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| | KARACHI | 29$^{TH}$ JUNE, 2001 | |

## CONFIDENTIAL AND RESTRICTED

The one hundred and sixty first (161$^{st}$) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 29$^{th}$ June, 2001 at 3:00 p.m., at Board Room State Life Building No.9, Principal Office, Karachi.

**PRESENT:**

| | |
|---|---|
| 1. Mr. Samee-ul-Hasan | Chairman |
| 2. Mr. Azhar Ali Malik | Director |
| 3. Mr. Bashir Ahmed | Director |
| 4. Mr. Nessar Ahmad | Director |
| 5. Mr. Muhammad Sharif Ijaz Ghauri | Director |
| 6. Mr. Umar Ata Bandial | Director |
| 7. Air Marshal (Retd.) Sharbat A. Changazi | Director |
| 8. Mr. Akbar Ali Hussain | Board Secretary |

2. A letter dated May 19, 2001 was received from Mrs. Spenta Kandawalla, Director, informing the Board that since she would be out of the country until August 27, 2001, she would not be able to attend any meeting of the Board of Directors during that period. The Board granted her leave of absence.

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

4. The Chairman extended a warm welcome to Mr. Muhammad Sharif Ijaz Ghauri, Senior Joint Secretary, Ministry of Commerce, who was appointed to the Board by Notification No.3(10)/98-Ins.I dated: 11$^{th}$ June' 2001 issued by Ministry of Commerce, in partial modification of Ministry of Commerce earlier Notification No.11(25)/2000-Ins.II, dated: 28$^{th}$ July' 2000, and was confident that Inshallah his presence on the Board would contribute to the quality of decisions.

5. The Chairman on behalf of the Board and on his behalf expressed appreciation of the services rendered by Mr. Salim Iqbal, Joint Secretary, Ministry of Commerce as Director of State Life and wished him all the best in his future endeavours. Mr. Salim Iqbal has been transferred and posted as Deputy Managing Director of Pakistan Tourism Development Corporation The following resolution was approved by the Board.

**RESOLVED:**

Action: Chairman

"that the Board expressed appreciation of the services rendered by Mr. Salim Iqbal, Joint Secretary, Ministry of Commerce as Director of State Life and wished him all the best in his future endeavours."

**ITEM (1) CONFIRMATION OF MINUTES OF 160$^{th}$ MEETING OF THE BOARD OF DIRECTORS HELD ON 28$^{TH}$ APRIL 2001**

6. The minutes of the 160$^{th}$ Meeting of the Board of Directors held on 28$^{th}$ April 2001 were placed before the Board.

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**Resolution (xvi) in Para 11 of Item No. 4-A on page 1959 of the minutes of the 160th Meeting of the Board of Directors held on 20th April 2001 be amended as follows:**

7. The Chairman proposed that the words "unless a suitable person can be found" be incorporated after the word "vacant" in the above resolution passed at the 160th Meeting of the Board which was agreed to by the Board. The resolution would now read as follows:

Action: ED(P&GS)

"that the proposal of keeping one post of Executive Director, with the portfolio of Individual Life Marketing and Field Manpower Development vacant, unless a suitable person can be found, be and was hereby approved."

8 Mr. Bashir Ahmed proposed and Air Marshal (Retd.) Sharbat A. Changazi, seconded that the minutes be confirmed with the above amendment.

Accordingly, it was resolved as under:

**RESOLVED:**
"that the Minutes of the 160th Meeting of the Board of Directors held on 28th April, 2001 be and were hereby confirmed with the above amendment."

**ITEM (2) RATIFICATION OF MINUTES OF 263RD MEETING OF THE EXECUTIVE COMMITTEE HELD ON 10TH APRIL 2001.**

9 The Minutes of the 263rd Meeting of the Executive Committee held on 10th April, 2001 was placed before the Board for ratification.

Accordingly, it was resolved as under:

**RESOLVED:**
"that the Minutes and decisions taken in the 263rd meeting of the Executive Committee held on 10th April, 2001 be and was hereby ratified."

**ITEM (3) CONSIDER/APPROVE AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2000 TOGETHER WITH AUDITORS REPORT THEREON.**

Executive Director(B&A)'s Memorandum dated 23rd June, 2001

10. ED(B&A) presented before the Board as required under Article 30 of the Life Insurance (Nationalization) Order, 1972 for approval, the audited Balance Sheet as at 31st December, 2000 and revenue accounts, profit and loss account, profit and loss appropriation account and cash flow statement for the year ended 31st December, 2000 alongwth notes to the accounts and the auditor reports thereon which were audited by a panel of Auditors namely: M/s. Yousuf Adil Saleem & Co., Chartered Accountants, Karachi; M/s.Taseer Hadi Khalid & Co., Chartered Accountants, Karachi; M/s.Riaz Ahmad & Co., Chartered Accountants, Lahore and M/s. Aslam Malik & Co., Chartered Accountants, Lahore for approval. The accounts of the Corporation at UAE were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai(UAE).

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# MINUTES OF 161ST MEETING OF THE BOARD OF DIRECTORS

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11 Letter No.19-58/2044 dated June 23, 2001 of the auditors addressed to the Board of Directors of State Life Insurance Corporation of Pakistan was also placed before the Board which was noted. The letter contained the view point of the auditors in respect of the following:-

a) Responsibilities of the auditors and the Board of Directors in relation to the financial statements
b) Liabilities for employees compensated absences and employees post retirement medical benefits
c) Actuarial valuation of life insurance fund
d) Timely preparation of financial statements
e) Investment in house property
f) Disclosures required by international accounting standards
g) Rate of charge of depreciation
h) Recognition of premium income
i) National accidental death insurance scheme
j) Observation on audit of Southern Region

12. In response to a query regarding not providing for liabilities for compensated absences and post retirement medical benefits amounting to Rs.434.840 million and Rs.433.852 million respectively in the financial statements, ED(B&A) mentioned that IAS 19 does not apply to the Corporation but this disclosure has been made for the sake of good order. IAS 19 applies only to listed companies. An application would be filed in due course with the tax authorities for allowing a special contribution to the pension fund to meet the short fall therein, and on approval of this application, the special contribution would be paid to the Pension Fund and debited to the Life Fund/Statutory Fund.

13. The Board appreciated the hard work of the Officers and Staff of B&A Division to ensure timely completion and audit of accounts enabling the Corporation to meet the dead line prescribed by the Insurance Ordinance 2000.

After discussion, the Board resolved as under:

**RESOLVED:**

Action: ED(B&A)

(i) "that the audited financial statements for the year ended December 31, 2000 together with auditors reports and the notes thereon presented for consideration and approval of the Board be and was hereby approved."

