

**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

**CONFIDENTIAL AND RESTRICTED**

The one hundred and eighty first (181<sup>st</sup>) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 28<sup>th</sup> February 2005 at 3:00 p.m., in the Conference Room/Board Room, Pearl Continental Hotel, Lahore.

**PRESENT:**

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

- The meeting started with the recitation from Holy Quran by the Board Secretary.
- Mr. Nessar Ahmad, Director's request for leave of absence was granted by the Board.
- Chairman and members of Board of Directors extended warm welcome to Syed Asif Shah, the newly appointed Director/Additional Secretary, Ministry of Commerce. While introducing him to the members of Board, Chairman informed the Board, that Syed Asif Shah, a senior Government officer with rich and varied experience in important assignments would add great value to the proceedings of the Board. His nomination would help in speedy disposal of matters of State Life relating to Government of Pakistan. Syed Asif Shah thanked the Chairman and members of Board of Directors for their comments and offered to extend all possible support to the Board of Directors in the discharge of its functions.

**ITEM (01) CONFIRMATION OF MINUTES OF 180TH MEETING OF THE BOARD OF DIRECTORS HELD ON 04-12-2004.**

5. The minutes of the 180<sup>th</sup> Meeting of the Board of Directors held on 4<sup>th</sup> December' 2004, were placed before the Board. Air Marshal (Retd) Sharbat A. Changazi pointed out that in the draft minutes of 180<sup>th</sup> meeting at para-1 on page-1 his name was missing, although he had attended the meeting. Board Secretary stated that the lapse occurred due to inadvertence. The Board of Directors directed the Secretary to correct the minutes accordingly.

6. Mr. Bashir Ahmed proposed and Mrs. Spenta Kandawalla seconded that the minutes of 180<sup>th</sup> meeting held on 4<sup>th</sup> December, 2004 be confirmed with above correction.

Accordingly, it was resolved as under:

**RESOLVED:**

"that the Minutes of the 180<sup>th</sup> Meeting of the Board of Directors held on 4<sup>th</sup> December' 2004, were hereby confirmed with above correction."

CHAIRMAN'S INITIALS

*[Handwritten Signature]*

Action:  
Board  
Secretary

Action:  
Board  
Secretary

MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

**ITEM (02) IMPLEMENTATION REPORT ON DECISIONS TAKEN IN THE 180<sup>TH</sup> MEETING OF BOARD OF DIRECTORS.**

7. The Board Secretary presented before the Board the implementation report on decisions taken in the 180<sup>th</sup> meeting of the Board held on 4<sup>th</sup> December, 2004. While discussing the implementation report Mrs. Spenta Kandawalla asked the progress made regarding purchase of plot for Zonal Office at Quetta. Air Marshal (Retd) Sharbat A. Changazi replying to this query informed the Board that due to severe cold weather the visit of Committee constituted for this purpose could not be materialized. On a query raised by Syed Asif Shah, the Board was informed that the proposed purchase of plot at Quetta was not purely for the investment purposes but also because SLIC wished to construct a suitable building to house the Zonal Office of State Life, as was done in other places. While joining the discussion, Mr. Bashir Ahmed opined that the Committee already constituted for the visit of Quetta/Gwadar should be conscious of the reports in the market that price had risen tremendously due to speculation by the real estate agents. Chairman requested Syed Asif Shah to also join the Committee for the visit of Quetta and Gwadar. Syed Asif Shah accepted the offer subject to his availability.

Action:  
ED(RE)

8. The implementation report of 180<sup>th</sup> meeting of the Board was noted.

Action:  
Board  
Secretary

**ITEM (03) RATIFICATION OF MINUTES OF 272<sup>ND</sup> MEETING OF EXECUTIVE COMMITTEE HELD ON 18-12-2004.**

9. The Board Secretary presented before the Board, the minutes of 272<sup>nd</sup> meeting of the Executive Committee held on 18-12-2004 for ratification.

Accordingly, it was resolved as under:

**RESOLVED:**

“that the minutes of 272<sup>nd</sup> meeting of the Executive Committee held on 18-12-2004, be and were hereby ratified.”

Action:  
Board  
Secretary

**ITEM (04) TO CONSIDER – TO NOMINATE OTHER DIRECTOR AS MEMBER OF BOARD AUDIT COMMITTEE.**

10. Secretary Board presented a memorandum to nominate other Director as member of Board Audit Committee.

11. The Board Audit Committee was constituted through a resolution in the 156<sup>th</sup> meeting of the Board of Directors held on 7<sup>th</sup> October 2000 at Principal Office, Karachi.

12. At start the Board Audit Committee comprised four members including one as Chairman. Presence of three members was required for quorum of the BAC's meeting.

13. In the 179<sup>th</sup> meeting of the BOD dated 7<sup>th</sup> August 2004, the BAC was reconstituted, comprising the following three members with quorum of two including Chairman BAC.

- |                                     |          |
|-------------------------------------|----------|
| i. Mr. Bashir Ahmed, Director       | Chairman |
| ii. Mr. Nessar Ahmed, Director      | Member   |
| iii. Mr. Umar Ata Bandial, Director | Member   |

CHAIRMAN'S  
INITIALS

**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

14. Mr. Umar Ata Bandial, Director has since been appointed as Additional Judge of Lahore High Court, Lahore and has therefore ceased to be a Director.

15. It may be mentioned that under the Code of Corporate Governance issued by Securities & Exchange Commission of Pakistan, minimum strength of the Board Audit Committee has been fixed as three.

16. It was proposed that to facilitate the meetings of Board Audit Committee, Directors Mrs. Spenta Kandawalla and Syed Asif Shah be also included members of Board Audit Committee.

17. The Board approved the proposal and resolved as under:

**RESOLVED:**

“that the re-constitution of the Board Audit Committee will be as under: (1) Mr. Bashir Ahmed, Chairman, (2) Mr. Nessar Ahmad, Member, (3) Mrs. Spenta Kandawalla, Member, (4) Syed Asif Shah, Member and (5) Mr. Sher Ali Khan, as Secretary(BAC), be and was hereby approved.”

**ITEM (05) PRESENTATION ON BUSINESS FIGURES FOR THE PERIOD ENDED 31-12-2004 OF MARKETING, GROUP & PENSIONS, INVESTMENT AND REAL ESTATE DIVISIONS.**

18. At this point ED(Marketing/G&P) joined the meeting and presented before the Board, the business review for the year 2004.

