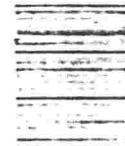




MINUTES OF 196TH MEETING OF THE BOARD OF DIRECTORS

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<p>Ordinance 2000, Takaful Rules 2005, Mission Statement, objective of State Life and corporate structure. ED(Marketing) informed the Board that one of the objective of State Life was to widen the area of operation of life insurance and make it available to as large a section of the population as possible, extending it from comparatively more affluent sections of the society to the common man in towns and villages. The present approved and existing position of officers, staff and field force was also put before the Board. There are 929 officers against the approved strength of 1385 and there are 2550 staff members against approved strength of 2700.</p> <p>11. ED(Marketing) presented before the Board the financial indicators for the period 2001 to 2007 of (i) the policies in force in respect of individual life, (ii) life covered under group life, (iii) first year premium in respect of individual life (iv) renewal premium in respect of individual life, (v) 2nd year persistency and 3rd year persistency, (vi) group life and pension premium, (vii) investment income, (viii) Real Estate income, (ix) total income, (x) total outgo, (xi) accretion to statutory funds, (xii) total of statutory funds and (xiii) investment portfolio at book value.</p> <p>12. ED(Marketing) also presented before the Board, the book value and fair value of the Real Estate properties and amounts paid to Government of Pakistan for the period from 2001 to 2007 in respect of policy stamps, dividends and tax on dividends.</p> <p>13. The major issues of State Life were highlighted before the Board by ED(Marketing) as follows:-</p> <ul style="list-style-type: none"> • Acquisition and upgradation of IT System • Replacement of manual processes with automated and online system • Introduction of Unit linked insurance • Commencement of Takaful window operations • Introduction of Banc assurance • Turn over of qualified Manpower • Recruitment. <p>14. ED(Marketing) informed the Board that 97.5% of the actuarial surplus for the year is distributed to the existing policyholders whereas the private sector insurance companies distribute 90% of the actuarial surplus to the existing policyholders under Insurance Ordinance 2000. State Life Insurance Corporation of Pakistan is maintaining three statutory funds i.e. Pakistan Fund, Overseas Fund and Pension Fund.</p> <p>15. To a query from Mr. Rasheed Chinoy, Director about the effect of financial meltdown on State Life, the Chairman informed that so far there was no negative impact on State Life's insurance activities.</p> <p>16. As desired by the Board, the Chairman advised ED(G&P) to arrange for a presentation on group life business and ED(Investment) for a presentation on Takaful vis a vis conventional insurance to the Board at its next meeting to be held on 3rd November, 2008.</p>		

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ction: D(B&A	<p>17. Syed Hur Riahi Gardezi and Mrs. Spenta Kandawalla, Directors expressed their concern at the delay in carrying out the directive of the Board in respect of implementation of plan for information technology for State Life.</p> <p>18. On a point raised by Syed Hur Riahi Gardezi, the Chairman instructed GM(B&A) to give a presentation to the Board at its next meeting to be held on 3rd November, 2008 in respect of amount paid to the Government of Pakistan for the year 2001 to 2007 for policy stamps, dividends and tax on dividends.</p> <p>ITEM (02) RS.5 BILLION CONTRIBUTION TO NIT - STATE ENTERPRISE FUND</p> <p>19. The Executive Director(Investment) presented before the Board, a memorandum dated 24th October, 2008 in respect of Rs.5 Billion contribution to NIT by State Life Insurance Corporation of Pakistan for establishment of NIT _ SEF (State Enterprise Fund) to support the present crisis in the Stock Market. NIT vide their letter No.MD/SEF-022/338 dated 23rd October, 2008 has informed that the Government of Pakistan has approved the necessary guarantee for the investments to be made in the fund. Specimen of the guarantee against the investments was made available (Annexure-A).</p> <p>20. The Executive Director(Investment) informed the Board that the Government has desired that a sum of Rs. 5 billion each, be contributed by State Life Insurance Corporation of Pakistan, EOBI, National Bank of Pakistan and National Investment Trust Limited to the fund, which would be invested in shares of the listed companies to be approved by the Ministry of Finance that are Government controlled or where the Government has substantial stake therein against which units would be issued by the NIT – SEF.</p> <p>21. The objective of the fund is to stabilize stock market by acquiring shares of above companies from the ready counter of secondary market. NITL would be Management Company of the Fund and shall assume all responsibilities of the Management Company as specified under NBFC Rules and Regulations.</p> <p>22. The Fund will invest Rs.20 billion in stock market while Rs.30 billion will be used to write one year European style put option for foreign portfolio investors. The maximum life of the proposed fund would be three years during which NIT Limited will try to sell the units to non resident Pakistanis and others for profit, whereas units not sold would be taken over by the Government at the issue price adjusted for reinvestment units plus the cost of funding thereon. Any distribution by fund on the units issued to the said entities shall be reinvested in the fund. Thus the gain and loss in the investment made by the said entities shall accrue to the Government.</p> <p>23. The Government would facilitate the entities investing in the fund to borrow funds from banks. This entities shall borrow funds by carrying out repurchase transactions against any of their existing unencumbered assets and/or units of the fund being issued to the respective entities backed by a standard repurchase agreement and (ii) necessary sovereign guarantees in favour of the lending bank for fulfillment of terms of the repurchase agreement.</p>			 CHAIRMAN'S INITIALS 

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24. The Government of Pakistan guarantee for the repurchase transaction will also the facilitate to lend the bank without any initial margin and without the need to call for any margins to cover mark to market losses, if any. The guarantee shall be for a principle amount of Rs.20 billion and markup thereon for a maximum tenure of three years with repurchase agreement for renewal period of one to 12 months each so as to facilitate disposal of the investment and repayment of the financing from time to time. In case of entities utilizing the own funds, the government would compensate such entities for the loss of earning on such funds at the rate these entities would normally earn by investing in Government paper.

