

MINUTES OF 177TH MEETING OF THE BOARD OF DIRECTORS

MEMBERS	HELD AT	ON	TIME
BOOK	KARACHI	28 TH APRIL' 2004	

CONFIDENTIAL AND RESTRICTED

The one hundred and seventy seventh (177th) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 28th April' 2004 at 11:00 a.m., in the Board Room, State Life Building No.9, Principal Office, Karachi.

PRESENT:

1. Mr. Rasool Bakhsh Baloch	Chairman
2. Mr. Bashir Ahmed	Director
3. Mr. Nessar Ahmad	Director
4. Air Marshal (Retd) Sharbat A. Changazi	Director
5. Ch. Javaid Hussain	Director
6. Mr. Shahid Aziz Khan	Board Secretary

2. Mr. Muhammad Javed Khan, Executive Director (B&A/PHS/INV.), Mr. Zafar Mahmood, Executive Director (MKT/G&P/INTL/CD) and Mr. Zahid Murad, Executive Director (P&GS/LAW/RE/ACT.), 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. Mrs. Spenta Kandawalla and Mr. Umar Ata Bandial, Directors, have requested for leave of absence. The Board granted them leave. Chairman informed the Board that as per Ministry of Commerce's letter bearing No.11(25)/2000-Ins.II dated 21st April, 2004 as Mr. Javed Syed (Ex) Joint Secretary has since retired from the Government service w.e.f. 1st March, 2004 and has therefore ceased to hold the title of Director of State Life. The replacement of Mr. Javed Syed would be made in due course.

ITEM (1) CONFIRMATION OF MINUTES OF 176TH MEETING OF THE BOARD OF DIRECTORS HELD ON 03-04-2004.

5. The minutes of the 176th Meeting of the Board of Directors held on 3rd April' 2004, were placed before the Board. Air Marshal (Retd) Sharbat A. Changazi pointed out that in Item No.03 regarding presentation on State Life Tower Islamabad, at Page No.2347, para-10, from line No.03 to line No.07, the sentences "and it would be an example of Islamic architecture and a representative building of Pakistan. He also described other salient features of project. Air Marshal (Retd) Sharbat A. Changazi observed that it would not be the replica of Badshahi Mosque or Shah Faisal Mosque, as such proposed building should not be called a representative building of Islamic architecture." be deleted, as the observation was off the record. The Board agreed and approved to delete the sentences detailed above from the Minutes of 176th meeting of the Board of Directors. Similarly, Mr. Nessar Ahmad mentioned that at page No.2366 in item No.13, regarding privatization of National Refinery Limited, at para 99, line 01, after the word "that", words "delivery of" should be incorporated. Likewise at para 99, line 03, words "approximately Rs.30/-" and words "for" before and after the words "remaining shares" and the sentence "The Board agreed after detailed discussions" should be deleted. In the same para in line 01 after the word "that" the words "delivery of", in line 03, after the word "negotiate", the words "the price of" and after the word "shares" and the words "and get the best price" should be incorporated. Similarly in the resolution clause(b) line 01 the word "for" used twice and in line 01 and 02 the words "of National Refinery Limited" should be deleted and in resolution clause (b) after the word

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"negotiate" the words "the price of" and after the words "remaining shares" the words "and get the best price" should be incorporated. In the light of above corrections, the para 99 and resolution clause (b) were recasted as under:

"para 99 – Mr. Nessar Ahmad while joining the discussion, opined that delivery of 2,127,500 frozen shares of National Refinery Limited could not be objected. However State Life should negotiate the price of remaining shares and get the best price."

"Resolved (b) – "that State Life should negotiate the price of remaining shares and get the best price, be and was hereby approved."

6. The Board agreed and approved the corrections and recasted para 99 and resolution clause (b).

7. Mr. Nessar Ahmad proposed and Air Marshal (Retd) Sharbat A. Changazi seconded that the minutes of 176th meeting held on 3rd April, 2004 be confirmed with above mentioned corrections.

Accordingly, it was resolved as under;

RESOLVED:

"that the Minutes of the 176th Meeting of the Board of Directors held on 3rd April' 2004, be and were hereby confirmed with above mentioned corrections."

ITEM (2) IMPLEMENTATION REPORT ON DECISIONS TAKEN IN THE 176TH MEETING OF BOARD OF DIRECTORS.

8. The Board Secretary informed the Board, that minutes of 176th meeting have been confirmed today i.e. 28th April, 2004, therefore now the same would be sent to different Divisions/Departments for implementation and the implementation report would be placed before the Board in its next meeting. The Board appreciated the practical difficulty and asked the Board Secretary to place the implementation reports of 176th and 177th meetings of the Board in 178th meeting.

ITEM(3) PRESENTATION ON BUSINESS FIGURES FOR THE PERIEOD ENDED 31-03-2004 OF MARKETING, GROUP & PENSIONS, INTERNATIONAL, INVESTMENT AND REAL ESTATE DIVISIONS.

9. The Business reports of ED(Marketing), ED(G&P), ED(International), ED(Investment) and ED(Real Estate) Divisions presented business review reports in respect of their respective Divisions for the period from 1st January 2004 to 31st March, 2004, as per following details, which were noted by the Board.

MARKETING DIVISION:

10. Executive Director (Marketing) while presenting the memorandum pertaining to business figures of Marketing Division before the Board informed that the Corporation procured FYP of Rs.386.728 million for the period ending on 31st March, 2004 as compared to Rs.284.924 million during the corresponding period of last year, thus registering an increase of 35.73% over the corresponding period of last year.

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Action:
Board
Secretary

Action:
Board
Secretary


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	<p>11. The Corporation also collected Rs.167.454 million, second year premium, as compared to Rs.284.924 million during the corresponding period of last year. The second year persistency for the period from January to March, 2004 was 58.77. The third year and later year's premium for the period from January to March, 2004 was Rs.842.529 million. The renewal persistency ratio for the period January to March, 2004 was 97.58%. The Marketing Division sold 40,923 new policies from 1st January upto 31st March, 2004 against 35,196 policies sold during the same period of preceding year and thus registering an increase of 16.27%. The number of policies surrendered upto March, 2004 was 10,886, while the number of surrendered policies for the corresponding period of last year was 19,259, thus showing a decrease of 43.47%.</p> <p>12. The Board of Directors appreciated the declining trend in surrender of policies and the overall achievements made by the Marketing Division.</p> <p><u>GROUP & PENSIONS DIVISION:</u></p> <p>13. Executive Director(G&P) presented before the Board a memorandum pertaining to the business figures of G&P Division. The collection of premium for G&P business for the period ending on March 31, 2004 stood at Rs.369.682 million as compared to Rs.308.883 million, for corresponding period of last year showing an increase of 19.68%. G&P Division secured 62 new groups during this period having total premium of Rs.9.877 million as against 35 new groups having premium of Rs.4.686 million, showing an increase of 111% in premium income under new groups in 2004 as compared with 2003. G&P Division lost 6 policies having a total premium of Rs.0.476 million. The persistency of G&P Division was 99.85% upto March 31, 2004.</p> <p>14. During the course of discussion, Air Marshal (Retd) Sharbat A. Changazi suggested that if we could provide insurance coverage to war risks, then we should keep on providing coverage to the after war risks. He suggested that the mine sweeper teams in Afghanistan were working to clear the mine territories and Corporation should explore the possibility to extend this insurance cover to Iraq, to earn the highest rate of premium. While replying to this question, Mr. Zafar Mahmood, ED(G&P) informed the Board that proper action would be taken after consulting the Actuarial Division.</p> <p>15. The Board appreciated the achievements made by G&P Division.</p> <p><u>INTERNATIONAL DIVISION:</u></p> <p>16. Executive Director(International) presented before the Board a memorandum pertaining to business figures of International Division. International Division has procured US\$:340,603 FYP, for the period ending on March 31, 2004 as against US\$: 306,040 during the corresponding period of last year showing an increase of 11%. The number of policies sold by International Division during the period January to March, 2004 was 282 as against 240, during the corresponding period of last year, registering an increase of 18%. Second year persistency achieved during the period January to March, 2004 was 62%, as against 63% showing a decline of 1% over last year. Renewal persistency for the period ending on March 31, 2004 was 101% as against 69% in the last year corresponding period, showing an increase of 32%.</p> <p>17. The Board appreciated the achievements made by International Division.</p>		