Action: ED(B&A)

(ii) "that the following items listed in the letter of the auditors to the Board of Directors in respect of the accounts for the year ended 2000 and as proposed by B&A Division be and were hereby approved:-

| | Rupees in "000" |
|---|---|
| Investments made during the year | |
| * Pakistan Investment Bonds | 4,508,000 |
| Sale/Transfer of Federal Investment Bonds | 730,125 |
| **Fixed Capital expenditure:** | |
| * Addition to House Properties | 60,655 |
| * Addition to Fixed Assets other than House Properties | 6,176 |

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Amount charged to revenue account in respect of:

| | |
|---|---|
| * Provision for Diminution in value of investments/provision for bad debts | |
| * Against unquoted and de-listed shares | 63,300 |
| * Holding in subsidiary companies | 13,800 |
| * Against the amount receivable from Privatization Commission | 4,100 |
| * Provision for gratuity and pension | 57,222 |
| * Voluntary Retirement Separation Scheme | 759,501 |
| * Premium written off | 163,067 |
| * Agent balances reversed | 60,965 |
| * Electricity, Gas, Water & Parking Charges recoverable from tenants outstanding for more then 6 months written off | 9,384 |

Action: ED(B&A)

(iii) "that Mr. Azhar Malik and Mr. Nessar Ahmed be and were hereby authorized to sign alongwith the Chairman and the Divisional Head (B&A), the annual accounts for the year 2000."

Action: ED(B&A)

(iv) "that the recommendation of the auditors that the Corporation should in future adopt a policy of making adequate provision for claims incurred but not reported either based on an actuarial valuation or on past experience of such claims be and was hereby approved and ED(B&A) was instructed to ensure compliance."

Action: ED(B&A)

(v) "that the recommendation of the auditors that the Corporation should carry out a detailed exercise to scrutinise long outstanding balances to ascertain whether these long outstanding assets are still realisable and liabilities appearing since considerable period of time are still obligations of the Corporation to reflect the correctness of assets and liabilities we and was hereby approved.

Action: ED(B&A)

(vi) "that ED(B&A) was requested to submit a detailed report to the Board on reversal of Rs.60.965 million debited to Agents Balances and credited to Group Premium Income and increase in liability arising there from on account of profit commission payable in Group Life portfolio."

**ITEM (4) CONSIDER/APPROVE ACTUARIAL VALUATION AS AT 31ST DECEMBER 2000 AND RECOMMENDATION OF BONUS TO POLICYHOLDERS FOR THE YEARS 1999 & 2000.**

General Manager(Actuarial)'s Memorandum dated 23rd June, 2001.

14 General Manager (Actuarial) presented before the Board a Memorandum of Actuarial valuation as at 31st December 2000 and recommendation of bonus to policyholders for the years 1999 & 2000 excluding UK Pound Sterling business. The actuarial valuation of State Life's UK Pound Sterling Business is to be carried out by the Appointed Actuary of State Life UK Branch, which has not yet been completed. The 2000 Actuarial Valuation is based on audited balance sheet as at 31st December' 2000 and revenue account for the year ended on that date.

15. According to the Insurance Ordinance, 2000, an insurer carrying on the business of life insurance is required to maintain a shareholders' fund, and separate statutory funds according to the classes of business written by the insurer. All life insurance funds, maintained under the repealed Insurance Act, 1938, are required to be converted into statutory funds by 31st December 2001. The Corporation had not converted the life fund into statutory funds as on the valuation date. Accordingly, the valuation has been carried out based on the life fund being maintained by the Corporation under the repealed Insurance Act, 1938.

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As a result of Actuarial Valuation, the position is as follows:-

(A) LIFE FUND & SURPLUS

| | (in Rs.000's) 1998 | 2000* |
|---|---|---|
| Life Fund as per Balance Sheet | 55,459,575 | 68,108,579 |
| Less Policy liabilities by Actuarial Valuation | 49,434,779 | 58,627,976 |
| Surplus | 6,024,796 | 9,480,603 |
| Less 2.5% to Shareholders | 155,775 | 242,418 |
| Balance available for policyholders | 5,869,021 | 9,238,185 |
| Less Cost of recommended bonuses | 5,862,810 | 9,204,708 |
| Carried forward, being reserved for policyholders | 6,211 | 33,478 |

*UK Pound Sterling business, consisting of only 48 policies in force, is excluded.

General Manager(Actuarial) submitted the following conclusions arising out of the study carried out for Actuarial Valuation as at 31st December 2000:-

(a) Trend of yield on life fund during the inter-valuation period compared with the last valuation.

| Year | Yield % | Year | Yield % |
|---|---|---|---|
| 1997 | 13.0 | 1999 | 15.35 |
| 1998 | 11.9 | 2000 | 12.83 |

(b) Trend of renewal expense ratio during the inter-valuation period compared with the last valuation.

| Year | Renewal expense ratio % | Year | Renewal expense ratio% |
|---|---|---|---|
| 1997 | 38.86 | 1999 | 44.86 |
| 1998 | 56.23 (39.6)* | 2000 | 57.34 (40.60)** |

* if the provision for pension and gratuity made is excluded
** if the VRSS expense is excluded

(c) Total number of individual life policies, sum assured and office premium in force as on 31st December 2000 compared with in force as on 31st December 1998:

| | 31st December 1998 | 31st December 2000* |
|---|---|---|
| No. of policies | 2,033,388 | 1,878,091 |
| Sum Assured | 109,924,138,698 | 105,524,779,714 |
| Office Premium | 6,339,899,849 | 6,001,069,664 |

* UK Pound Sterling business, consisting of only 48 policies in force, is excluded

(d) Provided the actual experience on investment income and mortality remains favourable, and provided expenses are controlled, the terms on which ordinary individual new business is currently being written are not likely to impair the bonus earning power.

General Manager(Actuarial) informed the Board that in the absence of any specific rules/regulations under the Insurance Ordinance, 2000, the valuation basis followed was as laid down by the Controller of Insurance, under the repealed Insurance Act, 1938.

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16. The Board appreciated the hard work of the Officers and Staff of Actuarial Division to ensure timely completion of valuation report enabling the Corporation to meet the dead line of the Insurance Ordinance 2000.

After deliberation on the recommendations made by the General Manager(Actuarial), it was resolved as under:

RESOLVED:

Action: GM(Act.)

(i) "that the Chairman, Mr. Bashir Ahmed, Director and Mr. Muhammad Sharif Ijaz Ghauri, Director be and were hereby authorized to sign the Valuation Report alongwith the Appointed Actuary to be submitted to SECP.

Action: GM(Act.)/ DH(PHS)

(ii) "that the Memorandum of GM(Act.) regarding actuarial valuation and recommendation of bonus to policyholders be and was hereby approved as follows:-

(B) BONUS FOR PAKISTAN RUPEE BUSINESS

### I. Whole Life and Endowments

For with profits policies in force for the full sum assured:

a) Reversionary bonuses per thousand sum assured per annum

| | 1997 & 1998 | | 1999 & 2000 | |
|---|---|---|---|---|
| | For First Five Policy Years | From 6th Policy Year Onwards | For First Five Policy Years | From 6th Policy Year Onwards |
| Whole Life | Rs.54 | Rs.91 | Rs.56 | Rs.98 |
| Endowments | | | | |
| 20 years and over | Rs.46 | Rs.83 | Rs.48 | Rs.90 |
| 15 to 19 years inclusive | Rs.33 | Rs.70 | Rs.35 | Rs.77 |
| 14 years and less | Rs.18 | Rs.55 | Rs.20 | Rs.62 |

b) Terminal Bonuses will be paid on claims by death or maturity in 2001, where more than 10 years' premiums have been paid. The rate will be Rs 30 per thousand sum assured for each year's premium paid in excess of 10 years subject to maximum of Rs. 600 per thousand sum assured (Same as 1998 valuation).

c) Special Terminal Bonuses will be paid on claims by maturity in 2001 where a FAMILY INCOME BENEFIT rider is in force at maturity, and has been in force for more than 10 years. The rate will be Rs 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB rider has been in force, subject to a maximum of Rs 200 per thousand basic sum assured (Same as 1998 valuation).

