

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

CONFIDENTIAL AND RESTRICTED

The one hundred and seventh (170th) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 1st February, 2003 at 10:00 a.m., at Board Room, State Life Building No.9, Principal Office, Karachi.

PRESENT:

Mr. Samee-ul-Hasan	Chairman
Mr. Muhammad Sharif Ijaz Ghauri	Director
Mr. Nessar Ahmad	Director
Air Marshal (Retd.) Sharbat A. Changazi	Director
Mrs. Spenta Kandawalla	Director
Mr. Shahid Aziz Khan	Board Secretary

2. Mr. Azhar Ali Malik, Director, Mr. Bashir Ahmed, Director and Mr. Umar Ata Bandial, Director have requested leave of absence. The Board granted them leave.

3. Mr. Tariq Iqbal Puri, Mr. Zafar Mahmood and Mr. Muhammad Latif, Executive Directors, Mr. M. Aslam Sabir, General Manager (PHS/CD), Mr. Mohammad Jawaid Khan, General Manager (Marketing) and Mr. Ansar Hussain, General Manager (Investment) attended the meeting by invitation.

4. Mr. Shafiq-ur-Rehman, Section Officer, Ministry of Commerce was granted special permission to attend the Board Meeting.

5. Mr. M. Sharif Ijaz Ghauri stated that the Corporation should operate within the Law and Rules & Regulations. The Board entirely agreed. The Chairman stated that every effort was made to comply with the relevant laws, being the Life Insurance (Nationalisation) Order 1972, the Insurance Ordinance, 2000 and the Rules and Regulations framed thereunder.

ITEM (1) CONFIRMATION OF MINUTES OF 168TH AND 169TH MEETINGS OF THE BOARD OF DIRECTORS HELD ON 24TH AUGUST, 2002 AND 25TH SEPTEMBER, 2002.

6. The minutes of the 168th and 169th Meetings of the Board of Directors held on 24th August, 2002 and 25th September, 2002 respectively were placed before the Board.

7. In regard to item (2) of the minutes of the 168th meeting, Air Marshal (Retd.) Sharbat Ali Changazi again expressed the need for trained computer personnel. This was essential to success. The Board endorsed this. Mr. M. Aslam Sabir - General Manager (Computer Division) stated that the Division was fully aware of this. The vendors of equipment were bound to provide training on the spot in respect of their computers. Other training programme will also be arranged to conform to the directions of the Board.

8. Air Marshal (Retd) Sharbat A. Changazi proposed and Mr. Nessar Ahmad seconded that the minutes be confirmed.

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Accordingly, it was resolved as under;

RESOLVED:

"that the Minutes of the 168th and 169th Meetings of the Board of Directors held on 24th August, 2002 and 25th September, 2002 respectively be and were hereby confirmed."

Action:
Board
Secretary

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

9. The Board Secretary presented before the Board the implementation report on decisions taken at the 168th and 169th Meetings of the Board held on 24th August, 2002 and 25th September, 2002 respectively, which were noted.

Action:
Board
Secretary

ITEM (3) CONSIDER/APPROVE – RATIFICATION OF THE DECISION TAKEN BY CIRCULATION REGARDING CODE OF CORPORATE GOVERNANCE.

Chairman's Memorandum dated 31-10-2002

10. The Board Secretary presented before the Board for ratification of the Memorandum of Chairman regarding Code of Corporate Governance approved by the Board through circulation on 31-10-2002.

11. Mr. M. S. I. Ghauri, Senior Joint Secretary, Ministry of Commerce, informed the Chairman on 30th October, 2002 that the Government of Pakistan have made a commitment to the Asian Development Bank that the Board of State Life would adopt the Code of Corporate Governance issued by the Security and Exchange Commission of Pakistan, to the extent possible and applicable to State Life. This is a conditionality for the release of the 1st tranche of a loan to the Government from the Asian Development Bank. The deadline for compliance is in November. He requested that in view of the urgency of the matter, the proposal may be approved by the Board by circulation under General Regulation 3(11) which reads as follows:-

"(1) A resolution in writing signed by at least four Directors, including the Chairman, shall be as valid and effective as if it had been passed at a meeting of the Board duly called and constituted:

Provided that resolutions so passed shall be placed before the Board for confirmation at its next meeting."

12. The Code of Corporate Governance of the Security and Exchange Commission of Pakistan technically applies to companies listed on the stock exchange. However, since Government have made this commitment, it is submitted that we should cooperate. The approval sought at present is one of principle. A detailed paper will be submitted to the Board identifying those parts of the Code of Corporate Governance, which can be applied to and followed by the Corporation.

Accordingly the Board resolved that the following resolution passed by circulation be confirmed as under:-

RESOLVED:

"that the State Life Insurance Corporation of Pakistan will to the extent possible, adopt the Code of Corporate Governance issued by the Security and Exchange Commission of Pakistan approved by the Board through circulation on 31-10-2002 be and was hereby ratified."

Action:
Board
Secretary

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ITEM (4) PRESENTATION OF BUSINESS FIGURES FOR THE YEAR ENDED 31ST DECEMBER, 2002 OF INDIVIDUAL LIFE, GROUP AND PENSIONS, INTERNATIONAL, INVESTMENT AND REAL ESTATE DIVISIONS.

GM(Marketing), ED(G&P), DH(Int'l), ED(Invt.) And GM(RE)'s Memorandum dated 20-01-2003.

13. The Business Review Memorandums of GM(Marketing), ED(G&P), DH(International), ED(Investment) and GM(Real Estate) for business review of Marketing, Group & Pension, International, Investment and Real Estate Divisions respectively for the period from 1st January 2002 to 31st December 2002 were submitted to the Board which were noted.

MARKETING DIVISION:

14. The Corporation procured FYP of Rs.1227 million for the year 2002 as compared to Rs.1018 million for the year 2001, thus registering an increase of 20.58% over the corresponding period of last year.

15. In the year 2002, the Corporation collected Rs.752 million as second year premium, as compared to Rs.660 million completed during the year 2001. The second year persistency for the period January to December 2002 was 73.85% as compared to 71.04% for the year 2001. The third year and later year's premium for the period January to December 2002 was Rs.3902 million. The renewal persistency ratio for the period January to December, 2002 is 87.38% as compared to 86.71% during the year 2001.


GROUP & PENSION DIVISION:

16. The collection of premium for G&P business for the year 2002 stood at Rs.1398 million as compared to Rs.1329 million, for the year 2001 showing an increase of 5%. On accrual basis premium income increased from Rs.1257 million to Rs.1517 million, registering an increase of 21%. G&P Division secured 226 new groups during this period having total premium of Rs.32.588 million as against 87 new groups having premium of Rs.9 million, procured in the year 2001 showing an increase of 262% in premium income under new groups. The persistency of G&P Division was 97% in the year 2002 as compared to 95% in the year 2001.

INTERNATIONAL DIVISION:

17. International Division has procured US\$1.932 million FYP, during the period January to December 2002 as against US\$1.526 million for the year 2001 showing an increase of 26.61%. The policies sold by International Division during the period January to December 2002 was 1511 as against 1352 in the year 2001 registering an increase of 11.76% over the corresponding period of last year. Second year persistency achieved during the year 2002 is 76.11%, through collection of second year premium of US\$1.162 million as against 26.72% for the year 2001, through collection of second year premium of US\$0.917 million. Renewal premium collection for the year 2002 is US\$3.021 million as against US\$2.537 million during the year 2001 showing an increase of 19.08% over the collection of last year, with Renewal persistency of 87.47% in 2002 as against 91.56% of 2001.

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INVESTMENT DIVISION:

18. Book value of the investment portfolio, which was Rs.72,111 million on December 31, 2001, is estimated to have increased to Rs.82,186 million as of December 31, 2002, reflecting an increase of Rs.10,075 million and percentage increase of 13.97%, during the year ended December 31, 2002. State Life has been investing in Pakistan Investment Bonds floated by Government of Pakistan in December 2000. The Corporation has placed Rs.14,833 million in these bonds during the year raising the total investments in PIB's to Rs.35,010 million. This constitutes about 56% of our total investment in Government Securities which was Rs.62,046 million as on December 31, 2002. Market value of these PIB's was Rs.48,975 million showing an appreciation of Rs.13,965 million as on December 31, 2002.

19. State Life equity portfolio which was Rs.6.519 million as on December 31, 2001 has increased to Rs.7,578 million as on December 31, 2002. State Life purchased shares with a book value of Rs.1,221 million during the year ending December 31, 2002 and also sold shares with a book value of Rs.92 million for Rs.159 million thereby realising capital gain of Rs.67 million during the period. The book value of quoted equity portfolio stood at Rs.7,303 million while its market value was Rs.12,485 million showing an appreciation of Rs.5,182 million as on December 31, 2002.

20. State Life, has earned Rs.10,258 million (estimated) on its investment portfolio, excluding unrealised gains during the year ending December 2002, as compared to Rs.9,108 million earned during the complete year of 2001 showing an increase of 12.54%.

21. During discussion it was suggested by Mr. Nessar Ahmed that while making investment in equities of different companies, the following points be given consideration:-

- i) Earning yield should be at least 15%.
- ii) Dividend yield should be at least 8%.
- iii) Break up value of shares on replacement cost basis should be less than market value.
- iv) Industry should be growth oriented.

