

MINUTES OF 195TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MINUTE BOOK	KARACHI	28 TH MAY' 2008	

ITEM (02) IMPLEMENTATION REPORTS ON DECISIONS TAKEN IN 193RD AND 194TH MEETINGS OF BOARD RESPECTIVELY HELD ON 1ST APRIL, 2008 AND 15TH APRIL, 2008.

9. Board Secretary presented before the Board implementation reports on decisions taken in 193rd and 194th meetings of Board of Directors held respectively on 1st April, 2008 and 15th April, 2008. During the course of consideration of implementation report of the minutes of 193rd meeting of the Board, the Board showed its concern that no progress so far had been made by Real Estate Division in connection with Item No. 20 regarding purchase of plot at Quetta. Real Estate Division was directed to submit the progress report with complete details.

Action:
ED(RE)

10. During the course of consideration of implementation report of 194th meeting of the Board, the Board noted the contents of the note submitted regarding Item No.6 relating to Yohanabad and Malir properties and expressed its concern that so far no progress report has been submitted. It was reiterated that Real Estate Division should fully investigate this matter and identify officials who have neglected their responsibility in allowing Corporation properties to be encouraged upon. It was directed to submit complete report on Item No.6. On Item No.9 regarding Pakistan Emerging Venture and Venture Capital Management Fund, the Board asked Investment Division to submit update report on the progress. In connection with Item No.10 regarding Asset Management Company (SAMCO), the Board further directed Investment Division to submit their update progress report. On Item No.14(I) regarding renewal contract of Appointed Actuary, Board directed ED(Actuarial) to have a meeting with Appointed Actuary and to resolve the matter and thereafter a compliance report be submitted before the Board.

Action:
ED(RE)

Action:
ED(Inv)

Action:
ED(Act.)

Action:
All EDs/
DIs

Action:
Board
Secretary

11. The Board observed that in implementation reports words "Noted" is no implementation and should be avoided, the concerned Executive Director/Divisional Head should give at least one paragraph/write up on the compliance made.

12. Implementation reports of 193rd and 194th meetings of the Board were noted.

ITEM (03) DRAFT MINUTES OF 24TH MEETING OF THE BOARD AUDIT COMMITTEE HELD ON 14TH APRIL, 2008.

13. Draft Minutes of 24th meeting of Board Audit Committee held on 14th April, 2008, were noted by the Board.

Action:
Secretary
(BAC)

ITEM (04) STATE LIFE'S ANNUAL ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2007.

14. At this point, Ms. Nargis Ghaloo, ED(Mkt/G&P/Act.) and Syed Arshad Ali, ED(CD/PHS/RE) joined the meeting. Executive Director (B&A) presented before the Board, Memorandum No.04 dated 6th May, 2008 regarding State Life Annual Accounts for the year ended December, 31, 2007. At this point Mr. Khizar Hayat Aamir, Divisional Head(B&A), Mr. Sajjad Karam Ali, DGM(B&A) and 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 35th Annual Report on the operations of State Life Insurance Corporation of Pakistan for the year ended 31st December, 2007 comprising (a) Financial Statements: Balance Sheet, Profit & Loss Account, Statement of Changes in Equity, Revenue Account, Statement of Premium, Statement of Claims, Statement of

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Investment Income, Statement of Expenses, Statements of Cash Flow and (b) Regulatory Returns: Statement of Assets for Solvency, Classified Summary of Assets in Pakistan, Statement of Maximum Management Expenses limits u/s 22(9) and 23(9) of Insurance Ordinance, 2000 prescribed by SECP. He informed that the accounts of the Corporation for the year ended 31st December, 2007 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 Liaquat Nauman,
Chartered Accountants, Karachi.

15. The panel of auditors was appointed by Federal Government, in pursuant to Article 28 of Life Insurance (Nationalization) Order, 1972. Accounts for 2007 of Gulf Zone of the Corporation were audited by M/s. Sajjad Haider & Co., Chartered Accountants, Dubai, UAE.

