

MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 10 <sup>TH</sup> NOVEMBER, 2001	TIME
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**CONFIDENTIAL AND RESTRICTED**

The one hundred and sixty third (163<sup>rd</sup>) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 10<sup>th</sup> November, 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. Bashir Ahmed	Director
4. Mr. Nessar Ahmad	Director
5. Air Marshal (Retd.) Sharbat A. Changazi	Director
6. Mrs. Spenta Kandawalla	Director
7. Mr. Umar Ata Bandial	Director
8. Mr. Akbar Ali Hussain	Board Secretary

2. The Board was informed that on the afternoon of Thursday 8<sup>th</sup> November, 2001, a fax addressed to the Chairman was received from Islamabad, from our Director Mr. M. Sharif Ijaz Ghauri. In this, he stated that the Agenda and working papers were received by him on the 5<sup>th</sup> November, 2001, which left him insufficient time to study the papers in detail. Accordingly, he requested a postponement of the meeting

3. The Chairman, at that time was on a business tour of Mirpur and the fax was refaxed to him. He received it well after 5.00 p.m., while addressing a large Agency Meeting. Unfortunately it was not possible to postpone the meeting at that stage, because there was no time to advise the other Directors of postponement. In fact, one Director had already arrived from out station to attend the meeting. Also certain operational decisions needed to be taken urgently in the business interest of the Corporation.

4. The Agenda and working papers were dispatched on 2<sup>nd</sup> November, 2001 by TCS to Mr. M. S. Ghauri and should have reached him on the 3<sup>rd</sup> November 2001. Unfortunately the plane was unable to land at Islamabad because of fog as per the information supplied to us by the couriers.

5. A fax has been received from PS to the Chairman State Life Islamabad that he has been informed by Mr. Muhammad Afzal, PA to Mr. M. S. I. Ghauri, that Mr. M. S. I. Ghauri, will not be attending the Meeting. The Board granted him leave of absence.

6. 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 162<sup>ND</sup> MEETING OF THE BOARD OF DIRECTORS HELD ON 11<sup>TH</sup> AUGUST 2001.**

7. The minutes of the 162<sup>nd</sup> Meeting of the Board of Directors held on 11<sup>th</sup> August 2001 were placed before the Board.

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

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9. Item(6) of the Minutes of the 162<sup>nd</sup> meeting of the Board of Directors held on 11<sup>th</sup> August, 2001 - Para-6 of Annexure-B to the Minutes regarding Plan Description for Group Life -

The word "Pakistan Individual Life business" be amended to read "Pakistan Group Life business".

Accordingly, it was resolved as under:

**RESOLVED:**

"that the Minutes of the 162<sup>nd</sup> Meeting of the Board of Directors held on 11<sup>th</sup> August, 2001 be and were hereby confirmed with the above amendments."

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

10. The Board Secretary presented before the Board the implementation report on decisions taken at the 162<sup>nd</sup> Meeting of the Board held on 11<sup>th</sup> August' 2001 which was noted.

Action:  
ED(P&GS)

11. ED(P&GS) was requested to prepare the performance based bonus plan for the year 2002 and submit to the Board at its next meeting.

Action:  
ED(Invt.)

12. As directed by the Board, at its 160<sup>th</sup> meeting held on 28<sup>th</sup> April, 2001, the Board requested ED(B&A)/(Invt.) to submit a Memorandum to the Executive Committee for approval of criteria approved by the Board for selection of the names of foreign and local private banks after taking into consideration the Government instructions, if any, in this regard and ensure security, safety and profitability of State Life's funds.

Action:  
ED(Invt.)/  
DH(RE)/  
ED(G&P)/  
ED(Int'l)/  
ED(Mktg.)

13. The Board desired that the Operating Divisions should give presentations at its next meeting on targets, achievements and problems faced and their suggested solutions on its business activities. A half yearly statement would be prepared upto June 2001 on plan wise policies in force, its sales, surrender and maturities and submitted to the Board at its next meeting.

Action:  
DH(RE)

14. The Board desired that Real Estate Division should examine the various properties owned by State Life and submit a position paper to the Board in first quarter of 2002 for disposal thereof or otherwise in the interest of the Corporation.

Action:  
ED(P&GS)

15. On a query, by Mr. Umar Ata Bandial as to recent resignation of a Divisional Head to join a competitor at a greatly enhanced salary. Air Marshal Sharbat A. Changazi suggested that to ensure that talented people do not leave the Corporation, a proper career planning, training and job rotation be carried out for each employee and pay scales be restructured to bring it in line with the market and make it attractive. He said State Life will have to operate independently as a commercial organization in order to compete in the market The Board concurred.

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**ITEM (3) RATIFICATION OF MINUTES OF 265<sup>TH</sup> MEETING OF THE EXECUTIVE COMMITTEE HELD ON 16<sup>TH</sup> JULY 2001.**

16. The Minutes of the 265<sup>th</sup> Meeting of the Executive Committee held on 16<sup>th</sup> July, 2001 were placed before the Board for ratification.

Accordingly, it was resolved as under:

**RESOLVED:**

"that the Minutes and decisions taken in the 265<sup>th</sup> Meeting of the Executive Committee held on 16<sup>th</sup> July, 2001 be and were hereby ratified."

**ITEM (4) PRESENTATION OF BUSINESS FIGURES FOR THE PERIOD ENDED 30<sup>TH</sup> 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 31-10-2001**

17. The Business Review Memorandums of DGM(Marketing), ED(G&P), ED(International), ED(Investment) and DGM(Real Estate) for business review of Marketing, Group & Pension, Overseas, Investment and Real Estate Divisions respectively for the period from 1<sup>st</sup> January 2001 to 30<sup>th</sup> September 2001 were submitted to the Board which were noted.

**Marketing Division:**

18. On year to date basis, the Corporation procured FYP of Rs.538 million as compared to Rs.537 million completed during the same period of last year, thus registering an increase of 0.14% over the corresponding period of last year.

19. The Corporation collected Rs.305 million as second year premium, as compared to second year premium of Rs.493 million completed during the same period of last year. The second year persistency for the period January to September 2001 was 56.75%. The third year and later year's premium for the period January to September 2001 was Rs.1966 million with persistency of 78.42%.

**Group & Pension Division:**

20. The collection of premium for G&P business upto September 30, 2001 stood at Rs.809.427 million as compared to Rs.784.220 million, for the corresponding period of last year showing an increase of 3.21%. G&P Division secured 67 new groups during this period having total premium of Rs.4.384 million as against 80 new groups having premium of Rs.19.872 million, in the corresponding period of last year showing a decrease of 77.94% in premium income under new groups. Upto 30<sup>th</sup> September 2001, G&P Division lost 98 policies having total premium of Rs.47.230 million. The persistency of G&P Division was 89.60%.

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**International Division:**

21. International Division has procured US\$0.8739 million FYP, during the period January to September 2001 as against US\$:0.9424 million for the corresponding period of last year showing a decrease of 7%. The policies sold by International Division during the period January to September 2001 was 790 as against 877, registering a decrease of 10% over the corresponding period of last year. Second year persistency achieved during the period is 60%, through collection of second year premium of US\$0.5647 million as against 45% of last year, through collection of second year premium of US\$:0.4066. Renewal premium collection is US\$2.1169 million as against US\$:1.6718 million showing an increase of 27% over the collection of last year, with Renewal persistency of 93% as against 90% of last year.

**Investment Division:**

22. Book value of the investment portfolio, which was Rs.64,841 million on December 31, 2000, is estimated to have increased to Rs.67,555 million as of September 30, 2001, reflecting an increase of Rs.2,714 million and percentage increase of 4.19%, during the nine months ended September 30, 2001. State Life has invested Rs.14.100 billion during the current year till September 30, 2001 in Pakistan Investment Bonds of 10 years duration, out of the maturity proceed of SGBs and income received from other sources either through auction and direct purchases through primary dealers. State Life is also increasing its exposure in the debt market and has invested Rs.452 million in TFCs of Dawood Leasing, Orix Leasing, ICI, SSGC and other companies during the first nine months of the current year. Investment income was expected to be Rs.6.641 billion for the period January to September 2001 as compared to Rs.7.965 billion for the full year ended December 31, 2000.