REAL ESTATE DIVISION:

22. During the year 2001 Real Estate has shown net operating income of Rs.58.70 million and after making provision of Rs.209.79 million against doubtful receivable, Real Estate has shown a net loss of Rs.151.8 million. Real Estate net income for the year 2002 estimated as Rs.44.66 million as on December 31, 2002.

23. The Board noted with satisfaction the performance made under all above heads.

ITEM (5) CONSIDER/APPROVE - BUDGET ESTIMATES FOR THE YEAR 2003 AND REVISED BUDGET FOR THE YEAR 2002.
Executive Director(B&A)'s Memorandum dated 20-01-2003

24. ED(B&A) presented before the Board a Memorandum for consideration and approval of the budget proposals for the year 2003 and revised budget estimates for the

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year 2002 of the Corporation, showing all the necessary details of Premium and Investment Income alongwith comprehensive details of Revenue Expenses as well as of the Capital Expenditure.

Budget Proposals

25. Details in support of the budget proposals being submitted are as under:

- (1) Budget Highlights (Annex-I)
- (2) Budget Summary (Annex-II)

Summary of Budget Proposals for the Corporation as a whole. Contains (i) Actual Results for the year 2001 (ii) Approved Budget for the year 2002 (iii) Revised Budget Estimates for the year 2002 and (iv) Proposed Budget for the year 2003. Proposals for Overseas Business operations for the above periods in US dollars are also shown separately as per Annex-II (i) to the Memorandum.

Various annex attached to the Budget Summary (Annex-II to the Memorandum) contain the details as under:-

◆ Income	Annex "A"
◆ Field Expenses	Annex "B"
◆ Acquisition Cost of First Year Premium	Annex "B-1"
◆ Administrative Expenses	Annex "C"
◆ Policyholders' Payments	Annex "D"

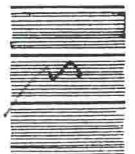
- (3) Portfolio-wise operational results showing details of Income, expenses and contribution to Life Fund in respect of (i) Individual Life business (Pakistan) including Principal Office expenses (ii) Group Life business (iii) Investment (iv) Real Estate and (v) Overseas Operations as well as total for the Corporation as a whole have also been prepared and are shown separately for the years 2001 (Actual), 2002 (Budgeted), 2002 (Revised) and 2003 (Projected) as per Annex "E-1", "E-2", "E-3" and "E-4",.

Overview of the budget.

Extra ordinary items of Expenditure in 2002:

- (i) The Board Audit Committee in its 5th meeting held on 26th April 2002 and Board of Directors in its 166th meeting held on 27th April 2002 advised to take up the matter with Income Tax Authorities for allowing special contribution into the employee's pension fund to meet Rs.500.947 millions deficit in employee's pension fund. Income tax authorities have granted permission to make additional

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<p>contribution in three annual installments. Accordingly, additional provision of Rs.167 million for pension of officers and Area Managers has been made in the revised budget estimate for 2002 and budget proposal for 2003 to meet the shortfall in pension fund.</p> <p>(ii) Leave encashment facility amounting to Rs.64 million to officers and Area Managers was allowed, during the year 2002, after approval of Board of Directors. Leave balances as at 31st December, 2001 were allowed for encashment in five years. This decision is mainly based on observations of External Auditors that called for making provision for compensated leaves in accordance with International Accounting Standards (IAS-19).</p> <p><u>Acquisition and Administrative Cost of FYP</u></p> <p>Under the Defunct Insurance Rules, the total permissible First Year Cost including <u>acquisition</u> and <u>administrative</u> cost is about 89% of the First Year Premium.</p> <p>(1) Annex "B-1" indicates that <u>acquisition</u> costs of the First Year Premium in the year 2001 was 96% and for the year 2002 (Revised) it is 95% which includes extra ordinary items which were not part of expenses in 2001. These include special contribution for pension and leave encashment. Without these expenses, the acquisition cost is estimated to have dropped from 96% in 2001 to 91% in 2002.</p> <p>(2) Budgeted acquisition costs of FYP (without extra-ordinary items) for the year 2003 is expected to further reduce to the level of 89% because the voluntary retirement of inactive field workers would have its impact for full one year. Reduction in acquisition costs in the year 2002 and 2003 in comparison to the costs in the year 2001 is mainly due to the implementation of the revised commission structure for the field force and voluntary retirement of dummies and benamies from the marketing force.</p> <p>a) <u>Impact of revised commission structure and voluntary retirement of inactive field workers:</u></p> <p>Revised field commission structure has been made effective from January, 2002 under which maximum agency commission and over-riding commission was reduced from 78% to 72%. This maximum commission of 72% entails completion of revised quarterly, yearly quota and achievement of the minimum persistency track by field workers. Considering all the factors/conditions for the entitlement of maximum agency and over-riding commission we perceive a saving of 5%. Hence we have estimated 67% commission on First Year Premium in the budget of 2002 and also in the proposed budget of 2003.</p>			

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b) Voluntary retirement of inactive field workers:

An amnesty scheme was announced by the Management with the approval of Board to allow inactive field workers for voluntary retirement. Such field workers were allowed procurement of new business upto 30th September, 2002 and from 1st October, 2002 their fringe facilities were withdrawn. Hence saving in accordance with the revised field structuring will be for a period of 3 months only in the year 2002 and its full impact will Insha Allah be achieved in the year 2003.

Renewal Expense Ratio-(without extra ordinary items)

(1) The attention of the Board is also drawn towards renewal expense

Administrative Expenses excluding Extra-ordinary items like pension contribution and leave encashment have increased from Rs.1556 million in 2001 to Rs.1,797 million in 2002 raising the renewal expense ratio to 38.15% in the year 2001. However, increase in administrative expenses in the revised estimates for 2002 is only 1% compared to approved budget for the year 2002. The renewal expense ratio for the year 2002 has increased to 38.15% from the earlier budgeted ratio of 37.17%.

The main reasons for the nominal increase of Rs.2 million in administrative expenses as compared to approved budget are:

of officers.

pay-scales of officers during the year 2002.

allowance for Area Managers including payment of fringe benefits pertaining to the year 2001 paid in 2002.

increased under the head "Postage", "Printing", "Stationery" and "Training" due to enhanced contacts with policyholders through mail and print & to motivate them for continuation of their business with the Corporation as well as for payment of time.

ratio (excluding extra-ordinary items) has been 38.15% for the year 2003.

Renewal Expense Ratio-(with extra ordinary items)

ratio including extra ordinary items is expected to be 42.62% for the year 2002(revised).

of the Corporation. Administrative Expenses excluding Extra-ordinary items like pension contribution and leave encashment have increased by 15% from Rs.1556 million in 2001 to Rs.1,797 million in the revised estimates for 2002 raising the renewal expense ratio to 38.15% as compared to approved budget for the year 2002. The increase in administrative expenses in the revised estimates for 2002 is only 1% compared to approved budget for the year 2002. The renewal expense ratio for the year 2002 has increased to 38.15% from the earlier budgeted ratio of 37.17%.

(2) The main reasons for the nominal increase of Rs.2 million in Administrative Expenses as compared to approved budget are:

- i) Promotions of officers.
- ii) Revision in pay-scales of officers during the year 2002.
- iii) Revised package for Area Managers including payment of fringe benefits pertaining to the year 2001 paid in 2002.

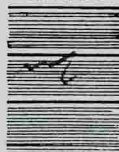
(3) Expenses have also increased under the head "Postage", "Printing", "Stationery", "Travel" and "Training" due to enhanced contacts with policyholders through mail and print & to motivate them for continuation of their business with the Corporation as well as for payment of insurance coverage premium by them in time.

(4) Renewal expense ratio (excluding extra-ordinary items) has been projected to be 37.0% for the year 2003.

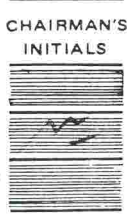
Renewal Expense Ratio-(with extra ordinary items)

(1) Renewal expense ratio including extra ordinary items is expected to be 42.62% for the year 2002(revised).

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	<p>(2) Renewal expense ratio including extra-ordinary items has been projected to be 41.41% for the year 2003.</p> <p>(3) Renewal expense ratio would remain high till the extra ordinary expenses on account of pension contribution and leave encashment persist.</p> <p>(4) The expenses on pension contribution will be incurred over the next 3 years in equal installments as allowed by the Income Tax Authority.</p> <p>(5) Similarly, the impact of leave encashment to officers and Area Managers would be felt till 2006 because encashment of accumulated leaves reserves would be parceled out over the next five years.</p> <p>26. Board of Directors was requested to consider and approve Budget Proposals for the year 2003 and Revised Budget Estimates for the year 2002, for business operations within Pakistan in Pak Rupees, as proposed in the budget summary (Annex-II). Business figures for Overseas Operations are given in US Dollars, as per Annex-II (I). Budget for capital expenditure for the year 2003 as contained in Annex-III was also submitted for approval.</p> <p>27. It may be mentioned that after approval of budget proposals under different heads of expense accounts for the respective year, at times a need arises for re-appropriation of some amount from one head to another head of expense account on genuine grounds. The Board is 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.</p> <p>28. During the course of discussions, Mr. Nessar Ahmad, Director suggested that administrative expenses should be minimized. Mr. M. Sharif Ijaz Ghauri, Director suggested that Bill Boards should be utilized by State Life to attract the policyholders.</p> <p>After due deliberation, the Board resolved as under:</p> <p>RESOLVED:</p> <p>(i) "that as proposed by ED(B&A) in the memorandum the budget proposals, for the year 2003 and (ii) the revised budget estimates for the year 2002 as contained in Annexures II, II(i) and III, alongwith sub-annexures attached to the Minutes, be and were hereby approved."</p> <p>(ii) "that ED(B&A) be and was hereby authorized to make re-appropriation of budget among different heads of expense accounts within the overall amount of budget approved by the Board with subsequent intimation to the Chairman."</p>			<p>CHAIRMAN'S INITIALS</p> 

