

MINUTES OF 172ND MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	20 TH SEPTEMBER, 2003	

CONFIDENTIAL AND RESTRICTED

The one hundred and seventy second (172nd) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 20th September, 2003 at 10:00 a.m., in the Board Room, State Life Building No.9, Principal Office, Karachi.

PRESENT:

Mr. Rasool Bakhsh Baloch	Chairman
Mr. Bashir Ahmed	Director
Mr. Muhammad Sharif Ijaz Ghauri	Director
Mr. Nessar Ahmad	Director
Mrs. Spenta Kandawalla	Director
Mr. Umar Ata Bandial	Director
Mr. Shahid Aziz Khan	Board Secretary

2. Mr. Muhammad Javed Khan, Executive Director(RE/Law), Mr. Zafar Mahmood, Executive Director(P&GS), Mr. Muhammad Latif, Executive Director(B&A/Inv), Mr. Muhammad Jawaid Khan, General Manager(Marketing) and Mr. Muhammad Aslam Sabir, General Manager(PHS) attended the meeting by special invitation.

3. The meeting started with recitation from the Holy Quran and the Board Secretary was provided the honour of recitation.

4. Air Marshal (Retd) Sharbat A. Changazi, Director has requested leave of absence. The Board granted him leave.

5. Mr. Rasool Bakhsh Baloch, Chairman recalled the sad demise on 11th June, 2003 of Mr. Azhar Ali Malik, Director, State Life. The Board expressed their deep sorrow and grief and offered "fateha" for the departed soul. The Board prayed that Almighty Allah may grant him "maghferat", and grant "sabr-i-jameel" to his family. The Board decided to send a condolence letter to the family of Mr. Malik appreciating his contribution to the proceedings of the Board.

Action:
ED(P&GS)

6. The Board of Directors appreciated the remarkable services of Mr. Samee-ul-Hasan as Chairman of the Corporation who completed his three years contract as Chairman and left the Corporation on 19th May, 2003. Mr. Samee-ul-Hasan, successfully carried out reforms and corrective measures in the Corporation, which resulted in business like culture. His efforts promoted team work, which helped in increasing the business of State Life. The Board of Directors wished him prosperity, success and healthy life. Board of Directors asked Mr. Rasool Bakhsh Baloch, the present Chairman to write a letter of sincere appreciation to Mr. Samee-ul-Hasan for his dedicated services to the Corporation.


Action:
ED(P&GS)

7. The Directors warmly welcomed Mr. Rasool Bakhsh Baloch on his appointment as Chairman, State Life Insurance Corporation of Pakistan and wished him all the success and hoped that State Life will make progress during his tenure. Mr. Rasool Bakhsh Baloch thanked the Directors for their kind sentiments and assured them that he would leave no stone unturned for the progress and prosperity of the Corporation.

CHAIRMAN'S
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	<p>ITEM (1) CONFIRMATION OF MINUTES OF 171ST MEETING OF THE BOARD OF DIRECTORS HELD ON 17TH MAY, 2003.</p> <p>8. The minutes of the 171st Meeting of the Board of Directors held on 17th May, 2003 were placed before the Board.</p> <p>9. Mr. Bashir Ahmed proposed and Mrs. Spenta Kandawalla seconded that the minutes be confirmed.</p> <p>Accordingly, it was resolved as under;</p> <p>RESOLVED: "that the Minutes of the 171st Meeting of the Board of Directors held on 17th May, 2003 be and were hereby confirmed."</p> <p>ITEM (2) IMPLEMENTATION REPORT ON DECISION TAKEN IN THE - PREVIOUS BOARD MEETINGS.</p> <p>10. The Board Secretary presented before the Board the implementation report on decisions taken at the 171st Meeting of the Board held on 17th May, 2003, which were discussed and noted with the following observations:-</p> <p>11. During the course of discussion, Mr. M. Sharif Ijaz Ghauri pointed out that State Life should establish a Complaint Cell for the redressal of the policyholders complaints. Mr. Muhammad Aslam Sabir, General Manager(PHS) informed the Board that a Complaint Cell has already been established and rendering invaluable services to the policyholders. Mr. Ghauri asked Mr. Muhammad Aslam Sabir that the nature of the complaints such as defalcations of premiums and payment of claims etc. and progress made thereupon be brought into the notice of the Board of Directors from time to time. The Chairman agreed to this proposal.</p> <p>12. Mr. Nessar Ahmad asked for progress and latest development regarding installation of computer systems in 26 Zones of State Life. Mr. Bashir Ahmed asked that a presentation on the development of the computer systems be made in the next meeting of the Board. The Board agreed to this proposal and GM(PHS/CD) was directed to arrange a comprehensive presentation on development of computer systems in State Life in the next Board meeting.</p> <p>13. Mr. M. Sharif Ijaz Ghauri inquired that why the implementation of decisions relating to Real Estate Division have not been made as the Board directed the Real Estate Division to put their matters in the next meeting of Executive Committee. The Chairman informed that after 171st meeting of Board no meeting of Executive Committee has been convened due to sad demise of Mr. Azhar Ali Malik as we were facing difficulty to complete the quorum for the proposed meeting. However Chairman assured to put the matters of Real Estate in the next meeting after completion of formation of Executive Committee. Mr. M. Sharif Ijaz Ghauri also pointed out that the implementation regarding sending the updated service regulations of State Life to the Ministry so far has not been complied with. Mr. Zafar Mahmood, ED(P&GS) informed that the matter is in progress.</p>			<p>CHAIRMAN'S INITIALS</p> 

Action:
d
Secretary

Action:
Board
Secretary

Action:
GM(PHS/
GM(Mktg)

Action:
GM(PHS/
CD)

Action:
ED(RE)

Action:
ED(P&GS)

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ITEM (3) PRESENTATION OF BUSINESS FIGURES OF MARKETING, GROUP AND PENSIONS, INTERNATIONAL, INVESTMENT AND REAL ESTATE DIVISIONS.

GM(Marketing), ED(G&P), DH(Int'l), ED(Inv.) And GM(RE)'s Memorandum dated 09-09-2003.

14. The Business Review Memorandums of GM(Marketing), ED(G&P), DH(Int'l), ED(Investment) and GM(Real Estate) for business review of Marketing, Group & Pension, International, Investment and Real Estate Divisions respectively were submitted to the Board which were noted. At this juncture of time, Mr. Ansar Hussain, GM(Investment) and Mr. Talib Ali, GM(RE) also joined the meeting.

MARKETING DIVISION:

15. GM(Marketing) presented before the Board the business review Memorandum of his Division.

16. The Corporation procured FYP of Rs.845 million for the period ended August 31, 2003 as compared to Rs.630 million during the corresponding period of last year, thus registering an increase of 34.13% over the corresponding period of last year.

17. The Corporation collected Rs.403 million as 2nd year premium, as against Rs.630 million FYP of the corresponding period of the year 2002. The 2nd year persistency for the period from January to August 2003 was 64.03%. The 3rd year and later year's premium for the period ended August 31, 2003 was Rs.2023 million as against Rs.2140 million renewal premium collected during the same period of 2002. The 3rd year persistency ratio for the period January to August, 2003 was 94.52%. The new policies sold upto the month of August 2003 were 96,244 as against 79,174 policies sold during the same period of preceding year and thus registering an increase of 21.56%.

18. Mr. M. Sharif Ijaz Ghauri pointed out that State Life must stress on modern means of advertisement to give a boost to its business. He further pointed out that a reasonable budget be allocated for advertisement purpose. He also asked that a presentation on advertisement policy of State Life be made before the Board of Directors in its next meeting. Board agreed to this proposal and directed GM(Marketing) to arrange a comprehensive presentation on advertisement policy of Corporation.

Action:
GM(Mktg)

GROUP & PENSION DIVISION:

19. Mr. Zafar Mahmood, ED(G&P) presented before the Board business review Memorandum of G&P Division.

20. The collection of premium for G&P business for the period ended 30th June, 2003 stood at Rs.735.088 million as against Rs.472.418 million, for the corresponding period of last year showing an increase of 55.60%. G&P Division secured 95 new groups during the period ended 30th June 2003 having total premium of Rs.15.962 million as against 58 new groups having premium of Rs.11.004 million, for the same period of 2002 showing an increase of 45% in premium income and 63.79% in number of new policies procured under new business. During the period ended 30th June, 2003 G&P Division lost 31 policies having total premium of Rs.11.461 million. The persistency of G&P Division upto April was 97.57%.

