

MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

RECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**CONFIDENTIAL AND RESTRICTED**

164<sup>th</sup> Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 5<sup>th</sup> January, 2002 at 10:00 a.m., at Board Room State Life Building No.9, Principal Office, Karachi.

Chairman  
Director  
Director  
Director  
Director  
Director  
Director  
Board Secretary

A message dated 2<sup>nd</sup> January 2002 has been received from the Chairman, Camp Office, Islamabad that he is unable to attend the Board meeting due to his presence in Islamabad. The Board granted him leave of absence.

Mr. M. Saeed Akhtar, Mr. Rasool Bakhsh and Mr. Muhammad Mazharuddin, Executive Directors, at the meeting.

The Chairman congratulated Mr. Azhar A. Malik on his promotion to Chief Executive of ICI Pakistan Ltd and wished that ICI progress from strength to strength during his tenure of office.

Mr. Muhammad Mazharuddin, Executive Director, at the meeting and wished him success in his future responsibilities.

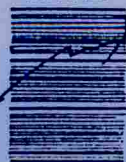
**MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS HELD ON 10<sup>TH</sup> NOVEMBER 2001.**

The meeting of the Board of Directors held on 10<sup>th</sup> November 2001.

Mrs. Spenta Kandawalla seconded that the minutes of the meeting be confirmed.

The Board of Directors held on 10<sup>th</sup> November, 2001.

CHAIRMAN'S  
INITIALS



Action:  
DGM(BS)

The one hundred and sixty fourth (164<sup>th</sup>) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 5<sup>th</sup> January, 2002 at Board Room State Life Building No.9, Principal Office, Karachi.

**PRESENT:**

1. Mr. Samee-ul-Hasan
2. Mr. Azhar Ali Malik
3. Mr. Mohammad Sharif Ijaz Ghauri
4. Mr. Nessar Ahmad
5. Air Marshal (Retd.) Sharbat A. Changazi
6. Mrs. Spenta Kandawalla
7. Mr. Umar Ata Bandial
8. Mr. Akbar Ali Hussain

2. The Board was informed that a fax message dated 2<sup>nd</sup> January 2002 has been received through Mr. Khalid Mehmood, PS that Mr. Bashir Ahmed, Director will not be able to attend the meeting due to his occupation and may be granted leave of absence.

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

4. On behalf of the Board, the Chairman congratulated Mr. Azhar A. Malik on his promotion as Chief Executive, of ICI Pakistan Ltd and wished that ICI progress from strength to strength during his tenure of office.

5. The Chairman congratulated Mr. Muhammad Mazharuddin, Executive Director, at the meeting and wished him success in his future responsibilities.

**ITEM (1) CONFIRMATION OF MINUTES OF 163<sup>RD</sup> MEETING OF THE BOARD OF DIRECTORS HELD ON 10<sup>TH</sup> NOVEMBER 2001.**

6. The minutes of the 163<sup>rd</sup> Meeting of the Board of Directors held on 10<sup>th</sup> November 2001 were placed before the Board for confirmation.

7. Mr. Nessar Ahmad proposed and Mrs. Spenta Kandawalla seconded that the minutes be confirmed.

Accordingly, it was resolved as under:

**RESOLVED:**

"that the Minutes of the 163<sup>rd</sup> Meeting of the Board of Directors held on 10<sup>th</sup> November 2001 be and were hereby confirmed."

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	
<p><b>ITEM (2) IMPLEMENTATION REPORT ON DECISION TAKEN IN THE - PREVIOUS BOARD MEETINGS.</b></p> <p>8. The Board Secretary presented before the Board the implementation report on decisions taken at the 163<sup>rd</sup> Meeting of the Board held on 10<sup>th</sup> November' 2001 which was noted.</p> <p>9. ED(B&amp;A) informed the Board that approval from the Government to the appointment of M/s. Taseer Hadi &amp; Co. Chartered Accountants and M/s. Riaz Ahmed &amp; Co. Chartered Accountants as Auditors of the Corporation for the year 2001 has since been received subject to the condition that matter of audit fee be negotiated with the audit firms to reduce the same. ED(B&amp;A) also informed that the matter is being taken up with the Government in this respect.</p> <p>10. The Chairman informed the Board that the Government has constituted a committee to consider proposals received from various insurers for removal of difficulties under Section 172 of the Insurance Ordinance 2000. JS(Insurance) would be the Convenor of the Committee.</p> <p><b>ITEM (3) CONSIDER/APPROVE - BUDGET ESTIMATES FOR THE YEAR 2002 AND REVISED BUDGET FOR THE YEAR 2001.</b> Executive Director(B&amp;A)'s Memorandum dated 11-12-2001.</p> <p>11. ED(B&amp;A) presented before the Board of Directors, a summary of Budget Proposals for the Corporation as a whole containing (i) Actual Results for the year 2000 (ii) Approved Budget for the year 2001 (iii) Revised Budget Estimates for the year 2001 and (iv) Proposed Budget for the year 2002.together with figures of Overseas Business operations for the above periods in US dollars. Details of Premium/Investment Income and Revenue Expenses including Field Expenses, Acquisition Cost of First Year Premium, Administrative Expenses, Policyholders' Payments as well as of the Capital Expenditure were also submitted.</p> <p>12. ED(B&amp;A) also submitted before the Board the Portfolio-wise operational results showing details of Income, expenses and contribution to Life Fund in respect of (i) Individual Life business (Pakistan) including Principal Office expenses (ii) Group Life business (iii) Investment (iv) Real Estate and (v) Overseas Operations as well as total for the Corporation separately for the years 2000 (Actual), 2001 (Budgeted), 2001 (Revised) and 2002 (Projected).</p> <p>13. ED(B&amp;A) drew the attention of the Board to the following:-</p> <p><b>(A). Acquisition and Administrative Cost of FYP</b></p> <p>(i) Under the Insurance Rules, the total permissible First Year Cost including acquisition and administrative cost is about 89% of the First Year Premium.</p> <p>(ii) Acquisition costs of the First Year Premium in the year 2000 was 105% and for the year 2001 (Revised) is 102%. Budgeted acquisition costs of FYP for the year 2002 is expected to be 92%. Reduction in acquisition costs in the year 2001 in comparison to the costs in the year 2000 is mainly due to the control on expenses of Area Managers and also by terminating the low performing Area Managers. Additional reduction is expected to be achieved in year 2002 by implementing the revised commission structure for the field force.</p>			

CHAIRMAN'S INITIALS



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(B). Renewal Expense Ratio

(iii) Renewal expense ratio in the year 2000 was 57% including the expenses of VRSS whereas the renewal expense ratio without VRSS was 41 %. The administrative expenses have been reduced by 8.57% from Rs.2,078 millions (in 2000) to Rs.1,900 millions (2001 revised), curtailing the renewal expense ratio to 38% (estimated) for the year 2001. The amount of reduction in administrative expenses in the year 2001, compared with the year 2000, was Rs.178 million.

14. ED(B&A) also presented before the Board, the budget highlights for the year 2002 and reasons for increase and decrease in the revised estimates of 2001 and 2002 projections over budget approved by the Board for the year 2001.

15. The Board of Directors was requested to kindly consider and approve Budget Proposals for the year 2002 and Revised Budget Estimates for the year 2001, as proposed in the budget summary within Pakistan business in Pak Rupees and for overseas business in US dollars as alongwith budget for capital expenditure for the year 2002 as proposed in various Annexures to the Memorandum which was submitted to the Board.

16. The Board was also requested to consider and authorize Executive Director (B&A) to make re-appropriation of budget among different heads of expenses accounts, in case a genuine need for such re-appropriation arises, of course, within the overall total amount of budget, approved by the Board of Directors.

After due deliberation, the Board resolved as under:

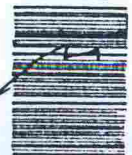
RESOLVED:

(i) "that the budget for the year 2002 (projected) along with capital budget for the year 2002 and revised estimates for the year 2001 be and was hereby approved. The FYP revised estimates of individual life business for 2001 was Rs.1050 million against approved budget of Rs.1100 million. Annexures II, II(i), "A to E4" and iii attached to the Minutes contain details of proposed budget for the year 2002 and the revised budget for the year 2001 which are summarized as under:-

	Rupees in Million for Pakistan Business and US Dollars in Million for Overseas Business	
	Revised Budget for 2001	Budget for 2002
a. First Year Premium		
- Pakistan	1050.000	1,200.000
- Overseas	1.558	1.948
b. Annuity and Single Premium		
- Pakistan	7.700	8.100
- Overseas	-	0.200
c. Renewal Premium - 2 <sup>nd</sup> Year		
- Pakistan	523.600	682.500
- Overseas	1.062	1.169
d. 3 <sup>rd</sup> Year and above		
- Pakistan	4014.500	4084.300
- Overseas	3.081	3.744
e. Group Premium		
- Group Life	1,300.000	1,450.000

Action:  
ED(B&A)

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f. Investment and other Income		
- Pakistan	8,551.700	8,891.600
- Overseas	1.215	1.268
g. Real Estate Income	339.200	360.000
h. Total Gross Income		
- Pakistan	15786.700	16,676.500
- Overseas	6.916	8.129
i. Total Policy Payments	5,556.000	6,219.000
- Pakistan	5,415.440	6,061.065
- Overseas	2.274	2.548
j. Total Payments to Field Workers	1,292.000	1,379.000
- Pakistan	1,188.123	1,251.367
- Overseas	1.677	2.065
k. Total Administrative Expenses	1,662.000	1,778.000
- Pakistan	1,900.299	2,029.942
- Overseas	0.935	1.129
l. Capital Budget		
Pakistan & Overseas combined	150.500	197.500

Action:  
ED(B&A)

(ii) "that ED(B&A) be and was hereby authorized to make re-appropriation of budget among different heads of accounts within the overall amount of budget approved by the Board with subsequent intimation to the Chairman."

**ITEM (4) POSITION PAPER ON INCOME TAX MATTERS.**

Executive Director(B&A)'s Memorandum dated 13-12-2001.

17. ED(B&A) presented before the Board, a Position Paper regarding different Income Tax issues of the Corporation. Massive over-deductions of Withholding Taxes from interest on maturity proceeds of State Life investments have arisen to Rs. 2,888 million due to:

- (i) Non-issuance / delayed issuance of Withholding tax exemption certificate.
- (ii) Non payment of assessed refund amounting to Rs. 113.5 million for the assessment years 1997/98 and 1998/99 inclusive.
- (iii) Non-verification of withholding tax challans amounting to Rs.103.2 million belonging to the assessment years 1993/94 to 1998/99 inclusive.
- (iv) Delay in income tax assessments of the Corporation for the assessment years 1999/2000, 2000/2001 and 2001/2002 against which an estimated refund of Rs. 2,671.6 million is expected.

18. Application of Section 80-D has resulted into imposition of additional income tax as well as litigation with the Tax department as given below:

- (i) Rectification of assessments u/s 156 for the year's 1993/94 to 1996/97 inclusive by applying section 80-D instead of assessment u/s 26(a). This has resulted in imposition of additional income tax amounting to Rs.70.7 million on State Life for the above 4 years. Furthermore, the income tax assessment for the assessment year 1997/98 has also been done on 24.06.2000 u/s 80-D by applying turn over tax at the rate of 0.5% of the gross receipts resulting in additional income tax amounting to Rs. 17.9 million. The Corporation had filed appeals first before the Commissioner of Income Tax (Appeals) and later on before the Appellate Tribunal.

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- (ii) The assessment for the assessment year 1998/99 has been done on 28.07.2001 by first applying 5% tax on taxable actuarial surplus treating the same as dividend income and then u/s 80-D by applying turnover tax at the rate of 0.5% on the gross receipts less taxable actuarial surplus on which 5% tax has already been applied resulting into imposition of additional income tax amounting to Rs. 22.4 million. The Corporation has also filed appeal against this assessment order before the Commissioner of Income Tax (Appeals) on 21.08.2001 which has been rejected. State Life is now in the process of filing an appeal before the Appellate Tribunal.

19. State Life has taken up the above income tax issues with the CBR through the Ministry of Commerce vide our letter dated 21.12.2000 followed by a meeting of the Chairman / other officials of State Life and the Ministry of Commerce with the Member Income Tax, Central Board of Revenue on 08.01.2001 as a result of which the following actions have been taken by the Income Tax Department:

- (i). Issuance of Withholding tax exemption certificate applicable to all Government Securities valid up to 30.06.2001.
- (ii). Issuance of Withholding tax exemption certificate applicable to all Government Securities valid for the period from 01.07.2001 to 30.06.2002.

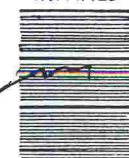
20. State Life has again taken up the matter with the CBR vide letter dated 16/11/2001 followed by a meeting of the Chairman / other officials of State Life and the Ministry of Commerce with the Chairman CBR and senior officials of CBR on 19/11/2001 wherein the following points were discussed:

- (i) CBR will advise the RCIT to expedite assessments in respect of assessment years 1999/2000, 2000/2001 and 2001/2002 and to complete the same as soon as possible within finite and reasonable dates and not wait until just before the assessment becomes time barred.
- (ii) CBR will advise the RCIT to complete the verification process of withholding tax within finite and reasonable period.
- (iii) CBR will try to make a refund of Rs. 113.5 million for the assessed and verified refunds in respect of assessment years 1993-94 to 1998-99 inclusive.
- (iv) CBR will advise the RCIT that State Life should be exempted from all future deductions of withholding tax.

21. ED(B&A) informed the Board that during the meeting with the CBR, the following points were also discussed:

- (i) The major item of expected refund of Rs.2,671.6 million relates to assessment years 1999/2000, 2000/2001 and 2001/2002 for which assessments have not yet been done. The CBR indicated that in view of Government's fiscal position, there is a proposal that instead of actual tax refunds to Banks and State Life, marketable bonds carrying a market return would be issued. This proposal is under consideration in the Finance Ministry. However, State Life reiterated that there was no moral or legal justification for holding this money, and it should be refunded to prevent further loss of investment income to policyholders.

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- (ii) As regard to application of Section 80-D, CBR indicated that this is a subject of litigation at the moment, and the Department won at the Tribunal stage in respect of a private insurance Company. Therefore, the Department is also likely to win at the Tribunal stage in respect of State Life, and the matter will have to go to the High Court.
- (iii) State Life pressed for a change in the Income Tax Ordinance, 2001, in order to make it clear that Section 80-D should not apply to Life Insurance Companies. The point stressed was that it would be a tax on savings. CBR agreed to look into this.

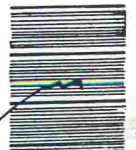
22. ED(B&A) submitted that the Board in its 160<sup>th</sup> meeting held on 28.04.2001 had advised the management to explore the possibility of early completion of outstanding assessments i.e. in respect of assessment year 1998/99, 1999/2000 and 2000/2001 and for taking up the matter with the Tax Ombudsman for settlement of the issues and for refund of the outstanding amount. The matter was discussed with State Life Tax Advisor who advised to wait as the ACIT had promised to finalize the assessments by 30.06.2001. ACIT has now issued assessment order on 28.07.2001 for the assessment year 1998/99 only with the promise to finalize the remaining assessments one by one in the coming months. The assessments for the remaining assessment years i.e. 1999/2000 and 2000/2001 have not yet been finalized by the Department. In the mean time, we have also submitted income tax return for the assessment year 2001/2002 on 27.08.2001 well before the prescribed date of 30.09.2001. This matter was also discussed in the meeting, with the Chairman and senior officials of CBR held on 19<sup>th</sup> November, 2001. Subsequent to this meeting, the Ministry of Commerce has also advised us to explore the possibility of approaching Tax Ombudsman on account of refund of Rs. 2.7 billion by Central Board of Revenue to StateLife in respect of assessment years 1999/2000, 2000/2001 and 2001/2002 vide fax dated 7<sup>th</sup> December, 2001.

