

MINUTES OF 162ND MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	11 TH AUGUST, 2001	

CONFIDENTIAL AND RESTRICTED

The one hundred and sixty second (162nd) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 11th August, 2001 at 10:00 a.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. Nessar Ahmad | Director |
| 4. Mr. Muhammad Sharif Ijaz Ghauri | Director |
| 5. Mr. Umar Ata Bandial | Director |
| 6. Air Marshal (Retd.) Sharbat A. Changazi | Director |
| 7. 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. A letter dated: 7th August' 2001 has also been received from Mr. Bashir Ahmed, informing that he also would not be able to attend the Board Meeting. The Board granted them 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.

ITEM (1) CONFIRMATION OF MINUTES OF 161ST MEETING OF THE BOARD OF DIRECTORS HELD ON 29TH JUNE 2001.

4. The minutes of the 161st Meeting of the Board of Directors held on 29th June 2001 were placed before the Board.

5. Mr. Muhammad Sharif Ijaz Ghauri suggested that apart from recording the decisions taken by the Board, divergent view points should also be recorded in future which was agreed to by the Board. Further more, it was suggested that working papers of the items to be considered should be sent in advance to give sufficient time to the Directors for study of the same.

Para-12 of Item No.3 on Page-1973 of the Minutes of the 161st Meeting of the Board of Directors held on 29th June, 2001 - Consider/Approve - State Life Annual Accounts for the year ended December 31, 2000 together with Auditors Report thereon.

The following paragraph be incorporated after para-12.

6. Mr. Muhammad Sharif Ijaz Ghauri pointed out that M/s. Alpha Insurance Company is a subsidiary company of State Life, because of the shareholding of State Life in Alpha and due to the fact that the Chairman of State Life is also the Chairman of M/s. Alpha Insurance Company, as such its accounts should have been disclosed alongwith the accounts of State Life. ED(B&A) informed that State Life, since inception has been following the cost method of showing shareholdings of its subsidiary companies in the annual accounts. However, the Board decided that the matter should be referred to the auditors for study and recommendation whether it was a requirement to disclose the accounts of M/s. Alpha Insurance Company, along with the accounts of the State Life which is the holding company.

Action:
Chairman

Action:
ED(B&A)

CHAIRMAN'S
INITIALS



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Action:
ED(B&A)

7. Mr. Muhammad Sharif Ijaz Ghauri also desired that the matter of continuation or otherwise of the business of general insurance which is against LINO by M/s. Alpha Insurance Company be examined and if not found in accordance with law, the possibility of divesting State Life shareholding in M/s. Alpha Insurance Company be looked into. The Chairman stated that it was not right to assume that any contravention of LINO had taken place. The position had subsisted for 28 years without any objection or query from any quarter.

APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS OF THE CORPORATION FOR THE YEAR ENDING DECEMBER 31, 2001.

Action:
ED(B&A)

8. Mr. Muhammad Sharif Ijaz Ghauri, also placed before the Board letter No.226/32/AR-IV/C/85 Vol-I dated: 07-08-2001 received from the office of the Auditor General of Pakistan regarding appointment of auditors for audit of accounts of State Life Insurance Corporation of Pakistan for the year ending 31st December 2001, copy of which by that time was not received by State Life. The Management was requested to respond to the above letter.

Para-31 of Item No.6 on Page-1983 of the Minutes of the 161st Meeting of the Board of Directors held on 29th June, 2001- Consider/approve proposal for designating Mr. Muhammad Mazharuddin, GM(Actuarial) as the Appointed Actuary in term of Section 26 of the Insurance Ordinance 2000.

The following sentence be added in para-31

Action:
ED(P&GS)

9. Mr. Muhammad Sharif Ijaz Ghauri suggested that an external Actuary be appointed as an Appointed Actuary independently or jointly with Mr. M.Mazharuddin, General Manager, Actuarial Division so that there could be independence and transparency in the reporting process.

Para-34 of Item No.7 on Page-1983 of the Minutes of the 161st Meeting of the Board of Directors held on 29th June, 2001 – Approval of Bonus to Officers for the year 2000.

The following sentence be added in para-34

Action
ED(P&GS)

10. Mr. Muhammad Sharif Ijaz Ghauri expressed his reservation and reiterated that the matter relating to revision of pay scales and payment of bonus to officers needs to be referred to the Finance Division for approval as done earlier in term of Government's standing instructions.

Para-51 of Item No.9 on Page-1988 of the Minutes of the 161st Meeting of the Board of Directors held on 29th June, 2001 – Consider/approve placement of funds in listed Term Finance Certificates of M/s.Packages Limited(Unsecured) and perpetual in nature subject to provision of negative pledge.

The following sentence be added in para-51

Action
ED(Inv.)

11. Mr. Muhammad Sharif Ijaz Ghauri recorded his reservation that the Corporation should be very careful in making investment in Term Finance Certificates of M/s. Packages Limited as they were unsecured.

12. Mr. Azhar Ali Malik proposed and Air Marshal (Retd.) Sharbat A. Changazi, seconded that the minutes be confirmed with the above amendments.

Accordingly, it was resolved as under:

RESOLVED:

"that the Minutes of the 161st Meeting of the Board of Directors held on 29th June, 2001 be and were hereby confirmed with the above amendments."

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ITEM (2) IMPLEMENTATION REPORT ON DECISION TAKEN IN THE - PREVIOUS BOARD MEETINGS.

13. The Board Secretary presented before the Board the implementation report on decisions taken at the 160th and 161st Meetings, of the Board held on 28th April' 2001 and 29th June' 2001 respectively which was noted.

Action:
ED(Inv.)

14. Mr. Mohammad Sharif Ijaz Ghauri also presented before the Board a copy of the Office Memorandum No.F.6(1)BR.II/2000-Vol-II-581 dated 21st July, 2001 of the Finance Division, Government of Pakistan whereby public sector enterprises and local/autonomous bodies were restricted to deposit their working balances in the following banks/DFIs:

1. National Bank of Pakistan
2. Habib Bank Limited
3. United Bank Limited
4. First Women Bank Limited
5. Industrial Development Bank of Pakistan
6. National Development Finance Corporation
7. Allied Bank of Pakistan Limited.