23. State Life equity portfolio which was Rs.5,397 million as on December 31, 2000 has increased to Rs.6,364 million as on September 30, 2001 showing an increase of Rs.967 million during the first nine months of the year 2001. State Life sold shares with a book value of Rs.22.436 million for Rs.72.944 million thereby realizing capital gain of Rs.50.508 million during the period under review.

24. As instructed by the Board, at its 162<sup>nd</sup> meeting held on 11<sup>th</sup> August, 2001, ED(Invt.) presented before the Board, a statement showing dividends received from various companies during the period 1996 to 2000 alongwith break up value of shares of each company and State Life's share holding and its holding cost. Another statement in respect of companies paying Nil dividends during the last 5 years indicating market value as on October 29, 2001 as well, was also submitted to the Board.

After discussions, the Board resolved as under:-

**RESOLVED:**

(i)"that as proposed by the ED(Invt.), off loading of investments in companies that are paying Nil dividends and reinvestment of proceeds thereof in the companies paying better dividends be and was hereby approved in principle and ED(Invt.) was directed to submit a Memorandum to the Executive Committee for approval of criteria for disposal of the above shares based on its yield, growth and marketability."

Action:  
ED(Invt.)

(ii)"that ED(Invt.) be and was hereby authorized to take all necessary steps in this regard and sale of such shares either in the market or through brokerage houses to any interested party after approval of the criteria for disposal by the Executive Committee.

Action:  
ED(Invt.)

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Real Estate Division:

25. The net income of Real Estate Division, increased from Rs.30 million to Rs.55 million, during the period January to September 2001, over the corresponding period of last year, due to reduction in administrative expenses including staff and officers welfare expenses because of VRSS.

Action:  
DH(RE)

26. The report of the professional valuer M/s. Progressive Consultants (PVT) Ltd. Of assessment of present day market value of the properties owned by State Life was put up to the Board. The total value assessed was Rs.13.262 billion as compared to book value of Rs.2.664 billion as on 31-12-2000. The matter should be re-examined.

**ITEM (5) INCOME AND EXPENSES OF THE CORPORATION FOR THE PERIOD ENDED 30<sup>TH</sup> SEPTEMBER, 2001.**

Executive Director(B&A)'s Memorandum dated 31-10-2001

Action:  
ED(B&A)

27. ED(B&A) presented before the Board, a Memorandum, given details of figures of income and expenses of all business portfolios for the period January 1, 2001 to September 30, 2001, on a cash basis alongwith a comparison with the prorata budget figures for the same period, which was noted by the Board. The figures for commission/overriding commissions to field workers have been calculated by applying the standard rate of commissions on actual premium income. The Board advised ED(B&A) to give as a comparison the actual figures of the corresponding period of last year as well ED(B&A) informed that this information will be provided in the quarterly statements to be submitted w.e.f. the 1<sup>st</sup> quarter of the year 2002..

**ITEM (6) CONSIDER/APPROVE REVISION OF RATE OF DEPRECIATION ON COMPUTER EQUIPMENT.**

Executive Director(B&A)'s Memorandum dated 30-10-2001

28. ED(B&A) presented before the Board, a Memorandum to consider and approve revision in the rate of depreciation on computers. ED(B&A) informed the Board that our External Auditor M/s. M. Yousuf Adil Saleem & Co. during the course of consolidation of accounts of the Corporation for the year ended 31<sup>st</sup> December, 2000 had observed that the rate of depreciation on computers besides some other items was not being charged by the Corporation in accordance with the useful life of the assets. They had suggested to revise the depreciation rates for the computers to 25% treating its useful life as 4 years. Moreover, vide Schedule III of the Income Tax Ordinance 2001, recently announced and expected to be promulgated soon, the rate of depreciation on computer hardware, including printers, monitors and allied items has been specified as 30%.

29. It was therefore proposed to the Board to consider and approve increase in the rate of depreciation to be charged on computers, including printers, monitors and allied items from the present rate of 10% to 30% and that the same be made effective from the accounting year ending 31<sup>st</sup> December, 2001.

Accordingly, it was resolved as under:

RESOLVED:

"that as proposed, increase in the rate of depreciation to be charged on computers, including printers, monitors and allied items from the present rate of 10% to 30% effective from the accounting year ending 31<sup>st</sup> December, 2001 be and was hereby approved".

Action:  
ED(B&A)

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**ITEM (7) POSITION PAPER ON APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS OF THE CORPORATION FOR THE YEAR ENDING DECEMBER 31, 2001.**  
Executive Director(B&A)'s Memorandum dated 31-10-2001

30. ED(B&A) presented before the Board, a Position Paper on appointment of Auditors for the audit of accounts for the year 2001.

31. The Board of Directors at its 161<sup>st</sup> meeting held on 29<sup>th</sup> June, 2001 had decided to approve appointment of M/s. Taseer Hadi Khalid & Co., Chartered Accountants and M/s. Riaz Ahmed & Co., Chartered Accountants as Statutory Auditors of State Life for audit of accounts of business within Pakistan for the year ending 31<sup>st</sup> December, 2001 subject to final approval of Federal Government under Article 28 of the Life Insurance (Nationalization) Order 1972.

32. ED(B&A) further informed that as required that under Section 48 of the Insurance Ordinance 2000, a letter was written to SECP on 17<sup>th</sup> April, 2001 requesting to provide State Life with a list of auditors approved by the Commission for audit of Insurance Companies and if the list has not yet been approved, the Corporation may be allowed to use the list of audit firms approved by State Bank of Pakistan for the audit of "A" category financial institutions i.e. banks/NBFIs having total assets about Rs.50 billion or having 100 or more branches. The reply to State Life's letter is still awaited.

33. Based on the Board's decision, another letter was written to the Ministry of Commerce on 4<sup>th</sup> July, 2001, seeking approval of the Federal Government for appointment of auditors, to which a reply containing some observations of the Office of the Auditor General of Pakistan was received from the Ministry on 13<sup>th</sup> August, 2001, which was replied vide our letter dated 6<sup>th</sup> September, 2001. One of the queries raised by the office of Auditors General of Pakistan received vide MOC's letter dated 16<sup>th</sup> October, 2001 was that the Corporation has recommended two audit firms instead of one as auditor as required under Section 48 of the Insurance Ordinance 2000. Accordingly, a letter has been written to SECP on 26<sup>th</sup> October, 2001 seeking interpretation of the word "an auditor under Section 48 of the Insurance Ordinance 2000 as to whether an insurer, irrespective of special circumstances can appoint only one auditor or more. Reference has been made by State Life to Section 13 of the General Clauses Act which provides that the word in the singular shall include the plural and vice versa. Reply is still awaited from SECP.

34. Copies of the letters mentioned above were annexed to the Position Paper which was circulated to the Board.

35. ED(B&A) was requested to hand over a copy of the letter addressed to SECP dated 26<sup>th</sup> October, 2001, with all Annexures to the Chairman, Board Audit Committee, who kindly undertook to take up the matter with the SECP.

Action:  
ED(B&A)

36. At this point of time, Mr. Nessar Ahmed left the meeting room with the permission of the Chair as Mr. Nessar Ahmed is also on the Board of Crescent Leasing Corporation Limited whose item was next on the Agenda.

