MINUTES OF 180TH MEETING OF THE BOARD OF DIRECTORS

RECTORS	HELD AT	ON	TIME
UTE BOOK	KARACHI	4TH DECEMBER' 2004	

CONFIDENTIAL AND RESTRICTED

The one hundred and eightieth (180th) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 4th December 2004 at 10:00 a.m., in the Board Room, Principal Office, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi.

PRESENT:

1. Mr. Kamal Afsar	Chairman
2. Mr. Bashir Ahmed	Director
3. Mr. Nessar Ahmad	Director
4. Air Marshal (Retd) Sharbat A. Changazi	Director
5. Mrs. Spenta Kandawalla	Director
6. Ch. Javaid Hussain	Director
7. Mr. Shahid Aziz Khan	Board Secretary

Action: Board Secretary

2. Mr. Kamal Afsar, Chairman informed the Board that Mr. Umar Ata Bandial one of the distinguished members of the Board has been elevated as Judge of the Lahore High Court on 29th November, 2004. The members of the Board congratulated him on his elevation to the Bench. The Board placed as record its appreciation for his contribution towards the proceedings of the Board of Directors and wished him health, prosperity and success. The Board Secretary was asked to convey the sentiments and wishes of Board to Mr. Justice Umar Ata Bandial through a letter with signatures of the Chairman.

ITEM (01) CONFIRMATION OF MINUTES OF 179TH MEETING OF THE BOARD OF DIRECTORS HELD ON 07-08-2004.

3. The minutes of the 179th Meeting of the Board of Directors held on 7th August' 2004, were placed before the Board.

4. Mr. Bashir Ahmed proposed and Mr. Nessar Ahmad seconded that the minutes of 179h meeting held on 7th August, 2004 be confirmed.

Accordingly, it was resolved as under:

Action: Board Secretary

RESOLVED:
"that the Minutes of the 179th Meeting of the Board of Directors held on 7th August' 2004, were hereby confirmed."

5. At this point, Mr. Muhammad Javed Khan, Executive Director (B&A//INV./ACT.), Mr. Zafar Mahmood, Executive Director (MKT/G&P/CD/R&A), Mr. Rahat ul Ain, Executive Director(RE/PHS) and Mr. Zahid Murad, Executive Director (P&GS/LAW), joined the meeting by special invitation.

ITEM (02) IMPLEMENTATION REPORT ON DECISIONS TAKEN IN THE 179TH MEETING OF BOARD OF DIRECTORS.

6. The Board Secretary presented before the Board the implementation report on decisions taken in the 179th meeting of the Board held on 7th August, 2004. During the course of consideration of Item No.2 implementation report of the Committee constituted

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for the visit of Quetta was placed before the Board. Air Marshal (Retd) Sharbat A. Changazi opined that the matter for finalization of the plot for Zonal Office, Quetta should be dealt with on priority basis, as there was a trend of increase of prices in real estate. Mr. Nessar Ahmad suggested that State Life should also look for an appropriate plot at Gawadar purely for investment purposes. The Board agreed with the opinions given by Air Marshal (Retd) Sharbat A. Changazi and Mr. Nessar Ahmad asked the Committee already constituted for the visit of Quetta to speed up the matter for selection of an appropriate plot for Zonal Office, Quetta as well as to visit Gawadar for the selection of a suitable plot.

Action: ED(RE)

7. While discussing the implementation report on item No.10 of 179th meeting regarding filling of an appeal before the Honourable High Court, Mr. Bashir Ahmed opined that usually the court process is very slow and time consuming and the appeal filed by State Life would take years for final decision, therefore the possibility of out of court settlement should also be looked into. ED(RE) was directed to look into the possibility of out of court settlement keeping in view the best interest of State Life.

Action: ED(RE)

8. Ch. Javaid Hussain enquired regarding the progress of the construction of the State Life Tower at Islamabad. ED(RE) briefed that the construction of proposed building was being made according to the plan and the building would be completed according to time schedule given by the Board of Directors.

Action: ED(RE)

9. The implementation report of 179th meeting of the Board was noted.

Action: Board Secretary

ITEM (03) CONSIDER/REVIEW – MINUTES OF 13TH MEETING OF BOARD AUDIT COMMITTEE HELD ON 6TH AUGUST,2004.

10. Mr. Bashir Ahmed, Chairman Board Audit Committee, presented before the Board, the Minutes of 13th meeting of Board Audit Committee held on 6th August, 2004. He briefed the Board on the salient features of the last meeting of the Board Audit Committee. The Board appreciated the efforts done by Mr. Muhammad Javed Khan, ED(B&A) and his team, for removal of the objections raised by the Public Accounts Committee. The Board noted the information placed before it through the minutes.

Action: GM(IA&E)

ITEM (04) PRESENTATION ON BUSINESS FIGURES OF MARKETING, GROUP & PENSIONS, INVESTMENT AND REAL ESTATE DIVISIONS.

11. The Business reports of ED(Marketing), ED(G&P), 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:

12. 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.1455 million for the period ending on 31st October, 2004 as compared to Rs.1089 million during the corresponding period of last year, thus registering an increase of 33.51% over the corresponding period of last year.

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13. The Corporation also collected Rs.748 million, second year premium, as compared to Rs.526 million during the corresponding period of last year, thus showing an increase of 42.20%. The second year persistency for the period from January to October, 2004 was 68.72 while in 2003 the second year persistency for the same period was 66.51%. The third year and later year's premium for the period from January to October, 2004 was Rs.2,822 million as compared to Rs.2,579 million renewal premium during the same period of last year, thus showing an increase of 9.42%. The renewal persistency ratio for the period January to October, 2004 was 90.88% while in 2003 the renewal persistency for the same period was 95.44%. The Marketing Division sold 145,807 new policies upto the month of October, 2004 against 120,207 policies sold during the same period of preceding year and thus registering an increase of 21.29%. The number of policies surrendered upto September, 2004 was 32,740, while the number of surrendered policies for the corresponding period of last year was 46,248, thus showing a decrease of 29.21%.

GULF ZONE:

14. Executive Director(Marketing) informed the Board that Gulf Zone has procured US$:1,506,911 FYP, for the period ending on October 31, 2004 as against US$: 1,315,902 during the corresponding period of last year showing an increase of 15%. The number of policies sold by Gulf Zone during the period upto October, 2004 was 1178 as against 1104, during the corresponding period of last year, registering an increase of 7%. Second year persistency achieved during the period January to October, 2004 was 70%, as against 62% showing an increase of 8% over last year. Renewal persistency for the period ending on October 31, 2004 was 93% as against 73% in the last year corresponding period, showing an increase of 20%.