ITEM (3) RATIFICATION OF MINUTES OF 264TH MEETING OF THE EXECUTIVE COMMITTEE HELD ON 15TH MAY 2001.

15. The Minutes of the 264th Meeting of the Executive Committee held on 15th May, 2001 was placed before the Board for ratification.

Action:
Chairman/
ED(Law)

16. Mr. Muhammad Sharif Ijaz Ghauri also suggested that a person from the Ministry of Commerce be appointed on the Executive Committee to keep it abreast of day to day developments and instructions issued by the Government from time to time. The Chairman pointed out that the Board was given a very clear mandate at the time of its induction by a policy statement made by the Minister of Commerce whereby the Board was given full autonomy to operate within the prescribed laws. The Government may however give any directive to the Corporation under Article 25 of LINO which should cite that Article and be State Life specific. Before issuing such a directive, State Life may be asked for its views. If implemented, the directive would be published alongwith the accounts of the Corporation. The Chairman instructed that a copy of the policy statement given by the Minister at the first meeting of the new Board be circulated to all the Board Members alongwith details of various articles of LINO outlining the powers of the Board. It was also decided that there should be transparency and reasonableness in action without any malice and information should be disseminated to all the Government Organizations.

Accordingly, it was resolved as under:

RESOLVED:

"that the Minutes and decisions taken in the 264th Meeting of the Executive Committee held on 15th May, 2001 be and was hereby ratified."

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ITEM (4) CONSIDER/APPROVE REGISTRATION OF STATE LIFE WITH SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN.
Executive Director(Act)'s Memorandum dated 3rd August, 2001

17. ED(Act.) presented before the Board a Memorandum informing that under Section 6(1) of the Insurance Ordinance, 2000 ("the Ordinance"), every insurer is required to obtain from the Securities and Exchange Commission of Pakistan ("the Commission") a certificate of registration to carry on insurance business. However, under Section(6)2 of the Ordinance, State Life is deemed to be registered to carry on life insurance business in Pakistan until one year from the commencement date of the Ordinance, i.e. until 18th August, 2001. State Life is now required to apply for registration to Commission by 18th August, 2001. An application for registration to be submitted was put up for consideration and approval of the Board.

18. Under Section 11(3) of the Ordinance, an insurer registered under the Ordinance is required to pay to the Commission an annual supervision fee. State Life has earlier remitted the above fee of Rs.2,061,153 in July' 2001 to the Security Exchange Commission of Pakistan.

Accordingly, it was resolved as under:

RESOLVED:

(i) "that as recommended by ED(Act./Law), and as required under Section 6(1) read with 6(2) of the Insurance Ordinance 2000, the application for registration to be submitted to the Security Exchange Commission of Pakistan alongwith Annexure thereto be and was hereby approved."

Action:
ED(Act./
Law)

(ii) "that a synopsis of the reinsurance treaty with SwissRe be submitted to the Board at its next meeting."

Action:
ED(Act./
Law)

ITEM (5) CONSIDER/APPROVE STAFF STRENGTH OF THE CORPORATION.
Executive Director(P&GS)'s Memorandum dated 1st August, 2001

19. ED(P&GS) presented before the Board a Memorandum for consideration and approval of the proposal for revised staff strength of the Corporation.

20. ED(P&GS) proposed that the total strength of the Corporation be 4050, including 1350 officers and 2700 staff.


21. A comparison of existing and proposed staff strength is as follows:

<u>Existing</u>		<u>Proposed</u>	<u>Surplus/Deficit</u>
<u>Before VRSS</u>	<u>After VRSS</u>		
	<u>As on 31-12-2000</u>		
5411	4008	4050	- 42

22. Staff strength of International(Overseas) i.e. employees outside Pakistan are proposed to be 29. Out of 29 employees, 22 employees be local appointees in clerical cadre and 7 officers will be transferred from Pakistan. In addition 6 posts of Trainee Executives as proposed for the Actuarial Division, Principal Office.

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<p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p>	<p>23. It was proposed that Executive Director(P&GS) maybe authorized to make adjustment between various Zones/Regions/P.O./G&P/RED according to the changing requirements of the business.</p> <p>24. ED(P&GS) informed the Board that the grade-wise/designation-wise staff position will be submitted to the Executive Committee for approval.</p> <p>Accordingly, it was resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that the revised total strength of the Corporation be 4050, including 1350 officers and 2700 staff be and was hereby approved."</p> <p>(ii) "that as proposed, the staff strength of International(Overseas) i.e. employees outside Pakistan of 29 employees, out of which 22 employees would be local appointees in clerical cadre and 7 officers to be transferred from Pakistan be and was approved. In addition 15 and 10 posts of Trainee Executives for the Actuarial Division and Investment Division , Principal Office respectively be and was also hereby approved. The Board also decided that the Trainee Officers of Investment Division would be required to take up the qualifications of Chartered Financial Analysts under a scheme to be finalized by the Management.</p> <p>(iii) "that ED(P&GS) be and was hereby authorized to make adjustment between various Zones/Regions/P.O./G&P/RED according to the changing requirements of the business.</p> <p>(iv) "that the staff strength would be reviewed on an annual basis."</p> <p>(v) "that the grade-wise/designation-wise staff position will be submitted to the Executive Committee for approval."</p> <p>ITEM (6) CONSIDER/APPROVE PERFORMANCE LINKED BONUS SCHEME FOR OFFICERS FOR THE YEAR 2001. Executive Director(P&GS)'s Memorandum dated 3rd August, 2001</p> <p>25. The Board of Directors at its 161st Meeting held on 29th June' 2001, while approving the Bonus for Officers for the year 2000 at 1.60 months basic pay had resolved, interalia as follows:</p> <ol style="list-style-type: none"> i. 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. ii. 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. <p>26. ED(P&GS) presented before the Board the performance-linked plans for Individual Life and Group Life for 2001 given in Annexure 1 & II of his Memorandum. The flat proportion of bonus will be decided by the Board after the close of 2001 accounts, and is likely to be at half the rate that would have been applicable had there been no performance-linkage.</p>	<p>CHAIRMAN'S INITIALS</p> 	

