

MINUTES OF 183RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	15 TH NOVEMBER' 2005	

CONFIDENTIAL AND RESTRICTED

The one hundred and eighty third (183rd) Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 15th November 2005 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. Syed Hur Riahhi Gardezi | Director |
| 8. Mr. Shahid Aziz Khan | Board Secretary |

2. Syed Asif Shah's request for leave of absence was granted by the Board.

3. Chairman introduced Syed Hur Riahhi Gardezi the newly appointed Director to the members of the Board. The Chairman and members of Board of Directors extended warm welcome to Syed Hur Riahhi Gardezi and expressed confidence that the Board would be benefited from the experience and wisdom of Syed Hur Riahhi Gardezi. Syed Hur Riahhi Gardezi thanked the Chairman and members of Board, for the kind words for him and assured that he would extend his full cooperation and would work in the best interest of the Corporation.

4. The Board members were informed that the cheques for donation given by the State Life towards the President's Relief Fund for Earthquake Victims-2005, were personally delivered by the Chairman SLIC to the Prime Minister of Pakistan. The Board offered *Fatiha* for the departed souls of earthquake and reiterated that SLIC would continue to contribute to the national efforts of reconstruction of the affected areas.

ITEM (01) CONFIRMATION OF MINUTES OF 182ND MEETING OF THE BOARD OF DIRECTORS HELD ON 24-05-2005.

5. The minutes of the 182nd Meeting of the Board of Directors held on 24th May' 2005, were placed before the Board. It was pointed out that in line-5 of para-4 of the minutes, the correct word was "congratulatory" instead of "congratulating". In the same paragraph, in the second last line the correct word was "under" instead of "with". The Board agreed with these corrections and asked the Board Secretary to incorporate these corrections in the final version of the minutes.

6. Air Marshal (Retd) Sharbat A. Changazi proposed and Mrs. Spenta Kandawalla seconded that the minutes of 182nd meeting held on 24th May, 2005 be confirmed with above corrections.

Accordingly, it was resolved as under:

RESOLVED:

"that the Minutes of the 182nd Meeting of the Board of Directors held on 24th May' 2005, were confirmed with above corrections."

Action:
Board
Secretary.

Action:
Board
Secretary

Spenta
CHAIRMAN
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ITEM (02) IMPLEMENTATION REPORT ON DECISIONS TAKEN IN THE 182ND MEETING OF BOARD OF DIRECTORS.

Action:
Board
Secretary

Action:
ED(Law)

7. The Board Secretary presented before the Board the implementation report on decisions taken in the 182nd meeting of the Board held on 24th May, 2005. Mrs. Spenta Kandawalla opined that the name of the Committee constituted for the promotion of cultural heritage, education, health and sports was too large, therefore the name of this committee needed to be changed as "Social Responsibility Committee". The Board agreed to this proposal. Syed Hur Riahi Gardezi enquired whether previous power of attorney given to Mr. Manzoor Ahmed, Ex-Zonal Chief (Gulf) had been revoked before issuing a new power of attorney to Mr. Mohsin Abbas, the present Zonal Chief (Gulf) or not? If not, then necessary arrangements for revocation of previous power of attorney needed to be made. In this context, Board asked ED(Law) to look into the matter and to take the necessary action.

8. The implementation report of 182nd meeting of the Board was noted with above observations.

ITEM (03) TO CONSIDER – RATIFICATION OF THE DECISION TAKEN BY CIRCULATION REGARDING GRANT OF GENERAL POWER OF ATTORNEY IN FAVOUR OF MR. MOHSIN ABBAS, ZONAL CHIEF (GULF).

9. The Board Secretary presented before the Board the matter of ratification of decision on the memorandum of ED(Marketing) taken by circulation on 29-07-2005 regarding grant of general power of attorney in favour of Mr. Mohsin Abbas, Zonal Chief (Gulf).

10. Mr. Mohsin Abbas, Assistant General Manager has been posted as Zonal Chief (Gulf) vide Office Order No.P&GS/PO/82/2005 dated July 6, 2005. For facilitating the smooth functioning of the Zonal Office, a general power of attorney in favour of Mr. Mohsin Abbas, was required to be executed. Accordingly, a resolution need to be passed by the Board of Directors through circulation as under:

"Resolved that power of attorney as per annexure "A" was granted in favour of Mr. Mohsin Abbas, Zonal Chief, Gulf Zone and the Chairman Mr. Kamal Afsar, and the Executive Director (Marketing), Mr. Rahat-ul-Ain were hereby authorized to execute the said power of attorney and affix common seal of the Corporation thereon were hereby approved."

Accordingly the Board resolved as under:

RESOLVED

"that the power of attorney as per annexure "A" of the memorandum executed by the Chairman Mr. Kamal Afsar and the Executive Director(Marketing) Mr. Rahat ul Ain, alongwith affixation of common seal in favour of Mr. Mohsin Abbas, Zonal Chief, Gulf Zone and was approved by the Board through circulation on 29-07-2005 was hereby ratified."

Action:
ED(Law)/
ED(Mkt)/
Board
Secretary

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CHAIRMAN
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ITEM (04) TO CONSIDER – RATIFICATION OF THE DECISION TAKEN BY CIRCULATION REGARDING PROMOTION CRITERIA FOR OFFICERS AND CONSTITUTION OF PROMOTION COMMITTEE FOR GRADES 01 TO 09.

11. The Board Secretary presented before the Board for ratification of the decision taken through circulation on the memorandum of ED(P&GS) regarding approval of promotion criteria/constitution of promotion committees for officers and staff, already approved by the Board by circulation on 20-09-2005.

12. The last promotion exercise in respect of officers and staff was carried out in the year 2002. No promotion exercise has so far been carried out thereafter.

13. The said exercise was based upon the Promotion Criteria approved by the Board of Directors on 22.06.1999 through circulation and later ratified in 147th Board meeting held on 26-28 August, 1999 (I/A) in respect of promotion of Superintendents, MN-III and SS-III employees to Assistant Managers, Executive Officers to Assistant Managers, Assistant Managers to Deputy Managers, Deputy Managers to Managers, Managers to Assistant General Managers, Assistant General Managers to Deputy General Managers, Deputy General Managers to General Managers and General Managers to Executive Directors.

14. After announcement of the promotions in the year 2002, a large number of representations were received from various officers against their non-promotion. Earlier a promotion criteria was approved by the Executive Committee of the Board of Directors in its 155th meeting held on 28th May, 1991 and was later ratified by the Board of Directors in its 104th meeting held on 11th June, 1991 (copy placed at I/B).

15. In order to redress the issue, proposed amendments in the existing criteria for the officers and constitution of the Promotion Committee for the employees in Grade 01 to 09 are placed below:

16. Promotion Criteria for the promotions of Officers and constitution of Promotion Committees for Officers and Staff Members:

#	Existing Criteria	Proposed Amendments
	Allocation of marks for considering promotions:	
A.	ACRs 50 Marks	ACRs 50 Marks
B.	Seniority 25 Marks	Seniority in Grade 35 Marks
C.	Qualifications 10 Marks	Qualifications 05 Marks
D.	Interview/Suitability 15 Marks	Interview/suitability 10 Marks
	Total: 100 marks	Total: 100 Marks

Details relating to the points A to D above and the promotion committee are placed below:

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CHAIRMAN'S INITIALS

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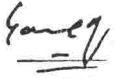


