. (c) Rate of return offered.</p> <p>II - Local Private Banks:</p> <p>(a) Maximum 'A' rating by PACRA or any other approved local rating agency. (b) Profitability during the last three years. (c) Rate of return offered.</p>			

Action:
ED(B&A)

Action:
ED(INV.)

Action:
ED(INV.)

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	<p><u>III - Selection of Banks for normal banking transactions:</u> For selection of banks for normal banking transactions, the branch network of the banks will also be given adequate consideration.</p> <p>(iii) Deposits be placed with the banks, with top ratings, on the basis of the criteria mentioned in (ii) above and rate of return offered.</p> <p>(iv) Maximum amount of fund placed in a single bank should not be more than Rs.300 million.</p> <p>(v) Maximum tenor for fixed deposit to be placed in a foreign or a local private bank should not exceed five years.</p> <p>(vi) Performance of the banks to be reviewed annually, to ensure that they remain compliant with the selection criteria outlined in the policy, based on which, the list would be updated every year.</p> <p>(vii) Foreign bank would mean a bank, whose Head Office is at a foreign location and is operating in Pakistan, as a branch extension. A bank whose Head Office is at a foreign location, but has been locally incorporated, would be classified as a local private bank. A bank whose Head Office is in Pakistan, would also be classified as a local private bank.</p> <p>ITEM (14) CONSIDER/APPROVE PROPOSAL FOR ENHANCEMENT OF FINANCIAL POWERS OF EXECUTIVE COMMITTEE FROM RS.50 MILLION TO RS.100 MILLION TO MAKE <u>INVESTMENTS IN TERM FINANCE CERTIFICATES (TFCs).</u> Executive Director(Invt.)'s Memorandum dated: 20-04-2001.</p> <p>29. ED(Invt.) presented before the Board, a Memorandum, proposing that the limit of the Executive Committee to approve investment in TFCs, be increased from Rs.50 million to Rs.100 million.</p> <p>After discussions, the Board resolved as under:</p> <p><u>RESOLVED:</u> "that the limit of the Executive Committee, to approve investment in TFCs, be and was hereby increased from Rs.50 million to Rs.100 million per case."</p> <p>ITEM (15) CONSIDER/APPROVE IN PRIVATE PLACEMENT OF LISTED TERM FINANCE CERTIFICATES OF ASKARI LEASING LIMITED - ROLL OVER OF THE SHORT TERM PAPER. Executive Director(Invt.)'s Memorandum dated: 16-04-2001.</p> <p>30. ED(Invt.) presented before the Board, a Memorandum, for rolling over of Rs.100 million, placed earlier in December 2000, in the unlisted short term Term Finance Certificates for six months, to the newly listed TFCs for four years duration at 13.75% p.a., with mark up payable, on a monthly basis in arrears, calculated on the basis of 360 - day year (effective rate 14.65% p.a. exclusive of any participation fee). The security for the Term Finance Certificates, would be first exclusive charge, with a 25% margin, over a pool of "cherry picked" cars, leased to lessees from time to time and first exclusive assignment of lease rentals, due from the "cherry picked" leased cars. The entity rating is short term A1 and long term A+ and instrument rating is expected to be AA or higher. The return on the TFCs, shall be subject to income tax, in accordance with the laws of Pakistan.</p>		

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Action: ED(INV.)	<p>31. The Board instructed, that the above proposal, be put before the Executive Committee, for review and necessary approval, as it was now within the approval limit of the Executive Committee after enhancement of its limit to Rs.100 million from the previous Rs.50 million.</p>		
	<p>ITEM (16) CONSIDER/APPROVE IN PRIVATE PLACEMENT OF LISTED TERM FINANCE CERTIFICATES OF ATLAS LEASE LIMITED. Executive Director(Invt.)'s Memorandum dated: 20-04-2001.</p> <p>32. ED(B&A) presented before the Board, a Memorandum, for approval of investment in listed TFCs of Atlas Lease Limited, upto Rs.25 million with semi annual coupon rate of 15% p.a. for a five year tenor. The entity rating is A-, whereas short term rating is A2 by PACRA, however it is expected, that the instrument would get rating of A. The principal would be repaid, in six equal semi annual installments, the first falling due, 30th month after the issue date. The TFCs would be secured by first pari passu charge on leased assets and associated lease rentals of Atlas Lease Limited.</p>		
Action: ED(INV.)	<p>33. The Board instructed, that the above proposal, be put before the Executive Committee, for review and necessary approval, as it was now within the approval limit of the Executive Committee after enhancement of its limit to Rs.100 million from the previous Rs.50 million.</p>		
	<p>ITEM (17) CONSIDER/APPROVE IN PLACEMENT FUNDS OF LISTED TERM FINANCE CERTIFICATES (GULISTAN TEXTILE MILLS LTD.) Executive Director(Invt.)'s Memorandum dated: 20-04-2001.</p> <p>34. ED(Invt.) presented before the Board, above three Memorandums for consideration and approval of investment ranging for Rs.25 million to Rs.100 million in TFCs of different companies. Keeping in view the decision regarding enhancement of financial powers of the Executive Committee upto Rs.100 million per case as mentioned under item 14 (para - 26) the Board did not consider these items.</p>		
Action: ED(INV.)	<p>35. The Board instructed, that the above proposal, be put before the Executive Committee, for review and necessary approval, as it was now within the approval limit of the Executive Committee after enhancement of its limit to Rs.100 million from the previous Rs.50 million.</p>		
	<p>ITEM (18) CONSIDER/APPROVE IN PLACEMENT OF FUNDS LISTED TERM FINANCE CERTIFICATES (ENGRO CHEMICALS PAKISTAN LIMITED). Executive Director(Invt.)'s Memorandum dated: 20-04-2001.</p> <p>36. ED(Invt.) presented before the Board, a Memorandum, for consideration/approval of investment upto Rs.500 million, in private placement of redeemable capital, in the form of Term Finance Certificates (TFCs) of 12 months tenor of Engro Chemicals Pakistan Limited, with a floating rate of return, that would be 2% higher than the coupon rate, on the last State Bank of Pakistan, auction of the five year Pakistan Investment Bond, payable semi annually in arrears. It is expected, that the instrument would get rating of AA or higher by PACRA.</p>		
	<p>37. Engro Chemicals Pakistan Limited can call the private TFCs for conversion into listed TFCs any time, during the tenor or on maturity of the private TFCs. The expected profit would be paid till the date of exercising the call option.</p>		