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DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 11 TH AUGUST, 2001	TIME
<p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p> <p>Action: ED(P&GS)</p>	<p>27. The aim to have performance linked plan for bonus is to develop TEAM SPIRIT amongst the employees. All Zonal Officers would work as a Team. The Plan should Inshallah (i) motivate all Team Members to perform better, and encourage balanced performance; and (ii) help to break down functional barriers. Marketing people will have a direct interest in persistency. Under-writing, new business, accounts, internal audit and other functional people will look forward to the growth of FYP.</p> <p>28. Area Managers have their own incentive system, and will not get bonuses under this Plan.</p> <p>29. The plan for the year 2002 would be submitted to the Board well before the start of the year.</p> <p>After discussion, it was decided that for 2001 only (a) the requirement of minimum 5% growth in Individual Life FYP and 3% in Group Premium be relaxed. However, the FYP/ Group Premium must grow by at least the inflation rate, i.e. there must be some real growth net of inflation (b) the minimum 2nd year persistency requirement of 65% be relaxed to 60%.</p> <p>Accordingly, it was resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that the proposed performance-linked plans for Individual Life and Group Life as shown in Annexures A and B to these Minutes be and was hereby approved for the year 2001 only."</p> <p>(ii) "that the flat proportion of bonus will be decided by the Board after the close of 2001 accounts."</p> <p>(iii) "that as proposed Area Managers will not get bonuses under this plan as they have their own incentive scheme."</p> <p>(iv) "that the performance based bonus plan for the year 2002 should be submitted to the Board well before the start of the year."</p> <p>ITEM (7) <u>CONSIDER/REVIEW MARK-UP ON LOAN TO OFFICERS.</u> Executive Director(P&GS)'s Memorandum dated 2nd August, 2001</p> <p>30. The Board of Directors in its 160th meeting held on 28th April, 2001 considered the Memorandum of ED(P&GS) and inter-alia resolved as under:</p> <p>"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 charges 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 office on transfers."</p> <p>31. ED(P&GS) informed the Board that the Officers Association of the State Life has approached the management and stated that the existing loans were disbursed without interest or at low rates of interest on the basis of mutual understanding between Management and Officers Association. The officers have used up these loans and are regularly paying back on the basis of undertakings given by them in individual cases. They contend that new rate of 12% mark-up should not be applied on the outstanding balances of these loans.</p>		

CHAIRMAN'S INITIALS



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32. The loans/advances given to the officers from 19-8-2000 till 31-7-2001 were as follows:

House Building Loan	Conveyance Loan	Two months Advance	Car loan	Total
Rs.3,367,334	Rs.5,487,511	Rs.15,805,261	Rs.537,500	Rs.25,197,606

33. ED(P&GS) proposed that enhanced rate of 12% mark-up may not be charged on the outstanding balances of existing loans. However, all loans and advances including house building loans, conveyance loans, 2 months salary advances disbursed after 10.07.2001 should be charged the mark-up @ 12% per annum. No mark-up would be taken from those borrowers who do not avail mark-up on balances to the credit of their provident fund accounts. The estimated cost to shareholder's fund of the proposed concession, if granted would be Rs.180,000 p.m. approximately which will reduce gradually as loans are repaid.

Accordingly, it was resolved as under:

RESOLVED:

"that the proposal of ED(P&GS) not to charge enhanced rate of 12% mark-up on the outstanding balances of existing loans be and was hereby approved. However, all loans and advances including house building loans, conveyance loans, 2 months salary advances disbursed after 10.07.2001 should be charged the mark-up @ 12% per annum. No mark-up would be taken from those borrowers who do not avail mark-up on balances to the credit of their provident fund accounts."

Action:
ED(P&GS)

ITEM (8) REVIEW POSITION PAPER ON INCREASE IN PAID UP CAPITAL BY 30-06-2001 TO MEET THE LEGAL REQUIREMENT FOR CONTINUATION OF LIFE INSURANCE OPERATIONS IN UAE BY STATE LIFE.

Executive Director(B&A)'s Memorandum dated 2nd August, 2001


34. The Board of Directors at its 152nd Meeting held on 4th and 5th March' 2000 had approved the increase in Paid-up capital from Rs.350 million to Rs.750 million and ED(B&A) was authorized to take the matter with the Federal Government for the above increase to meet the requirement of UAE Government due by June 2001. The Federal Government was also requested to notify the increase in the authorized and paid up capital of the Corporation in the official Gazette. The shares certificates of Rs.400 million would be issued to the Federal Government as and when the same is approved and notified by the Federal Government and payment received there against.

35. ED(B&A) informed that the matter of release of supplementary grant of Rs.400 million by the Ministry of Finance, already approved by the ECC, to enable the Corporation to enhance its paid up capital from existing Rs.350 million to Rs.750 million, was discussed in a meeting held in Islamabad on 18th June, 2001, chaired by Mr. Javaid Zafar, Additional Secretary (Budget), Ministry of Finance which was represented by ED(B&A) on behalf of the Corporation. In the said meeting, it was decided that State Life would deposit on 30th June, 2001 the amount of dividend arising from Actuarial Valuation as at 31.12.2000, after approval of annual accounts and Actuarial Valuation as at 31.12.2000 by the Board of Directors of the Corporation in its 161st meeting which was scheduled for 29.6.2001 and thereafter Ministry of Finance would release supplementary grant of Rs.400 million in favour of State Life for increase in Paid up Capital by Rs.400 million within July, 2001.