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<p><b>ITEM (8) CONSIDER/APPROVE PRIVATE PLACEMENT OF RS.50 MILLION IN TFCs OF CRESCENT LEASING CORPORATION LIMITED.</b> Executive Director(Inv.)'s Memorandum dated 31-10-2001</p>			
<p>37. ED(Inv.) presented before the Board, a Memorandum to consider/approve a proposal of United Bank Limited for investment upto Rs. 50 million in private placement of Term Finance Certificates (TFCs) of 5 years tenor of Crescent Leasing Corporation Limited.</p>			
<p>38. The details of the subject TFCs alongwith terms and conditions are as under:-</p>			
Transaction/ Instrument	Listed Term Finance Certificates(TFCs) Under Section 120 of the Companies Ordinance 1984.		
Issuer	Crescent Leasing Corporation Limited (CresLease)		
Arranger	United Bank Limited (UBL)		
Purpose	To finance the business requirements authorized by the Company's Memorandum and Articles of Association.		
Shelf Registration	PKR.900,000,000/-		
First Tranche	PKR.250,000,000/- (with a green shoe option )		
Private Placement (PRE-IPO)	PKR.175,000,000/- (70% of the First Tranche)		
Public Offer(IPO)	PKR.75,000,000/- (30% of the First Tranche )		
Green Shoe Option	PKR.30,000,000 (40% of the IPO amount) subject to the approval of Securities and Exchange Commission of Pakistan (SECP)		
Tenor	5 years inclusive of 1 year grace period.		
Profit Rate	<p>Base rate + 200 bps (with a floor of 14.50% and a cap of 18.0%) Base rate is defined as the cut-off yield on the last successful State Bank of Pakistan(SBP) auction of five-year Pakistan Investment Bond("PIB")</p> <p>The Base Rate will be set on the last working day before the issue date for the TFC due on the first redemption date and subsequently on the last working day at the beginning of each semi annual period for the profit due at the end of that semi annual period.</p>		
Profit Payments	Semi-annually in arrears.		
Issuer Call Option	The issuer will have the option to call the total outstanding issue amount for redemption paying a premium of 0.25% of the outstanding principal amount redeemed apart from the accrued profit.		

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	<p>The option can be exercised from the twenty-fourth month to the thirty-sixth month from the issue date. The option will expire if not exercised during the said period.</p> <p>Principal Redemption Principal will be redeemed in 8 equal semi-annual installments starting from the third semi-annual period from the date of issue.</p> <p>In case the call option is exercised, the principal outstanding at the exercise date will have bullet redemption.</p> <p>Instrument Rating "A+" (A Plus) by PACRA</p> <p>Security First pari passu charge over all present and future assets of the Issuer with a 25% margin.</p> <p>Listing Karachi Stock Exchange</p> <p>Trustee United Bank Limited</p> <p>Transferability TFCs are freely transferable using verified Transfer Deeds.</p> <p>Governing Laws The TFCs will be subject to the laws of Islamic Republic of Pakistan.</p> <p>Other Term &amp; Conditions</p> <ol style="list-style-type: none"> <li>1. The Issuer will comply with the State Bank of Pakistan's Prudential Regulation until redemption of all TFCs.</li> <li>2. The Issuer will obtain NOCs from existing creditors for creation of pari passu charge in favour of the Trustee.</li> <li>3. TFC legal documentation should be acceptable to UBL and prospective investors.</li> </ol> <p>39. ED(Invt.) informed the Board that as required under provision of Section 37(2) and Section 37(3) of the Insurance Ordinance 2000, the proposal is being submitted directly to the Board instead of to the Executive Committee as Mr. Nessar Ahmed, Director State Life is also on the Board of Crescent Leasing Corporation Limited.</p> <p>After discussions, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>(i) "that as proposed, an investment of Rs.50 million in the private placement of TFCs of Crescent Leasing Corporation Limited of 5 years tenor at a rate of return of base rate plus 200 bps. with a floor of 14.50% p.a. and a cap of 18% and effective rate of 15.03% at floor secured by first pari passu charge over all present and future assets of the issuer with a 25% margin be and was hereby approved." The principal will be redeemed in 8 equal semi-annual installments starting from the third semi-annual period from the date of issue. In case the call option is exercised, the principal outstanding at the exercise date will have bullet redemption.</p> <p>(ii) "that ED(Invt.) be and was hereby authorized to negotiate, finalize and execute the agreement in this regard as per the approved terms."</p>		<p>CHAIRMAN'S INITIALS</p> 

Action:  
ED(Invt.)

Action:  
ED(Invt.)



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At this point of time, Mr. Nessar Ahmed returned to the meeting.

**ITEM (9) CONSIDER/APPROVE NEW PACKAGE FOR AREA MANAGERS**  
DH(Marketing)s' Memorandum dated 30-10-2001.

40. ED(Marketing) presented before the Board, a Memorandum for consideration/approval of a new package for Area Managers.

41. ED(Marketing) informed the Board that under State Life's present working, Area Managers are a vital link between the Corporation and the Field Force working on commission. They are officers under the Service Regulations. They get salaries and other benefits and perquisites, plus incentives related to performance. However, under Service Regulation 4(ii)(c) they are subject to certain provisions as follows:

"(c)(1) An Area Manager shall be required to meet such performance standards regarding new business, persistency and other operational factors as the Board may prescribe from time to time.

(2) The performance of an Area Manager shall be reviewed by the Zonal Head on a six monthly basis or for such shorter periods as may be deemed necessary by the Board.

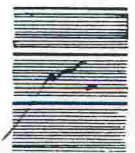
If on such review, it is found that his performance falls short of the prescribed standards, the Zonal Head may terminate his services, after giving him three months' notice or three months' pay in lieu thereof, or may take such measures, including, but not limited to reduction, curtailment or withdrawal of his emoluments or perquisites, or all such measures together, shall be taken by the Zonal Head, as may be generally or specifically prescribed by the Board."

42. ED(Marketing) informed that there are three categories of Area Managers, A, B and C. The FYP requirements of A Category, and their salary and perks, are the highest, followed by B and C in diminishing order. No fresh appointments are made to the C Category. C Category Area Managers are those down graded from A or B because of poor performance.

43. Area Managers are supposed to work within a total cost of 10% of the First Policy Year Premium (FYP) introduced in their Area. If an Area Manager's cost exceeds this, then he is in principle liable to repay at least some part of the excess cost, as approved by the Board at its 154<sup>th</sup> meeting held on 11<sup>th</sup> July, 2000. Prior to this, there was another system introduced in 1996.

44. The Board was also informed that Area Managers are also entitled to certain incentive payments being a percentage of FYP, and also a percentage of Second Year's Premium. Originally, these incentive payments were intended to be outside the 10% cost limit. But over the years, a substantial part of these incentives have been hit by the 10% limit, and as a result are not paid. Costs include not only their own direct cost by way of salaries, allowances, benefits and perquisites, they also include the rent, utilities and staff costs of their Area Offices, and a proportion of certain expense allowances given to field workers working under them. Area Managers are therefore under a rather strict regime in terms of performance and cost.

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45. ED(Marketing) informed the Board that Area Managers have suffered from various problems especially since 1995 due to:

- (a) The induction of a large number of Area Managers under an "Accelerated Promotion Scheme";
- (b) The inability of this large number to meet its performance standards;
- (c) The resultant increase of costs well beyond the limit of 5% direct cost and 5% indirect cost, total 10% of FYP, laid down by the Corporation.
- (d) The inability of Area Managers to repay the excess costs under the systems in force from time to time. Currently, many of them get hardly any take home salary because of recoveries of excess costs in respect of 1996 to 2000 inclusive.

46. In April 2001, following a decision by the Executive Committee, 132 Area Managers (approximately 23% of then total strength) were served 1 week Show Cause Notices of termination, and as a result 120 were terminated by giving three months' pay in lieu of notice. This drastic action was necessary to trim their numbers. A further 189 were re-categorized downwards from A and/or B to B and/or C.

47. The Board was also informed that after this trimming and downsizing, there are now 490 Area Managers. This class has become demoralized and demotivated. It is important to re-vitalize them, make them viable, and address their genuine problems. At the same time, it is important to increase their performance standards.

48. After extensive discussions with their representatives, a new package for them has been drawn up, as indicated in the Annexure to the Memorandum. This package increases their performance standards from 2002 onwards. At the same time, it offers them much needed relief in respect of excess cost calculations and recoveries in respect of the year 2000, without affecting recoveries in respect of earlier years' excess costs. It removes some of the old and genuine grievances regarding the absence of any expense allowance for work done in collecting renewals and no increase in their salaries from 1<sup>st</sup> January 2000, as was done for other officers.

49. The new package is fair to both the Area Managers and the Corporation and will re-energize this important link between the Corporation and Field Workers.

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After discussions, it was resolved as under:

Action:  
ED(Mkt)

**RESOLVED:**

"that the proposed new package for Area Managers shown in Annexure "A" to these minutes be and was hereby approved."

