

**MINUTES OF 179<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

BOOK	HELD AT	ON	TIME
	ISLAMABAD	7 <sup>TH</sup> AUGUST' 2004	

**CONFIDENTIAL AND RESTRICTED**

The one hundred and seventy ninth (179<sup>th</sup>) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 7<sup>th</sup> August 2004 at 10:00 a.m., in the Board Room, State Life Building No.9, 33-E, Jinnah Avenue, Blue Area, Islamabad.

**PRESENT:**

- |                         |                 |
|-------------------------|-----------------|
| 1. Mr. Kamal Afsar      | Chairman        |
| 2. Mr. Bashir Ahmed     | Director        |
| 3. Mr. Nessar Ahmad     | Director        |
| 4. Mr. Umar Ata Bandial | 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), Mr. Rahat ul Ain, Executive Director (RE/ACT.) and Mr. Zahid Murad, Executive Director (P&GS/LAW), 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 Air Marshal (Retd) Sharbat A. Changazi, Directors have requested for leave of absence. The Board granted them leave.

**ITEM (01) CONFIRMATION OF MINUTES OF 178<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS HELD ON 19-06-2004.**

5. The minutes of the 178<sup>th</sup> Meeting of the Board of Directors held on 19<sup>th</sup> June' 2004, were placed before the Board.

6. Mr. Bashir Ahmed proposed and Mr. Nessar Ahmad seconded that the minutes of 178<sup>th</sup> meeting held on 19<sup>th</sup> June, 2004 be confirmed.

Accordingly, it was resolved as under:

**RESOLVED:**

"that the Minutes of the 178<sup>th</sup> Meeting of the Board of Directors held on 19<sup>th</sup> June' 2004, were hereby confirmed."

**ITEM (02) IMPLEMENTATION REPORT ON DECISIONS TAKEN IN THE 178<sup>TH</sup> MEETING OF BOARD OF DIRECTORS.**

7. The Board Secretary presented before the Board the implementation report on decisions taken in the 178<sup>th</sup> meeting of the Board held on 19<sup>th</sup> June, 2004.

8. The implementation report of 178<sup>th</sup> meeting of the Board was noted.

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Action:  
Board  
Secretary

Action:  
Board  
Secretary

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**ITEM (03) PRESENTATION ON BUSINESS FIGURES FOR THE PERIOD ENDED 30-06-2004 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, 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.884 million for the period ending on 30<sup>th</sup> June, 2004 as compared to Rs.650 million during the corresponding period of last year, thus registering an increase of 35.96% over the corresponding period of last year.

11. The Corporation also collected Rs.429 million, second year premium, as compared to Rs.297 million during the corresponding period of last year, thus showing an increase of 44.44%. The second year persistency for the period from January to June, 2004 was 66.02 while in 2003 the second year persistency for the same period was 61.80%. The third year and later year's premium for the period from January to June, 2004 was Rs.1,721 million as compared to Rs.1,502 million renewal premium during the same period of last year, thus showing an increase of 13.98%. The renewal persistency ratio for the period January to June, 2004 was 95.08% while in 2003 the renewal persistency for the same period was 95.28%. The Marketing Division sold 91,269 new policies from 1<sup>st</sup> January upto 30<sup>th</sup> June, 2004 against 75,765 policies sold during the same period of preceding year and thus registering an increase of 20.46%. The number of policies surrendered upto May, 2004 was 17,436, while the number of surrendered policies for the corresponding period of last year was 29,324, thus showing a decrease of 40.54%.

12. Mr. Zafar Mahmood, ED(Marketing) informed the Board that Rs. one billion first year premium was achieved on 30<sup>th</sup> July, 2004 as compared to the last year, when the target of Rs. one billion was achieved on 30<sup>th</sup> September, 2003.

13. The Board of Directors appreciated the achievements and congratulated the Chairman, Executive Directors, other officers, staff and members of the field force of State Life.

**GROUP & PENSIONS DIVISION:**

14. 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 June 30, 2004 stood at Rs.984.470 million as compared to Rs.715.051 million, for corresponding period of last year showing an increase of 37.68%. G&P Division secured 143 new groups during this period having total premium of Rs.34.502 million as against 96 new groups having premium of Rs.15.935 million, showing an increase of 117% in premium income under new groups and 49% increase in number of new groups in 2004 as compared with 2003. G&P Division lost 25 policies having a total premium of Rs.3.643 million. The persistency of G&P Division was 99.49% upto June 30, 2004.