16. The Board expressed its concern that every year the accounts are not presented and got approved from the Board within the specified time frame prescribed by SECP i.e. 30th April and every year an extension of one month is applied and sought from SECP. DH(B&A) informed the Board that this year, delay was due to tragic incident at Larkana Zone wherein the accounts and other related record was burnt. Syed Hur Riahi Gardezi suggested that possibility of arranging fire proof cabinets for such a vital and important record should be considered. It was further suggested that possibility of keeping back up record in safe custody should also be considered.

Action:
ED(B&A)

17. Operating results of State Life Insurance Corporation of Pakistan for 2007 were placed for examination by comparison of figures for 2007 with 2006 as given in Annex-1, Annex-2, Annex-3 and Annex-4 of the Memorandum.

18. Annex-5 was containing the details of Investment Portfolio of Pakistan Life Fund, Overseas Life Fund and for the Corporation as a whole.

19. Annex-6 showed provisions, adjustments and additions to Investment Portfolio made during 2007 for which specific approval of Board of Directors was required.

20. Annex-7 showed maximum management expenses limits prescribed by SECP under section 22(9) and 23(9) of Insurance Ordinance, 2000.

21. Annex-8 showed comparative figures for profit and loss account of Shareholders' Fund for 2006 and 2007.

22. A set of audited Annual Financial Statements/Regulatory Returns for 2007 as mentioned in the Memorandum, duly initialed by the Statutory Auditors, alongwith Notes to accounts and Auditors' Report thereon, was enclosed for consideration. A copy of letter addressed to the Board of Directors received from auditors alongwith initialed accounts containing some observations was also submitted for perusal of the Board.

23. The Board was requested to consider and approve financial statements/ regulatory returns for 2007, mentioned in above para, alongwith notes to the Accounts and Auditors Report thereon as well as amount of provisions, adjustments and additions to Investment Portfolio mentioned in Annex-6 of the Memorandum.

24. Chairman, Board Audit Committee circulated the draft minutes of 25th meeting of

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Secretary
(BAC)

Board Audit Committee held on 27th May, 2008 and noted by the Board. Chairman Board Audit Committee informed the Board that audited accounts were considered in detail. Letter of the Auditors to Board of Directors was also discussed at length. The Audit Committee accordingly had made certain observations and recommendations which have been recorded in the Minutes of the Board Audit Committee. Board of Directors noted and discussed the BAC Minutes in detail and directed that necessary action as instructed therein be taken by the Management.

25. 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, 2007 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.

26. 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 2007, after consideration and approval by the Board.

27. The Board discussed the annual accounts for the year ended 31st December, 2007. Mr. Bashir Ahmed, Chairman Board Audit Committee, informed that the Audit Committee in its meeting on 27th May, 2008 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 Board Audit Committee recommended to the Board of Directors that the accounts may kindly be approved.

Action:
ED(B&A)

28. Replying to a query, raised by Director - Mr. Qamar Zaman Ch., DH(B&A) informed that the presentation with the help of multi media was made in line with annual accounts for the year 2007. Mr. Qamar Zaman Ch., suggested that in future a hard copy of presentation of annual accounts should also be distributed amongst the members of the Board so they may follow the presentation of multi media. The Board agreed and directed B&A Division to make the compliance in future. The Board expressed its concern on the business figures of Group & Pensions and asked ED(G&P) to arrange a presentation for the Board on the business of G&P Division with the suggestions to improve the business keeping in view the future prospect. The Board noted that some unauthorised persons have encroached the land of State Life situated on the Mall Road, Rawalpindi. ED(RE) was asked to place a comprehensive report on this issue. The Board noted that in Alfa Insurance Company, the shares of State Life was 88% and the report of annual accounts was never placed before the Board of SLIC. GM(Investment) was directed to place the annual report of Alfa Insurance Company before the Board. It was further directed to submit a comprehensive report relating to other subsidiary companies of State Life.

Action:
ED(G&P)

Action:
ED(RE)

Action:
GM(Inv)

After thorough discussion, the Board resolved as under:

RESOLVED:

(i) "that the Financial Statements: balance sheet, profit & loss account, statement of changes in equity, revenue account, statement of premiums, statement of claims, statement of investment income, statement of expenses, statement of cash flows and Regulatory Returns: statement of assets for solvency, classified summary of assets-in Pakistan and statement of maximum management expenses limits under Section 22(9) and 23(9) of Insurance Ordinance 2000 prescribed by SECP for the year ended 31st December 2007, are approved."

