

MINUTES OF 185TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	19 TH MAY' 2006	

CONFIDENTIAL AND RESTRICTED

The 185th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 19th May 2006 at 10:00 a.m., in the Board Room, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi.

PRESENT:

- | | |
|---------------------------|-----------------|
| 1. Mr. Kamal Afsar | Chairman |
| 2. Mr. Bashir Ahmed | Director |
| 3. Mr. Nasim Qureshi | Director |
| 4. Mrs. Spenta Kandawalla | Director |
| 5. Ch. Javaid Hussain | Director |
| 6. Syed Hur Rishi Gardezi | Director |
| 7. Mr. Shahid Aziz Khan | Board Secretary |

2. By invitation Mr. Muhammad Javaid Khan Executive Director (B&A), Ms. Nargis Ghaloo, Executive Director (P&GS/Law/RE) and Syed Arshad Ali, Executive Director (PHS/CD/R&A) joined the meeting. The meeting started with recitation from Holy Quran by the Board Secretary.

3. The request for leave of absence of Air Marshal (Retd) Sharbat A. Changazi, Director was granted by the Board.

ITEM (01) CONFIRMATION OF MINUTES OF 184TH MEETING OF THE BOARD OF DIRECTORS HELD ON 15-03-2006.

4. The minutes of the 184th Meeting of the Board of Directors held on 15th March, 2006, were placed before the Board. Some typographical mistakes were pointed out which were corrected.

5. Mr. Bashir Ahmed proposed and Mrs. Spenta Kandawalla seconded that the minutes of 184th meeting held on 15th March, 2006 be confirmed. Accordingly, it was resolved as under:

RESOLVED:

"That the Minutes of the 184th Meeting of the Board of Directors held on 15th March' 2006, were hereby confirmed."

ITEM (02) MINUTES OF 15TH MEETING OF THE BOARD AUDIT COMMITTEE HELD ON 23RD MAY, 2005.

6. The minutes of the 15th Board Audit Committee meeting held on 23rd May and 24th May' 2005, were noted by the Board of Directors.

ITEM (03) TO CONSIDER – AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2005 TOGETHER WITH AUDITORS REPORT THEREON.

7. The Secretary Board Audit Committee circulated the draft minutes of 17th meeting


Action:
Board
Secretary

Action:
Secretary
(BAC)

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	<p>of Board Audit Committee held on 18th May, 2006. The Chairman Board Audit Committee informed the Board that audited accounts were considered in detail. The letter of the Auditors to the Board of Directors was also discussed in detail with them. The Audit Committee accordingly had made certain observations and recommendations which have been recorded in the minutes of the Board's Audit Committee. The Board of Directors discussed the BAC minutes in detail and directed that necessary action as instructed therein be taken by the Management. At this point, Divisional Head (B&A) along with Mr. Younus Rizwani Sheikh and Mr. Junaid Habib, were also called in. The Auditors expressed their satisfaction and stated that the accounts depict the correct financial position of SLIC.</p> <p>8. ED (B&A) & Divisional Head(B&A) made a presentation with the help of multi media and presented before the Board, the 33rd Annual Report on the operations of State Life Insurance Corporation of Pakistan for the year ended 31st December, 2005 comprising (a) Financial Statements: Balance Sheet, Profit & Loss Account, Revenue Account, Statement of Premium, Statement of claims, Statement of Investment Income, Statement of expenses, Statements of Cash Flows and (b) Regulatory Returns: Statement of Assets for Solvency, Classified Summary of Assets in Pakistan and Statement under section 46(6) and section 52(2). He informed that the accounts of the Corporation for the year ended 31st December, 2005 were jointly audited by a panel of statutory auditors namely:</p> <ul style="list-style-type: none"> i) M/s. Anjum Asim Shahid Rahman, Chartered Accountants, Karachi. ii) M/s. Avais Hyder Nauman Rizwani & Co., Chartered Accountants, Karachi. <p>9. ED(B&A) stated that as per Audit Committee's recommendations the Board was requested to approve the financial statements/regulatory returns for the year ended 31st December, 2005 alongwith notes to the Accounts and the Auditors Report thereon as well as the amount of provisions, adjustments and additions to Investment Portfolio mentioned in Annex-6 of the memorandum. The Board was also requested to nominate two Directors to sign alongwith the Chairman and Executive Director(B&A) the financial statements/regulatory returns for the year 2005, after consideration and approval by the Board.</p> <p>After thorough discussion, the Board resolved as under:</p> <p>RESOLVED:</p> <ul style="list-style-type: none"> (i) "that the balance sheet, profit & loss account, revenue account, statement of premiums, statement of claims, statement of investment income, statement of expenses, statement of cash flows, statement of assets for solvency, classified summary of assets in Pakistan and statement under Section 46(6) and Section 52(2) for the year ended 31st December 2005, were approved." (ii) "that the amounts of provisions, adjustments and addition to investment portfolio relating to the accounts for the year 2005 as proposed vide Annexure-6 of the Memorandum, were approved." (iii) "that Mr. Bashir Ahmed and Syed Hur Riahi Gardezi, Directors, were authorized to sign the Annual Accounts for the year 2005 alongwith the Chairman and the Executive Director (B&A), were approved." 			<p>CHAIRMAN'S INITIALS</p> 

