

MINUTES OF 189TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	29 TH MAY' 2007	

CONFIDENTIAL AND RESTRICTED

The 189th Meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was scheduled on 29th May, 2007 at 10:00 a.m., in the Board Room, State Life Building No.9, Dr. Ziauddin Ahmed Road, Karachi, however due to electricity breakdown and non-operation of generator, the venue of the meeting was shifted to Board Room, 14th floor, PRC Tower, Queens Road, Karachi, where the meeting started at 11.45 a.m.

PRESENT:

- | | |
|---|-----------------|
| 1. Mr. Kamal Afsar | Chairman |
| 2. Mr. Bashir Ahmed | Director |
| 3. Air Marshal (Retd) Sharbat A. Changazi | Director |
| 4. Ch. Javaid Hussain | Director |
| 5. Syed Hur Rialhi Gardezi | Director |
| 6. Mr. Shahid Aziz Khan | Board Secretary |

2. Mr. Muhammad Javed Khan, ED(B&A/Inv/Act.), Mr. Ejaz Ahmed, ED(P&GS/Law/RE), Ms. Nargis Ghaloo, ED(Mktg./G&P) and Syed Arshad Ali, ED(CD/PIIS/R&A) also joined the meeting.

3. The meeting started with recitation from the Holy Quran.

4. Mr. Nasim Qureshi and Mrs. Spenta Kandawalla, Directors were granted leave of absence by the Board.

5. The Board decided to take up the consideration and approval of annual accounts 2006 and actuarial valuation 2006 in the meeting. It was also decided that others matters would be considered in the next meeting of Board of Directors on 8th June, 2007 at 10.00 a.m. in the Board Room, State Life Building No.9, Blue Area, Islamabad.

Action:
Secretary
Board

ITEM (01) STATE LIFE ANNUAL ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2006.

6. E.D. (B&A) placed memorandum No.1 regarding State Life Annual Accounts for the year ended December 31, 2006. At this point Mr. Khizar Hayat Aamir, Divisional Head (B&A) alongwith Mr. Nadeem Usmani, AGM (B&A) Joined the meeting. Divisional Head (B&A) made a presentation with the help of multi media and presented before the Board, the 34th Annual Report on the operations of State Life Insurance Corporation of Pakistan for the year ended 31st December, 2006 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, 2006 were jointly audited by a panel of statutory auditors namely:

- i) M/s. Anjum Asim Shahid Rahman,
Chartered Accountants, Karachi.
- ii) M/s. Avais Hyder Nauman Rizwani & Co.,
Chartered Accountants, Karachi.

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7. The panel of auditors was appointed by Federal Government, pursuant to Article 28 of the Life Insurance (Nationalization) Order, 1972. The accounts for 2006 of the Gulf Zone of the Corporation were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE.

8. The operating results of Pakistan Life Fund, Overseas Life Fund and Pension Fund of the Corporation during 2006 were put with a comparison of actual figures for 2006 with 2005 as given in Annex-1, Annex-2 and Annex-3 of the memorandum respectively.

9. Annex-4 contains the details of Investment Portfolio of Pakistan Life Fund, Overseas Life Fund and for the Corporation as a whole.

10. Annex-5 shows provisions, adjustments and additions to Investment Portfolio made during 2006 for which specific approval of the Board of Directors was required.

11. A set of audited Annual Financial Statements/Regulatory Returns for 2006 as mentioned in the memorandum, duly initialed by the Statutory Auditors, alongwith Notes to the Accounts and Auditors' Report thereon, was enclosed for consideration. A copy of the letter addressed to the Board of Directors received from the auditors alongwith the initialed accounts, containing some observations, was also submitted for perusal.

12. The Board was requested to consider and approve the financial statements/regulatory returns for the year ended 31st December, 2006, mentioned in above para, alongwith Notes to the Accounts and Auditors Report thereon as well as the amount of provisions, adjustments and additions to Investment Portfolio mentioned in Annex-5.


13. The Chairman, Board Audit Committee circulated the draft minutes of 21st meeting of Board Audit Committee held on 28th May, 2007. 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 at a length. 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 noted and discussed the BAC minutes in detail and directed that necessary action as instructed therein be taken by the Management.

14. 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, 2006 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-5 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 2006, after consideration and approval by the Board.