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<p>Action: ED(B&A)</p> <p>Action: ED(B&A)</p> <p>Action: ED(G&P) ED(Intl.) ED(Inv.) DGM(RE.) DGM(Mkt.) GM(Act)</p>	<p>36. ED(B&A) further informed that after approval of the Annual Accounts for the year ended 31st December, 2000 and the actuarial valuation for the 2 years period ended on 31st December, 2000 by the Board of Directors in its 161st meeting held on 29th June, 2001, an amount of Rs.242.418 million was deposited by State Life in State Bank of Pakistan, Karachi for credit to the account of Govt. of Pakistan on 30th June, 2001 and Ministries of Finance and Commerce were accordingly informed the same day.</p> <p>37. State Life has now received copies of two letters dated 27th July, 2001 and 31st July, 2001 from Mr. Muhammad Saleem Shad, Assistant Eco. Adviser, Finance Division (copies attached), informing that the AGPR has been requested for preparing cheque for Rs.400 million in favour of State Life, advising the Corporation to arrange to collect the same, which is expected to be received shortly.</p> <p>38. Mr. Mohammad Sharif Ijaz Ghauri informed the Board that the funds have been released by AGPR which would be released in a couple of days to State Life. The Board appreciated the role of the Ministry in the above matter.</p> <p>39. The Board noted the facts presented.</p> <p>ITEM (9) PRESENTATION OF BUSINESS FIGURES FOR THE PERIOD ENDED 30TH JUNE, 2001 OF MARKETING, GROUP & PENSION, INTERNATIONAL, INVESTMENT & REAL ESTATE DIVISION. ED(G&P), ED(INT'L), ED(INV), DGM(MARKETING)AND DGM(RE) MEMORANDUM DATED 31-07-2001</p> <p>40. The Business Review Memorandums of DGM(Marketing), ED(G&P), ED(International), ED(Investment) and DGM(Real Estate) for business review of Marketing, Group & Pension, Overseas, Investment and Real Estate Divisions respectively for the period from 1st January 2001 to 30th June 2001 were submitted to the Board which were noted.</p> <p><u>Marketing Division:</u></p> <p>41. On year to date basis, the Corporation procured FYP of Rs.346.43 million as compared to Rs.318.14 million completed during the same period of last year, thus registering an increase of 9% over the corresponding period of last year.</p> <p>42. The Corporation collected Rs.172.31 million as second year premium, as compared to first year premium of Rs.318.14 million completed during the same period of last year. The second year persistency for the period January to June 2001 was 54.16%. The third year and later year's premium for the period January to June 2001 was Rs.1285.21 million with persistency of 73.36%.</p> <p>43. The Chairman explained that the decline in premium was due to the steps taken by the Corporation to rationalize field commission, removal/down grading of Area Managers having a strength of 20% but doing 8% of the total business of the Corporation and recession in the country's economy.</p> <p>44. The Board instructed that the next meeting would be held exclusively for discussing the targets, achievements and problems faced and their suggested solutions on all the business activities of the Corporation including Individual Life, Group Life, International Division, Investment Division and Real Estate at its next meeting. A half yearly statement should be prepared for plan wise policies in force, its sales, surrender and maturities together with details about various insurance plans..</p>	<p>CHAIRMAN'S INITIALS</p> 	

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Group & Pension Division:

45. The collection of premium for G&P business upto June 30, 2001 stood at Rs.470.502 million as compared to Rs.518.758 million, for the corresponding period of last year showing a decrease of 9.30%. G&P Division secured 39 new groups during this period having total premium of Rs.2.608 million as against 51 new groups having premium of Rs.10.390 million, for the corresponding period of last year showing a decrease of 74.90% in premium income under new groups. During the first half of the current year ending 30th June 2001, G&P Division lost 68 policies having total premium of Rs.8.838 million. The persistency of G&P Division was 89.33%.

Action:
ED(G&P)

46. It was pointed out that the decline in premium was due to cut throat competition from the private sector who were trying to buy their market share. Mr. Mohammad Sharif Ijaz Ghauri pointed out that efforts should be made by the management to request the Government to allow State Life first right of refusal before business of group insurance is given to a company other than State Life similar to that allowed to PNSC in the shipping sector.

International Division:

47. International Division has procured US\$0.6551 million FYP, during the period January to July 2001 as against US\$:0.7107 million for the corresponding period of last year showing a decrease of 8%. The policies sold by International Division during the period January to July 2001 was 589 as against 673, registering a decrease of 12% over the corresponding period of last year. Second year persistency achieved during the period is 60%, through collection of second year premium of US\$0.4260 million as against 48% of last year, through collection of second year premium of US\$:0.3094. Renewal premium collection is US\$1.6053 million as against US\$:1.2239 million showing an increase of 31% over the collection of last year, with Renewal persistency of 96% as against 73% of last year.

48. It was pointed out that the decline was due to change of sponsor in Kingdom of Saudi Arabia where now a new sponsor has been appointed and the business is expected to improve in the subsequent months. It is also planned to post Manager(Marketing) in Kingdom of Saudi Arabia, Kuwait and UAE which would bring about an improvement in business.

Investment Division:

49. Book value of the investment portfolio, which was Rs.64,841 million on December 31, 2000, is estimated to have increased to Rs.67,508 million as of June 30, 2001, reflecting an increase of Rs.2,667 million and percentage increase of 4.11%, during the six months ended June 30, 2001. State Life has invested Rs.16.606 billion till June 30, 2001 in Pakistan Investment Bonds of 10 years duration bearing interest at 14% p.a., either through auction and direct purchases through primary dealers. State Life is also increasing its exposure in the debt market and has invested Rs.250 million in TFCs of Dawood Leasing, Orix Leasing, ICI and SSGC during the first six months of the current year. Investment income is expected to be Rs.4.127 billion for the period January to June 2001.

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Action:
ED(Inv.)

50. A detailed discussion was held on whether State Life should make bids in Pakistan Investment Bonds in the auction to be held shortly. Mr. Nessar Ahmad expressed the view that due to foreign selling, substantial stocks have come to the market resulting in sharp decline in value of stocks. If the shares are not picked up by the institutional investors, the stock market may collapse which in turn will have adverse implications for the stock market where State Life has around Rs.6 billion at stake and privatization programme of the Government. While discussing the performance review, he stated that the four blue chip scrips besides HUBCO, i.e., PTCL, PSO, SSGC and SNGPL all owned by the Government of Pakistan have an earning yield of around 20% per annum approximately where as State Bank of Pakistan current discount rates is 13% per annum. This means that the earning yield of these scrips is more than 1½ times of the discount rate as such it was advisable to increase the pace of investment in the stock market in the shares of above institutions.

Action:
ED(Inv.)

51. The Board also decided that the Corporation should examine the question of disposal of non productive holding in the shares of companies which were not giving any dividend. Mr. Muhammad Sharif Ijaz Ghauri requested that details of portfolio investment alongwith market value, break up value of shares and dividends so far received against each investment be put up to the Board which was agreed.