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<u>INVESTMENT DIVISION:</u>			
<p>18. Executive Director(Investment) presented before the Board a memorandum pertaining to business figures of Investment Division. At this juncture of time, Mr. Ansar Hussain, GM(Investment) also joined the meeting. The book value of investment portfolio, which was Rs.96,602 million as on December 31, 2003, was estimated to have increased to Rs.98,773 million as on March 31, 2004, reflecting an increase of Rs.2,171 million and a percentage increase of 2.25%, during the quarter ended March 31, 2004. State Life has been investing in Pakistan Investment Bonds floated by Government of Pakistan in December 2000. The Corporation has placed Rs.6,219 million in PIBs during the period under review raising the total investments in PIB's inclusive of accrued interest to Rs.58,973 million. This constituted about 79.70% of total investment in Government Securities. State Life has so far invested Rs.1,350 million in WAPDA Bonds, balance of which was Rs.1,269 million as on March 31, 2004. Balance outstanding against TFCs of other companies was Rs.739 million as on March 31, 2004.</p>			
<p>19. State Life equity portfolio which was Rs.8,933 million as on December 31, 2003 has increased to Rs.9,088 million as on March 31, 2004. State Life purchased shares with a book value of Rs.268.063 million during the period ended March 31, 2004 and has sold shares with a book value of Rs.43 million for Rs.117 million thereby realizing capital gain of Rs.74 million during this period. The book value of quoted equity portfolio stood at Rs.8,677 million while its market value was Rs.25,459 million showing an appreciation of Rs.16,782 million as on March 31, 2004.</p>			
<p>20. State Life, has earned Rs.2,492 million (estimated) on its investment portfolio, excluding unrealised gain on investment for the period ended March 31, 2004, as compared to Rs.11,214 million earned during the year of 2003.</p>			
<p>21. The Board of Directors appreciated the results achieved by Investment Division. At this point, Mr. Ansar Hussain, GM(Investment) left the meeting.</p>			
<u>REAL ESTATE DIVISION:</u>			
<p>22. The Chairman informed the Board that Mr. Rahat ul Ain, Executive Director(Real Estate) due to his wife's illness was on leave, therefore the business figures of Real Estate Division would be presented by Mr. Zahid Murad, who was temporarily looking after the portfolio of Executive Director(RE). Thereafter, Mr. Zahid Murad presented the business figures of Real Estate Division pertaining to the first quarter of 2004.</p>			
<p>23. The gross income of Real Estate upto 31st March 2004 was Rs.94 million as against prorated projection of Rs.106 million. The gross income upto 31st March 2003 was Rs.93 million. The projected figures of gross income for the 1st quarter was taken as 1/4th of the total projection for the year 2004. In subsequent months, the actual amount would increase and target would be achieved. Total expenses upto 31st March 2004 came to Rs.87 million as against budgeted amount of Rs.101 million, which was 14% less. Net income upto 31st March 2004 was Rs. 7 million which was 40% higher to the targeted figure upto the month.</p>			
<p>24. During the course of discussion, Air Marshal (Retd) Sharbat A. Changazi suggested that Corporation should identify the properties from where no rental income or financial benefit was being received and such properties be disposed off and their</p>			

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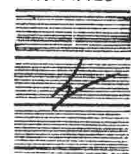
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<p>Action: ED(RE)</p>	<p>proceeds be invested in profitable avenues. Mr. Nessar Ahmad suggested that the Real Estate Division should arrange a detailed presentation on different properties of Real Estate identifying their categories, use, expenditure being incurred, revenues being generated and future use if any. While joining the discussion, Mr. Bashir Ahmed suggested, that the Corporation should hire a property expert to evaluate the plots and buildings owned by the Corporation and only those properties be retained by the Corporation from where the Corporation was getting maximum financial benefits. He further observed that the Board might consider to take a decision for disposing off the properties, which were not beneficial for the State Life to keep them and proceeds from their sale could be invested in profitable avenues.</p> <p>25. Board of Directors directed the Real Estate Division to make a comprehensive presentation in the light of the views given by the members of the Board.</p> <p>26. The Board appreciated the results achieved by Real Estate Division.</p> <p>ITEM (4) <u>CONSIDER/APPROVE – AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2003 TOGETHER WITH AUDITORS REPORT THEREON.</u></p> <p>27. The Board considered the minutes of 12th Board Audit Committee's meeting. The minutes of the meeting held on 27th April, 2004, enclosed as Annexure 4/I at page 2387 and 2388, were circulated at the start of the Board meeting. Mr. Bashir Ahmad, Chairman of the Board Audit Committee while explaining, informed the Board that a meeting was held by the Board Audit Committee with the External Auditors on 27th April, 2004 where the audited accounts and letter of the Auditors addressed to the Board of Directors were discussed in detail. The Board Audit Committee recommended to the Board, that annual accounts for the year ended 31st December, 2003 alongwith Notes to the Accounts and Auditors reports thereon as well as the amount of provisions, adjustments and addition to investment portfolio be approved.</p> <p>28. ED(B&A) and Divisional Head(B&A) presented before the Board, the 31st Annual Report on the operations of State Life Insurance Corporation of Pakistan for the year ended 31st December, 2003 comprising of the following audited financial statements/regulatory returns with the help of multi media:</p> <p><u>Financial Statements:</u></p> <ul style="list-style-type: none"> i) Balance Sheet ii) Profit & Loss Account iii) Revenue Account iv) Statement of Premium v) Statement of claims vi) Statement of Investment Income vii) Statement of expenses viii) Statements of Cash Flows <p><u>Regulatory Returns</u></p> <ul style="list-style-type: none"> ix) Statement of Assets for Solvency x) Classified Summary of Assets in Pakistan. xi) Statement under section 46(6) and section 52(2) <p>29. The accounts of the Corporation for the year ended 31st December, 2003 were</p>		

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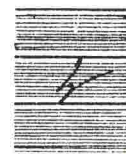
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<p>jointly audited by a panel of statutory auditors namely:</p> <p>i) M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi.</p> <p>ii) M/s. Riaz Ahmad & Co., Chartered Accountants, Lahore.</p> <p>30. The above panel of auditors was appointed by the Federal Government on the recommendations of the Board of Directors of the Corporation, pursuant to Article 28 of the Life Insurance (Nationalization) Order, 1972. The accounts for the year 2003 of the Gulf Zone of the Corporation were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE, who were appointed with the approval of the Board of Directors of the Corporation.</p> <p>31. The progress of Pakistan Life Fund and Overseas Life Fund of the Corporation during the year 2003 can be examined from the key ratios and statistics given in Annexure-1 and Annexure-2 of the memorandum. Annexure-3 and Annexure-4 of the memorandum show the comparison of actual figures of the year 2003 with the budgeted figures of 2003 and actuals of 2002 in respect of Pakistan Life Fund and Overseas Life Fund respectively. Annexure-5 of the memorandum contains information about the Pension Fund. Annexure-6 of the memorandum shows the provisions, adjustments and additions to Investment Portfolio made during the year 2003 for which specific approval of the Board of Directors was required.</p> <p>32. A set of audited Annual Financial Statements/Regulatory Returns for the year 2003 mentioned in para 1 of the memorandum, duly initialed by the Statutory Auditors, alongwith Notes to the Accounts and Auditors' Report thereon, was enclosed for consideration. A copy of the letter addressed to the Board of Directors received from the auditors alongwith the initialed accounts, containing some observations, was also attached for perusal.</p> <p>33. The finalization of annual accounts containing this huge task within prescribed date has been achieved with the cooperation of other divisions, specially Computer Division, and extra ordinary efforts, commitments and devotion to duty of staff and officers particularly of the senior officers of Budget & Accounts Division at the Zones and Principal Office, for which they deserved appreciation of the higher Management and the Board of Directors.</p> <p>34. The Board was requested to consider and approve the financial statements/regulatory returns for the year ended 31st December, 2003, mentioned in para 1 of the memorandum, alongwith Notes to the Accounts and the Auditors Report thereon as well as the amount of provisions, adjustments and additions to Investment Portfolio mentioned in Annexure-6 of the memorandum.</p> <p>35. The Board was also requested to nominate two directors to sign, alongwith the Chairman and Executive Director (B&A), the financial statements/regulatory returns for the year 2003 after the same were considered and approved by the Board of Directors.</p>			

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Action: ED(B&A)	<p>36. Mr. Bashir Ahmed, Chairman, BAC, while participating in the discussion informed the Board that the profit commission payable to Government of Pakistan and Government of Azad Jammu and Kashmir with regard to National Accidental Scheme, might be paid to the respective Government for the welfare project like health and education purposes. Similarly the Pension Scheme of officers was taxable. He pointed out that as per auditors observation, the Corporation should take up the matter with Central Board of Revenue for tax exemption.</p>																		
Action: ED(B&A)	<p>37. The Board appreciated the hard work done by different Divisions/Departments of Corporation in general and the Budget & Accounts Division in particular, as a result of which, the final accounts for the year 2003 have been timely completed. Thereafter, the audited accounts for the year 2003 were approved by the Board.</p>																		
	<p>After thorough discussion, the Board resolved as under:-</p>																		
	<p>RESOLVED:</p>																		
Action: ED(B&A)	<p>(i) "that as proposed by the Board Audit Committee, balance sheet, profit & loss account, revenue account, statement of premiums, statement of claims, statement of investment income, statement of expenses, statement of cash flows, statement of assets for solvency, classified summary of assets in Pakistan and statement under Section 46(6) and Section 52(2) for the year ended 31st December, 2003 alongwith notes to the accounts and the Auditors reports thereon presented for consideration and approval of the Board, be and were hereby approved."</p>																		
Action: ED(B&A)	<p>(ii) "that the amounts of provisions, adjustments and addition to investment portfolio relating to the accounts for the year 2003 as proposed vide Annexure-6 of the Memorandum, and detailed hereunder be and were hereby approved:-</p>																		
	<p><u>Provisions, Adjustments, Addition And Disposal Of Investment Portfolio</u></p> <p>1. <u>Provisions in Investment operations:</u> Provisions and Reversal of Provisions in respect of diminution in value of investment as on 31.12.2003 was as follows:</p> <p><u>Provisions made:</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right;">(Rs. in Million)</th> </tr> </thead> <tbody> <tr> <td>• Against unquoted and de-listed shares</td> <td style="text-align: right;">18.070</td> </tr> <tr> <td>• Compensation receivables from Govt. of Pakistan</td> <td style="text-align: right;">56.008</td> </tr> <tr> <td style="text-align: right;">Total:-</td> <td style="text-align: right;"><u>74.078</u></td> </tr> </tbody> </table> <p><u>Provisions reversed:</u></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>• Against unquoted and de-listed shares</td> <td style="text-align: right;">50.206</td> </tr> <tr> <td>• Corporate debentures</td> <td style="text-align: right;">6.083</td> </tr> <tr> <td>• Buy-back shares</td> <td style="text-align: right;">0.751</td> </tr> <tr> <td style="text-align: right;">Total:-</td> <td style="text-align: right;"><u>57.040</u></td> </tr> </tbody> </table> <p>Net Effect of Provisions on income: <u>17.038</u></p>				(Rs. in Million)	• Against unquoted and de-listed shares	18.070	• Compensation receivables from Govt. of Pakistan	56.008	Total:-	<u>74.078</u>	• Against unquoted and de-listed shares	50.206	• Corporate debentures	6.083	• Buy-back shares	0.751	Total:-	<u>57.040</u>
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(Rs. in million)

Description	Pakistan Life Fund	Overseas Life Fund	Pension Fund	Total
Balances of statutory funds 1 January 2003	85,060.878	1,113.238	36.981	86,211.097
Add: Surplus of U.K. Operations	62.631	(62.631)	-	-
Adjusted balances of statutory funds as at 1 January 2003	85,123.509	1,050.607	36.981	86,211.097

(iii) "that Mr. Bashir Ahmed and Mr. Nessar Ahmad, Directors, be and were hereby authorized to sign the Annual Accounts for the year 2003 alongwith the Chairman and the Executive Director (B&A), be and was hereby approved."