15. The Board discussed the annual accounts for the year ended 31st December, 2006. Chairman Board Audit Committee, Director Mr. Bashir Ahmed that the Audit Committee in its meeting on 28th May, 2007 had considered annual accounts in detail. Statutory Auditors were also present. The observations of the auditors were discussed item-wise and necessary directions were issued to Management for improvement. Chairman stated that this Board Audit Committee was happy with the results of SIIC and congratulated the Management for the performance. Chairman Audit Committee recommended to the Board

Action:
Secretary
(BAC)

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	<p>of Directors that the accounts be approved. The Board appreciated the achievement of securing of Rs.3 billion First Year Premium, first time in the history of the Corporation. Board also noted with satisfaction that the administrative expenses for the year 2006 have shown a decrease as compared to the corresponding period of 2005. The healthy persistency ratios were also praiseworthy.</p> <p>After thorough discussion, the Board resolved as under:</p> <p>RESOLVED:</p> <p>(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 2006, are approved."</p> <p>Action: ED(B&A)</p> <p>(ii) "that the amounts of provisions, adjustments and addition to investment portfolio relating to the accounts for the year 2006 as proposed vide Annexure-5 of the Memorandum, are approved."</p> <p>Action: ED(B&A)</p> <p>(iii) "that Board Authorized Directors Syed Hur Riahi Gardezi and Mr. Bashir Ahmed, to sign the Annual Accounts for the year 2006, alongwith the Chairman and the Executive Director (B&A)."</p> <p>Action: ED(B&A)</p> <p>ITEM (02) ACTUARIAL VALUATION FOR THE YEAR ENDED DECEMBER 31, 2006.</p> <p>16. At this point, Mr. Jawwad Ahmed Farid, Appointed Actuary and Mr. Shahrukh Sabzwari, DI(Actuarial) joined the meeting. Mr. Jawwad Ahmed Farid with the help of multi media gave a presentation on the salient features of Actuarial Valuation for the year 2006.</p> <p>17. The Appointed Actuary presented before the Board a Memorandum No.02 dated 24th May, 2007 for consideration and approval of the actuarial valuation report of the insurance policies of the Corporation as at 31st December, 2006. 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 2006 etc. Board appreciated that the rate of bonus for the year 2006 has been increased on whole life as well as endowment policies which depicts healthy financial position of the Corporation. Replying to a query, Mr. Jawwad Ahmed Farid informed the Board that the declaration of higher bonus rates for the year 2006 would give security and confidence to the policyholders. This year the different bonus rates have been given to policyholders holding policies above 17 years. This was due to the fact that policyholders of longer duration contributed more to the actuarial surplus compared to policyholders of lesser duration. It was fair to distribute the bonuses accordingly. The Appointed Actuary felt that there was potential for achieving better results provided SIIC was able to procure I.T. capabilities and trained manpower.</p> <p>18. "The Board appreciated the services of Mr. Jawwad Ahmed Farid, Appointed Actuary.</p>		

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The Board resolved as under:-

RESOLVED:

"that the memorandum No.02 dated 24th May, 2007 of Appointed Actuary regarding Actuarial Valuation and recommendations in respect of bonuses for Rupee business and Overseas business to policyholders as on December 31, 2006 alongwith Annexues "A", "B" and "C" to the memorandum, are approved."

Action:
ED(Act.)

19. The meeting ended with a vote of thanks to the chair.

CHAIRMAN


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<u>Annex-5</u>			
<u>State Life's Account for the year ended 31st December, 2006</u>			
<u>PROVISIONS, ADJUSTMENTS, ADDITION AND DISPOSAL OF INVESTMENT PORTFOLIO, REQUIRING APPROVAL OF THE BOARD</u>			
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 2006. Details are as follows:			
1 Provisions in Investment operations			
Provisions and reversal of provisions in respect of diminution in value of investment as on 31.12.2006 are as follows:			
<u>Provisions made:</u>			
			(Rs. in Million)
Against unquoted and de-listed shares			1.129
Against doubtful debts			0.692
Against buy back agreements			0.476
Total:-			2.297
<u>Provisions reversed:</u>			
			(Rs. in Million)
Against unquoted and de-listed shares			2.541
Total:-			2.541
			(Rs. in Million)
Net Effect of Provisions on income:			0.244
2 Additions to and Disposal of Investment during 2006:			
<u>Additions:</u>			
During the year 2006, following additions were made in the Investment Portfolio:-			
			(Rs. in Million)
Treasury Bills			14,706.922
Pakistan Investment Bonds			29,863.525
Equity Securities			4,362.072
Term Finance Certificates			400.000
Total:			49,332.519