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<p>A.</p> <p>Annual Confidential Reports (ACRs):</p> <p>i) Last 10 years ACRs would form the basis</p> <p>ii) For eligibility to be considered for promotion, there should be no adverse remarks in the ACR of the officer for the last 3 years.</p>	<p>i) Last 3 years consecutive ACRs in the same grade, immediately before the year of promotion exercise, shall form the basis. Less than 50% marks in any one of the 3 ACRs would disqualify for consideration.</p> <p>ii) For eligibility to be considered for promotion, there should be no punishment or adverse remarks in the ACR of the officer during the last 3 years</p> <p>iii) If there is any relevant matter on the Personal File besides the ACR e.g. warning/displeasure letter etc., the Selection Committee may adjust ACR marks according to its judgment keeping in view the intensity of the matter.</p>
<p>B.</p> <p>Seniority:</p> <p>The Officers up to three times the number of Vacancies would be considered as eligible. However if the suitable officer was not available from amongst three times the number of vacancies, the committee could go further down in seniority list for selection of the right officer.</p>	<p>The Officers up to 50% on the Seniority Table may only be considered as eligible.</p>
<p>C.</p> <p>Qualifications:</p> <p>Total Marks: 10</p> <p>Marks will be allocated for academic and professional qualifications as follows :</p> <p>a. Academic Qualifications</p> <p><u>Maximum Marks:</u> 5</p> <p>i) Matric 1</p> <p>ii) Intermediate, FA, ICom, A Level 2</p> <p>iii) BA, BSc., B.Com., BBA 3</p> <p>iv) BCs, LLB, BSc (Engg) BE (Computer System) 4</p> <p>v) MA, MBA, M.Sc., LLM, M.Com., MCs, MBBS 5</p> <p>b. Professional Qualifications</p> <p><u>Maximum Marks:</u> 5</p> <p>- Agents Development Programme (ADP), ACS 2</p> <p>- Management Orientation Programme (MOP) 2</p> <p>- Study Course in Agency Management (SCAM) 2</p> <p>- Marketing Management Service (MMS) 2</p> <p>- CA Inter, ICMA Part III 2</p> <p>- Chartered Life Underwriters FLMI, ACII, ASA/AIA 4</p> <p>- ACMA, ACA 4</p> <p>- FCMA, FCA, FIA, FSA, FCII 5</p>	<p>Total Marks: 5</p> <p>Marks will be allocated for academic and professional qualifications as follows :</p> <p>- Graduation 1</p> <p>- Post-Graduation 2</p> <p>- Professional/Technical 2</p>

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	<p>E. Formation of Committees:</p> <p>a) <u>For Promotion of DGM to GM, GM to Executive Directors.</u></p> <p><u>Step 1</u> Board of Directors</p> <p><u>Step 2</u> Promotion Committee would comprise of Secretary Commerce as Chairman, Additional/Joint Secretary and Chairman State Life. The Committee would however be constituted by Ministry of Commerce.</p> <p>b) <u>From Dy. Manager to Manager, Manager to AGM and AGM to DGM</u></p> <p>The Committee would consist of Senior Most Executive Director as Convenor and other Executive Directors as Members. The Committee would consult the concerned Divisional Heads wherever necessary. Divisional Head (P&GS) would serve as Secretary to the Committee.</p> <p>c) <u>Grade 1 to 7, SS-I to SS-III and MN-I to MN-III, EOs to AMs and AMs to DMs</u></p> <p>Senior Most General Manager as Convenor and other General Managers as Members, with Divisional Head of P&GS as Secretary.</p> <p>d) <u>Regional Level</u></p> <p><u>Grade 1 to 7, SS-I to SS-III and MN-I to MN-III, EOs to AMs and AMs to DMs</u></p> <p>The Committee mentioned at c) above may visit the four Regional Offices. The Committee may consult Regional Chiefs and the Departmental Heads concerned about the officers in the Region but the RC or Departmental Head may not be a member of the Committee.</p>	<p>a) <u>For Promotion of DGM to GM, GM to Executive Director.</u></p> <p>i) <u>For DGM to GM.</u></p> <p>Chairman - Convenor All Executive Directors - Members Divisional Head (P&GS) - Secretary</p> <p>ii) <u>For GM to Executive Director</u></p> <p>Chairman - Convenor Directors of the Board - Members Executive Directors(P&GS) - Secretary</p> <p>b) <u>From Dy. Manager to Manager, Manager to AGM and AGM to DGM.</u></p> <p>Executive Director (P&GS) - Convenor All other Executive Directors - Members Divisional Head (P&GS) - Secretary</p> <p>c) <u>Grade 1 to 7, SS-I to SS-III and MN-I to MN-III, Supdt./SSIII/MNIII to AM, EO to AM and AM to DM</u></p> <p>Divisional Head (P&GS) - Convenor Divisional Head (B&A) Divisional Head (RE) - Members Divisional Head (PHS) AGM(P&GS) - Secretary</p> <p>i) <u>For Promotions at Principal Office</u>, the Committee may consult the Divisional Heads concerned for award of the suitability marks but they will not be the members of the Committee.</p> <p>ii) <u>For Promotions at Regional Level</u>, Zonal Head and In-charge(P&GS) concerned will visit Principal Office along-with Grading Sheets, Personal Files and ACR Files. The Committee will allot 'Suitability Marks' in consultation with the Zonal Head & In-charge (P&GS). The Committee may consult other Functional Heads at Zones/Regions on need basis.</p>	<p style="text-align: right;">  CHAIRMAN INITIAL:   </p>

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17. Syed Hur Riahi Gardezi opined that memorandum regarding appointments of officers/staff was silent in case of fresh appointments. The Chairman informed the Board that the present memorandum related to promotion criteria for the officers and not for fresh appointments. He informed that the promotion exercise for the officers was last time made in the year 2002 and since then this exercise was pending. He further informed that the promotion exercise upto the rank of Assistant Managers already had been completed and circulated. Now promotion exercise would be made from the rank of Deputy Managers to onwards.

Accordingly the Board ratified the above amendments which were already passed through circulation:

RESOLVED

"that the proposal of ED(P&GS) contained in the Memorandum No.04 regarding promotion criteria for officers/staff and constitution of promotion committees for officers and staff approved by the Board through circulation on 20-09-2005, was ratified."

Action:
ED(P&GS)

ITEM (05) PRESENTATION ON BUSINESS FIGURES OF MARKETING, GROUP & PENSIONS, INVESTMENT AND REAL ESTATE DIVISIONS.

18. At this point, Mr. Mohammad Javed Khan, ED(Investment/B&A) and Mr. Ansar Hussain, General Manager(Investment) joined the meeting. The business figures for Marketing/Gulf Zone, Group & Pensions, Investment and Real Estate Divisions were presented before the Board. During the discussion of investment portfolio, Mr. Nessar Ahmad suggested that to streamline the investment business State Life should incorporate an Asset Management Company with primary function to provide expert advice to the Corporation to make the suitable investments. To obtain the services of some Assets Management Company would not be feasible as they would be having conflict of interest. Mr. Bashir Ahmed and Mr. Hur Gardezi also supported this suggestion. Chairman agreed to look into the feasibility for establishing such a Company. While discussing para-6(b) of business figures of Investment Division, Mr. Gardezi pointed out that why there was a decline in investment income and against the figures of Rs.13386 million for the year 2004, a figure of Rs.7440 million for the year 2005 has been shown. GM(Investment) explained that the figure of Rs.13,386 million for the year 2004 was for the complete year while the figure of Rs.7440 million was upto August 31, 2005 for a period of eight months. Board observed that in future the exact figures of corresponding period should be placed before the Board so a correct comparison of figures would be possible. Mr. Nessar Ahmad further suggested that in business figures the variance of each class of figures with loss or profit should be classified. This was noted for compliance in the future.

Action:
ED(Inv)

19. The Board noted the figures of Marketing/Gulf Zone, Group & Pensions, Investment and Real Estate.

ITEM (06) TO CONSIDER APPOINTMENT OF AUDITORS FOR AUDIT OF ACCOUNTS OF GULF ZONE FOR THE YEAR 2005.

20. Executive Director(B&A) presented before the Board a memorandum regarding


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appointment of Auditors for audit of accounts of Gulf Zone for the year 2005.