**MARKETING DIVISION:**

19. 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.2207 million for the period ending on 31<sup>st</sup> December, 2004 as compared to Rs.1667 million during the corresponding period of last year, thus registering an increase of 32.37% over the corresponding period of last year.

20. The Corporation also collected Rs.1367 million, second year premium, as compared to Rs.976 million during the corresponding period of last year, thus showing an increase of 40%. The second year persistency for the period from January to December, 2004 was 82.01% while in 2003 the second year persistency for the same period was 79.66%. The third year and later year's premium for the period from January to December, 2004 was Rs.4632 million as compared to Rs.4256 million renewal premium during the same period of last year, thus showing an increase of 8.83%. The renewal persistency ratio for the period January to December, 2004 was 88.50% while in 2003 the renewal persistency for the same period was 91.46%. The Marketing Division sold 2,22,968 new policies upto the month of December, 2004 against 1,83,595 policies sold during the same period of preceding year and thus registering an increase of 21.44%. The number of policies surrendered upto December, 2004 was 39,509, while the number of surrendered policies for the corresponding period of last year was 55,926, thus showing a decrease of 29.35%.

21. The Board noted the figures and appreciated the achievements made by ED(Marketing) and his team.

Action:  
Secretary  
(BAC)/  
Board  
Secretary

CHAIRMAN'S  
INITIALS



**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBURARY' 2005	

**GULF ZONE:**

22. Executive Director(Marketing) informed the Board that Gulf Zone has procured US\$:2,374,619 FYP, for the period ending on December 31, 2004 as against US\$: 2,101,330 during the corresponding period of last year showing an increase of 13%. The number of policies sold by Gulf Zone during the period upto December, 2004 was 1791 as against 1733, during the corresponding period of last year, registering an increase of 3%. Second year persistency achieved during the period January to December, 2004 was 76%, as against 70% showing an increase of 6% over last year. Renewal persistency for the period ending on December 31, 2004 was 84% as against 76% in the last year corresponding period, showing an increase of 8%.

23. ED(Marketing) explained that the laws in Saudi Arabia have been changed and now only that company/corporation was allowed to carry out its business which was incorporated in Saudi Arabia. He further informed that State Life was looking forward to explore new horizons in Qatar, Bahrain, Sultanate of Oman etc. Board appreciated the idea of expansion of business.

**GROUP & PENSIONS DIVISION:**

24. 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 December 31, 2004 stood at Rs.2413 million as compared to Rs.2218 million, for corresponding period of last year showing an increase of 8.77%. G&P Division secured 278 new groups during this period having total premium of Rs.87 million as against 252 new groups having premium of Rs.162 million, showing a decrease of 46.42% in premium income under new groups and 10.31% increase in number of new groups in 2004 as compared with 2003. In 2003, G&P Division collected Rs.122,649,000 as new premium from WAPDA which has been collected in 2004 under renewal business. If G&P Division exclude this premium from total collection of new business in 2003 then the percentage increase in premium of new business in 2004 would be 123%. G&P Division lost 100 policies having a total premium of Rs.28 million as against lost 79 policies having a total premium of Rs.14 million. The persistency of G&P Division upto 31st December, 2004 was 98.76% as against 99.00% in 2003.

25. ED(G&P) briefed the Board regarding salient features of efforts made by Group & Pensions Division, the Board noted and appreciated the achievements made by him and his team. At this point, ED(Marketing/G&P) left the meeting.

**INVESTMENT DIVISION:**

26. At this point, Executive Director (Investment) joined the meeting and 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.109,257 million as on December 31, 2004, reflecting an increase of Rs.12,665 million and a percentage increase of 13.11%, during the year ended December 31, 2004. State Life has been investing in Pakistan Investment Bonds floated by Government of Pakistan since December 2000. The Corporation has placed Rs.14,230.953 million in PIBs during the period under review raising the total investments in PIB's inclusive of accrued interest to Rs.66,147 million. This constituted 60.54% of total investment in Government Securities. State Life has so far invested Rs.1,350 million in WAPDA Bonds, balance of which was Rs.953 million as on December 31, 2004. Balance outstanding against TFCs of other companies was Rs.648 million as on December 31, 2004.

CHAIRMAN'S  
INITIALS



MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME				
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005					
<p>27. State Life equity portfolio which was Rs.8,933 million as on December 31, 2003 has increased to Rs.11,623 million as on December 31, 2004. State Life purchased shares with a book value of Rs.4,008.629 million during the period ended December 31, 2004 and has sold shares with a book value of Rs.1,316.9698 million for Rs.3,529.488 million thereby realizing capital gain of Rs.2,212.519 million during this period. The book value of quoted equity portfolio stood at Rs.11,212 million while its market value was Rs.30,428 million showing an appreciation of Rs.19,216 million as on December 31, 2004.</p>							
<p>28. State Life, has earned Rs.12,679 million (un-audited) on its investment portfolio, excluding unrealised gain on investment for the period ended December 31, 2004, as compared to Rs.10,207 million earned during the year of 2003. At this point, ED(Investment) left the meeting.</p>							
<p><b><u>REAL ESTATE DIVISION:</u></b></p>							
<p>29. At this point, Executive Director(RE) joined the meeting and presented before the Board, the business figures of Real Estate Division for the period ending on December 31, 2004. The gross income of Real Estate as at 31<sup>st</sup> December, 2004 was Rs.395 million as against prorated projection income of Rs.399 million. The gross income upto 31<sup>st</sup> December 2003 was Rs.373 million. Total expenses upto 31<sup>st</sup> December 2004 came to Rs.362 million as against budgeted amount of Rs.364 million, which was 0.55% lower. Net income upto 31<sup>st</sup> December 2004 was Rs. 33 million which was 6% lower than the targeted figure upto the month. At this point, ED(RE) left the meeting.</p>							
<p><b>ITEM (06) TO CONSIDER – MEDICAL FACILITIES TO RETIRED OFFICERS OF STATE LIFE.</b></p>							
<p>30. At this point, Executive Director(P&amp;GS) joined the meeting and presented before the Board memorandum No.06 dated 12-01-2005 for consideration of medical facilities to retired officers of State Life</p>							
<p>31. Wafaqi Mohtasib in the complaint # 2528/2002-A-617 dated 15-10-2002 by Mr. Usuf Bhai, a retired General Manager of State Life, recommended that the recommendations of Pay and Pension Committee and Anomaly Committee of Finance Division should be placed before the full Board of Directors for decision as the decision quoted by the Agency was taken by the Executive Committee in respect of medical facilities to be provided to the retired employees. The Wafaqi Mohtasib has also advised to frame separate procedure, rules and regulations for medical facilities in respect of retired employees particularly in view of the fact that there is difference in the medical facilities being provided to the retired over those of the serving employees[Annexure – J]. Accordingly the matter was brought before the Board of Directors.</p>							
<p>32. An estimated additional financial impact of the implementation of the decision of the Pay &amp; Pension Committee 1993, on the basis of medical expenses figures for 2003 (F/L), was given below:</p>							
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Total Annual Expenditure on Medical Facilities to in-service Officers</td> <td style="text-align: right;">Rs. 39,093,875</td> </tr> <tr> <td>Less Expenses on Parents of Officers</td> <td style="text-align: right;">Rs. 2,313,045</td> </tr> </table>				Total Annual Expenditure on Medical Facilities to in-service Officers	Rs. 39,093,875	Less Expenses on Parents of Officers	Rs. 2,313,045
Total Annual Expenditure on Medical Facilities to in-service Officers	Rs. 39,093,875						
Less Expenses on Parents of Officers	Rs. 2,313,045						