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<p><u>Disposal:</u> During the year 2006, following disposals were made in the Investment Portfolio:-</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right;">(Rs. in Million)</td> </tr> <tr> <td>Equity Securities</td> <td style="text-align: right;">236.701</td> </tr> <tr> <td style="text-align: center;">Total:-</td> <td style="text-align: right;">236.701</td> </tr> </table>					(Rs. in Million)	Equity Securities	236.701	Total:-	236.701				
	(Rs. in Million)												
Equity Securities	236.701												
Total:-	236.701												
<p>3 Additions to and Disposal of other assets during 2006:</p> <p><u>Additions:</u></p> <p>During the year 2006 the following additions were made in the assets:</p> <table style="width: 100%; border: none;"> <tr> <td></td> <td style="text-align: right;">(Rs. in Million)</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">21.752</td> </tr> <tr> <td>Real Estate assets including capital work in progress</td> <td style="text-align: right;">126.175</td> </tr> <tr> <td style="text-align: center;">Total:</td> <td style="text-align: right;">147.927</td> </tr> </table>					(Rs. in Million)	Fixed assets	21.752	Real Estate assets including capital work in progress	126.175	Total:	147.927		
	(Rs. in Million)												
Fixed assets	21.752												
Real Estate assets including capital work in progress	126.175												
Total:	147.927												
<p><u>Disposal:</u></p> <p>During the year 2006, following disposals of assets were made:-</p> <table style="width: 100%; border: none;"> <tr> <td></td> <td style="text-align: right;">(Rs. in Million)</td> </tr> <tr> <td>Disposal of fixed assets</td> <td style="text-align: right;">0.082</td> </tr> <tr> <td style="text-align: center;">Total:</td> <td style="text-align: right;">0.082</td> </tr> </table>					(Rs. in Million)	Disposal of fixed assets	0.082	Total:	0.082				
	(Rs. in Million)												
Disposal of fixed assets	0.082												
Total:	0.082												
<p>4 Summary of the provisions, additions and disposal of Investment Portfolio and other assets in the year 2006, requiring approval of the Board of Directors.</p> <table style="width: 100%; border: none;"> <tr> <td></td> <td style="text-align: right;">(Rs. in Million)</td> </tr> <tr> <td>(i) Provision made</td> <td style="text-align: right;">2.297</td> </tr> <tr> <td>(ii) Provision reversed</td> <td style="text-align: right;">2.541</td> </tr> <tr> <td>(iii) Additions at cost</td> <td style="text-align: right;">49,480.446</td> </tr> <tr> <td>(iv) Disposal at cost</td> <td style="text-align: right;">236.783</td> </tr> </table>					(Rs. in Million)	(i) Provision made	2.297	(ii) Provision reversed	2.541	(iii) Additions at cost	49,480.446	(iv) Disposal at cost	236.783
	(Rs. in Million)												
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<table style="width: 100%; border: none;"> <tr> <td></td> <td style="text-align: right;">(Rs. in Million)</td> </tr> <tr> <td>5 Dividend paid to shareholder in 2006 relating to 2005</td> <td style="text-align: right;">134.448</td> </tr> </table>					(Rs. in Million)	5 Dividend paid to shareholder in 2006 relating to 2005	134.448						
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5 Dividend paid to shareholder in 2006 relating to 2005	134.448												
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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 2006:

i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2005 figures are given for comparison).

	2005		2006		
	For first five policy years	From 6 th year onwards	For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards
	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Whole Life</u>	56	102	60	110	150
<u>Endowments</u>					
Term: 20 years and over	48	94	50	94	130
15 to 19 years inclusive	35	81	35	81	81
14 years and less	20	66	20	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.

(iii) Terminal Bonus will be paid on claims by death or maturity in 2007, where more than 10 years' premiums have been paid. The rate will be Rs. 50 per thousand sum

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assured for each year's premium paid in excess of 10 years subject to a maximum of Rs. 1000 (same as 2005 valuation) per thousand sum assured.

(iv) Special Terminal Bonus will be paid on claims by maturity in 2007, 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 2005 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 2007.