21. Appointment of auditors is to be made for audit of accounts of Gulf Zone for the year ending 31st December, 2005. As the present auditors, M/s. Sajjad Haider & Co., have completed their five years cycle, technical and financial bids were called from auditors for replacement of auditors for Gulf Zone. Three out of seven firms have responded to our request but two firms have quoted audit fee/out of pocket expenses whereas the third audit firm only submitted their company profile. The audit fee/out of pocket expenses quoted by them is as follows:

Sr. #	Firm's Name	Audit Fee	Out of Pocket Expenses	Total
i)	Gulf Accountancy & Audit Centre	Dh.35,000	Dh.5,000	Dh.40,000
ii)	Ernst & Young	Dh.190,000	Minimal	--
iii)	Alliott Hadi Shahid	Not quoted	Not quoted	--

22. The audit fee/out of pocket expenses quoted by two firms, as stated above, are enormously higher as compared to audit fee/out of pocket expenses allowed to the present auditors for 2004 being Dh.22,000/- and Dh.7,000/- respectively. At Gulf Zone, bonus to policyholders is hardly accruing and it is not feasible to put an extra burden on the Zone in the shape of higher audit fee. Also, State Life has never obtained concurrence from office of the Auditor General of Pakistan for appointment of auditors for Gulf Zone due to territorial restrictions of the concerned office. It is therefore requested that the Board of Directors may consider to retain and appoint M/s. Sajjad Haider & Co., as auditors for Gulf Zone for the year ending 31st December, 2005 on the same audit fee and out of pocket expenses which were paid in 2004.

23. ED(B&A) Submitted for approval of appointment of M/s. Sajjad Haider & Co., as auditors for the year 2005 against audit fee of Dh.22,000/- and out of pocket expenses not exceeding Dh.7,000/-.

Accordingly, it was resolved as under:

RESOLVED

"that the proposal of ED(B&A) contained in the memorandum No.06 dated 01-09-2005 regarding appointment of M/s. Sajjad Haider & Co., as auditors for Gulf Zone for the year ending 31st December, 2005 against an audit fee of Dh.22,000/- and out of pocket expenses not exceeding Dh.7,000/-, were approved."

ITEM (07) TO CONSIDER – BUDGET PROPOSALS FOR THE YEAR 2005 AND REVISED BUDGET ESTIMATES FOR THE YEAR 2004.

24. Executive Director(B&A) presented before the Board a memorandum regarding budget proposals for the year 2005 and revised budget estimates for the year 2004. At this point, Mr. Khizir Hayat Amir, DII(B&A) joined the meeting.

25. The Annual Budget Estimates for the year 2005 and Revised Budget for the year 2004 was submitted to Board of Directors for consideration in its 182 meeting held on 24.5.2005. The Board of Directors approved budget for the first six months of the year 2005 i.e. upto 30th June, 2005 and directed the Management to bring up with details of

Action:
ED(B&A)


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<p><i>actual income and expenses of first six months of year 2005 for consideration of the Board of Directors so that budget for entire year is approved.</i></p> <p>26. As directed, a summary of actual income and expenses for first half of the year 2005 has been prepared, which is placed in the attached Folder-I. The detailed statements in support of the summary are as follows:</p> <ul style="list-style-type: none"> • Annex "A" – Total Income • Annex "B" – Policy payment • Annex "C" – Field Expenses • Annex "D" – Area Managers Expenses • Annex "E" – Administrative Expenses • Annex "E-1" – Officers Expenses • Annex "E-2" – Staff Expenses • Annex "E-3" – Investment/RE Expenses <p>27. The result of the income and expenses for the first half year 2005 is as under:</p> <ol style="list-style-type: none"> i) The total income for the first half year -2005 has shown an increase of 8% as compared to first half of year-2004. Whereas the total income for the first half year -2005 is 28% less than the budgeted income for six months. However, it is also to point out that a major portion of annual business is procured during the last quarter of the year and it is expected that the shortfall in the income as compared to the budget would be met in the last quarter of the year-2005. ii) Policy payments for period under review shows an increase of 9% over the same period of last year but reflect a decrease of 25% as compared to the budgeted figures for the half year 2005. iii) Field expenses for the first half year -2005 depicts an increase of 26% over the last year in the same period but shows a decrease as against the budget for the six months of year-2005. These increase/decrease are in line with the volume of premium income for the corresponding period. iv) Area managers Expenses also shows an increase of 11% over the last year but are less by 36% than the budgeted expenses. The reason for lesser expenses in the first six months is the fact that in the initial months of the year, expenses are paid to the Area Managers on initial scales if expenses of preceding year are not within the prescribed limits and at the year end difference on account of better performance is paid after reviewing their business achievements. Balance amount of their entitlement will be paid to the Area Managers at the year-end 2005. v) Other administrative expenses have registered an increase of about 11% over the corresponding period in the year 2004 due to increase in salaries of officers and other business related expenses as well as expenses paid once in the year like insurance expenses, mandatory leave encashment, uniform to staff and bonus, etc., but shows a decrease of 20% as against the budgeted expenses for the six months of year 2005. 			

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CHAIRMAN
INITIALS

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<p>Action: ED(B&A)</p> <p>Action: ED(B&A)</p> <p>Action: ED(B&A)</p>	<p>28. A copy of Memorandum, alongwith annexes, presented to the Board of Directors, in its 182 meeting held on 24.5.2005, containing budget proposals for the entire year 2005 and revised budget for the year 2004 is placed in Folder II.</p> <p>29. Board of Directors was requested to kindly consider and approve Budget Proposals for the entire year 2005 and Revised Budget Estimates for the year 2004 (Folder-II), as proposed in the budget summary (Annex-II). Within Pakistan business figures are given in Pak Rupees. As per Annex-II(i) business figures for overseas operations are given in US dollars as referred in above para. Budget for capital expenditure for the year 2005 as contained in Annex-III is also submitted for approval.</p> <p>30. It may be mentioned that after approval of budget proposals under different head of expenses for the respective year, at times a need arises for re-appropriation of some amount from one head to another head of expense on genuine grounds. The Board was also requested to consider and authorize Executive Director (B&A) to make re-appropriation of budget among different head of expenses, in case a need for such re-appropriation arises, of course, within the overall total amount of budget approved by the Board of Directors.</p> <p>31. During the course of discussion of budget proposals, Mr. Nessar Ahmad pointed out that all the figures placed before the Board should be in accordance with the Government rules and regulations. Replying to this observation, DII(B&A) pointed out that budget figures presented before the Board were in accordance with the rules and regulations meant for State Life.</p> <p>Accordingly, it was resolved as under:</p> <p>RESOLVED</p> <p>(i) "that as proposed by ED(B&A) in para-5 of the memorandum No.07 dated 28-09-2005, the budget proposals for the entire year 2005 and revised budget estimates for the year 2004(in Folder-II), as proposed in the budget summary (Annex-II), within Pakistan business figures given in Pak Rupees and as per Annex-II(i) business figures for overseas operations given in US Dollars as referred to in para-2.2 of the memorandum, budget for capital expenditure for the year 2005 as contained in Annex-III of the memorandum, were hereby approved."</p> <p>(ii) "that ED(B&A) was authorized to devise the requisite procedure for re-appropriation of funds among different heads of expense accounts within the overall amount of budget, was also approved by the Board."</p> <p>ITEM (08) TO CONSIDER - PROVISIONS AGAINST EMPLOYEES RELATED LIABILITIES AND PAYMENT OF LEAVE ENCHASMENT TO OFFICERS.</p> <p>32. Executive Director(B&A) presented before the Board a memorandum regarding provisions against employcees related liabilities and payment of leave enchasment to officers. At this point, Mr. Sohail Hashmi, GM(P&GS) was called by the Board to join the meeting.</p> <p>33. A Memorandum was placed by the Executive Director (B&A) before the Board of Directors in its 181st meeting held on 28th February 2005 for making provisions relating to staff benefits which included pension contributions, compensated absences and post retirement medical benefits.</p>			<p><i>Sawad</i></p> <p>CHAIRMAN'S INITIALS</p> 

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34. After deliberation on the issue, the Board of Directors constituted a committee comprising of ED (P&GS), GM (IA&E) and DH (B&A) and directed to prepare a comprehensive report detailing out the complete historical background for allowing and making payment of leave encashment to the officers of the Corporation and find out as to why:

- The provision against above liabilities was not made earlier despite of continuous audit observations; and
- If the objection was simply regarding the making of provision then why payment of leave encashment is made to officers w.c.f. 1972.