Real Estate Division:

52. The net income of Real Estate Division, increased from Rs.17 million to Rs.80 million, during the period January to June 2001, over the corresponding period of last year, due to reduction in administrative expenses including staff and officers welfare expenses and that of VRSS.

Action:
DGM(RE.)

53. DGM(RE) informed the Board that about 80% of the total available rental space of 2.4 million was already on rent and efforts were being made to reduce the percentage of vacant space.

54. The Board instructed that the report of the professional valuer of State Life properties be put up to the Board at its next meeting.

ITEM (10) CONSIDER/APPROVE PAYMENT OF ENHANCED AMOUNT OF CONTRIBUTION OF RS.1.5 MILLION TO PAKISTAN INSURANCE INSTITUTE.

Executive Director(B&A)'s Memorandum dated 3rd August, 2001

55. ED(B&A) presented before the Board a memorandum informing that the Government of Pakistan has decided to re-structure and upgrade Pakistan Insurance Institute for imparting effective training and education to the employees in the insurance sector. A Working Group, headed by Chairman, Pakistan Reinsurance Company Ltd., was formed which presented a Concept Paper to the competent authority. Based on the recommendations of the Working Group, many decisions have been taken as has been communicated to the Corporation vide two letters of Ministry of Commerce both bearing No.11(29)/2001-Ins.II dated 10th and 12th May, 2001 (copies of the letter were presented to the Board Members). Besides Insurance Association of Pakistan, the three Insurance organizations i.e. State Life Insurance Corporation, Pakistan Reinsurance Company Limited and National Insurance Company Limited, have been advised to enhance their contribution from presently Rs.0.05 million to reviewed amount of Rs.1.5 million.

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56. ED(B&A) further informed that since enhanced contribution to the Pakistan Insurance Institute is to be made on the advice of the Federal Government, it may be appropriate to consider that the enhanced contribution to the Institute be made by debiting the same to the Shareholders' Fund. If agreed to by the Board, the payment of this contribution will resultantly reduce the Shareholders' Fund by the identical amount. At present, the amount of contribution which is nominal i.e. Rs.0.05 million is being paid from the Life Fund.

57. The matter was placed before the Board of Directors for consideration and approval of payment of enhanced contribution of Rs.1.5 million to Pakistan Insurance Institute out of the Shareholders' Fund.

Accordingly, it was resolved as under:

RESOLVED:

"that as proposed by ED(B&A) on the instructions of Ministry of Commerce, the payment of enhanced contribution of Rs.1.5 million to Pakistan Insurance Institute out of the Shareholders' Fund be and was hereby approved."

ITEM (11) REVIEW POSITION PAPER ON WINDING UP OF STATE ASSETS MANAGEMENT COMPANY (SAMCO).

Executive Director(Inv.)'s Memorandum dated 2nd August, 2001

58. ED(Inv.) presented before the Board a Memorandum informing the background of SAMCO which State Life had formed in collaboration with M/s. Beg Associates in May 1995 for marketing of Unit Linked Policies. Participation of State Life and Beg Associates in the shares of SAMCO was 90% and 10% respectively. A copy of the Board Memo submitted earlier alongwith a brief containing chronology of the events relating to formation and subsequent position of the company was presented again to the Board.

59. The Economic Coordination Committee of Cabinet (ECC) had decided in 1996 that SAMCO be wound up. Consequently various proposals for sale of SAMCO were considered but these could not materialize.

60. On April 27, 2000 a letter was sent to Joint Secretary (Insurance) Ministry of Commerce for review of the decision of ECC to wind up SAMCO besides seeking guidance of the Ministry on the said issue. In reply, the MOC advised that the Board of Directors of State Life may review and examine in greater detail the pros and cons of the issue keeping in view the decision of the ECC. Accordingly the Board of Directors in their 154th meeting held on 11th July, 2000 decided that the SAMCO be wound up and all necessary steps be taken for implementation of the decision without any delay.

61. The matter was subsequently discussed with Mr. Nasim Beg of M/s. Beg Associates(BA) and Ex-Chief Executive Officer of SAMCO. A letter dated 27-9-2000 was also received alongwith a draft agreement from M/s. Beg Associates for winding up SAMCO proposing as under:

- i. State Life shall assume responsibility of winding up of SAMCO and shall take over shares of BA in SAMCO at issue price.
- ii. BA shall be absolved of all rights and all obligations under agreements between State Life and BA and SAMCO and BA.
- iii. SAMCO shall pay the outstanding amount due to BA and the ex-employees including former CEO.
- iv. State Life to accept all responsibility for corporate actions required with regard to SAMCO.

Action:
ED(B&A)

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62. ED(Inv.) further informed the Board that it may be possible that after negotiation, Mr. Nasim Beg may agree to accept break up value of the shares in SAMCO. In the meantime United Bank Limited has approached State Life expressing its interest in acquiring majority of shares in SAMCO.

63. As per UBL's proposal State Life shall purchase and cause to be transferred to itself all issued shares of the company in the name of Beg Associates (Pvt) Ltd. UBL will take over management control and acquire 90% share holding from State Life in SAMCO with State Life remaining as a minority shareholder with 10% shares. However, subsequently UBL did not follow up its interest earlier shown in SAMCO after observing that ECC had already decided to wind up SAMCO.

Action:
ED(Inv.)

64. The Board was informed that M/s. Beg Associates are now pressing for payment of its 10% share of SAMCO. ED(Inv.) suggested that State Life may negotiate with M/s. Beg Associates to buy its shares in SAMCO and relieve M/s. Beg Associates from SAMCO. The SAMCO thereafter may either be wound up as earlier decided or if considered appropriate, the matter may be reviewed again by the Board of Directors.

65. Mr. Muhammad Sharif Ijaz Ghauri pointed out that immediate steps be taken for winding up of SAMCO as per the decision of ECC taken in 1997 which has been considerably delayed.

After deliberations,, it was resolved as under:

RESOLVED:

Action:
ED(Inv.)

(i) "that as proposed State Life should negotiate and buy over 10% shares of State Asset Management Company held by M/s. Beg Associates at a price not exceeding its break up value.:

Action:
ED(Inv.)

(ii) "that subsequent to implementation of the above decision, the Investment Division should put up a proposal to the Board for SAMCO for reconsideration which would then be submitted to the Ministry for clearance from the ECC."