23. ED(B&A) informed the Board that State Life has now prepared a case for approaching to the Tax Ombudsman through its tax advisor in respect of all our outstanding issues with the Income Tax Department as referred above, for the following :

- (i) Assessed refund of Rs. 113.5 million for the assessment years 1997/98 and 1998/99.
- (ii) Non-verification of withholding tax challans amounting to Rs.103.2 million for the assessment years 1993/94 to 1998/99 inclusive.
- (iii) Non-finalization of tax assessments for the assessment years 1999/2000, 2000/2001 and 2001/2002.
- (iv) Imposition of Section 80-D instead of assessment u/s 26(a).

24. The above position of State Life's income tax matters was noted by the Board. The Board instructed ED(B&A) that before going to the Tax Ombudsman, State Life should try administrative channels, including approaching Finance Minister through Ministry of Commerce in sorting out State Life income tax issues. During discussions with the Tax Authorities, efforts should be made by State Life to lay emphasis on distinction between Banks and the policyholders. In case the matter cannot be sorted out, the Ministry may be requested to take up the matter to the highest level.

CHAIRMAN'S  
INITIALS



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**ITEM (5) CONSIDER/RATIFY AGREEMENT WITH THE CBA STATE LIFE EMPLOYEES FEDERATION AND THE MANAGEMENT FOR THE YEAR 2001 AND 2002.**

Executive Director(P&GS)'s Memorandum dated 12-12-2001.

25. The Board at its 163<sup>rd</sup> meeting held on 10<sup>th</sup> November, 2001 was apprised of the position regarding in process negotiation with CBA in respect of Charter of Demands for the year 2001 and 2002 for the unionized employees of the Corporation. The Board had agreed in principle for the package being offered to CBA and authorized Chairman to conclude the CBA agreement within the financial implication of Rs.50 million.

26. ED(P&GS) presented before the Board, a copy of the Memorandum of agreement between the Management and the CBA signed on 15<sup>th</sup> November 2001 for its perusal and ratification. The financial implication shall remain within Rs. 50 million per annum.

After discussions, it was resolved as under:

**RESOLVED:**

"that the Memorandum of the agreement executed between the Management and the CBA on 15<sup>th</sup> November, 2001 for the years 2001 and 2002 and placed before the Board be and was hereby ratified."

Action:  
ED(P&GS)

**ITEM (6) CONSIDER/APPROVE - COMMISSION AND OTHER BENEFITS/STRUCTURE OF FIELD FORCE.**

Executive Director(MKTG)'s Memorandum dated .

27. ED(Marketing) presented before the Board, a Memorandum to consider and approve the revised field structure.

28. The Insurance Ordinance 2000, was promulgated on 19.08.2000, repealing the Insurance Act, 1938. The Ordinance envisages vital structural and operational changes, including but not restricted to regulate the business within the allowable operational cost.

29. The repealed Act and the Rules framed thereunder prescribed in detail minimum and maximum limits on field commission and over-riding commission. The new Ordinance contains no such provisions. Each insurer is left to regulate his own commission and over-riding commission.

30. The Board of Directors in its 159<sup>th</sup> meeting held at Lahore on 26<sup>th</sup> January, 2001 resolved as under:

"That the management should curtail first policy year acquisition cost i.e. commission over-riding commission and other benefits to field workers and the cost of Area Managers, in order to create space within the legally prescribed ratio for commission administrative cost assigned to the first policy year premium. Efforts be made to curtail expenses under all heads of non productive expenditure."

CHAIRMAN'S  
INITIALS



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31. ED(Marketing) informed the Board that changes in the field structure are traditionally carried out in consultation with the representatives of Field Federation, with a view to make the system user friendly.. Legally our contracts are with individual workers, under Letters of Appointment. We have the right to amend the terms of the Letters of Appointment by giving written notice. A committee under the Convenorship of General Manager (Actuarial) was constituted to discuss the issue with the representatives of the Field Federation. They were informed that the field cost is to be restricted to 50% of FYP with an allocation of 5% for Seating and Allied Facilities, Group Insurance and Medical Facilities for the field workers. It was suggested that a new structure be implemented eliminating either Sales Officers or Sales Managers. The field representatives did not agree to the idea of a two tier structure and reduction of commission rates, and insisted on the continuation of present structure with increased quotas.

32. Since inspite of in-depth discussions, a consensus was not arrived at and the field representatives did not put forward any viable and mutually acceptable alternate proposition, the committee finalized a field structure accommodating the Field Federation's point of view of retaining the three tier system with rationalization of commission rates. That field structure was announced on 1.3.2001, to be implemented w.e.f. 01.07.2001.

33. The Chairman reconstituted the committee under the Convenorship of Executive Director (PHS) with Divisional Head (IA&E), Divisional Head(RE), all the Regional Chiefs, Assistant General Manager(B&A) as members with Divisional Head(Marketing) to act as Secretary. The main Committee delegated the task to a sub-Committee consisting of the President and the Secretary General of the Field Federation, the Divisional Head(Mktg) and Regional Chief(South).

34. The sub-Committee after long and marathon discussions unanimously submitted a viable field structure before the main Committee. The main Committee agreed to it with some minor changes. The document was signed by the President and the Secretary General of the Field Federation and all the members of the main Committee. Minutes of the proceedings duly signed by the Committee members is enclosed as Annexure-A to the Memorandum.

35. ED(Marketing) submitted before the Board that the new field structure is intended to promote better productivity, consistent year-round activity and higher persistency. To ensure achievement of these objectives, the annual quotas of SRs/SOs/SMs have been revised and for SRs the minimum yearly and quarterly number of policies requirement has been incorporated. The structure contains a basic rate of commission @ 35%, 15% and 8% for SRs/SOs/SMs respectively. A further productivity bonus of 5%, 5% and 4% for SR/SO/SM shall be paid respectively half of which has been linked with quarterly quota, and the remaining half has been linked with completion of annual quota and persistency. The rates of persistency shall be according to the persistency track i.e. 65% for the year 2002, 70% for the year 2003 and 75% for the year 2004 and onwards. The annual quotas shall be increased by 25% after every three years. To promote professionalism, and to eliminate dummy organizations set up merely to get higher commissions, supervisory agents have been allowed some personal business and/or direct sales and recruitment.

CHAIRMAN'S INITIALS





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36. The agreed revised field structure relates to quotas, persistency and first year commission and is to be implemented w.e.f. 1.1.2002. Matters relating to the allocation of 5% towards Seating and Allied Facilities, Medical, and Group Insurance, Promotion Criteria, Retention Criteria, Retirement of Field Workers payment of Renewal Commission, Persistency Bonus and Stipendiary Scheme was to be finalized before 1<sup>st</sup> July 2001 but the matter could not be finalized. These matters are expected to be resolved in 2002 when it shall be placed before the Board for approval. The sub-Committee *unanimously has agreed with the proposed Million Dollar Round Table (MDRT) tract as per the structure which was to be implemented effective 1.7.2001 with minor changes.* The details have to be discussed with the field representatives for its incorporation in the new structure. The proposed MDRT track contained in the 1<sup>st</sup> March 2001 structure which was to be implemented from 1<sup>st</sup> July, 2001 is placed as Annexure-B to the Memorandum.

37. ED(Marketing) further informed the Board that it is expected that the First Year field commission cost under the new field structure will range from 65% to 70% while under the present System the commission cost works out to be around 77% to 79%. Thus the implementation of the new system shall save around 10% of the First Year Premium.

38. The following Table summarises some salient features of the new structure compared with the present structure:

	Present	New w.e.f. 1 <sup>st</sup> Jan2002
Sales Representatives annual FYP Quota	Rs.10,000/-	Rs.50,000/- *
Sales Officer annual FYP Quota	Rs.60,000/-	Rs.200,000/- *
Sales Manager annual FYP Quota	Rs.150,000/-	Rs.400,000/- *
Second year persistency requirement	60%	2002 - 65% 2003 - 70% 2004 & later 75%
Expected FY commission + over-riding Commission cost	77% to 79%	65% - 70%
Percentage of FY commission/or commission linked to regular Quarterly production?	No	2½ each to S.R and SO and 2% to SM linked with completion of regular quarterly production
Percentage of FY commission/or commission linked to 2 <sup>nd</sup> year persistency?	No	2½ each to S.R and SO and 2% to SM linked with completion of annual FYP Quota and 2 <sup>nd</sup> year persistency.

\*To be increased by 25% every 3<sup>rd</sup> year, starting from 1<sup>st</sup> January, 2005.

39. In regard to 2<sup>nd</sup> year and renewal commission, and 2<sup>nd</sup> year persistency commission, since no "agreement" has been reached with the Field Federation, it is proposed that in respect of such premiums received in 2002 under policies sold upto 31<sup>st</sup> December, 2001, we will continue to pay on the same basis as previously. This will give time to reach a consensus Inshallah during 2002, in respect of subsequent payments. The Letters of Appointment of SR's, SO's and SM's will be framed accordingly for the present.

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40. Seating and Allied Facilities, Medical and Group Insurance for Field Workers were not part of their contracts, but were provided separately. Since no "agreement" has been reached with the Federation it is proposed that these benefits for 2002 may be provided on the previous basis. This leaves time for discussion and "agreement" with the Field Federation.

41. A Draft Office Order containing the details of the new field structure is enclosed as Annexure-C to the Memorandum. The Board is requested to approve (a) the Order which will constitute an amendment to the Letters of Appointment(b) approve the continuation for 2002 only of Seating and Allied Facilities, Medical Facilities and Group Life Insurance on the existing basis.

42. Mr. Mohammad Sharif Ijaz Ghauri suggested that the Representatives of the Field Workers Federation should be given a hearing by the Board before implementing the revised field structure. However, there was a consensus among other Board Members that this would not be appropriate because the structure was arrived at after 5 month of the discussion and "negotiation" with the Field Federation, from February to June 2001 inclusive. It would be a bad precedent for them to be permitted to re-open issues which had been settled and signed by them.

After deliberations, it was resolved as under:

**RESOLVED:**

Action:  
ED(Mkt.)

(i)"that as proposed the draft office order containing the details of the new field structure enclosed as Annexure " F " to the Minutes which will constitute an amendment to the Letters of Appointment be and was hereby approved."

Action:  
ED(Mkt.)

(ii)"that as proposed the continuation for 2002 only of Seating and Allied Facilities, Medical Facilities and Group Life Insurance on the existing basis be and was hereby approved."

**ITEM (7) CONSIDER/APPROVE - PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2002.**

Executive Director(P&GS)'s Memorandum dated 11-12-2001.

43. The Board in its 162 meeting inter-alia, had resolved as follows:-

"That the performance based bonus plan for the year 2002 should be submitted to the Board well before the start of the year".

44. ED(P&GS) presented before the Board, a Memorandum of suggested performance linked plan for Individual Life, Group Life, Investment Division and Real Estate Division for 2002. It was proposed that henceforth, the bonus will be given to officers on the basis of performance and on the basis of achievements of Officers/Zones/Divisions. In the case of profitable business by the Corporation, the proposed basis will ensure bonuses to the maximum number of officers. Simultaneously, good workers will get premium on their performance.

45. ED(P&GS) submitted that the aim of the Scheme is to develop "competitive go" among the officers so that they could do their best in their fields. Simultaneously, the proposed plans will develop team spirit amongst the employees. All officers will have direct interest in promotion of the business of the Corporation and they will work as a team and motivate their colleagues for better and enhanced performance.

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After discussions, it was resolved as under:-

**RESOLVED:**

Action:  
ED(P&GS)

(i) "that the proposed performance-linked plans for Individual Life, Group Life, Investment and Real Estate as shown in Annexures G, H, I and J to these Minutes be and was hereby approved for the year 2002 only."

Action:  
ED(P&GS)

(ii) "that the Chairman be and was hereby authorized to make any adjustment considered necessary in the proposed performance linked plans for the year 2002 based on the experience for the year 2001."

Action:  
ED(P&GS)

(iii) "that as proposed Area Managers will not get bonuses under this plan as they have their own incentive scheme."

**ITEM (8) CONSIDER POSITION PAPER ON EMPLOYEES TERMINATED AS "POLITICAL APPOINTEES" AND SUBSEQUENTLY RE-INSTATED BY THE COURTS.**

Executive Director(P&GS)'s Memorandum dated 13-12-2001.

46. ED(P&GS) presented before the Board, a Memorandum to consider treatment of employees terminated and subsequently reinstated by different Courts. During 1994-96, 335 employees were recruited by the Corporation under Phase-III of the Centralized System of recruitment by the then Government.

47. ED(P&GS) informed that out of 335 persons recruited under Phase-III, 127 employees from unionized staff and 12 officers were removed from the service of the Corporation on 4-2-2000, as per government decision, on the grounds of their appointment being on political basis. The rest of the employees appointed during 1994-96 were regularized by the Board at its 158<sup>th</sup> meeting subject to scrutiny of the cases in a transparent manner and condoning the irregularities of over-age, less experience and other requirements etc.

48. Majority of the terminated employees went into various courts against the decision of termination of their services. The courts interceded and till preparation of this memorandum, 74 of these employees have joined the Corporation as a result of reinstatement ordered by various courts including Federal Service Tribunal, Labour Courts and Supreme Court of Pakistan.

49. ED(P&GS) also submitted a brief position of these 74 cases who have joined the Corporation which is as follows:-

<u>Description</u>	<u>No. of employees reinstated In staff &amp; officers grade.</u>	
FST decision upheld by the Supreme Court.	45	(Staff)
FST (Lahore) decision Without back benefit	17	(Staff)
Decision of Lahore Court/NIRC	4	(Staff)
FST decision upheld by the Supreme Court	8	(Officers)
<b>Total</b>	<b>74</b>	

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50. The above courts gave varying judgements on the cases under their consideration. A summary of these decisions is as follows:-

- a) 17 staff reinstated with back benefits (decision of FST, Islamabad upheld by Supreme Court of Pakistan).
- b) 17 staff plus 2 officers were reinstated without back benefits (decision of FST, Lahore).
- c) 28 staff reinstated by FST, Karachi with back benefits (decision of FST, Karachi upheld by Supreme Court of Pakistan) and whose cases are still in Supreme Court of Pakistan for withdrawal of benefits on the appeal filed by the Corporation.
- d) 4 staff of Swat Zone reinstated by Labour Court/NIRC.
- e) 6 officers (doctors) were reinstated by FST, Karachi with back benefits (decision of FST, Karachi upheld by Supreme Court of Pakistan) and whose cases are still in Supreme Court for withdrawal of benefits on the appeal filed by the Corporation.

51. The Supreme Court, in the case of 17 employees of Central and Northern Regions, gave the following decision:

- a) They may be reinstated immediately from the date of submission of applications given by them in the respective offices.
- b) They may be asked to submit an affidavit that they were not employed anywhere else during the termination of their services.
- c) Decision may be taken by the Corporation towards process of issuance of show cause notice regarding their political appointment on the basis of which their services were terminated.

52. ED(P&GS) submitted before the Board that the Corporation has now to decide the fate of these 139 terminated employees out of which 74 have joined as a result of court reinstatements. The following options are available for the Corporation to consider their cases:-

- a) In compliance with the Supreme Court decision, show cause notices may be issued and based on case to case, their retention or termination may be decided. Or
- b) The employees may be absorbed in the permanent cadre of the Corporation. The financial impact of 74 employees is Rs.8,00,000/- p.m. approx. The numbers may increase with the passage of time.

53. If they are retained, the total strength of the Corporation would be as follows:-

	<u>Approved strength</u>	<u>Present strength excluding these 74</u>	<u>Strength including these 74</u>
Officers	1350	1135	1143
Staff	<u>2700</u>	<u>2755</u>	<u>2821</u>
Total	<u>4050</u>	<u>3890</u>	<u>3984</u>

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54. The Corporation has, therefore, to decide further line of action in respect of these reinstated employees. At present majority of these employees are not getting the privileges enjoyed by other regular and permanent employees of the Corporation like bonus, promotions etc. Because these employees were appointed in 1995-96, they have gained experience in the Corporation. Some of these are highly qualified.