Action:
ED(B&A)

Action:
ED(B&A)

Action:
ED(B&A)

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<p>ITEM (04) TO CONSIDER ACTUARIAL VALUATION FOR THE YEAR ENDED DECEMBER, 31, 2005.</p> <p>10. At this point, Mr. Jawwad Ahmed Farid, Appointed Actuary and Mr. Shahrukh Sabzwari, DII(Actuarial) joined the meeting. Mr. Jawwad Ahmed Farid gave a presentation on the salient features of Actuarial Valuation for the year 2005.</p> <p>11. The Appointed Actuary presented before the Board a Memorandum No.04 dated 10th May, 2006 for consideration and approval of the actuarial valuation report of the insurance policies of the Corporation as at 31st December, 2005. The Appointed Actuary briefed regarding salient features of the memorandum. He explained about surplus figures of Rupees, Overseas and Pension Fund. He further briefed regarding salient features of bonuses for Rupee business as well as for foreign currency business for the year 2005 etc.</p> <p>12. The Board appreciated the services of Mr. Jawwad Ahmed Farid, Appointed Actuary.</p> <p>The Board resolved as under:-</p> <p>RESOLVED:</p> <p>"that the memorandum No.04 dated 10th May, 2006 of Appointed Actuary regarding Actuarial Valuation and recommendations in respect of bonuses for Rupee business and Overseas business to policyholders as on December 31, 2005 alongwith Annexues "A", "B" and "C" respectively to the memorandum, were approved."</p> <p>ITEM (05) TO CONSIDER – THE REPORT OF THE COMMITTEE CONSTITUTED FOR THE VISIT OF QUETTA TO FIND OUT A SUITABLE PLOT FOR THE CONSTRUCTION OF BUILDING FOR ZONAL OFFICE QUETTA.</p> <p>13. Executive Director(Real Estate) presented before the Board, Memorandum No.05 dated 18-05-2006 on the above subject. The Board decided to defer this matter till next meeting when Director Air Marshal (Retd) Sharbat A. Changazi would also be available to attend the meeting.</p> <p>ITEM (06) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</p> <p>(I) TO CONSIDER - ALLOCATION OF ADDITIONAL BUDGET TO REAL ESTATE DIVISION.</p> <p>14. Executive Director(RE) presented before the Board, Memorandum No.06(I) dated 18-05-2006 containing for the allocation of additional budget of Rs. 100 million to Real Estate Division (Annexed).</p> <p>15. State Life Real Estate Assets include 19 plots, 52 commercial and 17 residential buildings in various cities of Pakistan most of which were inherited at the time of Nationalization. During scrutiny of title documents it transpired that most of the inherited buildings though in possession of State Life are still in the name of defunct Life Insurance Companies.</p>			

Action:
DII(Act.)

Action:
ED(RE)

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16. Also leases of the buildings located in Old Karachi are due since many years' Real Estate Division has been receiving renewal notices with huge penalties and exorbitant tax rate with additional surcharges. We have to pay Rs.5.1 million for renewal of lease of SLB-4, Rs.10 million for renewal of lease of Framroze since nationalization, Rs. 5.1 million for property tax of 11-J, Karachi. Similarly property tax of Islamabad buildings is due since 1995.

17. Real Estate Division has decided to have all these buildings mutated in the name of State Life and all property/demand notes, taxes and dues may be cleared as it is feared that if these properties are not mutated in the name of State Life there was every likelihood that, the private competitors/defunct companies may file claim of their properties against State Life. Recently, in Faisalabad Paksitan General Insurance Company filed a suit for repossession/restoration of property/building at Faisalabad which was earlier taken over by State Life at the time of Nationalization of Life Insurance Business in Pakistan.

18. All these steps required funds for which it is estimated that Rs.100 million be allocated during current year to Real Estate Division to have the properties regularized and mutated in phases in the name of State Life Insurance Corporation of Pakistan.

After thorough discussion, the Board resolved as under:

RESOLVED:

"that the proposal of ED(RE) contained in the Memorandum No.06(I) dated 18-05-2006 for the allocation of additional budget of Rs. 100 million to Real Estate Division, was approved. However, Board directed that complete analysis of cost in each case with break up alongwith legal opinion be placed before the Board."