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Action: ED(G&P)	<p>15. During the course of discussion, Mr. Nessar Ahmad pointed out that in the business progress report of Group &amp; Pensions a column mentioning "claim to the premium ratio", should be incorporated. The Board appreciated the achievement made by Group &amp; Pensions Division.</p>		
Action: ED(G&P)	<p>16. During the course of presentation of business figures, ED(G&amp;P) informed the Board that efforts were being made to reactivate the "National Accidental Death Insurance Scheme" for bread winners, which was once introduced by the Government during the period of Junajo's Government. ED(G&amp;P) explained the salient features of the scheme wherein the bread winner of a family heirs were benefited and the premium was allocated by Ministry of Finance. Mr. Bashir Ahmed asked ED(G&amp;P) to place before the Board a proper memorandum with previous decision alongwith other details to enable the members of the Board to consider the matter.</p>		
Action: ED(G&P)	<p>17. ED(G&amp;P) also pointed out that State Life was trying to introduce new insurance schemes for the general public. He pointed out that according to Motor Vehicle Laws, third party insurance was mandatory requirement but at the time of accident and lodging the claim the insurance companies usually refuse to accept their liability and decline the insurance claim. State Life has referred the matter to the Government to eliminate the requirement of third party insurance and instead introduce a proper scheme in which all human beings involved in the accident to all the motor vehicles holders be insured. Similarly, State Life was also working to initiate a comprehensive education insurance plan through which a certain amount of insurance premium would be collected from the school fees. In return State Life in case of death of the provider would provide the school fees and also an equal amount for the purchase of books/supply of uniforms etc. on annual basis, till the completion of the school years. Mr. Bashir Ahmed while joining the discussion opined that Punjab Government should be contacted with a comprehensive educational plan. He also pointed out that Beacon House School System should be contacted for educational insurance. Mr. Zafar Mahmood mentioned that in the west as well as in India the insurance system was very advanced and we could learn new ideas of insurance from them. The Board suggested to the Chairman to interact with Indian State Life and explore the field of insurance in India for learning from their experiences.</p>		
Action: ED(G&P)	<p>18. ED(G&amp;P) also briefed that the workers who are going abroad for jobs were getting insured for Rs.700. This was compulsory insurance which was being done through the Office of Protector which was a Government Office. State Life should work to provide such labour class who were going abroad a voluntary insurance cover for a period of three years or more, preferably to coincide with their period of visa. If worker dies during such period, the death benefits would be payable and if he survives his survival benefits would be payable consisting of money deposited by him alongwith some profit. Mr. Zafar Mahmood also briefed the Board, that a scheme for Sindh Government's Pensions Fund was being negotiated. The members of the Board appreciated the work being done by the Marketing and Group &amp; Pensions Divisions.</p>		
	<p><u>INTERNATIONAL DIVISION:</u></p> <p>19. Executive Director(Marketing) informed the Board that International Division has procured US\$:887,823 FYP, for the period ending on June 30, 2004 as against US\$: 709,748 during the corresponding period of last year showing an increase of 25%. The number of policies sold by International Division during the period January to June, 2004 was 701 as against 574, during the corresponding period of last year, registering an increase of 22%. Second year persistency achieved during the period January to June,</p>		

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2004 was 73%, as against 58% showing a decline of 15% over last year. Renewal persistency for the period ending on June 30, 2004 was 92% as against 75% in the last year corresponding period, showing an increase of 17%.

20. The achievement made by the International Division were appreciated by the Board.

INVESTMENT DIVISION:

21. Executive Director (Investment) presented before the Board a memorandum pertaining to business figures of Investment Division. The book value of investment portfolio, which was Rs.96,602 million as on December 31, 2003, was estimated to have increased to Rs.100,616 million as on June 30, 2004, reflecting an increase of Rs.4,014 million and a percentage increase of 4.16%, during the six months ended June 30, 2004. State Life has been investing in Pakistan Investment Bonds floated by Government of Pakistan in December 2000. The Corporation has placed Rs.8,501 million in PIBs during the period under review raising the total investments in PIB's inclusive of accrued interest to Rs.60,940 million. This constituted about 80.02% 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 June 30, 2004. Balance outstanding against TFCs of other companies was Rs.670 million as on June 30, 2004.

22. State Life equity portfolio which was Rs.8,933 million as on December 31, 2003 has increased to Rs.9,338 million as on June 30, 2004. State Life purchased shares with a book value of Rs.469.918 million during the period ended June 30, 2004 and has sold shares with a book value of Rs.65.257 million for Rs.173.753 million thereby realizing capital gain of Rs.108.496 million during this period. The book value of quoted equity portfolio stood at Rs.8,927 million while its market value was Rs.25,800 million showing an appreciation of Rs.16,893 million as on June 30, 2004.

23. State Life, has earned Rs.4,706 million (estimated) on its investment portfolio, excluding unrealised gain on investment for the period ended June 30, 2004, as compared to Rs.11,214 million earned during the year of 2003.

REAL ESTATE DIVISION:

24. Executive Director(RE) presented the business figures of Real Estate Division for the period ending on June 30, 2004. The gross income of Real Estate as at 30<sup>th</sup> June, 2004 was Rs.194 million as against prorated projection of Rs.209 million. The gross income upto 30<sup>th</sup> June 2003 was Rs.186 million. The projected figures of gross income for the period from 1<sup>st</sup> January, 2004 to 30<sup>th</sup> June, 2004 was taken as average of the total projection for the year 2004. In subsequent months, the actual amount would increase and target would be achieved. Total expenses upto 30<sup>th</sup> June 2004 came to Rs.182 million as against budgeted amount of Rs.202 million, which was 10% less. Net income upto 30<sup>th</sup> June 2004 was Rs. 12 million which was 71% higher to the targeted figure upto the month.

25. Mr. Bashir Ahmed pointed out that in an earlier meeting, the Board directed the Real Estate Division to arrange a detailed presentation on different properties of Real Estate identifying their categories, use, expenditures being incurred, revenue being generated and future use if any. ED(RE) was asked to look into the matter and to arrange the requisite presentation as early as possible.