CHAIRMAN'S INITIALS



MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	
	Net Expenditure on Employees and their families	Rs. 36,780,830	
	Total Number of Officers	1171	
	Average expense per head per year	Rs. 31,410	
	Total Number of Retired Officers Including Area Managers	942	
	Expenditure estimated	Rs. 29,588,220	
	Less Existing Expenditure	Rs. 16,699,146	
	Net Additional Financial Impact (Estimated)	Rs. 12,889,074	
	<p>33. The medical expenditure on a retired person increases due to deteriorating health with passage of time. However since State Life provides medical facility to the retired officer and his/her spouse only, whereas the above estimate also includes the family of the officer.</p>		
	<p>34. It would be worth mentioning that State Life point of view in this regard has always been:</p>		
	<p>a. The decisions of the Pay &amp; Pension Committee were recommendatory and not obligatory.</p>		
	<p>b. State life cannot bear the huge financial burden of medical facilities to retired employees as are available to the serving employees due to the fact that medical expenditure increases rapidly and enormously after the age of superannuation on account of deteriorating health of the officers.</p>		
	<p>35. The following options may be considered:</p>		
	<p>(a) To allow medical facility to the retired officers at par with the in-service officers as decided by the pay and pension committee and endorsed by the anomaly committee in 1994.</p>		
	or		
	<p>(b) The limits of one basic pay in respect of Medical attendants/cost of medicine and one basic pay in respect of specialist fee/diagnostic tests each may be allowed to be clubbed. The unused balance (if any) at the end of the year may be allowed to be carried forward to the next year and so on. The hospitalization facility may be allowed without limit at par with the in-service officers because one month basic pay cannot cater for hospitalization even for a very short while.</p>		
	or		
	<p>(c) The limits of one month pay in each category i.e medical attendance/cost of medicine, specialist fee/diagnostic tests and hospitalization may be increased to one and a half months Basic Pay and allowed to be clubbed together. The unused balance (if any) in one year may be allowed to be carried forward to the next year and so on.</p>		

CHAIRMAN'S INITIALS



MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBURARY' 2005	
	<p>36. The Board of Directors discussed the memorandum at length and asked ED(P&amp;GS) "whether procedures, rules and regulations in respect of retired employees particularly in view of the fact that there was a difference in the medial facilities were being provided to the retired over those of serving employces" have been drafted? ED(P&amp;GS) informed that procedures, rules and regulations yet have to be framed. Board asked him to first of all, frame the procedures, rules and regulations as directed by the Honourable Wafaqi Mohtasib in his recommendations dated 07-07-2004 on complaint No.K/2528/2002 (A-617). The details of financial impact also was asked to be brought before the Board.</p> <p>Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>"that on Memorandum No.06 dated 12-01-2005 of ED(P&amp;GS) he was directed to frame the procedures, rules and regulations in the line of recommendations given by Honourable Wafaqi Mohtasib in his order dated 07-07-2004 on complaint No.K/2528/2002 (A-617) alongwith details of financial impact, be and is hereby approved."</p> <p><b>ITEM (07) WORKING PAPER – INCREASE IN SALARY OF OFFICERS OF STATE LIFE.</b></p> <p>37. Executive Director(P&amp;GS) presented before the Board a working paper dated 18-01-2005 regarding increase in salary of officers of State Life.</p> <p>38. The Board of Directors in its 180<sup>th</sup> meeting held on 04.12.2004 has approved recommendations of Revision of Pay Scales of Officers at 8% w.e.f. 01.01.2004. It was further resolved that the disbursement of increase will be made after the final approval of the Ministry. However, considering the financial hardship of the Officers and the persistent pursuance of the office bearers of the State Life Officers Federation and to keep up the morale of officers during the closing period of financial year i.e. December 2004, the Chairman State Life has allowed disbursing the increase of salary and to seek approval of Ministry of Commerce simultaneously. Accordingly disbursement of the increase in salaries to the officers of State Life has been made and Ministry of Commerce has been requested to approve the increase as approved by the Board of Directors, through a letter dated January 06, 2005.</p> <p>39. The Board noted the contents of working paper and directed that Ministry of Commerce be requested to expedite the approval. At this point, ED(P&amp;GS) left the meeting.</p> <p><b>ITEM (08) TO CONSIDER – REQUEST FOR WRITE OFF/WRITE BACK OF AMOUNT DUE TO/FROM DEFUNCT INSURANCE COMPANIES, RE-INSURERS AND LIFE INSURANCE CORPORATION OF INDIA.</b></p> <p>40. At this point, Executive Director(B&amp;A) joined the meeting and circulated before the Board, amended memorandum dated 11-01-2005 for consideration of request to write off/write back amounts due to/from defunct Insurance Companies, Re-Insurers and Life Insurance Corporation of India. He explained that previous memorandum was having some bona fide mistakes as para-11 was missing, the memorandum was carrying some</p>		

Action:  
ED(P&GS)

Action:  
ED(P&GS)

CHAIRMAN'S  
INITIALS



**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBURARY' 2005	

calculation mistakes, similarly the re-designed para-11 was previously a part of para-13. The Board noted the corrections.

41. The statutory auditors of the Corporation, while auditing accounts for the year 2003, had observed that there were certain amounts lying un-settled in respect of various insurers and re-insurers. The matter was discussed in 13<sup>th</sup> meeting of Board Audit Committee (BAC), held on 6<sup>th</sup> August, 2004, and it was decided that the reasons for non adjustment of these amounts may be ascertained and write off / write back action recommended, separating litigation cases, which may be kept unchanged until a decision is arrived.