Action:
ED(RE)

ITEM (06) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(II) WORKING PAPER – CONSTRUCTION OF 5-STAR HOTEL, ON STATE LIFE PLOT NO.7, ISLAMABAD.

19. Executive Director(RE) presented before the Board, Memorandum No.06(II) dated 18-05-2006 containing the proposal of construction of 5-Star Hotel on State Life Plot No.7, Islamabad (Annexed).

20. ED (Real Estate) informed that a letter has been received from Ministry of Privatization and Investment carrying the directive of Prime Minister for construction of a 5-Star Hotel on the SLIC Plot No.7 Islamabad, under the banner of joint-venture company (State Life Insurance Corporation of Pakistan and M/s. Kingdom Hotel Investments). The Board was informed about the salient features of the letter as under:-

- i) Cost of land has been considered as US\$ 7 million.
- ii) Agreement shall be between State Life and Kingdom Hotel Investments as joint-venture. (New Joint Venture Company - Newco). Newco will be a Cayman Island based company, which will then own 100% of a new single-purpose Pakistani company (Pakco). Pakco will be a joint stock company to be incorporated under the Investment laws of Pakistan and its sole asset will be this Hotel.

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- iii) The cost of the project is US \$ 60 million with the following break-up:-
 - Finance by KHI - US \$ 23 million.
 - Finance by State Life - US \$ 07 million.
 - Finance through Bank loan to Newco - US \$ 30 million.
- iv) Newco shall enter into an agreement with KHI for Pre-opening technical advice for which Newco shall pay an amount of US\$ 300,000 to KHI.
- v) Newco shall enter into an agreement with Kingdom Hotel Assets Management Service, a subsidiary of KHI for management of the hotel for which Newco shall pay an amount equal to 1.5% of annual total gross revenue generated by the hotel subject to a minimum of US \$ 150,000 per annum.
- vi) Governing laws and jurisdiction shall be in accordance with the laws of England and the parties shall submit to the exclusive jurisdiction of the English Courts.

21. The Board was also informed as under:-

- (i) As per International accounting standards # 39 for Audit requirement, all State Life properties are re-evaluated annually. Last evaluation was carried out by M/s. International Design Group as on December 31, 2005. They have evaluated the said plot for Rs697 million. As receiving the directive of Prime Minister for construction of hotel, the said plot was re-evaluated through M/s. Iqbal A. Nanjee & Co., who have assessed the value of the plot at Rs.2.15 billion i.e., \$ 35.85 million as against \$ 7 million suggested by M/s. Kingdom Hotel Investment.
- (ii) That the said plot was purchased from CDA and the lease allows the construction of an office building on the plot. In case State Life plans to construct a hotel it will be required to get NOC from CDA for this purpose which shall be the responsibility of State Life.

22. The matter was discussed in great detail by the Board and the following observations were made:-

- a) The SLIC contribution to the equity of the proposed project of hotel was to be the market price of the SLIC plot. Whereas, the equity distribution of 77% : 23% between KHI and SLIC was acceptable, the amount of value of the land needs to be correctly determined and accordingly contributed as SLIC's equity. It was not understood as to how \$ 7 million was calculated by KHI.
- b) The proposal to have the new joint venture company registered as a Cayman Island based company which will then own 100% of a new single purpose Pakistani Company, was not understood. Similarly, the clause stating that the governing laws and jurisdiction shall be in accordance with laws of England and the parties shall submit to the exclusive jurisdiction of English courts, needs to be looked into, whether the extant investment laws and government rules allow such an arrangement.

Action:
ED (RE)

Action:
ED (RE)

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Annex-6

State Life's Account for the year ended 31st December, 2005

PROVISIONS, ADJUSTMENTS, ADDITION AND DISPOSAL OF INVESTMENT PORTFOLIO, REQUIRING APPROVAL OF THE BOARD

Approval of the Board of Directors is sought for making provisions, adjustments, additions and disposal of Investment Portfolio and other assets made in the accounts for the year 2005. Details are as follows:

1 Provisions in Investment operations

Provisions and reversal of provisions in respect of diminution in value of investment as on 31.12.2005 are as follows:

Provisions made:

	(Rs. in Million)
Against unquoted and de-listed shares	1.155
Total:-	1.155

Provisions reversed:

	(Rs. in Million)
Corporate debentures	7.483
Total:-	7.483

(Rs. in Million)

Net Effect of Provisions on income:	6.328
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2 Additions to and Disposal of Investment during 2005:

Additions:

During the year 2005, following additions were made in the Investment Portfolio:-

(Rs. in Million)

Treasury Bills	27,713.567
Pakistan Investment Bonds	98.018
Equity Securities	3,594.704
Total:	31,406.289

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Disposal:

During the year 2005, following disposals were made in the Investment Portfolio:-

Equity Securities	(Rs. in Million)
	482.578
Total:-	482.578

3 Additions to and Disposal of other assets during 2005:

Additions:

During the year 2005 the following additions were made in the assets:

(Rs. in Million)

Fixed assets	12.931
Real Estate assets including capital work in progress	52.527
Total:	65.458

Disposal:

During the year 2005, following disposals of assets were made:-

(Rs. in Million)

Disposal of fixed assets	0.423
Investment properties	0.288
Total:	0.711

4 Summary of the provisions, additions and disposal of Investment Portfolio and other assets in the year 2005, requiring approval of the Board of Directors.