35. Accordingly, the Committee constituted by the Board of Directors examined these issues in detail and submitted its findings dated 8th July, 2005 to the Management, a copy of which, alongwith supporting annexes, is being submitted enclosed herewith for kind perusal of the members of the Board of Directors.

36. The summary of the report submitted by the committee, as mentioned in para 3 above, is as follows:-

- i) Provision against the employees related liabilities was not made mainly due to the huge tax burden on Corporation on the total amount of provision. The amount of provisions would have increased year by year and tax impact would have been more and more.
- ii) Due to heavy tax burden the Management decided to continue with the audit qualification and adopt alternative course of action. It was further decided to amortize the liabilities in respect of compensated absences of officers in a period of five years.
- iii) Complete background for payment of leave encashment to officers is contained in Annex "B" to report of the committee.
- iv) Significant amendments were made in the Income Tax Ordinance, 2001 in the year 2004 after continuous efforts made by State Life. These amendments now provide that that only such proportion of the amount of provision will be taxed which relates to undistributed actuarial surplus, which is only 2.5% in case of State Life.
- v) As the tax impact on provisions have drastically been reduced to the normal taxation rate, the Board was requested in its 181st meeting to grant approval for making provision against these liabilities.
- vi) In order to avoid financial burden in a single year, the committee has proposed to stagger the amount of provision in three or five years. The financial impact of each year, calculated by the committee, is as follows:

(Rs. in Million)

Head of Liability	Amount of Provision	2.5% of amount of provision	Tax @ 35%	Total Financial Impact in one year	Total financial impact in 3 years	Total financial impact in 5 years
Deficit in Pension Fund	112.00	2.80	0.98	112.98	37.66	22.60

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CHAIRM.
INITIAL

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Compensated Absences	450.00	11.25	3.94	453.94	151.31	90.70
Post-retirement Medical Benefits	692.00	17.30	9.06	698.06	232.69	139.61
Total:	1,254.00	31.35	10.97	1,264.97	421.66	252.99

37. Mr. Nessar Ahmad pointed out that the objection raised by the Auditors was to provide the provision of leave encashment and not to make the payment. He further enquired from DI(B&A) whether provision has been provided in the books of accounts for leave encashment? DI(B&A) replied that payment has been made but provision had not been made. Air Marshal (Retd) Sharbat A. Changazi pointed out that under the leave rules of Corporation total encashment of leave of 180 days was available to the employees of the State Life and these rules have never been amended by the Board. Mr. Bashir Ahmed, Mr. Nessar Ahmad and Mrs. Spenta Kandawalla also supported the assertions made by Air Marshal (Retd) Sharbat A. Changazi. Chairman opined that to make provision in books of accounts and to make the payment are two different things and it is not understandable how and why the payment of leave encashment had been made. Mr. Nessar Ahmad suggested that exact figures of leave encashment paid to the employees of State Life should be placed before the Board alongwith other enabling facts and figures so matter may be discussed in full details in the next meeting of the Board. Board agreed to this proposal and resolved as under:

Accordingly, it was resolved as under:

RESOLVED

“that Board directed the ED(B&A) to provide full details of facts and figures of payment made to the employees of State Life on account of leave encashment alongwith other enabling figures and supporting documents in next meeting of Board.”

Action:
ED(B&A)

ITEM (09) TO CONSIDER – PROPOSAL REGARDING IMPLEMENTATION OF PAC DIRECTIVE ON ARABIAN COUNTRY SEA CLUB.

38. Executive Director(Investment) presented before the Board a memorandum regarding implementation of PAC directive on Arabian Country Sea Club.

39. A letter was received from Mr. Javed Barki on 4th February 1996 intimating that due to shortage of leisure facilities in Karachi, PACO has decided to promote construction of a country club. M/s Cooper & Lybrand conducted a feasibility study and Arabian Country Sea Club was registered under the Companies Ordinance in 1984.

40. At that time M/s Pakistan Automobile Corporation, Citi Bank, Trans Mobile Ltd., Hino Pak, ICI, Millat Tractors, Pakistan Steel, Pak Suzuki, FFC Jordan, Pak Kuwait and Allied Bank were the shareholders. M/s Singer Pakistan and Engro Chemicals had consented to become the shareholders. It was decided that the total members will not exceed 15. Hence two seats were vacant. State Life was offered one seat. State Life could nominate one Director on the Board of the club besides being entitled to nominate 7 persons as equity members without paying admission fee.

41. The Executive Committee of the Corporation at its 208th meeting held on 14th February 1996 agreed that State Life should become the shareholder of the club. State Life

Gausy
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thus subscribed towards 500000 shares of the club at a cost of Rs. 5 million.

42. The profitability of the club has been as under:

Year	Net Profit/(Loss)	Dividend Declared
1998	(26,374,717)	Nil
1999	(25,923,723)	Nil
2000	Not available	Nil
2001	(7,618,777)	Nil
2002	55,686,552	Nil
2003	(2,441,203)	Nil
2004	(386,753)	Nil

43. State Life has so far utilized the club facilities by arranging conferences of our group & Pensions Division. This has reduced expenses of room rent for stay of outstation employees, meal charges and venue/hall charges, which would have been incurred in case conferences would have been arranged at hotels.

44. Investment of the Corporation in the club was discussed at the meeting of the sub committee of the PAC held on 12th July 2005. The sub committee observed as under:

“ As there is no loss, therefore the matter is referred to the Board of State Life for decision. However, in future, investments should be made as per policy.”

45. In view of the decision of the sub committee of the PAC, the Board was requested to decided whether to continue our investment in the club or to divest the same.

After discussion, it was resolved as under:

RESOLVED

“that the Board of Directors directed that in future such investments be made only as per policy guidelines. For this investment proposal for disinvestment be brought up when it is considered profitable by the management.”

Action:
ED(Inv)

**ITEM (10) TO CONSIDER – THE PROPOSAL REGARDING REVISION
IN PERKS OF OFFICERS OF STATE LIFE.**

46. Executive Director(P&GS) joined the meeting. The Chairman introduced her to the members of the Board. She presented before the Board an amended memorandum regarding revision in perks of officers of State Life and explained that present memorandum was the continuation of previous memorandum after incorporation of few amendments in para-2 of the memorandum.