Action:
ED(B&A)

Action:
ED(B&A)

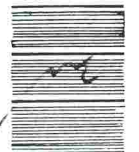
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	<p>ITEM (6) CONSIDER/APPROVE RECOMMENDATION OF STANDING COMMITTEE OF BOARD IN RESPECT OF APPEALS FILED BY THE OFFICERS WHO WERE AWARDED DIFFERENT PUNISHMENTS AS A RESULT OF DISCIPLINARY ACTION. Executive Director(P&GS)'s Memorandum dated 20-01-2003</p> <p>29. The Board of Directors in its 156th 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:-</p> <ul style="list-style-type: none"> a) Mr. Samee-ul-Hasan, Chairman b) Air Marshal (Retd) Sharbat A. Changazi, Director and c) Mr. Umar Ata Bandial, Director <p>30. In this regard a meeting of the Standing Committee was held on 25th and 27th September, 2002 at Karachi and Lahore to consider 02 and 05 cases of appeals respectively. 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.</p> <p>After deliberations, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>(i)"that the recommendation of the Standing Committee that the punishment be reduced to censure and effective date of censure should be treated from the date of Inquiry Committee report dated 18-05-1999 in the case of Mr. S. I. H. Rizvi, AGM/Sector Head, Karachi Southern Zone, be and was hereby approved."</p> <p>Action: ED(P&GS)</p> <p>(ii)"that in view of the weak material against the accused officer in respect of allegation "A" and the fact that in the first inquiry he was exonerated of this charge, the recommendation of the Standing Committee in the case of Mr. Anwar Shahid, Manager/Sector Head, Rahim Yar Khan Zone exoneration of the officer on this charge, be and was hereby approved.</p> <p>Action: ED(P&GS)</p> <p>(iii)"that the recommendation of the Standing Committee in the case of Mr. Mushtaq Ahmed, Manager(International), Principal Office that the punishment of censure should stand, be and was hereby approved."</p> <p>Action: ED(P&GS)</p> <p>(iv)"that the recommendation of the Standing Committee in the case of Mr. Rafi Khan, Area Manager, Gujranwala Zone that the punishment of dismissal should be reduced to censure as Corporation had not suffered any loss, be and was hereby approved."</p> <p>Action: ED(P&GS)</p> <p>(v)"that the recommendation of the Standing Committee in the case of Mr. Khalif A. Sheikh, Area Manager, Lahore Central Zone that the punishment of dismissal should stand, be and was hereby approved."</p> <p>Action: ED(P&GS)</p> <p>(vi)"that the recommendation of the Standing Committee in the case of Mr. Saleem Akbar, Deputy Manager, Sahiwal Zone that the punishment of censure should stand, be and was hereby approved."</p> <p>Action: ED(P&GS)</p>			<p>CHAIRMAN'S INITIALS</p> 

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<p>ITEM (7) CONSIDER/APPROVE - PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2003. Executive Director(P&GS)'s Memorandum dated 20-01-2003.</p> <p>31. ED(P&GS) presented before the Board a Memorandum for consideration and approval of performance based bonus plan for the year 2003 to the officers of State Life.</p> <p>32. The Board in its 162nd meeting held on 11.08.2001 had decided as follows:</p> <ul style="list-style-type: none"> (a) Henceforth, the bonus would be given on the basis of performance on the basis of achievements of Officers/Zone/Divisions. (b) In the case of profitable business by the Corporation, the proposed basis would ensure bonuses to the maximum number of officers; simultaneously, good workers would get premium on their performance. (c) The aim of the Scheme was to develop "competitive go" among the officers so that they would do their best in their fields in order to develop team spirit amongst the officers and staff for having a direct interest in promoting the business of the Corporation. (d) Resultantly they would work as a team and motivate their colleagues for better and enhanced performance. <p>33. Accordingly the Board in its 164th meeting held on 5th January 2002 had approved the performance linked bonus plan for officers of Individual Life, Group Life, Investment Division and Real Estate Division for the year 2002.</p> <p>34. The Business Performance Review has reflected positive results after the implementation of this plan. There has been a marked improvement not only in the First Year's Premium but also in the Second Year and Renewal Persistency. It is expected that improvements will also be recorded in the following:</p> <ul style="list-style-type: none"> (a) Ratio of Sales Representatives who are active Professionals; (b) Ratio of First Year Premium through newly recruited active Sales Representatives; (c) Regularity of New Business; (d) Reduction of Renewal Expense Ratio; (e) Reduction of Early Death Claims; and (f) Year-end Suspense as a %age of 2nd year and later years. <p>35. The Real Growth, both Overall and New, of the Group and Pension Business has also shown marked improvement. The profitability of the Group Business is in the process of final calculation and is expected to be on the higher side. It is therefore proposed that a similar performance linked bonus plan for Individual Life, Group Life and Real Estate Division be approved for the year 2003, as per details of the plan which are placed at Annexures IV, V and VI to the Minutes.</p>			

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<p>36. As the calculation of bonus points for Investment Division on the existing criteria presents some conceptual problems, the details of Performance criteria of this Division shall be re-determined at a later date.</p> <p>37. The provision of expenditure for exceptional items such as pension deficit and leave encashment shall not affect the calculation of renewal expense ratio for the purposes of performance based bonus for the year 2002. However, it will be accounted for in the calculation of bonus points for the year 2003 since both the items will be taken in the base for the year 2002.</p> <p>38. Mr. M. Sharif Ijaz Ghauri, Director expressed his opinion that the performance bonus plan should be regularised by the management by getting approval from the Finance Ministry. Air Marshal (Retd.) Sharbat A. Changazi pointed out that the Board approved the plan, not the management. The Board was fully competent to do this. The Chairman pointed out that the performance bonus plan was the result of the initiative made by the Board itself, while considering the officers bonus for the year 2000. The performance bonus plan for 2001 and 2002 had played an important part in motivating the officers for better performance. There was absolutely nothing in the State Life Insurance Nationalization Order 1972, the Insurance Ordinance 2000, or the rules and regulations made thereunder which restricted the Board's Powers to frame bonus plan. He entirely agreed with Air Marshal (Retd.) Sharbat A. Changazi that the matter was fully within the Board's competence. It was important that the performance bonus plan for 2003 be notified immediately, so that it could start motivating officers for 2003. After discussion this was agreed by the Board. Mr. Nessar Ahmed, Director suggested however that post facto approval from Finance Division should be sought as matter of formality. The Board was inclined to agree to this suggestion. However, Chairman strongly reiterated his view that the Board exercise its authority without reference to the Finance Division. Subject to the foregoing, it was resolved as under:-</p> <p>RESOLVED:</p> <p>(i) "that the proposed performance-linked plans for Individual Life, Group Life, and Real Estate as shown in Annexures IV, V and VI to these Minutes be and were hereby approved for the year 2003 only."</p> <p>(ii) As regards the bonus plans for Investment Division, the Chairman be and was authorised to finalise the matter.</p> <p>(iii) "that the Chairman be and was hereby authorized to make any adjustment considered necessary in the proposed performance linked plans for the year 2003 based on the experience for the year 2002."</p> <p>(iv) "that as proposed Area Managers will not get bonuses under this plan as they have their own incentive scheme."</p> <p>ITEM (8) CONSIDER/APPROVE - REVISION OF WINTER ALLOWANCE TO OFFICERS AT SPECIFIED HILL STATIONS Executive Director(P&GS)'s Memorandum dated 15-01-2003</p> <p>39. ED(P&GS) presented before the Board a Memorandum for consideration and approval of revision of winter allowance to officers as specified hill stations.</p>			

Action:
ED(P&GS)

Action:
ED(P&GS)


Action:
ED(P&GS)

Action:
ED(P&GS)

CHAIRMAN'S
INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME	
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003		
	<p>40. Winter allowance to the officers at the following hill stations is paid @ Rs.400/- per month:-</p> <ol style="list-style-type: none"> 1. Nathiagali 2. Murree 3. Quetta 4. Chitral District 5. Northern Areas <p>41. This was sanctioned by the Pay and Pension Committee in 1994. At that time this allowance to the employees in grade 1 to 7 was @ Rs.300/- per month. During the period from 1994 to 2002 this allowance to employees in grade 1 to 7 was enhanced as per various CBA agreements to Rs.650/- per month, whereas in respect of officers it remained at the same level of Rs.400/- per month.</p> <p>42. In order to remove this anomaly it is proposed that this facility at specified hill stations in respect of officers be permanently made at par with the winter allowance admissible to unionized staff. The total additional financial impact would come to approximately Rs.36,000/- per year. Accordingly, it was resolved as under:</p> <p>RESOLVED</p> <p>"that the proposal of ED(P&GS) for revision of winter allowance to officers at specified hill stations @ Rs.650/- per month with effect from 1st February, 2003 and total additional financial impact would come to approximately Rs.36,000/- per year be and was hereby approved and this facility for the officers was made permanently at par with the winter allowance admissible to unionised staff."</p> <p>43. At this point Mr. Nessar Ahmed, Director stated that he would have to leave and therefore requested that item 14 be brought forward. Accordingly item 14 of the agenda was brought.</p> <p>ITEM (14) CONSIDER/APPROVE - PURCHASE OF "A" RATED TFCs FROM THE MARKET BY INVESTMENT COMMITTEE. Executive Director(Inv)'s Memorandum dated 20-01-2003</p> <p>44. ED(Inv) presented before the Board a Memorandum for consideration and approval to authorize the Investment Committee of the Corporation to approve procurement of "A" rated TFCs from the market upto an amount of Rs.100 million.</p> <p>45. ED(Inv) informed the Board that at present, the Executive Committee of the Corporation is authorized to approve placement of an amount up to Rupees one hundred million in the Term Finance Certificates. Beyond this limit, the approval needs to be obtained from the Board of Directors of the Corporation.</p> <p>46. ED(Inv) further informed the Board, at times, TFCs offering attractive yields are available in the market. In the absence of delegation of authority, the Corporation is not in a position to buy such TFCs.</p>			<p>CHAIRMAN'S INITIALS</p> 

Action:
ED(P&GS)

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

Accordingly, it was resolved as under:

RESOLVED

Action:
ED(Inv)

(i)"that the proposal of ED((Inv.) to authorise the Investment Committee of the Corporation to approve procurement of "A" rated TFCs from the market up to an amount of Rs.100 million subject to 20% of the size of issue or 20% of net worth of the company, which ever is less be and was hereby approved."