NOTE: Terminal and Special Terminal bonuses are especially sensitive to the future surplus of State Life. Hence no indication can or should be given of Terminal and Special Terminal bonuses, if any, which may be allowed on maturities or death claims after 2001.

d) Interim bonuses will be allowed till the next valuation, at the rates as mentioned in I (a) above, subject to 'D' below.

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## II. Anticipated Endowments

For with profits Anticipated Endowments/ Three Stage/ Three Payment policies of whatever type in force for the full sum assured:

a) Reversionary bonuses per thousand sum assured per annum

| | 1997 & 1998 | | 1999 & 2000 | |
|---|---|---|---|---|
| | For First Five Policy Years | From 6th Policy Year Onwards | For First Five Policy Years | From 6th Policy Year Onwards |
| 20 years and over | Rs.33 | Rs.58 | Rs.35 | Rs.65 |
| 15to19 years inclusive | Rs.23 | Rs.48 | Rs.25 | Rs.55 |
| 14 years and less | Rs.17 | Rs.42 | Rs.19 | Rs.49 |

b) They will not get Terminal bonuses.

c) They will get Special Terminal bonuses in FAMILY INCOME BENEFIT rider cases, as mentioned in I.(c) above. The Special Terminal bonuses will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

d) If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2001 which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (The figures within brackets indicate the previous rates, applicable to Survival Benefits which fell due in 1999 and 2000):

| Period between Survival Benefit due date and maturity date | Special Reversionary Bonus per Rs 1,000 Survival Benefit | Period between Survival Benefit due date and maturity date | Special Reversionary bonus per Rs 1,000 Survival Benefit |
|---|---|---|---|
| 20 years | Rs 3,165 (Rs 3,165) | 9 years | Rs 1,005 (Rs 1,005) |
| 18 | Rs 2,765 (Rs 2,765) | 8 | Rs 845 (Rs 845) |
| 16 | Rs 2,350 (Rs 2,350) | 7 | Rs 695 (Rs 695) |
| 14 | Rs 1,940 (Rs 1,940) | 6 | Rs 555 (Rs 555) |
| 12 | Rs 1,545 (Rs 1,545) | 5 | Rs 420 (Rs 420) |
| 10 | Rs 1,175 (Rs 1,175) | 4 | Rs 300 (Rs 300) |

e) Interim bonuses will be allowed till the next valuation, at the rates as mentioned in II (a) above, subject to 'D' below.

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**III. Sunehri (table 73), Shehnai (table 77) & Super policies (table 72)**

Bonuses under these policies are payable on Adjusted Opening Cash Value after the policy has acquired an Adjusted Opening Cash Value. Bonuses will be credited at the end of the Policy Year. Rate of Bonuses will be Rs. 125 per thousand per annum of the Adjusted Opening Cash Value after the policy has acquired an Adjusted Opening Cash Value. These bonuses will be payable when the Cash Value under the policy is payable. These bonuses will not be payable on Minimum Guaranteed Surrender Value.
The bonus rate mentioned above will be allowed till the next valuation.

Reversionary, Terminal, Millennium or any other bonuses recommended as a result of this valuation, will not be payable under these policies. However, bonus mentioned under VII below, if applicable, will be allowed.

**IV. Personal Pension Scheme (Table 71):**

Bonuses under Personal Pension Scheme, where "Pension" is being paid, will be allowed on the Pension payment. Pension payments will be increased by 8.0% from the policy anniversaries falling in the year 2001.

The bonus rate mentioned above will be allowed till the next valuation.

Reversionary, Terminal, Millennium or any other bonuses recommended as a result of this valuation, will not be payable under these policies.

**V. Specified Major Surgical Benefit:**

Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2000 valuation. The maximum benefit has been enhanced from Rs. 100,000 to Rs. 250,000. This benefit is available to all with-profit policies, which have been and are in full force for at least five complete policy years as at 31st December 2000. Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period 1st January 2001 to 31st December 2001 on account of a specified dread disease, the Corporation would pay 50% of the survival benefit, subject to a maximum payment of Rs. 250,000/-. The amount payable will be adjusted against future payments under the policy such as survival benefits, maturity or death claims. Details are given in Annexure "A" to the Minutes.

**VI. Millennium Bonus**

**All with-profits policies** in force for the full sum assured as at 31st December 2000 will receive Millennium Bonus . This is just a one time bonus. The rate of this bonus will be Rs 51 per thousand sum assured.

The cash value of Millennium Bonus will be payable on an in force policy if the following two conditions have been fulfilled:

i) The policyholder has actually paid at least five full years' premiums
ii) The policy has completed at least five policy years

However, in case of a death claim, these conditions will be waived and the Millennium Bonus will be payable.

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The policyholder will actually have to pay in 2001 the renewal premium due in 2001 in order to receive this one time Millennium Bonus. However, this condition of payment of premium will be waived for policies terminating in 2001 by death or maturity.

"Actual Payment" means payment in cash/ pay order/ bank draft/ cheque after it has been realized but excludes premium advanced under Automatic Premium Loan (APL) option.

**VII. Family Income Benefits where the life assured has died**

Family Income Benefit to heirs or nominees of the deceased life assured will be increased from policy anniversaries in the year 2002, under with profits policies, as follows:

| Year of Life Assured's death | Increase |
|---|---|
| 1999 or earlier | 15.0% |
| 2000 | 7.5% |

Note: The percentage increase will be allowed on the "actual present benefit including any increase of 15% or 7.5% made on policy anniversaries in the year 2000".

**VIII. East West Mutual etc.**

Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance and former East Pakistani companies will not get Terminal Bonus, Special Terminal Bonuses or Specified Major Surgical Benefit.

**C. BONUS RECOMMENDATION - FOREIGN CURRENCY POLICIES**

**I. UK Policies expressed in Pound Sterling**

As mentioned earlier, the Appointed Actuary of State Life's UK branch has not as yet carried out the actuarial valuation of UK Pound Sterling business and has, therefore, not recommended any bonuses.

**II. Policies expressed in US Dollar and Dirham**

The U.A.E. law requires Actuarial Valuation to be carried out every three years. Last Actuarial Valuation was carried out as at 31st December 1998. The next valuation is due on 31st December 2001. Accordingly, no bonus rates have been recommended as a result of this valuation to policies issued in U.S. Dollar and U.A.E. Dirham. However, interim bonuses will be paid on these policies at the rates as announced in 1998 valuation.

**D. NO CASH VALUE OF BONUSES UNTIL THREE YEARS PREMIUM HAVE BEEN PAID**

The Cash Value of Reversionary Bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:

i) The policyholder has actually paid at least three full years' premiums
ii) The policy has completed at least three policy years

However, in case of a death claim, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.

"Actual Payment" means payment in cash/ pay order/ bank draft/ cheque after it has been realized.

Cash Value of Millenium Bonus is payable as mentioned in para B (VI) above.