(Rs. in Million)

(i)	Provision made	1.155
(ii)	Provision reversed	7.483
(iii)	Additions at cost	31,471.747
(iv)	Disposal at cost	483.289

5 Special Transactions

(Rs. in Million)

(i)	Purchase of shares in reverse re-purchase agreement at cost	528.957
(ii)	Purchase of shares in ready market and its simultaneous sale in future market	1,739.475

(Rs. in Million)

6	Dividend paid to shareholder in 2005 relating to 2004	113.244
7	Advance to employees against performance bonus	15.703

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Annexure A

A: BONUS RECOMMENDATIONS FOR PAKISTAN RUPEE BUSINESS

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

I. Whole Life and Endowment Assurance

For with profits policies in force for the full sum assured as at 31st December 2005:

i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2004 figures are given for comparison).

	2004		2005	
	For First Five Policy Years	From 6th Policy Year Onwards	For First Five Policy Years	From 6th Policy Year Onwards
<u>Whole Life</u>	Rs.56	Rs.102	Rs.56	Rs.102
<u>Endowments</u>				
20 years and over	Rs.48	Rs.94	Rs.48	Rs.94
15 to 19 years inclusive	Rs.35	Rs.81	Rs.35	Rs.81
14 years and less	Rs.20	Rs.66	Rs.20	Rs.66

Notes:

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

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

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(iii) Terminal Bonus will be paid on claims by death or maturity in 2006, where more than 10 years' premiums have been paid. The rate will be Rs. 50 per thousand sum assured for each year's premium paid in excess of 10 years subject to a maximum of Rs. 1000 (same as 2004 valuation) per thousand sum assured.

(iv) Special Terminal Bonus will be paid on claims by maturity in 2006, where a Family Income Benefit (FIB) is in force at maturity as a supplementary contract, or as a built-in benefit, and has been in force for more than 10 years. The rate will be Rs. 10 per thousand basic sum assured under the policy for each year in excess of 10 years that the FIB supplementary contract has been in force, subject to a maximum of Rs. 200 per thousand basic sum assured (same as 2004 valuation).

NOTE: Terminal and Special Terminal bonuses are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal and Special Terminal bonuses, if any, which may be allowed on maturities or death claims after 2006.

II. Anticipated Endowment Assurance

For with profit Anticipated Endowments/ Three Stage/ Three Payment policies of whatever type in force for the full sum assured as at 31st December 2005:

i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2004 figures are given for comparison).

	2004		2005	
	For First Five Policy Years	From 6th Policy Year Onwards	For First Five Policy Years	From 6th Policy Year Onwards
20 years and over	Rs.35	Rs.69	Rs.35	Rs.69
15 to 19 years inclusive	Rs.25	Rs.59	Rs.25	Rs.59
14 years and less	Rs.19	Rs.53	Rs.19	Rs.53


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

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

(iv) Special Terminal Bonus, as mentioned in I(iv) above, will be paid on cases having Family Income Benefit supplementary contract. The Special