ITEM (5) CONSIDER/APPROVE - ACTUARIAL VALUATION 2003.

38. At this point, Mr. S. S. Akhtar, Appointed Actuary and Mr. Shahrukh Sabzwari, DH(Actuarial) joined the meeting. Mr. Shahrukh Sabzwari made a presentation on the salient features of Actuarial Valuation 2003, with the help of multi media. Mr. S. S. Akhtar, Appointed Actuary also briefed the Board on different aspects of the actuarial valuation.

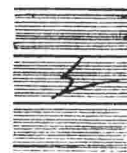
39. Mr. Bashir Ahmad, Chairman of the Board Audit Committee informed the Board that a meeting was held by the Board Audit Committee with the Appointed Actuary on 27th April, 2004 where the actuarial valuation as at 31st December, 2003 was discussed in detail. The Board Audit Committee recommended to the Board that the actuarial valuation as at 31st December, 2003 be adopted.

40. The Appointed Actuary presented before the Board a Memorandum for consideration and approval of the actuarial valuation report of the insurance policies of the Corporation as at 31st December, 2003

41 All policies, except those valued by accumulation of premiums or by unearned premium (UEP), have been valued by the minimum valuation basis prescribed by SECP in rule 20 framed under sub-section (5) of Section 50 of the Insurance Ordinance, 2000.

42. The position of the surplus was as follows: (figures for 2002 have been shown for comparison)

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Account:
ED(B&A)

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2. Additions to and Disposal of Investment during 2003:

Additions:

During the year 2003 the following additions were made in the Investment portfolio:-

(Rs. in Million)

• Fixed assets	112.213
• Investment properties including capital work in progress	24.607
• Advances to employees against performance bonus	12.777
• Declaration of dividend and its utilization to increase share capital	150.000
• Pakistan Investment Bonds	17,477.249
• Equity Securities	1,218.961
Total:	18,995.807

Disposal:

During the year 2003 the following disposals were made in the Investment Portfolio :-

(Rs. in Million)

• Pakistan Investment Bonds	399.307
• Equity Securities	46.423
• Disposal of fixed assets	12.229
Total:	457.959

3. Summary of the additions, provisions and disposal of Investment Portfolio in the year 2003:

(Rs. in Million)

(i) Additions at cost:	18,995.807
(ii) Provision for diminution in value of investments	18.070
(iii) Disposal of Investment	447.959

4. Adjustment of Opening Balances of Statutory Funds:

The U.K. operations have been closed down in 2003 as per decision of the Management and the surplus arising from U.K. operations after discharging all of the liabilities has been allocated to Pakistan Fund and remaining amount allocated to the business of Overseas Fund (Gulf Business). Accordingly, opening balances of statutory funds have been adjusted with Rs.62.631 millions representing share of Pakistan fund in the surplus from UK operations.

The opening balances of statutory funds for the year 2003 after adjustments have been re-adjusted as under:

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Rs. (000)	2003		2002		
	Pakistan Life Fund	Overseas Life Fund	Pension Fund	TOTAL	TOTAL
Total Surplus as per Sec 22 Insurance Ordinance	5,500,873	96,722	-	5,597,595	7,223,563
To Shareholders	127,547	-	-	127,547	180,911
Cost of recommended bonuses to policies	4,633,421	-	-	4,633,421	6,524,831
Closing balance in account A	739,905	94,302	-	834,207	516,699
Closing balance in account B	-	2,421	-	2,421	1,123
Policyholder Liability, including cost of recommended bonuses	93,990,708	1,080,281	49,408	95,120,397	85,693,275

43. Surplus as at year end 2003 was substantially less than that at year-end 2002. This was due to reduction in yield. This situation was already known at year-end 2002, hence instead of increasing bonus rates at year-end 2002, a one time bonus was declared. Thus under the circumstances it was good enough that the 2002 rates were not being reduced, hence the Appointed Actuary recommended the bonus rates to remain the same as at the 31 December 2002 valuation except for Super, Sunehri and Shehnai policies where the rate has been reduced from Rs 115 per thousand per annum of the Adjusted Opening Cash Value to Rs 105 per thousand per annum, in view of the drop in the yield. Terminal bonus rates were reduced last year from Rs 30 per thousand to Rs 10 per thousand in view of the substantial one time bonus. Since the one time bonus was not being declared, the Appointed Actuary recommended that the rates of terminal bonus be not only restored to 30 per thousand but given a minor increase of Rs 10 per thousand making it to Rs 40 per thousand. It may be noted that no reserve was needed for this bonus in the valuation results. Details of the bonus rates were shown in Annexure A of the memorandum. Details of Specified Major Surgical Benefit were given in Annexure B of the memorandum.

44. The Field Force should be educated that if low yields persist, the result will be a gradual fall in future bonuses, compared with the past. But inflation rates have also fallen considerably. The Field Force should also be educated that a fall in the inflation rate was good for policyholders, because it helps to preserve more of the purchasing power of the sum insured. It was a substantial off-setting factors against the fall in yields. Also, it should logically, lead to a healthier economy, which was good for business and industry and the country's progress in general.

45. The Appointed Actuary also recommended that the Field Force should be encouraged to sell plans like State Life's Sunehri Policy (Table 73) and the Shehnai Policy (Table 77). Under these tables, there was scope for yields and investment results to be passed through to policyholders. This may enable State Life to follow a more flexible investment policy. Under these plans, renewal premiums were dynamised, which was good for the policyholders and the Corporation.

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CONCLUDING REMARKS

46. Trend of yield on statutory funds and Renewal Expense has been as follows:

Year	Yield %
2001	12.50
2002	14.74
2003	11.53

Year	Renewal Expense Ratio %
2001	36.64
2002	33.19 (29.14) ¹
2003	34.99 (30.27) ²

¹ Excluding Rs. 166.982 million being special contribution to Pension Fund and Rs. 55.771 million being encashment of one-fifth of leave balance as at 31st December 2001

² Excluding Rs. 166.982 million being special contribution to Pension Fund and Rs. 107.157 million being encashment of compensated absences during 2003.

47. Total number of individual life policies, sum assured and office premium in force as on December 31, 2003 compared with in force as on December 31, 2002, are given hereunder.

	31 st December 2003	31 st December 2002
No. of policies	1,849,125	1,801,919
Sum Assured	132,334,054,126	114,913,180,895
Office Premium	7,560,855,672	6,532,179,454

48. The Board was requested to approve the above recommendation of bonuses for Rupee business. For Middle East foreign currency business, bonus would be recommended at year end 2004, as also prescribed under U.A.E. laws. During the course of discussion, Mr. S. S. Akhtar, Appointed Actuary pointed out, that there was a slight typographical error in Annexure-5/1 to the Board memorandum. The sentence "However bonus mentioned under IV below, if applicable, will be allowed" should be deleted from para-IV (iii) after the word "policies" and instead of that be allowed to be read in para-III (iii) after the word "policies". The Board noted the correction.

49. At this point, Mr. S. S. Akhtar, Appointed Actuary and Mr. Shahrukh Sabzwari, Divisional Head(Actuarial) left the meeting.

After deliberation on the recommendations made by the Appointed Actuary, it was resolved as under:

RESOLVED:

(i) "that the memorandum No.05 dated 13th April, 2004 of Appointed Actuary regarding Actuarial Valuation and recommendations in respect of bonuses for Rupee business to policyholders as on December 31, 2003 alongwith Annexures 5/I and 5/II respectively at page 2389 to 2396 to the Minutes, be and was hereby approved."

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Action:
ED(Act.)

Action:
ED(Act.)

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Action:
ED(Act.)

(ii) "that the Gulf Zone foreign currency business, bonus would be recommended at year end 2004, as also prescribed under U.A.E. laws, be and was hereby approved."

ITEM (6) CONSIDER/APPROVE – PERFORMANCE BASED BONUS SCHEME FOR OFFICERS FOR THE YEAR 2004.

50. Executive Director(P&GS) presented before the Board a memorandum dated April 16, 2004 for consideration and approval of performance based bonus scheme for officers for the year 2004.

51. The Board in its 162nd meeting held on 11.08.2001 had decided as follows:-

- a) Henceforth, the bonus would be given on the basis of performance and 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.

52. The Performance Based Bonus Scheme was introduced, initially, in the Year 2001 and thereafter this practice has continued with the approval of Board of Directors. However various parameters were improved resulting in enhancement of the overall performance of the Corporation.