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<p>Action: ED(G&P)</p>	<p>21. Some members of the Board were interested to know the other details of business figures of G&P Division. Upon this Mr. Zafar Mahmood, ED(G&P) offered to make a comprehensive presentation before the Board. The Board of Directors agreed to this proposal and directed ED(G&P) to make a presentation in the next meeting of the Board.</p>		
<p><u>INTERNATIONAL DIVISION:</u></p>			
<p>22. At this point, Mr. Akbar Ali Hussain, DH(International) joined the meeting and presented before the Board a business review Memorandum of International Division.</p>			
<p>23. International Division has secured US\$.936,100 FYP, during the period ended August 31, 2003 as against US\$. 1,039,989 for the corresponding period of last year showing a decline of 10%. The 2nd year persistency for the period from January to August 2003 was 61% as against 75% achieved during the same period of last year showing a decline of 14%. The 3rd year and over persistency for the period from January to August 2003 was 75% as against 85% achieved during the same period of last year showing a decline of 10%. The policies sold by International Division during the period ended August 31, 2003 were 789 as against 849 during the same period of last year, showing a decline of 7%.</p>			
<p>Action: ED(P&GS)</p>	<p>24. Mr. M. Sharif Ijaz Ghauri particularly asked the reason for decline in international business. Chairman explained that the introduction of new field structure, Iraq war, visa problem and lack of personal motivation through the visits of Chairman/Executive Director due to strict approval policy of Government regarding foreign visits, are the main causes of decline in business. Mr. Bashir Ahmed suggested that Chairman should visit the Gulf Zone to motivate the field staff after the approval of Government. Mr. M. Sharif Ijaz Ghauri agreed to render all possible help to get approval for Chairman's proposed visit of Gulf.</p>		
<p><u>INVESTMENT DIVISION:</u></p>			
<p>25. ED(Investment) presented before the Board a business review Memorandum of Investment Division.</p>			
<p>26. Book value of the investment portfolio, which was Rs.86,853 million as on December 31, 2002, is estimated to have increased to Rs.92,122 million as on August 31, 2003, reflecting an increase of Rs.5,269 million and a percentage increase of 6.07% during the eight months ended August 31, 2003 over December 31, 2002. State Life has invested in Pakistan Investment Bonds(PIBs) floated by Government of Pakistan in December 2000. The Corporation has placed Rs.11,792 million in PIBs during the eight months under review raising the total investment in PIBs to Rs.49,569 million. This constitutes about 69.76% of Corporation total investment in Government Securities which was Rs.71,061 million as on August 31, 2003. Market value of Pakistan Investment Bonds as on August 31, 2003 was Rs.63,523 million, which indicates an appreciation of Rs.13,954 million.</p>			
<p>27. State Life equity portfolio, which was Rs.7,752 million as on December 31, 2002 has increased to Rs.8,704 million as on August 31, 2003. State Life purchased shares with a book value of Rs.1,127 million during the period ended August 31, 2003. State Life also sold shares with a book value of Rs.46 million for Rs.91 million thereby realizing capital gain of Rs.45 million during the same period. The book value of total quoted equity portfolio as on 31st August, 2003 was Rs.8,410 million while its market value was Rs.22,358 million showing an appreciation of Rs.13,948 million. Investment income is</p>			

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estimated to be Rs.6,573 million for the period ended August 31, 2003 as compared to Rs.11,214 million for the year ended December 31, 2002.

Action:
ED(law)

28. Mr. Nessar Ahmad suggested that short term investments should be made by the Investment Division instead of long term investments due to decrease in the rate of interest. He further suggested that dead stock or stock without dividends should be sold off. The Chairman directed the Investment Division to make a detailed and comprehensive presentation in the next Executive Committees' meeting on the revised investment policy of the Corporation.

REAL ESTATE DIVISION:

29. GM(RE) presented before the Board a business review Memorandum of Real Estate Division.

30. The net income of Real Estate Division increased to Rs.41.05 million, for the period ended August 31, 2003 from Rs.35.88 million during the same period of last year, due to reduction in administrative expenses including staff and officers welfare expenses because of reduction in number of employees as a result of VRSS offered in the year 2000 and because of provision for doubtful debts amounting to Rs.4.99 million made during the year of 2002.

Action:
GM(Mktg)/
ED(G&P)/
DH(Int'l)

31. After the presentation of business Memorandums from Marketing, G&P, International, Investment and Real Estate Divisions, Mr. M. Sharif Ijaz Ghauri pointed out that the Memorandums presented, were not clear and the number of policies sold and number of policies surrendered and analysis were not appearing in the Memorandums. The Board agreed with his observation and directed that the business figures should be presented in future before the Board in such a pattern that these would be self explanatory with the help of the explanatory notes stating therein the number of policies, number of policies surrendered with complete analysis.

ITEM(04) CONSIDER/APPROVE – SUBSTITUTE OF LATE MR. AZHAR ALI MALIK, DIRECTOR, STATE LIFE.
Executive Director(Law)'s Memorandum dated

32. ED(Law) presented before the Board a Memorandum for consideration and approval of substitute of late Mr. Azhar Ali Malik, Director of State Life and member of following Committees constituted by the Board of Directors:-

- i) Executive Committee
- ii) Board Audit Committee
- iii) Organization and Senior Post Committee

33. With the sad demise of Mr. Azhar Ali Malik, his substitutes on these Committees were to be appointed by the Board of Directors. It is suggested that for the Executive Committee any one from the following three Board Members may be appointed:-

- a) Mr. Umar Ata Bandial
- b) Mr. Bashir Ahmed
- c) Mr. Muhammad Sharif Ijaz Ghauri

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<p>Action: ED(Law)</p> <p>Action: ED(Law)</p>	<p>34. For the Board Audit Committee, Mrs. Spenta Kandawalla and for the Organization and Senior Post Committee, Mr. Nessar Ahmed may be considered for appointment.</p> <p>After deliberations, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>(i) "that for Executive Committee name of Mr. M. Sharif Ijaz Ghauri and for Organization and Senior Post Committee, the name of Mrs. Spenta Kandawalla as substitution of (late) Mr. Azhar Ali Malik were allowed and were hereby approved."</p> <p>(ii) "that the Board Audit Committee will continue to work without any substitution of (late) Mr. Azhar Ali Malik, till it is resolved otherwise by the Board. In place of Mr. Samee-ul-Hasan as a substitution the name of Mr. Rasool Bakhsh Baloch as Chairman of Standing Committee and Organization and Senior Post Committee be and was hereby approved."</p> <p>ITEM(05) CONSIDER/APPROVE – SELECTION FOR APPOINTMENT FROM SALES MANAGER TO AREA MANAGER IN THE YEAR 2003 ON THE BASIS OF PERFORMANCE AS AT 31-12-2002. General Manager(Marketing)'s Memorandum dated</p> <p>35. General Manager(Marketing) presented before the Board a Memorandum for consideration and approval of selection for appointment from Sales Manager to Area Manager in the year 2003 on the basis of performance as at 31-12-2002.</p> <p>36. The matter was to be placed before the Executive Committee as per the directive of the Board. Since the Executive Committee needs reconstitution due to the completion of tenure of Mr. Samee-ul-Hasan, former Chairman and sad demise of Mr. Azhar Ali Malik, Member, Board of Directors, the matter is placed before the Board for consideration and approval.</p> <p>37. The existing criteria of selection for appointment from Sales Manager to Area Manager was approved by Executive Committee in its 260th meeting held on 26/06/2000 (Annexure "A" to the Memorandum). The Executive Committee also resolved as under:-</p> <p><i>"That the above criteria would be re-examined by the Board, in the light of Insurance Ordinance 2000 which is expected to be implemented soon, for future promotion for the year 2001 onwards based on performance in the year 2000 onwards."</i></p> <p>38. In the year 2000 selection for appointment from Sales Manager to Area Manager was made on the basis of said criteria taking into consideration performance as at 31/12/1999 and only five (05) Sales Managers were appointed as Area Managers. In the year 2001 no Sales Manager fulfilled the conditions of criteria and therefore no exercise was carried out.</p> <p>39. In view of the decision of Executive Committee, we submitted a memorandum in the 167th-meeting of the Board of Directors held on 13/07/2002 wherein we requested the following: -</p> <p>i) Selection for appointment from Sales Manager to Area Manager on the</p>		

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basis of performance as at 31/12/2001 as per criteria approved by the Executive Committee in its 260th meeting held on 26th June 2000 may be allowed.

- ii) The Executive Committee of the Board may be authorized to approve the revised criteria of selection for appointment from Sales Manager to Area Manager.
- iii) The Executive Committee of the Board may be authorized to fix the strength of Area Managers.

40. The Board of Directors in its 167th meeting resolved as under (Annexure "B" to the Memorandum).

- i) "That as proposed by Executive Director (Marketing), pending finalization by Marketing Division of proposals for revised criteria for selection for appointment from Sales Manager to Area Manager and strength of Area Manager, selection for appointment from Sales Manager to Area Manager as per criteria approved by the Executive Committee in its 260th meeting held on 26th June, 2000 be and was hereby allowed."
- ii) "That the Executive Committee of the Board be and was hereby authorized to approve the revised criteria of selection for appointment from Sales Manager to Area Manager."
- iii) "That the Executive Committee of the Board be and was hereby authorized to fix the strength of Area Managers."

