

19TH MEETING OF THE BOARD OF DIRECTORS

DIRECTORS	HELD AT	ON	TIME
MEMBER BOOK	Karachi	Monday, the 9th July, 1973	3 P.M.

The 19th meeting of the Board of Directors of the State Life Insurance Corporation of Pakistan was held on Monday the 9th July, 1973 at 3 P.M. in the Board room of the Corporation at Karachi in pursuance of notice dated 4th July, 1973.

Mr. P. Sequeira was elected unanimously to preside over the meeting.

The following members were present:

1. Mr. P. Sequeira
2. Mr. S.F. Alam
3. Mr. Samee-ul-Hasan
4. Mr. M.S. Janjua
5. Mr. D.M. Quraishi, TQA
6. Mr. A.A. Toor, PA&AS
7. Mr. S.A. Walajahi
8. Mr. M. Zulqarnain

Mr. Nisar Hussain and Mr. M. Sadiq Khan were also present.

The following business was transacted:

ITEM NO. I: CONFIRMATION OF THE MINUTES OF THE 18TH MEETING OF THE BOARD OF DIRECTORS OF STATE LIFE INSURANCE CORPORATION HELD ON SATURDAY, THE 23RD JUNE, 1973, AT KARACHI.

The minutes of the 18th meeting of the Board of Directors of State Life held on Saturday the 23rd June, 1973 were confirmed subject to the following amendments:

(1) The words "Central Government" wherever occurring under Item III be substituted by the words "Central Government Employees Benevolent and Group Insurance Funds".

(2) Item III Para 1: In the last sentence, the words "additional amount at risk" occurring between the words "he explained that the" and "in the event" were replaced by the words "amount of premium income at stake".

(3) In sub-para (b) in between the words "was based on" and "adverse experience of 1971", the words "the experience of previous years including the" were added.

(4) In sub-para (c) the words "additional risk involved" occurring between the words "That the" and "would amount to" were replaced by the words "amount of premium income at stake".

(5) Item VI, at the end of para (2)(i), the following sentence was added "It was decided that in-so-far-as the Directors were concerned, the matter should be left to the Chairman".

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ITEM NO. II: TO CONFIRM RESOLUTION DATED 23RD JUNE, 1973, ALREADY APPROVED BY CIRCULATION, AUTHORIZING MR. NAZIER AHMED JAJVI TO ATTEND AND VOTE AT THE 6TH ANNUAL GENERAL MEETING OF ICP HELD ON 29TH JUNE, 1973, ON BEHALF OF STATE LIFE.

The Board confirmed its Resolution dated 23rd June, 1973, already approved by circulation, authorising Mr. Nazier Ahmed Jajvi to attend and vote on behalf of State Life at the 6th Annual General Meeting of ICP held on 29th June, 1973.

ITEM NO. III: TO DISCUSS FURTHER DEVELOPMENTS IN REGARD TO:-
(1) Employees Old Age Pension Scheme:-

Mr. S.A. Walajahi apprised the Board of the latest developments regarding the Employees Old Age Pension Scheme being negotiated with the Sind Government. He said that the draft Regulations sent to the Sind Government had been discussed further by the representatives of State Life with the Labour Secretary and some minor changes suggested in the draft by him had been agreed to mutually. However, there were one or two fundamental points which related to (i) commencement of payment of earned pension immediately in the event of early retirement instead of withholding it till secured person reaches the age of 55 years and (ii) the right of State Life to increase the premium after 3 years if the actuarial valuation revealed that the rate being charged was inadequate.

The Government of Sind wanted that any increase in the rate of premium may be subject to their approval. It was explained to the Sind Government that payment of pension at an age earlier than 55 years would, besides increasing the cost, be a contravention of the Old Age Pension Ordinance. It was also explained that State Life would not arbitrarily increase the rate of premium but will do so only to keep the fund solvent in accordance with the actuarial valuation.

As a result of discussions it was agreed with the Secretary Labour that officials of Labour Deptt. and State Life along with their Legal Advisers will meet to evolve a mutually agreed draft and points of differences, if any, could be tackled at a later meeting.