After discussions, it was resolved as under:-

**RESOLVED:**

(i)"that the case of the 139 terminated employees who have gone to various Courts and who have been reinstated by the Courts be reviewed on a case to case to basis objectively and those who meet the criteria laid down in accordance with the job requirements be confirmed and absorbed in the permanent cadre of the Corporation. The financial impact of 74 employees is Rs.8,00,000/- p.m. approx. The numbers of such cases may increase with the passage of time."

Action:  
ED(P&GS)

(ii)"that the above employees who are absorbed in the permanent cadre of the Corporation be entitled to the privileges enjoyed by other regular and permanent employees of the Corporation like bonus, promotion etc."

Action:  
ED(P&GS)

(iii) Employees who do not meet the requirements of para - (i) may be served with show cause notices of termination.

Action:  
ED(P&GS)

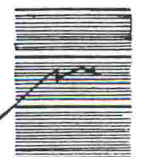
**ITEM (9) CONSIDER/APPROVE - CONSTITUTION OF OFFICERS  
GRATUITY FUND AND EXECUTION OF TRUST DEED.  
Executive Director(P&GS/Law)'s Memorandum dated 08-11-2001.**

55. ED(P&GS/Law) presented before the Board, a proposal for constitution of Officers Gratuity Fund and Trust Deed and rules to be framed in connection therewith.

56. The Board of Directors at its 159<sup>th</sup> meeting held on 26<sup>th</sup> January 2001 had approved revision of pay and allowances to officers of State Life and authorized the Chairman to take all necessary actions to implement the decision of the Board. State Life introduced revised pay structure for the Officers on 12<sup>th</sup> February, 2001 and one of the elements of new pay structure approved by the Board was introduction of Defined Contribution Funded Gratuity Scheme. Under the Scheme, the Gratuity entitlement for past service upto 31<sup>st</sup> December, 1999 of the Officers who had opted for previous Gratuity Scheme are to be frozen as on 31-12-1999 and for future, Corporation will contribute 8.33% of basic pay of each officer into Defined Contribution Gratuity Fund to be established by the Corporation w.e.f. 1<sup>st</sup> January, 2000. Similarly, the officers who were in Pension Scheme, their pension entitlement as on 31-12-1999 have been frozen and they have been given option to opt for Defined Contribution Gratuity Scheme. The draft of proposed Trust Deed and Rules have been finalized and enclosed as Annexure "A". to the Memorandum which was submitted to the Board for approval.

57. ED(P&GS) requested the Board to approve constitution of Officers Gratuity Fund and Trust Deed and Rules framed in connection therewith and authorize the Chairman to executive Trust Deed on behalf of the Corporation and nominate Trustee to manage the Officers Gratuity Fund.

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After discussions, it was resolved as under:

**RESOLVED:**

Action:  
ED(P&GS)

(i)"that the constitution of Officers Gratuity Fund be and was hereby approved.

Action:  
ED(P&GS)

(ii)"that the proposed Trust Deed of Officers Gratuity Fund and Rules to be framed in connection therewith annexed to the Memorandum submitted by ED(P&GS) to the Board be and was hereby approved.

Action:  
ED(P&GS)

(iii)"that the Chairman be and was hereby authorized to take all necessary steps for execution of the Trust Deed of the Officers Gratuity Fund and Rules in connection therewith. The Chairman was also authorized to nominate Trustees to manage the Officers Gratuity Fund.

**ITEM (10) POSITION PAPER ON WINDING-UP/SALE OF STATE ASSETS  
MANAGEMENT COMPANY (SIMCO).**

Executive Director(Invt.)'s Memorandum dated 12-12-2001.

58. The Board at its 162<sup>nd</sup> meeting held on 11<sup>th</sup> August, 2001 has decided that State Life should negotiate and buy 10% shares of SAMCO held by Beg Associates at a price not exceeding its break-up value and 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 Economic Coordination Committee (ECC).

59. Ministry of Commerce vide its fax letter dated August 10, 2001 followed by reminders has asked the Corporation to respond about the implementation of the decision of ECC taken in its meeting held on 29<sup>th</sup> December 1996 regarding winding up of SAMCO. In view of this faxletter/reminders from the Ministry, State Life so far has not negotiated any deal with M/s. Beg Associates.

60. ED(Invt.) also presented before the Board, a write up containing chronology of the events relating to formation and subsequent position of the company as submitted earlier to the Board has been updated and has been attached to the Memorandum submitted to the Board as Annexure 'A'. A brief about SAMCO was also submitted herewith for reconsideration.

61. State Asset Management Company (SAMCO) was formed in May 1995 by State Life Insurance Corporation of Pakistan in collaboration with M/s. Beg Associates (BA) for marketing unit linked policies. Participation in the equity of SAMCO by State Life and BA was 90% and 10% respectively. Three agreements were executed, one between State Life and Beg Associates, 2<sup>nd</sup> between Beg Associates and SAMCO and the third one between State Life and SAMCO.

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62. Subsequently in 1996, the Economic Coordination Committee (ECC) decided to wind up SAMCO and on the basis of a note from the then Executive Director (Investment) dated 30<sup>th</sup> December, 1996 the winding up process was initiated. A meeting of SAMCO Board was held and according to the decision taken, all expenses of the company (except unavoidable) were frozen and employees of SAMCO were retrenched. It may be noted that till that point of time expenses of Rupees 17.175 million had already been incurred. The decision of the ECC to wind up SAMCO was conveyed to State Life vide Ministry of Commerce letter dated 12<sup>th</sup> July, 2000 subject to the following conditions:-

- (a) Ministry of Commerce should try to recover as much as possible out of Rs 17.1 million spent so far and
- (b) The responsibility for conceptualization and implementation of the scheme should be fixed and reference should be made to the Ehtisab Commission to investigate the matter.

63. The amount of Rs 17.1 million was mainly spent in the formation of the company, development of software, payment of salaries of the employees and the establishment cost of SAMCO. The recovery of this amount is not possible because these expenses were incurred after approval by the Board of SAMCO.

64. As to fixation of responsibility, the decision to form SAMCO for marketing unit link products in collaboration with Beg Associates was made by the then Board of Directors of State Life. However, the case is already with Regional Accountability Bureau (RAB).

65. In October 1997 Ministry of Commerce vide letter dated October 20 had informed that a foreign buyer was interested in buying SAMCO. However the Ministry did not communicate the name of the foreign buyer. Thereafter in May 1998 a proposal was received from M/s. Salman & Co. Chartered Accountants on behalf of a foreign party to buy SAMCO but the same was not materialized.

66. In February 1999 State Life had advertised sale of SAMCO in leading newspapers but no body responded. M/s. Jardine Fleming in June 1999 offered to form a joint venture with State Life but the proposal did not materialize. M/s. Arif Habib Securities in early 2000, expressed their interest to make investment to the extent to have the management control. Sale of SAMCO was again advertised in 2000. The offers received from prospective buyers included Businessman Services Corporation and Arif Habib Securities Ltd. A letter dated 27.4.2000 was written to the Ministry for review of the ECC decision which was replied by the Ministry vide letter dated 11.5.2000 advising that the matter be put to the Board for consideration and recommendation. The matter was discussed in 154<sup>th</sup> meeting of the Board held on 11<sup>th</sup> July, 2000 and it was decided that SAMCO be wound up as per earlier instructions of ECC.

67. Subsequent to the above Board meeting, a verbal proposal was received from NIT to buy SAMCO which did not materialize. A proposal was also received from United Bank Limited to acquire 90% holding in SAMCO. However, UBL thereafter did not follow the matter after observing that ECC had already decided to wind up SAMCO.

68. The bank balance in the account of SAMCO, as on 4<sup>th</sup> November, 2001 was Rs 15,119,937.53.

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DIRECTORS	HELD AT	ON	TIME
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69. Mr. Nasim Beg of M/s. Beg Associates contacted State Life on different occasions. He is of the opinion that taking of any action about the future status of SAMCO is upto State Life being the majority shareholders and also having majority of the directors on the Board of SAMCO. According to him taking of a final decision by State Life may involve considerable time. Accordingly he has requested that he be relieved from SAMCO. On the basis of his repeated requests the matter was taken up to the Board and it was decided in the Board meeting held on 11<sup>th</sup> August, 2001 to buy the shares of M/s. Beg Associates as mentioned in para 1. However that decision has not been implemented due to receipt of letter from the Ministry as stated in para 59 of the Minutes.

70. In addition to the expenses already incurred, SAMCO has an obligation to pay a compensation of Rs 10 million to Beg Associates for pre mature cancellation of the agreement. However Mr. Naseem Beg is not pressing for this amount and has indicated that Beg Associates will be willing to close the matter if they are paid their share in the business.

71. For reinitiating the winding up process, the matter was taken up by our Law Division with an outside legal advisor i.e. M/s. Orr Dignam & Co. Advocates. They have opined that the mechanism of voluntary winding up will have to be followed. This will require :

- (i) Filling in of the vacancies of the Board of SAMCO.
- (ii) Appointment of Chief Executive in place of Mr. Nasim Beg who has resigned on April 3, 1999.
- (iii) Preparation/audit of annual accounts of SAMCO for the year 1996-1997 onward.
- (iv) Holding of Annual General Meeting of SAMCO.
- (v) Filing of statutory returns.
- (vi) Holding of EOGM/AGM for passing of resolution for winding up of SAMCO and declaration of solvency by the directors of SAMCO under the provisions of Companies Ordinance 1984.
- (vii) Appointment of liquidator.

72. ED(Invt.) also informed the Board that SAMCO so far has neither held any AGM nor has filed any statutory returns. This has been because before it could commence its business, it was decided to liquidate it and all its operations were accordingly frozen. It is likely that penalty may be levied by the regulators when the returns are filed. As regard audit of annual accounts these will have to be prepared keeping in view that SAMCO is to go in liquidation.

73. The matter was submitted for information and further guidance as considered appropriate by the Board.

74. The above position was noted by the Board and it was resolved as follows:-

**RESOLVED:**

(i)"that the process of winding up State Asset Management Company (SAMCO), be re-initiated and all necessary steps including payment of penalties for late submission of returns be taken in this regard to complete the process at the earliest.

(ii)"that ED(Invt.) be and was hereby authorized to take all necessary steps in this regard."

Action:  
ED(Invt.)

Action:  
ED(Invt.)

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**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
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**ITEM (11) PRESENTATION OF BUSINESS FIGURES FOR THE PERIOD ENDED 30<sup>TH</sup> NOVEMBER, 2001 OF INDIVIDUAL LIFE, GROUP & PENSION, INTERNATIONAL, INVESTMENT AND REAL ESTATE DIVISION.**

ED(G&P), ED(INT'L), ED(INV), ED(MARKETING)AND GM(RE)  
MEMORANDUM DATED 12-12-2001.

75. The Business Review Memorandums of DGM(Marketing), ED(G&P), ED(International), ED(Investment) and GM(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> November 2001 were submitted to the Board which were noted.

**Marketing Division:**

76. On year to date basis, the Corporation procured FYP of Rs.706 million as compared to Rs.699 million completed during the same period of last year, thus registering a nominal increase of 0.99% over the corresponding period of last year.

77. The Corporation collected Rs.420 million as second year premium, as compared to Rs.699 million completed during the same period of last year. The second year persistency for the period January to November 2001 was 60.10%. The third year and later year's premium for the period January to November 2001 was Rs.2496.40 million. The renewal persistency ratio for the period January to November, 2001 is 79.36%.

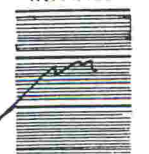
**Group & Pension Division:**

78. The collection of premium for G&P business upto November 30, 2001 stood at Rs.1092.153 million as compared to Rs.1005.593 million, for the corresponding period of last year showing an increase of 8.61%. G&P Division secured 81 new groups during this period having total premium of Rs.6.542 million as against 101 new groups having premium of Rs.21.535 million, in the corresponding period of last year showing a decrease of 69.62% in premium income under new groups. Upto 30<sup>th</sup> November 2001, G&P Division lost 118 policies having total premium of Rs.48.781 million. The persistency of G&P Division was 96%.

**International Division:**

79. International Division has procured US\$1.1427 million FYP, during the period January to November 2001 as against US\$:1.2024 million for the corresponding period of last year showing a decrease of 5%. The policies sold by International Division during the period January to November 2001 was 1038 as against 1167, registering a decrease of 11% over the corresponding period of last year. Second year persistency achieved during the period is 59%, through collection of second year premium of US\$0.7079 million as against 47% of last year, through collection of second year premium of US\$:0.5360 million. Renewal premium collection is US\$2.7098 million as against US\$:2.2132 million showing an increase of 22% over the collection of last year, with Renewal persistency of 90% as against 100% of last year.

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**Investment Division:**

80. Book value of the investment portfolio, which was Rs.64,841 million on December 31, 2000, is estimated to have increased to Rs.68,163 million as of November 30, 2001, reflecting an increase of Rs.3,322 million and percentage increase of 5.12%, during the eleven months ended November 30, 2001. State Life has invested either through auction or direct purchases through primary dealers, Rs.19.080 billion during the current year till November 30, 2001 in Pakistan Investment Bonds of 10 years duration, out of the maturity proceed of SGBs and income received from other sources. State Life is also increasing its exposure in the debt market and has invested Rs.452 million in TFCs of Dawood Leasing, Orix Leasing, ICL, SSGC and other companies during the first eleven months of the current year. Investment income is estimated to be Rs.7,894 million for the period January to November 2001 as compared to Rs.7,965 million for the full year ended December 31, 2000.

81. State Life equity portfolio which was Rs.5,397 million as on December 31, 2000 has increased to Rs.6,568 million as on November 30, 2001 showing an increase of Rs.1,171 million during the first eleven months of the year 2001. State Life sold shares with a book value of Rs.24.539 million for Rs.76.588 million thereby realizing capital gain of Rs.52.049 million during the period under review.

82. As instructed by the Board, at its 162<sup>nd</sup> meeting held on 11<sup>th</sup> August, 2001, ED(Inv.) 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. The book value of total quoted portfolio as at November 30, 2001 stood at Rs.6,125 million while its market value was Rs.5,955 million showing a depreciation of Rs.170 million.

**Real Estate Division:**

83. The net income of Real Estate Division, increased to Rs.69 million, during the period January to November 2001, from Rs.15 million in the corresponding period of last year, due to reduction in administrative expenses including staff and officers welfare expenses because of VRSS.

**ITEM (12) PRESENTATION ON TARGETS, ACHIEVEMENTS AND PROBLEMS AND THEIR SUGGESTED SOLUTIONS ON ITS BUSINESS ACTIVITIES.**

84. The Chairman gave a detailed presentation on targets, achievements and problems and their suggested solutions on the business activities of State Life which was appreciated and noted by the Board.

**ITEM (13) PRESENTATION ON THE MECHANICS OF CHILD'S POLICIES WITH SPECIAL EMPHASIS ON EDUCATION.**

Executive Director(Act.)'s Memorandum dated 30-10-2001

85. As directed by the Board at its 160<sup>th</sup> meeting, ED(Act.)'s Memorandum was presented before the Board, giving mechanics of child's policies offered by State Life with stress on education. ED(Act.) explained in his Memorandum the uncertainty regarding future and how insurance can help financial and security in education of children.

CHAIRMAN'S INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
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86. ED(Act.) mentioned in his Memorandum salient features of various plans offered by State Life for protecting child's future including Child Protection Policy (Table-07), Child Education and Marriage Plan with income benefits (Table-75), Child Education and Marriage Plan without income benefit (Table-76) and Shehnai Policy (Table-77) and Group Life Education Continuation Plan.