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ITEM (5) **CONSIDER/APPROVE APPOINTMENT OF STATUTORY AUDITORS OF THE CORPORATION AND THEIR REMUNERATION FOR THE YEAR 2001.**
Executive Director(B&A)'s Memorandum dated 22nd June, 2001

17. The Board of Directors at its 156th meeting held on 7th October, 2000 approved the constitution of Board Audit Committee comprising of Mr. Bashir Ahmed, Director as Chairman and Mr. Azhar Ali Malik, Mr. Nessar Ahmad and Mr. Umar Ata Bandial, Directors as Members.

18. One of the functions of the Board Audit Committee regarding external audit approved by the Board is (a) to devise for Board approval, a procedure for selecting the external auditors under Article 28 of LINO which should also be in conformity with any applicable provisions of the Insurance Ordinance, 2000 and (b) after approval of the procedure by the Board, to recommend auditors and their remuneration to the Board. The views of the Corporation's Budget & Accounts Division would be obtained before finalizing its recommendations in respect by the external auditors for any year. The above procedure is applicable to the appointment of auditors for the year 2001 and later.

19. In the 2nd meeting of the Board Audit Committee, held on 26th January, 2001, it was decided as under:

a) That for the year 2001 and afterwards, the audit of the Corporation will be carried out by a panel of two audit firms who will act as joint auditors and that, both of them will sign the audit report.

b) That the B&A Division be and was hereby instructed to submit in the next meeting of the Board Audit Committee technically pre-qualified list of 10 top firms of Chartered Accountants together with the proposed panel of auditors and suggested audit fee and out of pocket expenses for the year 2001. The calling of quotation was not necessary.

c) That the panel of firms of Chartered Accountants be rotated by adopting the principle of staggering i.e. out of the two, one is changed after two/three years.

d) That the auditors should discuss the scope of audit and audit plans with the management before the start of the annual audit.

20. Section 28 of the Life Insurance Nationalization Order, 1972 states that the accounts of the Corporation shall be audited by auditors duly qualified to act as auditors of companies under the law for the time being in force relating to companies, and that the auditors shall be appointed by the Corporation with the previous approval of the Central Government and shall receive such remuneration from the Corporation as the Central Government may fix.

21. Section 48 of the Insurance Ordinance, 2000 states that every insurer shall appoint an auditor who shall be (a) approved by the Security & Exchange Commission of Pakistan (SECP) as qualified to perform audits of insurance companies and (b) authorized under the Companies Ordinance, 1984 to perform audits of public companies.

22. Matter was discussed in the 3rd meeting of the Board Audit Committee, held on 13th April, 2001 and it was decided that Budget & Accounts Division be instructed to present to the Board Audit Committee in its next meeting, a memorandum with regard to the proposal for appointment of Statutory Auditors for the year 2001 for its consideration and recommendation to the Board of Directors after taking up the matter with SECP.

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23. B&A Division had written a letter to SECP to provide State Life a list of auditors approved by the Commission. The SECP was also requested that if the list has not yet been approved, the Corporation may be allowed for the time being, to use the "A" Category list of audit firms approved by State Bank of Pakistan for the audit of Banks/NBFIs having total assets above Rs.50 billion or having 100 or more branches. The reply to State Life's letter is awaited.

24. The list of auditors placed in Category "A" as finalized by State Bank of Pakistan under Banking Companies Ordinance, 1962 comprises of the following firms of Chartered Accountants:

a) M/s. A. F. Ferguson & Co, Karachi
b) M/s. Anjum, Asim Shahid & Co., Lahore
c) M/s. Avais Hyder Zaman Rizwani, Karachi
d) M/s. Ebrahim & Co., Karachi
e) M/s. Hussain Rehman, Karachi
f) M/s. Hyder Bhimji & Co., Karachi
g) M/s. Ilyas Saeed & Co., Lahore
h) M/s. M. Yousuf Adil Saleem & Co., Karachi
i) M/s. Muniff Ziauddin & Co., Karachi
j) M/s. Rahim Iqbal Rafiq & Co., Karachi
k) M/s. Riaz Ahmad & Co., Lahore
l) M/s. Taseer Hadi Khalid & Co., Karachi

The present panel of auditors engaged in carrying out audit of the books of accounts of the Corporation for the year ended 31st December, 2000 is as under:

| Name of Firm | | Engaged since |
|---|---|---|
| **M/s. M. Yousuf Adil Saleem & Co.,** | **Karachi** | **1996** |
| **M/s. Taseer Hadi Khalid & Co.,** | **Karachi** | **1999** |
| **M/s. Riaz Ahmad & Co.,** | **Lahore** | **1999** |
| **M/s. Aslam Malik & Co.,** | **Lahore** | **1999** |

25. The above firms of Chartered Accountants on the panel of State Life for the year 2000, with the exception of M/s. Aslam Malik & Co., are included in "A" Category list of auditors approved by State Bank of Pakistan. M/s. Yousuf Adil Saleem & Co. will be completing its term of 5 years audit of the Corporation with the finalization of annual accounts for the year 2000. Thus out of existing four firms of auditors, two firms are left i.e. M/s. Taseer Hadi Khalid & Co., and M/s. Riaz Ahmed & Co, which can be considered for appointment as auditors for the year 2001 as well and these are also included in "A" Category list of State Bank of Pakistan.
Accordingly, B&A Division proposed to the Board Audit Committee as follows:-

a) that M/s. Taseer Hadi Khalid & Co., Karachi and M/s. Riaz Ahmed & Co., Lahore be recommended by Board Audit Committee to the Board for approval as joint auditors for the year 2001.

b) that the total audit fee and total out of pocket expenses for these two firms may be considered and recommended to the Board for approval at the same level as was for the year 2000 i.e. Rs.1,000,000/- and Rs.600,000/- respectively for the four firms. This fee is being proposed with the assumption that audit of all the zones/accounting centres of the Corporation as was being done previously, will be carried out by the two firms, being appointed as joint auditors.

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c) that for the audit of accounts of the Corporation in respect of business operations at UAE, Kuwait and Saudi Arabia, the present statutory auditors for the year 2000 i.e. M/s. Sajjad Haider & Co., Dubai (UAE) be considered and recommended as auditors for the year 2001. M/s. Sajjad Haider & Co., Dubai (UAE) were re-appointed as auditor for the year 2000 after a gap of two years. In addition to performance of statutory audit, M/s. Sajjad Haider & Co., have also been assigned the job of Internal Audit at Dubai office, who have deputed exclusively separate staff for internal audit assignment.

d) that the audit fee and out of pocket expenses for UAE auditors may be kept at the same level as was for the year 2000 i.e. Dh.20,000/- and Dh.5,000/- respectively.

26. The Chairman of the Board Audit Committee, Mr. Bashir Ahmed, informed the Board that the above proposals were approved at the BAC Meeting held in the morning of 29th June, 2001, and accordingly he recommended their acceptance by the Board.