42. It was submitted that these balances pertains to 3 broad categories of insurance companies, viz:

- Defunct Insurance Companies, whose life business was taken over by State Life on Nationalization,
- Re-insurers of State Life business, and
- Life Insurance Corporation of India (LIC), whose business was handed over to State Life Insurance Corporation in 1976.

43. The detail of three categories of insurers was given separately in following paras:-

**A) Defunct Insurance Companies:**

44. It is submitted that these amounts had become due to/from insurer at the time of taking over their life business by State Life. In some cases, court cases are in process while in other cases no settlement has yet been made till the time of nationalization. The details of these amounts were as follows:

a) Balance appearing in Principal Office:			
S #	Name of Defunct Companies	Amount – Rs.	
		Receivable	Payable
1.	Mercantile Fire & General	26,891	-
2.	Grand Mutual (Gen. Deptt)	100,000	-
3.	Standard Insurance (Gen. Deptt)	700	-
4.	Mercantile Insurance	10,280	-
5.	Modern Mutual Insurance	1,500	-
6.	Pak General Insurance	-	4,140
7.	Pakistan Mutual Insurance	-	18,926
8.	Co-operative Insurance	-	1,000,808
9.	Premier General Insurance	-	532,044
	<b>Sub. Total ..... (a)</b>	<b>139,371</b>	<b>1,555,918</b>

**b) Balance appearing in Lahore Central Zone**

10.	International General & Insurance	8,500	-
11.	Oriental Mutual	16,246	-
12.	Pakistan General Insurance	601,760	-
13.	Pak Mutual	9,635	-
14.	Muslim Insurance	47,056	-
15.	Co-operative Insurance	681,959	-
	<b>Sub. Total.....(b)</b>	<b>1,365,156</b>	<b>-</b>
	<b>Grand Total (a) + (b)</b>	<b>1,504,527</b>	<b>1,555,918</b>

CHAIRMAN'S  
INITIALS





**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

45. Out of these amounts, the cases relating to the following amounts were pending in various courts.

a) Balance appearing in Principal Office:

S #	Name of Defunct Companies	Amount – Rs.	
		Receivable	Payable
1.	Pakistan Mutual Insurance	-	18,926
2.	Co-operative Insurance	-	1,000,808
b) Balance appearing in Lahore Central Zone			
3.	Oriental Mutual	16,246	-
4.	Pak Mutual	9,635	-
5.	Co-operative Insurance	681,959	-
Total Amount Receivable/Payable		707,840	1,019,734

46. Thus, in following cases, chances of recovery was not possible as these were outstanding for decades. Simultaneously, no claim has been lodged by the creditors for the amounts payable to them.

a) Balance appearing in Principal Office:

S #	Name of Defunct Companies	Amount – Rs.	
		Receivable	Payable
1.	Mercantile Fire & General	26,891	-
2.	Grand Mutual (Gen. Deptt)	100,000	-
3.	Stand Insurance (Gen. Deptt)	700	-
4.	Mercantile Insurance	10,280	-
5.	Modern Mutual Insurance	1,500	-
6.	Pak General Insurance	-	4,140
7.	Premier General Insurance	-	532,044
b) Balance appearing in Lahore Central Zone			
8.	International General & Insurance	8,500	-
9.	Pakistan General Insurance	601,760	-
10.	Muslim Insurance	47,056	-
Total Amount Receivable/Payable		796,687	536,184

B) Re-insurers

47. The following amounts were receivable from and payable to various re-insurers since 1989 and no adjustment was made.

Amount Receivable:

• Swiss Re	...	Rs. 82,857
• M&G, London	...	Rs. 92,381
• Alpha	...	Rs. 23,106
Total:	...	Rs. 198,344

CHAIRMAN'S  
INITIALS



MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	
<p><u>Amount Payable:</u></p> <p>• Mercantile F&amp;G ... <u>Rs. 10,000</u></p> <p><u>Net Effect – amount to be written off:...</u> <u>Rs.188,344</u></p> <p><b>C) Life Insurance Corporation of India (LICI)</b></p> <p>48 In 1965, the Government of Pakistan took over the control of Life Insurance Corporation of India ( L.I.C.I.). In the year 1976, assets and liabilities of LICI were bifurcated in two parts, the portion relating to General Insurance was transferred to PIC and the portion relating to Life Insurance was transferred to State Life.</p> <p>49. The portion of assets relating to Life Insurance was separately maintained by State Life up to the year 1984. The accounts of LICI were audited by Riaz Ahmed &amp; Co. Chartered Accountants up to the year 1983. However, the assets were not physically traceable and the auditors' observation was as under:</p> <p style="padding-left: 40px;">“We report that we could not verify assets and liabilities reported under the heads of house property and land, taxation, Dacca, Branch account, Head Office, Bombay account, furniture, fixture and equipment, receivables from Standard Insurance, custody of enemy property and excess of assets over liabilities at April 1, 1966.”</p> <p>50. State Life inherited 3000 shares of N.B.P bearing face value of Rs. 50/- each which were in the name of LICI. By virtue of Nationalization, the Ministry of Commerce vide notification dated 20<sup>th</sup> May 1973 deleted the name of LICI (in Pakistan) from the Gazette. These assets of LICI were transferred to State Life by operation of Life Insurance Nationalization Ordinance 1972. Later on, NBP changed the denomination of its shares from Rs.50/- each to Rs. 10/- thereby converting 3,000 shares into 15,000 of Rs. 10/- each.</p> <p>51. Actuarial Division has intimated that the policyholders liability as assessed by Actuarial Valuation as at 31.12.2003 was Rs.36,851/- on nine policies enforced as on that date.</p> <p>52. As mentioned above assets of LICI were not traceable with the exception of the shares of National Bank of Pakistan which increased to 126,139 shares due to issuance of bonus shares by National Bank of Pakistan in the Past.</p> <p>53. Actuarial Division has intimated vide their IOC dated 30.11.2004 that the policyholders liability as assessed by Actuarial Valuation as at 31.12.2003 was Rs.36,851/- on nine policies enforced as on that date.</p> <p>54. In view of circumstances explained above, the current account of LICI with State Life may be allowed to transfer to the Revenue Accounts, the balance policyholders liability to Life Fund of State Life and share of National Bank of Pakistan pertaining to LICI may be allowed to become the part of State Life Investment portfolio.</p>			