Action:  
ED(RE)

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**ITEM (04) CONSIDER/APPROVE – FRESH PROPOSAL REGARDING DETAILED FINANCIAL FEASIBILITY REPORT OF STATE LIFE TOWER, ISLAMABAD.**

26. Executive Director (RE) presented before the Board, the memorandum No.04 alongwith annexures I to VII consisting upon feasibility regarding State Life Tower, Islamabad. At this juncture of time, Mr. Talib Ali, GM(RE), Mr. Manzar Husain, DGM(RE), Mr. Suhail and Mr. Pasha of M/s. Suhail and Pasha & Associates joined the meeting. Mr. Suhail and Mr. Pasha the architects made the presentation with the help of multi media and replied to the different queries of the members of the Board. In 178<sup>th</sup> meeting of the Board, Board directed Real Estate Division to present a fresh proposal regarding detailed financial feasibility for facades No.1, 2 and 3 if the proposed project would be completed in one-go and said building would be having centrally airconditioning system.

27. Mr. Suhail and Mr. Pasha architects gave a very elaborate and comprehensive presentation before the Board. Replying to a query raised by Mr. Bashir Ahmed, Mr. Pasha mentioned that if original façade design with fully finished rentable areas would be approved, the total cost of project in one-go with central airconditioning system would be Rs.709 million. Upon a question asked by Mr. Umar Ata Bandial, the architects briefed that SLIC had a prime location for proposed building wherein the adjoining areas, the buildings of multi national companies and financial institutions were situated and the area had very good prospects for rental income. Replying to a query raised by Mr. Nessar Ahmad, the architects briefed that the cost of the building was estimated to be paid back within a period of 8 to 9 years. Mr. Nessar Ahmad pointed out that the cost of the building should not be on the higher side and special care should be taken to minimise the expenses. While joining the discussion, Ch. Javaid Hussain opined that the outer look of the building should be eye catching and beautiful and the glass and bricks should be used of best quality and colours. The architects assured the Board that the proposed building would be having all the basic facilities of modern days and it would be constructed within a period of four years according to the bye laws of the Capital Development Authority. The building would be an example of beauty and aesthetic sense and would be a land mark on the skyline of Islamabad. Mr. Rahat ul Ain, ED(RE) also briefed on different salient features of the project and requested the Board for approval of the project in the line of the memorandum No.04. The facts and figures of presentation made before the Board were placed as annexures VII/A and VII/B to memorandum No.04.

After thorough discussion, it was resolved as under:-

**RESOLVED:**

"that the proposal as mentioned in Real Estate Division's of the original façade design with fully finished rentable areas of State Life Tower, Islamabad was approved to make the construction in one-go within a period of four years with central airconditioning, at a cost of Rs.709 million (Rupees seven hundred nine million)."

Action:  
ED(RE)

**ITEM (05) CONSIDER/APPROVE – COMPENSATION AMOUNTING TO RS.56.008 MILLION RECEIVABLE FROM GOVERNMENT OF PAKISTAN BEING PAYMENT MADE TO DEFUNCT INSURERS.**

28. Executive Director(B&A) presented before the Board, memorandum No.05

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dated 18-06-2004 regarding compensation amounting to Rs.56.008 million receivable from Government of Pakistan being payment made to defunct insurers.

29. At the time of nationalization of the life insurance business in Pakistan, the defunct insurers, whose life business was transferred and vested in the Corporation, were required to be paid compensation in terms of Article 39 of Life Insurance (Nationalization) Order, 1972 (LINO). Compensation was approved by the Federal Government in the amount of Rs.56.008 million, which was paid by the Corporation to the defunct insurers.

30. However, as the Government of Pakistan did not refund the amount, the amount was booked as "Receivable from Government of Pakistan" at that time. However, the Statutory Auditors have been qualifying our accounts for so many years as the amount was lying unadjusted for a long period. In order to avoid qualification from Statutory Auditors in the annual accounts of the Corporation for the year 2003, the Board of Directors was requested to accord approval to the Management to reverse the amount of Rs.56.008 million from "Amount Receivable" and charge the same to Revenue Account for the year 2003.

31. The matter was discussed in 176<sup>th</sup> meeting of the Board of Directors held on 3<sup>rd</sup> April, 2004 and the Board directed that the legal opinion from an external legal advisor to ascertain the legal position be obtained and be placed before the Board for their consideration.

32. Accordingly, an advice dated 11.6.2004 has been obtained from Ms/ Orr Dignam & Co., Advocates, which was enclosed as Annex "A". The legal advisers have concluded that under the Life Insurance Nationalization Order, 1972 (LINO), compensation payable to the erstwhile insurers for such business upon its transfer to State Life was to be paid by State Life under Article 39 of the LINO and the Government has no liability in terms of LINO to compensate State Life for the same. There is no provision in LINO which states that the compensation so paid by State Life was paid on behalf of Government of Pakistan or that the same is reimbursable by the Government.

33. In the light of advice from legal adviser, the Board was requested to accord permission to write off the amount erroneously booked as "Compensation receivable from Government of Pakistan".

After thorough discussion, it was resolved as under:

**RESOLVED:**

"that the proposal of ED(B&A) contained in the memorandum No.05 dated June 18, 2004 to write off the amount of Rs.56.008 million, erroneously booked as "Compensation receivable from Government of Pakistan", was hereby approved."

**ITEM (06) CONSIDER/APPROVE – MEMORANDUM FOR  
RECONSTITUTION OF BOARD AUDIT COMMITTEE.**

34. Secretary Board presented before the Board, memorandum No.06 dated 25-07-2004 for reconstitution of Board Audit Committee.