ITEM (12) CONSIDER/APPROVE PROPOSAL FOR CONSTRUCTION OF THE STATE LIFE BUILDING PROJECT AT PLOT 61, JINNAH AVENUE, BLUE AREA, ISLAMABAD.

Divisional Head(RE)'s Memorandum dated 6th June, 2001

66. DH(RE) presented before the Board a memorandum to consider and approve construction of State Life Building project at plot No.61, Jinnah Avenue, Blue Area, Islamabad measuring 5120 sq.yd. area purchased from Capital Development Authority on November 14, 1992 on subsidized rates of Rs.12,800/- per sq.yd. fixed for government and public sector organizations. Capital Development Authority allotted this plot to State Life for the construction of 19 storeyed building in five years (i.e. from November 14, 1992 to November 14, 1997) Rs.71.581 million was the total cost of plot including land cost, registration fee and stamp duty etc. at the time of purchase. Formalities were completed for lease agreement and possession of plot during 1993-95.

67. State Life planned to construct a high rise commercial building on the captioned plot and initiated the processing in Dec.' 1992, by submitting proposals to the Ministry. State Life's Board of Directors in its 128th meeting held on March 10, 1996, approved the schematic design of Architects/Consultants M/s.Suhail & Pasha for this project who were awarded the consultancy services under an agreement made on April 8, 1996.

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68. Meanwhile the government issued a directive to stop all the projects in hand unless prior approval was obtained from the Government of Pakistan i.e. the Central Development Working Party/Economic Coordination Committee of the Cabinet. M/s. Sohail & Pasha had by that time completed 15% of the design work and were paid Rs.3.67 million as per agreement.

69. In June 1996 Real Estate Division prepared PC-1 of the project for 3 basement + ground + 18 floors, centrally airconditioned building having 280,000 sq.ft. area based on international standard/specification alongwith rich building finishes etc. with a total project cost of Rs.828.50 million. Various meetings were held in Planning & Development Division but the project did not get through till February, 1998.

70. Real Estate Division thereafter placed the matter before the Board of Directors in various meetings to decide the fate of the project while taking into consideration the deep recession in real estate market and decline in business activities in the country. The Board decided that further work on the new project be kept pending till improvement in the real estate market and only those new projects be pursued according to the need of State Life to house its own offices and only where there is a demand for office space on rental basis. Meanwhile GM(RE) was instructed to conserve the drawing of building projects for future use.

71. Capital Development Authority vide its letters Nos.CDA/EM-24(2157)/99/3094 & CDA/EM-27(2157)/92/3334 dated November 30, 2000 and December 19, 2000 respectively asked State Life to complete the building on the subject plot at the earliest as per item-8 of the allotment letter otherwise action would be taken as per terms and conditions of allotment and the allotment will be withdrawn. Real Estate Division requested Capital Development Authority vide letter dated January 1, 2001, to extend building construction period for five years i.e. from November 14, 1997 to November 14, 2002. In reference to State Life foregoing letter Capital Development Authority vide letter No.CDA/EM-24(2157)/92/227 dated January 24, 2001 extended the construction period of building upto November 14, 2001 subject to payment of Rs.4,812,800/- @ Rs.235/- per sq.yd. per annum (provisionally) as fee for extension of construction period, within one month from the issuance of their letter.


72. A meeting was held with Capital Development Authority's official on February 6, 2001 where State Life was informed that it cannot sell the plot without prior approval of Capital Development Authority and that too on its prescribed terms and conditions. In case of surrender of plot, State Life may lose substantial amount in the form of forfeiture of 10% of deposited payment for the plot plus annual ground rent and charges accrued on delayed payments which would amount to Rs.6.553 million (10% of plot original cost). Unrealized capital gain would also be lost as the recently assessed market value of the plot by M/s. Progressive Consultant is estimated to be Rs.564.5 million.

73. M/s. Suhail & Pasha (Architects/Consultants) have made a survey of notable high rise buildings in Islamabad and informed about the state of occupancy in them at an average of 93% to 96% (allowable margin of vacancy - 5%). It reveals from the foregoing that at the completion of the 1st phase of the captioned proposed building in 3 years, the maximum rentable area will be occupied in anticipation.

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	<p>74. Real Estate Division recommendations to the Board were as follows:</p> <ol style="list-style-type: none"> a. Retention of the plot to be the prime objective. b. Construction of the building in phases to comply with terms and conditions of the Capital Development Authority i.e. construction of ground plus 4 floors with 3 basements be taken in hand in the first phase and the rest of the building to be constructed as and when real estate market improves. c. The estimated cost of the first phase has been worked out as Rs.248 million, the break down of which was given as annexure to the Memorandum. d. The total estimated cost of the building has been worked out at Rs.426.36 million <p>Accordingly, it was resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that as proposed by DH(RE), construction of the building in phases to comply with terms and conditions of the Capital Development Authority i.e. construction of ground plus 4 floors with 3 basements be taken in hand in the first phase and the rest of the building to be constructed as and when real estate market improves at an estimated cost of the first phase worked out as Rs.248 million, the break down of which was given as annexure to the Memorandum be and was hereby approved with the total estimated cost for the complete project at Rs.426.36 million including consultation fees payable to M/s. Suhail & Pasha, Architects/Consultant of the Project."</p> <p>Action: DGM(RE.) ✓</p> <p>(ii) "that Chairman be and was hereby authorized to take all necessary steps in this respect. Including negotiation, finalization and execution of the agreement after due selection process with the selected bidder and release of mobilization advance."</p> <p>Action: DGM(RE.)</p> <p>(iii) "that Real Estate Division should explore the possibility of entering into a rental agreement with a third party on the basis of that entered into with USIS in the past whereby advance rental would be recovered against a firm commitment of taking on rent space to be made available on completion of the project. This would create necessary availability of funds for taking on construction of the project."</p> <p>Action: DGM(RE.) ✓</p> <p>(iv) "that Real Estate Division should also examine the possibility of obtaining further extension from the Capital Development Authority for completion of the project."</p> <p>ITEM (13) CONSIDER/APPROVE BONUS FOR THE YEAR 2000 TO OFFICERS WHO HAVE RETIRED FROM SERVICE ON 5-12-2000 UNDER THE VOLUNTARY RETIREMENT SCHEME OF THE CORPORATION. Executive Director(P&GS)'s Memorandum dated 3rd August, 2001</p> <p>75. The Board of Directors in its 161st meeting held on 29.6.2001 while considering bonus to the officers decided, inter-alia, as follows:</p> <ol style="list-style-type: none"> 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. 			<p>CHAIRMAN'S INITIALS</p> 

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- 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 before the Eid-ul-Fitr 2001 be and was hereby approved.