15. During the course of discussion, upon a query raised by Air Marshal (Retd) Sharbat A. Changazi, ED(Marketing) informed the Board that State Life was stressing hard for quality business, this is why there was a considerable decrease in the payment of death claims. While joining the discussion, Ch. Javaid Hussain pointed out that in Saudi Arabia when Pakistanis purchase a Dollar policy of State Life, the payment of premium in Dollars is questioned to them. Replying to this query, Chairman mentioned that we were trying to have special permission for remittance of premium in Dollars. Ch. Javaid Hussain also pointed out that in Saudi Arabia most of the Pakistanis working there were illiterate and they were unable to read the policy documents/other related documentation in English, therefore he suggested that the proposal form and other documentation should also be in Urdu language which would help in understanding the documentation as well as in increase of State Life's business. The Chairman asked the ED(Marketing) to look into the matter.

Action: ED(Mkt)

16. Ch. Javaid Hussain pointed out that State Life should facilitate the labour class with arrangement of a bank account to deposit their premium amount as long as they are working in Middle East. Replying to this query, ED(Marketing) briefed that arrangements of operating such bank account in Middle East countries are in progress and State Life was also planning to provide an additional cover of insurance to such policyholders as long as they were staying legally in Middle East.

Action: ED(Mkt)

GROUP & PENSIONS DIVISION:

17. 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

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the period ending on September 30, 2004 stood at Rs.1,503 million as compared to Rs.1,255 million, for corresponding period of last year showing an increase of 19.75%. G&P Division secured 234 new groups during this period having total premium of Rs.59 million as against 158 new groups having premium of Rs.155 million, showing a decrease of 62% in premium income under new groups and 48.11% increase in number of new groups in 2004 as compared with 2003. G&P Division lost 53 policies having a total premium of Rs.14 million The persistency of G&P Division upto 30th September, 2004 was 98.91%.

18. Replying to a query raised by Mrs. Spenta Kandawalla, ED(G&P) informed the Board that the premium amount of G&P was showing a little decline as last year State Life obtained the business of WAPDA, however during this year no fresh big group has been insured. The efforts are still in progress and the first year premium would increase. In this regard the contact with Sindh Government has been made and negotiations were under progress. Federal Government and Government of Punjab was also contacted. ED(G&P) explained about "Village Insurance Scheme". He informed the Board that the entire population of a village in "Marala (District Sialkot)" had been insured. He further explained that a group of people, like local body falls under this scheme. Members of Parliament including MPAs, MNAs and Senators were the custodian of funds and they could utilize this fund for "Village Insurance Scheme".

Action: ED(G&P)

19. ED(G&P) informed the Board that Chief Minister, Punjab and Chief Minister, Sindh had been contacted for operational progress of this scheme. ED(G&P) also informed the Board that State Life was also planning to introduce an insurance scheme for breadwinner of family and it would be reactivation of the "National Accidental Death Insurance Scheme" which was once operated during the regime of Junajo's Government. By virtue of this scheme the family heirs of a breadwinner would be benefited. While joining the discussion, Ch. Javaid Hussain opined that foreigners who are visiting Pakistan or who are doing their jobs in Pakistan should also be provided the facility of insurance in Pakistan. He gave an example of a group of 300 Chinese who were working at Mangla District Jhelum. Mr. Bashir Ahmed opined that accident insurance should be given first priority. Mr. Nessar Ahmad mentioned that everything which State Life was planning should be according to the system and rules and regulations. Replying to this observation, ED(G&P) informed the Board that for "School Insurance Scheme" the Government has been contacted to issue an ordinance. By virtue of this insurance scheme a certain amount of insurance premium would be collected from the school fees and in return, in case of a death of the provider, State Life would take the responsibility to provide the school fees and also an equal amount for the purchase of books, stationery, uniforms etc., on annual basis, till the completion of school education of beneficiaries. Mr. Bashir Ahmed while joining the discussion opined that the Punjab Government should be contacted with a comprehensive educational plan and in first phase, the Management of Beconhouse School System may also be contacted and convinced for this insurance plan. Ch. Javaid Hussain opined that animals and crops should also be insured. While replying to this query, ED(G&P) informed the Board that the insurance of animals and crops were out of jurisdiction of State Life.

Action: ED(G&P)

INVESTMENT DIVISION:

20. 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

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increased to Rs.102,541 million as on September 30, 2004, reflecting an increase of Rs.5,939 million and a percentage increase of 6.15%, during the nine months ended September 30, 2004. State Life has been investing in Pakistan Investment Bonds floated by Government of Pakistan since December 2000. The Corporation has placed Rs.11,279 million in PIBs during the period under review raising the total investments in PIB's inclusive of accrued interest to Rs.63,672 million. This constituted 83.67% of total investment in Government Securities. State Life has so far invested Rs.1,350 million in WAPDA Bonds, balance of which was Rs.1,288 million as on September 30, 2004. Balance outstanding against TFCs of other companies was Rs.651 million as on September 30, 2004.

21. State Life equity portfolio which was Rs.8,933 million as on December 31, 2003 has increased to Rs.10,279 million as on September 30, 2004. State Life purchased shares with a book value of Rs.1,480 million during the period ended September 30, 2004 and has sold shares with a book value of Rs.65.257 million for Rs.174.393 million thereby realizing capital gain of Rs.109.136 million during this period. The book value of quoted equity portfolio stood at Rs.9,868 million while its market value was Rs.25,064 million showing an appreciation of Rs.16,096 million as on September 30, 2004.

22. State Life, has earned Rs.7,136 million (estimated) on its investment portfolio, excluding unrealised gain on investment for the period ended September 30, 2004, as compared to Rs.10,207 million earned during the year of 2003.

REAL ESTATE DIVISION:

23. Executive Director(RE) presented the business figures of Real Estate Division for the period ending on October 31, 2004. The gross income of Real Estate as at 31st October, 2004 was Rs.335 million as against prorated projection income of Rs.348 million. The gross income upto 31st October 2003 was Rs.31 million. The projected figures of gross income for the period from 1st January, 2004 to 31st October, 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 31st October 2004 came to Rs.310 million as against budgeted amount of Rs.336 million, which was 8% less. Net income upto 31st October 2004 was Rs. 25 million which was 108% higher then the targeted figure upto the month.

Action: ED(RE)

24. Air Marshal (Retd) Sharbat A. Changazi and Mr. Bashir Ahmed while joining the discussion, pointed out, that in an earlier meeting of the Board, the Board directed the Real Estate Division to arrange a comprehensive presentation on different properties of real estate identifying their categories, use, expenditure being incurred, revenue being generated and future use if any. ED(RE) was asked to do the needful.

ITEM (05) CONSIDER/APPROVE – RATIFICATION OF THE DECISION TAKEN BY CIRCULATION REGARDING ELECTION OF DIRECTORS OF PAKISTAN INTERNATIONAL AIRLINES CORPORATION.

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25. The Board Secretary presented before the Board a memorandum for ratification of the decision taken by circulation regarding election of Directorship of Pakistan International Airlines Corporation approved by the Board through circulation on 14-09-2004.