**ITEM (10) CONSIDER/APPROVE REINSTATEMENT/RESTORATION OF DEMOTED MANAGER(DEV.)**

Executive Director(P&GS)'s Memorandum dated 30-10-2001

50. ED(P&GS) presented before the Board, a Memorandum for reinstatement/restoration of demoted Manager(Dev.). The Board of Directors at its 153<sup>rd</sup> meeting held on 24<sup>th</sup> April, 2000 had constituted a Standing Committee comprising of the Chairman as Convenor, Executive Director(PHS) and Executive Director(B&A) as Members to consider appeals of 18 Managers(Dev.) demoted vide Office Order No.P&GS/PO/076/2000 dated 29<sup>th</sup> February, 2000 due to non-fulfillment of business targets set for them under the Accelerated Promotion Scheme and to submit its recommendations to the Board of Directors at its next meeting for final orders thereon. All these cases were individually examined by the Standing Committee, who after detailed deliberations had submitted its recommendations to the Board. The Board at its 154<sup>th</sup> meeting held on 11<sup>th</sup> July, 2000 on the recommendations of the Committee had restored retrospectively 16 Managers(Dev.) and set aside the demotion order ab-initio of one Manager(Dev.) and in case of Mr. Anjum Rasheed, Ex-Manager, Sialkot Zone, the Board felt, that his case did not merit any consideration, as he was allegedly found to have been promoted on basis of fictitious business figures for which Disciplinary proceeding against him was in process in P&GS Division.

51. ED(P&GS) informed the Board, that Mr. Anjum Rasheed has been exonerated of the charges by the competent authority, after due process of enquiry vide letter No.PL-9(189) dated 3<sup>rd</sup> April, 2001. His appeal for reinstatement as Manager(Marketing) received at the time of his demotion has been followed by reminders after exoneration of the charges. The Board of Directors has been requested to consider his case for reinstatement as Manager(Marketing). The Marketing Division will determine his place of posting, his future targets and performance review criteria, as done in the case of other Managers(Dev.).

After discussions, it was resolved as under:

**RESOLVED:**

Action:  
ED(P&GS)

(i)"that since Mr. Anjum Rasheed has been exonerated of the charges by the competent authority under disciplinary proceedings against him, his case for reinstatement as Manager(Marketing) be and was hereby approved."

Action:  
ED(Mkt)

(ii)"that the Marketing Division be and was hereby authorized to determine his place of posting, his future targets and performance review criteria as is being done in the case of other Managers(Dev.)."

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**ITEM (11) CONSIDER/APPROVE REVOCATION OF GENERAL POWER OF ATTORNEY EXECUTED IN FAVOUR OF DR. NAJEEB SAMIE.**  
Executive Director(Law)'s Memorandum dated 04-06-2001

52. ED(Law) presented before the Board, a Memorandum for revocation of general power of attorney executed by the Corporation in favour of Dr. Najeeb Samie, the previous Chairman of the Corporation as per practice and decision of the Board of Directors taken through circulation and subsequently ratified at its 147<sup>th</sup> meeting held on 28<sup>th</sup> July, 1999.

Accordingly, it was resolved as under:

**RESOLVED:**

"that General Power of Attorney executed by the Corporation in favour of its then Chairman, Dr. Najeeb Samie and registered at No.323, Book No.IV Additional at pages 78 to 86 Volume No. 24 on 21<sup>st</sup> June, 1999 is hereby revoked and cancelled. Mr. Saeed Akhtar and Mr. Muhammad Latif, Executive Directors are hereby authorized to execute and register the Deed of Revocation on behalf of the Corporation and witness affixing of the Common Seal of the Corporation on the Deed".

Action:  
ED(Law)

**ITEM (12) CONSIDER/APPROVE REVISION OF PRESCRIBED SCHEDULE OF LEGAL FEES.**

Executive Director(P&GS/Law)'s Memorandum dated 14-06-2001

53. ED(P&GS/Law) presented before the Board, a Memorandum for revision of prescribed schedule of legal fees. The Board was informed that the Advocates who are entrusted Court cases by the Corporation, are paid fee according to a prescribed Schedule which was last revised in 1997.

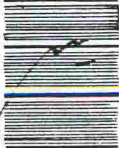
54. ED(P&GS/Law) informed the Board that there has been a persistent demand from Advocates on Corporation's approved panel that the Schedule should again be revised due to ever-increasing inflationary trend. Consequently, a Committee consisting of Mr. Abdul Majeed Khan, Divisional Head(P&GS) Convenor; Mr. Talib Ali, Divisional Head(Real Estate) Member and Mr. Latif Ahmed Choudhry, Divisional Head(Law) Member/Secretary was constituted by the Management for revision of Schedule of legal fee. Suggestions from some of the Advocates on its approved panel were invited for revision of fees, which was reviewed alongwith the prescribed Schedule of fees existing in the nationalized Banks. Finally after detailed discussion the Committee formulated its proposals and revised the prescribed Schedule which is submitted to the Board for consideration/approval. A comparative statement of existing and proposed schedule of legal fees together with reasons for suggested increase has been annexed as Annexure "B" to the Memorandum. The changes proposed are in respect of those cases where heavy amount of recoveries are involved and better skill, care, and follow up of the cases is required from the Advocates. The other changes proposed is in the fee payable for rent cases where early disposal of the cases is desirable for enhancement of returns on Real Estate.

55. The Board was requested to consider and approve the revised prescribed Schedule (Annexure "A" to the Memorandum ) as proposed by the Committee.

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	<p>After discussions, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>Action: ED(Law) (i)"that the proposed schedule of fees shown in Annexure "B": to these Minutes be and was hereby approved."</p> <p>Action: ED(Law) (ii)"that ED(Law) be and was hereby authorized to take all necessary steps in this regard."</p> <p><b>ITEM (13) PRESENTATION ON THE MECHANICS OF CHILD'S POLICIES WITH SPECIAL EMPHASIS ON EDUCATION.</b> Executive Director(Act.)'s Memorandum dated 30-10-2001</p> <p>56. As directed by the Board at its 160<sup>th</sup> meeting, GM(Act.)'s Memorandum was presented before the Board, giving mechanics of child's policies offered by State Life with stress on education. GM(Act.) explained in his Memorandum the uncertainty regarding future and how insurance can help financial and security in education of children.</p> <p>Action: DH(Act) 57. It was decided that a full presentation by the GM(Act.) on the subject be deferred to a future Board meeting.</p> <p><b>ITEM (14) POSITION PAPER ON SYNOPSIS OF THE REINSURANCE TREATY WITH SWISS RE.</b> Executive Director(Act.)'s Memorandum dated 30-10-2001</p> <p>58. As directed by the Board at its 162<sup>nd</sup> meeting, GM(Act.)'s Memorandum giving a synopsis of the reinsurance treaty was submitted before the Board.</p> <p>59. The Memorandum, contained details of historical perspective of the reinsurance arrangements for Rupee business. It summarized the current reinsurance treaty with special reference to (a) reinsurance sum at risk calculation (b) retention and obligatory acceptance limit (c) reinsurance premium (d) reinsurance commission (e) profit commission (f) accounts to be made by State Life and (g) improvements in the treaty through addendum's.</p> <p>60. The above information was noted by the Board.</p> <p><b>ITEM (15) CONSIDER/APPROVE PROPOSAL FOR CONSTRUCTION OF NEW BUILDING FOR GUJRANWALA AND SARGODHA ZONES.</b> Divisional Head(RE)'s Memorandum dated 23-10-2001</p> <p>61. DH(RE) presented before the Board, a Memorandum for construction of new buildings for Gujranwala and Sargodha Zones.</p> <p>62. The Ministry of Commerce vide letter No. 19(10)92-Ins.II dated December 16, 1992 (Annex I) had directed the Corporation to purchase plots for construction of office buildings in various cities of the country. The construction of new buildings by State Life at Hyderabad, Mirpur Khas, Faisalabad, Gujrat and Larkana have already been completed Offices at Hyderabad, Faisalabad, Mirpur Khas, Larkana and Zonal Office and some Area Offices have already been shifted into the new buildings. Zonal Office Gujrat will also shift in the new building in near future.</p>			<p>CHAIRMAN'S INITIALS</p> 

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63. During 1994-96 the Corporation held in abeyance construction on new projects in implementation of the Government Directive No. 3(i)96-A-VII dated June 09, 1996. New building projects in Gujranwala, Sialkot, Sargodha, Rahimyarkhan and Sahiwal cities were also awarded to Architects/Consultants for designing purpose during 1996.