47. A committee of following officers of SLIC, was constituted in December 2004 to submit its recommendations.

- | | | |
|----|------------------------|------------------------|
| 1. | Mr. Talib Ali | General Manager (P&GS) |
| 2. | Mr. Sohail Hashmi | General Manager (R&A) |
| 3. | Mr. Khizar Hayat Aamir | Divisional Head (B&A) |

Samuel

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48. The Committee submitted its recommendations dated 24 January 2005 as under:

i) Driver Subsidy, Car Rental, Petrol, Car Maintenance and Conveyance Allowance:

Designation	Perquisite	Last Revised	Existing (Rs.)	Recommended (Rs.)
G.M.	- Driver Subsidy	2002	3500	5500
	- Car Rental (Maintaining Own Car)	2000	4000	5000
DGM/DH	- Driver Subsidy (Corp. Maintained Car)	2002	3500	5500
DGM (Mktg)	- Car Rental	2000	3600	4600
	- Driver Subsidy	2000	2500	3500
DGM (Office)	- Car Rental	2000	3600	4600
	- Driver Subsidy	2000	2000	3000
AGM (Mktg)	- Car Rental	2000	3400	4400
	- Driver Subsidy	2000	2000	3000
AGM (Office)	- Car Rental	2000	3400	4400
	- Driver Subsidy	NA	Nil	1000
Manager (Mktg)	- Petrol	1995	200 Lit.	225 Lit.
	- Car Rental	2000	3250	4200
Manager (Office)	- Petrol (Maintaining Car)	1995	80 Lit.	105 Lit.
	- Car Maintenance	2000	1150	2100
Deputy Manager	- Petrol (Maintaining Car)	NA	Nil	45 Lit.
	- Car Maintenance	2000	925	1175
Asstt. Manager	- Petrol (Maintaining Car)	NA	Nil	35 Lit.
	- Car Maintenance	2000	800	1050
E.O.	- Petrol (Maintaining Car)	NA	Nil	25 Lit.
	- Car Maintenance	2000	800	1050
EO to DM	- Conveyance Allowance (Not Maintaining Car)	2000	750	1200

ii) Late Sitting and Daily Allowance:

Late Sitting

Designation	Beyond Working Hours	Existing	Recommended	Financial Impact
E.O. to AGM	02 Hrs.	Rs. 50	Rs. 75	Within Budget
	04 Hrs.	Rs. 100	Rs. 150	Within Budget
	08 Hrs.	Rs. 200	Rs. 300	Within Budget

The rates were last revised in 1995.

Daily Allowance:

Designation	Existing (Big City Rates)	Recommended (Big City Rates)	Existing (Ordinary Rates)	Recommended (Ordinary Rates)	Financial Impact
AGM and Above	Rs. 600	Rs. 800	Rs. 520	Rs. 690	Within Budget
DM and Manager	Rs. 520	Rs. 690	Rs. 440	Rs. 585	Within Budget
EO and AM	Rs. 440	Rs. 585	Rs. 380	Rs. 500	Within Budget

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The rates were last revised in 2002.

- iii) Details of the recommendations are attached as Annex – A. Total Annual Financial Impact of the recommendations, as worked out by the Committee, comes out to Rs. 21.57 million with regard to the following:

Additions in Perks

Petrol Limit for Executive Officer to Deputy Manager
Driver's Subsidy for AGM

Revision in Perks

Petrol Limit for Manager
Driver's Subsidy for AGM to GM
Car Rental from AGM to GM
Car Maintenance Allowance for Executive Officers to Manager
Conveyance Allowance to those not maintaining car
Late Sitting and Daily Allowance

Grade-wise bifurcation of the Financial Impact is as under:

Executive Officer to Manager	Rs. 18,186,720
AGM to GM	Rs. 3,384,000
Total	Rs. 21,570,720

49. The above annual impact was worked out in January 2005 when there were 1075 Officers and the price of Petrol was taken as Rs. 41 per liter. Now, in October 2005 there are 1073 Officers in the Corporation and the price of Petrol is Rs. 56.38 per liter. Therefore the Annual Financial impact as on 07-10-2005 comes to Rs. 26,401,668.

50. The matter was placed before the Board in its 181st meeting held on 28.02.2005 and it was resolved to resubmit the same after finalization of the accounts of the Corporation for the year 2004. Now since the accounts for the year 2004 have been finalized and approved by the Board, the matter is resubmitted before the Board of Directors for consideration and approval to seek concurrence of the Finance Division through Ministry of Commerce before its implementation.

51. The Board of Directors observed that it was not even 2 years that the officers were allowed the raise. The act of some of the office bearers of the so-called Officers Federation was also not in keeping with their conduct as officers. It was noted that some of them went to the press and also included others to protest in a highly unofficial manner. The Chairman was directed to proceed against them as consider appropriate as they had brought bad name to SLIC. In no case such unwanted action should recur.

Action:
ED(P&GS)

After thorough deliberations, the Board of Directors allowed the following increases only. The Board of Directors also directed that fresh allowances will not be considered.

RESOLVED:

“that the Board of Directors only approved the following increases:-

	Existing (Rs.)	Revised (Rs.)
Conveyance Allowance	750	1250
Car Maintenance Allowance		
Manager (Office)	1150	1650
Deputy Manager(Office)	925	1425
Executive Officers and Assistant Managers (Office)	800	1300

Action:
ED(P&GS)


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<p>This revision would take effect from 1st November, 2005. All other terms and conditions of the above said allowances would remain unchanged.”</p> <p>ITEM (11) TO CONSIDER – PERFORMANCE BASED BONUS SCHEME FOR OFFICERS OF STATE LIFE INSURANCE CORPORATION OF PAKISTAN.</p> <p>52. Executive Director(P&GS) presented before the Board a memorandum regarding performance based bonus scheme for the year 2005 for officer of State Life</p> <p>53. Prior to the year 2001 officers of State Life were being paid bonuses each year on flat rates with the approval of the Board of Directors. Thereafter from 2001 onward the bonuses to officers are being determined on the basis of performance of officers in accordance with the scheme approved by the Board of Directors each year.</p> <p>54. Commercial Audit has raised Audit paras upon payment of bonuses to officers during the year 1999 to 2003 on the ground that the approval of Ministry of Finance was not obtained. The Audit was replied accordingly. Simultaneously, the matter has been referred to the Ministry of Commerce for getting ex-post facto approval of the Ministry of Finance. The matter is under process.</p> <p>55. The Board of Directors in its 177th meeting held on 28.04.2004 approved the Performance Based Bonus Scheme 2004 for officers of State Life(Annex-A) of the memorandum. The Chairman was also authorized to make any adjustment considered necessary in the proposed performance linked plans for the year 2004.</p> <p>56. Further in the 178th meeting of the Board held on 19.06.2004 it was resolved to request the Ministry of Commerce for approval of Bonus Scheme to the officers of the Corporation as it has proved its efficacy in the last few years. Ministry of Commerce has been requested for getting approval of Finance Division regarding Performance Based Bonus Scheme-2004 for officers of State Life, no response yet been received from the Ministry.</p> <p>57. Officers of State Life were paid one month basic pay in advance against undertaking towards Performance Based Bonus-2004 during the two Eid Occasions on the undertaking that the same will be adjusted against the quantum of bonus achieved by the officers for the year 2004 on receipt of approval of the Finance Division through Ministry of Commerce. In case approval is not received the same will be recovered.</p> <p>58. Third Quarter of the year 2005 has elapsed and the Performance Based Bonus Scheme 2005 for officers of the Corporation could not yet been announced for want of approval of the Performance Based Bonus Scheme 2004 already referred to the Ministry/Finance Division as mentioned above.</p> <p>59. It is proposed that the Performance Based Bonus Scheme-2005 for officers of the State Life may continue on the same line as was approved by the Board of Directors in its 177th meeting held on 28.04.2004 (Annex-A). The proposal for 2005 was placed at Annex-B of the memorandum.</p> <p>60. It is further intimated that officers of State Life are being paid one month basic pay in advance towards Performance Based Bonus-2005 on account of forthcoming Eid-ul-Fitr-</p>			

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66. Mrs. Spenta Kandawalla asked that while the Income Tax Department has requested for the installation of a diesel generator of 300 KVA output why approval in the memorandum for a generator of 400 KVA output has been sought? Replying to this query, DH(RE) informed the Board that the offices of Central Zone Karachi, were also located in the same building therefore, the approval of a generator of 400 KVA output has been requested. Replying to a question raised by Air Marshal (Retd) Sharbat A. Changazi, DH(RE) informed that it would be a stand by generator and would be operated in the event of electricity failure/electricity breakdown. This was confirmed by DH(RE). Accordingly, it was resolved as under:

RESOLVED

“that the proposal of ED(RE) contained in the memorandum No.12 dated 6-10-2005, for the installation of a DG Set of 400 KVA output in State Life Building No.12 (Hashoo Centre), Karachi for a total cost of Rs.6.75 million was approved.”