87. The above details were noted by the Board.

**ITEM (14) CONSIDER/APPROVE RECOMMENDATION OF STANDING COMMITTEE OF BOARD IN RESPECT OF APPEALS FILED BY THE OFFICERS WHO WERE AWARDED DIFFERENT PUNISHMENTS AS A RESULT OF DISCIPLINARY ACTION.**  
Executive Director(P&GS)'s Memorandum dated 14-12-2001

88. The Board of Directors in its 156<sup>th</sup> meeting held on 7-10-2000 resolved to constitute a Standing Committee comprising following Directors, in terms of regulation No.33 (2)(a) of State Life Employees (Service) Regulations, 1973 to consider Appeals and Application for Revision and to submit its recommendations to the Board:-

- a) Mr. Samee-ul-Hasan, Chairman
- b) Air Marshal (Retd) Sharbat A. Changazi, Director and
- c) Mr. Umar Ata Bandial, Director

89. In this regard a meeting of the Standing Committee was held on 1<sup>st</sup> December 2001 at Karachi to consider 4 cases of appeal. The Standing Committee granted personal hearing to the appellants and after examining each case gave their recommendations in the Memorandum submitted to the Board for such final order as it may deem fit to make.

After deliberations, the Board resolved as under:-

**RESOLVED:**

Action:  
ED(P&GS)

(i)"that the recommendation of the Standing Committee that punishment of censure and recovery of Rs.40,000/- in the case of Mr. Ehsan-ul-Haq, Deputy General Manager(RED), P.O., Karachi was too severe and be reduced to a warning be and was hereby approved."

Action:  
ED(P&GS)

(ii)"that the recommendation of the Standing Committee in the case of Mr. Muhammad Nadeem Qadri, Manager(Marketing) Karachi Central Zone, Karachi to drop the second charge as it was trivial be and was hereby approved. The recommendation of the Standing Committee to take a lenient view and issuance of a warning instead of censure on the first charge against him was also approved."

Action:  
ED(P&GS)

(iii)"that the recommendation of the Standing Committee to exonerate Mr. Riazuddin, Manager(Marketing), P.O., Karachi from the charges be and was hereby approved. The Board also approved the recommendation of the Sanding Committee that Mr. Tariq Mahmood is entitled to Rs.2500/- per month technical allowance from the date he acquired FLMI(M) qualification was also approved."

Action:  
ED(P&GS)

(iv)"that the recommendation of the Standing Committee in the case of Dr. Shafquat Qamar, Ex Deputy Manager, G&P, Ex Western Zone, Karachi to uphold the punishment of dismissal and recovery of loss awarded to him be and was hereby approved."

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**ITEM (15) ANY OTHER MATTER**

**(1) REGISTRATION OF STATE LIFE WITH THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN.**

Executive Director(Act.)'s Memorandum dated 4-1-2002

90. ED(Act.) presented before the Board, a Memorandum on registration of State Life with the Securities and Exchange Commission of Pakistan.

91. ED(Act.) informed that as approved by the Board at its 162<sup>nd</sup> meeting held on 11<sup>th</sup> August, 2001, an application was submitted under Section 6(1) and 6(2) of the Insurance Ordinance 2000 for registration of State Life with Securities and Exchange Commission of Pakistan

92. The Commission has accepted State Life's application and has registered State Life under Section 6 of the Ordinance to transact all classes of life insurance business. A copy of the "Certificate of Registration" dated 1<sup>st</sup> January 2002 received from the Commission under cover of the letter dated 31<sup>st</sup> December, 2001 was enclosed with the Memorandum.

93. ED(Act.) informed the Board that State Life will study the implication of the issuance of certificate of registration w.e.f. 1<sup>st</sup> January 2002 instead of 19<sup>th</sup> August, 2001 and ensure compliance of the various requirements of registration.

94. The above was noted by the Board.

The meeting ended with vote of thanks to the chair.

  
CHAIRMAN

CHAIRMAN'S  
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**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**  
**SUMMARY OF BUDGET PROPOSALS FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR THE YEAR 2001**

**BUDGET SUMMARY**  
Annexure - II



Description	Within Pakistan			Overseas			Corporation basis			Remarks
	Actual 2000	Budgeted 2001	Revised 2001	Actual 2000	Budgeted 2001	Revised 2001	Actual 2000	Budgeted 2001	Revised 2001	
<b>1-INCOME</b>										
1.1 - Premium Income	6,425	7,251	6,896	256	282	353	6,681	7,533	7,249	7,851
1.2 - Investment / Real Estate & other Income	8,261	8,287	8,891	62	72	75	8,323	8,339	8,966	9,331
<b>Total Income</b>	<b>14,686</b>	<b>15,538</b>	<b>15,787</b>	<b>318</b>	<b>354</b>	<b>428</b>	<b>15,004</b>	<b>15,872</b>	<b>16,215</b>	<b>17,182</b>
<b>2-OUTGO</b>										
2.1 - Field Expenses	1,046	1,253	1,188	87	84	104	1,133	1,337	1,292	1,379
2.2 - Administrative Expenses including RED / Inv. Less: Investment / RED Expenses	2,836	1,920	1,900	54	56	59	2,880	1,976	1,959	2,100
Administrative Expenses excluding RED / Inv.	(411)	(257)	(297)	-	-	-	(411)	(257)	(297)	(322)
<b>2.3 - Total Management Expenses (2.1 + 2.2)</b>	<b>2,425</b>	<b>1,663</b>	<b>1,603</b>	<b>64</b>	<b>66</b>	<b>69</b>	<b>2,479</b>	<b>1,719</b>	<b>1,662</b>	<b>1,778</b>
2.4 - Payment to Policyholders	3,471	2,916	2,791	141	140	153	3,612	3,056	2,954	3,157
<b>Total Outgo (2.3 + 2.4)</b>	<b>5,010</b>	<b>5,578</b>	<b>5,415</b>	<b>126</b>	<b>188</b>	<b>141</b>	<b>5,136</b>	<b>5,766</b>	<b>5,556</b>	<b>6,219</b>
<b>3-LIFE FUND</b>	<b>8,481</b>	<b>8,484</b>	<b>8,206</b>	<b>267</b>	<b>328</b>	<b>304</b>	<b>8,748</b>	<b>8,822</b>	<b>8,610</b>	<b>9,376</b>
Life fund at the beginning of the year	62,122	67,714	67,714	382	413	413	62,484	68,127	68,127	75,193
Gross Accretion to Life fund (1 - 2)	6,205	7,024	7,581	51	26	124	6,256	7,050	7,705	7,806
less: RED & Investment Expenses	(411)	(257)	(297)	-	-	-	(411)	(257)	(297)	(322)
less: provision for Income tax	(202)	(75)	(100)	-	-	-	(202)	(75)	(100)	(100)
less: Govt. share of surplus	-	(75)	(242)	-	-	(75)	-	(75)	(242)	(75)
<b>Life fund at the year end</b>	<b>67,714</b>	<b>74,330</b>	<b>74,656</b>	<b>413</b>	<b>439</b>	<b>537</b>	<b>69,127</b>	<b>74,759</b>	<b>76,193</b>	<b>82,602</b>
<b>4-EXPENSES</b>										
<b>4.1 - Allowable Expenses</b>										
89.50% of F.Y.P.	852	985	940	73	81	86	925	1,066	1,026	1,182
7.5% of Single Premium/Annuity	1	1	1	-	-	-	1	1	1	1
7.5% of Group Premium	83	98	98	-	-	-	83	98	98	109
15% of Renewal Premium	655	725	681	26	29	39	681	754	720	781
<b>Total</b>	<b>1,591</b>	<b>1,809</b>	<b>1,720</b>	<b>99</b>	<b>110</b>	<b>125</b>	<b>1,690</b>	<b>1,919</b>	<b>1,845</b>	<b>2,063</b>
<b>4.2 - Excess over allowable Expenses (2.3 - 4.1)</b>	<b>1,890</b>	<b>1,107</b>	<b>1,071</b>	<b>42</b>	<b>30</b>	<b>38</b>	<b>1,922</b>	<b>1,137</b>	<b>1,109</b>	<b>1,104</b>
<b>5-RENEWAL EXPENSE RATIO</b>										
5.1 - Renewal Expense Ratio (Excluding VRSS)	41%	38%	39%	38%	31%	30%	41%	38%	39%	37%
5.1 - Renewal Expense Ratio (Including VRSS)	58%	-	-	-	-	-	57%	-	-	-

Ra. In millions

@Rs.53.70 @Rs.60.00 @Rs.62.00

Annexure - A

Annexure - B

Annexure - C

Annexure - D

Annexure - E

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**  
**SUMMARY OF BUDGET PROPOSALS OF OVERSEAS FOR THE YEAR 2002**  
**AND REVISED BUDGET ESTIMATES FOR THE YEAR 2001 IN US DOLLARS**

Annexure - II (i)

Description	Year(s) →	US\$ in millions			
		Actual 2000	Budgeted 2001	Revised 2001	Projection 2002
<b>1 - INCOME</b>					
First Year Premium		1,518	1,517	1,558	1,948
Second Year Premium		0,749	0,750	1,062	1,169
Renewal Premium		2,497	2,433	3,081	3,744
Total Premium		4,764	4,700	5,701	6,860
Investment & Other Income		1,151	1,200	1,215	1,268
<b>Total Income</b>		<b>5,914</b>	<b>5,900</b>	<b>6,916</b>	<b>8,129</b>
<b>2 - OUTGO</b>					
2.1 - Field Expenses		1,620	1,400	1,677	2,065
2.2 - Administrative Expenses		1,006	0,929	0,952	1,129
<b>2.3 - Total Management Expenses (2.1 + 2.2)</b>		<b>2,626</b>	<b>2,329</b>	<b>2,629</b>	<b>3,194</b>
2.4 - Payment to Policyholders		2,346	3,133	2,274	2,548
<b>Total Outgo (2.3 + 2.4)</b>		<b>4,972</b>	<b>5,463</b>	<b>4,903</b>	<b>5,742</b>

CHAIRMAN'S  
INITIALS



MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

Annexure - A

**INCOME**

Rs. In millions

Description Years) →	Within Pakistan				Overseas				Corporation basis			
	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002
First Year Premium	952,100	1,100,000	1,050,000	1,200,000	81,500	91,000	96,621	120,776	1,033,600	1,191,000	1,146,621	1,320,776
Single Premium / Annuities	7,100	15,000	7,700	8,100	-	-	-	0,200	7,100	15,000	7,700	8,300
Second Year Premium	619,600	618,000	523,600	682,500	40,200	45,000	65,844	72,466	659,800	663,000	589,444	754,966
Renewal Premium	3,743,900	4,216,000	4,014,500	4,084,300	134,100	146,000	191,016	232,103	3,878,000	4,362,000	4,205,516	4,316,403
Group Premium	1,101,900	1,302,000	1,300,000	1,450,000	-	-	-	-	1,101,900	1,302,000	1,300,000	1,450,000
Total Premium	6,424,600	7,251,000	6,895,800	7,424,900	255,800	282,000	353,481	425,545	6,680,400	7,533,000	7,248,281	7,850,445
Investment & Other Income	7,914,400	7,977,000	8,551,700	8,891,600	61,800	72,000	75,327	78,632	7,976,200	7,948,000	8,627,027	8,970,232
Real Estate Income	346,800	390,000	339,200	360,000	-	-	-	-	346,800	390,000	339,200	360,000
Total Income	14,685,800	15,518,000	15,786,700	16,676,500	317,600	354,000	428,808	504,176	15,003,400	15,872,000	16,215,508	17,180,676

CHAIRMAN'S  
INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

FIELD PAYMENT

Rs. in million

CHAIRMAN'S INITIALS



Annexure

Description	Year(s) →	Within Pakistan			Overseas			Corporation basis			Basis for Estimate			
		Actual 2000	Budgeted 2001	Revised 2001	Projection 2002	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002	Actual 2000		Budgeted 2001	Revised 2001	Projection 2002
<b>INDIVIDUAL LIFE</b>														
<b>First Year Cost</b>														
Agency & Over-riding commission - first year		703,567	627,200	787,500	804,000	59,572	68,432	72,466	90,582	783,139	895,632	859,966	894,582	Around 75.0% of current year FYP & 6.7% against maximum 1.2% in 2002 for IL
Commission - Annuity/Single premium		-	1,148	0,262	0,275	-	-	-	-	-	1,148	0,262	0,275	Against maximum 1.2% of Annuity + Single Premium
Incentive bonus to Area Manager		10,547	19,800	26,250	30,000	16,669	1,638	9,662	12,078	27,216	21,438	35,912	42,078	Around 2.5% of current year FYP (IL)
<b>Sub-Total</b>		<b>714,114</b>	<b>648,148</b>	<b>814,012</b>	<b>834,275</b>	<b>76,241</b>	<b>70,070</b>	<b>82,128</b>	<b>102,660</b>	<b>790,355</b>	<b>918,218</b>	<b>896,140</b>	<b>936,536</b>	10% for overseas
<b>Renewal Cost</b>														
2nd year Commission/Perseverancy		89,839	108,150	91,630	119,438	4,018	7,875	11,523	12,681	93,857	116,025	103,153	132,119	Around 17.5% against 20.5% of SYP
Renewal Commission		171,292	199,634	190,689	194,004	5,069	5,521	9,073	11,025	176,361	205,155	199,762	205,028	Around 4.75% against 6.5% of total Renewal
<b>Sub-Total</b>		<b>261,131</b>	<b>307,784</b>	<b>282,319</b>	<b>313,442</b>	<b>9,087</b>	<b>13,396</b>	<b>20,596</b>	<b>23,706</b>	<b>270,218</b>	<b>321,180</b>	<b>302,916</b>	<b>337,148</b>	
<b>Other cost</b>														
Field prize & awards / Contests		7,435	11,000	10,500	12,000	0,280	0,910	0,966	1,208	7,715	11,910	11,466	13,208	Around 10.0% of current year FYP
Field Convention		2,500	4,000	3,300	4,000	-	-	-	-	2,500	4,000	3,300	4,000	Estimated
<b>Sub-Total</b>		<b>9,935</b>	<b>15,000</b>	<b>13,800</b>	<b>16,000</b>	<b>0,280</b>	<b>0,910</b>	<b>0,966</b>	<b>1,208</b>	<b>10,215</b>	<b>16,910</b>	<b>14,766</b>	<b>17,208</b>	
Field Group Insurance		3,921	6,975	7,141	7,875	-	-	-	-	3,921	6,975	7,141	7,875	Around 0.75% of last year FYP
Field Medical		17,655	17,670	18,090	19,950	-	-	-	-	17,655	17,670	18,090	19,950	Around 1.9% of last year FYP
Field Office Expenses		37,835	53,010	50,461	55,650	-	-	-	-	37,835	53,010	50,461	55,650	Around 5.3% of last year FYP
<b>Sub-Total</b>		<b>69,411</b>	<b>77,665</b>	<b>76,692</b>	<b>83,476</b>	-	-	-	-	<b>69,411</b>	<b>77,665</b>	<b>76,692</b>	<b>83,476</b>	
<b>Total Individual Life</b>														
		<b>1,044,691</b>	<b>1,248,697</b>	<b>1,196,823</b>	<b>1,247,192</b>	<b>86,608</b>	<b>84,376</b>	<b>103,690</b>	<b>127,674</b>	<b>1,130,199</b>	<b>1,332,963</b>	<b>1,289,513</b>	<b>1,374,766</b>	
<b>GROUP LIFE</b>														
Group Field Cost		1,830	4,200	2,300	2,500	-	-	-	-	1,830	4,200	2,300	2,500	
Prize & Award		-	-	0,500	1,665	-	-	-	-	-	-	0,500	1,665	
<b>Total Group Life</b>		<b>1,830</b>	<b>4,200</b>	<b>2,800</b>	<b>4,165</b>	-	-	-	-	<b>1,830</b>	<b>4,200</b>	<b>2,800</b>	<b>4,165</b>	
<b>Grand Total</b>		<b>1,046,421</b>	<b>1,252,797</b>	<b>1,199,123</b>	<b>1,251,367</b>	<b>86,608</b>	<b>84,376</b>	<b>103,690</b>	<b>127,674</b>	<b>1,132,029</b>	<b>1,337,163</b>	<b>1,292,313</b>	<b>1,378,931</b>	