CHAIRMAN'S  
INITIALS


**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

55. The summary of write off / write back requests, as explained in above paras is as follows:

S. #	Description	Amounts to be		Net Effect
		written off	Written back	
1.	Amount receivable from defunct insurers	796,687		796,687
2.	Amount payable to defunct insurers		536,184	(536,184)
3.	Amount receivable from re-insurers	198,344		198,344
4.	Amount payable to re-insurers		10,000	(10,000)
5.	Amount pertaining to LICl to be transferred to Revenue Account		7,498,166	(7,498,166)
TOTAL:		995,031	8,044,350	7,049,319
NET EFFECT – AMOUNT TO BE WRITTEN BACK – Rs.				7.05 million

56. It was requested that the Board of Directors may please consider to allow write off/write back of the amounts as per details given above. The Board was further requested to consider to allow to transfer the balance policyholders liability of LICl to Life Fund of State Life and shares of National Bank of Pakistan pertaining to LICl may be allowed to become the part of State Life Investment portfolio.

57. During the course of discussion, Syed Asif Shah pointed out that the amount pertaining to LICl could not be write off/write back as it was a part of enemy properties and Ministry of Communication was the custodian of such properties. For seeking permission, matter pertaining to LICl may be first referred to the Ministry of Communication for their clearance. Board agreed with the proposal of Syed Asif Shah and asked ED(B&A) to refer the matter pertaining to LICl to the Ministry of Communication for their clearance.

Accordingly, it was resolved as under:

**RESOLVED:**

“that the proposal of ED(B&A) contained in the Memorandum No.08 dated 11-01-2005, has been allowed to write off/write back of the amounts as per details given above, except amount pertaining to LICl. The amount pertaining to LICl be referred to the Ministry of Communication for their clearance be and was hereby approved.”

**ITEM (09) TO CONSIDER – APPOINTMENT OF TRUSTEES, STATE LIFE EMPLOYEES PENSION FUND.**

58. Executive Director(B&A) presented before the Board, memorandum N0.09 dated 19-01-2005 regarding appointment of Trustees, State Life Employees Pension Fund.

The Board approved the recommendations as contained in the memorandum and resolved as under:

CHAIRMAN'S INITIALS



Action:  
ED(B&A)

**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

**RESOLVED:**

“that the proposal of ED(B&A) contained in the Memorandum No.09 dated 19-01-2005, regarding resignation of Mr. Muhammad Aslam Sabir, General Manager(PHS) as Trustee of State Life Insurance Employees’ Pension Fund has been accepted and appointment of Mr. M. Saeed Khan, Divisional Head(PHS) as Trustee of State Life Insurance Employees’ Pension Fund in place of Mr. Muhammad Aslam Sabir, be and was hereby approved.”

Action:  
ED(B&A)

**ITEM (10) TO CONSIDER – APPOINTMENT OF ADMINISTRATORS OF STATE LIFE INSURANCE CORPORATION EMPLOYEES CONTRIBUTORY PROVIDENT FUND.**

59. Executive Director(B&A) presented before the Board, memorandum No.10 dated 17-01-2005 for appointment of Administrators of State Life Insurance Corporation Employees Contributory Provident Fund.

60. Consequent upon posting of Mr. Muhammad Aslam Sabir at Lahore based office, the Administrators of the Fund have resolved to nominate Mr. Muhammad Saeed Khan, Divisional Head (PHS) as an Administrator of the State Life Insurance Corporation Employees’ Contributory Provident Fund, in place of Mr. Muhammad Aslam Sabir. A copy of the resolution is attached.

61. The matter was, therefore, placed before the Board of Directors for consideration and approval of appointment of Mr. Muhammad Saeed Khan, Divisional Head (PHS) as an Administrator, State Life Employees’ Contributory Provident Fund in place of Mr. Muhammad Aslam Sabir.

Accordingly, it was resolved as under:

**RESOLVED:**

“that the proposal of ED(B&A) contained in the memorandum No.10 dated 17-01-2005, regarding appointment of Mr. Muhammad Saeed Khan, Divisional Head(PHS) as an Administrator, State Life Employees’ Contributory Provident Fund in place of Mr. Muhammad Aslam Sabir, General Manager(PHS), be and was hereby approved.”

Action:  
ED(B&A)

**ITEM (11) TO CONSIDER – APPOINTMENT OF TRUSTEES, STATE LIFE OFFICERS GRATUITY FUND.**


62. Executive Director(B&A) presented before the Board, memorandum No.11 dated 17-01-2005 for appointment of Trustees, State Life Officers Gratuity Fund.

63. Mr. Muhammad Aslam Sabir, General Manager (PHS) was appointed as Trustee of State Life Officers Gratuity Fund. Since he has been transferred and posted at Lahore, he has submitted his resignation dated 1.2.2005 in terms of clause 17(c) of the Trust Deed, which will be effective on expiry of 7 days notice from the date of his letter.


64. It was now necessary to fill in the gap created by the outgoing Trustee. The change in Trustees can be made after approval of the Board of Directors. It was proposed that the resignation submitted by the above Trustee may be accepted and Mr.