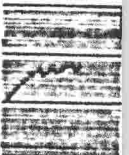
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<p>38. The TFCs would be secured by first pari passu floating charge and equitable mortgage overall present and future fixed assets of Engro Chemicals Pakistan Limited. The purpose of the TFCs, was to finance the acquisition of 90 - 100 % of the outstanding shares of Pak Saudi Fertilizers Limited. Risk factor are (a) overall demand risk (b) increase in gas price and (c) loss in market share.</p>			
<p>39. The Board instructed, that the above proposal, be first put up before the Executive Committee, for consideration and thereafter the same be put up with their recommendation to the Board for consideration/approval.</p>			
<p>ITEM (19) <u>INCOME TAX MATTERS.</u> ED(B&A)'s Memorandum dated 26th April, 2001</p>			
<p>40. ED(B&A) presented before the Board, a position paper, informing the Board that an amount of Rs.2.5554 billion was refundable, as on 31-12-2000, by the Income Tax Authorities to State Life, which was due to following:</p>			
<p>(a) Excess deduction of withholding tax u/s 50 during the assessment year 1993/94 to 2001/2002 inclusive.</p>			
<p>(b) Delay in finalization of income tax assessments of the Corporation.</p>			
<p>(c) Assessment was made by the Income Tax Department for the assessment year 1997/98 u/s 80-D in the year 2000. Further rectification of assessments for the assessment years 1993/94 to 1996/97 inclusive, u/s 156, has also been subsequently done by applying Section 80-D instead of assessment u/s 26(a). The Corporation has filed appeals before the Appellate Tribunal.</p>			
<p>41. ED(B&A) informed that the matter was taken up with the CBR, through the Ministry of Commerce, vide State Life letter dated 21-12-2000 which was followed by a meeting of the Chairman/other officials of State Life/Ministry of Commerce, with the Member Income Tax, Central Board of Revenue on 08-01-2001 at Islamabad. As a result, of that meeting with the officials of CBR, the following actions have so far been taken by the Income Tax Department:</p>			
<p>(a) Exemption certificate No.DCIT/CIR.A-1/COS-III/2000/2001/287 dated 15-01-2001, applicable to all Government Securities has been issued to State Life valid till 30-06-2001, which earlier was issued applicable only to Special Government Bonds and that too was likely to be withdrawn by the Income Tax Authorities.</p>			
<p>(b) The process of income tax assessment for the assessment years 1998/99 to 2000/2001 has begun and necessary data as required by the Income Tax Department has been supplied by State Life to them. These assessments are expected to be finalized soon, on the basis of which, the excess amount deducted will be determined by the Income Tax Department for refund to State Life.</p>			
<p>(c) Income Tax Department is being followed up by State Life for speedy finalization of assessment orders for the assessment years 1998/99 to 2000/2001.</p>			

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Action:
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42. The Board was also informed, that State Life has written about the following issues to the Ministry of Commerce for taking it up with the Ministry of Finance/CBR, for their consideration and also for incorporation in the Federal Budget for the year 2001-2002:

- (a) Amendment in Section 80-D of the Income Tax Ordinance, 1979, in the ensuing Budget to make it clear that Section 80-D does not apply to life insurance business.
- (b) For amendment in the present rate of presumptive tax, being deducted from commission earnings of the field workers from 10% to 5%.

43. After discussions, the Board, expressed its anxiety over the above issue and desired that the State Life management should explore the possibility of early completion of outstanding assessments, taking up the matter with the Tax Ombudsman for settlement of the above issues and for refund of the due outstanding amount, so that it could be invested by State Life and income generated there against.

The meeting ended with vote of thanks to the chair.


CHAIRMAN

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