After discussing the matter thoroughly the Board decided to adopt the following line of action.

1) State Life should adhere as a matter of principle to the payment of Pension at the age of retirement i.e. 55 years.

2) In order to meet the view point of the Provincial Government regarding the increase in premium rates State Life should inform the Provincial Government that in effecting any increase in the rate of premium, the State Life would be guided not only by actuarial investigation but as a concession also by the principle of 'No Profit No Loss'.

In case the Government of Sind did not find this acceptable, State Life may then hand over the Pension Fund to the Government of Sind but so as not to cause any dislocation in the continued working of the fund, should continue to manage it in the capacity of Trustee or in such other capacity as may be agreed at a fee to be determined by mutual agreement.

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The Board authorised Mr. S.A. Walajahi to carry on further negotiations with the Sind Government on the above basis.

(2) Central Government Employees Group Insurance Scheme:

The Chairman informed the Board that as per decision taken in the last meeting, the rate of Rs.4.20 per thousand per annum had been communicated to the Board of Trustees of the Central Government Employees Benevolent and Group Insurance Fund. But it had been unofficially learnt that inspite of that, the Board of Trustees had decided to give the business to the PLI at the same rate. The decision had, however, not so far been communicated to the PLI. The matter had, therefore, been taken up with the Ministry of Commerce, and at the request of the Chairman, Mr. Toor had also visited Islamabad to ascertain the factual position and to meet some of the members of the Board of Trustees with a view to securing the business.

Mr. Toor informed that among others, he had met the Additional Secretary Finance representing the Ministry of Finance on the Board of Trustees. The Additional Secretary Finance had informed him that it was true that the Board of Trustees had decided to give business to the PLI. But it was not correct that State Life had offered equal terms. He said that the decision to give the business to PLI was based on the fact that the PLI offered higher profit commission i.e. 95% compared to 90% offered by the State Life. When Mr. Toor explained to him that the State Life had also offered in writing to give 95% profit commission, it transpired that this fact had not been communicated to the Board of Trustees in time for the meeting. However, the Additional Secretary Finance was kind enough to agree to help provided the decision had not been communicated to the PLI as yet and provided we could give him some reasons why the business should go to State Life in preference to PLI when the rates of the two were equal. He was given the following reasons:-

- i) The State Life was better equipped to handle the business. It had a large number of professionally qualified staff with years of experience in providing service on commercial lines. On the other hand the PLI had hardly any technically qualified staff. There had been complaints about its efficiency and the Government had appointed a Committee to look into its working. On equal rate, therefore, the preference should go to State Life.
- ii) State Life had been established by the Central Government as a result of nationalisation and we had to make it a success. If the Group Insurance of the employees of the Central Government itself was not given to the State Life despite the fact that it was giving the same rate with higher expertise and technical know-how, it might adversely affect the confidence of others in the State Life.

Majority of the members of the Board endorsed the above stand.

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Mr. Walajahi objected to the offer of refund of 95% of profits by the State Life at par with the PLI. He maintained that the State Life should not increase its profit commission from 90% to 95% to get this business because he felt that it might have repercussions on all other Group Insurance contracts of the State Life.

The Chairman explained that the matter had been discussed with the Consulting Actuary, Mr. S.S. Akhtar, who had expressed the view that if the question of profit commission rather than the rate was at issue, he would readily have advised the former and agreed to 95% in this case. The Chairman added that he considered it justifiable to do so because otherwise it might be the beginning of losing the entire Group Insurance business of the Government and semi-Government organisations which would be a big blow to the State Life. Mr. M.S. Janjua and Mr. Alam endorsed his views.

The Board ultimately approved of the offer of refund of 95% profit at the rate of Rs.4.20 per thousand per annum, made to the Board of Trustees subject to the condition that the rate would be for a period of one year only in the first instance and would be subject to review at the end of the year.

Mr. Walajahi, however, gave a vote of dissent and Mr. Samee-ul-Hasan joined him.

ITEM NO. IV: TO CONSIDER AND APPROVE STATE LIFE EMPLOYEES (GRATUITY) ORDER, 1973.