After deliberation, the Board resolved as under:

**RESOLVED:**

Action: ED(B&A)

(i)"that as recommended by the Board Audit Committee, the appointment of M/s. Taseer Hadi Khalid & Co, Chartered Accountants and M/s. Riaz Ahmad & Co., Chartered Accountants as Statutory Auditors of State Life for audit of accounts of business within Pakistan for the year ending 31st December, 2001 at an audit fee of Rs. 1,000,000 and out of pocket expenses of Rs.600,000 respectively be and was hereby approved subject to final approval by Federal Government under Article 28 of the Life Insurance (Nationalization) Order 1972. The total fee and out of pocket expenses are the same as were for the year 2000."

Action: ED(B&A)

(ii)"that the audit of all the Zones/Accounting centres of the Corporation as was being done previously will be carried out by the two firms being appointed as Joint Auditors."

Action: ED(B&A)

(iii) "that the appointment of M/s. Sajjad Haider & Co., Chartered Accountants, Dubai(UAE) as Statutory Auditors of the Corporation for audit of accounts of State Life Offices in UAE, Kuwait and Saudi Arabia for the year ending 31st December, 2001 at an audit fee of DH: 20,000 and out of pocket expenses of DH:5,000 respectively be and was hereby approved. The total fee and out of pocket expenses have been kept the same as were for the year 2000."

Action: ED(B&A)

(iv) "that the above audit firms would discuss the audit plan with the Management before finalizing the same."

**ITEM (6) CONSIDER/APPROVE PROPOSAL FOR DESIGNATING MR.MUHAMMAD MAZHARUDDIN, GENERAL MANAGER (ACTUARIAL) AS THE APPOINTED ACTUARY IN TERMS OF SECTION 26 OF THE INSURANCE ORDINANCE 2000.**
Executive Director(P&GS)'s Memorandum dated 21st June, 2001

27. ED(P&GS) presented before the Board a Memorandum for designating Mr. Muhammad Mazharuddin, General Manager(Actuarial) as the Appointed Actuary as per requirement of Section 26 of the Insurance Ordinance 2000.

28. Under Section 26 of the Insurance Ordinance 2000 every life insurer is required to appoint an Actuary as its appointed actuary. The responsibilities of the Appointed Actuaries are given in Section 27 of the Insurance Ordinance 2000. His duties are defined in Sections 6(8)(d), 6(8)(e), 16(5), 17(7), 21(3), 21(4), 22(10), 23(5), 23(6), 23(10), 24, 26, 2, 48(2)(d), 50, 51(3), 52(2)(a), 52(2)(b), 61(2), 89(3) and 92(5)(b) of the Insurance Ordinance 2000.

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29. There is an acute shortage of actuaries in the market. If we hire one for the job, his demand for remuneration would be too much. The other Life Insurance Companies are already paying to the actuaries very high rates.

30. Mr. M. Mazharuddin, General Manager, Actuarial Division is the only qualified Actuary working in the Corporation. He is a Fellow of the Institute of Actuaries, London and an Associate of the Society of Actuaries, USA. In addition he has attended many seminars abroad especially aimed at Appointed Actuaries. He is due to retire on 4th December 2002.

31. ED(P&GS) proposed that he may be designated as an Appointed Actuary under Section 26 of the Insurance Ordinance 2000 till 4th December, 2002. In addition to his responsibilities as General Manager Actuarial Division, he will perform the duties of the appointed Actuary. In view of his qualifications, experience and nature of additional duties, he may be paid an Appointed Actuary Allowance of Rs.20,000/- per month.

After deliberation, the Board resolved as under:

**RESOLVED:**

Action: ED(P&GS)

"that the proposal that Mr. Mohammad Mazharuddin be designated as an Appointed Actuary under Section 26 of the Insurance Ordinance 2000 till 4th December, 2002 in addition to his responsibilities as General Manager Actuarial Division and that in view of his qualifications, experience and nature of additional duties, he may be paid an Appointed Actuary Allowance of Rs.20,000/- per month be and was hereby approved."

**ITEM (7) CONSIDER/APPROVE PROPOSAL OF BONUS TO OFFICERS FOR THE YEAR 2000.**
Executive Director(P&GS)'s Memorandum dated 15th June, 2001

32. ED(P&GS) presented before the Board a Memorandum for approval of payment of bonus to officers for the year 2000. The annual budget for the year 2001 has the provision of bonus to officers for the year 2000.

33. The audited annual accounts for the year 2000 together with Auditors' Report thereon are being submitted as a separate agenda item for approval of the Board.

34. ED(P&GS) presented before the Board the details of bonus paid to the officers for the year 1999 and the current monthly basic pay of officers after salary revision which was as follows:-

| | | |
|---|---|---|
| i. | Total cost of bonuses to officers for the year 1999 which was paid @ 2 basic pay per officer. | Rs.25,679,763 |
| ii. | Current basic salaries of officers after Salary revision (as at 31-12-2000). | Rs.16,577,980 |
| iii. | Total basic salaries of officers after VRSS but Before salary revision as on 31-12-2000. | Rs.10,854,054 |

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After discussions it was resolved as under:

**RESOLVED:**

Action: ED(P&GS)

(i) "that the proposal for payment of bonus to officers who opted for the new scales and who are in the old scales on 31-12-2000 @ 1.60 month's basic pay and 2.33 month's basic pay respectively as at 31-12-2000 be and was hereby approved." The financial impact of disbursement of bonus will be Rs.26.53 million.

Action: ED(P&GS)

(ii) "that the proposal for payment of 75% of the amount of bonus in the 2nd week of July 2001 and remaining 25% of the amount of bonus in the 1st week of December 2001 before the Eid-ul-Fitr 2001 be and was hereby approved."

Action: ED(P&GS)

(iii) "that bonus for the year 2002 would be fully performance linked and a scheme for the same should be prepared by the Management and put up to the Board for approval.

Action: ED(P&GS)

(iv) "that bonus for the year 2001 would be partially on fixed basis and partially linked with performance as it would be a transition from flat basis to fully linked with performance basis with effect from the year 2002. The Bonus scheme for 2001 would be put up to the Board for approval as soon as possible.

**ITEM (8) CONSIDER/APPROVE IN PLACEMENT OF FUNDS LISTED TERM FINANCE CERTIFICATES (ENGRO CHEMICALS PAKISTAN LIMITED) TO FINANCE THE ACQUISITION OF PAK SAUDI FERTILIZER LIMITED.**
Executive Director(Invt.)'s Memorandum dated:

35. ED(Invt.) had presented before the Board at its last meeting held on 28th April, 2001, 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 then 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.

36. Engro Chemicals Pakistan Limited had the option to 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.

37. 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.

38. The Board had instructed, that the above proposal, be first put up before the members of the Executive Committee, for consideration and thereafter the same be put up with their recommendation to the Board for consideration/approval.

39. On 29th May 2001, the representative of the Citibank, the arranger of the TFCs, made a presentation before the members of the Executive Committee.. The members of the Executive Committee inquired about the possibility of upward revision in mark up rate, defining a floor in mark up rate and rating of instrument in response to suggestions made by the Investment Division. In the same presentation the issue of commitment fee was also taken up with the representative of the Citibank.

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40. State Life has received new Term Sheet with revised Terms and Conditions along with a letter expressing intention to pay commitment fee as per details given below.