II. Anticipated Endowment Assurance

For with profits Anticipated Endowments/ Three stage/ Three payment policies (excluding Sada Bahar Plan) in force for the full sum assured as at 31st December 2006:

(i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2005 figures are given for comparison).

	2005		2006		
	For first five policy years	From 6 th policy year onwards	For first five policy years	From 6 th policy year to 16 th policy year	From 17 th policy year onwards
	Rs.	Rs.	Rs.	Rs.	Rs.
Term: 20 years and over	35	69	35	69	100
15 to 19 years inclusive	25	59	25	59	59
14 years and less	19	53	19	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 be paid to paid-up policies on claims by death only, as mentioned in para "VIII" below. No terminal bonus will be paid to policies on claims by maturity in 2007.

(iv) Special Terminal Bonus, as mentioned in I(iv) above, will be paid on cases having Family Income Benefit supplementary contract. The Special Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

(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.

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For Survival Benefits falling due in 2007, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2005 valuation).

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
15 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

Note: Policies under Family Pension Plan (Table 12) will not be eligible for Special Reversionary Bonuses.

III. Sada-Bahar Plan

Sada-Bahar plan was launched during 2006. For policies in force for the full sum assured as at 31st December 2006:

(i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule.

	2006
	For first five policy years
Term:	Rs.
20 years and over	44
15 to 19 years inclusive	31
14 years and less	24

(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 III (i) above

IV. Super (Table 72), Sunchri (Table 73) & Shehnai (Table 77) policies

(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


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<p>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 VII below, if applicable, will be allowed.</p> <p style="text-align: center;">V. <u>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 2007. This increase will also be available on pension payments commencing in 2007.</p> <p>(ii) The rate of bonus is Rs. 80 per thousand per annum of the pension payments.</p> <p>(iii) Reversionary, Terminal or any other bonuses recommended as a result of this valuation, will not be payable under these policies.</p> <p style="text-align: center;">VI. <u>Specified Major Surgical Benefit</u></p> <p>(i) Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2006 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2006 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 2006 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.</p> <p>(ii) Under such policies, if the life assured undergoes specified major surgery during the inter-valuation period i.e. from 1st January 2007 to 31st December 2007 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.</p> <p>(iii) Details are given in Annexure C.</p> <p style="text-align: center;">VII. <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 7.5% from policy anniversaries in the year 2008 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 2007.</p>			

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VIII. 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 2007, 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 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 2007.

IX. 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 2006:

I. Policies expressed in Dirham:

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2005 figures are given for comparison).

	2005		2006	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
<u>Whole Life</u>	Dh 21	Dh 39	Dh 21	Dh 39
<u>Endowments</u>				
20 years and over	17	33	17	33
15 to 19 years inclusive	10	24	10	24
14 years and less	5	17	5	17
<u>Anticipated Endowments</u>				
20 years and over	8	26	8	26
15 to 19 years inclusive	5	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 (2005 figures are given for comparison).

	2005		2006	
	For First Five Policy Years	From Sixth Policy Year Onwards	For First Five Policy Years	From Sixth Policy Year Onwards
<u>Whole Life</u>	\$ 21	\$ 38	\$ 21	\$ 38
<u>Endowments</u>				
20 years and over	16	31	16	31
15 to 19 years inclusive	10	23	10	23
14 years and less	5	16	5	16
<u>Anticipated Endowments</u>				
20 years and over	8	24	8	24
15 to 19 years inclusive	5	17	5	17
14 years and less	3	13	3	13

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<p>Notes:</p> <p>(d) Jeevan Sathi and Shadabad policies will be treated as Endowment policies.</p> <p>(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.</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 2008 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 2007.</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>iii) The policyholder has actually paid at least three full years' premiums</p> <p>iv) 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>			
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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 2007 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 2007, 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 2006 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 & Table 74, 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

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less will be payable in advance, on undergoing a specified surgery, which is adjustable on maturity or death, if earlier.

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 31-12-2006 and at the date of the surgery. The benefit will NOT be available if the policy was lapsed or paid up as at 31-12-2006 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.

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MISCELLANEOUS CONDITIONS

1. To obtain the specified major surgical benefit, the date of surgery must be between 1st January 2007 and 31st December 2007.

NB: The question of surgery after 31st December 2007 will be considered at the time of the 2007 actuarial valuation.

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 have 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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