53. ED(P&GS) explained to the Board that a similar Performance Linked Bonus scheme for the year 2004, has been submitted to the Board for consideration vide plans contained in Annexures A, B, C, D and E to the memorandum dated April 16, 2004 for the Officers' Teams pertaining to Individual Life Pakistan Business, Group Life Business, Real Estate Division, International Division and Investment Division respectively.

54. ED(P&GS) also proposed amendments/improvements in the performance linked plans of Individual Life Pakistan Business and International Division (Gulf countries) as under:

- a) Individual Life Pakistan Business

Subject	2003 %	Proposed for 2004 %
The Minimum Qualifying Standard (MQS)for Second Policy Year Persistency	62	65
Calculation of points for Second Policy Year Persistency after attaining MQS	67	70
Second Policy Year Persistency standard for an Active SR	70	75

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b) International Division (Gulf Countries)

Subject	2003 %	Proposed for 2004 %
The Minimum Qualifying Standard for Second Policy Year Persistency	60	65
Calculation of points for Second Policy Year Persistency after attaining the Minimum Qualifying Standard	65	70

55. The members of the Board were requested to consider the aforementioned plans for approval.

56. The Board of Directors had a detailed discussion and it was emphasized and agreed that basically bonus plans were in continuation of the previous bonus plans with certain modifications/improvements. The Board agreed to approve the criteria of bonus for Group Life Business and Real Estate Division, without any change. However, the bonus criteria for Individual Life Pakistan Business and International Division was approved with amendments/improvements as proposed in para-54 above. During the course of discussion, ED(Investment) pointed out that regarding the bonus plan for Investment Division, Mr. Samee-ul-Hasan, the former Chairman in a note had given his observation as follows, "For the year 2003, the same basis may be used as for 2002, "mutatis mutandis". However, a thorough exercise should be undertaken to ensure that all elements of the plan are on a sound theoretical and mathematical foundation. In the light of this, the performance bonus system of the Investment Division for the year 2004, may be modified." Mr. Nessar Ahmad suggested that the bonus criteria for Investment Division should be specific according to fixed bench marks. The Board agreed and deferred the criteria of bonus for Investment Division with a direction to place the same with fresh proposal and bench marks, in one of the next meetings of the Board, for its reconsideration and approval.

After thorough discussion, the Board resolved as under:-

RESOLVED:

(i) "that the proposed performance-linked plans contained in the memorandum No.06 dated April 16, 2004 of ED(P&GS) for Group Life Business and Real Estate Division, as shown in annexures 6/I and 6/II, were allowed without any change, be and were hereby approved.

(ii) "that the proposed performance linked plans contained in the memorandum No.06 for Individual Life Pakistan Business and International Division, shown as annexures 6/III and 6/IV respectively were allowed to be approved with amendments/improvements as shown in para 54 of the minutes, be and were hereby approved.

(iii) "that the performance linked plan for Investment Division contained in annexure 6/V was deferred with the direction to place the same with fresh proposal and bench marks in one of the next meetings of the Board, be and was hereby approved."

Action:
ED(P&GS)

Action:
ED(P&GS)

Action:
ED(P&GS)

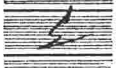
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Action: ED(P&GS)	(iv) "that the Chairman be and was hereby authorized to make any adjustment considered necessary in the proposed performance linked plans for the year 2004, be and was hereby approved."		
Action: ED(P&GS)	(v) "that as proposed Area Managers will not get bonuses under this plan as they have their own incentive scheme, be and was hereby approved."		
	ITEM (7) <u>CONSIDER/APPROVE - REPORT OF COMMITTEE REGARDING VISIT OF GUJRANWALA SITE.</u>		
	57. GM(RE) presented before the Board a report of Committee regarding visit of Gujranwala site. At this point, Mr. S. Manzar Hussain, DGM(RE), Mr. M. Iftikhar Ali Khan, AGM(RE) and Syed Manzoor Mehdi Naqvi, Architect of M/s. International Design Group joined the meeting. Mr. Naqvi made a presentation before the Board with the help of multi media.		
	58. The Board in its 176 th meeting held on April 3, 2004 reconstituted the Committee by substituting the name of Ch. Javaid Hussain in place of Mr. M. Sharif Ijaz Ghauri for the visit of Gujranwala site.		
	59. The Committee, comprising of the following members visited Gujranwala plot on April 15, 2004:		
	<ul style="list-style-type: none"> (i) Mr. Rasool Bakhsh Baloch, Chairman (ii) Air Marshal (Retd) Sharbat A. Changazi, Director (iii) Ch. Javaid Hussain, Director (iv) ED(Real Estate) was represented by Mr. Talib Ali, GM(RE) 		
	60. The Committee noted that it has rightly been decided to use only half of the plot area for construction of building in the first instance as the plot was about 360 ft. in depth where as its width was only 140 ft. from front and 112 ft. at back. Air Marshal (Retd) Sharbat A. Changazi proposed that in first phase, the building be constructed on the rear portion of the plot instead of front portion. This will add more value to the vacant portion of the plot, in future.		
	61. The front portion of the plot should be developed as landscape of the proposed building to make the building more beautiful and attractive. The Committee agreed to this proposal.		
	After thorough discussion, the Board resolved as under:-		
	<u>RESOLVED:</u>		
Action: ED(RE)	(i) "that the recommendation of the Committee for construction of the building on the rear portion of the plot instead of front portion, be and was hereby approved."		
Action: ED(RE)	(ii) "that the recommendation of the Committee for developing a landscape on the front portion of the plot, be and was hereby approved."		

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Action: ED(RE)	<p>(iii) "that a model of the proposed building in the light of resolution No.(i) and (ii) above, be prepared and placed in the next meeting of the Board, be and was hereby approved."</p> <p>62. The meeting ended with mutual vote of thanks.</p> <p style="text-align: right;"><i>KI M M</i> CHAIRMAN</p>		CHAIRMAN'S INITIALS 

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ANNEXURE-4/I

MINUTES OF 12TH MEETING OF BOARD AUDIT COMMITTEE
HELD ON 27TH APRIL, 2004.

12th meeting of the Board Audit Committee of State Life Insurance Corporation of Pakistan was held on 27th April, 2004 in the Board Room of the Corporation, at State Life Building No.9, Dr. Ziauddin Ahmad Road, Karachi. The following attended the meeting:

- i) Mr. Bashir Ahmad Chairman
- ii) Mr. Nessar Ahmed Member
- iii) Mr. Umar Ata Bandial Member

2. The following attended the meeting on special invitation:

- 1. Mr. Muhammad Jawaid Khan, Executive Director(B&A)
- 2. Mr. Khizar Hayat Aamir, Divisional Head(B&A)
- 3. Mr. Sharukh Sabzwari, Divisional Head(Actuarial)
- 4. Saiyid Saeed Akhtar, Appointed Actuary
- 5. Mr. Sarfraz Mahmood of M/s. Riaz Ahmad & Co.
- 6. Mr. Usman Ghani of M/s. Anjum, Asim, Shahid, Rahman & Co.

3. The following business was transacted:

Item 1: To consider the legal opinion rendered by M/s. ORR DIGNAM & CO. (Advocates) with regard to applicability of Section 205 of the Companies Ordinance 1984 to State Life.

As per decision in the 11th Meeting of B.A.C. held on 26th Dec., 2003, the matter was referred for legal opinion to M/s. ORR DIGNAM & CO. (Advocates). Reply of the firm, No.AK/00217 dated January 13, 2004 has been received. They have referred to various articles of LINO 1972 and deliberated section 156, 158, 205, 230, 247, 254, 274, 277, 440, 441 and 503 of Companies Ordinance 1984.

According to the legal opinion State Life Ins. Corp. was constituted under article 11 of LINO 1972, read with notification issued by Govt. of Pakistan bearing No. S.R.O.991(1)/72 dated Oct. 27, 1972. Moreover no share of the Corporation is listed on Stock Exchanges in Pakistan. Hence in light of LINO and various sections of the Company Ordinance 1984, section 205 of the Ordinance is not applicable to State Life Ins. Corp.

The Committee agreed with the legal opinion and resolved that section 205 of the Company Ordinance 1984 does not apply to SLIC.

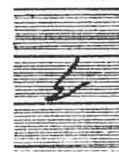
Item 2: To discuss the final audited accounts of State Life for the year 2003 with External Auditors before submission to the Board.

Annual accounts of the Corporation for the year ended on 31-12-2003 were explained by the representative of Statutory Auditors i.e. Mr. Sarfaraz Mahmood and Mr. Usman Ghani. They explained all the points contained in their letter addressed to the Board of Director with special emphasis on the following:

i) No provision for liability of employees compensated absences, Pension and post retirement benefits.

- a) It was explained by Divisional Head (B&A), that in order to meet the deficit of Pension / Gratuity Fund, approval has been taken from tax authorities. The total deficit of Rs.5.01 million is being covered with in three equal yearly installments since 2002. During 2004, the last installment will be provided to cover the entire deficit.

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- b) The leave of officers is being encashed within five years time since 2002. The entire accumulated leave of officers will be encashed upto 2006. The accumulated leave of staff will also be encashed in similar manner as per C.B.A. agreement of 2003.
- c) The auditors also discussed tax exemption about provision for retirement benefits. They suggested that State Life should approach to C.B.R. through ICAP to get clarification about tax exemption in the matter. It was agreed by the committee to approach CBR through ICAP to clarify the matter
- d) The auditors agreed to review their observation about Corporation occupied Properties with regard to charging of rent to the Corporation.

ii) Deposit of Tax deducted at source and Zakat.