Action:  
ED(B&A)

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<p>35. The Board Audit Committee was constituted by the Board of Directors in terms of its decision taken in 156<sup>th</sup> meeting held on 7<sup>th</sup> October, 2000 and consisted of following four Directors:</p> <ol style="list-style-type: none"> <li>1. Mr. Bashir Ahmed, Director</li> <li>2. Mr. Azhar Ali Malik, Director</li> <li>3. Mr. Nessar Ahmad, Director</li> <li>4. Mr. Umar Ata Bandial, Director</li> </ol> <p>36. Mr. Bashir Ahmed was appointed Chairman of the Committee. The quorum for the meeting of the Committee was decided to be any three members.</p> <p>37. With sad and untimely death of Mr. Azhar Ali Malik, the Committee is left with three members only and to constitute the quorum for the meeting presence of all the three members is necessary. This is causing difficulty in holding the meetings of the Committee.</p> <p>38. For nominating the substitute of late Mr. Azhar Ali Malik, the matter was placed before the Board of Directors in its 172<sup>nd</sup> meeting held on 20<sup>th</sup> September, 2003, however the Board decided that the Board Audit Committee will continue to work without any substitution of late Mr. Azhar Ali Malik, till it is resolved otherwise.</p> <p>39. In view of the above, Board of Directors was requested to amend the decision taken in its 156<sup>th</sup> meeting and reduce the strength of the Board Audit Committee from four to three and to constitute quorum presence of two members may be sufficient. Under Code of Corporate Governance issued by Securities &amp; Exchange Commission of Pakistan, minimum strength of the Audit Committee has been fixed as three members. In the alternative, if the current strength of four members is to be maintained, then substitute of late Mr. Azhar Ali Malik be appointed.</p> <p>After thorough discussion, the Board resolved as under:-</p> <p><b>RESOLVED:</b></p> <p>"that the proposal of Secretary Board contained in the memorandum No.06 dated 25-07-2004 to reduce the strength of Board Audit Committee from four to three members including Chairman and that the presence of two members including Chairman will be required to constitute the quorum, was hereby approved."</p> <p><b>ITEM (07) CONSIDER/APPROVE – PRIVATE PLACEMENT IN THE TERM FINANCE CERTIFICATES - FIRST DAWOOD INVESTMENT BANK LTD., FORMERLY DAWOOD LEASING COMPANY LTD.</b></p> <p>40. Executive Director(Investment) presented before the Board, memorandum No.07 dated 21-07-2004 for private placement in the term finance certificates of First Dawood Investment Bank Ltd., formerly Dawood Leasing Company Ltd.</p> <p><b>Background:</b></p> <p>41. The Board of Directors at its 176<sup>th</sup> meeting held on 3<sup>rd</sup> April, 2004 approved investment upto Rs.25 million in privately placed term finance certificates of Dawood</p>			

Action:  
Secretary  
(BAC)/  
Secretary  
Board

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Leasing Company Ltd at a floating rate of return i.e. cut-off yield of last auction of 5 years PIBs plus premium of 1.75% p.a.(Annexure-A of the memorandum).

42. In the meantime the company (Dawood Leasing Company Ltd) applied to Security Exchange Commission of Pakistan for the change of name from Dawood Leasing Company Ltd to First Dawood Investment Bank Limited.

43. The approval for change of name was granted and the Dawood Leasing Company Ltd., regarding with the Registrar of Companies as First Dawood Investment Bank Ltd., on 26<sup>th</sup> February, 2004(Annexure-B of the memorandum).

44. State Life's Law Division opined that as the investment in TFCs has been approved by the Executive Committee and the Board of Directors for Dawood Leasing of Company, therefore change in name of the entity has made it imperative to seek approval of the Board for investing in TFCs which will now be issued by First Dawood Investment Bank Ltd instead of Dawood Leasing Company.

**Proposal:**

45. The Board was requested to consider payment of Rs.25 million to First Dawood Investment Bank Ltd., as against Dawood Leasing Company on the terms approved by the Board for payment of TFCs to Dawood Leasing Company Ltd.

After thorough discussion, the Board resolved as under:-

**RESOLVED:**

"that on the proposal of ED(Investment) contained in the memorandum No.07 dated 16-07-2004, Board allowed payment of Rs.25 million to First Dawood Investment Bank Ltd., for substituting the name of Dawood Leasing Company on the terms already approved by the Board in 176<sup>th</sup> meeting of the Board held on 3<sup>rd</sup> April, 2004, was hereby approved."

Action:  
ED(Inv)

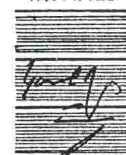
**ITEM (08) CONSIDER/APPROVE – PRIVATIZATION OF NATIONAL REFINERY LTD (GRANT OF POWER OF ATTORNEY)**

46. Executive Director(Investment) presented before the Board, memorandum No.08 dated 21-07-2004 regarding privatization of National Refinery Ltd and grant of power of attorney to Executive Director(Investment) and authorize him to sign the agreement on behalf of the Corporation.

47. The Board at its 176<sup>th</sup> meeting held on 3<sup>rd</sup> April, 2004 approved delivery of 2,127,500 frozen shares of National Refinery Ltd to the Privatization Commission for privatization of National Refinery Ltd as desired by the Commission. The Board also desired to ask the Commission to offer best possible price for a balance of 2,319,660 shares held by State Life i.e. the shares not frozen by Government of Pakistan.