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

**ADMINISTRATIVE EXPENSES**

Annexure - C  
Re. in millions

CHAIRMAN'S INITIALS



Description Year(s) →	Within Pakistan			Overseas			Corporation basis		
	Actual 2000	Budgeted 2001	Revised 2001	Actual 2000	Budgeted 2001	Revised 2001	Actual 2000	Budgeted 2001	Revised 2001
<b>1 - Personnel Cost</b>									
<b>1.1 - Officers</b>									
Individual Life including P.O.	459,393	462,619	452,789	498,732	-	-	459,393	462,619	452,789
Group Life	41,659	42,795	39,175	43,050	-	-	41,659	42,795	39,175
International Business	2,145	2,202	2,202	2,113	16,026	27,480	18,171	30,000	17,826
<b>Sub - Total</b>	<b>603,197</b>	<b>607,614</b>	<b>484,166</b>	<b>643,896</b>	<b>16,026</b>	<b>27,480</b>	<b>619,223</b>	<b>638,414</b>	<b>609,790</b>
Investment / RED Expenses	36,129	38,150	33,774	37,011	-	-	36,129	38,150	33,774
Voluntary Retirement Expenses	227,188	-	-	-	2,373	-	229,561	-	-
<b>Total Officers Expenses</b>	<b>766,514</b>	<b>646,104</b>	<b>627,940</b>	<b>680,906</b>	<b>18,399</b>	<b>27,480</b>	<b>784,913</b>	<b>673,564</b>	<b>643,564</b>
<b>1.2 - Area Managers</b>	<b>216,773</b>	<b>216,813</b>	<b>170,769</b>	<b>183,962</b>	-	-	<b>216,773</b>	<b>216,813</b>	<b>174,561</b>
<b>1.3 - Staff</b>									
Individual Life including P.O.	520,281	478,452	488,091	500,418	-	-	520,281	478,452	488,091
Group Life	34,375	32,670	28,593	28,615	-	-	34,375	32,670	28,593
International Business	1,567	1,537	2,700	3,241	7,985	6,784	9,552	8,321	13,426
<b>Sub - Total</b>	<b>656,223</b>	<b>612,659</b>	<b>619,384</b>	<b>632,274</b>	<b>7,985</b>	<b>6,784</b>	<b>664,208</b>	<b>619,443</b>	<b>630,110</b>
Investment / RED Expenses	49,789	46,980	44,372	60,382	-	-	49,789	45,980	44,372
Voluntary Retirement Expenses	529,940	-	-	-	-	-	529,940	-	-
<b>Total Staff Expenses</b>	<b>1,136,932</b>	<b>669,639</b>	<b>663,766</b>	<b>692,656</b>	<b>7,985</b>	<b>6,784</b>	<b>1,143,917</b>	<b>666,423</b>	<b>674,482</b>
<b>Total Personnel Cost Inc. Area Managers</b>	<b>2,119,219</b>	<b>1,321,656</b>	<b>1,292,495</b>	<b>1,397,514</b>	<b>26,384</b>	<b>34,244</b>	<b>2,146,803</b>	<b>1,366,800</b>	<b>1,292,697</b>
<b>2 - Other Office Expenses</b>									
<b>Major Expenses</b>									
Advertisement	26,016	50,284	44,172	55,500	0,513	0,500	26,529	50,784	44,735
Conference & Meetings	6,684	9,955	8,820	10,270	0,384	0,550	7,268	10,505	9,384
Training	6,769	15,455	6,410	15,015	0,259	0,035	7,028	15,490	15,286
Rent & Utilities	153,884	150,292	158,833	127,331	6,535	5,883	180,219	156,175	165,495
Traveling	13,696	15,045	13,880	15,100	1,031	0,700	14,727	15,745	15,288
Postage & Telegrams	15,698	14,500	19,887	33,230	0,706	0,800	16,404	15,300	20,716
Printing & Stationery	25,714	27,400	23,320	41,696	0,552	0,600	26,266	28,000	24,024
Telephone (Office)	16,961	16,950	20,178	16,830	1,720	1,900	18,681	18,850	22,128
Law & other Professional Charges	6,059	9,102	5,056	5,408	5,939	3,600	11,998	12,702	8,948
Policy Stamps	36,771	12,525	13,013	15,018	-	-	36,771	12,525	13,013
Entertainment	4,048	6,232	4,935	5,190	0,162	0,200	4,210	6,432	5,537
Data Processing	10,160	12,280	10,210	11,710	0,141	0,100	10,301	12,380	10,340
Repair & Maintenance	9,899	10,810	12,162	12,520	0,484	0,500	10,383	11,310	12,568
Rates & Taxes	0,087	0,320	0,314	0,520	3,985	2,725	3,759	3,820	3,077
Depreciation	35,172	36,220	38,287	40,012	0,387	0,600	26,889	40,865	44,499
Other Office Expenses	23,565	38,047	40,132	42,000	0,522	2,818	417,505	446,928	447,798
<b>Sub - Total</b>	<b>390,983</b>	<b>426,417</b>	<b>419,419</b>	<b>447,428</b>	<b>26,522</b>	<b>21,511</b>	<b>417,505</b>	<b>446,928</b>	<b>447,203</b>
Investment / RED Office Expenses	325,320	172,886	218,415	225,000	-	-	325,320	172,886	218,415
<b>Total Office Expenses</b>	<b>716,303</b>	<b>696,303</b>	<b>637,834</b>	<b>672,428</b>	<b>26,522</b>	<b>21,511</b>	<b>742,825</b>	<b>613,814</b>	<b>666,163</b>
<b>Total Admin Expenses (1 + 2)</b>	<b>2,836,622</b>	<b>1,919,869</b>	<b>1,900,299</b>	<b>2,029,942</b>	<b>52,906</b>	<b>56,755</b>	<b>2,889,428</b>	<b>1,978,614</b>	<b>1,968,760</b>
Excluding VRSS	2,078,394		637,834	672,428			2,078,394		637,834
			914,336	2,029,942					914,336
			108,826						108,826
			Revised						Revised

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**  
**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

**POLICY PAYMENT**

CHAIRMAN'S INITIALS



Annexure - D

Rs. in millions

Description	Within Pakistan				Overseas				Corporation basis			
	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002	Actual 2000	Budgeted 2001	Revised 2001	Projection 2002

@Rs.53.70 @Rs.60.00 @Rs62.00 @Rs.62.00

**INDIVIDUAL LIFE**

Death Claims	519,574	620,000	545,500	583,600	0,341	18,000	4,389	5,266	519,915	638,000	549,889	588,866
Maturity Claims	1,171,666	1,423,000	1,389,166	1,768,900	76,112	125,000	85,250	92,380	1,247,778	1,548,000	1,474,416	1,861,280
Surrenders	2,152,988	2,221,000	2,292,240	2,450,650	50,864	45,000	51,338	60,638	2,203,852	2,286,000	2,343,578	2,511,288
Annuities	9,073	10,000	8,376	10,600	(1,389)	-	-	-	7,684	10,000	8,376	10,600
Claim Investigation Expenses	2,306	4,000	2,613	3,621	-	-	0,025	0,031	2,306	4,000	2,638	3,652
<b>Sub-Total</b>	<b>3,855,607</b>	<b>4,278,000</b>	<b>4,237,895</b>	<b>4,817,371</b>	<b>125,928</b>	<b>188,000</b>	<b>141,001</b>	<b>158,315</b>	<b>3,981,535</b>	<b>4,466,000</b>	<b>4,378,896</b>	<b>4,975,686</b>

**GROUP LIFE**

Group Claims	1,079,918	1,150,000	1,137,748	1,208,400	-	-	-	-	1,079,918	1,150,000	1,137,748	1,208,400
Group Profit Commission	(0,514)	100,000	39,547	34,859	-	-	-	-	(0,514)	100,000	39,547	34,859
Health Insurance Claims	75,191	50,000	-	-	-	-	-	-	75,191	50,000	-	-
Claim Investigation Expenses	-	-	0,250	0,435	-	-	-	-	-	-	0,250	0,435
<b>Sub-Total</b>	<b>1,154,595</b>	<b>1,300,000</b>	<b>1,177,545</b>	<b>1,243,694</b>	<b>125,928</b>	<b>188,000</b>	<b>141,001</b>	<b>158,315</b>	<b>1,154,595</b>	<b>1,300,000</b>	<b>1,177,545</b>	<b>1,243,694</b>
<b>Total Policy Payments</b>	<b>5,010,202</b>	<b>5,578,000</b>	<b>5,415,440</b>	<b>6,061,065</b>	<b>125,928</b>	<b>188,000</b>	<b>141,001</b>	<b>158,315</b>	<b>5,136,130</b>	<b>5,766,000</b>	<b>5,556,441</b>	<b>6,219,380</b>

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**

**2000**

**Rs in millions**

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + Int'l DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
<b>INCOME</b>								
Premium Income	5,323	1,102	6,425	-	-	6,425	256	6,681
Investment/Real Estate & Other Income	-	-	-	7,914	347	8,261	62	8,323
<b>TOTAL INCOME</b>	<b>5,323</b>	<b>1,102</b>	<b>6,425</b>	<b>7,914</b>	<b>347</b>	<b>14,686</b>	<b>318</b>	<b>15,004</b>
<b>OUTGO</b>								
Field Expenses	1,044	2	1,046	-	-	1,046	87	1,133
Administrative Expenses	2,248	177	2,425	93	318	2,836	54	2,890
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>3,292</b>	<b>179</b>	<b>3,471</b>	<b>93</b>	<b>318</b>	<b>3,882</b>	<b>141</b>	<b>4,023</b>
Policy Payments (Group Life)	-	1,155	1,155	-	-	1,155	-	1,155
Outgo before policy Payments (Individual Life)	3,292	1,334	4,626	93	318	5,037	141	5,178
Increase in Life Fund before II Policy Payments	2,031	(232)	1,799	7,821	29	9,649	177	9,826
Policy Payments (Individual Life)	3,855	-	3,855	-	-	3,855	126	3,981
Net addition to the Life fund after policy payment						5,794	51	5,845
Government share of surplus								
Provision for income tax								(202)
Net Increase in Life fund								5,643
Life fund at the end of the year								68,127

CHAIRMAN'S INITIALS



Annexure E-1

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**  
**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

**2001** (Budgeted)

Rs In Millions

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + INT'DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	SUB-TOTAL INV + RED	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
<b>INCOME</b>									
Premium Income	5,949	1,302	7,251	-	-	-	7,251	282	7,533
Investment/Real Estate & Other Income	-	-	-	7,877	390	8,267	8,267	72	8,339
<b>TOTAL INCOME</b>	<b>5,949</b>	<b>1,302</b>	<b>7,251</b>	<b>7,877</b>	<b>390</b>	<b>8,267</b>	<b>15,518</b>	<b>354</b>	<b>15,872</b>
<b>OUTGO</b>									
Field Expenses	1,249	4	1,253	-	-	-	1,253	84	1,337
Administrative Expenses	1,566	97	1,663	10	247	257	1,920	56	1,976
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>2,815</b>	<b>101</b>	<b>2,916</b>	<b>10</b>	<b>247</b>	<b>257</b>	<b>3,173</b>	<b>140</b>	<b>3,313</b>
Policy Payments (Group Life)	-	1,300	1,300	-	-	-	1,300	-	1,300
Outgo before policy Payments (Individual Life)	2,815	1,401	4,216	10	247	257	4,473	140	4,613
Increase in Life Fund before IL Policy Payments	3,134	(99)	3,035	7,867	143	8,010	11,045	214	11,259
Policy Payments (Individual Life)	4,238	-	4,238	-	-	-	4,278	188	4,466
Net addition to the Life fund after policy payment							6,779	26	6,793
Government share of surplus									(75)
Provision for income tax									(76)
Net Increase in Life fund									6,642
Life fund at the end of the year									74,769

CHAIRMAN'S INITIALS



Annexure E-2

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

**2001** (Revised)

Annexure E-3

Rs In millions

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + Int'l DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	SUB-TOTAL INV + RED	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
<b>INCOME</b>									
Premium Income	5,596	1,300	6,896	-	-	-	6,896	353	7,249
Investment/Real Estate & Other Income	-	-	-	8,552	339	8,891	8,891	75	8,966
<b>TOTAL INCOME</b>	<b>5,596</b>	<b>1,300</b>	<b>6,896</b>	<b>8,552</b>	<b>339</b>	<b>8,891</b>	<b>15,787</b>	<b>428</b>	<b>16,215</b>
<b>OUTGO</b>									
Field Expenses	1,185	2	1,187	-	-	-	1,187	104	1,291
Administrative Expenses	1,521	83	1,604	10	287	297	1,901	58	1,959
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>2,706</b>	<b>85</b>	<b>2,791</b>	<b>10</b>	<b>287</b>	<b>297</b>	<b>3,088</b>	<b>162</b>	<b>3,250</b>
Policy Payments (Group Life)	-	1,178	1,178	-	-	-	1,178	-	1,178
Outgo before policy Payments (Individual Life)	2,706	1,263	3,969	10	287	297	4,266	162	4,428
Increase in Life Fund before II. Policy Payments	2,889	37	2,927	8,542	52	8,594	11,521	266	11,787
Policy Payments (Individual Life)	4,238	-	4,238	-	-	-	4,238	141	4,379
Net addition to the Life fund after policy payment							7,283	125	7,408
Government share of surplus									(242)
Provision for income tax									(100)
Net Increase in Life fund									7,066
Life fund at the end of the year									75,193

CHAIRMAN'S INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**  
**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**

**2002**

Rs in millions

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + Indiv DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	SUB-TOTAL INV + REID	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
<b>INCOME</b>									
Premium Income	5,975	1,450	7,425	-	-	-	7,425	426	7,851
Investment/Real Estate & Other Income	-	-	-	8,892	360	9,252	9,252	79	9,331
<b>TOTAL INCOME</b>	<b>5,975</b>	<b>1,450</b>	<b>7,425</b>	<b>8,892</b>	<b>360</b>	<b>9,252</b>	<b>16,677</b>	<b>505</b>	<b>17,182</b>
<b>OUTGO</b>									
Field Expenses	1,248	4	1,252	-	-	-	1,251	128	1,379
Administrative Expenses	1,620	88	1,708	11	312	322	2,030	70	2,100
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>2,868</b>	<b>92</b>	<b>2,960</b>	<b>11</b>	<b>312</b>	<b>322</b>	<b>3,281</b>	<b>198</b>	<b>3,479</b>
Policy Payments (Group Life)	-	1,244	1,244	-	-	-	1,244	-	1,244
Outgo before policy Payments (Individual Life)	2,868	1,336	4,204	11	312	322	4,526	198	4,723
Increase in Life Fund before IL Policy Payments	3,107	114	3,221	8,881	48	8,930	12,151	307	12,459
Policy Payments (Individual Life)	4,784	-	4,784	-	-	-	4,817	158	4,975
Net addition to the Life fund after policy payment							7,334	149	7,484
Government share of surplus									(75)
Provision for income tax									(100)
Net Increase in Life Fund									7,309
Life fund at the end of the year									82,502

CHAIRMAN'S INITIALS



Annexure E-4

**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**  
**BUDGET PROPOSAL FOR THE YEAR 2002 AND REVISED BUDGET ESTIMATES FOR 2001**  
**Annexure - III**

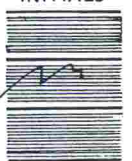
**CAPITAL BUDGET**  
**YEAR 2002**

( Rupees In millions )

Individual Life ( Within Pakistan-Zones/Regions )	33.500
Overseas Division	1.000
Group Life	2.800
Real Estate Division	56.900
Human Resources development	0.800
Computer Division	45.000
P&GS Division	57.000
Actuarial Division	0.500
<b>Total</b>	<b><u>197.500</u></b>

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CHAIRMAN'S INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD, AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

Annexure – "F"

**STATE LIFE INSURANCE CORPORATION OF PAKISTAN**

**Commission and Over-Riding Commissions to SR's, SO's and SM's**

Effective 1 Jan 2002

**1. INTRODUCTION**

- (a) Until further orders, Commissions and Over-Riding Commissions in respect of Group Policies shall continue to be governed by the relevant provisions of the Insurance Rules, 1958. However, the term "Employer of Agents" shall stand replaced by "Supervisory Agent", as defined in this Order.
- (b) With effect from 1 Jan 2002, payment of Commission and Over-Riding Commissions to SR's, SO's and SM's in respect of policies other than Group Policies shall be made as provided herein.