41. GM(Marketing) informed that, last year, the Board of Directors had allowed to appoint Area Managers from Sales Managers on the basis of criteria approved in 260th meeting of Executive Committee. Accordingly five (05) Sales Managers were appointed as Area Managers in 2002 on the basis of performance as at 31/12/2001.

42. The total number of Area Managers as at 01/01/2002 was 489. During the years 2002 & 2003 as a result of performance review of Area Managers, retirement, death, resignation some Area Managers are not with us now. Nineteen (19) Area Managers were promoted as Managers in the year 2002 on the basis of their performance as at 31/12/2001. Five (05) Sales Managers were appointed Area Managers. Six (06) Area Managers were reinstated in service on the orders of FST or Honourable courts. Now the total Area Managers are 442. Category wise detail is given below: -


Category	"A"	"B"	"C"	Total
Number	169	161	112	442
Current year FYP Quota	Rs. 39,00,000	Rs. 25,00,000	Rs. 21,00,000	
Category wise FYP Total as per existing Quota.	Rs. 65,91,00,000	Rs. 40,25,00,000	Rs. 23,52,00,000	Rs. 1,29,68,00,000

43. This year fifteen (15) Sales Managers have fulfilled all the conditions of criteria approved in 260th meeting of Executive Committee held on 26th June, 2000 for appointment as Area Manager on the basis of performance as at 31/12/2002.

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	<p>44. It is requested that the Board of Directors may consider and approve the following:-</p> <ul style="list-style-type: none"> a) The strength of Area Managers may be fixed as 489 (the number of Area Managers as at 01/01/2002). b) Proposed/ Revised criteria of selection for appointment as Area Manager from amongst Sales Managers (Annexure "C" to the Memorandum). c) Permission for appointment of fifteen (15) fully qualified Sales Managers as Area Manager on the basis of existing criteria approved in 260th meeting of Executive Committee. <p>45. The matter was discussed in comprehensive details. During the discussions, Mr. M. Sharif Ijaz Ghauri pointed out that first of all the Board of Directors must determine whether the matter of promotion of Sales Managers to Area Managers falls within the category of State Life Employees (Service) Regulations, 1972, whether the promotion criteria already has been approved by the Board of Directors and if there was any pending case of promotion in the category of Sales Managers to Area Managers. The Chairman briefed on these queries and informed that the Service Regulations were not applicable to the Sales Managers. However after promotion as Area Managers, the State Life Service Regulations would be applicable to them. He further briefed that the existing criteria of selection, for appointment from Sales Managers to Area Managers was already approved by Executive Committee in its 260th meeting which was convened on 26th June, 2000. He also briefed the learned members of Board of Directors that no case of fully qualified Sales Manager for promotion was pending for the time being.</p> <p>After deliberations, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>(i) "that the Board only allowed item (c) of Memorandum, permission for appointment of fifteen (15) fully qualified Sales Managers as Area Managers on the basis of existing criteria approved in 260th meeting of Executive Committee and the promotion of fifteen(15) Sales Managers as Area Managers, be and was hereby approved".</p> <p>(ii) "that the items(a) and (b) of the Memorandum were directed to be placed before the next meeting of the Executive Committee for its consideration and approval."</p> <p>ITEM(06) CONSIDER/APPROVE – MINUTES OF 5TH, 6TH, 7TH AND 8TH MEETINGS OF BOARD AUDIT COMMITTEE.</p> <p>46. Mr. Bashir Ahmed, Chairman Board Audit Committee, presented before the Board the Minutes of the 5th, 6th, 7th and 8th meeting of Board Audit Committee held on 26th April, 2002, 24th August, 2002, 9th April, 2003 and 16th May, 2003 respectively. The Minutes of 5th, 6th, 7th and 8th meetings of Board Audit Committee were noted except clause (iv) of Item 4 of the Minutes of the 8th meeting of the Board Audit Committee regarding maintenance of statutory books under Section 205 of the Companies Ordinance 1984.</p>			<p>CHAIRMAN'S INITIALS</p> 

Action:
GM(Mkt)

Action:
GM(Mkt)

Action:
GM(LA&E)

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<p>Action: GM(IA&E)</p>	<p>47. The Board directed that clause (iv) of Item 4 of Minutes of 8th Board Audit Committee held on 16th May, 2003 may again be put before Board Audit Committee in its next meeting which would consider the legal opinion rendered by the Law Division and thereafter would decide whether Companies Ordinance 1984 is applicable and State Life would be under legal obligation to maintain statutory books under Section 205 of the said Ordinance or not?</p> <p>ITEM (07) CONSIDER/APPROVE – IMPLANTATION OF PERMANENT PACEMAKER WITH A COST OF RS.73,000/- TO MR. S. P. SIDDIQUI, MANAGER(P&GS), P.O. Executive Director(P&GS)'s Memorandum dated 09-09-2003</p> <p>48. ED(P&GS) presented before the Board a Memorandum for consideration and approval of implantation of permanent pacemaker with a cost of Rs.73,000/- to Mr. S. P. Siddiqui, Manager(P&GS), P.O.</p> <p>49. Mr. S.P. Siddiqui, Manager (P&GS), Principal Office, suffers from Ischemic heart disease, diabetes mellitus and hypertension. He was admitted in Liaquat National Hospital under care of Dr. Mansoor Ahmed, Consultant Cardiologist, who diagnosed a case of heart block and advised implantation of permanent pace-maker on 2.5.2003 with a cost of Rs. 73,000/- excluding the cost of hospital charges and doctor's fee.</p> <p>50. Permanent pacemaker is an artificial device, which generates electric impulses to regulate the rhythm of the heart.</p> <p>51. The Medical Regulations 1973, consolidated in 1988, dis-allow plastic surgery/cosmetic surgery and organ transplant but specifically allow valve and shunt replacement of the heart.</p> <p>52. Similarly abdominal trues/supports and cervical collars are not covered under State Life Medical Regulations 1973, showing that artificial devices which do not correspond to any part of the body but only supports/help in the body function are not allowed on State Life expense.</p> <p>53. As per decision of the Board of Directors, (P&GS) Division does not entertain post-facto approvals, special approvals/recommendations for incurring expenses beyond medical rules.</p> <p>54. Three cases seeking permission for implantation of permanent pacemaker has been refused by the management previously. The case of Mr. S.P. Siddiqui on above grounds was turned down by P&GS Division as this was not allowed by medical rules. The officer concerned has represented against the decision of the P&GS Division.</p> <p>55. Nevertheless, it is worth mentioning that although organ transplant is not covered under medical attendance regulations it has been allowed by the Board of Directors after 1998 to an employee of Lahore Zone namely Mr. Benjamin Nathaniel as a special case (Renal transplant) in its 167th meeting held on 13th July 2002, at Peshawar.</p> <p>56. In this case, the cost of device is Rs. 73,000/-</p>			<p>CHAIRMAN'S INITIALS</p> 

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57. The case is placed before the Board of Directors for consideration with the request that keeping in view the dedicated services of Mr. S. P. Siddiqui in State Life for the last 35 years, reimbursement of the expenses be allowed to him by the Board of Directors as a special case.

After deliberations, the Board resolved as under:-

RESOLVED:

"that pacemaker is certainly included in the category of life saving medical devices. It may therefore not be denied to those eligible employees and their dependents, who are otherwise entitled for full medical benefits at State Life expense. Accordingly, the proposal of ED(P&GS) in the Memorandum, concerning permission for reimbursement of the expenses of Rs.73,000/- for implantation of permanent pacemaker to Mr. S. P. Siddiqui, Manager(P&GS), P.O. be and was hereby approved."

Action:
ED(P&GS)

ITEM (08) CONSIDER/APPROVE – DOWNWARD REVISION OF PROFIT OR RETURN CHARGED ON POLICY LOANS AND OUTSTANDING PREMIUMS.

General Manager(PHS)'s Memorandum dated 03-09-2003

58. GM(PHS) presented before the Board a Memorandum for consideration and approval of downward revision of profit or return charged on policy loans and outstanding premiums.

Pak rupee policies:

59. The Executive Committee in its 261st meeting held on September 25, 2000 decided to reduce interest rate on policy loans and outstanding premiums in Pak rupee policies from 15% to 13% per annum compound with effect from July 1, 2000.

60. Profit or return charged on policy loans and outstanding premiums generally mirror the money market. Presently, there has been continuous declining trend in interest rate of banks and other saving and investment channels. In view of this trend, the rate presently charged i.e. 13% per annum compound appears quite high. The demerits are twofold: firstly, considering the loan on policy expensive, many policyholders surrender their policies altogether to meet their financial exigencies; secondly, a marginal number of those who avail loans face discontinuance of life insurance coverage because of non-refund of loan and so passively let their insurance policies auto-surrendered.