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<p>Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.</p> <p>(v) If the policyholder lets a Survival Benefit remain with State Life, a Special Reversionary Bonus will be added six months after the due date of the Survival Benefit. For Survival Benefits falling due in 2006, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2004 valuation).</p> <table border="1"> <thead> <tr> <th>Period between Survival Benefit due date and maturity date</th> <th>Special Reversionary Bonus per Rs. 1000 Survival Benefit</th> <th>Period between Survival Benefit due date and maturity date</th> <th>Special Reversionary Bonus per Rs. 1000 Survival Benefit</th> </tr> </thead> <tbody> <tr> <td>20 years</td> <td>Rs. 3,165</td> <td>9 years</td> <td>Rs. 1,005</td> </tr> <tr> <td>18 years</td> <td>Rs. 2,765</td> <td>8 years</td> <td>Rs. 845</td> </tr> <tr> <td>16 years</td> <td>Rs. 2,350</td> <td>7 years</td> <td>Rs. 695</td> </tr> <tr> <td>14 years</td> <td>Rs. 1,940</td> <td>6 years</td> <td>Rs. 555</td> </tr> <tr> <td>12 years</td> <td>Rs. 1,545</td> <td>5 years</td> <td>Rs. 420</td> </tr> <tr> <td>10 years</td> <td>Rs. 1,175</td> <td>4 years</td> <td>Rs. 300</td> </tr> </tbody> </table> <p>Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.</p> <p><u>III. Super (Table 72), Sunchri (Table 73), & Shehnai (Table 77) policies</u></p> <p>(i) Bonuses under these policies are credited to the policy after the policy has acquired an Adjusted Opening Cash Value. The bonus is credited on the Adjusted Opening Cash Value and not on minimum guaranteed surrender value. Bonuses will be credited at the end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.</p> <p>(ii) The rate of bonus is Rs. 105 per thousand per annum of the Adjusted Opening Cash Value. This bonus rate will be allowed till the next valuation.</p> <p>(iii) Reversionary, Terminal or any other bonus declared as a result of this valuation will not be payable under these policies. However, bonus mentioned under VI below, if applicable, will be allowed.</p> <p><u>IV. Personal Pension Scheme (Table 71)</u></p> <p>(i) Bonuses under Personal Pension Scheme where "Pension is being paid" will be allowed on Pension Payments. Pension payments will be increased by bonus from the policy anniversary falling in the year 2006. This increase will</p>				Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	20 years	Rs. 3,165	9 years	Rs. 1,005	18 years	Rs. 2,765	8 years	Rs. 845	16 years	Rs. 2,350	7 years	Rs. 695	14 years	Rs. 1,940	6 years	Rs. 555	12 years	Rs. 1,545	5 years	Rs. 420	10 years	Rs. 1,175	4 years	Rs. 300
Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit	Period between Survival Benefit due date and maturity date	Special Reversionary Bonus per Rs. 1000 Survival Benefit																												
20 years	Rs. 3,165	9 years	Rs. 1,005																												
18 years	Rs. 2,765	8 years	Rs. 845																												
16 years	Rs. 2,350	7 years	Rs. 695																												
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10 years	Rs. 1,175	4 years	Rs. 300																												
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also be available on pension payments commencing in 2006.

- (ii) The rate of bonus is Rs. 80 per thousand per annum of the pension payments.
- (iii) Reversionary, Terminal or any other bonuses recommended as a result of this valuation, will not be payable under these policies.

V. Specified Major Surgical Benefit

(i) Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2005 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2005 and have been continuously in force for at least five complete policy years at the date of surgery. The maximum benefit for such policies is Rs. 250,000. However, if the with-profit policies have been in full force as at 31st December 2005 and have been continuously in force for at least ten complete policy years at the date of surgery then the maximum benefits for these policies will be Rs 500,000.

(ii) Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2006 to 31st December 2006 on account of a specified dread disease, the Corporation would pay 50% of the basic sum assured (in case of Anticipated Endowment plans, 50% of the remaining sum assured after deducting any due survival benefit(s)), subject to above given maximum amounts. The amount payable will be adjusted against future survival benefit payments, maturity or death claims.

(iii) Details are given in Annexure C.

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

Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 7.5% from policy anniversaries in the year 2007 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2006.

VII. Terminal Bonus for Paid-up Policies

Terminal Bonus on Whole Life and Endowment paid-up policies will be paid on claims by death or maturity in 2006, where the policy has been on the books for more than 10 years. The rate will be Rs. 50 per thousand paid-up sum assured for each year in excess of 10 years subject to a maximum of

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Rs. 1000 per thousand paid-up sum assured. Jeevan Sathi and Shadabad policies will be treated as Endowment policies.

The above terminal bonus will also be paid to Anticipated Endowment paid-up policies on claims by death only. No terminal bonus will be paid to anticipated endowment policies on claims by maturity in 2006.

VIII. East West Mutual etc.

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

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

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

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

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

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

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Annexure B

BONUS RECOMMENDATIONS – FOREIGN CURRENCY POLICIES

I have pleasure in recommending the following bonuses for with profits Dollar and Dirham policies in force for full sum assured as at 31st December 2005:

I. Policies expressed in Dirham:

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2002, 2003 & 2004 figures are given for comparison).

	2002, 2003 & 2004		2005	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
	Dh	Dh	Dh	Dh
<u>Whole Life</u>	7	39	21	39
<u>Endowments</u>				
20 years and over	6	33	17	33
15 to 19 years inclusive	4	24	10	24
14 years and less	3	17	5	17
<u>Anticipated Endowments</u>				
20 years and over	5	26	8	26
15 to 19 years inclusive	4	18	5	18
14 years and less	3	14	3	14

II. Policies expressed in US Dollar:

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2002, 2003 & 2004 figures are given for comparison).