The Board was informed that the State Life Employees (Gratuity) Order, 1973 had been revised in the light of observations made by the Board in its last meeting. It had also been discussed with the representatives of the Pakistan Insurance Employees Federation.

The Board approved the Gratuity Order, with minor changes, as under:

"STATE LIFE EMPLOYEES (GRATUITY) ORDER 1973.

In exercise of the powers conferred by Regulation 68 of the State Life Employees (Service) Regulations 1973, the Board of Directors of the State Life Insurance Corporation of Pakistan, is hereby pleased to issue the following Order:-

1. Short title, commencement and application.
 - (1) This Order may be called the State Life Employees (Gratuity) Order, 1973.
 - (2) It shall come into force from 1st January, 1973.
 - (3) It shall apply to the employees of the State Life Insurance Corporation of Pakistan, except employees on deputation or on contract to whom it shall apply only to the extent, if any, specified in the terms of their deputation or contract, as altered from time to time.
2. Definitions:
 - (a) "Corporation" means the State Life Insurance Corporation of Pakistan.

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- (b) "Service" means continuous service as an employee with the Corporation together with continuous service, if any, rendered prior to the formation of the Corporation and transferred to the Corporation under Article 19 of the Life Insurance (Nationalisation) Order, 1972.

Provided that a transfer made between 18th March, 1972 and 31st October, 1972 by virtue of appointment as Trustee/sub-Trustee or otherwise within the Life Insurance sector, the management of which stood vested in the Federal Government under Article 4 of the Life Insurance (Nationalisation) Order 1972, shall be deemed to be a continuation of service.

Change of employment from one insurer to another prior to 18th March, 1972 shall, however, constitute a break in service.

- (c) "Year" means a period of twelve completed calendar months.
- (d) Words and expressions used but not defined in these Regulations shall have the same meanings as are respectively assigned to them in the State Life Employees (Service) Regulations 1973.

3. Eligibility:

(1) An Employee who has completed at least 5 years service and leaves the Corporation by virtue of retirement, resignation duly accepted by the Corporation, or termination of service by the Corporation or death shall be entitled to gratuity; provided that in the event of death before completion of 5 years service, he shall be deemed to have completed 5 years service for the purpose of this Order.

(2) No gratuity shall be payable to an employee who is dismissed from service for misconduct including fraud or loss to the Corporation's property.

4. Entitlement:

- (1) The Gratuity shall be paid at the following rates:-

<u>No. of completed years of service.</u>	<u>Amount of Gratuity</u>
5	3 months' last drawn basic pay
6	4 months' last drawn basic pay
7	5 months' last drawn basic pay
8	6 months' last drawn basic pay
9	8 months' last drawn basic pay
10	10 months' last drawn basic pay
11	11 months' last drawn basic pay
12	12 months' last drawn basic pay
13	13 months' last drawn basic pay
14	14 months' last drawn basic pay
15	15 months' last drawn basic pay

The amount payable shall not however exceed Rs.50,000.