Action:
ED(Inv)

(ii)"that the proposals for placement of funds in Pre-IPOs will continue to be placed before Executive Committee and the Board as is being done at present."

47. Thereafter Mr. Nessar Ahmed – Director left and as a result, quorum of five members was not complete. Accordingly formal discussion and consideration on the other items of agenda was deferred.

Action:
Board
Secretary

48. The 171st meeting of the Board of Directors will be held on Saturday, 26th April, 2003 at Karachi.

49. The meeting ended with mutual vote of thanks.


CHAIRMAN

CHAIRMAN'S
INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

State Life Insurance Corporation of Pakistan
Highlights of Revenue Budget for 2003 - Pakistan and Overseas combined ⁽¹⁾, compared with 2001 and 2002

Annex I

CHAIRMAN'S INITIALS



(All amounts in millions of Rupees)

A. INCOME

Item	Actual 2001	Budget 2002	Revised 2002 ⁽²⁾	Revised 2002 vs Actual 2001	Revised 2002 vs Budget 2002	Remarks	Budget 2003	Inc/(Dec) over Revised 2002
1. Individual Life Premium								
(a) First Policy Year	1,121	1,321	1,343	+ 20 %	+ 2 %		1,551	+ 15%
(b) Second Policy Year	496 ⁽³⁾	755	821	+ 66 %	+ 9 %	2002 2 nd year persistency is 73% vs budget 65%.	1,008	+ 23% assuming 2nd year persistency 75%.
(c) 3 rd & later Policy years	4,068	4,316	4,081	+ 1 %	(-) 5 %	2002 budget over-estimated 3 rd year and later persistency is 89%	4,367	+ 7% 3 rd year and later persistency is 89%
(d) Single Premium/annuities	3	8	17				8	
(e) Total	5,689	6,400	6,262	+ 11 %	(-) 2 %		6,934	+ 11%
2. Group Life Premium	1,256	1,450	1,500	+ 19 %	(+) 3 %	Stiff rate competition	2,000	+ 33%
3. Total Premiums	6,945	7,850	7,762	+ 12 %	(-) 1 %		8,934	+ 15%
4. Inv & Real Estate Income ⁽⁴⁾	9,312	9,008	9,809	+ 5 %	+ 9 %		10,154	+ 4%
5. Total Income	16,257	16,859	17,571	+ 8 %	+ 4 %		19,088	+ 9%

¹ Overseas \$ figures converted as follows: Actual 2001 @ Rs.61.36; Budget 2002 @ Rs.62.00; Revised 2002 @ Rs.59.59; Budget 2003 @ Rs.60.10

² Latest estimates, subject to audit

³ These figures, like all premium figures, allow for accruals. Figure for 2001 low because of change in office practice, which effected 2001 accruals.

⁴ Net of expenses other than Exceptional items

Budget Highlights

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

B. OUTGO

Item	Actual 2001	Budget 2002	Revised 2002	Revised 2002 vs actual 2001	Revised 2002 vs Budget 2002	Remarks	Budget 2003	Inc/(Dec) over Revised 2002
6. Individual Life policy outgo (a) Death, Maturity & Annuities	1,927	2,465	2,293	+ 19 %	(-) 7 %		2,689	+ 17%
(b) Surrenders	2,135	2,511	2,251	+ 5 %	(-) 10 %		2,406	+ 7%
(c) Total	4,062	4,976	4,544	+ 12 %	(-) 9 %		5,095	+ 12%
7. Group Life claims	1,510	1,243	1,181	(-) 22 %	(-) 5 %	2001 distorted by first time IBNR ⁽⁵⁾ provision	1,730	+ 46%
8. Total Policy outgo	5,572	6,219	5,725	+ 3 %	(-) 8 %		6,825	+ 19%
9. Field Exp ⁽⁶⁾	1,214	1,382	1,389	+ 14 %	+ 1 %		1,603	+ 15%
10. Admin expenses	1,556	1,795	1,797	+ 15 %	+ 0 %	Almost held down to budget despite officers' pay revision	1,927	+ 7%

⁵ IBNR = "Incurred But Not Reported"
⁶ Net including exceptional items relating to Area Managers

CHAIRMAN'S INITIALS



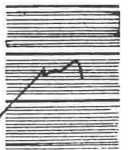
MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

B. OUTGO (CONTINUED)

Item	Actual 2001	Budget 2002	Revised 2002	Revised 2002 vs actual 2001	Revised 2002 vs Budget 2002	Remarks	Budget 2003	Inc/(Dec) over Revised 2002
11. Total Expenses excluding Exceptional items	2,770	3,177	3,186	-- 15%	+ 0%		3,530	+ 11%
12. Exceptional Items (a) Special Pension contribns	Nil	Nil	167			On direction by Board, to cover end 2001 pension fund deficit in 3 yearly instalments. Approved by LTT	167	
(b) Leave encashment	Nil	Nil	64			Approved by Board, gradually to cover end 2001 compensated absences in approx. 5 yrs.	82	+ 28%
(c) Total	Nil	Nil	231				249	+ 8%
13. Total expenses incl exceptional items	2,770	3,177	3,417	+ 23 %	+ 8 %		3,779	+ 11%
14. Provisions against investments (a) Bad/Doubtful (b) Stock Market depreciation	244	Nil	(577)			2002 reversal of stock market depreciation	-	
15. Income Tax provsn	160	100	200				100	
16. Govt share of surplus	242	75	100				100	
17. Total outflow + provisions	9,565	9,571	8,865	- 7%	- 7%		10,304	+ 22%

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

C. FUND CHANGES AND EXPENSE RATIO

Item	Actual 2001	Budget 2002	Revised 2002	Revised 2002 vs actual 2001	Revised 2002 vs Budget 2002	Remarks	Budget 2003	Inc/(Dec) over Revised 2002
18. Accretion to Life Fund	6,692	7,288	8,706	+ 30 %	+ 19 %	Mainly due to increase in investment income and reversal of market depreciation.	8,284	- 5%
19. Opening Life Fund	68,127	75,193 ⁽⁷⁾	74,819				83,525	
20. Closing Life Fund	74,819 ⁽⁸⁾	82,481	83,525	+ 12 %	+ 1 %		91,809	+ 10%
21. Excess expenses ⁽⁹⁾ - <i>excluding</i> Exceptional Items	988	1,124	1,135	+ 15 %	+ 1 %		1,185	+ 4%
22. Renewal Expense ratio ⁽¹⁰⁾ - <i>excluding</i> Exceptional Items	36.65 %	37.17 %	38.15 %	+ 1.5 %	+ 0.98 %	Future reduction in this ratio requires growth in 2nd & later policy year premiums.	37.05%	- 1.10%
23. Excess expenses ⁽⁹⁾ - <i>including</i> Exceptional Items	988	1,124	1,354		+ 20 %		1,420	+ 5%
24. Renewal Exp ratio ⁽¹⁰⁾ - <i>including</i> Exceptional Items	36.65 %	37.17 %	42.62 %	+ 5.97 %	+ 5.45 %	Exceptional items scheduled to taper off in about 5 years.	41.40%	- 1.22%

⁷ Estimate made before audited accounts

⁸ Per audited accounts

⁹ SFCIP has not yet framed new expense rules. Excess expenses = actual expenses less maximum expenses permitted under defunct Insurance Rules, 1958


¹⁰ Renewal Expense Ratio calculated under repealed Insurance Act, 1938/defunct Insurance Rules, 1958