CHAIRMAN'S  
INITIALS


MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME	
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005		
<p>Action: ED(B&amp;A)</p>	<p>M. Saeed Khan, Divisional Head (PHS) may be considered for appointment as Trustee in replacement of Mr. Muhammad Aslam Sabir.</p> <p>Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>“that the proposal of ED(B&amp;A) contained in the Memorandum No.11 dated 03-02-2005, regarding resignation of Mr. Muhammad Aslam Sabir, General Manager(PHS) as Trustee of State Life Officers Gratuity Fund has been accepted and appointment of Mr. M. Saeed Khan, Divisional Head(PHS) as Trustee of State Life Officers Gratuity Fund in place of Mr. Muhammad Aslam Sabir, be and was hereby approved.”</p> <p><b>ITEM (12) TO CONSIDER – REQUEST FOR MAKING PROVISIONS RELATING TO STAFF BENEFITS.</b></p> <p>65. Executive Director(B&amp;A) presented before the Board, memorandum No.12 dated 11-02-2005 for making provisions relating to staff benefits. At this point, Mr. Khyzer Hayat Aamir, DH(B&amp;A) joined the meeting.</p> <p>66. Statutory auditors of the Corporation had qualified the accounts of the Corporation for the year 2003 on non-making of provision in respect of staff benefits. The provisions not made were:</p> <ul style="list-style-type: none"> <li>i) Rs175 million in respect of pension scheme of the employees (Rs342 less remaining Rs.167 million being last installment of Pension Contribution in 2004 against approved amount of Rs.501 million from Commissioner of Income Tax)</li> <li>ii) Rs481 millions against compensated absences of employees</li> <li>iii) Rs671 millions against post-retirement medical benefits of employees.</li> </ul> <p>67. The reasons for non making of these provisions were explained to the Board Audit Committee (BAC) in its 13<sup>th</sup> meeting held on 6.8.2004. It was stated that as per tax laws prevailing at that time, 100% amount of provisions was subject to tax. However, position has changed after the enactment of Finance Bill, 2004 which has amended the 4<sup>th</sup> Schedule of the Income Tax Ordinance, 2001. Again, position for reduction of tax impact on add-back of provisions was submitted in 179<sup>th</sup> and 180<sup>th</sup> Board's meetings, held on 7.8.2004 and 4.12.2004 respectively. Income tax position on the amounts stated above was placed as Annex “A” for consideration please.</p> <p>68. It was now submitted that based on the accounts for the year 2003, the following provisions may be allowed in the accounts for the year 2004. Kindly also allow us to accommodate changes in provision position, if any, based on the results of 2004:</p> <ul style="list-style-type: none"> <li>i) Rs175 million in respect of pension scheme of the employees (Rs342 less remaining Rs.167 million being last installment of Pension Contribution in 2004 against approved amount of Rs.501 million from Commissioner of Income Tax)</li> <li>ii) Rs481 million against compensated absences of employees</li> <li>iii) Rs671 million against post-retirement medical benefits of employees.</li> </ul>			<p>CHAIRMAN'S INITIALS</p> 

MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBURARY' 2005	
<p>Action: ED(B&amp;A) ED(P&amp;GS) GM(IA&amp;E)</p> <p>Action: ED(B&amp;A) ED(P&amp;GS) GM(IA&amp;E)</p> <p>Action: ED(Inv)</p>	<p>69. During the course of discussion, Mr. Bashir Ahmed pointed out that if there was an audit objection, why the provision of liability was earlier not provided. Similarly, if audit objection was regarding only to provide a provision of liability, then why the payment was made and that too w.e.f. year 1972?. Mr. Bashir Ahmed opined that a proper paper be prepared with all facts and figures with complete background of audit objections with year to year history so the Board may analyze each and every fact on its merits. Mr. Bashir Ahmed suggested that a high level committee may be constituted to examine the entire matter with reference to context. Board agreed with the suggestion placed by Mr. Bashir Ahmed and constituted a committee comprising ED(P&amp;GS), GM(IA&amp;E) and DH(B&amp;A). The committee would submit its report on priority basis, before the Executive Committee and after examining the report the Executive Committee would forward the same with its recommendations before the Board of Directors. At this point, DH(B&amp;A) left the meeting.</p> <p>Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>“that a committee comprising ED(P&amp;GS), GM(IA&amp;E) and DH(B&amp;A) will examine the matter in the light of above discussion and committee will submit its report on priority basis, before the Executive Committee and after examining the report the Executive Committee will forward the same with its recommendations before the Board of Directors, be and was hereby approved.”</p> <p><b>ITEM (13) TO CONSIDER – INVESTMENT IN UNSECURED TFCs OF HABIB BANK LIMITED.</b></p> <p>70. Executive Director(Investment) presented before the Board, memorandum No.13 dated 17-01-2005 regarding investment in unsecured TFCs of Habib Bank Limited.</p> <p>71. Chairman informed the Board that as Mr. Nessar Ahmed who is very knowledgeable in investment related matters and he was unable to attend foregoing meeting, therefore the consideration of this memorandum may be pended. The Board of Directors directed that Chairman may consult with him and proceed accordingly.</p> <p>Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b></p> <p>“that the proposal of ED(Investment) contained in the memorandum No.13 dated 17-01-2005, may be decided by the Chairman in consultation with Director Nessar Ahmad, be and was hereby approved.”</p> <p><b>ITEM (14) TO CONSIDER – APPOINTMENT OF AUTHORIZED SIGNATORIES WITH STATE BANK OF PAKISTAN.</b></p> <p>72. Executive Director(Investment) presented before the Board, memorandum No.14 dated 09-02-2005 regarding appointment of authorized signatories with State Bank of Pakistan.</p> <p>The Board approved the proposal in the working paper and resolved as under:</p>	<p>CHAIRMAN'S INITIALS</p> 	

MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME	
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005		
Action: ED(Inv)	<p><b>RESOLVED:</b> “that the proposal of ED(Investment) contained in the memorandum No.14 dated 09-02-2005, to appoint Mr. Khyzer Hayat Aamir DH(B&amp;A) in place of Mr. Talib Ali, DH(P&amp;GS) as joint authorized signatory besides Mr. Ansar Hussain, DH(Investment) to discharge State Bank of Pakistan's documents on behalf of the Corporation, be and was hereby approved.”</p> <p><b>ITEM (15) <u>TO CONSIDER – MINIMUM INSTALMENT OF PREMIUM.</u></b></p> <p>73 At this point, Executive Director(PHS) joined the meeting and presented before the Board, memorandum No.15 dated 17-01-2005 regarding minimum instalment of premium.</p> <p>74. The Board discussed the memorandum and deferred it with the direction to the ED(PHS) to place the same in one of the next meetings of the Board of Directors.</p> <p>Accordingly, it was resolved as under:</p> <p><b>RESOLVED:</b> “that the proposal of ED(PHS) contained in the memorandum No.15 dated 17-01-2005, was deferred to be placed in one of the next meetings of the Board of Directors, be and was hereby approved.”</p>			
Action: ED(PHS)	<p><b>ITEM (16) <u>PRESENTATION ON DIFFERENT PROPERTIES OF REAL ESTATE.</u></b></p> <p>75. At this point, DH(RE) and DH(B&amp;A) joined the meeting. The presentation was made by the Real Estate Division with the help of multi media and the salient features of income and expenditure, assets, liabilities, details of commercial buildings, plots, residential properties, inherited plots, buildings, plot purchased, inherited commercial buildings, commercial properties purchased, residential properties inherited and residential properties purchased etc., were explained before the Board.</p> <p>76. Replying to a query raised by Mr. Bashir Ahmed, ED(RE) informed that M/s. Nespak have been engaged and entrusted to make feasibility for construction of buildings on vacant plots of State Life. Mr. Bashir Ahmed opined that the other cities like Muzaffarabad, Kohat, Abbotabad etc, may be explored to acquire plots/buildings as these places would have great financial value in near future for investment purposes as well as to house State Life's own offices. He also suggested that the flats/apartments owned by the Corporation need to be improved as to reflect a strong and healthy image of State Life. While replying Chairman informed the Board that the matter has been entrusted to M/s. Nespak and after receiving their report, Corporation would act upon in the light of their suggestions/recommendations.</p>			
Action: ED(RE)	<p>77. At this point, ED(RE), DH(RE) and DH(B&amp;A) left the meeting.</p> <p><b>ITEM (17) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></b></p> <p><b>(1) <u>TO CONSIDER - STATE LIFE OVERSEAS OPERATIONS.</u></b></p> <p>78. At this point, Executive Director(Marketing) joined the meeting and presented</p>			<p>CHAIRMAN'S INITIALS</p> 