	2002, 2003 & 2004		2005	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
	\$	\$	\$	\$
<u>Whole Life</u>	7	38	21	38

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DIRECTORS MINUTE BOOK	HELD AT KARACHI	ON 19 TH MAY' 2006		TIME																														
<p><u>Endowments</u></p> <table border="0"> <tr> <td>20 years and over</td> <td>6</td> <td>31</td> <td>16</td> <td>31</td> </tr> <tr> <td>15 to 19 years inclusive</td> <td>4</td> <td>23</td> <td>10</td> <td>23</td> </tr> <tr> <td>14 years and less</td> <td>3</td> <td>16</td> <td>5</td> <td>16</td> </tr> </table> <p><u>Anticipated Endowments</u></p> <table border="0"> <tr> <td>20 years and over</td> <td>5</td> <td>24</td> <td>8</td> <td>24</td> </tr> <tr> <td>15 to 19 years inclusive</td> <td>4</td> <td>17</td> <td>5</td> <td>17</td> </tr> <tr> <td>14 years and less</td> <td>3</td> <td>13</td> <td>3</td> <td>13</td> </tr> </table> <p><u>Notes:</u></p> <p>(a) Jeevan Sathi and Shadabad policies will be treated as Endowment policies.</p> <p>(b) For Whole Life by limited payments, bonuses will be allowed at the same rate as for Whole Life. The bonuses are admissible even after the completion of premium paying period for each year the policy has been in force for full sum assured.</p> <p>III <u>Interim Bonus</u> on death and maturity claims will be allowed till the next bonus declaration, at the rates as given in I and II above.</p> <p>IV. <u>Family Income Benefits in course of payment (where the life assured has died)</u></p> <p>Family Income Benefit to heirs or nominees of deceased life assureds will be increased by 4% from policy anniversaries in the year 2007 under with profit policies.</p> <p>Note: The percentage increase will be allowed on the actual benefit paid on policy anniversaries (including any prior increases) in the year 2006.</p> <p>V <u>No Cash Value of Bonuses Until Three Years' Premiums Have Been Paid.</u></p> <p>The Cash Value of bonuses will be payable on an in force policy if at least one of the following two conditions has been fulfilled:</p> <p>i) The policyholder has actually paid at least three full years' premiums.</p>					20 years and over	6	31	16	31	15 to 19 years inclusive	4	23	10	23	14 years and less	3	16	5	16	20 years and over	5	24	8	24	15 to 19 years inclusive	4	17	5	17	14 years and less	3	13	3	13
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<p>ii) The policy has completed at least three policy years.</p> <p>However, in case of a death claim, this condition will be waived and all bonuses whether declared or interim will be payable. Also, in the case of a death claim in the first three policy years, where the premiums are in arrears, in order to determine whether the policy could have been kept in force, cash values of bonuses will be taken into account.</p> <p>“Actual payment” means payment in cash/pay order/bank draft/cheque after it has been realized.</p> <hr style="width: 20%; margin: 20px auto;"/>			
<p style="text-align: right;">CHAIRMAN'S INITIALS</p> <div style="border: 1px solid black; width: 100px; height: 50px; margin-left: auto; margin-right: 0;">  </div>			

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Annexure 'C'

Specified Major Surgical Benefit

**Accelerated payment of 50% of survival benefits
Subject to maximum accelerated payment of
Rs.250,000 (for policies continuously in full force for at least five years)
and
Rs. 500,000 (for policies continuously in full force for at least ten years)**

Specified Major Surgical Benefit, which was introduced for the first time at the 1992 valuation, will continue in 2006 as well. It provides a unique cover to the existing policyholders, free of cost. Basically it makes a lump sum payment if an eligible insured undergoes major surgery during 2006, due to any one of the six "specified surgeries" (as listed below). The lump sum payment provides badly needed financial assistance to help recoup some of the cost of major surgery. The cost of the benefit will be met out of the 2005 actuarial surplus.

The six "specified surgeries" that are covered, provided they are caused by disease and not traumatic injury, are defined as follows:

1. Coronary artery by-pass surgery:
Undergoing of open heart surgery to correct narrowing or blocking of two or more coronary arteries with by-pass grafts. Laser treatments and /or reliefs, balloon angioplasty and /or any other procedures not necessitating thoracotomy will be excluded.

The coronary by-pass surgery must be a direct result of a diagnosis of definite coronary artery disease by accepted angiography.
2. Surgery for a disease of the aorta:
The actual undergoing of open heart surgery for a disease of the aorta needing excision and surgical replacement of the diseased aorta with a graft. For the purpose of this definition, aorta shall mean the thoracic and abdominal aorta but not its branches.
3. Replacement of a heart valve:
The replacement of one or more heart valves with artificial valves due to stenosis or incompetence, or a combination of these conditions. Valvotomy is specifically excluded.
4. Major organ transplant:
The actual undergoing of a transplant of a heart, heart and lung, liver, kidney or bone marrow as a recipient.
5. Craniotomy:
Any major neuro-surgical procedure on or in the brain, involving craniotomy.