41. The difference between the changes proposed earlier by Investment Division and changes incorporated in new Term Sheets are as under:-

| **Changes proposed in earlier Term Sheet** | **Changes incorporated in revised Term Sheet** |
|---|---|
| (a)-Upward revision in mark up rate from Base+2.0% p.a. to | Not accepted, retained as it was, i.e. Base + 2.0% p.a. |
| (b)-Defining a floor in mark up | Accepted. Revised Term Sheet has a floor of 14% and a Cap of 18% p.a. |
| (c )-Commitment Fee | Accepted. Agreed to pay @ 0.50% p.a. payable quarterly. Commitment fee will be paid if ECPL is declared the successful bidder for PSFL's acquisition. The said fee will be applicable after a period of 90 days from the receipt of a firm commitment letter from SLIC, till the expiry of such a commitment. |

**Recommendations of Investment Division:**

42. Representative of Citibank and Engro Chemical Pakistan Limited had a meeting with representative of State Life and desired that State Life may participate for an amount of Rs.500 million. It is to be noted that the total tenor of the TFCs is 5 years inclusive of 1 year as a Privately Placed TFCs. Engro Chemical Pakistan Limited has the option of converting the privately placed TFCs into Listed TFCs any time during its tenor. The instrument is expected to be rated A-(A minus). The rate of return is Base + 2.0% with a Floor 14% and a Cap 18% p.a. Profit is payable semi-annually. Effective rate of return comes out 14.49% due to semi-annual profit payment considerations. The TFCs would be listed at Karachi Stock Exchange.

43. Board is requested to consider placement of funds in this proposed issue of TFCs as also the quantum of participation keeping in view the Terms and Conditions and the expected rating of the instrument.

After deliberations, it was resolved as under:-

**RESOLVED:**

Action: ED(Invt.)

(i) "that an investment of Rs.250 million in private placement of Term Finance Certificates of M/s.Engro Chemicals Pakistan Limited, of one year tenor to be subsequently converted into listed Term Finance Certificates of four year tenor-totaling five years having a rate of return of base + 2% with a floor of 14% and a cap of 18% p.a. payable semi-annually be and was hereby approved. Effective rate of return at present works out to 14.49% p.a. The above investment would be solely for the purpose of funding the acquisition of equity of Pakistan Saudi Fertilizer Limited by M/s.Engro Chemical Pakistan Limited and would be secured by first pari passu floating charge and equitable mortgage over all present and future fixed assets of M/s.Engro Chemicals Pakistan Limited."

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Action: ED(Invt.)

(ii) "that as agreed by Citibank Investment Banking Group, a commitment fee of 0.5% p.a. payable quarterly from the date of issuance of commitment letter by State Life till the expiry of such a commitment i.e. disbursement of funds."

Action: ED(Invt.)

(iii) "that the approval in (i) and (ii) above is subject to announcement of a favorable fertilizer policy consistent with assumptions on which the feasibility was prepared by M/s. Engro Chemical Pakistan Limited, other wise the proposal would be resubmitted to the Board for approval. In the case of announcement of favourable fertilizer policy, the commitment letter at (ii) above should be issued immediately.

Action: ED(Invt.)

(iv) "that the approval in (i) and (ii) above is subject to maintaining projected Debt/Equity ratio of Engro Chemical Pakistan Limited and Pakistan Saudi Fertilizer as a joint entity after acquisition at 59.41. Any additional fund required to maintain the above ratio would be in the form of equity so as to avoid over bidding for buyout of Pakistan Saudi Fertilizer Limited.

Action: ED(Invt.)

(v) "that ED(Investment) be and was hereby authorized to take all necessary steps to finalize and execute the agreement in this regard."

**ITEM (9) CONSIDER/APPROVE PLACEMENT OF FUNDS IN LISTED TERM FINANCE CERTIFICATES OF PACKAGES LIMITED (UNSECURED) AND PERPETUAL IN NATURE) SUBJECT TO PROVISION OF "NEGATIVE PLEDGE".**
Executive Director(Invt.)'s Memorandum dated

44. At this point, Mr. Samee-ul-Hasan left the Board Meeting in view of the provisions of Section 37(2&3) of the Insurance Ordinance, 2000. At the request of the remaining Directors, Mr. Bashir Ahmed presided over the meeting. Mr. Nessar Ahmed, Director disclosed that since he is the President of Crescent Investment Bank Ltd. which is the Trustee to the issue and has also made investment in the TFCs, he would not participate in the voting.

45. ED(Inv.) presented before the Board a memorandum to consider/approve a proposal for subscription in private placement of TFCs from First International Investment Bank Limited and Standard Chartered Bank who have been given mandate by M/s.Packages Limited to raise Rs.700 million to re-finance its BMR&E programme through issuance of 4 years listed Terms Finance Certificates which would be perpetual in nature. "M/s. Packages Limited intends to embark upon a BMR&E (Balancing, Modernization, Replacement & Expansion Programme) and thereby has planned to finance part of the capital expenditure through combination of Debt and Equity. The total cost of BMR&E has been estimated at Rs.1,156 million which has been planned to be financed as under:

| | |
|---|---|
| Debt: | |
| Through TFCs Private Placement | Rs. 550 million |
| Public Offer | Rs. 150 |
| **Total Debt** | **Rs. 700 million** |
| Internal Cash Generation | Rs. 564 million |
| **Total Cost** | **Rs.1156 million** |

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**Security against the Debt:**

46. The Instrument will be unsecured TFCs, but are subject to the provisions of "Negative Pledge" clause in the Trust Deed. The proposal to structure the above said TFC issue as unsecured has been examined in the Commission and the competent authority has been pleased to accede to your request in principle subject tot he condition that it will be indicated in bold letters in the prospectus that the TFCs are unsecured for information of the public.

47. In order to ensure that the deviation in instrument structure from the standard one w.r.t. Security against the debt (commonly TFCs are secured by creating First Exclusive charge or pari pasu hypothecation charge on fixed assets of the company) does not make it an unapproved investment under SRO 309(K)/70, legal opinion from Law Division has been sought, which is reproduced as under:-

"The Insurance Ordinance 2000 does not contain any provision regarding Term Finance Certificates, secured or unsecured. SRO 309(K)/70, however, provides that TFCs issued by any company incorporated in Pakistan is an approved investment. The SRO is silent about the underlying security of TFCs. TFCs could be secured or unsecured, it is upto the investor to evaluate the risk involved in such investment."

48. State Life had proposed to incorporate certain changes in the definition of Negative Pledge Clause in order to make it more investor oriented, however, the issuer has expressed its inability to incorporate any change in the definition of Negative Pledge and has explicitly stated to retain the same in its present form.

**Recommendations of Investment Division:**

49. The instrument is to be listed either both at the Karachi and at Lahore Stock Exchange or at any one of them, and is structured to make quarterly profit providing investors with a floating rate of return that will be 1.25% higher than the SBP discount rate with a floor of 13.5% p.a. and a ceiling of 17.0% p.a. The instrument has been rated "AA-(Double A minus), which denotes very high credit quality and very strong capacity for timely payment of financial commitments. The instrument is perpetual w.r.t. tenor with a call and a put option exercisable on January 15, 2005 and at the end of every four years thereafter. Therefore, the tenor of the instrument is 3.7 years for the first cycle. The aspect of being unsecured TFCs has been approved by SECP and cleared by the Law Division of State Life. In view of financials and credit rating, it was recommended that State Life may consider investing in TFCs of Packages Limited upto Rs.100 million subject to the clearance from Law Division w.r.t. documentation.