**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBURARY' 2005	

before the Board, a position paper regarding State Life Overseas Operations.

79. At present State Life have its offices in UAE, Kuwait and Saudi Arabia. Its office in U.K. was closed in 2003 after decision taken by the Board of Directors in its 154<sup>th</sup> Meeting held on 11<sup>th</sup> July, 2000. The status of State Life business operations in the above mentioned Gulf countries is as follows:

UAE

80. State Life, UAE office was registered as a branch of State Life Insurance Corporation of Pakistan under Royal Decree in 1978 and is operating as such duly registered under the Insurance Laws enacted in 1982. As per local law, State Life is required to have a sponsor and Shaikha Raisa Bint Obaid Bin Juma Al-Maktoum is State Life's sponsor in UAE. Previously her late husband late Mr. Hasher Al-Maktoum was the Sponsor. We pay her 5% of our FYP in UAE as sponsorship fee. State Life, UAE office is in compliance with the local Insurance Laws.

Kuwait

81. In Kuwait, State Life had sponsorship agreement with Mr. Abdul Majeed Abdul Razzak Zalzaleh since 01.10.1982. This arrangement was discontinued in 1999 and State Life executed a Representative Agreement with M/S WARBA Insurance Company S.A.K. on 10.08.1999. State Life pays them 5% of its FYP in Kuwait as Sponsor ship fee. We sell our policies through our own field workers but under their sponsorship. They provide visas to our workers as well as legal protection in Kuwait.

Saudi Arabia

82. The Executive Committee of State Life in its 169<sup>th</sup> Meeting held on 06.07.1993 approved commencement of State Life business operations in Saudi Arabia through Gulf Cooperation Insurance Company Ltd. B.E.J.C. and to negotiate terms and conditions with them. Consequently an Agreement was finalized and was executed between the parties on 01.06.1994. Under the agreement, Gulf Cooperation Insurance Company Ltd was to act as Chief Agent of State Life in Saudi Arabia and to procure business for State Life through its agents. For this agency arrangement, Gulf Cooperation was paid commission in line with the commission paid to State Life field workers in Pakistan. In addition State Life also agreed to pay 5% of its FYP in Saudi Arabia as sponsorship fee. This arrangement continued till 2001. Thereafter State Life entered into a Sponsorship Agreement with Dr. Abdul Hamid of New Home Establishment, who is a Saudi national of Pakistani origin which is still continuing. It may be noted that State Life in legal sense does not have its official existence in Saudi Arabia. We sell our policies which are issued from our UAE office. The premium is directly received there and claim amounts are also directly paid from there to the beneficiaries. State Life pays him SR 110,000 annually as sponsorship fee and he in consideration provides visas to State Life's field workers and if need be legal help.

Introduction of Insurance Laws in Saudi Arabia

83. Saudi Arabia had no insurance laws and life insurance business particularly was considered as against the tenets of Islam. The position changed in 2003 when through a Royal Decree, Law on Supervision of Cooperative Insurance Companies was introduced. It was kept for implementation till its Implementing Rules were enacted on 20.04.2004.

Salient Features

84. Under Article one of the Law on Supervision of Cooperative Insurance Companies, insurance in the Kingdom of Saudi Arabia shall only be undertaken through

CHAIRMAN'S  
INITIALS





**MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS**

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	

registered insurance companies operating in a cooperative manner and in accordance with the principles of Islamic Shari'a. Under Article three, the company should be a joint stock company with paid up capital of SR 100,000,000. A company applying for license is required to pay SR 100,000 non refundable process fee. Under Article 58 of the Implement Regulations, the company is required to make a Statutory Deposit of 10% of its paid up capital which could be increased to 15% within 3 months of grant of license in a designated bank. Though the insurance laws are silent about it, but the Law of Supervision to Form and Apply as Public Joint Stock Company requires more than 50% shares of the company shall be held by Saudi nationals, individual and corporate included.

Field Workers

85. The implementing Rules lay down stringent conditions for field workers to be licensed in Saudi Arabia. They have been termed as Insurance and Re-insurance Services Provider and can be an individual or a corporate entity. Paid up capital requirement for a company applying for license for Insurance Agency is SR 500,000 and a professional indemnity insurance cover of SR 1,000,000. Individuals applying for license should have a University Degree as a minimum and five years relevant insurance experience or an insurance professional designation accepted by the Regulatory Authority. He is required to pass the examination approved by the Regulatory Authority to engage in the designated insurance profession.

Management's Approach.

86. In view of legal requirements as stated above and in the light of legal opinion obtained from Muhammad Bin Laden Law Firm and State Life's Auditors views, copies enclosed herewith as annexures "A" and "B", the Management is of the view that State Life's registration in Kingdom of Saudi Arabia as a Joint Stock Company will not be advisable. However we should not abandon the Saudi market and look for local insurance company duly licensed to act as its insurance agent.

Future Strategy in Gulf Countries

87. Gulf countries are a very good market for State Life insurance products for the reason that the Pakistani expatriates are mainly young, with reasonably good health, good source of income and natural need for insurance coverage. The total number of Pakistani workers in the Gulf countries is estimated to be 1.74 million. The break up in each country is as follows;

Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
50,000	100,000	70,000	70,000	1,000,000	450,000

88. As stated above State Life is currently doing business only in UAE, Kuwait and Saudi Arabia and has left a market of 190,000 good insurable lives untapped. Even in Saudi Arabia and Kuwait full potential has not been explored. Total number of policies inforce as on 31.12.2002 was 7160 only i.e. 0.41% of Pakistani expatriate population in Gulf countries. This indicates that the Corporation has not been able to utilize full market potential of the Gulf countries. In order to remedy the situation, the Corporation may strengthen our base in UAE where State Life is duly registered under the law and is in full compliance of local legal requirements while in other Gulf countries, the Corporation may seek local insurance companies to act as agents of State Life and market our policies as is being done in Kuwait.