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<p>(2) An Employee in category 'A' and 'B' who was in service on 1st November, 1972 shall be allowed gratuity on the basis of gross salary which will consist of basic pay, house rent and conveyance allowance, as admissible under the State Life Employees (Service) Regulations, 1973.</p> <p>5. <u>Payment in the event of death.</u></p> <p>In the event of death during service, the gratuity shall be paid to the legal heirs of the deceased.</p> <p>6. <u>Recovery of liabilities to the Corporation</u></p> <p>(1) If the competent authority so directs, a deduction may be made from the amounts payable under this Order, for any amount for which an employee may be liable to the Corporation.</p> <p>(2) The competent authority for the purpose of this Order shall be the General Managers in the case of Units and Executive Director (Administration) in the case of Principal Office.</p> <p>ITEM NO. V: TO CONSIDER A NOTE BY MR. ZULQARNAIN RE: <u>GROUP INSURANCE.</u></p> <p>Mr. Zulqarnain informed the Board that a meeting was held in the office of the Acting Chairman on 27.6.73 to consider and recommend measures to promote group insurance business selling. The meeting was attended by Mr. Zulqarnain, Mr. S.F. Alan, Mr. S.S. Akhtar and Senior Officials of the three Beema Units in charge of group business. The meeting had made certain recommendations for the consideration of the Board.</p> <p>The Board considered these recommendations. The views expressed and the decisions taken under each were as follows:</p> <p>1) <u>Motivation of field Force:</u></p> <p>The Board approved the recommendation of Mr. S.S. Akhtar, Consulting Actuary to allow 5% of the Agent's commission as incentive bonus to the Area Manager on his organisation since he was the key-man to motivate the field force for the sale of group business.</p> <p>2) <u>Appointment of Sales Organisers for Group department.</u></p> <p>It was suggested that separate Sales organisation exclusively for Group Deptt. be raised as the Group Insurance business might come to a stop within a period of 4/5 years and any appointment on the basis of new business alone would not endure. It was further suggested that a formula be evolved whereby the paid staff of field be appointed with a marginally raised overall procurement cost for the Group Department keeping in view the fact that substantial new business would not be coming after a few years. Mr. Janjua enquired as to what were the limits of the administrative cost of the Group Deptt. so that he could determine as to how much further staff he could take in service for this business. As the information was not readily available, it</p>		

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2) Setting-up of a Panel of Officers for processing cases to be submitted to the Insurance Appellate Tribunal:

The Board approved the formation of a Panel consisting of the following officers for processing cases to be submitted to the Insurance Appellate Tribunal.

1. Chief, Law, Principal Office
2. Chief Investment, Principal Office
3. Chief Accountant, Principal Office
4. Mr. Mohd Farid, Principal Office
5. Mr. S. Aftab Ahmed, Actuary.

The Board also decided that the Chief, Law, Principal Office may act as the convenor of the Panel and authorised the Panel to co-opt any other person(s) from the Principal Office or from the Units for processing and conducting cases with the Tribunal.

ITEM NO. VII: ANY OTHER ITEM:

The Board then took up the paper prepared by Mr.M.S.Janjua General Manager 'A' Beema Unit on the following subject:

(1) Provision of cars to Area Managers:

It had been decided in the 15th meeting of the Board of Directors held on 14th May, 1973 that transport facility should be provided to the Area Managers and other senior officers doing development work. In the case of Area Managers the decision stipulated that those whose earnings were less than Rs.35,000 in 1972 and were not enjoying the facility of free car would not be provided this facility and would only be entitled to Rs.200/- p.m. as Conveyance Allowance.

It was pointed out that the Area Managers concerned had expressed their dissatisfaction over this discrimination. The argument was that once a person had been selected, he should be treated at par with others in the same category as far as such facilities were concerned. To achieve the targets given to the Area Managers a lot of travelling was involved and allowance of Rs.200/- per month was considered inadequate. This was particularly true in respect of under-developed territories where it was all the more necessary to be more mobile for developing business.

It was suggested that differentiation among the Area Managers as agreed in the 15th Board meeting be removed, in respect of transport facilities for this class of Area Manager. It was further suggested that if the performance of such Area Managers did not justify the continuation of this facility, the General Manager concerned might be authorised to make necessary changes keeping in view their performance. In support, it was stated that in each Unit there were not likely to be more than two or three such cases.

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The Board considered the above suggestions and decided to leave the matter to the General Manager concerned provided the number of such Area Managers was not more than 3 in each Unit.

(2) Personal business by staff:

Mr. M.S. Janjua, informed the Board that he had issued an Office Order forbidding personal business by salaried field and office staff.

It was decided to defer this matter to the next Board meeting, for full examination.

Before concluding the meeting, Mr. P. Sequeira thanked his colleagues for the cooperation extended to him during the short period he had looked after the work of the Chairman.

The members of the Board expressed their warm appreciation of the excellent and amiable manner in which Mr. Sequeira had conducted the affairs of the Corporation in the absence of the Chairman. Mr. Sequeira reciprocated the sentiments and thanked them once again.

The meeting then ended with a vote of thanks to the Chair.

Signature
13/8/73 continued
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Signature

Signature

Chairman

13/8/73