26. A letter bearing No.CS/BM/EOGM/2004 dated 2nd December, 2004 from Mr. Ghazanfar Mashkoor, Secretary, PIAC was presented before the Board, the operative part of which was as under"

> "Since Mr. Kamal Afsar contested the election as an individual shareholder against the position of "Elected Director" therefore the Resolution passed by the Board of State Life Insurance Corporation of Pakistan was not required as such the same in original is being returned herewith."

Action: Board Secretary

27. The Board of Directors noted the contents of the letter dated 2nd December, 2004.

ITEM (06) CONSIDER/APPROVE – APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS FOR THE YEAR ENDING 31ST DECEMBER, 2004.

28. Executive Director(B&A) presented before the Board a memorandum for consideration and approval of appointment of Statutory Auditors for audit of accounts for the year ending 31st December, 2004.

29. The appointment of statutory auditors for audit of accounts of the Corporation is mandatory. For this purpose, each year statutory auditors are appointed after the approval of Board of Directors and Government of Pakistan. The auditors once selected have to complete the cycle of five years as per instructions of Government of Pakistan contained in Finance Division's O.M. No.1(18)IFII/67 dated 8.4.1968. M/s. Riaz Ahmad & Co., Chartered Accountants have completed their tenure of five years after the audit of 2003 whereas M/s. Anjum Asim Shahid Rahman, Chartered Accountants were selected for the first time for audit and they have to continue for further four accounting years. However, approval is sought every year before commencement of statutory audit by the respective audit firms.

30. M/s. Avais Hyder Zaman Rizwani, Chartered Accountants, Karachi were the lowest bidders, quoting audit fee and out of pocket expenses being Rs.600,000/- and Rs.350,000/- respectively. M/s. Anjum Asim Shahid Rahman were amongst six firms who have quoted the last year's fee i.e. Rs.600,000/- and Rs.360,000/- respectively.

31. In compliance with the instructions of the Ministry of Finance, ED(B&A) had requested the Ministry of Commerce vide letter dated 20th August, 2004 (**Annex "A"**) to obtain concurrence from the Auditor General of Pakistan regarding approval of appointment of M/s. Anjum Asim Shahid Rehman, Chartered Accountants and M/s. Avais Hyder Zaman Rizwani, Chartered Accountants as joint auditors with amount of audit fee and out of pocket expenses to each auditors as below:

S. No	Name of firm	Fees (Rs)		
		Audit Fee	Out of pocket expenses	Total
1.	M/s. Anjum Asim Shahid Rehman	600,000	360,000	960,000
2.	M/s. Avais Hyder Zaman Rizwani	600,000	350,000	950,000
	TOTAL:	**1,200,000**	**710,000**	**1,910,000**

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32. Ministry of Commerce has informed the Corporation vide their letter No.3(34)/98-Ins.I dated 18th September, 2004 (**Annex "B"**) that the office of the Auditor General of Pakistan has accorded concurrence to the appointment of M/s. Avais Hyder Rizwani & Co., and M/s. Anjum Asim Shahid Rahman, Chartered Accountants to audit the accounts of State Life for the year ending 31st December, 2004 at an audit fee of Rs.600,000/- each and out of pocket expenses of Rs.350,000/- and Rs.360,000/- respectively.

After thorough discussion, it was resolved as under:

RESOLVED:

"that the proposal of ED(B&A) contained in the memorandum No.06 dated 11th October, 2004 regarding appointment of M/s. Avais Hyder Rizwani & Co., and M/s. Anjum Asim Shahid Rahman, Chartered Accountants as "joint auditors" to audit the accounts of State Life for the year ending 31st December, 2004 at an audit fee of Rs.600,000/- each, and out of pocket expenses of Rs.350,000/- and Rs.360,000/- respectively, be and were hereby approved."

Action: ED(B&A)

ITEM (07) CONSIDER/APPROVE – APPOINTMENT OF AUDITORS FOR AUDIT OF ACCOUNTS OF GULF ZONES, FOR THE YEAR ENDING 31ST DECEMBER, 2004.

33. Executive Director(B&A) presented before the Board a memorandum for consideration and approval of appointment of Auditors for audit of accounts of Gulf Zones for the year ending 31st December, 2004.

34. As per requirements of UAE laws, the Corporation appoints each year a firm of Chartered Accountants to conduct the accounts of Gulf Zone comprising of territory of UAE, Kingdom of Saudi Arabia and Kuwait. Approval for appointment of auditors for business within Pakistan is obtained from the office of the Auditor General of Pakistan as per Article 28 of Life Insurance Nationalization Order, 1972 whereas appointment of auditor for Gulf business is beyond the territorial jurisdiction of the Auditor General of Pakistan. Approval for appointment of auditors for Gulf Zone is required from the Board of Directors.

35. Audit of accounts of Gulf Zone for the year 2003 was carried by M/s. Sajjad Haider & Co., Dubai (UAE) at an audit fee/out of pocket expenses of Dh.22,000/- and Dh.7,000/- respectively. They have been auditing accounts of Gulf Zone for last four years and this would be their fifth year if allowed to continue the audit for the year 2004. The retention of M/s. Sajjad Haider & Co., for the fifth year would be in accordance with the instructions of Auditor General of Pakistan that a firm of auditors should be allowed to complete its 5 years cycle after initial appointment.

After thorough discussion, it was resolved as under:

RESOLVED:

"that the proposal of ED(B&A) contained in the memorandum No.07 dated 25-10-2004 for appointment of M/s. Sajjad Haider & Co., as Auditor for Gulf Zone to conduct the audit of accounts of the Zone for the year 2004 at the same audit fee/out of pocket expenses as was approved by the Board for the year 2003 i.e. Dh.22,000/- and Dh.7,000/- respectively, be and was hereby approved."

Action: ED(B&A)

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ITEM (08) CONSIDER/APPROVE – CONSTRUCTION OF NEW BUILDING FOR GUJRANWALA ZONE.

36. Executive Director(RE) presented before the Board a memorandum for consideration and approval of proposal for construction of new building for Gujranwala Zone.