76. ED(P&GS) informed the Board that it was the practice of the Corporation that whenever the regular bonus is disbursed to officers the same is also released to officers who retired from the services on superannuation/and or resigned/terminated or died after having served the Corporation for the particular year for which the bonus has been declared. Further, during the VRSS settlement of the unionized staff, they were paid the regular bonus for the year 2000 at full rate i.e. 3.5 months basic pay as at 31.12.2000 per decision of the Board in 158th Meeting held on 9.12.2000. However, those officers who had opted for voluntary retirement/separation scheme and relieved from the services on 5.12.2000 were not paid bonus for the year 2000. This was due to the reason that the decision regarding bonus to officers for the year 2000 was announced on 29.6.2001 after the officers who had opted for the VRSS scheme were relieved.

77. 246 officers who were allowed retirement under VRSS on 5.12.2000 and were drawing old pay scales. The matter was placed before the Board to consider payment of bonus to such retired officers at the rate of 2.33 basic pay as at 5.12.2000 for the year 2000 on the lines of VRSS staff optees. The financial impact of the above proposal is as under:-

Total No. of officers Retired under VRSS On 5-12-2000.	Quantum of basic pay	Financial impact on calculation of bonus at the rate of 2.33 Basic Pay of 2000
246	Rs.2,662,699	Rs.6,204,089

Accordingly, it was resolved as under:

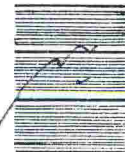
RESOLVED:

"that the proposal of paying bonus for the year 2000 at the rate of 2.33 basic pay to 246 officers, who were allowed retirement under VRSS scheme on 5-12-2000 and were drawing old pay scales, on a pro-rata basis upto 5th December, 2000 be and was hereby approved."

The meeting ended with vote of thanks to the chair.

CHAIRMAN

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ction:
ED(P&GS)

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Annexure A

Plan Description for Individual Life

As approved by Board at 162nd Meeting on 11 Aug 2001

In respect of year 2001 only

1. Period Bonuses for 2001 will depend on performance for that year, per Dec 2001 BPR.
2. Minimum Qualifying FYP growth and Second Year Persistency. The FYP growth in 2001 over 2000 must be at least equal to inflation, i.e there must be some real growth net of inflation. If a Sector/Zone/Region/Corporation fails to achieve this growth rate, then there will be no bonus for the Sector Head/Zonal Officers /Regional Officers' Team/Principal Office Individual Life Team.

BUT, if Zone's FYP in 2000 was less than "floor" of Rs.30 million, higher Minimum Qualifying FYP growth rate, upto a maximum of 10% net of inflation, will be required, on case to case basis, to be decided by PO. This higher Minimum for the Zone will also apply to its Sectors.

The Minimum Qualifying 2nd Policy Year persistency must be at least 60% in 2001. If a Sector/Zone/Region/Corporation fails to achieve this minimum persistency, then there will be no bonus for the Sector Head/Zonal Officers/Regional Officers' Team/Principal Office Individual Life Team.

3. Point system: Summary 3 items will be measured as follows:

1. Real % growth in FYP, net of inflation:	20 points
2. Second Year Persistency	10 points
3. Third and Later Years Persistency	10 points
Total of Maximum points for year 2001	40 points

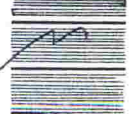
4. Point System: Details

Item	Minimum standard	Points, provided minimum standard achieved
1. <u>FYP</u> Real % increase in FYP over previous calendar year, calculated to nearer whole 1%. "Real" means net of inflation. See Note below.	At least some Real increase. But if Zone's FYP in 2000 is less than Rs 30 million, a higher Minimum Qualifying FYP growth rate will be required, on a case to case basis as decided by P.O.	For each 1% Real incr: 1 point. Maximum 20 points
2. <u>Second Year Persistency</u> To nearer whole 1% NB: Single premium policies sold in the previous year will be excluded while calculating 2nd year persistency.	Minimum 2nd year persistency in 2001: 60%	For each 1% 2nd Yr Persistency over 60%: 1 point Maximum 10 points
3. <u>Third and later Policy years' Persistency</u> To nearer whole %		For each 1% over 90%: 1 point Maximum 10 points NB: If Third and later Policy years' Persistency is less than 90%, then there will be zero points under this head

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<p><u>Note:</u></p> <p><u>Real Growth in FYP</u> This means growth in excess of inflation. For this purpose, inflation will be deduced from the official Consumer Price Index (CPI) for the 12 months ended 30 June of the previous year. Premium figures will be taken from the computerised BPR. Single Premiums will be counted @ 6% of the Single Premium.</p> <p>5. <u>Sector Heads' Performance Bonuses</u> will depend on performance of each sector.</p> <p>6. <u>Underwriters</u> irrespective of limits, will get 2nd year and Renewal persistency points earned by their Zones. But, their FYP points will be for Pakistan business as a whole.</p> <p>7. <u>Regional Chiefs and Officers in Regions</u> will be Regional Officers' Team. They will get Performance bonuses based on above calculation for whole Region.</p> <p>8. <u>Extension to Principal Office</u> For year 2001, all ED's, Divisional and Departmental Heads and Officers at P.O. will be part of the Principal Office Individual Life Officers' Team, (other than DH Group and Officers working exclusively in Group, for whom there is will be a separate scheme). Points of the P.O. Individual Life Officers' Team will be based on the above calculation for the entire Pakistan Individual Life business.</p> <p><u>Proviso in respect of Actuarial Division:</u> This Division performs a vital role in rating Group risks. So, its bonuses will be determined partly by Individual Life and partly by Group Life performance of the entire Corporation, in proportions to be decided by P.O.</p> <p>9. <u>Conversion of points earned into Bonus</u> Bonuses will be % of Officer's basic monthly salary as at the end of 2001. The percentage will be derived by multiplying the Sector/Zonal/ Regional/ Corporation points by 5.</p> <p><u>Illustration</u> A Zone earned 20 performance points in the year 2001, having completed the Minimum Qualifying FYP growth and Second Year Persistency requirements.</p> <p>Every Officer of the Zone, including the Zonal Head, but excluding Sector Heads, will get a bonus of $20 \times 5 = 100\%$ of basic monthly salary in Dec 2001.</p> <p>Each Sector Head's bonus as % of basic salary will be "Sector's points \times 5", subject to having completed the Min Qualifying FYP growth and 2nd Year Persistency.</p> <p>8. <u>Scheme extends to International Division</u> on same principles, with such modifications as deemed appropriate by Principal Office.</p> <p>9. There will be a <u>Separate Performance Based Bonus Scheme for Group Life</u></p> <p>10. <u>Separate Performance Bonus Schemes for Investment/Real Estate</u> will be designed for 2002 onwards. For Year 2001, they will get bonus on a combination of Individual Life and Group Performance for State Life's Pakistan business, in such proportions as decided by Principal Office.</p> <p>11. <u>If participant worked for less than the full calendar year</u> in the Team concerned, his bonus will be pro-rated according to the period served in the Team.</p> <p>12. <u>General Conditions</u> In the case of any doubt or clarification, Principal Office's decision will be final and binding on all concerned.</p> <p>The Scheme may be withdrawn or amended by Principal Office at any time.</p>			
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Annexure B