**2. DEFINITIONS.**

- i) "Corporation" means the State Life Insurance Corporation of Pakistan.
- ii) "Direct Unit" means the body of State Life Agents supervised by a Supervisory Agent without the intervention of any other Supervisory Agent.
- iii) "Entire Unit" means the entire body of State Life Agents being supervised by a Supervisory Agent, including both his direct unit and his indirect unit, if any.
- iv) "Entire Unit Second Year Persistency Ratio" in respect of a Supervisory Agent for a calendar year means the aggregate of second policy year premiums received in that calendar year through his entire unit expressed, as a percentage of the aggregate first policy year premiums received in the previous calendar year through his entire unit. In calculating this ratio, group insurance, term insurance and annuities, whether immediate or deferred, shall be excluded.
- v) "Group Insurance policy" means a policy where ten or more lives are insured under a single policy.
- vi) "Indirect Unit" means the body of State Life Agents supervised by a Supervisory Agent through the intervention of other Supervisory Agents.
- vii) "Quarter" of a calendar year means any one of the following four periods as is relevant in the context, i.e. the periods from 1<sup>st</sup> January to 31<sup>st</sup> March, 1<sup>st</sup> April to 30<sup>th</sup> June, 1<sup>st</sup> July to 30<sup>th</sup> September and 1<sup>st</sup> October to 31<sup>st</sup> December.
- viii) A "Sales Manager" ("SM") means a Supervisory Agent who has an Indirect Unit, and may be also a Direct Unit, and has a valid and subsisting contract with the Corporation to act as a SM.

CHAIRMAN'S  
INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

- ix) A "Sales Officer" ("SO") means a Supervisory Agent who has only a Direct Unit, and has a valid and subsisting contract with the Corporation to act as a SO.
- x) "Sales Representative" ("SR") means a State Life Agent who procures insurance business himself, with no other State Life Agent intervening between him and the policyholder.
- xi) "Second Year Persistency Ratio" in respect of a State Life Agent for a calendar year means the aggregate of second policy year premiums received in that calendar year through him, expressed as a percentage of the aggregate first policy year premiums received in the previous calendar year through him. In calculating this ratio, group insurance, term insurance and annuities, whether immediate or deferred, shall be excluded.
- xii) "State Life Agent" means an agent whose name appears on the Register of Agents maintained by the Corporation and who has a valid and subsisting contract in writing with the Corporation to act as an agent.
- xiii) "Supervisory Agent" means a State Life Agent who procures insurance business for the Corporation whether wholly or in part by supervising other State Life Agents and has a valid and subsisting contract in writing with the Corporation as either a Sales Officer or a Sales Manager.

**3. ANNUAL FIRST YEAR PREMIUM QUOTA.**

Annual First Year Premium quotas ("FYP quotas") shall be as follows:

- i) For an SR, first policy year premium income of Rs 50,000/- per calendar year under at least 12 policies.
- ii) For an SO, first policy year premium income of Rs 200,000/- per calendar year through his direct unit.
- iii) For an SM, first policy year premium income of Rs 400,000/- per calendar year through his entire unit.

Provided that:

- a) The Annual FYP quotas stated above shall after every three years be automatically increased by 25%. The first such increase shall be made with effect from 1<sup>st</sup> January 2005.
- b) 6% of First Policy Year premiums under Group Insurance Policies and 6% of all single premium policy including annuities and Term Insurance shall be counted towards the Annual FYP quota. In addition, where the Group Policy is one under which the rates of Commission or Over-Riding Commission are the same in the First, Second and Later Policy Years, 6% of premiums in respect of Second and Later Policy Years shall also be counted towards the Annual FYP quota.

**4. SECOND YEAR PERSISTENCY RATIO REQUIREMENTS.**

The Second Year Persistency Ratio requirements shall be as follows:

**Table 1 Second Policy Year Persistency Ratio requirements**

Year	Second Year Persistency Ratio requirement
2002	65 %
2003	70 %
2004 and later years	75%

CHAIRMAN'S INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**5. SR's COMMISSION**

**(a) Basic Commission Rates**

**Table 2 - SR's Basic Commission Rates**

Type of policy	Premium paying period of policy	Basic Commission as percentage of premium		
		First Policy Year	Second Policy Year (Subject to Note)	Third and Later Policy Years (Subject to Note)
(i) Policies other than those specified in (ii) and (iii) below	(a) 1 year	2.00%	Nil	Nil
	(b) 2 years	4.00%	2.00%	Nil
	(c) 3 years	6.00%	5.00%	5.00%
	(d) 4 years	8.00%	5.00%	5.00%
	(e) 5 years	10.00%	5.00%	5.00%
	(f) 6 years	12.00%	5.00%	5.00%
	(g) 7 years	14.00%	5.00%	5.00%
	(h) 8 years	16.00%	5.00%	5.00%
	(i) 9 years	18.00%	5.00%	5.00%
		(j) At least 10 years but less than 15 years	26.25%	10.00%
	(k) At least 15 years but less than 20 years	29.75%	10.00%	5.00%
(ii) Term Insurance policies	(l) 20 years and more	35.00%	10.00%	5.00%
	All premium paying periods	10.00%	10.00%	5.00%
(iii) Annuities whether Immediate or Deferred	(a) 1 year	2.00%	Nil	Nil
	(b) 2 years or more	7.50%	2.00%	2.00%

**Note:** The Basic Commission rates shown in Table 2 for the Second Policy Year and the Third and Later Policy Years are applicable only to premiums received in the calendar year 2002 in respect of policies sold up to 31 December 2001. The Basic Commission rates for the Second Policy Year and the Third and Later Policy year premiums received in the calendar years 2003 and later in respect of the policies sold upto 31 December 2001, and the Basic Commission rates for the Second Policy Year and the Third and Later Policy year premium in respect of policies sold from 1 January 2002 onwards, will be prescribed later.

CHAIRMAN'S INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**(b) Productivity Bonus**

If in any Quarter the FYP received through an SR is at least 20% of his Annual FYP quota, he shall be paid a Productivity Bonus of 2½ % of the FYP of that Quarter.

**Explanation:** No Productivity Bonus in respect of any Quarter shall be payable if the FYP received through the SR is less than 20% of his Annual FYP quota.

**(c) Additional Productivity Bonus**

If in any calendar year the SR completes his Annual FYP Quota and also meets the Second Year Persistency Ratio requirements described in Para 4, he shall be paid an Additional Productivity Bonus of 2½ % of his FYP for that calendar year

**(d) Additional Second Policy Year Commission for Persistency**

On Second Policy Year premiums received in the calendar year 2002 in respect of policies sold up to 31 December 2001, Additional Commission for Persistency shall be payable at one of the rates shown in Table 3, whichever is applicable. Additional Second Policy Year Commission for Persistency, if any, for Second Policy Year premiums received in calendar years 2003 and later in respect of the policies sold upto 31 December 2001, and for Second Policy Year premiums in respect of policies sold from 1 January 2002 onwards, will be prescribed later.

**Table 3 S.R's Additional Second Policy Year Commission for Persistency for year 2002**

SR's Second Policy Year persistency ratio for the calendar year 2002	Additional Commission for persistency, expressed as percentage of Second Policy Year Premium received during calendar year 2002
(a) Less than 70%.. .. .	Nil
(b) 70% or more but less than 71% .. .. .	1.0%
(c) 71% or more but less than 72% .. .. .	1.1%
(d) 72% or more but less than 73% .. .. .	1.2%
(e) 73% or more but less than 74% .. .. .	1.3%
(f) 74% or more but less than 75% .. .. .	1.4%
(g) 75% or more but less than 76% .. .. .	1.5%
(h) 76% or more but less than 77% .. .. .	1.6%
(i) 77% or more but less than 78% .. .. .	1.7%
(j) 78% or more but less than 79% .. .. .	1.8%
(k) 79% or more but less than 80% .. .. .	1.9%
(l) 80% or more but less than 81% .. .. .	2.0%
(m) 81% or more but less than 82% .. .. .	2.1%
(n) 82% or more but less than 83% .. .. .	2.2%
(o) 83% or more but less than 84% .. .. .	2.3%
(p) 84% or more but less than 85% .. .. .	2.4%
(q) 85% or more but less than 86% .. .. .	2.5%
(r) 86% or more but less than 87% .. .. .	2.6%
(s) 87% or more but less than 88% .. .. .	2.7%
(t) 88% or more but less than 89% .. .. .	2.8%
(u) 89% or more but less than 90% .. .. .	2.9%
(v) 90% or more .. .. .	3.0%

**PROVISOS APPLICABLE TO THIS PARA 5:**

- (i) No Productivity Bonus, Additional Productivity Bonus or Additional Second Policy Year Commission for Persistency shall be payable on Group Insurance Policies, Term Insurance Policies, or Annuities whether Immediate or Deferred. For other types of policies, no Productivity Bonus or Additional Productivity Bonus shall be payable if the policy is by single premium or if the premium paying term under the policy is less than 10 years.
- (ii) No Additional Second Policy Year Commission for Persistency shall be payable in the year 2002 if the FYP received through the SR during 2001 was less than Rs 6,000.

CHAIRMAN'S  
INITIALS



**MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**6. OVER-RIDING COMMISSION TO SO**

(a) Basic Over-Riding Commission Rates

**Table 4 S.O.'s Basic Over-Riding Commission Rates**

Type of policy	Premium paying period of policy	Basic Over-Riding Commission as percentage of premium		
		First Policy Year	Second Policy Year (Subject to Note)	Third and Later Policy Years (Subject to Note)
(i) Policies other than those specified in (ii) and (iii) below	(a) 1 year	1.00%	Nil	Nil
	(b) 2 years	2.00%	2.00%	1.00%
	(c) 3 years	3.00%	2.00%	1.00%
	(d) 4 years	4.00%	2.00%	1.00%
	(e) 5 years	5.00%	2.00%	1.00%
	(f) 6 years	6.00%	2.00%	1.00%
	(g) 7 years	7.00%	2.00%	1.00%
	(h) 8 years	8.00%	2.00%	1.00%
	(i) 9 years	9.00%	2.00%	1.00%
	(j) At least 10 years but less than 15 years	11.25%	2.00%	1.00%
	(k) At least 15 years but less than 20 years	12.75%	2.00%	1.00%
(l) 20 years and more	15.00%	2.00%	1.00%	
(ii) Term Insurance policies	All premium paying periods	5.00%	2.00%	1.00%
(iii) Annuities whether Immediate or Deferred	(a) 1 year	1.00%	Nil	Nil
	(b) 2 years or more	3.75%	0.40%	0.40%

**Note:** The Basic Over-Riding Commission rates shown in Table 4 for the Second Policy Year and the Third and Later Policy Years are applicable only to premiums received in the calendar year 2002 in respect of policies sold up to 31 December 2001. The Basic Over-Riding Commission rates for the Second Policy Year and the Third and Later Policy year premium received in the calendar year 2003 and later in respect of the policies sold upto 31 December 2001, and the Basic Over-Riding Commission rates for the Second Policy Year and the Third and Later Policy year premiums in respect of policies sold from 1 January 2002 onwards, will be prescribed later.

CHAIRMAN'S INITIALS



MINUTES OF 164<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	5 <sup>TH</sup> JANUARY, 2002	

**(b) Productivity Bonus**

If in any Quarter the FYP received through the SO is at least 20% of his Annual FYP quota, he shall be paid a Productivity Bonus of 2½ % of the FYP of that Quarter.

**Explanation:** No Productivity Bonus in respect of any Quarter shall be payable if the FYP received through the SO is less than 20% of his Annual FYP quota.

**(c) Additional Productivity Bonus**

If in any calendar year the SO completes his Annual FYP Quota and also meets the Second Year Persistency Ratio requirement described in Para 4, he shall be paid an Additional Productivity Bonus of 2½ % of his FYP for that calendar year

**(d) Additional Second Policy Year Over-Riding Commission for Persistency**

On Second Policy Year premiums received in the calendar year 2002 in respect of policies sold up to 31 December 2001, Additional Over-Riding Commission for Persistency shall be payable at one of the rates shown in Para 5(d), Table 3, whichever is applicable. Additional Second Policy Year Over-Riding Commission for Persistency, if any, for Second Policy Year premiums received in calendar years 2003 and later in respect of the policies sold up to 31 December 2001, and for Second Policy Year premiums in respect of policies sold from 1 January 2002 onwards, will be prescribed later.

**(e) Personal Business**

- (i) The SO shall be allowed to do personal business to the extent of 50% of his total FYP production in the first year of his promotion as a SO.
- (ii) In the second and later years of his tenure as a SO, his total personal production shall not exceed 50% of the total FYP generated by him. However, the rest of the 50% shall be procured through at least 2 bona fide SR's.
- (iii) Provided the requirements of (i) or (ii) are met, he would be entitled to SR Basic Commission on his personal business plus the earned rate of SO's Basic Over-Riding Commission, Productivity Bonus and Additional Productivity Bonus.
- (iv) In case his personal FYP exceeds 50% of his total FYP, then he shall not be entitled to SO's Basic Over-Riding Commission, Productivity Bonus and Additional Productivity Bonus on the FYP exceeding 50%. Only SR Basic Commission shall be paid on the said excess.

**PROVISOS APPLICABLE TO THIS PARA 6:**

- (i) No Productivity Bonus, Additional Productivity Bonus or Additional Second Policy Year Over-Riding Commission for Persistency shall be payable on Group Insurance Policies, Term Insurance Policies, or Annuities whether Immediate or Deferred. For other types of policies, no Productivity Bonus or Additional Productivity Bonus shall be payable if the premium is by single premium or if the premium paying term under the policy is less than 10 years.
- (ii) No Additional Second Policy Year Over-Riding Commission for Persistency shall be payable in the year 2002 if the FYP received through the SO during 2001 was less than Rs 15,000.