61. Historically, the profit or return charged on policy loans and outstanding premiums have generally been adjusted to broadly maintain parity with the yield on life fund. A comparison of the two over a few occasions in the past appears as under:

Effective date	Rate charged on Loans and premiums	Yield on life Fund
February 1973	7% pa	6.6% pa
October 1973	9% pa	6.6% pa
July 1, 1982	10% pa	13.1% pa
January 1, 1989	12% pa	13.5% pa
January 1, 1996	15% pa	15.2% pa
July 1, 2000	13% pa	12.8% pa

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62. The yield on life fund for the year 2001 was 12.5% and 14.7% in 2002. The yield increased in 2002 mainly due to some one-time adjustments in the valuation of shares and fixed income securities necessitated by the adoption of IAS 39 requirements. Without these adjustments, the yield would have been 11.8%. In view of significant decline of yield on new investments, it can safely be anticipated that it may drop further in the year 2003, other factors remaining the same.

63. The prevailing money market rates and yield on life fund drive us to consider a reduction in profit or return charged on policy loans and outstanding premiums.

64. It is, therefore, proposed that the profit or return charged on policy loans and outstanding premiums in Pak rupee policies may be reduced from 13% to 10% per annum compound with effect from September 1, 2003.

US\$ and UAE Dh policies:

65. Keeping in view the smaller rate charged by the competitors abroad, last revision for foreign currency policies was made with effect from August 1, 1994 when rate was reduced from 12% to 10% per annum.

66. As at present, the competitors over there are still charging smaller rate which mostly range from 8% to 9% per annum.

67. In terms of the principle mentioned above, the rate charged on policy loans and outstanding premiums of foreign currency policies also appears too high if compared with the yield on life fund. The yield on life fund for few recent years is as under:

<u>Years</u>	<u>Yield on life fund</u>
2001	5.62%
2000	6.36%
1999	6.91%

68. In view of above, it is further proposed that the profit or return charged on policy loans and outstanding premiums in US\$ and UAE Dh policies may be reduced from 10% to 8% per annum compound with effect from September 1, 2003.

69. Although this matter is in purview of the Executive Committee, but it is being put up to the Board of Directors due to its urgency pending reconstitution of the Executive Committee.

After deliberations, the Board resolved as under:-

RESOLVED:

(i) "that after consideration, the proposal of GM(PHS) in the Memorandum, regarding the profit or return charged on policy loans and outstanding premiums on policies issued in Pakistan was decided to be reduced from 13% per annum compound, to the rate of interest equal to previous calendar years' average of State Bank of Pakistan discount rate plus 2.5% per annum compound with effect from 1st October, 2003, be and was hereby approved."

Action:
GM(PHS)

(ii) "that proposal for reduction in the profit or return charged on policy loans and outstanding premiums in US\$ and UAE Dh policies be submitted to the Executive Committee for consideration and approval, after getting complete relevant information from the Gulf Zone."

Action:
GM(PHS)

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MINUTES OF 172ND MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME								
MINUTE BOOK	KARACHI	20 TH SEPTEMBER, 2003									
<p>ITEM(09) CONSIDER/APPROVE – PROPOSAL FOR INVESTMENT IN TERM FINANCE CERTIFICATES(TFCS)</p>											
<p>Executive Director(Investment)'s Memorandum dated</p>											
<p>70. ED(Investment) presented before the Board a Memorandum for consideration and approval proposal for investment in Term Finance Certificates(TFCS)</p>											
<p>71. The Corporation besides other avenues also invests its funds in the Term Finance Certificates (TFCs) of various companies/institutions. Banks and brokerage houses send the proposals for investment to the Investment Division of the Corporation. The Research Section of the Division scrutinizes these proposals. The proposals considered appropriate thereafter are submitted to the Investment Committee, Executive Committee or the Board for approval as per delegation of financial powers.</p>											
<p>72. At present the investment in TFCs is being considered and approved as under:</p>											
<table border="0"> <tr> <td>i) Up to Rs.100 million (Purchasing from the market)</td> <td>Investment Committee</td> </tr> <tr> <td>ii)Up to Rs.100 million (Pre-Ipos/Ipos)</td> <td>Executive Committee.</td> </tr> <tr> <td>iii) Over Rs.100 million (-do-)</td> <td>Board after review by Executive Committee</td> </tr> </table>				i) Up to Rs.100 million (Purchasing from the market)	Investment Committee	ii)Up to Rs.100 million (Pre-Ipos/Ipos)	Executive Committee.	iii) Over Rs.100 million (-do-)	Board after review by Executive Committee		
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ii)Up to Rs.100 million (Pre-Ipos/Ipos)	Executive Committee.										
iii) Over Rs.100 million (-do-)	Board after review by Executive Committee										
<p>73. At the time of Pre-Ipos the arrangers take a good time in preparation of information memorandums and projected financial statements. We at times receive these documents two or three days before the closing date of the subscription. Further in case TFCs available in the market are to be purchased, there is hardly any time to refer the proposals to the Executive Committee or the Board. The Corporation is loosing investment opportunities in such cases even when TFCs are being issued at attractive yields.</p>											
<p>74. It is proposed that the constitution of an in-house committee named as Committee for investment in TFCs may please be considered for reviewing cases say up to Rs. 100 million. This in house committee may comprise of the following executives:</p>											
<table border="0"> <tr> <td>a)</td> <td>Chairman State Life.</td> </tr> <tr> <td>b)</td> <td>All Executive Directors.</td> </tr> <tr> <td>c)</td> <td>Divisional Head Investment.</td> </tr> <tr> <td>d)</td> <td>Divisional Head Actuarial</td> </tr> </table>				a)	Chairman State Life.	b)	All Executive Directors.	c)	Divisional Head Investment.	d)	Divisional Head Actuarial
a)	Chairman State Life.										
b)	All Executive Directors.										
c)	Divisional Head Investment.										
d)	Divisional Head Actuarial										
<p>75. Divisional Head Investment will also work as Secretary of the committee. The quorum of the Committee including Chairman State Life will be four members. In case Chairman is on leave, the senior most Executive Director will chair the meeting.</p>											
<p>76. If the constitution of an in house committee is approved then the proposals for investment in TFCs may be proceeded as under:</p>											
<table border="0"> <tr> <td>i) Proposals up to Rs. 100 million</td> <td>In-house committee.</td> </tr> <tr> <td>ii) Proposals up to Rs. 200 million</td> <td>Executive Committee.</td> </tr> <tr> <td>iii) Proposals over Rs 200 million</td> <td>Board after review by Executive Committee.</td> </tr> </table>				i) Proposals up to Rs. 100 million	In-house committee.	ii) Proposals up to Rs. 200 million	Executive Committee.	iii) Proposals over Rs 200 million	Board after review by Executive Committee.		
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ii) Proposals up to Rs. 200 million	Executive Committee.										
iii) Proposals over Rs 200 million	Board after review by Executive Committee.										
<p>77. After constitution of above in house committee authority earlier given to investment committee for procuring TFCs up to Rs. 100 million from the market will stand withdrawn.</p>											

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MINUTE BOOK	KARACHI	20 TH SEPTEMBER, 2003	
Action: ED(Invt)	<p>78. The matter was discussed at length. Mr. M. Sharif Ijaz Ghauri was of the opinion that this item at first instance be placed before the Executive Committee and after their thorough consideration and recommendations, it may be placed before the Board of Directors. Mr. Nessar Ahmad also endorsed the proposal of Mr. Ghauri. The Board agreed with the above suggestion and directed ED(Investment) to place this proposal alongwith Corporation's revised investment policy in next meeting of Executive Committee.</p> <p>ITEM(10) CONSIDER/APPROVE – PROPOSAL FOR APPOINTMENT OF FUNDS MANAGER. Executive Director(Investment)'s Memorandum dated 10-09-2003</p> <p>79. ED(Investment) presented before the Board a Memorandum for consideration and approval proposal for appointment of Funds Manager.</p> <p>80. State Life has received a copy of Office Memorandum of Ministry of Finance bearing No. F.4(1)/2002- BR-II dated 2nd July,2003, copy of which is placed as Annexure A to the Memorandum . According to Clause 6 of this Memorandum it has been made necessary for all Public Sector Enterprises to use the services of a professional funds manager approved by SECP.</p> <p>81. The Memorandum of Ministry of Finance was referred to our Law Division for advise. Divisional Head (Law) felt that these instructions were not applicable to State Life. He was however of the view that if there was any provision in the Memorandum which the Board feels would be beneficial to the Corporation and is not in conflict with any of the Statutory Provisions, the Board may adopt it in its investment policy. The opinion of Law Division is placed as Annexure B to the Memorandum.</p> <p>82. On our request SECP has provided us with a list of approved fund manages, placed at Annexure C to the Memorandum</p> <p>83. Investment by the Corporation are governed under rules/guidelines contained in the followings:</p> <ul style="list-style-type: none"> i- Insurance Ordinance 2000, Section 32. ii- Insurance Rules 2002. iii- SRO 309(K) of 1970 as amended. <p>84. The following Investment activities are not being carried out by the Corporation. Investment in national saving scheme is not allowed to the institutions while the other avenues mentioned below are not admissible assets under Insurance Ordinance 2000:-</p> <ul style="list-style-type: none"> i- Investment in National Saving Schemes. ii- Active Trading in Shares and Securities. iii- Repos & Reverse Repos iv- Letter of Placement v- Certificate of investment. vi- Badlas vii- Hedging (Future Contracts). 		
			CHAIRMAN'S INITIALS 