Action:
ED(RE)

ITEM (13) TO CONSIDER – APPOINTMENT OF STATUTORY AUDITORS FOR AUDIT OF ACCOUNTS FOR THE YEAR ENDING 31ST DECEMBER, 2005.

67. Executive Director(B&A) presented before the Board memorandum regarding appointment of Statutory Auditors for audit of accounts for the year ending 31st December, 2005.

68. The appointment of statutory auditors for audit of accounts of the State Life is mandatory. For this purpose, each year statutory auditors are appointed after the approval of Board of Directors based on the concurrence of office of the Auditor General of Pakistan. The auditors once selected are allowed 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.

69. Annual Accounts of State Life for the year ended 31st December, 2004 were audited by two firms of Chartered Accountants as “joint auditors” i.e. M/s. M/s. Anjum Asim Shahid Rahman, M/s. Avais Hyder Nauman Rizwani, The audit fee was approved for Rs.600,000/- each while out of pocket expenses were approved for Rs.360,000 and Rs.350,000/- in respect of M/s. Anjum Asim Shahid Rahman and M/s. Avais Haider Nauman Rizwani respectively.

70. It is submitted that M/s. Anjum Asim Shahid Rahman have been auditing the accounts of State Life since 2003 and as such they have completed two years while the other firm i.e. M/s. Avais Hyder Nauman Rizwani was inducted only last year. Since the audit firms can only be changed after completion of five years cycle and none of them have completed its 5 years tenure, it is proposed that both the firms may be allowed to continue to remain the auditors of the Corporation for the year 2005. Both the audit firms have consented to continue to audit the accounts of State Life for the year ending 31st December, 2005 on the same terms and conditions including audit fee/out of pocket expenses for the previous year.

71. It is the requirement of Government of Pakistan to obtain concurrence from the office of the Auditor General of Pakistan regarding appointment of statutory auditors before the case is moved to Board of Directors for approval. Accordingly, on our request, the office of the Auditor General of Pakistan, vide their Fax No.154/22/R&SD/SI.IC/CA/2005

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dated 20.10.2005 (copy enclosed), has granted its concurrence for appointment of M/s. Anjum Asim Shahid Rehman, Chartered Accountants and M/s. Avais Hyder Nauman Rizwani, Chartered Accountants as joint auditors for 2005, with the same amount of audit fee and out of pocket expenses as were allowed for the year 2004.

72. It is submitted that the Board of Directors may kindly approve the appointment of statutory auditors of State Life for audit of accounts (for Pakistan business) for the year ending 31st December, 2005 with the same audit fee/out of pocket expenses as per details given 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 Nauman Rizwani	600,000	350,000	950,000
TOTAL:		1,200,000	710,000	1,910,000

Accordingly, it was resolved as under:

RESOLVED

“that the proposal of ED(B&A) contained in the memorandum No.13 dated 24-10-2005 regarding appointment of M/s. Anjum Asim Shahid Rehman and M/s. Avais Hyder Nauman Rizwani as “joint auditors” to audit the accounts of State Life for the year ending 31st December, 2005 for an audit fee of Rs.600,000/- each and out of pocket expenses of Rs.360,000/- and Rs.350,000/- respectively, was hereby approved.”

Action:
ED(B&A)

ITEM (14) TO CONSIDER – BEAUTIFICATION OF I.I.CHUNDRIGAR ROAD, KARACHI.

73. Executive Director(RE) presented before the Board memorandum regarding beautification of I. I. Chundrigar Road, Karachi.

74. A meeting with the stakeholders of I.I.Chundrigar Road, Karachi, was held by the Governor, State Bank of Pakistan on March 10, 2004 and it was decided in the meeting to initiate a comprehensive campaign for the beautification of I.I.Chundrigar Road, Karachi. This includes to face lift the buildings by the business and property owners on I.I.Chundrigar Road, Karachi. A Beautification Committee was also formed. The Committee comprised of Dr. Ishrat Hussain, Governor, State Bank of Pakistan, as a Patron, Mr. Shaukat Tarin, President, Union Bank, as Chairman and five members from relevant organizations including Chairman, State Life Insurance Corporation of Pakistan, Ms. Yasmin Lari from Heritage Foundation and others. (Annex - D).

75. State Life had already started the painting work of the exterior façade of the building and cleaning of the front area in preview to the Director's decision for the improvement and renovation of old buildings. These works have been completed.

76. Several meetings have taken place at State Bank for the beautification of I.I.Chundrigar Road, Karachi. In the meeting of September 05, 2004 of stakeholders, it was decided to setup a fund under the City Government, Karachi for the rehabilitation of I.I.Chundrigar Road. (Annex-II).

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77. A Project Steering Committee was also established to guide / monitor the project and expenditure under the Chairmanship of Mr. Shaukat Tarin in the meeting dated 23.02.2005. This Steering Committee of the project has approved the final plan submitted by the Consultant, City district Government, Karachi, recently. This refers to the letter dated June 11, 2005 from Governor, State Bank of Pakistan, Mr. Ishrat Hussain addressed to the Chairman of State Life Insurance Corporation of Pakistan informing that he held a meeting with the City Nazim and the Principal Secretary to the Sindh Governor regarding finalization of the details and funding of this project. The share of all stakeholders works out to Rs. 222.5 million. (Annex-III). This includes expenses on the construction of the road, cost of purchase of buses for free shuttle service between Mereweather Tower and Shaheen Complex and maintenance of road and machinery as well. Besides this project cost, it was estimated that Rs. 7 million per annum will further be required for meeting the recurring maintenance expenses. This included the cost and operation of snorkel, shuttle bus service and support to be provided to the cleaning unit.

78. The Governor State Bank of Pakistan in the under reference letter intimated that we now need to collect fund from all the stakeholders particularly those doing business on I.I. Chundrigar Road, Karachi. The committee on beautification of I.I.Chundrigar Road will be obliged if State Life participate and contribute Rs. 12.5 million towards the project cost, I.I.Chundrigar Road Beautification plans are also enclosed with the said letter to get the appropriate approval from State Life Board of Directors.

79. Mr. Shaukat Tarin Chairman of the Beautification Committee informed vide his letter dated December 10, 2004 that Union Bank has already deposited the initial amount of Rs. 1 million in the aforesaid fund. (Annex-IV).

80. The matter is placed before the Board for consideration of the request of State Bank of Pakistan mentioned above keeping in view that State Life is a major stakeholder in the campaign for beautification of I.I.Chundrigar Road. In case the Board decides to participate in the project by contributing amount of Rs. 12.5 million as desired to the Governor of State Bank of Pakistan in the fund of I.I.Chundrigar Road, it is proposed that contribution of Rs. 1 million as an initial amount may be approved to be deposited in the aforesaid fund.

81. Mrs. Spenta Kandawalla stated that the committee comprising 43 stakeholders of I. I. Chundrigar Road was too large to have the consensus and further she opined that what would be the legal status of such committee asking for such a huge amount of contribution from State Life? Mr. Nessar Ahmad asked whether it would be a sort of public infrastructure fund? Mr. Bashir Ahmed suggested that complete details should be obtained from the committee to enable the Board of Directors to consider this matter at a length. ED(RE) was directed to place all the relevant details like how the share of SLIC and others was computed, audit of funds etc. before the Board for taking a decision.

ITEM (15) TO CONSIDER – HVAC WORKS BY M/S. HABIBULLAH ASSOCIATES AT STATE LIFE BUILDING, FAISALABAD.

82. Executive Director(RE) presented before the Board memorandum regarding HVAC works by M/s. Habibullah Associates at State Life Building, Faisalabad.

83. M/s. Habibullah Associates requested Board of Directors of State Life Insurance Corporation of Pakistan vide their letter dated May 7, 2005 for an amicable settlement of the subject issue outside Court. The Board of Directors at its 182nd meeting held on May 24, 2005 resolved as under:


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ED(RE)

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"That Executive Director (RE) was authorized to negotiate with M/s. Habibullah Associates for out of Court settlement subject to maximum being less than the amount given by the Honorable Sindh High Court vide Judgment dated 31-05-2005 (Annexure - A)".