50. There would be a binding on Packages Limited to maintain Debt equity ratio at 60 : 40 which will be incorporated in the trust agreement by virtue of Negative Pledge Clause. The assumption that company will be able to maintain historical sales growth at 8% minimizes the likelihood of the company defaulting on its future debt obligations.

51. The risks involved are as follows:-

a. Capability to meet debt obligations rests with company's ability to maintain sales growth. Imbalanced tariff structure, Sluggish Economic Activity and Anomalies in Import Duties on paper board could effect the actual production of the unit.

b. There exists latent risk because of perpetual characteristic of the instrument with out any specified final maturity date with a call & put options exercisable on January' 15 2005 and at the end of every four years thereafter, whereby the company would only be paying profit on principal amount according to defined formula. This makes the instrument very much like a term deposit with an exception of charge on the assets of the company.

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52. The matter is being directly submitted to the Board instead of to the Executive Committee as the Chairman State Life is also on the Board of Packages Limited. The Board's attention is drawn to the provisions of S37(2) and S37(3) of the Insurance Ordinance 2000 which reads as follows:-

53. 37(2):-Except with the prior approval of the Board of Director at a regularly convened meeting by the vote of not less than two-third of the total number of directors, no insurer shall grant any loan or temporary advance to any firm or company in which any director, manager, actuary, auditor or officer of the insurer, any member of the family of such director, manager, actuary, auditor or officer has any interest as proprietor, partner, director, manager or managing agent:

54. Provided that no such approval shall be required if the loan is secured by a life policy issued by the insurer and is an amount not exceeding 80% of the surrender value of that policy.

55. 37(3):-The director concerned shall not vote at, or otherwise participate in the proceeding of the meeting of the Board considering the grant of any such loan or advance as is referred to in sub-section(2).

After deliberations, it was resolved as under:-

**RESOLVED:**

Action: ED(Invt.)

(i) "that as proposed, an investment of Rs.100 million in private placement of Term Finance Certificates of M/s. Packages Limited, to be subsequently listed on be Karachi and Lahore Stock Exchange Certificates of four year tenor and having a rate of return of base + 1.25% with a floor of 13.5% and a ceiling of 17% p.a. payable quarterly in arrears be and was hereby approved. Effective rate of return at present works out to 14.19% p.a. The Term Finance Certificates will be unsecured but to protect the investor's interests, will be subject to the provisions of "Negative Pledge" clause in the Trust Deed.

Action: ED(Invt.)

(ii) "that ED(Investment) be and was hereby authorized to take all necessary steps to finalize and execute the agreement in this regard."

**ITEM (10) CONSIDER/APPROVE ADDITIONAL BUDGET FOR THE PROPOSED INAAMI SCHEME FOR REVIVAL OF LAPSED POLICIES.**

Executive Director(B&A)'s Memorandum dated 21st June, 2001

56. At this point, Mr. Samee-ul-Hasan rejoined the meeting and resumed the chair.

57. ED(B&A) presented before the Board a Memorandum for approval of additional budget for the proposed Inaami Scheme in respect of campaign to be launched for revival of lapsed policies to enable the Corporation to motivate the policyholders whose policies have lapsed and collect additional renewal premiums which would help to reduce the expense ratio.

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58. Accordingly, with a view to motivate those policyholders, whose polices have lapsed, the Management has proposed an Inaami Scheme for Revival of Lapsed Policies. In the working paper prepared by the Management, two different "guesstimates" about the expected results of the proposed Inaami Scheme have been made. Scenario "A" is less optimistic while Scenario "B" gives a more optimistic view. Expectation of the success under both the scenarios is given as under:

| Year | Scenario "A" | Scenario "B" |
|---|---|---|
| 1999 | 15% | 15% |
| 1998 | 8% | 10% |
| 1997 | 3% | 7.5% |
| 1996 | 2% | 5% |

These scenarios have been prepared after consulting a cross-section of views.

59. In the year a similar process of "guesstimates" was used for the "101 Inaami Scheme" introduced in 2000 to encourage payment by 15$^{th}$ December, 2000 of renewal premium due in December, 2000. The actual result proved somewhat better than the "guesstimaets"

60. ED(B&A) further informed the Board that based on the above scenarios, estimated result as worked out by PHS Division with regard to the number of policies expected to be revived, their sum assured, renewal premium and the expected savings would be as follows:-

| | Scenario "A" | Scenario "B" |
|---|---|---|
| Total expected 3$^{rd}$ year & onward premium revived | 103,304,670 | 222,094,155 |
| Margin available on revived premium | 8,780,897 | 18,878,003 |
| Less: Prizes & Mailing costs | (7,000,000) | (7,000,000) |
| Less: Revival expense (125) per revived policy | (3,225,000) | (4,883,625) |
| **NET SAVINGS** | (1,444,103) | 6,994,378 |

61. The additional premium income may not be realized in practice, but the scheme seems a good "business risk".

62. It was informed that the above scheme was decided to be launched after the budget for the year 2001 was finalized and approved by the Board. Accordingly, no provision for these expenses was made in the budget proposal for the year 2001.

After discussions, it was resolved as under:

Action:
ED(B&A)/
ED(PHS)

<u>RESOLVED"</u>
"that the proposal of PHS Division, based on Scenario "B" above for allocation of budget of Rs.7.0 million and Rs.5.0 million for Prize & Mailing costs and for Revival Expenses respectively as per break-down given below be and was hereby approved."

| | | | |
|---|---|---|---|
| (a) | Prizes & Promotional Material | | |
| | - Prizes | 2.895 | |
| | - Printing & mailing cost of promotional material | 4.105 | 7.000 |
| (b) | Revival Expenses | | |
| | - Entertainment (officers) for late sitting | 1.673 | |
| | - Conveyance (officers) for late sitting | 0.735 | |
| | - Overtime (staff) | 2.476 | 4.884 |
| | Total | | 11.884 |
| | Rounded off to Rs.12.000 million | | |

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**ITEM (11)** **ANY OTHER ITEMS (WITH THE PERMISSION OF THE CHAIR).**

63. Mr.Muhammad Sharif Ijaz Ghauri, expressed his view point, that where ever there was a requirement to refer a matter to the Government for approval, the Board should not hesitate and send the same to the relevant Division be it Commerce, Finance or Establishment for necessary guidance/approval.

64. Mr. Muhammad Sharif Ijaz Ghauri, Senior Joint Secretary, Ministry of Commerce requested that the agenda papers be sent to the Directors at least one full week before the date of the meeting so as to give enough time to the Board Members to study the same.

The meeting ended with vote of thanks to the chair.

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*ANNEXURE-A*

## SPECIFIED MAJOR SURGICAL BENEFIT

**Accelerated payment of 50% of survival benefits**
**Subject to maximum accelerated payment of Rs.250,000.**

Specified Major Surgical Benefit, which was introduced for the first time at the 1992 valuation, will continue in 2001 as well. It provides a unique cover to the existing policyholders, free of cost. Basically it makes a lump sum payment if an eligible insured undergoes major surgery during 2001, due to any one of the six "specified surgeries" (as listed below). The lump sum payment provides badly needed financial assistance to help recoup some of the cost of major surgery. The cost of the benefit will be met out of the 2000 actuarial surplus.