48. The decision of the Board was intimated to the Commission. Divisional Head (Investment) visited the office of the Commission and discussed this issue with Mr. Shahid Akbar Consultant of the Commission. He was informed that the letter of the Corporation has been considered by the Commission which has agreed to accept the frozen shares of NRL as against the entire portfolio of NRL held by the Corporation

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asked by the Commission earlier. Mr. Shahid Akbar also informed that the Commission can not buy the shares of NRL from the Corporation under its policy. A letter was received from the Commission along with a consent agreement to be signed by the authorized representative of the Corporation. The agreement was sent to Law Division for vetting before signature. Law Division has opined that the Board be requested to grant a power of attorney and authorize some body to sign the agreement on behalf of the Corporation.

49. The Board was therefore requested to grant power of attorney to Executive Director (Investment) and authorize him to sign the agreement on behalf of the Corporation.

After thorough discussion, the Board resolved as under:-

**RESOLVED:**

"that the proposal of ED(Investment) contained in the memorandum No.08 dated 21-07-2004 for the grant of power of attorney to Executive Director (Investment) and authorized him to sign the agreement on behalf of the Corporation, was hereby approved."

Action:  
ED(Inv)

**ITEM (09) CONSIDER/APPROVE – PERFORMANCE BASED BONUS SCHEME FOR OFFICERS OF INVESTMENT DIVISION FOR THE YEAR 2004.**

50. Executive Director(Investment) presented before the Board, a memorandum regarding performance based bonus scheme for officers of Investment Division for the year 2004.

51. Performance bonus for the Officers of Investment Division for the years 2002 and 2003 was paid on the following basis:

S.No	Item	Description	Max. Points.
1	Average for the three calendar years 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 Base Rate during the calendar year compared with previous calendar year	For every 0.25% positive difference 1 point	25
2	Average for the three calendar years 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"	For every 0.1% positive difference 1 point	10

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3	Average for the three calendar years of the following items. "One year return on State Life TFC Portfolio during the calendar year" minus "Weighted one year market return on TFCs issued during the current year and preceding two years.	For every 0.1% positive Difference 1 point	5
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52. Average of three years included current year and the preceding two years. Investment Division could earn a maximum number of two bonuses from its own performance while its share was 37.5% in the performance of Individual Life Business and 12.5% in the performance of Group Life Business. The total number of bonuses was thus restricted to four as in case of other cost centers of the Corporation.

53. The working of performance bonus with regard to Government Securities was interest rate based. Investment Division would get more bonus points in case interest rates went down while it may not get any bonus point in case of increase in interest rates. This issue was raised by Investment Division. The then Chairman State Life sought opinion of Actuarial Division which came up with a different formula placed at Annexure A of the memorandum.

54. The Board at its 177th meeting held on 20<sup>th</sup> April 2004 while discussing criteria of payment of performance bonus to the officers of the Corporation for the year 2004 did not agree to the formula suggested by Actuarial Division and deferred criteria for payment of performance bonus for Investment Division.

55. The following formula was submitted for working out bonus points in respect of Government Securities.

S.No	Item	Description	Max. Points
1	"Increase or decrease in one year return on new investments during the calendar year (excluding equities, TFCs, Real Estate, Policy Loans) compared with average cut off yield on investments during the current year	For every 0.1% positive difference 1 point	25 points

56. No changes were being proposed in the formulae for working out bonus points in respect of equities and TFCs as these were already market based.

57. The Board was requested to consider and approve formula for working out bonus points in respect of Government Securities as proposed above.

After thorough discussion, the Board resolved as under:-

**RESOLVED:**

- (i) "that the proposed performance-linked plans contained in the memorandum No.09 alongwith its Annexure-9/1, dated 27-07-2004 submitted by ED(Investment) for officers of Investment Division for the year 2004, was hereby approved."
- (ii) "that the Chairman be and was hereby authorized to make any adjustment considered necessary in the proposed performance linked plans for the year 2004, was hereby approved."

Action:  
ED(Inv)  
ED(P&GS)


Action:  
ED(Inv)  
ED(P&GS)

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	<p>ITEM (10) CONSIDER/APPROVE – HVAC WORKS BY M/S. HABIBULLAH ASSOCIATES AT STATE LIFE BUILDING, FAISALABAD, AFTER AWARD OF ARBITRATORS AND JUDGEMENT OF SINDH HIGH COURT.</p> <p>58. Executive Director (Real Estate) presented before the Board, memorandum No.10 dated 23-07-2004 regarding HVAC works by M/s. Habibullah Associates at State Life Building, Faisalabad, after award of arbitrators and judgement of Sindh High Court.</p> <p>59. The matter was presented before the Board for the consideration of following two options:-</p> <p><u>OPTION #. 1</u> Payment of awarded amount to M/s. Habibullah Associates in the light of Judgment of Sindh High Court.</p> <p><u>OPTION #. 2</u> To file appeal in the Supreme Court.</p> <p>60. However after the presentation of above memorandum a status report dated August 4, 2004 from General Manager(RE) was submitted before the Board which is as under:</p> <p>61. Further to the Memorandum already submitted for the Board, it was stated that the summary of the case was sent to Zonal Head (West) / Incharge – RE, Lahore for seeking views / opinion of Mr. Umer Atta Bandial, Member, Board of Directors, State Life Insurance Corporation of Pakistan and an eminent lawyer.</p> <p>62. Zonal Head (West) Lahore alongwith Regional Chief – Central discussed the case with Mr. Umer Atta Bandial who opined that State Life must avail a remedy available by filing appeal to Supreme Court where ample chances are there to win the case. He also suggested to engage the services of one of the Senior Advocates of Supreme Court in order to get the desired results and suggested these names as under. He also advised to get the appeal filed before it is barred by time:</p> <p>i. Mr. Khalid Anwar ii. Mr. Munir A. Malik iii. Mr. Fazal-e-Ghani</p> <p>63. Divisional Head (Law) contacted the above advocates on 3-8-2004 and found that Mr. Fazal-e-Ghani was out of Pakistan. Mr. Khalid Anwar informed that his professional charges would be Rs. 1,500,000/- if he personally conducted the appeal while Mr. Munir A. Malik agreed to handle the case personally for a fee of Rs. 500,000.</p> <p>64. ED(RE) briefed the Board on this matter and informed that as the limitation period for filing the appeal was going to expire on 6<sup>th</sup> August, 2004 while the meeting of the Board was scheduled on 7<sup>th</sup> August, 2004 one day after the expiry of period of limitation. Therefore keeping in view, the best interest of State Life, the impugned order had been challenged by filing the appeal before the Honourable High Court through Mr. Munir A. Malik Advocate. As per the advice of Advocate the legal jurisdiction was vested with D.B. High Court, instead of Supreme Court. He further briefed that the appeal was filed with the approval of Chairman after consultation with Mr. Umar Ata Bandial, Director. The Board endorsed the decision and directed to follow up the case closely.</p>			<p>CHAIRMAN'S INITIALS</p> 