64. During the years 1997-99, the construction of mega building projects at Karachi, Lahore and Islamabad were shelved. It was also decided in the 138th Board of Directors meeting held on April 12, 1998 that State Life should not go for new construction of high-rise air-conditioned buildings, instead State Life should plan construction of 3-4 story buildings mainly for its own use, only ground floor of the building to be rented out to improve the rental income and the buildings to be non-air-conditioned.

65. In the year 1999 it was observed that there is a recession in the real estate market and that State Life should not go for new buildings till the economical conditions are improved and therefore, no new project was started during 1999. At that time Real Estate Division gave attention to completion of the projects, which were already in progress i.e. State Life Buildings at Hyderabad (Phase -II), Larkana, Faisalabad, Gujrat and D. I. Khan.

66. Recently Gujranwala & Sargodha Zones have desired and emphasized for the construction of buildings for their own offices on the State Life owned plots in these two cities. The Zonal Heads of the respective Zones explained the need of State Life owned building in these cities, during visits of Chairman State Life. The main purpose to have the Zonal Offices in State Life's own buildings, according to the Zonal Heads, was to design the building as per requirement of the Zone so as to promote and consolidate State Life's business in above cited areas.

67. DH(RE) informed the Board that the Executive Committee at its 260<sup>th</sup> meeting held on 26<sup>th</sup> June, 2000 had instructed that GM(RE) should study the proposal for construction of buildings inclusively for State Life's own use, keeping in view its existing and expected future requirements. In the light of the above decision a proposal was submitted by Real Estate Division to EC at its 261<sup>st</sup> meeting held on 25<sup>th</sup> September, 2000 on which the Executive Committee decided that the proposal of GM(RE) that the proposal of GM(RE) for construction of buildings at Gujranwala (Ground plus first floor) and Sargodha (Ground plus two upper floors) with provision in foundation for two and one additional floors respectively was viewed favourably in principle and the GM (RE) was instructed to submit details of the project together with financial impact to Board for further consideration.

68. In pursuance to the decision of EC vide its 261<sup>st</sup> meeting the processing of subject project was started by Real Estate Division. Five architects from State Life pre-qualified list of architects were selected on merit in Real Estate Function Committee (REFC) and were asked to submit their design proposal alongwith estimated cost pertinent to the proposed buildings. The proposals of these consultants were opened before REFC on March 27, 2001 which were appraised and reviewed in Real Estate Division.

69. RED in its senior officers meeting held on May 10, 2001 further reviewed the analysis made by the RE Engineers and accountants and finally summarized its recommendations as under:

1. State Life proposal Building at Gujranwala:

Following Architect/Consultants submitted their proposals:

1. M/s. Engineering Associates
2. M/s. Sikandar Ajam Associates
3. M/s. Naqvi & Siddiqui

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The proposal of M/s. Engineering Associates has been found as the most appealing in design to meet the State Life requirement with most economical cost @ Rs. 900/- per sft. The total construction cost of the proposed building is evaluated as Rs. 36.57 million. The details are given at Annexure-II to the Memorandum.

**2. State Life Proposed Building at Sargodha :**

Following Architects/Consultants submitted their proposals:

1. M/s. Engineering Associates
2. M/s. Sikandar Ajam Associates
3. M/s. Naqvi & Siddiqui

The proposal of M/s. Naqvi & Siddiqui was considered the best among the lot as far as the architectural design is concerned. M/s. Naqvi & Siddiqui, the Architects have catered for the State Life requirements. REID feels that the proposed construction cost Rs. 1,157/- Per sq.ft. given by the architect should be lowered down while taking into the consideration the economical factor that of the construction cost of proposed building Gujranwala i.e. Rs. 900/- per sq.ft. The total construction cost of the proposed building is evaluated as Rs. 26.241 million. The details are given at Annexure-III to the Memorandum.

After discussions, it was resolved as under:

**RESOLVED:**

(i)"that the recommendations of Real Estate Division for Construction of State Life proposed Building at Gujranwala (Ground plus 1<sup>st</sup> floor) at an estimated cost of Rs. 36.57 million with provision in foundations for two additional floors be and was hereby approved in principle and the Chairman be and was hereby authorized to take all necessary steps in this regard. The Board approved provision of lifts in the above building and desired that the designing of the building should be done afresh and design should be more creative and should have provision for construction of additional floors to meet the future needs when there is a turn around in the economy."

Action:  
DH(RE)

(ii)"that the existing plot at Sargodha is odd shaped. Instead of building on this, the Real Estate Division be and was hereby directed to make efforts for purchase of a better plot in Sargodha for the construction of State Life building and sell the existing plot in due course of time."

Action:  
DH(RE)

**ITEM (16) PROGRESS REPORT ON NEGOTIATION WITH CBA REGARDING THEIR CHARTER OF DEMANDS FOR THE CALENDAR YEARS 2001-2002.**

Executive Director(P&GS)'s Memorandum dated 02-11-2001

70. ED(P&GS) presented before the Board, a summary of charter of demands submitted by State Life Insurance Employees Federation of Pakistan, Collective Bargaining Agents on 26-1-2001 for the years 2001 and 2002 to the Management under IRO, 1969. The Federation has requested for increases under various heads the impact of which is about Rs.521.945 million per annum. In accordance with the provisions of the IRO, negotiation were held with the CBA and finally understanding of agreeing to total financial impact for the purpose of signing of the agreement has been arrived at around Rs.50 million per annum. The distribution of this amount under the various heads is being worked out with

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the representatives of the CBA. ED(P&GS) presented a summary of last 5 agreements (10 years) alongwith a tentative summary of CBA agreement 2001-2002 presently under consideration as follows:-

**SUMMARY OF LAST 5 AGREEMENTS (10 YEARS) WITH CBA**

Agreement Year	No. of staff	Increase in basic (%)	Total increase (%)	Gross financial impact in Rs.(millions Pa)	Gross increases per employee per month.
1991-92	2420	17.50%	28%	37.37	1287
1993-94	2414	22%	25%	43.07	1487
1995-96	2092	23%	34.55%	73.33	2921
1997-98	4254	23%	23.11%	99.52	1950
1999-2000	4230	15%	18.52%	98.64	1943

**TENTATIVE SUMMARY OF CBA AGREEMENT 2001-2002 PRESENTLY UNDER CONSIDERATION.**

2001-2002	2794	7%	8.75%	50	1491
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71. ED(P&GS) informed the Board regarding in process negotiation with CBA and its expected financial implication worth Rs. 50 million. The Board agreed in principle for the package being offered to CBA and authorized Chairman to conclude the CBA agreement within Rs.50 million. The details of the agreement will be placed before the members of the Board at its next meeting for ratification..

Action:  
ED(P&GS)

**ITEM (17) PROPOSAL TO GOVERNMENT REGARDING "REMOVAL OF DIFFICULTIES" UNDER SECTION 172 OF THE INSURANCE ORDINANCE 2000.**

Executive Director(P&GS/Law)'s Memorandum dated 02-11-2001

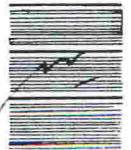
72. ED(P&GS/Law) presented before the Board, a Memorandum submitting a proposal for seeking relief from the Federal Government Order under Section 172 of the Insurance Ordinance 2000 which states as follows:-

"Removal of difficulties: If any difficulty arises in giving effect to the provisions of this Ordinance, the Federal Government may, by notification in the official Gazette, make such provision or order as may appear to it to be necessary for the purpose of removing the difficulty.

Provided that the power conferred on the Federal Government by this section shall not be exercised after two years from the commencement date."

73. ED(Law) informed the Board that due to some radical changes in the Insurance Ordinance 2000 when compared to the Insurance Act 1938, massive training is required for State Life field workers and until full computerization, it would be difficult to comply with certain sections of Insurance Ordinance, 2000, it is therefore proposed that State Life may avail the provisions of Section 172 of the Ordinance and propose to the Government that Sections 51(4), 76(4), 83, 87, 91, 93(3), 95, 99(1), 106(1) may either be suspended or may not be applied to the State Life for the time period indicated against each section as given in Annexure-A to the Memorandum.