37. At this point, Mr. Nasir Javed Khan, DH(RE), Mr. S. Manzhar Hussain, DGM(RE) and Mr. Manzoor Mehdi Naqvi, Consultant, International Design Group joined the meeting. The Real Estate Division, arranged a presentation for Gujranwala project with the help of multi media. This presentation was made by Mr. Naqvi. The model of the proposed project was also placed before the Board. While describing the salient features of the proposed project, Mr. Naqvi informed the Board that the building would be consisting of 1 basement + ground + 5 upper floors. The proposed covered area would be 60588 sq.ft. and construction would be made in one go. The total estimated cost of the project would be Rs.109.609 million. Upon a query raised by Mrs. Spenta Kandawalla. ED(RE) informed the Board that previously the matter was placed before the Board in 163rd, 176th, 177th meetings of the Board and 271st meeting of Executive Committee. However the Gujranwala project was never approved, this is why once again it was placed with fresh feasibility in 180th meeting of the Board. ED(RE) also briefed that primarily the proposal for construction of the building was on front portion of the plot facing G.T. Road while the rare portion of the plot was proposed to be left open. However at the recommendation of the committee consisting on Mr. Rasool Bakhsh Baloch, Air Marshal (Retd) Sharbat A. Changazi, Ch. Javaid Hussain, Mr. Talib Ali(Representative of ED(RE). Now the proposed construction would be made on the rare portion of the plot while the front portion of the plot would be left open and would be developed into a beautiful landscape. Replying to a query raised by Ch. Javaid Hussain, Mr Naqvi briefed that instead of centrally airconditioned system the building would have package airconditioning system or split/window airconditioning system. Replying to a question of Air Marshal (Retd) Sharbat A. Changazi, Mr. Naqvi briefed that the space between the outer wall and the building would be 20 ft. as per bylaws. On a query raised by the Chairman, the consultant informed the Board that the building would repay its rental value in a period of 12 years.

38. Mr. Talib Ali former DH(RE) was also invited to join the meeting. He briefed that initially the proposed project was for the construction of two floors and now the proposal placed before the Board was 1 basement + 1 ground floor + 5 floors. The proposed project remained under consideration of the Board and still it required the approval of the Board. On a query raised by Air Marshal (Retd.) Sharbat A. Changazi, ED (RE) briefed the Board that there was a need for construction of State Life building at Gujranwala to house Zonal Offices. Similarly the construction of proposed building would result into to increase the goodwill of Corporation as well as would attract the new policyholders.

39. At this point, Mr. Talib Ali,GM(P&GS), Mr. Nasir Javed Khan, DH(RE), Mr. S. Manzhar Hussain, DGM(RE) and Mr. Manzoor Mehdi Naqvi, Consultant, International Design Group left the meeting.

After detailed discussion, the Board resolved as under:

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RESOLVED:

Action: ED(RE)

(i) **"that the model of the Gujranwala building placed before the Board, in principle was approved."**

Action: ED(RE)

(ii) **"that ED(RE) was asked to place a fresh memorandum with complete details and feasibility in the light of above discussion in next meeting of the Executive Committee, be and was hereby approved."**

ITEM (09) CONSIDER/APPROVE – REVISION OF RATE OF MARK UP ON LOANS AND ADVANCES TO EMPLOYEES, AREA MANAGERS AND AGENTS/EMPLOYERS' OF AGENTS.

40. Executive Director(B&A) presented before the Board a memorandum regarding revision of rate of mark up on loans and advances to employees, Area Managers and Agents/Employers' of Agents.

41. Total budget of Rs.450 million was sanctioned for disbursement of different types of loans and advances to employees (officers & staff), field workers and Area Managers. Against, this amount only a sum of Rs.126 million was outstanding as on 30.6.2004. It indicates that huge funds are lying idle as the needy persons do not avail the opportunity merely because of high rate of mark up. The investment of funds in the shape of loans and advances to employees is the safest venue and repayment of all loans and advances are regular as the same are deducted from their salary each month. Moreover, in case of death, the amount is insured and is recoverable. It is, therefore, imperative that the loan policy may have attraction for needy people.

42. The Board of Directors in its 173rd meeting held on 27th December, 2003 decided to reduce the rate of mark up on different types of loans and advances from 12% to State Bank discount rate as on 31st December each year plus 2.5% w.e.f. 1st January of the following year for all new/outstanding balances of loans and advances to officers paid from the Shareholders Fund and to staff to be paid after this decision. It was further decided that no mark up would be charged against two month salary advance to employees (officers/staff) and temporary advances to agents/employer's of agents. It is submitted that the present rate of mark up of 10% is still at higher side because various commercial banks charge mark up at a comparatively lower rate, ranging from 6.50% to 8%. Therefore, it is felt that the rate of mark up on various loans and advances may be lowered down to make it comparable with the commercial banks.

43. As stated above, due to higher rate of mark up, employees are reluctant to avail loan facility from State Life as the commercial banks offer loans for house building and car financing on much lower rate of mark up. As an example of non-utilization of fund, the position of House Building Loan may be reviewed in particular. Total budget allocated under this head of account is Rs.135 million out of which only Rs.38 million is outstanding against officers and staff.

44. In view of the position explained above and to bring the mark up rate in commensurate with the prevailing mark up rate in the market, it was requested that the rate of mark up may be reduced from the present 10% to 8% on all new/outstanding balances of loans and advances to officers including Area Managers, Staff and Field Workers paid from the Shareholders' Fund.

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After thorough discussion, the Board resolved as under:-

<u>RESOLVED:</u>

Action: ED(B&A)

"that the proposal of ED(B&A) contained in the memorandum No.09 dated 21-10-2004, rate of mark up earlier fixed by the Board, be reduced from the present 10% to 8% on all new/outstanding balances of loans and advances to officers including Area Managers, Staff and Field Workers paid from the Shareholders' Fund, be and was hereby approved."

ITEM (10) CONSIDER/APPROVE – AMENDMENTS IN THE FOURTH SCHEDULE TO THE INCOME TAX ORDINANCE, 2001 AND <u>ITS IMPACT ON LIFE INSURANCE BUSINESS.</u>

45. Executive Director(B&A) presented before the Board a memorandum regarding amendments in the fourth schedule to the Income Tax Ordinance, 2001 and its impact on life insurance business.

46. Finance Act 2004 has brought certain significant changes in the taxation of life insurance companies through amendments in the fourth schedule to the Income Tax Ordinance, 2001. Following is the complete details of amendments in the Fourth Schedule to the Income Tax Ordinance, 2001

Rule No.	Rule	Before Amendments	After Amendments
Rule 1	PROFITS ON LIFE INSURANCE TO BE COMPUTED SEPARATELY	The profits and gains of a taxpayer carrying on life insurance business chargeable under the head "Income from Business" shall be computed separately from the taxpayer's income from other business	The profits and gains of a taxpayer carrying on life insurance business chargeable under the head "Income from Business" shall be computed separately from the taxpayer's income from other business. ***Income from other business shall be profit or loss***
			before tax as per profit and loss account prepared under the Insurance Ordinance, 2000 (XXXIX of 2000), excluding any surplus appropriation made during the year.
COMMENTS ON RULE 1			
This amendment does not have any financial impact. It has just been incorporated to make taxation of shareholders fund more clearer.			