Budget Highlights

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

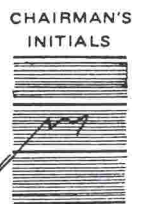
DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	
<p><i>Budget Highlights</i></p>	<p>25.5 <u>Field Manpower Development Division (PO)</u> FMD Division has proposed capital expenditure of Rs. 4.6 millions for cost of training equipment for its 8 centres.</p> <p>25.6 <u>Overseas</u> Gulf zone has requested for allocation of Rs. 3.5 million for purchase of new computers, office furniture and equipment at Dubai Office and SAF for field workers. The SAF is introduced in Gulf Zone for the first time.</p>	<p style="text-align: center;">D) CAPITAL EXPENDITURE</p> <p>Annexure-III contains portfolio-wise/division-wise details of the requirement of capital expenditure for the year 2003. Nature of these expenses (in brief) is given as below:</p> <p>25.1 <u>Individual Life</u></p> <p>a) Capital expenditure in zones are mostly meant for business development purpose and are for providing seating and allied facilities in kind to the field force.</p> <p>b) On the office side, capital expenditure is required to upgrade the office equipments and replacement of furniture, fixture and computers, etc. according to the need and requirement.</p> <p>25.2 <u>Real Estate Operations</u></p> <p>A capital budget of Rs. 30 million has been proposed by Real Estate Division for the year, 2003 for renovation of civil, plumbing and electrical works at different zones/offices of the Corporation and replacement/renovation of air-conditioning plants/lifts at various buildings. This does not include budget for acquisition / construction of building and plot for which approval is obtained from Executive Committee or Board of Directors on case to case basis.</p> <p>25.3 <u>Computer Division</u></p> <p>Computer Division has proposed capital budget of Rs. 74 million for the year 2003 to procure Personal Computers, Printers, UPS and Radio Modems, etc., for radio link between zones and Principal Office.</p> <p>25.4 <u>P&GS Division (PO)</u></p> <p>P&GS Division has proposed Rs. 40 million for the year 2003 for purchase of new cars and Rs. 6 million for furniture, office equipment and electric appliances etc. A further sum of Rs. 15 millions has been estimated to procure Personal Computers and Printers for various zones and Divisions of the Corporation.</p>	<p style="text-align: center;">CHAIRMAN'S INITIALS</p> 

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
SUMMARY OF BUDGET PROPOSALS FOR THE YEAR 2003 AND REVISOR BUDGET ESTIMATES FOR THE YEAR 2002

BUDGET SUMMARY



Description	Year(s)			Within Pakistan			Overseas			Re: In millions			Remarks	
	Actual 2001	Budgeted 2002	Revised 2002	Actual 2001	Budgeted 2002	Revised 2002	Actual 2001	Budgeted 2002	Revised 2002	Actual 2001	Budgeted 2002	Revised 2002		Projection 2003
1-INCOME														
1.1 - Premium income	6,653	7,435	7,399	8,483	292	426	353	451	6,945	7,351	7,762	8,934		
1.2 - Investing & Real Estate & Other Income	9,753	9,282	10,100	10,452	66	79	48	48	9,519	9,331	10,148	10,510		
Total Income	16,206	16,617	17,499	18,944	358	505	411	489	16,564	17,182	17,910	19,444		
2-OUTGO														
2.1 - Field Expenses	1,221	1,254	1,275	1,462	92	128	113	141	1,214	1,382	1,399	1,603		
2.2 - Administrative Expenses including RED/Inv	1,801	2,017	2,071	2,209	62	70	65	74	1,863	2,117	2,136	2,283		
2.3 - Less Reserve (RED) Expenses	(307)	(322)	(339)	(356)	-	-	-	-	(307)	(322)	(339)	(356)		
2.4 - Administrative Expenses excluding RED/Inv	1,494	1,725	1,732	1,853	62	70	65	74	1,556	1,795	1,927	1,927		
2.5 - Management Expenses (excluding extra ordinary items)	2,616	2,980	3,007	3,345	164	197	179	215	2,770	3,177	3,186	3,630		
2.6 - Extra ordinary items (Provision for Reserves, Lease Encashment)			218	232			3	3				236		
2.7 - Management Expenses (including Extra ordinary items)	2,616	2,980	3,225	3,647	164	197	182	218	2,770	3,177	3,408	3,786		
2.8 - Payment to Policyholders	5,358	6,084	6,655	6,734	214	458	71	91	5,572	6,219	5,725	6,825		
Total Outgo (2.5 + 2.8) [excluding extra ordinary items]	7,974	9,041	8,682	10,060	366	366	249	306	6,342	6,987	6,911	10,356		
Total Outgo (2.7 + 2.8) [including extra ordinary items]	7,974	9,041	8,682	10,282	366	366	252	309	6,342	6,987	6,911	10,590		
3-LIFE FUND														
3.1 - Balance at the beginning of the year	87,714	74,596	74,416	82,386	413	537	432	685	68,127	75,193	74,819	83,525		
3.2 - Gross Accrual to Life Fund (1-2)	8,232	7,836	8,621	8,868	(10)	749	159	190	8,222	7,785	8,780	8,854		
3.3 - Less RED's Investment Expenses	(307)	(322)	(351)	(376)	-	-	-	-	(307)	(322)	(351)	(376)		
3.4 - Less Provisions against Investments/RED	(821)	(821)	(821)	(821)	-	-	-	-	(821)	(821)	(821)	(821)		
3.5 - Less Provision for Income Tax	(80)	(100)	(200)	(100)	-	-	-	-	(80)	(100)	(200)	(100)		
3.6 - Less Govt. Share of Surplus	(242)	(75)	(100)	(100)	-	-	-	-	(242)	(75)	(100)	(100)		
Life Fund at the year end	74,716	81,795	82,385	90,450	403	896	627	876	74,819	82,481	83,626	91,839		
4-EXPENSES														
4.1 - Allowable Expenses														
4.1.1 - 80.50% of P.F.P.	920	1,014	1,099	1,264	83	108	103	124	1,003	1,182	1,202	1,388		
4.1.2 - 7% of Single Premium/Annuity	94	109	113	150	-	-	-	-	94	109	113	150		
4.1.3 - 7% of Group Premium	655	715	698	759	30	46	37	47	655	761	735	806		
4.1.4 - 15% of Renewal Premium	1,669	1,889	1,911	2,174	113	154	140	171	1,782	2,083	2,061	2,365		
Total	3,477	4,027	4,021	4,397	236	316	293	352	3,589	4,143	4,111	4,709		
4.2 - Excess over allowable Expenses (excluding extra ordinary items)	947	1,081	1,096	1,442	41	43	39	44	988	1,124	1,135	1,385		
4.3 - Excess over allowable Expenses (including extra ordinary items)	947	1,081	1,313	1,373	41	43	42	47	988	1,124	1,354	1,420		
5-RENEWAL EXPENSE RATIO														
5.1 - Renewal Expense Ratio (Excluding extra and new items)	36.69%	37.67%	38.56%	37.54%	35.88%	29.47%	30.49%	29.08%	36.65%	37.17%	38.15%	37.05%		
5.2 - Renewal Expense Ratio (Including extra ordinary items)	36.69%	37.67%	42.20%	42.17%	34.69%	29.47%	31.73%	30.04%	36.65%	37.17%	42.82%	41.41%		

1/2003/15/49

Annexure - D

Annexure - II

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	Held at	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
SUMMARY OF BUDGET PROPOSALS OF OVERSEAS FOR THE YEAR 2003
AND REVISED BUDGET ESTIMATES FOR THE YEAR 2002 IN US DOLLARS

Annexure - II (i)

CHAIRMAN'S
INITIALS



Description	US\$ in millions				Rs. in millions			
	Actual 2001	Budgeted 2002	Revised 2002	Projection 2003	Actual 2001	Budgeted 2002	Revised 2002	Projection 2003
I - INCOME					@Rs 81.36	@Rs 82.00	@Rs 859.39	@Rs 60.00
First Year Premium	1,518	1,948	1,931	2,318	93,170	120,776	114,700	139,054
Second Year Premium	0,810	1,169	1,162	1,448	49,690	72,466	68,987	86,909
Renewal Premium	2,428	3,744	3,011	3,756	148,995	232,103	178,845	225,339
Total Premium	4,756	6,861	6,104	7,522	291,855	425,345	362,531	451,301
Investment & Other Income	1,372	1,268	0,807	0,871	69,790	78,632	47,913	48,033
Total Income	5,829	8,129	6,911	8,392	357,645	503,978	410,444	499,334
2 - OUTGO								
2.1 - Field Expenses	1,504	2,065	1,911	2,349	92,294	128,030	113,498	140,928
2.2 - Administrative Expenses	1,210	1,129	1,147	1,281	61,983	69,998	68,136	76,871
2.3 - Total Management Expenses (2.1 + 2.2)	2,514	3,194	3,058	3,630	154,280	198,028	181,633	217,799
2.4 - Payment to Policyholders	3,486	2,548	1,188	1,521	213,923	157,976	70,559	91,230
Total Outgo (2.3 + 2.4)	6,001	5,742	4,246	5,150	368,203	356,004	252,192	309,029
Persistency								
at Accounting Basis								
2nd Year								
3rd Year								
					78.50%			75.00%
					93.00%			60.00%

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVISED BUDGET ESTIMATES FOR 2002
CAPITAL BUDGET
YEAR 2003
 (Rupees in millions)

Individual Life (Within Pakistan-Zones/Regions)	30,000
Overseas Division	3,500
Group Life	3,000
Real Estate Division	30,000
Field Manpower Development Div.	4,600
Computer Division	74,000
P&GS Division	61,000
Total	<u><u>206,100</u></u>

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVERSE BUDGET ESTIMATES FOR 2002