Action:  
ED(RE)

MINUTES OF 179<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME																																																																				
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<p>ITEM (11) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(I) <u>CONSIDER/APPROVE – CHANGE IN SIGNATORIES FOR OPERATION OF STATE LIFE'S ACCOUNT WITH CENTRAL DEPOSITORY COMPANY(CDC).</u></p> <p>65. Executive Director(Investment) presented before the Board, memorandum No.11(I) dated 05-08-2004 for change in signatories for operation of State Life's account with Central Depository Company(CDC).</p> <p>66. The Board at its 156<sup>th</sup> meeting held on 7<sup>th</sup> October, 2000 authorized following persons of Investment Division to carry out functions mentioned against their names with regard to CDC:-</p> <table border="1"> <thead> <tr> <th>S.No.</th> <th>Name</th> <th>Designation</th> <th>Function</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr. M. Latif</td> <td>Executive Director</td> <td>Deposit/Withdrawal</td> </tr> <tr> <td>2.</td> <td>Mr. Ansar Hussain</td> <td>G.M.</td> <td>Deposit/Withdrawal</td> </tr> <tr> <td>3.</td> <td>Mr. Abdul Karim</td> <td>D.G.M.</td> <td>Deposit/Withdrawal</td> </tr> <tr> <td>4.</td> <td>Mr. Kasim H. Moosa</td> <td>A.G.M.</td> <td>Deposit</td> </tr> <tr> <td>5.</td> <td>Mr. Rashid</td> <td>Manager</td> <td>Deposit</td> </tr> <tr> <td>6.</td> <td>Mr. Burhanuddin</td> <td>D.M.</td> <td>Deposit</td> </tr> <tr> <td>7.</td> <td>Mr. M. Asad</td> <td>D.M.</td> <td>Deposit</td> </tr> <tr> <td>8.</td> <td>Mr. Imran Ali Bukhari</td> <td>A.M.</td> <td>Deposit</td> </tr> <tr> <td>9.</td> <td>Mr. Abu Ahmed</td> <td>A.M.</td> <td>Deposit</td> </tr> </tbody> </table> <p>67. Consequent upon retirement of Mr. M. Latif and Mr. Abdul Karim, Mr. Burhanuddin and resignation of Mr. M. Asad and Mr. Imran Ali Bukhari amendment in the above list was suggested as under:-</p> <table border="1"> <thead> <tr> <th>S.No.</th> <th>Name</th> <th>Designation</th> <th>Function</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Mr. Muhammad Javed Khan</td> <td>Executive Director</td> <td>Deposit/Withdrawal</td> </tr> <tr> <td>2.</td> <td>Mr. Ansar Hussain</td> <td>G.M.</td> <td>Deposit/Withdrawal</td> </tr> <tr> <td>3.</td> <td>Mr. Kasim H. Moosa</td> <td>A.G.M.</td> <td>Deposit/Withdrawal</td> </tr> <tr> <td>4.</td> <td>Mr. Rashid</td> <td>Manager</td> <td>Deposit</td> </tr> <tr> <td>5.</td> <td>Mr. Abu Ahmed</td> <td>A.M.</td> <td>Deposit</td> </tr> <tr> <td>6.</td> <td>Mr. Waseem Rao</td> <td>A.M.</td> <td>Deposit</td> </tr> </tbody> </table> <p>68. Mr. Muhammad Javed Khan, Executive Director State Life and Mr. Kasim H. Moosa, A.G.M.(Inv.) State Life have taken over charges from their predecessors. Accordingly Mr. Muhammad Javed Khan and Mr. Kasim H. Moosa need to be authorized to carry out functions of deposit/withdrawal in CDS in place of Mr. M. Latif and Mr. Abdul Karim where as Mr. Waseem Rao, A.M.(Inv.) should be authorized for deposit of share into CDS.</p> <p>69. The Board was requested to consider and approve the following resolution as given in CDC manual.</p> <p>“Resolved that Mr. M. Latif and Abdul Karim be replaced with Mr. Muhammad Javed Khan, Executive Director and Mr. Kasim H. Moosa Assistant General manager as authorized signatories for company's participant account maintained with the Central Depository Company of Pakistan.”</p>				S.No.	Name	Designation	Function	1.	Mr. M. Latif	Executive Director	Deposit/Withdrawal	2.	Mr. Ansar Hussain	G.M.	Deposit/Withdrawal	3.	Mr. Abdul Karim	D.G.M.	Deposit/Withdrawal	4.	Mr. Kasim H. Moosa	A.G.M.	Deposit	5.	Mr. Rashid	Manager	Deposit	6.	Mr. Burhanuddin	D.M.	Deposit	7.	Mr. M. Asad	D.M.	Deposit	8.	Mr. Imran Ali Bukhari	A.M.	Deposit	9.	Mr. Abu Ahmed	A.M.	Deposit	S.No.	Name	Designation	Function	1.	Mr. Muhammad Javed Khan	Executive Director	Deposit/Withdrawal	2.	Mr. Ansar Hussain	G.M.	Deposit/Withdrawal	3.	Mr. Kasim H. Moosa	A.G.M.	Deposit/Withdrawal	4.	Mr. Rashid	Manager	Deposit	5.	Mr. Abu Ahmed	A.M.	Deposit	6.	Mr. Waseem Rao	A.M.	Deposit
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CHAIRMAN'S  
INITIALS