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Rule 2	COMPUTATION OF PROFITS AND GAINS OF LIFE INSURANCE BUSINESS	The profits and gains of a life insurance business shall be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by actuarial valuation made for the last inter-valuation period ending before the tax year for which the assessment is to be made so as to exclude from it any surplus or deficit included therein which was made in any earlier inter-valuation period and any expenditure other than expenditure which is, under the provisions of Part IV of Chapter III, allowed as a deduction in computing the profits and gains of a business."	***The profits and gains of a life insurance business shall be the current year's surplus appropriated to profit and loss account prepared under the Insurance Ordinance, 2000 (XXXIX of 2000), as per advice of the Appointed Actuary, net of adjustments under sections 22(8), 23(8) and 23(11) of the Insurance Ordinance, 2000 (XXXIX of 2000) so as to exclude from it any expenditure other than expenditure which is, under the provisions of Part IV of Chapter III, allowed as a deduction in computing profits and gains of a business to the extent of the proportion of surplus not distributed to policy holders.]***

COMMENTS ON RULE 2

It may be pointed out that before the amendments in rule 2, any expenditure other than expenditure which is, under the provisions of Part IV of Chapter III, allowed as a deduction in computing the profits and gains of a business was to be disallowed by the income tax authorities and the 100% of the amount of disallowed expenditures were to be added back in the taxable income of the life insurance business. However, the amendment in Rule 2 has added a new sentence whereby any disallowed expenditure would be limited to the extent of the proportion of surplus not distributed to policy holders.

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Rule 3	COMPUTING THE SURPLUS UNDER RULE 2	(1)The following [provisions] shall apply in computing the surplus for the purposes of rule 2, namely:– (c) profit on debt received in the inter-valuation period in respect of any securities of the Federal Government which have been issued or declared to be income tax-free shall not be excluded, but shall be exempt from tax (2) For the purposes of clause (a) of sub-rule (1) – (b) if any amount reserved for policy-holders ceases to be so reserved, and is not paid to, or expended on behalf of policy-holders, the sums previously allowed as a deduction under this Ordinance [or the repealed Ordinance] shall be treated as part of the **surplus** for the tax year in which the amount ceased to be so reserved.	(1)The following [provisions] shall apply in computing the surplus for the purposes of rule 2, namely:– (c) profit on debt ***[accrued]*** in the inter-valuation period in respect of any securities of the Federal Government which have been issued or declared to be income tax-free shall not be excluded, but shall be exempt from tax. (2)For the purposes of clause (a) of sub-rule (1) – (b) if any amount reserved for policy-holders ceases to be so reserved, and is not paid to, or expended on behalf of policy-holders, the sums previously allowed as a deduction under this Ordinance [or the repealed Ordinance] shall be treated as part of the ***[respective statutory fund]*** for the tax year in which the amount ceased to be so reserved.

COMMENTS ON RULE 3(1)(C)

The word "received "has been replaced by "accrued" to cover income booked on accrual basis

COMMENTS ON RULE 3(2)(B)

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The word "surplus" has been replaced by respective statutory fund.

Before this amendment, if any amount reserved for policy-holders ceased to be so reserved, and was not paid to, or expended on behalf of policy-holders, the sums previously allowed as a deduction was to be added back to the taxable surplus and subjected to tax.

After this amendment, if any amount reserved for policy-holders ceases to be so reserved, and is not paid to, or expended on behalf of policy-holders, the sums previously allowed as a deduction would be added to the respective statutory fund and would not be subjected to tax.

Rule 4	**ADJUSTMENT OF TAX PAID BY DEDUCTION AT SOURCE**	Where, for any tax year, an assessment of the profits and gains of life insurance business is made in accordance with the annual average of a surplus disclosed by a valuation for an inter-valuation period exceeding twelve months, then, in computing the tax due for that year, no credit shall be allowed for the tax paid in the tax year, but credit shall be given for the annual average of the tax paid by deduction 1[or otherwise on profit on debt received on any security of the Federal Government, a Provincial Government, a local authority or a company] during the period."	NIL

COMMENTS ON RULE 4

This rule has become redundant after the promulgation of Insurance Ordinance 2000 which requires actuarial valuation to be done every year.

47. As mentioned above, besides other, one of the major changes made is in rule 2 which deals with the computation of the profits and gains of life insurance business.

48. It was pertinent to mention that our statutory auditors have qualified our annual accounts since State Life has not made certain provisions in the books of accounts as required by them which include **deficit in pension fund, liability for compensated absences and post retirement medical benefits.** The reason for not making provisions against the above mentioned items was the apprehensions that income tax authorities would disallow all these provisions and 100% of the amount of provisions would be added back to the taxable income of state life.

49. With the changes in the rule 2 of the fourth schedule to the income tax ordinance 2001, it is expected that income tax authorities would not be able to add back 100% of

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the amount of provisions rather the add backs would be restricted to the extent of the proportion of surplus not distributed to policy holders which in our case was only 2.5%, the share pertaining to Shareholders.

After thorough discussion, the Board resolved as under:-

<u>RESOLVED:</u>

Action: ED(B&A)

"that the proposal of ED(B&A) contained in the memorandum No.10 dated 08-10-2004, amendments in the fourth schedule to the Income Tax Ordinance, 2001 and its impact on life insurance business, be and was hereby approved."

ITEM (11) <u>CONSIDER/APPROVE – SALE OF SHARES WITH NEGATIVE VALUES</u>

50. Executive Director(Investment) presented before the Board a memorandum for consideration and approval sale of shares with negative values.

51. State Life has been investing its funds in accordance with provisions contained in Insurance Act 1938, Insurance Rules 1956 and SRO(309) of 1970. With the promulgation of Insurance Ordinance 2000 and Insurance Rules 2002, the old Act and the Rules have been repealed but the provisions contained in SRO(309)K are still applicable to the Corporation and the funds are being invested accordingly.

52. With the passage of time some of the equity investments in companies are trading at prices which are lesser than the holding costs. State Life by and large disposes off shares through which capital gains can be achieved. However due to continued stagnation or further erosion of values in these companies with passage of time, unrealized capital loss is increasing. A statement showing shares held in the companies where market price as at October 31, 2004 was lesser than cost was placed at Annexure-A.

53. The Board was requested to authorize the Corporation to sell the shares of these companies. The loss so booked in its accounts will be off set by capital gains. This will also help the Corporation to invest its funds in profitable companies.

54. While joining the discussion, Mr. Nessar Ahmad suggested that only those shares with negative value were to be sold, where the dividend was less than 7% and where the market value of such shares was less than 90% of break-up value.

After thorough discussion, the Board resolved as under:

<u>RESOLVED:</u>

Action: ED(Inv.)

"that the ED(Investment) was directed to place the matter before the next meeting of Executive Committee for decision, be and was hereby approved."