The auditors pointed out that in some cases tax/Zakat deducted at source is not deposited in stipulated time. The Committee directed to Division Head B&A to deposit such proceeds in time. If there is any delay due to internal complications, the fact may be got exempted from relevant authority.

- iii) The auditors emphasized for strengthening of internal Control and improving the weaknesses in the accounting system. They further suggested that the management letter should be given a serious thought and the observations raised must be resolved. They also suggested that B&A Division must inform BAC and external auditors about progress for improvement in the system and solution of various lasting problems pointed out by auditors.
- iv) The appointed Actuary i.e. Mr. Saiyid Saeed Akhtar expressed his full satisfaction on actuarial valuation and solvency of the Corporation.

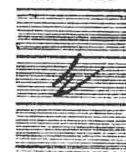
Item 3. To examine and recommend the final audited accounts of State Life for the year 2003 to the Board meeting to be held on 29th April, 2004.

The Committee examined the accounts in detail. After deliberation with ED/ Divisional Head (B&A) in detail the Committee directed:

- i) To analyze the pros and cons of the suggestion given by the auditors about coverage of re-insurance. PHS and Actuarial Division may be involved in such analysis and after consultation with the management; a report should be presented to BAC.
- ii) To provide the Medical facility to retired employees as per rules of Corporation. However the out sourcing/insurance from out side party for the facility may be considered.
- iii) Real Estate Division may be directed to have a full presentation about revision of rent agreement with the tenants on yearly basis.
- iv) The profit commission payable to GOP and Govt. of AJK with regard to National Accidental Insurance Scheme(NAI) may be paid to the respective government for welfare projects like health and education.
- v) To bring qualitative improvements in the accounting system and to redress the long outstanding issues in the Zones as well as PO relating to accounting matters.
- vi) After detailed deliberation by the members, it was resolved by BAC to recommend accounts for the year 2003 to the Board of Directors.

At the end the Committee appreciated the efforts made by B&A and Actuarial Divisions for finalizing the Accounts and Actuarial Valuation for the year 2003.

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Annexure 5/I

A: BONUS RECOMMENDATIONS

I have pleasure in recommending the following bonuses for with profits Pakistan Life Fund policies:

I. Whole Life and Endowment Assurance

For with profits policies in force for the full sum assured as at 31st December 2003:

i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2002 figures are given for comparison).

	2002		2003	
	For First Five Policy Years	From 6th Policy Year Onwards	For First Five Policy Years	From 6th Policy Year Onwards
Whole Life	Rs.56	Rs.102	Rs.56	Rs.102
<u>Endowments</u>				
20 years and over	Rs.48	Rs.94	Rs.48	Rs.94
15 to 19 years inclusive	Rs.35	Rs.81	Rs.35	Rs.81
14 years and less	Rs.20	Rs.66	Rs.20	Rs.66

Notes:

- Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- Big Deal policies will receive reversionary bonus on 25% of the sum assured only.
- For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.

(ii) Interim Bonus, in addition to regular bonuses already vested, will be payable on claims arising in the period up to the next bonus declaration. The rate of interim bonus would be the same as given in I(i) above.

(iii) Terminal Bonus will be paid on claims by death or maturity in 2004, where more than 10 years' premium have been paid. The rate will be Rs. 40 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of Rs.

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800 per thousand sum assured (Rs 30 for 2001 valuation and Rs 10 for 2002 valuation).

(iv) Special Terminal Bonus will be paid on claims by maturity in 2004, where a Family Income Benefit (FIB) is in force at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs. 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB supplementary contract has been in force, subject to a maximum of Rs. 200 per thousand basic sum assured (same as 2002 valuation).

NOTE: Terminal and Special Terminal bonuses are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal and Special Terminal bonuses, if any, which may be allowed on maturities or death claims after 2004.

II. Anticipated Endowment Assurance

For with profit Anticipated Endowments/ Three Stage/ Three Payment policies of whatever type in force for the full sum assured as at 31st December 2003:

i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2002 figures are given for comparison).

	2002		2003	
	For First Five Policy Years	From 6th Policy Year Onwards	For First Five Policy Years	From 6th Policy Year Onwards
20 years and over	Rs.35	Rs.69	Rs.35	Rs.69
15 to 19 years inclusive	Rs.25	Rs.59	Rs.25	Rs.59
14 years and less	Rs.19	Rs.53	Rs.19	Rs.53

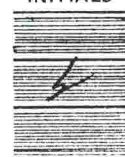
(ii) Interim Bonus, in addition to regular bonuses already vested, will be payable on claims arising in the period up to the next bonus declaration. The rate of interim bonus would be the same as given in II(i) above.

(iii) Terminal Bonus will not be paid on these policies.

(iv) Special Terminal Bonus, as mentioned in I(iv) above, will be paid on cases having Family Income Benefit supplement contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

(v) If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2004, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2002 valuation).

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Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit
--	--	--	--

20 years	Rs. 3,165	9 years	Rs. 1,005
18 years	Rs. 2,765	8 years	Rs. 845
16 years	Rs. 2,350	7 years	Rs. 695
14 years	Rs. 1,940	6 years	Rs. 555
12 years	Rs. 1,545	5 years	Rs. 420
10 years	Rs. 1,175	4 years	Rs. 300

Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.

III. Super (Table 72), Sunehri (Table 73), & Shehnai (Table 77) policies

(i) Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.

(ii) The rate of bonus is Rs. 105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.

(iii) Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies.

IV. Personal Pension Scheme (Table 71)

(i) Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2004. This increase would also be available on pension payments commencing in 2004.

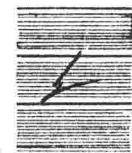
(ii) The rate of bonus is Rs. 80 per thousand per annum of the pension payments.

(iii) Reversionary, Terminal or any other bonuses recommended as a result of this valuation, will not be payable under these policies. However, bonus mentioned under VI below, if applicable, will be allowed.

V. Specified Major Surgical Benefit

(i) Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2003 valuation. The maximum benefit is Rs. 250,000 (same as 2002 valuation). This benefit is available to all with-profit policies, which have been in full force as at 31st December 2003 and have been continuously in force for at least five complete policy years at the date of surgery.

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(ii) Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2004 to 31st December 2004 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to a maximum payment of Rs. 250,000/-. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.

(iii) The specified surgeries and all other related conditions are the same as those announced in 2002 bonus declaration. Details are given in Annexure B.

VI. Family Income Benefits in course of payment (where the life assured has died)

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2005 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2004.

VII. East West Mutual etc.

Policies issued by the East West Mutual, Grand Mutual, I.G.I., Pakistan Mutual, Standard and Union Insurance and former East Pakistani companies will not get Terminal Bonuses, Special Terminal Bonuses, Specified Major Surgical Benefit.

B: NO CASH VALUE OF BONUS UNTIL THREE YEARS' PREMIUMS HAVE BEEN PAID

The Cash Value of bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:


- i) The policyholder has actually paid at least three full years' premiums
- ii) The policy has completed at least three policy years.

However, in case of a death claim, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.


"Actual payment" means payment in cash/pay order/bank draft/cheque after it has been realized.

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<p style="text-align: right;"><u>Annexure 5/II</u></p> <p style="text-align: center;">Specified Major Surgical Benefit</p> <p style="text-align: center;">Accelerated payment of 50% of survival benefits subject to maximum accelerated payment of Rs.250,000.</p> <p>Specified Major Surgical Benefit, which was introduced for the first time at the 1992 valuation, will continue in 2004 as well. It provides a unique cover to the existing policyholders, free of cost. Basically it makes a lump sum payment if an eligible insured undergoes major surgery during 2004, due to any one of the six "specified surgeries" (as listed below). The lump sum payment provides badly needed financial assistance to help recoup some of the cost of major surgery. The cost of the benefit will be met out of the 2003 actuarial surplus.</p> <p>The six "specified surgeries" for the purpose of this benefit are defined as follows:</p> <ol style="list-style-type: none"> 1. <u>Coronary artery by-pass surgery:</u> Undergoing of open heart surgery to correct narrowing or blocking of two or more coronary arteries with by-pass grafts. Laser treatments and /or reliefs, balloon angioplasty and /or any other procedures not necessitating thoracotomy will be excluded. The coronary by-pass surgery must be a direct result of a diagnosis of definite coronary artery disease by accepted angiography. 2. <u>Surgery for a disease of the aorta:</u> The actual undergoing of open heart surgery for a disease of the aorta needing excision and surgical replacement of the diseased aorta with a graft. For the purpose of this definition, aorta shall mean the thoracic and abdominal aorta but not its branches. 3. <u>Replacement of a heart valve:</u> replacement of one or more heart valves with artificial valves due to stenosis or incompetence, or a combination of these conditions. Valvotomy is specifically excluded. 4. <u>Major organ transplant:</u> The actual undergoing of a transplant of a heart, heart and lung, liver, kidney or bone marrow as a recipient. 5. <u>Craniotomy:</u> Any major neuro-surgical procedure on or in the brain, involving craniotomy. 6. <u>Cancer surgery:</u> Any major surgical procedure which is the direct result of cancer. For this purpose, cancer means a malignant tumor characterized by uncontrolled growth and spread of malignant cells and the invasion of tissue. Malignancy must have 			
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been evidenced by medical investigations. Excluded are: (a) non-invasive cancers in situ, (b) any skin cancers other than malignant melanoma; and (c) male prostate cancer if limited to the prostate.

DESCRIPTION OF BENEFIT

The specified major surgery benefit is being provided on with profit policies, which have been continuously in full force for five years. The amount of benefit will be 50% of the sum assured subject to a maximum of Rs. 250,000.