Action:
ED(B&A)

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sale proceeds for Rs.1,318,515/-. Break up of this amount was as follows:

Amount recoverable from 14 Zonal Heads who are in service	Rs. 987,587	Annex "A"
Amount un-recoverable from 6 Zonal Heads who retired/resigned	Rs. 330,928	Annex "B"
Total:	Rs. 1,318,515	

33. Rs.987,587/- will be recovered from officers who are in service, as per details given in Annex "A". Rs.330,928/- are unrecoverable as per Annex "B".

34. Board of Directors was requested to kindly accord approval to write off Rs.330,928/- as bad debt.

35. The Board expressed its displeasure for not recovering the outstanding amounts timely. However, Board allowed to write off the amounts as per annex-B attached to the memorandum and allowed to recover the amounts as per annex-A of the Memorandum. The Board further directed that this write off relating to employees of State Life is only for one time and it should not be made a practice.

Action:
ED(B&A)

After thorough discussion, the Board resolved as under:-

RESOLVED:

"that the proposal of ED(B&A) contained in the Memorandum No.06 dated 6th May, 2008, with the request to allow to write off Rs.330,928/- as per annex-B and allowed to recover Rs.9,87,587/- as per annex-A of the Memorandum, is approved. The approval as per annex-B is only for one time and is subject to observation made above."

Action:
ED(B&A)

ITEM (07) CONTRACTUAL APPOINTMENT OF MR. M. SAEED KHAN, DGM/DH(PHS) ON ATTAINING THE AGE OF SUPERANNUATION.

36. The Board expressed its concern that in every Board meeting some Memorandums are placed requesting the re-appointment of employees of State Life on contractual basis. It was observed, that re-appointment of employees was not a permanent solution to meet with shortage of manpower. A permanent solution should be sorted out by making a request based upon cogent reasons to the Government of Pakistan to lift the ban, so SLIC may have fresh recruitment as per their requirements. The Memorandum in question is deferred.

Action:
ED(P&GS)

ITEM (08) M.O.U. FOR DEVELOPMENT OF PLOT SURVEY NO.183/1 BETWEEN STATE LIFE AND ARMY WELFARE TRUST.

37. Deferred.

Action:
ED(RE)

ITEM (09) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(a) EXTENSION IN CONTRACTUAL APPOINTMENT OF CH. ABDUL GHAFFAR, RETIRED MANAGER(ELECTRICAL), (RE), P.O.

38. Executive Director (P&GS) presented before the Board, Memorandum No.09(a) dated 22nd May, 2008 for extension in contractual appointment of Ch. Abdul Ghaffar, retired Manager(Electrical), Real Estate, Principal Office, Karachi.

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39. Due to acute shortage of manpower in Real Estate Division, Ch. Abdul Ghaffar, Manager, looking after electrical work in Real Estate Division, Principal Office was hired on contract basis after his retirement on superannuation with approval of Chairman, State Life. He was initially hired for a period of six months w.e.f. 22-04-2007 on last pay drawn besides retirement benefits. His contract was further extended twice for six months upto 22-04-2008 with approval of Board of Directors.

40. Induction of Engineers in Real Estate Division was still in process. As such on the recommendation of Real Estate Division, Principal Office, Ch. Abdul Ghaffar (retired) Manager (Electrical) has been hired on contract basis for a further period of six months w.e.f. 22-04-2008 with the approval of Chairman, State Life. The matter was submitted for ex-post facto approval of the Board of Directors.

After thorough discussion, the Board resolved as under:-

RESOLVED:

"that the proposal of ED(P&GS) contained in the Memorandum No.09(a) dated 22nd May, 2008, for ex-post facto approval for extension of contract appointment of Ch. Abdul Ghaffar, retired Manager(Electrical), Real Estate, Principal Office for a further period of six months w.e.f. 22-04-2008, on the same terms and conditions as already allowed, is approved."

Action:
ED(P&GS)

ITEM (09) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(b) PERFORMANCE BASED BONUS SCHEME-2008 FOR OFFICERS OF STATE LIFE.