ITEM (12) <u>CONSIDER/APPROVE – DEALING WITH FOREIGN AND LOCAL PRIVATE BANKS – ENHANCEMENT OF DEPOSIT LIMIT FROM RS.300 MILLION TO RS.500 MILLION.</u>

55. Executive Director(Investment) presented before the Board a memorandum for enhancement of deposit limit from Rs.300 million to Rs.500 million for dealing with foreign and local private banks.

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56. In accordance with the directives of Ministry of Finance contained in Office Memorandum No.F.4(1)/2002-BR-II dated 2nd July, 2003, the Board at its 176th meeting held on 3rd April 2004 approved the proposal for placement of surplus funds with foreign and local private banks with the condition that the local banks must have minimum "A" rating (long term) by PACRA or JCR-VIS and the foreign banks be also "A" rated by S&P, Moody's or Fitch's (Annexure-A).

57. The Executive Committee of the Corporation at its 269th meeting held on 1st August, 2002 held approved placement of maximum of Rs.300 million with "A" rated banks.

After thorough discussion, the Board resolved as under:-

RESOLVED:

Action: ED(Inv.)

"that ED(Investment) was directed to place the matter with complete details before the next meeting of Executive Committee for decision, be and was hereby approved."

ITEM (13) CONSIDER/APPROVE – REQUEST FOR WRITE OFF/WRITE BACK OF DEBIT AND CREDIT BALANCES APPEARING AGAINST TERMINATED FIELD WORKERS.

58. Executive Director(B&A) presented before the Board a memorandum for consideration regarding write off/write back of debit and credit balances appearing against terminated field workers.

59. The statutory auditors of the Corporation, while auditing accounts for the year 2003, have observed that certain debit and credit balances were appearing under terminated field workers codes. They recommended that these balances may be written off because there is no likelihood of their recovery/payments. The matter was discussed in 13th meeting of Board Audit Committee (BAC) which decided to implement the recommendations of statutory auditors.

60. An exercise was carried out in B&A Division with the help of Computer Division in order to find out total amounts of debits and credits appearing against terminated SRs, SOs and SMs on corporate basis. The summary of the amounts of debit and credits is as follows:

a) Total debits outstanding as at 30.6.2004 under terminated field codes:

Sales Representatives	30,623,913
Sales Officers	8,177,805
Sales Managers	4,142,267
Total DR (Rs.)	**42,943,985**

b) Total credits outstanding as at 30.6.2004 under terminated field codes:

Sales Representatives	166,752,474
Sales Officers	17,794,086
Sales Managers	6,415,590
Total CR (Rs.)	**190,962,150**

Net (CR) (Rs.) **148,018,165**

61. It was submitted that these were old balances and were appearing against those

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field workers who themselves and their guarantors have been terminated and there was no chance of recovery of this amount. Similarly, the amount payable to these field workers has not been claimed by concerned field workers since long and now there was no hope for lodging a claim.

62. In view of the above situation and in order to implement the directives of the BAC, it was requested that permission may be accorded to write off a sum of Rs.42.944 million and to write back a sum of Rs.190.962 million, net effect of which will be to write back amount of Rs.148.018 million.

After thorough discussion, the Board resolved as under:-

RESOLVED:

"that the proposal of ED(B&A) contained in the memorandum No. 13 dated 24-11-2004, regarding permission to write off a sum of Rs.42.944 million and to write back a sum of Rs.190.962 million, net effect of which would be to write back an amount of Rs.148.018 million, be and was hereby approved."

Action: ED(B&A)

ITEM (14) CONSIDER/APPROVE – UP-GRADATION IN THE MID YEAR FROM ONE CATEGORY TO ANOTHER OF AREA MANAGERS.

63 Executive Director(Marketing) presented before the Board a memorandum regarding up-gradation in the mid year from one category to another of Area Managers.

64. The criteria of regular up-gradation of Area Managers from one category to another was as follows:-

Up-gradation from to	*First Year Premium In preceding year*	*2nd year Persistency (Preceding year)*
"C" to "B"	100% quota of "B" category	Not less than 75%
"C" to "A"	100% quota of "A" category	Not less than 75%
"B" to "A"	100% quota of "A" category	Not less than 75%

The effective date of up-gradation is 1st of January of ensuing year.

65. The Board of Directors in its 163rd meeting held on November 10, 2001 approved revision in FYP quota of Area Managers as follows:-

Year	*2002*	*2003*	2004
Category "A"	34 lac	39 lac	45 lac
Category "B"	21 lac	25 lac	30 lac
Category "C"	18 lac	21 lac	25 lac

66. The FYP quotas are to be automatically increased by 25% after every three years and first such increase to be made effective 01/01/2005.

67. The FYP quota of "A" category Area Manager in 2004 is Rs. 45 lac. A "B" category Area Manager who completes 100% FYP quota of "A" category with 75% persistency as at 31/12/2004 shall be up-graded w.e.f. 01/01/2005.

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68. A request was received for up-gradation from Mr. Maqbool Hussain, "B" category Area Manager, Faisalabad Zone who has achieved Rs. 1 crore FYP with 110% persistency upto October 2004. As per the criteria he can be up-graded w.e.f. 01/01/2005. In view of his exceptionally good performance as at 31/10/2004 he has requested for up-gradation as "A" category Area Manager w.e.f. 01/11/2004 as a very special case to acknowledge his extraordinary performance.

69. At present Area Managers are up-graded on the basis of current year's performance w.e.f. 1st January of ensuing year. No Area Manager has been up-graded in the mid of a year. It was for the first time that an Area Manager has given such an excellent performance. It was hoped that in future more Area Managers will follow suit.

70. The Board of Directors was requested to approve the proposal that in future an Area Manager who procures FYP double the required quota of his category with 80% persistency against the required 75% may be up-graded from the date he achieves the above performance.

71. Mr. Nessar Ahmad while joining the discussion, opined that the strength should remain within the overall approved strength which Board of Directors already had approved. Replying to this observation, ED(Marketing) mentioned that the proposed revision of Managers(Marketing)/Sector Heads strength would remain within the overall staff/officers strength already approved by the Board.

After thorough discussion, the Board resolved as under:-

RESOLVED:

Action: ED(Mkt.)

"that the proposal of ED(Marketing) contained in the memorandum No.14 dated 25-11-2004, in future an Area Manager who procures FYP double the required quota of his category with 80% persistency against the required 75% be up-graded from the date he achieves the above performance, be and was hereby approved."

ITEM (15) CONSIDER/APPROVE – REVISION OF MANAGERS (MARKETING)/SECTOR HEAD'S STRENGTH.

72. Executive Director (Marketing) presented before the Board a memorandum regarding revision of Managers(Marketing)/Sector Head's strength.

73. The Strength of 115 Managers (Marketing) was approved by the Executive Committee/ Board in 2001. In the year 2000 FYP of the Corporation was only Rs.0.93 billion and the 2nd year persistency ratio was only 40%.