Annexure - A

INCOME

Rs. in millions

Description	Within Pakistan				Overseas				Corporation basis			
	Actual 2001	Budgeted 2002	Revised 2002	Projection 2003	Actual 2001	Budgeted 2002	Revised 2002	Projection 2003	Actual 2001	Budgeted 2002	Revised 2002	Projection 2003
First Year Premium	1,028	1,200	1,228	1,412	93	121	115	139	1,121	1,321	1,343	1,551
Single Premium / Annuities	3	8	17	8	-	0	-	-	3	8	17	8
Second Year Premium	446	633	752	921	50	72	69	87	496	755	821	1,008
Renewal Premium	3,919	4,034	3,902	4,142	149	232	179	225	4,068	4,316	4,081	4,367
Group Premium	1,256	1,450	1,500	2,000	-	-	-	-	1,256	1,450	1,500	2,000
Total Premium	6,653	7,426	7,399	8,483	252	425	363	451	6,945	7,850	7,762	8,934
Investment & Other Income	9,199	8,892	9,738	10,082	66	79	48	48	9,265	8,970	9,786	10,130
Real Estate Income	354	350	352	380	-	-	-	-	354	360	352	380
Total Income	16,206	16,677	17,489	19,945	358	504	410	499	16,564	17,181	17,910	19,444

Persistence


a) Accounting Basis

2nd Year	47%	65%	73%	75%
3rd Year	90%	90%	89%	85%

b) Business Progress Report

2nd Year	71%
3rd Year	87%

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVERSE BUDGET ESTIMATES FOR 2002

CHAIRMAN'S INITIALS



FIELD PAYMENTS

Rs. In millions

Basis for estimate

Description (Years)	Within Pakistan		
	Actual 2001	Budgeted 2002	Revised 2002 Projection 2003

Description (Years)	Overseas		
	Actual 2001	Budgeted 2002	Revised 2002 Projection 2003

Description (Years)	Corporation basis		
	Actual 2001	Budgeted 2002	Revised 2002 Projection 2003

Description (Years)	Basis for estimate		
	Actual 2001	Budgeted 2002	Revised 2002 Projection 2003

First Year Cost																			
Agency & Over-riding commission first year	775	804	823	846	60	91	64	102	844	895	906	1,048							
Commission - Annuity/Single premium	0	0	1	0	-	-	-	-	0	0	1	0							
Incentive/bonus to Area Manager	23	30	31	36	9	12	3	-	32	42	34	36							
Sponsorship Fee																			
Sub-Total	798	834	855	982	78	103	67	103	876	937	941	1,080							
Renewal Cost																			
2nd Year Commission/Persistence	72	119	128	154	4	13	9	11	76	132	135	165							
Renewal Commission	137	194	195	207	10	11	11	14	207	205	206	221							
Sub-Total	209	313	323	361	14	24	20	25	283	337	341	386							
Field prize & awards / Contests	11	12	12	14	0	1	1	1	11	13	13	16							
Field Convention	3	7	6	8	-	-	-	1	3	7	8	9							
Sub-Total	14	19	20	22	0	1	1	2	14	20	21	24							
Field Group Insurance	4	8	8	9	-	-	-	1	4	8	8	10							
Field Medical	14	20	20	23	-	-	-	4	14	20	20	27							
Field Office Expenses	21	56	49	58	-	-	-	2	21	66	49	60							
Sub-Total	39	83	76	91	-	-	-	5	39	83	76	97							
Total Individual Life	1,120	1,280	1,271	1,456	92	128	113	144	1,212	1,378	1,384	1,557							
GROUP LIFE																			
Group Field Cost	2	3	2	3	-	-	-	-	2	3	2	3							
Prize & Award/Field Convention	0	2	2	3	-	-	-	-	0	2	2	3							
Total Group Life	2	4	4	6	-	-	-	-	2	4	4	6							
Grand Total	1,122	1,284	1,275	1,462	92	128	113	144	1,214	1,382	1,388	1,563							
Persistence																			
a) Accounting Basis																			
2nd Year	48.83%	55.00%	73.15%	75.00%															
3rd Year	89.82%	90.00%	89.37%	89.00%															

Appendix - 2

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVISED BUDGET ESTIMATES FOR 2002
ACQUISITION COST ON FYP

Annexure - B-4

Description	Year(s)	Within Pakistan		Protection-2003			
		Actual	Budgeted	Estimates-2002	without extra ordinary items	Full cost	without extra ordinary items
First Year Premium		1,028	1,200	1,228	1,228	1,412	1,412
Agency & Over-riding commission -first year		775	804	823	823	946	946
Other field costs on FYP		53	102	96	96	113	113
Incentive bonus to Area Managers		23	30	31	31	35	35
Normal Area Managers Cost less 15% allocable to Renewal premium.		134	167	153	163	164	164
Add: Provision to Pension Fund				29	-	28	-
Leave Encashment				12	-	11	-
Payment of last year perks				12	-	-	-
Total acquisition cost on FYP		985	1,103	1,186	1,113	1,296	1,259

% age of acquisition cost on FYP

98%

92%

95%

91%

92%

99%

CHAIRMAN'S INITIALS



STATE LIFE
INSURANCE CORPORATION OF PAKISTAN

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

BUDGET PROPOSAL FOR THE YEAR 2003 (AND REVISED BUDGET ESTIMATES FOR 2002)

Administrative Expenses

Description	Year(s)			Projection	Actual			Budgeted			Projection
	2001	2002	2003		2001	2002	2003	2001	2002	2003	
1. Personnel Cost											
1.1 - Officers											
1.1.1 - Chief Executive Officer	529,978	598,451	630,342	603,441	529,978	598,451	630,342	603,441	529,978	598,451	630,342
1.1.2 - Executive Director	176,342	176,342	176,342	176,342	176,342	176,342	176,342	176,342	176,342	176,342	176,342
1.1.3 - Director (Finance)	43,873	43,873	43,873	43,873	43,873	43,873	43,873	43,873	43,873	43,873	43,873
1.1.4 - Director (Legal)	53,928	426,742	451,054	476,423	53,928	426,742	451,054	476,423	53,928	426,742	451,054
1.1.5 - Director (Operations)	21,938	43,873	43,873	43,873	21,938	43,873	43,873	43,873	21,938	43,873	43,873
1.1.6 - Director (Marketing)	42,675	42,675	42,675	42,675	42,675	42,675	42,675	42,675	42,675	42,675	42,675
1.1.7 - Director (IT)	21,938	42,675	42,675	42,675	21,938	42,675	42,675	42,675	21,938	42,675	42,675
1.1.8 - Director (HR)	21,938	42,675	42,675	42,675	21,938	42,675	42,675	42,675	21,938	42,675	42,675
1.1.9 - Director (Admin)	21,938	42,675	42,675	42,675	21,938	42,675	42,675	42,675	21,938	42,675	42,675
1.1.10 - Director (Other)	21,938	42,675	42,675	42,675	21,938	42,675	42,675	42,675	21,938	42,675	42,675
1.1.11 - Director (Total)	21,938	42,675	42,675	42,675	21,938	42,675	42,675	42,675	21,938	42,675	42,675
1.2 - Area Managers											
1.2.1 - Area Manager (Finance)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.2 - Area Manager (Legal)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.3 - Area Manager (Operations)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.4 - Area Manager (Marketing)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.5 - Area Manager (IT)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.6 - Area Manager (HR)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.7 - Area Manager (Admin)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.8 - Area Manager (Other)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.2.9 - Area Manager (Total)	27,148	37,011	37,011	37,011	27,148	37,011	37,011	37,011	27,148	37,011	37,011
1.3 - Staff											
1.3.1 - Sub-Total Area Manager	157,971	196,952	244,595	244,157	157,971	196,952	244,595	244,157	157,971	196,952	244,595
1.3.2 - Sub-Total	449,215	510,418	474,324	499,123	449,215	510,418	474,324	499,123	449,215	510,418	474,324
1.3.3 - Total Personnel Cost (Including Extra Ordinary Items)	29,538	28,815	28,811	33,998	29,538	28,815	28,811	33,998	29,538	28,815	28,811
1.3.4 - Total Personnel Cost (Including Extra Ordinary Items)	2,233	3,241	2,143	3,308	2,233	3,241	2,143	3,308	2,233	3,241	2,143
1.3.5 - Total Personnel Cost (Including Extra Ordinary Items)	479,986	532,274	506,277	535,326	479,986	532,274	506,277	535,326	479,986	532,274	506,277
1.3.6 - Total Personnel Cost (Including Extra Ordinary Items)	42,030	60,384	44,601	44,741	42,030	60,384	44,601	44,741	42,030	60,384	44,601
1.3.7 - Total Personnel Cost (Including Extra Ordinary Items)	522,017	592,658	549,879	577,066	522,017	592,658	549,879	577,066	522,017	592,658	549,879
1.3.8 - Total Personnel Cost (Including Extra Ordinary Items)	1,139,949	1,369,514	1,327,723	1,375,925	1,139,949	1,369,514	1,327,723	1,375,925	1,139,949	1,369,514	1,327,723
1.3.9 - Total Personnel Cost (Including Extra Ordinary Items)	1,159,249	1,389,514	1,355,387	1,421,542	1,159,249	1,389,514	1,355,387	1,421,542	1,159,249	1,389,514	1,355,387