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6. Cancer surgery:
Any major surgical procedure which is the direct result of cancer. For this purpose, cancer means a malignant tumor characterized by uncontrolled growth and spread of malignant cells and the invasion of tissue. Malignancy must have been evidenced by medical investigations. Excluded are: (a) non-invasive cancers in situ, (b) any skin cancers other than malignant melanoma; and (c) male prostate cancer if limited to the prostate.

DESCRIPTION OF BENEFIT

The specified major surgery benefit is being provided on with profit policies, which have been continuously in full force for at least five years. The amount of benefit will be 50% of the sum assured subject to a maximum of Rs. 250,000 for policies in full force for at least five years and a maximum of Rs. 500,000 for policies in full force for at least ten years.

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

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

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

In case of Child Protection Plan (Table 07) and Child Education and Marriage Plan (Tables 75 & 76), 50% of the sum assured or the maximum limit, whichever is less, is payable in advance, if the payor undergoes a specified surgery, which is recovered on maturity. No specified major surgical benefit is payable in respect of surgery on a "child" covered under tables 07, 75 & 76.

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

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

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POSITION OF POLICY AFTER SPECIFIED MAJOR SURGICAL BENEFIT IS PAID

The policy will continue to participate in the profit of the Corporation, and bonus will accrue on the full sum assured as before. Premium payable under the policy, including extra if any, will continue to be paid by the policyholder, unaltered. Any rider attached to the policy and premium payable thereunder, will be unaffected by the payment of specified major surgical benefit.

CLAIM PROCEDURES

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

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

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

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

ELIGIBILITY

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

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

The policy must be in force for the full sum assured, (that is not paid up for reduced sum assured) as at 31-12-2005 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31-12-2005 and revived subsequently.

Benefits are only payable to with-profits Pakistan Rupee policies. Policies issued under Term Insurance plans, Personal Pension Scheme and Annuity plans are specifically excluded.

MISCELLANEOUS CONDITIONS

- To obtain the specified major surgical benefit, the date of surgery must be between 1st January 2006 and 31st December 2006.

NB: The question of surgery after 31st December 2006 will be considered at the time of the 2006 actuarial valuation.

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

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

4. If the insured is covered under more than one policy, the maximum amount paid on all the policies together will depend on the number of years the policies has been continuously in full force. For policies that have been continuously in full force for at least five years but less than 10 years, the maximum benefit paid under all such policies together will be limited to Rs 250,000. The benefit will be paid (at 50% of the basic endowment benefits outstanding subject to the maximum amount) from the policy issued first to the insured. If the amount paid is less than the maximum limit then amount will be paid from the second policy issued and so on subject to the maximum limit. For policies that are continuously in full force for at least ten years, the maximum benefit payable under each policy is limited to Rs 500,000 or 50% of the sum assured, whichever is less.

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

6. If there is a policy loan and/or APL on the policy, the specified major surgery payment will be first used to pay off the policy loan/APL outstanding. The balance of the specified major surgical payment, if any, will be paid to the insured.

7. The benefit cannot be paid before the surgery takes place. It cannot be paid in anticipation of the surgery. Claims can be entertained only after the surgery has taken place. The amount of benefit is independent of the cost of surgery. It is not intended to help pay for the surgery, but rather to provide a lump sum amount to be disposed off as deemed fit by the claimant. The life insured may use it for post-operative care, recoup part of the cost of surgery, or as assistance in the recovery or transition period required after such surgeries.

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Memorandum to the Board of Directors

From:
Executive Director Real Estate

Subject: Allocation of additional budget to Real Estate Division.

State Life Real Estate Assets include 19 plots, 52 Commercial and 17 Residential Buildings at various cities of Pakistan most of which were inherited at the time on Nationalization. During scrutiny of title documents it transpired that most of the inherited buildings though in possession State Life are still in the name of defunct Life Insurance Companies.

2. Also Leases of the buildings located in Old Karachi are due since many years' Real Estate Division has been receiving renewal notices with huge penalties and exorbitant tax rate with additional surcharges. We have to pay Rs. 5.1 million for renewal of lease of SLB-4, Rs. 10 million for renewal of lease of Framroze since nationalization, Rs. 5.1 million for property tax of 11-J, Karachi. Similarly property tax of Islamabad buildings is due since 1995.

3. Real Estate Division has decided to have all these buildings mutated in the name of State Life and all property /demand notes, taxes and dues may be cleared as it is feared that if these properties are not mutated in the name of State Life there is every likelihood that the private competitors/defunct companies may file claim of their properties against State Life. Recently, in Faisalabad Pakistan General Insurance Company has filed a suit for repossession / restoration of its property/building at Faisalabad which was earlier taken over by State Life at the time of Nationalization of Life Insurance Business in Pakistan.