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After discussions, it was resolved as under:

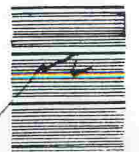
**RESOLVED:**

"that as proposed by ED(P&GS/Law), that State Life may avail the provisions of Section 172 of the Ordinance and propose to the Government that Sections 51(4), 76(4), 83, 87, 91, 93(3), 95, 99(1), 106(1) may either be suspended or may not be applied to the State Life for the time period indicated against each section as given in Annexure-A to the Memorandum and summary of which is given below be and was hereby approved:-

Action:  
ED(Law)

Section No.	Order requested under Section 172 "Removal Of Difficulties"	Reasons
51. Submission of returns	In Sub-section 4 of this section, the date of "31" December, 2000" should be read as "31" December, 2004".	Under this Section, returns are required to be submitted within four months. Implementation of this provision requires radical changes in the computer system, which is a time consuming exercise. This Section should come into force when adequate computerized systems have been set up.
76. Insurer not to engage in misleading or deceptive conduct.	Implementation of sub-section (4) of this Section may be deferred until 1 <sup>st</sup> January, 2006.	The implementation of the sub-section by all insurers including State Life requires retraining and professionalisation of its agents. This is an enormous task and will take at least 5 more years.
83. Power of the Commission to prescribe rules for market conduct.	The SECP may be requested not to make any such rules until 1 <sup>st</sup> January, 2006.	Market conduct rules again require tremendous retraining and professionalisation of Insurance agents. Even in a sophisticated market like the UK, Insurance Companies were given two years to adopt this. In Pakistani circumstances a long adoption period is required.

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87. Provisions when not to constitute discrimination.	This provision may be implemented not earlier than 1 <sup>st</sup> January, 2006.	In our country, there is hardly any actuarial and statistical data. It will take several years for such data to be collected and studied.	
91. Surrender of policy at insurer's option.	The implementation of this section may be deferred until 1 <sup>st</sup> January, 2004.	This section requires drastic modifications in the computer and other Systems. To give the notices demanded, insurers and specially State Life need more time.	
93. Non-forfeiture.	The implementation of sub-section (3) of this section should be deferred until 1 <sup>st</sup> January, 2004.	Sufficient time is required to modify the Computers and other Systems to give the notices demanded by this Section.	
94. Liability of Insurer for act or omission of agent.	This entire section should be deferred until 1 <sup>st</sup> January, 2006.	This section places enormous liabilities on insurers. Sufficient time should be given to modify the entire system including the training of agents. This is an enormous task which will take several years.	
99. Payment by and to insurance agents.	The implementation of Sub-section (1) of this section should be deferred till January 1, 2006.	This sub-section places a great liability on all insurers for which the system is not at all ready at the moment. will required great modification in the system plus training and reorientation of agents. This is an enormous task.	
106. Payments by and to insurance brokers.	The implementation of Sub-section (1) should be deferred till 1 <sup>st</sup> January, 2006.	This provision should become effective after brokers have been established and their working observed for a few years. Otherwise it is likely to cause much loss to insurers including State Life.	
<p>This being a matter of detail, the Chairman was given authority to make any suitable changes in the above and submit to Ministry without the need to refer again to the Board.</p>			

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<p><b>ITEM (18) <u>ANY OTHER ITEMS WITH THE PERMISSION OF THE CHAIR.</u></b></p> <p><b>(1) <u>MOBILE TELEPHONE FOR STATE LIFE EXECUTIVES.</u></b> Executive Director(P&amp;GS)'s Memorandum dated November 9, 2001.</p> <p>74. ED(P&amp;GS) presented before the Board, a Memorandum informing that introduction of the mobile telephone has added new dimensions to the communication technology. The Corporation has lagged behind in the provision of this facility and as a result our development and other senior executives are unable to keep in contact with the clients. It has also been observed that when they are on the road or at any meeting with business clients it is very difficult for the office to maintain contact with them or vice versa. The ordinary telephone service provided by the PTCL is far from satisfactory and this in turn has made the mobile telephone a basic necessity for promotion of business.</p> <p>75. Recently, the Cabinet Division, through their Memorandum No.2/21/89.66 dated 2.4.2001 issued the following instructions to the Government functionaries who are paid from civil estimates:</p> <p style="padding-left: 40px;">"It has been decided to consider and evaluate extension of the facility of mobile telephone to dignitaries and high officials of the Government who need this facility to meet exceptional situations. All Ministries/Divisional and Provisional Government are requested to furnish their recommendations regarding their bare minimum requirement of mobile telephone connections on priority basis."</p> <p>76. State Life Insurance Corporation of Pakistan, which is an autonomous corporation, meets its management expenses from its own resources and not from civil estimates. The Board of Directors is empowered to run the business of the Corporation on sound basis. To overcome the difficulties stated in the preceding paragraphs it is proposed that mobile phone may be provided to officers on job requirement basis.</p> <p>77. ED(P&amp;GS) recommended that mobile telephone facility be allowed to these executives and expenditure be allowed within the existing financial limit of office telephone facility available to them. In this case, there would be no additional financial impact on the monthly telephone bill. However, for obtaining new connections and the instruments an initial outlay of around Rs.6,00,000 would be required.</p> <p>After discussions, it was resolved as under"</p> <p><b><u>RESOLVED:</u></b></p> <p>(i)"that the proposal of allowing use of mobile telephone facility to the executives and expenditure within the existing financial limit of office telephone facility available to them be and was hereby approved. In this case, there would be no additional financial impact on the monthly telephone bill."</p> <p>(ii)"that an initial outlay of around Rs.6,00,000 for obtaining new connections and the instruments be and was hereby approved."</p>			

Action:  
ED(P&GS)

Action:  
ED(P&GS)

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<p><b>(2) PROMOTION OF GENERAL MANAGERS TO EXECUTIVE DIRECTORS AND FROM DEPUTY GENERAL MANAGERS TO GENERAL MANAGERS.</b></p>			
<p>78. The Chairman informed the Board the progress on the exercise of promotion of General Managers to Executive Directors and from Deputy General Managers to General Managers.</p>			
<p>79. The Board noted the same and resolved that in future all cases of promotion of Deputy General Managers to General Managers should be handled by the Board. Only the cases of promotion of General Managers to Executive Directors would be referred to the Establishment Division.</p>			
<p><b>(3) PROMOTION FROM AREA MANAGER TO AGM(MARKETING) OF MR. AZHAR HUSSAIN, SENIOR AREA MANAGER(394) ISLAMABAD ZONE</b></p>			
<p>Executive Director(Marketing)'s dated 10-11-2001.</p>			
<p>80. ED(Marketing) informed the Board that normally, the Area Managers are promoted as Manager (Marketing) by fulfilling the laid down criteria. The Board of Directors had decided that in case of extraordinary performance they can be considered for promotion as Assistant General Manager (Marketing) by fulfilling the set criteria approved by the Executive Committee/Board from time to time as per (Annex 'A') to the Memorandum. In view of present dearth of competent Marketing Executives, it has become absolutely necessary to promote the outstanding performers to the position of Assistant General Managers, to cater to the present and future needs of the Corporation in shape of successful Marketing Executives.</p>			
<p>81. As per the decision of the 147<sup>th</sup> Meeting of the Board of Directors held on July 26<sup>th</sup>, 27 &amp; 28, 1999 the Selection Committee consisting of E.D (Marketing) as Convenor and beside the E.D (Marketing) one or more of the Executive Directors in rotation will act as a member of the Committee to consider such promotion. The Chairman has nominated E.D (P&amp;GS) as one of the members of the Committee. The selection Committee was required to recommend the name of the candidate for promotion to Board of Directors for approval. Divisional Head Marketing presented working paper before the Committee for considering the promotion case of Mr. Azhar Hussain, Senior Area Manager, Islamabad Zone, the only eligible candidate from Area Manager to A.G.M (Marketing) on the basis of his performance as at 31-12-2000. The Selection Committee recommended the promotion of Mr. Azhar Hussain as AGM (Marketing) as per (Annex 'B') to the Memorandum.</p>			
<p>82. Based on the revised criteria approved by the Board, Mr. Azhar Hussain has qualified for double promotion as AGM as per his performance against the approved criteria stated in the Gradation Sheet placed at (Annex 'C') to the Memorandum wherein he qualifies except average F.Y.P which is below the required criteria. The Board at its 161<sup>st</sup> meeting held on 29<sup>th</sup> June, 2001 had approved to allow credit of 6% of single premium as FYP from this year (i.e.2001) onwards. The Chairman confirmed that the decision of the Board implies to the credit of 6% of Group Premium also. If he is given credit of Group Insurance Premium @ 6% in FYP for the years 1999 &amp; 2000, then the average FYP of Mr. Azhar Hussain comes to Rs. 75,91,950/- and he qualifies for promotion. His Group Premium of 2000 is Rs.1,28,22,901/- and 1999 is Rs. 92,19,789/- &amp; the total is Rs.22,042,690/-. The 6% of said group premium comes to Rs.1,322,561/-.</p>			