41. Executive Director (P&GS) presented before the Board, Memorandum No.09(b) dated 22nd May, 2008 for performance based bonus scheme-2008 for officers of State Life.

42. Performance Based Bonus Scheme was introduced in the year 2001 with the approval of the Board of Directors of State Life. Later on it was continued till 2007 with changes in the Scheme to improve the business performance of the Corporation.

43. The Board in its 193rd meeting held on 01.04.2008, approved the proposal of Performance Based Bonus Scheme-2007 for officers of State Life. It was proposed that the Performance Based Bonus Scheme-2008 may continue on the same lines as the Scheme-2007 except the following proposed change for Performance Based Bonus of the officers of G&P. The proposed change has already been approved by Board of Directors in its 193rd meeting held on 01.04.2008. The same was being submitted as part of overall Performance Based Bonus Scheme-2008 for all the officers of the Corporation :-

Real Growth in Group Premium : This means growth in excess of inflation. For this purpose, inflation will be deducted from the official Consumer Price Index (CPI) for the 12 month ended 30th June of base year. If the real growth of a particular group policy, which has tailor made contract of more than one year, is more the 25%, its average growth per year would be distributed over a period of its contract period.

Illustration :

Supposing Growth "X" Policy	=	90%
Supposing Contract Period	=	03 Years
Average Growth per year ('X' Policy)	=	$\frac{90\%}{3} = 30\%$

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The growth of 30% of policy "X" would be taken into account per year while calculating the bonus for the next three years commencing from the year when 90% growth was achieved.

The justification for the above proposed amendment is that most of the business of G&P Division is taking place because existing groups are increasing their sum assured. For example a Provincial Government increased its sum assured by more than 500% in one go in the recent past. Similarly, one of the armed forces increased its sum assured by 200% recently. Such kind of extra-ordinary increase results into a disadvantage for the Group & Pensions officers team under existing system of working-out points for "Performance Based Bonus Plan". Therefore, there is a need to rationalize the existing point system details.

44. The Board of Directors was requested to consider and approve Performance Based Bonus Scheme-2008 for officers of State Life Insurance Corporation of Pakistan as proposed at above para.

After thorough discussion, the Board resolved as under:-

RESOLVED:

"that the proposal of ED(P&GS) contained in the Memorandum No.09(b) dated 22nd May, 2008 to allow to incorporate the changes in the performance based bonus scheme-2008 as mentioned in para-2 of the memorandum for officers of State Life, is approved."

Action:
ED(P&GS)

ITEM (09) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(c) **2ND YEAR PERSISTENCY RATIO FOR THE RETENTION OF AREA MANAGERS.**

45. Executive Director (Marketing) presented before the Board, Memorandum No.09(c) dated 22nd May, 2008 regarding 2nd year persistency ratio for the retention of Area Managers.

46. The Board of Directors in its 187th meeting held on 14th September, 2006 resolved as under:-

"The 2nd Year Persistency is increased from 75% to 80% for promotion of Sales Manager to Area Manager and for Area Managers to continue service in the Corporation, is approved."

47. The business i.e. First Year Premium, 2nd Year Premium & Renewal Premium is procured by the field channels, who are operating on commission basis. They are required to procure a minimum of 75% 2nd Year Persistency and completion of their annual quotas. The annual quotas of the field workers have been dynamised as a result of Board's decision. The quotas automatically increase @ 25% after every three (03) years, two such increases have already taken place.

48. The Area Managers supervise the field workers of their Area Offices and do not procure business by themselves. Hence the decision has created uncertainty and unrest among the Area Managers.


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49. In view of the stated facts, it was suggested that the decision of 80% 2nd Year Persistency may remain intact to the extent of promotion from Sales Manager to Area Manager only.

After thorough discussion, the Board resolved as under:-

RESOLVED:

“that the proposal of ED(Marketing) contained in the Memorandum No.09(c) dated 22nd May, 2008, the decision of 80% 2nd year persistency will remain intact only to the extent of promotion from Sales Manager to Area Manger, is approved.”