84. A series of meeting was held by Executive Director (RE) with Mohammad Samiullah Managing Director M/s. Habibullah Associates. In the last meeting held on 23rd June 2005, Executive Director (RE) negotiated the final settlement with Mr. Samiullah of M/s. Habibullah Associates, he agreed to a deduction of Rs. 2.243 million from his final bill & detail is as under:

i.	Revised cost of project after the Judgment of Honorable Sindh High Court (Single Bench).	Rs. 80,130,828.00
ii.	Sum paid against project by State Life.	Rs. 73,292,777.00
iii.	Retention money deducted against running bill payments and payable at the time of final payment (final bill).	Rs. 2,094,767.00
iv.	Amount deducted against uncompleted works.	Rs. 1,010,400.00
v.	Total Deductions (ii + iii + iv).	Rs. 76,397,944.00
vi.	Final payment for the project (i - v).	Rs. 3,732,884.00
vii.	Release of retention money	Rs. 2,094,767.00
viii.	Total payable amount (vi + vii).	Rs. 5,827,651.00
ix.	Deductions of Rs. 2.243 Millions against custom duties reduction form Final Bill as negotiated by Executive Director (RE) with M/s. Habibullah Associate. (-)	Rs. 2,243,174.00
x.	Payable amount (viii - ix).	Rs. 3,584,477.00

85. The final bill of M/s. Habibullah Associates was checked and verified by M/s. Adnan Asdar Associates (The Management Consultants) as well as by B&A (RE) Department the detail is given in Annexure - B.

86. Finally as per the directive of Executive Director (RE) a meeting was held with Mr. Samiullah of M/s. Habibullah Associates & Divisional Head (RE) on September 05, 2005 to work out the full and final settlement against the HVAC Works at State Life Building Project Faisalabad after deduction of Rs. 2.243 million as agreed by M/s. Habibullah Associates. The final payable amount comes to Rs. 3,584,477/-. The minutes of the meeting jointly signed by M/s. Habibullah Associates and State Life Insurance Corporation of Pakistan are placed at Annexure - C.

87. In view of the above following is submitted for perusal and approval of the Board of Directors.

- Revised cost of project Rs. 80,130,828/-.
- Full and final payment amounting to Rs. 3,584,477/- to M/s. Habibullah Associates.
- Withdrawal of Appeal No. (HCA) 154/2004 filed before the Double Bench of Honorable Sindh High Court.

Accordingly, it was resolved as under:

RESOLVED

"that the proposal of ED(RE) contained in the memorandum No.15 dated 01-11-2005 for out of court settlement with M/s. Habibullah Associates for HVAC works at State Life Building, Faisalabad for a total payment of

Action:
ED(RE)


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ITEM (17) RATIFICATION OF THE AGREEMENT BETWEEN THE MANAGEMENT OF STATE LIFE AND THE CBA FOR THE YEAR 2005-06.

94. Executive Director(P&GS) presented before the Board a memorandum for ratification of the agreement between the Management of State Life and the CBA for the year 2005-06.

95. Consequent upon submission of Charter of Demands for the period 2005-06 by State Life Insurance Employees Federation of Pakistan vide their communication No:EF/CD/2005 dated 31st January, 2005, a Negotiation Committee was constituted by the Management to hold the formal negotiations with the representatives of the CBA.

96. A comparative study of previous rate of increase allowed per annum to the employees of State Life Insurance Corporation of Pakistan through various CBA agreements is as under :

Tenure	%age increase allowed Overall In basic pay	Total Financial Impact	
		Increase	(Rs. In million)
2003-04	10%	10.10%	51.97
2001-02	9.49%	11.26%	50.00
1999-00	15%	16.52%	98.64
1997-98	18%	23.11%	99.52
1995-96	31.72%	34.55%	73.33

97. After detailed and exhaustive negotiations which started from the 13th of April, 2005, the following increases were mutually agreed.

Increase in basic salary	12%	Rs. 18.316 million
Increase in static & variable allowances	11%	Rs. 31.897 million
Increase in fringe benefits.	11%	Rs. 15.433 million
Total overall increase	11%	Rs. 65.646 million

Moreover, Worker's Welfare Fund is being established to which employees and the corporation will contribute equally. This fund will be utilized for the following purposes.

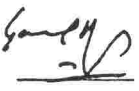
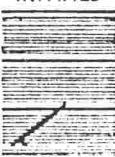
- i) Post Retirement Medical Facility to staff which has already been agreed to in Agreement 2001-02, The Scheme is attached as Annex.'B' to the Agreement.
- ii) Haj performance by 10 employees through ballot. (This will, however, be subject to approval from the Ministry of Commerce)

98. The agreement with CBA representatives was finally signed by the Management and the members of the Negotiation Committee on 20th October, 2005. The salient features of the Agreement are attached as annex. 'A'.

99. Members of the Board were apprised of the above situation with a request to kindly ratify the agreement reached between the Management of State Life and the CBA detailed as above and a copy placed hereunder as annex. "C".

Yasir Qureshi
 CHAIRMAN'S INITIALS


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<p>Action: ED(P&GS)</p>	<p>After discussions, it was resolved as under:-</p> <p>RESOLVED:</p> <p>“that the Memorandum of the agreement executed between the Management and the CBA on 20th October, 2005 for the years 2005 and 2006 and placed before the Board, was ratified.”</p> <p>ITEM (18) TO CONSIDER – REQUEST TO WRITE BACK OFF/WRITE BACK OF OLD BALANCES OF LOANS & ADVANCES AND OTHER AMOUNTS RECEIVABLE/PAYABLE.</p> <p>100. Executive Director(B&A) presented before the Board a memorandum regarding request to write back off/write back of old balances of loans & advances and other amounts receivable/payable.</p> <p>101. Statutory auditors of the Corporation, while auditing the accounts for the year 2003, observed that in many cases of loans and advances to employees, field workers and area managers and amounts receivable/payable from persons/bodies, old outstanding balances are appearing since long where no recovery has so far been made. They recommended that the Management may take appropriate action in this respect.</p> <p>102. In order to ascertain the cases of non-recovery and the reasons thereof, detailed statements were obtained from all zones/locations. These statements were examined and certain queries made to ascertain whether or not there was a chance to recover the amount from the borrower or the guarantor(s). Based on the complete information received from zones/locations, detailed zone-wise statements for each head of accounts for each category of loanes have been prepared. Zone-wise and head of account-wise summary is enclosed as Annexes “A”.</p> <p>103. The reasons for non-recovery of these old balances include:</p> <ol style="list-style-type: none"> Area Managers and field workers were terminated alongwith their guarantor(s) and outstanding loan balances could not be recovered. In some cases, loance was terminated but the income of the guarantor was not sufficient to recover the loan. There are also some cases where the commission earning of field worker was quite low or there was no income at all to affect the recovery. In cases of officers and staff, amount has gone in default in cases where no amount is payable to them on account of final settlement/CPI balances. In cases of other amounts receivable/payable from/to other persons/bodies, the amount is not recoverable or payable as (i) the whereabouts of the persons concerned is not known (ii) the employees concerned have been terminated since long and no amount is payable to them (iii) loance has expired or left the service and no guarantor is available (iv) some cases are quite long and are outstanding since the nationalization of the life insurance. <p>104. As regards loan balances, it is submitted that as on 30th June, 2004 there was an outstanding balance of Rs.256.415 million (Rs.169.099 in Shareholders Fund and Rs.87.316 million in Life Fund) out of which Rs.6.423 million (Rs.0.084 million in Shareholders Fund and Rs.6.339 million in Life Fund) has gone into default.</p>			<p></p> <p>CHAIRMAN'S INITIALS</p> <p></p>

MINUTES OF 183RD MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	15 TH NOVEMBER' 2005	