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The Executive Committee in its 263<sup>rd</sup> meeting held on 10<sup>th</sup> April, 2001 had decided that second policy year persistency would be rounded upto higher whole percentage for all purposes e.g. 49.01% to be taken as 50%. His average persistency of last three years i.e. 69.52% which may be rounded to the higher whole percent as 70%.

83. Mr. Azhar Hussain, Senior Area Manager, Islamabad Zone has been an outstanding performer throughout his career as Area Manager from 1992 onward.

84. To acknowledge and reward the outstanding performers and in view of the position stated above it is proposed that Mr. Azhar Hussain may be considered for promotion as A.G.M (Marketing) by approving of the following:

- i) The credit of 6% Group Premium of Mr. Azhar Hussain may also be allowed for the years 1999 & 2000.
- (ii) The average persistency of last 3 years which comes to 69,52% may be allowed to be rounded to the higher whole percent as 70%.

After discussions, it was resolved as under:

**RESOLVED:**

"that the proposal to acknowledge and reward the outstanding performers and in view of the position stated above and promoting Mr. Azhar Hussain as A.G.M (Marketing) by approving of the following be and was hereby approved:-

- (i) The credit of 6% Group Premium of Mr. Azhar Hussain may also be allowed for the years 1999 & 2000.
- (ii) The average persistency of last 3 years which comes to 69,52% may be allowed to be rounded to the higher whole percent as 70%."

85. The next meeting of the Board would be held on Saturday, the 29<sup>th</sup> December, 2001.

The meeting ended with vote of thanks to the chair.

  
CHAIRMAN

CHAIRMAN'S  
INITIALS



Action:  
ED(Mktg)/  
ED(P&GS)

**MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	10 <sup>TH</sup> NOVEMBER, 2001	

**ANNEXURE: REVISED PACKAGE FOR AREA MANAGERS**

**ANNEXURE "A"**



ITEM NO.	DESCRIPTION	PRESENT POSITION			PROPOSED				REMARKS
		Rupees in Millions			Rupees in Millions				
1.	First Year Premium Income Quota	'A' Category	3.0	Year	2002	2003	2004	FYP Quotas have not been increased since 1997. They need to be increased gradually to keep up with inflation, and to bring cost ratios down.	
		'B' Category	1.8	'A' Category	3.4	3.9	4.5		
		'C' Category	1.5	'B' Category	2.1	2.5	3.0		
			'C' Category	1.8	2.1	2.5			
				Then 25% increase every third year, starting 2005					
2.	Cost Limit	Direct Cost	5% of FYP	No Change in principle. But See item No.3 below for allowance for Renewal Premiums.				-	
		Indirect Cost	5% of FYP						
		Total Cost	10% of FYP						
3.	Expense Relief in respect of Renewal Premium Collection	None		Subject to achievement of 2 <sup>nd</sup> Year Persistency Standard as follows:				Area Managers do much work to collect renewal premiums. At present they get no cost credit for this. The proposed system gives them credit, provided they achieve the prescribed 2nd Year persistency standard.	
		2000	No Requirement						
		2001	60%						
		2002	65%						
		2003	70%						
		2004 & Later	75%						

ITEM NO.	DESCRIPTION	PRESENT POSITION	PROPOSED	REMARKS																								
4.	Adjusted Cost Formula	Total cost as % of FYP is adjusted for 2nd year persistency, as follows:  (a) No adjustment if 2nd Year Persistency between 65% and 75%. (b) If Persistency over 75%, unadjusted % cost is reduced in ratio of 75% to actual persistency. (c) If Persistency less than 65%, unadjusted % cost is increased in ratio of 65% to actual persistency.	<p>A proportion of total expenses will be allowed to meet renewal collection costs, as follows:</p> <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:60%;">Renewal Premium</th> <th style="width:40%;">Proportion of Expenses</th> </tr> </thead> <tbody> <tr><td>Less than 5 Million</td><td>10%</td></tr> <tr><td>At least 5 Million, less than 10</td><td>11%</td></tr> <tr><td>At least 10 Million, less than 15</td><td>12%</td></tr> <tr><td>At least 15 Million, less than 20</td><td>13%</td></tr> <tr><td>At least 20 Million, less than 25</td><td>14%</td></tr> <tr><td>At least 25 Million, less than 30</td><td>15%</td></tr> <tr><td>At least 30 Million, less than 35</td><td>16%</td></tr> <tr><td>At least 35 Million, less than 40</td><td>17%</td></tr> <tr><td>At least 40 Million, less than 45</td><td>18%</td></tr> <tr><td>At least 45 Million, less than 50</td><td>19%</td></tr> <tr><td>50 Million or more</td><td>20%</td></tr> </tbody> </table> <p>For years 2000 and 2001 only, 65% will be replaced by 60%  No change  For years 2000 and 2001 only, 65% will be replaced by 60%</p>	Renewal Premium	Proportion of Expenses	Less than 5 Million	10%	At least 5 Million, less than 10	11%	At least 10 Million, less than 15	12%	At least 15 Million, less than 20	13%	At least 20 Million, less than 25	14%	At least 25 Million, less than 30	15%	At least 30 Million, less than 35	16%	At least 35 Million, less than 40	17%	At least 40 Million, less than 45	18%	At least 45 Million, less than 50	19%	50 Million or more	20%	<p>State Life's 2nd Yr. Persistency had fallen to low levels. It was only 41% in 1999. In 2000, it went up to 62%.  It is equitable to lower the threshold to 60% for years 2000 and 2001 only.  Greater persistency consciousness is being inculcated. Therefore from 2002 onwards, the threshold will revert to 65%  No change proposed in proportions of adjusted cost recoverable.</p>
Renewal Premium	Proportion of Expenses																											
Less than 5 Million	10%																											
At least 5 Million, less than 10	11%																											
At least 10 Million, less than 15	12%																											
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CHAIRMAN'S  
INITIALS



**MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	10 <sup>TH</sup> NOVEMBER, 2001	

ITEM NO.	DESCRIPTION	PRESENT POSITION	PROPOSED	REMARKS
5.	Recovery of excess cost	Excess cost recoverable from Area Manager in full by end of next calendar year	Excess adjusted cost for 2000 will be recovered in monthly installments commencing 1 <sup>st</sup> January 2001. But the maximum monthly installment will be Rs 1000, and will continue beyond 2001 for as long as necessary to recover the excess adjusted cost.	Recovery of the adjusted excess cost for 2000 in full by end of 2001 created severe hardship, leaving hardly any take home
6.	Recovery of outstanding installments of excess cost on death in service.	Fully recoverable on death from dues payable to family.	Effective 1 <sup>st</sup> January 2000, recovery will be waived on death in service.	The present practice creates hardship. The proposed practice will offer relief to the widows/ orphans/ other family members
7.	New Pay Scales and package of officers effective January 1, 2000	Not applied to Area Managers, by Board Decision	With effect from 1 <sup>st</sup> January 2002, Area Managers will be permitted to opt for the new pay scales and package of 1 <sup>st</sup> January 2000. <u>Note:-</u> No arrears will be payable to optees in respect of the period upto 31 <sup>st</sup> December, 2001.	Traditionally, Category "A" and "B" Area Managers got the minimum of pay scale of Dy. Managers, and Category "C" minimum of Asst. Managers scale. For cost reasons, this was not done effective 1 <sup>st</sup> January 2000. The proposal will permit this option from 1 <sup>st</sup> January 2002, in view of higher FYP quotas.
8.	Incentive bonus	1% of FYP payable in any event. Additional slabs upto 2.5% payable subject to 2 <sup>nd</sup> Year persistency at least 70% and direct cost being within 5% of FYP.	1.5% payable in any event Additional 0.75% payable quarter by quarter provided at least 20% of annual FYP quota completed in the quarter. Additional 0.75% payable at end of year and subject to achievement of 2 <sup>nd</sup> Year Persistency Standard as follows: 2001 2002 2003 2004 & Later 60% 65% 70% 75% The new system will be effective 1 <sup>st</sup> January 2001. But in 2001 only, the Area Manager will be able to opt for existing incentive system if this is better for him/her.	The conditions attaching under the present system in respect of the additional slabs are very severe. Most Area Managers do not get these slabs. This had a de-motivating effect. The proposed system will make the incentives more meaningful and achievable, will encourage regular quarterly production and attainment of FYP and persistency targets