If the insured is covered under endowment type plans, such as Table 01 & Table 03, then 50% of the basic sum assured or Rs.250,000, whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.

If the insured is covered under anticipated endowment type plans, such as table 05, then 50% of future installment benefits (including basic maturity benefit) or Rs. 250,000, whichever is less, is payable in advance, on undergoing a specified surgery, which is adjustable from the survival installments or death, if earlier. The future survival benefits will be reduced by the specified major surgical benefit to adjust the advance payment on specified major surgery. In case, the insured dies before maturity then the balance of the specified major surgical benefit paid and not yet adjusted from survival benefits will be adjusted from death proceeds. Installments left with State Life will not be taken into account when computing the lump sum amount to be paid on a specified surgery.

In case of Joint Life Assurance plan (Table 06), 50% of the sum assured or Rs. 250,000, whichever is less, is payable in advance, if either of the insured lives undergoes a specified surgery, which is recovered on maturity or on earlier death of either of the insured persons.

In case of Child Protection Plan (Table 07), 50% of the sum assured or Rs. 250,000, whichever is less, is payable in advance, if the payor undergoes a specified surgery, which is recovered on maturity. No specified major surgical benefit is payable in respect of surgery on a "child" covered under table 07.

In case of Jeevan Saathi Plan (Table 19), 50% of the sum assured or Rs.250,000, whichever is less, is payable in advance if either of the life insureds undergoes a specified surgery which is recovered on maturity, or on his /her death if earlier.

In case of Big Deal Policy (Table 14) the amount of the basic sum assured will mean Rs. 25,000 per unit. 50% of this basic sum assured or Rs. 250,000, whichever is less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.

POSITION OF POLICY AFTER SPECIFIED MAJOR SURGICAL BENEFIT IS PAID

The policy will continue to participate in the profit of the Corporation, and bonus will accrue on the full sum assured as before. Premium payable under the policy,

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including extra if any, will continue to be paid by the policyholder, unaltered. Any rider attached to the policy and premium payable thereunder, will be unaffected by the payment of specified major surgical benefit.

CLAIM PROCEDURES

Evidence of having undergone a specified surgery will have to be provided by the claimant to the satisfaction of, and at no cost to State Life. The claimant will have to send his policy document and submit a personal statement. Confidential statements will also be required from the physician making the original diagnosis and the concerned surgeons, including the surgeon who performed the operation. State Life may require any additional proof to support the claim e.g. reports, test results, medical examination of the life insured etc. as it deems fit. The decision of State Life's Doctor, appointed for this purpose, will be final and binding.

If policy is assigned then the official discharge and permission in writing of the assignee must be obtained before any amount may be advanced to the insured.

If the policy has an irrevocable beneficiary, of the owner of the policy is not the insured then the official discharge and permission in writing must be obtained from the beneficiary/owner in writing before any amount can be advanced to the insured.

If the benefit is claimed under Joint Life Assurance Policy or Jeevan Saathi Policy then both the insureds must request that the benefit be paid.

ELIGIBILITY

The age of the life insured must be between 20 and 65 at the date of the surgery.

The policy must have been continuously in full force for at least 5 years at the date of surgery.

The policy must be in force for the full sum assured, (that is not paid up for reduced sum assured) as at 31-12-2003 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31-12-2003 and revived subsequently.

Benefits are only payable on Pak Rupee policies.

The benefit is only paid on with profit policies.

MISCELLANEOUS CONDITIONS

1. To obtain the specified major surgery surgical benefit, the date of surgery must be between 1st January 2004 and 31st December 2004.

NB: The question of surgery after 31st December 2004 will be considered at the time of the 2004 actuarial valuation.

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2. Benefits will be paid only once to any one life. That is once any insured has obtained benefits under the specified major surgical benefit, he is not eligible for any further benefits on any subsequent surgery.

3. Benefits will be paid only once on any policy. If any insured has received any specified major surgical benefits under a Joint Life or Jeevan Saathi Policy then neither he nor the other insured will be able to claim any subsequent specified major surgical benefit.

4. If the insured is covered under more than one policy, the maximum amount paid on all the policies together is limited to Rs. 250,000. The specified major surgical benefit will be provided out of the policies in the date of issue order until the maximum benefit of Rs. 250,000 is reached. If the insured is covered under multiple policies and is eligible for surgical benefit, then the benefit will be paid (at 50% of the basic endowment benefits outstanding subject to maximum of Rs. 250,000) from the policy issued first to the insured.

If the amount paid is less than Rs. 250,000 then amount will be paid from the second policy issued and so on subject to a total payment of Rs. 250,000.

5. If the specified major surgical benefit is paid, it will affect the basic surrender value of the policy from which it is paid. The subsequent basic surrender value of the policy will be 50% of the basic surrender value of the policy had no specified major surgical benefit been paid (or more exactly, the basic surrender value of the policy will be reduced proportionate to the outstanding endowment benefits advanced). The total surrender value of the policy would be the reduced basic surrender value of the policy plus the surrender value of the accrued bonuses (which will not be affected by the payment of the specified major surgical benefit).

6. If there is a policy loan and/or APL on the policy, the specified major surgery payment will be first used to pay off the policy loan/APL outstanding.

The balance of the specified major surgical payment, if any, will be paid to the insured.

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ANNEXURE – 6/I

PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2004

Zonal Officers' Team of GROUP LIFE ZONES

(with extension to Principle Office)

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 as well as State Life corporate spirit will be encouraged. Also, even the weakest Zone 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 and 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

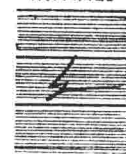
- 4. Profitability of Group Zone 25 points

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		For each 1% Real increase:

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<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; vertical-align: top;"> <p><u>Life and & Pension Premium over previous calendar year:</u></p> <p>Calculated to nearer whole 1%.</p> <p>"Real" means net of inflation. See Note (i) below</p> </td> <td style="width: 20%; vertical-align: top;"> <p>At least some Real increase</p> </td> <td style="width: 10%; vertical-align: top;"> <p>1 point</p> </td> <td style="width: 30%; vertical-align: top;"> <p>Maximum 25 points</p> </td> <td style="width: 10%;"></td> </tr> <tr> <td style="vertical-align: top;"> <p><u>2. Real % growth in Group Life and Pensions Premium From new Groups over Previous calendar year:</u></p> <p>Calculated to nearer whole 1%.</p> <p>"Real" means net of inflation. See note (i) below</p> </td> <td></td> <td></td> <td style="vertical-align: top;"> <p>For each 1% Real increase: 1 point</p> <p>Maximum 10 points</p> </td> <td></td> </tr> <tr> <td style="vertical-align: top;"> <p><u>3. Persistency</u></p> <p>Calculated to nearer whole 1%</p> </td> <td></td> <td></td> <td style="vertical-align: top;"> <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> </td> <td></td> </tr> <tr> <td style="vertical-align: top;"> <p><u>4. Profitability (in respect of Group Term business)</u></p> <p>Calculated to the nearer ½%. See note (ii) below.</p> <p>Note: 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> </td> <td style="vertical-align: top;"> <p>Minimum profitability: 2.5% of premiums</p> </td> <td></td> <td style="vertical-align: top;"> <p>For each ½% profitability over minimum: 5 points</p> <p>Maximum 25 points</p> </td> <td></td> </tr> </table>					<p><u>Life and & Pension Premium over previous calendar year:</u></p> <p>Calculated to nearer whole 1%.</p> <p>"Real" means net of inflation. See Note (i) below</p>	<p>At least some Real increase</p>	<p>1 point</p>	<p>Maximum 25 points</p>		<p><u>2. Real % growth in Group Life and Pensions Premium From new Groups over Previous calendar year:</u></p> <p>Calculated to nearer whole 1%.</p> <p>"Real" means net of inflation. See note (i) below</p>			<p>For each 1% Real increase: 1 point</p> <p>Maximum 10 points</p>		<p><u>3. 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><u>4. Profitability (in respect of Group Term business)</u></p> <p>Calculated to the nearer ½%. See note (ii) below.</p> <p>Note: 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 ½% profitability over minimum: 5 points</p> <p>Maximum 25 points</p>	
<p><u>Life and & Pension Premium over previous calendar year:</u></p> <p>Calculated to nearer whole 1%.</p> <p>"Real" means net of inflation. See Note (i) below</p>	<p>At least some Real increase</p>	<p>1 point</p>	<p>Maximum 25 points</p>																					
<p><u>2. Real % growth in Group Life and Pensions Premium From new Groups over Previous calendar year:</u></p> <p>Calculated to nearer whole 1%.</p> <p>"Real" means net of inflation. See note (i) below</p>			<p>For each 1% Real increase: 1 point</p> <p>Maximum 10 points</p>																					
<p><u>3. 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><u>4. Profitability (in respect of Group Term business)</u></p> <p>Calculated to the nearer ½%. See note (ii) below.</p> <p>Note: 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 ½% profitability over minimum: 5 points</p> <p>Maximum 25 points</p>																					
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Notes:

(i) Real Growth in Group Premium. This means growth in excess of inflation. For this purpose, inflation will be deduced from the official Consumer Price Index (CPI) for the 12 months ended 30 June 2003.

(ii) Profitability (in respect of Group Term business). This will be calculated on a true accrual basis, with adequate provision for (a) unexpired risk (b) incurred claims, whether paid or not (c) estimated claims 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.

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 Executive Director whose responsibilities are limited to Group & Pension.

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 bonuses of the following Divisions will depend on 75% of PO's Individual Life point score, and 25% of PO'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.