Action:
ED(Mkt)

ITEM (09) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(d) APPROVAL OF COST ESTIMATE FOR THE STRUCTURAL WORKS UPTO 4TH FLOOR, STATE LIFE TOWER PROJECT, ISLAMABAD.

50. Executive Director (RE) presented before the Board, Memorandum No.09(d) dated 26th May, 2008 regarding cost estimate for the structural works upto 4th floor, State Life Tower Project, Islamabad. ED(RE) briefed the Board on the salient features of the memorandum.

51. The proposal of M/s. NESPAK of Dovetailing of on-going civil and plumbing works for 3 basements + ground + 4 upper floor which are under contract of M/s. Moinsons, was discussed in the 188th Board Meeting held on 10-04-2007. M/s. NESPAK's recommendation was approved by the Board, the salient features of the decision are as follows:-

- a. M/s. Moinsons, the contractor for Civil Works will complete the structural work upto 4th floor excluding Finishing Works.
- b. Electrical Conduit upto 4th floor Electrical Work will be carried out by M/s. Moinsons.
- c. Contractor be paid according to his original BOQ tender rates.
- d. He will withdraw all his claims of losses.
- e. M/s. NESPAK will submit the financial impact of the above.

52. M/s. NESPAK vide their letter No.156/08/AIAK/01/145 dated April 19, 2007 submitted financial summary and the estimated cost of the Structural Works upto 4th floor as Rs 250.39 million. The break-up of the cost estimate is as follows:-

I.	Cost of BOQ itcms.	-	Rs 152.39 million
II.	Cost of steel.	-	Rs 37.50 million
	(A) Total BOQ cost	:	Rs 189.89 million
III.	Escalation – Cement, Steel and POL.	- (B)	Rs 30.50 million
IV.	Extra Items.	- (C)	Rs 30.00 million
	Total cost A+B+C.....		<u>Rs 250.39 million</u>

This budget was approved in the Board in its 190th meeting held on June 08, 2000.

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53. The building was now nearing completion. M/s. NESPAK have submitted revised estimated cost vide their letter No.2676/08AAS/01/3245 dated May 26, 2008. (Annexure-D). Detail is as follows:-

a)	BOQ items + Steel	-	Rs 188.39 million
b)	Escalation	-	Rs 42.00 million
c)	Extra items.	-	Rs 20.00 million
		Total	<u>Rs 250.39 million</u>

Thus the overall project cost remains unchanged.

54. Case was submitted for perusal and information of the Board that the project will be completed within the approved budget of Rs.250 million, however, certain head of accounts have changed due to abnormal inflation in the cost of steel during the recent few months.

After thorough discussion, the Board resolved as under:-

RESOLVED

“that the proposal of ED(RE) as contained in the Memorandum No.09(d) dated 26th May, 2008, the Board noted the change in certain heads of accounts due to abnormal inflation, however the project cost will strictly remain within the overall budget cost of Rs.250 million as already approved in 190th meeting of Board held on 8th June, 2007, is approved.”

Action:
ED(RE)

ITEM (09) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(e) CONSTRUCTION OF STATE LIFE BUILDING AT GUJRANWALA – CIVIL, PLUMBING AND ELECTRICAL WORKS.

55. Executive Director (RE) presented before the Board, Memorandum No.09(e) dated 26th May, 2008 regarding construction of State Life Building at Gujranwala – civil, plumbing and electrical works. At this point, he informed the Board that in line-1 of para-2 of his memorandum there were two typographical mistakes which he requested that “to” should be read as “of” and the word “decision” should be deleted. The Board agreed and thereafter he circulated the corrected version of his memorandum. ED(RE) briefed the Board on the salient features of the memorandum.

After thorough discussion, the Board resolved as under:-

RESOLVED

“that the proposal of ED(RE) contained in the Memorandum No.09(e) dated 26th May, 2008 for amendment in the relevant contractual clause of the contract pertaining to escalation as recommended by M/s. NESPAK regarding the project of State Life Building at Gujranwala, is approved subject to submission of update report on the project before the Board after every three months.”

Action:
ED(RE)


ITEM (09) ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.

(f) PROGRESS REPORT OF ON-GOING BUILDING PROJECTS.