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<p>85. At present the investments of the Corporations are made in accordance with its investment policy earlier approved by the Board in 1999. The salient features of this policy are as under:</p> <p>a) Investments in equities are made after approval of Investment Committee headed by Executive Director (Investment) which meets once a week. The Investment Division gets research reports from various brokerage houses. The research section of the Division also gets copies of annual and quarterly accounts of various companies. Based on research reports and accounts the research section prepares its recommendations for consideration of the investment committee. The committee considers these recommendations and selects companies for equity investment.</p> <p>b) The proposals for investment in Term Finance Certificates are received at Investment Division. The proposals are checked by research section and submitted in the form of a memorandum. All proposals of Ipos and Pre-Ipos are at first scrutinized by the Executive Committee of the Corporation. The Executive Committee can approve the proposals up to Rs. 100 million. Proposals beyond this limit are approved by the Board. The Investment Committee of the Corporation is authorized to purchase TFCs up to Rs. 100 million from the market.</p> <p>c) Investment in Government Securities are approved by Executive Director (Investment) or the Chairman.</p> <p>d) Funds are placed in banks, which are selected by Executive Committee of the Corporation.</p> <p>86. In view of the instructions of the Finance Ministry and opinion of the Law Division, the Board is requested to guide the Corporation on the issue of appointment of Funds Manager.</p> <p>87. The matter was discussed at length. The Members of the Board felt that appointment of the Fund Manager from the list approved by Security Exchange Commission of Pakistan may not prove to be the most suitable arrangement and may even lead to the conflict of interest on the part of Fund Manager. After due deliberation, the Board authorized Mr. Rasool Bakhsh Baloch the Chairman to discuss the matter with the Ministry of Commerce for fresh recruitment of a suitable and properly qualified person as Fund Manager and also consult the Chairman(SECP) for further course of action. The result of his deliberations would be reported to the Board.</p> <p>ITEM(11) CONSIDER/APPROVE – PROPOSAL OF CHENAB TEXTILE MILLS LTD. FOR SALE / REPURCHASE AGREEMENT IN RESPECT OF 80,500 SHARES OF THE COMPANY WITH <u>MIAN TAJAMMAL HUSSAIN AND OTHERS.</u> Executive Director(Investment)'s Memorandum dated</p> <p>88. ED(Investment) presented before the Board a Memorandum for consideration and approval proposal of Chenab Textile Mills Ltd for sale/repurchase agreement in respect of 80,500 shares of the Company with Mian Tajammal Hussain and others.</p>			


Action:
Chairman

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<p>89. Mr. Latif A. Chaudhry, DH(Law) also joined the meeting at this point.</p> <p>90. Mian Tajammal Hussain and other Director of M/s. Chenab Textile Mills Ltd. Entered into an underwriting-cum-saie/repurchase agreements in 1971 for 50,000 shares and 30,500 shares of Chenab Textile Mills Ltd., of Rs 10/- each with Eastern Federal Union and Muslim Insurance Co. respectively. The Directors had guaranteed a minimum return of 50% over 5 years. In case of default in payment of interest and or repurchase of shares as agreed, EFU and Muslim Insurance companies were entitled to additional interest at 5% above the bank rate.</p> <p>91. The Directors however, failed to repurchase the shares as agreed, therefore, a suit for recovery of Rs 1,229,340.50 was filed in 1977 against them. The suit filed against Mian Tajammal Hussain was decreed in May, 1982 against which appeal was filed by Mian Tajammal in High Court of Sindh but the same was dismissed by the High Court and an appeal was filed in Supreme Court of Pakistan which was also dismissed in 1993.</p> <p>92. Mian Tajammal Hussain, for himself and on behalf of other Directors in 1984 offered to repurchase the shares at par or face value and requested for waiver of balance amount due being Chenab Textile Mills Limited a sick industry. In terms of the decree of May 1982, the amount recoverable at that time was Rs 2,662,666/- against which Mian Tajammal had offered in 1984 to pay Rs 805,000/- being face value of shares in full and final settlement.</p> <p>93. Mian Tajammal Hussain paid Rs 80,500/- in 1984 towards dividend which was adjusted by the Corporation against his outstanding principal. In April, 1985 Mian Tajammal Hussain sent a cheque for Rs 241,500/- as part payment in terms of his aforementioned proposal mentioned above. The amount was appropriated towards State Life's dues, however his proposal was not accepted. In August 1985 Mian Tajammal Hussain sent a cheque of Rs 563,500/- stating that it should be accepted as full and final settlement. However, the Corporation returned the cheques vide its letter dated August 25, 1985 as no such agreement was made between the parties.</p> <p>94. While appeal for setting aside decree was pending in the High Court, Mian Tajammal Hussain filed a complaint with the Wafaqi Mohtasib.</p> <p>95. The Hon'ble Wafaqi Mohtasib in his findings/recommendations dated 6.1.1988 while accepting the position that no compromise has taken place, directed the Corporation that the complainant may be provided another opportunity to negotiate with the Corporation under auspices of its controlling Ministry.</p> <p>96. Accordingly in September, 1988 Dr. A.H. Khan, the then Additional Secretary, Ministry of Commerce and a then member of the Board of Directors of the Corporation gave a hearing to Mian Tajammal Hussain but found the offer unreasonable. The Additional Secretary however, told Mian Tajammal Hussain that he may be able to carry the Board of Directors of State Life on the following points.</p> <p>a. Interest to be frozen on 18th April, 1985 i.e. the date on which the Corporation accepted and adjusted on its books the amount of Rs 241,500.</p> <p>b. 25% of the total interest due and recoverable after adjustment of Rs 241,500 to be waived.</p>			

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- c. Mian Tajammal Hussain to commit in writing to the Ministry of Commerce to make full payment of the amount computed after application of (a) and (b) above. Payment to be made by December 31, 1988.
- d. The above proposals were subject to the approval of the Board of Directors of the Corporation.

97. The above proposal of Dr. A.H. Khan was not accepted by Mian Tajammal Hussain.

98. In April, 1989, the then Secretary, Ministry of Commerce on the basis of an application addressed to the Ministry of Commerce, called both the parties for discussion but the meeting proved fruitless.

99. Three months thereafter, Mr. Nusratuddin of Chenab Textile Mills resubmitted to the Corporation, a copy of the same application addressed to the then Commerce Minister. The application carried recommendations of MNAs who were appointed on the Board of Directors of the Corporation by the Government. The matter was again considered by the Board at its 99th meeting held on March 3, 1990. The Board observed that at best waiver of 25% of interest on the loan could be allowed provided that balance is paid immediately and in lump sum. The minutes of the meeting of the Board are placed below.

100. On 10.3.1991, the Corporation received findings/recommendations of Wafaqi Mohtasib directing the Corporation to accept Rs 563,500 and return the shares of Chenab Textile Mills as against the claim of Corporation of Rs 3,484,700 as on that date. These findings/recommendations were made without hearing Corporation's point of view and simply on the application of review by Mian Tajammal Hussain. At the time of receipt of the findings of the honorable Wafaqi Mohtasib, the appeal filed by Mian Tajammal Hussain was pending in the Supreme Court of Pakistan which was dismissed by Supreme Court in 1993 as mentioned above.

101. The Corporation made a representation on 7.3.1991 to the President of Pakistan against the said findings of Wafaqi Mohtasib and simultaneously filed a Writ Petition and obtained a stay against implementation of the said findings. The findings of Wafaqi Mohtasib were set aside by the President in November 2001.

102. As on February 28, 1993 when the matter was last brought before the Board of Directors strictly in terms of decree, an amount of Rs 3,845,694 was outstanding against Mian Tajammal Hussain, the details of which are as under :

Decretal Amount	Rs 1,229,340
Interest due and unpaid Upto 28.02.1993	Rs 2,582,319
Cost of Suit	Rs 34,035
Total due as at 28.02.1993	Rs 3,845,694

103. Mian Nusrat-uddin the authorized representative of Mian Tajammal Hussain approached the Corporation to pay the decretal amount of Rs 1,229,340 over and above the amount Rs 241,500 paid earlier.

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104. The Board of Directors in its 114th meeting held on 22nd December, 1993 discussed the issue and the offer but decided that the legal process underway may be allowed to continue at present and that the request be filed. The execution of decretal amount is still pending in the Civil Court at Lahore.