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<p><u>For Zones</u></p> <p>A percentage equal to 5 times of (Half the Zone's score + half the POs' Group Life score)</p> <p>Illustration: A Zone earned 60 points for its performance in the year 2004, having completed the Minimum Qualifying Real Premium growth and Profitability requirements.</p> <p>Principal Office earned 50 points for its performance in the year 2004, having completed the Minimum Qualifying Real Premium growth and Profitability 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, 2004 basic monthly salaries.</p> <p>See Para 5 above for special treatment of Sector Heads.</p> <p><u>For Principal Office</u></p> <p>The multiplier of 5 will be applied to the whole of State Life's Group performance in Pakistan.</p> <p>See Para 6 above for treatment of certain Divisions whose bonuses depend partly on Individual Life and partly on Group.</p> <p>8. <u>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 2005, and the bonuses calculated by 31 March 2005, so that they can be provided for in the Revenue Account for 2004.</p> <p>9. <u>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>10. <u>General Conditions.</u></p> <ul style="list-style-type: none"> ➤ If new Zones are created, the system will be modified for them. If Zones are merged, the performance in 2003 of the merged Zones will form the base. ➤ In case of any doubt or clarification, decision of Principal Office 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-6/II

PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2004

for Officers' Team of the REAL ESTATE DIVISION

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 37 ½% of PO's points for Pakistan Individual Life Business and 12 ½% of PO's points for Pakistan Group Life Business. Thus a maximum total of 80 points will be built up as follows:

40 for Real Estate's own performance + 37 ½% of 80 PO's points for Pakistan Individual Life Business + 12 ½ % of 80 PO's points for Pakistan Group Life Business = 80 points.

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

#	Item	Description	Max Points
(i)	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
(ii)	Increase in Rented Area (Minimum increase 5,000 sq ft)	1 point for every 1,000 sq ft exceeding 5,000 sq. ft.	10
(iii)	Recoveries of outstanding rent (more than 1 year old)	1 point for reduction of every Rs.0.5 million.	5
(iv)	Yield on investment (Net Income/Book Value excluding vacant plots), measured to nearer ½ % p.a.	1 point for every ½ % yield	10
Total points			40


Calculation of Points:

➤ 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 37 ½ % of 80 PO's points for Pakistan Individual Life Business + 12 ½ % of 80 PO's points for Pakistan Group Life Business, the total points will be multiplied by 5 to arrive at the bonus as a % of December 2004 basic salaries of Real Estate Officers, irrespective of their place of posting.

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<p>➤ In regard to items 1 and 2, as decided by Principal Office equitable adjustments will be made 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.</p> <p>➤ In case of any doubt or clarification, decision of Principal Office will be final and binding on all concerned.</p> <p>3. The scheme may be withdrawn or amended by PO at any time.</p> <hr/>			
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ANNEXURE – 6/III

PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2004

Zonal Officers' Team of INDIVIDUAL LIFE ZONES

(With extensions to Regional Offices and Principle Office)

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 breakdown 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 of 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 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, therefore this Bonus Plan will not be applicable to them.

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 no points will be earned by the Zone for its own performance.

But, for Zones whose FYP in 2003 was less than a "floor" of Rs.30 Million, a higher Minimum Qualifying real FYP growth rate net of inflation, up to a maximum of 10% will be required, on a cases to case basis.

Likewise, for Sub-Zones and Sectors whose FYP in 2003 was less than a "floor" of RS. 10 Million, a higher Minimum Qualifying real FYP growth rate, net of inflation, up to a maximum of 10% will be required, on a case to case basis.

The Minimum Qualifying 2nd Policy Year persistency must be at least 65% in 2004. If a Zone fails to achieve this, then no points will be earned by the Zone for its own performance.

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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 SRs who are active professionals | 5 points |
| 3. Ratio of FYP through newly recruited active SRs | 5 points |
| 4. Regularity of New Business throughout the year | 5 points |

Sub-total Group A 40 points

Group B. Persistency:

- | | |
|--------------------------------------|-----------|
| 5. Second Year Persistency | 10 points |
| 6. Third and later years Persistency | 10 points |

Sub-total Group B 20 points

Group C. Expense:

- | | |
|---------------------------------------|-----------|
| 7A Reduction in Renewal Expense Ratio | 10 points |
| OR | |
| 7B Level of Renewal Expense Ratio | 10 points |

Sub total Group C 10 points

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

Group D. Mortality

- | | |
|--|----------|
| 8. Mortality under Early Death Claims within actuarial expectation | 5 points |
|--|----------|

Group E. Suspense

- | | |
|--|----------|
| 9. Year end Suspense as % of year's 2 nd and later years premiums | 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	For each 1% Real increase: 1 point. Maximum 25 points

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	Qualifying FYP growth rate will be required, on a case to case basis	
2. <u>Ratio of SRs, who are active Professionals</u> for definition of active SR - See Note (ii)		Less than 33% of SRs are active professionals: No point For each 1% over 33%: 1 point Maximum 5 points
3. <u>Ratio of FYP through newly recruited active SRs</u> For this purpose, those SRs will count who were recruited in 2004 and who did at least Rs.20,000 FYP in 2004		If FYP through newly recruited active SRs is less than 20% of the Zone's FYP in 2004: No point For every 1% over 20%: 1 point Maximum 5 points
4. <u>Regularity of New Business</u> Depends on number of "Productive Quarters". For definition of "Productive Quarter" - See Note (iii).		No. of Productive Quarters Points 4 5 3 3 2 1 1 0
5. <u>Second Year Persistency</u> Calculated to nearer whole 1% Note. Single premium policies sold in the previous year will be excluded while calculating 2 nd year persistency.	65% Note. The Minimum Qualifying Standard is lower than the level over which points are earned (See next column).	For each 1% 2 nd Year Persistency over 70%: 1 point Maximum 10 points
6. <u>Third and later Policy years' Persistency</u> Calculated to the nearer whole %		For each 1% 3 rd Year and later years' Persistency over 85%: 1 point Maximum 10 points Note. If 3 rd and later years' persistency is 85% or less, there will be no points.
7A <u>Reduction in Renewal Expense Ratio</u>		Points will depend on the reduction of the Renewal Expense Ratio compared with

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<p>The Renewal Expense ratio will be calculated by the statutory method, to two decimal places.</p>		<p>2003 in brackets of ½ % of the Renewal Premium. For this purpose, the Renewal Premium will include second year and later policy years' premiums.</p> <p>For each ½% reduction, 1 point will be given up to a maximum of 10 points.</p> <p><u>Examples :</u></p> <p>Reduction less than ½% 0</p> <p>Reduction at least ½% But less than 1% 1</p> <p>Reduction at least 4 ½ % But less than 5% 9</p> <p>Reduction 5% or more 10</p>	
<p><u>7B. Renewal Expense Ratio</u></p> <p>Calculated by the statutory method, to nearer whole 1%.</p> <p>Note. 7A and 7B are alternatives. The Zone will get the benefit of whichever yields the higher points.</p>		<p>If the Renewal Expense Ratio is 13% or less, 10 points will be earned.</p> <p>For each 1% in excess of 13%, 1 point will be deducted.</p> <p>If the Renewal Expense Ratio is 23% or more, there will be zero points.</p>	
<p><u>8. Early Death Claim</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 even %.</p> <p>The excess % will be calculated by number, and by sum insured. For the present purpose, the Arithmetic 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, deduct 01 point;</p> <p>Example: If early death claims are 6% above actuarial expectation, deduct 3 points from 5 thus resultant score is 2 points.</p>	<p>CHAIRMAN'S INITIALS</p> 

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2. Year-end Suspense as % of Year's 2 nd and later years' Premiums. Taken to the nearer whole %.	Year-end Suspense as % of Year's 2 nd and later yrs' Premiums	Points
	1% or less	5
	2%	4
	3%	3
	4%	2
	5%	1
	6% or more	0

Note:

(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, 2003. Premium figures will be taken from the computerized 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 2004 under at least 12 policies on different lives, and had 2nd Year Persistency of at least 75% in 2004.

(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 Mangers, then 20% of their Annual FYP quotas for that year will also be added for this purpose.

Illustration: Zone Area Mangers' 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.

(iv) 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 out side the Performance Based Bonus Scheme.

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

(vi) No 2nd year persistency requirement for new SRs recruited in 2004.

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:

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

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

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

7. Extension to Regional Officers' Team

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

8. Extension to Principal Office

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

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

Marketing
PHS

The bonuses of the following Divisions will depend on 75% of PO's Individual Life point score, and 25% of PO's Group Life point score.

P&GS
B&A
Internal Audit
Computer
Actuarial
Law

9. Conversion of points earned into Bonus

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

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For Regions and Zones

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

Illustration: A Zone earned 60 points for its performance in the year 2004, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.

Principal Office earned 50 points for its performance in the year 2004, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.

The Zonal Head and Zonal Officers will get 5 times ($\frac{1}{2} \times 60 + \frac{1}{2} \times 50$) = 275% of their December 2004 basic monthly salaries (See Para 6 above for special treatment of Sub-Zonal/Sector Heads and Underwriters).

For Principal Office

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

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

10. Date of declaration of officers' bonuses

Officers' bonuses will be announced as soon as the figures are available. Figures must be submitted by the Zones by 28 February, 2005, and the bonuses calculated by 31 March 2005, so that they can be provided for in the Revenue Account for 2004.

11. 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.

12. General Conditions

- If new Zones are created, the system will be modified for them. If Zones are merged, the performance in 2003 of the merged Zones will form the base.
- In case of doubt, if any, decision of Principal Office 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-6/IV

**PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2004
for Officers' Team of (Gulf Countries) INTERNATIONAL DIVISION
(With extensions to Principal Office)**

Zonal Officers will be a Team

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

The Performance Bonus plan will Insha Allah 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. Under-writing, New Business, Accounts and other functional people will have a direct interest in the growth of FYP. Reduction of suspense will be taken into account.