**MINUTES OF 179<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

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"Further resolved that Mr. Muhammad Javed Khan, Executive Director and Mr. Kasim H. Moosa, Assistant General Manager be and are hereby authorized and empowered jointly to represent the Company to CDC on all matters pertaining to the implementation and performance of the Participant Agreement, to deal, liase and correspond with CDC and to fulfill and responsibilities and obligations of the Company under the Central Depositories Act, 1997 and the Central Depository Company of Pakistan Limited Regulations from time to time, and to do all other incidental and ancillary acts, things and deeds."

After thorough discussion, the Board resolved as under:-

**RESOLVED:**

- (i) "that the proposal of ED(Investment) contained in the memorandum No.11(1) dated 05-08-2004, Mr. M. Latif and Abdul Karim be replaced with Mr. Muhammad Javed Khan, Executive Director and Mr. Kasim H. Moosa Assistant General manager as authorized signatories for company's participant account maintained with the Central Depository Company of Pakistan, was hereby approved."
- (ii) "that Mr. Muhammad Javed Khan, Executive Director and Mr. Kasim H. Moosa, Assistant General Manager be authorized and empowered jointly to represent the Company to CDC on all matters pertaining to the implementation and performance of the Participant Agreement, to deal, liase and correspond with CDC and to fulfill all responsibilities and obligations of the Company under the Central Depositories Act, 1997 and the Central Depository Company of Pakistan Limited Regulations from time to time, and to do all other incidental and ancillary acts, things and deeds, was hereby approved."

Action:  
ED(Inv.)

Action:  
ED(Inv.)

**ITEM (11) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.**

**(II) POSITION NOTE FOR BOARD OF DIRECTORS.**

70. Executive Director(B&A) presented before the Board a position note regarding qualifications on the accounts of the Corporation for the year 2003 were discussed in the Board Audit Committee meeting held on 6<sup>th</sup> August, 2004 at Board Office, State Life Building No.9, Islamabad.

71. According to the previous Act., provisions if made by the Corporation were added back by the Assessing Officer of Income Tax Department and 100% amount of provisions was subject to tax in addition to normal tax of 2.5% of actuarial surplus payable to Government of Pakistan.

72. The position after amendment in 4<sup>th</sup> schedule of Income tax Ordinance has been changed and 97.5% of the amount of provision is not subject to tax, the remaining portion i.e. 2.5% of provision will be added back and additional tax can be levied by Income Tax Department.

73. Since the amount of provision, which is subject to tax, has been decreased from

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**MINUTES OF 179<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

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100% to 2.5%, hence BAC has recommended to make necessary provisions to remove audit qualifications in future, However, it may be decided by the Board that either 100% provisions may be made in one financial year or it may be spread over more than one accounting period so as bonus rate to policyholders is not effected.

74. Provisions for following liabilities has not been provided in the financial statements 2003;

- i) Rs.175 million in respect of employees Pension Fund.
- ii) Rs.481 million for compensated absence.
- iii) Rs.671 million for post-retirement medical benefits for officers.

75. The Board directed ED(B&A) to place complete working papers in shape of a proper memorandum before the Board for their thorough consideration.

After thorough discussion, the Board resolved as under:-

**RESOLVED:**

“that a memorandum bringing out all details of the change in 4<sup>th</sup> schedule and their amendment in the State Life accounts, be placed before the Board for consideration and approval.”

Action:  
ED(B&A)

**ITEM (11) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.**

**(III) PURCHASE OF PLOT AT QUETTA FOR THE CONSTRUCTION OF ZONAL OFFICE.**

76. Executive Director(RE) brought to the notice of Board the matter regarding purchase of plot at Quetta for the construction of Zonal Office. He mentioned that there was a plot measuring 22254 sq.ft. wherein 8100 sq.ft. was commercial and remaining 14154 sq.ft. was of residential status. He further informed that the plot is situated at a prime location in cantonment area. The proposed plot would require commercialization approval from the concerned Government functionaries. Similarly no objection certificate from Army authorities as well as from Cantonment Board would also be needed. After obtaining the requisite approval premium @ 50% of current market rate of the property would be payable. A committee had been formed in 271<sup>st</sup> meeting of the Executive Committee held on 4<sup>th</sup> October, 2003 for the visit of Quetta. The Board formed a new committee of Chairman SLIC, Director Bashir Ahmad, Director Umar Ata Bandial, Director Air Marshal (Retd) Sharbat A. Changazi with Executive Director(Real Estate) and directed that the committee visit Quetta for on the spot survey and report back to Board of Directors.