105. The Board at its 128th meeting held on 10th March, 1996 was informed in detail about this outstanding issue by the then Executive Director (Inv) while discussing any other matters. The Board nominated Mr. Mehmood Ali Bhatti an MNA and Director State Life to act as Arbitrator to resolve the issue. The Arbitrator decreed the case at an amount of Rs 1,800,000/-. The decision of the Arbitrator was not complied by M/s. Chenab Textile Mills. The outstanding amount at that time was Rs 4,187,209.80.

106. On December 15, 1998 Mian Tajammal Hussain requested the Corporation to settle the dispute under State Bank of Pakistan scheme for sick units, by accepting principal amount along with 5% surcharge. He was replied that this scheme was for banks and not for State Life as State Life is not regulated by State Bank of Pakistan.

107. Mian Tajammal Hussain visited State Life Principal Office and had a meeting with the undersigned and General Manager (Inv) on November 1, 2002 wherein he reiterated his old stand and asked to settle the long outstanding issue out of Court. He mentioned that Chenab Textile Mills Ltd. is a sick unit and waiver of interest may be allowed as requested by him earlier. He however was asked to come up with a concrete proposal.

108. Mian Tajammal Hussain vide his letter dated November 6, 2002 stated about his previous attempts to settle the loan and offered to settle the dues at the arbitration award plus 25% thereon which comes to Rs 2,250,000/-. The outstanding amount in accordance with the terms of decree mentioned in above, increased to Rs 4,748,212/- as at 31.10.2002. The case was discussed with DH (Law) and also with Mr. Aslam Sabir, GM (PHS) who is on the Board of Chenab Textile Mills Ltd. They were of the view that State Life should settle at Rs 2.5 million.

109. The outstanding dues in accordance with the terms of decree as at 31.7.2003 is as under :

Decretal Amount		1,229,340.95
Cost of suit		34,035.00
Less : 1) Principal paid	80,500.00	
2) Installment paid	241,500.00	<u>322,000.00</u>
		941,375.95
Interest outstanding as at 31.07.2003		<u>3,908,632.73</u>
		<u>4,850,008.68</u>

110. The case was followed up by Mian Tajammal Hussain vide his letter dated March 3, 2003, March 11, 2003, May 13, 2003 and July 3, 2003. He also again visited State Life Principal Office and discussed the matter with the undersigned and General Manager (Inv) on July 1, 2003. In the last letter dated July 3, 2003, he has offered to settle the dues in accordance with the terms mentioned below:

- The cut off date be fixed as 31.7.2003
- 50% simple interest be waved on the decretal amount of Rs 1,229,340.95.

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The amount proposed to be paid vide the above terms is as under :

Decretal Amount		1,229,340.95
Cost of suit		34,035.00
Less Principal paid on 12.11.1984	80,500.00	
paid on 18.04.1985	241,500.00	322,000.00
		941,375.95
Total Interest upto 31.7.2003	3,908,632.73	
50 % simple interest requested to be waived	1,954,316.37	
Interest payable (50 %)		1,954,316.37
Total payable		2,895,692.32

111. The decree mentioned above is a personal decree against Mian Tajammul Hussain, the execution of which needs location of his personal assets. In the past State Life managed to locate his bungalow at Lahore but later it transpired that it was gifted by him to his nephew before issuance of attachment order. Hence the decree could not be executed. State Life owns =950= shares of Chenab Textile Mills Ltd. which are being traded at Rs.7.55 per share. Attachment of holding of Mian Tajammul Hussain in Chenab Textile Mills Ltd., will not satisfy the claim of the Corporation.

112. In view of the practical difficulties in execution of decree, the Board may consider the request of Mian Tajammul Hussain as mentioned in above and approve out of court settlement of the long outstanding dispute by accepting his proposal and allow withdrawal of execution application from the Court as mentioned above.

113. During the course of discussion, Mr. Latif A. Chaudhry, DH(Law) also assisted the Board of Directors on the legal aspects of the case. Mr. M. Sharif Ijaz Ghauri, pointed out that the memorandum is silent about writing off the loss, if any. After discussion, the Board agreed in principle to the proposal contained in Memorandum of ED(Investment). However, it was directed by the Board, that the amount appearing against Chenab Textile Mills Ltd., in the books of the Corporation be mentioned to ascertain the amount to be written off or written back and proposal be placed before the Board for its final approval.

ITEM(12) CONSIDER/APPROVE – PROPOSAL FOR ADDITIONAL BUDGET ALLOCATION FOR THE YEAR 2003.

Executive Director(B&A)'s Memorandum dated 04-09-2003.

114. ED(B&A) presented before the Board a Memorandum for consideration and approval proposal for additional budget allocation for the year 2003.

115. The budget estimates for the year 2003 were approved by the Board of Directors in its 170th meeting held on 1st February, 2003. These budget estimates were prepared based on the past experience and future business trend and were finalized for submission to the Board before the close of year 2002.


116. By the grace of Almighty Allah, the business boosted up in the year 2002 due to better performance of Area Managers and Field Workers. This has naturally resulted in increase of those expenses that are directly related to business procurement like field Office expenses (Seating & Allied Facilities), Field Medical, different other heads for payment of compensation to Area Managers for better performance, etc. In addition to these, some

Action:
ED(inv)

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<p>unforeseen expenses have also come across for which no provision was anticipated in the budget estimates for 2003.</p>			
<p>117. Heads of expense accounts where deficiency in the approved budget is felt are given hereunder.</p>			
<p>1 <u>Field Office Expenses (Seating & Allied Facilities)</u></p>			
<p>Expenditure on Seating & Allied Facilities is based on the actual performance of the previous year i.e. 2002. Budget approved for Rs.60 million in this head of account for 2003 has fallen short to the actual requirements due to the following reasons:</p>			
<ul style="list-style-type: none"> • As per revised field structure, field workers i.e. SM, SO, SE and SSR were entitled to seating and allied facilities on achievement of quota and 2nd year persistency as per persistency track. For the year 2002, the required persistency was 65%, whereas the actual persistency for the year 2002 was 73.85%. Resultantly, more field workers have qualified for seating and allied facilities. • Business was procured by the lesser number of field workers based on the revised business quota and field restructuring. As a matter of fact, dummies and benamics were restricted and actual field workers have procured the business in their own name, resulting in more amount of FYP per worker. 			
<p>2 <u>Medical Expenses (Field)</u></p>			
<p>Field medical expenses are also based on the last year performance achieved by individual field worker. Due to better performance of field workers in the year 2002, the budget approved under this head of account amounting to Rs.23 million is also not sufficient to meet the requirement for remaining part of the year 2003. Medical Expenses (Field) for the year 2002 were Rs.21.5 million.</p>			
<p>3 <u>Compensation to Area Managers for better performance</u></p>			
<p>The business quotas for Area Managers were revised and made applicable with effect from the year 2001. Those Area Managers whose businesses have increased from the last year, are to be paid according to their entitlement on their better performance. The results of the year 2002 for most of the Area Managers were significantly better than 2001 resultantly more amount of expenses is required to be paid to them for their better performance.</p>			
<p>4 <u>Medical Expenses (Officers including Area Managers)</u></p>			
<p>The expenditure for the year 2002 on account of medical (officers) was Rs.52 million. At that time, the accounts for the year 2002 were not finalized and the amount was estimated to be Rs.50.67 million. Some increase in medical expenses over the earlier approved allocation is expected during the year 2003 due to increase in the cost of medicines and increase in number of surgeries.</p>			
			<p>CHAIRMAN'S INITIALS</p> 

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5 Rates & Taxes (Real Estate expenses)

(a) The Corporation was being billed by Karachi Water & Sewerage Board (KW&SB) for water charges in respect of those buildings where we were not getting water through water connections. The Management in 1992, decided not to pay bill for water supply to KW&SB on the basis "no water, no water charges". However, in April, 2003, the KW&SB disconnected sewerage lines of Buildings No.2, 2-A and 2-B on the plea that State Life has not been paying bill for water, sewerage and conservancy since 1992. The total amount due to KW&SB upto 30th June, 2001 was Rs.34,978,546 (net of surcharge). However, officers of Real Estate Division negotiated with KW&SB and got a discount of 25%. The net amount paid on this account was as under:

- Arrears payable as on 30.6.2001	Rs.34,978,546
- Less: 25% from arrears	<u>Rs. 8,744,636</u>
Balance paid:	<u>Rs.26,233,910</u>

(b) The KW&SB has further issued bills for total amount of Rs.40.08 million for water, sewerage, fire and conservancy for the period from 1992-93 to 2003-2004 in respect of following buildings:

State Life Building No.	Water & Sewerage	Fire/Conservancy	Total
1	23.58	4.95	28.53
1A	1.06	0.24	1.30
1B-1C	3.51	0.76	4.27
2A	4.44	1.06	5.50
H.S.S. Properties	0.37	0.11	0.48
Total	32.96	7.12	40.08

118. Real Estate Division did not anticipate payment of the above expenses while preparing budget estimates for 2003. Accordingly no provision was made in the budget estimates for the year 2003. However, keeping in view the sensitiveness of the matter, the payment mentioned above was released to KW&SB with the understanding that the request for additional budget for these expenses would be made to the Board later on. As regard amount mentioned above, payment has not been released.