56. Executive Director (RE) presented before the Board, Memorandum No.09(f) dated 26th May, 2008 regarding progress report of on-going building projects.


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<p>Action: ED(RE)</p> <p>Action: All EDs</p>	<p>57. The progress reports for State Life buildings were submitted for the information of Board of Directors, as under:-</p> <ul style="list-style-type: none"> - State Life Tower Project – Islamabad at Annex-I - State Life Building Project – Gujranwala at Annex-II - State Life Building project Sargodha, Sialkot and Rahim Yar Khan at Annex-III - NESPAK's recommended renovation works of State Life Buildings all over Pakistan at annex-IV. <p>58. The Board noted the progress report of on-going building projects.</p> <p>ITEM (09) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(g) <u>BUSINESS REVIEW OF FOR AND UPTO THE MONTH OF APRIL, 2008.</u></p> <p>59. Executive Directors presented before the Board, Memorandum No.09(g) regarding business review of for and upto the month of April, 2008.</p> <p>60. The business figures for Marketing, Group & Pensions, Investment and Real Estate Divisions were presented before the Board for the period ended on 30-04-2008.</p> <p>61. The Board appreciated the achievements made and noted the business figures of Marketing/Gulf Zone, Group & Pensions, Investment and Real Estate Divisions.</p> <p>ITEM (09) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(h) <u>OPERATION OF CDC ACCOUNT</u></p> <p>62. Executive Director (Investment) presented before the Board, Memorandum No.09 (h) dated 27th May, 2008 regarding operation of CDC Account.</p> <p>63. The Board in its 179th meeting held on 7th August, 2004 had authorized Mr. Muhammad Javed Khan, Executive Director as authorized signatory for company's participant account maintained with Central Depository Company of Pakistan. Now Mr. Muhammad Javed Khan had retired. Mr. Ejaz Ahmad, Executive Director has assumed the charge of Investment.</p> <p>64. Option 1 of guidelines of CDC gives "Save and Post" authority to Manager and above while authority of "Save" can be given to any officer. It was suggested that in accordance with the guidelines of CDC, State Life may delegate Save and Post authority to Mr. Ejaz Ahmad, Executive Director.</p> <p>65. The Board was requested to pass the following resolutions in accordance with the requirements of CDC.</p> <p>"Resolved that Mr. Ejaz Ahmad, Executive Director be replaced with Mr. Muhammad Javed Khan as authorized signatories for company's participant account maintained with Central Depository Company of Pakistan."</p> <p>"Further resolved that Mr. Ejaz Ahmad, Executive Director be given Save and Post authority."</p>			<p>CHAIRMAN'S INITIALS</p> 

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<p>Action: ED(Inv)</p> <p>Action: ED(Inv)</p> <p>Action: ED(REO)</p> <p>Action: Board Secretary</p> <p>Action: Secretary Quetta Committee</p>	<p>After thorough discussion, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>(i) "that the proposal of ED(Investment) contained in the Memorandum No.09(h) dated 27th May, 2008, Mr. Muhammad Javed Khan is replaced by Mr. Ejaz Ahmad, Executive Director(Investment) as authorized signatory for company's participant account maintained with Central Depository Company of Pakistan, is approved."</p> <p>(ii) "it is further resolved that Mr. Ejaz Ahmad, Executive Director (Investment) is given Save and Post authority."</p> <p>ITEM (09) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(i) <u>RENOVATION WORK OF STATE LIFE BUILDINGS NO. 1 & 2 KARACHI (LIFT WORKS) – CONTRACTOR'S REQUEST.</u></p> <p>66. Executive Director (RE) presented before the Board, Memorandum No.09 (i) dated 26th May, 2008 regarding renovation work of State Life buildings No. 1 & 2 Karachi. ED(RE) briefed the Board on the salient features of the memorandum.</p> <p>After thorough discussion, the Board resolved as under:-</p> <p>RESOLVED:</p> <p>"that the proposal of ED(RE) contained in the Memorandum No.09(i) dated 26th May, 2008 and recommended by M/s. NESPAK in connection with renovation work of State Life Building No. 1 & 2, Karachi (lift works), the enhancement of advance from 15% to 35% is allowed against bank guarantee and not against insurance guarantee. The foreign exchange rate shall be taken on the date of opening of LC by the contractor and thereafter no enhancement in the foreign exchange rate will be allowed, is approved. However this approval will remain a part of Rs.765 million, which already had been approved by the Board for the renovation of 69 State Life Buildings all over Pakistan."</p> <p>ITEM (09) <u>ANY OTHER ITEM WITH THE PERMISSION OF THE CHAIR.</u></p> <p>(j) <u>NOMINATION ON EXECUTIVE COMMITTEE/COMMITTEE FOR QUETTA/GWADAR.</u></p> <p>67. It was brought to the notice of Board that Mr. Kamal Afsar, the outgoing Chairman was also the Chairman of Executive Committee as well as the Chairman of Committee for Quetta/Gwadar. The name of Mr. Ejaz Ahmad was proposed and approved as Chairman of Executive Committee and Committee for Quetta/Gwadar. As the Committee for Quetta/Gwadar is full Board Committee, therefore in place of Mr. Ashraf M. Hayat the name of Mr. Qamar Zaman Ch., was included as member.</p> <p>68. The meeting ended with a vote of thanks to the chair.</p> <p style="text-align: right;"> CHAIRMAN</p>	<p style="text-align: right;"> CHAIRMAN'S INITIALS</p>	