74. Since then the business of the Corporation is increasing persistently at a faster pace. During the current year it is expected that the FYP target of Rs. 212 billion will not only be achieved but surpassed by reasonable margin. The target in terms of FYP for the year 2005 would be no less than Rs. 3 billion mark. The total premium of Corporation shall also increase tremendously due to all time high ratio of 2nd year persistency and renewal persistency.

75. We place hereunder a chart showing the Corporation's FYP, No of Sector Heads and the average FYP per Sector Office for the last 5 years.

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Year	FYP in Rs. (in 000)	No. of Sector Offices	Average per Sector Office (in 000)
1999	1,174,439	175	67,11
2000	929,628	127	73,20
2001	1,017,922	116	87,75
2002	1,227,451	122	1,00,61
2003	1,667,702	115	1,45,01
2004	2,250,000	115	1,92,00 (Projected)

76. In conformity with the Mission Statement and accomplishment of the objectives of the Corporation to extend the services of providing life insurance coverage to maximum number of Pakistani, it has been decided that State Life Sector Offices be established in all District and Tahsil Headquarters. The present Sector Offices have been relocated to various locations where there were no presence of State Life Sector Offices, as per list attached. The establishment of new Sector Offices will need more Managers manage these establishments.

77. In view of the above the Marketing Division proposed that the Strength of Manager (Marketing)/ (Sector Heads) may be revised to atleast 150. The Board of Directors was requested to approve the proposed strength of Sector Heads.

After thorough discussion, the Board resolved as under:-

RESOLVED:

Action: ED(Mkt.)

"that the proposal of ED(Marketing) contained in the memorandum No.15, regarding strength of Managers(Marketing)/Sector Heads allowed to be revised from 115 to 150 which will remain within the overall approved staff strength , be and was hereby approved."

ITEM (16) CONSIDER/APPROVE – REVISION OF AREA MANAGER'S STRENGTH.

78. Executive Director (Marketing) presented before the Board a memorandum regarding revisions of Area Manager's strength.

79. The Board of Directors in its 271st meeting dated October 4, 2003 approved the strength of Area Managers as 475.

80. In view of the business progress made during the years 2002, 2003 in terms of FYP, 2nd year persistency & Renewal premium it has become imminent to review the strength commensurating with the progress made.

81. The following chart indicates the year wise strength of Area Managers vis-à-vis the premium generated and the average premium per Area Manager Contribution.

Year	No. of Area Managers	Premium in Rs.'000	Average FYP per Area Manager
2000	621	929,628	1,496,985

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2001	489	1,017,922	2,081,640
2002	454	1,227,451	2,703,636
2003	442	1,667,702	3,773,081

82. The foregoing chart reveals that due to regular upward revisions of the basic annual FYP quota of Area Managers and elimination of low performing Area Managers the average premium per Area Manager has shown a substantial increase during the last few years.

83. Needless to mention that the estimated forecast for the current year is the generation of Rs. 2.25 billion First Year Premium and Rs. 3 billion projected First Year Premium in the year 2005. To manage the current increase and projected increase for the year 2005 we propose that the strength of Area Managers may be increased to 550. The suggested number of Area Managers will enable the Corporation to achieve the targets of increased FYP in the subsequent years with an average production of Rs. 55 lac FYP per Area Manager.

84. The First Year Premium production of State Life is increasing consistently with an average of 35% to 40% per annum during the past couple of years. We have reasons to believe that the momentum of growth of business will remain consistent in times to come as a result of brisk economic activities in country. The Board in its 163rd meeting held on 10/11/2001 approved a package for Area Managers which envisages that the Area Managers quota will increase at the rate of 25% after every three (03) years and first such increase shall take effect from 01/01/2005. The increase quotes in 2005 will justify our request for the revision of Area Managers Strength from 475 to 550.

85. The Board of Directors was requested to fix the strength of Area Managers as 550 instead of 475.

After thorough discussion, the Board resolved as under:-

RESOLVED:

"that the proposal of ED(Marketing) contained in the memorandum No.16, to fix the strength of Area Managers as 550 instead of 475 which will remain within the overall approved staff strength, be and was hereby approved."

Action: ED(Mkt.)

ITEM (17) CONSIDER/APPROVE – ESTABLISHMENT OF SECTOR OFFICES AND ALLOCATION OF BUDGET.

86. Executive Director (Marketing) presented before the Board a memorandum regarding establishment of Sector Offices and allocation of budget.

87. Area Managers are promoted against the vacant posts of Manager ((Marketing). These Managers ((Marketing) assist the Zonal Heads in the marketing operation of the Zones. Until 2004, these officers were neither made responsible nor accountable for their performance. They were not provided any facility in terms of staff/ equipment.

88. During the year 2004, the Sector Heads have been made responsible and accountable for the following tasks:

a) Growth in First Year Premium

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b) 2nd Year Persistency Ratio
c) Renewal Premium Ratio
d) Number of Policies
e) Fresh Recruitment and
f) Reduction in surrender of policies.

89. The performance of the Sector Heads will be reviewed after 31.12.2004 on the basis of minimum performance benchmarks with the approval of the Chairman and will be communicated to all Sector Heads in January, 2005. The non-performers will lose their marketing perks and would also be liable for disciplinary action.

90. It was appropriate that Marketing Division may allow them to hire staff on reimbursement basis. The amount earmarked for the hiring of staff may be directly linked with the total premium collection of the Sector Offices.

a)	Total premium Rs.1 crore to Rs.2 crores	Rs.4,000 per month
b)	Total premium Rs.2 crores to Rs.5 crores	Rs.5,000 per month
c)	Total premium Rs.5 crores and above.	Rs.6,000 per month

91. The cost of providing reimbursement of hiring staff was estimated to be Rs.3 million per annum. This will ensure efficient and effective operation of the Sector Offices.

92. The Members of the Board were requested to kindly accord the approval.

After thorough discussion, the Board resolved as under:-

RESOLVED:

Action: ED(Mkt.)

"that the proposal of ED(Marketing) contained in the memorandum No.17, to allow Sector Heads to hire staff on reimbursement basis for a total estimated cost of Rs.3 million per annum subject to fulfillment of their allotted quota of premium detailed in para-90 above, be and was hereby approved."

ITEM (18) CONSIDER/APPROVE – SELECTION CRITERIA FOR APPOINTMENT FROM SALES MANAGER TO AREA MANAGER.

93. Executive Director(Marketing) presented before the Board a memorandum regarding selection criteria for appointment from Sales Manager to Area Manager.

94. The selection criteria for appointment of Sales Manager to Area Manager was approved by the Executive Committee in its 271st Meeting, held on 4.10.2003. The same was made effective from 1.1.2004. One of the proposed conditions recommended by the Marketing Division require that the candidate must have three Sales Officers fully qualified for promotion as Sales Manager.