Description	Year(s)			Projection	Actual			Budgeted			Projection
	2001	2002	2003		2001	2002	2003	2001	2002	2003	
2. Other Office Expenses											
2.1 - Printing	33,458	51,000	52,105	49,873	33,458	51,000	52,105	49,873	33,458	51,000	52,105
2.2 - Stationery	9,923	13,200	13,310	12,811	9,923	13,200	13,310	12,811	9,923	13,200	13,310
2.3 - Telephone	4,276	15,016	16,905	14,093	4,276	15,016	16,905	14,093	4,276	15,016	16,905
2.4 - Postage	147,272	142,236	148,940	152,755	147,272	142,236	148,940	152,755	147,272	142,236	148,940
2.5 - Travel	17,388	45,750	17,275	20,710	17,388	45,750	17,275	20,710	17,388	45,750	17,275
2.6 - Transport	24,842	33,250	37,300	41,580	24,842	33,250	37,300	41,580	24,842	33,250	37,300
2.7 - Entertainment	23,941	41,580	40,070	41,802	23,941	41,580	40,070	41,802	23,941	41,580	40,070
2.8 - Printing & Stationery	19,039	19,330	21,550	23,479	19,039	19,330	21,550	23,479	19,039	19,330	21,550
2.9 - Printing & Stationery	14,407	5,300	7,705	9,600	14,407	5,300	7,705	9,600	14,407	5,300	7,705
2.10 - Printing & Stationery	14,197	45,018	15,517	15,515	14,197	45,018	15,517	15,515	14,197	45,018	15,517
2.11 - Printing & Stationery	3,893	9,923	5,375	6,123	3,893	9,923	5,375	6,123	3,893	9,923	5,375
2.12 - Printing & Stationery	9,482	11,770	13,743	12,471	9,482	11,770	13,743	12,471	9,482	11,770	13,743
2.13 - Printing & Stationery	14,142	12,423	12,410	23,000	14,142	12,423	12,410	23,000	14,142	12,423	12,410
2.14 - Printing & Stationery	9,423	4,423	8,423	6,423	9,423	4,423	8,423	6,423	9,423	4,423	8,423
2.15 - Printing & Stationery	47,403	40,611	38,812	56,612	47,403	40,611	38,812	56,612	47,403	40,611	38,812
2.16 - Printing & Stationery	43,189	41,000	41,205	41,205	43,189	41,000	41,205	41,205	43,189	41,000	41,205
2.17 - Printing & Stationery	423,593	482,926	438,975	650,209	423,593	482,926	438,975	650,209	423,593	482,926	438,975
2.18 - Printing & Stationery	217,724	227,000	259,515	271,105	217,724	227,000	259,515	271,105	217,724	227,000	259,515
2.19 - Printing & Stationery	581,374	877,442	745,282	850,974	581,374	877,442	745,282	850,974	581,374	877,442	745,282
2.20 - Printing & Stationery	1,851,326	2,047,442	2,070,383	2,209,193	1,851,326	2,047,442	2,070,383	2,209,193	1,851,326	2,047,442	2,070,383
2.21 - Printing & Stationery	1,801,326	2,047,442	2,228,927	2,454,915	1,801,326	2,047,442	2,228,927	2,454,915	1,801,326	2,047,442	2,228,927
2.22 - Printing & Stationery	610,301	2,047,442	2,228,927	2,454,915	610,301	2,047,442	2,228,927	2,454,915	610,301	2,047,442	2,228,927
2.23 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.24 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.25 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.26 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.27 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.28 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.29 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.30 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.31 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.32 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.33 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.34 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.35 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.36 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.37 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.38 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927
2.39 - Printing & Stationery	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,927	2,454,915	219,724	2,047,442	2,228,92


MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVISED BUDGET ESTIMATES FOR 2002

POLICY PAYMENT

Annexure - D

CHAIRMAN'S INITIALS


Description	Within Pakistan				Overseas				Corporation basis			
	Actual 2001	Budgeted 2002	Revised 2002	Protection 2003	Actual 2001	Budgeted 2002	Revised 2002	Protection 2003	Actual 2001	Budgeted 2002	Revised 2002	Protection 2003

@Rs. 61.36 @Rs. 62.00 @Rs. 59.39 @Rs. 60.00

INDIVIDUAL LIFE

Death Claims	597	584	627	670	3	5	12	18	600	589	639	688
Maturity Claims	1,182	1,769	1,608	1,943	135	92	30	40	1,317	1,861	1,638	1,983
Surrenders	2,059	2,451	2,222	2,373	76	61	29	33	2,135	2,511	2,251	2,406
Annuitants	8	11	12	14	-	-	-	-	8	11	12	14
Claim Investigation Expenses	2	4	4	4	0	0	0	0	2	4	4	4
Sub-Total	3,848	4,817	4,473	5,004	214	158	71	91	4,062	4,976	4,544	5,095

GROUP LIFE

Group Claims	1,339	1,208	1,115	1,660	-	-	-	-	1,339	1,208	1,115	1,660
Group Profit Commission	171	35	66	70	-	-	-	-	171	35	66	70
Claim Investigation Expenses	0	0	0	0	-	-	-	-	0	0	0	0
Sub-Total	1,510	1,244	1,181	1,730	-	-	-	-	1,510	1,243	1,181	1,730

Total Policy Payments	5,358	6,061	5,655	6,734	214	158	71	91	5,572	6,219	5,725	6,925
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Rs. in millions

MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

STATE LIFE INSURANCE CORPORATION OF PAKISTAN
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVISED BUDGET ESTIMATES FOR 2002

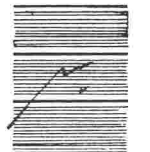
2001

Annexure E-1

Rs In millions

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + Ind'DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	SUB-TOTAL INV + RED	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
INCOME									
Premium Income	5,396	1,266	6,663	-	-	-	6,663	292	6,945
Investment Real Estate & Other Income	-	-	-	9,199	354	9,553	9,553	66	9,619
TOTAL INCOME	5,396	1,266	6,663	9,199	354	9,553	16,206	358	16,564
OUTGO									
Field Expenses	1,120	2	1,121	-	-	-	1,121	92	1,214
Administrative Expenses	1,416	79	1,494	621	506	1,128	2,622	62	2,684
TOTAL MANAGEMENT EXPENSES	2,536	80	2,616	621	506	1,128	3,743	154	3,898
Policy Payments (Group Life)	-	1,510	1,510	-	-	-	1,510	154	1,510
Outgo before policy Payments (Individual Life)	2,536	1,580	4,126	621	506	1,128	5,253	154	5,408
Increase in Life Fund before IL Policy Payments	2,861	(324)	6,636	8,577	(152)	8,426	10,953	203	11,156
Policy Payments (Individual Life)	3,848	-	3,848	-	-	-	3,848	214	4,062
Net addition to the Life fund after policy payment							7,104	(11)	7,094
Government share of surplus									(242)
Provision for income tax									(160)
Net increase in Life fund									6,692
Life fund at the end of the year									74,819

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

BUDGET PROPOSAL FOR THE YEAR 2003 AND REVERSED BUDGET ESTIMATES FOR 2002

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

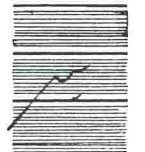
Annexure E-2

2002 (Budgeted)

Rs In millions

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + INCL DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	SUB-TOTAL INV + RED	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION
INCOME									
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
TOTAL INCOME	5,975	1,450	7,425	8,892	360	9,252	16,677	505	17,182
OUTGO									
Yield Expenses	1,250	4	1,254	-	-	-	1,254	128	1,382
Administrative Expenses	1,636	88	1,725	11	312	322	2,047	70	2,117
TOTAL MANAGEMENT EXPENSES	2,886	92	2,979	11	312	322	3,301	198	3,499
Policy Payments (Group Life)	-	1,244	1,244	-	-	-	1,244	-	1,244
Outgo before policy Payments (Individual Life)	2,886	1,336	4,223	11	312	322	4,545	198	4,743
Increase in Life Fund before II Policy Payments	3,058	114	5,457	8,881	48	322	12,192	307	12,439
Policy Payments (Individual Life)	4,817	-	4,817	-	-	-	4,817	158	4,975
Net addition to the Life fund after policy payment	-	-	-	-	-	-	-	149	7,464
Government share of surplus	-	-	-	-	-	-	-	-	(75)
Provision for income tax	-	-	-	-	-	-	-	-	(100)
Net increase in Life fund	-	-	-	-	-	-	-	-	7,288
Life fund at the end of the year	-	-	-	-	-	-	-	-	32,481

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

BUDGET PROPOSAL FOR THE YEAR 2003 AND REVISED BUDGET ESTIMATES FOR 2002

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

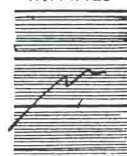
Annexure E-3

2002 (Revised)

Rs In millions

TITLE OF ACCOUNTS	INDIVIDUAL	GROUP	SUB-	INVESTMENT	REAL	SUB-TOTAL	TOTAL	OVERSEAS	TOTAL
	LIFE + PO + INT'L DIV.	LIFE	TOTAL		ESTATE	INV + RED	WITHIN PAKISTAN		CORPORATION
INCOME									
Premium Income	5,899	1,500	7,399	-	-	-	7,399	363	7,762
Investment/Real Estate & Other Income	-	-	-	9,738	362	10,100	10,100	48	10,148
TOTAL INCOME	5,899	1,500	7,399	9,738	362	10,100	17,499	411	17,910
OUTGO									
Trade Expenses	1,271	4	1,275	-	-	-	1,275	113	1,389
Administrative Expenses	1,845	104	1,948	17	334	351	2,299	68	2,367
TOTAL MANAGEMENT EXPENSES	3,116	108	3,224	17	334	351	3,574	181	3,755
Policy Payments (Group Life)	-	1,181	1,181	-	-	-	1,181	-	1,181
Claims before policy Payments (Individual Life)	3,116	1,290	4,405	17	334	351	4,756	181	4,937
Increase in Life Fund before II, Policy Payments	2,783	210	2,994	9,721	28	351	12,743	230	12,973
Policy Payments (Individual Life)	4,473	-	4,473	-	-	-	4,473	71	4,544
Net addition to the Life fund after policy payment							8,270	159	8,429
Government share of surplus									(100)
Provision for income tax									(200)
Reversal of provision against investments									577
Net increase in Life fund									8,708
Life fund at the end of the year									33,525