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Annex-6

State Life's Account for the year ended 31st December, 2007

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 2007. Details are as follows:

1 Provisions in Investment operations

Provisions and reversal of provisions in respect of diminution in value of investment as on 31.12.2007 are as follows:

Provisions made:

	(Rs. in Million)
Against unquoted and de-listed shares	1.157
Total:-	1.157

Provisions reversed:

	(Rs. in Million)
Against unquoted and de-listed shares	0.621
Against doubtful debts	0.692
Against buy back agreements	0.656
Total:-	1.969

(Rs. in Million)

Net Effect of Provisions on income:	0.812
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2 Additions to and Disposal of Investment during 2007:

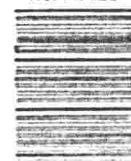
Additions:

During the year 2007, following additions were made in the Investment Portfolio:-

(Rs. in Million)

Pakistan Investment Bonds	24,656.904
Equity Securities	2,028.643
Term Finance Certificates	114.030
Total:	26,799.577

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Disposal:

During the year 2007, following disposals were made in the Investment Portfolio:-

Equity Securities	(Rs. in Million)
	820.148
Total:-	820.148

3 Additions to and Disposal of other assets during 2007:

Additions:

During the year 2007 the following additions were made in the assets:

(Rs. in Million)

Fixed assets	30.071
Real Estate assets including capital work in progress	70.379
Total:	100.450

Disposal:

During the year 2007, following disposals of assets were made:-

(Rs. in Million)

Disposal of fixed assets	1.097
Total:	1.097

4 Summary of the provisions, additions and disposal of Investment Portfolio and other assets in the year 2007, requiring approval of the Board of Directors.

(Rs. in Million)

(i)	Provision made	1.157
(ii)	Provision reversed	1.969
(iii)	Additions at cost	26,900.027
(iv)	Disposal at cost	821.245

(Rs. in Million)

5 Dividend paid to shareholder in 2007 relating to 2006 228.663


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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 2007:

i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule (2006 figures are given for comparison).

	2006			2007		
	For first five policy years	From 6 th policy year to 16 th policy year	From 17 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.	Rs.
<u>Whole Life</u>	60	110	150	60	110	150
<u>Endowments</u>						
Term: 20 years and over	50	94	130	50	94	130
15 to 19 years inclusive	35	81	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 2008, 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 2006 valuation) per thousand sum assured.

(iv) Special Terminal Bonus will be paid on claims by maturity in 2008, 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 2006 valuation).

(v) A new bonus "Loyalty Terminal Bonus" is recommended for the first time to those policy holders who have been with State Life since 1988 or earlier. "Loyalty Terminal Bonus" of Rs. 200 per thousand sum assured will be paid on claims by death or maturity in 2008 to policies with risk year 1988 or earlier.