25. The Board of Directors, in pursuance of national interest and on the directives of the Ministry of Finance, approved the participation of the Corporation in the NIT – State Enterprise Fund to the extent of Rs. 5 billion. However, the Board emphasized that the interest of policyholders should always be kept paramount. The approval for the participation in the fund was made subject to the following conditions:-

- (1) That Government directives for investment in the fund is communicated to State Life Insurance Corporation of Pakistan through the Ministry of Commerce which is the controlling Ministry of State Life Insurance Corporation of Pakistan.
- (2) That a guarantee is given by the Government of Pakistan to State Life Insurance Corporation of Pakistan that the scheme would be comprehensively cost neutral.
- (3) That the interest accruing in the context of State Life Insurance Corporation of Pakistan's investment during the currency of the fund is paid for by the Government as and when due.
- (4) That in the interest of the policyholders it should be ensured that the safety of the collateral offered by State Life is guaranteed by the Government of Pakistan.

26. Subject to the above, the Board resolved as under:

RESOLVED:

"that the proposal of ED(Investment) contained in the memorandum dated 24-10-2008 for contribution of Rs. 5 billion to NIT – State Enterprise Fund for investments in shares of certain listed companies that are Government controlled or where the Government has substantial stake therein are hereby approved and the Chairman is authorized to take all necessary steps and execute the transaction to raise required funds. The Chairman is also authorized to ensure adequate participation of the Corporation in the fund management."

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


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Annexure "A"

**FOR LETTER OF GUARANTEE TO BE ISSUED
BY THE GOVERNMENT**

It is desirous to set up a mutual fund (Fund) that can benefit from the market opportunity of acquiring shares of certain listed companies that are government controlled or where the government has substantial stake therein.

The objective is of ultimately attracting investment in the Fund in foreign exchange from Non-resident Pakistanis and others.

It will be appropriate to direct National Investment Limited (NITL) to set up the Fund.

It is proposed that:

The NIT State Enterprise Fund or such other name as may be selected for the fund be set up and run by NITL.

NITL shall act in the capacity of the Management Company of the Fund and shall assume all responsibilities of the Management Company as specified under NBFC Rules and Regulations.

The Fund shall invest in shares of listed companies that are government controlled or where the government has substantial stake therein (Eligible Shares).

The initial investors in the Fund shall be certain Government entities such as EOBI, State Life Insurance Corporation, National Bank of Pakistan and National Investment Trust Limited.

It is intended that the investment so made in the units of the Fund shall be sold at a gain to Non-resident Pakistanis and others over the course of next three years.

In the event any units (including units issued as re-investment, as explained herein below) remain unsold, the Government shall take over the units at the issue price adjusted for reinvestment units plus the cost of funding thereon. Any distribution by Fund on the units issued to the said entities shall be reinvested in the Fund. Thus the gain or loss on the investment made by the said entities shall accrue to the Government.

The entities being directed to invest in the Fund shall be facilitated by the Government in borrowing funds from banks for investment in the Fund by way of purchase of units of the Fund.

These entities shall borrow funds by carrying out repurchase transactions against the any of their existing unencumbered assets and/or units of the Fund. The lending banks shall disburse the funds against (i) the said unencumbered assets and/or units of the Fund being issued to the respective entities backed by a



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standard repurchase agreement and (ii) necessary sovereign guarantees in favour of the lending bank for fulfillment of terms of the repurchase agreement.

The Government of Pakistan guarantee for the repurchase transaction will also facilitate the banks to lend the funds without any initial margin and without the need to call for any margins to cover mark-to-market losses, if any.

The guarantee shall be for a principal amount of Rs. 20 billion and mark up thereon for a maximum tenor of three years. The repurchase agreements shall be for renewable periods of one to twelve month each so as to facilitate disposal of the investment and repayment of the financing from time to time.

The Government shall issue individual letters of guarantee in favour of the lending banks for each of the governmental borrowing entities at the request of the borrowing entities. In order to facilitate timely issue of the individual guarantees, it is proposed that the Government authorizes and empowers the Chairman & Managing Director NITL to execute the individual guarantee documents on behalf of the Government within the parameters stated herein above.

To the extent the above referred to investing entities do not require support in raising funds and utilize their own funds, the government would compensate such entities for the loss of earning on such funds at the rate these entities would normally earn by investing in government paper.

In addition, it is proposed that the Fund shall be entitled to write Put Options on the Eligible Shares as well.

Initially the Fund may write one-year European style Put Options on Eligible Shares and offer such options to foreign portfolio investors.

In order the Fund to make the commitment for writing put options, it is proposed that the Government undertakes to honour such commitment made by the Fund on a back-to-back basis up to an amount not exceeding Rs. 30 billion to meet such Fund commitments. Thus the Fund shall be acting on behalf of the Government and not taking any liability on its own account to the extent of the commitments made up to the said Rs. 30 billion.

It is also proposed to direct NITL to appoint a Technical Advisor to calculate premiums on the Put Options and the premiums so recovered against the Options written by the Fund shall accrue to the Government net of technical advisor fee and other related cost.

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