119. In view of the position explained above, additional budget allocations will be required in different heads of accounts, as mentioned above, for meeting requirements during the remaining part of the year, as mentioned below:


(Rs. In Million)

Sr #	Head of Account	Additional Allocation Requested
i.	Field Office Expenses (Seating & Allied Facilities)	10.00
ii.	Field Medical	5.00
iii.	Payment to Area Managers for better performance:	
	- For Wages	3.00
	- Telephone-Office	2.00
	- Car Petrol	3.00
	- Car Rental	1.00
	- Meeting & Conference	1.00
		10.00
iv.	Medical Expenses (Officers)	5.00
v.	Rates & Taxes - Payment to KW&SB (Real Estate expenses)	67.00
	Total	97.00

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<p>Action: ED(B&A)</p>	<p>120. Matter is submitted to the Board of Directors for consideration and approval of additional budget allocation amounting to Rs.97.00 million, as summarized above.</p> <p>After deliberations, the Board resolved as under:-</p> <p>RESOLVED: "the proposal that unavoidable expenses not provided for, in the approved budget be allowed by the Chairman himself and subsequently be incorporated in supplementary budget and be submitted to the Board of Directors for approval, be and was hereby approved."</p> <p>ITEM(13) CONSIDER/APPROVE – PROPOSAL FOR APPOINTMENT OF AUDITORS FOR THE YEAR 2003. Executive Director(B&A)'s Memorandum dated 20-09-2003</p> <p>121. ED(B&A) presented before the Board a Memorandum containing recommendations of the Board Audit Committee, for consideration and appointment of Statutory Auditors for the audit of accounts for the year ending 31st December, 2003.</p> <p>122. The Board Audit Committee in its 10th meeting held on 20th September, 2003 before the 172nd Meeting of the Board of Directors on the same date, considered the above proposal of ED(B&A) for making recommendations to the Board regarding appointment of Auditors and fixation of their fees and out of pocket expenses for audit of accounts of the Corporation for the year 2003. Mr. Bashir Ahmed, Chairman Board Audit Committee informed the Board that the proposal of ED(B&A) for appointment as statutory auditors of M/s. Riaz Ahmed & CO, Lahore and M/s. Anjum Asim Shahid Rehman, Karachi for the year ending 31st December, 2003 was agreed to by the Board Audit Committee and recommended that the same be accepted by the Board of Directors.</p> <p>123. The Corporation has to appoint statutory auditors for carrying out audit of accounts of the Corporation for the year ending 31st December, 2003. A memorandum containing the upto date position in this respect was submitted to the Board Audit Committee (BAC) which was discussed in detail in its 9th meeting held on 6th September, 2003. The BAC advised to call quotations from all firms of Chartered Accountants approved and placed by the State Bank of Pakistan in "A" Category List for the audit of banks/NBFIs having total assets above Rs.50 billion or having 100 or more branches.</p> <p>124. The quotations were accordingly called and proposals evaluated and submitted to the BAC vide a memorandum, which was discussed in its 10th meeting, held on. 20th September, 2003. The salient points of the memorandum are:</p> <p>125. The BAC was informed by the Executive Director (B&A) that audit of accounts for the year 2002 was carried out jointly by M/s. Riaz Ahmed & Co., and M/s. Taseer Hadi Khalid & Co. As regards 2003, one of the auditors i.e. M/s. Riaz Ahmed & Co., asked for a 10 to 15 per cent increase over the audit fee/out of pocket expenses for the year 2002. However, it is likely that they may continue on the same fee. As regards the other auditors i.e. M/s. Tasser Hadi Khalid & Co., they have asked for a considerably high fee. For the sake of transparency, it was suggested in the BAC meeting that quotations be called from all firms of Chartered Accountants approved and placed by the State Bank of Pakistan in "A" category list for the audit of banks/NBFIs having total assets above Rs.50 billion or having 100 or more branches.</p>			<p>CHAIRMAN'S INITIALS</p> 

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126. The BAC decided to change one firm of auditors for the year 2003, adopting the principle of staggering i.e. one of the two firms be changed before the expiry of 5 year's tenure. It was agreed (i) to continue with the services of M/s. Riaz Ahmed & Co., and change M/s. Taseer Hadi Khalid & Co. (Both the companies have been carrying out audit since 1999) (ii) quotations be called from all the auditors, placed in the list of "A" category audit firms by State Bank of Pakistan and (iii) for Gulf Zone the existing auditors i.e. M/s. Sajjad Haider & Co. may be allowed to continue

127. In compliance with the instructions of the BAC the quotations containing (a) Technical Proposals and (b) Financial Proposal i.e. audit fee/out of pocket expenses were called from all 13 "A" Category firms of chartered accountant as per Annexure "A" to the Memorandum. Eleven out of thirteen firms responded while following two firms did not turn up:

- i) M/s. Avais Hyder Zaman Rizwani, Chartered Accountants, Karachi.
- ii) M/s. Muniff Ziauddin & Co., Chartered Accountants, Karachi.

128. Technical proposals were opened in the presence of a committee comprising of Executive Director (B&A), General Manager (IA&E), and Divisional Head (B&A) on 15th September, 2003. The technical proposals were numerically evaluated as per the format designed for this purpose.

129. After reviewing the technical evaluation, the committee members observed that marks obtained by 6 firms were more than 90 while marks of the remaining 5 firms ranged between 59 to 77. The firms who secured less marks were mainly those who (i) have not previously carried out audit of life insurance companies or (ii) their existing clientele mostly consist of medium or small size companies/institutions. It was considered appropriate by the committee that in order to ensure that audit of the Corporation is carried out by a leading and reputed firm, financial proposals only of those firms be opened who have secured at least 90 marks in the evaluation of Technical Proposals.

130. Accordingly, financial bids of 6 firms were opened by the committee members on 17th September, 2003. Two statements (i) containing marks obtained by all the firms in technical evaluation and (ii) each of the 6 firms obtaining 90 or more marks on technical evaluation and fee quoted by each of them are attached as Annexures "B" and "C" to the Memorandum respectively.

131. Out of the six firms, following two firms have quoted the lowest audit fee/out of pocket expenses:

Sr. No	Name of firm	Points secured	Fees			Remarks
			Audit Fee	Out of pocket expenses	Total	
1.	M/s. Riaz Ahmed & Co.	100	Rs.600,000	Rs.360,000	Rs.960,000	Lowest
2.	M/s. Anjum Asim Shahid Rehman	100	Rs.600,000	Rs.360,000	Rs.960,000	Lowest

132. M/s. Riaz Ahmed & Co., and M/s. Anjum Asim Shahid Rehman., have quoted the lowest bids. The BAC has already agreed to retain M/s. Riaz Ahmed & Co. for the year 2003. Therefore, the only one lowest remains i.e. M/s. Anjum Asim Shahid Rehman.

133. The BAC discussed the proposals i.e. technical as well as financial, in detail and also considered the procedure adopted in evaluation of proposals and selection of lowest firm. They were also satisfied with the firms who have quoted the lowest financial proposals.