CHAIRMAN'S INITIALS



MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

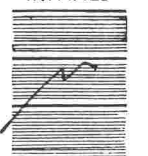
BUDGET PROPOSAL FOR THE YEAR 2003 AND REVISED BUDGET ESTIMATES FOR 2002

STATE LIFE INSURANCE CORPORATION OF PAKISTAN

Annexure E-4

TITLE OF ACCOUNTS	INDIVIDUAL LIFE + PO + Inc'DIV.	GROUP LIFE	SUB-TOTAL	INVESTMENT	REAL ESTATE	SUB-TOTAL INV + RED	TOTAL WITHIN PAKISTAN	OVERSEAS	TOTAL CORPORATION	2003 (Estimate)	
										Rs	In millions
INCOME											
Premium Income	6,483	2,000	8,483	-	-	-	8,483	451	8,934		
Investment/Real Estate & Other Income	-	-	-	10,082	360	10,482	10,482	48	10,510		
TOTAL INCOME	6,483	2,000	8,483	10,082	360	10,482	18,925	499	19,444		
OUTGO											
Field Expenses	1,486	6	1,482	-	-	-	1,482	141	1,603		
Administrative Expenses	1,964	121	2,085	-	18	370	2,455	75	2,530		
TOTAL MANAGEMENT EXPENSES	3,420	127	3,547	18	352	370	3,917	216	4,133		
Policy Payments (Group Life)	-	1,730	1,730	-	-	-	1,730	-	1,730		
Outgo before policy Payments (Individual Life)	3,420	1,857	5,278	-	18	370	5,647	216	5,863		
Increase in Life Fund before Div. Policy Payments	3,083	143	3,205	-	10,064	370	13,287	283	13,580		
Policy Payments (Individual Life)	5,004	-	5,004	-	-	-	5,004	91	5,095		
Net addition to the Life fund after policy payment	-	-	-	-	-	-	8,283	192	8,485		
Government share of surplus	-	-	-	-	-	-	-	-	(100)		
Provision for income tax	-	-	-	-	-	-	-	-	(100)		
Net Increase in Life fund	-	-	-	-	-	-	8,283	-	8,285		
Life fund at the end of the year	-	-	-	-	-	-	91,809	-	91,809		

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DIRECTORS	HELD AT	ON	TIME
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Annexure-IV

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 2003

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 stabilize 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 2002 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 2002 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 62% in 2003. 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.

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

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

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 |
| Total of Maximum points | 80 points |

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
3. <u>Ratio of FYP through newly recruited active SR's</u> For this purpose, those SR's will count who were recruited in 2003 and who did at least Rs 20,000 FYP in 2003		If FYP through newly recruited active SR's is less than 20% of the Zone's FYP in 2003: No point For every 1 % over 20%: 1 point Maximum 5 points

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DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003	

<p>4. <u>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>No of 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>	No of Productive Quarters	Points	4	5	3	3	2	1	1	0
No of Productive Quarters	Points											
4	5											
3	3											
2	1											
1	0											
<p>5. <u>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>62 %</p> <p>Note: 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 67%: 1 point</p> <p>Maximum 10 points</p>										
<p>6. <u>Third and later Policy years's Persistency</u></p> <p>Calculated to the nearer whole %</p>		<p>For each 1 % 3rd Yr over 85%: 1 point</p> <p>Maximum 10 points</p> <p>Note: If 3rd & later years Persistency is 85% or less, there will be no points</p>										
<p>7A <u>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>Points will depend on the reduction of the Renewal Expense Ratio compared with 2002, in brackets of 1/2% of the Renewal 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>Examples</p> <p>Reduction less than 1/2%: 0 Reduction at least 1/2%, Less than 1%: 1 Reduction at least 1/2%, less than 5%: 9 Reduction 5% or more: 10</p>										
<p>7B. <u>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>										

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<p>8. <u>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>9. <u>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 style="text-align: right;">Points</td> </tr> <tr> <td>1% or less</td> <td style="text-align: right;">5</td> </tr> <tr> <td>2%</td> <td style="text-align: right;">4</td> </tr> <tr> <td>3%</td> <td style="text-align: right;">3</td> </tr> <tr> <td>4%</td> <td style="text-align: right;">2</td> </tr> <tr> <td>5%</td> <td style="text-align: right;">1</td> </tr> <tr> <td>6% or more</td> <td style="text-align: right;">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 2002. 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 2003 under at least 12 policies on different lives, and had 2nd Year Persistency of at least 70% in 2003.

(iii) Extraordinary performance.

In respect of those Zones whose increase in FYP is such that they qualify for more than 25 points, the Corporation may at its discretion decide to award such outstanding performance outside the Performance Based Bonus Scheme.

Notes:

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

(ii) No 2nd year persistency requirement for new SR's recruited in 2003.

(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.

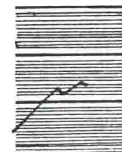
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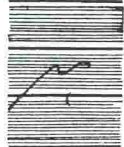
MINUTES OF 170TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME						
MINUTE BOOK	KARACHI	1 ST FEBRUARY, 2003							
<p>Illustration</p> <p>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.</p> <p>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:</p> <table data-bbox="289 645 1263 730"> <tr> <td>Group A (New Business, Field Development and Regularity of business)</td> <td>40 points</td> </tr> <tr> <td>Group B (Persistency)</td> <td>20 points</td> </tr> <tr> <td></td> <td>60 points</td> </tr> </table> <p>For all remaining items (maximum 20 points), he will get the points earned by their Zone.</p> <p>(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.</p> <p>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.</p> <p>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.</p> <p>The following P.O. Divisions will be allocated 100% to Individual Life. Their bonuses will depend on P.O.'s Individual Life point score:</p> <p>Marketing PHS</p> <p>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> <p>P & GS B & A Internal Audit Computer Actuarial Law</p> <p>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.</p>				Group A (New Business, Field Development and Regularity of business)	40 points	Group B (Persistency)	20 points		60 points
Group A (New Business, Field Development and Regularity of business)	40 points								
Group B (Persistency)	20 points								
	60 points								

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<p><u>For Regions and Zones</u> A percentage equal to 5 times of (Half the Zone score + half P.O.s' Individual Life score)</p> <p><u>Illustration</u> A Zone earned 60 points for its performance in the year 2003, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.</p> <p>Principal Office earned 50 points for its performance in the year 2003, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.</p> <p>The Zonal Head and Zonal Officers will get 5 times ($\frac{1}{2} \times 60 + \frac{1}{2} \times 50$) = 275% of their December 2003 basic monthly salaries</p> <p>See Para 6 above for special treatment of Sub-Zonal/Sector Heads and Underwriters.</p> <p><u>For Principal Office</u> The multiplier will of 5 will be applied to the whole of State Life's Individual Life performance in Pakistan.</p> <p>See Para 8 above for treatment of certain Divisions whose bonuses depend partly on Individual Life and partly on Group.</p> <p><u>10. Date of declaration of Officers' bonuses</u> Officers' bonuses will be announced as soon as the figures are available. Figures must be submitted by the Zones by 28 February 2004, and the bonuses calculated by 31 March 2004, so that they can be provided for in the Revenue Account for 2003.</p> <p><u>11. Extension to International Division</u> The scheme will extend to the International Division on the same basis in principle, with such modifications as may be decided.</p> <p><u>12. Performance Based Bonus Scheme for Group, Investment and Real Estate</u> There are separate Performance Based Bonus Schemes for Group, Investment and Real Estate</p> <p><u>13. Pro-rated for service during part of a year</u> If a participant in the Performance Bonus System worked for less than the full calendar year in the Team concerned, his bonus will be pro-rated according to the period served in the Team.</p> <p><u>14. General Conditions</u> If new Zones are created, the system will be modified for them. If Zones are merged, the performance in 2002 of the merged Zones will form the base.</p> <p>In the case of doubt, Principal Office's decision will be final and binding on all concerned.</p> <p>The Scheme may be withdrawn or amended by Principal Office at any time.</p>			
			<p>CHAIRMAN'S INITIALS</p> 

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Annexure-V

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

(with extension to Principal Office)

In respect of bonuses for Year 2003

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 stabilize 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

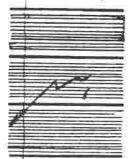
Grand Total of Maximum points

80 points

4. Point System: Details

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

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<p>2. <u>Real % growth in Group Life & 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 2002.

(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.

(iii) Extraordinary performance.

In respect of those Zones whose increase in FYP is such that they qualify for more than 25 points, the Corporation may at its discretion decide to award such outstanding performance outside the Performance Based Bonus Scheme.

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.

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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.

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 2003, having completed the Minimum Qualifying Real Premium growth and Profitability requirements.

Principal Office earned 50 points for its performance in the year 2003, 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 2003 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 2004, and the bonuses calculated by 31 March 2004, so that they can be provided for in the Revenue Account for 2003.

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 2002 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-VI

Performance-Based Bonus Plan for Officers of the Real Estate Division
For the year 2003

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 2003 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.

CHAIRMAN'S
INITIALS