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**7. OVER-RIDING COMMISSION TO SM**

**(a) SM's Basic Over-Riding Commission**

- (i) On his Direct Unit : Same rates as in Para 6 (a), Table 4  
(ii) On his Indirect Unit: At rates stated in Table 5

**Table 5 - SM's Basic Over-Riding Commission on Indirect Unit**

Type of policy	Premium paying period of policy	Basic Commission as percentage of premium		
		First Policy Year	Second Policy Year (Subject to Note)	Third and Later Policy Year (Subject to Note)
(i) Policies other than those specified in (ii) and (iii) below	(a) 1 year	0.40%	Nil	Nil
	(b) 2 years	0.80%	1.00 %	0.50 %
	(c) 3 years	1.20%	1.00 %	0.50 %
	(d) 4 years	1.60%	1.00 %	0.50 %
	(e) 5 years	2.00%	1.00 %	0.50 %
	(f) 6 years	2.40%	1.00 %	0.50 %
	(g) 7 years	2.80%	1.00 %	0.50 %
	(h) 8 years	3.20%	1.00 %	0.50 %
	(i) 9 years	3.60%	1.00 %	0.50 %
	(j) At least 10 years but less than 15 years	6.00%	1.00%	0.50%
	(k) At least 15 years but less than 20 years	6.80%	1.00%	0.50%
(l) 20 years and more	8.00%	1.00%	0.50%	
(ii) Term Insurance policies	All premium paying periods	2.00%	1.00%	0.50%
(iii) Annuities whether Immediate or Deferred	(a) 1 year	0.40%	Nil	Nil
	(b) 2 years or more	1.50%	0.20%	0.20%

**Note:** The Basic Over-Riding Commission rates shown in Table 5 for the Second Policy Year and the Third and Later Policy Years are applicable only to premiums received in the calendar year 2002 in respect of policies sold up to 31 December 2001. The Basic Over-Riding Commission rates for the Second Policy Year and the Third and Later Policy year premiums received in the calendar year 2003 and later in respect of the policies sold upto 31 December 2001, and the Basic Over-Riding Commission rates for the Second Policy Year and the Third and Later Policy year premiums in respect of policies sold from 1 January 2002 onwards, will be prescribed later.

**(b) Productivity Bonus**

If in any Quarter the FYP received through the SM through his Entire Unit is at least 20% of his Annual FYP quota, he shall be paid a Productivity Bonus on the FYP of that Quarter at the following rates:

- (i) On FYP of his Direct Unit: 2.5% of FYP  
(ii) On FYP of his Indirect Unit: 2.0% of FYP

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**Explanation:** No Productivity Bonus in respect of any Quarter shall be payable if the FYP received through the SM is less than 20% of his Annual FYP quota.

**(c) Additional Productivity Bonus**

If in any calendar year the SM completes his Annual FYP Quota through his Entire Unit and also meets the Second Year Persistency Ratio requirement described in Para 4 for his Entire Unit, he shall be paid Additional Productivity Bonuses at the following rates:

- (i) On FYP of his Direct Unit: 2.5 % of FYP of Calendar Year
- (ii) On FYP of his Indirect Unit: 2.0% of FYP of Calendar Year

**(d) Additional Second Policy Year Over-Riding Commission for Persistency**

On Second Policy Year premiums received in the calendar year 2002 in respect of policies sold up to 31 December 2001, Additional Over-Riding Commission for Persistency shall be payable as indicated below. Additional Second Policy Year Over-Riding Commission for Persistency, if any, for Second Policy Year premiums received in calendar years 2003 and later respect of the policies sold up to 31 December 2001, and for Second Policy Year premiums in respect of policies sold from 1 January 2002 onwards, will be prescribed later.

**(i) On Second Policy Year Premium of his Direct Unit:** At one of the rates shown in Para 5(d), Table 3, depending on the Second Policy Year Persistency Ratio of his Entire Unit.

**(ii) On Second Policy Year Premium of his Indirect Unit:** At one of the rates shown in Table 6, depending on the Second Policy Year Persistency Ratio of his Entire Unit

**Table 6 - S.M's Additional Second Policy Year Over-Riding Commission for Persistency for year 2002 in respect of his Indirect Unit**

SM's Entire Unit Second Policy Year persistency ratio for calendar year 2002	Additional Over-Riding Commission for persistency, expressed as percentage of Second Policy Year Premium received during calendar year 2002 through his Indirect Unit
(a) Less than 70%	Nil
(b) 70% or more but less than 71%	0.50%
(c) 71% or more but less than 72%	0.55%
(d) 72% or more but less than 73%	0.60%
(e) 73% or more but less than 74%	0.65%
(f) 74% or more but less than 75%	0.70%
(g) 75% or more but less than 76%	0.75%
(h) 76% or more but less than 77%	0.80%
(i) 77% or more but less than 78%	0.85%
(j) 78% or more but less than 79%	0.90%
(k) 79% or more but less than 80%	0.95%
(l) 80% or more but less than 81%	1.00%
(m) 81% or more but less than 82%	1.05%
(n) 82% or more but less than 83%	1.10%
(o) 83% or more but less than 84%	1.15%
(p) 84% or more but less than 85%	1.20%
(q) 85% or more but less than 86%	1.25%
(r) 86% or more but less than 87%	1.30%
(s) 87% or more but less than 88%	1.35%
(t) 88% or more but less than 89%	1.40%
(u) 89% or more but less than 90%	1.45%
(v) 90% or more	1.50%

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**(e) Personal Business and Business through direct SR's**

- (i) An SM shall be allowed personal business not exceeding 25% of his FYP production through his Entire Unit. On this, he will earn SR Basic Commission and SO Basic Over-Riding Commission. In case his personal business exceeds 25%, he will get only SR Basic Commission on the excess, and will not be paid any SM or SO Over-riding Commission, Productivity Bonus or Additional Productivity Bonus.
- (ii) He can also place business through direct bona fide SR's not exceeding 50% of the total premium through his Entire Unit, including the 25% mentioned in clause (i) above. The rest of the 50% shall be acquired through other bona fide full time S.O's. On this business through direct SR's, he would be entitled to the SO Basic Over-Riding Commission.
- (iii) In respect of (i) and (ii), and provided always he does not exceed the limits of 25% and 50% respectively stipulated therein, the SM's would be entitled to the Basic Over-Riding Commission, Productivity Bonus and Additional Productivity Bonus described in sub-para (a), (b) and (c) respectively of this Para 7.
- (iv) If the SM's personal business exceeds the limit of 25% stipulated in clause (i) above, and/or his business through direct SR's exceeds the limit of 50% stipulated in clause (ii) above, he would not be entitled to SO's and SM's Commission, Productivity Bonus or Additional Productivity Bonus on the FYP in excess of 25% and 50% respectively.

**PROVISOS APPLICABLE TO THIS PARA 7:**

- (i) No Productivity Bonus, Additional Productivity Bonus or Additional Second Policy Year Over-Riding Commission for Persistency shall be payable on Group Insurance Policies, Term Insurance Policies, or Annuities whether Immediate or Deferred. For other types of policies, no Productivity Bonus or Additional Productivity Bonus shall be payable if the policy is by single premium or the premium paying term under the policy is less than 10 years.
- (ii) No Additional Second Policy Year Over-Riding Commission for Persistency shall be payable in the year 2002 if the FYP received through the SM through his Entire Unit during 2001 was less than Rs 50,000.

**8. "Million Dollar Round Table Track" ("MDRT Track")**

Subject to such conditions as may be prescribed later, including but not limited to conditions regarding minimum period of work as an SR, minimum FYP and minimum persistency, an SR may, with the prior written consent of his SO (or of his SM, if he works directly under an SM), apply to be put on the MDRT track. If the Corporation agrees to this, then he shall be entitled to Additional First Policy Year Commissions as may be prescribed. The Additional First Policy Year Commissions shall be adjustable from the First Year Basic Over-riding Commissions of the SO (or of the SM, if the SR works directly under an SM). The existing SOs/SMs may also be eligible to opt for MDTR Track subject to minimum FYP and minimum persistency requirements. For SOs interested to opt for MDRT Tract the consent of his SM shall be required.

(Rasool Bakhsh Baloch)  
Executive Director(Marketing)

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"Annexure - G"

**Performance-Based Bonus plan for Zonal Officers' Team of Individual Life Zones**

(with extensions to Regional Offices and Principal Office)

In respect of bonuses for Year 2002

**1. Zonal Officers will be a Team**

All Zonal Officers would constitute a Team. Zones will be responsible for major elements affecting operational profitable growth.

The Performance Bonus plan will Inshallah encourage balanced performance, and help to break down departmental and functional barriers. Marketing people will have a direct interest in quality and profitability aspects like persistency, renewal expense ratio and early death claims. Underwriting, new business, accounts, internal audit and other functional people will have a direct interest in the growth of FYP. Reduction of suspense will be taken into account.

Half the Zone's Performance Bonus will be based on the points earned by the Zone.

The remaining half will be based on the points earned by State Life as a whole for the Pakistan Individual Life business. In this way, both Zonal performance will be encouraged, and a State Life corporate spirit will also be encouraged. Also, even the weakest Zones will benefit from the performance of State Life as a whole, and it will stabilise the system.

**2. Area Managers have their own system**

Area Managers have their own incentive system, and will not get the bonuses allocated to others.

**3. Minimum Qualifying FYP growth and Second Year Persistency.**

The Minimum Qualifying Real FYP growth in any calendar year over the previous year must be at least equal to inflation. If a Zone fails to achieve this growth rate, then there no points will be earned by the Zone for its own performance.

BUT, for Zones whose FYP in 2001 was less than a "floor" of Rs 30 million, a higher Minimum Qualifying real FYP growth rate net of inflation, upto a maximum of 10%, will be required, on a case to case basis.

Likewise, for Sub-Zones and Sectors whose FYP in 2001 was less a "floor" of Rs 10 million, a higher Minimum Qualifying real FYP growth rate, net of inflation, upto a maximum of 10%, will be required, on a case to case basis.

The Minimum Qualifying 2nd Policy Year persistency must be at least 60 % in 2002. If a Zone fails to achieve this, then no points will be earned by the Zone for its own performance.

**4. Point system: Summary**

To ensure balanced performance, 9 items will be measured under a point system. There will be a maximum of 80 points, allocated as follows.

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**Group A New Business, Field Development and Regularity of Business**

- |  |           |
|--|-----------|
| 1. Real % growth in FYP, net of inflation:           | 25 points |
| 2. Ratio of SR's who are active professionals        | 5 points  |
| 3. Ratio of FYP through newly recruited active SR's: | 5 points  |
| 4. Regularity of New Business throughout the year    | 5 points  |
| Sub-total Group A                                    | 40 points |

**Group B Persistency**

- |                                      |           |
|--------------------------------------|-----------|
| 5. Second Year Persistency           | 10 points |
| 6. Third and Later Years Persistency | 10 points |
| Sub-total Group B                    | 20 points |

**Group C Expense**

- |                                       |           |
|---------------------------------------|-----------|
| 7A Reduction in Renewal Expense Ratio | 10 points |
| OR                                    |           |
| 7B Level of Renewal Expense Ratio     | 10 points |
| Sub-total Group C                     | 10 points |

**Note:** 7A and 7B are alternatives. The Zone will get the benefit of whichever yields the higher points.

**Group D Mortality**

- |  |          |
|--|----------|
| 8. Mortality under Early Death Claims within actuarial expectation | 5 points |
| Sub-total Group D  | 5 points |

**Group E Suspense**

- |  |                  |
|--|------------------|
| 9. Year end Suspense as % of year's 2nd + later yrs premiums | 5 points         |
| Sub-total Group E  | 5 points         |
| <b>Total of Maximum points</b>                               | <b>80 points</b> |

**5. Point System: Details**

Item	Minimum Qualifying Standard	Points, provided Qualifying Standard attained
1. <u>FYP</u> Real % increase in FYP over previous calendar year, calculated to nearer whole 1%. "Real" means net of inflation. See Note (i)	At least some real increase. For Zones, Sub-Zones and Sectors whose FYP in the previous years was less than a "floor" to be specified from time to time, a higher Minimum Qualifying FYP growth rate will be required, on a case to case basis.	For each 1% Real increase: 1 point. Maximum 25 points
2. <u>Ratio of SR's who are active professionals</u> See Note (ii) for definition of active SR		Less than 33% of SR's are active professionals: No point For each 1% over 33%: 1 point Maximum 5 points

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Item	Minimum Qualifying Standard	Points, provided Qualifying Standard attained										
<p><u>3. Ratio of FYP through newly recruited active SR's</u></p> <p>For this purpose, those SR's will count who were recruited in 2002 and who did at least Rs 20,000 FYP in 2002</p>		<p>If FYP through newly recruited active SR's is less than 20% of the Zone's FYP in 2002: No point</p> <p>For every 1 % over 20%: 1 point</p> <p>Maximum 5 points</p>										
<p><u>4. Regularity of New Business</u></p> <p>Depends on number of "Productive Quarters". See Note (iii) for definition of "Productive Quarter"</p>		<table border="1"> <thead> <tr> <th>Productive Quarters</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>5</td> </tr> <tr> <td>3</td> <td>3</td> </tr> <tr> <td>2</td> <td>1</td> </tr> <tr> <td>1</td> <td>0</td> </tr> </tbody> </table>	Productive Quarters	Points	4	5	3	3	2	1	1	0
Productive Quarters	Points											
4	5											
3	3											
2	1											
1	0											
<p><u>5. Second Year Persistency</u></p> <p>Calculated to nearer whole 1%</p> <p>NB: Single premium policies sold in the previous year will be excluded while calculating 2nd year persistency.</p>	<p>60 %</p> <p><u>Note:</u> The Minimum Qualifying Standard is lower than the level over which points are earned. See next column</p>	<p>For each 1% 2nd Yr Persistency over 65%: 1 point</p> <p>Maximum 10 points</p>										
<p><u>6. Third and later Policy years' Persistency</u></p> <p>Calculated to the nearer whole %</p> <p><u>7A Reduction in Renewal expense ratio</u></p> <p>The Renewal Expense ratio will be calculated by the statutory method, to two decimal places.</p>		<p>For each 1 % 3rd Yr over 90%: 1 point</p> <p>Maximum 10 points</p> <p><u>Note:</u> If 3rd &amp; later years Persistency is 90% or less, there will be no points</p> <p>Points will depend on the reduction of the Renewal Expense Ratio compared with 2001, in brackets of 1/2% of the Rencwal Premium. For this purpose the Renewal Premium will include Second and later policy years' premiums.</p> <p>For each 1/2% reduction, 1 point will be given, upto a maximum of 10 points.</p> <p><u>Examples</u></p> <table border="1"> <tbody> <tr> <td>Reduction less than 1/2%:</td> <td>0</td> </tr> <tr> <td>Reduction at least 1/2%, less than 1%:</td> <td>1</td> </tr> <tr> <td>Reduction at least 4.5%, less than 5%:</td> <td>9</td> </tr> <tr> <td>Reduction 5% or more</td> <td>10</td> </tr> </tbody> </table>	Reduction less than 1/2%:	0	Reduction at least 1/2%, less than 1%:	1	Reduction at least 4.5%, less than 5%:	9	Reduction 5% or more	10		
Reduction less than 1/2%:	0											
Reduction at least 1/2%, less than 1%:	1											
Reduction at least 4.5%, less than 5%:	9											
Reduction 5% or more	10											

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Item	Minimum Qualifying Standard	Points, provided Qualifying Standard attained														
<p><u>7B. Renewal expense ratio</u></p> <p>Calculated by the statutory method, to nearer whole 1%.</p> <p>Note: 7A and 7B are alternatives. The Zone will get the benefit of whichever yields the higher points.</p>		<p>If the Renewal Expense Ratio is 13% or less, 10 points will be earned.</p> <p>For each 1% in excess of 13%, 1 point will be deducted.</p> <p>If the Renewal Expense Ratio is 23% or more, there will be zero points</p>														
<p><u>9. Early Death Claims</u></p> <p>Early death claims mean death claims in the first two policy years</p> <p>% above actuarial expectation, will be calculated to the nearer <i>even</i> %</p> <p>The excess % will be calculated by number, and by sum insured. For the present purpose, the mean of these two percentages will be used</p>		<p>If Early Death Claims within actuarial expectation, give 5 points.</p> <p>For every 2% above actuarial expectation: <i>Deduct</i> 1 point</p> <p>E.g. Early Death Claims are 6% above actuarial expectation. Deduct 3 points from 5, resultant score is 2 points.</p>														
<p><u>10. Year end Suspense as % of year's 2nd + later yrs premiums</u></p> <p>Taken to the nearer whole percent</p>		<table border="0"> <tr> <td>Year end Suspense as % of year's 2nd + later yrs premiums</td> <td>Points</td> </tr> <tr> <td>1% or less</td> <td>5</td> </tr> <tr> <td>2%</td> <td>4</td> </tr> <tr> <td>3%</td> <td>3</td> </tr> <tr> <td>4%</td> <td>2</td> </tr> <tr> <td>5%</td> <td>1</td> </tr> <tr> <td>6% or more</td> <td>0</td> </tr> </table>	Year end Suspense as % of year's 2nd + later yrs premiums	Points	1% or less	5	2%	4	3%	3	4%	2	5%	1	6% or more	0
Year end Suspense as % of year's 2nd + later yrs premiums	Points															
1% or less	5															
2%	4															
3%	3															
4%	2															
5%	1															
6% or more	0															

**Notes:**

(i) Real Growth in FYP 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 2001. On this basis, inflation will be taken as 4.41%. Premium figures will be taken from the computerised BPR. Single Premiums will be counted @ 6% of the Single Premium.