The six "specified surgeries" for the purpose of this benefit are defined as follows:

1. **Coronary artery by-pass surgery:**
   Undergoing of open heart surgery to correct narrowing or blocking of two or more coronary arteries with by-pass grafts. Laser treatments and/or reliefs, balloon angioplasty and /or any other procedures not necessitating thoracectomy will be excluded.

   The coronary by-pass surgery must be a direct result of a diagnosis of definite coronary artery disease by accepted angiography.

2. **Surgery for a disease of the aorta:**
   The actual undergoing of open heart surgery for a disease of the aorta needing excision and surgical replacement of the diseased aorta with a graft. For the purpose of this definition, aorta shall mean the thoracic and abdominal aorta but not its branches.

3. **Replacement of a heart valve:**
   The replacement of one or more heart valves with artificial valves due to stenosis or incompetence, or a combination of these conditions. Valvotomy is specifically excluded.

4. **Major organ transplant:**
   The actual undergoing of a transplant of a heart, heart and lung, liver, kidney or bone marrow as a recipient.

5. **Craniotomy:**
   Any major neuro-surgical procedure on or in the brain, involving craniotomy.

6. **Cancer surgery:**
   Any major surgical procedure which is the direct result of cancer. For this purpose, cancer means a malignant tumor characterized by uncontrolled growth and spread of malignant cells and the invasion of tissue. Malignancy must have been evidenced by medical investigations. Excluded are: (a) non-invasive cancers in situ, (b) any skin cancers other than malignant melanoma; and (c) male prostate cancer if limited to the prostate.

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## DESCRIPTION OF BENEFIT

The specified major surgery benefit is being provided on with profit policies, which have been continuously in full force for five years. The amount of benefit will be 50% of the sum assured subject to a maximum of Rs. 250,000.

If the insured is covered under endowment type plans, such as Table 01 & Table 03, then 50% of the basic sum assured or Rs.250,000, whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.

If the insured is covered under anticipated endowment type plans, such as table 05, then 50% of future installment benefits (including basic maturity benefit) or Rs.250,000/- whichever is less, is payable in advance, on undergoing a specified surgery, which is adjustable from the survival installments or death, if earlier. The future survival benefits will be reduced by the specified major surgical benefit to adjust the advance payment on specified major surgery. In case, the insured dies before maturity then the balance of the specified major surgical benefit paid and not yet adjusted from survival benefits will be adjusted from death proceeds. Installments left with State Life will not be taken into account when computing the lump sum amount to be paid on a specified surgery.

In case of Joint Life Assurance plan (Table 06), 50% of the sum assured or Rs.250,000/- whichever is less, is payable in advance, if either of the insured lives undergoes a specified surgery, which is recovered on maturity or on earlier death of either of the insured persons.

In case of Child Protection Plan (Table 07), 50% of the sum assured or Rs.250,000/- whichever is less, is payable in advance, if the payor undergoes a specified surgery, which is recovered on maturity. No specified major surgical benefit is payable in respect of surgery on a "child" covered under table 07.

In case of Jeevan Saathi Plan (Table 19), 50% of the sum assured or Rs.250,000/- whichever is less, is payable in advance if either of the life insured's undergoes a specified surgery which is recovered on maturity, or on his/her death if earlier.

In case of Big Deal Policy (Table 14) the amount of the basic sum assured will mean Rs.25,000/- per unit. 50% of this basic sum assured or Rs.250,000/- whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.

## POSITION OF POLICY AFTER SPECIFIED MAJOR SURGICAL BENEFIT IS PAID

The policy will continue to participate in the profit of the Corporation, and bonus will accrue on the full sum assured as before. Premium payable under the policy, including extra if any, will continue to be paid by the policyholder, unaltered. Any rider attached to the policy and premium payable thereunder, will be unaffected by the payment of specified major surgical benefit.

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## CLAIM PROCEDURES

Evidence of having undergone a specified surgery will have to be provided by the claimant to the satisfaction of, and at no cost to State Life. The claimant will have to send his policy document and submit a personal statement. Confidential statements will also be required from the physician making the original diagnosis and the concerned surgeons, including the surgeon who performed the operation. State Life may require any additional proof to support the claim e.g. reports, test results, medical examination of the life insured etc. as it deems fit. The decision of State Life's Doctor, appointed for this purpose, will be final and binding.

If policy is assigned then the official discharge and permission in writing of the assignee must be obtained before any amount may be advanced to the insured.

If the policy has an irrevocable beneficiary, of the owner of the policy is not the insured then the official discharge and permission in writing must be obtained from the beneficiary/owner in writing before any amount can be advanced to the insured.

If the benefit is claimed under Joint Life Assurance Policy or Jeevan Saathi Policy then both the insureds must request that the benefit be paid.

## ELIGIBILITY

The age of the life insured must be between 20 and 65 at the date of the surgery.

The policy must have been continuously in full force for at least 5 years at the date of surgery.

The policy must be in force for the full sum assured, (that is not paid up for reduced sum assured) as at 31-12-2000 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31-12-2000 and revived subsequently.

Benefits are only payable on Pak Rupee policies.

The benefit is only paid on with profit policies.

## MISCELLANEOUS CONDITIONS

1. To obtain the specified major surgery surgical benefit, the date of surgery must be between 1st January 2001 and 31st December 2001.

NB: The question of surgery after 31st December 2001 will be considered at the time of the 2001 actuarial valuation.

2. Benefits will be paid only once to any one life. That is once any insured has obtained benefits under the specified major surgical benefit, he is not eligible for any further benefits on any subsequent surgery.

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3. Benefits will be paid only once on any policy. If any insured has received any specified major surgical benefits under a Joint Life or Jeevan Saathi Policy then neither he nor the other insured will be able to claim any subsequent specified major surgical benefit.

4. If the insured is covered under more than one policy, the maximum amount paid on all the policies together is limited to Rs.250,000/-. The specified major surgical benefit will be provided out of the policies in the date of issue order until the maximum benefit of Rs. 250,000 is reached. If the insured is covered under multiple policies and is eligible for surgical benefit, then the benefit will be paid (at 50% of the basic endowment benefits outstanding subject to maximum of Rs.250,000/-) from the policy issued first to the insured.

If the amount paid is less than Rs.250,000/- then amount will be paid from the second policy issued and so on subject to a total payment of Rs.250,000/-.

5. If the specified major surgical benefit is paid, it will affect the basic surrender value of the policy from which it is paid. The subsequent basic surrender value of the policy will be 50% of the basic surrender value of the policy had no specified major surgical benefit been paid (or more exactly, the basic surrender value of the policy will be reduced proportionate to the outstanding endowment benefits advanced). The total surrender value of the policy would be the reduced basic surrender value of the policy plus the surrender value of the accrued bonuses (which will not be affected by the payment of the specified major surgical benefit).

6. If there is a policy loan and/or APL on the policy, the specified major surgery payment will be first used to pay off the policy loan/APL outstanding.

The balance of the specified major surgical payment, if any, will be paid to the insured.

CHAIRMAN'S INITIALS