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 Secopnd Year Persistency

There must be some growth in FYP in 2004 over 2003. For the purpose of this scheme it is considered that there is no inflation in Gulf Zone (Gulf Countries). If a Sector or Zone fails to achieve growth, then there will be no bonus for the Sector Head/Zonal Officers Team/Principal Office International Team.

The Minimum Qualifying 2nd Policy Year persistency must be at least 65% in 2004. If a Sector or Zone fails to achieve this, then no points will be earned by the Sector Head/Zonal Officers Team/Principal Office International Team.

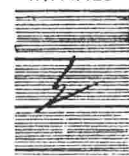
4. Point system - Summary:

To ensure balanced performance, 7 items will be measured under a point system. There will be a maximum of 80 points, allocated as follows:

Group A: New Business and Regularity of Business

- | | | |
|----|--|-----------|
| 1. | % growth in FYP | 30 points |
| 2. | Regularity of New Business throughout the year | 5 points |
| | Sub-total Group A | 35 points |

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Group B : Persistency

- | | |
|-------------------------------------|-----------|
| 3. Second Year Persistency | 15 points |
| 4. Third and Later Year Persistency | 10 points |
| Sub-total Group B | 25 points |

Group C: Expense

- | | |
|---|-----------|
| 5 A. Reduction in Renewal Expense Ratio | 10 points |
| OR | |
| 5 B. Level of Renewal Expense Ratio | 10 points |
| Sub total Group C | 10 points |

Note: 5A. and 5B. are alternatives. The Zone will get the benefit of whichever yields the higher points.

Group D: Mortality

- | | |
|--|----------|
| 6. Mortality under Early Death Claims within actuarial expectation | 5 points |
| Sub total Group-D | 5 points |

Group E: Suspense

- | | |
|--|----------|
| 7. Year-end Suspense as % of year's 2 nd plus later years' 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>F.Y.P.</u> Real % increase in FYP over previous calendar year, calculated to nearer whole 1 %.	At least some increase over the year 2003	For each 1% increase: 1 point Maximum 30 points.
2. <u>Regularity of the New Business.</u> Depends on number of "Productive Quarters". See Note (ii) for definition of "Productive Quarter"		No. of Productive Quarters Points 4 5 3 3 2 1 1 0
3. <u>Second year Persistency</u> Calculated to nearer whole 1% Note: Single premium policies sold in the previous year will be excluded while calculating 2 nd year persistency.	65% Note: The Minimum Qualifying Standard is lower than the level over which points are earned. See next column.	For each 1% 2nd Year Persistency over 70%: 1 point. Maximum 15 points

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<p>4. <u>Third and later Policy years' Persistency.</u></p> <p>Calculated to the nearer whole %.</p>		<p>For each 1% 3rd and later policy years' Persistency over 85%: 1 point</p> <p>Maximum 10 points</p> <p>Note: If 3rd and later years Persistency is 85% or less, there will be no points.</p>	
<p>5A. <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 2003, in brackets of ½ % of the Renewal Premium. For this purpose the Renewal Premium will include second and later Policy years' premiums.</p> <p>For each ½ % reduction, 1 point will be given up to a maximum of 10 points.</p> <p><u>Example:</u></p> <p>Reduction less than ½% 0</p> <p>Reduction at least ½ % but less than 1% 1</p> <p>Reduction at least 4.5% but less than 5% 9</p> <p>Reduction 5% or more 10</p>	
<p>5B. <u>Renewal Expense ratio.</u></p> <p>Calculated by the statutory method, to nearer whole 1%.</p> <p>Note: 5A and 5B are alternatives. The Zone will get the benefit of whichever yields the higher points.</p>		<p>If the Renewal Expense Ratio is 13% or less, 10 points will be earned.</p> <p>For each 1% in excess of 13%, 1 point will be deducted.</p> <p>If the Renewal Expense Ratio is 23% or more, there will be zero points.</p>	
<p>6. <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 even %.</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, deduct 1 point.</p> <p><u>Example:</u></p> <p>If early death claims are 6% above actuarial expectation, deduct 3 points from 5; resultant score is 2 points.</p>	<p>CHAIRMAN'S INITIALS</p> 

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6. Year-end Suspense as % of year's 2 nd and later years' premiums. Taken to the nearer whole %.	Year-end Suspense as % of year's 2 nd & later yrs premiums	Points
	1% or less	5
	2%	4
	3%	3
	4%	2
	5%	1
	6% or more	0

NOTES:

(i) Premium figures will be taken from the BPR. In case of Single Premium Policies, 6% of the single premium will be counted towards FYP. All business i.e., US Dollar, UAE Dirham and Pak Rupee would be converted into US Dollars for the purpose of comparison and calculating growth for the year. Conversion rates would be as follows:

US \$ 1 = Dirham 3.67

US \$ 1 = Rupees Equivalent on 31-12-2003, 31-12-2004 and at the end of each Qtr.

(ii) Definition of Productive Quarter.

A Productive Quarter is one in which the FYP is at least 20% of the Total of the Gulf Zone Annual FYP for the year.

Illustration

Gulf Zone's total FYP for the full year = US\$ 10 million

20% of the above = US\$ 2 million

Therefore, a Quarter in which the FYP was at least US\$ 2 million will be a Productive Quarter.

6. Special Treatment of Sector Heads and Underwriters

(1) Each Sector Head will earn maximum 60 points based on his own Sector's performance as follows:

Group A (New Business and Regularity of business)	35 points
Group B (Persistency)	25 points
Total points:	60 points

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

The entire operations in the Gulf Countries would be treated as one Zone and UAE, Kuwait & Kingdom of Saudi Arabia would be treated as Sectors.

(2) For an Underwriter, the points under "Group A1: % growth in FYP" (maximum 30 points) will be based on the performance of the Corporation as a whole and not the Zone's performance. For all remaining items (maximum 50 points), he will get the points earned by the Zone (Gulf Countries).

7. Extension to Principal Office.

The Officers of International Division at Principal Office will be part of the Principal Office, International Officers Team and their point score will be based on the above calculation for the Zone (Gulf Countries).

8. 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 based on the performance of the International Division as a whole. Details are given below:

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For Zone (Gulf Countries)

A percentage equal to 5 times the Zone's score.

Illustration: The Zone earned 60 points for its performance in the year 2004, having completed the Minimum Qualifying FYP growth and 2nd Year Persistency requirements.

The Zonal Head, Zonal Officers will get 5 times the points earned by the Zone (5 x 60), i.e., 300% of their December 2004 basic monthly salaries.

For Principal Office

A percentage equal to 5 times the score of State Life's International Business (Gulf countries) will be applied.

9. 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 2005, and the bonuses calculated by 31 March 2005, so that they can be provided for in the Revenue Account for 2004.

10. 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.

11. General Conditions

- If new Zones are created, the system will be modified for them. If Zones are merged, the performance in 2003 of the merged Zones will form the base.
- In case of doubt, decision of the Principal Office 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-6/V

**PERFORMANCE BASED BONUS PLAN FOR THE YEAR 2004
for Officers' Team of the INVESTMENT DIVISION**

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 Life. The remaining points will be determined by taking 37 ½ % of PO's points for Pakistan Individual Life Business and 12 ½ % of PO's points for Pakistan Group Life Business. Thus a maximum total of 80 points will be built up as follows:

40 for Investment Division's own performance + 37 ½ % of 80 PO's points for Pakistan Individual Life Business + 12 ½ % of 80 PO's points for Pakistan Group Life Business = 80

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

#	Item	Description	Max. points
(i)	Average for the three calendar years 2002, 2003 and 2004 of the following items: "Increase or decrease in one-year return on entire Investment Portfolio (excluding Equities, TFCs, Real Estate and Policy Loans) in the calendar year compared with previous calendar year" minus "increase or decrease in average Based Rate during the calendar year compared with previous calendar year" See Note (i) and (ii)	For every 0.25% positive difference: 1 point	
(ii)	Average for the three calendar years 2002, 2003 and 2004 of the following items: "One year return on State Life Equity Portfolio during the calendar year" minus "One year return on KSE Index during the calendar year" See Note (i)	For every 0.1% positive difference: 1 point	10

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(iii)	Average for the three calendar years 2002, 2003 and 2004 of the following items: "One year return on State Life TFC Portfolio during the calendar" minus "Weighted one year average market return on TFC during the calendar year, excluding TFCs issued before 1 st January, 2002".	For every 0.1% positive difference: 1 point	05
Total points			40

NOTES:

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

- Let A = Market value of portfolio at beginning of calendar year
- Let B = Market value of portfolio at the end of calendar year
- Let I = Interest and Dividends + realized capital gains – realized capital losses
+ unrealized capital appreciation
– unrealized capital depreciation
– all expenses including Investment Division cost during the calendar year

Then One year return = $(2 \times I) / (A + B - I)$, expressed as percentage.

ii) "Basic rate" will be as defined in Clause (viii) of Section 2 of the Insurance Ordinance, 2000.

Calculation of Points:

- Points will be calculated after closing of the books of accounts. All figures will be taken from the audited annual accounts.
- After adding 37 ½ % of 80 PO's points for Pakistan Individual Life Business + 12 ½ % of 80 PO's points of Pakistan Group Life Business, the total points will be multiplied by 5 to arrive at the bonus as a % of December, 2004 basic salaries of Investment Divisions Officers.
- In case of any doubt or clarification, decision of Principal Office will be final and binding on all concerned.

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

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