95. An analysis of the candidates qualified for promotion as Sales Manager on the basis of previously in force criteria, only 19 Sales Managers (with only two Sales Officers) qualified for promotion. However, the condition incorporated in the criteria effective 1.1.2004 includes the condition of three qualified Sales Officers for promotion

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as Sales Managers has rendered a large number of Sales Managers becoming ineligible for promotion on account of this pre-condition.

96. The business of the Corporation has grown in the last two years at a rate of 34% in terms of First Year Premium. The average premium per Area Manager has also jumped from Rs.21 lacs in 2001 to Rs.37 lacs in 2004 and is likely to touch Rs.50 lacs in 2005. To manage this increase, Marketing Division require more Area Managers. It was, therefore, proposed that the condition of three qualified Sales Officers may be kept in abeyance for two years and the existing criteria of two (2) fully qualified Sales Officers may remain intact for that period.

97. The Board was requested to kindly accord approval.

After thorough discussion, the Board resolved as under:-

<u>RESOLVED:</u>

Action: ED(Mkt.)

"that proposal of ED(Marketing) contained in the memorandum No.18, regarding condition of three qualified Sales Officers to keep in abeyance for a period of two years only and the existing criteria of two (2) fully qualified Sales Officers was allowed to remain intact for that period, be and was hereby approved."

ITEM (19) <u>CONSIDER/APPROVE – RELIEF TO AREA MANAGERS.</u>

98. Executive Director(Marketing) presented before the Board a memorandum regarding relief to Area Managers.

99. The existing criteria as approved by the Executive Committee in its 271st Meeting, held on 4.10.2003 does not fully encourage the promotion of Sales Manager to Area Manager. If a Sales Manager gets promoted, the over all business of the parent area office goes down and, therefore, does not encourage the existing Area Manager to let a Sales Manager promoted from his team.

100. It has been reported that the Area Managers either discourage their team members to cross the threshold or they themselves get discouraged and de-motivated due to the resultant poor performance in the subsequent years.

101. In order to remedy the situation, the matter was discussed in the 3rd Regional Chiefs/ Zonal Heads Conference and it was unanimously agreed that the following concessions may be allowed to the parent Area Office:

a) For at least two consecutive years, the Area Manager should be given 5 marks for each promoted Sales Manager while grading him for his promotion as Manager.

b) While evaluating the Annual Performance, decrease upto 10% in FYP would not have any adverse implication on his performance for two consecutive years.

102. The proposed relaxation/concessions will encourage the procurement of business from Sales Managers of his team and would not be threatened from the promotion from

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his Area Office.

103. The Board of Directors was requested to please accord approval on the suggestion in para-101 above.

After thorough discussion, the Board resolved as under:-

RESOLVED:

Action: ED(Mkt.)

"that the proposal of ED(Marketing) contained in the memorandum No. 19, regarding relaxation/concessions to Area Managers mentioned in para-101 above, be and was hereby approved."

ITEM (20) CONSIDER/APPROVE – PERSONAL COMPUTERS TO OUTSTANDING AREA MANAGERS.

104. Executive Director(Marketing) presented before the Board a memorandum regarding personal computers to outstanding Area Managers.

105. As per approval of the Executive Committee dated 2nd December, 1991, the Area Managers are allowed a One-Time Grant in the shape of Personal Computer and Printer on the basis of their performance on the following conditions:

a)	Renewal Premium	Rs.1 Crore or more
b)	First Year Premium	Completion of Yearly Quota
c)	2nd Year Persistency	70% or more
d)	Operating Cost	Within prescribed limits (5% + 5% = 10% of FYP)
e)	Cost of the Personal Computer	Maximum Rs.One Lac with all accessories including Printer.

106. Due to cost constraint, no one could qualify for the facility during 2002 and 2003. Hence a revised criteria was placed below:

a)	Renewal Premium	Rs.2 Crore or more
b)	First Year Premium	Rs.75 lacs
c)	2nd Year Persistency	80% or more
d)	Operating Cost	Within prescribed limits (6% + 6% = 12% of FYP)
e)	Cost of the Personal Computer	Maximum Rs.50,000 with all accessories including Printer.

107. The Marketing Division feels that the provision of computer is a business necessity and it should be provided to the Area Offices as a business tool. It is, therefore, proposed that the facility of personal computer be provided on attainment of the revised business criteria.

108. The estimated number of qualifiers on the basis of revised criteria will be 25 to 30. This will cost State Life a sum of Rs.12,50,000/- to Rs.15,00,000/- and in subsequent year, 5 new Area managers will qualify thereby costing us Rs.2,50,000/- per annum. The facility of PC will help the Area Managers in providing efficient and effective services to the clients and will increase their productivity.

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109. The Board of Directors was requested to accord approval of the revised criteria.

After thorough discussion, the Board resolved as under:-

RESOLVED:

"that the proposal of ED(Marketing) contained in the memorandum No.20, facility of personal computer be provided to outstanding Area Manager on attainment of the revised business criteria mentioned in para-106 above, be and was hereby approved."

Action: ED(Mkt.)

ITEM (21) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(I) CONSIDER/APPROVE – REVISION OF PAY AND ALLOWANCE TO OFFICERS OF STATE LIFE.

110. ED(P&GS) briefed the Board regarding the system of the increase of pay and allowances to the staff and officers of State Life. According to Labour Laws the staff salaries were subject to review/increase after every two years. However according to the decision passed in 140th meeting of the Board of Directors held on 20th August, 1998, the increase in pay and allowances to the officers were linked with the increase of pay and allowances of the staff. However the increase of the officers pay and allowances made in 2000 and thereafter in 2002 was never sent to the Ministry for their approval. State Life was established under the Life Insurance Nationalization Orders, 1972. Federal Government of Pakistan was the owner of the State Life and Corporation was under legal obligation to follow the directions of the Federal Government. Chairman also briefed the members of the Board on this matter. It was observed that no where the officer's pay allowances and perks are linked with those of CBA. Strangely, it was so decided in SLIC sometime ago.

111. ED(P&GS) further briefed the Board that the increase in pay and allowances of the unionized staff had already been made while the increase of pay and allowances of officers was due since 1st January, 2004. The matter of linking the increase in pay and allowances of officers with the increase of pay and allowances of unionized staff was also discussed at a length.
After thorough discussion, the Board resolved as under:-

RESOLVED:

Action: ED(P&GS) (i) ***"that in future the link of increase in pay and allowances of the officers be discontinued with the increase in pay and allowances of the unionized staff, be and was hereby approved."***

Action: ED(P&GS) (ii) ***"that the increase in the basic pay of the officers was allowed to the extent of 8% w.e.f. 1st January, 2004, be and was hereby approved."***

Action: ED(P&GS) (iii) **"that the disbursement of increase will be made after the final approval of the Ministry, be and was hereby approved."**

112. The meeting ended with mutual vote of thanks.

Yaqub

CHAIRMAN

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