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	<p>After deliberations, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>(i) "that as recommended by the Board Audit Committee, the appointment of M/s. Riaz Ahmed & Co., Chartered Accountants, Lahore, and M/s. Anjum Asim Shahid Rehman, Chartered Accountants, Karachi as Statutory Auditors of State Life for the audit of accounts for the year ending 31st December, 2003 at an audit fee of Rs.6,00,000/- each and out of pocket expenses upto Rs.3,60,000/- each, be and was hereby approved subject to final approval by Federal Government under Article 28(1) of the Life Insurance (Nationalization) Order 1972."</p> <p>Action: ED(B&A)</p> <p>(ii) "that the audit of all the Zones/Accounting Centres of the Corporation will be carried out by the two audit firms being appointed as Joint Auditors."</p> <p>Action: ED(B&A)</p> <p>(iii) "that the above audit firms would discuss the audit plan with the Management before finalizing the same."</p> <p>Action: ED(B&A)</p> <p>(iv) "that the appointment of M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE, as Statutory Auditors for audit of the accounts of Gulf Zone i.e. for UAE, Kuwait and Saudi Arabia for the year ending 31st December, 2003 at total audit fee of Dh.22,000/- and out of pocket expenses upto Dh.7,000/- respectively, be and was hereby approved."</p> <p>Action: ED(B&A)</p> <p>ITEM(14) POSITION PAPER – SALE OF BUNGALOW NO.102-B, GULBERG-II, LAHORE. Executive Director(B&A)'s Position Paper dated 10-09-2003.</p> <p>134. A position paper was presented by ED(B&A) before the Board, in respect of above bungalow for consideration. Earlier memorandum on the above subject was put up to the Board of Directors by the Divisional Head (Real Estate) in its 166th meeting held on 27th April, 2002, for consideration and decision. At this point, Mr. Latif A. Chaudhry, DH(Law) joined the meeting.</p> <p>135. The Board of Directors after deliberations on the subject matter in the said meeting instructed ED(B&A) to carry out a detailed study of the above case and to prepare and submit a note to the Board with recommendations in its next meeting for consideration. The existence/otherwise and authenticity of succession certificate of the Vendees be also examined at the time of finalization of recommendations to the Board.</p> <p>136. As instructed by the Board, ED(B&A) went through the relevant files of the case, discussed the matter with Mr. Talib Ali, Divisional Head (RE) and Mr. Lateef A. Chaudhry, Divisional Head (Law). He also visited Lahore in this connection and held meeting with the representatives of Vendees namely Sheikh Maqsood Ahmed, Mr. Shahid A. Sheikh and Mr. Mahmood A. Sheikh, Barrister-at-Law in the office of Regional Chief (Central) on 27th June, 2002 in the presence of Regional Chief (Central) and Divisional Head (RE). Meeting was also attended by Mr. Saleem A. Khaliq, Manager (RE), Lahore, and an-advocate of Lahore namely Mr. Muhammad Aslam Pervaiz Qadri, dealing with such matters on behalf of State Life.</p> <p>137. The agreement to sell about the sale of the above property, besides others,</p>		

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<p>contained the following relevant points :-</p> <p>i) The defunct Muslim Insurance Company through its administrator Mohammad Ishaque Khan had agreed on March 28, 1967, to sell the Bungalow No.120-B, Gulberg-II, Lahore to M/s. Sheikh Muhammad Siddiq and others.</p> <p>ii) The vendor has agreed to sell and vendees have agreed to purchase the above Bungalow at a price of Rs 80,000/- payable in the manner hereunder stated :</p> <p>a) Earnest money paid on 09-01-1967, Rs 20,000/-</p> <p>b) Balance of Rs 60,000/- to be paid by the vendees to the vendor in 10 equal quarterly installments of Rs 6000/- each. First of such installments shall be paid on or before 10th April, 1967 and the last of such installments shall be paid on or before 10th July, 1969.</p> <p>iii) The vendees have been given possession of the property as licensee on 09-01-1967.</p> <p>iv) The vendees shall pay a sum of Rs 270/- per month as compensation for use and occupation of the premises up to the date of payment of the last installment of the price as stipulated above.</p> <p>v) That in case the vendees fail to make payment of any one installment as stipulated in clause (ii) above, the vendees shall pay the monthly rent (compensation for use and occupation) @ Rs 500/- per month from the date of default.</p> <p>vi) That in case the vendees make another default in payment of installment as stated in clause ii (b) above, this agreement shall stand cancelled and the earnest money of Rs 20,000/- shall stand forfeited to the vendor.</p> <p>138. The last two quarterly installments were to be paid by the vendees on 10th April, 1969 & 10th July, 1969 respectively, however, they defaulted in this respect. Later on they deposited the balance amount and the default committed by them was waived on 7th November, 1972 by the then trustee of the defunct Muslim Insurance Co. on the recommendations of then Chief Manager and the then Legal Advisor.</p> <p>139. Relevant extracts of the note sheet containing recommendations and approval of the waiver allowed read as under :</p> <p>a) <u>(Extracts from the noting of then Chief Manager (Raja Jalilullah Khan)</u></p> <p>“ It is suggested that in view of the circumstances in which the party was placed and their having made payment now it would be desirable that the deal may be finalized. The Company has received the full amount of Rs 80,000/- viz, the price of the property and another sum of Rs 18,090/- as compensation for use and occupation upto date.”</p>			

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<p>b) <u>(Recommendation of the then Legal Advisor (Mian Mchboob Ahmed, who later on was appointed Judge of the Lahore High Court and subsequently rose to the status of Chief Justice, Lahore High Court).</u></p> <p>"I have gone through the file and am of the view that the deal may be finalized as the company has received the total price and in addition has also received the amount of used and occupation compensation. The delay caused has been explained by the party as due to circumstances beyond their control. If we now insist on invoking penal clause this would involve the company in litigation and expense."</p> <p>c) <u>(Approval by the then Trustee (Mr. Sharafat Ali Walajahi, who subsequently was appointed as Executive Director/Member of the first Board of Director of the Corporation)</u></p> <p>"I agree with Chief Manager and Legal Advisor - Enforcement of the penal clause is waived for reasons mentioned in Legal Advisor's note."</p> <p>d) A copy of the relevant note sheet was attached as Annexure-I to the Memorandum.</p> <p>140. The vendees were informed vide letter dated November 13, 1972 by State Life Insurance Corporation of Pakistan to arrange early registration of the bungalow. Vide that letter, it was confirmed that Company has received all its dues in respect of the sale of the above bungalow. A copy of this letter written by the Corporation was attached as Annexure-II to the Memorandum.</p> <p>141. The vendees then for their own reasons, neither got the sale deed executed nor did any serious follow up. As per Corporation's record, their first letter in this connection is dated 12th August, 1991 and the second one is dated as 01-05-2000. However, thereafter they have been regularly pressing the matter with Real Estate Office, Lahore and through them as well as directly with the Principal Office.</p> <p>142. On the basis of follow up by the representatives of the vendees, the case was reviewed by Real Estate office at Lahore. It was felt that first of all families of all the deceased vendees should file a suit in the Civil Court for declaration of legal heirs and simultaneously Principal Office was requested for perusal of the case as well as with the request that some one from State Life be authorized for execution of sale deed.</p> <p>143. The matter was scrutinized and some observations were made by our Law Division at Principal Office. The main hitch as pointed out by our Law Division was as under :-</p> <p>"In terms of the Article 15 of Life Insurance Nationalization Order 1972, all the Assets and Liabilities were vested in the Corporation while the Corporation came into existence on November 1, 1972. So at the time when the note was moved and the waiver was approved i.e. 7th November, 1972, the powers of transfer of title of the demised property had been vested in the Board of Directors of State Life. Hence, only Board of Directors could have permitted this transfer."</p> <p>Subsequently this matter was referred to the Board as mentioned above.</p>			

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144. During meeting with the representatives of the vendees held on 27-06-2002, in the presence of D.H. (RE), ED(B&A) referred to the matters of execution of sale deed with respect to the value, validity of the contract, and existence of succession certificate of the vendees. Mr. Mahmood A. Sheikh, Barrister-at-Law, who accompanied representatives of the vendees, explained his view point verbally and also subsequently sent the same in writing. A copy of the letter dated 10th July, 2002 received from Mr. Mahmood A. Sheikh, Barrister-at-Law, the lawyer of the vendees was attached as Annexure-III to the Memorandum.

145. The case was then referred to the Divisional Head (Law) for opinion in this regard, who suggested that the opinion of State Life's legal adviser at Lahore may be obtained in this case. The case was then sent to the concerned advocate at Lahore namely Mr. Muhammad Aslam Pervez Qadri. The opinion of the advocate was placed at Annexure-IV to the Memorandum. The advocate has concluded as follows:

"Thus I have determined opinion that the agreement stands cancelled and the amount received (if any) stands forfeited with the Corporation as a successor of Muslim Insurance Company. it is further submitted that for the sake of arguments if the vendees being presumed themselves aggrieved they are at liberty to knock the door of a court of law having jurisdiction to solve the mixed question of Law and fact for their redress on their own risk."

145. Subsequently it was considered appropriate to take another opinion of an advocate of State Life in Karachi on this case. The case was then referred to Mr. Sultan A. Allana, advocate through Law Division. His opinion is placed at Annexure-V to the Memorandum. Conclusion arrived at by Mr. Allana is as under:-

"The claim of the Vendees have become time - barred. The Vendees are in possession of the said premises as licensee. The licence can be revoked cause of action will accrue to the Corporation and suit for recovery of possession alongwith compensation for use and occupation can be filed."

146. Due to legal opinions obtained from two different advocates, which are more or less same in context and perspective, ED(B&A) stated that he has not been able to summarize his recommendations. The matter is submitted to the Board of Directors for consideration and decision.

147. At this point, Mr. Latif A. Chaudhry, DH(Law) also briefed the Board of Directors, regarding legal position of the said bungalow. Mr. M. Sharif Ijaz Ghauri enquired whether the bungalow in question was appearing in the books of accounts and in the books of Real Estate Division or not. Accordingly, it was decided and Management was advised to ascertain the position as pointed out by Mr. Ghauri and a report containing a revised position, after incorporating the requisite information be submitted in the next meeting of the Board of Directors.

148. The meeting ended with mutual vote of thanks.

Action:
ED(B&A)
ED(RE)

[Signature]
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