Plan Description for Group Life

As approved by Board at 162nd Meeting on 11 August 2001

In respect of Year 2001 only

1. Period

Bonuses will be declared for year 2001, depending on performance for that year.

2. Minimum Qualifying Real Group Premium growth and Profitability

The Group Premium growth in 2001 over 2000 must be at least equal to inflation, i.e. there must be at least some real growth net of inflation. If a Sector/ Zone/Corporation fails to achieve this growth rate, then there will be no bonus for the Sector Head/Zonal Officers/Principal Officers Group Team.

The Minimum Qualifying Profitability is 2.5% of the Premium. If a Sector/ Zone/Corporation fails to achieve this profitability, then there will be no bonus for the Sector Head/ Zonal Officers /Principal Officers Group Team.

3. Point system: Summary

The following system applies to bonuses to Group Officers for the year 2001. Three items will be measured under a point system with a minimum standard for each. There will be maximum of 40 points, allocated as follows:

1. Real % growth in Group Premium net of inflation:	20 points
2. Persistency	10 points
3. Profitability	10 points
Grand Total of Maximum points	40 points

4. Point System: Details

Item	Minimum standard	Points, provided minimum standard achieved
1. <u>Real % growth in Group Premium</u> over previous calendar year, calculated to nearer whole 1%. "Real" means net of inflation. See Note (i) below	At least some Real increase	For each 1% Real increase: 1 point. Maximum 20 points
2. <u>Persistency</u> Calculated to nearer whole 1%		For each 1% Persistency over 90%: 1 point Maximum 10 points NB: If persistency is less than 90%, there will be zero points under this head.
3. <u>Profitability</u> Calculated to the nearer ½ % See Note (ii) below	Minimum profitability: 2.5 of premiums	For each ½% profitability over minimum: 5 points Maximum 10 points

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Notes:

(i) Real Growth in Group Premium This means growth in excess of inflation. For this purpose, inflation will be deduced from the official Consumer Price Index (CPI) for the 12 months ended 30 June of the previous year. Premium figures will be actual collections only.

Illustration

Suppose actual Group Premium Collections in 2000 were Rs 250 million for a Zone

Increase in CPI upto 30 Jun 2000: 3.58% (Average CPI for July 1999 to June 2000 divided by average CPI for July 1998 to June 1999)

Therefore Minimum Qualifying Group Premiums for 2001 =

Rs 250 million × 1.0358 = 258.950 million

(ii) Profitability

This will be calculated on a true accrual basis, taking into account opening technical reserves, premium income, claims, expenses and closing technical reserves. The technical reserves should have adequate provision for (a) unexpired risks (b) incurred claims, whether paid or not (c) estimated IBNR ("Incurred But Not Reported") (d) estimated profit commission or experience refunds (d) any other payment made or accrued to the policyholder e.g investment return.

The Actuarial Division must certify the Profitability calculation for the Sector/Zone/ Corporation.

5. Sector Heads' Performance Bonuses will depend on performance of each sector.

6. Extension to Principal Office Group Officers' Team

The Principal Office Group Officers' Team will include the Divisional Head of Group, and Departmental Heads and Officers working under him. It will also include any ED whose responsibilities are limited to Group.

The Points of the Principal Office Group Team will be based on the above calculation for the Corporation's entire Pakistan Individual Life business.

Proviso in respect of Actuarial Division: This Division performs a vital role in rating Group Risks. To recognise this, the bonuses of the Actuarial Division will be determined partly by Individual Life and partly by Group Life performance within Pakistan of the entire Corporation. P.O. will decide the proportionate weight of Individual and Group.

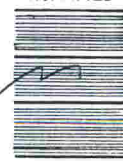
7. Conversion of points earned into Bonus

Bonuses will be a percentage of the Officer's basic salary as at the end of the relevant calendar year. The percentage will be derived by multiplying the points earned by 5.

Illustration The Zone earned 20 points for its performance in the year 2001. Multiply this by 5, making 20×5=100. The Zonal Head's and other officers of the Zone (excluding Sector Heads) Bonus will be 100% of his basic monthly salary as 31 Dec 2001.

Each Sector Head will get a performance bonus as a percentage of his basic monthly salary as 31 Dec 2001. The percentage will be 5 times the points earned by his sector.

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<p>8 <u>Pro-rated for service during part of a year</u></p> <p>If a participant in the Performance Bonus System worked for less than the full calendar year in the Team concerned, his bonus will be pro-rated according to the period served in the Team.</p> <p>9 <u>General Conditions</u></p> <p>In the case of any doubt or clarification, Principal Office's decision will be final and binding on all concerned.</p> <p>The Scheme may be withdrawn or amended by Principal Office at any time.</p>			
			<p>CHAIRMAN'S INITIALS</p> 