After thorough discussion, the Board resolved as under:

**RESOLVED:**


“that a Committee comprising Chairman, SLIC, Director Bashir Ahmed, Director Umar Ata Bandial, Director Air Marshal (Retd) Sharbat A. Changazi and Executive Director(RE) was formed and directed that the Committee visit for Quetta on the spot survey and for submitting their recommendations, before the Board.”

Action:  
ED(RE)

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MINUTES OF 179<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS

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<p>ITEM (11) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p>			
<p>(IV) <u>CONSIDER/APPROVE – EQUITY INVESTMENT POLICY FOR INVESTING IN GROWTH COMPANIES.</u></p>			
<p>77. Executive Director(Investment) presented before the Board, memorandum No.11(IV) regarding equity investment policy for investing in growth companies. At this juncture of time, Mr. Ansar Hussain, GM(Investment) also joined the meeting.</p>			
<p><u>Present Equity Investment Strategy:</u></p>			
<p>78. Investment in Equity is governed under provisions of Insurance Ordinance 2000, Insurance Rules and SRO 309(K). According to these regulations the Corporation can purchase:</p>			
<p>i) Ordinary shares of only those companies which have paid dividends of not less than 5% including bonus for the five years immediately preceding the date of investment or for at least five of the seven years immediately preceding the date of investment.</p> <p>ii) Preference shares of only those companies which have paid dividends on their ordinary shares for the three years immediately preceding the date of investment or for at least three out of the four years immediately preceding the date of investment</p>			
<p>79. The Board of Directors at its 173<sup>rd</sup> meeting held on 27<sup>th</sup> December 2003 approved proposal of Investment Division regarding equity investment. The memo contained the following guidelines for equity investment:</p>			
<p>i) Investment in equities should be guided by the overall principle of maintaining around 8 or 9% funds (at cost) in them which is the ratio currently prevailing in the assets mix of State Life. For selection of equities considerations already enlisted in the current investment policy of State Life are deemed to be adequate.</p> <p>ii) Exposure at cost in any one company or companies of one group should not exceed Rs.1.5 billion. Investment in equities should be restricted to only those companies where expected dividend yield is at least 8% per annum. Total investment in equities as a whole measured at cost should not exceed 15% of the fund.</p>			
<p>80. The policy has been instrumental in building equity portfolio comprising shares of financially sound and strong companies which have crossed their growth stage. Hence</p>			
<p>i) Our equity portfolio has acquired tendency of generating cash rather than realizing incremental market values in case it is decided to sell the shares.</p> <p>ii) Value of the equity portfolio has become sensitive to market sentiment.</p>			
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81. The issues of no growth and high sensitivity to market sentiment can be resolved by creating a balance between income and growth characteristics in the portfolio. In order to ensure that companies with real potential for growth (companies whose intrinsic value of share is more than market price or companies with increasing trend in its net worth) can be chosen the following measures are suggested:

- i) The selected company should be a listed company at Stock Exchanges
- ii) The company must have come out with three audited annual accounts.
- iii) Accounts of the company must be free from any qualification.

Proposed Policy for Equity Investment:

82. Corporation may be allowed to make equity investment in stock which fit into the growth criteria irrespective of fulfilling the conditions of 8% cash dividend.

83. Mr. Ansar Hussain, GM(Investment) also briefed the Board about the salient features of this memorandum.

After thorough discussion, it was resolved as under:

RESOLVED:

"that the Corporation was allowed to make equity investment in stock of growth companies as per criteria above irrespective of fulfilling the conditions of 8% cash dividend."

84. The meeting ended with mutual vote of thanks.

*Gaveed J*  
CHAIRMAN

Action:  
ED(Inv.)

CHAIRMAN'S  
INITIALS





**MINUTES OF 179<sup>TH</sup> MEETING OF THE BOARD OF DIRECTORS**

ORS	HELD AT	ON	TIME
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Annexure-9/1

**PROPOSED PERFORMANCE BASED BONUS PLAN**  
**FOR THE INVESTMENT DIVISION**

Revised Investment Division's own 40 points would be as follows:-

S.No.	Item	Description	Max. Points
1.	'Increase or decrease in one year return on new investments during the calendar year (excluding equities, TFCs, Real Estate and policy loans) compared with corresponding new investments in the previous calendar year minus 'Increase or decrease in the average base rate during the calendar year compared with the previous calendar year'	For every 0.25% positive difference, 1 point.	25
	See notes (i) and (iii)		

Notes:

- (i) "One year return" for the Government Securities will be calculated as follows:

Let A = Book value of the portfolio, according to IRR method, at the beginning of calendar year.

Let B = Book value of the portfolio, according to IRR method, at the end of calendar year.

Let I = Cash Interest + Realized capital gains - Realized capital losses + increase in value during the year under IRR method - all expenses on the portfolio including Investment Division cost during the calendar year.

Then, one year return =  $\frac{2 \times I}{A + B - I}$  expressed as a percentage.

- (ii) "One year return" for Equities and TFCs will be calculated as follows:

Let A = Market value of the portfolio at the beginning of calendar year

Let B = Market value of the 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 =  $\frac{2 \times I}{A + B - I}$  expressed as a percentage

- (iii) "Base rate" would be as defined in Clause viii of S2 of the Insurance Ordinance 2000.

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