105. The total outstanding amounts receivable from persons/bodies comes to Rs.1.019 million.

106. The amount payable to other persons/bodies comes to Rs.16.691 million. The two main constituents included in this list are the Central Excise Duty (CED) levied on policy loans payable to Central Excise Department (Rs.9.985 million) and Federal Insurance Fee levied on the premium income of an insurer payable to Government of Pakistan (Rs.0.181 million). The details of these amounts are as follows:

- a) Rs.0.181 million have been included in the statement of payable. This amount pertains to Federal Insurance Fee levied on the premium income of an insurer w.c.f. 1990. The Federal Government had later on withdrawn the levy of fee and accordingly the payment provided for in the accounts was not made in the relevant year. It is proposed to write back this amount.
- b) The provision of a sum of Rs.9.985 was made in 1996 towards the Central Excise Duty (CED) levied on policy loans payable to Central Excise Department. This amount was demanded by Central Excise Department but since State Life was of the view that levy of CED was not applicable to loans against life insurance policies, the amount was not paid and an appeal was filed in Hon'ble Sindh High Court against the levy of CED on policy loan. Later on, the Govt. of Pakistan issued directives to all governmental organization to withdraw all litigations and settle the issue at inter-ministerial level. In case the issue is not resolved, a reference is to be made to Ministry of Law, Justice & Human Rights for a decision. Accordingly, State Life had withdrawn its the petition from Hon'ble Sindh High Court and the matter was taken up with Secretary Law, Justice and Human Rights, who decided the matter in favour of State Life. The Department of Central Excise made an appeal to Collector of Excise, who upheld the decision of ministry of Law, Justice & Human Rights. Therefore, State Life did not pay this amount. Earlier, in order to avoid coercive action, State Life made provisional payment of Rs.54.768 million to Central Excise Department in 1996. Efforts are being made for recovery of this amount from Central Excise Department. In view of no chance of paying amount of Rs.9.985 to Central Excise Department, it is proposed to write back this amount.

107. As these balances have become bad debts and there is no hope for their recovery and also in order to resolve the observations of statutory auditors, it is proposed that these amounts may be written off/written back. The net amount proposed to be written back comes to Rs.9.249 million. The summary is as follows:

Details	(Rs. in million)		
	Shareholders Fund	Life Fund	Total
Loans & Advances	0.084	6.339	6.423
Amounts receivable	-	1.019	1.019
Amounts payable	-	(16.691)	(16.691)
Net Amount to be written back			(9.249)

After discussions, it was resolved as under:-

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CHAIRMAN'S INITIALS

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Action:
ED(B&A)

RESOLVED:

“that the proposal of ED(B&A) contained in the memorandum No.18 dated 07-11-2005, with the request to allow to write off/write back the amounts as per details given above, was approved.”

ITEM (19) TO CONSIDER – DUES OF SCHON GROUP.

108. Executive Director(Investment) presented before the Board a memorandum regarding dues of Schon Group.

109. State Life was requested by M/s Schon Refinery Ltd. in June 1995 to subscribe towards 5 million shares of the company at Rs.20.00 per share which included premium of Rs.10.00 per share. It was agreed that in case the shares were issued to general public below Rs.20.00, the sponsors will refund the excess amount or will compensate State Life by issuing additional shares. It was further agreed that in case the company does not go for public subscription within six months of subscription by State Life, the sponsors will pay a mark up @ 16% p.a. till the company goes for public subscription.

110. On completion of all formalities, State Life subscribed Rs.100 million as equity participation in the company. In June 1996 M/s Schon Refinery informed State Life that due to delay in finalizing the conditions of credit agreement by NBP, public offering was not possible and requested State Life for relaxation in time period for public subscription. State Life asked the management of the Schon Group for payment of 16% mark up as per agreement.

111. By the time correspondence was going on between State Life and the Schon Group, the Ehtisab Bureau Government of Pakistan paid a sum of Rs70.870 million to the Corporation in 1998 intimating that the payment was in full and final settlement of the dues of the Corporation. Thus a sum of Rs.29.130 million was outstanding against Schon Refinery in the books of the Corporation. State Life has filed a legal suit against the Schon Group in High Court of Sindh for recovery of its dues. The total amount recoverable by the Corporation as at 31st October 2005 comes to Rs.221.193 million inclusive of accrued interest as per agreement.

112. A meeting was held in the office of NAB on 18th October 2005 to discuss the status of Schon Group. The meeting was presided by Mr. Kausar Iqbal Malik Director General (FCIW) NAB and attended by Ahmed Hayat Lak Legal Consultant NAB besides representatives of ABL, NBP, HBL, CIRC, Al-Zamin Leasing Modaraba and the General Manager (Investment) representing State Life. It was pointed out by the representatives of NAB that the Schon Group has so far paid over Rs.4 billion to various bodies which could not reach its creditors. NAB had a meeting with Schon Group in Dubai where in the Group agreed to pay Rs.1.125 billion in case all the cases against them are withdrawn and they are allowed to come to Pakistan. NAB informed that all creditors owed Rs.1.171 as principal against the Group. NAB asked all the creditors i.e. banks and State Life to write off outstanding interest. It was informed by the representative of State Life that the agreement with Schon was approved by the Board of State Life and the Board is the only authority to waive interest.

113. On a query from one bank NAB informed that in case agreement is signed between NAB and the Schon group, the later will pay 10% of the dues immediately, further 10% after six weeks on arrival in Pakistan, 10% further amount after six months and the balance

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CHAIRMAN
INITIALS

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70% over a period of seven years. It was also informed that no interest will be payable by the group on subsequent payments. The creditors did not agree to this proposal. NAB however insisted that this arrangement be brought to the knowledge of competent authorities for approval. NAB will provide copy of agreement entered into with the Schon Group for taking approval of the competent authorities.

114. The matter was brought to the knowledge of the Board for information and further guidance.

115. GM(Investment) informed the Board that Rs.100 million was invested at a mark up rate of 16% however Rs.70 million was paid back to State Life and at present the accumulated amount is Rs.221 million. NAB has requested to waive the interest. Mr. Bashir Ahmed opined that whatever amount M/s. Schon Group was willing to pay should be received and demand for remaining amount should remain continuic. The Board felt that the settlement be accepted in case principal is received in lump sum. Ch. Javaid Hussain opined that no relaxation should be shown and payment of total claim amount including interest should be demanded. Mrs. Spenta Kandawalla asked that if some settlement is made with NAB, what would be the legal position of such settlement? Air Marshal (Retd) Sharbat A. Changazi and Mr. Nessar Ahmed opined that legal opinion should be obtained to ascertain the legal position. Board agreed with this suggestion and resolved as under:

RESOLVED:

“that the Board directed ED(Investment) to obtain legal opinion in the matter and place it before the Board for consideration.”

Action:
ED(Inv)

ITEM (20) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(I) TO CONSIDER – PRIVATE PLACEMENT OF RS.200 MILLION IN GOVERNMENT GUARANTEED SUKUK (TRUST) CERTIFICATES OF WAPDA FIRST SUKUK COMPANY LTD.

116. Executive Director (Investment) presented before the Board memorandum regarding private placement of Rs.200 million in Government Guaranteed Sukuk (Trust) Certificates of WAPDA First Sukuk Company Ltd.

Action:
ED(Inv)

117. This memorandum was deferred and ED(Investment) was directed to place the same in next meeting of the Board of Directors.

ITEM (20) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

II. RECONSTITUTION OF COMMITTEE FOR THE VISIT OF QUETTA/GWADAR.

118. The Board discussed the progress for the purchase of plot at Quetta and Gwadar. It was pointed out that since Mr. Umar Ata Bandial has been elevated as Judge of the Honourable Lahore High Court, therefore his name may be deleted from the Committee and by inclusion of other Directors a fresh committee for the visit of Quetta and Gwadar should be constituted.


CHAIRMAN'S
INITIALS