NOTE: Terminal, Special Terminal and Loyalty Terminal bonuses are especially sensitive to the future surplus of State Life. Hence, no indication can or should be given of Terminal, Special Terminal and Loyalty Terminal bonuses which may be allowed on maturities or death claims after 2008.

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 2007:

(i) Reversionary bonuses per thousand sum assured per annum would be as per the following schedule (2006 figures are given for comparison).

	2006			2007		
	For first five policy years	From 6 th policy year to 16 th policy year	From 17 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.	Rs.
Term: 20 years and over	35	69	100	35	69	100
15 to 19 years inclusive	25	59	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 2008.

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(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) Loyalty Terminal Bonus, as mentioned in I(v) above, will be paid to policies with risk year 1988 or earlier. The Loyalty Terminal Bonus will be calculated on the basic sum assured under the policy, and not on the residual survival benefit.

(vi) 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 2008, which the policyholder opts to leave, Special Reversionary Bonuses will be allowed as follows (same as 2006 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
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

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 2007:

(i) Reversionary bonuses per thousand sum assured per annum would be as per following schedule. (2006 figures are given for comparison):

	2006	2007
	For first five policy years	For first five policy years
Term:	Rs.	Rs.
20 years and over	44	44
15 to 19 years inclusive	31	31
14 years and less	24	24


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(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 end of the policy year. These bonuses are payable when the Cash Value under the policy is payable.

(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.

(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.

V. Personal Pension Scheme (Table 71)

(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 2008. This increase will also be available on pension payments commencing in 2008.

(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.

VI. Specified Major Surgical Benefit

(i) Specified Major Surgical Benefit was announced for the first time in 1992 valuation. This benefit has been retained in 2007 valuation. This benefit is available to all with-profit policies, which have been in full force as at 31st December 2007 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 2007 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 2008 to 31st December 2008 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.

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VII. 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 2009 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 2008.

VIII. Terminal/Loyalty Terminal Bonus for Paid-up Policies

(i) Terminal Bonus on Whole Life and Endowment type paid-up policies will be paid on claims by death or maturity in 2008, 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.

(ii) Terminal bonus as mentioned in VIII(i) above 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 2008.

(iii) Loyalty Terminal Bonus, of Rs. 200 per thousand paid-up sum assured as mentioned in I(v) above, will be paid to "Paid-Up" policies with risk year 1988 or earlier.

(iv) Loyalty Terminal bonus, as mentioned in VIII(iii) above will also be paid to Anticipated Endowment paid-up policies on claims by death or maturity in 2008.

Note: Bonus for Paid-up policies will be calculated on the Paid-up sum assured and not on the basic sum assured.

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, Loyalty 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 or Single Premium policies, 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 2007:

I. Policies expressed in Dirham:

Reversionary bonuses per thousand sum insured per annum would be as per following schedule (2006 figures are given for comparison).

	2006		2007	
	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 (2006 figures are given for comparison).

	2006		2007	
	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	\$ 23	\$ 42
<u>Endowments</u>				
20 years and over	16	31	17	33
15 to 19 years inclusive	10	23	10	23
14 years and less	5	16	5	16
<u>Anticipated</u>				


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<u>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

Notes:

- (d) Jeevan Sathi and Shadabad policies will be treated as Endowment policies.
- (e) 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.

III Interim Bonus on death and maturity claims will be allowed till the next bonus declaration, at the rates as given in I and II above.

IV. 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 4% from policy anniversaries in the year 2009 under with profit policies.

Note: The percentage increase will be allowed on the actual benefit payable on policy anniversaries (including any prior increases) in the year 2008.

V 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:

- iii) The policyholder has actually paid at least three full years' premiums
- iv) 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 '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 2008 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 2008, 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 2007 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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<p>6. <u>Cancer surgery:</u> 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.</p> <p style="text-align: center;"><u>DESCRIPTION OF BENEFIT</u></p> <p>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.</p> <p>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.</p> <p>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 proceeds, 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>			


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1. To obtain the specified major surgical benefit, the date of surgery must be between 1st January 2008 and 31st December 2008.

NB: The question of surgery after 31st December 2008 will be considered at the time of the 2008 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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