4. All these steps required funds for which it is estimated that Rs.100 million be allocated during current year to Real Estate Division to have the properties regularized and mutated in phases in the name of State Life Insurance Corporation of Pakistan.

5. Case is submitted for the perusal and approval of the Board of Directors.

Sd/-
(Nargis Ghaloo)

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(Signature)

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WORKING PAPER.

Sub: CONSTRUCTION OF 5-STAR HOTEL ON STATE LIFE PLOT NO. 7, ISLAMABAD.

1. M/s. NESPAK have been engaged as "Real Estate Consultants". Business Development Plan is one of the jobs assigned to them for better utility of State Life's vacant plots.

2. During their presentation in the last Board meeting they had proposed for construction of a 5-Star Hotel on Plot No.7, Islamabad. Accordingly, they have submitted an "Expression of Interest" for the same which is to be sent to Press for formation of a joint-venture with international companies holding experience in hotel business.

3. In the meantime, a letter has been received from Ministry of Privatization & Investment carrying the directive of Prime Minister for construction of a 5-Star Hotel on the said plot under the banner of joint-venture company (State Life Insurance Corporation of Pakistan and M/s. Kingdom Hotel Investments). Salient features of the proposed MOU submitted by Kingdom Hotel Investments is outlined as under:-

- (a). Land area is 3500 square meter (actually it is 3600 square meter).
- (b). State Life shall give vacant possession of the building and thus re-locate the existing tenant to other areas.
- (c). Cost of land has been considered as US \$ 7 million.
- (d). The hotel shall comprise of 260 rooms, 4 food and beverage outlets, 23000 sq. ft. meeting space and ancillary facilities.
- (e). Agreement shall be between State Life and Kingdom Hotel Investments as joint-venture. (New Joint Venture Company - Newco). Newco will be a Cayman Island based company, which will then own 100% of a new single-purpose Pakistani company (Pakco). Pakco will be a joint stock company to be incorporated under the investment laws of Pakistan and its sole asset will be this Hotel.
- (f). The company will have 5 directors, 4 from Kingdom Hotel Investments and 1 from State Life.
- (g). Kingdom Hotel Investments (KHI), shall invest US \$ 23 million and hold 77% of the share whereas State Life shall invest the land only (estimated cost of US \$ 7 million) and hold 23% of the share.
- (h). KHI shall pay the amount in cash to the joint-venture company based on the following conditions :
 - Signature of the Subscription Agreement with Newco.
 - Transfer by State Life of the freehold title of the land to Newco.
 - Confirmation that there shall be no restriction to foreign ownership of land.

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Signature of the Chairman
 State Life Insurance Corporation of Pakistan
 Islamabad

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(i). The cost of the project is US \$ 60 million with the following break-up:-

- Finance by KHI - US \$ 23 million.
- Finance by State Life - US \$ 07 million. (cost of land).
- Finance through Bank loan to Newco - US \$ 30 million.

(j). Newco shall enter into an Agreement with KHI for pre-opening technical advice for which Newco shall pay an amount of US \$ 300,000 to KHI.

(k). Newco shall enter into an Agreement with Kingdom Hotel Assets Management Service, a subsidiary of KHI for management of the hotel for which Newco shall pay an amount equal to 1.5% of annual total gross revenue generated by the hotel subject to a minimum of US \$ 150,000 per annum.

(l). Governing laws and jurisdiction shall be in accordance with the laws of England and the parties shall submit to the exclusive jurisdiction of the English Courts.

(m). The parties shall not disclose the confidentiality of the Agreement to any 3rd party. In case the Agreement is terminated this confidentiality shall survive for a minimum of 2 years after termination.

(n). The exclusivity period shall be upto September 30, 2006. During this period State Life shall not contact any other possible investor for this project.

4. As per International accounting standards #39 for Audit requirement, all State Life properties are re-evaluated annually. Last evaluation was carried out by M/s. International Design Group as on December 31, 2005. They have evaluated the said plot for Rs 697 million i.e. \$ 11.61 million. After receiving the directive of Prime Minister for construction of hotel, the said plot was re-evaluated through M/s. Iqbal A. Nanjee & Co., who have assessed the value of the plot at Rs 2.15 billion i.e., \$ 35.85 million as against \$ 7 million suggested by M/s. Kingdom Hotel Investment.

5. It may also be noted that the said plot was purchased from CDA and the lease allows the construction of an office building on the plot. In case State Life plans to construct a hotel it will be required to get NOC from CDA for this purpose which shall be the responsibility of State Life.

6. Submitted for consideration and decision.

Sd/-

(NARGIS GHALOO)
Executive Director (RED/P&GS)

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