(ii) Definition of active SR for the purpose of Item 2 of the Point chart

Active SR is one who is a genuine professional who completed at least Rs 50,000 FYP in 2002 under at least 12 policies on different lives, and had 2nd Year Persistency of at least 65% in 2002.

**Notes:**

(i) Each policy must be for at least the minimum premium prescribed by the Corporation for the relevant year

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**(iii) Definition of Productive Quarter**

A Productive Quarter is one in which the FYP is at least 20% of the Total of the Zonal Area Managers' Annual FYP Quotas for that year. If there are any Sales Managers working directly and not through Area Managers, then 20% of their Annual FYP quotas for that year will also be added for this purpose.

**Illustration**

Zonal Area Managers' total FYP for the full year Rs 100 million.

20% of this is Rs 20 million.

Therefore a Quarter in which the FYP was at least Rs 20 million will be a Productive Quarter.

**6. Special Treatment of Sub-Zonal Heads, Sector Heads and Underwriters**

(1) Each Sub-Zonal Head/ Sector Head will earn maximum 60 points based on his own Sector/Sub-Zone's Performance as follows:

<u>Group A</u> (New Business, Field Development and Regularity of business)	40 points
<u>Group B</u> (Persistency)	20 points
	60 points

For all remaining items (maximum 20 points), he will get the points earned by their Zone.

(2) For an Underwriter, the points under "Group A Real % growth in FYP, net of inflation", (maximum 25 points), will be accorded according to the performance of the Corporation as a whole in Pakistan, not the Zone's performance. For all remaining items (maximum 55 points), he will get the points earned by their Zone.

**7. Extension to Regional Officers' Team**

Regional Chiefs and Officers in the Region will constitute a Regional Officers' Team, and will get Performance bonuses based on the above calculation for their Region as a whole.

**8. Extension to Principal Office**

Principal Office's Individual Life point score will be based on the above calculation for the Corporation's entire Pakistan Individual Life business. Exception: In 7B, 10 points will be allowed if the Renewal Expense Ratio for the entire Corporation's Pakistan business is 15% or less, instead of 13% or less for the Zones. 1 point will be deducted for each 1% in excess of 15%, and PO will get zero points under 7B if the Renewal Expense Ratio is 25% or more.

The following P.O. Divisions will be allocated 100% to Individual Life. Their bonuses will depend on P.O.'s Individual Life point score:

Marketing  
PHS

The following Divisions will be allocated 75% to Individual Life and 25% to Group. Their bonuses will depend 75% on P.O.'s Individual Life point score, and 25% on P.O.'s Group Life point score.

P & GS  
B & A  
Internal Audit  
Computer  
Actuarial  
Law

**9. Conversion of points earned into Bonus**

Bonuses will be a percentage of the Officer's basic monthly salary as at the end of the relevant calendar year. As stated earlier, to build a Corporate Spirit, and also to ensure that even the worst Zone's officers share in the overall progress of State Life, Regional and Zonal Officers' bonuses will depend half on their Region's or Zone's own performance, and half on the performance of State Life as a whole in Pakistan. Details are given below.

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**For Regions and Zones**

A percentage equal to 5 times of (Half the Zone score + half P.O.s' Individual Life score)

**Illustration** A Zone earned 60 points for its performance in the year 2002, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.

Principal Office earned 50 points for its performance in the year 2002, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.

The Zonal Head and Zonal Officers will get 5 times ( $\frac{1}{2} \times 60 + \frac{1}{2} \times 50$ ) = 275% of their December 2002 basic monthly salaries

See Para 6 above for special treatment of Sub-Zonal/Sector Heads and Underwriters.

**For Principal Office**

The multiplier will of 5 will be applied to the whole of State Life's Individual Life performance in Pakistan.

See Para 8 above for treatment of certain Divisions whose bonuses depend partly on Individual Life and partly on Group.

**10. Date of declaration of Officers' bonuses**

Officers' bonuses will be announced as soon as the figures are available. Figures must be submitted by the Zones by 28 February 2003, and the bonuses calculated by 31 March 2003, so that they can be provided for in the Revenue Account for 2002.

**11. Extension to International Division**

The scheme will extend to the International Division on the same basis in principle, with such modifications as may be decided.

**12. Performance Based Bonus Scheme for Group, Investment and Real Estate**

There are separate Performance Based Bonus Schemes for Group, Investment and Real Estate

**13. Pro-rated for service during part of a year**

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.

**14. General Conditions**

If new Zones are created, the system will be modified for them. If Zones are merged, the performance in 2001 of the merged Zones will form the base.

In the case of doubt, Principal Office's decision will be final and binding on all concerned.

The Scheme may be withdrawn or amended by Principal Office at any time.

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"Annexure - H"

**Performance based Bonus plan for Group Officers' Teams of Group Zones**

(with extension to Principal Office)

In respect of bonuses for Year 2002

**1. Introductory points**

Half the Zone's Performance Bonus will be based on the points earned by the Zone.

The remaining half will be based on the points earned by State Life as a whole for the Pakistan Group Life and Pensions business. In this way, both Zonal performance will be encouraged, and a State Life corporate spirit will also be encouraged. Also, even the weakest Zones will benefit from the performance of State Life as a whole, and it will stabilise the system.

**2. Minimum Qualifying Real Group Premium growth and Profitability**

The Minimum Qualifying Real Group Life and Pensions Premium growth in any calendar year over the previous year must be at least equal to inflation. If a Zone fails to achieve this growth rate, then there will be no bonus for the Group Zonal Officers' Team.

The Minimum Qualifying Group Profitability must be at least 2.5% of the Premium.

**3. Point system: Summary**

To ensure balanced performance, four items will be measured under a point system, with a minimum standard for each. There will be maximum of 80 points, allocated as follows:

**Group A Business**

- 1. Real % growth in Total Group Life & Pensions Premium net of inflation: 25 points
- 2. Real % growth in Group Life & Pensions Premium out of New Groups: 10 points
- Sub-Total Business 35 points

**Group B Persistency**

- 3. Persistency 20 points

**Group C Profitability**

- 4. Profitability of Group Zone 25 points
- Sub-total Profitability 25 points

**Grand Total of Maximum points 80 points**

**4. Point System: Details**

Item	Minimum standard	Points, provided minimum standard achieved
1. <u>Real % growth in Total Group Life &amp; Pensions Premium</u> over previous calendar year, calculated to nearer whole 1%.	At least some Real increase	For each 1% Real increase: 1 points.  Maximum 25 points
"Real" means net of inflation.		
See Note (i) below		

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Item	Minimum standard	Points, provided minimum standard achieved
<p>2. <u>Real % growth in Group Life &amp; Pensions Premium from New Groups</u> over previous calendar year, calculated to nearer whole 1%.</p> <p>"Real" means net of inflation.</p> <p>See Note (i) below</p>		<p>For each 1% Real increase: 1 points.</p> <p>Maximum 10 points</p>
<p>3. <u>Persistency</u></p> <p>Calculated to nearer whole 1%</p>		<p>For each 1% Persistency over 90%: 2 points</p> <p>Maximum 20 points</p> <p>Note: If Persistency is 90% or less, there will be no points</p>
<p>4. <u>Profitability (in respect of Group Term business)</u></p> <p>Calculated to the nearer half %</p> <p>See Note (ii) below</p> <p>(The measurement of Profitability of Pensions business is complex, and the points earned under this head will be determined separately by the Actuarial Division)</p>	<p>Minimum profitability: 2.5 of premiums</p>	<p>For each half % profitability over minimum: 5 points</p> <p>Maximum 25 points</p>

**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 2001. On this basis, inflation will be taken as 4.41 %.

(ii) Profitability (in respect of Group Term business)

This will be calculated on a true accrual basis, with 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 Zone.

**5. Special Treatment of Sector Heads**

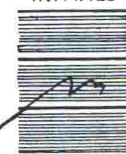
In respect of 55 points under the heads Business and Persistency, each Sector Head will earn points based on his own Sector's Performance. For the remaining 25 points under the head Profitability, he will get the Zone's points.

**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 limited to Group.

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

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The following Divisions will be allocated 75% to Individual Life and 25% to Group. Their bonuses will depend 75% on P.O.'s Individual Life point score, and 25% on P.O.'s Group Life point score.

- P & GS
- B & A
- Internal Audit
- Computer
- Actuarial
- Law

**7. Conversion of points earned into Bonus**

Bonuses will be a percentage of the Officer's basic monthly salary as at the end of the relevant calendar year. As stated earlier, to build a Corporate Spirit, and also to ensure that even the worst Zone's officers share in the overall progress of State Life, Zonal Officers' bonuses will depend half on their Zone's own performance, and half on the performance of State Life as a whole in Pakistan. Details are given below.

**For Zones**

A percentage equal to 5 times of (Half the Zone score + half P.O.'s' Group score)

**Illustration** A Zone earned 60 points for its performance in the year 2002, having completed the Minimum Qualifying Real Premium growth and Profitability requirements.

Principal Office earned 50 points for its performance in the year 2002, having completed the Minimum Qualifying Real Premium growth and Profitability requirements.

The Zonal Head and Zonal Officers will get 5 times ( $\frac{1}{2} \times 60 + \frac{1}{2} \times 50$ ) = 275% of their December 2002 basic monthly salaries

See Para 5 above for special treatment of Sector Heads.

**For Principal Office**

The multiplier will of 5 will be applied to the whole of State Life's Group performance in Pakistan.

See Para 6 above for treatment of certain Divisions whose bonuses depend partly on Individual Life and partly on Group.

**8. Date of declaration of Officers' bonuses**

Officers' bonuses will be announced as soon as the figures are available. Figures must be submitted by the Zones by 28 February 2003, and the bonuses calculated by 31 March 2003, so that they can be provided for in the Revenue Account for 2002.

**9. Pro-rated for service during part of a year**

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.

**10. General Conditions**

If new Zones are created, the system will be modified for them. If Zones are merged, the performance in 2001 of the merged Zones will form the base.

In the case of any doubt or clarification, Principal Office's decision will be final and binding on all concerned.

The Scheme may be withdrawn or amended by Principal Office at any time.

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"Annexure - I"

**Performance-Based Bonus Plan for Officers of the Investment Division**  
**For the year 2002**

1. Measurement of this Division presents some conceptual problems. Therefore, their scheme will have only 40 points, unlike 80 points for Individual Life and Group. The remaining points will be determined by taking 37½ % of P.O.'s points for Pakistan Individual Life Business and 12½ % of P.O.'s points for Pakistan Group Business. Thus a maximum total of 80 points will be built up as follows:

40 for Investment Division's own performance + 37½ % of 80 P.O.'s points for Pakistan Individual Life Business + 12½ % of 80 P.O.'s points for Pakistan Group Business = 80 points

2. Investment Division's own 40 points will be as follows:

S.No	Item	Description	Max Points
1	Average for the three calendar years 2000, 2001 and 2002 of the following item:  "Increase or decrease in one-year return on entire Investment Portfolio ( <i>excluding</i> Equities, TFC's, Real Estate and Policy Loans) in the calendar year compared with previous the calendar year" minus "Increase or decrease in average Base Rate during the calendar year compared with the previous calendar year"  See Notes (i) and (ii)	For every 0.25% positive difference, 1 point	25
2	Average for the three calendar years 2000, 2001 and 2002 of the following item:  "One year return on State Life Equity Portfolio during the calendar year" minus "One year Return on KSE index during the calendar year"  See Note (i)	For every 0.1% positive difference, 1 point	10
3	Average for the three calendar years 2000, 2001 and 2002 of the following item:  "One-year return on State Life TFC portfolio during the calendar" minus "Weighted One year average market return on TFC's during the calendar year, <i>excluding</i> TFC's issued before 1 Jan 2000"	For every 0.1% positive difference, 1 point	5
		Total points	40

**Notes:**

(i) "One year return" will be calculated as follows:

Let A = market value of portfolio at beginning of calendar year

Let B = market value of portfolio at end of calendar year

Let I = Interest and Dividends + realised capital gains - realised capital losses + unrealised capital appreciation - unrealised capital depreciation - all expenses including Investment Division cost, during the calendar year

Then one-year return =  $(2 \times I) \div (A + B - I)$ , expressed as a percentage

(ii) "Base rate" will be as defined in clause (viii) of S.2 of the Insurance Ordinance, 2000.

**Calculation of Bonus:**

Points will be calculated after closing of the books of accounts. All figures will be taken from the audited annual accounts.

After adding 37½ % of 80 P.O.'s points for Pakistan Individual Life Business + 12½ % of 80 P.O.'s points for Pakistan Group Business, the total points will be multiplied by 5 to arrive at the bonus as a % of December 2002 basic salaries of Investment Division Officers.

In the case of any doubt or clarification, P.O.'s decision will be final and binding on all concerned.

The scheme may be withdrawn or amended by P.O at any time.

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*"Annexure - J"*

**Performance-Based Bonus Plan for Officers of the Real Estate Division**  
**For the year 2002**

1. Measurement of this Division presents some conceptual problems. Therefore, their scheme will have only 40 points, unlike 80 points for Individual Life and Group. The remaining points will be determined by taking 37½ % of P.O.'s points for Pakistan Individual Life Business and 12½ % of P.O.'s points for Pakistan Group Business. Thus a maximum total of 80 points will be built up as follows:

40 for Real Estate's own performance + 37½ % of 80 P.O.'s points for Pakistan Individual Life Business + 12½ % of 80 P.O.'s points for Pakistan Group Business = 80 points

2. Real Estate's own 40 points will be as follows:

S.No	Item	Description	Max Points
1	Increase in Gross Rental Income (Minimum increase Rs 5 million)	1.5 points for every Rs 1 million increase in excess of Rs 5 million	15
2	Increase in Rented Area (Minimum increase 5,000 sq ft)	1 point for every 1,000 sq ft exceeding 5,000 sq ft	10
3	Recoveries of outstanding rent (more than 1 year old)	1 point for reduction of every Rs 0.5 million	5
4	Yield on investment (Net Income/Book Value excluding vacant plots), measured to nearer ½% pa	1 point for every ½ % yield	10
		Total points	40

**Calculation of Bonus:**

Points will be calculated after closing of the books of accounts. All figures will be taken from the audited annual accounts of the Real Estate Division.

After adding 37½ % of 80 P.O.'s points for Pakistan Individual Life Business + 12½ % of 80 P.O.'s points for Pakistan Group Business, the total points will be multiplied by 5 to arrive at the bonus as a % of December 2002 basic salaries of Real Estate Officers, irrespective of their place of posting.

In regard to items 1 and 2, equitable adjustments will be made, as decided by Principal Office, to allow for any new space available on account of new buildings completed or purchased, or space given up by the sale of any building.

In the case of any doubt or clarification, P.O.'s decision will be final and binding on all concerned.

The scheme may be withdrawn or amended by P.O at any time.

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