89. Board of Directors appreciated the efforts made in relation to overseas business and assured for their full support in future for expansion of Corporation's business in the Gulf countries.

CHAIRMAN'S INITIALS



Action:  
ED(Mkt)

MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	LAHORE	28 <sup>TH</sup> FEBRUARY' 2005	
<p>ITEM (17) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(II) <u>TO CONSIDER - PAYMENT OF ANNUAL SUPERVISION FEE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN UNDER THE PROVISIONS OF INSURANCE ORDINANCE, 2000.</u></p> <p>90. At this point, ED(B&amp;A) joined the meeting and with the permission of the chair, circulated the photo copies of a working paper dated 24-02-2005 before the Board pertaining to above subject.</p> <p>91. The Insurance Ordinance, 2000 was promulgated with effect from 19<sup>th</sup> August, 2000. Section 11(3) of the Ordinance states that an insurer registered under this Ordinance shall pay to the Commission, on or before the fifteenth day of January in every calendar year, an annual supervision fee of the greatest of:</p> <ol style="list-style-type: none"> <li>a) Rs.100,000/-</li> <li>b) One rupee per thousand of gross direct premium written in Pakistan during the calendar year preceding the calendar year ended on the previous 31<sup>st</sup> day of December; or</li> <li>c) Such amount as may be prescribed.</li> </ol> <p>92. Before promulgation of Insurance Ordinance, 2000, State Life was exempt from supervision fee payable to Controller of Insurance under Life Insurance Nationalization Order, 1972.</p> <p>93. Accordingly, State Life paid Annual Supervision Fee to Securities &amp; Exchange Commission of Pakistan (SECP) on first year premium underwritten in Pakistan during the calendar year ended December 31, 2000, considering that gross direct premium means the gross first year premium, as policies underwritten during the year pertain to First Year Premium only. However, SECP asked State Life to pay balance amount of Supervision Fee on renewal premium also because as per their views Annual Supervision Fee is payable on gross premium underwritten in Pakistan including renewal premium.</p> <p>94. Law Division of State Life was of the view that the relevant part of Section 11(3)(b) of Insurance Ordinance, 2000 which needs interpretation is "gross direct premium written in Pakistan". The word direct gross premium has been defined in Section 2(xviii) of the Ordinance as insurance business other than re-insurance. Therefore "direct premium" means business of an insurer, excluding re-insurance. The words "written in Pakistan during the calendar year", manifest that supervision fee is payable only on first year premium and not on renewal premium.</p> <p>95. The Securities &amp; Exchange Commission of Pakistan, however, insisted that supervision fee is payable to SECP on the gross premium underwritten in Pakistan during the calendar year instead of First Year Premium. The Management, therefore, reluctantly released the payment to SECP on the basis of gross premium for the year 2000 and 2001.</p> <p>96. This issue was referred to the Ministry of Law, Justice and Human Rights through the Ministry of Commerce. In response, the Ministry of Commerce advised vide their letter dated 13.9.2004 that reference to Ministry of Law, Justice and Human Rights in the matter is not warranted (copy enclosed as Annex "A"). Subsequently, State Life</p>			

CHAIRMAN'S  
INITIALS


MINUTES OF 181<sup>ST</sup> MEETING OF THE BOARD OF DIRECTORS

RECTORS	HELD AT	ON	TIME
UTE BOOK	LAHORE	28 <sup>TH</sup> FEBURARY' 2005	

requested Ministry of Commerce vide letter dated 5.10.2004 that if reference of the Corporation in the matter was not warranted to Ministry of Law, Justice & Human Rights, then Ministry of Commerce may on their own give a decision in the matter (copy enclosed as Annex "B").

97. The Ministry of Commerce has now advised vide their letter dated 9<sup>th</sup> February, 2005 that State Life Insurance Corporation to adhere to the Securities & Exchange Commission of Pakistan rules and pay supervision fee as is being paid by all other insurance companies in private sector. (Copy enclosed as Annex "C").

98 State Life has already paid supervision fee on the basis of First Year Premium during the year 2002-2003. In case supervision fee is paid on gross premium written in Pakistan for the year 2002 and 2003, then State Life would have to pay an additional amount of Rs.10,746,061 to SECP as per details hereunder:

(Rupees in "000")

Description	2002	2003	Total
Total gross premium underwritten in Pakistan	8,006,353	9,495,695	17,502,048
Annual Supervision Fee @ Re 1/- per 1,000	8,006.353	9,495.695	17,502.048
Less: Fee already paid on first year premium	(2,773.447)	(3,982.540)	6,755.987)
Balance amount payable to SECP	5,232.906	5,513.155	10,746.061

99. ED(B&A) pointed out that it was huge liability and payable towards Securities and Exchange Commission of Pakistan under the provisions of Insurance Ordinance, 2000. Syed Asif Shah opined that Insurance Ordinance, 2000 is a general law and it is applicable to every insurance company. Supervision fee was payable by every insurance company on the basis of first year premium and the law was for every company/corporation engaged in insurance business, irrespective of its status. State Life should follow the law in its true spirit so no legal complication may arise. The Board approved that the payment to SECP be made on that basis.

Action:  
ED(B&A)

ITEM (17) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(III) TO CONSIDER - PERKS FOR OFFICERS.

100. ED(P&GS) briefed the Board of Directors about a request from the officers to review the perks for the officers and to give them a reasonable increase. Replying to a query raised by Mr. Bashir Ahmed, he informed that the proposed financial impact would be approximately of Rs.21.5 million per annum. Upon another query raised by Mr. Bashir Ahmed, ED(B&A) informed the Board that the accounts for the year ended 31-12-2004 yet have not been finalized and were in the process of audit. The Board deferred the matter of increase in the perks of officers till the accounts for the year 2004 would be finalized and placed before the Board for their approval. ED(P&GS) was asked to submit a proper memorandum before the Board when the annual accounts for the year ended 31-12-2004 would be finalized.

Action:  
ED(P&GS)

101. The meeting ended with mutual vote of thanks.

Gaunel Jy  
CHAIRMAN

CHAIRMAN'S  
INITIALS