CHAIRMAN'S INITIALS





**MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME .
MINUTE BOOK	KARACHI	10 <sup>TH</sup> NOVEMBER, 2001	

ITEM NO.	DESCRIPTION	PRESENT POSITION	PROPOSED	REMARKS
9.	One time compensation on up-gradation of Area Manager	If an Area Manager qualifies for A Category from B or C, he/she shall be paid cash compensation of Rs.25,000, subject to his total cost including compensation not exceeding 10% of FYp	Underlined condition deleted. However, the Rs.25,000 shall be included in his total cost for the purposes of Items 2, 3, 4 and 5.	The existing condition operated harshly, and prevented payment of the one-time compensation in most cases. The was demotivating. The proposed change will make the incentive more attainable and meaningful, and will encourage B and C to work better to be classified as A.
10.	Year and release of perks in case of good performance	Not applicable	Provided the Area Manager meets the 2nd Year Persistency Standards mentioned in Item 8 above, the difference between "perks earned" and "perks paid during year + One time compensation, if any" will be calculated at end of year. This difference will be entered into the years cost, the procedure under Items 2, 3 and 4 will be followed, and any net credit balance will be paid.	Under the present system, suppose an Area Manager earned better perks in 2001 than actually released, then these would be paid in 2002. But they may be held back if the performance in 2002 falls. In this way, the Area Manager may not get the benefit of better performance in 2001.
11.	LPR	LPR generally refused to Area Managers	LPR may be allowed, subject to no excess cost recovery for the period of LPR. On proceeding LPR, the Area Manager's team shall be detached and he/she shall only be paid the following only during LPR period. i) Personal Salary as per rules. ii) Medical as per rules. iii) Provident Fund/Gratuity/Pension on superannuation as per rules. However grant of LPR shall remain at the discretion of the Management.	This is inequitable, and the proposed system would close the 2001 account at the end of 2001, leaving 2002 to stand by itself.  At present on genuine reason the Area Manager is granted LPR. During LPR his team remains attached with him. In absence of his active supervision of team, his business is also affected. Corporation's business is also affected. Heavy amount of excess cost is recoverable from Area Manager. The proposal will provide a way out suitable to both Corporation and Area Manager.
12.	Clarifications or difficulties	Not Applicable.	In case of any clarifications or difficulties, Chairman may decide.	There is much detail, and this provision will prevent minor points being referred back to the Board.

CHAIRMAN'S INITIALS



DIRECTORS	HELD AT	ON	TIME
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ANNEXURE "B"

REVISED SCHEDULE OF FEE APPROVED

**I. MONEY SUITS.**

This scale shall be applied in cases where the value of the suit can be calculated in terms of money, such scales shall relate to Death Claims/Group Insurance Claims/Recovery of dues and Compensation matters etc.

Value of suit in Rupee	% age Value of Suit	Amount of Fee in Rupee
Upto 50,000	10%	3,000 Min. 5,000 Max.
50,000 to 100,000	7%	5,000 Min. 7,000 Max.
100,001 to 200,000	5%	7,000 Min. 10,000 Max.
200,001 to 500,000	3%	10,000 Min. 15,000 Max.
500,001 to 10 million	2%	15,000 Min. 50,000 Max.

Over 10 Million fee is payable as mutually agreed subject to approval of E.D. (Law).

**II.**

**(a) APPEALS.**

In appeals the amount of fee will be the applicable for the original case plus 12% additional amount.

**(b) Execution.**

The amount of fee will be 50% of fee for the original case subject to minimum Rs.3,000/- provided that there is no change of Advocate.

**III. MISC. EXPENSES.**

Rs.1000/-

Clerkage, typing and other office expenses are deemed to be included in the miscellaneous expenses. However, in cases where large number of photo copies of documents are made, the expenses incurred in making photostat copies and obtaining certified copies of the Judgements/Orders of the Court will be paid separately.

CHAIRMAN'S INITIALS



**MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 10 <sup>TH</sup> NOVEMBER, 2001	TIME
<p>IV. <u>LEGAL NOTICE OR REPLY.</u> Rs.1,000/-</p> <p>If same Notice is served on different parties involved in one case, it will be treated as one notice.</p> <p>V. <u>RENT CASES.</u></p> <p>(a) <u>Suit for recovery of rent arrears.</u> Fees as prescribed for money suits as (I) above.</p> <p>(b) <u>Ejectment Cases.</u></p> <p>(i) Minimum Fee ----- Rs.7,000/-</p> <p>(ii) Depending upon importance of Cases, additional fee as follow will also be paid:</p> <p>25 – 100% of V(b)(i) above. Depending upon two factors as under:</p> <p>a) Position of the premises. b) Location of the Building.</p> <p>Real Estate Functional Committee will prepare a schedule indicating importance of building for the purpose of payment of additional fee.</p> <p>(iii) Disposal of Cases within two years --- 50% of V(b)(i)&amp;(ii)</p> <p>(c) <u>Fair Rent Cases.</u> As given in V(b) above.</p> <p>(d) <u>Ejectment &amp; Fair Rent Cases against Corporation.</u> Mutually agreed.</p> <p>(e) <u>Rent Appeals.</u> Fee shall be applicable as provided in V(b)(i) &amp; (iii) above with 15% additional amount.</p> <p>(f) <u>Rent Executions.</u> 50% of V(b)(i) &amp; (ii) above plus separate Misc. Expenses. In old cases upto Rs.7,000/- depending upon the importance of the premises shall be paid.</p> <p>(g) <u>Inter-locutory applications.</u> Transfer applications, applications U/S 12(2) CPC or under Order 9 Rule 13 CPC for setting aside the final Judgement/Order and re-hearing of the case after remand by the High Courts, maximum fee of Rs.5000/- one time.</p>			

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VI. COMPROMISE

If the money suit or the rent case is compromised before recording the evidence, 50% of the fee in case of money suit or 50% of the minimum fee in case of rent cases will be payable. If the suit is compromised after recording of the evidence of the parties, full fee in money suits and minimum fee in rent cases will be payable.

VII.

WRIT PETITIONS

Rs.15,000/-

Fee in exceptionally important cases shall be mutually settled subject to E.D (Law)'s approval.

VIII.

LABOUR COURT/SERVICE TRIBUNAL/NIRC/HIGH COURT

(a) Rs.5,000/- to Rs.8,000/-

(b) Rs.10,000/- to Rs.20,000/- (Depending upon importance of case).

IX.

MATTERS IN WHICH VALUATION IS NOT POSSIBLE SUCH AS SPECIFIC PERFORMANCE, DECLARATION AND INJUNCTION.

Fee as mutually agreed.

X.

LITIGATION IN THE SUPREME COURT OF PAKISTAN.

Fee as mutually agreed.

XI.

MATTERS PERTAINING TO ASSESSMENT OF THE IMMOVABLE PROPERTIES AT EACH STAGE SEPARATELY VIZ. ORIGINAL, APPELLATE & REVISIONAL.

Shall be as per (I) subject to maximum Rs.50,000/-

CHAIRMAN'S  
INITIALS

